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If you sell or have sold or otherwise transferred all of your Warrants, please immediately forward this document and the accompanying documents to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for delivery to the purchaser or transferee. This document and the accompanying documents should not, however, be sent or transmitted in, or into, any Prohibited Territory. If you have sold only part of your holding of your Warrants, please contact your stockbroker, bank or other agent through whom the sale or transfer was effected immediately.

This document, which comprises a Prospectus relating to Raven Russia Limited (the “**Company**”), has been prepared in accordance with the Prospectus Rules made by the Financial Services Authority pursuant to section 73A of the Financial Services and Markets Act 2000.

The Ordinary Shares, the Preference Shares and the Warrants are admitted to trading on AIM.

Applications have been made to the Financial Services Authority and to the London Stock Exchange respectively for admission of all of the Ordinary Shares (including the New Ordinary Shares to be issued pursuant to the terms of the Offer) and the Warrants (other than those which are to be surrendered pursuant to the terms of the Offer) to: (i) the Official List; and (ii) trading on the London Stock Exchange’s market for listed securities. The Warrants will have a Standard Listing and the Ordinary Shares a Premium Listing. It is expected that Admission will become effective and that dealings in the Ordinary Shares and the Warrants will commence no later than 8.00 a.m. on 2 August 2010. No application has been made or is currently intended to be made for the Ordinary Shares and the Warrants to be admitted to listing or dealt with on any other exchange.

The Preference Shares will continue to be admitted to trading on AIM. AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the United Kingdom Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser.

Although the whole text of this document should be read, the attention of persons receiving this document is drawn to the section headed “Risk Factors” contained on pages 9 to 19 of this document. All statements regarding the Group’s business, financial position and prospects should be viewed in light of the risk factors set out on pages 9 to 19 of this document.

Raven Russia Limited

*(A company incorporated in Guernsey under the Companies (Guernsey) Law 2008,
as amended, with registered no. 43371)*

Offer to Warrantholders

Application for listing on the Official List/admission to trading on the Main Market of Ordinary Shares and Warrants

Sponsor, Nominated Adviser, financial adviser and joint broker

Numis Securities Limited

Numis Securities Limited, which is authorised and regulated in the United Kingdom by the Financial Services Authority for the conduct of investment business, is acting exclusively for the Company and no one else in connection with the Offer and Admission, and accordingly will not be responsible to anyone other than the Company for providing the protections afforded to clients of Numis Securities Limited, or for providing advice in relation to the Offer, Admission or any other matter referred to in this document. Apart from the responsibilities and liabilities, if any, which may be imposed on Numis Securities Limited by FSMA, no representation or warranty, express or implied, is made by Numis Securities Limited as to any of the contents of this document (without limiting the statutory rights of any person to whom this document is issued).

The Ordinary Shares and the Warrants have not been and will not be approved or disapproved by the U.S. Securities and Exchange Commission, any state securities commission in the United States, any other United States regulatory authority or any such authority of any other Prohibited Territory or any other jurisdiction and no regulatory clearances in respect of the Ordinary Shares or the Warrants have been, or will be, applied for in any jurisdiction other than the UK.

This document does not constitute an offer to sell or an invitation to subscribe for, or the solicitation of an offer to buy or to subscribe for, Ordinary Shares or Warrants in any jurisdiction in which such an offer or solicitation is unlawful and this document is not for distribution in or into the Prohibited Territories. The Ordinary Shares and the Warrants have not been and will not be registered under the United States Securities Act of 1933 (as amended) or the United States Investment Company Act 1940 (as amended) or under the applicable securities laws of any other Prohibited Territory and, unless an exemption under such acts or laws is available, may not be offered for sale or subscription or sold or subscribed directly or indirectly within any Prohibited Territory for the account or benefit of any national, resident or citizen of any Prohibited Territory. The distribution of this document in other jurisdictions may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of such jurisdictions.

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SUMMARY

The following summary should be read as an introduction to this Prospectus. Any decision to invest in the Company should be based on consideration of this Prospectus as a whole by the prospective investor. Following the implementation of the relevant provisions of the Prospectus Directive (Directive 2003/71/EC) in each member state of the European Economic Area ("EEA"), civil liability attaches to those persons responsible for the summary, including any translation of the summary, but only if the summary is misleading, inaccurate or inconsistent when read together with other parts of this Prospectus. Where a claim relating to the information contained in this document is brought before a court, the plaintiff investor might, under the national legislation of the EEA States, have to bear the costs of translating this document before legal proceedings are initiated.

1. HISTORY AND BACKGROUND

The Company was incorporated on 4 July 2005 to invest in the Russian real estate market with an initial focus on the Warehouse market in the Moscow and St. Petersburg regions. The Company was admitted to AIM at that time and raised £153 million through a placing of Ordinary Shares, and a further £310 million in April 2006 through a further Ordinary Share placing.

On 26 November 2008, the Company completed the Internalisation of its property advisor, RRPM, following which the Group is no longer subject to the restrictions of its formal investment strategy.

In March 2009, the Company raised a further £76.2 million (gross) through a placing of Units (each consisting of one Preference Share and one Warrant); £75 million of this amount was raised through the issue of Units to Invesco.

In July 2009, the Company completed its acquisition of the entire issued share capital of Raven Mount. The acquisition was funded by the issue of Units to the shareholders of Raven Mount, which valued the entire issued share capital of Raven Mount at £65 million.

2. THE BUSINESS

Raven Russia's strategy is to invest, for the long term, in freehold and leasehold property in Russia, which offers the prospect of attractive returns to its investors. The Group will continue to seek such property opportunities, either for direct investment by entities within the Group or investment with co-investment partners.

At 31 December 2009, it had a completed investment portfolio value of \$878.8 million and investment properties under construction with a carrying value of \$101.3 million.

The investment portfolio is located in four cities in Russia: Moscow; St. Petersburg; Rostov on Don and Novosibirsk, with a gross lettable area of 1,003,000 square metres. The value of the portfolio, at 31 December 2009, was: Moscow, \$587.0 million; St. Petersburg, \$123.9 million; and other regional cities \$167.9 million.

Investment properties under construction comprise additional phases of existing investment properties, land held for development in six other regional Russian cities, and plots in Kiev in Ukraine and Minsk in Belarus.

During 2009, the Company acquired Raven Mount, a UK property developer which was in the process of liquidating its stock. This gave the Company access to additional cash reserves on Raven Mount's balance sheet and the orderly wind down of Raven Mount's business will give the Company additional cash resources over the medium term.

The Company also has a logistics operating business, Roslogistics, trading as Avalon Logistics, which operates in Russia.

3. THE OFFER

On 28 June 2010, the Board announced that it is proposing to make an offer to Warrantholders in relation to their Warrants. Under the proposal, the Company is offering Qualifying Warrantholders the opportunity to surrender Warrants on the basis set out below. As a result of the Offer, 36,256,016 Warrants will be cancelled, following which the Company will be in a position to comply with the relevant provision of the Listing Rules which requires that the total of all warrants and options to subscribe for equity shares must not exceed 20 per cent. of the issued equity share capital of a company, such that it is proposed that the Ordinary Shares (including any New Ordinary Shares to be issued in connection with the Offer) and Warrants (other than those to be surrendered and cancelled in connection with the Offer) will each be admitted to the Official List and to trading on the London Stock Exchange's market for listed securities.

On the terms and subject to the conditions of the Offer, the Company is offering Qualifying Warrantholders the ability to surrender their Warrants in consideration for the issue of New Ordinary Shares or a cash payment on the following basis and subject to the scaling back described below:

**for each Warrants surrendered the issue of 0.828 of a New Ordinary Share
or
35 pence in cash**

The choice whether to receive either a cash payment or New Ordinary Shares is solely at Qualifying Warrantholders' election. Fractions of New Ordinary Shares will not be issued to Qualifying Warrantholders who accept the Offer and elect to receive New Ordinary Shares and any fractional entitlements to New Ordinary Shares will be disregarded.

Qualifying Warrantholders may accept the Offer in respect of any number of their Warrants held by them or none at all. Qualifying Warrantholders will not be able to elect to receive a combination of cash and New Ordinary Shares pursuant to the Offer. Only 36,256,016 Warrants will be surrendered pursuant to the Offer. Consequently, in accordance with each Qualifying Warrantholder's Pro Rata Entitlement, acceptances from Warrantholders in respect of up to 26 per cent. of the total number of Warrants held by them will be met in full, subject to the terms and conditions of the Offer. Warrants surrendered by an accepting Qualifying Warrantholder in excess of his Pro Rata Entitlement will be scaled back pro-rata (with the scaled back number of Warrants to be surrendered being rounded down to the nearest whole number) to ensure that the total number of Warrant surrendered pursuant to the Offer is 36,256,016.

The scaling back will be effected by allocating the 36,256,016 Warrants to be surrendered pursuant to the Offer as follows:

- (a) each Qualifying Warrantholder's acceptance of the Offer up to his Pro Rata Entitlement will be met in full; and
- (b) the remaining Warrants available for surrender pursuant to the Offer after taking into account the Warrants to be surrendered pursuant to sub-paragraph (a) above will be allocated between those Qualifying Warrantholders who have accepted the Offer in respect of an amount of Warrants in excess of their respective Pro Rata Entitlement in the proportion that the amount of excess Warrants surrendered by each such Qualifying Warrantholder (i.e. over his Pro Rata Entitlement) bears to the total amount of excess Warrants surrendered by all such Qualifying Warrantholders (i.e. over the aggregate amount of their Pro Rata Entitlements).

In this context, certain Directors, parties related to them and other key Warrantholders have irrevocably undertaken to accept the Offer in respect of, in aggregate, 36,256,017 Warrants to ensure that 36,256,016 Warrants are surrendered pursuant to the Offer. Such acceptances are subject to the scale-back provisions detailed above to the extent that other Warrantholders accept the Offer. Details of the irrevocable undertakings are set out in paragraph 5 below. Those Directors, parties related to them and Warrantholders who have executed irrevocable undertakings are entitled to accept the Offer in respect of a number of Warrants exceeding the number set out in paragraph 5 below and up to their entire

holdings of Warrants at the Record Date. The decision of the Company as to the treatment of any issues arising from scaling back will be conclusive and binding on all Warrantholders.

The maximum number of New Ordinary Shares that could be issued in connection with the Offer will be 26,978,860, which assumes that, other than Anton Bilton, who has irrevocably elected to receive a cash payment, all other Qualifying Warrantholders elect to accept the Offer in accordance with their Pro Rata Entitlements and elect for New Ordinary Shares as consideration. Assuming that this number of New Ordinary Shares are issued and that no further Ordinary Shares are issued in the period between 29 June 2010 (being the latest practicable date before the publication of this document) and the date of Admission, the issued ordinary share capital of the Company will, immediately following Admission, comprise 542,650,037 Ordinary Shares.

The Offer extends, subject to the terms and conditions of the Offer, to any Warrants unconditionally allotted or issued from today until the closing date of the Offer.

4. BACKGROUND TO, AND REASONS FOR, THE OFFER AND THE MOVE TO THE OFFICIAL LIST

In the Company's Annual Report and Financial Statements for the year ended 31 December 2009, published on 26 March 2010, the Company re-emphasised its plans to move the listing of its Ordinary Shares from AIM to the Official List, but noted that, due to the requirements of the Listing Rules, it was unable to do so whilst the Company's issued options and warrants to subscribe for Ordinary Shares (and which include the Warrants and those options and warrants referred to in paragraph 3 of Part 9 of this document (but exclude any options or similar rights outstanding pursuant to employees share schemes)) represented more than 20 per cent. of its issued ordinary share capital of the Company.

With this in mind, on 28 June 2010, the Board announced that it is proposing that the Company would make an offer to Warrantholders for them to surrender their Warrants such that following the completion of such offer and cancellation of the Warrants surrendered, the Company would be in a position to move its listing of Ordinary Shares to the Official List. Under the proposal, 36,256,016 Warrants will be surrendered and subsequently cancelled. The Company has received irrevocable commitments from certain Directors, parties related to them and other key Warrantholders to accept the Offer and surrender between them 36,256,017 Warrants such that the Company will have certainty, following completion of the Offer, that the number of options and warrants in issue will represent less than 20 per cent. of the Company's issued ordinary share capital and, as such, the Ordinary Shares will be capable of being admitted to the Official List (Premium Listing) and to trading on the London Stock Exchange's market for listed securities. Application has also been made for the simultaneous admission of the Warrants to the Official List (Standard Listing) and to trading on the London Stock Exchange's market for listed securities at the same time as the Ordinary Shares.

A separate requirement for a company's shares to be admitted to the Official List (either for a Premium Listing or a Standard Listing), is for no less than 25 per cent. of its share capital (or of a class of the share capital which is the subject of the application for admission) to be in "public hands" (as such term is defined in LR6.1.19R). Whilst the Ordinary Shares do satisfy this requirement, the Company is in the process of establishing whether the Preference Shares do and what steps (if any are required) can be taken to satisfy the requirement. In the meantime, the Preference Shares will remain admitted to trading on AIM. There is no equivalent requirement in respect of warrants which are admitted to the Official List pursuant to LR20. As a consequence, the Warrants are capable of being admitted to the Official List. In light of the proposed move of the listing of the Warrants and Ordinary Shares to the Main List, the Company considers that it would be more appropriate for the Preference Shares to be listed on the Main List once the criteria for such listing have been satisfied (primarily, that sufficient Preference Shares be held in public hands). In light of this the Company will keep the position under review and once the criteria for such move have been satisfied it will seek to move the listing of the Preference Shares to the Main List at the first appropriate opportunity thereafter. Whilst there can be no guarantee or assurance given that this will be the case (as, *inter alia*, satisfaction of some of the relevant criteria

for the move are outside the Company's control), the Company hopes that such move will take place in the next 12 months.

5. IRREVOCABLE UNDERTAKINGS IN RESPECT OF THE OFFER

The Company has received irrevocable undertakings from certain Directors, parties related to them and other key Warrantholders to accept the Offer and surrender between them 36,256,017 Warrants such that the Company will have certainty, following completion of the Offer, that it will be in a position to comply with the relevant provisions of the Listing Rules which requires that the total of all warrants and options to subscribe for equity shares must not exceed 20 per cent. of the issued equity share capital of a company.

Details of such irrevocable undertakings are set out below:

<i>Warrantholder</i>	<i>Number of Warrants the Warrantholder has undertaken to surrender pursuant to the Offer*</i>	<i>Form of consideration selected</i>
Invesco	24,711,077	New Ordinary Shares
Schroder Investment Management Limited	3,652,935	New Ordinary Shares
Richard Jewson	6,788	New Ordinary Shares
Anton Bilton	4,697,483	Cash
Glyn Hirsch ⁽²⁾	1,034,592	New Ordinary Shares
Stephen Coe	14,900	New Ordinary Shares
David Moore	18,313	New Ordinary Shares
Mark Sinclair	3,311	New Ordinary Shares
Colin Smith ⁽¹⁾	3,458	New Ordinary Shares
The Organon SIPP re Anton Bilton ⁽³⁾	326,032	New Ordinary Shares
The Godfrey Bilton Life Interest Settlement Trust ⁽⁴⁾	251,952	New Ordinary Shares
The Bilton Family Discretionary Settlement Trust ⁽⁵⁾	451,960	New Ordinary Shares
The Bilton Charitable Foundation ⁽⁶⁾	104,299	New Ordinary Shares
Anton Bilton EFRBS ⁽⁷⁾	978,917	New Ordinary Shares

*Subject to scaling back.

- (1) These Warrants are held by The Lorier Retirement Annuity Trust Scheme, of which Colin Smith is a trustee and beneficiary.
- (2) The total includes Warrants which have been allocated by the remuneration committee to Mr Hirsch. These Warrants are held in a number of different trust schemes where Mr Hirsch is a beneficiary.
- (3) The Organon SIPP re Anton Bilton is a Self Invested Personal Pension of which Anton Bilton is a trustee and beneficiary.
- (4) The Godfrey Bilton Life Interest Settlement Trust of 1st Floor, 21 Knightsbridge, London SW1X 7LY, was formed on 17 June 2002. Its trustees are Brendan Patterson and Martin Davies and its beneficiaries are the Life Tenant (being Anton Bilton's children) and their children and remoter issue (grandchildren, great grandchildren and so on).
- (5) The Bilton Family Discretionary Settlement Trust of 1st Floor, 21 Knightsbridge, London SW1X 7LY was formed on 17 October 2007. Its trustees are Brendan Patterson, Anton Bilton and Martin Davies and its intended beneficiaries are Anton Bilton's children, remoter issue, father, siblings, charitable organisations and anyone who the trustees shall add to the beneficiary class. Anton Bilton and his wife are excluded from benefiting from the Trust.
- (6) The Bilton Charitable Foundation, of 1st Floor, 21 Knightsbridge, London SW1X 7LY, was formed on 26 March 2007. Its trustees are Brendan Patterson, Anton Bilton, Martin Davies and Lisa Bilton and its beneficiaries are as nominated at the discretion of the trustees.
- (7) The Anton Bilton EFRBS holds the Warrants with Anton Bilton as the beneficiary.

6. THE NEW ORDINARY SHARES

The New Ordinary Shares will, when issued, be credited as fully paid and will rank *pari passu* in all respects with the Existing Ordinary Shares including their right to receive all future dividends or other distributions declared, made or paid after the date of their issue.

7. EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Announcement of the Offer and the Move to Official List	28 June 2010
Publication of this Prospectus (placed on the Company's website) and posting of this Prospectus and Offer Document to Warrantholders	30 June 2010
Latest time and date for receipt of Forms of Acceptance	1.00 p.m. on 22 July 2010
Transfer to escrow account of Warrants settled	by 1.00 p.m. on 22 July 2010
Closing date of the Offer	1.00 p.m. on 22 July 2010
Offer Record Date	5.00 p.m. on 22 July 2010
Announcement of the results of the Offer	by 7.00 a.m. on 26 July 2010
Cancellation of Warrants surrendered pursuant to the Offer	8.00 a.m. on 28 July 2010
Delisting of the Ordinary Shares and Warrants from AIM and Admission of the Ordinary Shares (including the New Ordinary Shares) and Warrants to the Official List and commencement of dealings on the London Stock Exchange's main market for listed securities	by 8.00 a.m. on 2 August 2010
CREST accounts credited with the New Ordinary Shares or the cash consideration (as applicable)	by 8.00 a.m. on 2 August 2010
Despatch of definitive share certificates in respect of the New Ordinary Shares or cheques in respect of the cash consideration (as applicable)	by 8.00 a.m. on 5 August 2010
Despatch of Warrant certificates to Warrantholders holding Warrants in certificated form in respect of the balance of their holdings of Warrants	by 8.00 a.m. on 5 August 2010

8. RISK FACTORS

The material risk factors relating to the Group fall into a number of areas:

General Risk Factors

- Global economic outlook
- Long-term maintenance of capital
- Gearing
- Currency Risk
- Tax
- Retention of key employees

Risk Factors relating to property

- Fall in rental income and default
 - Increase in operating costs
 - Risk on land valuation
 - Liquidity of underlying investments
 - Legal changes
-

-
- Uninsured losses
 - Geographic concentration of properties
 - Property prices

Risk Factors relating to Russia

- Political risk
- Economic risk
- Physical infrastructure
- Reliance on oil and gas
- Crime and corruption
- Accounting practice
- Foreign currency and exchange rates
- Foreign investment restrictions
- Repatriation restrictions
- Re-nationalisation, requisition, compulsory purchase
- Russian taxation
- Legal system
- Town-planning issues
- Servitude and easement
- Liability of investors in joint stock companies
- Insurance
- Environmental concerns
- Liabilities in acquired entities
- Title, Immovables Register and Register of Rights
- Land lease expiry or termination

Risk Factors relating to the Ordinary Shares and Warrants

- Trading in Ordinary Shares and Warrants
- Risks relating to the Preference Shares trading on AIM
- If the Company is wound up, distributions to holders of the Ordinary Shares (including those issued following the exercise of Warrants) will be subordinated to the claims of creditors and the holders of Preference Shares
- Dividends
- Volatility
- Perpetual securities
- Net asset value and market price
- Payment by the Company of coupon payments on the Preference Shares may prevent the payment of dividends on, and the redemption or purchase by the Company of, the Ordinary Shares (including those issued upon exercise of the Warrants)
- Future sales of Ordinary Shares and/or Preference Shares and/or Warrants in the public market.

RISK FACTORS

An investment in the Company involves significant risks and is only suitable for investors who are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses (which may be equal to the whole amount invested) which may result from such an investment. Accordingly, prospective investors should carefully review and evaluate the risks and the other information contained in this document before making a decision to invest in the Company. If in any doubt, prospective investors should immediately seek their own personal financial advice from their independent professional adviser authorised under FSMA who specialises in advising on the acquisition of shares and other securities or other advisers such as legal advisers and accountants.

If any of the following risks actually occur, the Company's business, financial condition, capital resources, results and/or future operations could be materially and adversely affected. In such circumstances, the trading price of the Ordinary Shares and Warrants could decline and investors may lose all or part of their investment. All of the risks of which Directors are aware as at the date of this document relating to the Group, its industry, the Offer and Admission, and which they consider material, are set out below. However, the risks below are not the only risks to which the Company may be subject. Additional risks and uncertainties not currently known to the Directors, or which they may believe them to be immaterial, may later prove to be material or otherwise have an adverse effect on the Company's business.

In this section "Key Managers" is defined as Adrian Baker and Igor Bogorodov.

References below to the Company are also deemed to include, where appropriate, each member of the Group.

1. GENERAL RISK FACTORS

1.1 Global economic outlook

The financial markets deteriorated dramatically following the bankruptcy filing by Lehman Brothers in September 2008 and are still volatile following Europe's debt crisis. This has led to severe dislocation of financial markets around the world and unprecedented levels of illiquidity. These conditions produced downward pressure on stock prices and on the availability of credit for financial institutions and corporations. If these levels of market disruption and volatility continued, the Group might experience reductions in business activity, increased funding costs and funding pressures, a decrease in the market price of its Ordinary Shares and Warrants, decreased asset values, additional write-downs and impairment charges and lower profitability.

1.2 Long-term maintenance of capital

As with all property companies, the Company will need to refinance existing financing facilities from time to time due to its capital structure. All existing financing facilities of the Group are on a long term basis and are not due to be re-financed until dates ranging from October 2011 to 2017. If the Company does not maintain sufficient capital in the longer term, the Company's business, results of operations and financial condition may suffer, its ability to access funding may be further limited and its cost of funding may increase.

1.3 Gearing

All existing financing facilities of the Group are on a long term basis and are not due to be re-financed until dates ranging from October 2011 to 2017. The Directors intend to continue to secure borrowing facilities in the future. It is not certain that such facilities will be able to be secured at levels or on terms acceptable to the Directors. Any amounts that are secured under a bank facility are likely to rank ahead of shareholders' entitlements and, accordingly, should the

Company's assets not grow at a sufficient rate to cover the costs of operating the Company, shareholders may not recover their investment.

Prospective investors should be aware that, whilst the use of borrowings should enhance the net asset value of the Ordinary Shares where the value of the Company's underlying assets is rising, it will have the opposite effect where the underlying asset value is falling. In addition, in the event that the rental income of the Company's property portfolio falls, including as a result of defaults by tenants pursuant to their leases with the Company, the use of borrowings will increase the impact of such falls on the net profit of the Company and, accordingly, will have an adverse effect on the Company's ability to pay dividends to the holders of its Ordinary Shares and Preference Shares.

1.4 Currency risk

The Company transacts in currencies other than Sterling, primarily in US dollars and Roubles. The Company's bank loans are predominantly US dollar denominated as are the terms of the rental contracts although tenants may have Rouble denominated business. Consequently, the Company's performance will be subject to the effect of exchange rate fluctuations with respect to the currencies employed.

1.5 Tax

If a member of the Group is found to be, or to have been, tax resident in any jurisdiction other than that in which it is incorporated or domiciled or to have a taxable permanent establishment or other taxable presence elsewhere, other than in the case of certain members of the Group providing advisory and staff services which may have permanent establishments in Russia and the UK, whether on the basis of existing law or the current practice of any tax authority or by reason of a change in law or practice, this may have a material adverse effect on the amount of tax payable by the Group.

Any change in any member of the Group's tax status or in taxation legislation, practice or its interpretation, could adversely affect the post-tax returns to shareholders.

1.6 Retention of key employees

The Company's future success is substantially dependent on the continued services and performance of certain key employees and its ability to continue to attract and retain highly skilled and qualified personnel. The Directors cannot give assurances that members of the management team will continue to remain with the Company. The loss of the services of key employees could damage the Company's business. The nature of the Company and its business model will create a reliance on a small number of key personnel, whose expertise in their particular business activity is important to the fortunes of the Company going forward. The Company will be dependent, in particular, on the Executive Directors and the Key Managers. The loss of key personnel and/or the inability to recruit further key personnel could have a material adverse effect on the future of the Company through the impairment of the day-to-day running of the Company, the inability to develop new projects and the inability to develop new and maintain existing relationships.

2. RISK FACTORS RELATING TO PROPERTY

2.1 Fall in rental income and default

The net revenue generated from the Group's properties may depend on the financial stability of its tenants and its commercial relationships with its major customers. In the event of a number of tenants defaulting, the Group may experience delays in enforcing its rights as landlord and may incur costs, including litigation and related expenses, in protecting its investment and re-letting the relevant units. In the event of a tenant going bankrupt or becoming insolvent, and thus seeking the protection of bankruptcy or insolvency laws, the Group may experience delays in

receipt of rental and/or other contractual payments or it may be unable to collect such payments at all.

If a lease is terminated, the Group may be unable to lease the property for the rent previously received or sell the property without incurring a loss. In the event of a default by a tenant leading to a vacancy or during any other period of vacancy, the Group will suffer a rental shortfall and incur additional expenses until the property is re-let. These expenses could include legal and surveyor's costs in re-letting, maintenance costs, insurance, rates and marketing costs.

2.2 Increase in operating costs

The Group's operating and other expenses could increase without a corresponding increase in turnover or tenant reimbursements of operating and other costs. Factors which could increase operating and other expenses include:

- increases in the rate of inflation;
- increases in payroll expenses and energy costs;
- increases in property taxes and other statutory charges;
- increases in insurance premiums;
- increases in the costs of maintaining properties; and
- failure to perform by sub-contractors leading to increases in operating costs.

Such increases could have a material adverse effect on the Group's business, financial conditions or results of operations.

2.3 Risk on land valuation

A significant proportion of the Company's net asset value comprises property and property related assets. If the property market weakens, the Company may have to write down the book value of the properties held by any member of the Group with a corresponding loss recognised in the income statement.

Property and property related assets are inherently difficult to value due to the individual nature of each property and the particular terms of the agreements to which interests in those ventures are held. As a result, valuations can be uncertain and there can be no assurance that the estimates resulting from the valuation process will reflect actual sale prices that could be realised in the future.

Both rental income and the market value of properties are generally affected by overall conditions in the Russian and UK economies, inflation and changes in interest rates, which may in turn impact upon the demand for properties.

The potential for the development and/or expansion of Warehouses may be adversely affected by a number of factors, including constraints on location, planning legislation and the need to obtain other licences, consents and approvals and the existence of restrictive covenants affecting the title to the property.

2.4 Liquidity of underlying investments

Investments in property are relatively illiquid and more difficult to realise than equities or bonds.

2.5 Legal changes

Any changes to the laws and regulations relating to Russian property may have an adverse effect on the capital value and/or the rental income of the Company's Russian property portfolio.

2.6 Uninsured losses

The Group seeks to ensure that all its properties are adequately insured to cover losses. However, changes in the costs or availability of insurance could expose the Company to uninsured losses. In addition, certain types of risk may be, or may become in the future, uninsurable or not insurable on sensible economic terms or may not be currently, or in the future, covered by the Group's insurance. In the event that any of the properties incurs a loss that is not fully covered by insurance, the value of the Group's assets will be reduced by the amount of any such uninsured loss. In addition, the Group may have no source of funding to repair or reconstruct the damaged property, and there can be no assurance that any such sources of funding will be available to it for such purposes in the future.

2.7 Geographic concentration of properties

All of the Group's completed investment properties are located in Russia, with the majority of the properties being located in the Moscow and St. Petersburg regions. Consequently, any downturn in the Moscow or St. Petersburg economies, or Russia's economy as a whole, could materially adversely affect the Group's business, financial condition or results of operations, particularly as the Group has only a limited ability to help offset such a downturn through alternative activities.

2.8 Inventory

The success of realising the value of the Group's inventory is dependent in part on property prices in the locations where they are situated remaining stable or rising. There is no guarantee that this will be the case. There is also no guarantee that the Group will be able to sell the properties which it has developed and holds as stock, that the Group will be able to sell such stock at profitable prices or that the residential property markets, in the relevant countries, will continue to develop, or develop at the rate expected by the Group. The financial performance and position of the Group depends upon, amongst other things, the economic situation in the markets in which it operates and could be adversely affected by a sustained downturn in the property market in terms of capital values.

3. RISK FACTORS RELATING TO RUSSIA

Potential investors should note that there are significant risks inherent in investing in Russia. The value of Russian companies and assets may be affected by various uncertainties such as economic, political or diplomatic developments, social and religious instability, taxation and interest rates, currency repatriation restrictions, crime and corruption and developments in the law or regulations in Russia and, in particular, the risks of expropriation, nationalisation and confiscation of assets and changes in legislation relating to the level, or permissibility, of foreign ownership.

3.1 Political risk

Significant political instability or social unrest could have a material adverse effect on the value of foreign investments in Russia and, therefore, the value of the Company's assets.

3.2 Economic risk

Since the collapse of the Soviet Union, Russia has at various times been affected by declines in gross domestic product, hyperinflation, an unstable currency and high government indebtedness relative to Gross Domestic Product. Although Russia now has these factors under a greater degree of control, it cannot be guaranteed that this state of affairs will continue or that Russia's economy will not rapidly deteriorate. This could materially affect the value of the Company's assets.

3.3 Physical infrastructure

Russia's physical infrastructure largely dates back to Soviet times and much has not been adequately funded and maintained over the last ten years. The deterioration of Russia's physical infrastructure may harm the national economy, disrupt the transportation of goods and supplies,

add costs to doing business in Russia and interrupt business operations, each of which could have a material adverse effect on the Group's business.

3.4 Reliance on oil and gas

The Russian economy is heavily dependent on the production and export of oil and is therefore highly sensitive to changes in the world oil price. It is impossible to predict future oil price movements with any certainty. A reduction in the world oil prices may lead to a decline in the value of Russian assets. In addition, it may have materially adverse effects on the Russian economy.

Making the economy less dependent on oil and natural gas export is a stated priority of Ex-President Putin and current President Medvedev, but there can be no guarantee that this will happen going forward.

3.5 Crime and corruption

Parts of the Russian economic system continue to suffer from corruption. The Company may have to cease or alter certain activities or liquidate certain investments as a result of criminal threats or activities. Legal rights may be difficult to enforce in the face of organized crime or corruption. Prospective counterparties to the Company may seek to structure transactions in an irregular fashion, and to evade fiscal or legal requirements. They may also deliberately conceal information from the Company and its advisers or provide inaccurate or misleading information.

Further, it is possible that permits, authorisations, re-zoning approvals or other similar matters may have been obtained in breach of legal requirements (often on the basis of illegal payments having been made). Such matters would be susceptible to subsequent challenge as ultra vires. Similar issues may arise in the context of compliance with privatisation procedures and auctions related to the acquisition of land, lease and development rights. It can be difficult, or impossible, to monitor or verify this issue one way or another.

3.6 Foreign currency and exchange rates

The Company's assets may be invested in assets denominated in Roubles, which are not readily convertible into other currencies outside Russia. The value of the Company's assets, as measured in Sterling or US dollars, may be affected, both positively and negatively, by fluctuations in currency rates and exchange control regulations.

3.7 Foreign investment restrictions

The laws and regulations affecting foreign investment in Russian enterprises continue to evolve in an unpredictable manner. Laws and regulations, particularly involving taxation, foreign investment and trade, title to securities, and transfer of title that are applicable to the Company's activities can change quickly and unpredictably (sometimes with retrospective effect) in a manner far more volatile than in more developed market economies. Although basic commercial laws are in place, they are subject to varying interpretations and may at any time be amended, modified, repealed or replaced in a manner materially adverse to the interests of the Company.

3.8 Repatriation restrictions

Russian foreign investment legislation currently guarantees the right of foreign investors to transfer abroad income received from investments such as profits, dividends and interest payments. This right is subject to settlement of all applicable taxes and duties. However, more recent legislation governing currency regulation and control, guarantees the right to export interest, dividends and other income on investments, but does not expressly permit the repatriation of capital from the realisation of investments. Current practice is to recognise the right to repatriation of capital. Authorities currently do not attempt to restrict repatriation beyond the extent of the earlier Russian foreign investment legislation which did not expressly

prevent the repatriation of capital. No guarantee can be made, however, that amounts representing realisation of capital or income will be capable of being remitted.

Russian currency control legislation pertaining to the payment of dividends currently permits Rouble dividends on common stock to be paid to a special Rouble account of a non-resident shareholder or its nominee, and to be converted into a convertible currency and repatriated without restriction, but it is possible that this situation may change.

3.9 Re-nationalisation, requisition, compulsory purchase

Russia has, since the early 1990s, undertaken a substantial programme of privatisation. However, an anti-privatisation lobby still exists within the Russian parliament. Re-nationalisation of assets cannot be ruled out and any such activity could materially adversely affect the value of the Company's assets. Further, land may be subject to compulsory purchase by the state for its own needs or as a sanction for the inappropriate use of that land. Any such activity could materially adversely affect the value of the Company's assets.

The law on investment activity in Russia provides that in the event that property (including, by implication, real estate) is nationalised or requisitioned by the state, the owner is entitled to full reimbursement for all incurred losses, including loss of profit. It is not clear from the law how such losses will be calculated nor whether there is any way to seek to challenge (and so to prevent) confiscation of real estate.

During Russia's transformation from a centralised economy to a market economy, legislation has been enacted to protect private property against expropriation and nationalisation. However, it is possible that due to the lack of experience in enforcing these provisions and due to political or legal changes, these protections could not be enforced, in the event of an attempted expropriation or nationalisation. Some government entities have tried to invalidate earlier privatisations. Expropriation or nationalisation of the companies in which the Company invests, or of their assets or portions thereof, potentially with little or no compensation, would have a material adverse effect on the Company.

3.10 Russian taxation

Russian tax law and practice is not as clearly established as that of the UK. It is possible that the current interpretation of the law or understanding of practice may change or, indeed, that the law may be changed with retrospective effect, although legislation with retrospective effect that cause a deterioration in taxpayers' positions is generally prohibited. Russian tax laws have been in force for a short period relative to tax laws in more developed market economies: therefore the government's implementation of these tax laws is often unclear or inconsistent. Often, differing legal interpretations exist between companies that are taxed and government organisations, such as the Minister of Finance, the Federal Tax Service and its various inspectorates, creating uncertainties and areas of conflict. Generally, tax declarations remain open and subject to inspection by tax and/or customs authorities for a period of three years following the tax year in question. Further, the tax authorities have in the past sought, and may again in the future, seek, ways to look back beyond the three year period. The fact that a year has been reviewed by tax authorities does not close that year nor any tax declaration applicable to that year, from further review during the three-year period. These facts create tax risks in Russia substantially more significant than typically found in countries with more developed tax systems.

The taxation system in Russia is subject to frequent change and inconsistent enforcement at the federal, regional and local levels. Historically, the system of tax collection was relatively ineffective, resulting in the continual imposition of new taxes in an attempt to raise government revenues. There can be no guarantee that the Russian Tax Code will not be changed in the future in a way that reverses the positive changes which its introduction brought about. Among other things, the potential for government deficits raises the risk of a sudden imposition of additional taxes on the Company or entities in which it invests.

Accordingly, it is possible that the Company or any entity in which it invests could become subject to taxation in Russia that is not anticipated either at the date of this document or when its investments into Russia are made, valued or disposed of, which could have a materially adverse effect on the Company.

Equally, the timing for recovering VAT by the Group from the Russian government in respect of construction costs can be hard to predict.

3.11 Legal system

The volume of new legislation which has appeared, as well as the magnitude of the legislative changes taking place, has resulted in a lack of precedent available to the Russian courts to enable them to give clear and consistent judgments. Legal acts are published by a variety of state bodies and complete compliance with legal rules and standards, including in relation to privatisation, has often been difficult to achieve even for those attempting to do so.

Russia had little regulation on the issues relating to private ownership of real estate during the Soviet period. As a result, many aspects of the legislative framework relating to the holding of real estate in Russia remain undeveloped. The process of development of the legislative environment has not been finalised yet. The law is evolving rapidly and it is difficult to predict future changes.

Due to the inconsistency of Russian legislation, the same provisions of the law may be applied differently by different local authorities and state bodies. As an example, when applying for registration of sale and purchase agreements for real estate, registration may depend upon the decision of a state official who has, at least in practical terms, wide-ranging discretion over registration practices and procedures. The uncertainty as to how the law will be applied by different local authorities and state bodies may have adverse consequences for the Company.

Under Russian law, any legal rule affecting the rights and duties of private individuals must be published. However, there remains the risk of unpublished laws being applied in which case the validity of any act affecting the rights and duties of private individuals that is not based on published law can be challenged in court. Courts normally give protection to the rights of private individuals except, perhaps, in high profile cases where political reasons may prevail.

The independence of the judicial system and its immunity from economic, political and nationalistic influences in Russia remain largely untested. The court system is understaffed and under-funded. Judges and the courts are generally inexperienced in the area of business and corporate law. Judicial precedents have no binding effect on subsequent decisions as Russia is a civil law jurisdiction. In addition, most court decisions are not readily available to the public. Enforcement of court judgements can in practice be very difficult in Russia. All of these factors make judicial decisions in Russia difficult to predict and effective redress uncertain. Additionally, court claims may be used in furtherance of political or private objectives and court judgements are not always enforced or followed by law enforcement agencies.

Disputes concerning real estate are within the exclusive competence of the court of the Russian Federation. This does not therefore allow such disputes to be referred to arbitration outside Russia so that the Company may well be exposed to the issues outlined above.

3.12 Town-planning issues

City (or other authorities') reconstruction or zoning plans may envisage the demolition or reconstruction of buildings. It may be difficult to ascertain whether an investment that the Company proposes to make is, or may be in the future, affected by such plans. Buildings constructed in Russia often fail to comply with various matters of public or administrative law. As examples, they may not comply with the building code regulations, with the detailed requirements of the permits authorising their construction or with local authority zoning

requirements. It can be difficult or, in some cases, impossible to verify compliance due to various factors, not least obtaining information from all relevant authorities in this context.

3.13 Servitude and easement

In Russia, the concept of an easement or servitude such as right of way or access is non-existent or in its infancy. Accordingly the rights relating to a property over another's land (e.g. for drainage, access, rights of light, cabling, structural support etc.) are generally ill-defined concepts. The Company may be uncertain as to its rights over adjoining land, and similarly, neighbours to the Company's property may have ill-defined rights over the Company's property.

3.14 Liability of investors in joint stock companies

The Russian Civil Code, the Federal Law on joint stock companies and the Federal Law on limited liability companies generally provide that shareholders in a Russian joint stock company and members of a Russian limited liability company are not liable for the obligations of the company and bear only the risk of loss of their investment. An exception to this rule, however, is when one company is capable of determining such decisions of its subsidiary.

Such a company is called an effective parent. The company whose decisions are capable of being so determined is called an effective subsidiary. Under certain circumstances the effective parent bears joint and several responsibility for transactions concluded by the effective subsidiary in carrying out these decisions. In addition, an effective parent is secondarily liable for an effective subsidiary's debts if an effective subsidiary becomes insolvent or bankrupt resulting from the action or inaction of an effective parent. A number of the Company's subsidiaries are Russian joint stock companies. To the extent that the Company is deemed to have determined the decisions of such subsidiary, the Company will be deemed to be an effective parent.

3.15 Insurance

The insurance industry in Russia is in an early stage of development and, accordingly, the insurance cover available is relatively limited. Many forms of insurance common in more developed countries are not yet available in Russia. Accordingly, there is a risk that losses and liabilities of Russian companies in which the Company invests, could have a materially adverse effect on their value. It may not be possible for the Company to obtain insurance for the loss of rent (or to do so at commercial rates).

As leases may be terminable in certain circumstances under Russian law, the certainty of the Company's lease income cannot necessarily be guaranteed. The Company may also not be able to obtain title insurance due to limited product availability and cost.

3.16 Environmental concerns

The Group may be liable for the costs of removal, investigation or remediation of any hazardous or toxic substances that are located on or in a property owned or occupied by it, or that are migrating or have migrated from a property owned or occupied by it. The costs of any required removal, investigation or remediation of such substances may be substantial regardless of whether the Group originally caused the contamination.

The presence of such substances, or the failure to remedy the situation properly, may also adversely affect the value of the property or the Group's ability to sell, let or regenerate the property. The Group could be required to remove or remediate any hazardous substances that it has caused or knowingly permitted to be located at any property that it has owned or occupied in the past.

Laws and regulations, which may be amended over time, may also impose liability for the presence of certain materials or substances or the release of certain materials or substances into the air, land or water or the migration of certain materials or substances from an investment, including asbestos, and such presence, release or migration can form the basis for liability to third

parties for personal injury or other damages. The Group may be affected by the additional cost of environmental liabilities imposed by environmental regulation, which could have a material adverse effect on its business, financial condition or results of operations.

3.17 Liabilities in acquired entities

The Company may need to make investments by acquiring existing companies with undisclosed or unascertained liabilities embedded in such companies. The Company will seek to obtain appropriate contractual protection but obtaining comprehensive protection and the efficacy and enforceability of such protection (to the extent obtained) cannot be guaranteed.

3.18 Title, Immovables Register and Register of Rights

In accordance with the Federal Law on the State Register of Immovable Property dated 24 July 2007, the State Register of Immovable Property (the “**Immovables Register**”), administered by the Federal Agency, was established. The Immovables Register discloses, *inter alia*, certain key information in respect of land such as its location, designated use, ownership title, cadastre value, etc. The general information from the Immovables Register is publicly available and may be obtained by any interested person. Additionally, there is a uniform register of rights to immovable property and transactions with it which also contains key information in respect of land and buildings, similar to the Immovables Register. However, the quality and reliability of the official information in both registers is generally not equivalent to that of more developed Western countries. Further, the state gives no clear guarantee relating to the accuracy and completeness of the information contained in either register.

Thus, although the Company may be forced to rely upon the information contained in either register, it may not have effective redress against the state if the information upon which the Company relied, in deciding whether or not to make an investment, was inaccurate, misleading or incomplete. The information in either register may be subject to a challenge in the court by any interested party.

Broadly speaking, the Company will only acquire a title to assets which is as good as the title of the seller of such assets to the Company. It can be difficult, or impossible, in certain cases, to establish beyond doubt that such title is incapable of challenge. Any successful challenge to the validity of the seller's title to an asset may in turn have adverse consequences for the Company's title to such asset.

3.19 Land lease expiry or termination

The Company may acquire investments where it has only a leasehold interest in the land (but ownership of any building on it). The land lease is likely to be capable of being terminated early in various circumstances; ordinarily this would only be in the event of breach of the land lease provisions, but there may be other circumstances provided for in the lease in question. Furthermore, the land lease may not contain renewal rights. In the event of termination of a land lease (whether during the term, generally for breach, or at the expiry of the term) there is a risk that the landowner will acquire the right to buy the building in question on that land, from the Company, for a price unspecified, but to be determined by the court. This is one possible outcome of a number of possible outcomes contemplated by the Civil Code. Due to a lack of court practice on how these provisions will actually operate, the Company's position, and the ongoing status of its investment, will be unclear upon termination of any land lease rights.

4. RISK FACTORS RELATING TO THE ORDINARY SHARES AND WARRANTS

4.1 Trading in Ordinary Shares, Preference Shares and Warrants

Investors should be aware that the value of the Ordinary Shares (including those issued upon the exercise of the Warrants), the Preference Shares and the Warrants may go down as well as up and that they may not be able to realise their investment.

Although the Company has applied for admission of the Ordinary Shares (including the New Ordinary Shares to be issued pursuant to the terms of the Offer) and the Warrants (other than those which are to be converted into New Ordinary Shares pursuant to the terms of the Offer) to the Official List and to trading on the London Stock Exchange's market for listed securities, and it is expected that these applications will be approved, the Group can give no assurance that the trading market for the Ordinary Shares or the Warrants will be more active than when such securities were admitted to trading on AIM or, if developed, will be sustained following Admission. If an active trading market is not developed or maintained, the liquidity and trading price of the Ordinary Shares and/or the Warrants could be adversely affected.

4.2 Risks relating to the Preference Shares trading on AIM

Following Admission, the Preference Shares will remain admitted to trading on AIM, a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than that associated with larger or more established companies. An investment in the Preference Shares quoted on AIM may carry a higher risk than an investment in the Preference Shares were they quoted on the Official List as it may be more difficult for investors to realise their investment on AIM than to realise an investment in a company whose shares or warrants are quoted on the Official List. The AIM Rules are less demanding than those of the Official List. AIM has been in existence since June 1995 but its future success and liquidity in the market for the Preference Shares cannot be assured.

4.3 If the Company is wound up, distributions to holders of the Ordinary Shares (including those issued following the exercise of Warrants) will be subordinated to the claims of creditors and the holders of Preference Shares

On a return of capital on a winding-up, holders of Ordinary Shares (including those issued following the exercise of the Warrants) will be entitled to be paid out of the assets of the Company available to members only after the claims of all creditors of the Company and the holders of the Preference Shares have been settled.

4.4 Payment by the Company of coupon payments on the Preference Shares may prevent the payment of dividends on, and the redemption or purchase by the Company of, the Ordinary Shares (including those issued upon exercise of the Warrants)

The Preference Shares rank in priority to the Ordinary Shares and their rights contain provisions to the effect that if the Preference Dividend on them is not paid on the dates provided, then the Company will be restricted from paying dividends on, and/or repurchasing, any of the Ordinary Shares.

4.5 Dividends

Notwithstanding the risks set out in paragraph 4.5 above, the ability of the Company to pay out dividends on the Ordinary Shares will depend on, *inter alia*, rental and capital value growth in the underlying assets and on the solvency of the Company.

The Law now requires the directors of the Company to carry out a liquidity or cashflow test and a balance sheet solvency test before any dividend or distribution payment can be made. The test requires the board to make a future assessment by making reference to the solvency test being satisfied immediately after a distribution or dividend payment is made. If at the time a dividend or distribution payment is to be made the directors believe that the solvency test cannot be passed, then no payment may be made to holders of the Ordinary Shares.

The corporate structure of the Group entitles it to certain benefits under the double taxation treaty signed between Russia and Cyprus in 1998 and effective from 2000. Should this treaty be amended or terminated, tax efficiencies within the Group could be reduced and adversely affect the overall performance of the Company and its ability to pay dividends.

4.6 Volatility

The market price of the Ordinary Shares and/or Warrants could be subject to significant fluctuations due to a change in sentiment in the market regarding the Ordinary Shares, Preference Shares and/or Warrants or in response to various factors and events, including legal or regulatory changes affecting the Group's operations, variations in the Group's operating results or property valuation and any further downturn in the broader Russian property market.

4.7 Perpetual Securities

The Company is unable to redeem the Preference Shares at its election. The holders of the Preference Shares have limited rights to call for their redemption; these are more particularly described in the relevant paragraphs of Section A of Part 8 of this document.

4.8 Net asset value

There is no guarantee that the market price of the Ordinary Shares and/or the Warrants will fully reflect the underlying value of the assets held by the Company. As well as being affected by the underlying value of the assets held, the market value of the Ordinary Shares and/or the Warrants will, amongst other factors, be influenced by the market price of the Ordinary Shares and/or the Warrants and the supply and demand for the Ordinary Shares and/or the Warrants in the market. As such, the market value of the Ordinary Shares and/or the Warrants may vary considerably from the underlying value of the Group's assets.

There is also no guarantee that the market price of the Warrants will bear any direct correlation to the market price of the Ordinary Shares.

4.9 Future sales of Ordinary Shares and/or Preference Shares and/or Warrants in the public market

Sales of a substantial number of Ordinary Shares and/or Preference Shares and/or Warrants by holders of such shares and/or warrants in the public market could adversely depress the market price of the Ordinary Shares and/or Preference Shares and/or Warrants.

FORWARD LOOKING STATEMENTS

This document contains forward-looking statements that involve risks and uncertainties. The Group's actual results could differ materially from those estimated or anticipated in the forward-looking statements as a result of many factors, including the risks faced by the Group which are described in the "Risk Factors" section above and elsewhere in this document.

This document may contain "**forward-looking statements**" concerning the Group. Generally, the words "**anticipate**", "**believe**", "**estimate**", "**expect**", "**forecast**", "**intend**", "**may**", "**plan**", "**project**", "**should**" and similar expressions identify forward-looking statements. Such statements reflect the relevant company's current views with respect to future events and are subject to risks and uncertainties that could cause the actual results to differ materially from those expressed in the forward-looking statements. Many of these risks and uncertainties relate to factors that are beyond the Group's ability to control or estimate precisely, such as changes in general economic and business conditions, changes in currency exchange rates and interest rates, lack of acceptance of New exchange rates and interest rates, introduction of competing products or services, lack of acceptance of new products or services, changes in business strategy and the behaviour of other market participants and therefore undue reliance should not be placed on such statements.

The forward-looking statements speak only as at the date of this document. Except as required by the FSA, the London Stock Exchange, the Part VI Rules (including the Listing Rules, the Prospectus Rules and/or the DTR's) or applicable law, Raven Russia does not have any obligation to update or revise publicly any forward-looking statement, whether as a result of new information, further events or otherwise. Except as required by the Listing Rules, the Prospectus Rules, the DTR's) or any other applicable law, Raven Russia expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the Company's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this document might not occur.

DIRECTORS, SECRETARY AND ADVISERS

Directors

Richard Wilson Jewson, *Non-Executive Chairman*
Anton John Godfrey Bilton, *Executive Deputy Chairman*
Glyn Vincent Hirsch, *Chief Executive Officer*
Mark Sinclair, *Chief Financial Officer*
Colin Andrew Smith, *Chief Operating Officer*
Stephen Charles Coe, *Non-Executive Director*
David Christopher Moore, *Non-Executive Director*
Christopher Wade Sherwell, *Non-Executive Director*

Further information on the Directors is contained in paragraph 3 of Part 2 of this document

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Benn Garnham

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EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Announcement of the Offer and the Move to Official List	28 June 2010
Publication of this Prospectus (placed on the Company's website) and posting of this Prospectus and Offer Document to Warrantholders	30 June 2010
Latest time and date for receipt of Forms of Acceptance	1.00 p.m. on 22 July 2010
Transfer to escrow account of Warrants settled	by 1.00 p.m. on 22 July 2010
Closing date of the Offer	1.00 p.m. on 22 July 2010
Offer Record Date	5.00 p.m. on 22 July 2010
Announcement of the results of the Offer	by 7.00 a.m. on 26 July 2010
Cancellation of Warrants surrendered pursuant to the Offer	8.00 a.m. on 28 July 2010
Delisting of the Ordinary Shares and Warrants from AIM and admission of the Ordinary Shares (including the New Ordinary Shares) and Warrants to the Official List and commencement of dealings on the London Stock Exchange's main market for listed securities	by 8.00 a.m. on 2 August 2010
CREST accounts credited with the New Ordinary Shares or the cash consideration (as applicable)	by 8.00 a.m. on 2 August 2010
Despatch of definitive share certificates in respect of the New Ordinary Shares or cheques in respect of the cash consideration (as applicable)	by 8.00 a.m. on 5 August 2010
Despatch of Warrant certificates to Warrantholders holding Warrants in certificated form in respect of the balance of their holdings of Warrants	by 8.00 a.m. on 5 August 2010

PART 1

INFORMATION ON THE OFFER AND THE MOVE TO THE OFFICIAL LIST

1. INTRODUCTION

On 28 June 2010, the Board announced that it is proposing to make an offer to Warrantholders in relation to their Warrants. Under the proposal, the Company is offering Qualifying Warrantholders the opportunity to surrender Warrants on the basis set out below.

As a result of the Offer, 36,256,016 Warrants will be cancelled, following which the Company will be in a position to comply with the relevant provision of the Listing Rules which requires that the total of all warrants and options to subscribe for equity shares must not exceed 20 per cent. of the issued share capital of a company (as further detailed in paragraph 3 below), such that it is proposed that the Ordinary Shares (including any New Ordinary Shares to be issued in connection with the Offer) and Warrants (other than those to be surrendered and cancelled in connection with the Offer) will each be admitted to the Official List and to trading on the London Stock Exchange's market for listed securities.

2. SUMMARY OF THE TERMS OF THE OFFER

On the terms and subject to the conditions set out in the Offer Document, the Company is offering Qualifying Warrantholders the ability to surrender their Warrants in consideration for the issue of New Ordinary Shares or a cash payment on the following basis and subject to the scaling back described below:

**for each Warrant surrendered the issue of 0.828 of a New Ordinary Share
or
35 pence in cash**

The choice whether to receive either a cash payment or New Ordinary Shares is solely at Qualifying Warrantholders' election. Fractions of New Ordinary Shares will not be issued to Qualifying Warrantholders who accept the Offer and elect to receive New Ordinary Shares and any fractional entitlements to New Ordinary Shares will be disregarded.

Qualifying Warrantholders may accept the Offer in respect of any number of their Warrants held by them or none at all. Qualifying Warrantholders will not be able to elect to receive a combination of cash and New Ordinary Shares pursuant to the Offer. Only 36,256,016 Warrants will be surrendered pursuant to the Offer. Consequently, in accordance with each Qualifying Warrantholder's Pro Rata Entitlement, acceptances from Warrantholders in respect of up to 26 per cent. of the total number of Warrants held by them will be met in full, subject to the terms and conditions of the Offer. Warrants surrendered by an accepting Qualifying Warrantholders in excess of his Pro-Rata Entitlement will be scaled back pro-rata (with the scaled back number of Warrants to be surrendered being rounded down to the nearest whole number) to ensure that the total number of Warrants surrendered pursuant to the Offer is 36,256,016.

The scaling back will be effected by allocating the 36,256,016 Warrants to be surrendered pursuant to the Offer as follows:

- (a) each Qualifying Warrantholder's acceptance of the Offer up to his Pro Rata Entitlement will be met in full; and
- (b) the remaining Warrants available for surrender pursuant to the Offer after taking into account the Warrants to be surrendered pursuant to sub-paragraph (a) above will be allocated between those Qualifying Warrantholders who have accepted the Offer in respect of an amount of Warrants in excess of their respective Pro Rata Entitlement in the proportion that the amount of excess

Warrants surrendered by each such Qualifying Warrantholder (i.e. over his Pro Rata Entitlement) bears to the total amount of excess Warrants surrendered by all such Qualifying Warrantholders (i.e. over the aggregate amount of their Pro Rata Entitlements).

In this context, certain Directors, parties related to them and other key Warrantholders have irrevocably undertaken to accept the Offer in respect of, in aggregate, 36,256,017 Warrants to ensure that 36,256,016 Warrants are surrendered pursuant to the Offer. Such acceptances are subject to the scale-back provisions detailed above to the extent that other Warrantholders accept the Offer. Details of the irrevocable undertakings are set out in paragraph 4 below. The decision of the Company as to the treatment of any issues arising from scaling back will be conclusive and binding on all Warrantholders.

The maximum number of New Ordinary Shares that could be issued in connection with the Offer will be 26,978,860, which assumes that, other than Anton Bilton, who has irrevocably elected to receive a cash payment, all other Qualifying Warrantholders elect to accept the Offer in accordance with their Pro Rata Entitlements and elect for New Ordinary Shares as consideration. Assuming that this number of New Ordinary Shares are issued and that no further Ordinary Shares are issued in the period between 29 June 2010 (being the latest practicable date before the publication of this document) and the date of Admission, the issued ordinary share capital of the Company will, immediately following Admission, comprise 542,650,037 Ordinary Shares.

The Offer extends, subject to the terms and conditions set out in the Offer Document, to any Warrants unconditionally allotted or issued from today until the closing date of the Offer.

3. BACKGROUND TO, AND REASONS FOR, THE OFFER AND THE MOVE TO THE OFFICIAL LIST

In the Company's Annual Report and Financial Statements for the year ended 31 December 2009, published on 26 March 2010, the Company re-emphasised its plans to move the listing of its Ordinary Shares from AIM to the Official List, but noted that, due to the requirements of the Listing Rules, it was unable to do so whilst the Company's issued options and warrants to subscribe for Ordinary Shares (and which include the Warrants and those options and warrants referred to in paragraph 3 of Part 9 of this document (but exclude any options or similar rights outstanding pursuant to employees share schemes)) represented more than 20 per cent. of its issued ordinary share capital of the Company.

With this in mind, on 28 June 2010, the Board announced that it is proposing that the Company would make an offer to Warrantholders for them to surrender their Warrants such that following completion of such offer and cancellation of the Warrants surrendered, the Company would be in a position to move its listing of Ordinary Shares to the Official List. Under the proposal, 36,256,016 Warrants will be surrendered and subsequently cancelled. The Company has received irrevocable commitments from certain Directors, parties related to them and other key Warrantholders to surrender between them 36,256,017 Warrants such that the Company will have certainty, following completion of the Offer, that the total number of options and warrants of the Company in issue will represent less than 20 per cent. of the Company's issued ordinary share capital and, as such, the Ordinary Shares will be capable of being admitted to the Official List (Premium Listing) and to trading on the London Stock Exchange's market for listed securities. Application has also been made for the simultaneous admission of the Warrants to the Official List (Standard Listing) and to trading on the London Stock Exchange's market for listed securities at the same time as the Ordinary Shares.

A separate requirement for a company's shares to be admitted to the Official List (either for a Premium Listing or a Standard Listing), is for no less than 25 per cent. of its share capital (or of a class of the share capital which is the subject of the application for admission) to be in "public hands" (as such term is defined in LR6.1.19R). Whilst the Ordinary Shares do satisfy this requirement, the Company is in the process of establishing whether the Preference Shares do and what steps (if any are required) can be taken to satisfy the requirement. In the meantime, the Preference Shares will remain admitted to trading on AIM. There is no equivalent requirement in respect of warrants which are admitted to the Official List pursuant to LR20. As a consequence, the Warrants are capable of being admitted to the Official List. In light of the proposed move of the listing of the Warrants and Ordinary Shares to the Main List, the Company considers

that it would be more appropriate for the Preference Shares to be listed on the Main List once the criteria for such listing have been satisfied (primarily, that sufficient Preference Shares be held in public hands). In light of this the Company will keep the position under review and once the criteria for such move have been satisfied it will seek to move the listing of the Preference Shares to the Main List at the first appropriate opportunity thereafter. Whilst there can be no guarantee or assurance given that this will be the case (as, *inter alia*, satisfaction of some of the relevant criteria for the move are outside the Company's control), the Company hopes that such move will take place in the next 12 months.

4. IRREVOCABLE UNDERTAKINGS IN RESPECT OF THE OFFER

The Company has received irrevocable undertakings from certain Directors, parties related to them and other key Warrantholders to accept the Offer and surrender between them 36,256,017 Warrants such that the Company will have certainty, following completion of the Offer, that it will be in a position to comply with the relevant provision of the Listing Rules which requires that the total of all warrants and options to subscribe for equity shares must not exceed 20 per cent. of the issued share capital of a company.

Details of such irrevocable undertakings are set out below:

Warrantholder	Number of Warrants the Warrantholder has undertaken to surrender pursuant to the Offer*	Form of consideration selected
Invesco	24,711,077	New Ordinary Shares
Schroder Investment Management Limited	3,652,935	New Ordinary Shares
Richard Jewson	6,788	New Ordinary Shares
Anton Bilton	4,697,483	Cash
Glyn Hirsch ⁽²⁾	1,034,592	New Ordinary Shares
Stephen Coe	14,900	New Ordinary Shares
David Moore	18,313	New Ordinary Shares
Mark Sinclair	3,311	New Ordinary Shares
Colin Smith ⁽¹⁾	3,458	New Ordinary Shares
The Organon SIPP re Anton Bilton ⁽³⁾	326,032	New Ordinary Shares
The Godfrey Bilton Life Interest Settlement Trust ⁽⁴⁾	251,952	New Ordinary Shares
The Bilton Family Discretionary Settlement Trust ⁽⁵⁾	451,960	New Ordinary Shares
The Bilton Charitable Foundation ⁽⁶⁾	104,299	New Ordinary Shares
Anton Bilton EFRBS ⁽⁷⁾	978,917	New Ordinary Shares

*Subject to scaling back.

- (1) These Warrants are held by The Lorier Retirement Annuity Trust Scheme, of which Colin Smith is a trustee and beneficiary.
- (2) The total includes Warrants which have been allocated by the remuneration committee to Mr Hirsch. These Warrants are held in a number of different trust schemes where Mr Hirsch is a beneficiary.
- (3) The Organon SIPP re Anton Bilton is a Self Invested Personal Pension of which Anton Bilton is a trustee and beneficiary.
- (4) The Godfrey Bilton Life Interest Settlement Trust of 1st Floor, 21 Knightsbridge, London SW1X 7LY, was formed on 17 June 2002. Its trustees are Brendan Patterson and Martin Davies and its beneficiaries are the Life Tenant (being Anton Bilton's children) and their children and remoter issue (grandchildren, great grandchildren and so on).
- (5) The Bilton Family Discretionary Settlement Trust of 1st Floor, 21 Knightsbridge, London SW1X 7LY was formed on 17 October 2007. Its trustees are Brendan Patterson, Anton Bilton and Martin Davies and its intended beneficiaries are Anton Bilton's children, remoter issue, father, siblings, charitable organisations and anyone who the trustees shall add to the beneficiary class. Anton Bilton and his wife are excluded from benefiting from the Trust.
- (6) The Bilton Charitable Foundation, of 1st Floor, 21 Knightsbridge, London SW1X 7LY, was formed on 26 March 2007. Its trustees are Brendan Patterson, Anton Bilton, Martin Davies and Lisa Bilton and its beneficiaries are as nominated at the discretion of the trustees.

(7) The Anton Bilton EFRBS holds the Warrants with Anton Bilton as the beneficiary.

5. THE NEW ORDINARY SHARES

The New Ordinary Shares will be created under the Law.

The ISIN code for the New Ordinary Shares will be GB00B0D5V538, the same as that for the Existing Ordinary Shares.

The New Ordinary Shares will, when issued, be credited as fully paid and will rank *pari passu* in all respects with the Existing Ordinary shares including their right to receive all future dividends or other distributions declared, made or paid after the date of their issue. No temporary documents of title will be issued.

6. SETTLEMENT, LISTING, DEALINGS, CANCELLATION OF ADMISSION OF THE ORDINARY SHARES AND WARRANTS ON AIM AND COMMENCEMENT OF DEALINGS ON THE MAIN MARKET

The closing date of the Offer is 1.00 p.m. on 22 July 2010. The Warrants validly surrendered pursuant to the terms of the Offer will be cancelled, following which the Company will be in a position to comply with the relevant provision of the Listing Rules which requires that the total of all warrants and options to subscribe for equity shares must not exceed 20 per cent. of the issued share capital of a company, such that the total number of all issued warrants and options to subscribe for new Ordinary Shares (and which include the Warrants (other than those which are to be surrendered and cancelled in connection with the Offer) and those options and warrants referred to in paragraph 3 of Part 9 of this document) will not exceed 20 per cent. of the issued ordinary share capital of the Company.

Applications have been made to the Financial Services Authority and to the London Stock Exchange respectively for admission of all of the Ordinary Shares (including the New Ordinary Shares to be issued pursuant to the terms of the Offer) and the Warrants (other than those which are to be surrendered pursuant to the terms of the Offer) to: (i) the Official List; and (ii) trading on the London Stock Exchange's market for listed securities. It is expected that Admission will become effective and that dealings in the Ordinary Shares and the Warrants will commence no later than 8.00 a.m. on 2 August 2010.

The Warrants will have a Standard Listing and the Ordinary Shares will have a Premium Listing. Certain on-going requirements and protections applicable to a Premium Listing of shares will therefore not apply to Warrantholders. These principally include the following provisions of the Listing Rules:

Chapter 8 (sponsors) regarding the appointment of a listing sponsor to guide a company in understanding and meeting its responsibilities under the Listing Rules in connection with certain matters;

Chapter 9 (continuing obligations) includes provisions relating to transactions, including, *inter alia*, requirements relating to further issues of shares and the ability to issue shares at a discount in excess of 10 per cent. of market value; and

Chapters 10, 11 and 12 under the Listing Rules (significant transactions, related party transactions and dealing in own securities and treasury shares) do not apply to a Standard Listing.

Nevertheless, the Company will need to comply with the Listing Rules above by virtue of the fact that the Ordinary Shares have a Premium Listing. However, individuals who hold only Warrants following completion of the Offer should note that where a shareholder vote is required by the Listing Rules cited above Warrantholders will not have a vote on such matters. If pursuant to the Offer Warrantholders elect to surrender their Warrants for Ordinary Shares then such Ordinary Shares will have a vote on such matters.

The Preference Shares will continue to be admitted to trading on AIM.

7. RELATED PARTY TRANSACTION

The entering into of an irrevocable undertaking by Invesco with the Company comprises a related party transaction under Rule 13 of the AIM Rules for Companies as a consequence of Invesco being a substantial shareholder in Raven Russia. The Directors consider, having consulted with Numis, its nominated adviser, that the terms of entry into such irrevocable undertaking by Invesco are fair and reasonable insofar as the Ordinary Shareholders, holders of Preference Shares, and the Warrantholders are concerned.

PART 2

INFORMATION ON THE GROUP

1. HISTORY AND BACKGROUND

The Company was incorporated on 4 July 2005 to invest in the Russian real estate market with an initial focus on the Warehouse market in the Moscow and St. Petersburg regions. The Company was admitted to AIM at that time and raised £153 million through a placing of Ordinary Shares, and a further £310 million in April 2006 through a further Ordinary Share placing.

On 26 November 2008, the Company completed the Internalisation of its property advisor, RRPM, following which the Group is no longer subject to the restrictions of its formal investment strategy.

In March 2009, the Company raised a further £76.2 million (gross) through a placing of Units (each consisting of one Preference Share and one Warrant); £75 million of this amount was raised through the issue of Units to Invesco.

In July 2009, the Company completed its acquisition of the entire issued share capital of Raven Mount. The acquisition was funded by the issue of Units to the shareholders of Raven Mount, which valued the entire issued share capital of Raven Mount at £65 million.

2. THE BUSINESS

Raven Russia's strategy is to invest, for the long term, in freehold and leasehold property in Russia, which offers the prospect of attractive returns to its investors. The Group will continue to seek such property opportunities, either for direct investment by entities within the Group or investment with co-investment partners.

At 31 December 2009, it had a completed investment portfolio value of \$878.8 million and investment properties under construction with a carrying value of \$101.3 million.

The investment portfolio is located in four cities in Russia: Moscow; St. Petersburg; Rostov on Don and Novosibirsk, with a gross lettable area of 1,003,000 square metres. The value of the portfolio, at 31 December 2009, was: Moscow, \$587.0 million; St. Petersburg, \$123.9 million; and other regional cities \$167.9 million.

Investment properties under construction comprise additional phases of existing investment properties, land held for development in six other regional Russian cities and plots in Kiev in Ukraine and Minsk in Belarus.

During 2009, the Company acquired Raven Mount, a UK property developer which was in the process of liquidating its stock. This gave the Company access to additional cash reserves on Raven Mount's balance sheet and the orderly wind down of Raven Mount's business will give the Company additional cash resources over the medium term.

The Company also has a logistics operating business, Roslogistics, trading as Avalon Logistics, which operates in Russia.

3. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Directors

Richard Jewson, Non-Executive Chairman (aged 65)

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.

Anton Bilton, Executive Deputy Chairman (aged 45)

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

Glyn Hirsch, Chief Executive Officer (aged 49)

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

Mark Sinclair, Chief Finance Officer (aged 44)

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 RRPm, the former property advisor to the Company prior to the Internalisation in November 2008. He has significant experience in all financial aspects of property transactions and company reporting.

Colin Smith, Chief Operating Officer (aged 40)

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

Stephen Coe, Non-Executive Director (aged 44)

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

David Moore, Non-Executive Director (aged 49)

David Moore is a resident of Guernsey. He is an advocate of the Royal Court of Guernsey and is a partner with Mourant Ozannes in Guernsey. He has been with Ozannes since 1993 and with Mourant Ozannes since its merger on 1 June 2010 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.

Christopher Sherwell, Non-Executive Director (aged 62)

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

Senior Management

Adrian Baker, Group Managing Director (aged 44)

Adrian Baker is a member of the RICS with over 20 years' experience of property investment and development in the UK and Europe. He started his career in the property division of Nat West Bank and then spent 10 years at CLS Holdings working on their UK property portfolio. In 1997 he helped establish Citadel Holdings, a specialist AIM listed French property investor. He subsequently had spells at Topland Group, Prestbury Holdings and Great Portland Estates. After a year investing and developing property in Croatia, he joined the Raven Mount Group in June 2005 as Managing Director of RRP, the former property advisor to the Company prior to the Internationalisation in November 2008.

Igor Bogorodov, Head of Russian Branch (aged 45)

Igor Bogorodov is a graduate of the Ukrainian Institute of Technology and Berkley School, New York and has a Masters degree in Engineering and a Bachelors degree in Accounting and Finance. Working with the Moscow government, Igor was instrumental in introducing western construction knowledge and technology from the USA to Russia in the mid 1990s. Igor joined the Raven Mount Group in June 2005 as the Head of the Russian Branch of RRP, the Russian branch of the former property advisor to the Company prior to the Internationalisation in November 2008.

Employees

At the date of this document, the Group has 623 employees.

The table below shows the divisional breakdown of employees by their main activity.

Division	Total Number of Employees	Management	Development Monitoring and Acquisition	Structured Finance	Property Management	Accounting	Operations, Support and Administration
Raven Russia	75	11	6	2	12	20	24
Roslogistics	534	10	-	-	-	12	512
Raven Mount	14	4	3	-	-	2	5
Group total	623	25	9	2	12	34	541

4. CORPORATE GOVERNANCE

UK Combined Code

Guernsey (the Company's country of incorporation) does not have a formal corporate governance regime. Nevertheless, the Board is committed to providing the highest standards of corporate governance. As a Guernsey company whose shares currently are admitted to trading on AIM, there is no requirement for the Company to comply with the provisions of the Combined Code. On Admission the Company will be fully compliant with the Combined Code.

Following Admission, the Company will be required to state how it has complied (or otherwise explain in its annual financial report where it has not complied) throughout the current accounting period with all relevant provisions set out in Section 1 of the Combined Code setting out:

- (i) those provisions if any it has not complied with;

-
- (ii) in the case of provisions whose requirements are of a continuing nature, the period within which, if any, it did not comply with some or all of those provisions; and
 - (iii) the Company's reasons for non-compliance (if any).

The Board has determined that it should be the Company's policy to ensure that the Company continues to comply with the Combined Code (as amended or updated from time to time) to the extent appropriate, taking into account the size and nature of its business, and having regard to the fact that, notwithstanding it is proposed that the Ordinary Shares and Warrants are to be admitted to the Official List, the Company is not required by the Listing Rules to comply with the Combined Code (the Company not being incorporated in the UK).

The Board and Board Committees

The Chairman is Richard Jewson.

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

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

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

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

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

5. SUMMARY FINANCIAL INFORMATION

The following information has been extracted without material adjustment from the annual report and financial statements of the Company for the years ended 31 December 2009, 31 December 2008 and 31 December 2007, which, in the case of the annual report and financial statements for the year ended 31 December 2009, is reproduced in full in Part 4 of this document and, in the case of the annual report and financial statements for the years ended 31 December 2008 and 31 December 2007, are incorporated by reference (as referred to on page 221 below).

	<i>Year ended 31 December 2009 (Audited) US\$m</i>	<i>Year ended 31 December 2008⁽²⁾ (Unaudited) US\$m</i>	<i>Year ended 31 December 2008 (Audited) (As reported) US\$m</i>	<i>Year ended 31 December 2007⁽¹⁾⁽²⁾ (Unaudited) US\$m</i>	<i>Year ended 31 December 2007 (Audited) (As reported) US\$m</i>
Net rental and related income	50	40	43	24	26
Profit/(loss) from operations	13	(85)	(85)	8	10
Revaluation (losses)/gains	(108)	(39)	(39)	80	80
Dividends	4	55	55	40	40
Net Assets at period end	546	735	735	974	969

(1) During the year to 31 December 2008, certain of the Group's Russian subsidiary and joint venture companies reassessed their functional currencies, which resulted in a restatement the effects of which are more fully explained in the 2008 audited accounts.

(2) During the year to 31 December 2009, the function of expenditure incurred by the Group's "special purpose vehicles" ("SPV's") was reconsidered and it was concluded that for some SPV's, expenditure previously reported as administrative expenses was operational and represented accordingly. This reclassification was a voluntary restatement of comparative figures to ensure consistency. Further details of this reclassification are provided in the 2009 audited accounts.

6. PROPERTY VALUATION POLICY

The Company has appointed Jones Lang LaSalle as property valuers to prepare valuations on a semi-annual basis, with the valuation as at 31 December 2009 appearing in Part 7 of this document. Valuations are undertaken in accordance with the appropriate sections of the current practice statements contained in the Royal Institution of Chartered Surveyors Appraisal and Valuation Standards, 6th Edition (the "**Red Book**"). This is an internationally accepted basis of valuation. The Directors assess the value of investment property based on these valuations. 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. At 31 December 2009, Jones Lang LaSalle valued investment properties at \$863.6 million. The financial statements for the year ended 31 December 2009 show a carrying value of \$878.8 million. The Jones Lang LaSalle valuations are disclosed net of costs to complete the portfolio but given the stage of completion, the majority of these costs had been committed and accrued for by the Company, hence the balance sheet reflects the gross value of the assets. One asset included in Jones Lang LaSalle's valuation was also classed as an investment property under construction and is shown in that category on the balance sheet.

7. DIVIDEND POLICY

A dividend of 1p per Ordinary Share was paid in respect of the financial year ending 31 December 2009. Once financial conditions improve and the Group's portfolio matures, the Board intends to adopt a progressive dividend policy.

The amount of the dividend per Ordinary Share paid in respect of each of the three financial years ending 31 December 2009, 31 December 2008 and 31 December 2007, was as follows:

	<i>Financial year ended</i>		
	<i>31 December 2009</i>	<i>31 December 2008</i>	<i>31 December 2007</i>
Dividend paid	1p	3p	6.5p

8. FINANCING OF THE GROUP

In accordance with the Group's strategy, to date the Group has financed the acquisition and construction of its Warehouse portfolio through a combination of equity and debt finance, the latter in the form of both construction and investment loans. These are secured on each of the Group's properties and on a non-recourse or limited recourse basis to the Company. Details of the limited recourse arrangements are set out in paragraph 10 of Part 9 of this document.

All facilities are on a long term basis and are not repayable until dates ranging from 2011 to 2017. The non-recourse, or limited recourse, nature of each of the Group's banking facilities protects, or limits, the exposure of the remainder of the Group from default on any one facility.

Although the Group has continued to progress and sign new facilities and draw down on existing facilities, the recent contraction of the global credit markets has reduced the number of banks in the market with available finance. That said, the Group is in ongoing discussions with a number of other banks in relation to securing new financing facilities. Any new facilities are discretionary and would be secured on currently unencumbered assets. There is no requirement for the Group to refinance any existing facilities until October 2011.

The Group has met all cash covenants on its debt facilities to date. In the financial statements of the Group for the financial year ended 31 December 2009, the Company indicated that there was a possibility of loan-to-value breaches totalling \$9 million on certain bank facilities. The bank involved has now conducted formal valuations of the related properties. The terms of the Group's banking facilities allow for any future loan to value covenant breaches to be remedied through prepayment of part of the relevant facility. As such, it has been agreed with the bank involved that additional capital payments of a maximum of \$5.3 million in total will be made in the year to 31 December 2010 to remedy any potential breaches.

9. RUSSIAN PROPERTY MARKET OVERVIEW AND TRADING UPDATE

In recent months, there has been an improvement in both investor sentiment and levels of tenant demand in the Russian property market in which the Company operates. Both Russian and international businesses are now prepared to make decisions to lease space and the level of take up is increasing. Moscow is seeing the greatest levels of activity, with take up in the second half of 2009 of 678,500 sqm, according to research by JLL.⁽¹⁾ The stabilisation of the Rouble against the US Dollar during the second half of 2009 made tenants more comfortable signing longer term leases denominated in US Dollars.

On the supply side, a large number of schemes were delivered during 2009 despite developers putting on hold a number of new schemes. In total, JLL estimate 821,000 sqm of space to let was completed in Moscow, 30 per cent. of which was delivered by the Company⁽²⁾.

Weaker demand and competition from landlords has seen rents soften and tenant incentives increase during 2009. Prime rents in Moscow are now around the \$100-\$110 per sqm for Grade A warehousing. With current levels of demand and the lack of new construction, it is the Company's belief that rents appear to have bottomed out and may now even be increasing in Moscow.

In the year to date, the Group has let 145,000 sqm of space on long term leases, increasing its consolidated, annualised net operating income ("NOI") to \$78 million from \$61.8 million at 31 December 2009. In addition, it has signed pre-let agreements ("PLAs") of \$3.9 million and letters of intent ("LOIs") of \$9.8 million on lettings of 128,400 sqm. On conversion of the PLAs and LOIs, this will increase the consolidated, annualised NOI to \$91.7 million.

The portfolio is now 69 per cent. let or pre-let, increasing to 78 per cent. on conversion of LOIs and has an estimated rental value of \$124 million when fully let at current rental levels.

With both capital and debt constrained, the Company believes that there is unlikely to be significant speculative development in the warehouse sector. Tenants with larger or specialist requirement will therefore be forced to focus on build to suit projects.

With only a small number of distressed sellers, the investment market was virtually closed during 2009 as buyers and sellers played cat and mouse, neither wanting to commit at the wrong price. There is certainly interest in the owner occupier market and a number of deals across all sectors have been

(1) Source: Jones Lang LaSalle, Moscow Warehouse Market Overview, Q4 2009

(2) Source: Jones Lang LaSalle, Moscow Warehouse Market Forecasts, November 2009

completed, although, so far as the Directors are aware, none of these deals are comparable to the Group's stock.

10. TAXATION

It is the intention of the Directors to continue to conduct the affairs of the Group so that the management and control of the Company is exercised in Guernsey and that the Company does not carry on any trade in the UK (whether or not through a permanent establishment situated there). Having taken advice, the Directors have in place certain protocols with regard to the Company's affairs.

On this basis, the Company should not itself (as opposed to some of the subsidiaries of the Group) be resident in the UK for taxation purposes and therefore should not be liable for UK tax on its income and gains.

Certain companies in the Group (including RRPA and companies in the Raven Mount Group) may be taxable in the UK and certain of their activities may (and, in the case of RRPA, do) give rise to permanent establishments in Russia which will be taxable in Russia.

The policy of the Group will be to continue to manage and operate each Group company in a way that is intended to ensure that it is resident for tax purposes only in the jurisdiction in which it is incorporated or domiciled and that it has no taxable permanent establishments or other taxable presence in any other jurisdiction, other than in the case of those companies providing advisory and staff services which may have permanent establishments in Russia or the UK. In particular, the Group intends to try to ensure, following advice, that any activities of the Company, RRPA or other Group companies carried out in Russia will not create permanent establishments in Russia that could lead to reliefs under the Cyprus-Russia treaty being withdrawn or other Russian tax exemptions not being available.

PART 3

OPERATING AND FINANCIAL REVIEW

SECTION A – THE GROUP

The following operating and financial review should be read in conjunction with the financial information set out in Part 4 of this document and the other financial information relating to the Company included elsewhere in this document or incorporated by reference into this document. This review contains forward-looking statements based on the current expectations and assumptions about the Group's future business. Such statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance. The actual investment performance, results of operations, financial condition and dividend policy of the Group, as well as the development of its financing strategies, may differ materially from the impression created by the forward-looking statements contained herein as a result of certain factors including, but not limited to, those discussed in the "Risk Factors" section of this document.

The selected financial information discussed in this Section A of Part 3 has been extracted without material adjustment from the financial information of the Group as at, and for the three financial years ended, 31 December 2007, 2008 and 2009 which have been prepared in accordance with IFRS.

1. BUSINESS PERFORMANCE AND OPERATING AND FINANCIAL REVIEW

1.1 Overview of Business

The Company's strategy is to invest for the long term, in freehold and leasehold Warehouse properties in Russia. At 31 December 2009, it had a completed investment portfolio value of \$878.8 million and investment properties under construction with a carrying value of \$101.3 million.

The investment portfolio is located in four cities in Russia: Moscow; St. Petersburg; Rostov on Don and Novosibirsk, with a gross lettable area of 1,003,000 square metres. The value of the portfolio, at 31 December 2009, was: Moscow, \$587.0 million; St. Petersburg, \$123.9 million; and other regional cities, \$167.9 million.

Investment properties under construction comprise additional phases of existing investment properties, land held for development in six other regional Russian cities and plots in Kiev in Ukraine and Minsk in Belarus.

During 2009, the Company acquired Raven Mount, a UK property developer which was in the process of liquidating its stock. This gave the Company access to additional cash reserves on Raven Mount's balance sheet and the orderly wind down of Raven Mount's business will give the Company additional cash resources over the medium term.

In addition, the Company acquired the remaining 50 per cent. of its logistics operator joint venture, Roslogistics, trading as Avalon Logistics, for the nominal value of the remaining shares.

2. KEY FACTORS AFFECTING OPERATING AND FINANCIAL RESULTS

2.1 Movements in Property Prices

At each balance sheet date, the market value of the Company's completed investment property portfolio is assessed by external, independent valuers on an open market basis and this is reflected in the Company's consolidated balance sheet. The Company recognises the resulting upward or downward movement in the value of the Company's completed investment properties from the previous valuation date in its income statement under "Unrealised profit/(loss) on revaluation of investment property".

In 2007 and 2008, the Company carried its investment assets under construction at cost less any impairment loss. Following the introduction of IAS 40 "Investment Property (amended)" the Company recognises these assets at fair value. This policy was introduced prospectively from 1 January 2009. Any impairment loss in 2007 and 2008 was reflected in its income statement under "Impairment of investment property under construction". Movements in value in 2009 were included as an "unrealised loss on valuation of investment properties under construction" in its income statement.

Property values are affected by a number of macroeconomic and sector-specific factors, including GDP growth rates, business and consumer confidence levels, demand for consumer and business products and services, levels of corporate profitability, government building and infrastructure investment initiatives, inward foreign investment, foreign currency exchange movements, the availability and cost of credit and interest rates. The global economic crisis of late 2008/early 2009 severely impacted values across all asset classes, including commercial real estate. This has had a detrimental effect on the value of the Company's portfolio valuation.

The following table shows the amounts the Company recorded for its completed investment properties under "Unrealised profit/(loss) on revaluation of investment properties" for the three years to 31 December 2009:

	<i>For the financial year ended 31 December</i>		
	<i>2007</i>	<i>2008</i>	<i>2009</i>
	<i>(\$'000)</i>	<i>(\$'000)</i>	<i>(\$'000)</i>
Unrealised profit/(loss) on revaluation of investment property	<u>79,659</u>	<u>(39,145)</u>	<u>(57,933)</u>

The Company recognised impairment losses on investment property under construction in the two years to 31 December 2008 and an unrealised loss on revaluation of investment property under construction in the year to 31 December 2009 as follows:

	<i>For the financial year ended 31 December</i>		
	<i>2007</i>	<i>2008</i>	<i>2009</i>
	<i>(\$'000)</i>	<i>(\$'000)</i>	<i>(\$'000)</i>
Impairment of investment property under construction	-	(38,918)	-
Unrealised loss on revaluation of investment property under construction	<u>-</u>	<u>-</u>	<u>(50,544)</u>

2.2 Movements in Foreign Currency Exchange Rates

As the Company operates internationally, it is exposed to foreign exchange risk arising from foreign currency exposure, primarily with respect to US dollars, Sterling, Euros and the 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.

Volatility in the foreign exchange markets and the relative weakening of the Rouble to the US dollar in late 2008/early 2009 has had an impact on the results of the Group's Russian subsidiary companies whose functional currency is the Rouble. When translating these subsidiary results from their functional currency of the Rouble to the Company's presentation currency of US dollars, the re-translation of investment assets under construction led to an unrealised exchange gain or loss in the Company's income statement under "Foreign currency gains/(losses)".

Sterling cash flows, such as Preference Share coupons, dividends and head office overheads have been hedged by holding sufficient Sterling funds to cover the liability. The foreign exchange movements on translating these Sterling cash balances are principally taken to the Company's

reserves in 2009 as the Company's functional currency is sterling. Prior to the acquisition of Raven Mount and the issue of Preference Shares in 2009, movements on sterling currency balances would have been expressed as foreign currency gains and losses through the income statement.

The deterioration of the Rouble in 2008/9 also resulted in reducing the net investment in these Russian subsidiaries. The movement on the net investment due to exchange rate movements is taken as a reserve movement through a translation reserve.

The Company recognised these movements in the three years to 31 December 2009 as follows:

	<i>For the financial year ended 31 December</i>		
	<i>2007⁽¹⁾</i>	<i>2008</i>	<i>2009</i>
	<i>(\$'000)</i>	<i>(\$'000)</i>	<i>(\$'000)</i>
Gains on foreign currency cash held	-	2,209	464
Gains/(losses) on assets under construction and foreign subsidiary debt	325	(24,273)	(4,117)
Other gains/(losses)	-	(11,865)	556
Foreign currency gains/(losses)	325	(33,929)	(3,097)
Loss on net investment in foreign entities⁽²⁾	(6,333)	(53,783)	(41,586)

(1) Restated as described in the Group's audited financial statements for the year ended 31 December 2008, which are incorporated by reference into this document.

(2) The loss on net investment in foreign entities is a movement in reserves.

The Company aims to hedge its exposure to non US dollar cash flows to give certainty to future cash flows and balances. The most significant cash flows in the three years to 31 December 2009 have been construction payments in Roubles and these were hedged by using Non Deliverable Forwards (NDFs). As the structure of these hedges does not meet the definition required under IFRS for hedge accounting, the mark to market valuation movements and realised gains and losses on maturing NDFs cannot be offset against the related construction costs on the Company's consolidated balance sheet but are taken to the Company's consolidated income statement under "Finance income" or "Finance expense".

The Company has recognised movements on the above for the three years to 31 December 2009 as follows:

	<i>For the financial year ended 31 December</i>		
	<i>2007⁽¹⁾</i>	<i>2008</i>	<i>2009</i>
	<i>(\$'000)</i>	<i>(\$'000)</i>	<i>(\$'000)</i>
Net gain/(loss) on maturing forward currency derivatives	1,792	(14,712)	(892)
Net change in fair value of open forward currency derivatives	1,030	(2,631)	866
Net change in fair value of open interest rate derivatives	-	(7,595)	1,529
Interest income	27,027	11,613	2,423
Interest expense	(1,800)	(13,471)	(57,120)
Net finance income/(expense)	28,049	(26,796)	(53,194)

(1) Restated as described in the Group's audited financial statements for the year ended 31 December 2008, which are incorporated by reference into this document.

2.3 Internalisation of the Property Advisor

In November 2008, the Company acquired the property advisor, RRPM and its sister company RRPB, from Raven Mount for consideration of 80 million Ordinary Shares and £15 million cash. Details of the transaction and its impact on the income statement of the Company at 31 December 2008 are given in the audited financial statements of the Group, which are incorporated by reference into this document (as referred to on page 221 below).

2.4 Issue of Preference Shares and Warrants

In March 2009, the Company completed a fundraising, issuing 76,155,000 Units for £1 each, consisting of 1 Preference Share and 1 Warrant.

2.5 Acquisition of Raven Mount

In July 2009, the Company completed the acquisition of Raven Mount. Consideration was in the form of 66,409,478 Units, consisting of 1 Preference Share and 1 Warrant. Details of the transaction are given in the audited financial statements of the Group for 31 December 2009 included in Part 4 of this document.

2.6 Acquisition of Roslogistics

In May 2009, the Company took full control of its joint venture, Roslogistics. Details of the transaction are given in the audited financial statements of the Group for 31 December 2009 included in Part 4 of this document.

2.7 Results of operations

2.7.1 *Explanation of certain income statement line items*

(a) *Gross revenue*

Gross revenue includes rent receivable, property operating costs recoverable from tenants, the Company's share of turnover of Roslogistics and gross sale receipts from the sale of Raven Mount stock.

(b) *Net rental and related income*

Net rental and related income is gross rental and related income less property operating expenses and related costs. Property operating costs include costs relating to common areas and other costs incurred in running properties including property taxes. Related costs include the cost of sales of both Roslogistics and Raven Mount.

(c) *Administrative expenses*

Administrative expenses include the property advisor management and performance fees prior to the Internalisation in November 2008, employment costs from the period since Internalisation, any impairment of goodwill, corporate overheads, administrator fees for the companies within the Group and the administrative expenses of Roslogistics and Raven Mount.

(d) *Foreign currency gains/(losses)*

This line item is described above in paragraph 2.2.

(e) *Unrealised profit/(loss) on revaluation of investment property*

This line item is described above in paragraph 2.1.

(f) *Finance income and Finance expense*

Finance income and expense includes interest receivable on deposits and securities, interest receivable on loans to joint ventures, debt service and refinancing charges, gains and losses on maturing foreign currency forwards,

valuation movements on fair value interest derivative contracts and foreign currency forwards.

(g) *Taxation*

Taxation includes current taxes, principally Russian corporation tax on income producing subsidiaries, and deferred tax on income and property revaluations.

2.7.2 Results of operations for the financial years ended 31 December 2007, 2008 and 2009

The following tables summarise the Company's consolidated income statements, extracted from the audited financial statements for the financial years ended 31 December 2007, 2008 and 2009:

<i>For the financial year ended</i>	<i>Revenue</i>	<i>Capital</i>	<i>Total</i>
<i>31 December 2007⁽¹⁾</i>	<i>(\$'000)</i>	<i>(\$'000)</i>	<i>(\$'000)</i>
Gross revenue	38,522	-	38,522
Net rental and related income	23,949	-	23,949
Administrative expenses	(16,498)	-	(16,498)
Foreign currency gains	325	-	325
Unrealised profit on revaluation	-	79,659	79,659
Finance income	27,027	2,822	29,849
Finance expense	(1,800)	-	(1,800)
Profit before tax	33,003	82,481	115,484
Taxation	90	(18,898)	(18,808)
Profit for the year	33,093	65,583	96,676

(1) Restated as described in paragraph 6 of this Operating and Financial Review in respect of the Group, and as set out in the Group's audited financial statements for the years ended 31 December 2009, which are set out in Part 4 of this document and 31 December 2008, which are incorporated by reference into this document (as referred to on page 221 below).

<i>For the financial year ended</i>	<i>Revenue</i>	<i>Capital</i>	<i>Total</i>
<i>31 December 2008</i>	<i>(\$'000)</i>	<i>(\$'000)</i>	<i>(\$'000)</i>
Gross revenue	71,311	-	71,311
Net rental and related income	39,503	-	39,503
Administrative expenses	(24,705)	(5,384)	(30,089)
Settlement of advisory contract	(67,581)	-	(67,581)
Negative goodwill	7,564	-	7,564
Foreign currency gains/(losses)	(9,656)	(24,273)	(33,929)
Unrealised profit/(loss) on revaluation - Impairment of investment property under construction	-	(38,918)	(38,918)
Finance income	11,613	-	11,613
Finance expenses	(21,066)	(17,343)	(38,409)
(Loss) before tax	(64,328)	(125,063)	(189,391)
Taxation	7,653	11,449	19,102
(Loss) for the year	(56,675)	(113,614)	(170,289)

<i>For the financial year ended</i>	<i>Revenue</i>	<i>Capital</i>	<i>Total</i>
<i>31 December 2009</i>	<i>(\$'000)</i>	<i>(\$'000)</i>	<i>(\$'000)</i>
Gross revenue	112,204	-	112,204
Net rental and related income	50,324	-	50,324
Administrative expenses	(33,852)	-	(33,852)
Settlement of advisory contract	-	-	-
Negative goodwill	-	-	-
Foreign currency gains/(losses)	(1,020)	(4,117)	(3,097)
Unrealised profit/(loss) on revaluation of investment property	-	(57,933)	(57,933)
Unrealised profit/(loss) on revaluation of investment property under construction	-	(50,544)	(50,544)
Impairment of investment property under construction	-	-	-
Finance income	3,952	866	4,818
Finance expenses	(57,120)	(892)	(58,012)
(Loss) before tax	(35,676)	(112,620)	(148,296)
Taxation	6,914	2,103	9,017
(Loss) for the year	<u>(28,762)</u>	<u>(110,517)</u>	<u>(139,279)</u>

(a) *Gross revenue*

The Company's gross revenue was \$39 million, \$71 million and \$112 million for the years ended 31 December 2007, 2008 and 2009 respectively.

The increase year on year principally reflects the progression of the Company's development programme as new properties are completed and become income producing. The share of turnover of Roslogistics was \$1.2 million (2007), \$9.1 million (2008) and \$16.4 million (2009). Raven Mount contributed \$15 million in 2009.

(b) *Net rental and related income*

The Company's net rental and related income was \$24 million, \$40 million and \$50 million for the years ended 31 December 2007, 2008 and 2009 respectively.

As above, the increasing trend principally reflects assets under construction completing and transferring to income producing investment assets. Roslogistics contributed profit of \$1.2 million (2007), a loss of \$0.1 million (2008) and profit of \$2.4 million (2009) to net rental and related income in each of the three years under review. Raven Mount contributed \$1.8 million to net rental and related income in 2009.

(c) *Administrative expenses*

The Company had administrative expenses of \$16 million, \$30 million and \$34 million for the years ended 31 December 2007, 2008 and 2009 respectively.

The following table analyses the key elements of administrative costs for each of those years.

	<i>For the financial year ended 31 December</i>		
	<i>2007</i>	<i>2008</i>	<i>2009</i>
	<i>(\$'000)</i>	<i>(\$'000)</i>	<i>(\$'000)</i>
Employment costs	-	1,250	14,716
Office running costs and insurance	-	355	4,105
Property Advisor management fees	4,832	6,169	-
Equity settled share based payment expense	796	2,410	190
Impairment of goodwill	-	2,265	-
Impairment of loans to joint venture	-	3,119	-
Directors' remuneration	409	527	3,116
Auditors' remuneration (includes non audit services)	84	1,178	1,723
External administrator fees	2,830	3,321	1,172
Legal and professional	2,632	1,146	2,656
Abortive project costs	1,977	3,684	313
Depreciation	53	750	1,344
Share of operating expenditure of joint ventures	1,899	2,947	904
Other operating expenditure	986	968	3,613
	<u>16,498⁽¹⁾</u>	<u>30,089⁽¹⁾</u>	<u>33,852</u>

(1) The 2007 and 2008 accounts included "operating expenditure of subsidiary companies" in administration expenses but this has been removed from this table to be consistent with treatment in the 2009 accounts whereby this cost category was recorded as a deduction from gross income. The amount removed is \$3,361,000 for 2008 and \$1,985,000 for 2007.

Administrative expenses, before impairment of goodwill and loans, for each business segment in the three years under review were as follows. Roslogistics was accounted for as a joint venture until the acquisition of the remaining 50 per cent. shareholding in April 2009:

	<i>2007</i>	<i>2008</i>	<i>2009</i>
	<i>(\$'000)</i>	<i>(\$'000)</i>	<i>(\$'000)</i>
Property Investment	16,020	22,227	22,545
Roslogistics	478	2,478	5,845
Raven Mount	-	-	5,462
	<u>16,498</u>	<u>24,705</u>	<u>33,852</u>

(d) *Foreign currency gains/(losses)*

The Company had foreign currency gains of \$0.3 million in the year ended 31 December 2007, foreign currency losses of \$33.9 million in the year ended 2008 and foreign currency losses of \$3.1 million in the year ended 31 December 2009. This is principally a reflection of the unrealised foreign exchange movement on investment assets under construction in Rouble functional currency subsidiaries and the dollar equivalent of Sterling cash balances held to cover Sterling expenditure. This is summarised in the table at 2.2 above.

(e) *Unrealised profit/(loss) on revaluation of investment property*

The Company's profit on revaluation of investment property was \$80 million in the year ended 31 December 2007, a loss of \$39 million in the year ended 31 December 2008 and a loss of \$58 million in the year ended 31 December 2009.

These valuation movements reflect the changes in the market value of the Company's completed property portfolio at each balance sheet date.

(f) *Impairment and Unrealised profit/(loss) on revaluation of investment property under construction*

The Company's investment properties under construction were revalued for the first time in the year ended 31 December 2009. The loss on revaluation was \$51 million.

This valuation movement reflects the changes in the market value of the Company's investment property under construction at the 2009 balance sheet date.

Prior to 2009, property assets under construction were reviewed for impairment. This resulted in an impairment provision of \$39 million in the year ended 31 December 2008 and nil in the year ended 31 December 2007.

(g) *Finance income and Finance expense*

The Company generated finance income of \$30 million, \$12 million and \$5 million in the years ended 31 December 2007, 2008 and 2009 respectively reflecting reducing cash balances as construction progressed and the reduction in global interest rates.

The Company had finance expenses of \$2 million, \$38 million and \$58 million in the years ended 31 December 2007, 2008 and 2009 respectively. The increase reflects the introduction of investment and construction debt facilities over the three year period and the issue of the Preference Shares in 2009.

The table at section 2.2 above summarises finance income and expense.

(h) *Taxation*

The Company's net taxation was a charge of \$19 million in the year ended 31 December 2007 and credits of \$19 million and \$9 million in the years ended 31 December 2008 and 31 December 2009 respectively.

This included a deferred tax charge on revaluation gain of \$19 million in the year ended 31 December 2007 and deferred tax credits of \$18 million and \$16 million in the years ended 31 December 2008 and 31 December 2009 respectively, reflecting cumulative income tax losses in the Russian asset owning subsidiaries.

(i) *Profit/(loss) for the year*

As a result of the factors described above, the Company's profit/(loss) for the year was a profit of \$97 million for the year ended 31 December 2007 and a loss of \$170 million and \$139 million for the years ended 31 December 2008 and 31 December 2009 respectively.

3. CAPITAL RESOURCES AND LIQUIDITY MANAGEMENT

As at 31 December 2009, the Company had \$347.4 million of drawn term investment debt, \$68 million of construction debt and \$124 million of cash and cash equivalents.

Subsequent to 31 December 2009, the Company has drawn an additional \$25 million debt facility on Novosibirsk provided by EBRD, of which \$15 million was utilised to repay IFC debt at Novosibirsk, increasing the total drawn debt facility of this project from \$40 million to \$50 million.

The Company's cash management policy is to maintain a minimum central balance to enable it to service its completed assets and act as a buffer for tenant default or slower than expected uptake by new tenants. Dependent on tenant demand, excess cash will be used to enhance shareholder value where possible.

3.1 Cash Flow Analysis

The following table summarises the Company's consolidated cash flow for the financial years ended 31 December 2007, 2008 and 2009.

	<i>For the financial year ended 31 December</i>		
	<i>2007</i>	<i>2008</i>	<i>2009</i>
	<i>(\$'000)</i>	<i>(\$'000)</i>	<i>(\$'000)</i>
Net cash generated from operating activities	<u>9,390</u>	<u>17,975</u>	<u>14,909</u>
Net cash used in investing activities	<u>(363,703)</u>	<u>(670,331)</u>	<u>(64,179)</u>
Net cash from financing activities	<u>79,988</u>	<u>259,839</u>	<u>55,950</u>
Net (decrease)/increase in cash and cash equivalents	(274,325)	(392,517)	6,680
Effect of foreign exchange rate changes	(1,028)	20,122	8,667
	<u>(275,353)</u>	<u>(372,395)</u>	<u>22,027</u>
Closing cash and cash equivalents	<u>480,830</u>	<u>108,435</u>	<u>123,782</u>

(a) ***Net cash generated from operating activities***

The Company had net cash inflows from operating activities of \$9 million for the year ended 31 December 2007, increasing by \$9 million to \$18 million in the financial year ended 31 December 2008 and then a small decrease to \$15 million in the financial year ended 31 December 2009.

In both cases, this reflects the trend in asset completion. In 2008, the completed portfolio was stable whereas in 2009, the majority of assets were completed towards the end of the year, increasing the related payables but without the benefit of a full year of income receipts.

(b) ***Net cash used in investing activities***

The Company had net cash outflows from investing activities of \$363 million, \$670 million and \$64 million in the years ended 31 December 2007, 2008 and 2009 respectively.

Again, this reflects the development trend of the portfolio, 2008 being the height of the Company's development programme and 2009 cash outflows being offset by VAT recoveries and the cash acquired pursuant to the acquisition of Raven Mount.

(c) ***Net cash inflow from financing activities***

The Company had net cash inflows from financing activities of \$80 million, \$260 million and \$56 million for the years ended 31 December 2007, 2008 and 2009 respectively.

The inflows resulted from the draw down of debt facilities, 2008 showing the most significant drawdowns when construction activity was at its peak.

3.2 Debt Facilities

The Company utilises financing structures secured on individual assets which are non recourse or limited recourse to the Company wherever possible. Debt facilities have a variety of maturities and the following table gives an overview of the maturity profile of the Company's on-balance sheet debt obligations at 31 December 2009, not including the Preference Shares:

	<i>As at 31 December 2009 (\$'000)</i>
Repayable within 1 year	97,597
Repayable between:	
1 and 2 years	29,776
3 and 5 years	252,240
5 and 10 years	65,957
	<u>347,973</u>
Gross indebtedness	445,570
Interest rate derivatives	5,586
Cash and cash equivalents	<u>(123,710)</u>
Net indebtedness	<u>327,446</u>

3.2.1 Facility Details

(a) Investment Debt

As at 31 December 2009, \$347 million of debt had been raised, secured against the cash flows generated by specific completed and income generating assets.

These facilities have 5-7 year terms and principal repayment terms based on 20 to 30 year amortisation periods. Interest and principal repayments are made quarterly. The facilities had a remaining weighted average debt maturity of 4.2 years at 31 December 2009.

The debt is a mixture of fixed and floating rate facilities, the floating rate having been swapped into fixed rate debt or capped. The facilities had a weighted average interest cost of 4.62 per cent. over US LIBOR at 31 December 2009.

Loan to value covenants on the facilities are 65 per cent. on average and interest and principal amortisation must be covered by income on each asset by 120 per cent. on average.

These loans are principally non-recourse and details of each such loan are given in the material contracts section in Part 9 of this document.

(b) Construction Debt

As at 31 December 2009, the Company had \$68 million of construction debt with a weighted average margin of 4.76 per cent. over US LIBOR.

Included in the construction debt was a Euro denominated facility of \$62.3 million equivalent that was converted to a USD denominated investment facility of \$59.7 million in February 2010 with a two year term.

Details of the construction facilities are given in the material contracts section of this document in Part 9 of this document.

4. COMMITMENTS

The Company's debt commitments are described above.

In addition, the Company's current committed development programme is limited to completion of the development project phases described in Part 6 of this document. As at 31 December 2009, the costs to complete these projects were approximately \$12.2 million net of VAT.

5. CAPITALISATION AND INDEBTEDNESS

5.1 Capitalisation

The table below sets out the Company's total equity attributable to shareholders at 31 December 2009. The information has been extracted without material adjustment from, and should be read together with, the Company's audited financial statements as at and for the year ended 31 December 2009, which are included in Part 4 of this document.

	<i>As at 31 December 2009 (\$'000)</i>
Equity	
Share capital – authorised	27,649
Share capital – issued, called up and fully paid	9,924
Share premium	46,858
Warrants	8,584
Treasury Shares	(13,841)
Special reserve	870,692
Capital reserve	(151,562)
Translation reserve	(112,676)
Retained earnings	(112,096)
Total equity attributable to ordinary shareholders	545,883
Preference Shares	219,444
Total equity attributable to shareholders of the Company	765,327

There has been no material change in the Capitalisation of the Company since the year ended 31 December 2009.

5.2 Indebtedness

The table below sets out the Company's net indebtedness at 31 March 2010, excluding Preference Shares, and is not extracted from externally audited numbers.

All group commitments can be funded from existing cash resources and operating cash flows.

	<i>As at 31 March 2010 (\$'000)</i>
Indebtedness	
Bank loans and overdrafts	433,348
Other loans	12,817
	<hr/>
Gross indebtedness	446,165
Interest rate and currency derivative liabilities	6,360
	<hr/>
	452,525
Cash and cash equivalents	(119,847)
	<hr/>
Net indebtedness	332,678

	<i>As at 31 March 2010 (\$'000)</i>
Maturity of gross indebtedness	
Repayable	
Within 1 year	35,301
1 and 2 years	250,658
3 and 5 years	113,150
5 and 10 years	47,056
	<hr/>
	446,165

The Company has committed and undrawn bank facilities of \$20 million, which had they been drawn at 31 March 2010 would have been repayable as follows:

	<i>(\$'000)</i>
Within 1 year	335
1 and 2 years	3,065
3 and 5 years	13,800
5 and 10 years	2,800
	<hr/>
	20,000

There has been no material change in the indebtedness of the Company since 31 March 2010.

**6. RESTATEMENT OF FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2007**

During the year ended 31 December 2008, certain of the Company's Russian subsidiaries and joint venture companies reassessed their functional currencies and concluded that the functional currency was in fact the Rouble rather than the US dollar. The companies concerned have restated their financial statements for the financial year ended 31 December 2007 on the basis that their functional currency is the Rouble. The Group has also reassessed the accounting treatment of loans made to its joint venture entities. Previously the Group adopted presentation on a gross basis, with its balance sheet showing the loan receivable and the Group's share of the loan payable. The Group now considers the net presentation to be fairer, even though there is no right of set off of these assets and liabilities.

During the year ended 31 December 2009, the function of expenditure incurred by the Group's "special purpose vehicles" ("SPVs") was reconsidered and it was concluded that for some of the SPVs, expenditure previously reported as administrative expenses was operational and was represented accordingly.

The effect of these two changes is summarised below:

	<i>As previously reported</i>	<i>Adjustment</i>	<i>As restated</i>
<i>Year ended 31 December 2007</i>	<i>(\$'000)</i>	<i>(\$'000)</i>	<i>(\$'000)</i>
Profit for the year	95,254	1,422	96,676
Non-current assets	686,821	(24,231)	662,590
Current assets	509,769	108	509,877
Non-current liabilities	(165,944)	28,240	(137,204)
Current liabilities	(61,182)	(32)	(61,214)
Equity	<u>969,464</u>	<u>4,585</u>	<u>974,049</u>

7. SIGNIFICANT ACCOUNTING POLICIES

For a discussion of the Company's significant accounting policies, see Note 2 to the Consolidated Financial Statements for the year ended 31 December 2009, which are included in Part 4 of this document.

SECTION B – THE RAVEN MOUNT GROUP

The following operating and financial review for the Raven Mount Group should be read in conjunction with the financial information set out in Part 5 of this document and the other financial information relating to the Raven Mount Group included elsewhere in this document or incorporated by reference into this document. This review contains forward-looking statements based on the current expectations and assumptions about the Raven Mount Group's future business. Such statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance. The actual performance, results of operations and financial condition of the Raven Mount Group may differ materially from the impression created by the forward-looking statements contained herein as a result of certain factors including, but not limited to, those discussed in the "Risk Factors" section of this document.

The selected financial information discussed in this Section B of Part 3 has been extracted without material adjustment from the financial information of the Raven Mount Group as at, and for the three financial years ended, 31 December 2007, 2008 and 2009 which have been prepared in accordance with IFRS.

1. BUSINESS PERFORMANCE AND OPERATING AND FINANCIAL REVIEW

1.1 Overview of Business

Raven Mount's strategy is to liquidate its three completed UK developments in an orderly manner while continuing to sell land at its second home development in the Cotswolds. At 31 December 2009, the Raven Mount Group had inventories of £38.5 million.

2. KEY FACTORS AFFECTING OPERATING AND FINANCIAL RESULTS

2.1 Movement in property and available for sale investment prices

Property prices

The Raven Mount Group's policy is to carry inventory at cost of construction less impairment, and that impairment is based on an estimate of net realisable value.

Property values are affected by a number of macroeconomic and sector-specific factors, including GDP growth rates, business and consumer confidence levels, demand from consumers, levels of corporate profitability, infrastructure investment initiatives, inward foreign investment, the availability and cost of credit and interest rates. The global economic crisis of late 2008/early 2009 severely impacted property values.

Available for sale investment prices

Raven Mount revalues available for sale investments at each balance sheet date. For listed securities, this revaluation is to the current market share price and, for unlisted securities, a fair value is assessed using earnings multiples, calculated with reference to comparable entities.

The following table shows the impairment losses recognised by Raven Mount on available for sale investments and inventories in the three years to 31 December 2009 as follows:

	<i>For the financial year ended 31 December</i>		
	<i>2007</i>	<i>2008</i>	<i>2009</i>
	<i>(£'000)</i>	<i>(£'000)</i>	<i>(£'000)</i>
Impairment charge on available for sale investment	-	(13,360)	-
Impairment of inventories	(2,600)	(13,447)	(1,800)

2.2 **Sale of Raven Russia Property Management business**

In November 2008, Raven Mount sold its property advisory business, RRPM, and its sister company, RRPA, to Raven Russia for consideration comprising 80 million Ordinary Shares and cash of £15 million. Details of the transaction and its impact on the income statement of Raven Mount for the year ended 31 December 2008 are given in the financial statements of Raven Mount which are set out in Section A of Part 5 of this document.

2.3 **Sale of Independent Living business**

In October 2008, Raven Mount sold its Independent Living business (Audley) to a Moorfield fund for £15 million. Details of the transaction and its impact on the income statement of Raven Mount for the year ended 31 December 2008 are given in the financial statements of Raven Mount which are set out in Section A of Part 5 of this document.

2.4 **Exceptional provision for onerous lease contract**

During 2009, Raven Mount provided £800,000 as provision for future minimum lease payments under a non-cancellable lease on a property at Bath Road, Slough due to the sub-tenant being in liquidation.

2.5 **Results of operations**

2.5.1 ***Explanation of certain income statement line items***

- (a) *Gross revenue*
Gross revenue includes property sales and rents receivable.
- (b) *Administrative expenses*
Administrative expenses include all corporate overheads.
- (c) *Unrealised profit/(loss) on revaluation of available for sale investments*
This is the increase/(decrease) in the value of the Raven Mount Group's holdings in Ordinary Shares and Raven Mount's holding in an independent stockbroker (Oriel Securities Limited).
- (d) *Finance income and Finance expense*
Finance income and expense includes interest receivable on deposits and securities, interest receivable on loans to joint ventures and debt service.
- (e) *Taxation*
Taxation includes current taxes and deferred tax.

2.5.2 ***Results of operations for the financial years ended 31 December 2007, 2008 and 2009.***

The following tables summarise Raven Mount's consolidated income statements, extracted from the audited financial statements for the financial years ended 31 December 2007, 2008 and 2009 (the discontinued activities in 2007 and 2008 are the sale of the Independent Living business and the sale of the Russian Property Management business:

<i>For the financial year ended 31 December 2007</i>	<i>Total</i> (£'000)
Gross revenue from continuing activities	60,775
Administrative expenses	(6,682)
Finance income	6,277
Finance expenses	(3,630)
(Loss) before tax on continuing activities	(3,468)
Taxation	2,453
(Loss) for the year on continuing operations	(1,015)
(Loss) from discontinued operations	(1,149)
(Loss) for the year	(2,164)

<i>For the financial year ended 31 December 2008</i>	<i>Total</i> (£'000)
Gross revenue from continuing activities	20,415
Administrative expenses	(15,885)
Cost of closure of pension scheme	(14,476)
Impairment charge on available for sale investments	(13,360)
Finance income	3,777
Finance expenses	(3,073)
(Loss) before tax on continuing activities	(51,856)
Taxation	4,932
(Loss) for the year on continuing operations	(46,924)
Profit from discontinued operations	39,135
(Loss) for the year	(7,789)

<i>For the financial year ended 31 December 2009</i>	<i>Total</i> (£'000)
Gross revenue from continuing activities	16,989
Administrative expenses	(7,362)
Profit on available for sale investments	782
Finance income	461
Finance expenses	(242)
(Loss) before tax on continuing activities	(5,703)
Taxation	(310)
(Loss) for the year	(6,013)

(a) *Gross revenue*

Raven Mount's continuing gross revenues were £60.8 million, £20.4 million and £17.0 million for the years ended 31 December 2007, 2008 and 2009 respectively.

The year on year decrease reflects Raven Mount's wind down of its developments as properties are completed.

(b) *Loss for 2007, 2008 and 2009*

The small loss of £2.2 million in 2007 is due to a fall in the gross operating margin on sales as the Raven Mount Group disposed of the last of its developments acquired on the takeover of Swan Hill Homes.

The loss of £7.8 million in 2008 is due to several factors; a £13.4 million write down of inventories, a £13.4 million impairment charge on the Raven Mount Group's available for sale investments, a £8.1 million bonus provision and a £14.5 million charge for the closure of the Raven Mount Group's pension scheme. This was partially offset by a profit of £39.1 million on the sale of the Russian property management business and the Independent Living business.

The loss of £6.0 million for 2009 is due to a further £1.8 million write down of the Raven Mount Group's inventories, a £0.8 million provision against the rent receivable at a property in Slough, costs incurred relating to the acquisition of Raven Mount by Raven Russia totalling £1.1 million and the termination payments made to former directors of Raven Mount of £1.1 million.

(c) *Administrative expenses*

Raven Mount had administrative expenses of £6.7 million, £15.9 million and £6.3 million for the years ended 31 December 2007, 2008 and 2009 respectively. The following table analyses the key elements of administration costs for each year:

	<i>For the financial year ended 31 December</i>		
	<i>2007</i>	<i>2008</i>	<i>2009</i>
	<i>(£'000)</i>	<i>(£'000)</i>	<i>(£'000)</i>
Employment costs	3,598	13,510	4,366
Office running costs and insurance	1,410	1,250	1,062
Professional fees	1,674	1,125	1,934
	<u>6,682</u>	<u>15,885</u>	<u>7,362</u>

Employment costs in 2008 include a £8.1 million contribution to the Raven Mount Group employee benefit trust and a share based payment charge of £1.7 million (2009: £1.1 million).

(d) *Profit/(loss) for the year*

As a result of the factors described above, Raven Mount's continuing profit/(loss) for the year was a loss of £1.0 million for the year ended 31 December 2007 and a loss of £46.9 million and £6.0 million for the years ended 31 December 2008 and 31 December 2009 respectively.

3. CAPITALISATION AND INDEBTEDNESS

3.1 Capitalisation

The table below sets out Raven Mount's total equity attributable to shareholders at 31 March 2010.

	<i>As at 31 March 2010 (£'000)</i>
Equity	
Share capital - authorized	244
Share capital - issued, called up and fully paid	109
Other reserves	102,658
Retained earnings	<u>(50,694)</u>
Total equity attributable to shareholders of Raven Mount	<u>52,073</u>

3.2 Indebtedness

The table below sets out Raven Mount's net indebtedness at 31 March 2010 and is not extracted from externally audited numbers.

	<i>As at 31 March 2010 (£'000)</i>
Indebtedness	
Bank loans	6.1
Gross indebtedness	
Cash and cash equivalents	(16.8)
Net (cash)	<u>(10.7)</u>

4. CAPITAL RESOURCES AND LIQUIDITY MANAGEMENT

4.1 Cash Flow Analysis

The following table summarises Raven Mount's consolidated cash flow for the financial years ended 31 December 2007, 2008 and 2009.

	<i>For the financial year ended 31 December</i>		
	<i>2007</i>	<i>2008</i>	<i>2009</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Net cash generated from operating activities	(27.9)	(24.1)	(6.2)
Net cash used in investing activities	(9.7)	35.7	3.6
Net cash from financing activities	25.5	21.6	(17.9)
Net increase/(decrease) in cash and cash equivalents	<u>(12.1)</u>	<u>33.2</u>	<u>(20.5)</u>
Closing cash and cash equivalents	<u>4.2</u>	<u>37.4</u>	<u>16.9</u>

(a) ***Net cash generated from operating activities***

The net cash outflow from operating activities has decreased over the three year period as the construction of the residential inventory completed and sale of the inventory commenced.

(b) ***Net cash used in investing activities***

The Raven Mount Group has positive cash from investing activities in both 2008 and 2009. In 2008, this was principally due to the disposal of the Independent Living business and the Russian Property Management business and, in 2009, due to the sale of 10 million Ordinary Shares.

(c) ***Net cash from financing activities***

The net cash from financing activities in both 2007 and 2008 is positive due to the Raven Mount Group disposing of the bank loans to the Independent Living business (this business was sold in 2008) and the negative cash from financing activities in 2009 is due to a £6 million dividend to Raven Russia.

4.2 Debt Facilities

Raven Mount utilises financing structures secured on individual assets where possible. All of the Raven Mount Group loans are currently repayable within the year.

Raven Mount has recently re-negotiated a facility with Barclays Bank plc. The new facility is for £7.5 million and is fully drawn down.

5. RESTATEMENT OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

The financial statements of 2007 and 2008 have been restated to proportionally consolidate the joint ventures whereas they were previously shown as a single line.

6. SIGNIFICANT ACCOUNTING POLICIES

For a discussion of Raven Mount's significant accounting policies, see Note 2 to the Consolidated Financial Statements of the Raven Mount Group for the year ended 31 December 2009, set out in Part 5 of this document.

PART 4

FINANCIAL INFORMATION ON THE GROUP

The financial information on the Group set out in this Part 4 represents the financial statements of the Group as published and the audit opinion thereon for the year ended 31 December 2009. The financial statements were audited by Ernst & Young LLP. The auditors' report was unqualified.

The Audited Financial Statements of the Group for the year ended 31 December 2008 and for the year ended 31 December 2007 are contained in the Equivalent Information Document dated 17 April 2009 which was previously published and approved by the FSA and which is deemed to be incorporated in, and form part of, this document (as referred to on page 221 below).

AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

Independent Auditor's Report

We have audited the group financial statements of Raven Russia Limited for the year ended 31 December 2009 which comprise the Consolidated income statement, the Consolidated statement of comprehensive income, the Consolidated balance sheet, statement the Consolidated statement of changes in equity, the Consolidated cash flow statement and the related notes 1 to 39. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the group 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 (APB'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

Opinion on financial statements

In our opinion the group financial statements:

- give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 31 December 2009 and of its loss for the year then ended;
- have been properly 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 matters that under the Companies (Guernsey) Law, 2008 we are required to report to you if, in our opinion:

- proper accounting records have not been kept by the Company;
- the Company's accounts are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

Ernst & Young LLP

London

14 March 2010

Note:

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

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

Group Income Statement

For the year ended 31 December 2009

	Notes	Revenue US\$'000	2009 Capital US\$'000	Total US\$'000	Revenue US\$'000	2008 Capital US\$'000	Total US\$'000
Gross revenue	4	112,204	–	112,204	71,311	–	71,311
Property operating expenditure and cost of sales		(61,880)	–	(61,880)	(31,808)	–	(31,808)
Net rental and related income		50,324	–	50,324	39,503	–	39,503
Administrative expenses	5	(33,852)	–	(33,852)	(24,705)	(5,384)	(30,089)
Settlement of advisory contract	12	–	–	–	(67,581)	–	(67,581)
Negative goodwill	12	–	–	–	7,564	–	7,564
Foreign currency profits/(losses)		1,020	(4,117)	(3,097)	(9,656)	(24,273)	(33,929)
Operating expenditure		(32,832)	(4,117)	(36,949)	(94,378)	(29,657)	(124,035)
Operating profit/(loss) before profits and losses on investment properties		17,492	(4,117)	13,375	(54,875)	(29,657)	(84,532)
Unrealised loss on revaluation of investment property	10	–	(57,933)	(57,933)	–	(39,145)	(39,145)
Unrealised loss on revaluation of investment property under construction	11	–	(50,544)	(50,544)	–	–	–
Impairment of investment property under construction	11	–	–	–	–	(38,918)	(38,918)
Operating profit/(loss)		17,492	(112,594)	(95,102)	(54,875)	(107,720)	(162,595)
Finance income	6	3,952	866	4,818	11,613	–	11,613
Finance expense	6	(57,120)	(892)	(58,012)	(21,066)	(17,343)	(38,409)
Loss before tax		(35,676)	(112,620)	(148,296)	(64,328)	(125,063)	(189,391)
Tax	7	6,914	2,103	9,017	7,653	11,449	19,102
Loss for the year		(28,762)	(110,517)	(139,279)	(56,675)	(113,614)	(170,289)
Earnings per share: Basic and diluted (cents)	8	–	–	(28.49)			(38.77)
Adjusted (EPRA) earnings per share: Basic and diluted (cents)	8	–	–	(7.04)			(3.04)

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

All items in the above statement derive from continuing operations.

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

The accompanying notes are an integral part of this statement.

Group Statement of Comprehensive Income

For the year ended 31 December 2009

	2009 US\$'000	2008 US\$'000
Loss for the year	(139,279)	(170,289)
Other comprehensive income:		
Change in fair value of available for sale financial assets	753	—
Foreign currency translation	(41,586)	(53,783)
	(40,833)	(53,783)
Total comprehensive income for the year	(180,112)	(224,072)

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

The accompanying notes are an integral part of this statement.

Group Balance Sheet

As at 31 December 2009

	Notes	2009 US\$'000	2008 US\$'000
Non-current assets			
Investment property	10	878,775	453,750
Investment property under construction	11	101,280	443,653
Plant and equipment		7,663	4,145
Intangible assets	12	13,442	–
Other receivables	15	18,214	153,092
Derivative financial instruments	18	195	64
Deferred tax assets	25	61,176	34,830
		1,080,745	1,089,534
Current assets			
Inventory	16	61,403	–
Trade and other receivables	17	68,815	82,597
Available for sale financial assets		4,232	–
Cash and short term deposits	19	123,710	108,435
		258,160	191,032
Disposal group assets classified as held for sale	20	51,654	–
Total assets		1,390,559	1,280,566
Current liabilities			
Trade and other payables	21	62,852	51,511
Derivative financial instruments	18	474	1,027
Interest bearing loans and borrowings	22	97,597	80,042
		160,923	132,580
Non-current liabilities			
Interest bearing loans and borrowings	22	347,973	356,926
Preference shares	23	219,444	–
Other payables	24	34,249	31,696
Derivative financial instruments	18	6,166	7,904
Deferred tax liabilities	25	24,267	16,420
		632,099	412,946
Liabilities associated with disposal groups classified as held for sale	20	51,654	–
Total liabilities		844,676	545,526
Net assets		545,883	735,040
Equity			
Share capital	26	9,924	9,921
Share premium		46,858	46,791
Warrants	27	8,584	–
Treasury shares	28	(13,841)	–
Special reserve		870,692	870,692
Capital reserve		(151,562)	(41,798)
Translation reserve		(112,676)	(71,090)
Retained earnings		(112,096)	(79,476)
Total equity	29	545,883	735,040
Net asset value per share (dollars):	30		
Basic		1.14	1.43
Diluted		0.97	1.43
Adjusted net asset value per share (dollars):	30		
Basic		1.14	1.47
Diluted		0.97	1.47

The financial statements were approved by the Board of Directors on 14 March 2010 and signed on its behalf by:

Mark Sinclair and Colin Smith

The accompanying notes are an integral part of this statement.

Group Statement of Changes in Equity

For the year ended 31 December 2009

	Notes	Share Capital US\$'000	Share Premium US\$'000	Warrants US\$'000	Treasury Shares US\$'000	Special Reserve US\$'000	Capital Reserve US\$'000	Translation Reserve US\$'000	Retained Earnings US\$'000	Total US\$'000
At 1 January 2008		8,648	11,180	–	–	870,692	71,816	(17,307)	29,020	974,049
Total comprehensive income for the year		–	–	–	–	–	–	(53,783)	(170,289)	(224,072)
Scrip dividend issue of ordinary share capital		49	4,101	–	–	–	–	–	–	4,150
Ordinary shares issued on acquisition of subsidiary undertakings		1,224	31,510	–	–	–	–	–	–	32,734
Dividends paid	9	–	–	–	–	–	–	–	(55,074)	(55,074)
Transfer in respect of capital losses		–	–	–	–	–	(113,614)	–	113,614	–
Share-based payment expense	31	–	–	–	–	–	–	–	3,253	3,253
At 31 December 2008		9,921	46,791	–	–	870,692	(41,798)	(71,090)	(79,476)	735,040
For the year ended 31 December 2009										
Total comprehensive income for the year		–	–	–	–	–	753	(41,586)	(139,279)	(180,112)
Warrants issued	27	–	–	8,593	–	–	–	–	–	8,593
Warrants exercised	27	3	67	(9)	–	–	–	–	–	61
Ordinary shares acquired	28	–	–	–	(13,841)	–	–	–	–	(13,841)
Dividends paid	9	–	–	–	–	–	–	–	(4,048)	(4,048)
Share-based payment expense	31	–	–	–	–	–	–	–	190	190
Transfer in respect of capital losses		–	–	–	–	–	(110,517)	–	110,517	–
At 31 December 2009		9,924	46,858	8,584	(13,841)	870,692	(151,562)	(112,676)	(112,096)	545,883

The accompanying notes are an integral part of this statement.

Group Cash Flow Statement

For the year ended 31 December 2009

	Notes	2009 US\$'000	2008 US\$'000
Cash flows from operating activities			
Loss before tax		(148,296)	(189,391)
Adjustments for:			
Finance income	6	(4,818)	(11,613)
Finance expense	6	58,012	38,409
Loss on revaluation of investment property	10	57,933	39,145
Loss on revaluation of investment property under construction	11	50,544	–
Impairment of investment property under construction	11	–	38,918
Foreign exchange losses arising from non-operating activities		3,097	33,929
Settlement of advisory contract	12	–	67,581
Negative goodwill	12	–	(7,564)
Impairment of investment in joint venture	5	–	5,384
Recognised share-based payments	31	190	2,410
		16,662	17,208
(Increase)/decrease in operating receivables		(9,365)	3,464
Increase in inventory		(224)	–
Increase in operating payables		8,350	1,271
		15,423	21,943
Tax paid		(514)	(3,698)
Net cash generated from operating activities		14,909	17,975
Cash flows from investing activities			
Payments for investment property under construction		(138,345)	(461,740)
Decrease/(increase) in VAT recoverable on construction		46,495	(58,743)
Capital expenditure		(1,113)	(3,381)
Acquisition of subsidiary undertakings		(3,578)	(33,135)
Cash acquired with subsidiary undertakings		31,211	159
Loans advanced		–	(101,363)
Loans repaid		–	1,326
Settlement of maturing forward currency financial instruments	6	(892)	(14,712)
Interest received	6	2,043	1,258
Net cash used in investing activities		(64,179)	(670,331)
Cash flows from financing activities			
Proceeds from long term bank borrowings		115,791	344,301
Repayment of long term borrowings		(110,784)	(5,167)
Proceeds from other borrowings		–	5,029
Repayment of other borrowings		(5,713)	(2,355)
Bank borrowing costs paid		(27,069)	(31,046)
Proceeds from issue of preference shares and warrants		106,999	–
Dividends paid on preference shares		(19,226)	–
Ordinary dividends paid	9	(4,048)	(50,923)
Net cash from financing activities		55,950	259,839
Net increase/(decrease) in cash and cash equivalents		6,680	(392,517)
Opening cash and cash equivalents		108,435	480,830
Effect of foreign exchange rate changes		8,667	20,122
Closing cash and cash equivalents	39	123,782	108,435

The accompanying notes are an integral part of this statement.

Notes to the Financial Statements

For the year ended 31 December 2009

1. General information

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

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

The audited financial statements of the Group for the year ended 31 December 2009 comprise the Company and its subsidiaries and were authorised by the Board for issue on 14 March 2010.

2. Accounting policies

Basis of preparation

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

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all years presented, unless otherwise 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 consolidated 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 2009:

IAS 1 Presentation of Financial Statements (Revised)
IAS 40 Investment Property (Amended)
IFRS 7 Financial Instruments: Disclosure (Amendment)
IFRS 8 Operating Segments

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

IAS 1 Presentation of Financial Statements (Revised)

The standard requires the separation of shareholder and non-shareholder changes in equity. The Statement of Changes in Equity will now only provide detail relating to transactions with shareholders, with non-shareholder changes presented as a single line item "total comprehensive income for the year".

Non-shareholder changes in equity that were previously charged direct to equity, which for the Group is foreign currency translation gains and losses arising on consolidation, together with fair value movements on available for sale assets acquired in the year, are presented in a new performance statement called the Statement of Comprehensive Income.

Notes to the Financial Statements — *continued*

IAS 40 Investment Property (Amended)

IAS 40 has been amended to bring within its scope investment property under construction. Consequently such property is now measured at fair value where previously it was carried at cost less any recognised impairment loss. The policy has been applied prospectively from 1 January 2009 and accordingly the amendment has no effect on prior years. A loss on the revaluation of investment property under construction of US\$50.5 million has been recognised in the year ended 31 December 2009.

IFRS 7 Financial Instruments: Disclosure (Amendment)

The detailed disclosures required by this amended standard are set out in note 34.

IFRS 8 Operating Segments

IFRS 8 replaces IAS 14 Segment Reporting. The Group has concluded that the reportable segments determined in accordance with IFRS 8 are identical to that determined previously, being property investment and logistics together with property development segment acquired in the period. The detailed disclosures required by IFRS 8 are set out in note 37.

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

IAS 32 Financial Instruments: Presentation and IAS 1 Puttable Financial Instruments and Obligations Arising on Liquidation
IFRIC 9 Remeasurement of Embedded Derivatives and IAS 39 Financial Instruments: Recognition and Measurement
IFRIC 13 Customer Loyalty Programmes
IFRIC 16 Hedges of a Net Investment in a Foreign Operation
Improvements to IFRSs (May 2008)

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

IFRS 2 Share-based Payment: Group Cash-settled Share-based Payment Transactions effective 1 January 2010
IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended) including consequential amendments to IFRS 7, IAS 21, IAS 28, IAS 31 and IAS 39 effective 1 July 2009
IFRS 9 Financial Instruments effective 1 January 2013
IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items effective 1 July 2009
IFRIC 18 Transfers of Assets from Customers effective 1 July 2009
IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments effective 1 July 2010
Improvements to IFRSs issued April 2009

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

Restatement of prior period amounts

Management have considered the function of expenditure incurred by the Group's special purpose vehicles ("SPVs") and concluded that for some SPVs expenditure previously reported as administrative expenses was operational. The income statement for 2008 has been restated to reclassify US\$3.1 million of administrative expenses to property operating expenses. This reclassification has no effect on the loss reported in the income statement for the year ended 31 December 2008.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company, its subsidiaries and the 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

Notes to the Financial Statements — *continued*

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, together with any direct costs associated with the acquisition.

Goodwill is capitalised as an intangible asset 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 consolidated 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.

(b) Logistics

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

(c) UK property development

The sale of both 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.

Notes to the Financial Statements — *continued*

(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. Deferred tax is charged or credited in the Income Statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

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

(c) Value added tax

Revenue, expenditure, assets and liabilities are recognised net of the amount of value added tax except:

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

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

Investment property and investment property under construction

Investment property comprises completed property and property under construction held to earn rentals or for capital appreciation or both. Investment property comprises both freehold and leasehold land and buildings.

Investment property is measured initially at its cost, including related transaction costs. After initial recognition, investment property is carried at fair value. The Directors assess the fair value of investment property based on independent valuations carried out by their appointed property valuers or on independent valuations prepared for banking purposes. The Group has appointed Jones Lang LaSalle as property valuers to prepare valuations on a semi-annual basis. Valuations are undertaken in accordance with appropriate sections of the current Practice Statements contained in the Royal Institution of Chartered Surveyors Appraisal and Valuation Standards, 6th Edition (the "Red Book"). This is an internationally accepted basis of valuation. Gains or losses arising from changes in the fair value of investment property are included in the Income Statement in the period in which they arise.

Notes to the Financial Statements — *continued*

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

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

Leasing (as lessors)

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

Plant and equipment

Plant and equipment is stated at cost, net of accumulated depreciation and / or accumulated impairment losses, if any. Plant and equipment principally comprises racking and related equipment utilised by the Group's Logistics division and depreciation is calculated on a straight-line basis over the estimated useful life of the asset, which range from 3 to 20 years.

Inventory

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

Financial assets

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

(a) Fair value through profit or loss

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

(b) Loans and receivables

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

Loans and receivables are initially recognised at fair value, plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. The amount of the impairment loss is recognised in administrative expenses. If in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment is recognised, the previously recognised impairment loss is reversed. Any such reversal of an impairment loss is recognised in the income statement.

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

(c) Available-for-sale financial investments

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

Notes to the Financial Statements — *continued*

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

Financial liabilities and equity

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

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

(a) Fair value through profit or loss

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

(b) Other financial liabilities

Other financial liabilities include interest bearing loans, trade payables (including rent deposits and retentions under construction contracts), preference shares and other short-term monetary liabilities.

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

Interest bearing loans and preference shares are initially recorded at fair value net of direct issue costs and subsequently carried at amortised cost using the effective interest rate method. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to the income statement using the effective interest method and are added to the carrying amount of the instrument to the extent they are not settled in the period in which they arise.

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.

Treasury shares

Own equity instruments which are reacquired (treasury shares) 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 the capital reserve.

Share-based payments

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

The cost of equity-settled transactions is measured by reference to the fair value at the date at which they are granted. Fair value is determined by an external valuer, using an appropriate pricing model.

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

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

Notes to the Financial Statements — *continued*

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

Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each Group entity are measured in the currency of the primary economic environment in which the entity operates (the “functional currency”). Following the acquisition of the Property Advisor and the subsequent period of integration of the operations of the Property Advisor with that of the Company, the Directors determined that the Company’s functional currency changed from United States Dollars to Sterling. In accordance with IAS 21 the Company converted all of its assets, liabilities, income and expenditure to Sterling. The presentation currency of the Group continues to be United States Dollars, which the directors consider to be the key currency for the Group’s operations as whole.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Non-monetary assets and liabilities are translated using exchange rates at the date of the initial transaction or when their fair values are reassessed.

(c) On consolidation

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each balance sheet are translated at the closing rate at the date of the balance sheet;
- (ii) income and expenditure for each income statement are translated at the average exchange rate prevailing in the period; and
- (iii) all resulting exchange differences are recognised in other comprehensive income.

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

Dividends

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

3. Critical accounting estimates and judgements

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

(a) Valuation of investment property

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

Notes to the Financial Statements — *continued*

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

In completing these valuations the valuer considers the following:

- (i) current prices in an active market for properties of a different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;
- (ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions 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.

(b) Income tax

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

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

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

(c) Recognition of deferred tax assets

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

(d) Goodwill and impairment

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

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

(e) Acquisitions

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

Notes to the Financial Statements — *continued*

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.

(f) Classification of a joint venture or subsidiary undertaking

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

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

(g) Inventory

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

4. Gross Revenue

	2009 US\$'000	2008 US\$'000
Rental and related income	80,763	62,201
Proceeds from the sale of inventory property	15,014	—
Logistics	16,427	9,110
	112,204	71,311

The Group's leases typically include annual rental increases ("contingent rents") based on a consumer price index in Russia, Europe and USA, which are recognised in income as they arise. Contingent rents included in rental income for the year amounted to US\$950k (2008: US\$747k).

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

Notes to the Financial Statements – *continued*

5. Administrative expenses

	Revenue US\$'000	2009 Capital US\$'000	Total US\$'000	Revenue US\$'000	2008 Capital US\$'000	Total US\$'000
Employment costs	14,716	–	14,716	1,250	–	1,250
Directors' remuneration	3,116	–	3,116	527	–	527
Property Advisor management fees	–	–	–	6,169	–	6,169
Office running costs and insurance	4,105	–	4,105	355	–	355
Travel costs	1,334	–	1,334	159	–	159
External administrator fees	1,172	–	1,172	3,321	–	3,321
Auditors' remuneration						
– audit services	693	–	693	1,178	–	1,178
– non-audit services	1,030	–	1,030	–	–	–
Legal and professional	2,656	–	2,656	1,146	–	1,146
Abortive project costs	313	–	313	3,684	–	3,684
Depreciation	1,344	–	1,344	750	–	750
Other administrative expenses	2,279	–	2,279	809	–	809
Share of operating expenditure of joint ventures	904	–	904	2,947	–	2,947
Equity-settled share-based payment (note 30)	190	–	190	2,410	–	2,410
Impairment of goodwill (note 12)	–	–	–	–	2,265	2,265
Impairment of loans to joint venture (note 32)	–	–	–	–	3,119	3,119
	33,852	–	33,852	24,705	5,384	30,089

The Property Advisor management fees were project specific and are included in the cost of investment property under construction on consolidation, where construction was in progress. Cumulative fees of US\$41.8 million (2008: US\$41.8 million) are included in the cost of investment property and investment property under construction at 31 December 2009. On 26 November 2008 the Group completed the acquisition of the Property Advisor. Accordingly the management fees above represent fees charged by the Property Advisor in respect of completed assets up to 26 November 2008. Subsequent to that date, the fee is an intra-group charge, which is eliminated on consolidation.

Notes to the Financial Statements — *continued*

6. Finance income and expense

	2009 US\$'000	2008 US\$'000
Finance income		
Income from cash and short term deposits	2,043	1,260
Interest income on loans receivable	380	10,353
Total interest income	2,423	11,613
Change in fair value of open forward currency derivative financial instruments	866	—
Change in fair value of open interest rate derivative financial instruments	1,529	—
Finance income	4,818	11,613
Finance expense		
Interest expense on loans and borrowings measured at amortised cost	37,043	13,471
Interest expense on preference shares	20,077	—
	57,120	13,471
Loss on maturing forward currency derivative financial instruments	892	14,712
Change in fair value of open forward currency derivative financial instruments	—	2,631
Change in fair value of open interest rate derivative financial instruments	—	7,595
Finance expense	58,012	38,409

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

	2009 US\$'000	2008 US\$'000
Total interest income on financial assets	2,423	11,613
Total interest expense on financial liabilities	(57,120)	(13,471)
	(54,697)	(1,858)

7. Tax

	2009 US\$'000	2008 US\$'000
The tax expense for the year comprises:		
Current taxation	2,690	2,022
Increase in deferred tax asset (note 25)	(16,093)	(13,320)
Increase/(decrease) in deferred tax liability (note 25)	4,386	(7,804)
Tax credit	(9,017)	(19,102)

The credit for the year can be reconciled to the loss per the income statement as follows:

	2009 US\$'000	2008 US\$'000
Loss before tax	(148,296)	(189,391)
Tax at the Russian corporate tax rate of 20%	(29,659)	(37,878)
Tax effect of income not subject to tax and non-deductible expenses	32,409	32,516
Tax on dividends and other inter company gains	1,987	1,387
Tax effect of financing arrangements	(12,986)	(12,665)
Effect of change of corporation tax rate from 24% to 20%	—	(3,753)
(Over)/under provision in prior year	(768)	1,291
Tax credit	(9,017)	(19,102)

Notes to the Financial Statements – *continued*

During 2008 the standard rate of Russian corporate tax reduced from 24% to 20%.

8. Earnings per share

The European Public Real Estate Association ("EPRA") issued Best Practice Policy Recommendations in July 2009, which gives guidelines for the calculation of performance measures. The Group has decided to adopt the EPRA earnings measure, which excludes investment property revaluations, impairments, gains and losses on disposal of investment property, intangible asset movements, gains and losses on derivative financial instruments and related taxation.

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

Earnings	2009 US\$'000	2008 US\$'000
Earnings for the purposes of basic and diluted earnings per share being the net loss for the year	(139,279)	(170,289)
Adjustments to arrive at EPRA earnings:		
Unrealised loss on revaluation of investment property	57,933	39,145
Unrealised loss on revaluation of investment property under construction	50,544	–
Impairment of investment property under construction	–	38,918
Settlement of advisory contract	–	67,581
Negative goodwill	–	(7,564)
Impairment of investment in joint venture	–	5,384
Loss on maturing foreign currency derivative financial instruments	892	14,712
Change in fair value of open forward currency derivative financial instruments	(866)	2,631
Change in fair value of open interest rate derivative financial instruments	(1,529)	7,595
Movement on deferred tax thereon	(2,103)	(11,449)
Adjusted EPRA earnings	(34,408)	(13,336)

Number of shares	2009 No '000	2008 No '000
Weighted average number of ordinary shares for the purposes of basic EPS and basic EPRA EPS (excluding treasury shares)	488,906	439,235
Weighted average number of ordinary shares for the purposes of diluted EPS and diluted EPRA EPS (excluding treasury shares)	488,906	439,235
EPS basic and diluted (cents)	(28.49)	(38.77)
EPRA EPS basic and diluted (cents)	(7.04)	(3.04)

The Company has a number of potential ordinary shares, being listed warrants (note 27), options and warrants to advisers on the formation of the Company (note 31) and awards made under the Employee Retention Scheme and Long Term Incentive Plan (note 31), none of which were dilutive for the year ended 31 December 2009. Since the year end the Company has made further awards under the Employee Retention Scheme and Long Term Incentive Plan and details of these awards are given in note 31.

Notes to the Financial Statements — *continued*

9. Ordinary dividends

	2009 US\$'000	2008 US\$'000
Declared and paid during the year on ordinary shares:		
Final dividend for 2008 nil pence (2007: 4 pence)	–	34,305
Interim dividend for 2009 0.5 pence (2008: 3 pence)	4,048	20,769
	4,048	55,074

The Directors are proposing to declare a final dividend for 2009 of 0.5 pence.

In 2008 scrip dividends amounting to US\$4.15 million were taken up by shareholders. A scrip alternative was not offered for the dividend declared and paid in 2009.

10. Investment property

	2009 US\$'000	2008 US\$'000
Balance at 1 January	453,750	346,250
Transfer from investment property under construction (note 11)	515,354	146,645
Transfer to disposal assets classified as held for sale (note 20)	(37,489)	–
Additions	5,093	–
Unrealised loss on revaluation of investment property	(57,933)	(39,145)
Balance at 31 December	878,775	453,750

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 2009 has been arrived at on the basis of market valuations carried out by Jones Lang LaSalle ("JLL"), external valuers to the Group and on independent valuations completed for banking purposes. JLL have consented to the use of their name in these financial statements.

The valuations used by the Directors in these financial statements have been carried out in accordance with The Royal Institution of Chartered Surveyors Valuation Standards, Sixth Edition (the "Red Book"). The definition of market value is "the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and willing seller in an arms length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

The following assumptions were used in determining the valuations, which were specific to the Group:

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

The market values reported are gross of purchasers' costs, which would be incurred on the sale of assets as this is the recognised valuation approach in Russia; and

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

The Group has pledged investment property with a value of US\$658 million (2008: US\$398 million) to secure banking facilities granted to the Group (note 22).

Notes to the Financial Statements – *continued*

11. Investment property under construction

	2009 US\$'000	2008 US\$'000
Balance at 1 January	443,653	251,775
Costs incurred	142,906	406,252
Acquisition	119,122	–
Impairment	–	(38,918)
Effect of foreign exchange rate changes	(28,260)	(28,811)
Transfer to investment property (note 10)	(515,354)	(146,645)
Transfer to disposal assets classified as held for sale (note 20)	(10,243)	–
Unrealised loss on revaluation of investment property under construction	(50,544)	–
Balance at 31 December	101,280	443,653

Borrowing costs capitalised in the year amounted to US\$10.5 million (2008: US\$8.1 million).

The Directors have valued land based on the amounts they consider they can achieve for permitted land and land with access and infrastructure. The Directors also considered updated acquisition appraisals, the key assumptions being developer's required returns, market rents and yields on completed properties. On this basis the Directors consider the fair value of the land bank to be US\$101 million, which equates to an average price of US\$21 per square metre.

In prior periods the Group carried investment property under construction at cost less impairments. In 2008 the Group carried out impairment tests on its investment property under construction in St Petersburg and regional cities in Russia. This involved calculating the value in use of each property by estimating the future cash flows and discounting these to determine their present value. The discount rate applied was 13% and it resulted in a write down in that year of US\$38.9 million.

The Group has pledged investment property under construction with a carrying value of US\$40 million (2008: US\$246 million) to secure banking facilities granted to the Group (note 22).

12. Intangible assets

	Goodwill US\$'000	Negative Goodwill US\$'000	Advisory Contract US\$'000	Total US\$'000
Balance at 1 January 2008	2,265	–	–	2,265
Acquired through business combinations (note 35)	–	(7,564)	67,581	60,017
Impairment	(2,265)	–	–	(2,265)
Charge to income statement	–	–	(67,581)	(67,581)
Release to income statement	–	7,564	–	7,564
Balance at 31 December 2008	–	–	–	–
On acquisition of Raven Mount Group plc (note 35)	8,059	–	–	8,059
On change in financing arrangements for Roslogistics (note 35)	5,383	–	–	5,383
Balance at 31 December 2009	13,442	–	–	13,442

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

Notes to the Financial Statements — *continued*

Goodwill acquired through the Raven Mount and Roslogistics business combinations has been allocated for impairment purposes to the Property Development and Logistic operating segments respectively. 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.

The acquisition of the Property Advisor in 2008 gave rise to an intangible asset from the valuation of the property advisory contract, and the underlying management and performance fees. This is considered to be reflective of the fair value of extinguishing the contract and therefore it was charged to the income statement in that year in full.

13. Investment in subsidiary undertakings

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

Name	Country of incorporation	Proportion of ownership interest	
		2009	2008
CJSC Kulon Estates	Russia	100%	100%
CJSC Kulon Development	Russia	100%	100%
Fenix LLC	Russia	100%	100%
Petroestate LLC	Russia	100%	100%
EG Logistics LLC	Russia	100%	100%
CSJC Kulon Istra	Russia	100%	100%
Soyuz-Invest LLC	Russia	100%	100%
Reserv-Invest LLC	Russia	100%	100%
CSJC Noginsk Vostok	Russia	100%	100%
Resource Economia LLC	Russia	100%	100%
Kulon Spb LLC	Russia	100%	100%
AKM Logistics LLC	Russia	100%	100%
Megalogix Limited	Cyprus	100%	50%*
Logopark Don LLC	Russia	100%	50%*
Logopark Ob LLC	Russia	100%	50%*
Roslogistics Holdings (Russia) Limited	Cyprus	100%	50%*
Avalon Logistics Company LLC	Russia	100%	50%*
Raven Mount Group plc	England	100%	—
Raven Russia Property Advisers Limited	England	100%	100%
Raven Russia (Service Company) Limited	Guernsey	100%	100%
Raven Russia (Guernsey) 2 Limited	Guernsey	100%	100%

* Accounted for as a JV in 2008.

During the year the Company acquired Raven Mount Group plc and the remaining 50% of the shares of its joint ventures, Megalogix Limited and Roslogistics Holdings (Russia) Limited, along with their own subsidiary companies, which include Logopark Don LLC, Logopark Ob LLC and Avalon Logistics LLC. Further details of the acquisitions are provided in note 35.

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

Notes to the Financial Statements — *continued*

14. Investment in joint ventures

The principal jointly controlled entities of the Group are as follows:

Name	Country of incorporation	Proportion of ownership interest	
		2009	2008
Coln Park LLP	England	50%	–
Megalogix Limited	Cyprus	–	50%
Roslogistics Holdings (Russia) Limited (trading as Avalon Logistics)	Cyprus	–	50%
Armbridge Consultancy Limited	Cyprus	–	50%

During the year the Group acquired the remaining 50% of the shares in each of the jointly controlled entities held at 31 December 2008. With the acquisition of Raven Mount Group plc in the year, the Group acquired its interest in Coln Park LLP.

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:

	2009 US\$'000	2008 US\$'000
Non-current assets	4	128,891
Current assets	14,782	21,659
Current liabilities	(10,921)	(14,476)
Non-current liabilities	–	(163,409)
Net assets/(liabilities)	3,865	(27,335)
Income	13,558	9,110
Expenditure	(12,169)	(15,459)
	1,389	(6,349)

15. Other receivables

	2009 US\$'000	2008 US\$'000
Loans receivable	13	136,523
VAT recoverable	7,402	8,626
Security deposit	1,722	1,788
Prepayments and other receivables	9,077	6,155
	18,214	153,092

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.

Loans receivable were principally loans advanced to the Group's joint ventures. As the relevant joint ventures are now wholly owned subsidiary companies the loans are eliminated on consolidation. The loans receivable were unsecured, with a weighted average loan term of 4 years at 31 December 2008 and a weighted average interest rate of 13%.

Notes to the Financial Statements — *continued*

16. Inventory

	Land held for development US\$'000	Housing stock US\$'000	Total US\$'000
Balance at 1 January 2008 and 31 December 2008	–	–	–
Acquired through business combinations (note 35)	2,402	60,590	62,992
Costs incurred in the year	694	7,787	8,481
Cost of sales	–	(11,066)	(11,066)
Effect of foreign exchange rate changes	38	958	996
Balance at 31 December 2009	3,134	58,269	61,403

The Group has pledged inventory with a carrying value of US\$50 million (2008: US\$ nil) to secure banking facilities granted to the Group (note 22).

17. Trade and other receivables

	2009 US\$'000	2008 US\$'000
Trade receivables	12,641	5,007
Prepayments	11,221	3,666
VAT recoverable	35,806	66,570
Tax recoverable	3,564	4,627
Loans receivable	2,422	1,484
Accrued income	905	146
Other receivables	2,256	1,097
	68,815	82,597

The loans receivable were unsecured, with a weighted average interest rate at 31 December 2008 of 14%.

Notes to the Financial Statements – *continued*

18. Derivative financial instruments

	2009 US\$'000	2008 US\$'000
Interest rate derivative financial instruments		
Non-current assets	195	64
Non-current liabilities	(5,781)	(7,206)
Forward currency derivative financial instruments		
Non-current liabilities	(385)	(698)
Current liabilities	(474)	(1,027)

The Group has entered into a series of interest rate derivative financial instruments to manage the interest rate and resulting cash flow exposure from the Group's banking facilities. The instruments have a notional value of US\$276 million (2008: US\$218.1 million) and a weighted average fixed or capped rate of 3.3% (2008: 3.5%).

The Group has also entered into a series of forward currency derivative financial instruments to hedge rentals received under leases denominated in euros. At 31 December 2009 there were open contracts to sell euros amounting to €11.9 million (2008: €11.8 million) and buy US Dollars amounting to US\$16.2 million (2008: US\$15.2 million) at an average rate of 1.36 (2008: 1.29).

The final forward currency derivative instruments in relation to managing the Russian Rouble construction costs settled during the year. US\$2.6 million of US Dollars were sold to buy 68.6 million Russian Roubles at an average rate of 26.36 (2008: 26.01).

19. Cash and short term deposits

	2009 US\$'000	2008 US\$'000
Cash at bank and on call	43,675	63,465
Short term deposits	80,035	44,970
	123,710	108,435

Included within cash and short term deposits is US\$3.6 million (2008: US\$5.8 million) which is held as security for the Group's interest rate and foreign currency derivative financial instruments (note 18) and is thus restricted in the use to which it can be put by the Group.

The Group has also pledged short term deposits with a carrying value of US\$25.5 million (2008: US\$ Nil) as security for a bridging facility granted to the Group (note 22). US\$10 million of the loan was outstanding at 31 December 2009.

Cash at bank and on call attract variable interest rates, whilst short term deposits attract fixed rates but mature and re-price over a short period of time. The weighted average interest rate at the balance sheet date is 1.16% (2008: 2.32%).

Notes to the Financial Statements — *continued*

20. Disposal group

The disposal group represents an investment property, adjacent land and related assets and liabilities on the AKM project in St Petersburg. This included a loan facility with Nomos Bank, of US\$44 million with a margin over US LIBOR of 12% and a term remaining of 4 years, secured on the property and land. As the asset will not generate sufficient income to service the debt, Nomos has agreed that it will accept the property and related assets, net of the liabilities, in consideration for the repayment of all outstanding amounts due under the bank facility. The disposal group represents the assets and liabilities involved, including the debt facility, and further details are provided in the table below.

	2009 US\$'000	2008 US\$'000
Non-current assets		
Investment property	37,489	—
Investment property under construction	10,243	—
Plant and equipment	45	—
Other receivables	186	—
Deferred tax asset	2,796	—
	50,759	—
Current assets		
Trade and other receivables	823	—
Cash and short term deposits	72	—
	895	—
Total assets	51,654	—
Current liabilities		
Trade and other payables	3,045	—
Interest bearing loans and borrowings	47,817	—
	50,862	—
Non-current liabilities		
Deferred tax	792	—
Total liabilities	51,654	—

21. Trade and other payables

	2009 US\$'000	2008 US\$'000
Investment property acquisition obligations	—	6,500
Trade and other payables	53,610	41,647
Tax payable	9,242	3,364
	62,852	51,511

Trade and other payables comprise mainly balances due to contractors for the construction activity in the period.

Notes to the Financial Statements – *continued*

22. Interest bearing loans and borrowings

(a) Bank loans

	2009 US\$'000	2008 US\$'000
Loans due for settlement within 12 months	93,273	76,066
Loans due for settlement after 12 months	339,900	349,803
	433,173	425,869

(b) Other interest bearing loans

	2009 US\$'000	2008 US\$'000
Loans due for settlement within 12 months	4,324	3,976
Loans due for settlement after 12 months	8,073	7,123
	12,397	11,099

Totals

Loans due for settlement within 12 months	97,597	80,042
Loans due for settlement after 12 months	347,973	356,926
	445,570	436,968

The Group's borrowings have the following maturity profile:

On demand or within one year	97,597	80,042
In the second year	29,776	55,233
In the third to fifth years	252,240	283,566
After five years	65,957	18,127
	445,570	436,968

At 31 December 2009, the Group had drawn US\$347.4million (2008: US\$267million) of term investment debt secured on completed investment property. This investment debt bears a weighted average margin of 4.62% over US LIBOR (2008: 3.29%) and has a weighted average loan term remaining of 4.2 years (2008: 4.3 years).

The Group also has US\$68.1 million (2008: US\$193 million) of construction debt, which bears a weighted average margin of 4.76% (2008: 12%).

Included in the above construction debt is a Euro denominated construction facility of US\$62.3 million equivalent, which bears a margin of 4.6% over EURIBOR. This facility had come to the end of its term at the year end and is shown as due within one year. The extension and restructuring of this facility into a US Dollar denominated loan with a two year term was agreed in February 2010.

In addition to the debt secured on the principal property portfolio above, the Group also had the following facilities in place at the year end.

As part of the refinancing of a construction facility with VTB Bank, secured on our asset, Logopark Don in Rostov, which was repaid in September 2009, a short term 15 month, £25 million (US\$39.8 million) facility was established, secured against the Group's sterling cash deposits and bearing interest at a margin of 2.95% over LIBOR. The outstanding balance at 31 December 2009 was £6.3 million (US\$10 million).

Following the acquisition of Raven Mount Group plc (note 35), a £6 million (US\$9.5 million) one year revolver facility was established secured on the Group's inventory, which is located in the UK. It bears interest at a margin of 2.5% over LIBOR and at 31 December 2009 the outstanding balance was £3.7 million (US\$5.9 million).

Notes to the Financial Statements — *continued*

Coln Park LLP, a joint venture vehicle in which Raven Mount Group plc is a partner, has a facility of £7.4 million (US\$11.8 million) outstanding at the year end and at a margin over LIBOR of 3%. The facility matures in September 2010.

The Group has met all cash covenants on its debt facilities during the year. No Loan to Value covenants have been breached although it remains a possibility that this could occur on certain facilities should lenders request new valuations. The facilities concerned are on a non-recourse basis to other Group companies and any marginal deficiencies can be made good if necessary. As required under IAS 1, in recognition of the possibility of a breach, US\$9 million of bank loans have been reclassified as current liabilities although it is not anticipated that settlement of these liabilities is likely to occur within 12 months of the balance sheet date.

The Group has entered into hedging arrangements in respect of its interest rate exposure (note 18). US\$237 million (2008: US\$226.3 million) of Group bank borrowings have been fixed with three years remaining (2008: four years) at a weighted average rate of 7.32% (2008: 6.77%) and US\$39 million (2008: US\$41 million) capped at 5.5% (2008: 5.5%) for three years (2008: four years). This gave a weighted average cost of debt to the Group of 6.4% (2008: 8.3%) at the year end.

23. Preference shares

	2009 US\$'000	2008 US\$'000
Authorised share capital:		
400,000,000 (2008: nil) preference shares of 1p each	5,981	–

On 24 March 2009 the authorised share capital of the Company was increased by the creation of 400,000,000 preference shares.

	2009 Number	2008 Number
Issued share capital:		
At 1 January	–	–
Issued in the year for cash	76,155,000	–
On acquisition of Raven Mount Group plc (note 35)	66,409,478	–
Scrip dividends	750,701	–
At 31 December	143,313,179	–

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

24. Other payables

	2009 US\$'000	2008 US\$'000
Investment property acquisition obligations	13,838	14,064
Rent deposits	9,238	6,850
Deferred revenue	49	60
Retentions under construction contracts	8,692	6,687
Other payables	2,432	4,035
	34,249	31,696

Notes to the Financial Statements — *continued*

25. Deferred tax

(a) Deferred tax asset

	Tax losses US\$'000	Other US\$'000	Total US\$'000
Balance at 1 January 2008	1,781	94	1,875
Effect of foreign exchange rate changes	(6,285)	—	(6,285)
Charge to income related to change in corporation tax rate from 24% to 20%	(258)	—	(258)
Credit to income	13,278	300	13,578
Credit to equity	25,920	—	25,920
Balance at 31 December 2008	34,436	394	34,830
Recognised on business combination (note 35)	2,917	—	2,917
Recognition on settlement of contracts	6,214	—	6,214
Effect of foreign exchange rate changes	225	—	225
Transfer to disposal group classified as held for sale (note 20)	(2,796)	—	(2,796)
Credit to income	16,090	3	16,093
Credit to equity	3,693	—	3,693
Balance at 31 December 2009	60,779	397	61,176

The Group has losses of US\$130 million (2008: US\$38.9 million) for which deferred tax assets have not been recognised.

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

(b) Deferred tax liabilities

	Accelerated tax allowances US\$'000	Revaluation of investment property US\$'000	Total US\$'000
Balance at 1 January 2008	3,540	21,718	25,258
Effect of foreign exchange rate changes	(1,034)	—	(1,034)
Credit to income related to change in corporation tax rate from 24% to 20%	(449)	(3,620)	(4,069)
Charge/(credit) to income	3,799	(7,534)	(3,735)
Balance at 31 December 2008	5,856	10,564	16,420
Recognised on business combination (note 35)	916	—	916
Recognition on settlement of contracts	1,974	—	1,974
Transfer to liabilities associated with disposal groups classified as held for sale (note 20)	(792)	—	(792)
Effect of foreign exchange rate changes	1,363	—	1,363
Charge to income	6,489	(2,103)	4,386
Balance at 31 December 2009	15,806	8,461	24,267

Notes to the Financial Statements — *continued*

26. Share capital

	2009 US\$'000	2008 US\$'000
Authorised ordinary share capital:		
1,500,000,000 (2008: 1,000,000,000) ordinary shares of 1p each	27,469	20,105

On 24 March 2009 the authorised ordinary share capital of the Company was increased from £10 million to £15 million by the creation of an additional 500,000,000 ordinary shares.

	2009 Number	2008 Number
Issued share capital:		
At 1 January	512,552,915	430,040,566
Issued in the year	144,679	82,512,349
At 31 December	512,697,594	512,552,915

Of the authorised ordinary share capital at 31 December 2009, 154,810,632 (2008: 9,629,166) are reserved for options and warrants.

Details of own shares held in treasury are given in note 28.

27. Warrants

	2009 Number	2008 Number
At 1 January	–	–
Issued in the year for cash	76,155,000	–
On acquisition of Raven Mount Group plc (note 35)	66,409,478	–
Exercised in the year	(144,679)	–
At 31 December	142,419,799	–

	2009 US\$'000	2008 US\$'000
At 1 January	–	–
Issued in the year for cash	4,416	–
On acquisition of Raven Mount Group plc (note 35)	4,177	–
Exercised in the year	(9)	–
At 31 December	8,584	–

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

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

In the period since 31 December 2009 2,537,321 warrants have been exercised.

Notes to the Financial Statements — *continued*

28. Treasury shares

	2009 Number	2008 Number
At 1 January	—	—
Acquired in the year	34,035,054	—
At 31 December	34,035,054	—

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

Notes to the Financial Statements – *continued*

30. Net asset value per share

	2009 US\$'000	2008 US\$'000
Net asset value	545,883	735,040
Intangible assets – goodwill	(13,442)	–
Deferred tax on revaluation gains	8,461	10,564
Fair value of interest rate derivative financial instruments	5,586	7,142
Adjusted net asset value	546,488	752,746
Assuming exercise of all dilutive potential ordinary shares		
– Listed warrants (note 27)	56,843	–
– ERS (note 31)	–	–
– LTIP (note 31)	407	–
Fully diluted net asset value	603,738	752,746
Number of ordinary shares at (note 26)	512,697,594	512,552,915
Less treasury shares (note 28)	(34,035,054)	–
	478,662,540	512,552,915
Assuming exercise of all dilutive potential ordinary shares		
– Listed warrants (note 27)	142,419,799	–
– ERS (note 31)	1,775,000	–
– LTIP (note 31)	1,020,000	–
Number of ordinary shares assuming exercise of all potential ordinary shares	623,877,339	512,552,915
Net asset value per share	1.14	1.43
Fully diluted net asset value per share	0.97	1.43
Adjusted net asset value per share	1.14	1.47
Adjusted fully diluted net asset value per share	0.97	1.47

31. Share based payments

(a) Terms

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

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

The first tranche of options held by the trustee and Adrian Collins lapsed as the associated performance criteria were not met. Upon the Company's acquisition of the Property Advisor the remaining options held by the trustee were cancelled and the Company agreed to grant replacement options to certain employees and former employees of the Property Advisor's group. These replacement options were issued in 2009 and 2010 and comprise the Employee Retention Scheme ("ERS") and Long Term Incentive Plan ("LTIP") more fully explained in the Remuneration Report.

Notes to the Financial Statements – *continued*

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

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

	2009		2008	
	No of options and warrants	Weighted average exercise price	No of options and warrants	Weighted average exercise price
Outstanding at the beginning of the period	9,629,166	100p	34,651,257	103p
Issued during the year				
– ERS	1,775,000	–	–	–
– LTIP	1,020,000	25p	–	–
Lapsed during the year	(33,333)	100p	(3,825,000)	100p
Repurchased through business combination	(7,650,000)	100p	–	–
Cancelled during the year	–	–	(21,197,091)	103p
Outstanding at the end of the period	4,740,833	46p	9,629,166	100p
Exercisable at the end of the period	1,912,500	100p	9,562,500	100p

The weighted average remaining contractual life of options and warrants was 4 years (2008: 1.8 years).

(b) Share-based payment charge

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

	ERS	LTIP
Share price on grant	38.5p	38.5p
Exercise price	–	25.0p
Expected dividend yield	1.50%	1.50%
Risk free rate	0.81%	2.16%
Expected volatility	40%	27%

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

The Group recognised a total share-based payment expense of US\$190,000 (2008: US\$3,253,000). Of the share-based payment costs US\$190,000 (2008: US\$2,410,000) was expensed and US\$ Nil (2008: US\$843,000) was included in the cost of investment property under construction.

(c) Other equity-settled payments

The Company issued 66,409,478 warrants as part of the consideration paid on the acquisition of Raven Mount Group plc (note 35) and in 2008 issued 80 million ordinary shares as part of the consideration paid on the acquisition of the Property Advisor.

Notes to the Financial Statements — *continued*

32. Capital commitment

The Group has committed to fund and complete its development programme. At 31 December 2009, US\$12.2 million of funding was required (2008: US\$132 million), excluding VAT. Due to fluctuations in budgets, exchange rates and development profits payable, the actual commitment may differ from this amount.

33. 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 5. There are no loan balances with directors.

Property Advisor/Raven Mount Group plc

Prior to the Company's acquisition of its Property Advisor and Raven Mount Group plc ("Raven Mount") (note 35), both were considered related parties to the Group. The Property Advisor was acquired in 2008 and in that year, prior to its acquisition, received US\$26,854,955 for property advisory and management services provided to the Group.

The Company purchased the Property Advisor, and two related companies, from Raven Mount for a consideration of £15 million and the issue of 80 million ordinary shares. As part of this transaction Raven Mount granted the Company a licence to use Raven Mount's office for an annual licence fee of £300,000.

Also in 2008 Raven Mount transferred legal ownership to the Company of 50% of Armbridge Consultancy Limited, for the nominal value of the shares, together with repayment of loans to Raven Mount totalling approximately US\$3.1 million.

Ozannes

David Moore is a partner in Ozannes, Advocates and Notaries Public. Ozannes provide independent legal advice to the Group. Total legal fees paid to Ozannes during the year amounted to £58,070 (2008: £283,394).

Joint Ventures

The Group has leased investment property to Avalon Logistics Company LLC, the operating subsidiary of Roslogistics Holdings (Russia) Limited, and provided loan finance to all three joint venture vehicles held at 31 December 2008, which the Group acquired out right during the year. A summary of the Income Statement and Balance Sheet impact of these transactions in the period prior to them becoming subsidiary undertakings of the Group is as follows:

	2009 US\$'000	2008 US\$'000
Net rental income	1,505	2,923
Loan interest receivable	240	10,320
Trade receivables	—	—
Loan receivable	—	136,012
Impairment of loan receivable (notes)	—	(3,119)

Remuneration of key management personnel

	2009 US\$'000	2008 US\$'000
Short term employee benefits	4,314	454
Post employment benefits	262	23
	4,576	477

Notes to the Financial Statements – *continued*

34. Financial instruments – risk management

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

The tables and analyses below exclude financial instruments included within the disposal group (note 20) as they are expected to be settled within 12 months.

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

(a) Market risk

Currency risk

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

The majority of the Group's transactions are denominated in US Dollars.

In some cases underlying construction contracts on the Group's development projects are denominated in Russian Roubles. Non-deliverable forwards were taken out to hedge against the US Dollar/Russian Rouble cash flow exposure, when considered necessary, during the principal phase of construction of each project. All of these contracts have now matured as the Group's principal construction activities are now substantially complete. Whilst the table below indicates the exposure of the Group to monetary items in foreign currency, the largest foreign currency swings will occur during construction. The fact some of the Group's property owning subsidiaries have a functional currency of Russian Rouble and a presentation currency of US Dollars means that both the Balance Sheet and Income Statement are exposed to unrealised exchange movements on translation to presentation currency. During construction periods it is likely that the subsidiary companies will hold larger Rouble denominated cash balances to fund construction contracts, which will also increase exposure to fluctuations in currency rates.

At holding company level, the Group's exposure to Sterling is primarily driven by the need to pay a quarterly preference dividend, but also head office costs and ordinary dividends.

Notes to the Financial Statements — *continued*

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

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

Notes to the Financial Statements — *continued*

As at 31 December 2008	US Dollar US\$'000	Sterling US\$'000	Russian Rouble US\$'000	Other US\$'000	Total US\$'000
Non-current assets					
Loans receivable	136,523	—	—	—	136,523
Derivative financial instruments	64	—	—	—	64
Other non-current assets	2,552	545	4,846	—	7,943
Current assets					
Trade receivables	2,130	—	1,071	412	3,613
Loans receivable	1,484	—	—	—	1,484
Other current receivables	239	625	8,326	—	9,190
Cash and short term deposits	66,467	6,811	25,907	9,250	108,435
	209,459	7,981	40,150	9,662	267,252
Non-current liabilities					
Interest bearing loans and borrowings	356,914	—	12	—	356,926
Derivative financial instruments	7,904	—	—	—	7,904
Rent deposits	4,263	—	2,441	146	6,850
Investment property acquisition obligations	4,840	9,224	—	—	14,064
Retentions under construction contracts	1,202	—	1,989	3,496	6,687
Other payables	—	—	3,947	88	4,035
Current liabilities					
Interest bearing loans and borrowings	38,460	—	398	41,184	80,042
Investment property acquisition obligations	6,500	—	—	—	6,500
Derivative financial instruments	1,027	—	—	—	1,027
Other payables	11,418	4,818	26,053	2,722	45,011
	432,528	14,042	34,840	47,636	529,046

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

The tables above present financial assets and liabilities denominated in foreign currencies held by the Group in 2009 and 2008. If the US Dollar weakened or strengthened by 10% against the Russian Rouble, Sterling or Euro, with all other variables in each case remaining constant, then post tax loss for the year and net asset value would move by:

	2009 US\$'000	2008 US\$'000
Russian Rouble	1,247	500
Sterling	17,584	500
Euro	6,432	3,500

The sensitivity to the Euro is principally a result of the Euro construction loan, which is described in note 22. Since the balance sheet date this loan has been refinanced in US Dollars. The majority of sterling sensitivity relates to the retranslation of the value of irredeemable preference shares.

Notes to the Financial Statements — *continued*

Cash flow and fair value interest rate risk

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

The Group's interest rate risk arises from long-term borrowings (note 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 unrealised loss of US\$6.039 million at 31 December 2009 (2008: loss of US\$7.595 million). Sensitivity analysis on the Group's interest rate borrowings, net of interest bearing deposits, indicate that a 1% increase in the relevant underlying rate would increase the loss for the year and decrease net assets by US\$700,000 (2008: US\$870,000). If the various LIBORs were to drop to zero then there would be an increase in the loss for the year and a decrease in net assets of US\$600,000 as the loss on income from cash would be greater than gains on interest expense because of the low LIBOR rates prevailing at this time and the interest rate hedges in place.

(b) Credit risk

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

The credit risk on the Group's trade and other receivables is considered low due to the Group having policies in place to ensure that rental contracts are made with tenants meeting appropriate balance sheet covenants, supplemented by rental deposits or bank guarantees from international banks. The amounts presented in the Balance Sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is objective evidence that the Group will not be able to collect all amounts due according to the terms of the receivables concerned. Details of the movements in provision for impairment of trade receivables is provided in the table below.

	2009 US\$'000	2008 US\$'000
At 1 January	–	–
Charge for the year	1,000	–
Utilised in the year	(623)	–
Unused amounts reversed	–	–
At 31 December	377	–

At 31 December 2009 there were no significant amounts of trade receivables that were past due for collection.

The Group has VAT recoverable of US\$43 million (2008: US\$75 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 passed due or impaired at 31 December 2009 (2008: US\$ nil) based upon this assessment of the timing of future cash receipts. The Group believes its only exposure is in relation to the timing of recovery.

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

Notes to the Financial Statements — *continued*

(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.

	Current US\$'000	Year 2 US\$'000	Years 3 to 5 US\$'000	Years 5 to 10 US\$'000
As at 31 December 2009				
Interest bearing loans and borrowings	97,627	29,807	252,286	65,976
Preference shares	27,455	27,455	82,365	137,275
Derivative financial instruments	474	385	5,781	—
Trade and other payables	58,153	—	—	—
	183,709	57,647	340,432	203,251
As at 31 December 2008				
Interest bearing loans and borrowings	80,042	62,356	276,443	18,127
Derivative financial instruments	1,027	—	7,904	—
Trade and other payables	51,511	—	—	—
	132,580	62,356	284,347	18,127

Details of the interest rates applicable to the Group's long term borrowings and preference shares are given in notes 22 and 23. Interest bearing loans and borrowings show the gross undiscounted cash flows. 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.

Notes to the Financial Statements — *continued*

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.

	2009		2008	
	Carrying value US\$'000	Fair value US\$'000	Carrying value US\$'000	Fair value US\$'000
Non-current assets				
Loans receivable	13	13	136,523	83,732
Derivative financial instruments	195	195	64	64
Other non-current assets	—	—	7,943	7,943
Current assets				
Trade receivables	9,276	9,276	3,613	3,613
Loans receivable	64	64	1,484	1,484
Other current receivables	10,243	10,243	9,190	9,190
Available for sale financial assets	4,232	4,232	—	—
Cash and short term deposits	123,710	123,710	108,435	108,435
Non-current liabilities				
Interest bearing loans and borrowings	347,973	229,656	356,926	218,909
Preference shares	219,444	212,776	—	—
Derivative financial instruments	6,166	6,166	7,904	7,904
Rent deposits	9,237	9,237	6,850	6,850
Investment property acquisition obligations	13,838	13,838	14,064	14,064
Retentions under construction contracts	8,692	8,692	6,687	6,687
Other payables	66	66	4,035	4,035
Current liabilities				
Interest bearing loans and borrowings	97,597	97,597	80,042	80,042
Investment property acquisition obligations	—	—	6,500	6,500
Derivative financial instruments	474	474	1,027	1,027
Other payables	26,319	26,319	45,011	45,011

Fair values have been calculated by using market values at the balance sheet date. The market values of loans receivable and borrowings have been calculated by discounting the expected future cash flows at prevailing interest rates. The fair value of short term deposits, VAT recoverable and other assets, trade and other receivables, trade and other payables is assumed to approximate to their book values. The fair value of preference shares is assumed to be their open market value. The fair value of derivatives is determined by a model with market based inputs. The fair value of available for sale financial assets was determined by reference to the sales proceeds received after the year end.

Notes to the Financial Statements — *continued*

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 2009				
Assets measured at fair value				
Derivative financial instruments	–	195	–	195
Available for sale financial assets	–	–	4,232	4,232
Liabilities measured at fair value				
Derivative financial instruments	–	6,640	–	6,640
As at 31 December 2008				
Assets measured at fair value				
Derivative financial instruments	–	64	–	64
Available for sale financial assets	–	–	–	–
Liabilities measured at fair value				
Derivative financial instruments	–	8,931	–	8,931

* Explanation of the fair value hierarchy:

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

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

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

(d) Capital risk management

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

To maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. Consistent with others in the industry, the Group monitors capital on the basis of its gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including borrowings and trade and other payables as shown in the balance sheet) but excluding preference shares, which for capital risk management is considered to be capital rather than debt, less cash and short term deposits. Total capital is calculated as equity, as shown in the balance sheet, plus preference shares and net debt. Where the Group has a net cash position, the gearing ratio will be zero.

Notes to the Financial Statements – *continued*

	2009 US\$'000	2008 US\$'000
Non-current liabilities (excluding preference shares)	412,655	412,946
Current liabilities	160,923	132,580
Liabilities associated with disposal groups classified as held for sale	51,654	–
Total borrowings	625,232	545,526
Less: cash and short term deposits (including disposal groups)	123,783	108,435
Net debt	501,449	437,091
Equity	545,883	735,040
Preference shares	219,444	–
Total capital	1,266,776	1,172,131
Gearing ratio	39.58%	37.29%

35. Business combinations

(a) Raven Mount Group plc (“Raven Mount”)

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

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

	Book value US\$'000	Adjustment US\$'000	Fair value US\$'000
Non-current assets			
Property, plant and equipment	59	–	59
Deferred tax assets	1,398	–	1,398
Current assets			
Inventories	66,171	(3,179)	62,992
Trade and other receivables	4,920	–	4,920
Available for sale investments	15,731	–	15,731
Cash and cash equivalents	29,914	–	29,914
Current liabilities			
Trade and other payables	(21,082)	–	(21,082)
Interest bearing loans and borrowings	(6,189)	–	(6,189)
Non-current liabilities			
Deferred tax liabilities	(916)	–	(916)
Net asset value	90,006	(3,179)	86,827
Goodwill (note 12)			8,059
			94,886
Discharged by:			
Issue of preference shares (note 23)			88,198
Issue of warrants (note 27)			3,675
Acquisition costs			3,013
			94,886

Notes to the Financial Statements — *continued*

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

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

(b) Roslogistics Holdings (Russia) Limited ("Roslogistics")

Following a change to the financing arrangements of the Group's logistics joint venture, Roslogistics, the Group considers the substance of the arrangement to be that of a parent and subsidiary. The change was deemed effective from 1 May 2009. The Group considers Roslogistics to be a single cash generating unit.

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

	Book value US\$'000	Adjustment US\$'000	Fair value US\$'000
Non-current assets			
Property, plant and equipment	2,372	—	2,372
Intangible assets	323	(323)	—
Deferred tax assets	1,519	—	1,519
Current assets			
Trade and other receivables	2,304	—	2,304
Cash and cash equivalents	299	—	299
Current liabilities			
Trade and other payables	(3,994)	—	(3,994)
Interest bearing loans and borrowings	—	—	—
Non-current liabilities			
Interest bearing loans and borrowings	(10,437)	3,119	(7,318)
Net asset value	(7,614)	2,796	(4,818)
Goodwill (note 12)			5,383
			565
Discharged by:			
Cash consideration paid			500
Acquisition costs			65
			565

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

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

Notes to the Financial Statements – *continued*

(c) 2008 Business combination – Property Advisor

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

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

	Book value US\$'000	Adjustment US\$'000	Fair value US\$'000
Non-current assets			
Property, plant and equipment	952	–	952
Intangible assets (note 12)	–	67,581	67,581
Current assets			
Trade and other receivables	5,482	–	5,482
Cash and cash equivalents	159	–	159
Current liabilities			
Trade and other payables	(1,058)	–	(1,058)
Net asset value	5,535	67,581	73,116
Negative goodwill (note 12)			(7,564)
			65,552
Discharged by:			
Cash consideration			27,987
Issue of 80 million ordinary shares			32,734
Acquisition costs			4,831
			65,552

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

The acquisition reflects the internalisation of services previously outsourced to the Property Advisor and thus disclosures regarding the contribution to the loss for the year ended 31 December 2008 are not considered relevant.

36. Subsequent events

Details of post year end re-financings are set out in note 22 and post year end warrant exercises are set out in note 27.

Notes to the Financial Statements – *continued*

37. Segmental information

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

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

Financial information relating to investment property is provided to the Board on a property by property basis. The information provided is 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 on the property development segment provided to the Board is aggregated and comprises the gross profit recognised on the sale of inventory, including the share of profits or losses of its joint venture.

The logistics segment is a discrete business and the Board is presented with operating profits or losses after deduction of administrative expenses.

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

For the balance sheet, segmental information is provided in relation to investment property, inventory, cash balances and borrowings. Whilst segment liabilities includes loans and borrowings, segment loss does not include the related finance costs. If such finance costs were included in segment loss, the loss from investment property would have increased by US\$35,249k (2008: US\$21,066k) and the loss from property development by US\$9,617k (2008: US\$ nil). Aggregate segment loss would have increased by US\$44,866k (2008: US\$21,066k).

Year ended 31 December 2009

	Property investment US\$'000	Logistics US\$'000	Property development US\$'000	Total US\$'000
Net operating income	46,116	–	–	46,116
Operating gain on logistics services	–	2,405	–	2,405
Proceeds from sale of inventory property	–	–	15,014	15,014
Cost of sales of inventory property	–	–	(13,211)	(13,211)
Impairment of goodwill	–	–	–	–
Impairment of loans to joint venture	–	–	–	–
Impairment of investment property under construction	–	–	–	–
Unrealised loss on revaluation of investment property	(57,933)	–	–	(57,933)
Unrealised loss on revaluation of investment property under construction	(50,544)	–	–	(50,544)
Administrative expenses	(22,545)	(5,845)	(5,462)	(33,852)
Segment loss	(84,906)	(3,440)	(3,659)	(92,005)
Settlement of advisory contract				–
Negative goodwill				–
Foreign currency losses				(3,097)
Finance income				4,818
Finance expense				(58,012)
Loss before tax				(148,296)

Notes to the Financial Statements — *continued*

As at 31 December 2009

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

Year ended 31 December 2008

	Property investment US\$'000	Logistics US\$'000	Property development US\$'000	Total US\$'000
Net operating income	39,606	–	–	39,606
Operating loss on logistics services	–	(103)	–	(103)
Proceeds from sale of inventory property	–	–	–	–
Cost of sales of inventory property	–	–	–	–
Impairment of goodwill	(2,265)	–	–	(2,265)
Impairment of loans to joint venture	(3,119)	–	–	(3,119)
Impairment of investment property under construction	(38,918)	–	–	(38,918)
Unrealised loss on revaluation of investment property	(39,145)	–	–	(39,145)
Administrative expenses	(22,227)	(2,478)	–	(24,705)
Segment loss	(66,068)	(2,581)	–	(68,649)
Settlement of advisory contract				(67,581)
Negative goodwill				7,564
Foreign currency losses				(33,929)
Finance income				11,613
Finance expense				(38,409)
Loss before tax				(189,391)

Notes to the Financial Statements – *continued*

As at 31 December 2008

	Property investment US\$'000	Logistics US\$'000	Property development US\$'000	Total US\$'000
Assets				
Investment property	453,750	–	–	453,750
Investment property under construction	443,653	–	–	443,653
Inventory	–	–	–	–
Cash and short term deposits	107,785	650	–	108,435
Segment assets	1,005,188	650	–	1,005,838
Other non-current assets	–	–	–	192,131
Other current assets	–	–	–	82,597
Total assets	–	–	–	1,280,566
Segment liabilities				
Interest bearing loans and borrowings	434,155	2,813	–	436,968
Capital expenditure				
Payments for investment property under construction	461,740	–	–	461,740

The Group recognised revenue of US\$11.1 million and US\$13.3 million (2008: US\$13.6 million and US\$14.4 million) from single external tenants amounting to greater than 10% of Group revenues. These amounts arise from rental income in the property investment segment.

38. Operating lease arrangements

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

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

	2009 US\$'000	2008 US\$'000
Within one year	64,846	50,279
In the second year	61,929	44,605
In the third to fifth year (inclusive)	176,798	112,367
After five years	82,659	99,312
	386,232	306,563

39. Cash and cash equivalents

Cash and cash equivalents included in the cash flow statement comprise:

	2009 US\$'000	2008 US\$'000
Cash and short term deposits per balance sheet	123,710	108,435
Cash included within disposal group assets (note 20)	72	–
	123,782	108,435

PART 5

FINANCIAL INFORMATION ON THE RAVEN MOUNT GROUP

SECTION A: ACCOUNTANTS' REPORT ON THE FINANCIAL INFORMATION RELATING TO THE RAVEN MOUNT GROUP FOR THE THREE FINANCIAL YEARS ENDED 31 DECEMBER 2009



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The Directors
Raven Russia Limited
1 Le Truchot
St. Peter Port
Guernsey GY1 6EH

30 June 2010

Dear Sirs

Raven Mount Group Limited

We report on the financial information for the years ended 31 December 2007, 2008 and 2009. This financial information has been prepared for inclusion in the prospectus dated 30 June 2010 of Raven Russia Limited on the basis of the accounting policies set out in note 1. This report is required by item 20.1 of Annex I of the Prospectus Directive Regulation and is given for the purpose of complying with that item and for no other purpose.

Save for any responsibility arising under Prospectus Rule 5.5.3R (2)(f) to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with item 23.1 of Annex I to the Prospectus Directive Regulation, consenting to its inclusion in the prospectus.

Responsibilities

The Directors of Raven Russia Limited are responsible for preparing the financial information on the basis of preparation set out in note 1 to the financial information and in accordance with International Financial Reporting Standards as adopted by the European Union.

The UK firm Ernst & Young LLP is a limited liability partnership registered in England and Wales with registered number OC300001 and is a member firm of Ernst & Young Global Limited. A list of members' names is available for inspection at 1 More London Place, London SE1 2AF, the firm's principal place of business and registered office.

It is our responsibility to form an opinion as to whether the financial information gives a true and fair view, for the purposes of the prospectus, and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in other jurisdictions and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion, the financial information gives, for the purposes of the prospectus dated 30 June 2010, a true and fair view of the state of affairs of Raven Mount Group Limited as at the dates stated and of its profits, cash flows and changes in equity for the periods then ended in accordance with the basis of preparation set out in note 1 to the financial information and in accordance with International Financial Reporting Standards as adopted by the European Union.

Declaration

For the purposes of Prospectus Rule 5.5.3R (2)(f) we are responsible for this report as part of the prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the prospectus in compliance with item 1.2 of Annex I of the Prospectus Directive Regulation.

Yours faithfully

Ernst & Young LLP

SECTION B:
FINANCIAL INFORMATION RELATING TO THE RAVEN MOUNT GROUP
FOR THE THREE FINANCIAL YEARS ENDED 31 DECEMBER 2009

The financial information on the Raven Mount Group set out below represents the financial statements of the Raven Mount Group for the years ending 31 December 2009, 31 December 2008 and 31 December 2007.

The financial information included within this Section B of Part 5 does not constitute statutory accounts within the meaning of section 240 of the Act or section 434 of the 2006 Act.

In this Section B references to “Group” are to Raven Mount and its subsidiaries.

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December

		2009	2008	2007
	Note	£'000	£'000	£'000
Continuing operations				
Revenue	3	16,989	20,415	60,775
Cost of sales		(16,331)	(29,254)	(60,208)
Gross profit/(loss)		658	(8,839)	567
Administrative expenses				
- Cost of closure of pension scheme	5	-	(14,476)	-
- Other		(7,362)	(15,885)	(6,682)
Total Administrative expenses		(7,362)	(30,361)	(6,682)
Operating loss	6	(6,704)	(39,200)	(6,115)
Realised gain on sale of available for sale investments		782	-	-
Finance income	7	461	3,777	6,277
Impairment charge on available for sale investments		-	(13,360)	-
Finance cost	7	(242)	(3,073)	(3,630)
Loss before tax		(5,703)	(51,856)	(3,468)
Tax	8	(310)	4,932	2,453
Loss for the year on continuing operations		(6,013)	(46,924)	(1,015)
Discontinued operations				
Profit/(loss) on discontinued operations, net of tax	9	-	39,135	(1,149)
Loss for the year attributable to owners of the parent		(6,013)	(7,789)	(2,164)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December

		2009	2008	2007
	Note	£'000	£'000	£'000
Loss for the year		(6,013)	(7,789)	(2,164)
Other comprehensive income:				
Actuarial gains and losses		-	-	3,199
Deferred tax on actuarial gain	8	-	-	(927)
Change in fair value of available for sale financial assets	14	4,445	1,314	(3,769)
Deferred tax on change in fair value of financial assets	8	-	(369)	1,105
Total comprehensive income attributable to owners of the parent		(1,568)	(6,844)	(2,556)

CONSOLIDATED BALANCE SHEET
As at 31 December 2009

		2009	2008	2007	1 January 2007
	Note	£'000	£'000	£'000	£'000
Non current assets					
Property	11	-	-	4,229	-
Plant and equipment	11	13	70	969	363
Deferred tax assets	20	530	583	2,947	580
Retirement benefit surplus	7	-	-	5,027	-
		<u>543</u>	<u>653</u>	<u>13,172</u>	<u>943</u>
Current assets					
Inventories	12	38,461	43,964	88,632	67,852
Trade and other receivables	13	4,819	5,008	16,517	10,268
Available for sale investments	14	11,218	9,066	16,335	18,167
Cash and cash equivalents	17	17,114	37,538	4,623	16,286
Total current assets		<u>71,612</u>	<u>95,576</u>	<u>126,107</u>	<u>112,573</u>
Total assets		<u>72,155</u>	<u>96,229</u>	<u>139,279</u>	<u>113,516</u>
Current liabilities					
Trade and other payables	18	(12,637)	(18,516)	(12,649)	(15,474)
Bank loans and overdrafts	19	(7,078)	(18,631)	(18,330)	(7,287)
Provisions	21	(946)	(1,048)	(1,593)	(1,894)
Total current liabilities		<u>(20,661)</u>	<u>(38,195)</u>	<u>(32,572)</u>	<u>(24,655)</u>
Non current liabilities					
Bank loans		-	-	(17,968)	-
Retirement benefit liability		-	-	-	(1,107)
Deferred tax liabilities	22	(530)	(583)	(6,767)	(7,500)
Total non current liabilities		<u>(530)</u>	<u>(583)</u>	<u>(24,735)</u>	<u>(8,607)</u>
Total liabilities		<u>(21,191)</u>	<u>(38,778)</u>	<u>(57,307)</u>	<u>(33,262)</u>
Net assets		<u>50,964</u>	<u>57,451</u>	<u>81,972</u>	<u>80,254</u>
Equity					
Called up share capital	23	114	114	118	114
Other reserves	25	102,654	102,654	102,392	99,466
Retained earnings		(51,804)	(45,317)	(20,538)	(19,326)
Total equity		<u>50,964</u>	<u>57,451</u>	<u>81,972</u>	<u>80,254</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

				Treasury reserve and reserve						
		Share capital	Share premium account	Available for sale investment reserve	for own shares	Merger reserve	Reverse acquisition reserve	Capital redemption reserve	Retained Earnings	Total
	Note	£'000		£'000	£'000	£'000	£'000	£'000	£'000	£'000
As at 1 January 2007		114	2,418	1,719	(150)	33,152	62,277	50	(19,326)	80,254
Loss for the year		-	-	-	-	-	-	-	(2,164)	(2,164)
Other comprehensive income		-	-	(2,664)	-	-	-	-	2,272	(392)
Total comprehensive income for the year		-	-	(2,664)	-	-	-	-	108	(2,556)
Issue of deferred consideration shares		4	-	-	-	5,590	-	-	-	5,594
Share based payment credit	24	-	-	-	-	-	-	-	671	671
Dividend payments	10	-	-	-	-	-	-	-	(1,991)	(1,991)
At 31 December 2007		118	2,418	(945)	(150)	38,742	62,277	50	(20,538)	81,972
Loss for the year		-	-	-	-	-	-	-	(7,789)	(7,789)
Other comprehensive income		-	-	945	-	-	-	-	-	945
Total comprehensive income for the year		-	-	945	-	-	-	-	(7,789)	(6,844)
Conversion of convertible shares		(4)	4	-	-	-	-	-	-	-
Group Reorganisation		-	(2,422)	-	-	2,422	-	-	-	-
Share buy back		-	-	-	(687)	-	-	-	-	(687)
Share based payment credit	24	-	-	-	-	-	-	-	1,695	1,695
Dividend payments	10	-	-	-	-	-	-	-	(18,685)	(18,685)
At 31 December 2008		114	-	-	(837)	41,164	62,277	50	(45,317)	57,451
Loss for the year		-	-	-	-	-	-	-	(6,013)	(6,013)
Other comprehensive income		-	-	4,445	-	-	-	-	-	4,445
Share based payment credit		-	-	-	-	-	-	-	1,081	1,081
Total comprehensive income for the year		-	-	4,445	-	-	-	-	(4,932)	(487)
Dividend payments	10	-	-	-	-	-	-	-	(6,000)	(6,000)
At 31 December 2009		114	-	4,445	(837)	41,164	62,277	50	(56,249)	50,964

CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31 December 2009

	<i>Note</i>	<i>2009</i> <i>£'000</i>	<i>2008</i> <i>£'000</i>	<i>2007</i> <i>£'000</i>
Loss before tax from continuing operations		(5,703)	(51,856)	(3,468)
Operating profit attributable to				
discontinuing operations		-	10,026	(1,472)
Realised gain on available for sale investment		(782)	-	-
Finance Income		(461)	(3,777)	(6,277)
Finance cost		242	3,073	3,630
		<u>(6,704)</u>	<u>(42,534)</u>	<u>(7,587)</u>
Adjustments for non-cash items:				
Impairment of available for sale investment		-	13,360	-
Depreciation charge		37	156	260
Share-based payment charge	24	1,081	1,695	671
Pension scheme charge		-	10,130	-
		<u>-</u>	<u>-</u>	<u>-</u>
Operating cash flows before movements				
in working capital		(5,586)	(17,193)	(6,656)
Decrease in provisions		(102)	(545)	(301)
Increase in inventories		5,503	(16,954)	(18,481)
Decrease/(increase) in receivables		189	7,157	(4,841)
Increase in payables		(5,879)	7,833	4,132
Pension contributions		-	(4,346)	(1,799)
Tax paid		(310)	(46)	-
		<u>(599)</u>	<u>(6,901)</u>	<u>(21,290)</u>
Net cash flows from operating activities		<u>(6,185)</u>	<u>(24,094)</u>	<u>(27,946)</u>
Investing activities				
Disposal of subsidiaries, net of cash disposed		-	28,193	-
Interest received		452	726	450
Dividends received		9	584	437
Amounts invested in joint ventures		-	-	(5,168)
Amount received from joint ventures		-	6,322	-
Purchase of available for sale investments		-	-	(297)
Proceeds on disposal of shares in Raven Russia		3,075	-	-
Proceed on disposal of plant and equipment		22	178	74
Purchase of property		-	-	(4,265)
Purchase of plant and equipment		(2)	(267)	(901)
		<u>(2)</u>	<u>(267)</u>	<u>(901)</u>
Net cash flows from investing activities		<u>3,556</u>	<u>35,736</u>	<u>(9,670)</u>

	<i>Note</i>	<i>2009</i> <i>£'000</i>	<i>2008</i> <i>£'000</i>	<i>2007</i> <i>£'000</i>
Financing activities				
Interest paid		(242)	(2,825)	(1,067)
Dividends paid	10	(6,000)	(1,565)	(1,991)
Purchase of own shares		-	(687)	-
Repayment of bank loans		(11,628)	-	(7,287)
New bank loans raised		-	26,624	35,890
Net cash flows from financing activities		<u>(17,870)</u>	<u>21,547</u>	<u>25,545</u>
Net increase/(decrease) in cash and cash equivalents		(20,499)	33,189	(12,071)
Cash and cash equivalents at beginning of year		<u>37,404</u>	<u>4,215</u>	<u>16,286</u>
Cash and cash equivalents at end of year	27	<u>16,905</u>	<u>37,404</u>	<u>4,215</u>

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies

Basis of preparation

The Group's financial information has been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as endorsed by the European Union. The principal accounting policies adopted in the preparation of the financial statements are set out below.

The Group's financial information is presented in Sterling and all values are rounded to the nearest thousand pounds (£'000) except where otherwise indicated.

The preparation of financial information 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 information are disclosed below.

In addition to the change of accounting policy described below and in note 2, the group has reflected in this financial information the following reclassification adjustments to its 2008 income statement and 2008 and 2007 cash flow statements as presented in its previously reported financial statements for those periods. In the 2008 income statement, an impairment charge of 13,360 relating to available-for-sale financial assets has been reclassified from administrative expenses to finance costs for consistency with the recognition of other items relating to available-for-sale financial assets outside the operating results of the group. In the 2008 and 2007 cash flow statements, and note 27, short-term loan balances of 6,869, 18,497 and 17,922 respectively have been reclassified from cash and cash equivalents to financing to align the group's cash and cash equivalents figure with the definitions in IAS 7: Statement of Cash Flows.

Changes in accounting policies

The accounting policies adopted are consistent with those of the previous years financial information, except that the Group has changed its policy in respect of Joint Ventures (see 'Joint Ventures' below and note 2) and adopted the following new and amended IFRS and IFRIC interpretations as of 1 January 2009: The comparative opening balance sheet for 2007 has been included in any affected notes.

IAS 1 Presentation of Financial Statements (Revised)

IFRS 7 Financial Instruments: Disclosure (Amendment)

IAS 23 Capitalisation of finance costs (Revised)

IFRIC 13 Agreements for the construction of Real Estate

IFRS 2 Share-based payment (Amended): Vesting Conditions and Cancellations

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

IAS 1 Presentation of Financial Statements (Revised)

The standard requires the separation of shareholder and non-shareholder changes in equity. The Statement of Changes in Equity will now provide details relating to transactions with shareholders, with non-shareholder changes presented as a single line item "total comprehensive income for the year".

Non-shareholder changes in equity that were previously charged directly to equity, which for the Group is fair value movements on available for sale assets acquired in the year, are presented in a new performance statement called the Statement of Comprehensive Income. In addition, the revised standard requires an opening comparative period balance sheet to be presented if accounting changes are applied retrospectively or reclassifications are made and the opening balance sheet is affected.

IFRS 7 Financial Instruments: Disclosure (Amended)

The detailed disclosures required by this amended standard are set out in note 20.

IAS 23 Borrowing costs (Revised)

This amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the costs of the asset. A qualifying asset is one that takes a substantial period of time to get ready for use or sale. Inventories which are produced in large quantities on a repetitive basis over a short period of time are not qualifying assets. This amendment does not have any material impact on the Group's financial information as the activities performed by the Group do not generally produce qualifying assets.

IFRIC 15 Agreements for the Construction of Real Estate

IFRIC 15 clarifies the need for careful analysis of the terms and conditions of real estate agreements which involve construction activities. In certain cases it will be necessary to split such contracts into separate components, e.g., sale of land and a construction component, to determine the appropriate method of revenue recognition. This interpretation has no impact on the Group given the method it has historically accounted for revenue is consistent with IFRIC 15.

Amendment to IFRS 2 Share-based Payment: Vesting Conditions and Cancellations.

The amendment to IFRS 2 clarifies the definition of vesting conditions and prescribes the treatment for an award that is cancelled. This amendment did not have an impact on the financial position or performance of the Group.

The following standards and interpretations have an effective date after the date of this financial information.

- IFRS 2 Share-based Payment: Group Cash-settled Share-based Payment Transactions effective 1 January 2010
- IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended) including consequential amendments to IFRS 7, IAS 21, IAS 28, IAS 31 and IAS 39 effective 1 July 2009
- IFRS 9 Financial Instruments effective 1 January 2013
- IAS 24 Related Party disclosures (revised) – effective 1 January 2011
- IAS 32 Amendment to IAS 32: Classification of Rights Issues – effective 1 February 2010
- IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items effective 1 July 2009
- IFRIC 14 Amendment: Prepayments of a minimum Funding Requirement – effective 1 January 2011
- IFRIC 17 Distributions of Non-Cash Assets to Owners – effective 1 July 2009
- IFRIC 18 Transfers of Assets from Customers effective 1 July 2009
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments effective 1 July 2010
- Improvements to IFRSs issued April 2009

The Directors do not anticipate that the adoption of these standards and interpretations will have a material impact on the Group's financial information in the period of initial application.

Disposal of Russian property fund management business of Raven Mount Plc to Raven Russia Limited

During 2008, Raven Mount plc carried out a corporate restructuring to facilitate the sale of its Russia Property Fund Management business to Raven Russia. The first step was the delisting from AIM of Raven

Mount plc so it became a private company, Raven Mount Limited. Raven Mount was the acquired by Raven Mount Holdings (a new unlisted company) by way of a scheme of arrangement.

Raven Mount then demerged Raven Russia Property Management (RRPM) by issuing the entire share capital of RRPM to Raven Mount Holdings. Raven Mount Holdings was subsequently liquidated pursuant to Section 110 Scheme and the entire share capital of RRPM was transferred to Russian Property Fund Management Limited (RPML), a new unlisted company and the entire share capital of Raven Mount was transferred to Raven Mount Group plc. Raven Mount Group plc was a newly incorporated company established solely for this purpose.

Raven Russia then acquired RPML by way of a scheme of arrangement for a consideration of 64 million Raven Russia shares which were distributed to the Raven Mount shareholders. Raven Russia then also acquired from Raven Mount the entire share capital of Raven Russia Property Advisors for 16 million Raven Russia shares and £15 million in cash. Raven Mount Group plc was admitted to AIM on the 4 November 2008.

This transaction has been accounted for as a group re-organisation and therefore using a pooling of interests method rather than within the scope of IFRS 3.

The results for the year ended 31 December 2008 comprise the results of Raven Mount plc and its subsidiaries for its year ended 31 December 2008 plus those of Raven Mount Group plc from 26 November 2008, the date of the transaction, to 31 December 2008.

Basis of consolidation

The consolidated financial information incorporates the financial information of the Company and its subsidiaries from the date that they are controlled by the Group made up to 31 December each year.

Subsidiaries are consolidated from the date of their acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. Control comprises the power to govern the financial and operating policies of the investee so as to obtain benefit from its activities and is achieved through direct or indirect ownership of voting rights; currently exercisable or convertible potential voting rights; or by way of contractual agreement. The financial statements of subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting year as the parent company and are based on consistent accounting policies. All intragroup balances and transactions, including unrealised profits arising from them, are eliminated.

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

Joint ventures

A joint venture is a contractual arrangement whereby two or more parties undertake economic activity that is subject to joint control. The Group undertakes its joint ventures through jointly controlled entities which have previously been accounted for using the equity method. The consolidated financial information now 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.

A joint venture is a contractual arrangement whereby two or more parties undertake economic activity that is subject to joint control. The Group has previously accounted for its joint ventures using the equity method.

Under the equity method, interests in joint ventures were carried in the balance sheet at cost plus post-acquisition changes in the Group's share of its net assets, less distributions received and less any impairment in value of individual investments. The Group income statement reflects the share of the joint venture results after tax.

The financial information of the joint ventures is prepared for the same reporting period as the parent company.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for properties and services provided in the normal course of business, net of discounts, VAT and other sales related taxes. In particular:

- The sale of both properties and land are recognised on legal completion.
- Leases where the Group does not transfer substantially all the risks and benefits incidental to ownership of the asset re classified as operating leases. Operation lease income is recognised on a straight line basis over the term of the lease.
- Fees received from the property fund management work (performed by the Group up to 2008) were recognised when the management service was provided or when a contingent qualifying event was crystallised.

Plant and equipment

Plant and equipment is stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset, which range from 3 to 20 years.

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.

To determine the profit on sale of individual units, the Group allocates costs to the units based on the relative sales value of each unit by calculating the anticipated margin for a development as a whole and using that to derive the cost of each unit based on the actual sales price.

See also 'Critical accounting estimates and judgements' below.

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.

Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at banks and in hand and short-term deposits with an original maturity of three months or less.

Deferred income tax

Deferred income tax is provided using the liability method on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes with the following exceptions:

- Where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.
- Deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which deductible temporary differences, carried forward tax credits or tax losses can be utilised.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred income tax relating to items recognised directly in equity is recognised in equity and not in profit or loss.

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) 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.

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.

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.

- (b) *Available-for-sale financial assets*

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

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

For available-for-sale financial investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired. In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost, where "significant" is estimated to be around 20 per cent. of the original cost of the investment and "prolonged" is no more than 12 months. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement - is removed from other comprehensive income and recognised in the income statement. Impairment losses on equity investments are not reversed through the income statement; increases in their fair value after impairment are recognised directly in other comprehensive income.

Financial liabilities and equity

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

(a) *Fair value through profit or loss*

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

(b) *Other financial liabilities*

Other financial liabilities include interest bearing loans, trade payables (including rent deposits and retentions under construction contracts) and other short-term monetary liabilities.

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

Interest bearing loans and preference shares are initially recorded at fair value net of direct issue costs and subsequently carried at amortised cost using the effective interest rate method. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to the income statement using the effective interest method and are added to the carrying amount of the instrument to the extent they are not settled in the period in which they arise.

Share-based payments

The Group has applied the requirements of IFRS 2 Share-based Payments. In accordance with the transitional provisions, IFRS 2 has been applied to all grants of equity instruments after 7 November 2002 that were unvested as of 1 January 2006. The Group issues equity-settled share based payments to certain employees. The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. 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 (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 performance conditions, non-vesting conditions are taken into account in determining the grant date fair value. No expense is recognised for awards that do not ultimately vest, except for awards 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 or service conditions are satisfied.

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

Where the terms of an equity-settled award are modified or a new award is designated as replacing a cancelled or settled award, the cost based on the original award terms continues to be recognised over the original vesting period. In addition, an expense is recognised over the remainder of the new vesting period for the incremental fair value of any modification, based on the difference between the fair value of the original award and the fair value of the modified award, both as measured on the date of the modification. No reduction is recognised if this difference is negative.

Where an equity-settled award is cancelled (including when a non-vesting condition within the control of the entity or employee is not met), it is treated as if it had vested on the date of cancellation, and any cost not yet recognised in the income statement for the award is expensed immediately. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over fair value being treated as an expense in the income statement.

Option shares cannot usually be exercised until 3 years after grant and are subject to a performance condition that the share price increase must exceed the RPI plus 3 per cent. per annum. This is first measured on the third anniversary of the date of grant, thereafter half yearly based on the prior December or June.

Pensions

Benefit accruals under the Group's final salary pension scheme ceased with effect from 31 December 2005 and the scheme was sold to the Pension Insurance Corporation Limited on 28 May 2008. Up to the date of transfer, the scheme's funds were administered by a Trustee and were independent of the Group's finances. Contributions were paid to the scheme in accordance with the recommendations of independent actuaries to provide retirement benefits based on benefits accrued as at 31 December 2005.

A charge or credit was included in other finance income representing the expected return on the scheme assets. The difference between the value of the scheme assets and its liabilities was included in the balance sheet. Deferred tax in respect of the difference was recognised separately in the balance sheet. Changes in liabilities resulting from changes in assumptions, differences between the actual and expected returns on assets and other experience gains and losses are recognised in the statement of comprehensive income. Actuarial gains and losses are recognised in full as they arise.

Defined benefit scheme surpluses and deficits are measured at:

- the fair value of plan assets at the balance sheet date; less
- plan liabilities calculated using the projected unit method discounted to the present value of the projected accrued benefits.

The fair value of plan assets has been determined by reference to the bid value of assets as required by IAS 19.

During 2008 there was a full buyout of the pension scheme which has resulted in the prior year retirement benefit surplus and all the costs relating to the buyout of the pension scheme being taken directly to the income statement.

The Group now operates a defined contribution plan for new employees and former members of its final salary pension scheme who are current employees. Contributions to this plan, as well as to personal pension schemes, are charged to the income statement in the period in which they are payable.

Dividends

Interim dividends are recognised when they are paid and final dividends are recognised when they are approved by shareholders at a general meeting.

Treasury shares

Own equity instruments which are reacquired (treasury shares) 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 equity.

Leases

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and the reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the income statement as they arise.

Other leases are classified as operating leases and rentals are recognised as an expense on a straight line basis over the term of the lease.

Critical accounting estimates and judgements

The Group makes certain estimates and judgements regarding the future. Estimates and judgements are continually evaluated 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

(a) *Fair value of financial instruments*

The Group determines the fair value of financial instruments that are not quoted, using valuation techniques and market comparables. Those techniques are significantly affected by the assumptions used, including discount rates and estimates of future cash flows. In that regard, the derived fair value estimates cannot always be substantiated by comparison with independent markets and, in many cases, may not be capable of being realised immediately.

(b) *Inventory*

To determine the profit on sale of individual units, the Group allocates costs to the units based on the relative sales value of each unit by calculating the anticipated margin for a development as a whole and using that to derive the cost of each unit based on the actual sales price.

Consequently due to the size and length of the development cycle, the Group has to forecast the cost to complete and future revenues on such developments.

In making such assessments and allocations, there is a degree of inherent estimation uncertainty. The Group has established internal controls designed to effectively assess and review inventory carrying values and ensure the appropriateness of the estimates made.

(c) *Recognition of deferred tax assets*

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

2. Changes in Accounting Policies

As set out in note 1, the Group has decided to change its treatment of investment in joint ventures in line with its parent company and proportionally consolidate, whereas the Group previously used the equity method. The impact of this change is set out below. There is no impact on reported profit after tax or net assets in any period presented.

Income Statement

	2009	2008	2007
	£'000	£'000	£'000
Increase in revenue	6,336	6,573	1,264
Increase in cost of sale of inventory	(5,345)	(5,181)	(1,706)
Increase in administrative expenses	(78)	(173)	(6)
Increase in interest	(145)	(236)	-
Income tax	-	189	124
Elimination of share of profit/(losses) after tax of joint ventures	(768)	(1,172)	324
Change in profit after tax	-	-	-

Balance Sheet

	2009	2008	2007	1 January 2007
	£'000	£'000	£'000	£'000
Increase in plant and equipment	3	3	3	-
Increase in inventories	8,681	9,202	5,046	2,747
Decrease in receivable	(1,894)	(2,455)	(4,660)	(2,672)
Increase in cash	12	-	231	233
Increased in deferred tax	-	-	120	28
Increase in bank loans	(3,706)	(3,497)	-	-
Increase in creditors	(675)	(725)	(698)	(302)
Amount previously shown as investment in joint ventures	(2,421)	(2,528)	(42)	(34)
Change in net assets	-	-	-	-

Under IAS 1 revised a statement of financial position as at the beginning of the earliest comparative period is required when an entity makes a retrospective restatement of items in its financial statements. The change in the treatment of the investment in joint ventures impacts the opening balances in 2007 and therefore the consolidated balance sheet as at 1 January 2007 has been included in the financial information. The comparative opening balance sheet has been included in notes 12, 13, 16 & 18, as these were the notes where the revision has had a significant impact.

The decrease in receivables is due to the net presentation of the Group receivables due to inter group eliminations.

3. Segmental Analysis

During 2009 the Group operated in one business segment, namely property development.

	2009 £'000	2008 £'000	2007 £'000
Revenue Analysis			
Property and land sales	16,677	20,080	60,335
Lease income	312	335	440
	<u>16,989</u>	<u>20,415</u>	<u>60,775</u>

Finance revenue is disclosed in note 7.

Revenue from discontinued operations is disclosed in note 9.

4. Employee information

- (a) The average number of persons employed by the Group during the year was 32 (2008: 157) (2007: 130). The total number of employees of the Group at 31 December 2009 was 22 (2008: 39) (2007: 145).
- (b) Group employment costs including Directors:

	2009 £'000	2008 £'000	2007 £'000
Gross salaries and wages	3,538	6,808	6,974
Contribution payable to EBT	-	8,100	-
Employer's national insurance contributions or foreign equivalents	435	785	750
Equity settled share based payments charge	1,081	1,695	671
Employer's pension costs	44	269	225
	<u>5,098</u>	<u>17,657</u>	<u>8,620</u>

Key management personnel, as defined in IAS 24 'Related Party Disclosures' have been identified as the Board of Directors as the controls operated by the Group ensure that all key decisions are reserved for the Board.

- (c) Directors' remuneration (including non-executives) was:

	2009 £'000	2008 £'000	2007 £'000
Emoluments	989	1,139	1,091
Pension contributions	-	209	165
Equity settled share based payments charge	876	421	421
Total	<u>1,865</u>	<u>1,769</u>	<u>1,677</u>

5. Pensions

On 28 May 2008 the settlement date the Trustees of the Swan Hill Pension Fund ("Scheme"), in conjunction with the Group, sold the Scheme to the Pension Insurance Corporation Limited at a cost to the Group of £6,549,000. The effect of this transaction is a charge to the income statement in 2008 of £14,476,000 comprising the £6,549,000 additional contribution, £7,340,000 balance sheet surplus of pension assets over pension liabilities, and associated costs of £587,000.

Of the total buy out cost of £6,549,000, £1,989,000 was paid in 2008 and £4,560,000 was paid on 5 January 2009 in full and final settlement.

Defined benefit scheme

Benefit accruals under the Group's final salary pension scheme ceased with effect from 31 December 2005. The Group paid contributions until the pension fund was disposed on 28 May 2008 as detailed above in order to provide security for existing pensions and the accrued benefits of current and former employees.

Group contributions to the scheme for 2008 totalled £1,770,000 (2007: £799,000). Following the latest actuarial valuation as at 5 April 2005, the Group's contributions were fixed at £1,770,000 per annum (including £200,000 towards administrative expenses) for six years from 1 January 2006, after which they were expected to reduce to those required to meet the scheme's administration expenses. The next actuarial valuation of the pension scheme was due on 5 April 2008 but did not take place as the Group sold the pension scheme on 28 May 2008 as detailed above.

The net credit to finance income in 2008 income statement for the scheme was £543,000 (2007: credit £1,232,000). (See note 7). As at 31 December 2009, the scheme had been sold and there is no IAS 19 surplus or deficit (2007: IAS 19 surplus of £5,027,000 leading to the inclusion in the balance sheet of a net retirement benefit surplus, after deferred tax, of £3,619,000). The total actuarial gain recognised in the statement of comprehensive income is £Nil (2008: £Nil) (2007: gain of £3,199,000). These amounts and those set out below have been determined on the advice of qualified actuaries, who are employees of Watson Wyatt Limited, based on the most recent full actuarial valuation at 5 April 2005 updated to 31 December 2007 and settlement as of 31 May 2008. The mortality assumptions adopted were in line with standard tables PMA92/PFA92 calendar year 2005 treating members as being one year older than their actual ages. An allowance was made for possible future mortality improvements equivalent financially to a reduction in the discount rate of 0.25 per cent. per annum. This is broadly equivalent to an increase in life expectancy of one year every ten years.

The financial assumptions used for IAS 19 purposes were:

	2009 % per annum	2008 % per annum	2007 % per annum
Price inflation	-	3.7	3.3
General salary and wage inflation	-	n/a	n/a
Pension increases	-	3.7	3.3
Discount rate	-	6.6	6.0
	On settlement Expected rate of return % per annum	On settlement Market value £m	2007 Expected rate of return % per annum
Equities		15.4	42.4
Bonds		49.9	20.6
Property		-	0.8
Cash		2.9	3.4
Total	7.6	68.2	7.6

The position of the scheme can be summarised as follows:

	<i>2009</i>	<i>On settlement</i>	<i>2007</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Present value of the defined benefit obligation	-	(60,900)	(62,166)
Assets at fair value	-	68,240	67,193
Retirement benefit surplus/(liability)	-	7,340	5,027

Reconciliation of present value of defined benefit obligation for year to 31 December 2009:

	<i>2009</i>	<i>2008</i>	<i>2007</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Defined benefit obligation at start of year	-	62,166	66,388
Interest cost	-	1,560	3,360
Gain on change of assumptions	-	(1,354)	(4,592)
Experience loss	-	-	543
Actual benefit payments	-	(1,472)	(3,533)
Transferred to income statement on closure	-	(60,900)	-
Defined benefit obligation	-	-	62,166

Analysis of the amount charged to other finance income

	<i>2009</i>	<i>2008</i>	<i>2007</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Expected return on scheme assets	-	2,103	4,592
Interest on scheme liabilities	-	(1,560)	(3,360)
Net return	-	543	1,232
Net credit for the period	-	543	1,232

Reconciliation of fair value of assets for the year to 31 December 2008

	<i>2009</i>	<i>2008</i>	<i>2007</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Fair value of Scheme assets at start of year	-	67,193	65,194
Expected return on Scheme assets	-	2,103	4,592
Actuarial (loss)/gain on Scheme assets	-	(1,354)	(859)
Company contributions	-	1,770	1,799
Actual benefit payments	-	(1,472)	(3,533)
Transferred to income statement on closure	-	(68,240)	-
Fair value of Scheme assets	-	-	67,193

Return on assets for year to 31 December 2008

	2009	On settlement	2007
	£'000	£'000	£'000
Expected return on Scheme assets	-	2,103	4,592
Actuarial (loss)/gain on Scheme assets	-	(1,354)	(859)
Actual return on Scheme assets	-	749	3,733
Net balance sheet position			
Defined benefit obligation	-	(60,900)	(62,166)
Fair value of assets	-	68,240	67,193
Funded status	-	7,340	5,027

Reconciliation of change in funded status for the year to 31 December 2009

	2009	2008	2007
	£'000	£'000	£'000
Defined benefit liability at start of year	-	5,027	(1,194)
Pension income	-	543	1,223
Company contributions	-	1,770	1,799
Gain recognised in SOCI	-	-	3,199
Charged to income statement on settlement	-	(7,340)	-
Defined benefit asset/(liability)	-	-	5,027

Defined contribution scheme

Additionally, the Group operates a defined contribution plan for new employees and former members of its final salary pension scheme who are current employees. Contributions to this plan, as well as to personal pension schemes, are charged to the income statement in the period in which they are payable. Contributions to this plan are disclosed in note 4

6. Group operating loss

	2009	2008	2007
	£'000	£'000	£'000
Group operating loss is stated after charging:			
Depreciation of fixed assets	37	156	260
Operating lease rentals - Land and buildings	770	591	636
Share based payments charge	1,081	1,695	671

The Group paid the following amounts to its auditors in respect of the Group.

Audit Services

Auditors' remuneration

- Fees payable to the Company's auditor for the audit of the Group's annual accounts	-	40	40
- Fees payable to the Company's auditor for the audit of the subsidiary accounts	-	108	103

In 2009, the Group audit fees were borne by the parent company (but are estimated at £40,000) and the subsidiary audit fees were also borne by the parent where the cost is still to be finalised.

Other fees

- Tax services	133	183	221
- Audit of the pension scheme	10	9	9
- Advice in respect of disposal of discontinuing operations	-	448	-
- Advice in respect of takeover	55	-	-
- Other service	-	1	4

Total amount paid to auditors	198	789	377
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7. Finance income and expense

	2009 £'000	2008 £'000	2007 £'000
Group			
<i>Finance income</i>			
Bank interest receivable	452	593	951
Return on amount charged to pension scheme	-	2,103	4,592
Dividends received on Raven Russia Limited shares	9	888	541
Dividends received on Oriel Securities Limited shares	-	193	193
	<u>461</u>	<u>3,777</u>	<u>6,277</u>
<i>Finance expense</i>			
Bank interest payable	(242)	(1,513)	(270)
Interest on defined benefit pension plan obligation	-	(1,560)	(3,360)
	<u>(242)</u>	<u>(3,073)</u>	<u>(3,630)</u>
<i>Impairment charges</i>			
Impairment charge on Raven Russia Limited shares	-	9,866	-
Impairment charge on Raven Russia Limited shares - previously recorded in equity	-	945	-
Impairment charge on Oriel Securities Limited shares	-	2,549	-
	<u>-</u>	<u>13,360</u>	<u>-</u>

8. Tax expense

	2009 £'000	2008 £'000	2007 £'000
(a) Tax recognised in the income statement comprises:			
UK corporation tax charge based on the taxable result for the year	3	-	-
Over provision in respect of prior years	-	(2)	-
	-	(2)	-
Overseas tax - Current	-	46	82
Current tax expense	3	44	82
Deferred tax expense (note 22)			
Origination and reversal of temporary differences	307	(4,498)	(858)
Written off on disposal of Raven Audley Court plc	-	(1,982)	-
Recognition of deferred tax asset on trading losses			
- current year	-	-	(1,486)
- prior year	-	-	(514)
Deferred tax expense	307	(6,480)	(2,858)
Total tax credit reported in the income statement	310	(6,436)	(2,776)
Analysed between:			
Tax on continuing activities	310	(4,932)	(2,453)
Tax on discontinuing activities	-	(1,504)	(323)
	310	(6,436)	(2,776)
(b) The effective tax charge for the periods differs from than the standard rate of corporation tax in the UK of 28 per cent. (2008: 28.5 per cent. 2007 30 per cent) due to:			
	2009 £'000	2008 £'000	2007 £'000
Loss from continuing activities	(5,703)	(51,856)	(3,468)
Profit/(loss) from discontinuing activities	-	37,631	(1,472)
Total loss before tax	(5,703)	(14,225)	(4,940)
Multiplied by the standard rate of corporation tax	(1,597)	(4,054)	(1,480)
Profit on disposal of Russian Property fund management business not taxable	-	(11,217)	-
Pension disposal cost payable in 2009 for which no deferred tax asset created	-	1,300	-
Losses for which no deferred tax asset recognised	-	6,608	-
Dividends not taxable	(3)	(54)	(220)
Items not deductible for tax purposes	1,564	1,478	51
Pension scheme income return not taxable	-	(152)	(369)
Utilisation of prior year tax losses	346	(345)	(758)
Total tax credit reported in the income statement	310	(6,436)	(2,776)

(c) Reconciliation of movement of deferred tax net liabilities

	2009 £'000	2009 £'000	2008 £'000	2008 £'000	2007 £'000	2007 £'000
Details of the deferred tax asset amounts charged to the income statement and amounts charged to reserves are as follows:						
Net deferred tax liability at 1 January		-		(3,940)		(6,920)
Other temporary differences	333		(381)		331	
Recognition of trading losses	(386)		(1,494)		2,000	
Fair value uplift of inventories	53		4,776		1,404	
Pension scheme	<u>-</u>		<u>1,408</u>		<u>(813)</u>	
Amounts credited/(charged) to Income statement		-		4,309		2,922
Amounts (charged)/credited to equity						
Pension scheme actuarial gain	-		-		(927)	
Available for sale investments	<u>-</u>		<u>(369)</u>		<u>1,105</u>	
				(369)		178
Net deferred tax liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,820)</u>
Deferred tax assets (note 22)		530		583		2,947
Deferred tax liabilities (note 22)		<u>(530)</u>		<u>(583)</u>		<u>(6,767)</u>
Net deferred tax liabilities		<u>-</u>		<u>-</u>		<u>(3,820)</u>

9. Discontinued Operations

In 2008 the Group disposed of its Independent Living and Russian Property Fund Management businesses. The profit/(loss) arising on disposal and their results prior to disposal can be summarised as below:

	<i>Independent Living £'000</i>	<i>Property Fund Management £'000</i>	<i>Total £'000</i>
2008			
Profit/(loss) on disposal	(5,038)	34,055	29,017
Related tax credit	1,550	-	1,550
Results to disposal	(3,467)	12,081	8,614
Tax expense	-	(46)	(46)
	<u>(6,955)</u>	<u>46,090</u>	<u>39,135</u>
	<i>Independent Living £'000</i>	<i>Property Fund Management £'000</i>	<i>Total £'000</i>
2007			
Results to disposal	(4,509)	3,037	(1,472)
Tax income/(expense)	405	(82)	323
	<u>(4,104)</u>	<u>2,955</u>	<u>(1,149)</u>

In October 2008, the Group sold its 75 per cent interest in its Independent Living business, Audley, for total consideration of £15 million, details of which are provided below.

	<i>£'000</i>	<i>£'000</i>
Consideration received		
Cash		15,000
Net assets disposed of		
Property plan and equipment	(4,419)	
Inventories	(56,576)	
Trade and other receivables	(3,627)	
Bank loans and overdrafts	44,017	
Trade and other payables	876	(19,729)
Costs of disposal		(309)
Pre tax loss on disposal of discontinued operation		(5,038)
Related tax credit		1,550
Loss on disposal of discontinued operation		<u>(3,488)</u>
The net cash inflow comprises:		
Cash received		15,000
Costs of disposal		(309)
		<u>14,691</u>

	2008 £'000	2007 £'000
Result of discontinued operation		
Revenue	2,395	541
Expense other than finance cost	(4,317)	(4,239)
Finance costs	(1,545)	(811)
Loss before tax	(3,467)	(4,509)
Tax income	-	405
Loss from selling discontinued operation	(3,488)	-
Loss for the period	(6,955)	(4,104)

On 9 July 2008 Raven Mount plc announced the proposed disposal of its Russian Property Fund Management business to Raven Russia Limited and entered into a Framework Agreement which governed the restructuring of Raven Mount plc and provided for the effective disposal for a total consideration of £15.0 million in cash and 80 million new Raven Russia Limited shares, the sale was completed in November 2008.

The restructuring provided for in the Framework Agreement was designed so that 64 million of the 80 million Raven Russia Limited shares forming part of the consideration for the disposal were received directly by Raven Mount Limited Shareholders and the £15.0 million cash consideration and the remaining 16 million of the Raven Russia Limited shares forming the balance of the consideration for the disposal were received by Raven Mount Limited. Further information on the transaction is detailed in note 1.

	£'000	£'000
Consideration received		
Cash	15,269	
Shares (80 million Raven Russia Limited Ordinary shares valued at 26.75 pence on the date of completion)	21,400	
		36,669
Net assets disposed of		
Property, plant and equipment	(553)	
Trade and other receivables	(495)	
Cash	(156)	
Trade and other payables	201	(1,003)
Costs of disposal		(1,611)
Pre tax gain on disposal of discontinued operation		34,055
Related tax expense		-
Profit on disposal of discontinued operation		34,055
The net cash flow comprises:		
Cash received		15,269
Cash disposed of		(156)
Costs of disposal		(1,611)
		13,502

Results of discontinued operation

	<i>2008</i>	<i>2007</i>
	<i>£'000</i>	<i>£'000</i>
Revenue	15,628	8,517
Expense other than finance cost	(3,680)	(5,574)
Finance income	133	94
Profit before tax	12,081	3,037
Tax expense	(46)	(82)
Profit from selling discontinued operations	34,055	-
Profit for the period	<u>46,090</u>	<u>2,955</u>

10. Dividends

	<i>2009</i>	<i>2008</i>	<i>2007</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
On Ordinary shares of Raven Mount Limited			
- Final paid for 2007 1.4p per share	-	1,565	1,106
Interim paid for 2008	-	-	885
Dividend to Raven Russia Limited	6,000	-	-
Distribution of Raven Russia Limited shares (64 million at 26.75 pence)	-	17,120	-
	<u>6,000</u>	<u>18,685</u>	<u>1,991</u>
Final dividend for 2009 nil pence, 2008 nil pence, 2007: 1.4 pence	<u>-</u>	<u>-</u>	<u>1,568</u>

11. Property, Plant and Equipment

	<i>Freehold land and buildings £'000</i>	<i>Plant and equipment £'000</i>	<i>Total £'000</i>
Cost			
At 1 January 2007	-	1,514	1,514
Additions	4,265	904	5,169
Disposals	-	(82)	(82)
At 31 December 2007	4,265	2,336	6,601
At 1 January 2008	4,265	2,336	6,601
Additions	-	267	267
Disposals following sale of Raven Audley Court plc	(4,265)	(251)	(4,516)
Disposals following sale of Russian Property Fund management business	-	(684)	(684)
Other disposals	-	(378)	(378)
At 31 December 2008	-	1,290	1,290
At 1 January 2009	-	1,290	1,290
Additions	-	2	2
Disposals	-	(22)	(22)
At 31 December 2009	-	1,270	1,270
Depreciation			
At 1 January 2007	-	1,151	1,151
Charge for the year	36	224	260
Disposals	-	(8)	(8)
At 31 December 2007	36	1,367	1,403
At 1 January 2008	36	1,367	1,403
Charge for the year	-	245	245
Disposals following sale of Raven Audley Court plc	(36)	(61)	(97)
Disposals following sale of Russian Property Fund management business	-	(131)	(131)
Other disposals	-	(200)	(200)
At 31 December 2008	-	1,220	1,220
At 1 January 2009	-	1,220	1,220
Charge for the year	-	37	37
Disposals	-	-	-
At 31 December 2009	-	1,257	1,257
Net book value			
At 31 December 2009	-	13	13
At 31 December 2008	-	70	70
At 31 December 2007	4,229	969	5,198
At 31 December 2006	-	363	363

12. Inventories

	2009	2008	2007	1 Jan 2007
	£'000	£'000	£'000	£'000
Land held for development	1,963	3,357	10,409	8,480
Construction work in progress	36,498	40,607	78,223	59,372
	<u>38,461</u>	<u>43,964</u>	<u>88,632</u>	<u>67,852</u>

As at 31 December 2009 borrowings of £6,869,000 (2008: £3,496,000, 2007: £17,968,000) were secured against inventories.

13. Trade and other receivables

	2009	2008	2007	1 Jan 2007
	£'000	£'000	£'000	£'000
Trade receivables	858	1,087	1,511	1,385
Loan to joint venture partner	1,477	1,827	5,892	3,007
VAT receivable	404	261	2,197	843
Other receivables	1,812	1,450	3,070	457
Prepayments	268	383	3,847	4,57
	<u>4,819</u>	<u>5,008</u>	<u>16,517</u>	<u>10,268</u>

The loan to the joint venture partner is repayable on demand and is interest bearing.

Trade and other receivables are non-interest bearing.

The Directors consider that the carrying amount of the loans and receivables approximate their fair value.

Further disclosures relating to financial instruments are set out in note 20.

As at 31 December 2009 no receivables were impaired (2008: £nil, 2007: £nil).

As of 31 December, the analysis of receivables that were past due but not impaired is set out below

	Neither past due nor		Past due but not impaired				
	Total	impaired	<30 days	30-60 days	60-90 days	90-120 days	>120 days
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
2009							
- Trade receivables	858	265	181	238	76	75	23
- Loan to joint venture partner	1,477	1,477	-	-	-	-	-
- Other receivable	1,812	1,591	9	27	-	-	185
2008							
- Trade receivables	1,087	809	206	-	1	-	71
- Loan to joint venture partner	1,827	1,827	-	-	-	-	-
- Other receivable	1,450	965	228	-	-	-	257
2007							
- Trade receivables	1,511	1,091	418	-	2	-	-
- Loan to joint venture partner	5,892	5,892	-	-	-	-	-
- Other receivable	3,070	2,600	335	88	-	-	47

14. Available for sale investments

	<i>2009</i>	<i>2008</i>	<i>2007</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Listed shares - Traded on AIM	8,566	6,896	11,165
Warrants in Raven Russia Limited	1	1	452
Other investment	2,651	2,169	4,718
	<u>11,218</u>	<u>9,066</u>	<u>16,335</u>

Listed shares comprise amounts invested in Raven Russia Limited.

In addition, the Group also holds warrants to subscribe for 7,650,000 Ordinary shares in Raven Russia Limited at £1. The warrants are exercisable at any time during the five year period commencing 29 July 2005, the date of Raven Russia Limited's admission to AIM. The warrants were valued using a Black-Scholes valuation model.

The other investment represents shares in Oriel Securities Limited, an unlisted independent UK stock broking and advisory business. The carrying value at 31 December 2009 is the actual value achieved as the sale of the investment was completed post 31 December 2009. In 2008 and 2007 the fair value was assessed using earnings multiples, calculated with reference to comparable entities

Fair Value Hierarchy

	<i>Level</i>	<i>Level</i>	<i>Level</i>	<i>Total</i>
	<i>1</i>	<i>2</i>	<i>3</i>	<i>fair</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>value</i>
31 December 2009	8,566	-	2,652	11,218
31 December 2008	6,896	-	2,170	9,066
31 December 2007	11,165	-	5,170	16,335

- Level 1 - quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

- Level 2 - use of a model with inputs (other than quoted prices included in Level 1) that are directly or indirectly observable market data.

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

15. SUBSIDIARIES

The following are the main operating subsidiary companies of Raven Mount Group plc at 31 December 2009. Those companies marked with an asterisk (*) are owned directly by Raven Mount Group plc and the remainder by subsidiaries. All companies are incorporated and operate in Great Britain, and are 100 per cent. wholly owned.

Residential and other property

Raven Property Holdings plc* (RPH)

Swan Hill Homes Limited

Swan Hill Swindon Limited

Swan Hill Property Holdings Limited

Swan Hill Developments Limited

Raven Property Group plc*

Raven Brighton Limited

On 15 October 2008 Raven Mount's AIM listing was cancelled and Raven Mount Holdings became the new holding company of Raven Mount. On 3 November 2008 Raven Mount Holdings was placed in members' voluntary winding up and the Russian Property Fund Management business was de-merged from Raven Mount. Raven Mount was relisted as Raven Mount Group plc on 4 November 2008.

On 31 March 2009 agreement was reached for the acquisition of Raven Mount Group by Raven Russia and was completed by 22 May 2009 so the ultimate parent company of Raven Mount Group is Raven Russia Limited.

16. JOINT VENTURES

	<i>Country</i>	<i>Proportion of ownership interest</i>			
		<i>2009</i>	<i>2008</i>	<i>2007</i>	<i>1 Jan 2007</i>
		<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Coln Park LLP	England	50%	50%	50%	50%
Wellington Square Development Company Limited	England	50%	50%	50%	50%

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

	<i>2009</i>	<i>2008</i>	<i>2007</i>	<i>1 Jan 2007</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Non current assets	3	3	3	-
Current assets	9,259	9,202	5,397	3,008
Current liabilities	(6,841)	(6,677)	(5,358)	(2,974)
	<u>2,421</u>	<u>2,528</u>	<u>42</u>	<u>34</u>
Income	6,336	6,573	1,264	65
Expenditure	<u>(5,568)</u>	<u>(5,401)</u>	<u>(1,588)</u>	<u>(17)</u>
	<u>768</u>	<u>1,172</u>	<u>(324)</u>	<u>48</u>

17. CASH AND CASH EQUIVALENTS

As at 31 December 2009, the cash balance of £17.1 million comprises £17.0 million on short term deposits (held with seven banks), and a further £0.1 million of cash held in current accounts (2008 £37.0 million on deposit, £0.5 million in cash) (2007: £3 million on deposit £1.6 million in cash).

Loans and overdrafts are classified according to their terms and conditions, previously all liabilities of this nature were classified as overdrafts.

18. TRADE AND OTHER PAYABLES

	2009	2008	2007	1 Jan 2006
	£'000	£'000	£'000	£'000
Trade payables	1,856	3,109	6,257	4,288
Social security and other taxation	131	85	295	357
Accruals	10,650	15,322	6,097	5,235
Deferred consideration	-	-	-	5,594
	<u>12,637</u>	<u>18,516</u>	<u>12,649</u>	<u>15,474</u>

Within the accruals balance for 2009 and 2008 is an amount of £8.1 million due to the EBT.

The Directors consider that the carrying value of the trade and other payables approximates to fair value as a result of the short maturity period of the amounts held at the year end.

Further disclosures relating to financial instruments are set out in note 20.

19. BANK LOANS AND OVERDRAFTS

	2009	2008	2007
	£'000	£'000	£'000
Bank loans and overdrafts			
Under 1 year			
- Overdrafts	209	134	407
- Loans	<u>6,869</u>	<u>18,497</u>	<u>17,923</u>
Total under 1 year	7,078	18,631	18,330
Over 1 year			
- Loans	<u>-</u>	<u>-</u>	<u>17,968</u>
Total	<u>7,078</u>	<u>18,631</u>	<u>36,298</u>

In September 2009 Raven Mount Limited negotiated a £6.0 million loan secured on its inventory at Sheffield, Lewes and Brackley. At 31 December 2009 £3.2 million was outstanding. The Group has a loan on its Coln Park development repayable in September 2010. At the year end £3.7 million was outstanding. Since the year end the £6.0 million facility has been renegotiated to £7.5 million and fully drawn down.

In 2008 the Group had drawn down £15.0 million of a £20 million facility with RBS and the loan on the Coln Park development was £3.5 million.

In 2007 the Group had drawn down £11.2 million of a £20 million facility with Barclays Bank and £6.7 million of a £20 million facility with RBS.

20. FINANCIAL INSTRUMENTS

The Group is exposed through its operations to the following financial risks:

- Credit risk
- Market risk
- Liquidity risk
- Interest rate risk

This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

The Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks, have decreased over several years as the Group has substantially more cash than it has debt.

Credit risk

Credit risk is the risk of financial loss when counterparties are not able to meet their obligations.

The Group has minimal exposure to credit risk from trade receivables on the residential side of the business given the nature and legal framework of the UK housing industry. In the vast majority of cases the full cash receipt for each sale occurs on legal completion, which is also the point of revenue recognition under the Group's accounting policies.

Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions. For banks and financial institutions, only independently rated parties with minimum credit rating 'A' are accepted.

Credit risk also arises from non-trade receivables. The Group reviews the credit-worthiness of those entities it contracts with. Principal receivables are loans to joint ventures and jointly controlled partners, secured on developments and other assets.

Market risk

Market risk arises from the Group's use of interest bearing, tradeable and foreign currency financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk), foreign exchange rates (currency risk) or other market factors (other price risk). It also includes the effect of the level of UK house prices which in turn is affected by factors such as employment levels, interest rates, the supply of suitable land and consumer confidence.

The Group's balance sheet is exposed to market price risk as the Group holds some equity investments in other companies (see note 14).

The Directors believe that the exposure to market price risk from these activities is acceptable in the Group's circumstances.

Liquidity risk

Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

The Board receives and monitors rolling 12 month cash flow projections on a monthly basis as well as information regarding cash balances. The Board sets limits for the amounts of cash that can be held with each individual bank.

As at 31 December 2009 the Group has £17.1 million as a cash balance compared with £37.5 million at 31 December 2008 (2007: £4.6 million).

Interest rate risk

The Group's loans are all at floating rates of interest. The Group's loans during the year were in respect of Coln Park and our residential developments (note 19). Our cash is placed on deposit for terms dependant on cash requirements.

During the period if interest rates fluctuate on these loans, so will the profits from those developments.

During 2009, 2008 and 2007, the Group's borrowings and cash deposits at variable rates were denominated in Sterling.

The analysis below is performed for reasonably possible movements in interest rates with all other variables held constant, showing the impact on profit before tax and equity at the year end.

	<i>Increase/(decrease) in basis points</i>	<i>Effect in Equity</i>	<i>Effect on profit before tax</i>
2009	+15	(206)	(206)
	-15	206	206
2008	+15	284	284
	-15	(284)	(284)
2007	+15	151	151
	-15	(151)	(151)

Capital Management

The Group monitors its capital structure through a combination of an investment appraisal, monitoring of risks, controlling solvency and reviewing key financial ratios. The key financial measures include cash flow projections, the monitoring of covenants and ensuring contracted commitments are adequately funded.

The capital structure of the Group consists of a mix of equity and debt. Equity comprises issued capital, other reserves and retained earnings as disclosed in the statement of changes in equity. Debt primarily consists of current and non-current debt as disclosed in note 19.

Principal financial instruments

The principal financial instruments used the by the Group, from which financial instrument risk arises, are as follows:

- Trade and other receivables
- Cash at bank
- Bank overdrafts
- Investments in quoted and unquoted equity securities
- Trade and other payables
- Floating-rate bank loans

The Directors believes the book value of the financial instruments to be the same as the fair value of the financial instruments and therefore do not include a fair value table.

The tables below summarise the maturity profile of the Group's financial liabilities at 31 December based on contractual undiscounted payments.

Year ended 31 December 2009

	<i>On demand £'000</i>	<i>Less than 3 months £'000</i>	<i>3 to 12 months £'000</i>	<i>1-5 Year £'000</i>	<i>Total £'000</i>
Interest bearing loans and overdrafts	209	16	7,013	-	7,238
Trade and other payables	-	528	252	1,076	1,856
Accruals	-	991	196	9,463	10,650
	<u>209</u>	<u>1,535</u>	<u>7,461</u>	<u>10,539</u>	<u>19,744</u>

Year ended 31 December 2008

	<i>On demand £'000</i>	<i>Less than 3 months £'000</i>	<i>3 to 12 months £'000</i>	<i>1-5 Year £'000</i>	<i>Total £'000</i>
Interest bearing loans and overdrafts	15,134	-	119	3,586	18,839
Trade and other payables	-	885	422	1,802	3,109
Accruals	-	5,325	375	9,622	15,322
	<u>15,134</u>	<u>6,210</u>	<u>916</u>	<u>15,010</u>	<u>37,270</u>

Year ended 31 December 2007

	<i>On demand £'000</i>	<i>Less than 3 months £'000</i>	<i>3 to 12 months £'000</i>	<i>1-5 Year £'000</i>	<i>Total £'000</i>
Interest bearing loans and overdrafts	18,330	90	449	18,507	37,376
Trade and other payables	-	1,781	849	3,627	6,257
Accruals	-	1,752	859	3,486	6,097
	<u>18,330</u>	<u>3,623</u>	<u>2,157</u>	<u>25,620</u>	<u>49,730</u>

(b) Borrowing facilities

	<i>2009 £'000</i>	<i>2008 £'000</i>	<i>2007 £'000</i>
The Group has borrowing facilities as follows:			
Available overdraft facilities	-	20,000	40,000
Bank loans	6,869	3,497	17,968
	6,869	23,497	57,968
Amounts drawn - Overdraft facilities	-	(15,000)	(18,330)
- Bank loans	(6,869)	(3,497)	(17,968)
Amounts undrawn	-	5,000	21,670
Cash at bank	17,114	37,538	4,623
Total cash and facilities available to the Group	<u>17,114</u>	<u>42,538</u>	<u>26,293</u>

21. PROVISIONS

	<i>Provisions</i> <i>£'000</i>
At 1 January 2007	1,894
Charged to the income statement	364
Utilised in the year	(344)
Released in the year	(321)
At 31 December 2007	<u>1,593</u>
At 1 January 2008	1,593
Charged to the income statement	86
Utilised in the year	(131)
Released in the year	(500)
At 31 December 2008	<u>1,048</u>
At 1 January 2009	1,048
Charged to the income statement	66
Utilised in the year	(68)
Released in the year	(100)
At 31 December 2009	<u>946</u>

This provision arises principally from warranties and other liabilities on housing sold. Whilst such warranties extend to a period of ten years, payment of these costs is likely to occur within a period of two years. The provision made is the Directors' best estimate of the Group's liability.

22. DEFERRED TAX ASSET AND LIABILITIES

	<i>2009</i> <i>£'000</i>	<i>2008</i> <i>£'000</i>	<i>2007</i> <i>£'000</i>
The Group's deferred tax asset and liability are as follows:			
Deferred tax asset relating to:			
Trading losses	120	506	2,000
Mark to market available for sale investment	-	-	368
Other temporary differences	410	77	579
	<u>530</u>	<u>583</u>	<u>2,947</u>
Deferred tax liability relating to:			
Retirement benefit liability	-	-	1,408
Fair value uplift on inventories	530	583	5,359
	<u>530</u>	<u>583</u>	<u>6,767</u>

Please see note 8(c) for a reconciliation of the movement in deferred tax assets and liabilities.

The Group has additional unrecognised deferred tax assets of £3.1m (2008: £3.1m 2007: £1.4m on losses due to the uncertainty of future profit. The losses were 2009: £11 million (2008: £11 million, 2007: £4.6 million)

23. CALLED UP SHARE CAPITAL

	2009	2009	2008	2008	2007	2007
	No '000	£'000	No '000	£'000	No '000	£'000
<i>Authorised</i>						
Ordinary shares of 0.1 pence	244,000	244	244,000	244	244,000	244
£1 Convertible Ordinary shares	-	-	-	-	6	6
		<u>244</u>		<u>244</u>		<u>250</u>
<i>Allotted, called up and fully paid</i>						
Ordinary shares of 0.1 pence	114,399	114	114,399	114	112,021	112
£1 Convertible Ordinary shares	-	-	-	-	6	6
		<u>114</u>		<u>114</u>		<u>118</u>

In 2007, Raven Mount issued 3,919,503 shares in respect of the remaining deferred consideration payable for the acquisition of RPH.

In 2008, the group undertook a re-organisation (as described in note 1). The share capital of Raven Mount plc was replaced with the share capital of Raven Mount Group plc, being 2000 ordinary shares of 0.1 pence issued on incorporation and 114,397,000 ordinary shares of 0.1 pence issued in a share for share exchange. Prior to the re-organisation the Raven Mount Plc converted 6,000 £1 convertible shares into 2,376,000 ordinary shares of 0.1 pence each.

On 29 May 2009 the company was acquired by Raven Russia Limited. The consideration for this transaction was satisfied by the issue of 66,409,475 preference shares and warrants in Raven Russia Limited. The company delisted from AIM on 29 May 2009 and has continued with its orderly wind down of its business. The parent and controlling party is Raven Russia Limited.

24. SHARE SCHEMES

Share Options

The Company has adopted an Unapproved share option plan and an Approved Company share option plan which provide for the issue of options over Ordinary shares in the Company.

The total number of Ordinary shares over which Option Shares may be granted is limited to 10 per cent. of the total number of issued Ordinary shares of the Company at any time. There were no shares options outstanding at 31 December 2009 (2008: 5,590,000 representing 5.1 per cent of the issued share capital).

Unapproved share option plan (Unapproved Plan)

Option Shares under the Unapproved Plan were exercisable in 3 equal parts. For each part, exercise was on or after the third, fourth and fifth anniversaries of the Date of Grant at the earliest and the Performance Condition were first be tested for each one third part on these anniversaries. Unexercised options could be reviewed against the Performance Condition in subsequent periods broadly every 6 months, but always from the Date of Grant. Options lapse if not exercised within 7 years and 3 months from the Date of Grant. The Performance Condition stated that the share price increase must exceed the RPI plus 3 per cent. per annum and exceed the increase in the FTSE Small Cap Index for the relevant period. Since the grant of these options until cancellation, the share price has decreased by 82.5 per cent, RPI increased by 10.4 per cent and the FTSE small cap decreased by 42.5 per cent.

Option Shares were issued under the Unapproved Plan on 8 December 2005 over 6,665,000 Ordinary shares in the Company at an exercise price of 80.0 pence, being the average share price for the month of November 2005. There were no share options outstanding at the year end. As at 31 December 2008 360,000 options have lapsed, 715,000 options were cancelled and 5,590,000 options were surrendered

and replaced with new options at a rebased exercise price of 30p on 14 October 2008 following the disposal of the Russian Property Fund Management business.

These 5,590,000 options were surrendered on the Offer for Raven Mount Group plc by Raven Russia Limited being declared unconditional in all respects in 2009.

Further option shares were issued under the Unapproved Plan on the 21 March 2007 over 1,005,000 Ordinary shares at an exercise price of 155.1 pence, being the average share price for the 5 trading days prior to issue. All of these share options were cancelled on 14 October 2008.

All options lapse if they have not been exercised within seven years and three months from the date of grant of the options.

Approved Company share option plan (CSOP)

Employees and full-time Directors of the Group were offered Option shares subject to a maximum value at any one time per employee of £30,000 (being the Inland Revenue limit for CSOPs). Option Shares could not be exercised until 3 years after grant and are subject to a performance condition that the share price increase must exceed the RPI plus 3 per cent. per annum. This is first measured on the third anniversary of the date of grant, thereafter half yearly based on the prior December or June. The options lapse if they are not exercised within seven years and three months from the date of grant of the option.

1,223,809 option shares were issued under the CSOP on 28 April 2006 and a further 221,111 Option shares were issued on 21 March 2007. As at 31 December 2008 507,400 options have lapsed and the remaining 937,520 Option shares in the Company were cancelled on 14 October 2008.

Aggregate movement of unapproved and approved Share Options

	2009 <i>Weighted average exercise price (pence)</i>	2009 <i>Number</i>	2008 <i>Weighted average exercise price (pence)</i>	2008 <i>Number</i>	2007 <i>Weighted average exercise price (pence)</i>	2007 <i>Number</i>
Outstanding at the beginning of the year	30.0	5,590,000	92.9	8,477,797	83.6	7,774,522
Cancelled during the year	30.0	(5,590,000)	120.0	(2,657,520)	-	-
Granted during the year	-	-	-	-	148.3	1,226,111
Exercised during the year	-	-	-	-	-	-
Lapsed during the year	-	-	96.0	(230,277)	97.9	(522,836)
Outstanding at the end of the year	-	-	30.0	5,590,000	92.9	8,477,797

All share options outstanding at 31 December 2007 were cancelled during the year ended 31 December 2008.

As at both 31 December 2008 and 31 December 2007 none of the share options were exercisable as the performance conditions had not been satisfied.

Of the total number of options outstanding at the end of 2009, nil (2008: nil) (2007: nil) had vested and were exercisable at the end of the year.

There were no options outstanding as at 31 December 2009. The exercise price of options outstanding at the end of 2008 was 30p (2007: 80p and 155.1p) and their weighted average contractual life was 0.96 years (2007: 2.09 years).

The Group uses a calculated Beta to factor in market vesting conditions.

The following information is relevant in the determination of the fair value of options granted during 2007 no options were granted during 2008 or 2009 under the equity settled share based remuneration schemes operated by Raven Mount Group plc.

	2007
Option pricing model used	Black-Scholes
Weighted average share price at grant date (pence)	148.34
Weighted average exercise price (pence)	148.34
Weighted average contractual life (days)	1,123
Equity volatility	60%
Expected dividend growth rate	1.69%
Risk-free interest rate	4.5%

The volatility was calculated in accordance with the Group's calculated Beta based on a statistical analysis of the Company's share price.

The expected life of the options is based on historical data.

	2009 £'000	2008 £'000	2007 £'000
The share-based remuneration expense comprises:			
Equity-settled schemes	1,081	1,695	671

25. OTHER RESERVES

	2009 £'000	2008 £'000	2007 £'000
Treasury share reserve	(687)	(687)	-
Reserve for own shares	(150)	(150)	(150)
Available for sale investment reserve	-	-	(945)
	(837)	(837)	(1,095)
Capital redemption reserve	50	50	50
Share premium	-	-	2,418
Reverse acquisition reserve	62,277	62,277	62,277
Merger reserve	41,164	41,164	38,742
	102,654	102,654	102,392

In respect of the treasury shares, the company ceased to hold qualifying shares under s724 of the Companies Act 2006 on 29 May 2009. Subsequent to the year end, the company cancelled the shares in accordance with s729 and s730 of the Companies Act 2006.

Reserve	Description and purpose
Share premium	Amounts subscribed for share capital in excess of nominal value.
Capital redemption	Amounts transferred from share capital on redemption of preference shares.
Reserve for own shares	The cost of own shares purchased for the Employee Benefit Trust.
Treasury share reserve	The costs of own shares purchased for holding in Treasury.
Reverse acquisition reserve	Amounts arising on adopting reverse acquisition accounting for the acquisition of Swan Hill Group PLC by Raven Mount plc.

Merger reserve	Amounts arising on the acquisition of Raven Property Holdings Plc, value of consideration paid in shares in excess of nominal value of shares and subsequently the acquisition of Raven Mount plc by Raven Mount Group plc.
Available for sale investments reserve	Amounts arising on the mark to market of the available for sale investments less deferred taxation.

26. COMMITMENTS

Commitments contracted for at 31 December 2009 and provided for in these accounts were £799,000 (2008: £nil). (2007: £nil).

As at 31 December 2009, the Group has outstanding total commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

Operating leases – lessee

The Group leases all of its properties, the terms of property leases vary, although they all tend to be tenant repairing with rent reviews every 2 to 5 years and some have break clauses.

	2009 £'000	2008 £'000	2007 £'000
Not later than one year	770	704	747
Later than one year and not later than five years	1,441	2,034	2,494
Later than five years	540	540	810
	<u>2,751</u>	<u>3,278</u>	<u>4,051</u>

Operating leases – lessor

Certain properties may be vacated prior to the end of the lease term. Where possible the Group endeavours to sub-lease such vacant space on short-term lets.

The minimum rent receivables under non-cancellable operating leases are as follows:

	2009 £'000	2008 £'000	2007 £'000
Not later than one year	553	305	325
Later than one year and not later than five years	1,493	696	1,001
Later than five years	270	-	-
	<u>2,316</u>	<u>1,001</u>	<u>1,326</u>

27. NOTES SUPPORTING THE CASH FLOW STATEMENT

Cash and cash equivalents for purposes of the cash flow statement comprises:

	2009 £'000	2008 £'000	2007 £'000
Cash available on demand	854	490	1,618
Short-term deposits	16,260	37,048	3,005
	17,114	37,538	4,623
Overdrafts	(209)	(134)	(408)
Cash and cash equivalents at 31 December	<u>16,905</u>	<u>37,404</u>	<u>4,215</u>

All short-term deposits are accessible within 3 months.

28. TRANSACTIONS WITH RELATED PARTIES

	<i>Amount of transaction £'000</i>	<i>Amount due from related party at year end £'000</i>
Fees recharged to a third party company controlled by Raven Directors.		
2009	35	-
2008	53	-
2007	61	-
Fees recharged to joint ventures		
2009	162	-
2008	192	-
2007	190	-

The Group is a wholly owned subsidiary of Raven Russia Limited

- (a) During the period, Santon Management Limited, a company controlled by Raven Mount Directors, rented space from the Group and was provided with office services, on an arm's length basis. Total amounts charged to Santon in the period were £34,840 (2008: £52,746) (2007: £60,773). As at the year end £nil was outstanding (2008: £nil) (2007: £nil). Santon relocated their offices during 2009 so the transaction ceased.
- (b) The Group has a 50 per cent. interest in Coln Park LLP and Coln Park Construction Limited, the Group charged Coln Park LLP a management charge of £162,000 (2008: £192,000) (2007: £190,000) during the year for fees agreed as per the contract including accounting and administration services. The loan due to the Group from the joint venture at 31 December 2009 is £2.4 million (2008: £3.2 million) (2007: £5.5 million).

PART 6

PROPERTY PORTFOLIO

SECTION 1

The accompanying table summarises the status of each property project as at the date of this document in which the Company has an interest, together with details of current rental status and external financing facilities where an asset has been used as security. Further information in respect of these properties is set out in Section 2 of this Part 6.

Property	Land plot, ha	GLA, sqm ('000s)	Rental Status ⁽¹⁾	Net Operating Income ⁽²⁾	Interest ⁽³⁾	Financing			
						Type	Principal Amount, \$m	Term end	Status
Baltia	5.1	28	100%	\$4,100,000	100%	Invest	\$22.6	24-Oct-12	Fully Drawn
Southern	1.7	14	91%	\$1,900,000	100%	Invest	\$13.4	23-Nov-12	Fully Drawn
Krekshino	22.2	118	100%	\$13,400,000	100%	Invest	\$89.3	30-Jan-13	Fully Drawn
Constanta	0.5	16	100%	\$11,100,000	100%	Invest	\$53.3	16-Nov-12	Fully Drawn
Istra phases 1-5	33.3	201	93%	\$23,300,000	100%	Invest	\$119.0	24-Oct-13	\$10m undrawn
Shushary 1-3	26.0	145	72%	\$9,800,000 ⁽⁴⁾	100%	Unencumbered			
Noginsk I	21.8	123	46%	\$5,700,000	100%	Invest	\$59.7	22-Oct-11	Fully Drawn
Pulkovo	5.1	36	77%	\$3,100,000	100%	Unencumbered			
Lobnya	10.0	51	100%	\$6,000,000 ⁽⁴⁾	100%	Unencumbered			
Klimovsk I	9.0	54	83%	\$6,100,000	100%	Unencumbered			
Rostov on Don I	18.6	100	74%	\$8,500,000 ⁽⁴⁾	100%	Invest	\$40.0	30-Sep-17	\$10m undrawn
Novosibirsk	17.8	117	54%	\$6,500,000 ⁽⁴⁾	100%	Invest	\$50.0	15-May-18	Fully Drawn
Total	171.1	1,003		\$99,300,000			\$447.3		

(1) Includes pre-let agreements and letters of intent.

(2) Net Operating Income: net operating income for income producing assets represents the annualised rental income as at the date of this document including pre-let agreements and letters of intent.

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

(4) Includes rental income from Roslogistics (trading as Avalon Logistics), a wholly owned subsidiary of the Company.

SECTION 2

PORTFOLIO OF INVESTMENT ASSETS

<i>Property name</i>	<i>Location, Description, Tenure & Tenancy</i>
Moscow	
1. Baltia	<p>The property is located approximately 23 km to the west of Moscow, on the Baltia (Moscow-Riga) highway around 7 km from the Moscow Ring Road (MKAD). The site of approximately 5.1 ha is situated near Mikhalkovo village in the Krasnogorsk district of the Moscow Region.</p> <p>The property comprises a Class A warehouse development of three single storey, concrete frame buildings, constructed in 2005. The accommodation offers warehouse space, offices and canteen facilities, with a total area of 28,147 m². The property is let to 8 tenants, including Stockmann, Schneider and Pragmatic Express on a number of leases of which the majority, by income, expire in February 2011.</p>
2. Southern	<p>The property is located in an industrial area of the Southern administrative district of Moscow, approximately 10 km from the city centre, around 1 km from the Varshavskoye highway and 5 km from MKAD.</p> <p>The property comprises a Class A warehouse development of single storey, concrete frame buildings, constructed in 2004. The accommodation offers warehouse space, offices and canteen facilities, with a total area of 14,472 m².</p> <p>The property is let to 12 tenants including L'Occitane and WeMaTek on a number of leases expiring between August 2010 and June 2016.</p>
3. Krekshino	<p>The property is located in the Naro-Fominsky area of the Moscow Region about 40 km to the south west of the city centre, 24 km from MKAD, between the Minsk and Kiev highways. Vnukovo airport, which offers both passenger and freight terminals, and is one of the largest airports in Moscow, is within about 15 km of the properties.</p> <p>The scheme is in four phases, known as 1A, 1B, 1C and 1D. All the phases comprise warehouse accommodation with ancillary offices and mezzanine floors which in total provide 118,012 m².</p> <p>1A, B and C are all let to National Logistics Company, (the largest logistics operator in Russia) on three leases expiring in January 2016, March 2012 and August 2014 respectively. 1D is let by way of six leases, expiring between January 2011 and July 2015.</p>
4. Istra – Phase 1	<p>The property comprises Phase 1 of a 33 ha development site situated directly adjacent to the New Riga highway, approximately 50 km from Moscow city centre, 41 km from MKAD and 8 km from the Betonka.</p> <p>Phase 1 comprises a logistics warehouse of 51,334 m², including mezzanine and ancillary office space.</p> <p>The property is divided into two units. Block 1 (16,873 m²) is let to Bacardi by way of a 7 year lease, expiring May 2015 and Block 2 (34,231</p>

-
- m²) is let to Terminal Vostoc/Interleasing on a 10 year lease, expiring May 2018.
- 5. Istra – Phase 2** This is the second Phase of the above detailed scheme, situated directly adjacent to Phase 1. Phase 2 comprises a logistics warehouse of 49,950 m², including mezzanine and ancillary office space. The property comprises a single unit, let to DSV by way of a 10 year lease expiring in September 2018.
- 6. Istra – Phase 3** Phase 3 of the project comprises two logistics warehouses totaling 52,270 m², including mezzanine and ancillary office space.
- Building 1 with an area of 25,847 m² is let to Seacontinental Logistics by way of a 7 year lease, expiring March 2016.
- Building 2 is divided into two parts, Block 1 is 8,824 m², and is let to DSV on a 10 year lease expiring in April 2019. The remainder of Building 2, 17,599 m² is let to Major on a 5 year lease expiring in December 2014.
- 7. Istra – Phases 4 and 5** The property comprises Phases 4 and 5 of the above detailed scheme.
- Phase 4 comprises two logistics warehouses of 29,580 m², including mezzanine and ancillary office space, and is currently vacant.
- Phase 5 is under construction and will be 18,140 m² of warehouse space. The construction is expected to be completed before the end of 2010. This space has been pre-let to DSV.
- 8. Klimovsk** The property comprises a development site of 18 ha to the south of Moscow, approximately 21 km from the MKAD in a town called Klimovsk. The project is a short distance from the M² Simferopolskoye highway, a major route to the south from Moscow.
- The first phase of the scheme comprises 53,653 m² of Class A logistics warehousing including ancillary offices and mezzanine space.
- The facility is let to several tenants: Gradient with a total area of 18,286 m² on a 7 year lease, expiring in July 2016; Gates with a total area of 6,154 m² on a 7 year lease, expiring in October 2016; Fisher Clinical with a total area of 2,924 m² on a 10 year lease, expiring in March 2020; and Alliance Healthcare with a total area of 16,868 m² on a 5 year lease expiring August 2015.
- 9. Noginsk** The property comprises part of a 62 ha development site located in the Noginsk district of the Moscow region approximately 55 km from the city, 45 km from MKAD and 3km inside the Betonka. Access to the site is from the Volga highway, which links Moscow to Nizhniy Novgorod.
- Phase 1 provides a logistic complex of 122,429 m² comprising three buildings with ancillary office premises.
- Approximately 18 per cent. of the facility is let to three tenants: Roto Frank with a total area of 3,092 m² (with an option to extend into another 1,440 m²) on a 3 year lease, expiring in June 2013; Alcon with a total area of 15,381 m² on a 5 year lease, expiring in July 2015; and Samtec with a total area of 3,099 m² on a lease of 5 years, expiring in June 2015.
-

10. Lobnya

The property is located on a site of 10 ha on the Rogachevskoe highway located approximately 35 km to the north of the city centre, 25 km from MKAD and 10 km north of Lobnya.

The scheme is a logistics complex with mezzanine and ancillary office premises, with a total area of around 51,441 m².

The project is fully let to two tenants, firstly Nippon Express has taken 23,582 m² on a 7 year lease, expiring in December 2017; and Avalon Logistics occupy 27,548 m² on a five year lease, expiring in April 2015.

St. Petersburg

11. Constanta

The property comprises a stand alone Class B+ office building on Leninsky Prospekt in the Moskovskiy district of St. Petersburg, approximately 8 km to the south of the city centre.

The property is a modernised administrative building, which was converted in 2005 to provide an eight storey, self contained office building with a gross leaseable floor area of 15,828 m² and 70 car parking spaces.

The entire building is let to LenEnerg by way of a 10 year lease expiring in April 2017 and the car park is let on a lease expiring in September 2012.

12. Shushary

The property comprises the first, second and third buildings of a logistics scheme known as Logopark Neva. The total development site has an area of around 26 ha and is situated in the Shushary District of St. Petersburg, approximately 15 km south of the city centre and around 5 km from the St. Petersburg ring road (KAD).

Building 1 comprises a new, purpose built, Class A logistics warehouse with a total floor area of 61,706 m², including warehouse, offices and mezzanine areas and with an area of 41,489 m² let to Avalon Logistics by way of a 10 year lease, expiring in July 2018, and with an area of 5,040 m² let to BBraun by way of 5 year lease expiring in May 2015.

Building 2 comprises a new, purpose built, Class A logistics warehouse with a total floor area of 33,623 m², including warehouse, offices and mezzanine areas.

Building 3 comprises a new, purpose built, Class A logistics warehouse with a total floor area of 49,110 m², including warehouse, offices and mezzanine areas. The building is let to two tenants, firstly Dixi which has taken 32,821 m² on a 11½ year lease expiring in December 2021; and Johnson Controls have taken 11,797 m² on a 6 year lease expiring in June 2016.

13. Pulkovo I

The property comprises a 5 ha freehold development site which is located to the south of the city centre close to major transport links and the airport.

The scheme provides 35,760 m² of Class A logistics warehousing including ancillary offices and mezzanine.

Approximately 35 per cent. of the Facility is let to four tenants: Moron with a total area of 2,866 m² on a 5 year lease, expiring in November 2014; WeMaTech with a total area of 2,383 m² on a 1 year lease, expiring

in September 2010; OSG with a total area of 2,507 m² on a 6 year lease, expiring in December 2016 and SKL with a total area of 5,478 m² on a 3 year lease, expiring in August 2013.

Regions

14. Rostov

The property comprises a greenfield development site of 45 ha situated on the Federal Highway M4 approximately 27 km from the city centre.

The first phase of the scheme comprises 99,806 m² of Class A logistics warehousing including ancillary offices and mezzanine space.

The facility is partly let to three tenants: Avalon Logistics (a wholly owned subsidiary of the Company) with a total area of 31,663 m² on a 10 year lease, expiring in October 2019; Auchan with a total area of 15,826 m² on a 7 year lease, expiring in May 2016; X5 Group with a total area of 15,646 m² on a 7 year lease, expiring in July 2016.

15. Novosibirsk

The property is located in Petukhova Road to the south of the city centre and comprises a development site of 17.8 ha.

The scheme offers a logistics facility with a total area of 116,802 m², offering Class A warehouse accommodation with mezzanine and ancillary offices. There is also a rail spur serving the site.

The facility is partly let to five tenants: Avalon Logistics (a wholly owned subsidiary of the Company) with total area of 31,434 m² on a 10 year lease, expiring in October 2019; FM Logistics with a total area of 10,625 m² on a 3 year lease, expiring in August 2012; Oriflame with a total area of 4,970 m² on a 5 year lease, expiring in December 2014; Moron with a total area of 2,922 m² on a 5 year lease, expiring in April 2015 and Pepsi Co with a total area of 5,232 m² on a 3 year lease, expiring in April 2013.

SECTION 3

LAND BANK

	<i>Land Bank</i>	<i>Potential Area, sq m</i>	<i>Interest⁽¹⁾</i>	<i>Ownership</i>	<i>Permitting Status</i>
Nizhniy Novgorod	44 ha	220,000	100%	Freehold	Construction permit received
Omsk	46 ha	230,000	100%	Freehold	Construction permit received
Omsk II	9 ha	45,000	100%	Freehold	Initial permitting work not commenced yet
Khabarovsk	27 ha	140,000	100%	Land Lease (5 yrs) – acquired	Construction permit received
Chelyabinsk	59 ha	295,000	100%	Land Lease (5 yrs) – acquired	Construction permit received
Saratov	29 ha	159,000	100%	Land Lease (49 yrs) – acquired	Construction permit received
Ufa	48 ha	240,000	100%	Land Lease (10 yrs) – acquired	Construction permit received
Minsk	45 ha	225,000	100%	Land Lease (99 yrs) – acquired	Construction permit work in progress
Pulkovo II	10 ha	67,000	100%	Freehold	Construction permit to progress in due course
Kiev	19 ha	118,000	100%	Freehold	Existing use established for warehousing

Additional Phases of Existing Assets

Noginsk (Phase 2)	40 ha	180,300	100%	Freehold	Permits, utilities and infrastructure in place
Klimovsk (Phase 2)	9 ha	54,000	100%	Freehold	Permits, utilities and infrastructure in place
Rostov on Don (Phase 2)	27 ha	126,500	100%	Freehold	Permits, utilities and infrastructure in place

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

PART 7

PROPERTY VALUATION REPORT ON THE GROUP



Jones Lang LaSalle LLC

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

30 June 2010

Dear Sirs

RAVEN RUSSIA LIMITED YEAR END VALUATION OF A PORTFOLIO OF PROPERTIES

SCOPE OF INSTRUCTIONS INFORMATION AND REPORT

In accordance with our engagement agreement, contract number RU3864, dated 14 May 2010, with Raven Russia Limited (the “**Company**”), we, (Jones Lang LaSalle), Chartered Surveyors, have considered the properties referred to in the attached schedule forming Appendix 1 (the “**Schedule**”), in order to advise you of our opinion of the Market Value (as defined below) of the freehold or part freehold and part leasehold interests (as appropriate) of the Company in each of these properties (the “**Properties**”).

PURPOSE OF VALUATION

We understand that this valuation report and the attached Schedule (together, the “**Valuation Report**”) is required for the purpose of Reporting in accordance with the International Financial Reporting Standards for inclusion in the Company’s Financial accounts and, in addition, we understand the valuation will be used for the purposes of inclusion in the prospectus to be published by the Company in respect of its offer to Warrantholders of the Company and its move up to the Official List.

BASIS OF VALUATION AND ASSUMPTIONS

We confirm that the valuations have been carried out on the basis of Market Value in accordance with the appropriate sections of the current Practice Statements contained within the RICS Valuation Standards, 6th Edition (the “Red Book”). This is an internationally accepted basis of valuation.

Market Value is defined as:

“The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.”

We can confirm that we have prepared our valuation as External Valuers as defined in the RICS Valuation Standards and our valuation has been prepared in accordance with our General Principles in Appendix 2 of this report.

In arriving at our opinions of Market Value we have also arrived at our opinions of current estimated net annual rent. These are assessed on the assumption that they are the best rent at which a new letting of an interest in property would have been completed at the date of valuation assuming:

- (i) a willing landlord;
- (ii) that prior to the date of valuation there had been a reasonable period (having regard to the nature of the property and the state of the market) for the proper marketing of the interest, for the agreement of the price and terms and for the completion of the letting;
- (iii) that the state of the market, levels of value and other circumstances were, on any earlier assumed date of entering into an agreement for lease, the same as on the valuation date;
- (iv) that no account is taken of any additional bid by a prospective tenant with a special interest;
- (v) that where relevant the length of term and principal conditions assumed to apply to the letting and other tenants terms are the same as those set out in the rent review clause contained in the occupational lease which we confirm are not exceptionally onerous or beneficial for letting of the type and class of the subject property and;
- (vi) that both parties to the transaction had acted knowledgeably, prudently and without compulsion.

STATUS OF VALUE

We confirm that we have undertaken the valuations acting as External Valuers, as defined in the Red Book, qualified for the purpose of the valuation.

DATE OF VALUATION AND INSPECTIONS

The date of valuation is 31 December 2009 and is based upon tenancy information as at this date.

As part of our on going valuation of the portfolio, each of the properties is inspected on a rolling basis over a two year period. We set out below the dates of inspection of the individual properties:

<i>Property</i>	<i>Date of Inspection</i>
Baltia, Moscow	14 November 2008
Southern, Moscow	14 November 2008
Krekshino, Moscow	14 November 2008
Istra, Moscow	26 May 2009
Lobnya, Moscow	23 November 2009
Klimovsk, Moscow	4 June 2010
Noginsk, Moscow	4 June 2010
Logopark Neva, St. Petersburg	7 December 2009
Pulkovo, St. Petersburg	7 December 2009
Logopark Don, Rostov-on-Don	10 December 2009
Logopark Ob, Novosibirsk	25 November 2009
Constanta, St. Petersburg	17 November 2008

Nine of the properties we inspected are part freehold and part leasehold tenure and nine are of freehold tenure.

ASSUMPTIONS AND SOURCES OF INFORMATION

An assumption is stated in the Glossary to the Red Book to be a “supposition taken to be true” (“**assumption**”). Assumptions are facts, conditions or situations affecting the subject of, or approach to, a valuation that, by agreement, need not be verified by a Valuer as part of the valuation process. In undertaking our valuations, we have made a number of assumptions and have relied on certain sources of information. Where appropriate, the Company’s advisers have confirmed that our assumptions are correct so far as they are aware. We believe that the assumptions we have made are reasonable, taking

into account our knowledge of the properties, and the contents of reports made available to us. However, in the event that any of these assumptions prove to be incorrect then our valuations should be reviewed. The assumptions we have made for the purposes of our valuations are referred to below.

We have also made an assumption that the information the Company and its professional advisers have supplied to us in respect of the Properties is both full and correct.

It follows that we have made an assumption that details of all matters likely to affect value within their collective knowledge such as prospective lettings, outstanding requirements under legislation and planning decisions have been made available to us and that the information is up to date.

Logopark Neva, Konstanta, Logopark Don, EG Logistics, Pulkovo 1, Noginsk and Krekshino are held freehold. Kulon Baltia, Kulon Southern, Klimovsk, Logopark Ob and Logopark Istra are held on a leasehold basis granted by the local authorities. The ground rental payments of such interests may be reviewed on an annual basis, in either an upwards or downwards direction, by reference to an established formula. Within the terms of the lease, there is a right to extend the term of the lease upon expiry in line with the existing terms and conditions thereof. It should be noted, however, that very few leasehold interests have yet reached termination and, hence, the effective ability to renew on such a basis is relatively untested. In arriving at our opinions of Market Value, we have assumed that the respective ground leases are capable of extension in accordance with the terms of each lease. In addition, given that such interests are not normally assigned as real estate assets, for example for taxation reasons, we have assumed that each leasehold interest is held by way of a special purpose vehicle ("SPV"), and that the shares in the respective SPVS themselves are capable of assignment. (See "Tenure and Tenancies" for more detail).

In those instances where the properties are held in part ownership, our valuations assume that these interests are capable of sale in the open market without any restriction from the co-owner and that there are no encumbrances within the share agreements which would impact upon the saleability of the properties concerned.

In terms of the Assumptions which we have made and which are summarised within this Valuation Report, the Company has confirmed that our Assumptions are correct as far as they are aware. In the event that any of our Assumptions prove to be incorrect, the valuations contained in this valuation report should be reviewed and modified as necessary.

TENURE AND TENANCIES

We have been not provided with copies of the title deeds for all the properties and have taken the advice from the Company, in terms of title, in arriving at our opinions of value. However, we are unable to confirm whether any other documents exist which may invalidate or alter our understanding of the legal status of the properties and, as a result, we have assumed that the title is marketable and that the properties are free from encumbrances, mortgages and charges. We have also assumed that, where the interest in the properties is leasehold, there are no unreasonable or unusual clauses which would affect value and no unusual restrictions or conditions governing the assignment or disposal of the interest.

We understand that each property is either held by the Company or jointly with third parties. We have valued a 100 per cent. share of the tenure stated in each property as if each property was held entirely by the Company as at valuation date. We have not made any adjustment to value, which may be appropriate when considering fractional ownership.

The majority of the properties are held under a freehold title. In the case of those with leasehold title the lessee of a ground lease has a priority right to renew the lease upon expiry, on the same terms and conditions. Our valuation is predicted on the special assumption that the ground lease at each property can be extended, effectively in perpetuity, on similar terms to the existing leases.

In terms of those Properties which are held by way of ground leases, we understand that such ground leases are capable of being transferred in Moscow, normally through an SPV, and we further understand

that each asset is held as a SPV. Consequently, as noted above, we have valued the Properties on the assumption that the shares in each of these SPVs can be sold and, in addition, that there are no further assets or liabilities held by each SPV which might affect the ability to sell the shares in the vehicles.

It is important to note that the rights to complete a development may be lost or, at least, delayed if the lessee fails to complete a permitted development within the timescale set out by the ground lease. In addition, in the event that a development has not been commenced upon the expiry of a lease then the City Authorities are entitled to decline the granting of a new lease on the basis that the land is not used in accordance with its designation. Furthermore, where all necessary permissions and consents for the development are not in place, this may provide the City with grounds for rescinding or non-renewal of the ground lease. In undertaking the valuations reported herein, we have made the assumption that no such circumstances will arise to permit the City to rescind the land lease or to not grant a renewal.

We have been provided with rental information in the form of tenancy schedules for the following properties; Krekshino, Kulon Baltia, Kulon Southern, Logopark Istra Phases 1, 2 and 3, Logopark Neva Building 1, Logopark Don, Logopark Ob, Lobnya, Klimovsk and Konstanta.

We have not conducted credit enquires into the financial status of any of the tenants. However, in undertaking our valuations we have reflected our understanding of the market perception of the financial status of the tenants. We have also assumed that each tenant is capable of meeting its leasehold obligations and that there are no undisclosed breaches of covenant.

FLOOR AREAS

We have not undertaken any measured surveys of the Properties and have relied entirely on information as to site areas and floor areas and dimensions of existing and proposed developments as provided to us by the Company.

PLANNING

Although we have not made any formal searches in terms of planning consents and issues, we have generally relied upon information provided by the Company as well as project documentation (where available) in respect of each of the properties.

In arriving at our opinions of Market Value we have had regard, where available, to the Company's specific proposals to develop each asset. However, although we have taken these proposals into account, each valuation reflects our opinion of such a development which may form the basis of a bid for the property by a prospective purchaser. As a result, our valuations do not necessarily fully reflect the Company's proposed development programme.

We have assumed that all existing properties have been erected and are being occupied and used in accordance with all necessary consents and that there are no outstanding statutory notices. We have also assumed that all buildings comply with all statutory and Local Authority requirements including building, fire and health and safety regulations.

ENVIRONMENTAL INVESTIGATIONS AND GROUND CONDITIONS

We have not been instructed to carry out site surveys or environmental assessments nor have we investigated any historical records, to establish whether any land or premises are or have been, contaminated. Unless we have been provided with information to the contrary, we have assumed that the properties are not, nor are likely to be, affected by land contamination and that there are no ground conditions which would affect the present or future use of the properties.

We were not instructed to carry out structural surveys of the properties but we have reflected any apparent wants of repair in our opinion of the value as appropriate. Properties have been valued on the basis of the issuer's advice save where we have been specifically advised to the contrary, no deleterious materials have been used in the construction of any of the subject buildings.

PLANT AND MACHINERY

In respect of any existing buildings, landlords' plant and machinery such as lifts, escalators, air-conditioning and other normal service installations have been treated as an integral part of each property and are included within our valuations. Plant and machinery, tenant's fixtures and specialist trade fittings have been excluded from our valuations.

No specialist tests have been carried out on any of these service systems and for the purposes of our valuations we have assumed that all are in good working order and in compliance with any relevant statute bylaw or regulation.

Valuation

On the bases outlined within this Valuation Report, we are of the opinion that the aggregate of the individual gross Market Values, as at 31 December 2009, of the freehold and part freehold and part long leasehold interests subject to the existing lettings but otherwise with vacant possession is as set out below:

Freehold Properties:

\$507,400,000

(Five Hundred and Seven million, Four Hundred Thousand US Dollars)

Part Freehold and Part Leasehold Properties:

\$356,200,000

(Three Hundred and Fifty Six million, Two Hundred Thousand US Dollars)

It should be noted that the above valuation represents the aggregate of the individual values attributable to each property type and should not be regarded as a valuation of the portfolio as a whole in the context of a sale as a single lot.

The above aggregate sum of \$863.6m represents our opinion of the Market Values of the individual properties forming the portfolio as at 31 December 2009, which was provided to the Company for the purposes of the Company's annual report and accounts for the 12 months ended 31 December 2009 (the "2009 Accounts"). We understand from the Company that the value of the portfolio disclosed in the 2009 Accounts was \$878.8 million.

In accordance with standard market practice, we have arrived at our opinions of Market Value by reflecting (i.e. deducting) all outstanding costs required to complete the subject properties, as at the valuation date. The Company's valuations are, however, disclosed gross of costs to complete the portfolio. In addition, the Company state that one asset included in our valuation was also classed as an investment property under construction and is shown in that category on the balance sheet.

REALISATION COSTS

Our Valuation is exclusive of VAT and no allowances have been made for any expenses of realisation nor for taxation which might arise in the event of a disposal of any property. It should be noted that our valuation does not reflect purchaser's costs, which is a standard approach in the valuation of properties in Russia.

EXCHANGE RATES

We have indicated the Market Values of the subject properties in the attached valuation schedule in US Dollars, where necessary we have adopted the exchange rate of the Central Bank of Russia or the European Central Bank on 31 December 2009.

RESPONSIBILITY

This report has been prepared for and only for Raven Russia Limited for the purposes of assisting Raven Russia Limited to value the property portfolio as detailed in the schedule below, at 31 December 2009 for accounting purposes and, in addition, we understand the valuation will be used for the purposes of

inclusion in the prospectus to be published by the Company in respect of its offer to Warrantholders of the Company and its move up to the Official List, but for no other purpose.

For the purposes of Prospectus Rule 5.5.3R(2)(f), we are responsible for the report as part of the Prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration included in the Prospectus in compliance with item 1.2 of Annex I of the PD Regulations.

Before this valuation report, or any part thereof, is reproduced or referred to in any other document, circular or statement and before its contents, or any part thereof, are otherwise disclosed orally or otherwise to a third party, the Valuer's written approval as to form and context of such publication or disclosure must first be obtained. For the avoidance of doubt, such approval is required whether or not Jones Lang LaSalle are referred to by name and whether or not the contents of our Valuation Report are combined with other reports. Subject to the relevant provisions of the Prospectus Rules, but otherwise to the fullest extent permitted by law, we do not accept or assume responsibility or liability in respect of the whole or any part of the report, or valuation, for any other purpose or to any other person or entity to whom the report or valuation is shown or disclosed or into whose hands it may come, whether published with our consent or otherwise, except where expressly agreed by our prior consent in writing.

Yours faithfully

Robert C Mayhew BSc (Hons) MRICS
European Director

For and on behalf of Jones Lang LaSalle

Sergey Belov
Director

APPENDICES

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APPENDIX 1

SCHEDULE OF PORTFOLIO ASSETS AND VALUATIONS

RAVEN RUSSIA LIMITED

SCHEDULE

PORTFOLIO ASSETS VALUATION AS AT 31 DECEMBER 2009

<i>Property name</i>	<i>Location, Description, Tenure & Tenancy</i>
1. Baltia, Moscow	<p>The property is located approximately 23 km to the west of Moscow, on the Baltia (Moscow-Riga) highway around 7 km from MKAD. It situated near Mikhalkovo village in the Krasnogorsk district of the Moscow Region. The site is level and broadly rectangular in shape and extends to 5.097 ha.</p> <p>The property comprises a Class A warehouse development of three single storey, concrete frame buildings, constructed in 2005. The accommodation offers warehouse space, offices and canteen facilities, with a total area of 28,147 m². The property is let to 8 tenants, including Stockmann, Schneider and Pragmatic Express on a number of leases expiring between March 2010 and July 2011.</p> <p>The property is of part freehold and part leasehold tenure.</p>
2. Southern, Moscow	<p>The property is located in an industrial area of the Southern administrative district of Moscow, approximately 10 km from the city centre, around 1 km from the Varshavskoye highway and 5 km from MKAD.</p> <p>The property comprises a Class A warehouse development of single storey, concrete frame buildings, constructed in 2004. The accommodation offers warehouse space, offices and canteen facilities, with a total area of 14,472 m².</p> <p>The property is let to 13 tenants including L'Occitane and WeMaTek on a number of leases expiring between January 2010 and June 2016.</p> <p>The property is of part freehold and part leasehold tenure.</p>
3. Krekshino, Moscow	<p>The Krekshino development is located near the rural settlement of the same name in the Naro-Fominsky area in the Moscow Region. The property is situated about 40 km to the south west of the city centre, 24 km from the Moscow Ring Road (MKAD), between the Minsk and Kiev highways. Vnukovo airport, which offers both passenger and freight terminals, and is one of the largest airports in Moscow, is within about 15 km of the properties.</p> <p>The scheme is in four phases, known as 1A, 1B, 1C and 1D. All the phases comprise warehouse accommodation with ancillary offices and mezzanine floors.</p>

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- 1A, B and C are all let to National Logistics Company, (the largest logistics operator in Russia) on three leases expiring in January 2016, March 2012 and August 2014 respectively. 1D is let by way of six leases, expiring between February 2010 and July 2015.
- The property is of freehold tenure.
4. **Istra, Moscow Phase 1**
- The property comprises Phase 1 of a 33 ha development site situated directly adjacent to the New Riga highway, approximately 50 km from Moscow city centre, 41 km from MKAD and 8 km from the Betonka.
- Phase 1 comprises a logistics warehouse of 51,334 m², including mezzanine and ancillary office space. The construction was completed in December 2007 with State Commissioning on 21 December.
- The property is divided into two units. Block 1 (16,873 m²) is to Bacardi by way of a 7 year lease, expiring May 2015 and Block 2 (34,231 m²) is let to Terminal Vostock Ltd on a 10 year lease, expiring May 2018.
- The property is of part freehold and part leasehold tenure.
5. **Istra, Moscow Phase 2**
- This is the second Phase of the above detailed scheme, situated directly adjacent to Phase 1. Phase 2 comprises a logistics warehouse of 49,950 m², including mezzanine and ancillary office space. The property comprises a single unit, let to DSV by way of a 10 year lease expiring in September 2018.
- The property is of part freehold and part leasehold tenure.
6. **Istra, Moscow Phase 3**
- Phase 3 of the project comprises two logistics warehouses totalling 52,270 m², including mezzanine and ancillary office space. Construction was completed in early 2009.
- Building 1 with an area of 25,847 m² is let to Seacontinental Logistics by way of a 7 year lease, expiring in March 2016.
- Building 2 is divided into two parts. Unit 1 is leased to DSV (8,824.4 m²) by way of a 10 year lease expiring in April 2019. Unit 2 is leased to Major (17,599 m²) by way of a 5 year lease expiring in December 2014.
- The property is of part freehold and part leasehold tenure.
7. **Istra, Moscow Phase 4**
- This asset is the fourth phase of the above detailed scheme, situated directly adjacent to Phase 3.
- Phase 4 comprises two logistics warehouses, each of 14,790 m², including mezzanine and ancillary office space.
- There are currently no tenancies agreed on either building.
- The property is of part freehold and part leasehold tenure.
8. **Istra, Moscow Phase 5**
- The property comprises the fifth and final phase of the above detailed scheme.
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- Phase 5 comprises a single storey logistics warehouses totalling 18,140 m². The construction will be completed in 2010.
- This space has been preleased to DSV.
- The property is of part freehold and part leasehold tenure.
9. **Lobnya**
- The property is located on the Rogachevckoe highway located approximately 35 km to the north of the city centre, 25 km from MKAD and 10 km north of Lobnya.
- The scheme is a logistics complex with mezzanine and ancillary office premises, with a total area of around 51,441 m². The project is to be delivered in one phase, construction will be finished shortly.
- The project is fully prelet to two tenants, firstly Avalon Logistics have taken 27,548 m² on a 5 year lease from May 2010 and Nippon Express will occupy 23,582 m² on a 7 year lease.
- The property is of freehold tenure.
10. **Klimovsk Phase I**
- The asset comprises Phase 1 of a development project to the south of Moscow, approximately 21 km from the MKAD in the town called Klimovsk. The project is a short distance from the M2 Simferopolskoye highway, a major route to the south from Moscow.
- This phase provides 53,653 m² of Class A warehouse accommodation with mezzanine and ancillary offices, in three buildings.
- Gradient have taken a 7 year lease, expiring in July 2016, on building 1, the total area of warehouse, mezzanine and offices is 18,286 m².
- Gates have taken a 7 year lease, expiring in October 2016, on building 2, the total area of warehouse, mezzanine and offices is 6,154 m².
- The remaining 29,182 m² is vacant.
- The property is of part freehold and part leasehold tenure.
11. **Noginsk Phase 1**
- The property comprises part of a 62 ha development site located in the Noginsk district of the Moscow region approximately 55 km from the city, 45 km from MKAD and 3 km inside the Betonka. Access to the site is from the Volga highway, which links Moscow to Nizhniy Novgorod.
- Phase 1 provides a logistic complex of 122,429 m² comprising three buildings with ancillary office premises, in addition there is a rail ramp provision.
- We have adopted the developer's outstanding construction costs, subject to internal considerations of reasonableness.
- There are no leases in place, but we understand discussions with potential tenants are in progress.
- The property is of freehold tenure.
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| 12. Logopark Neva,
St. Petersburg Building I | <p>The property comprises the first building of a logistics scheme known as Logopark Neva. The total development site has an area of around 26 ha and is situated in the Shushary District of St. Petersburg, approximately 15 km south of the city centre and around 5 km from the KAD ring road.</p> <p>Building 1 comprises a new, purpose built, Class A logistics warehouse with a total floor area of 61,706 m², including warehouse, offices and mezzanine areas and is let to Avalon Logistics by way of a 10 year lease, expiring in July 2018.</p> <p>The property is of freehold tenure.</p> |
| 13. Logopark Neva,
St. Petersburg Building 2 | <p>The property comprises the final building of Logopark Neva.</p> <p>Building 2 comprises a new, purpose built, Class A logistics warehouse with a total floor area of 33,623 m², including warehouse, offices and mezzanine areas.</p> <p>The unit is currently vacant and we made an allowance for the cost to complete construction.</p> <p>The property is of freehold tenure.</p> |
| 14. Logopark Neva,
St. Petersburg Building 3 | <p>This asset is the third phase, of Logopark Neva, situated directly in front of Building 2.</p> <p>Building 3 comprises a new, purpose built, Class A logistics warehouse with a total floor area of 49,110 m², including warehouse, offices and mezzanine areas.</p> <p>This building is completed and vacant.</p> <p>The property is of freehold tenure.</p> |
| 15. Pulkovo 1 | <p>The property comprises a 5 ha freehold site with a logistics and office development, located to the south of the city centre close to major transport links and the Airport.</p> <p>The scheme provides 35,760 m² of Class A logistics warehousing including ancillary offices and mezzanine. Moron have taken a 5 year lease, expiring in November 2014 with a total area of 2,866 m².</p> <p>WeMaTech have taken a 1 year lease, expiring in September 2010, with a total area of 2,383 m².</p> <p>There are no leases in place for the remaining area, but we understand discussions with potential tenants are in progress.</p> <p>We have assumed construction is almost completed with only minor outstanding construction costs. In this regard we have adopted the developer's figures with internal checks for reasonableness.</p> <p>The property is of freehold tenure.</p> |
| 16. Logopark Don Phase I | <p>The property comprises part of a greenfield development site of 45 ha, held on a freehold basis, situated on the Federal Highway M4 "Don" approximately 27 km from the city centre.</p> |
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17. Logopark Ob

The first phase of the scheme is for 99,806 m² of Class A logistics warehousing including ancillary offices and mezzanine.

There are three leases in place, firstly Avalon Logistics have taken 31,663 m² on a 10 year lease, Auchan have taken 15,826 m² on a seven year lease and X5 have taken 10,660 m² on a 7 year lease.

There is an additional 41,647 m² currently vacant.

The property is of freehold tenure.

The property is located on Petukhova Road to the south of the city centre and comprises a development site of 17.8 ha.

The scheme offers a logistics facility with a total area of 116,802 m², offering Class A warehouse accommodation with mezzanine, ancillary offices and railway ramps. There is also a rail spur serving the site.

Avalon Logistics have leased 31,434 m² for a term of 10 years expiring in 2019. FM Logistics have leased 10,625 m², including warehouse, office and mezzanine space, for a term expiring in August 2012. Oriflame have taken a five year lease expiring in December 2014 for 4,970 m² of warehouse and office space.

The property is of part freehold and part leasehold tenure.

18. Constanta, St. Petersburg

The property comprises a stand alone Class B+ office building on Leninsky Prospekt in the Moakovakiy district of St. Petersburg, approximately 8 km to the south of the city centre.

The property is a modernised administrative building, which was converted in 2005 to provide an eight storey, self contained office building with a gross leasable floor area of 15,828 m² and 70 car parking spaces.

The entire building is let to LenEnergo by way of a 10 year lease expiring in April 2017 and the car park is let on a lease extended until 31 January 2011.

The property is of freehold tenure.

APPENDIX 2

GENERAL PRINCIPLES ADOPTED IN THE PREPARATION OF VALUATION AND REPORTS

These are the general principles upon which our Valuations and Reports are normally prepared; they apply unless we have specifically mentioned otherwise in the body of the report. Where appropriate, we will be pleased to discuss variations to suit any particular circumstances, or to arrange for the execution of structural or site surveys, or any other more detailed enquiries.

These General Principles should be read in conjunction with Jones Lang LaSalle's General Terms and Conditions of Business.

1. RICS VALUATION STANDARDS

Valuations and Reports are prepared in accordance with the Practice Statements contained in the RICS Valuation Standards (6th Edition) published by the Royal Institution of Chartered Surveyors, by valuers who conform to the requirements thereof.

Except where stated, Jones Lang LaSalle and Jones Lang LaSalle Hotels are External Valuers.

2. VALUATION BASIS

Properties are generally valued to "Market Value" or alternatively another basis of valuation as defined in the Appraisal and Valuation Manual. Market Value is defined as "The estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

The full definition of any other basis, which we may have adopted, is either set out in our report or in the Appraisal and Valuation Manual.

There are interpretative commentaries on the definitions which are set out in the Appraisal and Valuation Manual and which we will be pleased to supply on request.

In our valuations no allowances are made for any expenses of realisation, or for taxation, which might arise in the event of a disposal. All property is considered as if free and clear of all mortgages or similar financial encumbrances, which may be secured thereon.

Unless otherwise stated, our valuations are of each separate property. Portfolio valuations are aggregates of individual valuations rather than the portfolio having been valued as a whole. No allowance is made for the effect of the simultaneous marketing of all/or a proportion of the properties.

3. SOURCE OF INFORMATION

We accept as being complete and correct the information provided to us, by the sources listed, as to details of tenure, tenancies, tenant's improvements, planning consents and other relevant matters, as summarised in our report.

4. DOCUMENTATION

We do not normally read leases or documents of title. We assume, unless informed to the contrary, that each property has a good and marketable title, that all documentation is satisfactorily drawn and that there are no encumbrances, restrictions, easements or other outgoings of an onerous nature, which would have a material effect on the value of the interest under consideration, nor material litigation pending. Where we have been provided with documentation we recommend that reliance should not be placed on our interpretation without verification by your lawyers.

5. TENANTS

Although we reflect our general understanding of a tenant's status in our valuations, enquiries as to the financial standing of actual or prospective tenants are not normally made unless specifically requested. Where properties are valued with the benefit of lettings, it is therefore assumed, unless we are informed otherwise, that the tenants are capable of meeting their financial obligations under the lease and that there are no arrears of rent or undisclosed breaches of covenant.

6. MEASUREMENTS

Where appropriate, all measurement is carried out in accordance with the Code of Measuring Practice issued by the Royal Institution of Chartered Surveyors, except where indicated or where we specifically state that we have relied on another source.

7. TOWN PLANNING AND OTHER STATUTORY REGULATIONS

Information on Town Planning, wherever possible, is obtained verbally from the Local Planning Authority. We do not make formal legal enquiries and, if reassurance is required, we recommend that verification be obtained from lawyers that:

- 7.1 the position is correctly stated in our report;
- 7.2 the property is not adversely affected by any other decisions made, or conditions prescribed, by public authorities;
- 7.3 there are no outstanding statutory notices.

Outside the UK however, it is often not possible to make such verbal enquiries.

Our valuations are prepared on the basis that the premises (and any works thereto) comply with all relevant statutory and EC regulations, including enactments relating to fire regulations, access and use by disabled persons and control and remedial measures for asbestos in the workplace.

8. STRUCTURAL SURVEYS

Unless expressly instructed, we do not carry out a structural survey, nor do we test the services and we therefore do not give any assurance that any property is free from defect. We seek to reflect in our valuations any readily apparent defects or items of disrepair, which we note during our inspection, or costs of repair which are brought to our attention.

9. DELETERIOUS MATERIALS

We do not normally carry out investigations on site to ascertain whether any building was constructed or altered using deleterious materials or techniques (including, by way of example, high-alumina cement concrete, woodwool as permanent shuttering, calcium chloride or asbestos). Unless we are otherwise informed, our valuations are on the basis that no such materials or techniques have been used.

10. SITE CONDITIONS

We do not normally carry out investigations on site in order to determine the suitability of ground conditions and services for the purposes for which they are, or are intended to be, put; nor do we undertake archaeological, ecological or environmental surveys. Unless we are otherwise informed, our valuations are on the basis that these aspects are satisfactory and that, where development is contemplated, no extraordinary expenses or delays will be incurred during the construction period due to these matters.

11. ENVIRONMENTAL CONTAMINATION

Unless expressly instructed, we do not carry out site surveys or environmental assessments, or investigate historical records, to establish whether any land or premises are, or have been, contaminated. Therefore, unless advised to the contrary, our valuations are carried out on the basis that properties are not affected by environmental contamination. However, should our site inspection and

further reasonable enquiries during the preparation of the valuation lead us to believe that the land is likely to be contaminated we will discuss our concerns with you.

12. INSURANCE

Unless expressly advised to the contrary we assume that appropriate cover is and will continue to be available on commercially acceptable terms. For example in regard to the following:

Composite Panels

We understand that a number of insurers are substantially raising premiums, or even declining to cover, buildings incorporating certain types of composite panel. Information as to the type of panel used is not normally available, and the market response to this issue is still evolving. Accordingly, our opinions of value make no allowance for the risk that insurance cover for any property may not be available, or may only be available on onerous terms, or for any adverse market reaction to the presence of such panels.

Terrorism

To the extent that it is feasible, our valuations have been made on the basis that the properties are insured against risks of loss or damage including damage caused by acts of Terrorism.

Flood and Rising Water Table

Our valuations have been made on the assumption that the properties are insured against damage by flood and rising water table.

13. CURRENCY

The valuations are prepared in US Dollars.

14. VALUE ADDED TAX

Valuations are prepared and expressed exclusive of VAT payments, unless otherwise stated.

15. OUTSTANDING DEBTS

In the case of property where construction works are in hand, or have recently been completed, we do not normally make allowance for any liability already incurred, but not yet discharged, in respect of completed works, or obligations in favour of contractors, subcontractors or any members of the professional or design team.

16. CONFIDENTIALITY AND THIRD PARTY LIABILITY

Our Valuation and the Schedule are for the specific purpose to which they refer and form part of the prospectus. Save where the contents of this Valuation Report are reproduced, referred to or otherwise disclosed by virtue of the Prospectus in which it appears (or any part thereof) being incorporated by reference (as that term is used in the Prospectus Rules and/or the Listing Rules), before this Valuation Report, or any part thereof, is reproduced or referred to in any other document, circular or statement, and before its contents, or any part thereof, are otherwise disclosed orally or otherwise to a third party, the Valuers' written approval as to the form and content of such publication or disclosure must first be obtained.

For the avoidance of doubt, such approval is required whether or not Jones Lang LaSalle are referred to by name and whether or not the contents of our Valuation Report are combined with other reports.

17. VALUATIONS PREPARED ON LIMITED INFORMATION

In the event that we are instructed to provide a valuation without the opportunity to carry out an adequate inspection and/or without the extent of information normally available for a formal valuation, we are obliged to state that the valuation is totally dependent on the adequacy and accuracy of the information supplied and/or the assumptions made. Should these prove to be incorrect or inadequate, the accuracy of the valuation may be affected.

APPENDIX 3

MARKET VALUE DEFINITION (EXTRACT FROM THE RICS VALUATION STANDARDS (6TH EDITION))

MARKET VALUE

Definition and Interpretive Commentary. Reproduced from the RICS Valuation Standards 6th Edition, PS.

3.2.

Valuations based on Market Value (MV) shall adopt the definition, and the interpretive commentary, settled by the International Valuation Standards Committee.

DEFINITION

‘The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion’

Interpretive Commentary, as published in International Valuation Standard 1

3.2.

The term property is used because the focus of these Standards is the valuation of property. Because these Standards encompass financial reporting, the term Asset may be substituted for general application of the definition. Each element of the definition has its own conceptual framework.

3.2.1 ‘The estimated amount ...’

Refers to a price expressed in terms of money (normally in the local currency) payable for the property in an arm’s length market transaction. Market Value is measured as the most probable price reasonably obtainable in the market at the date of valuation in keeping with the Market Value definition. It is the best price reasonably obtainable by the seller and the most advantageous price reasonably obtainable by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of Special Value.

3.2.2 ‘... a property should exchange ...’

Refers to the fact that the value of a property is an estimated amount rather than a predetermined or actual sale price. It is the price at which the market expects a transaction that meets all other elements of the Market Value definition should be completed on the date of valuation.

3.2.3 ‘... on the date of valuation ...’

Requires that the estimated Market Value is time specific as of a given date. Because markets and market conditions may change, the estimated value may be incorrect or inappropriate at another time. The valuation amount will reflect the actual market state and circumstances as of the effective valuation date, not as of either a past or future date. The definition also assumes simultaneous exchange and completion of the contract for sale without any variation in price that might otherwise be made.

3.2.4 ‘... between a willing buyer ...’

Refers to one who is motivated, but not compelled to buy. This buyer is neither over eager nor determined to buy at any price. This buyer is also one who purchases in accordance with the realities of the current market and with current market expectations, rather than on an imaginary or hypothetical market which cannot be demonstrated or anticipated to exist. The assumed buyer would

not pay a higher price than the market requires. The present property owner is included among those who constitute 'the market'. A valuer must not make unrealistic Assumptions about market conditions or assume a level of Market Value above that which is reasonably obtainable.

3.2.5 '... a willing seller ...'

Is neither an over eager nor a forced seller prepared to sell at any price, nor one prepared to hold out for a price not considered reasonable in the current market. The willing seller is motivated to sell the property at market terms for the best price attainable in the (open) market after proper marketing, whatever that price may be. The factual circumstances of the actual property owner are not a part of this consideration because the 'willing seller' is a hypothetical owner.

3.2.6 '... in an arm's length transaction ...'

Is one between parties who do not have a particular or special relationship (for example, parent and subsidiary companies or landlord and tenant) which may make the price level uncharacteristic of the market or inflated because of an element of Special Value (defined in IVSC Standard 2, paragraph 3.8). The Market Value transaction is presumed to be between unrelated parties each acting independently.

3.2.7 '... after proper marketing ...'

Means that the property would be exposed to the market in the most appropriate manner to effect its disposal at the best price reasonably obtainable in accordance with the Market Value definition. The length of exposure time may vary with market conditions, but must be sufficient to allow the property to be brought to the attention of an adequate number of potential purchasers. The exposure period occurs prior to the valuation date.

3.2.8 '... wherein the parties had each acted knowledgeably, prudently ...'

Presumes that both the willing buyer and the willing seller are reasonably informed about the nature and characteristics of the property, its actual and potential uses and the state of the market as of the date of valuation. Each is further presumed to act for self-interest with that knowledge and prudently to seek the best price for their respective positions in the transaction. Prudence is assessed by referring to the state of the market at the date of valuation, not with benefit of hindsight at some later date. It is not necessarily imprudent for a seller to sell property in a market with falling prices at a price which is lower than previous market levels. In such cases, as is true for other purchase and sale situations in markets with changing prices, the prudent buyer or seller will act in accordance with the best market information available at the time.

3.2.9 '... and without compulsion.'

Establishes that each party is motivated to undertake the transaction, but neither is forced or unduly coerced to complete it.

3.3

Market Value is understood as the value of a property estimated without regard to costs of sale or purchase, and without offset for any associated taxes.

COMMENTARY

- a. The basis of Market Value is an internationally recognised definition. It represents the figure that would appear in a hypothetical contract of sale at the valuation date. Valuers need to ensure that in all cases the basis is set out clearly in both the instructions and the Report.
- b. Market Value ignores any existing mortgage, debenture or other charge over the property.
- c. In the conceptual framework in IVS quoted above (para 3.2.1) it is clear that any element of special value that would be paid by an actual special purchaser at the date of valuation must be disregarded in an estimate of Market Value. Special value includes synergistic value, also known as marriage value.

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- d. IVS describes special value and synergistic value as follows:
- Special Value can arise where an asset has attributes that make it more attractive to a particular buyer, or to a limited category of buyers, than to the general body of buyers in a market. These attributes can include the physical, geographic, economic or legal characteristics of an asset. Market Value requires the disregard of any element of Special Value because at any given date it is only assumed that there is a willing buyer, not a particular willing buyer.
 - Synergistic Value can be a type of Special Value that specifically arises from the combination of two or more assets to create a new asset that has a higher value than the sum of the individual assets. When Special Value is reported, it should always be clearly distinguished from Market Value.
- e. Notwithstanding this general exclusion of special value where the price offered by prospective buyers generally in the market would reflect an expectation of a change in the circumstances of the property in the future, this element of 'hope value' is reflected in Market Value. Examples of where the hope of additional value being created or obtained in the future may impact on the Market Value include:
- the prospect of development where there is no current permission for that development; and
 - the prospect of 'synergistic value' arising from merger with another property or interests within the same property at a future date.
- f. When Market Value is applied to plant & equipment, the word 'asset' may be substituted for the word 'property'. The valuer must also state, in conjunction with the definition, which of the following additional assumptions have been made:
- that the plant & equipment has been valued as a whole in its working place; or
 - that the plant & equipment has been valued for removal from the premises at the expense of the purchaser.
- Further information on plant & equipment valuation, including typical further assumptions that may be appropriate in certain circumstances, can be found in GN 2 and in IVS GN 3 – Plant & equipment.
- g. Where the property includes land which is mineral bearing, or is suitable for use for waste management purposes, it may be necessary to make assumptions to reflect either the potential for such uses or, where the land is already in such use, to reflect any potential future uses that may be relevant. Further information on the valuation approach in these cases can be found in GN 4.

Where the property is personal property it may be necessary to interpret Market Value as it applies to different sectors of the market. Further information on this type of valuation can be found in IVSC GN 4 and 5.

PART 8

PRINCIPAL TERMS OF THE PREFERENCE SHARES AND THE WARRANTS

SECTION A: PREFERENCE SHARES

Fixed Amount	£1 per Preference Share.
Preference Dividends	<p>Cumulative preferential dividends will accrue from day to day on the Preference Shares at a rate of 12 per cent. per annum on the Fixed Amount (being £1) from (and including) the date of issue and will be payable quarterly in equal instalments in arrears on 31 March, 30 June, 30 September and 31 December in each year.</p> <p>The holders of the Preference Shares shall rank for dividends in priority to the holders of any other class of shares of the Company (save for any Further Preference Shares (as defined below)). The holders of the Preference Shares shall not be entitled to participate in any further dividends or bonus share issue of the Company.</p> <p>If all or any part of the Preference Dividend is in arrears, interest shall accrue on such unpaid sum at the rate of 15 per cent. per annum from the date upon which such arrears arise until the date of payment. In the event that the arrears of the Preference Dividend shall remain unpaid for six months then the interest rate at which interest will accrue on such arrears will from such time increase to the rate of 20 per cent. per annum.</p> <p>If there are any arrears of the Preference Dividend outstanding the Company may not pay any distribution (as defined in section 301 of the Law but excluding for these purposes distributions falling within sections 302(1)(a), (d) and (e) of the Law) in respect of the Ordinary Shares or any other shares ranking for distribution after the Preferences Shares or Further Preference Shares.</p>
Scrip Preference Dividend	Subject to the provisions of the Statutes, the board shall offer all holders of Preference Shares the right to elect to receive the Preference Dividend or any part thereof as a scrip dividend of Preference Shares instead of in cash.
Redemption	<p>The Preference Shares only have the right to be redeemed in the following circumstances:</p> <ul style="list-style-type: none">• subject to the Statutes, on completion of a takeover bid or merger transaction to which the City Code applies (or would have applied if such bid or transaction was proposed, made or effected as the date of the adoption of the Articles (being 25 March 2009)), however effected (but which for the avoidance of doubt will not include a subscription for or purchase of new shares or securities in the Company) including by means of an amalgamation under Part VI of the Law or an arrangement under Part VIII of the Law, as a result of which any person or persons acting in concert (as defined in the City

Code) holds shares carrying in aggregate 50 per cent. or more of the voting rights (as defined in the City Code) of the Company; or

- subject to the Statutes, if the Company has served a Rights Cessation Notice (as defined below) on holders of Preference Shares where, at such time, there are fewer than 35,000,000 Preference Shares in issue.

In these circumstances, a holder of Preference Shares can elect to redeem all (but not part) of his holding.

The amount to be paid on such redemption per Preference Share will be an amount equal to the aggregate of: (i) the Fixed Amount (being £1); and (ii) a sum equal to all arrears and accruals of the Preference Dividend thereon to be calculated down to and including the day of redemption (together with any accrued interest) and to be payable irrespective of whether or not such dividend has been declared or earned or become due and payable.

The Preference Dividend shall cease to accrue on any Preference Shares so redeemed with effect from such redemption.

If the Company fails to redeem any Preference Shares on the date fixed for such redemption, interest shall accrue on unpaid redemption monies at the rate of 15 per cent. per annum from the date upon which such redemption monies were required to be paid until the date of payment. In the event that the relevant unpaid redemption monies have been unpaid for 6 months from the date fixed for redemption then the interest rate at which interest will accrue on such unpaid redemption monies will increase from such time to the rate of 20 per cent. per annum.

Save as set out above, neither the Company nor the holders of Preference Shares shall have a right to redeem the Preference Shares.

Capital

On a return of capital on a winding up or pursuant to an administration order (other than a redemption or purchase by the Company of any of its share capital) the holders of Preference Shares shall be entitled, in priority to other shareholders (save for the rights relating to Further Preference Shares (as defined below)), to be paid out of the assets of the Company available for distribution to members an amount in respect of each Preference Share equal to the aggregate of the Fixed Amount (being £1) together with a sum equal to any arrears and accruals of the Preference Dividend in respect of such Preference Share (and any accrued interest), whether earned or declared or not, calculated down to the date of commencement of the winding up.

The holders of the Preference Shares shall not have any further right to participate in the assets of the Company on any such return of capital.

Voting Rights

The holders of the Preference Shares shall have the right to receive notice of and to attend any general meeting of the Company and to attend, speak and vote at a general meeting of the Company:

- if, and when at the date of the notice convening such meeting, the Preference Dividend is in arrears (and for this purpose, the Preferred Dividend shall be deemed to be payable quarterly on the dates set out above); or
- if a resolution is to be proposed abrogating, varying or modifying any of the rights or privileges of the holders of the Preference Shares or for the winding up of the Company pursuant to Part XXII of the Law, in which case they shall only be entitled to vote on such resolution.

Save as set out herein, the Preference Shares shall not confer on the holders thereof the right to speak or vote at any general meeting of the Company.

Whenever the holders of Preference Shares are entitled to vote at a general meeting of the Company upon any resolution proposed at such general meeting, on a show of hands every holder thereof who is present in person or by proxy or (being a corporation) is present by a duly authorised representative or by proxy shall have one vote and on a poll every holder thereof who (being an individual) is present in person or by proxy or (being a corporation) is present by a duly authorised representative or by proxy shall have one vote in respect of each Preference Share registered in the name of such holder.

The holders of the Preference Shares shall have the right to have sent to them (at the same time as the same are sent to the holders of the Ordinary Shares) a copy of the Company's annual report and accounts and (if available) the Company's six monthly interim unaudited financial statements and such other Company information that is sent to the holders of Ordinary Shares.

Variation of Rights

For as long as any Preference Shares remain in issue, the issue or allotment of or the creation or increase of the amount of any shares of any class or any security convertible into shares of any class ranking, as regards rights to participate in the Company's profits or assets, in priority to the Preference Shares shall be deemed to constitute a variation of the class rights attaching to the Preference Shares.

The Company may from time to time without the consent of the holders of the outstanding Preference Shares create and issue further preference shares (including but not limited to Preference Shares) ("**Further Preference Shares**") ranking as regards their participation in the profits and assets of the Company *pari passu* with but not in priority to Preference Shares and so that any such Further Preference Shares may either carry as regards participation in the profits and assets of the Company, rights and restrictions identical in all respects with the Preference Shares or with any other series of Further Preference Shares or rights and restrictions differing therefrom in any respect including but without prejudice to the

generality of the foregoing in that: (i) the rate of dividend may differ; (ii) the Further Preference Shares may rank for dividends from such date as may be provided by the terms of issue thereof and the dates for payment of the dividend may differ; (iii) a premium may be payable on a return of capital or there may be no such premium; or (iv) the Further Preference Shares may be redeemable and/or convertible into Ordinary Shares on such terms and conditions as may be prescribed by the terms of issue thereof.

In the event that the Company creates and issues Further Preference Shares (except where the Further Preference Shares being created and/or issued are Preference Shares), then unless authorised by the consent in writing of the holders of three-fourths in number of the Preference Shares then in issue (excluding any Preference Shares held as treasury shares) or with the sanction of a special resolution passed at a separate general meeting of the holders of the Preference Shares, the Company shall not create or issue such Further Preference Shares unless:

- the board has made an offer to each person who holds Preference Shares to allot to him on the same or more favourable terms such proportion of those Further Preference Shares that is as nearly as practicable (fractions being disregarded) equal to the proportion in number held by him of the aggregate Preference Shares then in issue; and
- the period, which shall not be less than 21 clear days, during which any offer referred to above may be accepted, has expired or the Company has received notice of the acceptance or refusal of every offer made.

Until the Rights Cessation Date (as defined below), then save with such consent or sanction on the part of the holders of the Preference Shares as is required for a variation of the rights attached to such shares as set out in Article 15 of the Articles:

- the Company shall not make a distribution (as defined in section 301 of the Law but excluding for these purposes distributions falling within sections 302(1)(a), (d) and (e) of the Law) in respect of Ordinary Shares or any other shares ranking for distribution after the Preference Shares or Further Preference Shares (a “**Qualifying Distribution**”) which, either itself or when taken together with the aggregate amount of Qualifying Distributions in the previous 12 month period, would exceed 10 per cent. of the consolidated net asset value of the Company at the point in time the Company proposes to make the relevant Qualifying Distribution; and
- there shall not take place:
 - (a) a conversion of the Company under Part V of the Law;
 - (b) a migration of the Company under Part VII of the Law; or
 - (c) a voluntary striking off of the Company under Part XX of the Law.

If at any time there are fewer than 35,000,000 Preference Shares in issue, the Company may (but shall not be obliged to) serve a notice

	on the holders of Preference Shares (a “ Rights Cessation Notice ”) providing that the provisions set out above in respect of distributions and other corporate events shall cease to apply from the date specified in the Rights Cessation Notice provided that such date can be no earlier than a date which is 30 days after the date of the Rights Cessation Notice (such date being referred to as the “ Rights Cessation Date ”).
Form	The Preference Shares will be issued in either certificated form or uncertificated form in CREST.
Purchase of Preference Shares	The Company has the power in its articles of incorporation to buyback the Preference Shares. A summary of the key provisions of the Articles is set out in paragraph 4 of Part 9 of this document.
Yield	12 per cent. per annum, payable quarterly.
Listing	On AIM, a market operated by London Stock Exchange plc.

SECTION B: WARRANTS

Exercise Amount	25 pence.
Expiry Date	25 March 2019.
Transfer	Freely transferable.
Exercise of Warrants	Save as provided below, the Warrantholder of each Warrant will have the right, which may be exercised on any day prior to the Expiry Date, to subscribe in cash for all or part of the relevant number of Ordinary Shares (as appropriate) in consideration of the payment of the Exercise Amount in full per Warrant.

Warrants will be deemed to be exercised on the business day upon which the registrar shall have received the relevant documentation and remittance, in accordance with the instructions set out in the Warrant Instrument. Subject to value having been received by the Company in respect of the relevant remittance, the Company shall allot the Ordinary Shares to be issued pursuant to the exercise of subscription rights attaching to any Warrant and enter the allottee of such Ordinary Shares in the Company's register of members not later than 14 days after the date on which such Warrants are exercised.

Every Warrant in respect of which subscription rights:

- have been exercised in full; or
- on the Expiry Date have not been exercised (whether in whole or in part),

shall lapse and be cancelled.

Ordinary Shares allotted pursuant to the exercise of Warrants in accordance with the terms of the Warrant Instrument shall be issued fully-paid and free from any liens, charges or encumbrances and rights of pre-emption but shall not rank for any dividends or other distributions declared, made or paid on the Ordinary Shares for which the record date is prior to the relevant day on which the Warrants are exercised but, subject thereto, shall rank in full for all dividends and other distributions declared, made or paid on the Ordinary Shares on or after the relevant day on which the Warrants are exercised and otherwise *pari passu* in all respects with the Ordinary Shares in issue at that date.

At any time when the Ordinary Shares are admitted to trading on AIM or to the Official List of the London Stock Exchange, application will be made by the Company to the London Stock Exchange for the Ordinary Shares allotted pursuant to any exercise of Warrants to be admitted to trading on AIM or to the Official List (as the case may be) and the Company will use its reasonable endeavours to obtain such admission not later than 14 days after the date of allotment of the relevant Ordinary Shares pursuant to the exercise of the Warrants in accordance with the terms of the Warrant Instrument.

Undertakings of the Company

Save as provided below and, unless otherwise authorised by an Extraordinary Resolution (as defined below), whilst any Warrant remains exercisable:

- the Company shall not in any way modify the rights attached to its existing Ordinary Shares as a class in any way which operates to vary the rights of the Warrantholders in relation to the Warrants (but nothing shall restrict the right of the Company to increase, consolidate, sub-divide or reduce its share capital subject to any adjustments to the subscription rights as may be required by the Warrant Instrument). For the purposes of this sub-paragraph, the creation or issue of preference shares (whether convertible, redeemable and/or cumulative) carrying rights to dividends, capital conversion or otherwise as the directors of the Company shall think fit, shall not be deemed to modify the rights attaching to the Ordinary Shares;
- the Company shall at all times maintain sufficient authorized but unissued share capital and all requisite shareholders or other authorities necessary to enable the issue of Ordinary Shares (free from any rights of pre-emption) pursuant to the exercise of all the Warrants outstanding from time to time;
- Warrantholders will have made available to them, at the same time and in the same manner as the same are made available to holders of Ordinary Shares, copies of the audited accounts of the Company (with the relevant directors' and auditor's reports) and copies of all other circulars or notices which are made available to holders of Ordinary Shares; and
- in the event that the Company is proposing to make a dividend (as defined in section 302 of the Law) to the holders of the Ordinary Shares (a "**Qualifying Dividend**") of an amount which is not consistent with the stated dividend policy of the Company, the Company will notify Warrantholders of such proposed Qualifying Dividend at least 60 days prior to the scheduled record date for such Qualifying Dividend.

Adjustment of Subscription Rights

While any Warrants remain exercisable:

- after any allotment of fully paid Ordinary Shares by way of capitalisation of profits or reserves to holders of the Ordinary Shares on the register of members of the Company on a date (or by reference to a record date) other than pursuant to a scrip dividend; or
- upon any sub-division or consolidation of the Ordinary Shares,

the number and/or nominal value of Ordinary Shares to be subscribed on a subsequent exercise of each Warrant will be increased or (as the case may be) reduced proportionately on the basis that immediately after the allotment, sub-division or consolidation, the Ordinary Shares to be issued if the subscription rights attaching to the then outstanding Warrants were exercised shall constitute the same percentage of the total number of issued Ordinary Shares as that which such Ordinary Shares would have constituted immediately

before such allotment, sub-division or consolidation and the Exercise Amount of the then outstanding Warrants shall be adjusted accordingly.

While any Warrants remain exercisable, in the event that the Company pays a Qualifying Dividend which exceeds 10 per cent. of the consolidated net asset value of the Company on the date of payment of the Qualifying Dividend, the Exercise Amount shall be adjusted in such manner as the auditors of the Company certify as fair and reasonable to take into account such Qualifying Dividend. Such adjustment shall become effective on the day following the record date for such Qualifying Dividend. For the purposes of this paragraph, the consolidated net asset value of the Company on the date of payment of a Qualifying Dividend shall be determined by reference to the latest published audited accounts or (if such accounts have been published since the publication of the Company's last audited accounts) the latest published interim half yearly unaudited accounts of the Company.

General Offers

Save as set out below, if at any time:

- an offer is made to all holders of equity share capital of the Company (as defined in the Act) (or all such holders other than the offeror and/or any company controlled by the offeror and/or any person acting in concert with the offeror (as such expression is defined in the latest edition of the City Code)) to acquire the whole or any part of such equity share capital of the Company; and
- the Company becomes aware that, as a result of such an offer, the right to cast a majority of votes which may ordinarily be cast on a poll at a general meeting of the Company has or will become vested in the offeror and/or such persons or companies as aforesaid,

the Company shall forthwith give notice to the Warrantholders of such vesting within 14 days of its becoming so aware (the "**General Offer**").

For the avoidance of doubt, the summoning of a meeting by the court in connection with an arrangement under Part VIII of the Law or the preparation of an amalgamation proposal under Part VI of the Law in either case providing for the acquisition by any person of the whole or any part of such equity share capital of the Company shall be deemed to be the making of a General Offer.

Where a General Offer is made and:

- the offeror and/or any company controlled by the offeror and/or any person acting in concert with the offeror shall have made an offer to Warrantholders or to all Warrantholders other than the offeror and/or any company controlled by the offeror and/or any person acting in concert with the offeror to acquire all of the outstanding Warrants; or
- the offeror and/or any company controlled by the offeror and/or any person acting in concert with the offeror shall have

proposed an arrangement or amalgamation (“**scheme**”) with regard to the acquisition of all the outstanding Warrants,

and in either case the value of the consideration (on such basis as the auditors of the Company may determine, acting as experts, and shall have confirmed in writing to the Warrantholders no less than 21 days (or, if that is not possible, such period as is possible) prior to the expiry of such offer or the date on which such scheme becomes effective) receivable by a Warrantholder pursuant to such offer or scheme represents no less than that which he would have received pursuant to the offer made or scheme proposed to holders of Ordinary Shares had his subscription rights been exercised on the date upon which such offer became wholly unconditional or such scheme became effective (after deduction of the costs of subscription) then any Warrants which are not the subject of an acceptance of the offer to Warrantholders or are not effectively transferred or cancelled pursuant to such scheme shall lapse upon the expiry of that offer or (provided such scheme becomes effective) upon the date upon which that scheme is sanctioned by the court in the case of an arrangement or in the case of an amalgamation is recorded on the register of companies in Guernsey.

If on a date (or by reference to a record date) while any Warrants remain outstanding:

- an offer or invitation is made by the Company (whether by way of rights or otherwise (including but not limited to an open offer) but not being an All Share Offer (as defined below)) to all the holders of Ordinary Shares; or
- any offer or invitation (not being a General Offer) is made to all the holders of Ordinary Shares otherwise than by the Company,

then the Company shall procure (but in the case of any offer or invitation (not being a General Offer) made to all the holders of Ordinary Shares otherwise than by the Company, only in so far as it is able) that at the same time the same offer or invitation is made to the Warrantholders as if their respective Warrants had been exercised and the Warrantholders entered in the register of members accordingly on the day immediately preceding the record date of such offer or invitation then applicable. Provided that, if the directors of the Company so resolve, in the case of any such offer or invitation made by the Company, the Company shall not be required to procure that the same offer or invitation is made to the Warrantholders but that the Exercise Amount and/or the subscription rights shall be adjusted in such manner as the auditors of the Company shall certify to be fair and reasonable to take account of such offer or invitation by the Company.

If a General Offer is made whereunder the consideration consists solely of the issue of ordinary shares of the offeror and the offeror makes available an offer of warrants to subscribe for ordinary shares of the offeror in exchange for Warrants which the auditors of the Company consider in their opinion is fair and reasonable (having regard to the terms of the offer and any other circumstances which

may appear to the auditors to be relevant) (an “**All Share Offer**”) then any director of the Company shall be authorised as attorney for each and any of the Warrantholders:

- to execute a transfer thereof in favour of the offeror in consideration of the issue of a warrant to subscribe for ordinary shares of the offeror as aforesaid whereupon the relevant Warrants shall lapse; and
- to do such acts and things as may be reasonably necessary or appropriate in connection therewith,

subject, in each case, to such offer becoming or being declared wholly unconditional and the offeror being in a position to compulsorily acquire the whole of the then issued ordinary share capital of the Company in accordance with the Law or in the case of such an offer implemented by a scheme, the date upon which that scheme is sanctioned by the court in the case of an arrangement (provided that such scheme becomes effective) or in the case of an amalgamation is recorded in the register of companies in Guernsey.

If, on a date while any Warrants remain outstanding, any order is made or an effective resolution is passed for winding up the Company, except for the purpose of reconstruction or amalgamation (including but not limited to pursuant to an amalgamation under Part VI of the Law or an arrangement under Part VIII of the Law) on terms sanctioned by an Extraordinary Resolution of the Warrantholders, and on such winding up (on the assumptions that all Warrants had been exercised in full and the Exercise Amount payable in connection therewith had been received in full by the Company) there would be a surplus available for distribution amongst the holders of the Ordinary Shares which would exceed, in respect of each Ordinary Share, a sum equal to the Exercise Amount each Warrantholder shall be treated as if, immediately before the date of such order or resolution, his Warrants had been exercised in full at the Exercise Amount and such Warrantholders shall accordingly be entitled to receive out of the assets available in the liquidation *pari passu* with the holders of the Ordinary Shares an amount equal to the sum to which he would have become entitled by virtue of such subscription after deducting a sum per Ordinary Share equal to the Exercise Amount. Subject to the forgoing all Warrants shall lapse on the liquidation of the Company.

Purchase and Cancellation

The Company may at any time purchase Warrants:

- by tender (available to all Warrantholders alike) at any price; or
- on or through the market; or
- by private treaty at any price.

All Warrants so purchased shall be cancelled forthwith and may not be reissued or sold.

Meetings of Warrantholders

Meetings of Warrantholders may be convened in accordance with the provisions of the Warrant Instrument and shall be competent to pass Extraordinary Resolutions and to exercise all the powers as referred to therein. Without prejudice to the generality of the foregoing the Warrantholders, by way of Extraordinary Resolution, shall have power to:

- sanction any compromise or arrangement proposed to be made between the Company and the Warrantholders or any of them;
- sanction any proposal by the Company for modification, abrogation, variation or compromise of, or arrangement in respect of the rights of the Warrantholders against the Company whether such rights shall arise under the Warrant Instrument or otherwise;
- sanction any proposal by the Company for the exchange or substitution for the Warrants of, or the conversion of the Warrants into, shares, stock, bonds, debentures, debenture stock, warrants or other obligations or securities of the Company or any other body corporate formed or to be formed;
- assent to any modification of the conditions to which the Warrants are subject and/or the provisions contained in the Warrant Instrument which shall be proposed by the Company;
- authorise any person to concur in and execute and do all such documents, acts and things as may be necessary to carry out and give effect to any Extraordinary Resolution;
- discharge or exonerate any person from any liability in respect of any act or omission for which such person may have become responsible under the Warrant Instrument; and
- give any authority, direction or sanction which under the provisions of the Warrant Instrument is required to be given by Extraordinary Resolution.

Convening of Meetings

The Company may at any time and shall on receipt of a request in writing of persons holding not less than one-tenth of the outstanding Warrants (upon receiving such indemnity (if any) as it may require against all reasonable costs, expenses and liabilities which it may incur by so doing) convene a meeting of the Warrantholders. Such meeting shall be held at such place within the United Kingdom as the Company shall determine.

At least 14 days' notice in writing of every meeting shall be given to the Warrantholders.

The notice shall specify the place, day and hour of the meeting and the general nature of the business to be transacted, but, except in the case where an Extraordinary Resolution is to be proposed, it shall not be necessary to specify in the notice the terms of the resolutions to be proposed. The notice shall state that a Warrantholder is entitled to appoint a proxy to attend and, on a poll, to vote instead of him.

The accidental omission to give notice to or the non-receipt of notice by any of the Warrantholders shall not invalidate the proceedings at any meeting.

Quorum

At any meeting at least two persons being present in person or by proxy shall form a quorum for the transaction of any business.

No business (other than the election of a chairman) shall be transacted at any meeting unless the requisite quorum is present at the commencement of business.

Absence of Quorum

If within half an hour from the time appointed for the meeting (or such longer interval as the chairman of the meeting may think fit to allow) a quorum is not present, the meeting, if convened upon the requisition of Warrantholders, shall be dissolved. In any other case it shall stand adjourned to such day and time not being less than seven days nor more than 28 days thereafter and to such place as may be appointed by the chairman and at such adjourned meeting the Warrantholders present and entitled to vote shall be a quorum for the transaction of business including the passing of Extraordinary Resolutions.

At least seven days' notice of any adjourned meeting of Warrantholders at which an Extraordinary Resolution is to be submitted shall be given in the same manner, *mutatis mutandis*, as for an original meeting and such notice shall state that the Warrantholders present at the adjourned meeting whatever their number will form a quorum.

Resolutions

At any meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands) demanded by the chairman or by one or more Warrantholders present in person or by proxy and holding or representing one-twentieth of the then outstanding Warrants.

Unless a poll is demanded a declaration by the chairman that a resolution has been carried or carried by any particular majority or lost or not carried by any particular majority shall be conclusive evidence of that fact.

Poll

If a poll is duly demanded it shall be taken in such manner and at such time and place as the chairman may direct (save that a poll demanded on the election of a chairman or on any question of adjournment shall be taken at the meeting without adjournment) and the result of a poll shall be deemed to be the resolution of the meeting at which the poll is demanded.

The demand for a poll shall not prevent the continuance of a meeting for the transaction of any business other than the question on which

the poll has been demanded. The demand for a poll may be withdrawn.

No notice need be given of a poll not taken immediately.

Voting

On a show of hands every Warrantholder who is present in person or, being a corporation, by its authorised representative or proxy shall have one vote. On a poll every Warrantholder who is present in person or by proxy shall have one vote for every Warrant of which he is the holder.

In the case of joint holders of Warrants the vote of the senior who tenders a vote whether in person or by proxy shall be accepted to the exclusion of the vote of the other joint holders and for this purpose seniority shall be determined by the order in which the names stand in the Register.

On a poll votes may be given either personally or by proxy and a Warrantholder entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

No objection shall be raised to the qualification of any person voting except at the meeting or adjourned meeting at which the vote objected to is tendered, and every vote not disallowed at the meeting shall be valid. Any objection made in due time shall be referred to the chairman whose decision shall be final and conclusive.

In the case of an equality of votes whether on a show of hands or on a poll the chairman of the meeting at which the show of hands takes place or at which the poll is demanded shall be entitled to a casting vote in addition to the votes (if any) to which he may be entitled as a Warrantholder.

Extraordinary Resolution

The expression “**Extraordinary Resolution**” means a resolution passed at a meeting of the Warrantholders duly convened and held in accordance with the provisions contained within the Warrant Instrument and carried by a majority consisting of not less than three-fourths of the persons voting thereat upon a show of hands or, if a poll is duly demanded, by a majority consisting of not less than three-fourths of the votes given on such poll.

A resolution in writing signed by Warrantholders entitled to subscribe for not less than 75 per cent. of the Ordinary Shares which are the subject of outstanding Warrants pursuant to the Warrant Instrument in accordance with the provisions contained therein shall for all purposes be valid and effectual as an Extraordinary Resolution passed at a meeting duly convened and held in accordance with the provisions therein contained. Such resolution in writing may be contained in one document or in several documents in like form each signed by one or more of the Warrantholders. In the case of a body corporate the resolution may be signed on its behalf by a director or the secretary thereof or by its duly authorised representative or duly appointed attorney.

	<p>An Extraordinary Resolution passed at a meeting of the Warrantholders duly convened and held in accordance with the Warrant Instrument shall be binding upon all Warrantholders whether or not present at the meeting and each of the Warrantholders shall be bound to give effect thereto accordingly.</p>
Modifications to the Warrant Instrument	<p>Any modification to the Warrant Instrument may be effected only by an instrument in writing, executed by the Company and expressed to be supplemental to the Warrant Instrument and, save in the case of a modification which is of a formal, minor or technical nature or made to correct a manifest error, only if it shall first have been sanctioned by an Extraordinary Resolution.</p>
Availability of the Warrant Instrument	<p>Every Warrantholder shall be entitled to inspect a copy of the Warrant Instrument at the registered office of the Company during normal business hours (Saturdays, Sundays and public holidays in the United Kingdom and Guernsey excepted), and shall be entitled to receive a copy of the Warrant Instrument against payment of such charges as the directors of the Company may impose in their absolute discretion.</p>
Listing	<p>Currently on AIM, a market operated by London Stock Exchange plc. Application has been made to the Financial Services Authority and to the London Stock Exchange respectively for Admission of the Warrants (other than those which are to be surrendered pursuant to the terms of the Offer) to: (i) the Official List; and (ii) to trading on the London Stock Exchange's market for listed securities. It is expected that Admission will become effective and that dealings in the Warrants will commence on 4 August 2010.</p>

PART 9

ADDITIONAL INFORMATION

1. RESPONSIBILITY STATEMENT

The Directors whose names, functions and addresses appear on page 21 of this document, and the Company, accept responsibility for the information contained in this document. To the best of the knowledge of the Directors and the Company (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. THE COMPANY

- 2.1 The Company was incorporated with liability limited by shares in Guernsey on 4 July 2005 and is registered under the Law with registered number 43371 and with the name Raven Russia Limited.
- 2.2 The Company's legal and commercial name is Raven Russia Limited.
- 2.3 The registered and head office of the Company is at 1 Le Truchot, St. Peter Port, Guernsey and its telephone number is 01481 712955.
- 2.4 The principal legislation under which the Company operates is the Companies (Guernsey) Law, 2008, as amended.

3. SHARE AND LOAN CAPITAL

- 3.1 The Company was incorporated with an authorised share capital of £10,000 divided into 1,000,000 Ordinary Shares of £0.01 each. Two Ordinary Shares were issued upon incorporation.
- 3.2 By a resolution passed on 25 July 2005, the authorised share capital of the Company was increased from £10,000 to £7,500,000 by the creation of an additional 749,000,000 Ordinary Shares. 152,999,998 Ordinary Shares were subsequently issued by the Company and the entire issued share capital of the Company constituting 153,000,000 Ordinary Shares, was admitted to trading on AIM on 29 July 2005.
- 3.3 By a resolution passed on 26 April 2006, the authorised share capital of the Company was increased from £7,500,000 to £10,000,000 by the creation of an additional 250,000,000 Ordinary Shares.
- 3.4 On 26 April 2006, the board resolved to allot 269,565,210 Ordinary Shares at a price of 115p per share, which were admitted to trading on AIM on 27 April 2006.
- 3.5 On the same day, the board resolved to allot a further 2,098,501 Ordinary Shares to RRPM in part settlement of the performance fee due under the Property Advisory Agreement for the period ended 31 December 2005. Such shares were admitted to trading on AIM on 2 May 2006.
- 3.6 On 30 March 2007, the board resolved to allot 1,222,841 Ordinary Shares to RRPM in settlement of the performance fee due under the Property Advisory Agreement for the period ended 31 December 2006. Such shares were admitted to trading on AIM on 10 April 2007.
- 3.7 On 23 August 2007, the board resolved to allot 622,536 Ordinary Shares at a price of 116.75p per share in respect of a scrip dividend. Such shares were admitted to trading on AIM on 31 August 2007.
- 3.8 On 30 October 2007, the board resolved to allot 3,531,478 Ordinary Shares at a price of 96.17p per share in respect of a scrip dividend. Such shares were admitted to trading on AIM on 5 November 2007.

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- 3.9 On 28 April 2008, the board resolved to allot 2,512,349 Ordinary Shares at a price of 83.67p per share in respect of a scrip dividend. Such shares were admitted to trading on AIM on 22 May 2008.
- 3.10 On 27 November 2008, the Company issued 64,000,000 Ordinary Shares to previous shareholders of Raven Mount Limited and 16,000,000 Ordinary Shares to Raven Mount Limited in consideration of the sale of RRPM and RRPA pursuant to the Internalisation. Such shares were admitted to trading on AIM on 28 November 2008.
- 3.11 By a resolution passed on 24 March 2009, the authorised share capital of the Company was increased from £10,000,000 to £19,000,000 by the creation of an additional 500,000,000 Ordinary Shares and 400,000,000 Preference Shares.
- 3.12 On 24 March 2009, the Company conditionally issued 76,155,000 Preference Shares and 76,155,000 Warrants pursuant to the Placing. Such Preference Shares and Warrants were admitted to trading on AIM on 25 March 2009.
- 3.13 In connection with the Raven Mount Offer (and in satisfaction of bonus and option arrangements in place for Raven Mount employees), between 22 April 2009 and 9 July 2009, the Company issued 66,409,478 Preference Shares and Warrants. Such Preference Shares and Warrants were admitted to trading on AIM shortly after their issue.
- 3.14 On 30 June 2009, the Company issued 97,665 Preference Shares at a price of 100p per share in respect of a scrip dividend. Such shares were issued to trading on AIM on 30 June 2009.
- 3.15 On 30 September 2009, the Company issued 122,987 Preference Shares at a price of 96p per share in respect of a scrip dividend. Such shares were issued to trading on AIM on 30 September 2009.
- 3.16 On 31 December 2009, the Company issued 530,049 Preference Shares at a price of 96p per share in respect of a scrip dividend. Such shares were issued to trading on AIM on 31 December 2009.
- 3.17 On 31 March 2010, the Company issued 122,026 Preference Shares at a price of 96p per share in respect of a scrip dividend. Such shares were issued to trading on AIM on 31 March 2010.
- 3.18 During the period between 25 March 2009 and 31 December 2009, the Company issued 144,679 Ordinary Shares following Warrantholders exercising such number of Warrants in accordance with the terms of the Warrant Instrument. Such Ordinary Shares were admitted to trading on AIM shortly after their issue.
- 3.19 During the period between 1 January 2010 and 29 June 2010 (being the latest practicable date before the publication of this document), the Company issued 2,973,583 Ordinary Shares following Warrantholders exercising such number of Warrants in accordance with the terms of the Warrant Instrument. Such Ordinary Shares were admitted to trading on AIM shortly after their issue.
- 3.20 As at 31 December 2009, the total Ordinary Shares, Preference Shares and Warrants in issue was 512,697,594, 143,315,179 and 142,419,799 respectively. The 144,679 Ordinary Shares, 143,315,179 Preference Shares and 142,564,478 Warrants issued during the financial year ended 31 December 2009 are accounted for as set out in paragraphs 3.12 to 3.16 and 3.18 above.
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- 3.21 At 29 June 2010 (being the latest practicable date before the publication of this document) the authorised and issued fully paid share capital of the Company is:

<i>Class of shares</i>	<i>Authorised</i>		<i>Issued (fully paid)</i>	
	<i>£</i>	<i>Number</i>	<i>£</i>	<i>Number</i>
Ordinary Shares	15,000,000	1,500,000,000	5,156,711	515,671,177
Preference Shares	4,000,000	400,000,000	1,434,372	143,437,205
Warrants	-	275,000,000	-	139,446,216

- 3.22 The authorised and issued fully paid share capital of the Company immediately following completion of the Offer and on Admission will be as follows (assuming that no further issue of Ordinary Shares, Preference Shares or Warrants, or exercise of Warrants, in each case, takes place between 29 June 2010 (being the latest practicable date before the publication of this document) and the date of Admission, and also assuming that (other than Anton Bilton, who has irrevocably elected to receive a cash payment) all other Qualifying Warrantholders elect to accept the Offer in accordance with their Pro Rata Entitlements and elect for New Ordinary Shares as consideration) pursuant to the terms of the Offer:

<i>Class of shares</i>	<i>Authorised</i>		<i>Issued (fully paid)</i>	
	<i>£</i>	<i>Number</i>	<i>£</i>	<i>Number</i>
Ordinary Shares	15,000,000	1,500,000,000	5,426,500	542,650,037
Preference Shares	4,000,000	400,000,000	1,434,372	143,437,205
Warrants	-	275,000,000	-	103,190,200

- 3.23 Assuming that (other than Anton Bilton, who has irrevocably elected to receive a cash payment) all other Qualifying Warrantholders elect to accept the Offer in accordance with their Pro Rata Entitlements and elect for New Ordinary Shares as consideration, pursuant to the terms of the Offer:

- (a) the authorised but unissued ordinary share capital of the Company immediately following completion of the Offer and on Admission (assuming that no further issue of Ordinary Shares (including the issue of Ordinary Shares upon the exercise of Warrants) takes place between 29 June 2010 (being the latest practicable date before the publication of this document) and Admission) will be £9,573,500 representing approximately 63.8 per cent. of the authorised ordinary share capital; and
- (b) approximately 10.8 per cent. of the authorised but unissued ordinary share capital will be reserved for the issue of 103,190,200 Ordinary Shares on the exercise of the issued Warrants and approximately 0.2 per cent. of the authorised but unissued ordinary share capital will be reserved for the issue of circa 1,945,833 Ordinary Shares on the exercise of the warrants and share options referred to in paragraphs 3.29 to 3.31 below.

- 3.24 Other than: (i) the issue of New Ordinary Shares pursuant to the terms of the Offer; (ii) the issue of Ordinary Shares on the exercise of Warrants; (iii) on the exercise of the warrants and share options as described in paragraphs 3.39 to 3.31 below; or (iv) the issue of Preference Shares in respect of the Company's quarterly Preference Share scrip dividend the Company has no present intention of issuing any of the authorised but unissued share capital of the Company.

- 3.25 Other than in respect of the Preference Shares and the Warrants the Company does not have in issue any securities not representing share capital.

- 3.26 There are no provisions of Guernsey law equivalent to section 561 of the 2006 Act which confer pre-emption rights on existing shareholders in connection with the allotment of equity securities for cash or otherwise but similar pre-emption rights (with certain exceptions) are contained within the Articles. By a resolution passed at the EGM held on the 24 March 2009, the Company sought and obtained authority from its Ordinary Shareholders for the directors to disapply pre-

emption rights in respect of the allotment of: (i) up to 210,000,000 Warrants; and (ii) other than pursuant to (i), in respect of allotments of equity securities of up to a maximum aggregate nominal value of £1,250,000, with such power to expire on 23 March 2014.

- 3.27 Save in respect of the Preference Shares and as provided below, no shares of the Company are currently in issue with a fixed date on which entitlement to a dividend arises and there are no arrangements in force whereby future dividends are waived or agreed to be waived.
- 3.28 Save as disclosed in this paragraph 3, there has been no issue of share or loan capital of the Company or any other member of the Group (other than intra-group issues by wholly owned subsidiaries) in the three years immediately preceding the date of this document.
- 3.29 Pursuant to an option agreement dated 25 July 2005, the Company has granted Cenkos Securities Limited the right to subscribe for 1,530,000 Ordinary Shares at 100p per Ordinary Share. Such option is exercisable at any time during the period of five years starting on 29 July 2005. Cenkos Securities Limited also has the right to transfer all or part of its rights to subscribe for Ordinary Shares.
- 3.30 Pursuant to an option agreement dated 25 July 2005, the Company has granted Kinmont Limited the right to subscribe for 382,500 Ordinary Shares at 100p per Ordinary Share. Such option is exercisable at any time during the period of five years starting on 29 July 2005. Kinmont Limited also has the right to transfer all or part of its rights to subscribe for Ordinary Shares.
- 3.31 An option agreement was entered into on 25 July 2005, pursuant to which the Company has granted Adrian Collins the right to subscribe for 100,000 Ordinary Shares exercisable in three tranches.

As a consequence of the Total Return (as defined in the option agreement) being less than 9 per cent. compound per annum for the three year period following IPO, the first and second tranches of 66,666 options has lapsed.

The third tranche of 33,334 options will be exercisable after five years and no later than twelve years if the Total Return over the period of three years from the second anniversary of IPO reaches 12 per cent. compound per annum. If the Total Return over the relevant three year vesting period is less than 9 per cent. compound per annum then the tranche will lapse. If the Total Return is between 9 per cent. compound per annum and 12 per cent. compound per annum, then the tranche may only be exercised in respect of between 50 per cent. and 100 per cent. of the Ordinary Shares on a straight line basis. The option exercise price in respect of this tranche is 107.075p.

- 3.32 Save in respect to the placings referred to in paragraph 1 of Part 2 of this document regarding the Company and further disclosed (as necessary) in paragraph 10.3 below, no commissions, discounts, brokerages or other special terms have been granted by the Company or any other member of the Group in connection with the issue or sale of any share or loan capital of the Company or any other member of the Group in the three years immediately preceding the date of this document.
- 3.33 Save as disclosed in paragraphs 3.29 to 3.31 above and in paragraph 7 below, on completion of the Offer and on Admission no share or loan capital of the Company or any other member of the Group will be under option or has been agreed conditionally or unconditionally to be put under option.
- 3.34 The New Ordinary Shares will be in registered form. No temporary documents of title will be issued and prior to the issue of definitive certificates, transfers will be certified against the register. It is expected that definitive certificates for the New Ordinary Shares not to be held through CREST will be posted by 8.00 a.m. on 5 August 2010. New Ordinary Shares to be held through CREST will be credited to CREST accounts shortly after the completion of the Offer.

4. MEMORANDUM AND ARTICLES

The memorandum of association of the Company provides that the Company's principal object is to invest in the purchase of land or any interest in land. The objects of the Company are set out in full in clause 3 of its memorandum of association.

The Articles contain, *inter alia*, the provisions set out below as well as the rights granted in respect of the Preference Shares, further details of which are set out in Section A of Part 8 of this document.

4.1 Voting rights

Subject to the provisions of the Articles (including the rights and restrictions referred to in paragraph 4.2 below) and subject to any special rights or restrictions as to voting attached to any shares (including Preference Shares), on a show of hands every member who (being an individual) is present in person or (being a corporation) is present by a duly authorised representative, not being himself a member, shall have one vote and on a poll every member who is present in person or by proxy shall have one vote for each share held by him. A corporate member may, by resolution of its directors or other governing body, authorise any person to act as its representative at any meeting of the Company or of any class of members of the Company and that person shall be entitled to exercise the same powers as the corporate member could exercise if it were an individual member present at the meeting in person.

4.2 Restrictions on voting

A member of the Company is not entitled, either in person or by proxy, in respect of any share held by him, to be present at any general meeting of the Company unless all amounts payable by him in respect of that share have been paid.

4.3 Dividends

Subject to the rights granted in respect of the Preference Shares, the Company may, by ordinary resolution, declare a dividend to be paid to the members, according to their respective rights and interests in the Company (up to the amount recommended by the board). Subject to the rights granted in respect of the Preference Shares, the directors may pay such interim dividends as appear to the board to be justified by the financial position of the Company. No dividends payable in respect of an ordinary share shall bear interest. Subject to the rights granted in respect of the Preference Shares, the directors may, if authorised by an ordinary resolution, offer the holders of any particular class of shares the right to elect to receive further shares (whether or not of that class), credited as fully paid instead of cash in respect of all or part of a dividend (a "scrip dividend").

Subject to the rights granted in respect of the Preference Shares, the Company or its directors may fix a date as the record date for a dividend provided that the date may be before, on or after the date on which the dividend, distribution, allotment or issue is declared. A dividend unclaimed for a period of 12 years from the date when it was declared or became due for payment shall be forfeited and cease to remain owing by the Company.

4.4 Return of capital

Subject to the rights granted in respect of the Preference Shares, if the Company is wound up, the liquidator may, with the sanction of a special resolution and any other sanction required by the Statutes, divide among the members *in specie* the whole or any part of the assets of the Company and, for that purpose, value any assets and determine how the division shall be carried out as between the members or different classes of members. Alternatively, the liquidator may with the same sanction, vest the whole or any part of the assets in trustees on trusts for the benefit of the members as he with the same sanction thinks fit, but no member shall be compelled to accept any assets on which there is a liability.

4.5 Variation of rights

All or any of the rights attaching to a class of shares in the Company may be varied or abrogated with the written consent of the holders of not less than three-quarters in nominal value of the issued shares of the class (excluding any shares of that class held as treasury shares), or with the sanction of a special resolution passed at a separate general meeting of the holders of the relevant class. The quorum for the separate general meeting shall be two persons holding, or representing by proxy, not less than one-third in nominal amount of the issued shares of the relevant class.

The issue of Preference Shares or Further Preference Shares (as defined in the Articles) is not and shall not be deemed an abrogation, variation or modification of the class rights attaching to the Ordinary Shares.

4.6 Transfer of shares

Subject to the restriction set out in this paragraph, any member may transfer all or any of his shares in any manner which is permitted by the Statutes or in any other manner which the directors approve. A transfer of a certificated share shall be in writing in the usual common form or in any other form permitted by the Statutes or which the directors approve. The transferor is deemed to remain the holder of the shares concerned until the name of the transferee is entered in the register of members in respect of those shares. All transfers of uncertificated shares shall be made by means of CREST and as provided in the CREST Guernsey Requirements (as defined in the Articles) or in any other manner which is authorised by the board and from time to time approved.

The directors have a discretion to refuse to register a transfer of an uncertificated share (subject to the Regulations) and of a certificated share which is not fully paid (provided that this does not prevent dealings in the shares from taking place on an open and proper basis) without giving a reason. The directors must provide the transferee with a notice of the refusal within two months from the date on which the transfer was lodged in the case of certificated shares or, in respect of uncertificated shares the date on which an instruction was received by the Company through the relevant system. The directors may also decline to register a transfer of shares in certificated form unless: (i) the instrument of transfer is delivered to the office of the Company or at another place which the directors determine, accompanied by the certificate for the shares to which it relates and other evidence which the directors reasonably require to prove the title of the transferor; (ii) the instrument of transfer is in respect of only one class of share; and (iii) the number of joint holders to whom the share is to be transferred does not exceed four.

4.7 Issue of shares

4.7.1 Unless otherwise authorised by a special resolution, the Company shall not allot equity securities (as defined in the Articles) on any terms unless: (i) the Company has made an offer to each person who holds relevant shares and relevant employee shares (each as defined in the Articles) to allot to him on the same or more favourable terms a proportion of those equity securities which is as nearly as practicable (fractions being disregarded) equal to the proportion in number held by him of the aggregate of relevant shares and relevant employee shares; and (ii) the period, which shall not be less than 21 clear days, during which any offer referred to in sub-paragraph (i) above may be accepted has expired or the Company has received notice of the acceptance or refusal of every offer made. A reference to the allotment of equity securities includes the grant of a right to subscribe for, or to convert any securities into, relevant shares of the Company but does not include the allotment of any relevant shares pursuant to such a right.

4.7.2 The pre-emption rights set out above shall not apply:

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- (a) to a particular allotment of equity securities if these are, or are to be, wholly or partly paid up otherwise than in cash or are allotted in whole or in part otherwise than for cash; and
 - (b) to the allotment of equity securities which would, apart from a renunciation or assignment of the right to their allotment, be held under an employees' share scheme (as defined in the Articles).

4.8 Alteration of capital and purchase of own shares

4.8.1 The Company may alter its share capital as follows:

- (a) by ordinary resolution, it may increase its share capital, consolidate or divide all or any of its share capital into shares of larger amount, sub-divide all or any of its shares into shares of smaller amount, cancel any shares not taken or agreed to be taken by any person, convert all or any of its shares the nominal of which is expressed in a particular currency or former currency, into shares of a nominal amount of a different currency and where its share capital is expressed in a particular currency or former currency, denominate or redenominate it;
- (b) by special resolution and subject to the provisions of the Statutes, and to the rights conferred on the holders of any class of shares it may reduce its share capital or any capital redemption reserve, share premium account or other undistributable reserves in any manner; and
- (c) subject to the provisions of the Statutes and the Articles, the Company may purchase all or any of its shares of any class (together with, for the avoidance of doubt, warrants and/or options over such shares) whether or not they are redeemable and may pay the purchase price in respect of such purchase to the fullest extent permitted by the Law.

Subject to the provisions of the Law and the Articles, shares repurchased by the Company may be held as treasury shares and dealt with by the directors of the Company to the fullest extent permitted by the Law.

4.8.2 Subject to the Law and the Articles, on 16 April 2010 the Company was permitted, by a resolution of Ordinary Shareholders to make market purchases of up to 100,000,000 Ordinary Shares provided that:

- (a) the minimum price which may be paid for an Ordinary Share (exclusive of expenses) pursuant to such authority is £0.01; and
- (b) the maximum price (exclusive of expenses) which may be paid for an Ordinary Share is an amount equal to 105 per cent. of the average of the closing middle market quotation for an Ordinary Share taken from the London Stock Exchange Daily Official List for the five business days immediately preceding the date on which such share is contracted to be purchased.

The authority shall expire on 16 October 2011.

4.8.3 Subject to the Law and the Articles, on 16 April 2010 the Company was permitted, by a resolution of Ordinary Shareholders to make market purchases of up to 100,000,000 Preference Shares provided that:

- (a) the minimum price which may be paid for a Preference Share (exclusive of expenses) pursuant to such authority is £0.01; and
- (b) the maximum price (exclusive of expenses) which may be paid for a Preference Share is an amount equal to 105 per cent. of the average of the closing middle market quotation for a Preference Share taken from the London Stock Exchange

Daily Official List for the five business days immediately preceding the date on which such share is contracted to be purchased.

The authority shall expire on 16 October 2011.

4.9 General meetings

The Company's board shall convene and the Company shall hold general meetings in accordance with the Law and the Articles (which provides that 14 clear days prior written notice is required to convene general meetings).

The main meeting place or other place or places where members are present in person or by proxy for general meetings must be located outside the United Kingdom.

The quorum for general meetings is three members present in person or by proxy and entitled to vote on a poll. Where such a quorum is not present within 15 minutes of the time appointed for the holding of the meeting, if convened on the requisition of the members, the meeting shall be dissolved. In any other case, it shall stand adjourned to the same day in the next week (or, if that day is not a business day, to the next business day) and at the same time and place as the original meeting or to such other day and time as the board may decide and, in the latter case, not less than 7 clear days' notice of the adjourned meeting shall be given in any manner in which notice of a meeting may lawfully be given. If at the adjourned meeting a quorum is not present within 15 minutes from the time fixed for holding the meeting, any two members who are present in person or by proxy and entitled to vote on the poll shall constitute a quorum, failing which the meeting shall be dissolved.

On a show of hands, every member who is present in person or by a duly authorised representative shall have one vote and on a poll, every member who is present in person or by proxy shall have one vote for every share in the Company held by them. In the case of an equality of votes, either on a show of hands or on a poll, the chairman of the meeting shall be entitled to a further or casting vote in addition to any vote or votes to which he may be entitled.

4.10 Ownership thresholds, capital changes and beneficial interest

The Articles provide that any shareholder who acquires or ceases to have a Notifiable Interest, ('Notifiable Interest' being defined in the Articles as any time when the aggregate number of a class or series of securities in which a shareholder of the Company is interested in percentage terms is equal to or more than 3 per cent. of the aggregate outstanding shares of that class of securities of the Company). The obligation of disclosure also arises if there is an increase or decrease in the percentage level of a shareholders' Notifiable Interest. If the percentage level is not a whole number, it shall be rounded down to the next whole number.

The Articles require persons who receive a notice (as described in Article 13.1 of the Articles) to provide information requested by the directors to the Company. Failure to do so within the time specified, will permit the Company to apply certain restrictions in respect of such shares.

4.11 Directors

4.11.1 Number and Residence

Unless otherwise determined by the Company by ordinary resolution, the number of directors shall be not less than three but there is no maximum.

At all times, the majority of the directors shall neither be resident nor ordinarily resident in the United Kingdom.

4.11.2 **Meetings**

All board meetings must be held in Guernsey, save for one per annum which may be held outside Guernsey but must not be held in the United Kingdom. The majority of the board must be physically present at the location set for each board meeting.

Remote attendance is forbidden where the director is physically present in the United Kingdom.

A quorum requires a majority of non-UK resident directors.

The Chairman, or acting Chairman, must be physically present in Guernsey or at the location set for each board meeting.

4.11.3 **Committee**

Committee quorum requires one person to be physically present in Guernsey, no person to be physically present in the United Kingdom and a majority of non-UK resident directors.

4.11.4 **Remuneration**

The directors shall be paid out of the funds of the Company for their services as directors. The directors may be paid all travel, hotel and other expenses properly incurred in the performance of their duties as directors including expenses incurred in attending meetings of the board, committees of the board and general meetings or separate meetings of the holders of any class of securities of the Company.

4.11.5 **Retirement of directors by rotation**

At each annual general meeting of the Company, any director who has been appointed by the board since the previous annual general meeting and any director selected to retire by rotation (as set out below) shall retire from office. At each annual general meeting, one-third of the directors (excluding any director who has been appointed by the board since the previous annual general meeting) or, if their number is not three or a multiple of three, the number nearest to but not more than one-third shall retire from office. In addition, each director shall retire from office at the third annual general meeting after he was appointed or reappointed, if he would not otherwise fall within the directors to retire by rotation.

The directors to retire by rotation shall be those of the directors who have been longest in office since their appointment or last reappointment but, as between persons who became or were last reappointed directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

The directors to retire shall be determined (both as to number and identity) by the composition of the board at the commencement of business on the date of the notice convening the annual general meeting. A director shall not be required, or be relieved from the obligation, to retire by reason of a change in the board after that time but before the close of the meeting.

A retiring director shall be eligible for re-appointment and (unless he is removed from office or his office is vacated in accordance with the Articles) shall retain office until the close of the meeting at which he retires or (if earlier) when a resolution is passed at that meeting not to fill the vacancy or to appoint another person in his place or the resolution to re-appoint him is put to the meeting and lost.

If at any meeting at which the appointment of a director ought to take place the office vacated by a retiring director is not filled, the retiring director, if willing to act, shall be deemed to be re-appointed, unless at the meeting a resolution is passed not to fill the

vacancy or to appoint another person in his place or unless the resolution to appoint him is put to the meeting and lost.

No person shall be required to vacate from office by reason only of the fact that he has attained the age of 70 years or any other age.

4.11.6 *Executive Directors*

The directors may appoint a director to an executive office in the Company. The appointment may be on terms the directors determine.

The appointment of a director to an executive office terminates if he ceases to be a director, but without prejudice to any claim for damages for breach of any contract of employment.

4.11.7 *Directors' interests*

A director shall not vote nor be counted in a quorum at a meeting in relation to any resolution of the board concerning any contract, arrangement, transaction or proposal in which he has a material interest (including by virtue of the interests of persons connected with him).

The prohibition will not apply to the following:

- (a) the giving of any guarantee, security or indemnity in respect of money lent or obligations incurred by him or by any other person at the request of or for the benefit of the Company (or any of its subsidiaries) or in respect of a debt or obligation of the Company (or any of its subsidiaries) for which he has assumed responsibility, in whole or in part, under a guarantee or an indemnity or by the giving of security;
- (b) any contract concerning an offer of shares, debentures or other securities by the Company (or any of its subsidiaries) in which offer he is or may be entitled to participate as a holder of securities or he is or is to be interested as a participant in the underwriting or sub-underwriting thereof;
- (c) any contract in which he is interested by virtue of his interest in shares, debentures or other securities of the Company or otherwise in or through the Company;
- (d) a proposal concerning another company in which he is not interested, directly or indirectly, in 1 per cent. or more either of its equity share capital or of its voting rights;
- (e) an arrangement for the benefit of the employees of the Company (or any of its subsidiaries) which does not award the director a privilege or benefit not generally awarded to the employees to whom the arrangement relates; or
- (f) a proposal concerning the purchase or maintenance of insurance for the benefit of persons who include directors.

Subject to the Law and provided he has disclosed to the directors the nature and extent of his interest, a director may contract with the Company, the contract shall not be avoided on the grounds of his interest or benefit and the director is not liable to account to the Company for any benefit realised as a result of the contract.

A director may not vote or be counted in the quorum in relation to a resolution concerning his own appointment (including fixing or varying its terms), or the termination of his own appointment.

Where proposals are under consideration concerning the appointment (including fixing or varying its terms) or the termination of the appointment of two or more directors, a

separate resolution may be put in relation to each director. In each case, each director (if not otherwise debarred from voting) is entitled to vote in respect of each resolution except that concerning his own appointment.

4.12 Benefits

The Board may exercise all the powers of the Company to pay, provide or procure the grant of pensions or other retirement or superannuation benefits and death, disability or other benefits to any person who is or who has at any time been a director of the Company (and for any of his relations or dependants) or in the employment or service of the Company or any of its subsidiaries (or the relatives or dependants of any such person).

4.13 Borrowing powers

Subject to the Law, the board may exercise all the powers of the Company to borrow money and to mortgage or charge all or any part of its undertaking, property, assets (present and future) and uncalled capital and to issue debentures and other securities whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party. There are no restrictions on the Company entering into any hedging arrangements.

4.14 Indemnity of officers

Every director and other officer of the Company shall be indemnified by the Company to the extent permitted by the Law, from and against all actions, expenses and liabilities which they may incur by reason of any contract entered into or any act in or about the execution of their office except where incurred through their own negligence, default or breach of duty or trust.

The Company may purchase and maintain insurance for or for the benefit of any director, and other officer of the Company or any subsidiary including insurance against costs, charges, expenses, losses or liabilities suffered or incurred by such persons in the actual or purported discharge of their respective duties, powers and discretion in relation to the Company.

4.15 CREST

CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by a written instrument. The Preference Shares and the Warrants have been admitted to, and accordingly enabled for settlement in, CREST.

5. DIRECTORS, SENIOR MANAGEMENT'S AND OTHER INTERESTS

- 5.1** As at 29 June 2010 (being the latest practicable date before the publication of this document) and on Admission (assuming that no further issue of Ordinary Shares, Preference Shares or Warrants, or exercise of Warrants, in each case takes place between 29 June 2010 and the date of Admission, and also assuming that the maximum number possible of Ordinary Shares are issued as a result of the surrender of all of the Warrants the subject of the irrevocable undertakings set out in paragraph 4 of Part 1 of this document), the interests in the share capital of the Company of the Directors and members of the Senior Management and their immediate families (all of which are beneficial) and, (so far as is known to the Directors or could with reasonable diligence be ascertained by them) persons connected with them (within the meaning of sections 252 to 255 of the 2006 Act) which, if the connected person were a Director or a member of the Senior Management would otherwise be disclosed pursuant to this paragraph, are and will be (in addition to those interests disclosed in paragraphs 7.2 and 7.3 of this Part 9):

Director/Senior Management	As at 29 June 2010			On Admission			As at 29 June 2010 and on Admission	
	Percentage of issued Ordinary			Percentage of issued Ordinary			Percentage of issued Preference	
	Number of Ordinary Shares	Share capital (%)	Number of Warrants	Number of Ordinary Shares	Share Capital	Warrants	Number of Preference Shares	Share capital (%)
Richard Jewson	194,229	0.04	20,500	199,852	0.04	13,712	79,792	0.06
Christopher Sherwell	29,000	0.01	-	29,000	0.01	-	100,712	0.07
Stephen Coe	63,000	0.01	45,000	75,344	0.01	30,100	48,668	0.03
David Moore	89,564	0.02	55,310	104,736	0.02	36,997	57,052	0.04
Colin Smith ⁽¹⁾	71,569	0.01	10,443	74,433	0.01	6,985	87,505	0.06
Anton Bilton ⁽²⁾	13,735,328	2.66	17,143,728	14,546,361	2.68	11,467,328	22,455,784	15.66
Glyn Hirsch ⁽²⁾	1,255,267	0.24	3,124,650	2,112,426	0.39	2,090,058	3,537,414	2.47
Mark Sinclair	612,570	0.12	10,000	615,313	0.11	6,689	150,887	0.11
Adrian Baker ^{(2) (7)}	491,546	0.10	60,000	491,546	0.09	60,000	278,000	0.19
Igor Bogorodov	620,773	0.13	-	670,773	0.12	-	100,000	0.07
The Organon SIPP re:Anton Bilton ⁽³⁾	1,361,469	0.26	984,675	1,631,586	0.30	658,643	984,675	0.69
Godfrey Bilton Life Interest Settlement Trust ⁽⁴⁾	810,875	0.16	760,942	1,019,617	0.19	508,990	760,942	0.53
Bilton Family Discretionary Settlement Trust ⁽⁵⁾	1,454,570	0.28	1,365,000	1,829,019	0.34	913,040	1,365,000	0.95
The Bilton Charitable Foundation ⁽⁶⁾	335,670	0.07	315,000	422,081	0.08	210,701	315,000	0.22

- (1) The total includes shares held by The Lorier Retirement Annuity Trust Scheme, of which Colin Smith is a trustee and beneficiary.
- (2) The total includes Ordinary Shares, Preference Shares and Warrants which have been allocated by the remuneration committee to the individuals. These shares are held in a number of different trust schemes where the individual is a beneficiary.
- (3) The Organon SIPP re:Anton Bilton is a Self Invested Personal Pension of which Anton Bilton is a trustee and beneficiary.
- (4) The Godfrey Bilton Life Interest Settlement Trust of 1st Floor, 21 Knightsbridge, London SW1X 7LY, was formed on 17 June 2002. Its trustees are Anton Bilton and Martin Davies and its beneficiaries are the Life Tenant (being Anton Bilton's children) and their children and remoter issue (grandchildren, great grandchildren and so on).
- (5) The Bilton Family Discretionary Settlement Trust of 1st Floor, 21 Knightsbridge, London SW1X 7LY was formed on 17 October 2007. Its trustees are Anton Bilton and Martin Davies and its intended beneficiaries are Anton Bilton's children, remoter issue, father, siblings, charitable organisations and anyone who the trustees shall add to the beneficiary class. Anton Bilton and his wife are excluded from benefiting from the Trust.
- (6) The Bilton Charitable Foundation, of 1st Floor, 21 Knightsbridge, London SW1X 7LY, was formed on 26 March 2007. Its trustees are Anton Bilton, Martin Davies and Lisa Bilton and its beneficiaries are as nominated at the discretion of the trustees exclusively for charitable objects or purposes. As such, the Company do not consider The Bilton Charitable Foundation to be connected to Anton Bilton.
- (7) Mr Baker has not been invited to give an irrevocable undertaking but may elect to participate in the Offer.

- 5.2 As at 29 June 2010 (being the latest practicable date before the publication of this document) and on Admission (assuming that no further issue of Ordinary Shares, Preference Shares or Warrants, or exercise of Warrants, in each case takes place between 29 June 2010 and the date of Admission, and also assuming that, the maximum number possible of Ordinary Shares are issued as a result of the surrender of all of the Warrants the subject of the irrevocable undertakings set out in paragraph 4 of Part 1 of this document), save for the interests of the Directors and the Senior Management disclosed in paragraph 5.1 above, the Company is aware of the following persons who hold and will hold directly or indirectly, voting rights representing 3 per cent. or more of the issued share capital of the Company:

Holder	As at 29 June 2010			On Admission			As at 29 June 2010 and on Admission	
	Percentage of issued Ordinary Share capital		Number of Warrants	Percentage of issues Ordinary Share Capital		Warrants	Percentage of issued Preference Share capital	
	Number of Ordinary Shares	(%)		Number of Ordinary Shares			Number of Preference Shares	(%)
Invesco Perpetual	99,258,232	19.25	74,631,791	119,731,369	22.10	49,920,714	75,000,000	52.29
Schroder Investment Management	69,759,847	13.53	11,032,507	72,786,305	13.43	7,379,572	9,197,469	6.41
Mackenzie Financial Corp	45,600,000	8.84	-	45,600,000	8.42	-	-	-
F&C Asset Management Limited	32,447,477	6.29	-	32,447,477	5.99	-	-	-
Laxey Partners	21,050,847	4.08	-	21,050,847	3.89	-	2,202,116	1.54

- 5.3 Save as disclosed in paragraphs 5.1 and 5.2 above, the Company is not aware of any person who immediately will, following completion of the Offer and on Admission, hold directly or indirectly, voting rights representing 3 per cent. or more of the issued share capital of the Company to which voting rights are attached or could directly or indirectly, jointly or severally, exercise control over the Company.
- 5.4 The persons, including the Directors and members of Senior Management, referred to in paragraph 5.1 above, do not have voting rights in respect of the share capital of the Company (issued or to be issued) which differ from any other shareholder of the Company.
- 5.5 The Company and the Directors are not aware of any arrangements the operation of which may at a subsequent date result in a change of control of the Company.
- 5.6 In addition to their directorships of Raven Russia and certain of its wholly owned subsidiaries of the Company, the Directors and members of Senior Management (as appropriate) currently hold, and have during the five years preceding the date of this document held, the following directorships, partnerships or been a member of the senior management:

Name	Current directorships/partnerships	Previous directorships/partnerships
Richard Jewson	Archant Limited Jarrold and Sons Limited Temple Bar Investment Trust PLC Grafton Group plc Nomina No. 195 LLP	Archant Charitable Trustee Company Limited Archant Employee Benefit Trustee Company Limited Archant Profit Sharing Scheme Trustee Company Limited Clean Energy Brazil plc East Port Great Yarmouth Limited Lexi Holdings plc Octagon Healthcare Funding plc Octagon Healthcare Group Limited

<i>Name</i>	<i>Current directorships/partnerships</i>	<i>Previous directorships/partnerships</i>
<i>Richard Jewson</i> <i>(continued)</i>		Octagon Healthcare Holdings (Norwich) Limited Octagon Healthcare Limited Watts Blake Bearne And Company Limited PFI Infrastructure Finance Limited Priority Investments Holdings Limited Top Developments plc PFI Infrastructure plc Priority Investments Holdings Limited Top Developments plc PFI Infrastructure plc 111 Alderney Street, (1981) Limited Barlows Banbury LLP
<i>Anton Bilton</i>		Santon Close Nominees Limited Capital Reversions plc Avanti Capital plc ZTC Telecommunications plc Angela Flowers Gallery plc Santon Management Limited Santon Capital plc Santon Developments plc Santon UK Limited Swan Hill Staff Pension Trust Limited Bilton House Investments Limited Audley Court Limited A & A Interiors & Furnishings Limited Tal CPT Land Development Partnership LLP Santon Putney Limited Eclipse Film Partners No. 16 LLP Tal Se Land Development Partnership LLP
<i>Glyn Hirsch</i>	Liontrust Asset Management plc Swan Hill Staff Pension Trust Limited Medavinci plc	Emisan Limited Proventec plc Glotel PLC Property Fund Management Limited The Io Group Limited International Brand Licensing plc Santon UK Limited Audley Court Limited
<i>Mark Sinclair</i>	Heid Limited	BDO Stoy Hayward LLP Capital City Developments Limited
<i>Colin Smith</i>	AB Holdings Limited GVH Holdings Limited	Cript Holdings Limited BDO Novus Limited BDO Novus (Audit) Limited Ibex Systems (CI) Limited Ibex Systems Guernsey Limited Da Vinci CIS Private Sector Growth Fund Ltd Kraken Commercial Property Fund plc KG Property Ltd K&M (IOM) Ltd

<i>Name</i>	<i>Current directorships/partnerships</i>	<i>Previous directorships/partnerships</i>
Stephen Coe	ACP Capital Limited ACP Capital (Cyprus) Limited ACP Mezzanine Limited ACP Mezzanine HOLDINGS UK Limited Callidus Holdings LLC Capitalpost Luxembourg Sarl Care Home Properties Limited Data Debt PCC Limited George Street Holdings Pty Limited Greenfield Holdings Limited Hamilton Corporate Finance (Guernsey) Limited HCF Guernsey Limited HCHP Limited Healthcare Alpha Limited Healthcare Beta Limited Healthcare Delta Limited Healthcare Finance Limited Healthcare Holdings Limited Healthcare Property Investments Limited Healthcare Real Estate Investors Limited Healthcare Real Estate Holdings Limited HHL Properties Limited HH Properties Limited HHLC Limited HIC Limited HICS Limited HIHP Limited IHP Limited La Gaude SA La Gaude Investments La Gaude Property Sarl Leopard Holding Guernsey Limited Leopard Guernsey SBB Limited Leopard Guernsey Gatwick Limited Leopard Guernsey Azambuja Limited LEASECOM SA Matrix Arstria Holdings One Sarl Matrix EPH Sarl Matrix EPH 2 Sarl Matrix EPH Delta Sarl Matrix German Portfolio No. 1 Frankfurt Sarl Matrix German Portfolio No. 1 Celle Sarl Matrix German Portfolio No. 1 Munster Sarl Matrix German Portfolio No. 1 Dusseldorf Sarl Matrix German Portfolio No. 1 Kaiserslautern Sarl	Petrushka Limited Petrushka Management Limited Glanmore Longus House 1 Limited Glanmore Longus House 2 Limited Dorchester Guernsey General Partner Limited Highbury Hill Limited Select Industries Management Co Limited Fintique Three (BVI) Limited Global Investment Basket Limited Investec Recovery Partners I Limited Enhanced Global Growth Basket Limited Townhouse Limited York Limited Maghull Limited Maghull Management Limited Northern Property Investment Company Limited Congleton Management Limited Arkle Limited Victorian Mansions Limited Alborg Plc Timber Investments Inc Optimal Investment Growth Basket Limited Heathrow Business Centre Limited Senator House Holdings Limited Heathrow Site No. 9 (C.I.) Limited Heathrow Site No. 10 (C.I.) Limited Pinnacle Holdings Limited Rishon Properties Limited Glanmore Property Dollar Fund Limited Leopard Astley Limited British Real Estate Dollar Fund Limited Chateau First Properties SARL (CFPS) Timber Investments Inc. Energy Investment Holdings Inc. Matrix Property Fund Management (Guernsey) Limited MP Trustees Limited Spedition Center Kassel GmbH Palm Developments Limited FIX Protocol Holdings (Jersey) Limited Accelerated Global Growth Basket Limited Synergy Perth Trustee Limited Glanmore Property Accumulation Fund Limited British Real Estate Accumulation Fund Limited Ampurius Nu Homes Investments Limited Virosa Limited

<i>Name</i>	<i>Current directorships/partnerships</i>	<i>Previous directorships/partnerships</i>
Stephen Coe (continued)	Matrix European Real Estate Investment Trust Limited MEPV Finance Company Sarl Mosaic Property CEE Limited Mosaic Property GP Limited Polorius Limited Specialised Care Properties Limited St.Andrews Healthcare PTY St. Etienne Holdco Sarl St. Etienne Propco Sarl St. Laurent de Mure Sarl Supported Living Limited Totemic Insurance Limited Trikona Trinity Capital Limited Victoria Capital PCC Limited Viola Leasing Limited	International Power (Sussex) Limited Matrix European Real Estate Sterling Capital Growth Trust Limited Sindra Fund Limited Aurora Russia Limited PTH (Morgan) Limited East Asian Growth Basket Limited Matrix Real Estate India Limited Matrix Juno (Guernsey) Limited Matrix Abaco Limited Finistere Directors Limited GFT Directors Limited Finistere (UK) Nominees Limited ITGL UK Nominees Limited Investec Administration Services Limited Finistere Secretaries Limited Finistere Limited Investec Trust (Guernsey) Limited Euro Asian Basket Limited Syndicate Asset Management (CI) Limited Syndicate Nominees (CI) Limited
David Moore	ACI Global Insurance Limited AQH Dundee GP Limited AQH Edward Street GP Limited AQH Edward Street Properties Limited Asante Holdings Limited Assay Insurance Services Limited Barbican Group Holdings Limited Barbican Reinsurance Company Limited Bracken Partners Investments Channel Islands Limited BSI Generali Bank (CI) Limited (in voluntary liquidation) Clarke Wilmott Indemnity Limited Directorco One Limited Directorco Two Limited Drummonds Insurance PCC Limited Financial Insurance Guernsey PCC Limited Generali International Limited Generali Worldwide Insurance Company Limited Generali Portfolio Management Limited Generali Portfolio Management (UK) Limited Hauteville Limited HRS Asset Management Limited HRS Diversified Fund PCC Limited HRS Holdings Limited Jupiter Insurance Limited Land Securities Insurance Limited	BSkyB Malta 1 Limited BSkyB Malta 2 Limited BSkyB Malta 3 Limited BSkyB Investments (Guernsey) LLP BSI (Channel Islands) Limited Central General Limited Central Life Limited Cheshire Guernsey Limited Fortune Dragon Limited BSkyB Guernsey Limited Central Capital Limited Ciel Bleu Limited Ciel Gris Limited Ciel Clair Limited Ciel Orageux Limited Ciel Nuageux Limited Ciel Voilé Limited Greenpark Capital Investment Management Limited Greenpark International General Partner I Limited Greenpark International General Partner II Limited Greenpark International General Partner III Limited Generali Portfolio Management Limited Sixt Insurance Services PCC Limited Schroder Executor & Trustee Company (CI) Limited Sovrisk Insurance Limited Starman Insurance Company Limited

<i>Name</i>	<i>Current directorships/partnerships</i>	<i>Previous directorships/partnerships</i>
David Moore <i>(continued)</i>	Lapco Limited Legis Group Limited Legis Corporate Services Limited Legis Fund Services (Isle of Man) Limited Lothbury Insurance Company Limited Maturin UK 2008-01 (M/F 80-100) IC Limited Memberco One Limited Memberco Two Limited Morar ICC Limited Mourant Ozannes Corporate Services Limited Mourant Ozannes (GP) Limited Mourant Ozannes Securities Limited Mssrs Mourant Ozannes LP Messrs Mourant Ozannes Nest Egg Investments Limited New Hill Group Limited NT General Partner Limited Orion Finance Corporation Limited Ovaco Limited Royal Bank of Canada ARC Fund Limited Schroders CI Limited Secretaryco Limited Standard Life Investments Property Holding Limited Standard Life Investments Property Income Trust Limited Windward Insurance PCC Limited	State Street Trustees (Guernsey) Limited GLASS CP Funding Limited Guernsey Loan Asset Securitisation Scheme Limited Kraken Insurance Services Advisers Limited White Rock Insurance Company PCC Limited White Rock Insurance Company ICC Limited
Christopher Sherwell	Burnaby Insurance (Guernsey) Limited Schroder Oriental Income Fund Limited Consulta (Channel Islands) Limited Consulta Alternative Strategy Fund PCC Limited Consulta Alternative Strategy Holdings Limited Consulta Collateral Fund PCC Limited Consulta Collateral Fund Holdings Limited Consulta High Yield Fund PCC Limited Consulta High Yield Holdings Limited Consulta Canadian Energy Fund Limited Dexion Equity Alternative Limited IRP Property Investments Limited IRP Holdings Limited The Prospect Japan Fund Limited The Clifford Estate Company Limited The Clifford Estate (Chattels) Limited Hermes Commodities Umbrella Fund Limited Hermes Commodities Index Fund Limited	Schroders (C.I.) Limited Fox Paine Guernsey GP Limited GAM Diversity III Inc GAM Composite Bond Inc GAM Composite Preservation Plus Inc GAM MP Liquidity Plus Inc GAM MP Relative Value Inc GAM AmalGAMs SPC Inc GAM MP Asia Pacific Equity Inc GAM MP European Equity Inc GAM MP US Equity Inc GAM Equity One Inc GAM European Focus Inc Consulta Capital Fund PCC Limited Consulta Capital Fund Holdings Limited Diversified Alpha Select Z Inc GAM Institutional Alpha Strategies Inc GAM MP US Equity Relative Return Inc GAM Multi-Commodities Inc Alternative Asset Opportunities PCC Limited Alpha Spectrum Inc GAM Alpha Select Inc Select Alternative Investments Inc

<i>Name</i>	<i>Current directorships/partnerships</i>	<i>Previous directorships/partnerships</i>
Christopher Sherwell (continued)	Hermes Commodities Index Fund PCC Limited	GAM MP Multi-Europe Inc
	Hermes Commodities Index Plus Fund PCC Limited	GAM MP Multi-Japan Inc
	Hermes Commodities Alpha Fund PCC Limited	GAM MP Multi-Asia Pacific Inc
	Strategic Investment Portfolio GP Limited	GAM MP Multi-Emerging Markets Inc
	SIP (Holdings) Limited	GAM Multi-Japan Inc
	SIP (Investments) Limited	GAM Multi-North America Inc
	GN3 SIP GP Limited	GAM Trading (No. 25) Inc
	GN3 SIP Limited	Ugbrooke Properties Limited
	FTS SIP GP Limited	Hermes Absolute Return Fund (Guernsey) Limited
	WDCRK SIP GP Limited	MP Reserved Inc
	FF&P Alternative Strategy PCC Limited	GAM Diversity II Investments Inc
	DP Property Europe Limited	Cervin Growth Fund Inc
	DP Property Europe Management (Guernsey) Limited	BAS Alternative Strategies SPC Inc
	Henderson Global Property Companies Limited	GAM Apex Strategy SPC Inc
	Goldman Sachs Dynamic Opportunities Limited	GAM Composite Absolute Return Access Inc
	NB Private Equity Partners Limited	GAM MP Access SPC Inc
	NB PEP Investments Limited	Corazon Capital Group Limited
	NB PEP Investments LP Limited	Prodesse Investment Limited
	NB PEP Holdings Limited	EMP Europe (CI) Limited
	NB Distressed Debt Investment Fund Limited	Mid Europa III Management Limited
	Baker Steel Resources Trust Limited	GAM Portable Diversity/S&P500 Inc
	Rufford & Ralston PCC Limited	GAM Portable Alpha Inc
	Saltus European Debt Strategies Limited	GAM Fermat Cat Bond Inc
		GAM Starboard Inc
		GAM EuroSystematic Value Hedge Inc
		GAM Global Emerging Markets Hedge Inc
		Ciel Bleu Limited
		Ciel Clair Limited
		Ciel Gris Limited
		Ciel Nuageux Limited
		Ciel Orageux Limited
		Ciel Voilé Limited
		BSkyB Guernsey Limited
		GAM Greater China Equity Hedge Inc
		GAM Diversity III Investments Inc
		GSC Credit Limited
		BSkyB Malta 1 Limited
		BSkyB Malta 2 Limited
		BSkyB Malta 3 Limited
		BSkyB Investments (Guernsey) LLP
		Henderson Global Property Companies (Luxembourg) Sarl
		New Star RBC Hedge 250 Index Exchange Traded Securities PCC Limited
		JP Morgan Progressive Multi-Strategy Fund Limited
		NB PEP GP Limited
		Dawnay Day Milroy Investment Management Limited

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- 5.7 Within the period of five years preceding the date of this document, none of the Directors or members of Senior Management has had any convictions in relation to fraudulent offences.
- 5.8 Within the period of five years preceding the date of this document, none of the Directors or members of Senior Management has been the subject of any official public incrimination and/or sanctions by any statutory or regulatory authority (including a designated professional body).
- 5.9 Within the period of five years preceding the date of this document, none of the Directors or members of Senior Management has been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.
- 5.10 Save as provided below, none of the Directors or members of Senior Management has at any time in the previous five years been a member of any administrative, management or supervisory body of any company that has been subject to any receivership, liquidation, administration, company voluntary arrangement or any composition or arrangement with that company's creditors generally or with any class of its creditors.
- 5.11 Anton Bilton was a director of Guaranteed Property 1 Limited, Guaranteed Property 2 Limited, Guaranteed Property 3 Limited, Guaranteed Property 4 Limited and The Guaranteed Investment Property Company plc. All of these companies were 'business expansion scheme' companies and were put into members' voluntary liquidation so as to return their funds to shareholders.
- 5.12 Glyn Hirsch was appointed as a non-executive director of Hay & Robertson PLC on 1 January 2002, a position from which he resigned on 21 July 2003. Hay & Robertson PLC was put into liquidation on 2 February 2004 and wound up on 17 February 2004.
- 5.13 Richard Jewson was appointed as a non-executive director of Lexi Holdings plc on 15 November 2004, a position from which he resigned on 27 April 2006. Lexi Holdings plc was put into administration on 5 October 2006.
- 5.14 Christopher Sherwell was a non-executive director of the following companies each of which were put into solvent voluntary liquidation: Ciel Bleu, Ciel Clair, Ciel Gris, Ciel Nuageux, Ciel Orageux, Ciel Voilé, GAM Diversity III Investments Inc, Consulta Capital Fund PCC Limited, Consulta Capital Fund Holdings, Prodesse Investment Limited, JPMorgan Progressive Multi-Strategy Fund Limited, New Star RBC Hedge 250 Index Exchange Traded Securities PCC Limited, Hermes Absolute Return Fund (Guernsey) Limited, BSKyB Malta 1 Limited, BSKyB Malta 2 Limited, BSKyB Malta 3 Limited, Schroder Executor and Trustee Company (CI) Limited and Schroder Corporate Services Limited.
- 5.15 David Moore was a non-executive director of the following companies in the past five years: Ciel Bleu, Ciel Clair, Ciel Gris, Ciel Nuageux, Ciel Orageux and Ciel Voile, each of which were put into solvent voluntary liquidation.
- 5.16 David Moore was appointed as a director of Orion Finance Corporation Limited on 23 May 2006, a position which he still holds. The interests of Orion Finance Corporation are now vested in the security trustee following enforcement action by creditors.
- 5.17 Mark Sinclair was appointed a director of Capital City Developments Limited on 1 December 2007, a position from which he resigned on 1 June 2009. Capital City Developments Limited was put into creditors' voluntary liquidation on 7 December 2009.
- 5.18 Colin Smith and Mark Sinclair were directors of Raven Russia Property Management Limited (a wholly owned subsidiary of the Company) which was put into members' voluntary liquidation on 12 October 2009.
- 5.19 None of the Directors or members of Senior Management has been a partner of a partnership at the time of, or within 12 months preceding the date of, that partnership being placed into compulsory liquidation or administration or being entered into a partnership voluntary
-

arrangement nor in that time have the assets of any such partnership been the subject of a receivership.

- 5.20 No asset of any Director or members of Senior Management has at any time been the subject of a receivership.
- 5.21 None of the Directors or members of Senior Management is or has been bankrupt nor been the subject of any form of individual voluntary arrangement.
- 5.22 Save as disclosed in this document, there are no outstanding loans or guarantees provided by any member of the Group for the benefit of any of the Directors nor are there any loans or any guarantees provided by any of the Directors for any member of the Group.
- 5.23 Save in respect of the interests of the Directors and members of the Senior Management and their immediate families (all of which are beneficial) in the share capital of the Company described in paragraph 5.1 above and in paragraph 7 below, no Director or member of Senior Management has any actual or potential conflicts of interest between their duties to the Company and their private interests and/or other duties.

6. DIRECTORS' AND SENIOR MANAGEMENT'S SERVICE AGREEMENTS

6.1 Executive Directors

The following agreements have been entered into between each of the Directors and the Group:

- 6.1.1 Anton Bilton, who was appointed as a Director on 27 November 2008, is employed by the Group in the post of Executive Deputy Chairman. He is engaged under dual contracts with both Raven Russia Limited and Cuervo Russia Sociedad Limitada (a wholly owned subsidiary of the Company) both of which include a notice period of 12 months and contain restrictive covenants. The aggregate annual salary under Mr. Bilton's service agreements is £480,000 and Mr. Bilton is entitled to a discretionary bonus which is to be determined by the remuneration committee;
- 6.1.2 Glyn Hirsch, who was appointed as a Director on 27 November 2008, is employed by the Group in the post of Chief Executive Officer. He is engaged under dual contracts with both Raven Russia and Raven Mount, both of which include a notice period of 12 months and contain restrictive covenants. The aggregate annual salary under Mr. Hirsch's service agreements is £480,000 and Mr. Hirsch is entitled to a discretionary bonus which is to be determined by the remuneration committee;
- 6.1.3 Mark Sinclair, who was appointed as a Director on 23 March 2009, is employed by the Group in the post of Chief Financial Officer. He is engaged by Raven Russia (Service Company) Limited. The annual salary under Mr. Sinclair's service agreement is £300,000 and Mr. Sinclair is entitled to a discretionary bonus which is to be determined by the remuneration committee. Mr. Sinclair's service agreement includes a notice period of 12 months and contains restrictive covenants; and
- 6.1.4 Colin Smith, who was appointed as a Director on 14 November 2008, is employed by the Group in the post of Chief Operating Officer. He is engaged by the Company and Mr. Smith's service agreement includes a notice period of 12 months and also contains restrictive covenants. His annual salary is £225,000 and he is entitled to a discretionary bonus which will be determined by the remuneration committee.

A contribution of 10 per cent. of basic salary is made to each Executive Director for his personal pension arrangements or direct to his personal pension plan.

6.2 Non executive Directors

Each Non-Executive Director has entered into a letter of appointment with the Company. Such letters of appointment are terminable by the Company or the relevant director by giving notice in writing not less than 90 days in advance.

Details of the remuneration for the Company's Non-executive Directors as at the date of this document and the date of their appointment is as follows:

<i>Director</i>	<i>Appointment</i>	
	<i>Salary</i>	<i>Date</i>
Richard Jewson	£80,000	29 June 2007
Christopher Sherwell	£40,000	1 April 2008
Stephen Coe	£40,000	4 July 2005
David Moore	£40,000	4 July 2005

6.3 Senior Management

The following agreements have been entered into between each member of the Senior Management and the Group:

6.3.1 Adrian Baker is employed by the Group in the post of Group Managing Director, a post he has held since 1 September 2005. He is engaged by Raven Russia (Service Company) Limited. The annual salary under Mr. Baker's service agreement is £325,000 and Mr. Baker is entitled to a discretionary bonus which is to be determined by the remuneration committee. The service agreement includes a notice period of 12 months and contains restrictive covenants. A contribution of 10 per cent. of basic salary is made to Mr Baker for his personal pension arrangements; and

6.3.2 Igor Bogorodov is employed by the Group in the post of Head of the Russian Branch a post he has held since 10 January 2006. He is engaged by Raven Russia Property Advisors Limited. The annual salary under Mr. Bogorodov's employment agreement is \$440,000 and Mr. Bogorodov is entitled to a discretionary bonus. The employment agreement includes a notice period of 12 months and contains restrictive covenants.

6.4 The aggregate remuneration paid (including pension fund contributions and benefits in kind) to the Directors and Senior Management by members of the Group in the year ended 31 December 2009 was approximately £3,138,000 which, in respect of the Directors, was as follows:

<i>Director</i>	<i>Performance Related</i>			<i>Total</i>	<i>Pension contributions</i>
	<i>Salary/fees</i>	<i>bonuses</i>	<i>Benefits</i>		
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Anton Bilton	408	-	10	418	39
Glyn Hirsch	467	-	10	477	45
Mark Sinclair	225	350	3	578	23
Colin Smith	209	140	5	354	21
Richard Jewson	80	-	-	80	-
Christopher Sherwell	40	-	-	40	-
Stephen Coe	40	-	-	40	-
David Moore	40	-	-	40	-
	<u>1,509</u>	<u>490</u>	<u>28</u>	<u>2,027</u>	<u>128</u>

7. INCENTIVE ARRANGEMENTS

The Company has in place a number of schemes designed to incentivise Directors, Senior Management and employees of the Group. In this respect, 30 million Ordinary Shares were contributed to the Raven Russia Limited Employee Benefit Trust for the following purposes:

7.1 Bonus Scheme

Each year, the Remuneration Committee considers the financial position of the Company, notably in respect of its strategic and immediate business objectives, in determining the appropriateness and scale of annual bonus payments to the Executive Directors and senior management.

15 million Ordinary Shares were held by the Company's Employee Benefit Trust, to be used as consideration for bonuses for Executive Directors and senior management (the "**Bonus Shares**") under the Bonus Scheme. Of these, some Ordinary Shares have been allocated in respect of the financial year ended 31 December 2009 as set out below; the remainder are still held by the Company's Employee Benefit Trust.

Financial year ending 31 December 2009

In respect of the financial year ended 31 December 2009, and as a result of the achievement of the Executive Directors in meeting the objectives set by the Remuneration Committee, the Remuneration Committee agreed the following in relation to performance related bonuses.

- (a) no cash bonuses were paid to Anton Bilton or Glyn Hirsch and cash bonuses were limited to a maximum of £100,000 for each of Mark Sinclair and Colin Smith; and
- (b) of the 15 million Ordinary Shares held by the Company's Employee Benefit Trust, an allocation of 5,885,000 Ordinary Shares was made available for distribution to the Executive Directors and senior management for performance targets met during the financial year ended 31 December 2009. Prior to allocation, some of these Ordinary Shares were exchanged for Preference Shares by the Employee Benefit Trust. The resulting Ordinary Shares and Preference Shares were allocated in the following proportions:

<i>Director/Senior Management</i>	<i>Number of Bonus Shares allocated</i>	<i>Number of Preference Shares allocated</i>
Anton Bilton*	324,155	656,062
Glyn Hirsch*	783,092	400,000
Mark Sinclair	595,773	100,000
Colin Smith	60,000	55,795
Adrian Baker*	491,546	200,000
Igor Bogorodov	670,773	100,000
Other staff	250,000	Nil

* Each of the allocations to Messrs Bilton, Hirsch and Baker were made to employer funded retirement funds of which each of them and their families are beneficiaries.

Executive Directors are not permitted to sell such Bonus Shares for at least one year from allocation unless the proceeds of such sale(s) are reinvested in either Preference Shares or Warrants, or where there is a change in control of the Company.

Financial years ending 31 December 2010 and 31 December 2011

In respect of the financial years ending 31 December 2010 and 31 December 2011, the Remuneration Committee has determined that:

- (a) 4.7 million Bonus Shares will be allocated to satisfy bonuses to Executive Directors and senior management in respect of the financial year ending 31 December 2010, with such awards to be based upon the continuing employment of the Executive Directors and senior management as well as personal targets. If these targets are met, the Remuneration

Committee expects that these awards will be made in April 2011 following the publication of the audited financial statements of the Company for the year ending 31 December 2010; and

- (b) 4.4 million Bonus Shares will be made available to Executive Directors and senior management based upon certain financial and share price targets achieved in the two financial years ending on 31 December 2011. The Remuneration Committee will have the discretion to issue Bonus Shares on a sliding scale based on annualised Net Operating Income targets up to \$115 million pa, dividend cover targets and/or a share price or diluted NAV per share target of 75p. Any awards based on these targets assume that the Executive Directors and senior management remain in the employment of the Group at 31 December 2011 and would be made in April 2012, following the publication of the audited financial statements of the Company for the year ending 31 December 2011.

7.2 Employee Retention Scheme (“ERS”)

The employee retention scheme is operated by the Company’s Employee Benefit Trust for the benefit of certain board members and employees below the board level (including their spouses and dependants) of the Group. The Company’s Employee Benefit Trust currently holds 5 million Ordinary Shares for the ERS and will use such shares to retain and incentivize recipients by awarding them interests in and/or rights to acquire those shares as described below.

As at the date of this document, the Employee Benefit Trust had granted the following nil-cost options over Ordinary Shares:

	<i>Nil-cost options</i>
Mark Sinclair	1,000,000
Colin Smith	125,000
Adrian Baker*	2,000,000
Igor Bogorodov	1,000,000
Other employees of the Group	875,000
Total	<u>5,000,000</u>

* Mr Baker has not received a nil-cost option in respect of the Ordinary Shares indicated but the Company has recommended to the Trustees of the Employee Benefit Trust an arrangement having a similar economic effect.

The nil-cost options granted over such Ordinary Shares, are exercisable from the date of the publication of the final audited financial results of the Company for the financial year ending on 31 December 2010, provided that the relevant option holder remains in continued employment with the Company (or any member of the Group) as at that date.

The trustee of the Employee Benefit Trust is entitled to receive dividends or other distributions in respect of the Ordinary Shares held by the trustee that shall accrue between the date a nil-cost option is granted over such shares and the transfer of Ordinary Share(s) the subject of the option following its exercise to the relevant recipient. The trustee will distribute such distributions to the relevant recipient if and to the extent that such options are exercised by the recipient and the underlying Ordinary Shares are transferred to the recipient.

The relevant recipient will bear the income tax and employee national insurance contribution liabilities arising on exercising their option(s). The Company will however bear the cost of any employer’s national insurance contributions.

7.3 Long Term Incentive Plan (“LTIP”)

The Employee Benefit Trust operates a long term incentive plan under which all employees (including former employees) of the Group may be incentivised by the grant to them of an option over Ordinary Shares held by the Employee Benefit Trust.

10 million Ordinary Shares held by the Employee Benefit Trust have been reserved for the LTIP. The options that the Employee Benefit Trust grants over such shares will vest in three tranches, subject in each case to the performance conditions set out below, on 24 March 2012, 24 March 2013 and 24 March 2014 and, provided in each case, the relevant option holder remains in continued employment with the Company (or any member of the Group) as at that date.

The trustee of the Employee Benefit Trust is entitled to receive dividends or other distributions in respect of the Ordinary Shares held by it and over which options have been granted pursuant to the LTIP. The trustee will distribute such distributions to the relevant recipient if and to the extent that such options are exercised by the recipient and the underlying Ordinary Shares are transferred to the recipient.

In the event of a takeover or winding up of the Company, the Board retains a discretion as to the operation of the performance conditions and the vesting of such options (whether accelerated or otherwise) in such circumstances.

The trustee of the Employee Benefit Trust may, with the consent of the Remuneration Committee, at any time amend the terms of the LTIP without requiring prior shareholder approval but provided always that with respect to outstanding awards, the relevant employees shall have agreed to such changes being made.

Performance Conditions

The vesting of LTIP awards for each tranche is subject to the Company meeting a target of total shareholder return of 7.5 per cent. over UK RPI during each of the following three year periods, in each case with a starting share price of 25p;

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

As at the date of this document, the Employee Benefit Trust has granted the following options over existing Ordinary Shares in respect of the LTIP:

<i>Name</i>	<i>Number of Ordinary Shares under option</i>
Anton Bilton*	810,811
Glyn Hirsch*	1,000,000
Mark Sinclair	1,000,000
Colin Smith	500,000
Adrian Baker*	1,000,000
Igor Bogorodov	1,000,000
Other persons**	3,935,135
Unallocated	754,054

All of the above options have an exercise price of £0.25 per Ordinary Share and an exercise period commencing on the date of vesting through to 24 March 2019.

* Messrs Bilton, Hirsch and Baker have not received options with an exercise price of £0.25 per Ordinary Share but the Company has recommended to the trustees of the Employee Benefit Trust arrangements having a similar economic effect.

** The options referred to above include options issued to three individuals were granted pursuant to three "stand alone" unapproved option agreements. In light of the fact that these three individuals are not employees of the Group the employment conditions relating to the above awards do not apply to these individuals.

8. THE COMPANY AND ITS SUBSIDIARIES

The Company is the holding company of the Group and has the following principal (direct or indirect) subsidiaries:

<i>Name</i>	<i>Country of registration or incorporation</i>	<i>Registered Office</i>	<i>Principal activity</i>	<i>Proportion of ownership interest</i>
Petroestate LLC	Russian Federation	153, letter "Ñ", Leninsky prospekt, 196247, Saint-Petersburg, Russian Federation	Property Holding	100
CJSC Kulon Development	Russian Federation	Dorozhnaya str. 3, building 6, 117535, Moscow, Russian Federation	Property Holding	100
CJSC Kulon Estates	Russian Federation	6, Volokolamskoe Shosse, Krasnogorsk, Krasnogorskii district, 143400 Moscow region, Russian Federation	Property Holding	100
EG Logistics LLC	Russian Federation	Russia, 127550, Moscow, Pryanishnikova Str. 19A, bld. 4	Property Holding	100
CJSC Kulon Istra	Russian Federation	ul. Glavnogo Konstruktora V.I. Adasko 4, section 4, Istra, Moscow region, 143500, Russia	Property Holding	100
Soyuz-Invest LLC	Russian Federation	4, Fabrichnyi proezd, Klimovsk town, 142180 Moscow region, Russian Federation	Property Holding	100
Reserv-Invest LLC	Russian Federation	4, Fabrichnyi proezd, Klimovsk town, 142180 Moscow region, Russian Federation	Property Holding	100
Real-Invest LLC	Russian Federation	4, Fabrichnyi proezd, Klimovsk town, 142180 Moscow region, Russian Federation	Property Holding	100
Logopark Don LLC	Russian Federation	111, Novocherkasskoe shosse, building 1, 346720 Aksay town, (Rostovskaya oblast), out of the borders of the Bolshoy Log Settlement, the Russian Federation	Property Holding	100
Logopark Ob LLC	Russian Federation	71, Petukhova street, Novosibirsk, (Novosibirskaya oblast), 630088, the Russian Federation	Property Holding	100
Fenix LLC	Russian Federation	1, Tupikovyi proezd, Krekshino village, Marushkinski rural district, Naro-Fominskii district, 143391 Moscow Region, Russian Federation	Property Holding	100
CJSC Noginsk Vostok	Russian Federation	142438, Moscow Region, Noginsk district, the 58th km of Moscow – N.Novgorod Highway, industrial plot No. 1	Property Holding	100
Resource Economia LLC	Russian Federation	Russian Federation, 196600, Saint-Petersburg, Pushkin, Detskosl'skiy blvd., bld. 3a, suit 21 H, litera A	Property Holding	100
Kulon Spb LLC	Russian Federation	24, Liteynyi prospect, 191028 Saint-Petersburg	Property Holding	50
Raven Russia Property Advisors Limited	United Kingdom	21 Knightsbridge, London, United Kingdom, SW1X 7LY	Property Management 3rd Party Logistics	100 100

<i>Name</i>	<i>Country of registration or incorporation</i>	<i>Registered Office</i>	<i>Principal activity</i>	<i>Proportion of ownership interest</i>
Avalon Logistics Company LLC	Russian Federation	Building 6, estate 39 Leningradskaya street, town of Khimki, 141400 Moscow Region, the Russian Federation		
Raven Russia (Service Company) Limited	Guernsey	1 Le Truchot, St. Peter Port, Guernsey, GY1 6EH Channel Islands	Group Employment Company	100
Megalogix Limited	Cyprus	Kaliaco Court, 57 Kolonakion Street, Office 101, 1st Floor, Limassol 4103, Linopetra Cyprus	Property Holding	100
Roslogistics Holdings (Russia) Limited	Cyprus	Kaliaco Court, 57 Kolonakion Street, Office 101, 1st Floor, Limassol 4103, Linopetra Cyprus	Property Holding	100
Raven Mount Group Limited	UK	21 Knightsbridge, London SW1X 7LY	Property Trading Company	100
Raven Property Group plc	UK	21 Knightsbridge, London SW1X 7LY	Service Company	100
Swan Hill Developments Ltd	UK	21 Knightsbridge, London SW1X 7LY	Property Investment	100

9. TAXATION

The following information, which relates only to UK and Guernsey, is applicable to the Company and to persons who are resident or ordinarily resident in the UK or resident in Guernsey and who hold Ordinary Shares and/or Preference Shares and/or Warrants as investments. It is based on the law and practice currently in force in the UK and Guernsey, although potential investors should note that the UK Government has proposed in its budget on 22 June 2010 certain changes to UK tax legislation, in particular an increase in the rate of UK capital gains tax from 18 per cent. to 28 per cent. for certain individual taxpayers. Although these proposed changes will not become law until the corresponding Finance Act is passed by Parliament, potential investors should be aware of them and take separate advice as appropriate.

The information is not exhaustive and, if any potential investor is in any doubt as to his taxation position, he should consult his professional adviser without delay. Investors should note that tax law and its interpretation can change and that, in particular, the levels and bases of, and reliefs from, taxation may change and such changes may alter the benefits of investment in the Company. These comments do not apply to certain classes of shareholders, such as dealers in securities, insurance companies, collective investment schemes and shareholders who have, or are deemed to have, acquired their shares by reason of, or in connection with, an office or employment.

9.1 Guernsey taxation

9.1.1 *The Company*

In response to the review carried out by the European Union Code of Conduct Group, the States of Guernsey abolished exempt status for the majority of companies with effect from January 2008 and has introduced a zero rate of tax for companies carrying on all but a few specified types of activity. However, certain investment companies were not classified by the European Union Code of Conduct Group as being harmful, such continue to be able to apply for exempt status for Guernsey tax purposes after 31 December 2007.

The Company has applied for, and has been granted, exempt status for Guernsey tax purposes for 2010, in return for the payment of a fee, currently £600. It is able to apply annually for exempt status, which should be granted as long as it continues to meet the criteria set out in the relevant Ordinance (the Income Tax (Exempt Bodies)(Guernsey) Ordinance 1989, as amended).

As an exempt company, Raven Russia is not considered resident in Guernsey for Guernsey income tax purposes. It is therefore only taxable in Guernsey on local income, excluding bank deposit interest. It is not anticipated that any income other than bank interest will arise in Guernsey and therefore the Company is not expected to incur any liability to Guernsey tax.

In keeping with its ongoing commitment to meet international standards, the States of Guernsey is currently undertaking a review of its tax regime with the expectation of implementing any required revisions to the regime in the period between 2012 and 2015. At this point in time, the key features of any revised regime have yet to be determined. It is currently not anticipated that there will be any change to the current exempt regime and, as such, the Company is expected to be able to remain tax exempt.

Guernsey does not levy taxes upon capital inheritances, capital gains, gifts, sales or turnover, nor are there any estate duties, save for a small *ad valorem* fee for the grant of probate or letters of administration. No stamp duty is chargeable in Guernsey on the issue, transfer or redemption of shares.

9.1.2 *EU Savings Tax Directive*

Although not a Member State of the European Union, Guernsey in common with certain other jurisdictions has agreed to apply equivalent measures to those contained in the EU Savings Tax Directive (2003/48/EC), with the exception that the EU resident individual to whom interest is paid will suffer a retention tax on such payment (currently set at a rate of 20 per cent.) where they have not agreed to exchange certain information about their identity, residence and savings income with the tax authorities in their Member State of residence.

However, no retentions or exchanges of information under the EU Savings Tax Directive as implemented in Guernsey are expected to apply to holdings of Ordinary Shares or Preference Shares where payment in respect of such holdings are made by a Guernsey paying agent.

It should be noted the States of Guernsey have issued a consultation document concerning a proposal to move to an automatic exchange of information policy as stipulated in the EU Savings Tax Directive.

9.1.3 *Shareholders*

Non-Guernsey resident Ordinary Shareholders will receive dividends without deduction of Guernsey income tax. Any Ordinary Shareholders who are resident in Guernsey, Alderney or Herm will incur Guernsey income tax on any dividends paid on Ordinary Shares owned by them but will suffer no deduction of tax by the Company from any such dividends payable by the Company where the Company is granted exempt status. The Company is required to provide details of distributions made to Ordinary Shareholders resident in the Islands of Guernsey, Alderney and Herm to the Administrator of Income Tax in Guernsey.

The exchange of Warrants for Ordinary Shares is considered to be a capital transaction and should not attract any Guernsey tax liability for non-Guernsey residents, nor should it attract any Guernsey tax liability for Guernsey residents who do not trade in shares or securities.

9.2 *UK taxation*

9.2.1 *Surrender of Warrants pursuant to the terms of the Offer*

Warrant holders who are resident or ordinarily resident in the UK and accept the Company's offer and surrender Warrants in exchange for cash or new Ordinary Shares should seek their own separate advice as to their tax position. They are likely to be treated

as having disposed of the Warrants for a sum equal to the consideration received. The consideration received will be either the cash amount received or the value of the new Ordinary Shares issued. Where this disposal results in a profit or gain, the Warrantholder may be liable for corporation tax or capital gains tax on that profit or gain, depending on the Warrantholder's particular circumstances.

Warrantholders who are not resident or ordinarily resident in the UK should seek their own separate advice in this regard.

9.2.2 *The Company*

It is the intention of the Directors to conduct the affairs of the Company so that the central management and control of the Company is not exercised in the United Kingdom and so that the Company does not carry out any trade in the United Kingdom (whether or not through a permanent establishment situated there). On this basis, the Company should not be liable for United Kingdom taxation on its profits and gains other than certain profits or gains deriving from a United Kingdom source.

9.2.3 *UK Shareholders*

Taxation of dividends

Shareholders who are resident in the United Kingdom for tax purposes may, depending on their circumstances, be liable to UK income tax or corporation tax in respect of dividends paid by the Company (including dividends paid in relation to Preference Shares) whether directly or by way of reinvestment of income. For shareholders who are individuals and who are not taxable on the remittance basis, income tax will generally be charged at the rate of 10 per cent. or 32.5 per cent. or 42.5 per cent. (the 32.5 per cent. tax rate applies if the individual is a higher rate tax payer and the 42.5 per cent. tax rate applies if the individual has other taxable income in excess of £150,000 per annum). Where a taxpayer has other taxable income of less than £150,000, the receipt of a dividend may result in his total taxable income exceeding the £150,000 threshold. In that event, the dividend will be taxed partly at 32.5 per cent. (up to the £150,000 income threshold) and partly at 42.5 per cent. (on the excess above the £150,000 threshold). Any dividend (including on Preference Shares) will carry a tax credit equal to one ninth of the dividend, provided that the individual's interest in the Company is less than 10 per cent.

For corporate shareholders, the tax treatment of dividends paid by the Company (including in respect of Preference Shares) will depend upon the size of the recipient company. Certain small companies will be taxable at their marginal rate of corporation tax on all dividends received from the Company. A tax credit is generally given for any tax withheld at source. In addition, a tax credit should also be given for any underlying tax (that is, tax paid on the profits out of which the dividend was paid), provided the relevant corporate shareholder controls at least 10 per cent. of the voting rights in the Company and certain detailed conditions are satisfied. Any corporate shareholder which is not small will generally be exempt from corporation tax on the dividend. Corporate shareholders should seek their own separate advice as to whether they are a small company for these purposes. It has been proposed that both the main and lower rates of UK corporation tax will reduce starting on 1 April 2011, though this is subject to the passage of the relevant legislation through Parliament.

Individuals who are taxable on the remittance basis should seek their own advice in relation to the tax treatment of dividends paid by the Company.

Scrip dividends

Generally, a scrip dividend payable by a non-UK resident company is not taxable as income for UK income or corporation tax purposes. For the purposes of capital gains tax

and corporation tax on chargeable gains, a scrip dividend is generally treated as a bonus issue, i.e. the new shares received are treated as having been acquired at the same time as the original shares, and the base cost of the original shares is apportioned between the original shares and the bonus shares.

Taxation of chargeable gains

In the case of those shareholders who are individuals or otherwise not within the charge to corporation tax, capital gains tax may be payable on any chargeable gain arising upon a disposal of Ordinary Shares, Preference Shares or Warrants. Any such gain may be subject to tax at a rate of 18 per cent. subject to the availability of relevant reliefs and exemptions. Individual shareholders are not subject to tax on chargeable gains up to the annual exempt amount. For the 2010/2011 tax year this is £10,100.

Shareholders within the charge to UK corporation tax may be subject to corporation tax on chargeable gains in respect of any gain arising on a disposal of Ordinary Shares or Preference Shares. Indexation allowance may apply to reduce any chargeable gain arising on a disposal of the Ordinary Shares or Preference Shares but will not create or increase an allowable loss.

Shareholders within the charge to UK corporation tax may be subject to corporation tax in respect of any profit or gain arising on a disposal of Warrants. Such a profit or gain may be treated as income under the derivative contracts rules. If this is the case, indexation allowance would not be available. If the derivative contracts rules do not apply, any profit or gain would be treated as a capital gain for UK corporation tax purposes and indexation allowance may be available.

Shareholders should seek their own separate advice as to the potential application of the derivative contracts rules to them with regard to the Warrants.

Close company

Shareholders who are resident or ordinarily resident for tax purposes in the United Kingdom who hold more than 10 per cent. of the Company (either alone or taking into account the interests of persons connected with them), should seek their own separate advice on the basis that in certain circumstances (ie if the Company is or becomes a close company for UK tax purposes) a proportion of gains made by the Company could be attributable to them under section 13 of the Taxation of the Chargeable Gains Act 1992.

Offshore funds

The Company should not be regarded as a mutual fund for the purposes of Schedule 2 Finance Act 2009. On this basis a shareholding in the Company should not be regarded as a material interest in an offshore fund for tax purposes.

Controlled foreign company

A UK resident corporate shareholder who, together with connected or associated persons, holds at least a 25 per cent. interest in the Company should note the provisions of the controlled foreign companies legislation contained in sections 747 to 756 of the Income and Corporation Taxes Act (the "Taxes Act"). It should be noted that it is envisaged that the UK Government will announce that it intends to alter the rules relating to controlled foreign companies in the near future. Shareholders should seek their own specific advice on how these changes may impact upon them.

Transfer of assets abroad

The attention of individuals ordinarily resident in the United Kingdom is drawn to the provisions of section 714 to 751 of the Income Taxes Act 2007 which may render such

individuals liable to tax on the income of the Company (taken before any deduction for interest) in certain circumstances.

Transactions in securities

The attention of investors is drawn to Section 684 of the Income Tax Act 2007 under which HM Revenue & Customs may seek to cancel tax advantages from certain transactions in securities.

9.2.4 *Non-UK Shareholders*

Shareholders who are not resident or ordinarily resident (or temporarily non resident) in the United Kingdom and do not carry on a trade, profession or vocation through a branch, agency or other form of permanent establishment in the United Kingdom with which Ordinary Shares, Preference Shares or Warrants are connected will not normally be liable to United Kingdom taxation on capital gains arising on the sale or other disposal of Ordinary Shares, Preference Shares or Warrants. However, non-UK Shareholders will need to take specific professional advice about their individual tax position.

9.2.5 *Individual Savings Accounts (“ISA”) and Personal Equity Plans (“PEP”)*

Ordinary Shares, Preference Shares and Warrants in the Company will not be eligible to be held in the stocks and shares component of an ISA or an existing PEP.

9.2.6 *Self-invested Personal Pension Schemes (“SIPPs”)*

HM Revenue & Customs automatically treats SIPPs existing at 6 April 2006 or set up after that date as registered pension schemes. In accordance with HM Revenue & Customs guidance note RPSM07105010 registered pension schemes may invest in equities regardless of whether or not they are quoted on a recognised stock exchange, and therefore Ordinary Shares, Preference Shares and Warrants should be eligible investments.

9.2.7 *Stamp Duty and Stamp Duty Reserve Tax*

The following comments are intended as a guide to the general UK Stamp Duty and Stamp Duty Reserve Tax (“SDRT”) position and do not relate to persons such as market makers, brokers, dealers, intermediaries and persons connected with depository arrangements or clearance services to whom special rules apply. No UK Stamp Duty or SDRT will be payable on the issue of Ordinary Shares, Preference Shares or Warrants. UK Stamp Duty (at the rate of 0.5 per cent., rounded up where necessary to the next £5, of the amount of the value of the consideration for the transfer) is payable on any instrument of transfer of Ordinary Shares, Preference Shares or Warrants executed within, or that relates to any matter or thing to be done in the United Kingdom.

With regard to the proposed surrender of Warrants in exchange for cash or new Ordinary Shares, the issue of new Ordinary Shares will not be subject to Stamp Duty or SDRT. The surrender of the Warrants should not be subject to Stamp Duty or SDRT, as this does not constitute a transfer for Stamp Duty and SDRT purposes.

An exemption from stamp duty is available where the amount or value of the consideration is £1,000 or less, provided that it is certified on the instrument of transfer that the transaction does not form part of a larger transaction or series of transactions for which the aggregate consideration exceeds £1,000.

Any person who is in any doubt as to his/her tax position or requires more detailed information than the general outline above should consult his/her professional advisers.

10. MATERIAL CONTRACTS

The following are the only contracts (not being contracts entered into in the ordinary course of business) which have been entered into by members of the Group in the two years immediately preceding the date of this document and which are, or may be, material or which have been entered into at any time by any member of the Group and which contain any provision under which any member of the Group has any obligation or entitlement which is, or may be, material to the Group as at the date of this document:

10.1 The Sponsor Agreement

The Company entered into an agreement dated 30 June 2010 with Numis pursuant to which Numis agreed to act as sponsor to the Company in relation to Admission. The agreement contains customary warranties given by the Company to Numis and a customary indemnity given by the Company to Numis in respect of liabilities arising out of or in connection with Admission. The Company agreed to pay Numis a corporate finance fee of £225,000.

- 10.2 A facility agreement dated 17 September 2009 (as amended by facility amendment and restatement agreements dated 23 December 2009 and 25 June 2010) between the Company and the Royal Bank of Scotland International Limited ("RBSi"), pursuant to which RBSi made available to the Company a loan facility of up to £25 million for the purposes of repaying the Group's loan facility with Webfog Limited/VTB Bank Europe Plc (see paragraph 10.12.1 below). The amount outstanding under this facility at 31 December 2009 was £6.3 million. The main terms of this facility are as follows:

- (a) The facility expires on 31 January 2011;
- (b) The interest rate payable is LIBOR plus a margin of 3.20 per cent. and a fee payable on repayment of 0.75 per cent.; and
- (c) The facility is secured by security interests granted over the Company's deposits with RBSi.

10.3 The Placing Agreement

The Company entered into the Placing Agreement dated 17 February 2009 pursuant to which Numis, as financial adviser, book runner and joint broker and Singer Capital Markets Limited ("**Singer**"), as joint broker, agreed to use their respective reasonable endeavours to place up to 50,000,000 Units with institutional and other investors, including certain existing Ordinary Shareholders, in addition to 75,000,000 Units for which Invesco agreed to subscribe pursuant to the Placing.

The Placing Agreement contains customary warranties given by the Company to Numis and Singer as to matters relating to the Group and its business and a customary indemnity given by the Company to Numis and Singer in respect of liabilities arising out of or in connection with the Placing.

Under the Placing Agreement, Numis received a commission on 1 per cent. of the aggregate value of Units placed by it with certain existing Ordinary Shareholders and Numis and Singer each received a commission of 3 per cent. of the aggregate value of Units placed by them (respectively) with placees who are not such existing Ordinary Shareholders. In addition, the Company agreed to pay Numis a corporate finance fee of £200,000.

- 10.4 The Warrant Instrument, details of which are set out in Section B of Part 8 of this document.
- 10.5 The Company entered into an agreement dated 16 February 2009 with Numis pursuant to which Numis agreed to act as financial adviser, nominated adviser and broker to the Company in relation to the Offer. The agreement contains customary warranties given by the Company to Numis and a customary indemnity given by the Company to Numis in respect of liabilities arising

out of or in connection with the Raven Mount Offer. The Company agreed to pay Numis a corporate finance fee of £650,000.

10.6 **Section 110 Agreement**

A Section 110 Agreement (the “**Section 110 Agreement**”) was entered into on 3 November 2008 between Raven Mount Holdings, Malcolm Cohen and Anthony Nygate (as liquidators of Raven Mount Holdings (the “**Liquidators**”), Russian Property Management Limited (“**RPML**”) and Raven Mount to separate the business activities conducted by RRPm from the general activities conducted by the Raven Mount Group (of which Raven Mount Holdings was at that time the holding company) by way of a reconstruction under section 110 of the Insolvency Act 1986. The agreement contains a number of warranties given by Raven Mount.

10.7 **Deed of indemnity**

Pursuant to the Section 110 Agreement, a deed of indemnity was entered into on 3 November 2008 between Raven Mount, Raven Mount Holdings and the Liquidators, in terms of which Raven Mount agrees to indemnify the Liquidators in respect of all liabilities and expenses which might arise in connection with the Section 110 Scheme until the date two years and one day from the date of dissolution of Raven Mount Holdings, conditional upon which the Liquidators will enter into the Section 110 Agreement. Raven Mount also agreed to indemnify the Liquidators in respect of all the Liquidators’ remuneration fees, costs, including professional and legal costs, disbursements and other expenses and all other costs which might arise in connection with the Section 110 Agreement.

Raven Mount further agreed to indemnify Raven Mount Holdings in respect of all debts and/or liabilities to which Raven Mount Holdings is subject at the date it goes into liquidation, or which it may become subject to after that date by reason of any obligation incurred before that date, together with any interest payable. Raven Mount also agrees to indemnify Raven Mount Holdings against all liabilities and expenses which might arise in connections with or in the course of the liquidation of Raven Mount Holdings.

10.8 **AKM**

10.8.1 A credit line agreement dated 21 November 2007 between Nomos Bank and AKM Logistics pursuant to which Nomos Bank made available to AKM Logistics (a company indirectly wholly owned by the Company) a credit facility for up to \$48 million from 21 November 2007 to 21 November 2013 for the purpose of financing the construction of a trade-storage complex on the site owned by AKM Logistics. The amount drawn as at December 2009 was \$44 million. The interest payable on the facility was 13 per cent. per annum until 15 February 2008 and 12 per cent. per annum thereafter. The obligations of the borrower are secured by various mortgages, charges, pledges and other customary security interests for the benefit of Nomos Bank.

10.8.2 An agreement set out in a letter from Nomos Bank to Frontgate Limited (a company indirectly owned by the Company) dated 7 April 2010 whereby Nomos Bank agreed to accept the site and related assets, net of liabilities, of AKM Logistics in consideration for the repayment of all outstanding amounts due under the credit line agreement above.

10.9 **Krekshino**

A facility agreement dated 6 July 2007 between Raven Russia Holdings 10 Limited (a holding company wholly owned by the Company) and Hypo Real Estate Bank International AG (“**Hypo Real Estate**”) pursuant to which Hypo Real Estate made available to the Group a term loan facility for up to \$89,775,000 for the purpose of on-lending the amounts drawn to Fenix LLC a company indirectly wholly owned by the Company and the owner of the site located near the village of Krekshino, Moscow Oblast. The amount was fully drawn. The main terms of this facility are as follows:

-
- (a) The facility is a five year term loan expiring in January 2013.
 - (b) The interest rate payable is LIBOR plus a margin of 2.85 per cent., plus mandatory costs (if any). The Group has entered into separate interest rate agreements to fix the LIBOR element at 3.51 per cent. over the course of the loan.
 - (c) The Group may prepay the whole or any part of the loan (minimum \$1 million) in addition to any break costs, hedging agreement unwind costs and potential fees in order to avoid a breach of any of its covenants.

The obligations of the borrower under this facility are secured by various mortgages, charges, pledges and other customary security interests entered into by various members of the Group for the benefit of Hypo Real Estate. In addition, the Company has given a guarantee and indemnities to Hypo Real Estate in relation to, *inter alia*, any losses and damages which may arise should an event of default (as defined in the facility agreement) occur from a failure by Fenix LLC to obtain the rezoning of an access road to the site from agricultural land to industrial land. The Company's aggregate liability under this guarantee is limited to \$30 million. The Company has received confirmation from the appropriate authorities that rezoning has been approved and has applied to Hypo Real Estate for release from the guarantee.

10.10 Istra

A loan agreement dated 3 September 2008 (as amended by an amendment agreement dated 17 September 2009) and made between Intorla Holdings Limited as lender and ZAO Kulon-Istra a company indirectly wholly owned by the Company and which is developing office and warehouse buildings at a site located in the Istra Region, Moscow Oblast as borrower (the "**Istra Loan Agreement**").

The main terms of the Istra Loan Agreement are as follows:

- (a) Intorla Holdings Limited made available to ZAO Kulon-Istra a facility of up to \$119 million which shall be repayable in full on 8 August 2013 or such other date as agreed between the parties.
- (b) Interest is payable on the amount of the facility outstanding from time to time at the rate of 13 per cent. per annum.

Intorla Holdings Limited is a subsidiary of a company, external to the Group, that entered into a bank facility agreement with Aareal Bank AG for the purpose of financing the Istra Loan Agreement. Various companies of the Group have provided mortgages, charges, pledges and other customary security interests to Aareal Bank AG in relation to the bank facility agreement.

10.11 Konstanta

10.11.1 A loan agreement dated 20 April 2007 between Spiralpont Limited as lender and Petroestate LLC a company indirectly wholly owned by the Company and the owner of the property known as Konstanta and located in St. Petersburg, Russia as borrower, as novated, amended and restated pursuant to a loan transfer agreement dated 20 September 2007 between Spiralpont Limited, Petroestate LLC and HSH Nordbank AG. Pursuant to the loan transfer agreement, HSH Nordbank made available to Petroestate LLC a facility in an amount equal to \$23 million (the "Amended Konstanta Loan") under terms substantially similar to the terms of the term facility agreement dated 14 August 2007 and described in paragraph 10.11.2 below.

10.11.2 A term facility agreement dated 14 August 2007 between HSH Nordbank AG and a wholly owned subsidiary of the Company. The amount drawn by the Group under this facility (including the amount drawn under the Amended Konstanta Loan) was \$53 million. The main terms of this facility are as follows:

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- (a) The facility is a five year term loan expiring in November 2012.
 - (b) The interest rate payable on the aggregate amount of this loan and the Amended Konstanta Loan is LIBOR plus a margin at 2.70 per cent. The Group has entered into an interest rate agreement to cap the LIBOR element of \$30.3 million of the total balance at 5.50 per cent. over the course of the loan.
 - (c) The Group may prepay the whole or any part of the loan (minimum \$0.5 million) in addition to any break costs and potential fees in order to avoid a breach of any of its covenants.

The obligations of the borrower under this facility are secured by various mortgages, charges, pledges and other customary security interests entered into by various members of the Group for the benefit of HSH Nordbank AG.

10.12 Rostov on Don

10.12.1 A loan agreement dated 20 June 2008 as amended and restated pursuant to an amendment agreement dated 22 September 2008 and 4 November 2009 between Webfog Limited as lender and Logopark Don LLC (the developer of the site located at Rostov on Don) as borrower (the “**Logopark Don Loan Agreement**”). Logopark Don LLC is a wholly owned indirect subsidiary of Megalogix Limited, a joint venture vehicle of Raven Russia Holdings 2 Limited, a wholly owned subsidiary of the Company.

The main terms of the Logopark Don Loan Agreement are as follows:

- (a) Webfog Limited made available to Logopark Don LLC a facility of up to \$240 million, which shall be repayable in full after 6 months following the repayment of the facility referred to in paragraph 10.12.3 below.
- (b) Interest is payable on the amount of the facility outstanding from time to time at the rate of 13 per cent. per annum.

10.12.2 In addition a cost overrun guarantee dated 22 September 2008 was entered into between, *inter alia*, the Company and VTB Bank Europe Plc, an external funder to Webfog Limited. VTB Bank Europe Plc has now been repaid and this guarantee and all security relating to the Logopark Don Loan Agreement has now been formally released.

10.12.3 A loan agreement dated 30 September 2009 (as amended and restated on 7 May 2010) between Logopark Don LLC and International Finance Corporation (“**IFC**”) pursuant to which IFC agreed to make available to Logopark Don LLC three loans as follows: (i) the A Loan being \$20 million; (ii) the B Loan being \$10 million; and (iii) the C Loan being \$10 million. The balance drawn and outstanding under these loans as at 31 December 2009 was \$30 million. The interest rates payable on these loans are: (i) A Loan and B Loan: LIBOR plus a margin of 5.75 per cent.; and (ii) C Loan: LIBOR plus a margin of 16 per cent. Interest over the first eight quarterly interest payment dates on the C Loan shall be capitalised; thereafter interest shall be payable on both the principal amount and the capitalised interest. The obligations of Logopark Don LLC under this facility are secured by various mortgages, charges, pledges and other customary security interests entered into by various members of the Group for the benefit of IFC. In addition, pursuant to a Sponsor Support and Share Retention Agreement dated 5 November 2009 between the Company, Logopark Don LLC and IFC, the Company has given a guarantee to IFC for all the debts and monetary liabilities of Logopark Don LLC in respect of the IFC facility. This guarantee will terminate on the earlier of: (a) IFC confirming that Logopark Don LLC’s obligations under the facility have been discharged in full; and (b) the later of 15 November 2012 and the satisfaction of a financial hurdle calculated by reference to forecast net operating income and forecast principal and interest payments.

10.13 Novosibirsk

10.13.1 A loan agreement dated 26 August 2008 (as amended and restated on 26 September 2008, 20 May 2009 and 15 January 2010) between Logopark Ob LLC and IFC pursuant to which IFC agreed to make available to Logopark Ob LLC three loans as follows: (i) the A Loan being \$35 million (subsequently reduced to \$20 million); (ii) the B Loan being \$40 million (subsequently cancelled, and replaced by the \$25 million EBRD loan referred to in paragraph 10.13.2 below); and (iii) the C Loan being \$5 million. The balance drawn and outstanding under these loans as at December 2009 was \$41.1 million. The interest rates payable on these loans are: (i) A Loan: LIBOR plus a margin of 5.75 per cent.; and (ii) C Loan: LIBOR plus a margin of 16 per cent. The obligations of Logopark Ob LLC under this facility are secured by various mortgages, charges, pledges and other customary security interests entered into by various members of the Group for the benefit of IFC. In addition, the Company has given a guarantee to IFC for all the debts and monetary liabilities of Logopark Ob LLC to IFC in respect of the IFC facility (up to an aggregate amount of \$25 million. The Company has also entered into a guarantee with IFC dated 20 January 2010 pursuant to which the Company guarantees all the debts and liabilities of Logopark Ob LLC up to an aggregate of \$25 million. This guarantee will terminate on the earlier of:

- (i) IFC confirming all the guaranteed obligations have been repaid in full; and
- (ii) IFC confirming that: (a) all the liens, charges and other security interests granted to IFC in relation to the loan are validly created and registered; (b) either a mortgage over the freehold interest or a long term 49 year land lease has been perfected; (c) it has received evidence from Logopark Ob LLC that it has entered into lease contracts for a weighted average term of at least six years that utilise capacity of the project in an amount sufficient to satisfy a financial hurdle calculated by reference to forecast net operating income and forecast principal interest payments; and (d) no event of default has occurred under the loan agreement.

10.13.2 A loan agreement dated 27 March 2009 as amended and restated on 20 May 2009 and 18 January 2010 between Logopark Ob LLC and EBRD pursuant to which EBRD agreed to make available to Logopark Ob LLC a loan in an amount of up to \$25 million. The interest rate payable on the A Loan principal amount of \$20 million is LIBOR plus a margin of 5.75 per cent. per annum. The interest rate payable on the C Loan principal amount of \$5 million is LIBOR plus a margin of 16 per cent. per annum. The obligations of the borrower will be secured by various mortgages, charges, pledges and other customary security interests for the benefit of EBRD. In addition, the Company has entered into a deed of guarantee and indemnity with EBRD pursuant to which the Company has guaranteed the payment of all the debts and liabilities of Logopark Ob LLC to EBRD under or in relation to the loan agreement up to \$25 million plus any interest, fees and expenses due to EBRD (the "Guaranteed Obligations") and has undertaken to indemnify EBRD against any cost, loss or liability incurred by EBRD as a result of the Guaranteed Obligations being or becoming void, unenforceable or invalid. This guarantee and indemnity will terminate on the earlier of:

- (a) EBRD confirming that all the Guaranteed Obligations have been repaid in full and no amounts remain available for disbursement under the loan agreement; and

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- (b) EBRD confirming that: (i) all the liens, charges and other security interests granted to EBRD in relation to the loan are validly created and registered; (ii) all such security interests are subordinated only to the security interests granted to IFC in connection with the loan agreement described in paragraph 10.13.1 above; (iii) it has received from Logopark Ob LLC evidence that Logopark Ob LLC has entered into lease contracts for a weighted average term of at least six years that utilise capacity of the project in an amount sufficient to satisfy a financial hurdle calculated by reference to forecast net operating income and forecast principal and interest payments; (iv) no event of default under the loan agreement has occurred; and (v) if the guarantee given by the Company to IFC and further described in paragraph 10.13.1 above has come into force, all the debts and liabilities of Logopark Ob LLC to IFC have been discharged in full or the Company has been released from its obligations under such guarantee.

10.13.3 In addition a Sponsor Support and Share Retention Agreement dated 20 January 2010 between the Company and both IFC and EBRD was entered into to cover any shortfall in scheduled debt service repayments due by Logopark Ob LLC. The aggregate liability under this guarantee is capped up to a maximum of \$15 million prior to project completion and up to a maximum of \$22 million thereafter. The Sponsor Support and Share Retention Agreement obligations remain in force until the outstanding loans are repaid.

10.14 Volhonsky Limited hedging arrangements

Volhonsky Limited (a wholly owned subsidiary of the Company) has entered into two interest rate cap agreements with Royal Bank of Scotland International to hedge the interest rate exposure of the Group under the Rostov on Don and Novosibirsk facilities (see paragraphs 10.12 and 10.13 above, respectively). The caps are for an initial aggregate notional sum of \$92.6 million, a cap rate of 3 per cent. and mature during August and September 2013.

10.15 Noginsk

A loan agreement dated 21 December 2007 and made between Anfirmo Holdings Limited (“Anfirmo”) as lender and Noginsk-Vostok (a company in which the Company indirectly holds a 100 per cent. ownership interest, and the owner of the freehold rights to the land situated in the Noginsk District of the Moscow Region where the warehouse known as the Noginsk property is currently under construction) as borrower, as amended by an amendment agreement dated 29 February 2008, an amendment agreement dated 12 March 2008, as amended and restated pursuant to an amendment and restatement agreement dated 8 September 2008 and as amended and restated pursuant to a further amendment and restatement agreement dated 5 February 2010 (the “Noginsk Loan Agreement”).

The main terms of the Noginsk Loan Agreement are as follows:

- (a) Anfirmo Holdings Limited made two facilities available to Noginsk-Vostok: Facility A up to US\$66.3 million which shall be repayable on 22 October 2011 and Facility B up to US\$60.8 million which shall be repayable on 6 April 2012.
- (b) Interest is payable quarterly on the amount of the facility outstanding from time to time at the rate of 12.5 per cent. per annum.

Anfirmo is the subsidiary of a company (external to the Group) that entered into a bank facility agreement with HSH Nordbank AG for the purpose of financing the Noginsk Loan Agreement. The loan to Anfirmo under the bank facility agreement falls due for repayment in 22 October 2011. Various companies of the Group have provided mortgages, charges, pledges and other customary security interests to HSH Nordbank AG in relation to the bank facility agreement. This includes a corporate guarantee provided by the Company to HSH Nordbank AG in respect of payment of non-default interest and amortisation due by the borrower throughout the term of

the facility and also the punctual payment of construction retentions withheld by Noginsk-Vostok as these fall due for repayment.

10.16 Southern

10.16.1 A loan agreement dated 22 December 2006 (as amended by an amendment agreement dated 10 April 2007) between Storvo Holdings Limited and Closed Joint Stock Company Kulon Development (“Kulon Development”), an indirect wholly owned subsidiary of the Company and the owner of the property known as Southern in Moscow. This loan was novated, amended and restated pursuant to a loan transfer agreement dated 14 June 2007 between Storvo Holdings Limited, Kulon Development and HSH Nordbank AG as supplemented by a supplemental agreement dated 12 October 2007. Under the terms of the loan transfer agreement, HSH Nordbank AG made available to Kulon Development a facility in an amount equal to \$8.5 million (the “Amended Southern Loan”) under terms substantially similar to the terms of the term facility agreement dated 11 May 2007 and described in paragraph 10.16.2 below.

10.16.2 A term facility agreement dated 11 May 2007 between Raven Russia Holdings 3 Limited and HSH Nordbank AG as supplemented by a supplemental agreement dated 10 December 2007. The amount drawn by the Group under this facility (including the amount drawn under the Amended Southern Loan) was \$13.0 million. The main terms of this facility are as follows:

- (a) The facility is a five year term loan expiring in December 2012.
- (b) The interest rate payable on the aggregate of this loan and the Amended Southern Loan is LIBOR plus a margin of 2.99 per cent. The Group has entered into an interest rate agreement to cap the LIBOR element of \$4.8 million of the total balance at 5.50 per cent. over the course of the loan.
- (c) The Group may prepay whole or any part of the loan (minimum \$0.5 million) in addition to any break costs and potential fees in order to avoid a breach of any of its covenants.

The obligations of the borrower under this facility are secured by various mortgages, charges, pledges and other customary security interests entered into by various members of the Group for the benefit of HSH Nordbank AG.

10.17 Baltia

10.17.1 A loan agreement dated 22 December 2006 (as amended by an amendment agreement dated 12 April 2007) between Storvo Holdings Limited and Closed Joint Stock Company Kulon Estate (“**Kulon Estate**”), an indirect wholly owned subsidiary of the Company and the owner of the property known as Baltia in Moscow. This loan was novated, amended and restated pursuant to a loan transfer agreement dated 6 July 2007 between Storvo Holdings Limited, Kulon Estate and HSH Nordbank AG as supplemented by a supplemental agreement dated 12 October 2007. Under the terms of the loan transfer agreement, HSH Nordbank AG made available to Kulon Estate a facility in an amount equal to \$16.5 million (the “**Amended Baltia Loan**”) under terms substantially similar to the terms of the term facility agreement dated 11 May 2007 and described in paragraph 10.17.2 below.

10.17.2 A term facility agreement dated 11 May 2007 between Raven Russia Holdings 3 Limited and HSH Nordbank AG as supplemented by a supplemental agreement dated 10 December 2007. The amount drawn by the Group under this facility as at December 2008 (including the amount drawn under the Amended Baltia Loan) was \$23 million. The main terms of this facility are as follows:

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- (a) The facility is a five year term loan expiring in December 2012.
 - (b) The interest rate payable on the aggregate of this loan and the Amended Baltia Loan is LIBOR plus a margin of 2.99 per cent. The Group has entered into an interest rate agreement to cap the LIBOR element of \$5.9 million of the total balance at 5.50 per cent. over the course of the loan.
 - (c) The Group may prepay the whole or any part of the loan (minimum \$0.5 million) in addition to any break costs and potential fees in order to avoid a breach of any of its covenants.

The obligations of the borrower under this facility are secured by various mortgages, charges, pledges and other customary security interests entered into by various members of the Group for the benefit of HSH Nordbank AG.

- 10.18 An option agreement dated 25 July 2005, pursuant to which the Company has granted Cenkos Securities Limited the right to subscribe for 1,530,000 Ordinary Shares at 100p per Ordinary Share. Such option is exercisable at any time during the period of five years starting on 29 July 2005. Cenkos Securities Limited also has the right to transfer all or part of its rights to subscribe for Ordinary Shares.
- 10.19 An option agreement dated 25 July 2005, pursuant to which the Company has granted Kinmont Limited the right to subscribe for 382,500 Ordinary Shares at 100p per Ordinary Share. Such option is exercisable at any time during the period of five years starting on 29 July 2005. Kinmont Limited also has the right to transfer all or part of its rights to subscribe for Ordinary Shares.
- 10.20 An option agreement dated 25 July 2005, pursuant to which the Company has granted to Adrian Collins the right to subscribe for 100,000 Ordinary Shares exercisable in three tranches, further details of which is set out in paragraph 3.31 of this Part 9.

11. MANDATORY TAKEOVER BIDS AND SQUEEZE-OUT/SELLOUT PROVISIONS

11.1 Mandatory takeover bids

The City Code applies to all takeover and merger transactions in relation to the Company.

The Panel on Takeovers and Mergers is an independent body, whose main functions are to issue and administer the City Code and to supervise and regulate takeovers and other matters to which the City Code applies in accordance with the rules set out in the City Code. The City Code is designed principally to ensure that shareholders are treated fairly and are not denied an opportunity to decide on the merits of a takeover and that shareholders of the same class are afforded equivalent treatment by an offeror. The City Code also provides an orderly framework within which takeovers are conducted. In addition, it is designed to promote, in conjunction with other regulatory regimes, the integrity of the financial markets.

Under Rule 9 of the City Code, any person who acquires an interest (as defined in the City Code) in shares which, taken together with shares in which he is already interested and in which persons acting in concert with him are interested, carry 30 per cent. or more of the voting right of a company which is subject to the City Code, is normally required to make a general offer to all the remaining shareholders to acquire their shares.

Similarly, when any person, together with persons acting in concert with him, is interested in shares which in aggregate carry not less than 30 per cent. of the voting rights of such a company but does not hold shares carrying more than 50 per cent. of such voting rights, a general offer will normally be required if any further interests in shares are acquired by any such person.

An offer under Rule 9 must be made in cash and at the highest price paid by the person required to make the offer, or any person acting in concert with him, for any interests in shares of the company during the 12 months prior to the announcement of the offer.

There are not in existence any current mandatory takeover bids in relation to the Company.

11.2 Squeeze-out

Part XVIII of the Law provides that if an offer is made for the shares or any class of shares in the capital of the Company and if, within four months after the making of the offer, the offer is approved by shareholders comprising 90 per cent. in value of the shares affected then the offeror may, within two months of the expiry of that four month period acquire any remaining shares to which the offer relates. The offeror would effect the compulsory acquisition by sending a notice to outstanding shareholders informing them that it wishes to acquire their shares (an “**Acquisition Notice**”). Where an Acquisition Notice is served, the offeror is then entitled and bound to acquire those shares on the terms on which the original offer, approved by the shareholders comprising 90 per cent. in value of the shares affected, was made.

12. RELATED PARTY TRANSACTIONS

Other than: (i) those matters referred to in Note 33 to the Financial Statements of the Group for the year ended 31 December 2009, set out in Part 4 of this document; (ii) those matters referred to in Note 28 to the Financial Statements of the Group for the year ended 31 December 2008 which are incorporated by reference into this document; (iii) those matters referred to in Note 29 to the Audited Financial Statements of the Group for the year ended 31 December 2007 which are incorporated by reference into this document; and (iv) those matters referred to in Note 26 to the Financial Information relating to the Raven Mount Group for the three years ended 31 December 2009, set out in Section A of Part 5 of this document, during the period commencing on 1 January 2007 and terminating on the date of this document, the Company has not entered into any related party transaction.

13. WORKING CAPITAL

The Directors are of the opinion that, after taking into account the banking facilities available, the Group has sufficient working capital for its present requirements, that is, for at least the period of 12 months from the date of this document.

14. LITIGATION

There are no governmental, legal or arbitration proceedings nor, so far as the Company is aware, are any governmental, legal or arbitration proceedings pending or threatened which may have, or have had during the 12 months preceding the date of this document, a significant effect on the Group's financial position or profitability.

15. GENERAL

- 15.1 There has been no significant change in the financial or trading position of the Group since 31 December 2009, the date to which the last audited financial statements of the Group were prepared.
- 15.2 There has been no material change to the valuation of the freehold, and part freehold and part leasehold properties of the Group set out in the Property Valuation Report on the Group in Part 7 of this document since 31 December 2009, the date to which such report was prepared.
- 15.3 The estimated costs and expenses relating to the Offer and Admission (including the fees of the FSA, professional fees and expenses and the costs of printing and distribution of documents) are expected to amount to approximately £975,000, excluding VAT.
- 15.4 Numis Securities Limited is registered in England and Wales under number 02285918 and its registered office is at 10 Paternoster Square, London EC4M 7LT. Numis Securities Limited is regulated by the Financial Services Authority and is acting in its capacity as sponsor, nominated adviser, financial adviser and joint broker to the Company.
- 15.5 Numis Securities Limited has given and has not withdrawn its written consent to the issue of this document with the inclusion of its name and references to it in the form and context in which they appear.

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- 15.6 Ernst & Young LLP has given and has not withdrawn its written consent to the inclusion in this document of its name and its report set out in Section A of Part 5 of this document and references thereto in the forms and contexts in which they appear and has authorized the contents of such report for the purposes of Prospectus Rule 5.5.3R(2)(f).
- 15.7 Jones Lang LaSalle has given and has not withdrawn its written consent to the inclusion in this document of its name and its report set out in Part 7 of this document and references thereto in the forms and contexts in which they appear and has authorised the contents of such report for the purposes of Prospectus Rule 5.5.3R(2)(f).
- 15.8 BDO Novus Limited of Elizabeth House, St. Peter Port, Guernsey GY1 3LL and BDO Stoy Hayward LLP of Emerald House, East Street, Epsom, Surrey KT17 1HS were the auditors of the Company for the financial year ended 31 December 2007, between them. BDO Novus Limited and BDO Stoy Hayward LLP both resigned as auditors on 2 December 2008.
- 15.9 Ernst & Young LLP of 1 More London Place, London SE1 2AF, United Kingdom is registered to carry out audit work by the Institute of Chartered Accountants in England and Wales and were the auditors of the Company for the financial years ended 31 December 2008 and 31 December 2009.
- 15.10 Save as otherwise disclosed in paragraph 10 of this Part 9, there are no patents or other intellectual property rights, licences, industrial, commercial or financial contracts or new manufacturing processes which are material to the Group's business or profitability.
- 15.11 Where information has been sourced from a third party as specifically noted in this document, the Company confirms that this information has been accurately reproduced and that, as far as the Company is aware and able to ascertain from information published by that third party, no facts have been omitted that would render the reproduced information inaccurate or misleading. Unless otherwise stated, such information has not been audited.

16. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for physical inspection during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the registered office of the Company for the life of this document and at the offices of Berwin Leighton Paisner LLP, Adelaide House, London Bridge, London EC4R 9HA until Admission:

- 16.1 the memorandum of association of the Company and the Articles;
- 16.2 the report prepared by Ernst & Young LLP set out in Section B of Part 5 of this document and referred to in paragraph 15.6 above;
- 16.3 the report prepared by Jones Lang LaSalle set out in Part 7 of this document and referred to in paragraph 15.7 above;
- 16.4 the letters referred to in paragraphs 15.5 to 15.7 above;
- 16.5 the historical financial information referred to in Parts 4 and 5 of this document; and
- 16.6 the historical financial information incorporated by reference in this document and referred to on page 221 below.

Dated 30 June 2010

DOCUMENTS INCORPORATED BY REFERENCE

This document should be read and construed in conjunction with the following document which have been previously published and approved by the FSA and which shall be deemed to be incorporated in, and form part of, this document:

<i>Document</i>	<i>Section</i>	<i>Page numbers in such document</i>
Equivalent Information Document dated 17 April 2009	Audited Financial Statements of the Group for the year ended 31 December 2008 dated 29 March 2009	
	Independent Auditor's Report to the members of the Company	60-61
	Group Income Statement	62
	Group Balance Sheet	63
	Group Statement of Changes in Equity	64
	Group Cash Flow Statement	65
	Notes to the Financial Statements	66-102
	Audited Financial Statements of the Group for the year ended 31 December 2007 dated 10 March 2008	
	Independent Auditor's Report to the members of the Company	103-104
	Consolidated Income Statement	105
	Company Income Statement	106
	Consolidated Balance Sheet	107
	Company Balance Sheet	108
	Consolidated Statement of Changes in Equity	109
	Company Statement of Changes in Equity	110
	Consolidated Cash Flow Statement	111
	Company Cash Flow Statement	112
	Notes to the Financial Statements	113-139

Any statement contained in a document which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this document to the extent that a statement contained herein (or in a later document which is incorporated by reference herein) modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this document.

The Company will provide, without charge, to each person to whom a copy of this document has been delivered, upon the written request of such person, a copy of any or all of the documents that are incorporated by reference herein. Written requests for such documents should be directed to the Company at its registered office set out in the "Directors, Secretary and Advisers" section of this document.

DEFINITIONS

The following definitions apply throughout this document, unless the context otherwise requires:

“2006 Act”	the Companies Act 2006 (as amended)
“Act”	the Companies Act 1985 (as amended)
“Admission”	admission of the Ordinary Shares and the Warrants (other than those which are surrendered pursuant to the terms of the Offer) to the Official List and to trading on the Main Market of the London Stock Exchange becoming effective
“AIM”	AIM, a market operated by the London Stock Exchange
“AIM Rules for Companies”	the AIM Rules for Companies published by the London Stock Exchange from time to time
“Articles”	means the Company’s articles of incorporation as at the date of this document
“certificated” or “in certificated form”	in certificated form (that is, not in CREST)
“CIS”	Commonwealth of Independent States
“City Code”	the City Code on Takeovers and Mergers issued by the Panel on Takeovers and Mergers in the United Kingdom and, from time to time, any successor or replacement body thereof
“Combined Code”	the revised code on the principles of good corporate governance and best practice published in June 2006 by the Financial Reporting Council
“Company” or “Raven Russia”	Raven Russia Limited
“CREST”	the computerised settlement system operated by Euroclear which facilitates the transfer of title to shares in uncertificated form
“CREST Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001/3755), as amended
“Directors” or “Board”	the directors of the Company as at the date of this document, whose names are set out on page 21 of this document
“DTR’s” or “Disclosure and Transparency Rules”	the rules relating to the disclosure of information made in accordance with Section 73A(3) of FSMA
“Euroclear”	Euroclear UK & Ireland Limited, a company incorporated under the laws of England and Wales and the operator of CREST
“Existing Ordinary Shares”	the Ordinary Shares in issue as at the date of this document
“Fixed Amount”	£1.00
“Form of Acceptance”	the Form of Acceptance enclosed with the Offer Document for use in connection with the Offer

“Framework Agreement”	the agreement dated 9 July 2008 (as amended on 4 September 2008) between the Company, Raven Mount plc, Raven Mount Holdings plc (now in members’ voluntary liquidation), Russian Property Management Limited and Raven Mount Admission Limited (now Raven Mount) for the sale and purchase of the entire issued share capital of RRPA and the disposal of RRPM to the Company
“FSA” or “Financial Services Authority”	Financial Services Authority of the United Kingdom in its capacity as the competent authority for the purposes of FSMA
“FSMA”	Financial Services and Markets Act 2000, as amended
“Group”	the Company and its subsidiaries and “member of the Group” shall be construed accordingly
“IFRS”	International Financial Reporting Standards (including International Accounting Standards)
“Internalisation”	the acquisition by the Company of the entire issued share capital of RRPM and RRPA pursuant to the Framework Agreement which completed on 26 November 2008
“Invesco”	Invesco Asset Management Limited
“IPO”	the admission of the Company’s Ordinary Shares to trading on AIM which became effective on 29 July 2005
“Law”	the Companies (Guernsey) Law 2008, as amended
“Listing Rules”	the rules of the UKLA relating to the companies admitted to the Official List
“London Stock Exchange”	London Stock Exchange plc
“New Ordinary Shares”	new Ordinary Shares to be allotted and issued to Qualifying Warrantheolders pursuant to the terms of the Offer
“Numis”	Numis Securities Limited
“Offer”	the offer being made by the Company to Warrantheolders for them to surrender 36,256,016 Warrants in return for either the issue of New Ordinary Shares or a cash payment on the terms and subject to the conditions set out in this document, the Offer Document and the Form of Acceptance, including, where the context requires, any subsequent revisions, variations, extensions or renewal of such Offer
“Offer Document”	the document sent to Warrantheolders today which contains details of the Offer
“Official List”	the official list of the UKLA
“Ordinary Shareholder”	means a holder of Ordinary Shares
“Ordinary Shares”	ordinary shares of £0.01 each in the capital of the Company
“Part VI Rules”	the rules contained in Part VI of FSMA

“Preference Dividend”	the cumulative preferential dividend accruing on each Preference Share as set out in more detail in Section A of Part 8 of this document
“Preference Shares”	the cumulative redeemable preference shares of £0.01 each in the capital of the Company
“Pro Rata Entitlement”	the number of Warrants which is the product, rounded down to the nearest whole number, of a Qualifying Warrantholder’s registered holding of Warrants at the Record Date multiplied by the Relevant Percentage
“Prohibited Territories”	the United States, Canada, Australia, Japan, the Republic of South Africa and their respective territories and possessions and any other jurisdiction where local laws or regulations may result in a significant risk of civil, regulatory or criminal exposure for the Company if information or documents concerning the Offer were to be sent or made available to Warrantholders in that jurisdiction
“Property Advisory Agreement”	a property advisory agreement between (1) the Company and (2) RRPM dated 25 July 2005, as varied by the variation agreement between (1) the Company (2) Raven Mount and (3) RRPM dated 6 April 2006
“Prospectus”	this document
“Prospectus Directive”	the Prospectus Directive of the European Parliament and Council (2003/71/EC)
“Prospectus Rules”	the rules made for the purposes of Part VI of FSMA in relation to offers of securities to the public and admission of securities to trading in a regulated market
“Qualifying Warrantholder”	means a Warrantholder on the register of Warrantholders of the Company at the Record Date
“Raven Mount”	Raven Mount Group Limited (formerly Raven Mount Group plc)
“Raven Mount Group”	Raven Mount and its subsidiaries and “ member of Raven Mount Group ” shall be construed accordingly
“Raven Mount Offer”	the recommended offer by the Company to acquire the entire issued and to be issued share capital of Raven Mount which completed in July 2009
“Record Date”	5.00 p.m. on 22 July 2010
“Relevant Percentage”	26 per cent.
“Rouble”	the lawful currency of the Russian Federation
“RRPA”	Raven Russia Property Advisors Limited
“RRPM”	Raven Russia Property Management Limited
“Statutes”	the Law and every other statute, statutory instrument, regulation or order for the time being in force concerning companies whether registered under the Law or not

“Sterling”	the lawful currency of the United Kingdom
“subsidiary”	as defined in section 1159 of the 2006 Act
“UK” or “United Kingdom”	the United Kingdom of Great Britain and Northern Ireland
“UK Listing Authority” or “UKLA”	the FSA acting in its capacity as the competent authority for the purposes of Part VI of FSMA
“uncertificated” or “in uncertificated form”	recorded in the register as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST
“Units”	the units, each consisting of one Preference Share and one Warrant
“US”, “USA” or “United States”	the United States of America, its territories and possessions, any state of the US and the District of Columbia and all other areas subject to its jurisdiction
“US dollar” or “\$”	US dollars, the lawful currency of the United States
“VAT”	value added tax
“Warehouse(s)”	the entire spectrum of both newly-built and existing warehouse buildings, including, but not limited to, high bay logistics buildings, cold storage, industrial and manufacturing factories, light assembly, storage depots, retail warehouses, leisure boxes, multiplexes, supermarkets, exhibition centres, refineries and multi-storey warehouse buildings, any of which may have an office content
“Warrant”	a warrant to subscribe for 1 Ordinary Share at 25 pence per Ordinary Share
“Warrantholder”	a holder of a Warrant
“Warrant Instrument”	the warrant instrument adopted by the Company constituting the Warrants
“£” and “p”	respectively pounds and pence sterling, the lawful currency of the United Kingdom
