RAVEN RUSSIA LIMITED

Annual Report and Financial Statements for the year ended 31 December 2012

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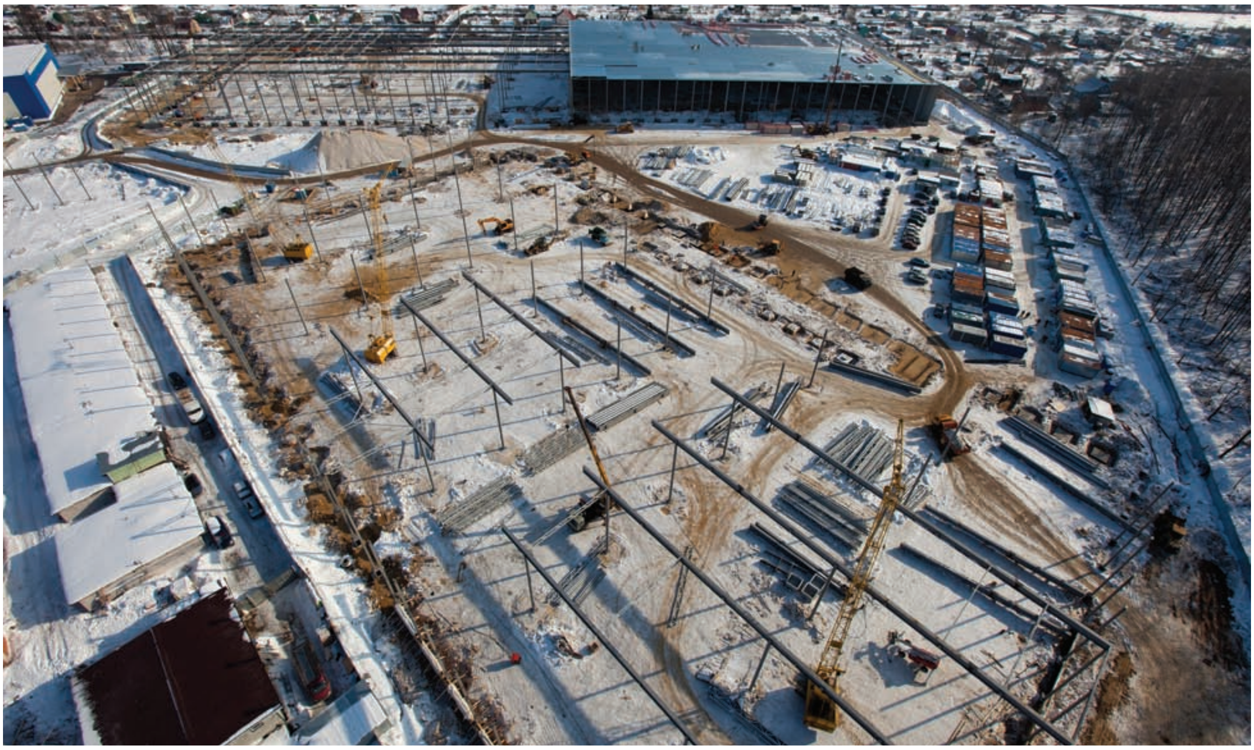
Highlights

Financial Highlights

- NOI up 49% from $91.7 million to $136.5 million
- Underlying operating profit up 63% from $68.9 million to $112.1 million
- Underlying earnings before tax increases from $8.1 million to $34.7 million
- IFRS operating profit before revaluation of properties up from $57.8 million to $84.4 million
- Operating cash flows increase from $81.6 million to $120.7 million
- Today's annualised NOI (including PLAs and LOIs on current developments) $179.7 million
- Year end gearing (post acquisitions) 44.1% (2011: 38.1%)
- Year end cash $191.7 million (2011: $181.8 million)
- Underlying basic EPS 5.30 cents (2011: 0.18 cents)
- Final distribution up 29% to 2.25p per share
- Total distribution up 25% to 3.75p per share (represents a yield of 5.7% at current price)
- Tender offer buy back of 1 in 33 ordinary shares at 75p
- Adjusted fully diluted NAV per share 125 cents (2011:119 cents)

Business Highlights

- Acquisition of Pushkino, a Grade A fully let Moscow warehouse comprising 214,000 sqm with annualised NOI of $25.8 million for a consideration of $218.1 million, an initial yield of 11.8%
- Acquisition of Sholokhovo, a Grade A fully let Moscow warehouse comprising 45,000 sqm with annualised NOI of $6.1 million for a consideration of $50.5 million, an initial yield of 12.1%
- Acquisition of 38 hectares of permitted land at Padikovo, Moscow for a consideration of $23 million where we can build 197,000 sqm of space over time
- Issue of 48.4 million new preference shares to institutional investors at a price of 134p (representing a yield of 9%) to assist with the funding of these acquisitions



Klimovsk Phase 3

Chairman's Statement

The Board of Raven Russia announces the Group's results for the year ended 31 December 2012.

The Group is making very good progress. Lettings have continued in an undersupplied market, finance facility maturities have been extended and important earnings enhancing acquisitions made. It has been a busy and fulfilling year.

Net rental and related income ("NOI") for the year increased by 49% from $91.7 million to $136.5 million. Underlying operating profit increased by 63% from $68.9 million to $112.1 million and underlying earnings before taxation increased significantly from $8.1 million to $34.7 million.

Operating cashflow increased 47.9% from $81.6 million to $120.7 million.

Significant acquisitions added two fully let properties in Moscow to the portfolio, with 259,000 square metres ("sqm") of space, increasing NOI in the period by $15.1 million. They add $31.9 million to our annualised NOI. The acquisitions were partly financed by an issue of 48.4 million preference shares at 134 pence. Even before taking account of acquisitions, progress has been excellent.

After a revaluation surplus of $69.3 million (2011: $153 million), IFRS operating profit was $148.8 million (2011: $200.3 million). Underlying basic earnings per share increased from 0.18 cents to 5.30 cents. Adjusted, fully diluted net asset value per share increased from 119 cents to 125 cents.

Annualised NOI is $170.1 million today. With pre let agreements ("PLAs") and letters of intent ("LOIs"), including those on additional phases of construction at our Noginsk and Klimovsk projects, this increases to $179.7 million. Fully let, annualised NOI will be $190.4 million.

We have maintained our balance sheet strength at the year end. Following the acquisitions in the year, gearing has increased to 44.1% (2011: 38.1%) as calculated in note 35 to the financial statements. Our year end cash balance stood at $191.7 million (2011: $181.8 million).

Our final distribution of 2.25 pence per share is a 29% increase over the final distribution of 1.75 pence declared last year and means a 25% increase in total distribution for the year from 3 pence to 3.75 pence per share. This represents a yield of 5.7% on the current share price.

As our shares continue to trade at a significant discount to NAV we will be distributing in the form of a tender offer buy-back of 1 in 33 ordinary shares at 75 pence. The tender offer will be subject to the approval of shareholders and a circular setting out full details will be posted shortly. It is expected that the tender offer will be completed in May 2013.

I would like to take this opportunity to thank our shareholders, employees and advisers for their support during a very busy year.

Richard Jewson
Chairman
10 March 2013

Chief Executive's Report

The year to 31 December 2012 has been very active. Alongside continuing lettings we have made some significant acquisitions, continued our construction programme in Moscow, prolonged near term debt maturities and raised further preference share capital.

The same market dynamics we saw in 2011 continued through 2012 and into 2013. The key factors for us have been strong tenant demand and limited new supply.

The portfolio is virtually fully let and rents have reached $135 per sqm in Moscow. New leases are being signed for 5 to 10 year terms with high quality tenants.

Our completed investment portfolio comprises 1.3 million sqm of completed Grade A warehousing. It currently produces NOI of $170.1 million per annum from a group of high quality tenants. PLAs and LOIs increase that to $175.5 million and it will reach $179.5 million when fully let. At the year end, these properties had a gross value of $1,502 million, equating to a fully let yield of 11.9 % and a capital value of $1,155 per sqm.

We are well advanced on the construction of new phases of 48,000 sqm at Klimovsk and 36,000 sqm at Noginsk and expect completion at the end of the second quarter 2013. These already have signed PLAs and LOIs for $4.1 million and will add $10.9 million in total when fully let, increasing the potential annualised NOI from the portfolio to $190.4 million.

During the year, we acquired assets at Pushkino and Sholokhovo in Moscow. Grade A warehouses, fully let to strong tenants with current initial yields of 11.8% and 12.1% respectively. After deducting the cost of bank interest and preference dividends which financed the acquisitions, they contribute $11 million to profits on an annualised basis. They contributed $15.1 million to NOI in the second half of 2012.

Pushkino

We also acquired 38 hectares of land at Padikova on the Nova Riga highway to the north west of Moscow. Over time, we can build 197,000 sqm there.

In addition to the projects and land above, we have sufficient permitted Moscow land to add at least another 150,000 sqm to the portfolio in due course.

A potential annualised rent roll of $190.4 million will give a strong income base for a growing distribution per share. This remains our main financial objective. If we can demonstrate a clear record of growing distributions going forward, that will go a long way to demonstrating the real value of our assets.

A big question for us is how much to accelerate development beyond our existing organic plan of 50,000 to 100,000 sqm per annum. The direct property market would suggest aggressive expansion but we don't want to jeopardize our now solid investment income foundation and we want to grow distributions per share. The main constraint is funding.

I will also take this opportunity to reiterate our policy on tender offer buy backs, repeating what I said at the half year. We are committed to tender offer buy-backs whilst this can be achieved at discounts to NAV. In the medium to long-term this will add value to shareholders. A shareholder tendering shares will receive cash equivalent to the quantum of a dividend and, assuming the tender offer is fully taken up, will retain the same percentage shareholding. Even though the number of shares held reduces, the percentage holding of the shareholder remains the same and NAV per share will rise as shares are cancelled at a discount to NAV.

The perception of Russia is that it is high risk and volatile. It is our job to demonstrate it is not. We hope to do this by producing steadily increasing distributions to shareholders.

Glyn Hirsch
Chief Executive Officer
10 March 2013

Property Review

2012 was a year of development, acquisition and letting across the portfolio. All of these activities contributing to either an immediate increase in income or to the future potential income of the portfolio, through asset management and development.

Tenant demand in 2012 was once again strong, in the regions as well as Moscow and as a result we completed 124,000 sqm (1.3 million square feet) of new lettings, generating an additional $16.4 million of annualised rental income and allowing full operating cost recovery on the space. With the maturity of our portfolio, we are now becoming an active asset manager and in the year we regeared or renewed leases on 192,000 sqm with an annual rental uplift of $3.6 million.

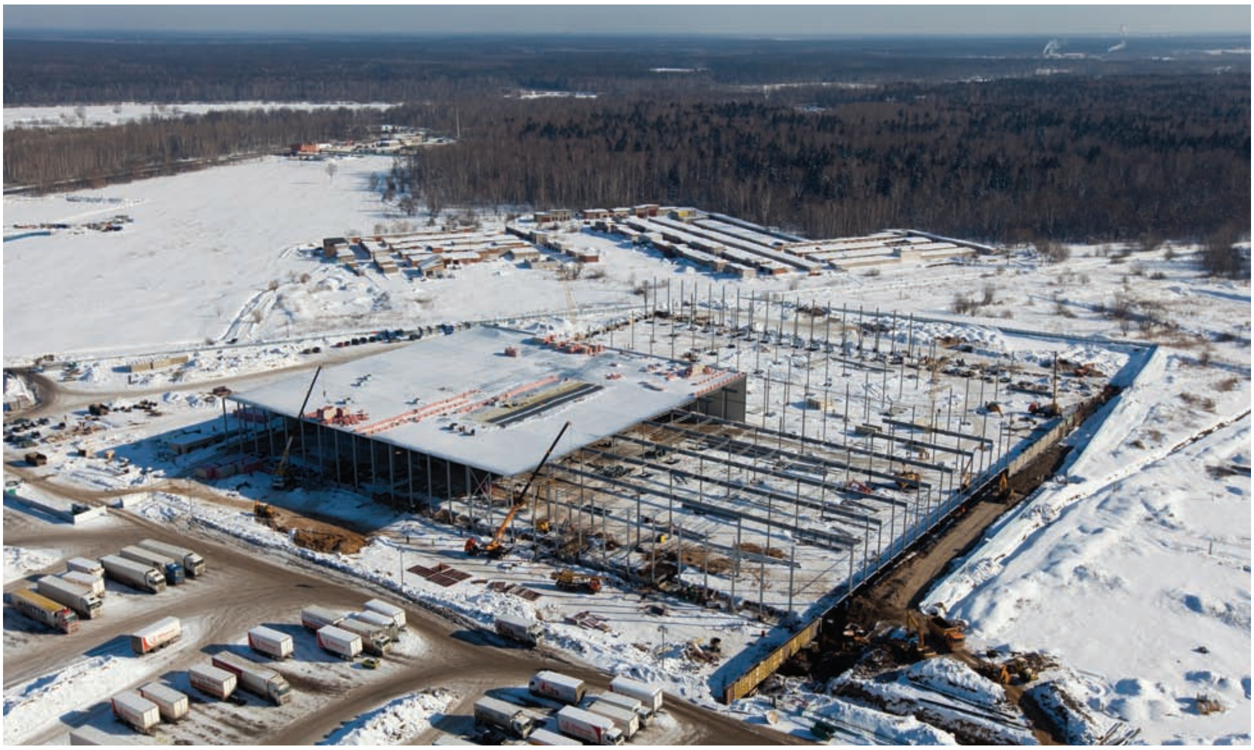
In late 2011 we identified a potential structural under supply in the Moscow warehouse market and we focussed on increasing our exposure there. Taking advantage of strong tenant demand and what we perceived as a pricing anomaly on a number of assets offered for sale, we acquired two further Moscow properties, Pushkino and Sholokhovo, comprising a total of 259,000 sqm, for $268.6 million.

Our portfolio in Moscow now totals 883,000 sqm, representing 69% of our properties. This will increase to 967,000 sqm during 2013 with the completion of the new phases at Noginsk and Klimovsk.

The new acquisitions at Pushkino and Sholokhovo produce $31.9 million of annualised NOI. We believe Pushkino is particularly under rented with an average warehouse rent of only $122 per sqm compared to market rents of around $135 in Moscow.

The acquisition of the Padikovo land on the Nova Riga highway to the north west of Moscow for $23 million will, subject to receipt of the appropriate consents and development finance, potentially add another 197,000 sqm to our Moscow holdings over the next few years. We expect to be in a position to start on site in the second quarter of 2013, once detailed planning consent is received. It is our current intention to build, subject to funding, two phases of around 100,000 sqm each for delivery in 2014 and 2015.

Our investment properties were valued by Jones Lang LaSalle ('JLL') at the period end, in accordance with the RICS Valuation and Appraisal guidelines, and are carried at an aggregate gross value of $1.5 billion. This resulted in an increase of $72.9 million in portfolio value, reflecting our progress in leasing and asset management. This year end valuation reflects an average yield of 11.9% on a fully let portfolio NOI of $179.7 million (not including phases under construction).



Noginsk Phase 2

Investment Portfolio

In Moscow, excluding the space under construction at Noginsk and Klimovsk, we have eight completed projects totalling 883,000 sqm, producing an annualised income of $120.3 million at the year end. These properties are virtually fully let. During the year we let 55,000 sqm in Moscow increasing our income by $8.5 million per annum. Rents have remained around $130-$135 per sqm for Grade A warehousing throughout the year.

At Krekshino, we took the opportunity of a lease expiry to regear all of NLC/Itella's leases, extending the term until 2019 and increasing the rent by circa 25%, contributing to an uplift in value of 6%.

At Noginsk, we are on site building 36,000 sqm for delivery in the second quarter of 2013. We expect this project to deliver a marginal yield on cost of 15.9%. We are currently in discussion with a number of tenants. At Klimovsk, we aim to deliver 48,000 sqm by the second quarter of 2013. We have already signed one PLA for 18,000 sqm and an LOI for 10,000 sqm, and we have interest in the remaining space. This project will produce a marginal yield on cost of 16.4% on current estimates.

In St Petersburg, the market has improved and we leased 44,700 sqm to third parties during the year and our operating subsidiary, Roslogistics, increased its space by a further 15,000 sqm to meet new client demand. We now have only 14,500 sqm of vacant space available, 6,000 sqm of which is subject to LOIs and we expect the remainder to let in the first half of 2013. Rents have improved and now stand at $115-$120 per sqm.

Our project in Rostov is now 100% let. We are seeking prelets and development finance to allow us to start an additional 15,000 sqm of development on the Phase 2 land we own.

In Novosibirsk, we let 18,600 sqm during the year although net absorption was only 2,400 sqm as a result of lease expiries and reduction in Roslogistics space. During the last three years we have let an average of 20,650 sqm per annum. With only 40,000 sqm vacant today and LOIs signed on 18,000 sqm of that space, we anticipate being fully let in the next 12 months.

Land Bank

We have started work on 84,000 sqm of our land bank at Klimovsk and Noginsk. Subject to detailed planning and finance we will start on site at Padikovo, Nova Riga in the second quarter of 2013, with the aim of delivering around 100,000 sqm by the middle of 2014.

At Noginsk we still hold another 32 ha on which we can build over 150,000 sqm in the future.

We have received a number of approaches from prospective tenants to develop out elements of our regional land bank over the year. Unfortunately, the attractions of developing in Moscow, where tenant demand is more predictable and valuations stronger, mean these potential projects elsewhere would deliver less attractive returns. With this in mind, we have reviewed the carrying value of our regional land bank. As it has become unlikely that we will start any development in Belarus or on those sites held on short term development leaseholds, we have written down the carrying value of these properties by $15.7 million.

The Market

Tenant demand is still driving the market and JLL estimate that take up in 2012 was 1.3 million sqm in Moscow alone. The vacancy rate for Grade A warehouse stood at 0.65% at the year end. In St Petersburg the vacancy rate has fallen to 2.2%.

For 2013 JLL forecast new supply of Grade A warehouse space in Moscow of circa 1 million sqm with potential demand ahead of that at 1.2 million sqm. The key trend in the market is the increase in build to suit for sale deals which accounted for 26% of total take up in 2012; in 2013 this is expected to rise to 33% by JLL. Internet retail demand accounted for 13% of take up in 2012.

These statistics suggest we are operating in one of the only places in Europe where retailers are posting double digit sales growth and this is driving continued demand for warehousing and distribution space. We are positive about the market and the portfolio looks increasingly reversionary.

The combination of rental growth, further development and opportunities for active portfolio management give us confidence for the future.

Financial Review

This set of financial results benefits from a full year of high occupancy in the existing portfolio, the introduction of the second phase at Klimovsk and six months of the acquisitions at Pushkino and Sholokhovo.

Income

Net rental and related income increased from $91.7 million to $136.5 million in the 12 months to 31 December 2012.

Our core investment portfolio generated $130.8 million of NOI (2011: $80.9 million) from third party tenants, the completion of the second phase at Klimovsk at the beginning of the year adding $7.2 million and a further $15.1 million from acquisitions.

The cost of servicing vacant space reduced from $13.7 million to $9.0 million.

Roslogistics continues to improve efficiency and profitability. It now operates out of 86,000 sqm of our portfolio after increasing its presence in St Petersburg and reducing in Novosibirsk. The business contributed $13.4 million (2011: $10.7 million) to NOI and $10.2 million to Group profit before tax in the year (2011: $6 million).

Raven Mount continues to be a mixed bag. The joint venture at the Lakes is performing well but the residential stock that remains in the UK is slow to move. Total gross sales in the year were $23.4 million (2011: $13.9 million) on stock of $21.0 million (2011: $14.0 million). However, as explained in our half year results, we have also written down our UK residential stock by $9.4 million to accelerate sales and cash generation. We now have $13.8 million of completed UK residential stock (2011: $30.6 million) remaining on balance sheet.

Overheads

Overheads supporting the core investment portfolio were $15.3 million (2011: $12.8 million). Central overheads were $8.5 million (2011: $6.1 million) and Raven Mount and Roslogistics had overheads of $2.5 million (2011: $3.0 million) and $3.2 million (2011: $3.0 million) respectively. The higher overheads reflect an increase in cash bonuses paid in the year and a small step up in costs to support the construction programme.

With the introduction of the new, long term incentive scheme for executives and senior management during the year (note 32 to the financial statements) we are required to estimate the total charge to the income statement over the 3 year period of the scheme. This has resulted in a charge to the income statement of $12.2 million in the current year, which is then immediately reversed through reserves. In the coming two years any additional charge or credit will reflect any change in actual awards made or change in estimated charge. The charge for actual shares vesting in the year was $4.4 million (2011: $6.1 million) which is again reversed through reserves. The impact on NAV per share calculation is limited to the release or potential release of shares from treasury to satisfy any share allocation.

Earnings

Our key earnings measurement is "Underlying Earnings" as defined in note 9 to the financial statements. This shows the earnings derived from our operations before capital items, including mark to market valuations and best shows the ability of operations to produce covered dividends. Our underlying earnings before tax increased significantly in the year, from $8.1 million to $34.7 million giving basic underlying earnings per share of 5.30 cents (2011: 0.18 cents).

Financing

The Group's financing structure has adapted in the year to incorporate the acquisitions made and the construction programme being undertaken, introducing new preference shares and funding facilities.

To fund the equity for the acquisitions of the asset owning subsidiaries at Pushkino and Sholokhovo, we issued an additional tranche of 48.4 million of preference shares in June 2012 at an issue price of 134p.

Sholokhovo

A new facility of $129 million, secured on the Pushkino Logistics Park was drawn in June on a five year term at a margin cost to the Group of 5.85% over a five year swap of 1.08%.

The Sholokhovo subsidiary was purchased with an existing fully drawn debt facility of $21 million, a remaining term of nine years and a margin of 6.45% over US LIBOR.

The Group's construction programme is being funded by a mixture of construction finance and refinancing of completed projects.

An unsecured construction loan of $30 million was drawn from Deutsche Investitions-Und Entwicklungsgesellschaft MBH (DEG) Bank. The facility has an eight year term and a 7.9% margin over US LIBOR.

US$44 million has been drawn from a $47.5 million facility secured upon the second phase of the Klimovsk project. This facility has a margin of 7% over US LIBOR and a 10 year term. The remaining undrawn balance is available until 24 April 2013.

A further $38 million was drawn under the facility secured on the Shushari project in St Petersburg.

Near term maturities of existing facilities have been or are in the process of being extended.

In November, the Group agreed a two year extension to the $41 million loan facility secured on the Constanta office property at a cost to the Group of 6.0% over US LIBOR.

Since the year end, the Group has entered into a $100 million facility agreement to refinance the existing $78 million loan secured on the Krekshino logistics park. Completion of the remaining conditions precedent is expected in the second quarter of this year and the existing loan has been extended until 30 June 2013 to allow completion.

Finally, the Group repaid in full the debt facilities secured on the Southern project, the Group facility provided by Royal Bank of Scotland International and the Barclays Bank facility secured on the Group's UK inventory. Repayments under these facilities totalled $24.6 million.

Together with the hedging arrangements described below, this leaves the Group with 194 million preference shares at an annual cost of 12% and $776 million of senior debt at a total weighted average cost of debt to the Group of 7.3% (2011: 7.1%).

At 31 December 2012 the Group had undrawn loan facilities available of $3.5 million (2011: $38 million).

Hedging

The Group has entered into hedging arrangements in respect of its interest rate exposure. $422 million (2011: $335 million) of Group bank borrowings have been fixed with three years remaining (2011: three years) at a weighted average swap rate of 1.86% (2011: 2.38%) and $225 million (2011: $186 million) capped at 1.93% (2011: 2.69%) for three years (2011: four years).

The principal foreign exchange risk to the Group relates to the funding of the preference share coupon in Sterling. This risk has been capped for the three years to 18 December 2015 at a USD/GBP exchange rate of 1.60.

We will be looking to extend our interest hedging for the most recent financing facilities drawn and continue a three year rolling hedge on our Sterling exposure on the preference share coupon.

Balance Sheet

The balance sheet reflects the impact of the acquisitions made in the year, assets boosted by the inclusion of the new properties and liabilities by the related debt facilities and preference share issue. Debtors and creditors also reflect the on-going litigation in Toros, the company which owns the Pushkino project, the defence of which is being conducted by the previous owner and for which we have been indemnified. Details of this case and the indemnity were given in the shareholder circular issued on 1 May 2012 and the claim is for Roubles 827.4 million plus interest.

Cashflow

Operating cash flows track our portfolio letting success. These have increased from $33 million in 2010, to $82 million in 2011 and to $121 million in the year to 31 December 2012. The larger investing and financing cash flows relate to the acquisitions in the year. Distributions to ordinary and preference shareholders increased to $63 million (2011: $51 million).

Taxation

The majority of the tax charge for the year of $33.4 million (2011: $40.6 million) relates to deferred tax movements. $20.9 million (2011: $35.3 million) is the deferred tax liability on property revaluations and depreciation and $12.3 million (2011: nil) is the reduction in deferred tax assets due to unrealised foreign exchange movements in our Russian subsidiaries. The actual tax paid in the year totalled $3.5 million (2011: $2.7 million).

Net Asset Value and Distributions

Net assets increase to $689.0 million (2011: $668.8 million) following a revaluation surplus of $46.1 million (2011: $129.6 million) after deferred tax and after an impairment of Russian regional land bank and residential UK stock of $26 million. We distributed the equivalent of 1.5p per share by way of a tender offer buy back in the year and intend to distribute a further 2.25p in the same manner as a final distribution.

Mark Sinclair
Chief Financial Officer
10 March 2013

Richard Jewson (aged 68)

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 Chairman of the Nominations Committee and a member of the Remuneration Committee.

Anton Bilton (aged 48)

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.

He is a member of the Nominations Committee.

Glyn Hirsch (aged 51)

Chief Executive Officer

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

Mark Sinclair (aged 47)

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 former Property Adviser to the Company and joined the Board of Raven Russia in March 2009.

Colin Smith (aged 43)

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.

Christopher Sherwell (aged 65)

Senior Independent 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 Baker Steel Resources Trust Ltd and the Prospect Japan Fund Ltd.

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

Stephen Coe (aged 47)

Independent 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 European Real Estate Investment Trust Ltd, Kolar Gold Ltd and Trinity Capital Ltd where he acts as a non-executive director and chairman of the audit committee and Black Sea Property Fund Ltd where he acts as a non-executive director. 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 52)

Independent Non-Executive Director

David Moore is a resident of Guernsey. He is an advocate of the Royal Court of Guernsey and a consultant at Bedell Group in Guernsey. He is a former partner of Guernsey law firm Mourant Ozannes where he had practiced 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 and Remuneration Committees.

The Directors present their report and the audited financial statements of the Group for the year ended 31 December 2012.

Principal activities

The Company is a Guernsey registered 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 undertook a tender offer as an interim distribution for 1 in every 49 shares at 75p, equivalent to a dividend of 1.5p per share (2011: Tender offer 1 share in every 46 at 58p). A final distribution of 2.25p by way of a tender offer of 1 share in every 33 at 75p is being proposed at the Annual General Meeting (2011: Tender offer 1 share in every 40 at 70p).

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)
Christopher Sherwell (Senior Independent Non-Executive Director)
Stephen Coe (Independent Non-Executive Director)
David Moore (Independent Non-Executive Director)

Following the provisions of the UK Corporate Governance Code applicable to larger companies, all the Directors shall be subject to annual re-appointment by Shareholders at the Annual General Meetings of the Company.

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 31 December 2012	Percentage of share capital	Number held 28 February 2013	Percentage of share capital
Invesco Perpetual	170,896,092	29.00	170,896,092	29.00
Schroder Investment Management	81,023,340	13.75	82,088,474	13.93
Mackenzie Cundill Investment Management	53,452,292	9.07	53,452,292	9.07
JO Hambro Capital Management	37,769,883	6.41	41,894,883	7.11
Legal & General Investment Management	18,146,728	3.08	18,048,063	3.06
F&C Asset Management Limited	22,415,869	3.80	16,464,320	2.79

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 streams of the operating activities of the Group, along with the acquisitions of two fully let income producing assets within the year. The Group extended the average time to maturity of its banking facilities to beyond four years. It also issued new preference shares to the value of £64.9 million in the year.

After making appropriate enquiries and examining sensitivities that could give rise to significant financial exposure, the Board has a reasonable expectation that the Company and the Group have adequate resources to continue 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 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, give a true and fair view of the assets, liabilities, financial position and profit and loss of the Company and the undertakings included in the consolidation taken as a whole; and

The management report, 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.

This responsibility statement was approved by the Board of Directors on 10 March 2013 and is signed on its behalf by:

Mark Sinclair
Chief Financial Officer

Colin Smith
Chief Operating Officer

Corporate Governance

Chairman's foreword

This year has seen the continued development of the Group into a mature property investment business. As explained earlier, the acquisition of two income producing assets increased our portfolio's leasable area by 25%, we progress our construction programme, organically growing our portfolio by 50-100,000 sqm each year (4-8% of the current portfolio by size). Along with developments in UK Corporate Governance this has meant a busy year for your Board and its committees. We remain committed to the highest standards of governance and this report sets out our approach.

Richard Jewson
10 March 2013

The Financial Services Authority's listing rules require the Company to explain how it has applied the Main Principles of Section 1 of the UK Corporate Governance Code (the 'Code'). This report, together with the Directors' and Remuneration Reports, set out how the Company has done so. For the financial year ended 31 December 2012, the Company has been regarded as a 'smaller company' for the purposes of the Code. In the opinion of the Board, the Company has complied fully with the Main and Supporting Principles of the Code throughout the financial year. Copies of the Code can be obtained free of charge from the Financial Reporting Council's website (www.frc.org.uk).

The Role of the Board

The Board is responsible for the governance processes within the Group whilst monitoring the performance of the Executives to whom it delegates management responsibility for the Group. The Board has approved a formal schedule of matters reserved solely for its consideration as outlined below and updates this schedule as necessary. Matters reserved for the board include:

- Development of strategy;
- Capital structure and dividend policy;
- Financial reporting, including approval of results;
- Internal control and risk management;
- Corporate governance; and
- Material transactions.

The Board has delegated a number of its responsibilities through its Audit, Remuneration and Nominations Committees. Terms of reference 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 set out 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 of the Non-Executive Directors to be independent for the purposes of the Code as further explained below. The Board consider the Chairman to be independent. 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 the individual Directors are explained further below.

There is a defined division of the responsibilities between the Chairman and Chief Executive. The Chairman is primarily responsible for the effective working of the Board and the Chief Executive for the operational management of the business. This includes development of the Group strategy and business model, the presentation of this to the Board and ultimately its implementation across the Group. Terms of reference delineating a clear division of responsibilities are in place and are reviewed on a regular basis.

Christopher Sherwell is the Senior Independent Director of the Company.

David Moore is a consultant for the Bedell Group in Guernsey and is a former partner of Mourant Ozannes, Advocates and Notaries Public. The Group has used Mourant Ozannes for legal engagements and Notary services but to avoid any possible conflict of interest or challenge to the independence of Mr Moore, the Group ceased using Mourant Ozannes other than for notary services. The Group did not incur any fees due to Mourant Ozannes for the year ended 31 December 2012. The Board considers Mr Moore to be independent for the purposes of the Code.

Biographies for each director are included elsewhere in this Annual Report.

The full Board meets at least 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. During 2012, there were 26 such committee meetings. Meetings are generally held in Guernsey at the head office, however at least once a year the Board will hold a meeting in Russia to review the Group's operations and meet local management.

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 be appropriate.

Attendance at Board or Committee meetings during the year to 31 December 2012

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

	Board	Audit Committee	Nominations Committee	Remuneration Committee
R Jewson	8/8	N/A	1/1	2/2
A Bilton	8/8	N/A	1/1	N/A
G Hirsch	8/8	N/A	N/A	N/A
M Sinclair	8/8	N/A	N/A	N/A
C Smith	8/8	N/A	N/A	N/A
S Coe	7/8	4/4	N/A	2/2
C Sherwell	8/8	4/4	1/1	2/2
D Moore(1)	8/8	4/4	N/A	0/0
Number of meetings during the year	**8**	**4**	**1**	**2**

(1) David Moore joined the Remuneration Committee on 20 November 2012. The Remuneration Committee did not meet between 20 November 2012 and 31 December 2012.

Board performance evaluation

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

The performance evaluations during 2012 were facilitated by the Institute of Directors and took the form of a questionnaire and production of a report. The findings of the report were discussed in detail by the Board and it was concluded that the performance of the Board, its Committees and individual Directors were effective and the Board had the necessary balance of skills and expertise required to direct the business.

The Board and Nominations Committee annually consider the composition of the Board and its Committees with reference to the Group's needs and also the requirements of the Code. In accordance with the Code, all Directors will be put forward for re-election each year at the Annual General Meeting. Having considered the balance of skills, expertise and performance of the Board, its committees and individual Directors, the Board recommends each of the Directors for re-appointment at the Annual General Meeting.

Board Committees

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

Audit Committee

The Audit Committee comprises David Moore, Christopher Sherwell and Stephen Coe, (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 meetings of the Audit Committee, including other members of the Board, senior management and the Group's external auditors. The Chairman of the Committee also meets with external auditors without management present.

The Committee is responsible for ensuring that the financial performance of the Group is properly reported and monitored. The Committee reviews the annual and interim accounts, the accounting policies of the Group and key areas of accounting judgement, management information statements, financial announcements, internal control systems, risk management, and the continuing appointment of the auditors. It also monitors whistle blowing policy and procedures over fraud and bribery.

Due to its size, structure and the nature of its activities, the Group does not have an internal audit function. During the year, the Audit Committee again considered the need for an internal audit function, whether a bespoke function facilitated by internal resources, or using an outsourced model with the assistance of the Group's advisors. The Committee concluded that there was no need for a separate internal audit function at this time but would continue to keep this matter under review.

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

Ernst & Young LLP may also provide non-audit services to the Group where they are determined to be best placed to provide the particular service and there is a commercial advantage to the Group in Ernst & Young LLP providing the service. The non-audit services provided are typically assurance related services, tax advisory or transaction advisory services. The policy for the provision of non-audit services is reviewed and confirmed by the Committee annually. As shown in note 6(b) to the financial statements, total fees payable to Ernst & Young LLP in the year to 31 December 2012 amounted to $2 million, of which $866,000 was for non-audit services. This included $705,000 for transactional advisory services in connection with the acquisitions and preference share placing where it was considered that the provision of these services by Ernst & Young LLP provided the Group with a commercial advantage.

Ernst & Young LLP has provided the Committee with written confirmation of their independence. The Committee has recommended a resolution for their re-appointment to 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 in light of the requirements of the Group and those of the Code, with the necessary balance of skills and expertise to undertake their roles effectively.

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 Group so that the individual or individuals appointed will add value to the on going activities of the business.

Remuneration Committee

The Remuneration Committee comprises Stephen Coe, Richard Jewson, David Moore and Christopher Sherwell, who is Chairman. The Remuneration Committee meet 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 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. This is an on going process, in accordance with the guidance of the Turnbull Committee on internal controls, that identifies, evaluates and manages the principal risks and uncertainties 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, rather than providing absolute assurance against material misstatement or loss.

Consideration of risks and risk management form an integral part of the Board deliberations and are key to its decision making processes. There are risks which your Board have no control over. These are mainly overriding external risks such as the wider economic environment, however the impact of such risks and effect that they have on the Group are considered and mitigated to the extent possible. The strategic decisions of the Group are adjusted to address these issues ensuring that threats are reduced and opportunities are exploited.

Key features of the risk management process in place during the year and up to the date of the annual report and financial statements include:

- A comprehensive system of reporting and business planning;
- A defined schedule of matters reserved for the Board;
- An organisational 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 to review all operational aspects of the business and risk management systems;
- The Board's review of Group strategy and progress against objectives throughout the year;
- A formal whistle blowing policy;
- A comprehensive and robust system of financial reporting which includes regular management information, such as budgets, re-forecasts, cash flows, treasury reporting and management accounts; and
- A regular assessment of risks within the business at all operational levels.

The Audit Committee has reviewed the effectiveness of the systems of internal control and has reported its findings to the Board throughout the year and up to the date of the annual report and financial statements. The Risk Committee (as further defined below) report regularly to the Audit Committee on its deliberations and findings. The risks and uncertainties to which the Group is subject are reviewed and considered by the Audit Committee and the Board at regular intervals, particularly with reference to the strategic objectives of the business.

The Audit Committee has established a Risk Committee to carry out the review and assessment of risks associated with the business. This Committee comprises Executive Directors and senior management involved in each operating jurisdiction and department of the Group. This engenders a culture of risk assessment within the Group and reinforces the strategic objectives communicated by the Board. During the year ended 2012, the Risk Committees met four times.

Corporate responsibility

Corporate responsibility covers many different aspects of business but our primary focus is on the environmental impact of our activities and properties and the social impact in the jurisdictions in which the Group operates. It is the responsibility of the Company's Board of directors to manage the environmental, economic and social impact of the Group's business strategy.

The Board recognises that the way its investment properties are designed, built, managed and occupied can significantly influence their impact on the environment and the community in which they are located and it seeks to manage these issues. Your Board notes that from 2013 the London Stock Exchange will require Main Market listed businesses to report on levels of greenhouse gas emissions and the Group will work with its advisers to collate the necessary data to report in its 2013 Annual Report and Accounts.

Your Board also recognises the social impact of its operations in each of its key jurisdictions, Russia, Guernsey and Cyprus. In Russia, this is particularly evident in the employment opportunities that are created in the communities where the Group's properties are located but in each jurisdiction staff are encouraged to participate in community activities and the Board has established a fund to support local causes or charities, which meet the corporate values of the Group.

Investor relations

The Chief Executive, Executive Deputy Chairman and Chief Financial Officer are the Company's points 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 and regular analyst briefings and meetings.

The Board receives updates on the Company's investor relations activities including any reports prepared by the Company's brokers, external analyst papers, and details of any shareholder meetings.

The Board believes that sustainable financial performance and delivering on the objectives of the Company are key measures in building trust with the Company's shareholders. To promote a clear understanding of the Company, its objectives and financial results, the Board ensures 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 allow our investors to receive information in a timely and cost effective manner.

The notice of AGM accompanies this report and a separate proxy card is provided for shareholders.

Signed for and on behalf of the Board

Colin Smith
Director
10 March 2013

Risk Report

The Board places significant importance on identifying and managing the risks facing the business. These encompass the risks, real and perceived, of operating in a foreign market such as Russia, to the more obvious cyclical, property specific risks, presented by the development and investment in a large property portfolio.

In the last eight years we have addressed the fundamental risks of entry into any new market, identifying experienced and trustworthy local joint venture partners in the early stages and gradually building up our own domestic presence. We are now the largest player in our niche and have all of the in house skills required to manage both local regulatory and generic property risks. Our in house expertise includes legal, finance and accounting, leasing, asset management and construction departments. We believe that we have the structure and culture in place to identify and effectively manage the risks that our market and sector presents.

Our primary focus is on obtaining attractive returns for our shareholders and as such, we have a commensurate focus on financial risks. Set out below is an overview of how we manage our key financial risks.

Financial Risks

Our strategy from the outset has been simple: to build an investment portfolio in the Russian warehouse sector which allows us to generate a dollar denominated, ungeared yield on cost of 12%. We believed that this would translate into very attractive dividend yields for our shareholders.

Gearing

Gearing has enabled us to accelerate our growth but we have managed the increased risk to the Group by raising asset secured facilities, ring-fenced in special purpose vehicle structures. We have not taken any significant bank debt exposure onto the holding company balance sheet to date. This allows us to monitor both our debt service obligations at an asset level but maintain low gearing ratios at a consolidated level. Our Group gearing levels, not including preference shares, have been managed between 35% and 46%. This held us in good stead during a busy speculative construction period in 2008 and 2009 and through the recent financial crises.

The changing banking landscape and the diminishing number of players in the market, combined with our maturing portfolio, may mean that we do look to alternative financing structures in the future. We have demonstrated this already with the issue of preference shares and we may, in time, change our financing risk profile to a more central financing structure, using the portfolio as a whole, to reduce our effective cost of debt.

Key Performance Indicators

With the impact of gearing and our preference shares on results, we place emphasis on our "Underlying Earnings" (as defined in note 9 to the financial statements) and operating cash flows after financing costs. These measures give the most relevant and comparable information on the operating performance of our portfolio and our ability to pay dividends from those operations.

We also monitor our loan to value covenants and the impact of valuations on our diluted net asset value per share. However, given that valuation yields in our market remain significantly above other comparable European markets (close to replacement cost) and result in high cash cover on debt service, we do not currently see this as a key metric on our performance.

Property Acquisition and Development

The market in which we operate has been and continues to be undersupplied. This means that we have had to construct the majority of our portfolio speculatively, 2008 and 2009 being the periods of greatest construction activity. The global downturn, resulted in this new space taking time to let with the cost of vacant space being carried by the Group. We have now reached letting levels that reduce this cost to de minimis levels.

New development in today's market has the potential to deliver high income yields, especially on additional phases of existing assets. We have commenced a speculative construction programme limited to a maximum of 100,000 sqm in any year. This allows us to manage the construction and letting risk on new space in the context of our existing portfolio of 1.3 million sqm.

The market has also presented acquisition opportunities in the last year, of completed, fully let properties. We have completed two acquisitions in the year at prices that allow us to maintain our yield on cost target but also give the opportunity to enhance this through asset management.

Acquisitions present their own risks in our market as we have not been involved in the historic construction and management of the sites. Whilst this adds to the potential for enhanced asset management returns it also introduces the risk of legacy contracts that may need to be managed out. This is all part of the integration risk of introducing new assets to the portfolio.

In the context of the narrative above, we have set out in the following table the principal risks and uncertainties that face our business, our view on how those risks have changed during the year and a description of how we mitigate or manage those risks.

Financial Risk

Risk	Impact	Mitigation
Bank Lending The number of banks lending in our market diminishes because of exposure to the Eurozone.	Reduced access to funding and potential increase in funding cost. Reduces ability to refinance maturing facilities.	Debt facility maturities now have a weighted average of 4.6 years with only one near term maturity at 31 December 2012. A new facility agreement has been signed following the year end, refinancing this near term maturity; Larger Russian domestic lenders are now offering debt on similar terms to the International banks who have exited the market; Alternative sources of funding such as preference shares are available; and Facilities have a mix of amortising profiles and approximately $50 million of principal is repaid each year. This means that our gearing levels are low (44.1% at 31 December 2012) and debt service coverage ratios are more than adequately met.
Interest rates Cost of debt increases.	Group profitability and debt service cover reduces.	The majority of our variable cost of debt is hedged with the use of swaps and caps on US LIBOR for 5 year terms; The weighted average remaining term of existing hedge instruments is over 3 years.

Risk	Impact	Mitigation
Foreign Exchange Adverse movements in Rouble or Sterling against US Dollar.	A reduction in our US Dollar denominated earnings.	Rental income, whilst received in Roubles, is pegged to the US Dollar exchange rate, the exchange risk being passed to tenants; We retain sufficient Rouble funds from rent collection to meet Rouble expenditure requirements; Construction costs are payable in Roubles, if we have insufficient Rouble resources to cover future construction payments we will enter into Non Deliverable Forward instruments to retain certainty on our US Dollar returns; Our largest Sterling exposure is the payment of preference share coupon and ordinary share dividends; We have capped the exposure of our preference share coupon to December 2015 and retain Sterling cash where possible to cover known ordinary share dividend commitments; and Our balance sheet is open to unrealised losses on foreign exchange if the US Dollar weakens against Sterling and/or the Rouble.

Property Investment

Risk	Impact	Mitigation
Composition of portfolio Portfolio made up of predominately one asset class with concentration in Moscow.	Potentially reduces liquidity of the portfolio; and Could cause volatility in income and valuation movements.	Assets are located in different local markets and Moscow remains the main hub for supply throughout Russia; Moscow has a larger population than any other European City save Istanbul and can support niche players because of its size; There remains a structural under supply of Grade A warehouses in Moscow and Russia as a whole; Our focussed approach provides detailed understanding of our sector; We monitor concentration within the portfolio, our largest asset represents 15% of the total portfolio; and The average investment property lot size is $113 million on a portfolio valued at $1.5 billion.
Customers Slow down in Russian growth and consumer spending.	Reduced consumer demand will impact on demand for new lettings, renewal of existing leases and restrict rental growth.	We have a diversified tenant base (our largest tenant, X5 Group, represents 11.5% of rental income); Almost 50% of our income comes from tenants who make less than a 2% contribution to rent roll; High quality property portfolio, of which 67% is located around Moscow; Experienced internal leasing team; and Strong relationships with existing customers.

Risk	Impact	Mitigation
Acquisitions Immature investment market where legacy issues are common with Russian corporate acquisitions.	Lack of available acquisitions requires reliance on speculative development for growth. Where acquisitions are possible legacy issues may erode earnings enhancement.	We have an internal management team with both international and Russian experience allowing issues to be identified prior to acquisition; External advisers undertake full detailed due diligence; and Organic growth through speculative development managed at levels below 10% of existing portfolio in any one year.

Property Development

Risk	Impact	Mitigation
Speculative Nature Occupiers are reluctant to enter into commitments to take new space prior to asset construction commencement.	Requires speculative development which will reduce income through vacant possession cost and valuation impact.	We monitor market cycle and likely tenant demand before committing to new developments; Our developments are built in phases to allow suspension of construction if markets move adversely; and Current development plans limit construction to between 50,000 and 100,000 sqm in any 12 month period, less than 10% of the current portfolio.
Returns Development projects fail to deliver the expected returns through cost and time overruns.	Target yield not met and profitability reduced.	Full project appraisals prepared with appropriate monetary and timing contingencies; Foreign exchange exposure hedged where necessary; and Experienced in house construction team project manage all projects.

Russian Domestic Risk

Risk	Impact	Mitigation
Legal Framework The legal framework in Russia is in the early stages of its development.	Large volume of new legislation from various state bodies is open to interpretation, puts strain on the judicial system and can be open to abuse.	Experienced in house legal team review new legislation for any impact on the business; and External legal advisers used when necessary.
Russian Taxation Russian tax code is also developing and new rulings regularly introduced.	Tax treaties may be renegotiated and new legislation may increase the Group's tax expense.	The key tax treaty for the Group is with Cyprus and this was renegotiated in the last 12 months with no significant impact on the business; Russia is a relatively low tax jurisdiction with 20% Corporation tax; The Group structures itself in anticipation of Russia's move towards a more Western taxation structure encompassing concepts such as thin capitalisation and transfer pricing.

Other Operational Risks

Risk	Impact	Mitigation
Key Personnel Failing to retain key personnel.	Inability to implement strategy.	The Remuneration Committee and the Executive's review remuneration packages against comparable market information; Employees have regular appraisals and documented development plans and targets; and Incentive schemes are based on measurable annual targets and weighted towards share based rewards.
Business systems Business and IT system disruption.	Disruption impacts on day to day operations.	Disaster recovery plans in place and all data stored remotely; IT specialists now employed in house; and Full upgrade of systems carried out in 2012.

The majority of these risks have remained the same over the year. The most significant change has arisen following the acquisitions made in the year and the integration of those assets into the portfolio, including dealing with legacy contract issues.

Remuneration policy

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 four independent Non-Executive Directors, Stephen Coe, David Moore, 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 comprise annual salaries, benefits such as life and health insurance, pension contributions, performance-related bonuses in cash and shares and share options.

Executive Directors may serve as Non-Executive Directors for companies outside of the Group and retain such fees that may be paid to them. Glyn Hirsch is a Non-Executive Director of Liontrust Asset Management Plc for which he receives a fee of £28,000 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 set out in the 2011 Remuneration Report, Executive Directors received salary increases in 2012 limited to the increase in UK RPI. This will also be the case in 2013, except for Colin Smith, who has been awarded a £50,000 per annum increase in salary to bring him in line with the basic salary of the other Board members. This is also a reflection of the contribution that Colin makes to the business.

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.

Cash Bonuses

As anticipated in the 2011 Remuneration Report, as corporate targets for the three years to 31 December 2011 were met, the Committee intended to allocate an additional cash bonus not exceeding £1.2 million across the Executive Board and senior management team, with the proviso that no individual receive a cash bonus of more than 100% of basic salary. The bonuses were paid in April 2012 and are shown in the table below. No further cash bonuses will be available to the Executive Board for performance in the three years to 31 December 2014.

Directors' remuneration details in respect of the year ended 31 December 2012

	Salaries/ Fees £'000	Cash Bonuses* £'000	Benefits £'000	Total 2012 £'000	Total 2011 £'000	Pension 2012 £'000	Pension 2011 £'000
Executive							
A Bilton	509	225	19	753	501	48	46
G Hirsch	509	250	19	778	508	48	46
M Sinclair	318	170	10	498	415	32	31
C Smith	239	170	10	419	338	24	23
	1,575	**815**	**58**	**2,448**	**1,762**	**152**	**146**
Non-executive							
R Jewson	100	–	–	–	90	–	–
C Sherwell	42	–	–	–	42	–	–
S Coe	42	–	–	–	42	–	–
D Moore	42	–	–	–	42	–	–
	226	**–**	**–**	**–**	**216**	**–**	**–**

*Bonus payments relate to performance in 2011.

The contractual arrangements of the Executive Directors for 2013 are:

	Salary	Appointment Date	Unexpired term	Notice period	Contractual termination payment
Director					
A Bilton	£522,750	27 November 2008	Rolling contract	12 months	Payment of 12 months
G Hirsch	£522,750	27 November 2008	Rolling contract	12 months	salary and benefits
M Sinclair	£326,600	23 March 2009	Rolling contract	12 months	on termination
C Smith	£289,000	14 November 2008	Rolling contract	12 months	

Share Schemes

Share incentive schemes are in a transition, with older schemes set up in 2008 and 2009 reaching their term and a new Combined Bonus and Long Term Incentive Scheme introduced in last year's Remuneration Report coming into operation in 2012.

Current Scheme

Combined Bonus and Long Term Incentive Scheme 2012 to 2014

As the historic schemes have vested or commenced vesting, the Committee developed a new scheme for the years 2012 to 2014, with reference to the recent guidelines issued by the ABI and after discussion with the Company's largest shareholders. Details of this scheme were included in the 2011 Remuneration Report which was approved at the AGM on 30 May 2012.

This is a simple, long term scheme which meets the criteria of:

- Shareholder alignment;
- Deferral of benefits;
- Clawback provisions;
- Cost efficiency and shareholder value enhancement;
- Stretching corporate targets; and
- Reasonable reward levels for target achievement.

This new joint scheme is based on performance criteria which reflect cash generation, the Company's progressive dividend policy and total shareholder return targets determined by the Board. No cash bonuses will be paid to the Executive Board and all awards will be made in ordinary shares or the Company's other instruments.

Over the next three years, on an equal basis, a total of 22.5 million ordinary shares (or any of the Company's other capital instruments to the same value) will be made available for the scheme. The EBT holds 14,303,279 ordinary shares and 3,731,343 preference shares to cover the scheme's commitment. These will be used for performance remuneration of executives and senior management combined, currently a team of 16.

In addition it is proposed that:

- Awards for any Executive Director cannot exceed 300% of salary in any year based on the share price at the date of grant of an award; and
- No Executive Director can receive more than 1.5m ordinary shares (or the equivalent in any of the Company's other capital instruments) in any one year under this scheme.

The targets associated with awards are:

2012

50% on operating cash income of $18m;
75% on operating cash income of $27m; and
100% on operating cash income of $36m.

2013

50% on operating cash income of $27m;
75% on operating cash income of $36m; and
100% on operating cash income of $45m.

2014

50% on operating cash income of $36m;
75% on operating cash income of $45m; and
100% on operating cash income of $54m.

- Operating cash income is defined as 'Net cash generated from operating activities **plus** interest received **less** borrowing costs paid **less** dividends paid on preference shares', all as presented in the audited group cash flow statement, where borrowing costs paid are adjusted for any element that is capitalised as part of construction programmes. Awards will be made on a straight line basis.
- The Remuneration Committee will also take into account total shareholder return targets. If the above cash income targets are not met but total shareholder return targets are achieved, then awards can be made at the discretion of

the Committee. The proposed shareholder return target is 7.5% per annum. Shareholder return is defined as either the annual increase in share price or fully diluted NAV per share, whichever is higher, adjusted for distributions to ordinary shareholders.

- All targets will be adjusted appropriately to account for the effect of any change in share capital; and
- All executives must retain any shares awarded under the scheme, except for disposals required for income tax purposes, until the date the annual financial statements for 31 December 2015 are issued. This means a retention period until April 2016.

Participants are also set personal targets for the performance period, beyond their contribution to the achievement of the Company's cash generation targets. The Committee will review achievement of these and may as a result flex individual awards. The Committee will also take account of shareholder experience and poor total shareholder return performance, if unforeseen events cause these to be out of line with the cash generation formula described above.

The intended maximum allocation of awards of ordinary shares over the period proposed by the Committee for the Executive Board is as follows with a grant price of 59.5p, being the market value of shares on the date the Committee approved this scheme:

	Number of Ordinary Shares		
	2012	2013	2014
A Bilton	1,341,000	1,341,000	1,341,000
G Hirsch	1,341,000	1,341,000	1,341,000
M Sinclair	1,141,000	1,141,000	1,141,000
C Smith	756,000	756,000	756,000

The Committee believes the terms of this scheme meet existing guidelines as:

- it is a simple, transparent and flexible structure that awards executives and senior management for achieving the underlying progressive dividend strategy and in so doing, aligns with shareholder interests;
- it is a cost effective scheme which preserves cash in the business for shareholder benefit;
- it gives a significant level of variable remuneration based on the achievement of strategic goals;
- targets set are stretching and the holding period of shares ensures a 'deferral' of rewards if ongoing targets are not met and also gives a focus on long term goals;
- claw back arrangements are effectively in place as the capital value of shares awarded to executives is likely to drop if targets are not met and sustained; and
- the executives already have and intend to increase through this scheme, their holdings in the capital instruments of the company to levels above many of those in their UK peer group. The quantum of executives' holdings also ensures that they will be focussed on the improvement of shareholder returns.

Since incorporation in 2005, 30 million existing shares have been allocated to the Company's incentive schemes without the issue of new shares. With the additional 22.5million proposed in this scheme, a total of 52.5million ordinary shares would be made available by 2014 which equates to 8.3% of existing issued ordinary shares and warrants. This is within the 10% rolling dilution ABI guideline over any 10 year period. Through buy back programmes all of the instruments required for this scheme are currently held by the EBT, combining 14.3 million ordinary shares and 3.7 million preference shares. This gives an actual dilution of 2.4% on the NAV per share at 31 December 2012.

Performance in 2012

Performance in 2012 exceeded expectations, driven by:

- the acquisitions of Pushkino and Sholokhovo;
- the letting success with new space in Klimovsk and above target achievement in St Petersburg; and
- the continuing financing programme, with a successful preference share issue in the period.

Together this has resulted in a significant increase in operating cash income, as defined above, of 119% from $17.7 million in 2011 to $38.8 million in the year and a year end cash balance of $191.7 million (2011: $181.8 million). This meets the upper 2012 target of $36 million and allows us to make a distribution of 2.25p, an increase of 29% on the previous year.

Total Shareholder Return, calculated in accordance with the scheme rules was 26.1% for the period, compared to the target of 7.5%.

The Executives and senior management team have operated well, closing out difficult acquisitions and integrating them into the existing portfolio, managing the letting and ongoing asset management programme and sourcing and securing the required financing.

Having reviewed the results in the context of corporate and personal targets set, the Committee have agreed the following proposal for the allocation of awards under the Combined Bonus and Long Term Incentive Plan to be made to the Trustees of the EBT for performance in 2012. The proposal is in line with the allocation envisaged under the scheme.

Number of Ordinary Shares or equivalent	2012
A Bilton	1,341,000
G Hirsch	1,341,000
M Sinclair	1,141,000
C Smith	756,000

Historic Schemes

The older schemes incorporated a Bonus Plan, Executive Retention Scheme and a Long Term Incentive Plan. Except for the Long term Incentive Plan, which has partially vested, the other schemes duly vested in 2012 and are now closed. Details of these schemes are given below.

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.

The table below shows the share bonuses issued in the year with regard to 2011 performance as anticipated in the 2011 Remuneration Report. Under the bonus scheme, the Committee had the discretion to award up to 4.4 million of shares to the Executive Board and senior management for performance over the bonus period. The 2011 Remuneration Report set out the targets met to trigger this award and how they had been achieved. Any awards based on those targets assumed that the executives and senior management remained in employment at the time of issue of the 31 December 2011 results and were made following the issue of those audited financial statements. The Committee met in April 2012 and made the following awards to the Executive Board.

Bonus Shares	2011 awards
A Bilton	775,000
G Hirsch	775,000
M Sinclair	775,000
C Smith	160,000

Executive Share Option Schemes (ESOS)

The Group operated two ESOS in which the Executive Directors participate. These schemes were approved by shareholders on 28 August 2008 and 24 March 2009 and replaced schemes that had been put in place for the former Property Advisor prior to its acquisition by the Company in November 2008. Options available under the schemes were granted by the Company's Employee Benefit Trust ('EBT') which holds the underlying shares. The EBT's Trustees are independent of the Company but 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 held 5 million ordinary shares for this scheme. The options it granted over these shares were exercisable from the date of publication of the audited financial statements of Raven Russia Limited for the year ended 31 December 2010. The options did not have an exercise price, dividends rolled up during the life of the option and the sole vesting condition was that the scheme member remained in the employment of the Group until the first exercise date. Anton Bilton and Glyn Hirsch did not participate in this scheme.

The Director's interests in this scheme are set out below:

	At 1 January 2012	Exercised in year	At 31 December 2012
A Bilton	–	–	–
G Hirsch	–	–	–
M Sinclair	1,000,000	1,000,000	–
C Smith	125,000	125,000	–

(b) Long Term Incentive Plan (LTIP)

All employees of the Group were eligible to receive invitations to participate in this plan and the EBT held 10 million ordinary shares reserved for the purpose. The options it granted 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 are based on meeting a target of 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 first tranche of this scheme vested in full in 2012.

The Directors' interests in this scheme are set out below:

	At 1 January 2012	Vested in year	Exercised in year	At 31 December 2012
A Bilton	810,811	270,270	–	810,811
G Hirsch	1,000,000	333,333	–	1,000,000
M Sinclair	1,000,000	333,333	–	1,000,000
C Smith	500,000	166,667	–	500,000

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 2013 of the Non-Executives Directors are set out below.

	Fees £'000	Appointment date	Unexpired term	Notice period	Contractual termination payment
Non-Executive Director					
R Jewson	100	29 June 2007	Rolling contract	3 months	No provision for
S Coe	42	4 July 2005	Rolling contract	3 months	payment on
D Moore	42	4 July 2005	Rolling contract	3 months	termination
C Sherwell	42	1 April 2008	Rolling contract	3 months	

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 2012 in the Ordinary shares, Preference shares and Warrants of the Company, both at the beginning and the end of the year, are set out below:

Director	Number of ordinary shares 31 December 2012	Number of preference shares 31 December 2012	Number of warrants 31 December 2012
R Jewson	139,333	133,880	–
A Bilton(1)	19,455,267	27,551,397	12,914,991
G Hirsch(1)	3,507,209	3,562,578	2,292,817
M Sinclair	2,417,348	158,612	–
C Smith	509,094	90,772	7,385
C Sherwell	33,647	134,282	–
S Coe	109,422	57,818	–
D Moore	142,336	57,052	–
	26,313,656	**31,746,391**	**15,215,193**

Director	Number of ordinary shares 31 December 2011	Number of preference shares 31 December 2011	Number of warrants 31 December 2011
R Jewson	138,810	130,949	–
A Bilton(1)	17,991,199	27,435,700	15,082,944
G Hirsch(1)	2,827,946	3,562,578	2,292,817
M Sinclair	1,375,934	158,612	7,332
C Smith	231,242	90,772	7,385
C Sherwell	29,000	100,712	–
S Coe	82,727	55,791	31,997
D Moore	142,336	57,052	–
	22,819,194	**31,592,166**	**17,422,475**

(1) Includes ordinary and preference shares and warrants held by discretionary trusts.

To the Members of Raven Russia Limited

We have audited the financial statements of Raven Russia Limited for the year ended 31 December 2012 which comprise the Group Income Statement, the Group Statement of Comprehensive Income, the Group Balance Sheet, the Group Cash Flow Statement, the Group Statement of Changes in Equity and the related notes 1 to 38. 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. 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 auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 15, 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 Group'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 2012 and of its profit for the year then ended;
- Have been properly prepared in accordance with IFRS 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 UK Corporate Governance Code specified for our review.

Nick Gomer
for and on behalf of Ernst & Young LLP
London
10 March 2013

Note:

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 web site.*

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 2012

	Notes	2012 Underlying earnings US$'000	2012 Capital and other US$'000	2012 Total US$'000	2011 Underlying earnings US$'000	2011 Capital and other US$'000	2011 Total US$'000
Gross revenue	4/5	234,207	–	234,207	162,770	–	162,770
Property operating expenditure cost of sales		(88,354)	(9,371)	(97,725)	(68,662)	(2,454)	(71,116)
Net rental and related income		**145,853**	**(9,371)**	**136,482**	**94,108**	**(2,454)**	**91,654**
Administrative expenses	4/6	(31,272)	(1,706)	(32,978)	(24,601)	(2,639)	(27,240)
Share-based payments and other long term incentives	32	–	(16,609)	(16,609)	–	(6,099)	(6,099)
Foreign currency losses		(2,467)	–	(2,467)	(562)	–	(562)
Operating expenditure		**(33,739)**	**(18,315)**	**(52,054)**	**(25,163)**	**(8,738)**	**(33,901)**
Operating profit/(loss) before profits and losses on investment property		**112,114**	**(27,686)**	**84,428**	**68,945**	**(11,192)**	**57,753**
Loss on disposal of investment property under construction		–	–	–	–	(1,158)	(1,158)
Unrealised profit on revaluation of investment property	11	–	68,055	68,055	–	133,062	133,062
Unrealised (loss)/profit on revaluation of investment property under construction	12	–	(3,696)	(3,696)	–	10,611	10,611
Operating profit		**112,114**	**36,673**	**148,787**	**68,945**	**131,323**	**200,268**
Finance income	7	6,666	–	6,666	2,197	–	2,197
Finance expense	7	(84,067)	(8,546)	(92,613)	(63,086)	(10,463)	(73,549)
Profit before tax		**34,713**	**28,127**	**62,840**	**8,056**	**120,860**	**128,916**
Tax	8	(4,446)	(28,980)	(33,426)	(7,109)	(33,444)	(40,553)
Profit/(loss) for the year		**30,267**	**(853)**	**29,414**	**947**	**87,416**	**88,363**
Earnings per share:	9						
Basic (cents)				5.15			16.73
Diluted (cents)				4.92			15.11
Underlying earnings per share:	9						
Basic (cents)				5.30			0.18
Diluted (cents)				5.06			0.16

The total column of this statement represents the Group's Income Statement, prepared in accordance with IFRS as adopted by the EU. The "underlying earnings" and "capital and other" columns are both supplied as supplementary information permitted by IFRS as adopted by the EU. Further details of the allocation of items between the supplementary columns are given in note 9.

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 2012

	2012 US$'000	2011 US$'000
Profit for the year	**29,414**	**88,363**
Foreign currency translation	(3,050)	(12,851)
Tax relating to foreign currency translation	–	2,454
Other comprehensive income, net of tax	**(3,050)**	**(10,397)**
Total comprehensive income for the year, net of tax	**26,364**	**77,966**

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 2012

	Notes	2012 US$'000	2011 US$'000
Non-current assets			
Investment property	11	1,495,673	1,145,090
Investment property under construction	12	149,450	101,458
Plant and equipment		8,768	6,711
Goodwill	13	13,615	13,475
Other receivables	16	18,732	13,084
Derivative financial instruments	19	4,278	1,216
Deferred tax assets	26	52,709	57,994
		1,743,225	1,339,028
Current assets			
Inventory	17	30,173	51,155
Trade and other receivables	18	87,016	43,661
Derivative financial instruments	19	960	–
Cash and short term deposits	20	191,697	181,826
		309,846	276,642
Total assets		**2,053,071**	**1,615,670**
Current liabilities			
Trade and other payables	21	92,949	70,577
Derivative financial instruments	19	606	–
Interest bearing loans and borrowings	22	121,936	95,607
		215,491	166,184
Non-current liabilities			
Interest bearing loans and borrowings	22	645,121	465,638
Preference shares	23	325,875	218,206
Provisions	24	36,217	–
Other payables	25	40,288	18,352
Derivative financial instruments	19	9,103	8,968
Deferred tax liabilities	26	92,014	69,562
		1,148,618	780,726
Total liabilities		**1,364,109**	**946,910**
Net assets		**688,962**	**668,760**
Equity			
Share capital	27	11,131	11,208
Share premium		71,475	83,454
Warrants	28	1,367	1,985
Own shares held	29	(24,145)	(16,222)
Special reserve		852,802	852,802
Capital reserve		102,808	52,239
Translation reserve		(123,697)	(120,647)
Retained earnings		(202,779)	(196,059)
Total equity	30/31	**688,962**	**668,760**
Net asset value per share (dollars):	31		
Basic		1.22	1.18
Diluted		1.14	1.11
Adjusted net asset value per share (dollars):	31		
Basic		1.34	1.26
Diluted		1.25	1.19

The financial statements were approved by the Board of Directors on 10 March 2013 and signed on its behalf by:

Mark Sinclair Colin Smith

The accompanying notes are an integral part of this statement.

Group Statement of Changes in Equity

For the year ended 31 December 2012

	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 2011										
At 1 January 2011		**10,196**	**55,119**	**6,033**	**(12,241)**	**852,802**	**(71,152)**	**(110,250)**	**(150,143)**	**580,364**
Profit for the year		–	–	–	–	–	–	–	88,363	88,363
Other comprehensive income		–	–	–	–	–	–	(10,397)	–	(10,397)
Total comprehensive income for the year		–	–	–	–	–	–	(10,397)	88,363	77,966
Warrants exercised	27/28	1,012	28,335	(4,048)	–	–	–	–	–	25,299
Own shares disposed	29	–	–	–	1,739	–	–	–	2,400	4,139
Own shares acquired	29	–	–	–	(8,752)	–	–	–	–	(8,752)
Own shares allocated	29	–	–	–	3,032	–	–	–	(3,032)	–
Ordinary dividends paid	10	–	–	–	–	–	–	–	(16,355)	(16,355)
Share-based payments	32	–	–	–	–	–	–	–	6,099	6,099
Transfer in respect of capital profits		–	–	–	–	–	123,391	–	(123,391)	–
At 31 December 2011		**11,208**	**83,454**	**1,985**	**(16,222)**	**852,802**	**52,239**	**(120,647)**	**(196,059)**	**668,760**
For the year ended 31 December 2012										
Profit for the year		–	–	–	–	–	–	–	29,414	29,414
Other comprehensive income		–	–	–	–	–	–	(3,050)	–	(3,050)
Total comprehensive income for the year		–	–	–		–	–	(3,050)	29,414	26,364
Warrants exercised	27/28	155	4,327	(618)	–	–	–	–	–	3,864
Own shares disposed	29	–	–	–	3,533	–	–	–	4,416	7,949
Own shares acquired	29	–	–	–	(14,060)	–	–	–	–	(14,060)
Own shares allocated	29	–	–	–	2,418	–	–	–	(2,418)	–
Ordinary shares cancelled under the tender offer	27/29	(232)	(16,306)	–	186	–	–	–	–	(16,352)
Share-based payments	32	–	–	–	–	–	–	–	12,437	12,437
Transfer in respect of capital profits		–	–	–	–	–	50,569	–	(50,569)	–
At 31 December 2012		**11,131**	**71,475**	**1,367**	**(24,145)**	**852,802**	**102,808**	**(123,697)**	**(202,779)**	**688,962**

The accompanying notes are an integral part of this statement.

Group Cash Flow Statement

For the year ended 31 December 2012

	Notes	2012 US$'000	2011 US$'000
Cash flows from operating activities			
Profit before tax		62,840	128,916
Adjustments for:			
Depreciation	6	1,706	1,754
Inventory write down		9,371	2,454
Finance income	7	(6,666)	(2,197)
Finance expense	7	92,613	73,549
Loss on disposal of investment property under construction		–	1,158
Profit on revaluation of investment property	11	(68,055)	(133,062)
Loss/(profit) on revaluation of investment property under construction	12	3,696	(10,611)
Foreign exchange losses		2,467	562
Share-based payments and other long term incentives	32	16,609	6,099
		114,581	68,622
Increase in operating receivables		(5,875)	(2,953)
Decrease in other operating current assets		14,639	2,652
Increase in operating payables		837	15,921
		124,182	84,242
Tax paid		(3,455)	(2,655)
Net cash generated from operating activities		**120,727**	**81,587**
Cash flows from investing activities			
Payments for investment property under construction		(34,032)	(76,928)
Refunds of VAT on construction		6,728	2,434
Proceeds from disposal of investment property		–	8,702
Cash acquired with subsidiary undertakings	38	13,930	–
Cash disposed with subsidiary undertakings		–	(414)
Acquisition of subsidiary undertakings	38	(271,245)	–
Proceeds from sale of plant and equipment		42	475
Purchase of plant and equipment		(2,997)	(3,055)
Loans advanced		(353)	(5,056)
Loans repaid		2,470	4,215
Settlement of maturing forward currency financial instruments		–	(299)
Interest received		2,278	2,055
Net cash used in investing activities		**(283,179)**	**(67,871)**
Cash flows from financing activities			
Proceeds from long term borrowings		239,814	226,085
Repayment of long term borrowings		(55,612)	(84,624)
Repayment of other borrowings		(91)	(9,600)
Bank borrowing costs paid		(53,169)	(39,965)
Exercise of warrants	27/28	3,864	25,299
Own shares acquired	27/29	(30,740)	(8,752)
Own shares disposed	29	7,949	4,139
Issue of preference shares	23	94,815	–
Dividends paid on preference shares		(31,570)	(25,973)
Settlement of maturing forward currency financial instruments		140	–
Premium paid for forward currency financial instruments		(5,241)	–
Ordinary dividends paid	10	–	(16,355)
Net cash generated from financing activities		**170,159**	**70,254**
Net increase in cash and cash equivalents		7,707	83,970
Opening cash and cash equivalents		181,826	107,641
Effect of foreign exchange rate changes		2,164	(9,785)
Closing cash and cash equivalents	20	**191,697**	**181,826**

The accompanying notes are an integral part of this statement.

For the year ended 31 December 2012

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 2012 comprise the Company and its subsidiaries and were authorised by the Board for issue on 10 March 2013.

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 (US$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 interpretations as of 1 January 2012:

New and amended standards:

IAS 12 Income Taxes – Recovery of Underlying Assets

IFRS 7 Financial Instruments: Disclosures – Enhanced Derecognition Disclosure Requirements

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

IAS 12 Income Taxes – Recovery of Underlying Assets

The amendment clarified the calculation of deferred tax on investment property measured at fair value and introduced a rebuttable presumption that such deferred tax should be determined on the basis that the carrying amount will be recovered through sale of the property. This clarification will not have any impact on the results of the Group as the tax rates associated with investment property in Russia do not differ if the property is recovered through sale or use.

IFRS 7 Financial Instruments: Disclosures – Enhanced Derecognition Disclosure Requirements

The amendment requires additional disclosures about financial assets that have been transferred but not derecognised. The Group does not have any assets with these characteristics, so there has not been any effect in the presentation of its financial statements.

Certain new standards, 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 1 Financial Statement Presentation – Presentation of Items of Other Comprehensive Income effective 1 July 2012
IFRS 9 Financial Instruments: Classification and Measurement effective 1 January 2015
IFRS 10 Consolidated Financial Statements effective 1 January 2014
IFRS 11 Joint Arrangements effective 1 January 2014
IFRS 12 Disclosure of Interests in Other Entities effective 1 January 2014
IFRS 13 Fair Value Measurement effective 1 January 2013

With the exception of the following matters, the Group has determined that the impact of these changes on its financial statements will not be material. The adoption of IFRS 11 will require the Group's joint ventures to be equity accounted. Presently these arrangements are proportionately consolidated. The Group is currently assessing the impact of IFRS 10 on its financial statements and the effect of this, if any, has yet to be determined.

The standards, amendments or revisions are effective for annual periods beginning on or after the dates noted above.

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.

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, 7th 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. For the purposes of these financial statements, in order to avoid double counting, the assessed fair value is reduced by the present value of any tenant incentives and contracted rent uplifts that are spread over the lease term and increased by the carrying amount of any liability under a head lease that has been recognised in the balance sheet.

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.

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.

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.

Financial liabilities and equity instruments

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 rate method.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the income statement net of any reimbursement.

Own shares held

Own equity instruments which are acquired 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 and other long term incentives

The Group rewards its key management and other senior employees by a variety of means many of which are settled by ordinary or preference shares of the Company, these include the Executive Share Option Schemes, the Bonus Plan and the Combined Bonus and Long Term Incentive Scheme 2012 to 2014.

Awards linked to or settled by ordinary shares

These are accounted for as equity-settled transactions in accordance with IFRS 2 Share-based Payment. 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 which 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.

Awards linked to or settled by preference shares

These awards are accounted for under IAS 19 Employee Benefits whereby the Group estimates the cost of awards using the projected unit credit method, which involves estimating the future value of the preference shares at the vesting date and the probability of the awards vesting. The resulting expense is charged to the income statement over the performance period and the liability is remeasured at each balance sheet date.

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 they are 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.

Judgements other than estimates

In the process of applying the Group's accounting policies the following are considered to have the most significant effect on the amounts recognised in the consolidated financial statements:

(a) Acquisitions

Properties can be acquired through the corporate acquisition of a subsidiary company. At the time of acquisition, the Group considers whether the acquisition represents the acquisition of a business. The Group accounts for the acquisition as a business combination where an integrated set of activities is acquired in addition to the property. More specifically, consideration is made of the extent to which significant processes are acquired and the extent of ancillary services provided by the subsidiary.

When the acquisition of a subsidiary does not represent a business, it is accounted for as an acquisition of a group of assets and liabilities. The cost of the acquisition is allocated to the assets and liabilities acquired based on their relative fair values, and no goodwill or deferred tax is recognised.

(b) 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.

(c) 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.

Estimates

(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, 7th 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 estimates and assumptions. In our 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 more 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 that 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) Provisions

The provision relating to the ongoing litigation in CJSC Toros (see note 24) requires the estimation of the likely outcome of the legal proceedings. In making the estimate, management has taken account of advice received from its legal advisors.

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
Roslogistics – provision of warehousing, transport, customs brokerage and related services in Russia
Raven Mount – sale of residential property in the UK

Financial information relating to Property Investment 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 an independently managed business and the Board is presented with turnover, cost of sales and operating profits or losses after deduction of administrative expenses.

Administrative expenses and foreign currency gains or losses are reported to the Board by segment. 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.

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 profit or loss, the profit from Property Investment would have decreased by US$58,446k (2011: US$41,279k) and the loss from Raven Mount increased by US$20k (2011: US$408k). Aggregate segment profit would have decreased by US$58,466k (2011: US$41,687k).

(a) Segmental information for the year ended and as at 31 December 2012

Year ended 31 December 2012

	Property Investment US$'000	Roslogistics US$'000	Raven Mount US$'000	Segment Total US$'000	Central Overhead US$'000	Total US$'000
Gross revenue	187,754	23,059	23,394	234,207	–	234,207
Operating costs/cost of sales	(56,961)	(9,651)	(21,742)	(88,354)	–	(88,354)
Inventory write down	–	–	(9,371)	(9,371)	–	(9,371)
Net operating income	**130,793**	**13,408**	**(7,719)**	**136,482**	**–**	**136,482**
Administrative expenses						
Running general & administration expenses	(15,327)	(3,202)	(2,474)	(21,003)	(8,476)	(29,479)
Other acquisition/abortive project cost	–	–	–	–	(1,793)	(1,793)
Listing costs	–	–	–	–	–	–
Depreciation	(1,203)	(496)	(7)	(1,706)	–	(1,706)
Share-based payments and other long term incentives	(3,769)	–	–	(3,769)	(12,840)	(16,609)
Foreign currency (losses)/profits	(2,935)	468	–	(2,467)	–	(2,467)
	107,559	**10,178**	**(10,200)**	**107,537**	**(23,109)**	**84,428**
Loss on disposal of investment property under construction	–	–	–	–	–	–
Unrealised profit on revaluation of investment property	68,055	–	–	68,055	–	68,055
Unrealised loss on revaluation of investment property under construction	(3,696)	–	–	(3,696)	–	(3,696)
Segment profit/(loss)	**171,918**	**10,178**	**(10,200)**	**171,896**	**(23,109)**	**148,787**
Finance income						6,666
Finance expense						(92,613)
Profit before tax						**62,840**

As at 31 December 2012

	Property Investment US$'000	Roslogistics US$'000	Raven Mount US$'000	Total US$'000
Assets				
Investment property	1,495,673	–	–	1,495,673
Investment property under construction	149,450	–	–	149,450
Inventory	–	–	30,173	30,173
Cash and short term deposits	175,551	2,272	13,874	191,697
Segment assets	**1,820,674**	**2,272**	**44,047**	**1,866,993**
Other non-current assets				98,102
Other current assets				87,976
Total assets				**2,053,071**
Segment liabilities				
Interest bearing loans and borrowings	767,057	–	–	767,057
Capital expenditure				
Payments for acquisition of subsidiary undertakings and investment property under construction	305,277	–	–	305,277

(b) Segmental information for the year ended and as at 31 December 2011

Year ended 31 December 2011

	Property Investment US$'000	Roslogistics US$'000	Raven Mount US$'000	Segment Total US$'000	Central Overhead US$'000	Total US$'000
Gross revenue	124,229	24,599	13,942	162,770	–	162,770
Operating costs/cost of sales	(43,280)	(13,870)	(11,512)	(68,662)	–	(68,662)
Inventory write down	–	–	(2,454)	(2,454)	–	(2,454)
Net operating income	**80,949**	**10,729**	**(24)**	**91,654**	**–**	**91,654**
Administrative expenses						
Running general & administration expenses	(12,848)	(2,982)	(2,986)	(18,816)	(6,122)	(24,938)
Other acquisition/abortive project cost	–	–	–	–	–	–
Listing costs	–	–	–	–	(548)	(548)
Depreciation	(650)	(1,086)	(18)	(1,754)	–	(1,754)
Share-based payments and other long term incentives	(1,502)	–	–	(1,502)	(4,597)	(6,099)
Foreign currency losses	(35)	(527)	–	(562)	–	(562)
	65,914	**6,134**	**(3,028)**	**69,020**	**(11,267)**	**57,753**
Loss on disposal of investment property under construction	(1,158)	–	–	(1,158)	–	(1,158)
Unrealised profit on revaluation of investment property	133,062	–	–	133,062	–	133,062
Unrealised profit on revaluation of investment property under construction	10,611	–	–	10,611	–	10,611
Segment profit/(loss)	**208,429**	**6,134**	**(3,028)**	**211,535**	**(11,267)**	**200,268**

	Total US$'000
Finance income	2,197
Finance expense	(73,549)
Profit before tax	**128,916**

As at 31 December 2011

	Property Investment US$'000	Roslogistics US$'000	Raven Mount US$'000	Total US$'000
Assets				
Investment property	1,145,090	–	–	1,145,090
Investment property under construction	101,458	–	–	101,458
Inventory	–	–	51,155	51,155
Cash and short term deposits	173,874	1,306	6,646	181,826
Segment assets	**1,420,422**	**1,306**	**57,801**	**1,479,529**

	Total US$'000
Other non-current assets	92,480
Other current assets	43,661
Total assets	**1,615,670**

	Property Investment US$'000	Roslogistics US$'000	Raven Mount US$'000	Total US$'000
Segment liabilities				
Interest bearing loans and borrowings	559,259	–	1,986	561,245
Capital expenditure				
Payments for investment property under construction	76,928	–	–	76,928

In 2012 and 2011 there were no single customers accounting for more than 10% of Group revenues.

5. Gross Revenue

	2012 US$'000	2011 US$'000
Rental and related income	187,754	124,229
Proceeds from the sale of inventory property	23,394	13,942
Logistics	23,059	24,599
	234,207	**162,770**

The Group's leases typically include annual rental increases ("contingent rents") based on a consumer price index in Europe or the USA, which are recognised in income as they arise. Contingent rents included in rental income for the year amounted to US$1,242k (2011: US$845k).

Details of the Group's contracted future minimum lease receivables are detailed in note 37.

6. Administrative expenses

(a) Total administrative expenses

	2012 US$'000	2011 US$'000
Employment costs	14,481	12,475
Directors' remuneration	4,500	3,415
Office running costs and insurance	4,853	3,577
Travel costs	1,700	1,562
External administrator fees	265	82
Auditors' remuneration	1,302	972
Abortive project costs	793	–
Legal and professional	2,775	2,115
Depreciation	1,706	1,754
Loss on disposal of plant and equipment	–	337
Listing costs	–	548
Registrar costs and other administrative expenses	335	131
Share of operating expenditure of joint ventures	268	272
	32,978	**27,240**

(b) Fees for audit and other services provided by the Group's auditor

	2012 US$'000	2011 US$'000
Audit services	1,070	800
Audit related assurance services	71	56
Audit and audit related assurance services	**1,141**	**856**
Other fees:		
Taxation services	141	116
Other services	20	–
	161	**116**
Total fees	**1,302**	**972**

In addition the Group incurred a further US$705k (2011: US$34k) of corporate finance fees in respect of acquisitions and the placing of new preference shares, which are included in the cost of the acquisition or carrying value of the preference shares.

7. Finance income and expense

	2012 US$'000	2011 US$'000
Finance income		
Income from cash and short term deposits	2,388	1,409
Interest income on loans receivable	109	788
Total interest income on financial assets not at fair value through profit or loss	2,497	2,197
Change in fair value of open forward currency derivative financial instruments	1,800	–
Change in fair value of open interest rate derivative financial instruments	2,229	–
Profit on maturing forward currency derivative financial instruments	140	–
Finance income	**6,666**	**2,197**
Finance expense		
Interest expense on loans and borrowings measured at amortised cost	51,135	38,898
Interest expense on preference shares	33,533	29,261
Total interest expense on financial liabilities not at fair value through profit or loss	84,668	68,159
Loss on maturing forward currency derivative financial instruments	–	401
Change in fair value of open forward currency derivative financial instruments	614	2,200
Change in fair value of open interest rate derivative financial instruments	7,331	2,784
Loss on closure of interest rate derivative financial instruments	–	5
Finance expense	**92,613**	**73,549**

Included in interest expense on loans and borrowings is US$3.7 million (2011: US$3.9 million) relating to the amortisation of costs incurred in originating the loans. Included in interest expense on preference shares is US$1.1 million (2011: US$1.1 million) relating to the accretion of premiums payable on redemption of preference shares and the amortisation of costs incurred in issuing preference shares.

8. Tax

	2012 US$'000	2011 US$'000
The tax expense for the year comprises:		
Current taxation	3,913	3,760
Deferred taxation:		
Deferred tax expense relating to the origination and reversal of temporary differences (note 26)	16,548	36,744
Charge on unrealised foreign exchange movements in loans	12,270	–
Adjustments recognised in the period for current tax of prior periods	695	49
Tax charge	**33,426**	**40,553**

The charge for the year can be reconciled to the profit per the income statement as follows:

	2012 US$'000	2011 US$'000
Profit before tax	62,840	128,916
Tax at the Russian corporate tax rate of 20%	12,568	25,783
Tax effect of income not subject to tax and non-deductible expenses	26,979	15,738
Tax on dividends and other inter company gains	480	807
Tax effect of financing arrangements	(2,011)	(14,181)
Movement on unprovided deferred tax on tax losses	(540)	12,357
Effect of acquisitions in the year	(4,745)	–
Adjustments recognised in the period for current tax of prior periods	695	49
	33,426	**40,553**

9. Earnings measures

In addition to reporting IFRS earnings the Group adopts the European Public Real Estate Association ("EPRA") earnings measure, as set out in their Best Practice Policy Recommendations document issued in August 2011 and also reports its own underlying earnings measure.

EPRA earnings

The EPRA earnings measure excludes investment property revaluations and gains or losses on disposal of investment property, intangible asset movements, gains and losses on derivative financial instruments and related taxation.

Underlying earnings

Underlying earnings consists of the EPRA earnings measure, with additional group adjustments. The Directors consider underlying earnings to be a key performance measure, as this is the measure used by Management to assess the return on holding investment assets for the long term. Adjustments include share-based payments and other long term incentives, the accretion of premiums payable on redemption of preference shares, material non-recurring items, depreciation and amortisation of loan origination costs.

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

Earnings	2012 US$'000	2011 US$'000
Earnings for the purposes of basic and diluted earnings per share being the net profit for the year prepared under IFRS	29,414	88,363
Adjustments to arrive at EPRA earnings:		
Loss on disposal of investment property under construction	–	1,158
Unrealised profit on revaluation of investment property	(68,055)	(133,062)
Unrealised loss/(profit) on revaluation of investment property under construction	3,696	(10,611)
(Profit)/loss on maturing foreign currency derivative financial instruments (note 7)	(140)	401
Change in fair value of open forward currency derivative financial instruments (note 7)	(1,186)	2,200
Loss on closure of interest rate derivative financial instruments (note 7)	–	5
Change in fair value of open interest rate derivative financial instruments (note 7)	5,102	2,784
Movement on deferred tax thereon	18,981	33,444
Adjusted EPRA earnings	**(12,188)**	**(15,318)**
Inventory write down (note 17)	9,371	2,454
Loss on disposal of plant and equipment (note 6a)	–	337
Share-based payments and other long term incentives	16,609	6,099
Premium on redemption of preference shares and amortisation of issue costs (note 7)	1,109	1,094
Listing costs (note 6a)	–	548
Depreciation (note 6a)	1,706	1,754
Amortisation of loan origination costs (note 7)	3,661	3,979
Tax charge on unrealised foreign exchange movements in loans	9,999	–
Underlying earnings	**30,267**	**947**

Number of shares	2012 No '000	2011 No '000
Weighted average number of ordinary shares for the purposes of basic EPS (excluding own shares held)	570,834	528,185
Effect of dilutive potential ordinary shares:		
Listed warrants (note 28)	19,532	48,269
ERS (note 32)	1,755	3,102
LTIP (note 32)	5,384	5,361
Weighted average number of ordinary shares for the purposes of diluted EPS (excluding own shares held)	**597,505**	**584,917**

	2012 Cents	2011 Cents
EPS basic	**5.15**	**16.73**
Effect of dilutive potential ordinary shares:		
Listed warrants	(0.18)	(1.40)
ERS	(0.01)	(0.08)
LTIP	(0.04)	(0.14)
Diluted EPS (cents)	**4.92**	**15.11**
EPRA EPS basic (cents)	**(2.14)**	**(2.90)**
Effect of dilutive potential ordinary shares:		
Listed warrants	–	–
ERS	–	–
LTIP	–	–
EPRA EPS diluted (cents)	**(2.14)**	**(2.90)**
Underlying EPS basic (cents)	**5.30**	**0.18**
Effect of dilutive potential ordinary shares:		
Listed warrants	(0.18)	(0.02)
ERS	(0.01)	–
LTIP	(0.05)	–
Underlying EPS diluted (cents)	**5.06**	**0.16**

10. Ordinary dividends

	2012 US$'000	2011 US$'000
Declared and paid during the year on ordinary shares:		
Final dividend for 2011 nil pence (2010: 1 pence)	–	8,511
Interim dividend for 2012 nil pence (2011: 1.25 pence)	–	7,844
	–	**16,355**

The Company did not declare a final dividend for the year ended 31 December 2011 or an interim dividend for 2012 and instead implemented two tender offer buy backs of ordinary shares.

In the place of a final dividend for 2011 the Company implemented a tender offer buy back of ordinary shares on the basis of 1 in every 40 shares held at a tender price of 70 pence per share, the equivalent of a final dividend of 1.75 pence per share. Instead of an interim dividend for 2012 the Company implemented a tender offer buy back of ordinary shares on the basis of 1 in every 49 shares at a tender price of 75 pence per share, the equivalent of a dividend of 1.5 pence per share.

11. Investment property

	2012 US$'000	2011 US$'000
Market value at 1 January	1,154,490	942,950
Property acquisitions (note 38)	268,623	–
Transfer from investment property under construction (note 12)	–	50,412
Property improvements and movement in completion provisions	6,260	27,016
Disposals	–	(8,350)
Unrealised profit on revaluation	72,947	142,462
Market value at 31 December	**1,502,320**	**1,154,490**
Tenant incentives and contracted rent uplift balances	(14,292)	(9,400)
Head lease obligations (note 25)	7,645	–
Carrying value at 31 December	**1,495,673**	**1,145,090**
Revaluation movement in the year		
Gross revaluation	72,947	142,462
Effect of tenant incentives and contracted rent uplift balances	(4,892)	(9,400)
Revaluation reported in the Income Statement	68,055	133,062

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 2012 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, 7th 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 2012 the Group has pledged investment property with a value of US$1,445 million (2011: US$1,049 million) to secure banking facilities granted to the Group (note 22).

12. Investment property under construction

	2012 US$'000	2011 US$'000
Market value at 1 January	101,458	106,741
Property acquisitions (note 38)	23,020	–
Costs incurred	22,705	43,008
Disposals	–	(3,300)
Effect of foreign exchange rate changes	3,633	(5,190)
Transfer to investment property (note 11)	–	(50,412)
Unrealised (loss)/profit on revaluation	(3,696)	10,611
Market value at 31 December	147,120	101,458
Head lease obligations (note 25)	2,330	–
Carrying value at 31 December	**149,450**	**101,458**
Market value at 31 December comprises:		
Additional phases of completed investment property	85,600	54,000
Land bank	61,520	47,458
At 31 December	**147,120**	**101,458**
Revaluation movement in the year		
Unrealised profit on revaluation of assets carried at external valuations	12,031	10,611
Unrealised loss on revaluation of assets carried at directors' valuation	(15,727)	–
	(3,696)	**10,611**

Borrowing costs capitalised in the year amounted to US$0.5 million (2011: US$ nil).

Assets under construction and additional phases of completed investment property are valued by JLL. Assets under construction are valued using the residual value method and additional phases of completed investment property on a comparable sales basis, based on recent real estate transactions with similar characteristics and location to those assets. There were no assets under construction at 31 December 2011 or 31 December 2012.

The Directors have valued the land bank based on JLL valuations or the amounts they consider they can achieve on a sale of 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 not valued by JLL to be US$35.6 million, which equates to an average price of US$14.5 per square metre (2011: US$16.3).

At 31 December 2012 the Group has pledged investment property under construction with a value of US$14.2 million (2011: US$11.3 million) to secure banking facilities granted to the Group (note 22).

13. Goodwill

	Roslogistics US$'000	Raven Mount US$'000	Total US$'000
Balance at 1 January 2011	5,383	8,115	13,498
Effect of foreign exchange rate changes	–	(23)	(23)
Balance at 31 December 2011	**5,383**	**8,092**	**13,475**
Effect of foreign exchange rate changes	–	140	140
Balance at 31 December 2012	**5,383**	**8,232**	**13,615**

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 2012	2011
CJSC Kulon Development	Russia	100%	100%
Fenix LLC	Russia	100%	100%
Petroestate LLC	Russia	100%	100%
EG Logistics LLC	Russia	100%	100%
CJSC Kulon Istra	Russia	100%	100%
Soyuz-Invest LLC	Russia	100%	100%
Omega LLC	Russia	100%	100%
Terramarket LLC	Russia	100%	100%
Piramida LLC	Russia	100%	100%
CJSC Noginsk Vostok	Russia	100%	100%
Resource Economia LLC	Russia	100%	100%
Kulon Spb LLC	Russia	100%	100%
Logopark Don LLC	Russia	100%	100%
Logopark Ob LLC	Russia	100%	100%
Delta LLC	Russia	100%	100%
CJSC Toros	Russia	100%	–
Dorfin Limited	Cyprus	100%	–
League LLC	Russia	100%	–
Roslogistics Holdings (Russia) Limited	Cyprus	100%	100%
Avalon Logistics Company LLC	Russia	100%	100%
Raven Mount Group Limited	England	100%	100%
Raven Russia Property Advisers Limited	England	100%	100%
Raven Russia (Service Company) Limited	Guernsey	100%	100%

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 2012	2011
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:

	2012 US$'000	2011 US$'000
Non-current assets	17	30
Current assets	17,869	17,918
Current liabilities	(611)	(1,120)
Net assets	**17,275**	**16,828**
Income	8,896	8,094
Expenditure	(8,449)	(6,274)
	447	**1,820**

16. Other receivables

	2012 US$'000	2011 US$'000
Loans receivable	1,591	4
VAT recoverable	7,177	5,217
Security deposit	4,862	2,345
Prepayments and other receivables	5,102	5,518
	18,732	**13,084**

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 2011	3,484	52,857	56,341
Costs incurred in the year	111	8,135	8,246
Cost of sales	–	(10,561)	(10,561)
Inventory write down	(2,116)	(338)	(2,454)
Effect of foreign exchange rate changes	(26)	(391)	(417)
Balance at 31 December 2011	**1,453**	**49,702**	**51,155**
Costs incurred in the year	95	6,481	6,576
Cost of sales	–	(20,537)	(20,537)
Inventory write down	–	(9,371)	(9,371)
Effect of foreign exchange rate changes	67	2,283	2,350
Balance at 31 December 2012	**1,615**	**28,558**	**30,173**

18. Trade and other receivables

	2012 US$'000	2011 US$'000
Trade receivables	30,703	21,848
Prepayments	6,434	4,670
VAT recoverable	6,869	10,205
Tax recoverable	660	1,177
Loans receivable	64	2,483
Accrued income	26	40
Other receivables	42,260	3,238
	87,016	**43,661**

Other receivables include the cash backed indemnity in respect of the provision more fully explained in note 24.

19. Derivative financial instruments

	2012 US$'000	2011 US$'000
Interest rate derivative financial instruments		
Non-current assets	627	1,216
Non-current liabilities	(9,103)	(6,768)
Current liabilities	(206)	–
Forward currency derivative financial instruments		
Non-current assets	3,651	–
Current assets	960	–
Foreign currency embedded derivatives		
Non-current liabilities	–	(2,200)
Current liabilities	(400)	–

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$647 million (2011: US$517 million) and a weighted average fixed or capped rate of 1.9% (2011: 2.5%).

The Group had also entered into a series of forward currency derivative financial instruments to hedge Sterling interest payments due to preference shareholders. The instruments have a notional amount of US$105.6 million, a weighted average capped rate of $1.6 to £1 and quarterly maturities with the final instruments maturing on 18 December 2015.

Several of the Group's leases incorporate collars and caps on US Dollar and Russian Rouble exchange rates. These have been assessed as embedded derivatives and fair values calculated resulting in the liability disclosed above.

20. Cash and short term deposits

	2012 US$'000	2011 US$'000
Cash at bank and on call	118,950	99,557
Short term deposits	72,747	82,269
	191,697	**181,826**

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 1.42% (2011: 1.13%).

21. Trade and other payables

	2012 US$'000	2011 US$'000
Investment property acquisition obligations	914	54
Trade and other payables	12,285	8,394
Construction payables	29,446	26,869
Advanced rentals	29,111	19,498
Tax payable	14,173	9,095
Head leases (note 25)	47	–
Other payables	6,973	6,667
	92,949	**70,577**

22. Interest bearing loans and borrowings

	2012 US$'000	2011 US$'000
Bank loans		
Loans due for settlement within 12 months	121,936	95,607
Loans due for settlement after 12 months	645,121	465,638
	767,057	561,245
The Group's borrowings have the following maturity profile:		
On demand or within one year	121,936	95,607
In the second year	75,426	100,226
In the third to fifth years	438,648	252,609
After five years	131,047	112,803
	767,057	**561,245**

The amounts above include unamortised loan origination costs of US$13.1 million (2011: US$11.7 million) and interest accruals of US$4.1 million (2011: US$2.3 million).

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

As at 31 December 2012

	Interest Rate %	Maturity (years)	US$'000
Secured on:			
Investment property and investment property under construction	7.3%	4.6	737,057
Unsecured	7.9%	7.7	30,000
			767,057

As at 31 December 2011

	Interest Rate %	Maturity (years)	US$'000
Secured on:			
Investment property and investment property under construction	7.15%	4.6	548,282
Inventory	2.50%	0.4	1,979
Cash	2.85%	0.1	10,984
			561,245

The interest rates shown above are the weighted average all-in rates as at the balance sheet dates.

During the year there were the following changes to the Group's financing arrangements:

The Group entered into a new facility of US$129 million to acquire, and is secured upon, Pushkino Logistics Park (see note 38). The facility was fully drawn in the year, is for a 5 year term and has an effective cost to the Group of 5.85% over US LIBOR.

US$44 million was drawn from a US$47.5 million facility from ZAO Raffieisen Bank secured upon the second phase of the Klimovsk project. This facility has a margin of 7% over US LIBOR and a 10 year term. The remaining undrawn balance is available until 24 April 2013.

The Group has completed and fully drawn an unsecured construction loan of US$30 million from DEG Bank. The facility has an 8 year term and a 7.9% margin over US LIBOR.

The Group also acquired Sholokhovo (see note 38), a logistics park in Moscow, which was purchased with a fully drawn stapled debt facility of US$ 21 million from ZAO Raffieisen Bank. This facility has a remaining term of 9 years and a margin of 6.45% over US LIBOR.

The Group has also successfully extended the HSH Nordbank facility secured on the Konstanta project for a further two years at a margin of 6% over US LIBOR.

Finally, the Group has drawn a further US$38 million under the facility for the Shushari project and repaid in full the debt facilities secured on the Southern project, the cash backed facility provided by Royal Bank of Scotland International and the Barclays Bank facility secured on the Group's UK inventory. Repayments under these facilities totalled US$24.6 million.

At 31 December 2012 the Group had undrawn loan facilities available of US$3.5 million (2011: US$38 million).

The Group has entered into hedging arrangements in respect of its interest rate exposure (note 19). US$422 million (2011: US$335 million) of Group bank borrowings have been fixed with three years remaining (2011: three years) at a weighted average swap rate of 1.86% (2011: 2.38%) and US$225 million (2011: US$186 million) capped at 1.93% (2011: 2.69%) for three years (2011: four years). This gave a weighted average cost of debt to the Group of 7.3% (2011: 7.1%) at the year end.

23. Preference shares

	2012 US$'000	2011 US$'000
Authorised share capital:		
400,000,000 (2011: 400,000,000) preference shares of 1p each	5,981	5,981

	2012 Number	2011 Number
Issued share capital:		
At 1 January	145,036,942	144,357,156
Issued in the year	48,414,250	–
Purchased	(3,762,343)	(2,000,000)
Disposal	–	2,000,000
Scrip dividends	720,639	679,786
At 31 December	**190,409,488**	**145,036,942**
Shares in issue	194,171,831	145,036,942
Held by the Company's Employee Benefit Trusts	(3,762,343)	–
At 31 December	**190,409,488**	**145,036,942**

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

On 26 June 2012 the Company issued and admitted to the Official List of the London Stock Exchange 48,414,250 new preference shares under the terms of a placing and open offer. The new preference shares were issued at a price of 134 pence per share and rank pari passu with the other preference shares in issue. The trustees of one of the Company's Employee Benefit Trusts sold £5 million (US$8 million) of ordinary shares (see note 29) so that the Employee Benefit Trust could acquire £5 million of new preference shares as part of the placing. The trustees will use these preference shares to satisfy in part awards made under the Group's 2012 Combined Bonus and Long Term Incentive Scheme, details of which are set out in the Company's Directors' Remuneration Report and note 32.

In 2011 the trustees of one of the Company's Employee Benefit Trusts sold ordinary shares and acquired preference shares from an independent shareholder of Raven Russia. The trustees subsequently sold the preference shares. Following this the Company moved the preference shares from AIM to the Official List of the London Stock Exchange.

24. Provisions

Provisions and trade and other receivables (note 18) reflect the ongoing litigation in CJSC Toros, the subsidiary company that owns the Pushkino project, the defence of which is being conducted by the previous owner and for which the Group is indemnified. Details of this case and the indemnity were given in the shareholder circular issued on 1 May 2012 and the claim is for Roubles 827.4 million plus interest.

25. Other payables

	2012 US$'000	2011 US$'000
Investment property acquisition obligations	2,929	2,929
Rent deposits	25,346	14,833
Head leases	9,928	–
Other payables	2,085	590
	40,288	18,352

During the year the Group acquired leasehold properties that it classifies as investment property and investment property under construction. Minimum lease payments due over the remaining term of the leases totalled US$30.6 million and have a present value at 31 December 2012 of US$9.975 million.

26. Deferred tax

(a) Deferred tax assets

	Tax losses US$'000	Other US$'000	Total US$'000
Balance at 1 January 2011	61,020	199	61,219
Effect of foreign exchange rate changes	(3,247)	–	(3,247)
On disposal of SPV	(359)	–	(359)
Charge to income	(1,394)	(99)	(1,493)
Credit to equity	1,874	–	1,874
Balance at 31 December 2011	**57,894**	**100**	**57,994**
Effect of foreign exchange rate changes	3,291	–	3,291
On disposal of SPV	1	–	1
Charge to income	(8,477)	(100)	(8,577)
Balance at 31 December 2012	**52,709**	**–**	**52,709**

The Group has tax losses in Russia of US$232 million (2011: US$237 million) and tax losses in the UK of US$123 million (2011: US$110 million) for which deferred tax assets have not been recognised. The losses in Russia expire in 10 years (2011: 10 years) whilst the UK losses do not have an expiry date.

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 2011	16,158	20,556	36,714
Effect of foreign exchange rate changes	(1,620)	–	(1,620)
On disposal of SPV	(783)	–	(783)
Charge to income	11,881	23,370	35,251
Balance at 31 December 2011	**25,636**	**43,926**	**69,562**
Effect of foreign exchange rate changes	1,516	–	1,516
Charge to income	7,146	13,790	20,936
Balance at 31 December 2012	**34,298**	**57,716**	**92,014**

27. Share capital

	2012 US$'000	2011 US$'000
Authorised ordinary share capital:		
1,500,000,000 (2011: 1,500,000,000) ordinary shares of 1p each	27,469	27,469
Issued share capital:		
At 1 January	11,208	10,196
Issued in the year for cash on warrant exercises (note 28)	155	1,012
Cancelled under tender offers (note 10)	(232)	–
At 31 December	**11,131**	**11,208**

	2012 Number	2011 Number
Issued share capital:		
At 1 January	594,093,554	530,273,204
Issued in the year for cash on warrant exercises (note 28)	9,690,567	63,820,350
Cancelled under tender offers (note 10)	(14,435,072)	–
At 31 December	**589,349,049**	**594,093,554**

Of the authorised ordinary share capital at 31 December 2012, 28,140,153 (2011: 37,830,720) are reserved for warrants.

Details of own shares held are given in note 29.

28. Warrants

	2012 Number	2011 Number
At 1 January	37,830,720	101,651,070
Exercised in the year (note 27)	(9,690,567)	(63,820,350)
At 31 December	**28,140,153**	**37,830,720**

	2012 US$'000	2011 US$'000
At 1 January	1,985	6,033
Exercised in the year (note 27)	(618)	(4,048)
At 31 December	**1,367**	**1,985**

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

In the period since 31 December 2012 199 warrants have been exercised.

29. Own shares held

	2012 Number	2011 Number
At 1 January	26,921,176	28,400,054
Acquired under a tender offer	12,858,824	4,406,122
Other acquisitions	82,535	5,185,054
Disposal	(8,196,721)	(4,035,054)
Cancelled	(431,410)	–
Allocation to satisfy bonus awards (note 32c)	(4,185,000)	(4,585,000)
Allocation to satisfy ERS options exercised (note 32a)	(1,225,000)	(2,450,000)
Allocation to satisfy LTIP options exercised (note 32a)	(266,667)	–
At 31 December	**25,557,737**	**26,921,176**

	2012 US$'000	2011 US$'000
At 1 January	(16,222)	(12,241)
Acquired under a tender offer	(13,928)	(4,019)
Other acquisitions	(132)	(4,733)
Disposal	3,533	1,739
Cancelled	186	–
Allocation to satisfy bonus awards (note 32c)	1,804	1,976
Allocation to satisfy ERS options exercised (note 32a)	528	1,056
Allocation to satisfy LTIP options exercised (note 32a)	86	–
At 31 December	**(24,145)**	**(16,222)**

Allocations are transfers by the Company's Employee Benefit Trusts to settle bonus awards made in the year and to satisfy ERS and LTIP options exercised in the year following the vesting of the options. Details of outstanding ERS and LTIP options, which are vested but unexercised, are given in note 32a.

The disposal in the year relates to the share transactions undertaken by one of the Company's Employee Benefit Trusts more fully explained in note 23. The disposal and other acquisition in 2011 also related to share transactions undertaken by one of the Company's Employee Benefit Trusts and the circumstances surrounding the disposal are more fully explained in note 23.

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 or Employee Benefit Trusts.
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 relating to capital items 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

	2012 US$'000	2011 US$'000
Net asset value	688,962	668,760
Goodwill	(13,615)	(13,475)
Deferred tax on revaluation gains (note 26b)	57,716	43,926
Unrealised foreign exchange losses on preference shares	17,863	7,895
Fair value of interest rate derivative financial instruments (note 19)	8,682	5,552
Fair value of foreign exchange derivative financial instruments (note 19)	(4,211)	2,200
Adjusted net asset value	**755,397**	**714,858**
Assuming exercise of all dilutive potential ordinary shares		
– Listed warrants (note 28)	11,435	14,698
– ERS (note 32)	–	–
– LTIP (note 32)	3,568	3,515
Adjusted fully diluted net asset value	**770,400**	**733,071**
Number of ordinary shares (note 27)	589,349,049	594,093,554
Less own shares held (note 29)	(25,557,737)	(26,921,176)
	563,791,312	567,172,378
Assuming exercise of all dilutive potential ordinary shares		
– Listed warrants (note 28)	28,140,153	37,830,720
– ERS (note 32)	1,325,000	2,550,000
– LTIP (note 32)	8,779,279	9,045,946
– CBLTIS (note 32)	14,303,279	–
Number of ordinary shares assuming exercise of all potential ordinary shares	**616,339,023**	**616,599,044**

	2012 US$	2011 US$
Net asset value per share	1.22	1.18
Fully diluted net asset value per share	1.14	1.11
Adjusted net asset value per share	1.34	1.26
Adjusted fully diluted net asset value per share	1.25	1.19

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

32. Share-based payments and other long term incentives

The Group utilises a number of different Share Schemes to reward and incentivise the Group's executives and senior staff. The Share Schemes operated in the year are as follows:

Executive Share Option Schemes ("ESOS")

The Group operates two ESOS, the Employee Retention Scheme ("ERS") and the Long Term Incentive Plan ("LTIP"). Both schemes involved the grant of options over the Company's ordinary shares by the Company's Employee Benefit Trusts. The ERS vested in full on the publication of the audited financial statements of the Company for the year ended 31 December 2010 and the ERS options do not have an exercise price. The LTIP options vest in three equal tranches, subject to performance criteria, on 24 March 2012, 2013 and 2014. The LTIP options have an exercise price of 25p per option and the first tranche vested in full on 24 March 2012. The performance criteria for each tranche are based on meeting a target of total shareholder return of 7.5% over UK RPI. Both the ERS and LTIP schemes are closed and further awards cannot be made under either scheme. Awards made under the ERS and LTIP have been accounted for in accordance with the Group's accounting policy for Share-based payments.

Combined Bonus and Long Term Incentive Scheme 2012 to 2014 ("CBLTIS")

During the year the Group implemented the CBLTIS and contingent awards were made in respect of 14.3 million ordinary shares and 3.7 million preference shares and which cover the calendar years 2012 to 2014. The awards are subject to performance criteria explained in the Remuneration Report. Awards in respect of ordinary shares are accounted for in accordance with the Group's accounting policy for Share-based payments. Awards to be settled by preference shares do not meet the criteria under IFRS for a Share-based payment and are instead accounted for in accordance with IAS 19 – Employee Benefits.

The Company also made an award of 4.2 million (2011: 4.6 million) ordinary shares to satisfy bonuses to the Executive Directors and senior management.

(a) Movements in Executive Share Option Schemes

	2012 No of options	2012 Weighted average exercise price	2011 No of options	2011 Weighted average exercise price
Outstanding at the beginning of the period	11,595,946	20p	14,245,946	16p
Lapsed during the year				
– LTIP	–	–	(200,000)	25p
Exercised during the year				
– ERS	(1,225,000)	0p	(2,450,000)	0p
– LTIP	(266,667)	25p	–	25p
Outstanding at the end of the period	**10,104,279**	**20p**	**11,595,946**	**20p**
Represented by:				
– ERS	1,325,000		2,550,000	
– LTIP	8,779,279		9,045,946	
	10,104,279		**11,595,946**	
Exercisable at the end of the period	**4,073,648**	**17p**	**2,550,000**	**0p**

The weighted average remaining contractual life of options was 5 years (2011: 6 years).

(b) Movements in Combined Bonus and Long Term Incentive Scheme Awards

	2012 No of award shares	2011 No of award shares
Awards of Ordinary shares:		
– Outstanding at the beginning of the period	–	–
– Granted during the year	14,303,279	–
– Lapsed during the year	–	–
– Vested during the year	–	–
Outstanding at the end of the period	**14,303,279**	**–**

The fair value at grant date of the ordinary share awards was determined to be the closing market price of 59.5p.

	2012 No of award shares	2011 No of award shares
Awards of Preference shares:		
– Outstanding at the beginning of the period	–	–
– Granted during the year	3,731,343	–
– Lapsed during the year	–	–
– Vested during the year	–	–
Outstanding at the end of the period	**3,731,343**	**–**

(c) Income Statement charge for the year

	2012 US$'000	2011 US$'000
Expense attributable to ERS and LTIP awards in prior periods	525	1,358
Bonus awards in the year	3,879	4,741
Combined Bonus and Long Term Incentive Scheme awards 2012 to 2014	12,205	–
	16,609	**6,099**
To be satisfied by allocation of:		
Ordinary shares (IFRS 2 expense)	12,437	6,099
Preference shares (IAS 19 expense)	4,172	–
	16,609	**6,099**

33. Capital commitments

The Group has committed to fund the construction of certain additional investment property. At 31 December 2012, US$28.2 million of funding was required (2011: US$4.4 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.

Raven Russia Employee Benefit Trust No. 1 (the "EBT")

As set out in note 23, on 26 June 2012 the Company issued and admitted to the Official List of the London Stock Exchange 48,414,250 new preference shares under the terms of a placing and open offer. The new preference shares were issued at a price of 134 pence per share and rank pari passu with the other preference shares in issue. The trustees of the EBT acquired £5 million of new preference shares as part of the placing. The acquisition of these preference shares by the EBT on a non-preemptive basis constitutes a smaller related party transaction under the UKLA's Listing Rules.

Transactions, arrangements and agreements involving key management personnel

There are no loan balances with directors. In 2011 the Group advanced a loan of £1.2 million to one of the Group's key management personnel. The loan, which bore interest at a commercial rate and was secured by a first legal charge over a UK property, was repaid during the year.

Mourant Ozannes

David Moore was a partner of Mourant Ozannes, Advocates and Notaries Public. Mourant Ozannes provided independent legal advice to the Group. Total legal fees paid to Mourant Ozannes during the year amounted to £nil (2011: £18,877).

Remuneration of Directors and other key management personnel

	2012 US$'000	2011 US$'000
Short term employee benefits	5,826	4,430
Post employment benefits	294	278
Share-based payments and other long term incentive	15,736	5,839
	21,856	**10,547**

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, cash and short term deposits, trade and other payables, borrowings, preference shares and derivative financial instruments.

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 and Russian Rouble. Foreign exchange risk arises from future commercial transactions (including construction contracts and lease receivables), recognised monetary assets and liabilities and net investments in foreign entities.

The majority of the Group's transactions are denominated in US Dollars, which is also the reporting currency for the Group. The functional currency of the Company is Sterling, however the functional currencies of the Company's subsidiaries varies. The analysis that follows considers the impact of Russian Rouble and Sterling on the Group.

Russian Rouble

Whilst the Group has some Rouble denominated overhead and maintains modest levels of Rouble cash balances to fund the working capital requirements of the investment property portfolio in Russia, it is during a period of substantial construction activity that the Group can become exposed to significant Rouble currency risk. This is because construction contracts have tended to be denominated in Roubles. The Group is not currently in a period of substantial construction but when this has been the case the Group has taken out non deliverable forwards to hedge against the US Dollar/Rouble cash flow exposure.

The other principal area where the Rouble can affect the Group is the accounting adjustments that are required when consolidating the results of some of the property owning subsidiaries that have a Rouble functional currency. Exchange gains or losses arising as a result of these consolidation accounting adjustments are included in the translation reserve.

Sterling

The Group's exposure to Sterling is primarily driven by the Sterling denominated preference shares and the related quarterly preference dividends, but also head office costs and ordinary dividends. Whilst there are no Sterling foreign exchange gains and losses arising in the parent company itself, in preparing the group financial statements these Sterling amounts are translated to the Group's US Dollar presentation currency and the resulting exchange gains and losses are included in the translation reserve.

The table below summarises the currency in which the Group's financial instruments are denominated:

As at 31 December 2012	US Dollar US$'000	Sterling US$'000	Russian Rouble US$'000	Other US$'000	Total US$'000
Non-current assets					
Loans receivable	–	1,587	4	–	1,591
Derivative financial instruments	627	3,651	–	–	4,278
Current assets					
Trade receivables	24,036	2,249	4,418	–	30,703
Loans receivable	–	–	64	–	64
Derivative financial instruments	–	960	–	–	960
Other current receivables	41,315	343	620	8	42,286
Cash and short term deposits	78,774	51,578	60,776	569	191,697
	144,752	**60,368**	**65,882**	**577**	**271,579**
Non-current liabilities					
Interest bearing loans and borrowings	645,121	–	–	–	645,121
Preference shares	–	325,875	–	–	325,875
Derivative financial instruments	9,103	–	–	–	9,103
Rent deposits	22,672	–	–	312	22,984
Investment property acquisition obligations	2,929	–	–	–	2,929
Retentions under construction contracts	–	–	–	–	–
Other payables	–	1,845	241	–	2,086
Current liabilities					
Interest bearing loans and borrowings	121,936	–	–	–	121,936
Derivative financial instruments	206	–	400	–	606
Other payables	22	6,131	30,314	–	36,467
	801,989	**333,851**	**30,955**	**312**	**1,167,107**

As at 31 December 2011	US Dollar US$'000	Sterling US$'000	Russian Rouble US$'000	Other US$'000	Total US$'000
Non-current assets					
Loans receivable	–	–	4	–	4
Derivative financial instruments	1,216	–	–	–	1,216
Current assets					
Trade receivables	16,836	1,284	3,728	–	21,848
Loans receivable	–	2,411	72	–	2,483
Derivative financial instruments	–	–	–	–	–
Other current receivables	989	2,101	183	4	3,277
Cash and short term deposits	119,053	30,519	31,732	522	181,826
	138,094	**36,315**	**35,719**	**526**	**210,654**
Non-current liabilities					
Interest bearing loans and borrowings	465,638	–	–	–	465,638
Preference shares	–	218,206	–	–	218,206
Derivative financial instruments	8,968	–	–	–	8,968
Rent deposits	12,162	–	2,228	443	14,833
Investment property acquisition obligations	2,929	–	–	–	2,929
Retentions under construction contracts	–	–	–	–	–
Other payables	–	–	590	–	590
Current liabilities					
Interest bearing loans and borrowings	82,637	12,970	–	–	95,607
Derivative financial instruments	–	–	–	–	–
Other payables	–	5,939	27,575	22	33,536
	572,334	**237,115**	**30,393**	**465**	**840,307**

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 table below shows the impact on consolidation if the US Dollar weakened or strengthened by 10% against the Russian Rouble or Sterling, with all other variables in each case remaining constant, then:

Post tax profit or loss would change by:	2012 US$'000	2011 US$'000
Russian Rouble	869	296
Sterling	3,230	3,513

Net asset value would change by:	2012 US$'000	2011 US$'000
Russian Rouble	641	196
Sterling	24,184	20,481

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

Accounting standards also require disclosure of monetary assets and liabilities that are denominated in currencies different from the functional currency of the specific subsidiary or entity in the Group. These are set out in the tables below.

As at 31 December 2012	US Dollar US$'000	Sterling US$'000	Russian Rouble US$'000	Other US$'000
Current assets				
Trade receivables	2,608	–	–	–
Cash and short term deposits	62,407	–	–	21
	65,015	**–**	**–**	**21**
Non-current liabilities				
Interest bearing loans and borrowings	30,000	–	–	–
	30,000	**–**	**–**	**–**
As at 31 December 2011				
Current assets				
Trade receivables	2,623	–	–	–
Cash and short term deposits	70,585	–	–	115
	73,208	**–**	**–**	**115**

The Group's interest rate risk arises from long-term borrowings (note 22), which include preference shares issued (note 23). 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 accumulated unrealised loss of US$8.7 million at 31 December 2012 (2011: loss of US$5.5 million).

Sensitivity analysis on the Group's interest rate borrowings, net of interest bearing deposits, indicate that a 1% increase in LIBOR rates would decrease the profit for the year and net assets by US$600,000 (2011: US$400,000). If LIBOR rates were to drop to zero then there would be a decrease in the profit for the year and in net assets of US$1.9 million (2011: US$0.9 million) 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.

	2012 US$'000	2011 US$'000
At 1 January	377	377
Charge for the year	1,593	–
Utilised in the year	–	–
Unused amounts reversed	–	–
At 31 December	**1,970**	**377**

At 31 December 2012 there were no significant amounts of trade receivables that were past due for collection (2011: US$ nil).

The Group has VAT recoverable of US$14 million (2011: US$15.4 million). The timing of recovery of these balances is subject to future revenue receipts and application to the Russian Courts. The Group forecasts the recovery of these balances based upon the timing of future revenue receipts and its experience of successful application to the Russian Courts. No balances are considered past due or impaired at 31 December 2012 (2011: US$ 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 of 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.

All amounts shown are 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 2012					
Interest bearing loans and borrowings	1,025,989	175,642	125,328	548,107	176,913
Preference shares	371,410	37,141	37,141	111,423	185,705
Derivative financial instruments	9,709	606	–	9,103	–
Trade and other payables	64,465	37,152	6,243	16,080	4,990
	1,471,573	**250,541**	**168,712**	**684,713**	**367,608**

	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 2011					
Interest bearing loans and borrowings	721,504	134,597	131,638	327,726	127,543
Preference shares	269,213	26,921	26,921	80,764	134,607
Derivative financial instruments	8,968	–	–	6,768	2,200
Trade and other payables	51,888	51,888	–	–	–
	1,051,573	**216,666**	**158,554**	**415,258**	**264,350**

Details of the interest rates applicable to the Group's long term borrowings and preference shares are given in notes 22 and 23. 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.

	2012 Carrying Value US$'000	2012 Fair Value US$'000	2011 Carrying Value US$'000	2011 Fair Value US$'000
Non-current assets				
Loans receivable	1,591	1,501	4	4
Derivative financial instruments	4,278	4,278	1,216	1,216
Current assets				
Trade receivables	30,702	30,702	21,848	21,848
Loans receivable	64	64	2,483	2,483
Other current receivables	42,286	42,286	3,277	3,277
Derivative financial instruments	960	960	–	–
Cash and short term deposits	191,697	191,697	181,826	181,826
Non-current liabilities				
Interest bearing loans and borrowings	645,121	496,333	465,638	356,157
Preference shares	325,875	452,965	218,206	291,444
Derivative financial instruments	9,103	9,103	8,968	8,968
Rent deposits	25,346	19,386	14,833	14,833
Investment property acquisition obligations	2,929	2,929	2,929	2,929
Other payables	2,085	2,085	590	590
Current liabilities				
Interest bearing loans and borrowings	121,936	121,936	95,607	95,607
Derivative financial instruments	606	606	–	–
Other payables	36,467	36,467	33,536	33,536

The fair 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, 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 2012				
Assets measured at fair value				
Derivative financial instruments	–	5,238	–	5,238
Liabilities measured at fair value				
Derivative financial instruments	–	9,709	–	9,709
As at 31 December 2011				
Assets measured at fair value				
Derivative financial instruments	–	1,216	–	1,216
Liabilities measured at fair value				
Derivative financial instruments	–	8,968	–	8,968

* 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.

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.

To maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, under take tender offers, return capital to shareholders, issue new shares or sell assets to reduce debt. Consistent with others in its 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 liabilities but excluding provisions, head lease obligations and 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.

	2012 US$'000	2011 US$'000
Non-current liabilities	776,598	562,520
Current liabilities	215,444	166,184
Total borrowings	992,042	728,704
Less: cash and short term deposits	191,697	181,826
Net debt	800,345	546,878
Equity	688,962	668,760
Preference shares	325,875	218,206
Total capital	**1,815,182**	**1,433,844**
Gearing ratio	**44.09%**	**38.14%**

36. Subsequent events

Details of post year end warrant exercises are set out in note 28.

37. 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:

	2012 US$'000	2011 US$'000
Within one year	153,873	97,564
In the second year	156,256	98,846
In the third to fifth year (inclusive)	347,955	250,998
After five years	177,993	132,420
	836,077	**579,828**

38. Acquisitions in the year

The Group made three acquisitions in the year, Pushkino Logistics Park, Sholokhovo and land at Padikovo. In each case the Group purchased each of the properties by acquiring all of the issued share capital of the corporate vehicles that owned the properties. In accordance with its accounting policy the Group considered each acquisition in turn, assessing whether an integrated set of activities had been acquired in addition to the property. In each case it was concluded a business had not been purchased but rather the acquisition of a group of assets and related liabilities.

Analyses of the considerations payable for the properties and incidental assets and liabilities are provided below:

	Pushkino US$'000	Sholokhovo US$'000	Padikovo US$'000	Total US$'000
Non-current assets				
Investment property (note 11)	218,126	50,497	–	268,623
Investment property under construction (note 12)	–	–	23,020	23,020
Other receivables	629	134	–	763
Current assets				
Trade and other receivables	3,777	399	–	4,176
Cash and cash equivalents	10,496	3,429	5	13,930
Current liabilities				
Trade and other payables	(16,657)	(1,933)	(3)	(18,593)
Interest bearing loans and borrowings	(54)	(2,533)	(90)	(2,677)
Non-current liabilities				
Trade and other payables	(1,971)	(865)	–	(2,836)
Interest bearing loans and borrowings	–	(18,150)	–	(18,150)
	214,346	**30,978**	**22,932**	**268,256**
Discharged by:				
Cash consideration paid	215,123	30,228	21,920	267,271
Cash consideration payable	–	–	914	914
Consideration recoverable	(3,903)	–	–	(3,903)
Acquisition costs	3,126	750	98	3,974
	214,346	**30,978**	**22,932**	**268,256**

The consideration payable for Pushkino is provisional subject to the finalisation of a completion balance sheet and was partially funded by a US$129 million debt facility (see note 22), with the remainder funded out of the net proceeds of the placing and open offer of new preference shares (see note 23). The considerations payable for Sholokhovo and Padikovo were funded out of the Group's existing cash resources and are final.

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