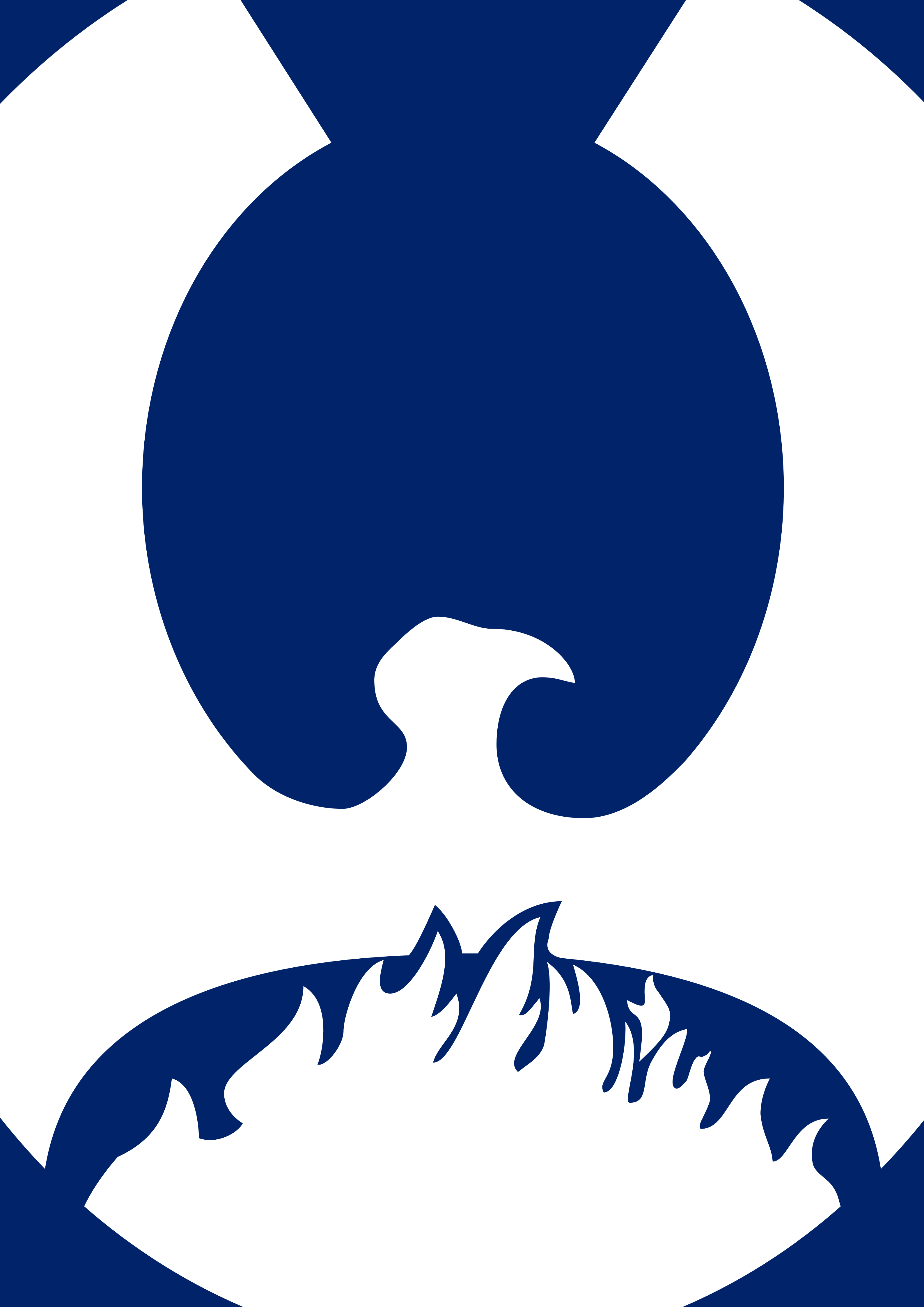
RAVEN RUSSIA LIMITED

2014 Annual Report



RAVEN RUSSIA LIMITED
RESULTS FOR THE YEAR ENDED 31 DECEMBER 2014

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RESULTS HIGHLIGHTS

NOI UP TO $192MILLION FROM $187MILLION

UNDERLYING EARNINGS UP 11% TO $66.7MILLION

PROPERTY REVALUATION LOSSES GIVE AN IFRS LOSS OF $88.2MILLION

INVESTMENT PORTFOLIO INCREASES TO 1.5MILLION SQM

94% OCCUPANCY AT THE YEAR END INCLUDING NEW SPACE DELIVERED

$247MILLION OF FREE CASH AT TODAY'S DATE

FINAL DISTRIBUTION OF 3.5P PROPOSED UP 20% TO 6P FOR THE YEAR

DISTRIBUTION BY TENDER OFFER BUYBACK OF 1 IN EVERY 14 SHARES AT 48P PER SHARE

CHAIRMAN RICHARD JEWSON SAID

"WE HAVE MADE EVERY EFFORT TO MITIGATE THE EFFECTS ON OUR BUSINESS OF THE VARIOUS MACROECONOMIC AND GEOPOLITICAL UNCERTAINTIES FACING THE RUSSIAN ECONOMY. WE ARE STRONG FINANCIALLY AND ARE WELL-PLACED TO BENEFIT FROM ANY ECONOMIC RECOVERY."

CHAIRMAN'S MESSAGE

I concluded my message in the 2013 Annual Report with the hope that the events in Ukraine would soon settle peaceably. Unfortunately, 12 months later, it remains headline news and has now been joined by an unforeseen and rapid drop in both the oil price and the Rouble.

The positive news is that our operating results for 2014 have exceeded our expectations given the international sanctions that have been in place for the majority of the year. Underlying earnings have increased from $60million to $67million, our investment property portfolio was virtually fully let throughout the year, our weighted average term to debt maturity is now 4.8 years and our weighted average lease term is 4.2 years. At today's date, we have $247million of free cash, the majority held in the Guernsey holding companies.

Unfortunately and inevitably, the geopolitical events and resulting depreciation of the Rouble at the year end have affected our balance sheet. Investment property and property under construction valuations have decreased by $145million (2013: increase of $55million) and the US Dollar equivalent value of our Rouble denominated assets by $45million. This has resulted in an IFRS loss after tax for the year of $88million (2013: loss of $4million) and a fully diluted, adjusted net asset value per share of 106cents (2013: 126cents).

Despite the prevailing negative sentiment on Russia, we have been able to refinance $275million of our debt during the year, reducing our overall cost of debt from 7.2% to 7.0%. Since the year end, we have also drawn a further $66million on existing facilities, a significant achievement in the current market.

Our proposed final distribution, equivalent to 3.5p per share, makes a total of 6p per share for 2014, a 20% increase on 2013 and reflects the successful operating results in the year. Again, we intend to distribute by way of a tender offer buyback of 1 in every 14 ordinary shares at 48p per share.

The current year will be an important one for Raven Russia. We have made every effort to mitigate the effects on our business of the various macroeconomic and political events facing the Russian economy and we will continue to do so. We are naturally cautious on the outlook for the current year and the significant uncertainties regarding Ukraine, the oil price and the currency. We are strong financially, with an effective local management team in Russia and are well-placed to benefit from any economic recovery.

As always, I would like to thank our shareholders, employees, advisers and all of our stakeholders for their continued support in a challenging period.

Richard Jewson
Chairman
8 March 2015

THE PORTFOLIO

RUSSIAN FEDERATION

Moscow


A107
P113
LOBNYA
SHOLOKHOVO
A104
M10
SHEREMETIEVO AIRPORT
PUSHKINO
M8
A107
P111
MKAD
MKAD
ISTRA
NOVA RIGA
NOGINSK
M7
M9
A107
MKAD
A107
M1
KREKSHINO
SOUTHERN
A102
A105
VNUKOVO AIRPORT
A101
M3
M2
A107
DOMODEDOVO AIRPORT
M4
KLIMOVSK
A107

St Petersburg

Pushkino Moscow

DESCRIPTION

Grade A warehouse complex

KEY TENANTS

- DHL
- Leroy Merlin
- Itella

GLA

213,600 sqm

LOCATION

Pushkino Logistics Park is located on the Yaroslavskoe Highway, approximately 15km from the MKAD in the north-eastern part of Moscow Region.

Istra Moscow

DESCRIPTION

Grade A warehouse complex

KEY TENANTS

- Bacardi
- DSV Solutions
- Seacontinental

GLA

205,300 sqm

LOCATION

The logistics park is directly adjacent to the Nova Riga highway, approximately 50km from Moscow city centre, 41km from the MKAD and 8km from the Betonka A107 motorway.

Noginsk Moscow

DESCRIPTION

Grade A warehouse complex with 26 ha of land suitable for construction

KEY TENANTS

- X5 Retail Group
- UPM
- ID Logistics
- Sportmaster
- Dixy

GLA

200,000 sqm completed

LOCATION

The Noginsk Logistics Park is located in the Noginsk district of the Moscow region approximately 55km from the city centre, 44km from the MKAD and 3km outside the Betonka A107 motorway. Access to the site is from the Volga highway, which links Moscow to Nizhniy Novgorod. A rail spur serves the site.

Klimovsk Moscow

DESCRIPTION

Grade A warehouse complex

KEY TENANTS

- Alliance Boots
- Danone
- Burda
- DeAgostini

GLA

157,600 sqm

LOCATION

The scheme is located to the south of Moscow, approximately 21km from the MKAD in the town of Klimovsk. The project is a short distance from the M2 Simferopolskoye highway, a major route to the south of Moscow.

Shushary St Petersburg

DESCRIPTION

Grade A warehouse complex

KEY TENANTS

- RosLogistics
- Johnson Controls
- Dixy
- Yusen Logistics

GLA

147,600 sqm

LOCATION

The property is located in the Shushary District of St Petersburg, approximately 15km south of the city centre and 5km from the St Petersburg ring road (KAD) on a motorway linking St Petersburg to Moscow, close to Pulkovo International airport.

Nova Riga Moscow

DESCRIPTION

Grade A warehouse complex with 25 ha of land suitable for construction

KEY TENANTS

- Azbuka Vkusa
- Pernod Ricard

GLA

67,400 sqm completed at year end

LOCATION

Nova Riga Logistics Park is directly adjacent to the Nova Riga highway allowing easy access to the centre of Moscow, 25km from the MKAD and 5km from the Betonka A107 motorway.

Novosibirsk Novosibirsk

DESCRIPTION

Grade A warehouse complex

KEY TENANTS

- Oriflame
- FM Logistic
- Pepsi
- Amway

GLA

119,700 sqm

LOCATION

The scheme is located on Petukhova Street in the south of the city of Novosibirsk, close to the M51 highway to Moscow, with a rail spur serving the site.

Krekshino Moscow

DESCRIPTION

Grade A warehouse complex

KEY TENANTS

- Itella
- Gorenje

GLA

117,700 sqm

LOCATION

The complex is located in Moscow about 40km to the south west of the city centre, 24km from the MKAD, between the Minsk and Kiev highways. Vnukovo airport, one of the largest airports in Moscow, is located within 15km of the complex.

Rostov Rostov-on-Don

DESCRIPTION

Grade A warehouse complex with 27ha of land suitable for expansion

KEY TENANTS

- Auchan
- X5 Retail Group
- Mobis Parts CIS
- Tarkett

GLA

100,300 sqm completed

LOCATION

The scheme is located on the Federal Highway M4 to Moscow, approximately 10km from the city centre and 7km from the airport.

Lobnya Moscow

DESCRIPTION
Grade A warehouse complex

KEY TENANTS
- Nippon Express
- RosLogistics

GLA
52,200 sqm

LOCATION
The scheme is located on the Rogachevckoe highway approximately 35km to the north of the Moscow city centre, 20km from the MKAD and 10km north-east of Sheremetyevo airport.

Sholokhovo Moscow

DESCRIPTION

Grade A warehouse complex

KEY TENANTS

- Kuehne+Nagel
- X5 Retail Group

GLA

45,250 sqm

LOCATION

Sholokhovo is located in Myitischensky District of the Moscow Region, on the Dmitrovskoe highway, approximately 16km from the MKAD, and 15km from Sheremetyevo airport.

Pulkovo St Petersburg

DESCRIPTION

Grade A warehouse complex

KEY TENANTS

- Oriola
- OSG Records Management
- Simple

GLA

36,700 sqm

LOCATION

The scheme is located to the south of the city centre on Pulkovskoe highway forming part of the Finland-Russia-Ukraine corridor and in close proximity to the Ring Road (KAD) and 2km from Pulkovo International airport.

Southern Moscow

DESCRIPTION

Grade A warehouse complex

KEY TENANTS

- A&D Rus
- L'Occitane

GLA

14,100 sqm

LOCATION

The property is located in an industrial area of the Southern administrative district of Moscow, approximately 10km from the city centre, around 1km from the Varshavskoye highway and 5km from the MKAD.

Konstanta St Petersburg

DESCRIPTION

Class B+ office building

KEY TENANT

- Lenenergo

GLA

15,800 sqm

LOCATION

The Konstanta office is located on Leninsky Prospekt in the Moskovskiy district of St Petersburg, approximately 8km 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 for Lenenergo.


Uglich
Kashin
E115
Pereslavl'
Zalesskiy
Tver'
Kimry
Dubna
Konakovo
Sergiyev Posad
Klin
Noginsk
Shchelkovo
MOSKVA
Odintsovo
Lyubertsy
Zhukovskiy
Podol'sk
Naro-Fominsk
E105
Obninsk
Serpukhov
Kaluga
Oka
Tula

CHIEF EXECUTIVE'S REPORT

In many ways 2014 has been a good year.

The portfolio of 1.5million square metres ("sqm") is 94% let, securely financed and we have significant free cash at holding company level. Our operating performance has been excellent although our balance sheet has suffered from the effects of the weak Rouble at the year end.

Our underlying earnings have risen to $67million, up 11% from $60million in 2013.

We have $247million of free cash at today's date, a level we believe is prudent in these uncertain times.

Inevitably, property valuations and the US Dollar value of our Rouble denominated assets have suffered in this difficult environment and year end adjusted fully diluted Net Asset Value ("NAV") per share was 106cents (2013: 126cents). With no investment transactions and continuing uncertainty it is hard to predict where valuations might go next and we remain cautious.

All of our progress in 2014 is overshadowed by the very difficult economic and geopolitical issues Russia is facing and how they will impact on our future prospects.

Whilst the vast majority of our leases are contracted in US Dollars, our tenants will typically have Rouble revenues. Some of our tenants are suffering and we will work with those who really need help and who recognise it is a reciprocal arrangement. Rouble rents are not out of the question provided this can be justified by other contractual terms, including lease term, indexation and covenant.

Our long term strategy is unchanged and we still believe that our high quality portfolio in a structurally undersupplied market can generate attractive returns. The problem is that the long term now looks further away and so our key objective is to make sure we are ready when it eventually arrives.

As you would expect, we have put any immediate acquisition plans on hold. We will not be starting any further speculative property development and our focus is on conserving our cash and managing our existing portfolio efficiently and effectively.

With a final tender offer distribution of 3.5p the distribution for the year is 6p, a 20% increase over 2013. To save cash we will not be offering an option to oversubscribe for more than each shareholder's pro rata entitlement.

Given future uncertainty it seems unlikely that the rising distribution trend we had developed will continue until we can see how all of the current uncertainties unfold. Whilst we want to make distributions to shareholders when we can we have to maintain a reserve of cash to deal with the uncertainties we will face.

We will manage our relatively simple business effectively and will keep our distribution policy under constant review. This is disappointing given our progress and we look forward to the eventual recovery when we will benefit from the high quality portfolio we have created.

Glyn Hirsch
Chief Executive Officer
8 March 2015

BUSINESS MODEL

Our Strategy

Our strategy is simple: to build an investment portfolio of Grade A logistics warehouses in Russia that delivers progressive distributions to our shareholders.

We have had success in implementing this strategy in the last four years after the hiatus of 2009 and 2010. However, the combination of the political and economic pressures on Russia, culminating in the rapid depreciation of both the oil price and the Rouble in the last four months, means that we have entered another period of caution.

The difference between the position today and at the end of 2008 is that we have a high occupancy, completed investment portfolio, very little development exposure and a strong balance sheet with high levels of free cash.

The logistics market in Russia remains undersupplied, even without a buoyant economy. Our objective in the medium term is to secure the position we have in the market and be well placed to take opportunities as and when we come out of the problems of the current cycle.

Business Model

Our business model has adapted over time, from one initially focussed on deploying our equity in forward funding construction projects with local joint venture developers, to a geared development model with in house construction project management. The bulk of our investment portfolio was completed in 2009 and we entered into a sustained period of letting activity. Today, we are a maturing investment property group with a focus on growth through proactive asset management, organic development projects and acquisitions.

Our tenants are a mixture of large, local and international businesses: retailers; distributors; manufacturers; and large, third party logistics providers. Where possible, we look to partner tenants to assist in their growth, the development at Noginsk over the last three years being a good example, with high specification developments completed for large Russian retailers.

The current market conditions mean that any potential development projects and acquisitions have been put on hold and asset management of the investment portfolio is our primary focus. In particular, the letting of vacant space and dealing with lease maturities arising in 2015/16 in the context of depressed market rental levels combined with addressing the pressure on certain tenants caused by the weakened Rouble.

Key Performance Indicators (KPIs)

The opportunity of high, US Dollar denominated yield attracted us to this market and our KPIs are yield and shareholder distribution focussed. Our results are driven by increasing rental income and NOI performance, underpinned by the portfolio ERV and vacancy rates.

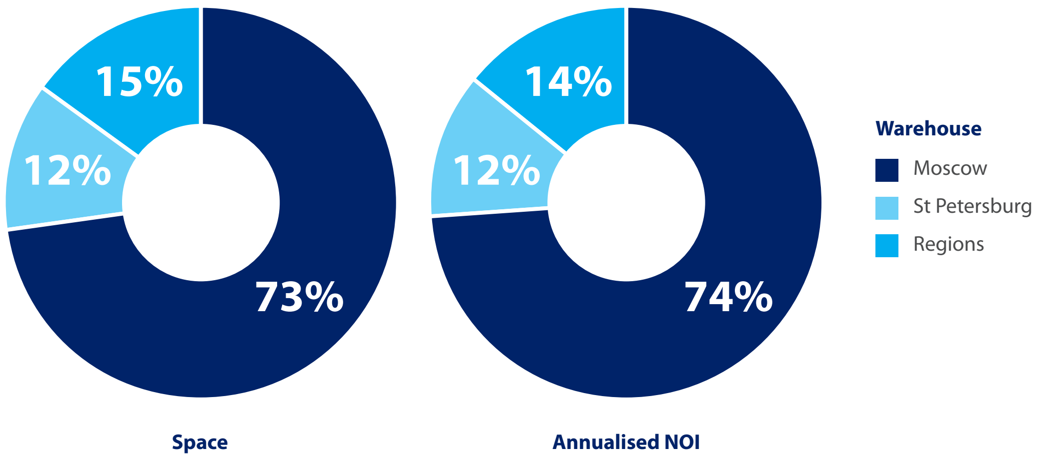
Our central overheads are reasonably stable and can support more growth. We focus on measurements that reflect our ability to pay cash covered distributions, principally underlying earnings and operating cash flows after interest. The latter forms the key measurement in our incentive plan targets.

We have struggled to find comparable indices for our stock. The Russian property sector is dominated by developers and we do not know of any similar investment companies in our part of the property universe. Similarly, comparing ourselves to UK REITs does not work given the disparity in metrics.

However, we have shown a comparison of our total shareholder return over the last 5 years to both the FTSE Small Cap and FTSE 350 indices later in the Annual Report, which shows a significant outperformance over that period until the impact of the low oil prices and Rouble depreciation at the year end.

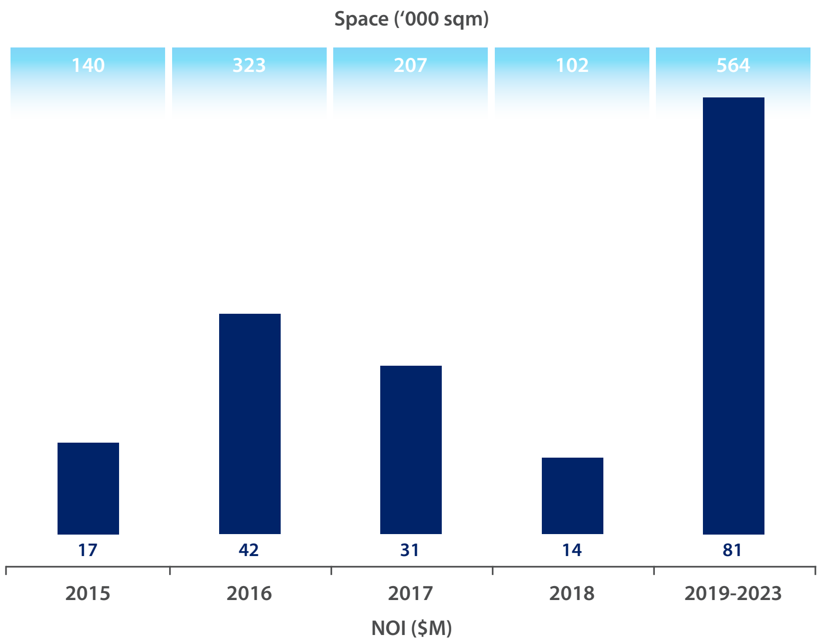
PORTFOLIO REVIEW

Geographical



2014 was a year when our long term strategy of investing in the best assets and leasing them to strong tenants enabled us to remain virtually fully let. We began and ended the year with a vacancy rate of just 3% on a like for like basis. At the year end we delivered 107,000sqm of new space at our Noginsk and Nova Riga projects in Moscow, which is already 56% let to large Russian and international tenants. This new space increased our vacancy in the portfolio to 6% at 31 December 2014. Contracted NOI is now $185.3million, increasing to $199.3million including LOIs and PLAs, with the potential to rise further to $209million if the vacant space leases up. The reality today is that our primary objective for 2015 and 2016 is to maintain the cash flow we have in a market which has been hit by Rouble depreciation and a record delivery of new space.

Portfolio lease expiries



During 2015 we have 140,000sqm of lease expiries reflecting the defensiveness of our portfolio in the short term. Looking further ahead this number increases to 323,200sqm in 2016. There are no break clauses outstanding at the year end. Our strategy is to renew these leases at the earliest opportunity to de-risk the portfolio.

Portfolio yields

Warehouse	Moscow (%)	St Petersburg (%)	Regions (%)
2014	12.0 – 12.5	13.25	14.5
2013	10.7 – 12.8	12.1 – 12.5	12.0 – 12.5

Valuation in the current environment is a challenging exercise as there is very little evidence to help the valuers reach their conclusion. Buyers have of course been put off by the geopolitical and economic issues, but we are not seeing any distress as most owners and developers in our sector are not over leveraged forcing them to sell. That means yields have moved out by around 100-150 bps in Moscow to 12-12.5%, to 13.25% in St Petersburg and 14.5% in the regions. Over supply and Rouble weakness has hit rents in the second half of the year with ERVs falling by $10-15 per sqm. However, because our portfolio is generally well let on long term leases the impact of ERV change is not as dramatic on valuations as it otherwise would have been.

Our investment properties were valued by Jones Lang LaSalle ("JLL") at the period end, in accordance with the RICS Valuation and Appraisal guidelines, and are carried at a market value of $1.6billion (see note 11 to the financial statements). This resulted in a decrease of $133million in portfolio value since 2013, reflecting the increase in yields and the reduction in ERVs, partly offset by a revaluation uplift on our new developments at Nova Riga and Noginsk in Moscow.

Investment Portfolio

Letting in the year (sqm)

Warehouse	New Lettings	Breaks/ Maturities	Expansion	Lease Renewals	Net New Lettings
Moscow	9,145	(38,572)	–	21,711	(7,716)
St Petersburg	2,660	(8,846)	–	8,846	2,660
Regions	–	(10,369)	2,390	9,190	1,211
	11,805	**(57,787)**	**2,390**	**39,747**	**(3,845)**

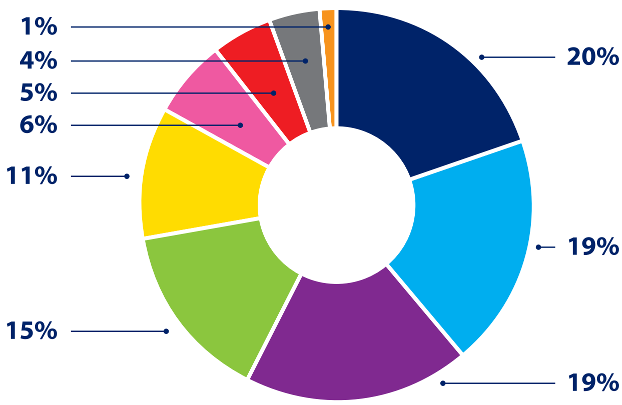
This letting table shows the activity during the year following 2014 breaks and maturities. This does not include the letting activity on the new space at Noginsk and Nova Riga where 59,764sqm of PLAs and LOIs have been signed. In addition, all breaks for 2015 have lapsed and terms on 75,000sqm of 2015 maturities have been agreed to date.

Moscow

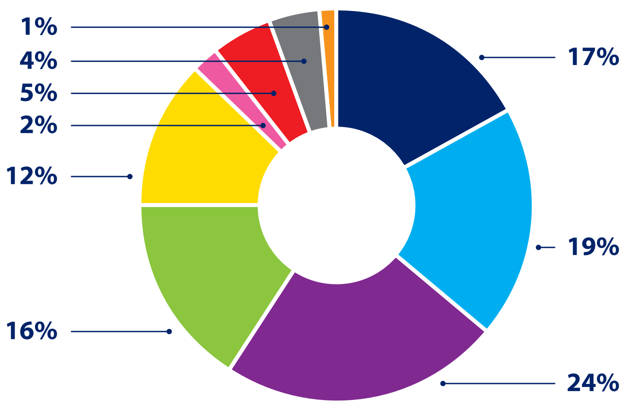
In Moscow we have nine projects totalling 1,073,000sqm, producing an annualised income of $145.2million at the year end. Following the completion of new space at Noginsk and Nova Riga at the year end, there is 82,000sqm of vacant space. In the last quarter of 2014 market rents fell on Rouble weakness and over supply in some areas of the market.

At Noginsk we have completed a further 39,284sqm for Dixy, the leading Russian retailer, who has recently taken occupation of the building and are contracted to sign a 15 year lease at an annual rent of $8.5million.

At our new project in Moscow at Nova Riga we have completed the first phase of 67,388sqm together with the associated infrastructure for the majority of the project. We have signed PLAs with Azbuka Vkuza and Pernod Ricard for 20,480sqm in total.



Space



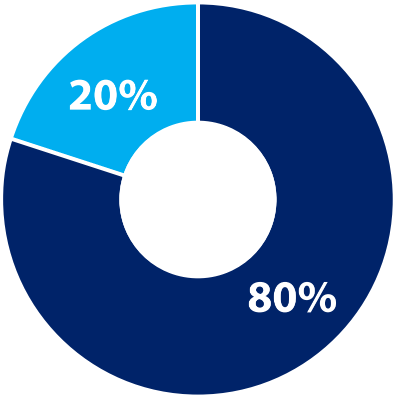
Annualised NOI*

*Includes LOIs and PLAs

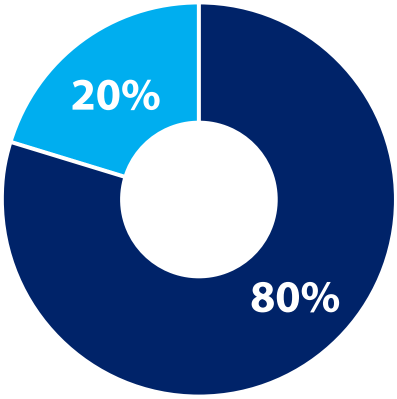
Warehouse complex

Pushkino	Klimovsk	Lobnya
Istra	Krekshino	Sholokhovo
Noginsk	Nova Riga	Southern

St Petersburg



Space



Annualised NOI*

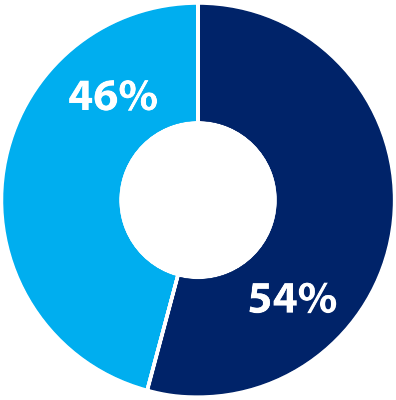
Warehouse complex

Shushary Pulkovo

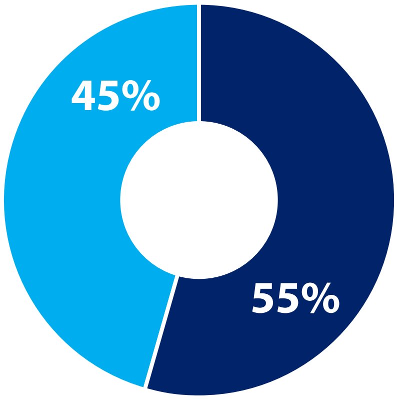
*Includes LOIs and PLAs

In St Petersburg, the market has also been affected by the current situation, although we ended the year with only 3,291sqm vacant. During the year, we invested circa $7million on a spare land plot to create new truck parking and ancillary facilities for Dixy, which they have leased until 2023 at a rent of $1.3million per annum.

Regions



Space



Annualised NOI

Warehouse complex

Novosibirsk Rostov

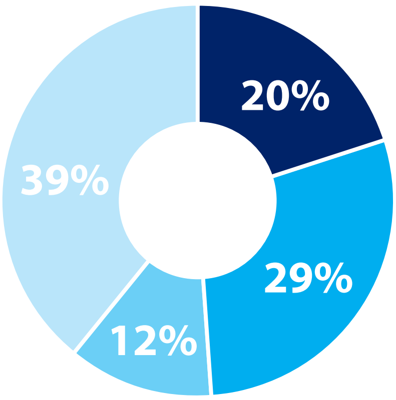
In Rostov we have remained 95% let, although our focus is now on the lease expiries in 2016, where we are in active discussions with a number of our larger tenants about lease extensions or build to suit facilities on the additional land we hold.

In Novosibirsk vacancy was virtually unchanged although we relet 9,700sqm which became vacant and a further 2,400sqm of space to a tenant for expansion.

Tenant Mix

Our diverse, but quality tenant base should help to protect us in the current year. The sector hardest hit by the rapid Rouble depreciation in the second half of the year appears to be the third party logistic operators for whom rent is a large proportion of their cost base. This represents 39% of our tenants with a weighted average unexpired lease term of 4 years. 76% of this figure comprises DHL, Itella, DSV, Kuhne and Nagel and our own subsidiary Roslogistics who all have the financial strength to meet their rental obligations.

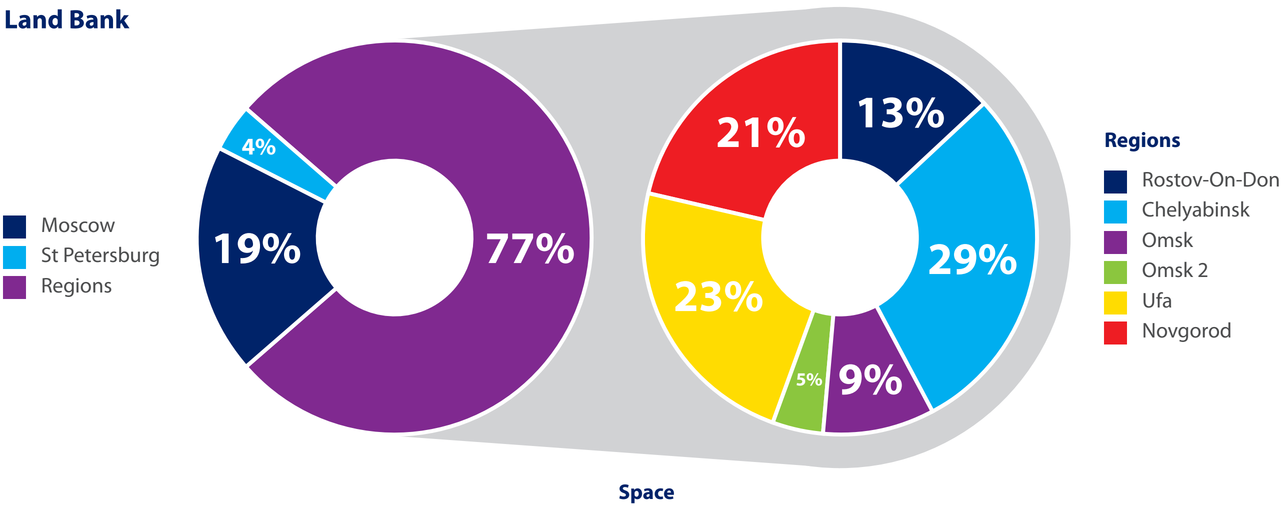
Given the current situation in Russia, an international business that had a nascent plan for entering the Russian market has probably put that on ice, but those who are already here seem willing to commit for the medium term as is evidenced in our own portfolio with the likes of Bacardi signing lease extensions in Moscow since the year end. As a tenant, if you are in Russia, trading margins and volumes may be down in 2015 but the fundamental characteristics of the country still look attractive for many of our tenants.



Space

Warehouse Tenant Type

- Distribution
- Retail
- Manufacturing
- Third Party Logistics operators



Land Bank

We completed the construction of 107,000sqm during the year at Noginsk and Nova Riga in Moscow. In the current market it is unlikely we will undertake any further speculative development although, we hold another 26 ha at Noginsk on which we can build 134,000sqm and at Nova Riga there is the potential to add a further 130,000sqm on the additional 25 ha we own.

Demand in the regional cities across Russia has reduced dramatically and as a result we have reassessed the carrying values for the regional land bank, reducing them from $22.6million to $3.2million, after the effects of Rouble depreciation and including writing off the value of our holdings in Ufa and Chelyabinsk where our development leases expire in 2018. The development lease at our site in Saratov lapsed during the year and we have not renewed this. It is clear regional development will take some time to recover and where possible we will seek alternative uses for our sites.

The Market

Landlords, developers, banks and tenants are all in search of the "new normal" following six months of turbulence. In Moscow new supply rose by 1.6million sqm during 2014 with take up decreasing to circa 860,000sqm according to JLL. They also estimate the year end vacancy rate in Moscow at 7.9%.

It is clear that the depreciation of the Rouble against the US Dollar has made rents more expensive for tenants, many of whom had not hedged their US Dollar exposure. This has led to a raft of requests to renegotiate rents. Some developers have also delivered large schemes into a falling market and in certain locations there is a lot of competition for tenants. There is however, a two tier market: that for vacant space, where developers are competing for tenants very aggressively; and the lease renewal market. The latter is somewhat different, and whilst tenants are seeking competitive rents, the cost and aggravation of moving, training new staff and disruption to the supply chain is such that better rents can be achieved. Many developers with vacant space today are offering Rouble rents and this is something we will do in the short term providing we also get the benefit of annual Rouble indexation alongside an appropriate lease term and covenant.

Supply is expected to continue to rise over the first half of 2015 in Moscow as schemes already started are brought to the market. By the end of 2015 we expect take up to have eroded the amount of vacant space leaving the vacancy rate at around 5.5%. Looking further ahead into 2016 we do not expect much new supply. Development finance simply is not available and with rents where they are, it does not make sense, currently, to build speculatively even after allowing for the fall in construction costs in US Dollar terms. If there is continued demand and the stranglehold on supply caused by lower rents and the lack of finance remains, then the market could quickly swing back into equilibrium and even to an under supply by the end of 2016.

Investment volumes fell from $8.1billion in 2013 to $3.5billion in 2014 according to JLL, caused by the uncertain geopolitical and economic outlook. Approximately 76.2% of this investment was from Russian sources. Yields have also moved out as demonstrated by our valuations. Comparatively, yields for warehouses in Athens are 10.5%, Brazil 10.5% and China 7.5%. Russia still looks good value in that context. The cost and availability of investment and development finance has changed as banks both local and international are more risk conscious and dealing with sanctions. This is likely to reduce development (a good thing) but also restrict investment (not so good) over the next year.

2015 will be all about collecting rent, minimising vacant space and tenant retention. If we can get these three things right we will be well placed in 2016 when the market looks like it could be better balanced.

FINANCE REVIEW

Our results for the year show a very distinct split. Operating results for the year have met expectation but the impact of the rapid depreciation of the Rouble over the year end has hit the US Dollar value of our closing balance sheet.

The comparison of our key performance indicator of Underlying Earnings to IFRS earnings demonstrates the impact.

Underlying Earnings (Adjusted non IFRS measure)	**2014** **$'000**	**2013** **$'000**
Net rental and related income	192,317	186,504
Administrative expenses	(26,967)	(25,925)
Foreign exchange losses	(15,471)	(1,893)
Share of profits of joint ventures	955	2,717
Operating profit	150,834	161,403
Net finance charge	(75,707)	(91,436)
Underlying profit before tax	75,127	69,967
Tax	(8,475)	(9,716)
Underlying profit after tax	66,652	60,251
Basic underlying earnings per share (cents)	9.32	10.92

With our investment portfolio running at 97% let for the year, like for like, our net rental and related income increases from $187million in 2013 to $192million in 2014. There were no significant tenant maturities in the year, potential acquisition projects were put on hold in the last quarter and the two new construction projects completed at the end of the year and so were not income generating in the period.

General underlying administrative expenses have increased from $26million to $27million. The element relating to the property investment portfolio (see note 4 to the financial statements) was $16.7million (2013: $16.0million) and central overheads were $6.9 million (2013: $6.1million). The majority of the increase was due to the relative strength of Sterling to US Dollar over the year compared to 2013.

Foreign exchange movements in underlying earnings relate to the increase in the Rouble equivalent of US Dollar net liabilities on our property owning Rouble balance sheets at the year end. The largest translation movement was a $25million loss relating to the carrying value of US Dollar tenant deposits held. As these are converted to US Dollars at the time of receipt, the cashflow impact of the exchange loss to the Group would be neutral if repayment of deposits was to crystalise at the balance sheet value. This has been offset by a $10million gain on US Dollar cash reserves held in the Russian operating companies.

Underlying operating profit before foreign exchange movements was $166.3million (2013: $163.3million). This compares to our operating cash inflow of $168.8million (2013: $192.3million). 2013 included one off proceeds from the sale of Raven Mount stock of $13million, distributions from the Lakes joint venture of $8milion and increased rents received in advance of $11million. The latter reduced this year as tenants were uncertain of where the Rouble rate was going to settle over the year end and delayed payment until the due date.

Our bank interest expense including amortised costs (note 7) increased to $67.7million (2013: $63.2million) following refinancings completed during the year and our preference share expense almost halved to $20million (2013: $38.3million) following the conversion exercise at the end of 2013. The underlying net finance expense for the year was $75.7million (2013: $91.4million).

Underlying profit after tax increased to $66.7million (2013: $60.3million). The foreign exchange movement caused by the year end Rouble depreciation has offset the saving on the preference share coupon following the conversion at the end of last year. Basic underlying earnings per share is 9.32cents (2013: 10.92cents) with the increased number of ordinary shares in issue following the preference share conversion at the end of 2013.

IFRS Earnings	2014 $'000	2013 $'000
Net rental and related income	192,308	186,439
Administrative expenses	(34,630)	(27,944)
Share based payments	(2,354)	(7,634)
Foreign exchange losses	(15,471)	(1,893)
Share of joint venture profits	955	2,717
Operating profit	140,808	151,685
(Loss)/profit on revaluation	(145,404)	55,268
Net finance charge	(93,448)	(92,430)
Charge on preference share conversion	–	(86,035)
IFRS (loss)/profit before tax	(98,044)	28,488
Tax	9,855	(32,407)
IFRS loss after tax	(88,189)	(3,919)

Our IFRS results incorporate the impact of the mark to market valuation of our property assets, hedging instruments and other non cash items. The table in note 9 to the financial statements reconciles the Underlying Earnings to IFRS results, the principal reconciling items being the revaluation loss on our investment properties and property assets under construction of $145.4million (2013: profit of $55.3 million), and the mark to market valuation of hedging instruments showing a loss of $9.8million (2013: profit of $6.4million).

These amounts are a factor of the conditions existing at the balance sheet date and anticipate the tougher operating environment in Russia in the coming year.

In 2013, we also had the one off accounting charge of $86 million following the conversion of half of the preference shares to ordinary shares on a 1 for 2 basis.

Investment Properties

Our completed investment property portfolio had a market value at 31 December 2014 of $1.61billion (2013: $1.65billion). This follows transfers from assets under construction of $106million and a valuation loss of $132.9million based on independent valuations at 31 December 2014 (see note 11). Investment property under construction had a market value of $46.7million at the year end, down from $116.0million at the beginning of the year following the completion of phases at Noginsk and Nova Riga and after a net revaluation loss of $10.0million. This includes a write down on the carrying value of regional land assets of $10.9million (see note 12).

Cash and Debt

Cash flow Summary	2014 $'000
Net cash generated from operating activities	168,797
Net cash used in investing activities	(98,894)
Net cash used in financing activities	(71,771)
Net decrease in cash and cash equivalents	(1,868)
Foreign exchange movements	(28,073)
Decrease in cash	(29,941)

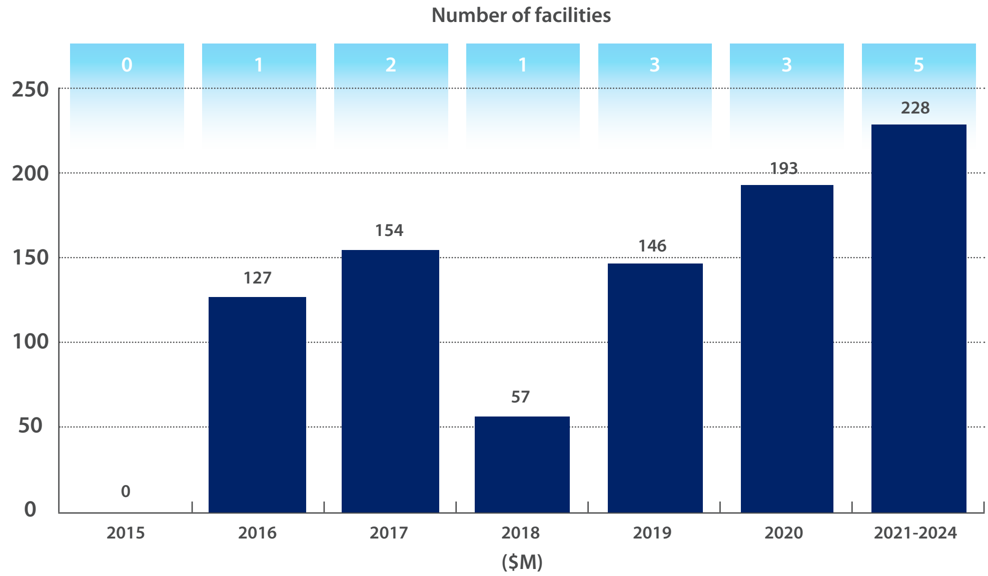
Net cash generated from operating activities was $168.8million. Construction and improvement costs in the year were $105.6million, principally funded from a net increase in borrowings of $89.5million. Bank borrowing costs were $70.9million (2013: $72.0million) and distributions to ordinary and preference shareholders totalled $87.2million (2013: $75million). Cash held at the year end was $171.4million (2013: $201.3million). The majority of the foreign exchange impact on cash balances relates to the conversion of Rouble cash balances to US Dollars at the balance sheet date. As Rouble cash is held to cover Rouble expenditure the benefit of this is realised in future cashflows.

Debt	2014 $m	2013 $m
Fixed rate debt	220	86
Debt hedged with swaps	222	305
Debt hedged with caps	395	381
	837	772
Unhedged debt	68	43
	905	815
Unamortised loan origination costs and accrued interest	(12)	(12)
Total debt	893	803
Undrawn facilities	89	36
Weighted average cost of debt	6.99%	7.24%
Weighted average term to maturity	4.8	4.7

We have total debt outstanding of $905million at the year end (2013: $815million), with $68million (2013: $43million) unhedged at the year end. $42million of this has been hedged with caps since the year end. Our weighted average cost of debt reduced to 7.0% (2013: 7.2%) and weighted average time to maturity increased to 4.8 years (2013: 4.7 years) following a number of refinancings during the year.

Our nearest term maturity is in April 2016, all other facilities maturing between March 2017 and June 2024.

Debt maturing



The Group has refinanced $275million of debt facilities in the year, generating additional cash of $110million. This encompasses a new facility of $73million secured on our Novosibirsk asset, a $180million facility secured on our Noginsk project with $141million drawn before the year end and a $38million facility secured on the asset at Lobnya. The facility secured on the Konstanta asset has also been rolled over for two and a half years on existing terms.

A facility secured on the Nova Riga site was completed prior to the year end, with $15million drawn before the year end. Since 31 December 2014, the Group has drawn a further $27million on the Nova Riga facility and $39million on the Noginsk facility.

Subsidiaries

Raven Mount now consists of the joint venture for second homes at The Lakes in the Cotswolds and legacy UK land bank. It contributed $1.4million to profit this year (2013: $2.5 million).

Roslogistics has contributed $8.3million to profit (2013: $14.7 million), the decrease simply a factor of the decrease in the US Dollar equivalent of the subsidiary's Rouble denominated income in the latter part of the year. Because of the impact of the Rouble depreciation on the outlook for Roslogistics, the goodwill carried in the balance sheet of $3million has been impaired.

Provisions

The provisions carried have now unwound following the final court decision on the litigation on the Pushkino asset. Details are given in note 24 to the financial statements.

In summary, the good operating results for the year have allowed us to propose a final distribution equivalent to 3.5p and 6p for the year. Our adjusted, diluted NAV per share drops from 126cents to 106cents following revaluation losses, anticipating a tough year ahead.

RISK REPORT

The Board places significant importance on identifying and managing the risks facing the business. These encompass the risks, real and perceived, of operating in a foreign market such as Russia, and the more obvious cyclical, property specific risks, presented by the development and investment in a large property portfolio. Risk and uncertainties are accepted as part of doing business and managed accordingly. Over the reporting period, the risks which could impact our business have increased, however the Board, through its committee structure and management team have monitored, mitigated and minimised the impact of these risks where possible.

Within the Audit Committee report we have set out the process of how risks are identified, evaluated, analysed and mitigating actions implemented where possible. Within this section of the report we have highlighted the key risks, opportunities and uncertainties which currently face the Group.

Our balance sheet at the year end reflects the impact that the rapid drop in the oil price had on the strength of the Rouble, exacerbated by the international sanctions deployed against Russia. This has significantly increased our credit risk for the coming year. Our property management team is discussing the position with all of our tenants and to date we have no significant overdue debts. This has heightened the focus on the management of our financial risks.

Financial Risks

Our strategy remains to build an investment portfolio in the Russian warehouse sector which allows us to generate a high US Dollar denominated, ungeared yield on cost. We believe that this will translate into attractive distribution yields for our shareholders. A key element of that strategy is the management of foreign exchange risk. Tenants accept the US Dollar/Rouble exposure with US Dollar pegged rents, in exchange for reduced inflationary indexation (linked to US CPI rather than Russian inflation). The macro economic and political risks that have arisen over the last year and the subsequent rapid depreciation of the Rouble, has increased the pressure on our Rouble based tenants to meet their lease obligations, especially smaller third party logistics providers. This translates into heightened credit risk for certain sectors of our tenant base. Our lease contracts are robust, with secure parent company or bank guarantees or cash deposits in place, however we have entered into dialogue with tenants to understand their needs and concerns, especially those with near term maturities. Given the weakness of the Rouble, in some instances, Rouble rents with annual Russian inflationary indexation may be attractive on new or maturing leases. The upside if the Rouble was to strengthen could be considerable and the higher indexation gives some downside protection. If we were to give any assistance to tenants through renegotiated lease terms, this would have to be achieved in the context of the existing banking covenants. Indeed, any significant changes to lease terms would require prior bank approval where the related asset was mortgaged as finance security.

Gearing

Gearing has enabled us to accelerate our growth but we have managed the risk to the Group by raising asset secured facilities, ring-fenced in special purpose vehicle structures. We have not taken any significant bank debt exposure onto the holding company balance sheet to date. By structuring our investments in this way, it allows us to monitor our debt service obligations at an asset level but maintain low gearing ratios at a consolidated level. Our Group gearing levels, not including preference shares, have been managed between 44% and 52%. Year end gearing has increased to 52% following the drop in investment property values at the year end.

Sanctions against Russian banks and the geopolitical situation have changed the banking environment. However during the year we have generated $275million from new facilities, re-gearing $165million and providing additional cash resources of $110million for the Group. Since the year end, we have drawn a further $66million on facilities. We are a preferred counterparty with our banking partners. We have an excellent track record of managing our debt relationships and facilities and our secure cash flows provide our banking partners with lending returns not possible in western markets. We have continued to push out our debt maturity profile with a weighted average maturity of 4.8 years at 31 December 2014.

The erosion of property values and the heightened credit risk does mean that covenant breach risk is higher in the coming year. We do have comfortable debt service ratios and where banks have undertaken independent valuations since the year end, no loan to value breaches have occurred, although the headroom has reduced. The majority of the Group's financing facilities allow the borrowing entity to deposit cash to cover any potential marginal breaches in debt service or loan to value covenants and so we have mechanisms in place to mitigate this risk.

Key Performance Indicators

Given our distribution strategy, we place emphasis on our "Underlying Earnings" (as defined in note 9 to the financial statements) and operating cash flows after financing costs, the latter being the key metric in our incentive schemes. These measures give the most relevant and comparable information on the operating performance of our portfolio and our ability to pay distributions from those operations.

We also monitor our loan to value ratios and the impact of valuations on our diluted net asset value per share. As noted previously, these have increased in importance this year given the economic environment.

Property Acquisition and Development

The market in which we operate has historically been undersupplied. This meant that we have had to construct the majority of our portfolio speculatively, 2008 and 2009 being the periods of greatest construction activity. Since then we have undertaken a development programme which has delivered between 50,000sqm and 100,000sqm of speculative development each year. This organic development has enabled enhanced returns to shareholders with attractive unleveraged development returns.

In 2014, the introduction of new space has resulted in downward pressure on market rents. Vacancy rates in Moscow at the end of the year have increased from 3% to 7.9% because of the introduction of this new space. We do not expect much new development to be started in the current year and as the market remains structurally undersupplied, it is expected that vacancy rates will contract again as vacant space is taken up.

There are a number of potential acquisition opportunities in the market, of completed, fully let properties. We continue to assess acquisitions of fully let income producing assets to grow our portfolio but with the uncertainty in the market these projects have been put on hold. This has resulted in some aborted transaction costs in the year.

Acquisitions of completed assets have the potential to carry legacy risks as we have not been involved in the historic construction and management of the sites. Whilst this adds to the potential for enhanced asset management returns it also adds to our investment property risks. This is all part of the integration risk of introducing new assets to the portfolio and we complete detailed in house, and commission independent, due diligence on all potential acquisitions.

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

Russian Political and Economic Risk

Risk	Impact	Mitigation	Change
Ukraine The situation in Ukraine is not resolved peaceably or escalates.	Increased isolation of Russia from international markets and increased sanctions exacerbate the slow down in the Russian economy.	It is difficult to mitigate against the worst case scenario if escalation were to close Russia's borders to Western markets. However, we have: - maximised cash reserves held at holding company level; - an organisational structure that would allow us to continue to operate the Russian business autonomously if necessary; and - a special purpose vehicle ("SPV") structure that protects the holding company assets (principally cash) in a worst case scenario. In the more likely scenario that events continue to weigh on the Russian economy in the medium term, we have dealt with specific risks in the various sections below.	↑
Oil Price The global economy operates in a low oil price environment for the medium term.	The impact on Russia's infrastructure investment programme and reforms increases the slow down in the economy.	When the Company was incorporated in 2005, it was at a time of low oil prices. The attraction to the market was the chronic undersupply of product. The risk on this occasion of low oil prices has been the impact on the Rouble and its rapid depreciation. We have mitigated this by having US Dollar pegged rents but as explained in later sections this has increased the Group's credit risk.	NEW

Financial Risk

Risk	Impact	Mitigation	Change
Foreign Exchange Adverse movements in Rouble or Sterling against US Dollar.	The weakening of the Rouble against the US Dollar leading to pressure on market rents, a reduction in our US Dollar denominated earnings and the carrying value of assets in US Dollars. If required to seek funding in alternative currencies to US Dollars an increase in foreign exchange risk would result. Preference share coupon and ordinary share distributions are serviced in Sterling. As earnings are US Dollar denominated shareholder distributions are open to exchange risks.	Rental income, whilst received in Roubles, is pegged to the US Dollar exchange rate, and so the exchange risk is taken by tenants. In return, indexation is held to US CPI levels rather than Russian inflation. Sustained Rouble weakness will ultimately affect our tenants' ability to pay their rents as they are predominately Rouble businesses. This translates into heightened credit risk for our tenants. We retain sufficient Rouble funds from rent collection to meet Rouble expenditure requirements. Our largest Sterling exposure is the payment of preference share coupon and ordinary share distributions. We have capped the exposure of our preference share coupon to December 2019, and retain Sterling cash resources where possible to cover known ordinary share distribution commitments. Construction costs are payable in Roubles, if we have insufficient Rouble resources to cover future construction payments we may enter into Non Deliverable Forward instruments to retain certainty on our US Dollar returns. However, given current market conditions and the weak Rouble, this risk has minimised in the current year. Our balance sheet is open to unrealised losses on foreign exchange when the US Dollar or Rouble weakens.	↑
Bank Lending The number of banks lending in our market diminishes because of macro economic and/or political events.	Reduced access to funding and potential increase in funding cost. Reduces our ability to refinance maturing facilities. A reduction in gearing and an inability to borrow in US Dollars from Russian banks due to the effect of sanctions.	Debt facility maturities have a weighted average of 4.8 years with one maturity in the next 2 years. Facilities have a mix of amortising profiles and approximately $58 million of principal is repaid each year. This means that our gearing levels are relatively low (52% at 31 December 2014) and debt service coverage ratios are more than adequately met. Alternative sources of funding such as Rouble loans or capital instruments are available but could increase the cost of debt and the foreign exchange risk.	↑
Interest Rates Cost of debt increases.	Group profitability and debt service cover reduce.	The majority of our variable cost debt is hedged with the use of swaps and caps on US LIBOR; we have reduced our weighted average cost of debt during the year to 7.0%; and the weighted average remaining term of existing hedge instruments is 2.8 years.	↑
Treasury Sanctions precipitate the introduction of currency controls.	The flow of funds out of Russia is restricted.	The majority of current cash resources are held at holding company level. The majority of our banking facilities allow for debt to be serviced in alternative currencies.	NEW

Property Investment

Risk	Impact	Mitigation	Change
Customers Slow down in Russian growth and consumer spending.	Reduced consumer demand will impact on demand for new lettings, renewal of existing leases and restrict rental growth. As noted previously, Rouble depreciation increases the credit risk of our tenants.	We have a diversified tenant base (our largest tenants, X5 Group and Itella each represent around 10% of current warehouse rental income); almost 50% of our income comes from tenants who individually, contribute less than 2% to rent roll; the logistics market remains undersupplied and so is not dependent on continued growth as existing requirements have not yet been met; and the biggest risk for the coming year is credit risk caused by the significant depreciation in the Rouble against the US Dollar.	⇧
Composition of portfolio Portfolio made up of predominantly one asset class with a concentration on the Moscow market.	Potentially reduces liquidity of the portfolio and could cause volatility in income and valuation movements.	Assets are located in different local markets, geographically, within Greater Moscow and Moscow remains the main hub for supply throughout Russia. Moscow has a larger population than any other European City save Istanbul and can support niche players because of its size. There remains a structural under supply of Grade A warehouses in Moscow and Russia as a whole, although vacancy rates have increased in the last year due to new supply coming onto the market.	⇧
Acquisitions Immature investment market where legacy issues are common with Russian acquisitions.	Lack of available acquisitions requires reliance on speculative development for growth. Where acquisitions are possible, legacy issues may erode earnings enhancement.	We have an internal management team with both international and Russian experience allowing issues to be identified prior to acquisition; External advisers undertake full detailed due diligence; The current market conditions allow opportunities to be taken where funding resources are available; Organic growth through speculative development managed at levels below 10% of existing portfolio in any one year; Given current market conditions, potential acquisitions and speculative development have been put on hold and so this risk will reduce in the current year.	⇩

Property Development

Risk	Impact	Mitigation	Change
Speculative Nature Occupiers are reluctant to enter into commitments to take new space prior to asset construction commencement.	Requires speculative development which will reduce income through vacant possession cost and valuation impact.	We monitor market cycles and likely tenant demand before committing to new developments; our developments are built in phases to allow suspension of construction if markets move adversely; and current development plans have been put on hold given the market dynamics.	⇩
Returns Development projects fail to deliver the expected returns through cost and time overruns.	Cost and time overruns, lower rental levels and delays in leasing on development projects can mean target yields are missed and profitability reduced.	Full project appraisals prepared with appropriate monetary and timing contingencies; foreign exchange exposure hedged where necessary; recent devaluations of the Rouble have reduced costs in dollar terms on current construction projects; and as no development programmes are expected to commence in 2015 this risk will reduce in the current year.	⇩
Legacy Construction Those schemes not built directly by Raven Russia which were acquired through a Joint Venture or simple completed asset purchase have not been subject to the control mechanisms in place in our construction department.	There is therefore a risk that the build quality has defects which become apparent over time.	Performing technical due diligence by both our in house team and external advisors when an asset is considered for acquisition; should any defect appear in one scheme then the other assets are then specifically checked to ensure the defect is not present there as well; and as any potential acquisition programme has been put on hold, this risk will reduce in the current year.	⇩

Russian Domestic Risk

Risk	Impact	Mitigation	Change
Legal Framework The legal framework in Russia is in the early stages of its development.	The large volume of new legislation from various state bodies is open to interpretation, puts strain on the judicial system and can be open to abuse.	Experienced in house legal team review new legislation for any impact on the business; and external legal advisors are used when necessary.	⇨
Russian Taxation Russian tax code is also developing and new rulings regularly introduced.	Tax treaties may be renegotiated and new legislation may increase the Group's tax expense.	The key tax treaty for the Group is with Cyprus and this was renegotiated during 2013 with no significant impact on the business; Russia is a relatively low tax jurisdiction with 20% Corporation tax; and the Group structures itself in anticipation of Russia's move towards a more Western taxation structure encompassing concepts such as thin capitalisation and transfer pricing.	⇨

Other Operational Risks

Risk	Impact	Mitigation	Change
Key Personnel Failing to retain key personnel.	Inability to implement strategy.	The Remuneration Committee and Executives review remuneration packages against comparable market information; employees have regular appraisals and documented development plans and targets; and incentive schemes are based on measurable annual targets and weighted towards share based rewards. However, the macro economic and political events in Russia may make it difficult to achieve even the lowest of performance targets in the next three years.	↑
Business Systems Business and IT system disruption.	Disruption impacts on day to day operations.	Disaster recovery plans in place and all data stored remotely and duplicated on a second recovery site; IT specialists now employed in house; and full upgrade of systems recently carried out.	→
Cyprus Failure of the Cyprus economy due to lack of funds or unsustainable levels of national debt.	It may become too problematic or cost prohibitive to utilise Cyprus as an intermediate jurisdiction.	The Eurogroup provided conditional financial assistance to Cyprus during 2013 and current indications are that Cyprus is complying with the conditions and its economy is ahead of forecasts; the Group is not exposed to or reliant on the Cyprus banking sector; and the Group has no material exposure to the euro and its Cyprus cost base is immaterial.	↓

DIRECTORS

Richard Jewson (aged 70)

Non Executive Chairman

Richard Jewson joined Jewson, the timber and building merchant, in 1965 becoming the Managing Director, then Chairman of its holding group, Meyer International plc, from which he retired in 1993. Since then he has served as Non Executive Director and Chairman of a number of public companies. He retired in 2004 after 10 years as Chairman of Savills plc and in 2005, after 14 years as a Non Executive Director and Deputy Chairman of Anglian Water plc. He is currently Chairman of Tritax Big Box REIT Plc, and a Non Executive Director of Temple Bar Investment Trust plc.

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

Anton Bilton (aged 50)

Executive Deputy Chairman

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

He is a member of the Nominations Committee.

Glyn Hirsch (aged 53)

Chief Executive Officer

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

Mark Sinclair (aged 49)

Chief Financial Officer

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

Colin Smith (aged 45)

Chief Operating Officer

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

Christopher Sherwell (aged 67)

Senior Independent Non Executive Director

Christopher Sherwell is a Guernsey resident and a former Managing Director of Schroders in the Channel Islands. Before joining Schroders, he was Far East Regional Strategist in London and Hong Kong for Smith New Court Securities and prior to that spent 15 years as a journalist, much of them as a foreign correspondent for the Financial Times. He has considerable public company experience and acts as a Non Executive Director on a number of publicly listed investment companies including Baker Steel Resources Trust Ltd and NB Private Equity Partners.

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

Stephen Coe (aged 49)

Non Executive Director

Stephen Coe BSc, FCA, a Guernsey resident, is self employed providing Executive and Non Executive services to public and private clients. His current public directorships include European Real Estate Investment Trust Ltd where he is Chairman, Kolar Gold Ltd and Trinity Capital Ltd where he acts as a Non Executive Director and Chairman of the Audit Committee and Weiss Korea Opportunity Fund Limited where he acts as a Non Executive Director. Private clients include investment funds and a captive insurer. From 2003 to 2006, he was Managing Director of Investec Trust (Guernsey) Ltd and Investec Administration Services Ltd, responsible for private client and institutional structures. Between 1997 and 2003 he was a Director of Bachmann Trust Company Ltd and previously he worked with Price Waterhouse specialising in financial services.

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

David Moore (aged 54)

Non Executive Director

David Moore is a Guernsey resident. He is an advocate of the Royal Court of Guernsey and is currently a consultant with Bedell Group in Guernsey. He is a former partner of Guernsey law firm Mourant Ozannes, where he had practised since 1993 and before that spent 10 years practising in the City of London, predominantly with Ashurst Morris Crisp. He specialises in corporate and financial matters and is a Non Executive Director of a number of investment, insurance and finance sector-related companies.

He is a member of the Audit and Remuneration Committees.

CORPORATE GOVERNANCE

Chairman's foreword

In this section of our Annual Report we explain how the principles of corporate governance have been adopted across the Group. The Board is collectively responsible for upholding high standards of corporate governance and see it as vital to support the delivery of the Group's strategic objectives, and as such, good governance has been embedded within the way we do business. During 2014 the Group's strategy has continued, providing a progressive distribution to shareholders with a high occupancy portfolio, organic growth through development, partnering our tenants on build to suit projects where possible and consideration of acquisitions where and when appropriate.

The economic and geopolitical situation that has created significant uncertainty in the Russian market may lead to a hiatus in our strategy to drive enhanced returns for shareholders. 2015 will be focussed on preserving our current market position and managing the increased risks that may arise from tough trading conditions.

Richard Jewson
8 March 2015

Statement of Compliance with the Code

The Financial Conduct Authority's listing rules require the Company to explain how it has applied the Main Principles of Section 1 of the Code. This report, together with the Directors', Audit and Remuneration Committee Reports, set out how the Company has done so. For the financial year ended 31 December 2014, we have treated the Company as a 'smaller company' for the purposes of the Code. This is not strictly correct as we entered the FTSE 350 for one quarter of the preceding year and as such did not meet the criteria of a "smaller company". This means that, as 50% of our Board, excluding the Chairman, did not comprise of Non Executive Directors, therefore we were not in compliance with section B1.2 of the Code. However, as our stay in the FTSE 350 was not prolonged, the Board composition remained unchanged. Except for this, in the opinion of the Board, the Company has complied fully with the Main and Supporting Principles of the Code throughout the financial year and to the date of this report. Copies of the Code can be obtained free of charge from the Financial Reporting Council's website (www.frc.org.uk).

Leadership

The Role of the Board

The members of the Board are collectively charged with governance of the Group, providing leadership and direction for management. The Board is responsible to shareholders for the long term success of the Group whilst ensuring appropriate management and operation in pursuit of the objectives of the Group. The Board sets the Group's strategy, values, standards and culture and ensures the resources and controls are in place to deliver this. A formal schedule of matters reserved solely for consideration by the Board has been adopted, this forms the basis of the Board's core activities.

The Board has also delegated certain aspects to its Audit, Remuneration and Nominations Committees through terms of reference. Terms of reference for each Committee can be found on the Company's website (www.ravenrussia.com). Together, the Committees and the schedule of reserved matters assist the Board in discharging its duties effectively. The Board and its Committees have regular scheduled meetings. An overview of the activities of the Board and its Committees is contained within this report and that of the Audit and Remuneration Committees.

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

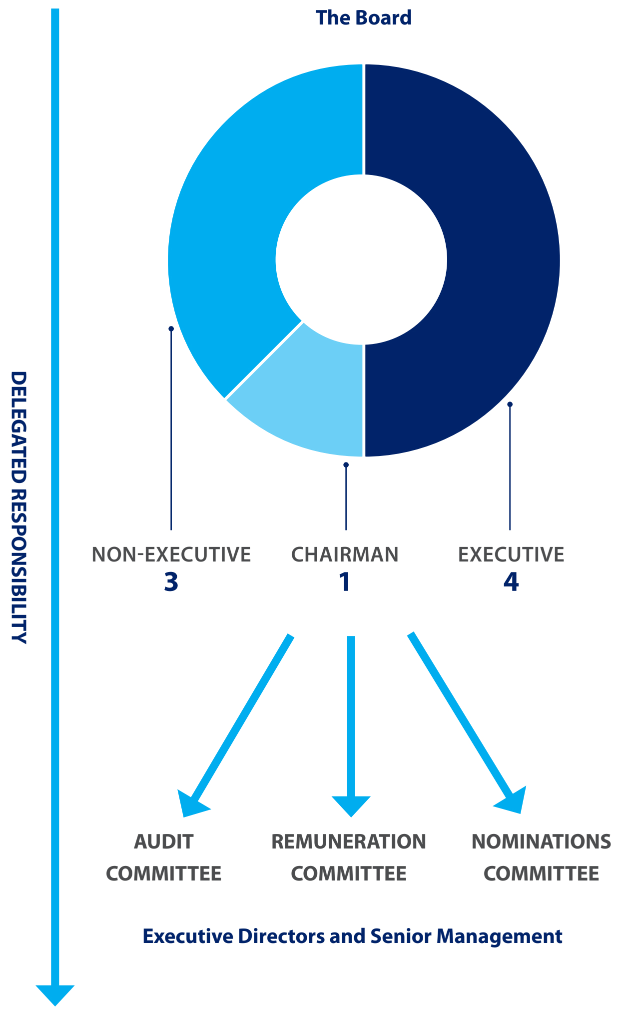
The Board and its Committees

Board composition

During the year, the Board comprised eight directors: Non Executive Chairman, Richard Jewson; four Executive Directors; and three Non Executive Directors. The Board considers all of the Non Executive Directors to be independent for the purposes of the Code, however having due regard for the tenure of Stephen Coe and David Moore, the Board, through its Nominations Committee recognise the importance of refreshing the Non Executives when it is appropriate to do so. Further information on the conclusions of the Nominations Committee can be found below. The Board considered the Chairman to be independent on appointment. The balance of skills and expertise of the Board ensures that no individual or group of individuals dominate the Board's decision making, allowing for independent challenge and rigour to the Board's deliberations.

Christopher Sherwell is the Senior Independent Director of the Company.

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



Responsible and accountable to the Board for the day to day operation of the business

The full Board meets at least six times a year to consider general matters affecting the Company and otherwise as required. Committee meetings comprising any two or more Directors meet on an ad hoc basis to consider transactional and related matters concerning the Company's business. During 2014, there were twelve such committee meetings. Meetings are generally held in Guernsey at the Group's head office, however at least once a year, the Board will hold a formal meeting in Russia to review the Group's operations and meet local management.

To enable the Board to discharge its duties, all Directors receive appropriate and timely information, including briefing papers distributed in advance of any board meeting and regular management information. All of the Directors are entitled to have access to independent professional advice at the Company's expense where they deem it necessary to discharge their responsibilities as Directors. On appointment, a Director receives advice from the Company's financial and other professional advisers as to the affairs of the Company and their responsibilities, an estimation of time commitments necessary to undertake the role and a commitment to receive other such training and induction as may be appropriate.

Attendance at Board or Committee meetings during the year to 31 December 2014

	Board	Audit Committee	Nominations Committee	Remuneration Committee
R Jewson	6	N/A	1	3
A Bilton	6	N/A	1	N/A
G Hirsch	6	N/A	N/A	N/A
M Sinclair	6	N/A	N/A	N/A
C Smith	6	N/A	N/A	N/A
S Coe	6	2	N/A	2
C Sherwell	6	2	1	3
D Moore	6	2	N/A	1
No. of meetings during the year	**6**	**2**	**1**	**3**

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

Effectiveness

Board performance evaluation

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

The performance evaluations during 2014 were undertaken internally, which included face to face interviews with each of the directors and included group discussions on the themes which arose from the interviews. It was concluded that the performance of the Board, its Committees and individual Directors was effective and the Board had the necessary balance of skills, expertise, independence and knowledge required to direct the business.

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

Nominations Committee

The Nominations Committee comprises Anton Bilton, Christopher Sherwell and Richard Jewson, who is Chairman. The Committee undertakes an annual review of any succession planning and ensures that the membership and composition of the Board and its Committees are constituted appropriately in light of the requirements of the Group, with the necessary balance of skills, expertise, independence and diversity to undertake their roles effectively. The Committee reviews the composition of the Board and its Committees in light of the Code. The Committee agreed that no formal policy will be adopted to meet any diversity targets, including gender, as this could be unfairly prejudicial and bias the opinions and judgements of the Board and its Committees in a selection process with any proposed appointment made on merit and giving due consideration to the existing Board composition.

The Committee came to the conclusion that, although it was satisfied with the balance of skills and expertise of the Board, it was appropriate, given the tenure of Stephen Coe and David Moore, that an additional two Non Executive Directors should be sought. Two suitable candidates where put forward to be considered by the Committee. No search agency or advertising was used in sourcing these appointments. Interviews and meetings were held with the Chairman, Executive team and the Senior Independent Director to ensure that the individuals had the relevant experience to add value to the activities of the business and complement the skills of the existing Board members while adding a fresh view and approach.

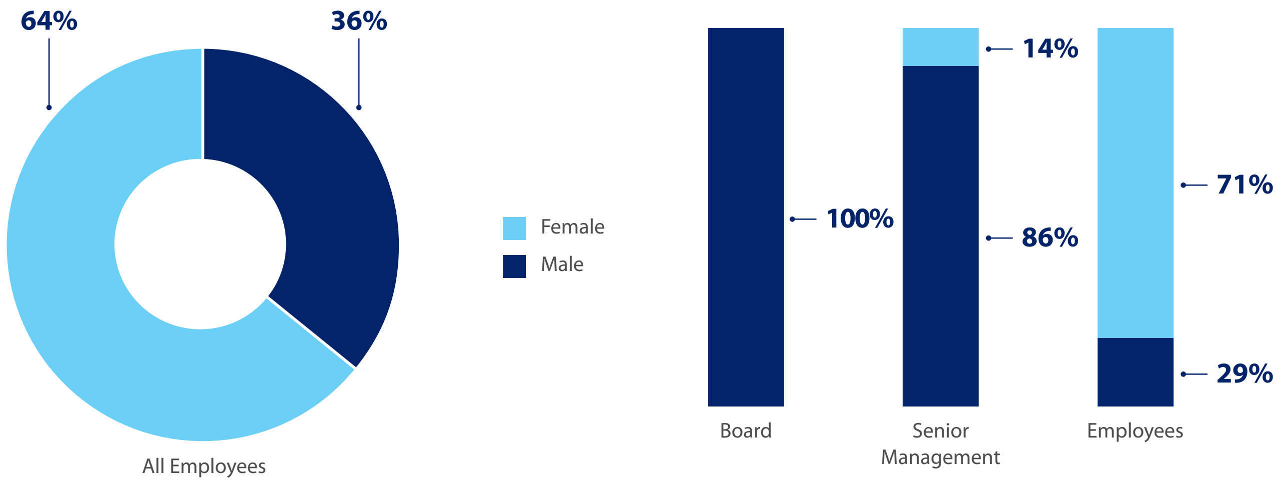
Following the rapid deterioration in the oil price and Rouble at the end of 2014, the Committee agreed that it was in the Company's and shareholders' best interests to defer proposing new Board appointments until the current volatility in the Russian market stabilises. The Committee concluded that the experience in dealing with previous financial crises and challenges the Group has faced was necessary at this time. It will however keep this under review and should the operating environment stabilise the appointments will be reconsidered.

Diversity

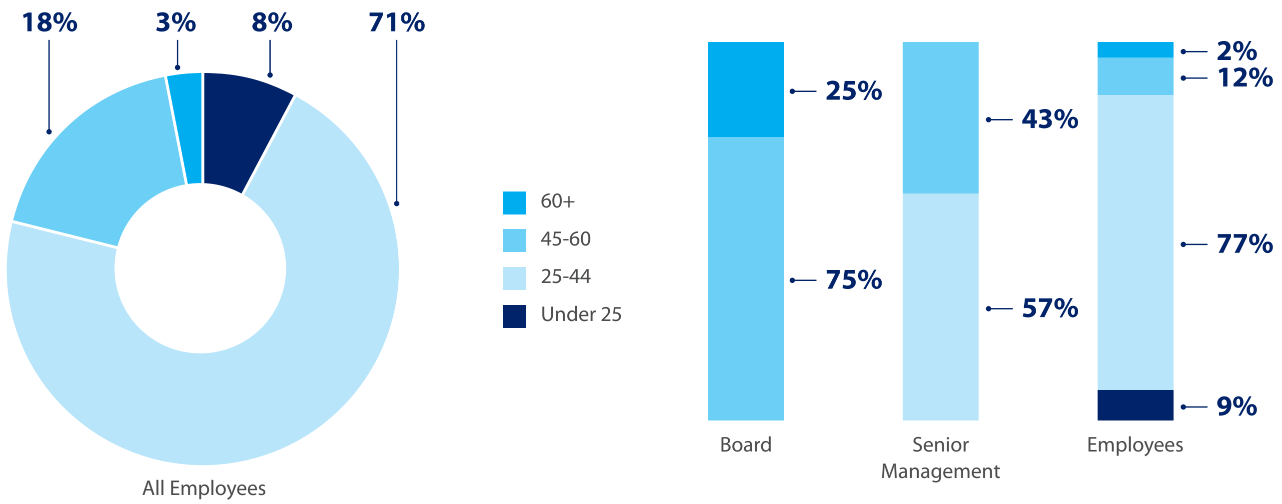
The Nominations Committee consider the experience, background, age and tenure of each individual to contribute to the diversity of the Board, its Committees and the wider Group. When recruiting across the Group, appointments are made on merit, ensuring the best candidates are appointed to support the operating activities of the Group.

Information about the diversity of the Group's workforce at 31 December 2014 is set out below.

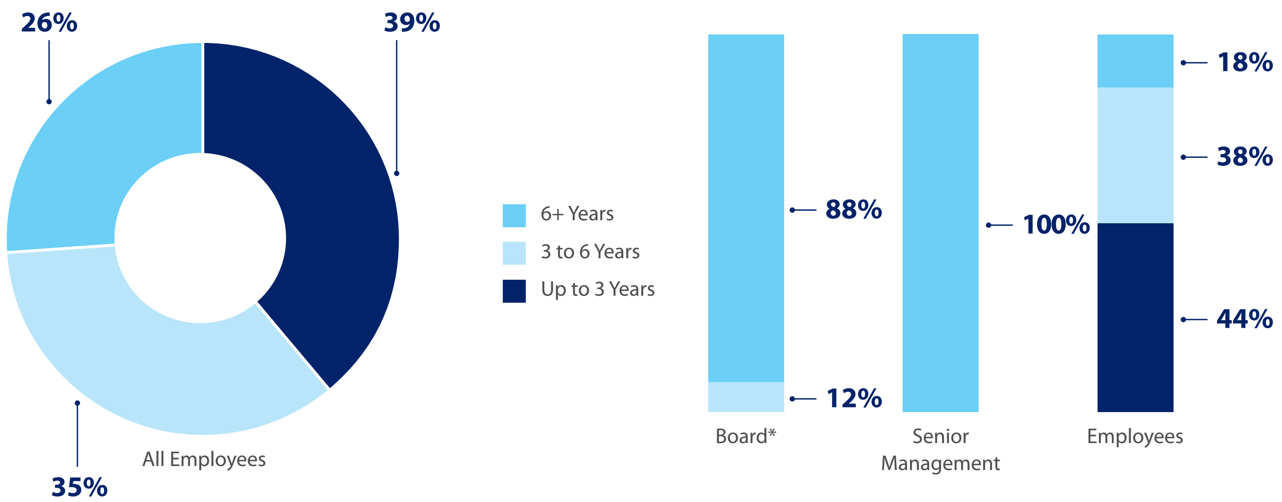
Gender



Age



Tenure



*Length of service for Board members is from date of appointment.

Remuneration Committee

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

Shareholder Relations

Investor relations

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

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

The Board are pleased that many of the Group's larger shareholders are signatories to the Stewardship Code and thus fully engage directly with the Company on behalf of their investors, rather than relying on external agencies.

The Board believes that sustainable financial performance and delivering on the objectives of the Company are key measures in building trust with the Company's shareholders. To promote a clear understanding of the Company, its objectives and financial results, the Board ensures that information relating to the Company is disclosed in a timely manner and in a format suitable to the shareholders of the Company. The Company's website has been developed to facilitate communication with all shareholders. Communication through these means allows our investors to receive information in a timely and cost effective manner.

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

CORPORATE RESPONSIBILITY

Corporate responsibility

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

The Board recognises that the way its investment properties are designed, built, managed and occupied can significantly influence their impact on the environment and the community in which they are located and it seeks to manage these issues. Although the Group is not required by statute to provide detailed reports on its environmental impact, the Board considers this an issue that must be monitored and warrants disclosure. Last year we started to disclose levels of greenhouse gas emissions, as required by Main Market of the London Stock Exchange. In this report we also include electricity consumption in our offices in Moscow, Cyprus and Guernsey, and business travel.

The Board also recognises the social impact of its operations in each of its key jurisdictions, Russia, Guernsey and Cyprus. In Russia, this is particularly evident in the employment opportunities that are created in the communities where the Group's properties are located. Staff are encouraged to participate in community and charitable activities and the Board has established a fund to support local causes or charities, which meet the corporate values of the Group. During 2014 the Group invested around $300k to support various causes from national and local charities to supporting local community sports groups. No political donations were made during the year.

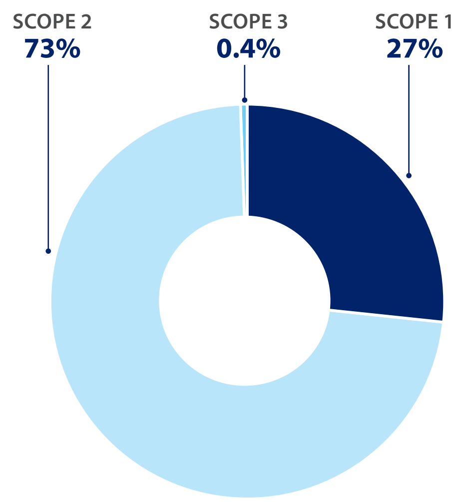
Greenhouse Gases

We commissioned Trucost to assist in compiling our report to comply with the Mandatory Greenhouse Gases Reporting Regulations (GHG). Energy consumption information was collated from all twelve warehouses in the portfolio and our three offices in Moscow, Cyprus and Guernsey. We also collected office car mileage and business travel of the Group's employees to report on Scope 1, Scope 2 and Scope 3 emissions. The report covers 100% of our portfolio by warehouse floor area.

The table below sets out the emissions table collated and the intensity ratio agreed at tonnes / sqm of floor area for the last two years.

Data Point	Units	Quantity 2014	Quantity 2013
Scope 1	tonnes CO2e	20,778	18,138
Scope 2	tonnes CO2e	56,594	44,589
Scope 1 + 2 Intensity	tonnes CO2e / floor space (sqm)	0.06	0.05
Scope 3	tonnes CO2e	342	n/a

GHG Emissions



Data collection and methodology protocol

The Group used the Greenhouse Gas Protocol methodology for compiling its GHG data, and includes the following material GHG's: CO2, N2O and CH4. The Group used the following emission conversion factor sources:

- Natural gas: DEFRA 2014 conversion factor for cubic meters natural gas
- Diesel: DEFRA 2014 conversion factor for litres diesel
- Office car: DEFRA 2014 conversion factor for kilometres of unknown fuel (average car)
- Purchased electricity: IEA Fuel Combustion (Highlights 2014 Edition) and EIA Foreign Electricity Emission Factors
- District heating: electricity factors were adjusted using the same ratio as between UK electricity, and district heating (from DEFRA 2014 conversion factors for UK electricity, and district heat and steam)

Scope 1 and Scope 2 emissions increased in 2014 by 15% and 27%, respectively. However, a large increase in Scope 2 emission was mainly attributable to the change in conversion factor published by IEA, as underlying electricity consumption grew by only 7% over the same period, reflective of the increased warehouse space and occupancy in the period.

Although tenants are the end users of the energy consumed, we consider this an important metric to measure. Not only does this make our buildings more attractive to tenants and funders but also the more energy efficient our buildings are the less greenhouse gas production occurs at our sites.

As our relations with key tenants become more established we are working with them to anticipate their requirements, with specifically designed buildings. In the case of energy intensive uses, such as cold storage, this allows a more efficient building to be constructed compared to the adaptation of a standard warehouse unit.

Other examples of increased efficiency include adopting low energy lighting in our new warehouses and new developments are being assessed by BREEAM, the worlds longest established and most widely used method of assessing, rating and certifying the sustainability of buildings. Our aim is to reduce the environmental impact of our developments and use the results of BREEAM assessments to provide practical ideas for future and existing development projects.

LETTER FROM THE REMUNERATION COMMITTEE

Dear Shareholder,

On behalf of the Board, I am pleased to present our report on Directors' remuneration for the year ended 31 December 2014.

Business Strategy

The Company has had a simple business strategy since its incorporation: to build an investment portfolio of grade A warehouses in Russia, that delivers progressive distributions to our shareholders. Our remuneration policies for Executive Directors and Senior Management are driven by that strategy in a way that is also transparent and simple. Targets set underpin our ability to pay progressive cash covered distributions. The cornerstone has been avoiding cash incentives and maximising share based incentives so that progressive distributions become an important element of Executive Directors' and Senior Management's annual income. The Executive team has been successful in implementing this business strategy in the four years to 31 December 2014 but as explained in the Strategic Report, the year end balance sheet is showing the effects of the pressure on the Russian economy from the rapid decrease in oil price and Rouble depreciation over the year end, exacerbated by the continuing international sanctions.

Performance Outcomes

The impact of Rouble depreciation on our balance sheet masks very good trading results in 2014 in difficult trading conditions. The property team has maintained portfolio occupancy at 97% on a like for like basis, with almost 100% recovery of rental income due at the year end and has completed 107,000sqm of new space at Nova Riga and Noginsk on time and on budget. The finance team has successfully refinanced the most expensive debt facilities in the Group, reducing our cost of debt to 7.0% and building a cash war chest of $247million at today's date. Based on the trading results, the targets for the Combined Bonus and Long Term Incentive Scheme ("Current CBLTIS") and the Long Term Incentive Plan ("LTIP") for the period just concluded have been met. The proposed final distribution to ordinary shareholders of 3.5p per share increases annual distributions by 20%.

As our share price followed both the oil price and the Rouble down at the year end, annual Total Shareholder Return has swung into negative territory for the first time in 3 years. Rather than being a reaction to 2014 operating results however, the share price decrease at the year end is a reflection of market expectations for the Russian economy in a low oil price, weak Rouble environment. The Committee has taken into account the high balance sheet liquidity, weighted terms to maturity for both debt and leases and tactical decisions made by the Executive Team in relation to potential acquisitions and speculative development in the last quarter of the year in considering performance outcomes. The approach of the Executives has placed the Company in a good position to deal with the issues that continuing economic and persistent political uncertainty may create.

Details of the incentive schemes are given in the Remuneration Policy table and the summary of targets and performance is:

	2014 Performance	Maximum Target
CBLTIS - Operating cash inflow after interest	$85million	$73million
LTIP - Total shareholder return (three years to March 2014)	220%	17.1%

Remuneration Decisions

The performance in 2014 means that 100% of the share incentive available for the Executives and senior management will be issued. The Committee has no reason not to recommend the vesting of these awards. In line with policy, increases in base salaries for Executives have been limited to inflation and no cash bonuses are available.

As explained in the 2013 Annual Report, performance targets for 2014 were increased to ensure no benefit was received from the reduced preference share coupon following the preference share conversion to ordinary shares at the end of 2013.

New Remuneration Policy

The Current CBLTIS and LTIP came to an end in 2014. A new Remuneration Policy and Combined Bonus and Long Term Incentive Scheme ("New CBLTIS") was presented to shareholders at the AGM in May 2014. The New CBLTIS follows the same principles as the Current CBLTIS and is described in the Remuneration Policy table below. Changes include an adjustment to the calculation of the operating cash flow targets to eliminate the cash impact of deposits and rents received in advance and the introduction of a deferred award based on share price instead of a Total Shareholder Return fall back. The share price objective was requested by shareholders in discussions prior to presentation of the New CBLTIS at the AGM. All other policies will remain the same as in the previous Remuneration Policy.

In the previous three years, some proxy voting agencies have criticised what seem to be easily achievable targets. But it should be recalled that the Current CBLTIS was designed against the backdrop of the uncertainties coming out of the last financial crisis. Results since then have exceeded all expectations. The New CBLTIS was designed at a time where new uncertainties had arisen following the situation in Ukraine and the international sanctions employed against Russia. The impact of the subsequent oil price drop and Rouble depreciation make the future performance targets extremely difficult to achieve.

One further point: it is important to emphasise that the majority of the remuneration of the Executive team and senior management in the last three years has been share based. The Directors have a required holding period for their shares, and are expected to hold for the long term. In practice, moreover it would be difficult for an Executive Director to liquidate a large proportion of their holding at any one time. We therefore believe that the "single figure" requirements in the remuneration disclosures can be misleading as they imply that the Directors have received the specified cash amount. Cash remuneration consists of only basic salary, pension contributions and benefits. It is inherent in our remuneration scheme that Executives share the risk of share price performance with shareholders.

The Executive Team go into the coming period as significant shareholders and that can only help them focus on maintaining shareholder value in difficult times.

Christopher Sherwell
Chairman
Remuneration Committee
8 March 2015

DIRECTORS' REMUNERATION REPORT

Introduction

Composition

The Remuneration Committee comprises the Board's Non Executive Directors, Stephen Coe, Richard Jewson, David Moore and Christopher Sherwell, who is Chairman.

Report Format

The following sections look at:

- our remuneration policy and how it links to our Group strategy;
- the current remuneration structure and how that will operate in 2015-2017;
- a summary of the total remuneration packages for the Executive Directors in 2014;
- targets achieved for incentive schemes in 2014;
- the relative spend on Executive Director pay compared to profit, distributions to shareholders and total Group pay;
- a summary of the Chief Executive Officer's total pay; and
- the various disclosure requirements that are subject to audit.

Remuneration Policy and Strategy

The Group's remuneration policy supports the corporate strategy of building an investment portfolio which allows cash covered progressive distributions to be made to our shareholders. As with any remuneration policy we must be able to attract, retain and incentivise high calibre executives and senior staff whilst aligning their interests with those of shareholders and other stakeholders in the business. We strive to keep the remuneration structure as simple and transparent as possible in meeting these objectives.

The policy:

- is weighted towards long term share ownership;
- does not include any cash bonus element for Executive Directors or senior management;
- is based on clear performance targets which underpin progressive distributions over three years; and
- ensures that the distributions become an important element of the Executives' and senior management annual income as shareholders in the business.

The following table summarises the elements of the remuneration package of the Executive Directors for 2015:

	Purpose and link to strategy	Operation	Opportunity	
Base Salary	To retain, attract and motivate the right people for our business.	Salaries are reviewed annually and fixed for the calendar year reflecting: the experience and responsibilities of each individual; market comparators for listed companies; and percentage increases in base salary for the Group as a whole.	Except for an increase in base salary for Colin Smith in 2012, Executive Directors' base salary increases have been held to a maximum of UK RPI since 2009.	
Benefits	To promote the well-being of Executives	Benefits are limited to life insurance, health insurance, private healthcare and reimbursing of all professional and business subscriptions and membership fees including gym membership fees.	None	
Pension	To reward continuing service	A contribution is made to personal pension arrangements or direct to personal pension plans. Benefits and pension contributions are held at the lower end of listed company comparators.	Contributions of 10% of base salary are made each year.	
Combined Bonus and Long Term Incentive Scheme for 2015-2017 ("New CBLTIS")	A simple and transparent scheme with targets linked directly to the Company's strategy of progressive distributions. Encourages long term share ownership for key individuals.	No cash bonuses will be paid with reference to performance in the three years to 31 December 2017. One award, in ordinary shares, is granted at the commencement of the scheme. Up to 75% then vest annually over the three years (25% each year) subject to the achievement of an operating cash inflow target and 25% vest at the end of the three year period subject to the achievement of a share price target. Awards under the scheme must be held for at least three years following each vesting date, other than the sale of shares to meet related personal tax obligations or participation in tender offer buy backs. However the Committee expects that Executives will hold the majority of shares awarded for the long term. Financial misstatement which resulted in the overstatement of vesting plans in prior years will result in the claw back of awards.	The equivalent of 35million ordinary shares is held for the maximum awards over the three years of the scheme for up to 30 employees. Including these shares, 8.2% of the Company's capital instruments will have been used in incentive schemes and 4.3% will have been allocated to Executive Directors on a 10 year rolling average. The maximum allocation vesting annually in any year for Executives in the equivalent of ordinary shares is: A Bilton 1,125,000 G Hirsch 1,125,000 M Sinclair 1,000,000 C Smith 1,000,000 At the ordinary share price on the day of grant this represents a maximum of percentage of basic salary of: A Bilton 153% G Hirsch 153% M Sinclair 219% C Smith 246% The maximum allocation on the amount deferred until the end of the three year period for Executives in the equivalent of ordinary shares is: A Bilton 1,125,000 G Hirsch 1,125,000 M Sinclair 1,000,000 C Smith 1,000,000 At the ordinary share price at the date of grant this also represents a maximum of percentage of basic salary of: A Bilton 153% G Hirsch 153% M Sinclair 219% C Smith 246% Assuming that the deferred element is spread over the three year performance period this means the maximum awards represent between 204% and 328% of current basic salary for Executives. The grant price is the market value of shares on the date the CBLTIS was approved at the AGM.	

Performance metrics	Discretion applied	Changes in year
None	None	None
None	None	None
None	None	None
Annual awards are based on progressive numerical targets for operating cash inflow after interest and working capital movements. This equates to the Group's ability to pay a progressive, cash covered distribution. Operating cash inflow after interest is defined as "Net cash generated from operating activities plus interest received less borrowing costs paid less dividends on preference shares", all as defined in the audited cash flow statement of the Group. This calculation is adjusted for cash working capital movements relating to rents received in advance and tenant deposits so that it better approximates to operating cash generated from that year's operations. These amounts are taken from the notes to the audited accounts. Borrowing costs are adjusted for any element capitalised as part of construction programmes. The operating cash inflow after interest targets and percentage vesting for each year are the following: For 2015: 25% $60m 100% $85m For 2016: 25% $60m 100% $95m For 2017: 25% $60m 100% $110m No awards vest below the 25% level and awards vest on a straight line basis between the upper and lower targets. The 25% deferred element will vest on 31 December 2017 if the share price trades at £1 or above for any consecutive 30 day period over the three years to 31 December 2017.	The Remuneration Committee has no discretion over awards granted. Should the achievement of performance targets during the performance period not reflect shareholder experience, the Committee has discretion to reduce or extinguish the quantum of awards vesting. If a participant has contributed to serious reputational damage to the Company or any act has resulted in serious misconduct, fraud or financial misstatement, the Committee again has discretion to reduce or extinguish the quantum of awards vesting.	None since 2014 AGM

Clawback

Financial misstatement which resulted in overstatement of vesting of plans in previous years would result in clawback.

Performance Measures

The CBLTIS performance measure of operating cash inflow was chosen as the best approximation of cash available for distribution to shareholders.

The target which, if achieved, would entail the lowest level of vesting was set at $60 million of operating cash flow after interest which equates to the same US Dollar value of distributions made to ordinary shareholders in 2013. Thus the minimum target maintains the 2013 cash generation against a backdrop of low oil prices, weak Rouble, international sanctions and falling market rents.

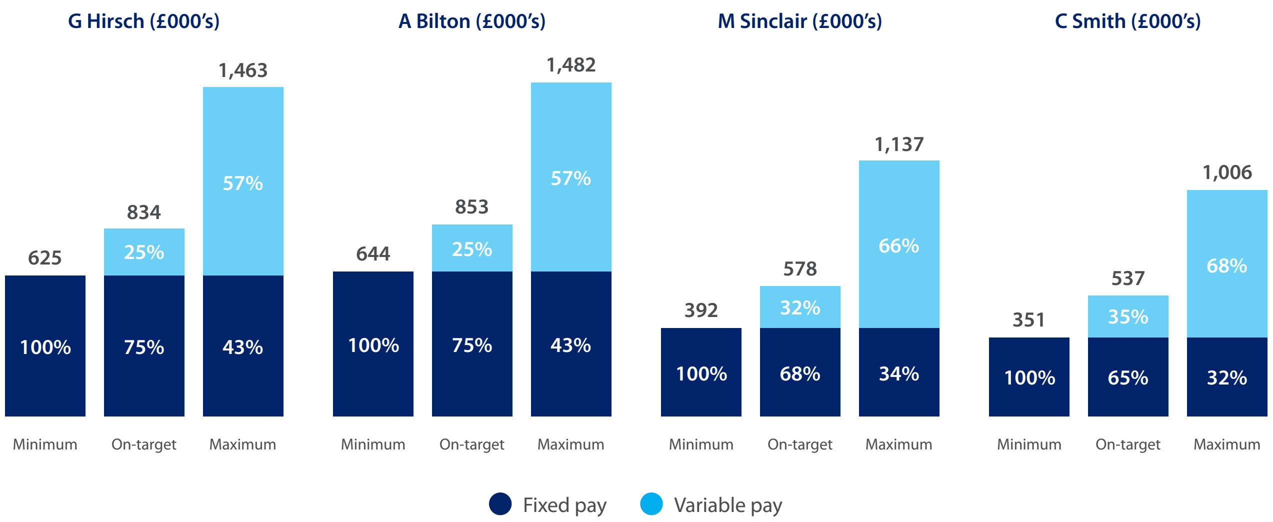
The target which, if achieved, would pay out the maximum amount, has been set on the assumption that the political situation is resolved peaceably and the market environment allows for organic growth and earnings accretive acquisitions. It also assumes lease maturities are renewed at appropriate market rental levels.

General Remuneration Policy

The main difference between the remuneration policy for Directors and the remuneration policy for employees is the payment of cash bonuses. Directors do not receive cash bonuses while general employees do. Depending on their role, some senior management receive share based incentives only and some have a mix of share and cash bonus incentives. Other employees receive basic salary and cash bonuses. Basic salary increases for all employees including Directors, are linked to inflation. The Remuneration Committee does not consult with employees when setting Directors' Remuneration.

Potential Remuneration for Directors

The bar charts below show the potential remuneration which each Director could receive if performance in 2015 was below target thresholds, if performance was in line with expectations and the maximum that could be received if expectations are exceeded. Share based remuneration is valued at the share price at the date of grant and does not take account of share price appreciation or accrued distributions.



The minimum amount of remuneration is the fixed element comprising basic salary, pension and benefits. On target remuneration assumes 25% vesting of the variable remuneration. The maximum remuneration assumes full vesting of the incentive schemes, not including the deferred element.

Recruitment and Exit Policies

Summary details of the Executive Directors' and Non Executive Directors' service contracts are given later in this report. Recruitment of new Directors would be based on the same terms as the existing service contracts. No additional remuneration would be offered as an incentive to join and the composition of remuneration would be based on the same components as existing Directors.

Exit policies for the elements of remuneration are summarised in the table below:

Component	Good Leaver*	Bad Leaver*	Change of Control
Basic Salary and Benefits	12 months notice period.	No notice period or payment in lieu of notice.	150% of the normal notice provisions for basic salary.
Annual Bonus	Pro rata payment based on the previous year's award, payable at the discretion of the Committee.	No award.	Pro rata payment based on the previous year's award.
CBLTIS	Awards not vested forfeited except in certain circumstances.**	Awards not vested forfeited.	All subsisting awards vest.

*Bad leaver provisions relate to termination of employment for the reason of gross misconduct including breach of obligation, bankruptcy and disqualification as a director. A good leaver covers all other circumstances.

**If a scheme participant ceases employment due to ill health or disability, redundancy as determined by the Committee or retirement, awards not vested shall continue in effect and vest on the original vesting dates if performance targets are met. The Committee has discretion to reduce awards with reference to the period of time that has elapsed from the date of grant to the date the participant ceases employment.

Shareholder Views

The view of shareholders is sought prior to any significant change to the Remuneration Policy. Prior to the introduction of the New CBLTIS scheme, the views of shareholders holding over 60% of ordinary shares (67% not including Directors) were taken into account prior to formal presentation at the AGM. It was at the insistence of certain shareholders that the deferred element of the New CBLTIS was included.

Annual Report on Remuneration

This report sets out information about the remuneration of the Directors for the year ended 31 December 2014. The information provided in the section entitled Audited Information has been audited by Ernst & Young LLP.

Audited Information

Summary of Remuneration for the Financial Year Ended 31 December 2014

In this section we summarise the total remuneration packages for the Executive Directors. A total remuneration cost is shown for each Director.

The Committee reviews all elements of pay and has discretion to reduce these if thought appropriate. No discretion has been exercised in the year.

						Shares vesting in the year		
						Value at vesting		
2014	Salary and fees £'000	All taxable benefits [1] £'000	Cash bonuses £'000	Pensions [2] £'000	Subtotal £'000	Current CBLTIS [4] £'000	LTIP [3] £'000	Total £'000
G Hirsch	538	23	–	54	615	687	181	1,483
A Bilton	538	42	–	54	634	687	146	1,467
M Sinclair	335	17	–	34	386	584	162	1,132
C Smith	298	18	–	30	346	382	81	809
2013								
G Hirsch	523	23	–	52	598	906	169	1,673
A Bilton	523	31	–	52	606	906	137	1,649
M Sinclair	327	12	–	33	372	771	164	1,307
C Smith	289	11	–	29	329	509	82	920

1. Taxable benefits include health cover and insurance, subscriptions and sports memberships. These are not performance related. They have been calculated based on premiums and subscriptions payable.
2. Pensions are cash payments made to Executive Directors, either directly or to their pension scheme.
3. LTIP share awards have an exercise price of 25p.
4. Valuation at vesting for 2014 assumes the price of the shares at the end of the relevant financial period for the CBLTIS plus accumulated dividends or distributions. The CBLTIS awards are shown in the year of the related performance targets. The 2013 estimated figure has been restated to reflect the actual share price at the date of vesting.

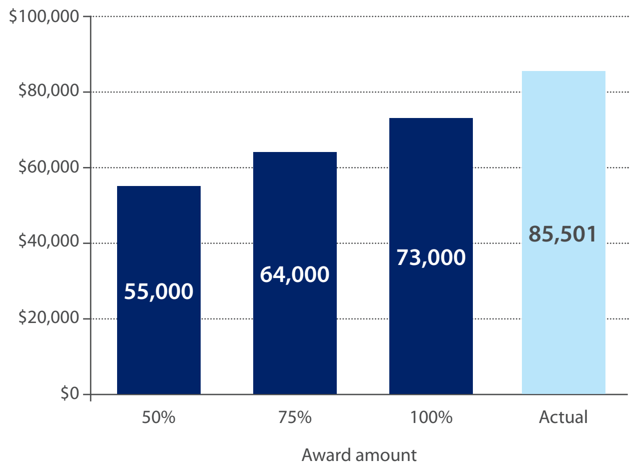
Combined Bonus and Long Term Incentive Scheme (CBLTIS 2012-2014)

Details of CBLTIS Awards for 2014

The operating cash flow after interest result for 2014 compared to target was as follows:

	$'000
Net cash generated from operating activities	168,797
Interest received	3,208
Bank borrowing costs paid	(70,979)
Dividends paid on preference shares	(18,225)
Bank borrowing costs capitalised	2,700
Total operating cash flow after interest	**85,501**

CBLTIS targets for 2014 were:



The table below sets out the directors' interests in the CBLTIS 2012-2014, including awards that vested in 2014.

	Contingent share awards at 1/1/14	Awards made in the year	Awards vested in the year	Contingent share awards at 31/12/14*
Ordinary shares				
G Hirsch	2,557,425	–	(1,216,425)	1,341,000
A Bilton	2,557,425	–	(1,216,425)	1,341,000
M Sinclair	2,176,005	–	(1,035,005)	1,141,000
C Smith	1,441,770	–	(685,770)	756,000
Preference shares				
G Hirsch	56,709	–	(56,709)	–
A Bilton	56,709	–	(56,709)	–
M Sinclair	48,253	–	(48,253)	–
C Smith	31,970	–	(31,970)	–

* These awards relate to performance in 2014 and will vest on the issue of these financial statements.

2009 Long Term Incentive Plan (LTIP)

This scheme is closed to new participants and no further awards can be made. All employees of the Group were eligible to receive invitations to participate in this plan and the EBT held 10 million ordinary shares reserved for the purpose. The options it granted over these shares vest in three equal tranches, subject to performance criteria, on 24 March 2012, 24 March 2013 and 24 March 2014.

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

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

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

For the period 24 March 2010 to 24 March 2014, total shareholder return was 220% and the target total shareholder return for the period was 17.09%. Therefore the tranche available for 2014 vested.

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

LTIP	Available to exercise at 1/1/14	Vested in year	Exercised in year	Available to exercise at 31/12/14
G Hirsch	666,666	333,334	–	1,000,000
A Bilton	540,540	270,271	–	810,811
M Sinclair	–	333,334	(333,334)	–
C Smith	–	166,667	(166,667)	–

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

The beneficial interests of the Directors in office at 31 December 2014 in the Ordinary Shares, Preference Shares and Warrants of the Company, both at the beginning and the end of the year, are set out below. There have been no changes to the figures below since 31 December 2014.

31 December 2014	Number of Ordinary Shares	Number of Preference Shares	Number of Warrants
R Jewson	286,253	75,460	–
G Hirsch (1)	7,786,599	2,143,225	2,292,817
A Bilton (1)	54,927,148	8,479,640	11,319,075
M Sinclair (1)	3,090,194	726,275	–
C Smith (1)	1,054,469	466,891	7,385
C Sherwell	242,755	79,728	–
S Coe	126,030	53,061	–
D Moore	222,501	14,172	–
	67,735,949	**12,038,452**	**13,619,277**

31 December 2013	Number of Ordinary Shares	Number of Preference Shares	Number of Warrants
R Jewson	284,487	75,460	–
G Hirsch (1)	7,205,308	2,086,516	2,292,817
A Bilton (1)	56,689,435	8,926,907	12,112,007
M Sinclair (1)	2,335,376	678,022	–
C Smith (1)	485,363	434,921	7,385
C Sherwell	242,755	79,728	–
S Coe	135,010	51,911	–
D Moore	223,198	13,872	–
	67,600,932	**12,347,337**	**14,412,209**

(1) Includes ordinary and preference shares and warrants held by trusts or pensions schemes where the individual is a beneficiary.

Non Executive Directors

The remuneration of Non Executive Directors is determined by the Executive Board. No Non Executive Director is entitled to any form of performance related remuneration, including share options. Remuneration paid in the year was as follows:

	2014 £'000	2013 £'000
R Jewson	110	100
C Sherwell	48	42
S Coe	48	42
D Moore	46	42
	252	**226**

The contractual arrangements for 2015 of the Non Executive Directors are set out below.

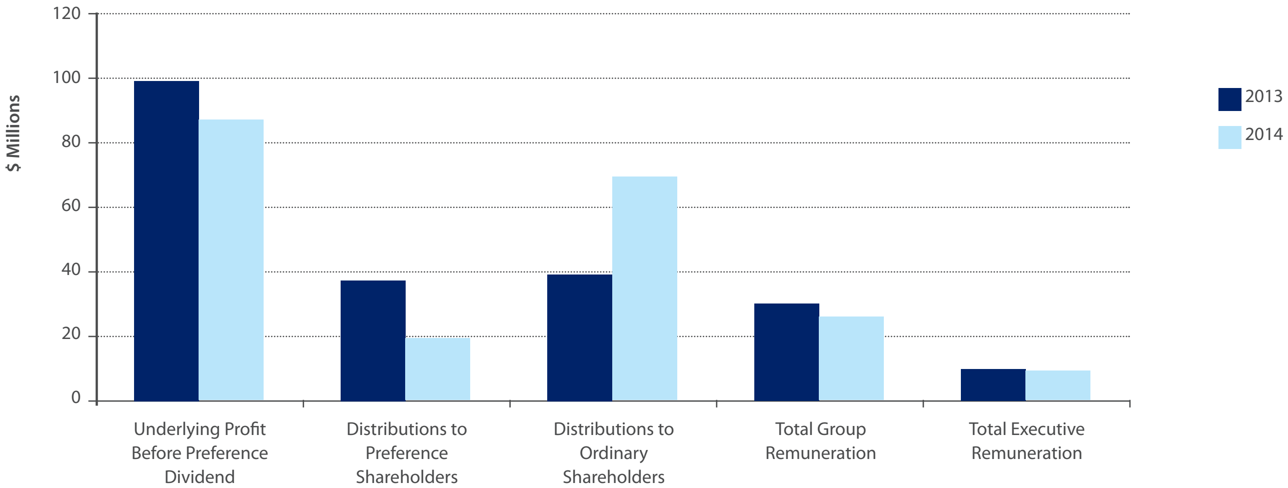
Non Executive Director	Fees £'000	Appointment date	Unexpired term	Notice period	Contractual termination payment
R Jewson	110	29.06.07	Rolling contract	3 months	No provision for payment on termination
S Coe	48	04.07.05	Rolling contract	3 months	
D Moore	46	04.07.05	Rolling contract	3 months	
C Sherwell	48	01.04.08	Rolling contract	3 months	

These fees are fixed until 31 December 2016.

Unaudited Information

Relative Spend on Pay

The chart below shows the comparison between total executive remuneration, total Group remuneration, distributions to shareholders, both ordinary and preference and underlying profitability.



Underlying profitability before preference dividends shows the profit from operations after all remuneration and demonstrates how this profit has been distributed to preference and ordinary shareholders. These distributions are then compared to total pay and Directors' pay.

Glyn Hirsch's Remuneration Package

The table below summarises Glyn Hirsch's total remuneration over the last six years. We also show the Company's TSR compared to FTSE Small Cap and FTSE350 Index over the same period.

Previous 6 years CEO package and percentage of total potential to earn

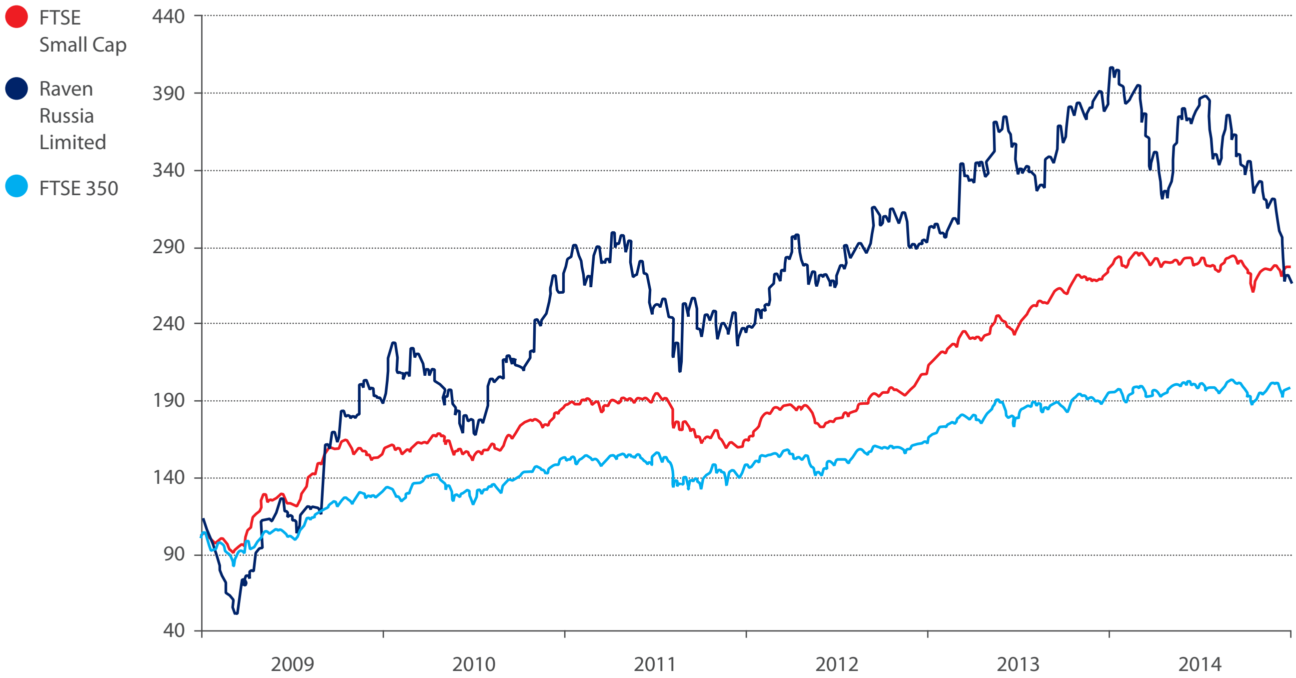
Year	Salary and fees £'000	Cash bonus £'000	Share based bonus £'000	CBLTIS £'000	LTIP £'000	Other benefits and pension £'000	Total £'000	Annual bonus payout against maximum	Long term incentive vesting rates against maximum opportunity %
2014	538	-	-	687	181	77	1,483	Not Applicable	100%
2013	523	-	-	906	169	75	1,673	Not Applicable	100%
2012	509	-	-	968	138	67	1,682	Not Applicable	100%
2011	494	250	424	-	-	60	1,228	Committee's Discretion	Not Applicable
2010	480	-	563	-	-	56	1,099	Committee's Discretion	Not Applicable
2009	467	-	698	-	-	55	1,220	Committee's Discretion	Not Applicable

Percentage increase in remuneration in 2014 compared with remuneration in 2013

The increase for all employees in the year, on a like for like basis, was 5.65%.

The information in the previous table illustrates the effectiveness of the focus on share based rewards. A high percentage of the CEO's and other Executive Directors' remuneration packages are share based and a significant percentage of the increase in packages relates to successful business performance and the resulting increase between grant price and vesting price of awards. The LTIP share price at grant was 23.5p and the vesting prices in 2013 and 2014 were 71p and 70p respectively. The share price at grant for the CBLTIS was 59.5p and at the year end was 47.5p.

	CEO		
	2014	2013	% change
Salary and Fees	538,000	522,750	2.92%
Taxable Benefits	23,000	23,000	–
Annual Bonuses	–	–	–
Totals	**561,000**	**545,750**	**2.79%**



	2009	2010	2011	2012	2013	2014
Annual bonus payable against maximum	Committee's Discretion	Committee's Discretion	Committee's Discretion	Not Applicable	Not Applicable	Not Applicable
LTIP vesting rates against maximum opportunity	Not Applicable	Not Applicable	Not Applicable	100%	100%	100%
Total remuneration for CEO (£000's)	1,220	1,099	1,228	1,682	1,673	1,483

The graph above shows the performance of the Group ordinary shares over the last six years versus FTSE Small Cap and FTSE 350 indices. Despite the strong financial results, the Company's ordinary share price dropped by 40% in 2014, the majority following the rapid decrease in oil price and significant Rouble depreciation. The table compares the trend in CEO's remuneration package over the same period. As explained in the Business Model section of the Strategy Report, we struggle to find comparable property company indices given the geographical market we operate in.

The contractual arrangements of the Executive Directors for 2015 are:

Director	Salary £'000	Appointment date	Unexpired term	Notice period	Contractual termination payment
G Hirsch	547	27.11.08	Rolling contract	12 months	Payment of 12 months salary and benefits on termination
A Bilton	547	27.11.08	Rolling contract	12 months	
M Sinclair	341	23.03.09	Rolling contract	12 months	
C Smith	303	14.11.08	Rolling contract	12 months	

Executive Directors may serve as Non Executive Directors for companies outside of the Group and retain such fees that may be paid to them. Glyn Hirsch resigned as a Non Executive Director of Liontrust Asset Management Plc on 9 September 2014. He received fees of £24,500 for his service in 2014 (2013: £28,000).

At the 2014 Annual General Meeting the New Remuneration Policy, New CBLTIS and Remuneration Report were subject to an advisory vote. The table below sets out the results for these particular resolutions.

Resolution	For		Against		Number of votes withheld	Total Votes Cast
	Number of votes	%	Number of votes	%		
To approve the Remuneration Policy	472,376,740	83.97	90,189,087	16.03	7,785,743	562,565,827
To approve the Remuneration Report	532,373,631	93.34	37,975,620	6,66	2,319	570,349,251
To approve the new CBLTIS	463,093,204	82.32	99,471,229	17.68	7,787,137	562,564,433

AUDIT COMMITTEE REPORT

Audit Committee Chairman's Introduction

Dear Shareholder

I am pleased to present our Audit Committee report for the year ended 31 December 2014. This report sets out the work of the Committee throughout the year.

During the year, the Committee's role continued to be:

- monitoring of the integrity of the Group's financial statements;
- reviewing the significant areas of judgement included in the financial statements;
- reviewing the role of the external auditors, including independence and remuneration; and
- monitoring the quality of the Group's internal controls and risk management functions.

We have also reported to the Board on whether the Committee believes that the annual report and accounts, taken as a whole, are fair, balanced and understandable.

During the year the Committee met with the external auditors, with and without management present, to assess the audit approach, audit independence and the working relationship between the Group auditor and management. We also had telephone discussions with Jones Lang LaSalle ("JLL"), the Group's appointed independent valuers, to discuss the property portfolio, valuation methodology and more generally, the market conditions in the locations in which the Group operates.

In both cases, we believe that the working relationship is good and that the management approach and estimates are appropriately challenged. As explained in the report below, we have also assessed the ongoing engagement of our auditor and valuers and recommended their continuing appointment in the current financial year.

We also review the business risk and internal control frameworks regularly. The current situation in Russia, following the drop in oil prices, Rouble depreciation and continuing international sanctions, has obviously had a significant impact on the Group balance sheet and the implications have been discussed at length by the Board. The assessment is summarised in the Strategic report and Corporate Governance sections of the Annual Report.

Stephen Coe
Chairman
Audit Committee
8 March 2015

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

The Committee comprises David Moore, Christopher Sherwell and Stephen Coe (Chairman). The Chairman is considered to have recent and relevant financial experience for the purposes of the Code. The Committee meets at least twice a year. There are a number of regular attendees at meetings of the Audit Committee, including other members of the Board, senior management and the Group's external auditor. The Chairman of the Committee also meets with the external Group auditor without management present.

The Committee met twice during 2014 and addressed:

- the recommendation to the Board to approve the 2013 annual and 2014 interim financial statements following consideration of the key areas of judgement;
- the appointment, remuneration and continued independence of the external auditor; and
- the monitoring of the Group's internal control procedures and risk management.

The action taken on these areas is expanded on below.

External Audit and Valuations

External Audit

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

EY was appointed in 2008 following a tender process and this is their seventh year of tenure as Group auditor. The current lead partner has been in place for four years. Discussions with the auditor have commenced on the succession plan for the audit lead partner once the five year tenure of the current partner is concluded.

The Committee met with the key members of the audit team throughout the year and EY has formally confirmed its continued independence as part of the interim and final financial statements process. The Chairman of the Committee also meets with the lead audit partner outside of the formal meetings to discuss any issues arising in the course of the audit and to confirm no restrictions on scope are placed on them by management. The Chairman also has regular meetings with the Chief Financial Officer and Chief Operating Officer to discuss the audit approach, relationship with auditors and fee structure.

The external auditor prepares a detailed audit plan for the Committee which includes their assessment of the key risks impacting the financial statements. The Committee actively monitors these risks and obtains updates from the external auditor on the status of their procedures covering these risks throughout the year.

Local statutory audits of individual subsidiary companies are also required in the jurisdictions in which the Group operates, being Guernsey, Cyprus, Russia and the UK. EY carry out these audits in Guernsey and Cyprus but trading entities in Russia and the UK are audited locally by Baker Tilly and Crowe Clark Whitehill respectively. The Committee believes that this gives a balance to our overall audit provision and added assurance to the audit process.

Non Audit Services

EY has also provided non audit services to the Group where they are determined to be best placed to provide the particular service. The Committee has policies in place for the provision of non audit services and the external auditor will not be permitted to carry out services such as property valuation or accounting services. The non audit services provided are typically assignments, such as a review of the interim financial statements, tax advisory or transaction advisory services. As shown in note 6(b) to the financial statements, total fees payable to EY in the year to 31 December 2014 amounted to $1.76million, of which $0.54million was for non audit services.

Committee Conclusions

The Committee has recommended a resolution for the re-appointment of EY to be proposed to shareholders at the Annual General Meeting. Proposed EU legislation on audit appointments including the approach to non audit services has been considered and relationships with other suppliers of non audit services have been established.

Valuers

As with the external audit process, the Committee monitors the objectivity of the Group's external valuers, Jones Lang LaSalle ("JLL"). We have had open discussion with the valuers during the year on the valuation process and the external auditor has direct access to them as part of the audit process. We also have the opportunity to see comparable valuations of part of the portfolio each year, where independent valuations are required for banking purposes and these are undertaken by other external independent valuers. During the year, valuation services were put out to tender and four service providers submitted proposals. The Committee and management agreed that JLL remained the most appropriate and experienced valuer for our sector and were re engaged for the year.

AUDIT COMMITTEE REPORT

Significant Issues Considered by the Audit Committee

In recommending the approval of the 2014 financial statements, the Committee considered the following:

Matter Arising	Action
Property Valuations	
Valuations for investment property and investment property under construction are conducted by external valuers. The land bank is carried at Directors' valuation. Valuation movements can have a significant impact on the Group's net asset value.	The Committee discussed the valuation approach with management, the external valuers and the external auditors. The Committee also assesses the continuing independence and objectivity of the valuers. The external auditors have direct access to the external valuer and comment on the key assumptions and movements on property valuations. The Committee considered and compared the views of all of the above together with independent market information available and was satisfied that the judgement used was appropriate. Given the economic situation in Russia at the year end, JLL has included an uncertainty paragraph in their valuation report. The Committee considered the implications of this with the valuers and the auditors and ensured that there was appropriate disclosure in the annual report.
Exchange Rate and Credit Risk	
The rapid depreciation of the Rouble at the year end had a significant effect on the carrying value of the Group's assets. It also increases the Group's credit risk as US Dollar pegged rents become less affordable for tenants.	The Committee discussed the impact of the Rouble depreciation on the Group's business with management and external auditors. It also discussed the audit approach with the external auditors including enhanced reviews of the credit worthiness of the larger tenants and impact on going concern. It is satisfied that the annual report and accounts adequately explain the impact of the current economic situation in Russia and that going concern calculations have been appropriately sensitised.
Provisions and Acquisitions	
The most significant provision previously recognised on the balance sheet relates to outstanding litigation inherited as part of an acquisition in 2012. The vendor dealt with the expected cost of this litigation, initially through indemnities backed by retentions held in escrow and latterly with a release of the escrow amounts as a reduction in the cost of the acquisition.	Due to its contingent nature, the level of provision required is dependent on legal and management judgement. The Committee has discussed progress at length with management, and legal representation has been received confirming the outcome of the case. The Committee discussed any judgement made by management on the release and allocation of the provision and impact on acquisition accounting. The Committee is satisfied with the both the release of the provision and acquisition accounting.

Internal Control and Risk Management

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

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

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

- a comprehensive system of reporting and business planning;
- a defined schedule of matters reserved for the Board;
- an organisational structure chart with clearly defined levels of authority and division of responsibilities;
- formal documented policies and procedures throughout the Group;
- the close involvement of the Executive Directors and senior management in all aspects of the day-to-day operations, including regular meetings to review all operational aspects of the business and risk management systems;
- the Board's review of Group strategy and progress against objectives throughout the year;
- a formal whistle blowing policy;
- a comprehensive and robust system of financial reporting which includes regular management information, such as budgets, re-forecasts, cash flows, treasury reporting and management accounts with review of financial KPIs; and
- a regular assessment of risks within the business at all operational levels.

The Audit Committee has established a Risk Committee to carry out the review and assessment of risks associated with the business. This Committee comprises Executive Directors and senior management involved in each operating jurisdiction and department of the Group. This engenders a culture of risk assessment within the Group and reinforces the strategic objectives communicated by the Board. During the year ended 31 December 2014, the Risk Committee met six times.

The Risk Committee reports regularly to the Audit Committee on its deliberations and findings. The risks and uncertainties to which the Group is subject are reviewed and considered by the Audit Committee and the Board at regular intervals, particularly with reference to the strategic objectives of the business. The principal risks and uncertainties facing the Group are included elsewhere in the Annual Report.

The Audit Committee has reviewed the effectiveness of these systems of internal control and has reported its findings to the Board throughout the year and up to the date of the Annual Report and financial statements.

Due to its size, structure and the nature of its activities, the Group does not have an internal audit function. The Committee has revisited its previous decision and concluded that there is no need for a separate internal audit function at this time but will continue to keep this matter under review. This view is supported by the Board given the stable nature and trading activities as an investment property group and the relatively small number of individual assets in the portfolio.

DIRECTORS' REPORT

The Directors present their report and the audited financial statements of the Group for the year ended 31 December 2014.

Principal activity

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

Business review

A review of the development of the Group's business during the year, the principal risks and uncertainties facing the Group and its future prospects are included in the Chairman's Message and the Strategic Report which should be read in conjunction with this report.

Results and dividends

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

The Company undertook a tender offer as an interim distribution for 1 in every 30 shares at 75p, equivalent to a dividend of 2.5p per share (2013: Tender offer 1 share in every 40 at 80p). A final distribution of 3.5p by way of a tender offer of 1 share in every 14 at 48p is being proposed at the Annual General Meeting (2013: Distribution of 3p by way of a tender offer of 1 share in every 28 at 85p).

Directors

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

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

Following the provisions of the UK Corporate Governance Code, all the Directors shall be subject to annual re-appointment by shareholders at the Annual General Meeting of the Company.

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

Substantial shareholdings

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

Ordinary Shares of £0.01

Name of holder	Number held 31 December 2014	% of share capital	Number held 20 February 2015	% of share capital
Invesco Perpetual	215,146,927	29.17	215,146,927	29.17
Schroder Investment Management	79,608,616	10.79	79,223,067	10.74
JO Hambro Capital Management	48,869,476	6.63	51,614,939	7.00
Mackenzie Cundill Investment Management	46,044,039	6.24	40,165,238	5.45
Woodford Investment Management	43,147,864	5.85	44,182,864	5.99

Purchase of own shares

The Company was granted authority at the 2014 AGM to make market purchases of its own ordinary and preference shares. This authority will expire on 19 November 2015. A resolution will be proposed at the 2015 AGM to renew this authority.

Auditor

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

Going Concern

The financial position of the Group, its cash flows, liquidity position and borrowings are described in the Financial Review and the notes to the accompanying financial statements. In addition, in note 35 there is a description of the Group's objectives and policies for managing its capital, financial instruments and hedging activities and its exposure to credit and liquidity risk.

During the year the Group continued to hold substantial cash and short term deposits. The property portfolio is running at high occupancy levels with a weighted average time to lease maturity of 4.2 years, stable rental income streams and overhead base. Debt facilities have a weighted average time to maturity of 4.8 years at 31 December 2014.

The Board receive monthly updates on future cash flow projections and have regular working capital reports presented, in particular, as part of the half year and full year reporting process. The Group has historically maintained significant cash which, in the current climate will provide the Group with the resources to deal with market uncertainties and the potential impact of geopolitical issues. After making appropriate enquiries and examining sensitivities that could give rise to financial exposure, the Board has a reasonable expectation that the Company and the Group have adequate resources to continue operations for the foreseeable future. Accordingly, the Group continues to adopt the going concern basis in preparation of these financial statements.

Directors' responsibilities

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

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

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

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

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

Directors' Responsibility Statement

The Statement of Directors' Responsibilities below has been prepared in connection with the Company's full Annual Report and Accounts for the year ended 31 December 2014.

The Board confirms to the best of its knowledge:

the financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit and loss of the Company and the undertakings included in the consolidation taken as a whole;

the Strategic Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and

the Annual Report and Accounts, taken as a whole, are fair balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

This responsibility statement was approved by the Board of Directors on 8 March 2015 and is signed on its behalf by:

Mark Sinclair
Chief Financial Officer

Colin Smith
Chief Operating Officer

INDEPENDENT AUDITOR'S REPORT

Independent Auditor's Report to the Members of Raven Russia Limited

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 December 2014 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

What we have audited

We have audited the financial statements of Raven Russia Limited for the year ended 31 December 2014 which comprise the Group Income Statement, the Group Statement of Comprehensive Income, the Group Balance Sheet, the Group Statement of Changes in Equity, the Group Cash Flow Statement and the related notes 1 to 38. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

Respective responsibilities of directors and auditor

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

Scope of the audit of the financial statements

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

Our assessment of risks of material misstatement and our response to those risks

The table below shows the risks we identified that have had the greatest effect on the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team, together with our audit response to the risk:

Risk	How the scope of our audit addressed the risk
Impact of uncertainties over the current economic environment in Russia (as described in the Strategic Report) The current geopolitical situation remains an important area of focus for the Group and our audit. Continuing escalation of political and economic tension between the US, EU and Russia, together with recent movements in the oil price, have resulted in an economic slowdown, deterioration of liquidity in Russia's banking sector and devaluation of its national currency. There is a risk that the impact of these events on the financial statements has not been adequately considered. In particular the impact on the valuation of investment property and the impact on cash flow forecasts used to assess going concern.	We performed the following audit procedures around the impact of uncertainties over the current economic environment in Russia: We built an understanding of the current economic environment in Russia through: • Discussions with management and EY professionals in Moscow and London, including valuation and financing experts and other teams involved in the audit of businesses operating in Russia; • Performance of press searches in Russia and the UK and reviewing economic forecasts. We assessed the impact of the uncertainties on the assessment of fair value of investment property and investment property under construction and the future trading and cash flow forecasts for the Group by applying a number of negative sensitivities to the cash flow forecasts prepared by management. We documented our understanding of the areas of the Group's internal control environment that respond to these specific risks. We performed tests of compliance with banking terms and covenants at the year end and the forecast compliance with covenants, by applying negative sensitivities to the covenant compliance forecast prepared by management. We assessed the impact of these uncertainties on the assumptions supporting the going concern basis of preparation.
Misstatement of the fair value of investment properties and investment properties under construction (as described in the Audit Committee Report and note 3 and 13 of the financial statements). The valuation of investment property and investment property under construction requires significant judgements and estimates by management and the external valuer. The uncertainties over the current economic environment in Russia had an impact on the valuation of the Group's properties. In the current year, as referred to in note 13, JLL have highlighted in their assessment of the fair value of the property portfolio that there is limited transactional evidence and less certainty with regard to valuations and that market values can change rapidly in the current market conditions. Accordingly, they have stated that it has been necessary to make more judgements than is usually required.	We performed the following audit procedures around the valuation of investment properties and investment properties under construction: We confirmed our understanding of the Group's valuation process and controls over data used in the valuation of its property portfolio. We performed site visits to a sample of properties. We performed testing over source documentation provided by the Group to the external valuer, including lease data. We assessed the competence, capabilities and objectivity of the external valuer. With the support of our Chartered Surveyors in Russia and the UK, we: • Challenged the valuation approach and the assumptions made by the external valuer and the directors in performing their valuation of each property; • We conducted analytical procedures by reference to external market data to evaluate the appropriateness of the valuations adopted by the Group; • We assessed and challenged the judgements made by JLL in light of the valuation uncertainties they highlight in their report in respect of limited transactional evidence and rapidly changing market conditions. We met with the development director and assessed and challenged the forecast costs to complete included in the valuations by obtaining evidence to support these costs. We have considered the impact of the current economic environment in Russia on the valuation of properties, including those uncertainties raised by JLL in their valuation report. We assessed the adequacy of the additional disclosures of estimates in note 3 and valuation assumptions in note 13.

INDEPENDENT AUDITOR'S REPORT

Risk	How the scope of our audit addressed the risk
Going concern (as described in the Directors' Report). We considered this as an area of audit focus due to the uncertainties over the current economic and financial environment in Russia.	We performed the following audit procedures around the going concern assumption: We reviewed the cash flow forecasts prepared by management to support their going concern conclusion and challenged the appropriateness of the key assumptions and considered their reasonableness in the context of other supporting evidence gained from our audit work. We challenged the assumptions supporting the sensitivity analysis prepared by management. We examined loan agreements to confirm that maturity dates and covenants are consistent with those used by management. We performed tests over the forecast compliance with covenants prepared by management by applying negative sensitivities.
Litigation in Toros (as described in the Audit Committee Report and note 24 of the financial statements). The Group has been subject to litigation in its Toros subsidiary. The main claim against Toros was resolved during 2014. The estimation of the interest to be paid to the claimant in connection with the other cases and the legal fees required judgement by management.	We performed the following audit procedures over the litigation in Toros. We met with management to confirm our understanding of the status of the claim. We obtained and examined legal documentation relevant to the claim. We obtained and examined external legal advisors' letters and opinions. We challenged management's estimation of the liability accrued at year end.
Revenue recognition (as described in note 2 of the financial statements). We have identified the following risks related to the recognition of revenue: Property investment: risk that the rental revenue is not recorded in the correct period, including the effect of tenant incentives and contracted rent uplift balances. Roslogistics: risk that the logistics revenue is not recorded in the correct period. Raven Mount: risk that sales are not recorded in the correct period. For each segment we also identified a risk in connection to fraud and error.	We performed the following audit procedures around revenue recognition: We confirmed our understanding of the controls in place to prevent and detect fraud and errors in revenue recognition. We tested the controls in relation to rental and logistics income. We performed a detailed analytical review of rental and logistics income based upon quantitative expectations, formed using historical data and our understanding of the changes in rental and logistics income during the year. For the largest tenants, we performed a press search to assess the risk of default. We obtained and examined the trade receivable ageing to assess the recoverability of receivables by testing subsequent cash receipts and confirming the credit worthiness of the tenants with outstanding rent. We agreed the calculation of the IFRS rent adjustment to underlying lease and tenancy data. We challenged the assessment of recoverability of the tenant lease incentive receivable balance by testing the credit worthiness of the major tenants. We obtained and reviewed evidence supporting material inventory sales during the year. We performed cut-off procedures on all revenue streams to confirm they had been recorded in the correct period.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements on our audit and on the financial statements. For the purposes of determining whether the financial statements are free from material misstatement we define materiality as the magnitude of misstatement that makes it probable that the economic decisions of a reasonably knowledgeable person, relying on the financial statements, would be changed or influenced.

We also determine a level of performance materiality which we use to determine the extent of testing needed to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.

When establishing our overall audit strategy, we determined a magnitude of uncorrected misstatements that we judged would be material for the financial statements as a whole. We determined materiality for the Group to be $3.4 million (2013: $3.2 million), which is approximately 5% of adjusted pre-tax profit (2013: 5% of adjusted pre-tax profit). We determined adjusted pre-tax profit adjusting the loss before tax to exclude the revaluation of investment property and investment property under construction and the foreign currency losses. This provided a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement is that overall performance materiality for the Group should be 50% of materiality (2013: 75% of materiality), namely $1.7 million (2013: $2.4 million). The decrease in overall performance materiality compared to 2013 is due to the increase in the risk relating to the economic and political environment in Russia as described above.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of $0.17 million (2013: $0.16 million). We also agreed to report differences below those thresholds that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations.

An overview of the scope of our audit

The Group has operations in Russia, Cyprus, the United Kingdom and Guernsey. Our testing is performed on a consolidated basis using thresholds which are determined with reference to the Group performance materiality and the risks of material misstatement identified. We performed procedures at each of the Group components.

In establishing our overall approach to the Group audit we determined the type of work that needed to be undertaken at each of the components by us, as the Group engagement team, or by component auditors from another EY global network firm operating under our instructions. For the Group entities incorporated in Cyprus, specific scope work on cash, intercompany and tax balances was performed by EY Cyprus. We determined the appropriate level of involvement to enable us to determine that sufficient audit evidence had been obtained as a basis for our opinion on the Group as a whole.

During the current year's audit cycle a visit was undertaken by the Group team, including the senior statutory auditor, to the component team in Cyprus. This visit involved discussing the audit approach with the component team and any issues arising from the work. The Group audit team interacted regularly with the component team during various stages of the audit, reviewed key working papers and was responsible for the scope and direction of the audit process. This, together with the additional procedures performed at Group level, gave us appropriate audit evidence for our opinion on the Group financial statements.

The overall audit strategy is determined by the senior statutory auditor, Nick Gomer. The senior statutory auditor is based in the UK but, since the Group has operations in Russia, the Group audit team includes members from both the UK and Russia. Members of the Group team in both jurisdictions work together as an integrated team throughout the audit process. The Group audit performed on balances related to the valuation of investment property and investment property under construction and income tax was also supported by EY Moscow experts.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- is otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the audit committee which we consider should have been disclosed.

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

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

Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to the company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review.

Nick Gomer
for and on behalf of Ernst & Young LLP
London
8 March 2015

GROUP INCOME STATEMENT

For the year ended 31 December 2014

	Notes	2014 Underlying earnings $'000	2014 Capital and other $'000	2014 Total $'000	2013 Underlying earnings $'000	2013 Capital and other $'000	2013 Total $'000
Gross revenue	4 / 5	257,596	–	257,596	272,269	–	272,269
Property operating expenditure and cost of sales		(65,279)	(9)	(65,288)	(85,765)	(65)	(85,830)
Net rental and related income		**192,317**	**(9)**	**192,308**	**186,504**	**(65)**	**186,439**
Administrative expenses	4 / 6	(26,967)	(7,663)	(34,630)	(25,925)	(2,019)	(27,944)
Share-based payments and other long term incentives	32	–	(2,354)	(2,354)	–	(7,634)	(7,634)
Foreign currency losses		(15,471)	–	(15,471)	(1,893)	–	(1,893)
Operating expenditure		**(42,438)**	**(10,017)**	**(52,455)**	**(27,818)**	**(9,653)**	**(37,471)**
Share of profits of joint ventures	16	955	–	955	2,717	–	2,717
Operating profit / (loss) before profits and losses on investment property		**150,834**	**(10,026)**	**140,808**	**161,403**	**(9,718)**	**151,685**
Unrealised (loss) / profit on revaluation of investment property	11	–	(135,422)	(135,422)	–	48,557	48,557
Unrealised (loss) / profit on revaluation of investment property under construction	12	–	(9,982)	(9,982)	–	6,711	6,711
Operating profit / (loss)		**150,834**	**(155,430)**	**(4,596)**	**161,403**	**45,550**	**206,953**
Finance income	7	3,208	2,453	5,661	2,495	7,231	9,726
Finance expense	7	(78,915)	(20,194)	(99,109)	(93,931)	(8,225)	(102,156)
Charge on preference share conversion	23	–	–	–	–	(86,035)	(86,035)
Profit / (loss) before tax		**75,127**	**(173,171)**	**(98,044)**	**69,967**	**(41,479)**	**28,488**
Tax	8	(8,475)	18,330	9,855	(9,716)	(22,691)	(32,407)
Profit / (loss) for the year		**66,652**	**(154,841)**	**(88,189)**	**60,251**	**(64,170)**	**(3,919)**
Earnings per share:	9						
Basic (cents)				(12.33)			(0.71)
Diluted (cents)				(12.33)			(0.71)
Underlying earnings per share:	9						
Basic (cents)		9.32			10.92		
Diluted (cents)		8.94			10.33		

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

All items in the above statement derive from continuing operations.

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

The accompanying notes are an integral part of this statement.

GROUP STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2014

	2014 $'000	2013 $'000
Loss for the year	**(88,189)**	**(3,919)**
Other comprehensive income, net of tax		
Items to be reclassified to profit or loss in subsequent periods:		
Foreign currency translation on consolidation	(41,010)	(14,873)
Total comprehensive income for the year, net of tax	**(129,199)**	**(18,792)**

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

The accompanying notes are an integral part of this statement.

GROUP BALANCE SHEET

As at 31 December 2014

	Notes	2014 $'000	2013 $'000
Non-current assets			
Investment property	11	1,593,684	1,632,476
Investment property under construction	12	47,958	118,919
Plant and equipment		4,491	6,818
Goodwill	14	2,375	7,906
Investment in joint ventures	16	17,355	18,464
Other receivables	17	37,042	66,436
Derivative financial instruments	19	6,853	10,266
Deferred tax assets	26	35,766	48,092
		1,745,524	**1,909,377**
Current assets			
Inventory		1,389	2,523
Trade and other receivables	18	52,623	56,431
Derivative financial instruments	19	432	1,519
Cash and short term deposits	20	171,383	201,324
		225,827	**261,797**
Total assets		**1,971,351**	**2,171,174**
Current liabilities			
Trade and other payables	21	84,962	101,630
Derivative financial instruments	19	1,253	–
Interest bearing loans and borrowings	22	55,252	81,803
		141,467	**183,433**
Non-current liabilities			
Interest bearing loans and borrowings	22	837,429	721,311
Preference shares	23	164,300	172,205
Provisions	24	–	42,700
Other payables	25	37,595	39,707
Derivative financial instruments	19	4,153	4,413
Deferred tax liabilities	26	89,118	115,486
		1,132,595	**1,095,822**
Total liabilities		**1,274,062**	**1,279,255**
Net assets		**697,289**	**891,919**

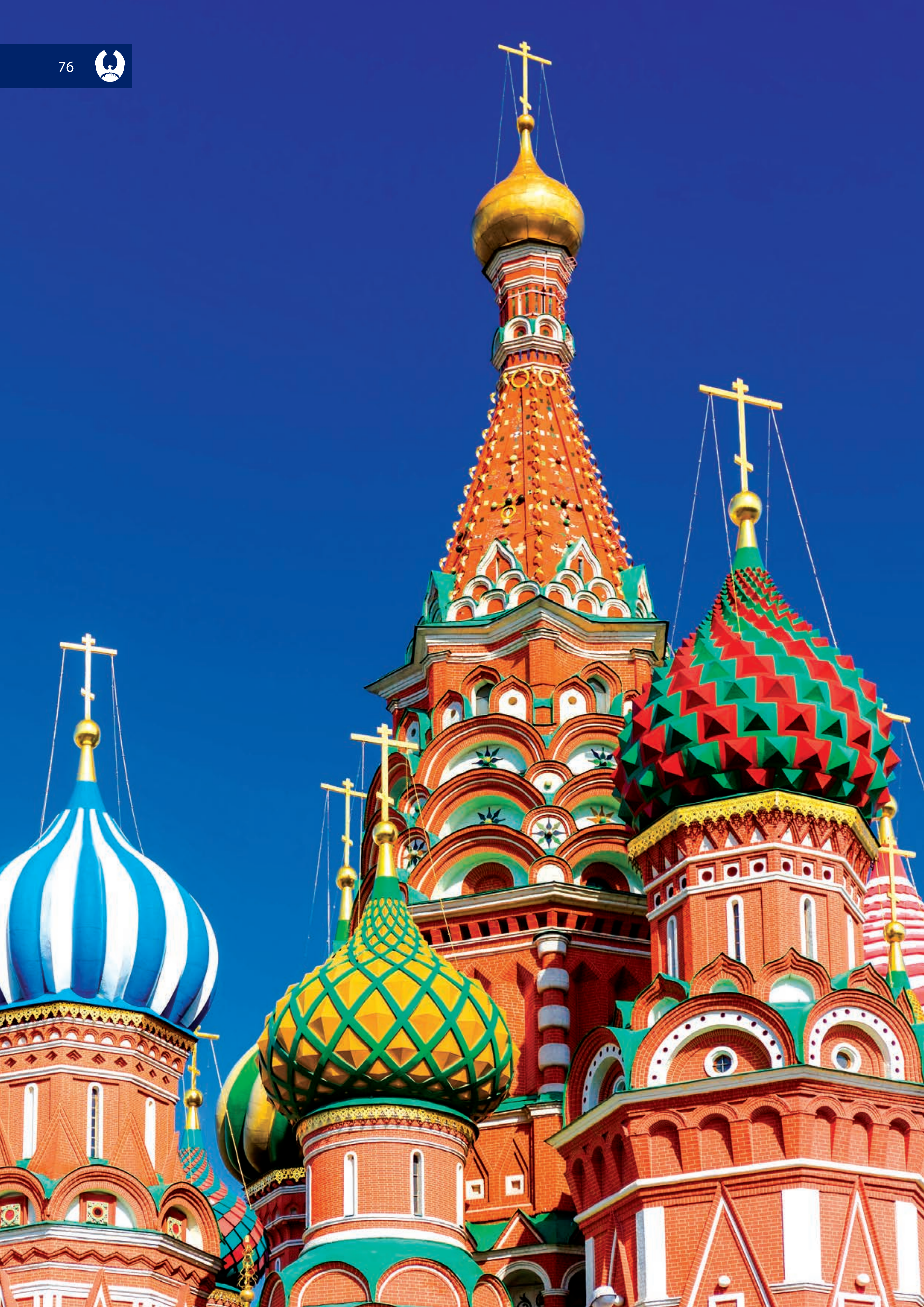
	Notes	2014 $'000	2013 $'000
Equity			
Share capital	27	13,623	13,876
Share premium		267,992	287,605
Warrants	28	1,195	1,279
Own shares held	29	(63,649)	(22,754)
Capital reserve		16,597	146,392
Translation reserve		(186,388)	(145,378)
Retained earnings		647,919	610,899
Total equity	30 / 31	**697,289**	**891,919**
Net asset value per share (dollars):	31		
Basic		1.01	1.22
Diluted		0.98	1.16
Adjusted net asset value per share (dollars):	31		
Basic		1.10	1.32
Diluted		1.06	1.26

The financial statements were approved by the Board of Directors on 8 March 2015 and signed on its behalf by:

Mark Sinclair
Chief Financial Officer

Colin Smith
Chief Operating Officer

The accompanying notes are an integral part of this statement.



GROUP STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

	Notes	Share Capital $'000	Share Premium $'000	Warrants $'000	Own Shares Held $'000	Capital Reserve $'000	Translation Reserve $'000	Retained Earnings $'000	Total $'000
At 1 January 2013		11,131	71,475	1,367	(24,145)	102,808	(123,697)	650,023	688,962
Loss for the year		–	–	–	–	–	–	(3,919)	(3,919)
Other comprehensive income		–	–	–	–	–	(14,873)	–	(14,873)
Total comprehensive income for the year		–	–	–	–	–	(14,873)	(3,919)	(18,792)
Warrants exercised	27 / 28	22	615	(88)	–	–	–	–	549
Own shares acquired	29	–	–	–	(704)	–	–	–	(704)
Own shares allocated	29	–	–	–	1,857	–	–	(1,857)	–
Preference share conversion	27 / 29	3,227	253,360	–	(150)	–	–	–	256,437
Ordinary shares cancelled under tender offers	27 / 29	(504)	(37,845)	–	388	–	–	–	(37,961)
Share–based payments	32	–	–	–	–	–	–	3,428	3,428
Transfer to retained earnings		–	–	–	–	–	(6,808)	6,808	–
Transfer in respect of capital profits		–	–	–	–	43,584	–	(43,584)	–
At 31 December 2013		**13,876**	**287,605**	**1,279**	**(22,754)**	**146,392**	**(145,378)**	**610,899**	**891,919**
For the year ended 31 December 2014									
Loss for the year		–	–	–	–	–	–	(88,189)	(88,189)
Other comprehensive income		–	–	–	–	–	(41,010)	–	(41,010)
Total comprehensive income for the year		–	–	–	–	–	(41,010)	(88,189)	(129,199)
Warrants exercised	27 / 28	21	587	(84)	–	–	–	–	524
Own shares acquired	29	–	–	–	(48,636)	–	–	–	(48,636)
Own shares allocated	29	–	–	–	7,141	–	–	(7,011)	130
Ordinary shares cancelled under tender offers	27 / 29	(274)	(20,200)	–	600	–	–	–	(19,874)
Share–based payments	32	–	–	–	–	–	–	2,425	2,425
Transfer in respect of capital losses		–	–	–	–	(129,795)	–	129,795	–
At 31 December 2014		**13,623**	**267,992**	**1,195**	**(63,649)**	**16,597**	**(186,388)**	**647,919**	**697,289**

The accompanying notes are an integral part of this statement.

GROUP CASH FLOW STATEMENT

For the year ended 31 December 2014

	Notes	2014 $'000	2013 $'000
Cash flows from operating activities			
(Loss) / profit before tax		(98,044)	28,488
Adjustments for:			
Depreciation	6	2,142	2,019
Loss on disposal of plant and equipment		9	65
Impairment of goodwill	6 / 14	3,082	–
Share of profits of joint ventures	16	(955)	(2,717)
Finance income	7	(5,661)	(9,726)
Finance expense	7	99,109	102,156
Charge on preference share conversion	23	–	86,035
Loss / (profit) on revaluation of investment property	11	135,422	(48,557)
Loss / (profit) on revaluation of investment property under construction	12	9,982	(6,711)
Foreign exchange losses		15,471	1,893
Share–based payments and other long term incentives	32	2,354	7,634
		162,911	160,579
Receipts from joint ventures		983	7,720
Decrease / (increase) in operating receivables		1,267	(4,000)
Decrease in other operating current assets		904	13,187
Increase in operating payables		7,677	20,115
		173,742	197,601
Tax paid		(4,945)	(5,304)
Net cash generated from operating activities		**168,797**	**192,297**
Cash flows from investing activities			
Payments for investment property under construction		(105,582)	(74,920)
Refunds of VAT on construction		4,790	4,258
Payments in respect of prior period acquisitions		(12,873)	(914)
Release of retention on acquisition of subsidiary undertakings		12,873	5,819
Proceeds from sale of plant and equipment		42	311
Purchase of plant and equipment		(1,625)	(875)
Loans repaid		273	356
Interest received		3,208	2,482
Net cash used in investing activities		**(98,894)**	**(63,483)**

	Notes	2014 $'000	2013 $'000
Cash flows from financing activities			
Proceeds from long term borrowings		298,000	194,400
Repayment of long term borrowings		(208,553)	(155,472)
Bank borrowing costs paid		(70,979)	(72,042)
Exercise of warrants	27 / 28	524	549
Ordinary shares purchased under tender offers	27 / 29	(68,928)	(38,581)
Costs incurred on issuing ordinary shares		–	(1,572)
Dividends paid on preference shares		(18,225)	(36,424)
Settlement of derivative financial instruments		(339)	225
Premium paid for derivative financial instruments		(3,271)	(1,451)
Net cash used in financing activities		**(71,771)**	**(110,368)**
Net (decrease) / increase in cash and cash equivalents		**(1,868)**	**18,446**
Opening cash and cash equivalents		201,324	188,740
Effect of foreign exchange rate changes		(28,073)	(5,862)
Closing cash and cash equivalents	**20**	**171,383**	**201,324**

The accompanying notes are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

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

The audited financial statements of the Group for the year ended 31 December 2014 were authorised by the Board for issue on 8 March 2015.

2. Accounting policies

Basis of preparation

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

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

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

Statement of compliance

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

Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year. The Group has adopted new and amended IFRS and IFRIC interpretations as of 1 January 2014, which had no impact on the financial position or performance of the Group.

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

IFRS 15 Revenue from Contracts with Customers (effective 1 January 2017)
IFRS 9 Financial Instruments (effective 1 January 2018)

The Group is currently assessing the impact of these changes on its financial statements and the effect of this, if any, has yet to be determined.

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

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company, its subsidiaries and the special purpose vehicles ("SPVs") controlled by the Company, made up to 31 December each year. Control is achieved where the Company is exposed, or has rights, to variable returns from its involvement with or ownership of the investee entity and has the ability to affect those returns through its power over the investee.

The Group has acquired investment properties through the purchase of SPVs. In the opinion of the Directors, these transactions did not meet the definition of a business combination as set out in IFRS 3 "Business Combinations". Accordingly the transactions have not been accounted for as an acquisition of a business and instead the financial statements reflect the substance of the transactions, which is considered to be the purchase of investment property and investment property under construction.

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

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

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

Goodwill

Goodwill represents the excess of the cost of a business combination over the interest in the fair value of identifiable assets, liabilities and contingent liabilities acquired. Cost comprises the fair values of assets given, liabilities assumed and equity instruments issued. For business combinations after 1 January 2010, transaction costs associated with an acquisition are expensed as incurred.

Goodwill is capitalised with any impairment in carrying value being charged to the Income Statement. Impairment tests on goodwill are undertaken annually at the financial year end. Impairment charges are included in the administrative expenses line item in the Income Statement. An impairment loss recognised for goodwill is not reversed.

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

Joint ventures

A joint venture is a contractual arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the activities require unanimous consent of the contracting parties for strategic financial and operating decisions.

The Group's investments in joint ventures are accounted for using the equity method. Under the equity method, the investment in a joint venture is initially recognised at cost. The carrying value of the investment is adjusted to recognise changes in the Group's share of net assets of the joint venture since the acquisition date. Any premium paid for an interest in a joint venture above the fair value of the Group's share of identifiable assets, liabilities and contingent liabilities is determined as goodwill. Goodwill relating to a joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The aggregate of the Group's share of profit or loss of joint ventures is shown on the face of the Income Statement within Operating Profit and represents the profit or loss after tax.

Revenue recognition

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

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

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

(b) Roslogistics
Logistics revenue, excluding value added tax, is recognised as services are provided.

(c) Raven Mount
The sale of completed property and land is recognised on legal completion.

Taxation

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

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

(a) Current tax
The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit (or loss) as reported in the Income Statement because it excludes items of income and expenditure that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

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

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised, based on tax rates that have been enacted or substantively enacted at the reporting date. Deferred tax is charged or credited in the Income Statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

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

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

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

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

Investment property and investment property under construction

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

Investment property is measured initially at its cost, including related transaction costs. After initial recognition, investment property is carried at fair value. The Directors assess the fair value of investment property based on independent valuations carried out by their appointed property valuers or on independent valuations prepared for banking purposes. The Group has appointed Jones Lang LaSalle as property valuers to prepare valuations on a semi-annual basis. Valuations are undertaken in accordance with appropriate sections of the current Practice Statements contained in the Royal Institution of Chartered Surveyors Appraisal and Valuation Standards, 8th Edition (the "Red Book"). This is an internationally accepted basis of valuation. Gains or losses arising from changes in the fair value of investment property are included in the Income Statement in the period in which they arise. For the purposes of these financial statements, in order to avoid double counting, the assessed fair value is reduced by the present value of any tenant incentives and contracted rent uplifts that are spread over the lease term and increased by the carrying amount of any liability under a head lease that has been recognised in the Balance Sheet.

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

Leasing (as lessors)

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

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, security deposits, restricted cash and cash and short term deposits.

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

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

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

Financial liabilities and equity instruments

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

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

(a) Fair value through profit or loss

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

(b) Other financial liabilities

Other financial liabilities include interest bearing loans, trade payables (including rent deposits and retentions under construction contracts), preference shares and other short-term monetary liabilities. Trade payables and other short-term monetary liabilities are initially recorded at fair value and subsequently carried at amortised cost using the effective interest rate method.

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

Provisions

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

Own shares held

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

Share-based payments and other long term incentives

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

Awards linked to or settled by ordinary shares

These are accounted for as equity-settled transactions in accordance with IFRS 2 Share-based Payment. The cost of equity-settled transactions is measured by reference to the fair value at the date at which they are granted. Fair value is determined by an external valuer, using an appropriate pricing model. In valuing equity-settled transactions, no account is taken of any service and performance conditions (vesting conditions), other than performance conditions linked to the price of the shares of the Company (market conditions). Any other conditions, which are required to be met in order for an employee to become fully entitled to an award are considered to be non-vesting conditions. Like market conditions, non-vesting conditions are taken into account in determining the fair value at grant date.

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

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

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

Awards linked to or settled by preference shares

These awards are accounted for in accordance with IAS 19 Employee Benefits whereby the Group estimates the cost of awards using the projected unit credit method, which involves estimating the future value of the preference shares at the vesting date and the probability of the awards vesting. The resulting expense is charged to the Income Statement over the performance period and the liability is re-measured at each Balance Sheet date.

Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each Group entity are measured in the currency of the primary economic environment in which the entity operates (the "functional currency"). For the Company the directors consider this to be Sterling. The presentation currency of the Group is United States Dollars, which the directors consider to be the key currency for the Group's operations as a whole.

(b) Transactions and balances

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

(c) On consolidation

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

(i) assets and liabilities for each Balance Sheet are translated at the closing rate at the date of the Balance Sheet;
(ii) income and expenditure for each Income Statement are translated at the average exchange rate prevailing in the period unless this does not approximate the rates ruling at the dates of the transactions in which case they are translated at the transaction date rates; and
(iii) all resulting exchange differences are recognised in Other Comprehensive Income.

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

Dividends

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

3. Critical accounting estimates and judgements

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

Judgements other than estimates

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

(a) Acquisitions

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

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

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

(c) Acquisitions of investment property
The consideration payable in respect of each acquisition is dependent upon certain future events. In calculating the cost of each acquisition the Group has assessed the most probable outcome as at the Balance Sheet date. These amounts are reconsidered annually at each year end. The assessments include consideration of the future rental levels and costs of construction of a property as well as the terms of the legal agreements governing each acquisition. Based on these factors management will consider whether a liability or a contingent liability should be recognised or disclosed at the Balance Sheet date.

Estimates

(a) Valuation of investment property and investment property under construction
The best evidence of fair value is current prices in an active market for similar lease and other contracts. In the absence of such information, the Group determines the amount within a range of reasonable, fair value estimates. In making its estimation the Group considers information from a variety of sources and engages external, professional advisers to carry out third party valuations of its properties. The external valuations are completed in accordance with appropriate sections of the current Practice Statements contained in the Royal Institution of Chartered Surveyors Appraisal and Valuation Standards, 8th Edition (the "Red Book"). This is an internationally accepted basis of valuation and is consistent with the requirements of IFRS 13. In our market, where transactional activity is minimal, the valuers are required to use a greater degree of estimation or judgement than in a market where comparable transactions are more readily available. For the valuations at 31 December 2014 the valuer has highlighted that as a result of market conditions at the valuation date it was necessary to make more judgements than is normally required.

The significant methods and assumptions used in estimating the fair value of investment property and investment property under construction are set out in note 13, along with detail of the sensitivities of the valuations to changes in the key inputs.

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

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

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

4. Segmental information

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

Property Investment - acquire, develop and lease commercial property in Russia
Roslogistics - provision of warehousing, transport, customs brokerage and related services in Russia
Raven Mount - sale of residential property in the UK

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

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

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

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

For the Balance Sheet, segmental information is provided in relation to investment property, inventory, cash balances and borrowings. Whilst segment liabilities includes loans and borrowings, segment loss does not include the related finance costs. If such finance costs were included in segment profit or loss, the loss from Property Investment would have increased by $67,658k (2013: $63,114k).

(a) Segmental information for the year ended and as at 31 December 2014

Year ended 31 December 2014	Property Investment $'000	Roslogistics $'000	Raven Mount $'000	Segment Total $'000	Central Overhead $'000	Total $'000
Gross revenue	230,108	24,399	3,089	257,596	–	257,596
Operating costs / cost of sales	(55,567)	(8,606)	(1,115)	(65,288)	–	(65,288)
Net operating income	**174,541**	**15,793**	**1,974**	**192,308**	**–**	**192,308**
Administrative expenses						
Running general and administration expenses	(16,662)	(1,907)	(1,474)	(20,043)	(6,924)	(26,967)
Other acquisition / abortive project costs	(2,439)	–	–	(2,439)	–	(2,439)
Impairment of goodwill	–	(3,082)	–	(3,082)	–	(3,082)
Depreciation	(1,822)	(314)	(6)	(2,142)	–	(2,142)
Share-based payments and other long term incentives	(562)	–	–	(562)	(1,792)	(2,354)
Foreign currency losses	(13,266)	(2,205)	–	(15,471)	–	(15,471)
	139,790	**8,285**	**494**	**148,569**	**(8,716)**	**139,853**
Unrealised loss on revaluation of investment property	(135,422)	–	–	(135,422)	–	(135,422)
Unrealised loss on revaluation of investment property under construction	(9,982)	–	–	(9,982)	–	(9,982)
Share of profits of joint ventures	–	–	955	955	–	955
Segment profit / (loss)	**(5,614)**	**8,285**	**1,449**	**4,120**	**(8,716)**	**(4,596)**
Finance income						5,661
Finance expense						(99,109)
Loss before tax						**(98,044)**

As at 31 December 2014	Property Investment $'000	Roslogistics $'000	Raven Mount $'000	Total $'000
Assets				
Investment property	1,593,684	–	–	1,593,684
Investment property under construction	47,958	–	–	47,958
Investment in joint ventures	–	–	17,355	17,355
Inventory	–	–	1,389	1,389
Cash and short term deposits	164,868	618	5,897	171,383
Segment assets	**1,806,510**	**618**	**24,641**	**1,831,769**
Other non-current assets				86,527
Other current assets				53,055
Total assets				**1,971,351**
Segment liabilities				
Interest bearing loans and borrowings	892,681	–	–	892,681
Capital expenditure				
Payments for investment property under construction	105,582	–	–	105,582

(b) Segmental information for the year ended and as at 31 December 2013

Year ended 31 December 2013	Property Investment $'000	Roslogistics $'000	Raven Mount $'000	Segment Total $'000	Central Overhead $'000	Total $'000
Gross revenue	230,126	28,184	13,959	272,269	–	272,269
Operating costs / cost of sales	(62,925)	(10,025)	(12,880)	(85,830)	–	(85,830)
Net operating income	**167,201**	**18,159**	**1,079**	**186,439**	**–**	**186,439**
Administrative expenses						
Running general and administration expenses	(15,969)	(2,382)	(1,296)	(19,647)	(6,122)	(25,769)
Other acquisition / abortive project costs	–	–	–	–	(156)	(156)
Depreciation	(1,673)	(337)	(9)	(2,019)	–	(2,019)
Share-based payments and other long term incentives	(1,949)	–	–	(1,949)	(5,685)	(7,634)
Foreign currency losses	(1,187)	(706)	–	(1,893)	–	(1,893)
	146,423	**14,734**	**(226)**	**160,931**	**(11,963)**	**148,968**
Unrealised profit on revaluation of investment property	48,557	–	–	48,557	–	48,557
Unrealised profit on revaluation of investment property under construction	6,711	–	–	6,711	–	6,711
Share of profits of joint ventures	–	–	2,717	2,717	–	2,717
Segment profit / (loss)	**201,691**	**14,734**	**2,491**	**218,916**	**(11,963)**	**206,953**
Finance income						9,726
Finance expense						(102,156)
Charge on preference share conversion						(86,035)
Profit before tax						**28,488**

As at 31 December 2013	Property Investment $'000	Roslogistics $'000	Raven Mount $'000	Total $'000
Assets				
Investment property	1,632,476	–	–	1,632,476
Investment property under construction	118,919	–	–	118,919
Investment in joint ventures	–	–	18,464	18,464
Inventory	–	–	2,523	2,523
Cash and short term deposits	190,463	1,714	9,147	201,324
Segment assets	**1,941,858**	**1,714**	**30,134**	**1,973,706**
Other non-current assets				139,518
Other current assets				57,950
Total assets				**2,171,174**
Segment liabilities				
Interest bearing loans and borrowings	803,114	–	–	803,114
Capital expenditure				
Payments for investment property under construction	75,834	–	–	75,834

5. Gross revenue

	2014 $'000	2013 $'000
Rental and related income	230,108	230,126
Proceeds from the sale of inventory property	3,089	13,959
Logistics	24,399	28,184
	257,596	**272,269**

The Group's leases typically include annual rental increases ("contingent rents") based on a consumer price index in Europe or the USA, which are recognised in income as they arise. Contingent rents included in rental income for the year amounted to $2,507k (2013: $2,234k).

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

In 2014 and 2013 there were no single customers accounting for more than 10% of Group revenues.

6. Administrative expenses

(a) Total administrative expenses	2014 $'000	2013 $'000
Employment costs	13,618	13,351
Directors' remuneration	3,698	3,371
Office running costs and insurance	4,032	4,052
Travel costs	1,878	2,070
External administrator fees	194	79
Auditors' remuneration	1,006	664
Abortive project costs	2,439	156
Impairment of goodwill	3,082	–
Legal and professional	2,252	1,993
Depreciation	2,142	2,019
Registrar costs and other administrative expenses	289	189
	34,630	**27,944**

(b) Fees for audit and other services provided by the Group's auditor	2014 $'000	2013 $'000
Audit services	807	629
Audit related assurance services	74	71
	881	**700**
Other fees:		
Taxation services	97	(74)
Other services	28	38
	125	(36)
Total fees	**1,006**	**664**

The Group engaged Ernst & Young to undertake due diligence for two investment property acquisitions that were under consideration. These transactions were subsequently aborted. Ernst & Young charged the Group fees amounting to $324k for this work which are included in abortive project costs.

In addition in 2013 the Group incurred a further $432k of corporate finance fees in respect of the ordinary shares created as part of the preference share conversion (see note 23), which are deducted from the share premium created. Ernst & Young also provide audit and taxation services for various SPVs that form part of the property operating costs. Charges for the audit of SPVs in the year amounted to $338k (2013: $318k) and the fees for taxation services were $82k (2013: $116k).

7. Finance income and expense

	2014 $'000	2013 $'000
Finance income		
Total interest income on financial assets not at fair value through profit or loss		
Income from cash and short term deposits	3,208	2,495
Other finance income		
Change in fair value of open forward currency derivative financial instruments	342	400
Change in fair value of open interest rate derivative financial instruments	1,292	6,606
Profit on maturing interest rate derivative financial instruments	119	–
Profit on maturing forward currency derivative financial instruments	700	225
Finance income	**5,661**	**9,726**
Finance expense		
Interest expense on loans and borrowings measured at amortised cost	67,658	63,240
Interest expense on preference shares	20,012	38,288
Total interest expense on financial liabilities not at fair value through profit or loss	87,670	101,528
Change in fair value of open forward currency derivative financial instruments	4,609	398
Change in fair value of open interest rate derivative financial instruments	3,387	230
Change in fair value of foreign currency embedded derivatives	3,443	–
Finance expense	**99,109**	**102,156**

Included in the interest expense on loans and borrowings is $8.1 million (2013: $6.2 million) relating to amortisation costs incurred in originating the loans. Included in the interest expense on preference shares is $0.7 million (2013: $1.4 million) relating to the accretion of premiums payable on redemption of preference shares and amortisation of costs incurred in issuing preference shares.

8. Tax

	2014 $'000	2013 $'000
The tax expense for the year comprises:		
Current taxation	9,149	5,610
Deferred taxation		
On the origination and reversal of temporary differences (note 26)	(4,925)	28,785
On unrealised foreign exchange movements in loans	(14,256)	(2,380)
Adjustments recognised in the period for tax of prior periods	177	392
Tax (credit) / charge	**(9,855)**	**32,407**

The charge for the year can be reconciled to the (loss) / profit per the Income Statement as follows:

	2014 $'000	2013 $'000
(Loss) / profit before tax	(98,044)	28,488
Tax at the Russian corporate tax rate of 20%	(19,609)	5,698
Tax effect of income not subject to tax and non-deductible expenses	38,760	40,536
Tax on dividends and other inter company gains	1,064	1,085
Tax effect of financing arrangements	(123,428)	(33,024)
Movement on unprovided deferred tax and tax provisions	93,181	17,720
Adjustments recognised in the period for current tax of prior periods	177	392
	(9,855)	**32,407**

9. Earnings measures

In addition to reporting IFRS earnings the Group adopts the European Public Real Estate Association ("EPRA") earnings measure, as set out in their Best Practice Policy Recommendations document issued in December 2014 and also reports its own underlying earnings measure.

EPRA earnings

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

Underlying earnings

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

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

	2014 $'000	2013 $'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share being the net loss for the year prepared under IFRS	**(88,189)**	**(3,919)**
Adjustments to arrive at EPRA earnings:		
Unrealised loss / (profit) on revaluation of investment property	135,422	(48,557)
Unrealised loss / (profit) on revaluation of investment property under construction	9,982	(6,711)
Profit on maturing foreign currency derivative financial instruments (note 7)	(700)	(225)
Profit on maturing interest rate derivative financial instruments (note 7)	(119)	–
Change in fair value of open forward currency derivative financial instruments (note 7)	4,267	(2)
Change in fair value of open interest rate derivative financial instruments (note 7)	2,095	(6,376)
Change in fair value of foreign currency embedded derivatives (note 7)	3,443	–
Movement on deferred tax thereon	(8,205)	24,218
Adjusted EPRA earnings	**57,996**	**(41,572)**
Charge on preference share conversion (note 23)	–	86,035
Loss on disposal of plant and equipment	9	65
Impairment of goodwill	3,082	–
Abortive project costs	2,439	–
Share-based payments and other long term incentives	2,354	7,634
Premium on redemption of preference shares and amortisation of issue costs (note 7)	650	1,394
Depreciation (note 6a)	2,142	2,019
Amortisation of loan origination costs (note 7)	8,105	6,203
Tax on unrealised foreign exchange movements in loans	(10,125)	(1,527)
Underlying earnings	**66,652**	**60,251**

	2014 No '000	2013 No '000
Number of shares		
Weighted average number of ordinary shares for the purposes of basic EPS (excluding own shares held)	**714,986**	**551,828**
Effect of dilutive potential ordinary shares:		
Warrants (note 28)	17,011	18,256
ERS (note 32)	325	596
LTIP (note 32)	3,832	5,665
CBLTIS (note 32)	9,375	6,796
Weighted average number of ordinary shares for the purposes of diluted EPS (excluding own shares held)	**745,529**	**583,141**

	2014 Cents	2013 Cents
EPS basic	**(12.33)**	**(0.71)**
Effect of dilutive potential ordinary shares:		
Warrants	–	–
ERS	–	–
LTIP	–	–
CBLTIS	–	–
Diluted EPS	**(12.33)**	**(0.71)**
EPRA EPS basic	**8.11**	**(7.53)**
Effect of dilutive potential ordinary shares:		
Warrants	(0.20)	–
ERS	–	–
LTIP	(0.04)	–
CBLTIS	(0.10)	–
EPRA EPS diluted	**7.78**	**(7.53)**
Underlying EPS basic	**9.32**	**10.92**
Effect of dilutive potential ordinary shares:		
Warrants	(0.22)	(0.36)
ERS	–	(0.01)
LTIP	(0.05)	(0.10)
CBLTIS	(0.11)	(0.12)
Underlying EPS diluted	**8.94**	**10.33**

10. Ordinary dividends

The Company did not declare a final dividend for the year ended 31 December 2013 or an interim dividend for 2014 and instead implemented two tender offer buy backs of ordinary shares.

In the place of a final dividend for 2013 the Company implemented a tender offer buy back of ordinary shares on the basis of 1 in every 28 shares held at a tender price of 85p per share, the equivalent of a final dividend of 3p per share. Instead of an interim dividend for 2014 the Company implemented a tender offer buy back of ordinary shares on the basis of 1 in every 30 shares at a tender price of 75p per share, the equivalent of a dividend of 2.5p per share.

11. Investment property

Asset class Location Fair value hierarchy*	Logistics Moscow Level 3 $'000	Logistics St Petersburg Level 3 $'000	Logistics Regions Level 3 $'000	Office St Petersburg Level 3 $'000	2014 Total $'000
Market value at 1 January 2014	1,198,986	189,090	217,113	40,922	1,646,111
Transfer from investment property under construction (note 12)	105,553	–	–	–	105,553
Property improvements and movement in completion provisions	(7,667)	312	348	877	(6,130)
Unrealised loss on revaluation	(74,771)	(19,328)	(25,885)	(12,947)	(132,931)
Market value at 31 December 2014	**1,222,101**	**170,074**	**191,576**	**28,852**	**1,612,603**
Tenant incentives and contracted rent uplift balances	(16,311)	(4,899)	(2,323)	(1,501)	(25,034)
Head lease obligations (note 25)	6,115	–	–	–	6,115
Carrying value at 31 December 2014	**1,211,905**	**165,175**	**189,253**	**27,351**	**1,593,684**
Revaluation movement in the year ended 31 December 2014					
Gross revaluation	(74,771)	(19,328)	(25,885)	(12,947)	(132,931)
Effect of tenant incentives and contracted rent uplift balances	(2,633)	(393)	269	266	(2,491)
Revaluation reported in the Income Statement	**(77,404)**	**(19,721)**	**(25,616)**	**(12,681)**	**(135,422)**

Asset class Location Fair value hierarchy*	Logistics Moscow Level 3 $'000	Logistics St Petersburg Level 3 $'000	Logistics Regions Level 3 $'000	Office St Petersburg Level 3 $'000	2013 Total $'000
Market value at 1 January 2013	1,083,879	173,409	200,032	45,000	1,502,320
Transfer from investment property under construction (note 12)	85,356	11	-	-	85,367
Property improvements and movement in completion provisions	(8,716)	8,468	1,864	-	1,616
Unrealised profit / (loss) on revaluation	38,467	7,202	15,217	(4,078)	56,808
Market value at 31 December 2013	**1,198,986**	**189,090**	**217,113**	**40,922**	**1,646,111**
Tenant incentives and contracted rent uplift balances	(13,678)	(4,506)	(2,592)	(1,767)	(22,543)
Head lease obligations (note 25)	8,908	-	-	-	8,908
Carrying value at 31 December 2013	**1,194,216**	**184,584**	**214,521**	**39,155**	**1,632,476**
Revaluation movement in the year ended 31 December 2013					
Gross revaluation	38,467	7,202	15,217	(4,078)	56,808
Effect of tenant incentives and contracted rent uplift balances	(5,324)	(1,816)	(600)	(511)	(8,251)
Revaluation reported in the Income Statement	**33,143**	**5,386**	**14,617**	**(4,589)**	**48,557**

*Classified in accordance with the fair value hierarchy, see note 36. There were no transfers between fair value hierarchy in 2013 or 2014.

The movement in completion provisions for Moscow Logistics, includes the unwind of the completion provision in respect of the acquisition of Pushkino upon the conclusion of the litigation as described in note 24. At 31 December 2014 the Group has pledged investment property with a value of $1,541 million (2013: $1,565 million) to secure banking facilities granted to the Group (note 22).

12. Investment property under construction

Asset class Location Fair value hierarchy*	Assets under construction Moscow Level 3 $'000	 Regions Level 3 $'000	 Sub-total $'000	Land Bank Moscow Level 3 $'000	 St Petersburg Level 3 $'000	 Regions Level 3 $'000	 Sub-total $'000	 2014 Total $'000
Market value at 1 January 2014	79,535	13,800	**93,335**	–	3,668	18,963	**22,631**	**115,966**
Costs incurred	66,669	58	**66,727**	–	175	284	**459**	**67,186**
Effect of foreign exchange rate changes	(7,032)	(4,908)	**(11,940)**	–	(1,286)	(7,675)	**(8,961)**	**(20,901)**
Transfer between asset classes	–	–	**–**	–	–	–	**–**	**–**
Transfer to investment property (note 11)	(105,553)	–	**(105,553)**	–	–	–	**–**	**(105,553)**
Unrealised profit / (loss) on revaluation	381	550	**931**	–	(2,557)	(8,356)	**(10,913)**	**(9,982)**
Market value at 31 December 2014	**34,000**	**9,500**	**43,500**	**–**	**–**	**3,216**	**3,216**	**46,716**
Head lease obligations (note 25)	1,242	–	**1,242**	–	–	–	**–**	**1,242**
Carrying value at 31 December 2014	**35,242**	**9,500**	**44,742**	**–**	**–**	**3,216**	**3,216**	**47,958**

Asset class Location Fair value hierarchy*	Assets under construction Moscow Level 3 $'000	 Regions Level 3 $'000	 Sub-total $'000	Land Bank Moscow Level 3 $'000	 St Petersburg Level 3 $'000	 Regions Level 3 $'000	 Sub-total $'000	 2013 Total $'000
Market value at 1 January 2013	71,400	14,200	**85,600**	25,700	4,111	31,709	**61,520**	**147,120**
Costs incurred	52,652	60	**52,712**	–	153	1,017	**1,170**	**53,882**
Effect of foreign exchange rate changes	(1,097)	(906)	**(2,813)**	(13)	(585)	(2,969)	**(3,567)**	**(6,380)**
Transfer between asset classes	25,687	–	**25,687**	(25,687)	–	–	**(25,687)**	**–**
Transfer to investment property (note 11)	(85,356)	–	**(85,356)**	–	(11)	–	**(11)**	**(85,367)**
Unrealised profit / (loss) on revaluation	17,059	446	**17,505**	–	–	(10,794)	**(10,794)**	**6,711**
Market value at 31 December 2013	**79,535**	**13,800**	**93,335**	**–**	**3,668**	**18,963**	**22,631**	**115,966**
Head lease obligations (note 25)	2,953	–	**2,953**	–	–	–	**–**	**2,953**
Carrying value at 31 December 2013	**82,488**	**13,800**	**96,288**	**–**	**3,668**	**18,963**	**22,631**	**118,919**

*Classified in accordance with the fair value hierarchy, see note 36. There were no transfers between fair value hierarchy in 2013 or 2014.

	2014 $'000	2013 $'000
Revaluation movement in the year		
Unrealised profit on revaluation of assets carried at external valuations	932	17,505
Unrealised loss on revaluation of assets carried at directors' valuation	(10,914)	(10,794)
	(9,982)	**6,711**

Borrowing costs capitalised in the year amounted to $2.7 million (2013: $1.2 million).

At 31 December 2014 the Group has pledged investment property under construction with a value of $43.5 million (2013: $54.7 million) to secure banking facilities granted to the Group (note 22).

13. Investment property and investment property under construction - Valuation

It is the Group's policy to carry investment property and investment property under construction at fair value in accordance with IFRS 13 "Fair Value Measurement" and IAS 40 "Investment Property":

- investment property consists of the completed, income producing, portfolio; and
- investment property under construction consists of development projects and land bank.

The latter is sub-categorised as:

- assets under construction - current development projects and the value of land on additional phases of existing investment property; and
- land bank - land held for potential development.

For the purposes of IFRS 13 disclosure, we have analysed these categories by the geographical market they are located in being Moscow, St Petersburg and the Regions (the other Russian regional cities). These form distinct markets for valuation purposes as the fundamentals differ in each.

The fair value of the Group's investment property and assets under construction at 31 December 2014 has been arrived at on the basis of market valuations carried out by Jones Lang Lasalle ("JLL"), external valuers to the Group. JLL have consented to the use of their name in these financial statements.

The Group's land bank in St Petersburg and the Regions is valued by the Directors.

Valuation process

The executive management team members responsible for property matters determine the valuation policies and procedures for property valuations in consultation with the Chief Executive Officer and Chief Financial Officer.

The Group has three qualified RICS members on the management team, one of whom is the Chairman of RICS in Russia and the CIS. All have relevant valuation and market experience and are actively involved in the valuation process. They also regularly meet with agents and consultants in the market to obtain additional information and an alternative perspective.

The effectiveness and independence of the external valuer is reviewed each year. The criteria considered include market knowledge, reputation, independence and professional standards. The Audit Committee also meets the external valuer at least once a year. Executive management and the Directors have determined that the external valuer is experienced in the Russian market and acts as an "External Valuer" as defined in the "RICS Valuation - Professional Standards".

The external valuers perform their valuations in accordance with the "RICS Valuation - Professional Standards", the 2012 Edition (the "Red Book"). This is an internationally accepted basis of valuation and is consistent with the principles of IFRS 13.

For investment properties and assets under construction, the executive team members consult with the external valuers and the valuers then determine:

- whether a property's fair value can be reliably determined;
- which valuation method should be applied for each asset; and
- the assumptions made for unobservable inputs that are used in valuation methods.

The land bank is valued by the Directors. The process followed includes regular site inspections, meetings with local real estate experts, comparison to any local land sale information and comparison to transactions in other regional cities including those where the Group has stable income producing assets. Updated acquisition appraisals and any indication of value for alternative use are also considered.

Valuations are prepared on a biannual basis. At each valuation date the executive team members review the information prepared by the property department for valuation purposes being submitted to the external valuers. Each property valuation is then reviewed and discussed with the external valuer in detail, adjustments made as necessary and results discussed with the Chief Executive Officer and Chief Financial Officer.

The executive management also present the valuation results to the Audit Committee and hold discussions with the Group's auditors. Both the Audit Committee and the auditors also have discussions with the external valuers.

Valuation assumptions and key inputs

Class of property	Carrying amount 2014 $'000	Carrying amount 2013 $'000	Valuation technique	Input	Range 2014	Range 2013
Completed investment property						
Moscow - Logistics	1,211,905	1,194,216	Income capitalisation	ERV per sqm	$110 to $135	$120 to $145
				Initial yield	11.3% to 12.8%	10.0% to 11.5%
				Equivalent yield	10.5% to 13.7%	10.7% to 12.8%
				Vacancy rate	0.9% to 69.0%	1.0% to 40.9%
				Passing rent per sqm	$68 to $231	$98 to $238
St Petersburg - Logistics	165,175	184,584	Income capitalisation	ERV per sqm	$110	$115
				Initial yield	13.0% to 13.8%	10.5% to 11.1%
				Equivalent yield	12.8% to 13.6%	12.1% to 12.5%
				Vacancy rate	0% to 8.4%	1.4% to 7.3%
				Passing rent per sqm	$96 to $129	$91 to $127
Regional - Logistics	189,253	214,521	Income capitalisation	ERV per sqm	$105	$110 to $115
				Initial yield	14.3% to 14.6%	12.4% to 12.8%
				Equivalent yield	13.0% to 13.3%	12.0% to 12.5%
				Vacancy rate	0.9% to 5.2%	0% to 3.8%
				Passing rent per sqm	$99 to $214	$97 to $214
St Petersburg - Office	27,351	39,155	Income capitalisation	ERV per sqm	$235	$300
				Initial yield	19.5%	18.9%
				Equivalent yield	13.0%	12.3%
				Vacancy rate	0%	0%
				Passing rent per sqm	$323	$535

	Description	Range 2014	Range 2013
Other key information			
Moscow - Logistics	Land plot ratio	34% - 65%	42% - 65%
	Age of building	0 to 10 years	1 to 9 years
	Outstanding costs ($'000)	9,131	10,413
St Petersburg - Logistics	Land plot ratio	51% - 57%	51% - 57%
	Age of building	0 to 6 years	4 to 5 years
	Outstanding costs ($'000)	1,573	11,492
Regional - Logistics	Land plot ratio	48% - 61%	48% - 61%
	Age of building	5 years	4 years
	Outstanding costs ($'000)	–	1,070
St Petersburg - Office	Land plot ratio	320%	320%
	Age of building	8 years	7 years
	Outstanding costs ($'000)	400	–

	Carrying amount 2014 $'000	Carrying amount 2013 $'000	Valuation technique	Input	Range 2014	Range 2013
Investment property under construction						
Moscow - Logistics	-	38,635	Residual	ERV per sqm	n/a	$130
				Initial yield	n/a	11.0%
				Cost to complete per sqm	n/a	$793
				Proposed land plot ratio	n/a	46.5%
Moscow - Logistics	35,242	43,853	Comparable	Value per ha ($m)	$0.42-$0.89	$1.05-$1.12
Regional - Logistics	9,500	13,800	Comparable	Value per ha ($m)	$0.37	$0.5

The fair value of investment property is determined using the income capitalisation method where a property's fair value is estimated based on the normalised net operating income of the asset divided by the capitalisation (discount) rate. Each income stream from every tenant is valued based on capitalising the contracted rent for the term of the lease, including any fixed increases in rent but excluding any future indexation. Allowance at lease end is made for any potential letting void and an assessment is made of the estimated rental value on re-letting (ERV). These elements are determined based on current market conditions and values.

Assets under construction (development projects) are valued on a residual value basis using the future anticipated costs to complete construction, a provision for letting costs, a letting void period and an assessment of ERV. Depending on the status of the development, and how much of development process has been completed an allowance will also be made for developer's profit.

Assets under construction (additional phases of existing sites) are valued on a comparable basis. The value of these plots is estimated based on comparable transactions in the same market. This approach is based on the principle that a buyer will not pay more for an asset than it will cost to buy a comparable substitute property. The unit of comparison applied is the price per square metre.

All of the above valuations are completed by JLL.

The land bank is valued by the Directors using the comparable basis.

Sensitivity analysis of significant changes in unobservable inputs within Level 3 of the hierarchy

The significant unobservable inputs used in the fair value measurement categorised within Level 3 of the fair value hierarchy of the entity's portfolio of investment property are:

- ERV;
- void period on re-letting;
- initial yield; and
- specific to property under development: construction costs, letting void, construction period and development profit.

In preparing their valuations at 31 December 2014, JLL have specifically referred to the uncertainty caused in the market by the rapid fall in the oil price and Rouble and the continuing impact of international sanctions on Russia. This has led to a significant increase in Russian bank base rates, a reduction in the availability of hard currency debt and a contraction in capital available for investment. The result is a further reduction of liquidity in the Russian real estate market, although given the immaturity of the market, it has always been relatively illiquid. JLL comment that the majority of buyers in the market are adopting a "wait and see" policy while volatility persists. This corresponds to the Group's experience at this time. In the absence of completed transactions, drawing conclusions on current market yields is challenging although yields have tended to build in a risk factor for the Russian market, hence they have always been significantly higher than most comparable international markets. The weakened Rouble has also had an effect on ERVs as rents become more expensive for Rouble denominated businesses in US Dollar terms.

Significant increases (or decreases) in the ERV (per sqm p.a.) would result in a significantly higher (or lower) fair value measurement. However, given the relatively low level of lease maturities in the short term, changes in ERV have not had a significant effect on the Group's portfolio valuation. Further significant increases (or decreases) in the long-term void period on re-letting and initial yield in isolation would result in a significantly lower (or higher) fair value measurement.

14. Goodwill

	Roslogistics $'000	Raven Mount $'000	Total $'000
Balance at 1 January 2013	5,383	2,476	7,859
Effect of foreign exchange rate changes	–	47	47
Balance at 31 December 2013	**5,383**	**2,523**	**7,906**
Effect of foreign exchange rate changes	(2,301)	(148)	(2,449)
Impairment of goodwill	(3,082)	-	(3,082)
Balance at 31 December 2014	**–**	**2,375**	**2,375**

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

15. 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 2014	2013
CJSC Kulon Development	Russia	100%	100%
Fenix LLC	Russia	100%	100%
Petroestate LLC	Russia	100%	100%
EG Logistics LLC	Russia	100%	100%
CJSC Kulon Istra	Russia	100%	100%
Soyuz-Invest LLC	Russia	100%	100%
CJSC Noginsk Vostok	Russia	100%	100%
Resource Economia LLC	Russia	100%	100%
Kulon Spb LLC	Russia	100%	100%
Logopark Don LLC	Russia	100%	100%
Logopark Ob LLC	Russia	100%	100%
Delta LLC	Russia	100%	100%
CJSC Toros	Russia	100%	100%
Dorfin Limited	Cyprus	100%	100%
League LLC	Russia	100%	100%
Roslogistics Holdings (Russia) Limited	Cyprus	100%	100%
Avalon Logistics Company LLC	Russia	100%	100%
Raven Mount Group Limited	England	100%	100%
Raven Russia Property Advisors Limited	England	100%	100%
Raven Russia (Service Company) Limited	Guernsey	100%	100%

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

16. Investment in joint ventures

The principal joint venture of the Group is as follows:

Name	Country of Incorporation	Proportion of ownership interest 2014	2013
Coln Park LLP	England	50%	50%

Coln Park LLP is the entity through which the Group undertakes its second home development activity in the UK. The Group's interest in each joint venture has been accounted for using the equity method. None of the Group's joint ventures are individually material. Summarised aggregated financial information of the joint ventures, prepared under IFRS, and a reconciliation with the carrying amount of the investments in the consolidated financial statements are set out below:

Summarised Balance Sheet	2014 $'000	2013 $'000
Non-current assets	5,333	18
Inventory	17,030	22,946
Cash and short term deposits	2,120	3,248
Other current assets	497	378
Current liabilities	(1,133)	(1,200)
Net assets	**23,847**	**25,390**
Investment in joint ventures		
Goodwill on acquisition	5,431	5,769
Share of net assets at 50%	11,924	12,695
Carrying value	**17,355**	**18,464**
Carrying value at 1 January 2014	18,464	
Share of profit for the year	955	
Share of distributions paid	(983)	
Effect of foreign exchange rate changes	(1,081)	
Carrying value at 31 December 2014	**17,355**	

Summarised Income Statement	2014 $'000	2013 $'000
Gross revenue	8,779	19,916
Cost of sales	(6,026)	(14,042)
Administrative expenses	(787)	(322)
Profit before tax	**1,966**	**5,552**
Tax	(56)	(118)
Profit for the year	**1,910**	**5,434**
Group's share of profit for the year	**955**	**2,717**

The joint ventures had no contingent liabilities or capital commitments as at 31 December 2014 and 2013. The joint ventures cannot distribute their profits until they obtain the consent from the venture partners.

17. Other receivables

	2014 $'000	2013 $'000
Loans receivable	1,029	1,261
VAT recoverable	4,907	6,471
Security deposits	4,596	4,781
Prepayments and other receivables	181	3,923
Restricted cash (note 24)	26,329	50,000
	37,042	**66,436**

VAT recoverable arises from 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.

18. Trade and other receivables

	2014 $'000	2013 $'000
Trade receivables	36,459	37,620
Prepayments	3,505	7,231
VAT recoverable	10,637	10,422
Other receivables	778	638
Tax recoverable	1,244	520
	52,623	**56,431**

19. Derivative financial instruments

	2014 $'000	2013 $'000
Interest rate derivative financial instruments		
Non-current assets	5,819	5,923
Non-current liabilities	(1,963)	(4,413)
Forward currency derivative financial instruments		
Non-current assets	1,034	4,343
Current assets	432	1,519
Foreign currency embedded derivatives		
Non-current liabilities	(2,190)	–
Current liabilities	(1,253)	–

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. At 31 December 2014 the instruments have a notional value of $678 million (2013: $686 million) and a weighted average fixed or capped rate of 1.5% (2013: 1.4%).

The Group had also entered into a series of forward currency derivative financial instruments to hedge interest payments due to preference shareholders against sterling strengthening. The instruments have a notional amount of $70.4 million (2013: $105.6 million), a weighted average capped rate of $1.6 to £1 (2013: $1.6 to £1) and quarterly maturities with the final instruments maturing on 21 December 2016 (2013: 21 December 2016). In January 2015 the Group entered into new forward currency derivative contracts extending the period covered to December 2019. The new contracts are for a notional amount of $55.8 million and a strike price of $1.6 to £1.

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

20. Cash and short term deposits

	2014 $'000	2013 $'000
Cash at bank and on call	146,054	119,600
Short term deposits	25,329	81,724
	171,383	**201,324**

Cash at bank and on call attracts variable interest rates, whilst short term deposits attract fixed rates but mature and re-price over a short period of time. The weighted average interest rate at the balance sheet date is 1.39% (2013: 1.43%).

21. Trade and other payables

	2014 $'000	2013 $'000
Trade and other payables	7,374	8,678
Construction payables	19,477	25,552
Advanced rentals	35,182	46,547
Other payables	9,005	4,922
Tax payable	13,890	15,879
Head leases (note 25)	34	52
	84,962	**101,630**

22. Interest bearing loans and borrowings

	2014 $'000	2013 $'000
Bank loans		
Loans due for settlement within 12 months	55,252	81,803
Loans due for settlement after 12 months	837,429	721,311
	892,681	**803,114**
The Group's borrowings have the following maturity profile:		
On demand or within one year	55,252	81,803
In the second year	174,646	47,553
In the third to fifth years	406,066	487,197
After five years	256,717	186,561
	892,681	**803,114**

The amounts above include unamortised loan origination costs of $13.3 million (2013: $13.4 million) and interest accruals of $1.4 million (2013: $1.4 million).

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

As at 31 December 2014	Interest Rate	Maturity (years)	$'000
Secured on investment property and investment property under construction	6.9%	4.8	863,931
Unsecured facility of the Company	7.9%	5.7	28,750
			892,681
As at 31 December 2013			
Secured on investment property and investment property under construction	7.2%	4.6	773,114
Unsecured facility of the Company	7.9%	6.7	30,000
			803,114

The interest rates shown above are the weighted average cost, including US LIBOR, as at the Balance Sheet dates.

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

The Group agreed an increase of $23 million to the facility provided by Unicredit secured on the Noginsk project in 2013 and this was fully drawn in January 2014. The Group subsequently refinanced the Unicredit facility, drawing down $141 million from a $180 million facility advanced by VTB and secured on the asset. The facility is for a six year term and a fixed interest rate to the Group of 7% per annum. The remainder of the facility was drawn on 27 February 2015.

The Group also refinanced the IFC / EBRD facility secured on the Novosibirsk project, drawing down $73 million from a facility provided by Sberbank. The facility was fully drawn, has a ten year term and a margin of 5.6% over US LIBOR.

The Group also refinanced the Bank of Cyprus facility secured on Lobnya, drawing down $38 million from a facility provided by Unicredit. The facility was fully drawn, has a five year term and a margin of 6.25% over US LIBOR.

The Group also agreed a $65 million construction facility from Unicredit secured on the first phase of the Nova Riga project. $15 million was drawn in 2014 and a further $27 million since the year end. The facility is for 5 year term and has a margin of 7.5% over US LIBOR. The undrawn portion of the facility is available until 24 September 2015 and is dependent on building the next phase of the project.

A further $8 million was drawn from a $33 million facility from ZAO Raiffeisen Bank secured on the third phase of the Klimovsk project. The remaining $5 million of this facility was not drawn and its availability lapsed during the year.

Finally, the Group extended the HSH Nordbank facility secured on the Konstanta project for a further two and a half years at a margin of 6% over US LIBOR.

At 31 December the Group had undrawn loan facilities available of $89 million (2013: $36 million), of which $66 million has been drawn since the year end and the remainder is dependent on building the next phase of Nova Riga.

The Group has entered into hedging arrangements in respect of its exposure to floating interest rates (note 19). $222 million (2013: $305 million) of Group bank borrowings have been fixed with two years remaining (2013: three years) at a weighted average swap rate of 1.44% (2013: 1.43%) and $457 million (2013: $381 million) capped at 1.52% (2013: 1.33%) for three years (2013: four years). This gave a weighted average cost of debt to the Group of 7.0% (2013: 7.2%) at the year end.

23. Preference shares

	2014 $'000	2013 $'000
Authorised share capital		
400,000,000 (2013: 400,000,000) preference shares of 1p each	**5,981**	**5,981**
Issued share capital:		
At 1 January	172,205	325,875
Reissued / issued in the year	593	8,473
Premium on redemption of preference shares and amortisation of issue costs	650	1,476
Converted to ordinary shares	–	(171,973)
Scrip dividends	935	2,238
Movement on accrual for preference dividends	–	(59)
Effect of foreign exchange rate changes	(10,083)	6,175
At 31 December	**164,300**	**172,205**

	2014 Number	2013 Number
Issued share capital:		
At 1 January	97,379,362	190,409,488
Reissued / issued in the year	258,197	3,410,388
Converted to ordinary shares	–	(97,359,522)
Scrip dividends	374,868	919,008
At 31 December	**98,012,427**	**97,379,362**
Shares in issue	98,049,476	97,674,608
Held by the Company's Employee Benefit Trusts	(37,049)	(295,246)
At 31 December	**98,012,427**	**97,379,362**

The preference shares entitle the holders to a cumulative annual dividend of 12 pence per share.

Preference shares reissued are where the Company's Employee Benefit Trusts transfer preference shares previously acquired or subscribed to employees in accordance with the terms of the CBLTIS (see note 32b).

On 31 December 2013 the Company converted 97,416,231 preference shares into 194,832,462 ordinary shares in accordance with the terms of the preference share conversion offer made to preference shareholders on 27 November 2013. The difference between the carrying value of the preference shares converted and the fair value of the ordinary shares created resulted in a charge of $86 million to the Income Statement.
The Company's Employee Benefit Trust participated in the conversion and converted 56,709 preference shares.

24. Provisions

Provisions at 31 December 2013 reflected the litigation in CJSC Toros ("Toros"), the subsidiary company that owns the Pushkino project.

In December 2010, prior to the Group's acquisition of Pushkino, a supplier to Toros filed a claim against Toros in the Moscow Region Arbitration Court, concerning alleged non payment of rent in respect of the supply of electricity generating equipment. The amount claimed was 827.4 million Roubles plus interest at the prevailing Russian Central Bank financing rate. After various court hearings and appeals the claim at 31 December 2013 rose to 1,141.7 million Roubles ($34.9 million) plus interest. Further appeal hearings were heard in 2014 and on 18 August 2014, the Moscow Circuit Commercial Court resolved finally that the amount payable by Toros was in fact 467.4 million Roubles. This amount was paid by the Company on 29 August 2014 in settlement of the claim and reduced the provision by $12.9 million. The movement in US Dollar Rouble exchange rate gave rise to a foreign exchange profit on translation into US Dollars of $13.3 million and the remainder of the provision, less an amount of $5.3 million which is reflected in accruals, was released to investment property as an adjustment to the completion provision on acquisition.

At the time of the acquisition the vendor of Toros, PLP Holding GmbH ("PLP"), agreed to indemnify Padastro Holdings Limited ("Padastro"), the acquiring entity and the new holding company of Toros, in respect of this litigation. The indemnity was secured by a cash retention and PLP retained conduct of the claim on behalf of Toros in return. In 2013, PLP agreed with Padastro and Toros to release the retention in return for which Padastro released its claim under the indemnity. Toros took over conduct of the litigation and under the terms of the agreement to release the indemnity, the majority of the retention monies received were restricted until the litigation was resolved. Under the terms of the indemnity, Padastro expects to apply for the release of the remaining restricted cash in the first quarter of 2015.

25. Other payables

	2014 $'000	2013 $'000
Rent deposits	30,249	24,737
Head leases	7,323	11,809
Other payables	23	3,161
	37,595	**39,707**

The Group has leasehold properties that it classifies as investment property and investment property under construction. Minimum lease payments due over the remaining term of the leases totalled $22.3 million and have a present value at 31 December 2014, as reflected above and in note 21, of $7.357 million (2013: $11.861 million).

26. Deferred tax

(a) Deferred tax assets	Tax losses $'000	Other $'000	Total $'000
Balance at 1 January 2013	52,709	–	52,709
Effect of foreign exchange rate changes	(3,769)	–	(3,769)
Charge for the year	(538)	(310)	(848)
Balance at 31 December 2013	**48,402**	**(310)**	**48,092**
Effect of foreign exchange rate changes	(23,723)	–	(23,723)
Credit for the year	11,104	293	11,397
Balance at 31 December 2014	**35,783**	**(17)**	**35,766**

The Group has tax losses in Russia of $481 million (2013: $291 million) and tax losses in the UK of $119 million (2013: $130 million) for which deferred tax assets have not been recognised. The losses in Russia expire in 10 years (2013: 10 years) whilst the UK losses do not have an expiry date.

(b) Deferred tax liabilities	Accelerated tax allowances $'000	Revaluation of investment property $'000	Total $'000
Balance at 1 January 2013	34,298	57,716	92,014
Effect of foreign exchange rate changes	(2,476)	–	(2,476)
Charge for the year	12,805	13,143	25,948
Balance at 31 December 2013	**44,627**	**70,859**	**115,486**
Effect of foreign exchange rate changes	(18,761)	–	(18,761)
Charge / (credit) for the year	8,002	(15,609)	(7,607)
Balance at 31 December 2014	**33,868**	**55,250**	**89,118**

27. Share capital

	2014 $'000	2013 $'000
Authorised ordinary share capital		
1,500,000,000 (2013: 1,500,000,000) ordinary shares of 1p each	**27,469**	**27,469**
Issued share capital:		
At 1 January	13,876	11,131
On conversion of preference shares (note 23)	–	3,227
Issued in the year for cash on warrant exercises (note 28)	21	22
Cancelled under tender offers (note 10)	(274)	(504)
At 31 December	**13,623**	**13,876**

	2014 Number	2013 Number
Issued share capital:		
At 1 January	753,379,368	589,349,049
On conversion of preference shares (note 23)	–	194,832,462
Issued in the year for cash on warrant exercises (note 28)	1,281,506	1,392,235
Cancelled under tender offers (note 10)	(17,062,521)	(32,194,378)
At 31 December	**737,598,353**	**753,379,368**

Of the authorised ordinary share capital at 31 December 2014, 25,466,412 (2013: 26,747,918) are reserved for warrants.

In 2013 the Company incurred fees and expenses of $1.6 million in arranging the conversion of preference shares into ordinary shares. These fees and expenses were deducted from the share premium created on conversion.

Details of own shares held are given in note 29.

28. Warrants

	2014 $'000	2013 $'000
At 1 January	1,279	1,367
Exercised in the year (note 27)	(84)	(88)
At 31 December	**1,195**	**1,279**

	2014 Number	2013 Number
At 1 January	26,747,918	28,140,153
Exercised in the year (note 27)	(1,281,506)	(1,392,235)
At 31 December	**25,466,412**	**26,747,918**

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.

31,207 warrants have been exercised in the period since 31 December 2014.

29. Own shares held

	2014 $'000	2013 $'000
At 1 January	(22,754)	(24,145)
Acquired under tender offers	(48,095)	–
On conversion of preference shares (note 23)	–	(150)
Other acquisitions	(541)	(704)
Cancelled	600	388
Allocation to satisfy bonus awards (note 32c)	–	52
Allocation to satisfy ERS options exercised (note 32a)	–	422
Allocation to satisfy LTIP options exercised (note 32a)	1,189	1,383
Allocation to satisfy CBLTIS awards vested (note 32b)	5,952	–
At 31 December	**(63,649)**	**(22,754)**

	2014 Number	2013 Number
At 1 January	22,199,776	25,557,737
Acquired under tender offers	35,000,000	–
On conversion of preference shares (note 23)	–	113,418
Other acquisitions	449,014	528,515
Cancelled	(768,220)	(900,941)
Allocation to satisfy bonus awards (note 32c)	–	(121,429)
Allocation to satisfy ERS options exercised (note 32a)	–	(979,592)
Allocation to satisfy LTIP options exercised (note 32a)	(1,272,447)	(1,997,932)
Allocation to satisfy CBLTIS awards vested (note 32b)	(6,559,250)	–
At 31 December	**49,048,873**	**22,199,776**

Allocations are transfers by the Company's Employee Benefit Trusts to settle bonus awards made in the year, CBLTIS awards that vest and to satisfy ERS and LTIP options exercised in the year following the vesting of the options. The amounts shown for share movements are net of the Trustees' participation in tender offers during the period from grant to exercise. Details of outstanding ERS and LTIP options, which are vested but unexercised, are given in note 32a.

30. Equity

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

Component	Description and purpose
Share capital	The amount subscribed for ordinary share capital at nominal value.
Share premium	The amount subscribed for ordinary share capital in excess of the nominal value.
Warrants	The consideration attributed to the subscription of warrants less associated costs of issuance.
Own shares held	The cost to the Company of acquiring the own shares held by the Company and its subsidiary undertakings or Employee Benefit Trusts.
Capital reserve	The amount of any capital profits and losses, including gains and losses on the disposal of investment properties (after taxation), increases and decreases in the fair value of investment properties held at each period end, foreign exchange profits and losses on capital items, profits and losses on forward currency financial instruments relating to capital items and deferred taxation on the increase in fair value of investment properties.
Translation reserve	The amount of any gains or losses arising on the retranslation of net assets of overseas operations.
Retained earnings	The amount of any profit or loss for the year after payment of dividend, together with the amount of any equity-settled share-based payments, and the transfer of capital items described above. Retained earnings also includes distributable reserves created when in 2005 and 2006 the Company applied to the Royal Court of Guernsey to cancel its share premium at that time and create a reserve which is distributable.

31. Net asset value per share

	2014 $'000	2013 $'000
Net asset value	**697,289**	**891,919**
Goodwill	(2,375)	(7,906)
Goodwill in joint ventures	(5,431)	(5,769)
Deferred tax on revaluation gains (note 26b)	55,250	70,859
Unrealised foreign exchange losses on preference shares	13,955	24,038
Fair value of interest rate derivative financial instruments (note 19)	(3,856)	(1,510)
Fair value of embedded derivatives (note 19)	3,443	–
Fair value of foreign exchange derivative financial instruments (note 19)	(1,466)	(5,862)
Adjusted net asset value	**756,809**	**965,769**
Assuming exercise / vesting of all dilutive potential ordinary shares		
– Warrants (note 28)	9,927	11,076
– ERS (note 32)	–	–
– LTIP (note 32)	2,099	2,780
– CBLTIS (note 32)	–	–
Adjusted fully diluted net asset value	**768,835**	**979,625**
Number of ordinary shares (note 27)	737,598,353	753,379,368
Less own shares held (note 29)	(49,048,873)	(22,199,776)
	688,549,480	731,179,592
Assuming exercise / vesting of all dilutive potential ordinary shares		
– Warrants (note 28)	25,466,412	26,747,918
– ERS (note 32)	325,000	325,000
– LTIP (note 32)	5,383,784	6,712,613
– CBLTIS (note 32)	7,401,158	14,201,085
Number of ordinary shares assuming exercise of all potential ordinary shares	**727,125,834**	**779,166,208**

	2014 $	2013 $
Net asset value per share	1.01	1.22
Fully diluted net asset value per share	0.98	1.16
Adjusted net asset value per share	1.10	1.32
Adjusted fully diluted net asset value per share	1.06	1.26

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

32. Share-based payments and other long term incentives

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

Executive Share Option Schemes ("ESOS")

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

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

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

In 2013 the Company made a discretionary bonus award of 121,429 ordinary shares to certain senior managers below Board level.

(a) Movements in Executive Share Option Schemes	2014 No. of options	2014 Weighted average exercise price	2013 No. of options	2013 Weighted average exercise price
Outstanding at the beginning of the period	7,037,613	24p	10,104,279	22p
Exercised during the year				
– ERS	–	0p	(1,000,000)	0p
– LTIP	(1,328,829)	25p	(2,066,666)	25p
Outstanding at the end of the period	**5,708,784**	**24p**	**7,037,613**	**24p**
Represented by:				
– ERS	325,000		325,000	
– LTIP	5,383,784		6,712,613	
	5,708,784		**7,037,613**	
Exercisable at the end of the period	**5,708,784**	**24p**	**4,022,295**	**23p**

The weighted average remaining contractual life of options was 3 years (2013: 4 years).

(b) Movements in Combined Bonus and Long Term Incentive Scheme 2012 to 2014 Awards	2014 No. of award shares	2013 No. of award shares
Awards of ordinary shares:		
Outstanding at the beginning of the period	14,201,085	14,287,398
Granted during the year	–	–
Lapsed during the year	(45,259)	(86,313)
Vested during the year	(6,754,668)	–
Outstanding at the end of the period	**7,401,158**	**14,201,085**

The fair value at grant date of the ordinary share awards in 2012 was determined to be the closing market price of 59.5p.

	2014 No. of award shares	2013 No. of award shares
Awards of preference shares:		
Outstanding at the beginning of the period	314,906	3,727,209
Granted during the year	–	–
Lapsed during the year	–	(1,915)
Vested during the year	(314,906)	(3,410,388)
Outstanding at the end of the period	**–**	**314,906**

(c) Income Statement charge for the year	2014 $'000	2013 $'000
Expense attributable to ERS and LTIP awards in prior periods	136	518
Bonus awards in the year	–	133
Combined Bonus and Long Term Incentive Scheme 2012 to 2014 awards	2,218	6,983
	2,354	**7,634**
To be satisfied by allocation of:		
Ordinary shares (IFRS 2 expense)	2,425	3,428
Preference shares (IAS 19 expense)	(71)	4,206
	2,354	**7,634**

33. Capital commitments

The Group has committed to fund the construction of certain additional investment property. At 31 December 2014, $3.0 million of funding was required (2013: $61.7 million), excluding VAT.

34. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Further disclosures concerning transactions with the Company's directors are made in the Remuneration Report and note 6. There are no loan balances with Directors.

Preference share conversion offer

In 2013 the Directors, and associated trusts and pension funds, participated in the preference share conversion offer converting the following number of preference shares:

	Number of preference shares converted
A Bilton	19,192,647
G Hirsch	2,086,517
R Jewson	72,577
C Sherwell	104,544
S Coe	10,000
D Moore	44,313

Remuneration of Directors and other key management personnel	2014 $'000	2013 $'000
Short term employee benefits	4,613	4,154
Post employment benefits	341	315
Share-based payments and other long term incentives	2,181	6,916
	7,135	**11,385**

35. Financial instruments – risk management

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

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

(a) Market risk

Currency risk

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

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

Russian Rouble

The rapid depreciation of the Rouble over the year end has heightened the Group's currency risk. The Balance Sheet at 31 December 2014 reflects a $45 million reduction in the US Dollar equivalent value of the Group's opening Rouble net assets, included in movements through the translation reserve. The Income Statement includes a $19 million loss on the Rouble value of net US Dollar denominated liabilities in those subsidiaries with Rouble functional currency.The Group holds sufficient Rouble currency to cover Rouble denominated overheads and any future construction cost commitments.The weak Rouble also has an impact on property values as explained in note 13 to the accounts and increased credit risk as explained below.

Sterling

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

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

As at 31 December 2014	US Dollar $'000	Sterling $'000	Russian Rouble $'000	Other $'000	Total $'000
Non-current assets					
Loans receivable	–	1,029	–	–	1,029
Security deposits	4,596	–	–	–	4,596
Restricted cash	10,640	–	15,689	–	26,329
Derivative financial instruments	5,819	1,034	–	–	6,853
Current assets					
Trade receivables	33,116	10	3,333	–	36,459
Derivative financial instruments	–	432	–	–	432
Other current receivables	–	71	703	4	778
Cash and short term deposits	116,502	11,070	38,632	5,179	171,383
	170,673	**13,646**	**58,357**	**5,183**	**247,859**
Non-current liabilities					
Interest bearing loans and borrowings	837,429	-	–	–	837,429
Preference shares	–	164,300	–	–	164,300
Derivative financial instruments	1,963	–	2,190	–	4,153
Rent deposits	28,373	–	1,281	595	30,249
Other payables	23	–	7,323	–	7,346
Current liabilities					
Interest bearing loans and borrowings	55,252	–	–	–	55,252
Derivative financial instruments	–	–	1,253	–	1,253
Rent deposits	8,053	–	14	–	8,067
Other payables	–	2,354	25,600	22	27,976
	931,093	**166,654**	**37,661**	**617**	**1,136,025**

As at 31 December 2013	US Dollar $'000	Sterling $'000	Russian Rouble $'000	Other $'000	Total $'000
Non-current assets					
Loans receivable	–	1,261	–	–	1,261
Security deposits	4,781	–	–	–	4,781
Restricted cash	50,000	–	–	–	50,000
Derivative financial instruments	5,924	4,342	–	–	10,266
Current assets					
Trade receivables	29,450	3,521	4,649	–	37,620
Derivative financial instruments	–	1,519	–	–	1,519
Other current receivables	–	358	265	15	638
Cash and short term deposits	109,140	22,578	60,372	9,234	201,324
	199,295	**33,579**	**65,286**	**9,249**	**307,409**
Non-current liabilities					
Interest bearing loans and borrowings	721,311	–	–	–	721,311
Preference shares	–	172,205	–	–	172,205
Derivative financial instruments	4,413	–	–	–	4,413
Rent deposits	22,062	–	2,191	484	24,737
Other payables	3,161	–	11,809	–	14,970
Current liabilities					
Interest bearing loans and borrowings	81,803	–	–	–	81,803
Derivative financial instruments	–	–	–	–	–
Other payables	–	4,104	26,560	22	30,686
	832,750	**176,309**	**40,560**	**506**	**1,050,125**

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

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

Post tax profit or loss would change by:	2014 $'000	2013 $'000
Russian Rouble	1,435	367
Sterling	4,358	6,719
Net asset value would change by:		
Russian Rouble	635	2,082
Sterling	7,512	10,820

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

NOTES TO THE FINANCIAL STATEMENTS

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

As at 31 December 2014	US Dollar $'000	Sterling $'000	Russian Rouble $'000	Other $'000
Current assets				
Trade receivables	3,070	–	–	–
Cash and short term deposits	72,333	–	–	5,251
	75,403	**–**	**–**	**5,251**
Current liabilities				
Interest bearing loans and borrowings	5,000	–	–	–
Rent deposits	8,053	–	–	–
	13,053	**–**	**–**	**–**
Non-current liabilities				
Interest bearing loans and borrowings	23,750	–	–	–
Rent deposits	28,373	–	–	–
	52,123	**–**	**–**	**–**

As at 31 December 2013	US Dollar $'000	Sterling $'000	Russian Rouble $'000	Other $'000
Current assets				
Trade receivables	1,851	–	–	–
Cash and short term deposits	96,044	–	5,968	6,373
	97,895	**–**	**5,968**	**6,373**
Current liabilities				
Interest bearing loans and borrowings	1,250	–	–	–
	1,250	**–**	**–**	**–**
Non-current liabilities				
Interest bearing loans and borrowings	28,750	–	–	–
	28,750	**–**	**–**	**–**

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 fixed rate debt facilities, the use of a variety of interest rate derivatives and the issue of preference shares at a fixed coupon. This gives certainty over future cash flow but exposure to fair value movements, which amounted to an accumulated unrealised loss of $7.9 million at 31 December 2014 (2013: loss of $7.3 million).

Sensitivity analysis on the Group's interest rate borrowings, net of interest bearing deposits, indicate that a 1% increase in LIBOR rates would increase the loss for the year and decrease net assets by $2.2 million (2013: $1.6 million). If LIBOR rates were to drop to zero then there would be an decrease in the loss for the year and an increase in net assets of $0.7 million (2013: decrease of $1.7 million) as the loss on income from cash would be greater than gains on interest expense because of the low LIBOR rates prevailing at this time and the interest rate hedges in place.

(b) Credit risk

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

Credit risk associated with the Group's trade and other receivables has increased during the year. The Group transacts with tenants using US Dollar pegged leases, passing foreign exchange risk on to the tenant in exchange for lower US CPI indexation. The rapid weakening of the Rouble over the year end has meant that the foreign exchange risk carried by tenants has increased significantly. This may result in some tenants struggling to meet rental obligations. The Group has 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. No significant doubtful receivables existed at the year end and 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.

	2014 $'000	2013 $'000
At 1 January	377	1,970
Charge for the year	214	–
Utilised in the year	–	(1,418)
Unused amounts reversed	–	(175)
At 31 December	**591**	**377**

At 31 December 2014 there were no significant amounts of trade receivables that were past due for collection (2013: $ nil).

The Group has VAT recoverable of $16 million (2013: $17 million). The timing of recovery of these balances is subject to future revenue receipts and application to the Russian Courts. The Group forecasts the recovery of these balances based upon the timing of future revenue receipts and its experience of successful application to the Russian Courts. No balances are considered past due or impaired at 31 December 2014 (2013: $ nil) based upon this assessment of the timing of future cash receipts. The Group believes its only exposure is in relation to the timing of recovery.

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

(c) Liquidity risk

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

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

All amounts shown are gross undiscounted cash flows.

Financial liabilities

As at 31 December 2014	Total $'000	Current $'000	Year 2 $'000	Years 3 to 5 $'000	Years 6 to 10 $'000
Interest bearing loans and borrowings	1,184,565	124,394	234,590	531,967	293,614
Preference shares	183,468	18,347	18,347	55,040	91,734
Derivative financial instruments	5,406	1,253	-	4,153	-
Head leases	5,617	562	562	1,685	2,808
Trade and other payables	66,294	36,044	7,395	14,756	8,099
	1,445,350	**180,600**	**260,894**	**607,601**	**396,255**

Financial liabilities

As at 31 December 2013	Total $'000	Current $'000	Year 2 $'000	Years 3 to 5 $'000	Years 6 to 10 $'000
Interest bearing loans and borrowings	1,079,815	145,432	109,836	600,962	223,585
Preference shares	193,547	19,355	19,355	58,064	96,773
Derivative financial instruments	4,700	-	-	4,700	-
Head leases	9,030	903	903	2,709	4,515
Trade and other payables	108,584	31,825	54,041	14,478	8,240
	1,395,676	**197,515**	**184,135**	**680,913**	**333,113**

Details of the interest rates applicable to the Group's long term borrowings and preference shares are given in notes 22 and 23. The Group is subject to interest costs in perpetuity in respect of preference shares, which have no contractual maturity date. The table above does not show cash flows beyond 10 years.

The Group monitors its risk to a shortage of funds by forecasting cash flow requirements for future years. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and other short term borrowing facilities, bank loans and equity fund raisings.

Fair values

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

	2014		2013	
	Carrying Value $'000	Fair Value $'000	Carrying Value $'000	Fair Value $'000
Non-current assets				
Loans receivable	1,029	958	1,261	1,180
Security deposits	4,596	4,596	4,781	4,781
Restricted cash	26,329	26,329	50,000	50,000
Derivative financial instruments	6,853	6,853	10,266	10,266
Current assets				
Trade receivables	36,459	36,459	37,620	37,620
Other current receivables	778	778	638	638
Derivative financial instruments	432	432	1,519	1,519
Cash and short term deposits	171,383	171,383	201,324	201,324
Non-current liabilities				
Interest bearing loans and borrowings	837,429	593,480	721,311	524,269
Preference shares	164,300	183,467	172,205	255,561
Derivative financial instruments	4,153	4,153	4,413	4,413
Rent deposits	30,249	22,736	24,737	17,979
Other payables	7,346	7,346	14,970	14,970
Current liabilities				
Interest bearing loans and borrowings	55,252	55,252	81,803	81,803
Derivative financial instruments	1,253	1,253	–	–
Other payables	27,977	27,977	30,686	30,686

The fair values of loans receivable and borrowings have been calculated by discounting the expected future cash flows at prevailing interest rates. The fair value of short term deposits, other assets, trade and other receivables, trade and other payables is assumed to approximate to their book values. The fair value of preference shares is assumed to be their last quoted price. The fair value of derivatives is determined by a model with market based inputs.

(d) Capital risk management

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

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

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

	2014 $'000	2013 $'000
Non-current liabilities	960,972	869,108
Current liabilities	141,433	183,381
Total borrowings	1,102,405	1,052,489
Less: cash and short term deposits	171,383	201,324
Net debt	**931,022**	**851,165**
Equity	697,289	891,919
Preference shares	164,300	172,205
Total capital	**1,792,611**	**1,915,289**
Gearing ratio	**51.94%**	**44.44%**

36. Fair value measurement

The following table provides the fair value measurement hierarchy* of the Group's assets and liabilities.

As at 31 December 2014	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total Fair Value $'000
Assets measured at fair value				
Investment property	–	–	1,593,684	1,593,684
Investment property under construction	–	–	47,958	47,958
Derivative financial instruments	–	7,285	–	7,285
Liabilities measured at fair value				
Derivative financial instruments	–	5,406	–	5,406
As at 31 December 2013				
Assets measured at fair value				
Investment property	–	–	1,632,476	1,632,476
Investment property under construction	–	–	118,919	118,919
Derivative financial instruments	–	11,785	–	11,785
Liabilities measured at fair value				
Derivative financial instruments	–	4,413	–	4,413

* 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.

The Group's foreign currency derivative financial instruments are call options and are measured based on spot exchange rates, the yield curves of the respective currencies as well as the currency basis spreads between the respective currencies. The Group's interest rate derivative financial instruments comprise swap contracts and interest rate caps. These contracts are valued using a discounted cash flow model and where not cash collateralised consideration is given to the Group's own credit risk.

There have been no transfers between level 1 and level 2 during the year or the prior year.

37. Subsequent events

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

38. Operating lease arrangements

The Group earns rental income by leasing its investment properties to tenants under non-cancellable operating leases. At the Balance Sheet date the Group had contracted with tenants for the following future minimum lease payments:

	2014 $'000	2013 $'000
Within one year	172,108	171,396
In the second year	142,252	159,851
In the third to fifth year (inclusive)	252,843	312,505
After five years	79,540	135,743
	646,743	**779,495**

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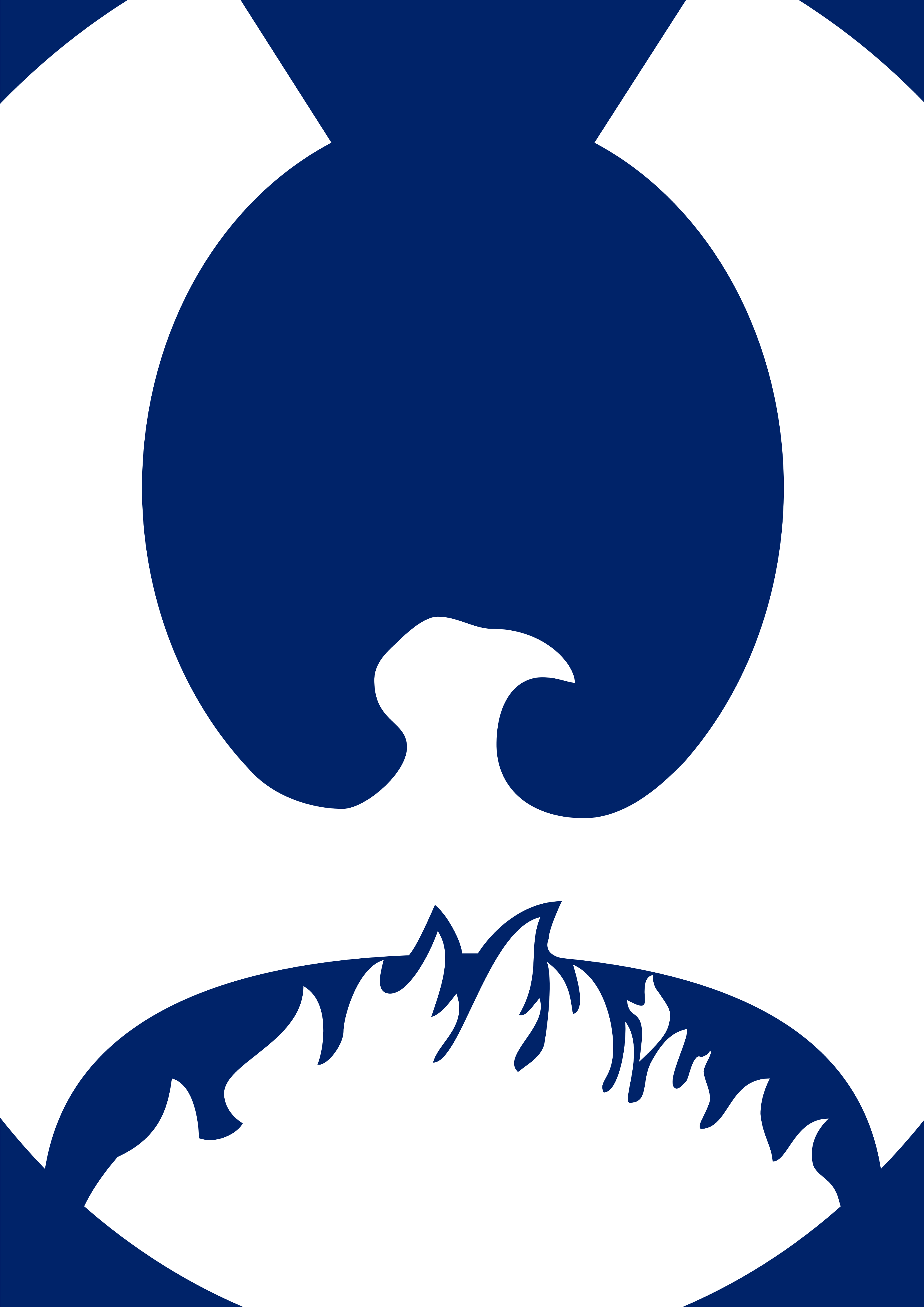

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