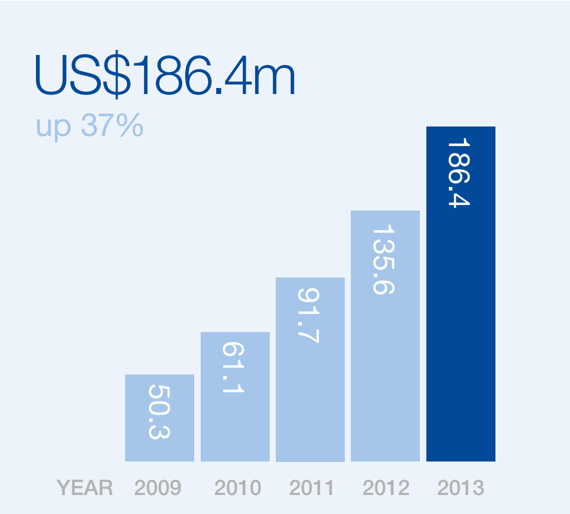
RAVEN RUSSIA LIMITED

2013 Annual Report

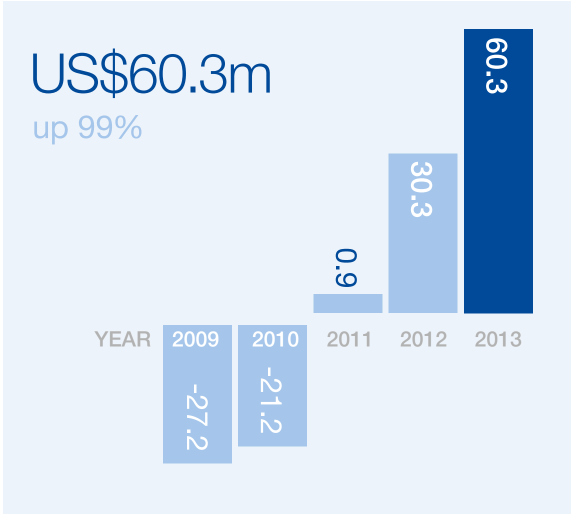
Contents

Performance Highlights

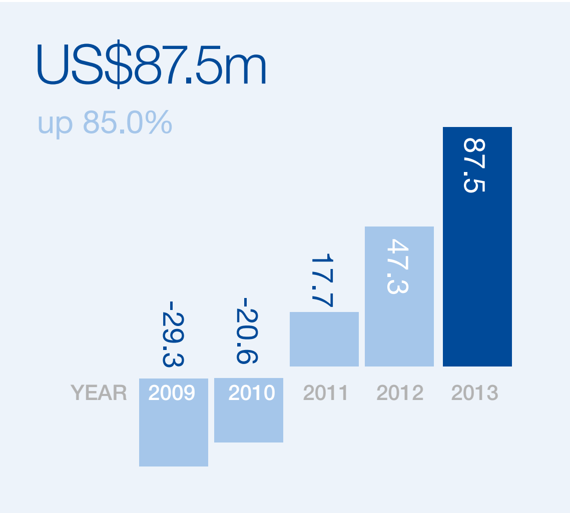
Net Operating Income (US$m)



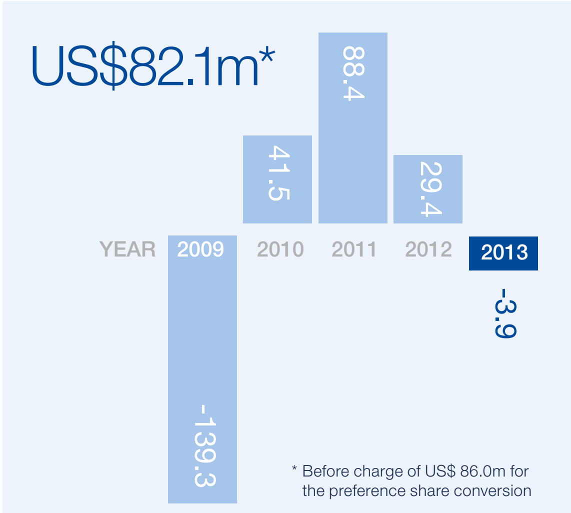
Underlying Earnings (US$m)



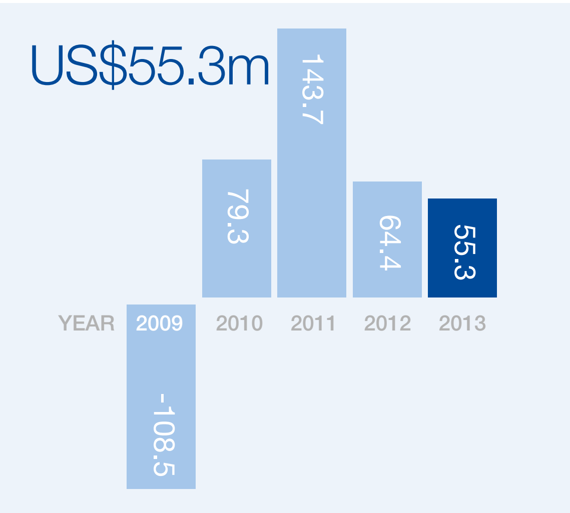
Operating cash flow after net interest (US$m)



IFRS Earnings after Tax (US$m)

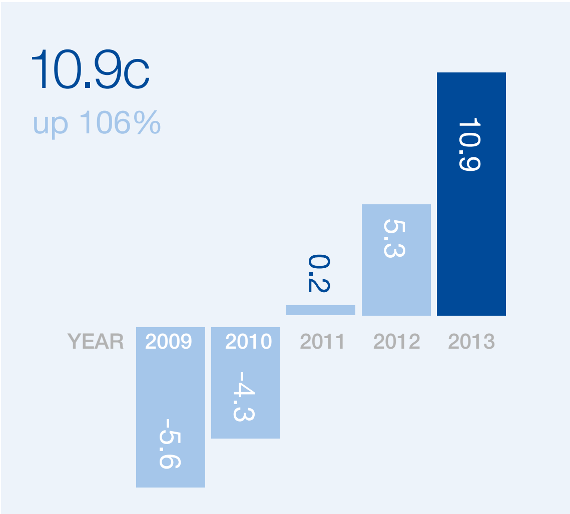


Valuation surplus /deficit (US$m)

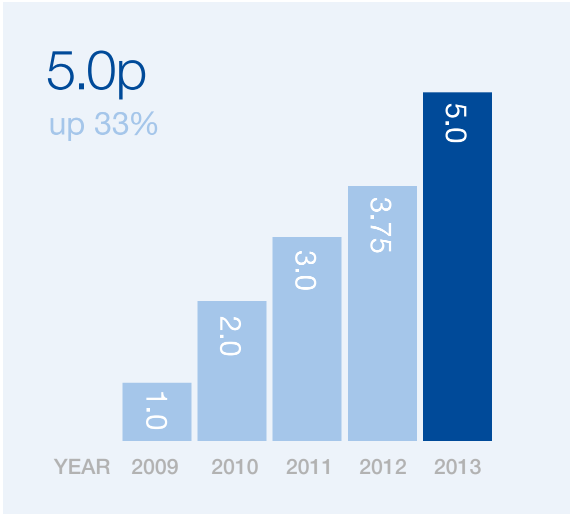


Another Year of Exceptional Performance

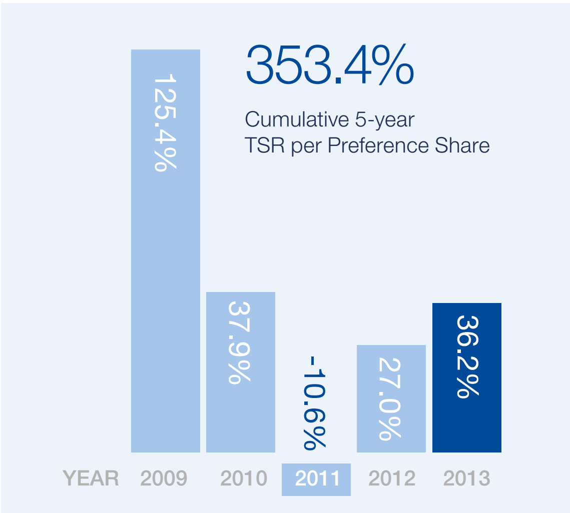
Underlying EPS Basic (cents)



Distributions per ordinary share (pence)

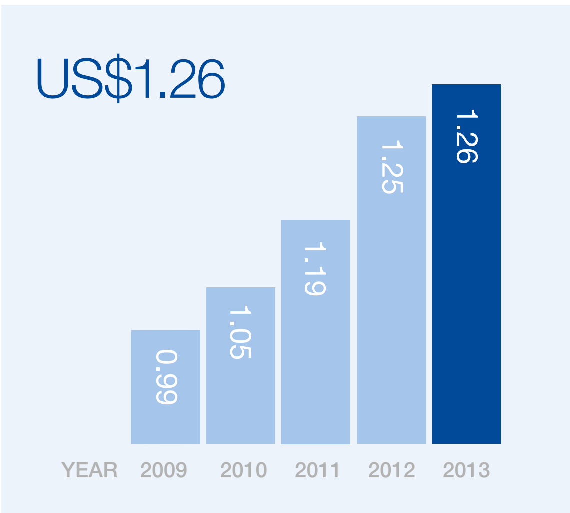


Total Shareholder Return per Ordinary Share (%)



Total Shareholder Return per Preference Share (%)

Adjusted Diluted NAV per share (US$)



Pushkino
Moscow

Description
Grade A warehouse complex

Key Tenants
- DHL
- Leroy Merlin
- Itella

GLA
213,650 sqm

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

Chairman's Message

It is now five years since the Group changed its structure following the acquisition of its property advisers. At that time we were in the middle of a global financial crisis and were completing 675,500 square metres ("sqm") of new, speculative development. It needed strong management to deal with the uncertainties we faced. We anchored our balance sheet with an issue of preference shares, without significant dilution to our ordinary shareholders and stuck to our belief that the market we operated in was chronically under supplied and that we could deliver a superior return for our shareholders. The highlights follow the journey that we have been on over the last five years and vindicate our strategy through those difficult times.

Today, we have 1.4 million sqm of completed assets and occupancy is running at 97%, with annualised Net Operating Income ("NOI") of $192 million. Underlying earnings, one of our key measures for covered distributions to ordinary shareholders, has increased from a loss of $27 million in 2009 to a profit of $60 million at 31 December 2013, a number which I hope will increase further with a full year of rental income at today's occupancy level.

With a mature portfolio, we have taken the opportunity to adjust our balance sheet weighting, converting half of our preference shares to ordinary shares with a 1 for 2 offer which was oversubscribed. This reduces our adjusted diluted NAV per share but has no significant impact on our earnings per share, the saving on preference share coupon compensating for the increase in the number of ordinary shares. As an investment company whose strategy has focussed on shareholder distributions, our earnings performance has always been the most important ratio for us. NAV growth should follow with a sustained history of high yield returns.

So what about the next five years? The existing portfolio still has to show the results of a full year at current occupancy. We have prime development land in Moscow and we intend to build that out over the next four years with a mixture of pre let and speculative space, if demand remains at current levels. Acquisition opportunities are increasing in our market and we will take those opportunities if they meet our quality criteria and are earnings accretive for ordinary shareholders. Our balance sheet is strong, we have cash to deploy, we continue to raise external debt when required and we have a good balance of capital instruments with our preference and ordinary shares. We have a proven and committed management team to execute our plans, to manage our estate, and to optimise the balance sheet.

We are well placed to continue growing.

Our final distribution of 3 pence per share takes our total for the year to 5 pence, a 33% increase on 2012. Again we intend to distribute by way of a tender offer of 1 in 28 ordinary shares at 85 pence.

We must hope that events in the Ukraine settle peaceably in the coming months and we recognise the effect that this will have on the capital markets whilst the issues remain unresolved. For us, it is 'business as usual' in Russia, with leases and banking arrangements continuing to be signed and rents paid.

As always, I would like to thank our shareholders, employees, advisers and all of our other stakeholders for their support during another busy year.

Richard Jewson
Chairman
9 March 2014

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 50 km from Moscow city centre, 41 km from the MKAD and 8 km from the Betonka A107 motorway.

Chief Executive's Report

2013 has been an important year. Raven Russia has finally become the specialist investment company that was always planned. Slightly delayed by the financial crisis, but better late than never.

We own a portfolio of top quality logistic warehouses, mainly in Moscow, which are fully let to strong tenants with average unexpired lease terms of 4.6 years and currently producing annualised NOI of $192 million. In addition we have sufficient permitted land to support our organic growth plans for a number of years.

In terms of financial performance, these are the highlights:

- Full year distribution up 33% from 3.75p to 5p;
- NOI up 37% from $135.6 million to $186.4 million;
- Underlying profit before tax is up 103% from $34.5 million to $70.0 million;
- Basic underlying earnings per share are up 106% from 5.3 cents to 10.9 cents; and
- Adjusted Diluted Net Asset value per share up a cent to 126 cents.
- Bank debt at the year end of $815 million, the majority of which is secured on individual assets, has an average interest rate of 7.2% and an average weighted term to maturity of 4.7 years.

We also have $229 million of free cash at today's date.

For 2013 we intend to make a final distribution of 3 pence for each ordinary share making it 5 pence for the year. This continues our progressive distribution policy that has seen us return $347 million to ordinary and preference shareholders since flotation.

There is no benefit to shareholders of self congratulation (no matter how tempting) the real question is: what comes next?

We still believe that our sector of the market is structurally under supplied and that even modest economic growth in Russia will result in a significant excess of demand over supply. Competition remains fragmented and none of the major global players has entered the market. Russia continues to present many barriers to entry.

We have a stable position in terms of lease contracts and banking in the medium term, however we will be focussing on improving all of these arrangements through active management of tenants and lenders.

Raven Russia has always been about yield. In today's market stabilised assets produce a dollar yield of 11% and developments show around 14%. These stable cashflows provide the platform for attractive and growing distributions to shareholders.

We remain committed to distributing to ordinary shareholders by way of tender offer buy-backs. This is tax efficient and gives shareholders the option of receiving cash or increasing their percentage holding. In the long term the continual shrinking of the share base could have a powerful effect on value.

Our overhead base is stable so all increases in income will flow to the bottom line and enable us to increase distributions. Indexation will help but we can add 50,000sqm to 100,000sqm per year by building on existing land. Assuming rents of $130 per sqm, each 10,000sqm adds $1.3 million to NOI when let.

We are still pursuing acquisitions of completed assets and Moscow land.

The global economic and political environment remains difficult. Relatively speaking Russia is in a strong position but currency volatility makes financial planning difficult and we know that globalisation means banking contagion. For this reason we feel justified in keeping a relatively high balance of free cash.

Glyn Hirsch
Chief Executive Officer
9 March 2014

Noginsk
Moscow

Description
Grade A warehouse complex with 26ha of land suitable for expansion

Key Tenants
- X5 Retail Group
- UPM
- ID Logistics
- Sportmaster
- Dixi pre-lease in Phase III

GLA
160,600 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.

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.

Russia and Moscow in particular, has long had an under supply of logistics infrastructure supporting its growing consumer demand. The sector offers high, dollar denominated, ungeared yields. The market was and continues to be neglected by both local and international property investment players and from a standing start in 2005 we have become the largest investment company in the warehouse sector in Russia, with only 1.4 million sqm of completed assets.

We see a continuing opportunity to grow our portfolio, especially in the Moscow market.

Business Model

As there was no active investment market in Russia when we floated the business, we entered into a development programme to build our own investment portfolio. Between 2005 and 2010, the majority of that development was speculative and it has taken until this year to complete the letting of our properties on acceptable lease terms and with the covenants we required.

Our model has adapted over that 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 acquisition.

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 is a good example, with high specification developments, completed and in progress, for the large Russian retailers X5 and Dixy.

Our lease maturity profile shows a spike in 2016 and we will be working to deal with that well in advance as we will with debt maturities arising in 2016/17.

Operating in an underdeveloped investment market such as Russia does come with risks and we expand on these later in the Report.

Information relating to environmental matters is set out in the Corporate Governance Report on page 50 and information relating to employee matters is contained in the Diversity section of the Corporate Governance Report on page 43.

Key Performance Indicators (KPIs)

The opportunity of high, Dollar denominated yield attracted us to this market and our KPIs are yield and 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.

With an immature investment market in Russia, asset values will have less of an effect on our share price than distribution growth and may result in a period where our shares trade at a premium to our fully diluted NAV per share.

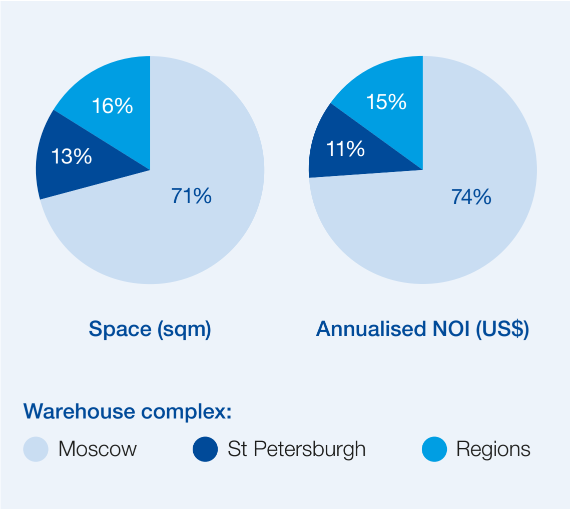
With a final distribution of 3 pence confirmed and a total of 5 pence for the year, our shares yield 6.7% at today's share price.

We have struggled to find comparable indices for our stock. Russia is dominated by developers in the property market 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.


ST. PETERSBURG
KONSTANTA
SHUSHARY
PULKOVO
ST. PETERSBURG
MOSCOW
ROSTOV-ON-DON
RUSSIAN FEDERATION
NOVOSIBIRSK
LOBNYA
SHOLOKHOVO
PUSHKINO
ISTRA
NOVA RIGA
NOGINSK
MOSCOW
KREKSHINO
SOUTHERN
KLIMOVSK

Portfolio Review

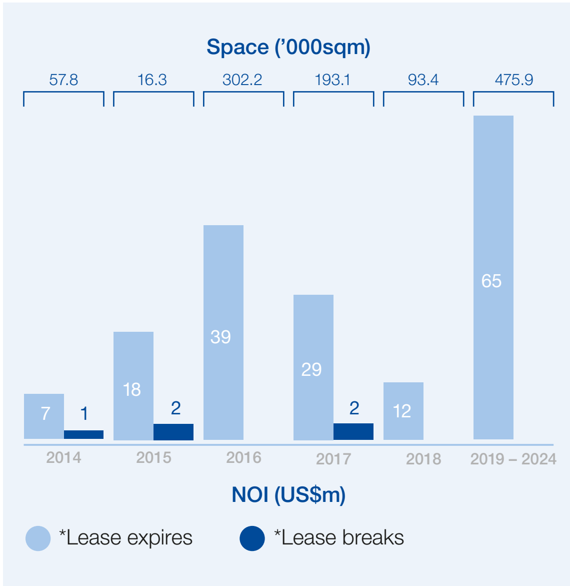


Geographical

2013 saw the company consolidate its position as the market leader in the warehouse and logistics sector in Russia. We delivered 83,600sqm of new space in Moscow at our Noginsk and Klimovsk projects, started work at Padikovo in Moscow and signed a substantial pre-let with Dixy Group at Noginsk in Moscow. We also ended the year with a vacancy rate in the portfolio of only 3% and contracted NOI of $191.8 million including $1.7 million of PLAs and LOIs. This increases to over $200 million with the Dixy pre let.

Portfolio lease expiries and breaks (US$m)

During 2014 we only have 57,800sqm of lease breaks and expiries reflecting the defensiveness of our portfolio in the short term. Looking further ahead, 161,300sqm expiries and breaks occur in 2015 and 302,200sqm in 2016. We are already in discussions with a number of these tenants with the aim of renewing or extending expiries early to lock into today's strong rents.



Portfolio yields

Valuation yields remain steady at circa 11% for our prime Moscow assets, moving out to 12.5% for St Petersburg and the regional cities of Rostov and Novosibirsk. We still believe these yields are above where they should be but without greater investment interest in Russia they are likely to stay there. From a shareholders perspective, if we can keep growing the portfolio at these yields or better through selective investment, land acquisition and development we should continue to produce excellent returns.

Warehouse	Moscow (%)	St Petersburg (%)	Regions (%)
2013	10.7 – 12.8	12.1 – 12.5	12.0 – 12.5
2012	11.0 – 13.0	12.5	12.5 – 13.3

Klimovsk
Moscow

Description
Grade A warehouse complex

Key Tenants
- Alliance Boots
- Danone
- Burda
- DeAgostini

GLA
157,700 sqm

Location
The scheme is located to the south of Moscow, approximately 21 km 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.

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 $1.65 billion (see note 11 to the financial statements). This resulted in an increase of $144 million in portfolio value since 2012, reflecting our progress in leasing, development and asset management. This carrying value reflects an average yield of 12% on a fully let portfolio NOI of $196.7 million (not including phases under construction).

Investment Portfolio

Letting in the year

Warehouse	New Lettings	Breaks/ Maturities	Expansion	Lease Renewals	Net New Lettings
Moscow	80,260	(37,402)	23,655	3,171	69,684
St Petersburg	7,530	(5,040)	2,295	5,040	9,825
Regions	30,530	(22,342)	8,020	17,033	33,241
	118,320	**(64,784)**	**33,970**	**25,244**	**112,750**

Moscow

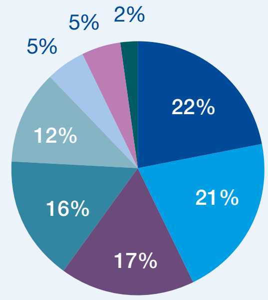
In Moscow, excluding the space under construction at Noginsk and Nova Riga, we have eight completed projects totalling 966,000sqm, producing an annualised income of $135 million at the year end. These properties are virtually fully let. During the year we had net lettings of 69,684sqm in Moscow increasing our income by $12 million per annum. Rents have remained around $130-$135 per sqm for Grade A warehousing throughout the year.

Moscow Portfolio

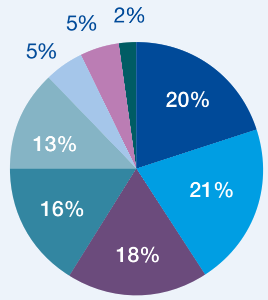
At Noginsk we completed a further 35,600sqm at a marginal yield on cost of 17.7%. We have also signed a pre-let with Dixy, the leading Russian Supermarket operator, for 39,284sqm on a 15 year lease and annual rent of $8.5 million. This space is due for delivery in the first quarter of 2015. We anticipate this will generate a marginal yield on cost of 17.7% and a development profit of circa $11 million.

At Klimovsk we delivered 48,000sqm of new space in the summer. This is now 60% leased with a further 9% under LOI. Based on actual and anticipated rents of $130 per sqm, the project has generated a marginal yield on cost of 21%.

At Pushkino we have completed circa $10 million of improvements to the property that were funded by the vendor.



Space (sqm)



Annualised NOI (US$)

Warehouse complex:

Pushkino, Istra, Noginsk, Klimovsk, Krekshino, Lobnya, Sholokovo, Southern

Shushary
St Petersburg

Description
Grade A warehouse complex

Key Tenants
- RosLogistics
- Johnson Controls
- Dixy
- Yusen Logistics

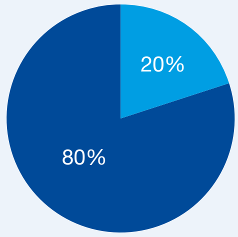
GLA
147,400 sqm

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

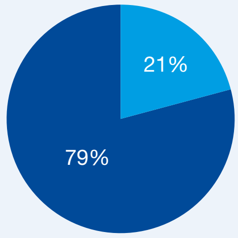
St Petersburg

St Petersburg Portfolio

In St Petersburg, the market has remained strong and we only have 3,500sqm vacant, representing 2% of our warehouse portfolio in the city. Rents have continued to improve and have now reached $120-$125 per sqm compared to an average rent on our St Petersburg warehouses of $105 per sqm. With a number of breaks and expiries coming up over the next two years we are hopeful of increasing our income and locking in higher rents for the medium term.



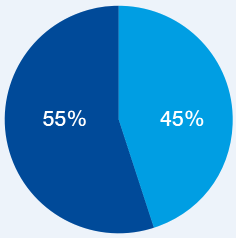
Space (sqm)



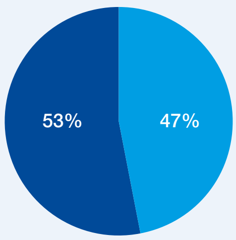
Annualised NOI (US$)

Warehouse complex:

Shushary Pulkovo



Space (sqm)



Annualised NOI (US$)

Warehouse complex:

Novosibirsk Rostov

Regions

Regional Portfolio

Our project in Rostov is 95% let following the release of 5,300sqm of space at the year end. We are seeking pre-lets and development finance to allow us to start an additional 15,000sqm of development on the second phase.

In Novosibirsk rents have improved to $120 per sqm and we only have 5,300sqm available to let, having leased a further 38,500sqm and renewed existing leases on 17,000sqm in 2013.

Nova Riga
Moscow
(Under construction)

Description
Grade A warehouse complex under construction

Key Tenants
- Available to let

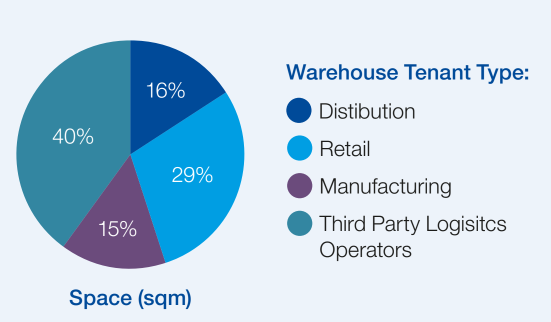
GLA
67,000 sqm in Phase I, to be completed in Q4 2014,
with 130,000 sqm in pipeline

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

*Graphic representation

Tenant Mix

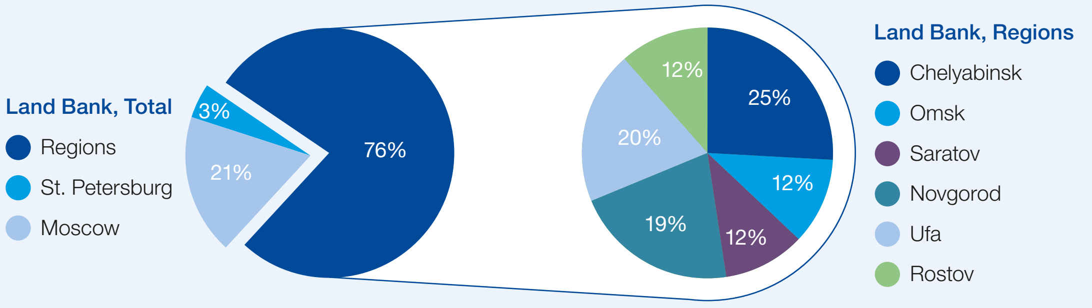
Our strategy remains to lease to strong Russian and International tenants who can fulfil their rental obligations over the term of their lease contracts. In selecting tenants we are also conscious of exposure to any one tenant or any particular sector or use. Our largest tenant, Itella, accounts for only 12% of our annual warehouse NOI. We have tenants from a very broad business base who are involved in many different aspects of the Russian economy, from high street retail, to car part assembly, internet retail and pharmaceuticals. This diversified profile helps protect the Company from a downturn in any particular sector.



Land Bank

We have started work building 39,284sqm at Noginsk for Dixy and on the first 67,000sqm at Nova Riga both for delivery in the first quarter of 2015. At Noginsk we still hold another 25.9 ha on which we can build 134,000sqm and at Nova Riga there is the potential to add a further 130,000sqm on the additional 25.2 ha we own.

Demand in the regional cities across Russia is improving and we are talking to a number of large occupiers about their expansion plans although any development in the regions would only commence once we had signed a pre-let for a long term lease. The last of those land plots held under leasehold are nearing their maturity and we have reduced the carrying value of these on the assumption that we will not renew the land lease.



The Market

Tenant demand is still driving the market and JLL estimate that take up in 2013 was 1.3 million sqm in Moscow alone. The vacancy rate for class A warehouse stood at 1.4% at the year end. In St Petersburg the vacancy rate has fallen to 1.7%. For 2014, JLL forecast new supply of Grade A warehouse space in Moscow of circa 1.6 million sqm with potential demand of 1.1 million sqm. The key trend in the market is the increase in build to suit for sale deals which accounted for 35% of total take up in 2013, up from 26% in 2012.

The investment market has been relatively quiet over the last twelve months with property owners, anticipating future yield compression, unwilling to sell at current prices. The owner occupier market has been strong with circa 316,000 sqm of space sold in Moscow at an estimated average price of between $1,250 and $1,300 per sqm. This compares favourably to our own valuations in Moscow of circa $1,235 per sqm.

Ownership of one of our largest competitors, MLP, changed in the second half of the year in an off market transaction. Their portfolio consisted of 4 assets totalling 730,000sqm, with two properties in Moscow, one in St Petersburg and one in Kiev, Ukraine. We estimate the deal was completed at around 11% to 11.5% for the Moscow properties.

Looking into 2014, we are aware of a number of investment deals that have been marketed in the last quarter of 2013 where deals may close in the next few months at or around 11%.

Novosibirsk
Novosibirsk, Siberia

Description
Grade A warehouse complex

Key Tenants
- RosLogistics
- Oriflame
- FM Logistic
- Pepsi
- OSG Records Management
- 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.

Financial Review

Underlying Earnings (Adjusted non IFRS measure)	**2013** $'000	**2012** $'000
Net rental and related income	186,504	143,190
Administrative expenditure	(27,818)	(33,516)
Share of profits of joint ventures	2,717	2,218
Operating profit	161,403	111,892
Net finance expense	(91,436)	(77,401)
Underlying profit before tax	69,967	34,491
Tax	(9,716)	(4,224)
Underlying profit after tax	60,251	30,267

Basic underlying earnings per share (cents)	10.92	5.30

The success in letting our portfolio continues to drive our results with underlying net rental and related income increasing from $143.2 million to $186.5 million in the year.

General underlying administrative expenses have reduced from $33.5 million to $27.8 million. The element relating to the property investment portfolio (see note 4 to the financial statements) was $16.0 million (2012: $15.3 million). Underlying operating profit increases to $161.4 million from $111.9 million in 2012.

Our bank interest expense for the year increased with a full year of charge on debt drawn in 2012 (note 7 to financial statements), increasing to $63.2 million from $51.1 million. Similarly, our preference share charge increased to $38.3 million (2012: $33.5 million) with a full year of charge on shares issued in 2012. This charge will halve in the current year following the preference share conversion.

Underlying profit after tax increased by 99% to $60.3 million (2012: $30.3 million). Basic underlying earnings per share increase by 106% to 10.92 cents (2012: 5.30 cents).

IFRS Earnings	**2013** $'000	**2012** $'000
Operating profit before profits and losses on investment property	151,685	84,206
Net profit on revaluation	55,268	64,359
Operating profit	206,953	148,565
Net finance expense	(92,430)	(85,947)
Profit before tax and preference share conversion charge	114,523	62,618
Tax	(32,407)	(33,204)
Profit before charge on preference share conversion	82,116	29,414
Charge on preference share conversion	(86,035)	-
(Loss)/profit after tax	(3,919)	29,414

Krekshino
Moscow

Description
Grade A warehouse complex

Key Tenants
- Itella
- Gorenje

GLA
118,000 sqm

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

Our IFRS results are dominated by the accounting treatment for the preference share conversion exercise completed at the year end. The swap of 1 preference share for 2 ordinary shares, for half of the preference shares in issue, results in an increase in shareholder funds of $170 million following the issue of new shares and reduction in the preference share liability but results in a charge to the income statement of $86 million. This charge reflects the difference between the market value of the ordinary shares being issued and the carrying value of the preference shares on the balance sheet, which are recorded at amortised cost. Other than the costs of the transaction, there is no cash impact on this year's results.

Balance sheet reconciliation	2013 $'000	Adjusted Diluted Net Asset Value $
Net assets before preference share conversion	721,517	1.38
Ordinary shares issued on conversion	256,437	
Charge to Income Statement	(86,035)	
Net assets after preference share conversion	891,919	1.26

The preference share conversion strengthens our balance sheet, reducing perceived gearing and reducing exposure to the fixed sterling preference share coupon. The ability to progress our distribution policy to ordinary shareholders is maintained as the future saving on preference share coupon compensates for the increase in the number of ordinary shares.

Our completed investment property portfolio had a market value at 31 December 2013 of $1.65 billion, up from $1.5 billion at the end of 2012. This follows transfers from assets under construction of $85 million and a valuation uplift of $57 million. Investment property under construction had a market value of $116 million at the year end, down from $147 million at the beginning of the year following the completion of phases at Noginsk and Klimovsk and after a net revaluation uplift of $6.7 million.

Following the preference share conversion exercise, adjusted fully diluted NAV per share increased during the year from $1.25 to $1.26.

Cash and Debt

Cash flow Summary	2013 $'000
Net cash generated from operating activities	192,297
Net cash used in investing activities	(63,483)
Net cash used in financing activities	(110,368)
Net increase in cash and cash equivalents	18,446
Foreign exchange movements	(5,862)
Increase in cash	12,584

Net cash generated from operating activities increased from $129.8 million to $192.3 million in the year. Construction costs in the year were $74.9 million, funded from a net increase in borrowings of $38.9 million and operating cash. Bank borrowing costs were $72.0 million (2012: $53.2 million) and distributions to ordinary and preference shareholders totalled $75 million (2012: $62.3 million). This combined to leave an increase in cash held at the year end from $188.7 million to $201.3 million.

Rostov
Rostov-on-Don

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

Key Tenants
- RosLogistics
- Auchan
- X5 Retail Group
- Mobis Parts CIS
- Tarkett

GLA
99,850 sqm completed

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

Debt	2013 $m	2012 $m
Fixed rate debt	86	-
Debt hedged with swaps	305	422
Debt hedged with caps	381	225
	772	647
Unhedged debt	43	129
	815	776
Unamortised loan origination costs and accrued interest	(12)	(9)
Total debt	803	767
Undrawn facilities	36	3.5
Weighted average cost of debt	7.24%	7.33%
Weighted average term to maturity	4.7	4.7

We have total debt outstanding of $815 million at the year end (2012: $776 million), with only $43 million (2012: $128 million) unhedged. Our average weighted cost of debt remains stable at 7.2% (2012: 7.3%) and weighted average time to maturity remains at 4.7 years (2012: 4.7 years).

We have one short term maturity of $37 million which we aim to roll over during the year.

Our focus on debt in the year has been refinancing the equity on the additional phases we completed at Klimovsk and Noginsk and refinancing the most expensive debt we have on our regional assets. We have achieved the former, drawing an additional $20 million before the year end and $23 million on the latter early in the current year. We have also refinanced our Rostov facility, with a new loan of $61 million, repaying the existing facility of $41 million. The refinancing of our Novosibirsk asset is also progressing well with a new loan now credit approved at a cost of debt to the Group well below the existing facility. We aim to complete this refinancing in the next quarter.

Our attention is now on the maturities which arise in 2016 and 2017 and we will aim to extend these maturities well before they reach term.

We are also in discussions to finalise a long term construction loan secured on the Nova Riga project which will allow us to accelerate the build programme there.

Foreign Exchange

The Rouble depreciation in the last few months has put focus on foreign exchange risk. As a US Dollar denominated business the main foreign exchange risks we face are:

- Rental income: leases are pegged to the US Dollar and we receive a variable Rouble amount based on the Central Bank exchange rate on the date paid;
- Property operating costs: these are recoverable from tenants and are Rouble denominated;
- Construction costs: the majority of these are Rouble amounts;
- Administrative costs: the majority of these are salary related and the only exposure is central overheads which are paid in Sterling; and
- Preference share coupon: this is a Sterling cost.

In the majority of cases, we hold sufficient cash in the three main currencies of US Dollar, Rouble and Sterling to cover cash requirements. The most significant of these is ongoing property operating costs and sufficient Rouble reserves are held to cover these each quarter. The remainder of rental income is then converted to US Dollars to service our US Dollar debt requirements and pass surplus cash to the holding company. We are mindful that the majority of our tenants are Rouble based companies and the continued weakening of the Rouble means that their US Dollar denominated rents get increasingly expensive.

Lobnya
Moscow

Description
Grade A warehouse complex

Key Tenants
- Nippon Express
- RosLogistics

GLA
52,300 sqm

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

As our construction activities are now a smaller part of the business, there is no significant foreign exchange exposure and our cost of construction reduces with the weakening Rouble.

We maintain sufficient rolling Sterling cash balances to cover our overhead exposure.

Following the preference share conversion exercise, our exposure to the preference share coupon has been halved. We do still maintain a three year cap at $1.60 to £1.00, maturing quarterly to hedge the exposure.

As we hold a mixture of different currency cash balances and also preference shares denominated in Sterling, our balance sheet is open to unrealised exchange movements but these should unwind as the cash is used for future expenditure. Given the long term nature of the preference shares there is no reason to hedge their principal value and as the recent conversion to ordinary shares demonstrated, there are methods for redeeming these without foreign exchange risk.

So the main risk is any knock on effect that the weak Rouble has on consumer demand and the level of rents that can be achieved in the market place. We are watching the trends closely.

Subsidaries

Our trading subsidiaries have performed well this year. Raven Mount has now disposed of the majority of its legacy residential stock in the UK and its joint venture for second homes at The Lakes in the Cotswolds continues to generate cash.

Roslogistics has contributed $14.7 million to profit (2012: $10.2 million), the equivalent of $1.3 million profit (2012: loss of $3.2 million) after taking account of the rent and operating expenses payable to the Group for warehouse space.

Provisions

We continue to carry a provision for a legacy litigation claim on the Pushkino project, which we acquired in 2012. The liability is covered by retention monies released to us by the vendor during the year. The majority of this is held as restricted cash until the litigation is settled. Details are given in note 25 to the Financial Statements.

The year ahead

We have a strong balance sheet today and the year ahead is about minimising risk, especially in the current environment. A long period of Rouble weakness could have an impact on demand for our new stock and the sustainability of the current rent roll on our existing portfolio. It is too early to say if there will be wider implications, on the banking sector and cost of debt for example. But, for now, as the Chairman said, it is business as usual in Russia.

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 16 km from the MKAD, and 15km from Sheremetyevo airport.

Risk Report

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

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

The macro and political risks that have arisen since 2008, including the current situation in Ukraine, obviously have an impact on our business and we strive to dampen the effects of those as best we can. We pass foreign exchange risk onto our tenants with US Dollar pegged rents in exchange for reduced inflationary indexation (linked to US CPI rather than Russian inflation); we use ring fenced structures to hold assets, minimising recourse to the holding company; we have a diverse spread of funding banks, both international and domestic; similarly, we have a diverse range of tenants, international and domestic; and we have a mixture of capital instruments that we can offer on the Company balance sheet, ordinary shares, preference shares and warrants. All of which, to date, has allowed us to minimise the effect of downturns on our shareholders.

Our primary focus remains an offering of attractive returns for our shareholders. As such, and in the context of the paragraph above, we have a commensurate focus on financial risks. Set out below is an overview of how we manage our key financial risks.

Financial Risks

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

Gearing

Gearing has enabled us to accelerate our growth but we have managed the increased risk to the Group by raising asset secured facilities, ring-fenced in special purpose vehicle structures. We have not taken any significant bank debt exposure onto the holding company balance sheet to date. This allows us to monitor both our debt service obligations at an asset level but maintain low gearing ratios at a consolidated level. Our Group gearing levels, not including preference shares, have been managed between 41% and 48%. This held us in good stead during a busy speculative construction period in 2008 and 2009 and through the recent financial crises.

The changing banking landscape, combined with our maturing portfolio, may mean that we do look to alternative financing structures in the future. We have demonstrated this already with the issue of preference shares and at some point we may change our financing risk profile to a more central financing structure, using the portfolio as a whole, to reduce our effective cost of debt. We would be mindful of refinancing and covenant risk if we were to move in that direction.

Key Performance Indicators

With the impact of gearing and our preference shares on results, we place emphasis on our "Underlying Earnings" (as defined in note 9 to the financial statements) and operating cash flows after financing costs, 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 covenants and the impact of valuations on our diluted net asset value per share. However, given that valuation yields in our market remain significantly above other comparable European markets (close to replacement cost) and result in high cash cover on debt service, we do not currently see this as a key metric on our performance. Our focus is on yield driving our shareholder return.

Property Acquisition and Development

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

New development in today's market has the potential to deliver high income yields, especially on additional phases of existing assets. We have commenced a speculative construction programme limited to a maximum of 100,000 sqm in any year. This allows us to manage the construction and letting risk on new space in the context of our existing portfolio of 1.4 million sqm.

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

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. Given the current political climate we see the first three of the financial risks below increasing.

Financial Risk

Risk	Impact	Mitigation	Change
Bank Lending The number of banks lending in our market diminishes because of macro economic or political events.	Reduced access to funding and potential increase in funding cost. Reduces ability to refinance maturing facilities.	Debt facility maturities have a weighted average of 4.7 years with only one near term maturity at 30 September 2014. Larger Russian domestic lenders are now offering debt on similar terms to the international banks who have exited the market although we will need to monitor this position following recent Central Bank rate hikes; Alternative sources of funding such as preference shares are available; and Facilities have a mix of amortising profiles and approximately $50 million of principal is repaid each year. This means that our gearing levels are low (44.44% at 31 December 2013) and debt service coverage ratios are more than adequately met.	Increased
Interest rates Cost of debt increases.	Group profitability and debt service cover reduces.	The majority of our variable cost of debt is hedged with the use of swaps and caps on US LIBOR; and The weighted average remaining term of existing hedge instruments is over 3 years.	Increased

Risk	Impact	Mitigation	Change
Foreign Exchange Adverse movements in Rouble or Sterling against US Dollar	A reduction in our US Dollar denominated earnings.	Rental income, whilst received in Roubles, is pegged to the US Dollar exchange rate, the exchange risk being passed to tenants. In return, indexation is held to US CPI levels rather than Russian inflation. Sustained Rouble weakness will ultimately affect our tenants as they are predominately Rouble businesses so there may be a point where temporary reductions have to be considered; We retain sufficient Rouble funds from rent collection to meet Rouble expenditure requirements; Construction costs are payable in Roubles, if we have insufficient Rouble resources to cover future construction payments we may enter into Non Deliverable Forward instruments to retain certainty on our US Dollar returns; Our largest Sterling exposure is the payment of preference share coupon and ordinary share dividends; We have capped the exposure of our preference share coupon to December 2016 and retain sterling cash where possible to cover known ordinary share dividend commitments; and Our balance sheet is open to unrealised losses on foreign exchange if the US Dollar weakens against Sterling and/ or the Rouble but these have minimal cash effect.	Increased

Property Investment

Risk	Impact	Mitigation	Change
Composition of portfolio Portfolio made up of predominantly one asset class with concentration in Moscow	Potentially reduces liquidity of the portfolio; and Could cause volatility in income and valuation movements.	Assets are located in different local markets and Moscow remains the main hub for supply throughout Russia; Moscow has a larger population than any other European City save Istanbul and can support niche players because of its size; There remains a structural under supply of Grade A warehouses in Moscow and Russia as a whole; and Our focussed approach provides detailed understanding of our sector.	None
Customers Slow down in Russian growth and consumer spending	Reduced consumer demand will impact on demand for new lettings, renewal of existing leases and restrict rental growth.	We have a diversified tenant base (our largest tenants, X5 Group and Itella each represent in excess of 10% of current warehouse rental income); Almost 50% of our income comes from tenants who individually, contribute less than a 2% to rent roll; Experienced internal leasing team; and Strong relationships with existing customers and a close understanding of their business operations gives the Group good visibility on any potential change in market conditions and circumstances which may affect rental income.	None
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; and Organic growth through speculative development managed at levels below 10% of existing portfolio in any one year.	None

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 limit construction to between 50,000 and 100,000 sqm in any 12 month period, less than 8% of the current portfolio.	None
Returns Development projects fail to deliver the expected returns through cost and time overruns.	Target yield not met and profitability reduced.	Full project appraisals prepared with appropriate monetary and timing contingencies; Foreign exchange exposure hedged where necessary; and Experienced in house construction team project manage all projects.	None
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; and 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.	New

Russian Domestic Risk

Risk	Impact	Mitigation	Change
Legal Framework The legal framework in Russia is in the early stages of its development.	Large volume of new legislation from various state bodies is open to interpretation, puts strain on the judicial system and can be open to abuse.	Experienced in house legal team review new legislation for any impact on the business; and External legal advisors used when necessary.	None

Risk	Impact	Mitigation	Change
Russian Taxation Russian tax code is also developing and new rulings regularly introduced.	Tax treaties may be renegotiated and new legislation may increase the Group's tax expense.	The key tax treaty for the Group is with Cyprus and this was renegotiated in the last 12 months with no significant impact on the business; Russia is a relatively low tax jurisdiction with 20% Corporation tax; 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.	None

Other Operational Risks

Risk	Impact	Mitigation	Change
Key Personnel Failing to retain key personnel.	Inability to implement strategy.	The Remuneration Committee and Executive 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.	None
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.	None
Cyprus Failure of the Cyprus macro 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 on 25 March 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.	New

Directors

Richard Jewson (aged 69)
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, Archant Ltd, and a Non Executive Director of Temple Bar Investment Trust plc and other unquoted companies.

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

Glyn Hirsch (aged 52)
Chief Executive Officer

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

Anton Bilton (aged 49)
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.

Mark Sinclair (aged 48)
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 44)
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 66)
Senior Independent Non Executive Director

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

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

Stephen Coe (aged 48)
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, 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 53)
Non Executive Director

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

He is a member of the Audit and Remuneration Committees.

Pulkovo
St Petersburg

Description
Grade A warehouse complex

Key Tenants
- Oriola
- OSG Records Management
- Simple

GLA
36,700 sqm completed

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 2 km from Pulkovo International airport.

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 committed to good corporate governance and see it as vital to support the delivery of our strategic objectives, and as such, governance has been embedded within the way the business is run and managed. This year will be the first time we have reported under the 2012 UK Corporate Governance Code (the "Code") and the new narrative and accounting requirements. This report aims to more fully explain the process adopted by the Group in delivering compliance with the Code.

Richard Jewson
9 March 2014

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 2013, 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 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, we were not in compliance (B1.2 of the Code). However, as our stay in the FTSE 350 was not prolonged, we have maintained the current Board composition. 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. 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 Board is responsible for the governance processes of the Group whilst monitoring the performance of the Executives to whom it delegates management responsibility for the Group. There is a defined division of the responsibilities between the Chairman and Chief Executive. The Chairman is primarily responsible for the effective working of the Board and the Chief Executive for the operational management of the business. This includes development of the Group's strategy and business model, the presentation of this to the Board and ultimately its implementation across the Group. Terms of reference delineating a clear division of responsibilities are in place and are reviewed on a regular basis.

The Board has approved a formal schedule of matters reserved solely for its consideration as outlined below and updates this schedule as necessary.

The Board has delegated a number of its responsibilities through its Audit, Remuneration and Nominations Committees. Terms of reference for each of these committees are reviewed periodically by the Board, the most recent update having been performed in November 2013, and are available on the Company's website: www.ravenrussia.com

Southern
Moscow

Description
Grade A warehouse complex

Key Tenants
• A&D Rus
• L'Occitane
• Roland Music

GLA
14,100 sqm

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

The Board and its Committees

THE BOARD

Independent Non Executive Chairman

- 4 Executive Directors
- 3 Independent Non Executive Directors

Delivering the sustainable strategy for the Group's shareholders and stakeholders

BOARD COMMITTEES

Audit Committee

- 3 Independent Non Executive Directors

Remuneration Committee

- 4 Independent Non Executive Directors

Nominations Committee

- 2 Independent Non Executive Directors
- 1 Executive Director

EXECUTIVE COMMITTEES

Risk Committee

- 2 Executive Directors
- 6 Other Members

Senior Management Team

- 4 Executive Directors
- 8 Other Members

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. The Board considers the Chairman to be independent. The balance of skills and expertise of the Board ensures that no individual or group of individuals dominate the Board's decision making, allowing for independent challenge and rigour to the Board's deliberations. The roles of the individual Directors are explained further below.

Christopher Sherwell is the Senior Independent Director of the Company.

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

The full Board meets at least six times a year to consider general matters affecting the Company and otherwise as required. Committee meetings comprising any two or more Directors meet on an ad hoc basis to consider transactional and related matters concerning the Company's business. During 2013, there were 17 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 as may be appropriate.

Konstanta
St Petersburg

Description
Class B+ office building

Key Tenant
• Lenenergo

GLA
15,828 sqm

Location
The Konstanta office is located on Leninsky Prospekt in the Moskovskiy district of St Petersburg, approximately 8 km to the south of the city centre. The property is a modernised administrative building, which was converted in 2005 to provide an eight storey, self-contained office building for Lenenergo.

Attendance at Board or Committee meetings during the year to 31 December 2013
(where 'N/A' is shown, the Director listed is not a member of the Committee)

	Board	Audit Committee	Nominations Committee	Remuneration Committee
R Jewson	6	N/A	1	1
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	3	N/A	1
C Sherwell	6	3	1	2
D Moore	5	2	N/A	2
No. of meetings during the year	**6**	**3**	**1**	**2**

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 2013 were again facilitated by the Institute of Directors and took the form of a questionnaire and production of a report. The findings of the report were discussed in detail by the Board and it was concluded that the performance of the Board, its Committees and individual Directors 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 annually consider the composition of the Board and its Committees with reference to the Group's needs and also the requirements of the Code. In accordance with the Code, all Directors will be put forward for re-election each year at the Annual General Meeting. Having considered the balance of skills, expertise and performance of the Board, its committees and individual Directors, the Board recommends each of the Directors for re-appointment at the Annual General Meeting.

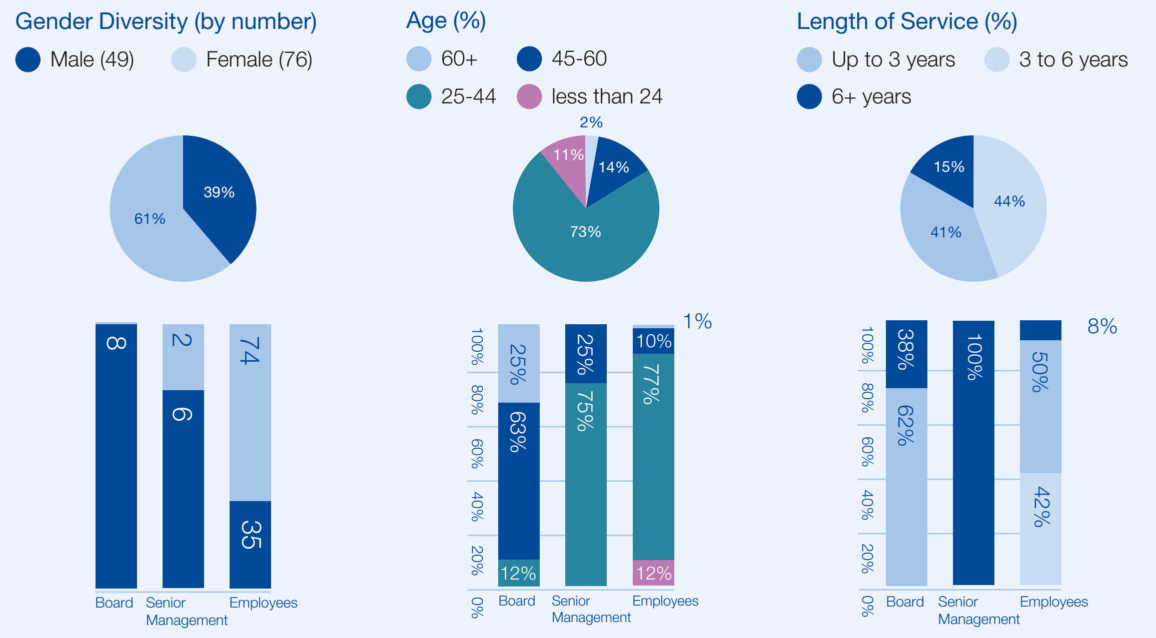
Nominations Committee

The Nominations Committee comprises Anton Bilton, Christopher Sherwell and Richard Jewson, who is Chairman. The Committee undertakes an annual review of any succession planning and ensures that the membership and composition of the Board and its Committees are constituted appropriately in light of the requirements of the Group and those of the Code, with the necessary balance of skills, expertise, independence and diversity to undertake their roles effectively. The Committee continues to review the Board and its Committees' composition in light of the Code. The Committee agreed that no formal policy or standard 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 any selection process.

Should the Committee consider it necessary to either refresh or enlarge the Board or its Committees, giving due regard to the outcome of the evaluation process for the year and acting in accordance with its terms of reference, a rigorous and thorough evaluation will be undertaken by the Committee in assessing the requirements of the Group so that the individual or individuals appointed will add value to the activities of the business.

Diversity
The Nominations Committee continue to review the Board and its Committees composition in light of the Code and business requirements. The Board consider the experience, background, age and tenure of each individual to contribute to the diversity of the Board, its Committees and the wider Group. In any recruitment 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 is set out here.



* 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 and elsewhere in the Annual Report. The Remuneration Report will be subject to an advisory vote at the Annual General Meeting.

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

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

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 2013. This report sets out the work of the Committee throughout the year and includes additional disclosure reflecting the changes to the Code in this reporting cycle. We are following the proposed changes to the legislative requirements for listed companies and the impact of the recent preliminary agreement on audit reform confirmed by the EU Permanent Representatives Committee. Whilst we are not an EU company we will be assessing our approach on issues such as auditor rotation, non audit services, the transition provisions that will be proposed by the legislation and general, ongoing best practice for Listed Companies.

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.

For the year ended 31 December 2013, 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 have also met and had telephone discussions with Jones Lang LaSalle, 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. There were no significant changes to these during the year and they are reported on in the Strategic report and Corporate Governance sections of the Annual Report.

Steve Coe
Chairman
Audit Committee
9 March 2014

The Audit Committee

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 throughout the year.

The Committee met three times during 2013 and addressed:

- The recommendation to the Board to approve the 2012 annual and 2013 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.

Ernst & Young were appointed in 2008 following a tender process and this is their sixth year of tenure as Group auditor. The current lead partner has been in place for three years. The Committee met with the key members of the audit team throughout the year and Ernst & Young have formally confirmed their 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 CFO and COO 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. Ernst & Young 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

Ernst & Young LLP have 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 non audit service provision 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 Ernst & Young LLP in the year to 31 December 2013 amounted to $1.5 million, of which $512,000 was for non-audit services. This included $432,000 for transactional advisory services in connection with the preference share conversion and prospectus prior to the year end. The Committee was satisfied of the auditor's independence on this assignment as they followed their own internal procedures, with a team independent of the audit team carrying out the work and reported directly to the Company's brokers.

Committee Conclusions

The Committee has recommended a resolution for the re-appointment of Ernst & Young to be proposed to shareholders at the Annual General Meeting. However, we will be meeting with the auditors later in the year to review our approach to non audit services, auditor rotation and re-tender in light of the proposed EU legislation on audit appointments.

Valuers

As with the external audit process, the Committee monitors the objectivity of the Group's external valuers, Jones Lang LaSalle. 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. The Committee and management are of the view that the approach of Jones Lang LaSalle is both appropriate and robust and intend to renew their engagement for the current year.

Significant Issues Considered by the Audit Committee

In recommending the approval of the 2013 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 discusses the valuation approach with both management and the external valuers. 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. Management also prepared and presented a detailed report on the land bank in November 2013, underpinning the basis for the valuation. 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.
Provisions and Acquisitions The most significant provision 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 on the likely outcome of the case. The position at the year end was also discussed with the auditors. This provision is covered by retention amounts released by the vendor and the key risk is that the litigation outcome and costs exceed that amount. The Committee also discussed any judgement made by management on the release and allocation of that retention amount as part of the acquisition accounting. The Committee is satisfied with the approach to both 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 an on going process, in accordance with the guidance of the Turnbull Committee on internal controls, that identifies, evaluates and manages the principal risks and uncertainties that may affect the achievement of the Group's strategic objectives. Such a system is designed to manage or reduce the effects of the possible risks to which the Group's activities are subject, rather than providing absolute assurance against material misstatement or loss.

Consideration of risks and risk management form an integral part of the Board deliberations and are key to its decision making processes. There are risks which 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 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 2013, the Risk Committee met five 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.

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. The information required by Main Market listed businesses to report on levels of greenhouse gas emissions is set out below. The inclusion of further metrics and information, such as waste and water usage, will be considered for future years.

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 activities and the Board has established a fund to support local causes or charities, which meet the corporate values of the Group. During 2013 the Group committed to support various causes from national and local charities to supporting local community sports groups. No political donations were made during the year.

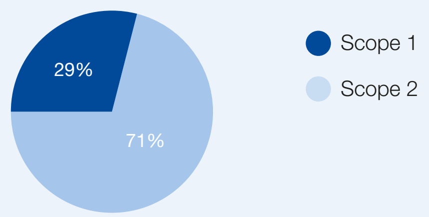
Greenhouse Gases

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 12 warehouses in the portfolio and the Group's vehicles to report on Scope 1 and Scope 2 emissions. The reporting covers 99% of our business by net operating income and 100% by warehouse floor area.

The table below sets out the emissions table collated and the intensity ratio agreed at tonnes / square metre of floor area.

Data Point	Units	Quantity
Scope 1	tonnes CO2e	18,138
Scope 2	tonnes CO2e	44,589
Scope 1 + 2 Intensity	tonnes CO2e / floor space (sq.m)	0.05

Green House Gas 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: CO_2, N_2O and CH_4. The Group used the following emission conversion factor sources:

- Natural gas: DEFRA 2013 conversion factor for cubic meters natural gas
- Diesel: DEFRA 2013 conversion factor for litres diesel
- Office car: DEFRA 2013 conversion factor for kilometres of unknown fuel (average car)
- Purchased electricity: IEA Fuel Combustion (Highlights 2011 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 2013 conversion factors for UK electricity, and district heat and steam)

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.

Due to the locations of the investment portfolio and the extremes of weather which they are subject to, there is no industry data from which meaningful comparisons could be drawn. The data which has been collated for the year ended 31 December 2013 will be used to set targets on energy usage going forward.

Letter from the Remuneration Committee

Dear Shareholder,

On behalf of the Board, we are pleased to present our report on Directors' remuneration for the year ended 31 December 2013. This encompasses "The UK Enterprise and Regulatory Reform Act of 2013" introduced during the year and whilst, as a Guernsey registered company, we are not required to follow these regulations, we have adopted them as best practice.

Business Strategy

The business has had a simple 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 and avoid discretionary awards. The cornerstone has been minimising cash incentives and maximising share based incentives so that progressive distributions become an important element of Executive Directors' and Senior Management's annual income.

Performance Outcomes

The business has performed exceptionally well this year and targets for the Combined Bonus and Long Term Incentive Scheme "CBLTIS" and the Long Term Incentive Plan ("LTIP") have been met. Expectations have been exceeded with extremely high letting levels reached (97%), vacant space in the Regions taken up at a much faster pace and at higher rents than foreseen. Raven Mount has also accelerated the sale of its legacy housing stock and generated significantly higher cash contributions in the last two years. This has resulted in significant outperformance in the year and allows us to increase our distribution to ordinary shareholders by 33%. Details of the incentive schemes are given in the Remuneration Policy table and the summary of targets and performance is:

	2013 Performance	Maximum Target
CBLTIS – Operating cash inflow after interest	$88 million	$45 million
LTIP – Total shareholder return	220.0%	20.2%

Remuneration Decisions

This means that 100% of the share incentive available for the Executives and senior management will be issued. No discretion has been exercised by the Remuneration Committee in recommending these awards. In line with policy, increases in base salaries for Executives have been limited to inflation and no cash bonuses are available.

There has been no change in the remuneration policy during the year but following the preference share conversion exercise, targets for 2014 will be adjusted to account for the impact of the reduced preference share coupon. Details of the preference share conversion are given in the Strategic Report and the conversion means that operating cash flows after interest will increase by $19 million per annum as the fixed coupon obligation has been halved. The Policy table discloses the revised targets for 2014.

Current Year

The Committee focus is now on the development of an incentive plan for the three years to 31 December 2017, as the current schemes end this year. It is intended that the new scheme will follow the same parameters as the existing CBLTIS, with targets set based on potential covered distributions to shareholders and no cash bonuses available. We intend to discuss the parameters of the new scheme with key shareholders to incorporate their feedback before formally presenting it at the AGM.

Business KPIs

Elsewhere in the Annual Report we have looked at the movement in business KPIs over the last five years, the term of the existing LTIP. The business performance can be summarised as follows:

- Let space at 1 January 2009 was 389,000sqm increasing to 1,345,000sqm at 31 December 2013;
- Reported NOI of $40 million in 2009 increasing to $186 million in 2013;
- An underlying loss of $27 million increasing to an underlying profit of $60 million;
- An underlying basic loss per share of 5.6 cents, now an underlying basic profit per share of 10.9 cents;
- Operating cash after interest, an outflow of $29 million in 2009, an inflow of $88 million in 2013;
- A Total Shareholder Return on Ordinary Shares over the five years of 353%; and
- A Total Shareholder Return on Preference Shares of 122% since the first issue.

Compare those metrics with the progression of the remuneration of the four Executive Directors in the same period:

- An average basic salary of £378,000 per annum over the 5 years;
- An average of £84,000 per annum of cash bonuses paid in the period;
- Negligible holding of ordinary shares from incentive schemes at 1 January 2009 to a total vesting of 10.3 million ordinary shares and 3.3 million preference shares from remuneration schemes at 31 December 2013;
- Being 1.4% and 3.4% of total shares respectively with a current value of £8.2 million and £5.2 million.

It is easy to see from the above comparison that the Executive Board have been rewarded for their efforts since appointment with a heavy weighting towards shares to be held for the long term and why they will continue to be incentivised to deliver the progressive distribution policy.

Chris Sherwell
Chairman
Remuneration Committee
9 March 2014

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 2014;
- A summary of the total remuneration packages for the Executive Directors in 2013;
- Targets achieved for incentive schemes in 2013;
- 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 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 current structure has developed over the last five years and:

- is weighted towards long term share ownership;
- does not include any cash bonus element for Executive Directors or Senior Management;
- is based on clear targets set at the date of grant which underpin progressive distributions over three years; and
- means 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 current remuneration package of the Executive Directors:

	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 wellbeing of Executives	Benefits are limited to life insurance, health insurance, and private healthcare.	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 ("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 31/12/2014. Awards were granted at the commencement of the scheme and vest annually over a three year period, in ordinary shares or other capital instruments of the Company. The equivalent of 22.5m ordinary shares is held for the maximum awards over the three years of the scheme for Executives and Senior Management. Targets are fixed at the commencement of the scheme and are based on the operating cash flow after interest of the Group Other than the sale of shares to meet personal tax obligations, no discretionary disposal of awards under the scheme can be made until April 2016. However the Committee expect that Executives will hold the majority of shares awarded for the long term.	The maximum award in any year is the lower of the equivalent of 1.5 million ordinary shares or 300% of base salary based on the share price on the date of grant of an award. The maximum allocation for 2014 for Executives in the equivalent of ordinary shares is: A Bilton 1,341,000 G Hirsch 1,341,000 M Sinclair 1,141,000 C Smith 756,000 The grant price is 59.5p being the market value of shares on the date the Committee approved the Scheme.
Long Term Incentive Plan ("LTIP")	Option Scheme introduced in 2009 to retain key staff following the acquisition of the former Property Advisor. Awards based on Total Shareholder Return	All employees of the Group were eligible to participate in the Plan. Options were granted by the Company's Employee Benefit Trust ("EBT"), the independent Trustees considering recommendations made by the Remuneration Committee. The EBT held 10 million ordinary shares to satisfy the terms of the plan and dividends rolled up over the vesting period. The plan has no hold period.	Options available to the Executives under the plan were: A Bilton 810,811 G Hirsch 1,000,000 M Sinclair 1,000,000 C Smith 500,000

Performance metrics	Discretion applied	Changes in year
None	None	None
None	None	None
None	None	None
Progressive numerical targets for operating cash flow after interest. This equates to the Group's ability to pay a progressive, cash covered distribution. Operating cash flow 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 cashflow statement of the Group. Borrowing costs are adjusted for any element capitalised as part of construction programmes and in 2014, the preference dividend deduction will be adjusted so no benefit is derived from the recent conversion to ordinary shares. The operating cash flow after interest targets and percentage vesting for 2014 are: 50% $55m 75% $64m 100% $73m These targets have been increased to compensate for the change in preference share coupon payable in 2014.	The Committee has discretion to reduce awards as a Group or for individuals if thought appropriate. This may occur if cash targets were met but Total Shareholder Returns dropped below 7.5% per annum or if an individual did not meet personal expectations in any year.	Award targets for 2014 will be increased to ensure no benefit is received from the reduced preference share coupon following the preference share conversion to ordinary shares.
Options granted vest in three equal tranches on 24 March 2012, 24 March 2013 and 24 March 2014. Performance criteria for each tranche are based on meeting a 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. Options vesting have an exercise price of 25p.	None	None

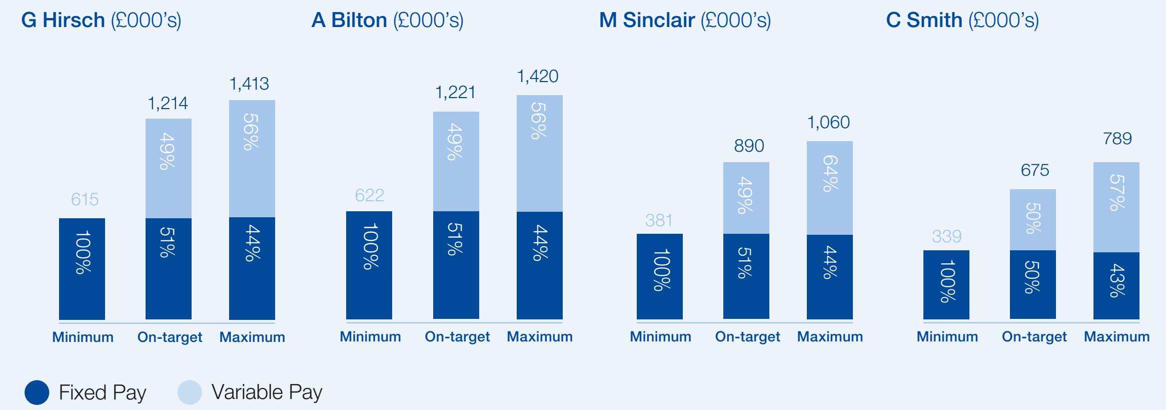
Clawback
Financial misstatement which resulted in overstatement of vesting of plans in previous years would result in clawback.

Performance Measures
The CBLTIS performance measure of operating cash inflow was chosen as the best approximation of cash available for distribution to shareholders. The targets over the period were set to match a progressive distribution policy with the maximum target a threefold increase in cash generated over the three year period of the scheme.

General Remuneration Policy
The main difference between the remuneration policy for Directors and employees is the payment of cash bonuses. Directors do not receive cash bonuses while general employees do. Senior Management is awarded a mixture of share based and cash bonus incentives based on the same performance measurements as the Directors. Discussion with Senior Management on on-going remuneration policy has focussed on the move from cash based incentives to share based. 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 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 75% vesting on the variable remuneration. The maximum remuneration assumes full vesting of the incentive schemes.



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 existing CBLTIS scheme, the views of shareholders holding over 60% of ordinary shares were taken into account prior to formal presentation at the AGM. It is intended that the same approach will be taken with the new scheme being developed.

Annual Report on Remuneration

This report sets out information about the remuneration of the Directors for the year ended 31 December 2013. 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 2013

In this section we summarise the total remuneration packages for the Executive Directors in the context of the framework outlined in the table above. 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 grant		Uplift in value at vesting			
2013	Salary and fees £'000	All taxable benefits £'000	Cash bonuses £'000	CBLTIS £'000	LTIP £'000	CBLTIS £'000	LTIP £'000	Pensions £'000	Total £'000
G Hirsch	523	23	-	798	-	275	169	52	1,840
A Bilton	523	31	-	798	-	275	137	52	1,816
M Sinclair	327	12	-	679	-	234	164	33	1,449
C Smith	289	11	-	450	-	156	82	29	1,017

				Shares vesting in the year					
				Value at grant		Uplift in value at vesting			
2012	Salary and fees £'000	All taxable benefits £'000	Cash bonuses £'000	CBLTIS £'000	LTIP £'000	CBLTIS £'000	LTIP £'000	Pensions £'000	Total £'000
G Hirsch	509	19	-	798	-	170	138	48	1,682
A Bilton	509	19	-	798	-	170	111	48	1,655
M Sinclair	318	10	-	679	-	144	138	32	1,321
C Smith	239	10	-	450	-	96	69	24	888

1. Taxable Benefits include health cover and insurance, medicals 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 had a grant price of 23.5p with an exercise price of 25p so a value of 0p is used for valuation at grant.
4. CBLTIS share price at grant was 59.5p.
5. Uplifts in valuation calculations have used the price of the shares at the end of the relevant financial period for the LTIP less any payment required to exercise the option, and at the end of the relevant financial period for the CBLTIS plus accumulated dividends or distributions in the relevant periods. The CBLTIS awards are shown in the year of the related performance targets.

Combined Bonus and Long Term Incentive Scheme (CBLTIS)

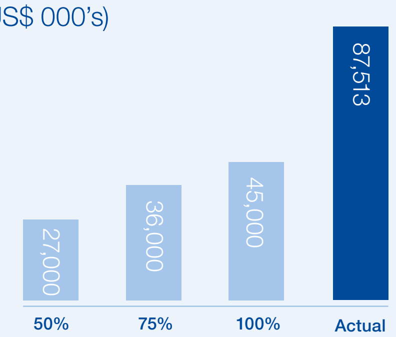
Details of CBLTIS Awards for 2013

The operating cash flow after interest result for 2013 compared to target was as follows:

CBLTIS targets for 2013 were:

	$'000
Net cash generated from operating activities	192,297
Interest received	2,482
Bank borrowing costs paid	(72,042)
Dividends paid on preference shares	(36,424)
Bank borrowing costs capitalised	1,200
Total operating cash flow after interest	**87,513**

Performance Targets
(US$ 000's)



The table below sets out the directors' interests in the CBLTIS, including awards that vested in 2013 and the contingent awards for 2014 that are subject to the performance targets set out in the remuneration policy table.

	Total number of contingent shares awarded	Awards made in the year	Awards vested in the year	Awards still to vest
Preference shares				
G Hirsch	667,164	-	(610,455)	56,709
A Bilton	667,164	-	(610,455)	56,709
M Sinclair	567,663	-	(519,410)	48,253
C Smith	376,119	-	(344,149)	31,970
Ordinary shares				
G Hirsch	2,557,425	-	-	2,557,425
A Bilton	2,557,425	-	-	2,557,425
M Sinclair	2,176,005	-	-	2,176,005
C Smith	1,441,770	-	-	1,441,770

Long Term Incentive Plan (LTIP)

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

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

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

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

The second tranche of this scheme vested in full in 2013.

For the period 24 March 2010 to 24 March 2013, total shareholder return was 220% and the target total shareholder return for the period was 12.7%. Therefore the tranche available for 2013 vested.

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

LTIP	Total number of awarded options	Vested in prior periods	Vested in year	Exercised in year	Options still to vest
G Hirsch	1,000,000	333,333	333,333	-	333,334
A Bilton	810,811	270,270	270,270	-	270,271
M Sinclair	1,000,000	333,333	333,333	666,666	333,334
C Smith	500,000	166,666	166,667	333,333	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 2013 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 below figures since 31 December 2013.

Director	Number of Ordinary Shares 31/12/13	Number of Preference Shares 31/12/13	Number of Warrants 31/12/13
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**

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

(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:

	2013 £'000	2012 £'000
R Jewson	100	100
C Sherwell	42	42
S Coe	42	42
D Moore	42	42
	226	226

The contractual arrangements for 2014 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 }	

The Chief Executive in consultation with the executive board agreed that the Non Executive Directors' fees should be increased for the year ended 31 December 2014. This is the first increase in remuneration since 2011. Included in the increase is a fee of £2,000 for those Non Executive Directors who chair Board Committees, reflecting the additional time required. The fees will be 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 five years. We also show the Company's TSR compared to FTSE Small Cap and FTSE350 Index over the same period.

Previous 5 years CEO package and percentage of total potential to earn

Year	Salary and fees £'000	Cash bonus and pension £'000	Share based bonus £'000	CBLTIS £'000	LTIP £'000	Other benefits £'000	Total £'000	Annual bonus payout against maximum	Long term incentive vesting rates against maximum opportunity %
2013	523	52	-	1,073	169	23	1,840	Not Applicable	100%
2012	509	48	-	968	138	19	1,682	Not Applicable	100%
2011	494	296	424	-	-	14	1,228	Committee's Discretion	Not Applicable
2010	480	45	563	-	-	11	1,099	Committee's Discretion	Not Applicable
2009	467	45	698	-	-	10	1,220	Committee's Discretion	Not Applicable

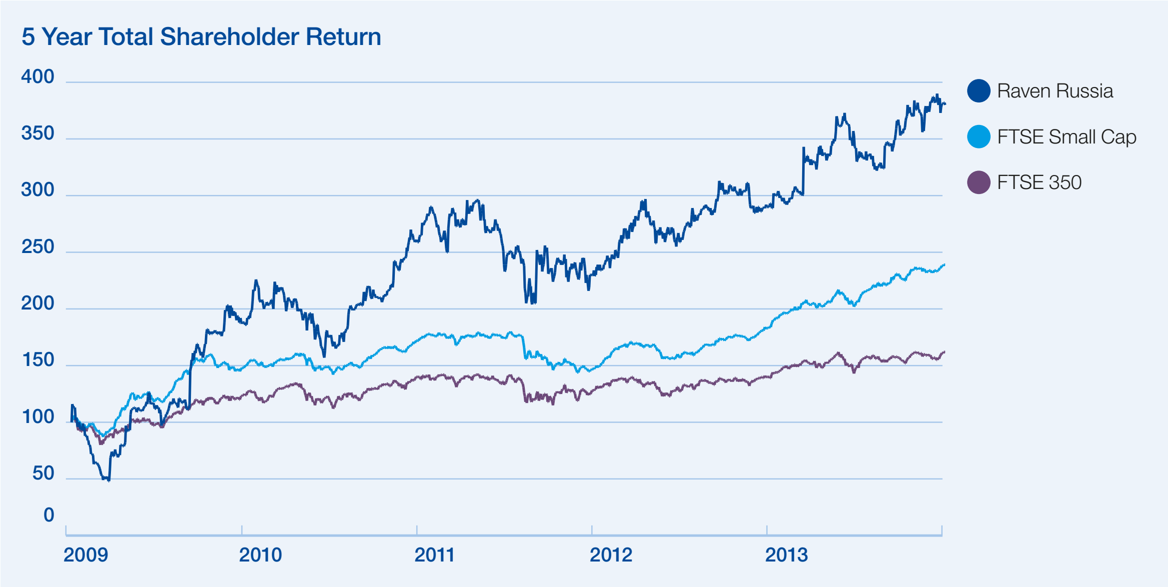
Percentage increase in remuneration in 2013 compared with remuneration in 2012

	2013 £	2012 £
Salary and Fees	522,750	509,000
Taxable Benefits	23,000	19,000
Annual Bonuses	-	-
Totals	**545,750**	**528,000**
% change	3.36	

The increase for all employees in the year, on a like for like basis, was 8%.

The information above 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 2012 and 2013 were 63p and 71p respectively. The share price at grant for the CBLTIS was 59.5p and at the year end was 80p.

The graph opposite reinforces the performance of the Group over the last five years, ordinary shares outperforming both the FTSE Small Cap and FTSE 350 indices. 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. We have used the indices above as we were in both at some point during the last year. The outperformance compared to the indices reflects the total shareholder return over the five year period of 353%.



	2009	2010	2011	2012	2013
Annual Bonus payable against maximum	Committee's Discretion	Committee's Discretion	Committee's Discretion	Not Applicable	Not Applicable
LTIP vesting rates against maximum opportunity	Not Applicable	Not Applicable	Not Applicable	100%	100%
Total Remuneration for CEO (£000's)	1,220	1,099	1,228	1,682	1,840

The contractual arrangements of the Executive Directors for 2014 are:

Director	Salary £'000	Appointment date	Unexpired term	Notice period	Contractual termination payment
G Hirsch	538	27.11.08	Rolling contract	12 months	Payment of 12 months salary and benefits on termination
A Bilton	538	27.11.08	Rolling contract	12 months	
M Sinclair	335	23.03.09	Rolling contract	12 months	
C Smith	297	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 acts as a Non Executive Director of Liontrust Asset Management Plc for which he receives a fee of £28,000 per annum.

At the 2013 Annual General Meeting the Remuneration Report was subject to an advisory vote. The table below sets out the results for this particular resolution.

Resolution	For		Against		Number of votes withheld	Total Votes Cast
	Number of votes	%	Number of votes	%		
To approve the Remuneration Report	419,377,125	84.90	74,615,391	15.10	20,863,464	493,992,516

Chris Sherwell
Chairman of the Remuneration Committee
9 March 2014

Directors' Report

The Directors present their report and the audited financial statements of the Group for the year ended 31 December 2013.

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 40 shares at 80p, equivalent to a dividend of 2p per share (2012: Tender offer 1 share in every 49 at 75p). A final distribution of 3p by way of a tender offer of 1 share in every 28 at 85p is being proposed at the Annual General Meeting (2012: Distribution of 2.25p by way of a tender offer of 1 share in every 33 at 75p).

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 Meetings of the Company.

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

Substantial Shareholdings

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

Ordinary Shares of £0.01

Name of holder	Number held 31 December 2013	% of share capital	Number held 21 February 2014	% of share capital
Invesco Perpetual	261,574,495	34.72	261,574,491	34.72
Schroder Investment Management	79,741,651	10.58	83,573,081	11.09
Mackenzie Cundill Investment Management	50,107,435	6.65	50,107,435	6.65
JO Hambro Capital Management	46,600,550	6.19	47,208,689	6.27
Ruffer	20,936,350	2.78	22,843,378	3.03

Auditors

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

Going Concern
The financial position of the Group, its cash flows, liquidity position and borrowings are described in the Financial Review and the notes to the accompanying financial statements. In addition, in note 36 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 stable rental income streams and overhead base. Debt facilities have a weighted average time to maturity of 4.7 years at 31 December 2013.

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. A comprehensive independent working capital review was also undertaken as part of the preference share conversion transaction just prior to the year end. 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 2013.

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 9 March 2014 and is signed on its behalf by:

Mark Sinclair
Chief Financial Officer

Colin Smith
Chief Operating Officer

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

We have audited the financial statements of Raven Russia Limited for the year ended 31 December 2013 which comprise the Group Income Statement, the Group Statement of Comprehensive Income, the Group Balance Sheet, the Group Cash Flow Statement, the Group Statement of Changes in Equity and the related notes 1 to 40. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors’ Responsibilities Statement set out on page 65, the directors are responsible for the preparation of the Group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board’s 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.

Opinion on financial statements

In our opinion the group financial statements:

- give a true and fair view of the state of the Group’s affairs as at 31 December 2013 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.

Our assessment of risks of material misstatement

We identified the following risks that have had the greatest effect on the overall audit strategy and scope:

- misstatement of the fair value of investment properties and investment properties under construction;
- the Group’s property investment and logistics businesses operate in a market with a comparatively high level of legal and political risk. The Group is subject to ongoing litigation in its Toros subsidiary; and
- revenue recognition.

Our application of materiality

We determined materiality for the Group to be $3.2 million, which is approximately 5% of adjusted pre-tax profit. We adjusted pre-tax profits to exclude the revaluation of investment property and investment property under construction and the finance expense in relation to the preference share conversion. 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 75% of planning materiality, namely $2.4 million.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of $0.16 million, as well as differences below that threshold that, in our view warranted reporting on qualitative grounds.

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. All testing of significant balances is performed by the Group audit team.

Our response to the risks identified above was as follows:

- Misstatement of the fair value of investment properties and investment properties under construction: We assessed the competence, capabilities and objectivity of the external valuers. We challenged the assumptions made by the external valuers and the directors in performing their valuations. We tested the source data used in the valuations. We conducted analytical procedures by reference to external indices to evaluate the appropriateness of the valuations adopted by the Group and investigated further the valuations of those properties which were not in line with our expectations.
- Legal and political risk: We identified the specific financial statement balances impacted by these risks on the basis of our knowledge of the Group, developments in Russia and discussions with management.
- With respect to the ongoing litigation in Toros, we obtained and reviewed the claims and litigation assessment prepared by the Group's external legal advisor. We challenged the assumptions made by management in arriving at the provision recorded.
- 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. We agreed the calculation of the IFRS rent adjustment to underlying lease and tenancy data. We performed cut-off procedures on all revenue streams.

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 Directors' 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, Statutory Auditor
London
9 March 2014

Group Income Statement

For the year ended 31 December 2013

	Notes	2013 Underlying earnings US$'000	2013 Capital and other US$'000	2013 Total US$'000	2012 Underlying earnings (Restated) US$'000	2012 Capital and other (Restated) US$'000	2012 Total (Restated) US$'000
Gross revenue	4/5	272,269	–	272,269	225,311	–	225,311
Property operating expenditure and cost of sales		(85,765)	(65)	(85,830)	(82,121)	(7,600)	(89,721)
Net rental and related income		**186,504**	**(65)**	**186,439**	**143,190**	**(7,600)**	**135,590**
Administrative expenses	4/6	(25,925)	(2,019)	(27,944)	(31,049)	(1,706)	(32,755)
Share-based payments and other long term incentives	33	–	(7,634)	(7,634)	–	(16,609)	(16,609)
Foreign currency losses		(1,893)	–	(1,893)	(2,467)	–	(2,467)
Operating expenditure		**(27,818)**	**(9,653)**	**(37,471)**	**(33,516)**	**(18,315)**	**(51,831)**
Share of profits of joint ventures	16	2,717	–	2,717	2,218	(1,771)	447
Operating profit/(loss) before profits and losses on investment property		**161,403**	**(9,718)**	**151,685**	**111,892**	**(27,686)**	**84,206**
Unrealised profit on revaluation of investment property	11	–	48,557	48,557	–	68,055	68,055
Unrealised profit/(loss) on revaluation of investment property under construction	12	–	6,711	6,711	–	(3,696)	(3,696)
Operating profit		**161,403**	**45,550**	**206,953**	**111,892**	**36,673**	**148,565**
Finance income	7	2,495	7,231	9,726	6,666	–	6,666
Finance expense	7	(93,931)	(8,225)	(102,156)	(84,067)	(8,546)	(92,613)
Charge on preference share conversion	24	–	(86,035)	(86,035)	–	–	–
Profit before tax		**69,967**	**(41,479)**	**28,488**	**34,491**	**28,127**	**62,618**
Tax	8	(9,716)	(22,691)	(32,407)	(4,224)	(28,980)	(33,204)
Profit/(loss) for the year		**60,251**	**(64,170)**	**(3,919)**	**30,267**	**(853)**	**29,414**
Earnings per share:	9						
Basic (cents)				(0.71)			5.15
Diluted (cents)				(0.71)			4.92
Underlying earnings per share:	9						
Basic (cents)		10.92			5.30		
Diluted (cents)		10.33			5.06		

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 2013

	2013 US$'000	2012 US$'000
(Loss)/profit for the year	**(3,919)**	**29,414**
Items to be reclassified to profit or loss in subsequent periods:		
Foreign currency translation	(14,873)	(3,050)
Tax relating to foreign currency translation	–	–
Other comprehensive income, net of tax	**(14,873)**	**(3,050)**
Total comprehensive income for the year, net of tax	**(18,792)**	**26,364**

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 2013

	Notes	31 December 2013 US$'000	31 December 2012 (Restated) US$'000	1 January 2012 (Restated) US$'000
Non-current assets				
Investment property	11	1,632,476	1,495,673	1,145,090
Investment property under construction	12	118,919	149,450	101,458
Plant and equipment		6,818	8,751	6,681
Goodwill	14	7,906	7,859	7,750
Investment in joint ventures	16	18,464	23,031	22,553
Other receivables	17	66,436	18,732	13,084
Derivative financial instruments	20	10,266	4,278	1,216
Deferred tax assets	27	48,092	52,709	57,994
		1,909,377	1,760,483	1,355,826
Current assets				
Inventory	18	2,523	15,371	34,784
Trade and other receivables	19	56,431	86,906	42,114
Derivative financial instruments	20	1,519	960	–
Cash and short term deposits	21	201,324	188,740	181,826
		261,797	291,977	258,724
Total assets		**2,171,174**	**2,052,460**	**1,614,550**
Current liabilities				
Trade and other payables	22	101,630	92,338	69,457
Derivative financial instruments	20	–	606	–
Interest bearing loans and borrowings	23	81,803	121,936	95,607
		183,433	214,880	165,064
Non-current liabilities				
Interest bearing loans and borrowings	23	721,311	645,121	465,638
Preference shares	24	172,205	325,875	218,206
Provisions	25	42,700	36,217	–
Other payables	26	39,707	40,288	18,352
Derivative financial instruments	20	4,413	9,103	8,968
Deferred tax liabilities	27	115,486	92,014	69,562
		1,095,822	1,148,618	780,726
Total liabilities		**1,279,255**	**1,363,498**	**945,790**
Net assets		**891,919**	**688,962**	**668,760**
Equity				
Share capital	28	13,876	11,131	11,208
Share premium		287,605	71,475	83,454
Warrants	29	1,279	1,367	1,985
Own shares held	30	(22,754)	(24,145)	(16,222)
Capital reserve		146,392	102,808	52,239
Translation reserve		(145,378)	(123,697)	(120,647)
Retained earnings		610,899	650,023	656,743
Total equity	**31/32**	**891,919**	**688,962**	**668,760**
Net asset value per share (dollars):	32			
Basic		1.22	1.22	1.18
Diluted		1.16	1.14	1.11
Adjusted net asset value per share (dollars):	32			
Basic		1.32	1.34	1.26
Diluted		1.26	1.25	1.19

The financial statements were approved by the Board of Directors on 9 March 2014 and signed on its behalf by:

Mark Sinclair Colin Smith

The accompanying notes are an integral part of this statement.

Group Statement Of Changes In Equity

For the year ended 31 December 2013

	Notes	Share Capital US$'000	Share Premium US$'000	Warrants US$'000	Own Shares Held US$'000	Capital Reserve US$'000	Translation Reserve US$'000	Retained Earnings US$'000	Total US$'000
For the year ended 31 December 2012									
At 1 January 2012		11,208	83,454	1,985	(16,222)	52,239	(120,647)	656,743	668,760
Profit for the year		–	–	–	–	–	–	29,414	29,414
Other comprehensive income		–	–	–	–	–	(3,050)	–	(3,050)
Total comprehensive income for the year		–	–	–	–	–	(3,050)	29,414	26,364
Warrants exercised	28/29	155	4,327	(618)	–	–	–	–	3,864
Own shares disposed	30	–	–	–	3,533	–	–	4,416	7,949
Own shares acquired	30	–	–	–	(14,060)	–	–	–	(14,060)
Own shares allocated	30	–	–	–	2,418	–	–	(2,418)	–
Ordinary shares cancelled under tender offers	28/30	(232)	(16,306)	–	186	–	–	–	(16,352)
Share-based payments	33	–	–	–	–	–	–	12,437	12,437
Transfer in respect of capital profits		–	–	–	–	50,569	–	(50,569)	–
At 31 December 2012		**11,131**	**71,475**	**1,367**	**(24,145)**	**102,808**	**(123,697)**	**650,023**	**688,962**
For the year ended 31 December 2013									
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	28/29	22	615	(88)	–	–	–	–	549
Own shares disposed	30	–	–	–	–	–	–	–	–
Own shares acquired	30	–	–	–	(704)	–	–	–	(704)
Own shares allocated	30	–	–	–	1,857	–	–	(1,857)	–
Preference share conversion	28/30	3,227	253,360	–	(150)	–	–	–	256,437
Ordinary shares cancelled under tender offers	28/30	(504)	(37,845)	–	388	–	–	–	(37,961)
Share-based payments	33	–	–	–	–	–	–	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**

The accompanying notes are an integral part of this statement.

Group Cash Flow Statement

For the year ended 31 December 2013

	Notes	2013 US$'000	2012 (Restated) US$'000
Cash flows from operating activities			
Profit before tax		28,488	62,618
Adjustments for:			
Depreciation	6	2,019	1,706
Inventory write down	4	–	7,600
Loss on disposal of plant and equipment		65	–
Share of profits of joint ventures	16	(2,717)	(447)
Finance income	7	(9,726)	(6,666)
Finance expense	7	102,156	92,613
Charge on preference share conversion	24	86,035	–
Profit on revaluation of investment property	11	(48,557)	(68,055)
(Profit)/loss on revaluation of investment property under construction	12	(6,711)	3,696
Foreign exchange losses		1,893	2,467
Share-based payments and other long term incentives	33	7,634	16,609
		160,579	112,141
Receipts from joint ventures		7,720	759
Increase in operating receivables		(4,000)	(7,822)
Decrease in other operating current assets		13,187	14,089
Increase in operating payables		20,115	13,835
		197,601	133,002
Tax paid		(5,304)	(3,233)
Net cash generated from operating activities		**192,297**	**129,769**
Cash flows from investing activities			
Payments for investment property under construction		(74,920)	(44,583)
Refunds of VAT on construction		4,258	6,729
Cash acquired with subsidiary undertakings	40	–	13,930
Acquisition of subsidiary undertakings	40	(914)	(271,245)
Release of retention on acquisition of subsidiary undertakings		5,819	–
Proceeds from sale of plant and equipment		311	42
Purchase of plant and equipment		(875)	(2,997)
Loans advanced		–	(353)
Loans repaid		356	2,470
Interest received		2,482	2,278
Net cash used in investing activities		**(63,483)**	**(293,729)**
Cash flows from financing activities			
Proceeds from long term borrowings		194,400	239,814
Repayment of long term borrowings		(155,472)	(55,612)
Repayment of other borrowings		–	(91)
Bank borrowing costs paid		(72,042)	(53,169)
Exercise of warrants	28/29	549	3,864
Own shares acquired	28/30	(38,581)	(30,740)
Own shares disposed	30	–	7,949
Issue of preference shares	24	–	94,815
Costs incurred on issuing ordinary shares		(1,572)	–
Dividends paid on preference shares		(36,424)	(31,570)
Settlement of maturing forward currency financial instruments		225	140
Premium paid for forward currency financial instruments		(1,451)	(5,241)
Net cash (used in)/generated from financing activities		**(110,368)**	**170,159**
Net increase in cash and cash equivalents		18,446	6,199
Opening cash and cash equivalents		188,740	181,826
Effect of foreign exchange rate changes		(5,862)	715
Closing cash and cash equivalents	21	**201,324**	**188,740**

The accompanying notes are an integral part of this statement.

Notes to the Financial Statements

For the year ended 31 December 2013

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 2013 were authorised by the Board for issue on 9 March 2014.

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.

The allocation of creditors acquired with the acquisition of Pushkino were incorrectly allocated between operating activities and investing activities in the 2012 Cash Flow Statement. The 2012 Cash Flow Statement has been restated. There was no impact on the Group's Statement of Comprehensive Income, Balance Sheet or cash balance at 31 December 2012. The impact on the 2012 Cash Flow Statement was to increase operating cash inflows by US$11,999k, increase investing cash outflows by US$10,551k and to decrease the effect of foreign exchange rate changes on cash and cash equivalents by US$1,449k. There was no effect in 2013.

Statement of compliance

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

Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year, except that the Group has adopted the following new and amended IFRS and IFRIC interpretations as of 1 January 2013:

New and amended standards

IAS 1 Financial Statement Presentation - Presentation of Items of Other Comprehensive Income

IFRS 10 Consolidated Financial Statements (adopted early - mandatory 1 January 2014)

IFRS 11 Joint Arrangements (adopted early - mandatory 1 January 2014)

IFRS 12 Disclosure of Interests in Other Entities (adopted early - mandatory 1 January 2014)

IFRS 13 Fair Value Measurement

IAS 19 Employee Benefits (Revised)

Other than detailed below the adoption of the new or amended standards had no impact on the financial position or performance of the Group.

IAS 1 Presentation of Items in Other Comprehensive Income

The amendments to IAS 1 introduce the grouping of items presented in the Statement of Comprehensive Income. Amounts disclosed as Other Comprehensive Income that will be recycled to profit or loss in the future are presented separately from items that will not be recycled. In the case of the Group all amounts disclosed as Other Comprehensive Income will be recycled in the future. The amendment affects the presentation of the results and has no impact on the Group's financial position or performance.

IFRS 10 Consolidated Financial Statements

The application of IFRS 10 has not had an impact on the financial position or performance of the Group and, whilst the standard requires different factors to be considered in the assessment of control, the resulting conclusions are unchanged from prior periods. The Group assessed its control of subsidiaries and special purpose vehicles based on factors set out in the standard, including the Group's power over the investees and the Group's exposure to variable returns.

IFRS 11 Joint Arrangements

The application of IFRS 11 has changed the accounting treatment for the Group's joint ventures. Previously the financial statements included the Group's proportionate share of these entities' assets, liabilities, income and expenditure on a line by line basis. Following the adoption of IFRS 11 the Group's interest in joint ventures is accounted for using the equity method, whereby the Group's share of the net assets of the joint ventures is included as a single line item in the balance sheet called "Investment in joint ventures". Similarly, the Group's share of profit or loss of its joint ventures is shown as a single line item on the face of the Income Statement as "Share of profits of joint ventures". The change in accounting policy has been applied retrospectively and the comparative financial information has been restated. The impact of the change on the 2012 financial information is set out below.

Impact on the Income Statement	2012 US$'000
Gross revenue	(8,896)
Property operating expenditure and cost of sales	8,004
Net rental and related income	**(892)**
Administrative expenses	223
Share of profits of joint ventures	447
Profit before tax	**(222)**
Tax	222
Profit for the year	**–**

The change in policy did not have any impact on net profit, other comprehensive income for the year or the Group's basic or diluted EPS.

Impact on the Balance Sheet	31 December 2012 US$'000	1 January 2012 US$'000
Goodwill	(5,756)	(5,725)
Plant and equipment	(17)	(30)
Investment in joint ventures	23,031	22,553
Total non-current assets	**17,258**	**16,798**
Inventory	(14,802)	(16,371)
Trade and other receivables	(110)	(1,547)
Cash and short term deposits	(2,957)	–
Total assets	**(611)**	**(1,120)**
Trade and other payables - current	611	1,120
Net assets	**–**	**–**

Impact on the Cash Flow Statement	2012 US$'000
Operating	(2,957)
Investing	–
Financing	–
Net decrease in cash and short term deposits	**(2,957)**

IFRS 13 Fair Value Measurement

The adoption of IFRS 13 in the period has not required the Group to change any of its accounting policies, however additional disclosures are required and are presented in notes 11, 12, 13 and 37.

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

IFRS 9 Financial Instruments: Classification and Measurement (effective 1 January 2015)

IFRS 10 Consolidated Financial Statements amended (effective 1 January 2014)

IFRS 12 Disclosure of Interests in Other Entities amended (effective 1 January 2014)

The Group has determined that the impact of these changes on its financial statements will not be material. 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 sales of completed properties and land are recognised on legal completion.

Taxation

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

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

(a) *Current tax*

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

(b) *Deferred tax*

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

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

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

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

(c) *Value added tax*

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

Where the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the value added tax is recognised as part of the cost of acquisition of the asset or as part of the expenditure item as applicable; and

Receivables and payables that are stated with the amount of value added tax included.

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

Investment property and investment property under construction

Investment property comprises completed property and property under construction held to earn rentals or for capital appreciation or both. Investment property comprises both freehold and leasehold land and buildings. Investment property is measured initially at its cost, including related transaction costs. After initial recognition, investment property is carried at fair value. The Directors assess the fair value of investment property based on independent valuations carried out by their appointed property valuers or on independent valuations prepared for banking purposes. The Group has appointed Jones Lang LaSalle as property valuers to prepare valuations on a semi-annual basis. Valuations are undertaken in accordance with appropriate sections of the current Practice Statements contained in the Royal Institution of Chartered Surveyors Appraisal and Valuation Standards, 7th Edition (the “Red Book”). This is an internationally accepted basis of valuation. Gains or losses arising from changes in the fair value of investment property are included in the Income Statement in the period in which they arise. For the purposes of these financial statements, in order to avoid double counting, the assessed fair value is reduced by the present value of any tenant incentives and contracted rent uplifts that are spread over the lease term and increased by the carrying amount of any liability under a head lease that has been recognised in the Balance Sheet.

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

Leasing (as lessors)

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

Inventory

Inventory is stated at the lower of cost and net realisable value. Inventory includes land and completed units that are available for sale.

Financial assets

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

(a) *Fair value through profit or loss*

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

(b) *Loans and receivables*

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

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

(a) *Fair value through profit or loss*

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

(b) *Other financial liabilities*

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

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

Provisions

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

Own shares held

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

Share-based payments and other long term incentives

The Group rewards its key management and other senior employees by a variety of means many of which are settled by ordinary or preference shares of the Company, these include the Executive Share Option Schemes 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 remeasured at each Balance Sheet date.

Foreign currency translation

(a) *Functional and presentation currency*

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

(b) *Transactions and balances*

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

(c) *On consolidation*

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

(i) assets and liabilities for each Balance Sheet are translated at the closing rate at the date of the Balance Sheet;

(ii) income and expenditure for each Income Statement are translated at the average exchange rate prevailing in the period 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 judgement 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, 7th 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.

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.

(b) *Income tax*

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

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

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

(c) *Provisions*

The provision relating to the ongoing litigation in Toros (see note 25) requires the estimation of the likely outcome of the legal proceedings. In making the estimate, management has taken account of advice received from its legal advisers.

4. Segmental information

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

Property Investment - acquire, develop and lease commercial property in Russia

Roslogistics - provision of warehousing, transport, customs brokerage and related services in Russia

Raven Mount - sale of residential property in the UK

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

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

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

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

For the Balance Sheet, segmental information is provided in relation to investment property, inventory, cash balances and borrowings. Whilst segment liabilities includes loans and borrowings, segment loss does not include the related finance costs. If such finance costs were included in segment profit or loss, the profit from Property Investment would have decreased by US$63,114k (2012: US$58,446k). In 2012 the Raven Mount segment loss would have increased by $20k. There is no corresponding cost for Raven Mount in 2013.

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

Year ended 31 December 2013	Property Investment US$'000	Roslogistics US$'000	Raven Mount US$'000	Segment Total US$'000	Central Overhead US$'000	Total US$'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)
Inventory write down	–	–	–	–	–	–
Net operating income	**167,201**	**18,159**	**1,079**	**186,439**	**–**	**186,439**
Administrative expenses						
Running general & 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 US$'000	Roslogistics US$'000	Raven Mount US$'000	Total US$'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

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

Year ended 31 December 2012 (Restated)	Property Investment US$'000	Roslogistics US$'000	Raven Mount US$'000	Segment Total US$'000	Central Overhead US$'000	Total US$'000
Gross revenue	187,754	23,059	14,498	225,311	–	225,311
Operating costs/cost of sales	(56,961)	(9,651)	(15,509)	(82,121)	–	(82,121)
Inventory write down	–	–	(7,600)	(7,600)	–	(7,600)
Net operating income	**130,793**	**13,408**	**(8,611)**	**135,590**	**–**	**135,590**
Administrative expenses						
Running general & administration expenses	(15,327)	(3,202)	(2,251)	(20,780)	(8,476)	(29,256)
Other acquisition/abortive project costs	–	–	–	–	(1,793)	(1,793)
Depreciation	(1,203)	(496)	(7)	(1,706)	–	(1,706)
Share-based payments and other long term incentives	(3,769)	–	–	(3,769)	(12,840)	(16,609)
Foreign currency (losses)/profits	(2,935)	468	–	(2,467)	–	(2,467)
	107,559	**10,178**	**(10,869)**	**106,868**	**(23,109)**	**83,759**
Unrealised profit on revaluation of investment property	68,055	–	–	68,055	–	68,055
Unrealised profit on revaluation of investment property under construction	(3,696)	–	–	(3,696)	–	(3,696)
Share of profits of joint ventures	–	–	447	447	–	447
Segment profit/(loss)	**171,918**	**10,178**	**(10,422)**	**171,674**	**(23,109)**	**148,565**
Finance income						6,666
Finance expense						(92,613)
Charge on preference share conversion						–
Profit before tax						**62,618**

As at 31 December 2013	Property Investment US$'000	Roslogistics US$'000	Raven Mount US$'000	Total US$'000
Assets				
Investment property	1,495,673	–	–	1,495,673
Investment property under construction	149,450	–	–	149,450
Investment in joint ventures	–	–	23,031	23,031
Inventory	–	–	15,371	15,371
Cash and short term deposits	175,551	2,272	10,917	188,740
Segment assets	**1,820,674**	**2,272**	**49,319**	**1,872,265**
Other non-current assets				92,329
Other current assets				87,866
Total assets				**2,052,460**
Segment liabilities				
Interest bearing loans and borrowings	767,057	–	–	767,057
Capital expenditure				
Payments for acquisition of subsidiary undertakings and investment property under construction	305,277	–	–	305,277

5. Gross revenue

	2013 US$'000	2012 (Restated) US$'000
Rental and related income	230,126	187,754
Proceeds from the sale of inventory property	13,959	14,498
Logistics	28,184	23,059
	272,269	**225,311**

The Group's leases typically include annual rental increases ("contingent rents") based on a consumer price index in Europe or the USA, which are recognised in income as they arise. Contingent rents included in rental income for the year amounted to US$2,234k (2012: US$1,242k).

Details of the Group's contracted future minimum lease receivables are detailed in note 39.

In 2013 and 2012 there were no single customers accounting for more than 10% of Group revenues.

6. Administrative expenses

(a) Total administrative expenses

	2013 US$'000	2012 (Restated) US$'000
Employment costs	13,351	14,481
Directors' remuneration	3,371	4,500
Office running costs and insurance	4,052	4,853
Travel costs	2,070	1,700
External administrator fees	79	265
Auditors' remuneration	664	1,302
Abortive project costs	156	793
Legal and professional	1,993	2,775
Depreciation	2,019	1,706
Registrar costs and other administrative expenses	189	380
	27,944	**32,755**

Notes to the Financial Statements – continued

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

	2013 US$'000	2012 (Restated) US$'000
Audit services	629	1,070
Audit related assurance services	71	71
Audit and audit related assurance services	700	1,141
Other fees:		
Taxation services	(74)	141
Other services	38	20
	(36)	161
Total fees	**664**	**1,302**

In addition the Group incurred a further US$432k of corporate finance fees in respect of the ordinary shares created as part of the preference share conversion (see note 24), which are deducted from the share premium created. In 2012 a further US$705k of corporate finance fees were incurred in respect of acquisitions and the placing of new preference shares, which are included in the cost of the acquisition or carrying value of the preference shares. 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 US$318k (2012: US$453k) and the fees for taxation services were US$116k (2012: US$113k).

7. Finance income and expense

	2013 US$'000	2012 US$'000
Finance income		
Income from cash and short term deposits	2,495	2,388
Interest income on loans receivable	–	109
Total interest income on financial assets not at fair value through profit or loss	2,495	2,497
Change in fair value of open forward currency derivative financial instruments	400	1,800
Change in fair value of open interest rate derivative financial instruments	6,606	2,229
Profit on maturing forward currency derivative financial instruments	225	140
Finance income	**9,726**	**6,666**
Finance expense		
Interest expense on loans and borrowings measured at amortised cost	63,240	51,135
Interest expense on preference shares	38,288	33,533
Total interest expense on financial liabilities not at fair value through profit or loss	101,528	84,668
Change in fair value of open forward currency derivative financial instruments	398	614
Change in fair value of open interest rate derivative financial instruments	230	7,331
Finance expense	**102,156**	**92,613**

Included in the interest expense on loans and borrowings is US$6.2 million (2012: US$3.7 million) relating to amortisation of costs incurred in originating the loans. Included in the interest expense on preference shares is US$1.4 million (2012: US$1.1 million) relating to the accretion of premiums payable on redemption of preference shares and amortisation of costs incurred in issuing preference shares.

8. Tax

The tax expense for the year comprises:

	2013 US$'000	2012 (Restated) US$'000
Current taxation	5,610	3,691
Deferred taxation		
Deferred tax expense relating to the origination and reversal of temporary differences (note 27)	28,785	16,548
Charge on unrealised foreign exchange movements in loans	(2,380)	12,270
Adjustments recognised in the period for tax of prior periods	392	695
Tax charge	**32,407**	**33,204**

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

	2013 US$'000	2012 (Restated) US$'000
Profit before tax	28,488	62,618
Tax at the Russian corporate tax rate of 20%	5,698	12,524
Tax effect of income not subject to tax and non-deductible expenses	40,536	26,801
Tax on dividends and other inter company gains	1,085	480
Tax effect of financing arrangements	(33,024)	(2,011)
Movement on unprovided deferred tax	17,720	(540)
Effect of acquisitions in the year	–	(4,745)
Adjustments recognised in the period for current tax of prior periods	392	695
	32,407	**33,204**

9. Earnings measures

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

EPRA earnings

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

Underlying earnings

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

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

	2013 US$'000	2012 US$'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share being the net profit for the year prepared under IFRS	**(3,919)**	**29,414**
Adjustments to arrive at EPRA earnings:		
Unrealised profit on revaluation of investment property	(48,557)	(68,055)
Unrealised (profit)/loss on revaluation of investment property under construction	(6,711)	3,696
Profit on maturing foreign currency derivative financial instruments (note 7)	(225)	(140)
Change in fair value of open forward currency derivative financial instruments (note 7)	(2)	(1,186)
Change in fair value of open interest rate derivative financial instruments (note 7)	(6,376)	5,102
Movement on deferred tax thereon	24,218	18,981
Adjusted EPRA earnings	**(41,572)**	**(12,188)**
Charge on preference share conversion (note 24)	86,035	–
Inventory write down (note 18)	–	7,600
Inventory write down in joint venture	–	1,771
Loss on disposal of plant and equipment	65	–
Share-based payments and other long term incentives	7,634	16,609
Premium on redemption of preference shares and amortisation of issue costs (note 7)	1,394	1,109
Depreciation (note 6a)	2,019	1,706
Amortisation of loan origination costs (note 7)	6,203	3,661
Tax on unrealised foreign exchange movements in loans	(1,527)	9,999
Underlying earnings	**60,251**	**30,267**

	2013 No '000	2012 No '000
Number of shares		
Weighted average number of ordinary shares for the purposes of basic EPS (excluding own shares held)	**551,828**	**570,834**
Effect of dilutive potential ordinary shares:		
Warrants (note 29)	18,256	19,532
ERS (note 33)	596	1,755
LTIP (note 33)	5,665	5,384
CBLTIS (note 33)	6,796	–
Weighted average number of ordinary shares for the purposes of diluted EPS (excluding own shares held)	**583,141**	**597,505**

	2013 Cents	2012 Cents
EPS basic	**(0.71)**	**5.15**
Effect of dilutive potential ordinary shares:		
Warrants	–	(0.18)
ERS	–	(0.01)
LTIP	–	(0.04)
CBLTIS	–	–
Diluted EPS	**(0.71)**	**4.92**
EPRA EPS basic	**(7.53)**	**(2.14)**
Effect of dilutive potential ordinary shares:		
Warrants	–	–
ERS	–	–
LTIP	–	–
CBLTIS	–	–
EPRA EPS diluted	**(7.53)**	**(2.14)**
Underlying EPS basic	**10.92**	**5.30**
Effect of dilutive potential ordinary shares:		
Warrants	(0.36)	(0.18)
ERS	(0.01)	(0.01)
LTIP	(0.10)	(0.05)
CBLTIS	(0.12)	–
Underlying EPS diluted	**10.33**	**5.06**

10. Ordinary dividends

The Company did not declare a final dividend for the year ended 31 December 2012 or an interim dividend for 2013 and instead implemented two tender offer buy backs of ordinary shares.

In the place of a final dividend for 2012 the Company implemented a tender offer buy back of ordinary shares on the basis of 1 in every 33 shares held at a tender price of 75 pence per share, the equivalent of a final dividend of 2.25 pence per share. Instead of an interim dividend for 2013 the Company implemented a tender offer buy back of ordinary shares on the basis of 1 in every 40 shares at a tender price of 80 pence per share, the equivalent of a dividend of 2 pence per share.

11. Investment property

Asset class Location Fair value hierarchy *	Logistics Moscow Level 3 US$'000	Logistics St Petersburg Level 3 US$'000	Logistics Regions Level 3 US$'000	Office St Petersburg Level 3 US$'000	2013 Total US$'000
Market value at 1 January 2013	1,083,879	173,409	200,032	45,000	1,502,320
Property acquisitions (note 40)	–	–	–	–	–
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 26)	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 37. There were no transfers between fair value hierarchy in 2012 or 2013.

Asset class Location Fair value hierarchy *	Logistics Moscow Level 3 US$'000	Logistics St Petersburg Level 3 US$'000	Logistics Regions Level 3 US$'000	Office St Petersburg Level 3 US$'000	2012 Total US$'000
Market value at 1 January 2012	758,026	158,664	190,800	47,000	1,154,490
Property acquisitions (note 40)	268,623	–	–	–	268,623
Transfer from investment property under construction (note 12)	–	–	–	–	–
Property improvements and movement in completion provisions	4,705	1,012	535	8	6,260
Unrealised profit/(loss) on revaluation	52,525	13,733	8,697	(2,008)	72,947
Market value at 31 December 2012	**1,083,879**	**173,409**	**200,032**	**45,000**	**1,502,320**
Tenant incentives and contracted rent uplift balances	(8,355)	(2,690)	(1,992)	(1,255)	(14,292)
Head lease obligations (note 26)	7,645	–	–	–	7,645
Carrying value at 31 December 2012	**1,083,169**	**170,719**	**198,040**	**43,745**	**1,495,673**
Revaluation movement in the year ended 31 December 2012					
Gross revaluation	52,525	13,733	8,697	(2,008)	72,947
Effect of tenant incentives and contracted rent uplift balances	(3,144)	(633)	(645)	(470)	(4,892)
Revaluation reported in the Income Statement	**49,381**	**13,100**	**8,052**	**(2,478)**	**68,055**

* Classified in accordance with the fair value hierarchy, see note 37. There were no transfers between fair value hierarchy in 2012 or 2013.

At 31 December 2013 the Group has pledged investment property with a value of US$1,565 million (2012: US$1,445 million) to secure banking facilities granted to the Group (note 23).

12. Investment property under construction

Asset class	Assets under construction			Land bank				
Location Fair value hierarchy *	Moscow Level 3 US$'000	Regions Level 3 US$'000	Sub-total US$'000	Moscow Level 3 US$'000	St Petersburg Level 3 US$'000	Regions Level 3 US$'000	Sub-total US$'000	2013 Total US$'000
Market value at 1 January 2013	71,400	14,200	**85,600**	25,700	4,111	31,709	**61,520**	**147,120**
Property acquisitions (note 40)	–	–	–	–	–	–	–	**–**
Costs incurred	52,652	60	**52,712**	–	153	1,017	**1,170**	**53,882**
Effect of foreign exchange rate changes	(1,907)	(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 26)	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**

Asset class	Assets under construction			Land bank				
Location Fair value hierarchy *	Moscow Level 3 US$'000	Regions Level 3 US$'000	Sub-total US$'000	Moscow Level 3 US$'000	St Petersburg Level 3 US$'000	Regions Level 3 US$'000	Sub-total US$'000	2012 Total US$'000
Market value at 1 January 2012	40,900	13,100	**54,000**	–	6,253	41,205	**47,458**	**101,458**
Property acquisitions (note 40)	–	–	**–**	23,020	–	–	**23,020**	**23,020**
Costs incurred	21,037	120	**21,157**	82	374	1,092	**1,548**	**22,705**
Effect of foreign exchange rate changes	304	706	**1,010**	–	439	2,184	**2,623**	**3,633**
Transfer to investment property (note 11)	–	–	**–**	–	–	–	**–**	**–**
Unrealised profit/(loss) on revaluation	9,159	274	**9,433**	2,598	(2,955)	(12,772)	**(13,129)**	**(3,696)**
Market value at 31 December 2012	**71,400**	**14,200**	**85,600**	**25,700**	**4,111**	**31,709**	**61,520**	**147,120**
Head lease obligations (note 26)	–	–	**–**	2,330	–	–	**2,330**	**2,330**
Carrying value at 31 December 2012	**71,400**	**14,200**	**85,600**	**28,030**	**4,111**	**31,709**	**63,850**	**149,450**

* Classified in accordance with the fair value hierarchy, see note 37. There were no transfers between fair value hierarchy in 2012 or 2013.

	2013 US$'000	2012 US$'000
Revaluation movement in the year		
Unrealised profit on revaluation of assets carried at external valuations	17,505	12,031
Unrealised loss on revaluation of assets carried at directors' valuation	(10,794)	(15,727)
	6,711	**(3,696)**

Borrowing costs capitalised in the year amounted to US$1.2 million (2012: US$ 0.5 million).

At 31 December 2013 the Group has pledged investment property under construction with a value of US$54.7 million (2012: US$14.2 million) to secure banking facilities granted to the Group (note 23).

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 subcategorised 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 2013 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 Completed investment property	Carrying amount 2013 US$'000	 2012 US$'000	Valuation technique	Input	Range 2013	 2012
Moscow – Logistics	1,194,216	1,083,169	Income	ERV	$120 to $145	$115 to $145
			capitalisation	Initial yield	10.0% to 11.5%	10.6% to 11.3%
				Equivalent yield	10.7% to 12.8%	11.0% to 13.0%
				Vacancy rate	1.0% to 40.9%	1.0% to 9.8%
				Passing rent	$98 to $238	$92 to $216
St Petersburg – Logistics	184,584	170,719	Income	ERV	$115	$115
			capitalisation	Initial yield	10.5% to 11.1%	9.8% to 10.8%
				Equivalent yield	12.1% to 12.5%	12.5%
				Vacancy rate	1.4% to 7.3%	2.2% to 14.0%
				Passing rent	$91 to $127	$81 to $122
Regions – Logistics	214,521	198,040	Income	ERV	$110 to $115	$110 to $115
			capitalisation	Initial yield	12.4% to 12.8%	8.3% to 13.1%
				Equivalent yield	12.0% to 12.5%	12.5% to 13.3%
				Vacancy rate	0% to 3.8%	0% to 22.6%
				Passing rent	$97 to $214	$95 to $173
St Petersburg – Office	39,155	43,745	Income	ERV	$300	$300
			capitalisation	Initial yield	18.9%	17.8%
				Equivalent yield	12.3%	12.0%
				Vacancy rate	0%	0%
				Passing rent	$535	$556

Other key information	Description	Range 2013	 2012
Moscow – Logistics	Land plot ratio	42% to 65%	42% to 65%
	Age of building	1 to 9 years	1 to 8 years
	Outstanding costs (US$'000)	10,413	18,590
St Petersburg – Logistics	Land plot ratio	51% to 57%	51% to 57%
	Age of building	4 to 5 years	3 to 4 years
	Outstanding costs (US$'000)	11,492	6,406
Regions – Logistics	Land plot ratio	48% to 61%	48% to 61%
	Age of building	4 years	3 years
	Outstanding costs (US$'000)	1,070	693
St Petersburg – Office	Land plot ratio	320%	320%
	Age of building	7 years	6 years
	Outstanding costs (US$'000)	–	–

Investment property under construction	Carrying amount 2013 US$'000	Carrying amount 2012 US$'000	Valuation technique	Input	Range 2013	Range 2012
Moscow – Logistics	38,635	41,000	Residual	ERV	$130	$115 - $130
				Initial yield	11.0%	11.5%
				Cost to complete per sqm	$793	$467 - $502
				Proposed land plot ratio	46.5%	36% to 52%
Moscow – Logistics	40,900	56,100	Comparable	Value per ha ($m)	$1.05 - $1.12	$0.6 - $1.0
Regions – Logistics	13,800	14,200	Comparable	Value per ha ($m)	$0.5	$0.6

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 developers 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.

Significant increases (or decreases) in the ERV (per sqm p.a.) would result in a significantly higher (or lower) fair value measurement. 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 (Restated) US$'000	Raven Mount (Restated) US$'000	Total (Restated) US$'000
Balance at 1 January 2012	5,383	2,367	7,750
Effect of foreign exchange rate changes	–	109	109
Balance at 31 December 2012	**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**

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 2013	2012
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 2013	2012
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. With the exception of Coln Park LLP, none of the Group's joint ventures are individually material. Summarised aggregated financial information of the joint ventures, prepared under IFRS, and a reconcilation with the carrying amount of the investments in the consolidated financial statements are set out below:

	31 December 2013 US$'000	31 December 2012 US$'000	1 January 2012 US$'000
Non-current assets	18	34	60
Inventory	22,946	29,604	32,742
Cash and short term deposits	3,248	5,914	–
Other current assets	378	220	3,094
Current liabilities	(1,200)	(1,222)	(2,240)
Net assets	**25,390**	**34,550**	**33,656**
Investment in joint ventures			
Goodwill on acquisition	5,769	5,756	5,725
Share of net assets at 50%	12,695	17,275	16,828
Carrying value	**18,464**	**23,031**	**22,553**

Notes to the Financial Statements – continued

Summarised Income Statement	2013 US$'000	2012 US$'000
Gross revenue	19,916	17,792
Cost of sales	(14,042)	(16,008)
Administrative expenses	(322)	(446)
Profit before tax	**5,552**	**1,338**
Tax	(118)	(444)
Profit for the year	**5,434**	**894**
Group's share of profit for the year	**2,717**	**447**

The joint ventures had no contingent liabilities or capital commitments as at 31 December 2013 and 2012. The joint ventures cannot distribute their profits until they obtain the consent from the venture partners.

17. Other receivables

	2013 US$'000	2012 US$'000
Loans receivable	1,261	1,591
VAT recoverable	6,471	7,177
Security deposits	4,781	4,862
Restricted cash (note 25)	50,000	–
Prepayments and other receivables	3,923	5,102
	66,436	**18,732**

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. Inventory

	Land held for development (Restated) US$'000	Housing stock (Restated) US$'000	Total (Restated) US$'000
Balance at 1 January 2012	1,453	33,331	34,784
Costs incurred in the year	95	801	896
Cost of sales	–	(14,308)	(14,308)
Inventory write down	–	(7,600)	(7,600)
Effect of foreign exchange rate changes	67	1,532	1,599
Balance at 31 December 2012	**1,615**	**13,756**	**15,371**
Costs incurred in the year	64	–	64
Cost of sales	–	(13,203)	(13,203)
Inventory write down	–	–	–
Effect of foreign exchange rate changes	31	260	291
Balance at 31 December 2013	**1,710**	**813**	**2,523**

19. Trade and other receivables

	2013 US$'000	2012 (Restated) US$'000
Trade receivables	37,620	30,593
Prepayments	7,231	6,434
VAT recoverable	10,422	6,869
Tax recoverable	520	660
Loans receivable	–	64
Accrued income	–	26
Other receivables	638	42,260
	56,431	**86,906**

Other receivables in 2012 included the cash backed indemnity in respect of the provision more fully explained in note 25.

20. Derivative financial instruments

	2013 US$'000	2012 US$'000
Interest rate derivative financial instruments		
Non-current assets	5,923	627
Non-current liabilities	(4,413)	(9,103)
Current liabilities	–	(206)
Forward currency derivative financial instruments		
Non-current assets	4,343	3,651
Current assets	1,519	960
Foreign currency embedded derivatives		
Current liabilities	–	(400)

The Group has entered into a series of interest rate derivative financial instruments to manage the interest rate and resulting cash flow exposure from the Group's banking facilities. The instruments have a notional value of US$686 million (2012: US$647 million) and a weighted average fixed or capped rate of 1.4% (2012: 1.9%).

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 US$105.6 million (2012: US$105.6 million), a weighted average capped rate of $1.6 to £1 (2012: $1.6 to £1) and quarterly maturities with the final instruments maturing on 21 December 2016 (2012: 18 December 2015).

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

21. Cash and short term deposits

	2013 US$'000	2012 (Restated) US$'000
Cash at bank and on call	119,600	115,993
Short term deposits	81,724	72,747
	201,324	**188,740**

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 1.43% (2012: 1.42%).

22. Trade and other payables

	2013 US$'000	2012 (Restated) US$'000
Investment property acquisition obligations	–	914
Trade and other payables	8,678	11,674
Construction payables	25,552	29,446
Advanced rentals	46,547	29,111
Tax payable	15,879	14,173
Head leases (note 26)	52	47
Other payables	4,922	6,973
	101,630	**92,338**

23. Interest bearing loans and borrowings

	2013 US$'000	2012 US$'000
Bank loans		
Loans due for settlement within 12 months	81,803	121,936
Loans due for settlement after 12 months	721,311	645,121
	803,114	**767,057**

The Group's borrowings have the following maturity profile:

	2013 US$'000	2012 US$'000
On demand or within one year	81,803	121,936
In the second year	47,553	75,426
In the third to fifth years	487,197	438,648
After five years	186,561	131,047
	803,114	**767,057**

The amounts above include unamortised loan origination costs of US$13.4 million (2012: US$13.1 million) and interest accruals of US$1.4 million (2012: US$4.1 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 2013	Interest Rate	Maturity (years)	US$'000
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

As at 31 December 2012	Interest Rate	Maturity (years)	US$'000
Secured on investment property and investment property under construction	7.3%	4.6	737,057
Unsecured facility of the Company	7.9%	7.7	30,000
			767,057

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 repaid its facility with Deutsche Pfandbriefbank AG and entered into a new facility of US$100 million from Sberbank secured on the Krekshino project. The facility, which was fully drawn in the year, is for a seven year term and has a margin of 6.9% over US LIBOR.

The Group also refinanced the IFC facility secured on the Rostov project, drawing down US$61 million from a facility provided by VTB. The facility was fully drawn, for a five year term and has a fixed interest rate to the Group of 7.7%.

US$20million was drawn from a US$33 million facility from ZAO Raiffieisen Bank (RZB) secured on the third phase of the Klimovsk project. The facility has a margin of 7.25% over US LIBOR and a ten year term. The undrawn portion of this facility is available until 29 May 2014. The Group drew down the final $3.5 million of the RZB facility secured on the second phase of Klimovsk.

The Group also agreed an increase of US$9.7 million to the RZB facility secured on the Sholokhovo project, which was fully drawn in the year.

Finally the Group agreed an increase of US$23 million to the facility provided by Unicredit for the Noginsk project. The additional facility was fully drawn in January 2014.

At 31 December 2013 the Group had undrawn loan facilities available of US$36 million (2012: US$3.5 million).

The Group has entered into hedging arrangements in respect of its exposure to floating interest rates (note 20). US$305 million (2012: US$422 million) of Group bank borrowings have been fixed with three years remaining (2012: three years) at a weighted average swap rate of 1.43% (2012: 1.86%) and US$381 million (2012: US$225 million) capped at 1.33% (2012: 1.93%) for four years (2012: three years). This gave a weighted average cost of debt to the Group of 7.2% (2012: 7.3%) at the year end.

24. Preference shares

	2013 US$'000	2012 US$'000
Authorised share capital		
400,000,000 (2011: 400,000,000) preference shares of 1p each	5,981	5,981

	2013 Number	2012 Number
Issued share capital:		
At 1 January	190,409,488	145,036,942
Reissued/Issued in the year	3,410,388	48,414,250
Repurchased	–	(3,762,343)
Converted to ordinary shares	(97,359,522)	–
Scrip dividends	919,008	720,639
At 31 December	97,379,362	190,409,488
Shares in issue	97,674,608	194,171,831
Held by the Company's Employee Benefit Trusts	(295,246)	(3,762,343)
At 31 December	**97,379,362**	**190,409,488**

	2013 US$'000	2012 US$'000
At 1 January	325,875	218,206
Reissued/Issued in the year	8,473	105,454
Issue costs	–	(2,401)
Repurchased	–	(8,183)
Premium on redemption of preference shares and amortisation of issue costs	1,476	1,137
Converted to ordinary shares	(171,973)	–
Scrip dividends	2,238	1,602
Movement on accrual for preference dividends	(59)	92
Effect of foreign exchange rate changes	6,175	9,968
At 31 December	**172,205**	**325,875**

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

Preference shares repurchased are transactions where the Company's Employee Benefit Trusts have subscribed for or purchased preference shares and preference shares reissued are where those shares are subsequently transferred to employees in accordance with the terms of the CBLTIS (see note 33b).

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 US$86 million to the Income Statement. The Company's Employee Benefit Trust participated in the conversion and converted 56,709 preference shares.

On 26 June 2012 the Company issued and admitted to the Official List of the London Stock Exchange 48,414,250 new preference shares under the terms of a placing and open offer. The new preference shares were issued at a price of 134 pence per share and rank pari passu with the other preference shares in issue. The trustees of one of the Company's Employee Benefit Trusts sold £5 million (US$8 million) of ordinary shares (see note 30) so that the Employee Benefit Trust could acquire £5 million of new preference shares as part of the placing. The trustees will use these preference shares to satisfy in part awards made under the CBLTIS, details of which are set out in note 33.

25. Provisions

Provisions reflect the ongoing 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. The Arbitration Court ruled in favour of the supplier on 31 May 2011 and ordered Toros to pay the claim. Toros filed an appeal of the judgement in July 2011 and continued to appeal through the various levels of the Russian court system. On 18 December 2012, the claim was referred back to the Arbitration Court by the Cassation Court, recommencing the entire appeal process, subject to the direction of the Cassation Court. Various hearings have been held during 2013 and 2014 and the claim currently being assessed by the Arbitration Court is for 1,141.7 million Roubles (US$34.9 million) plus interest, which Toros is vigorously defending.

At the time of the acquisition the vendor of Toros, PLP Holding GmbH ("PLP"), agreed to indemnify Padastro Holdings Ltd ("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. On 12 October 2013, PLP agreed with Padastro and Toros to release the retention in return for which Padastro released its claim under the indemnity. Toros now has conduct of the litigation and under the terms of the agreement to release the indemnity, the majority of the retention monies received are restricted until the litigation has been resolved.

The increase in the provision in the year results from an updated assessment of the amount required to resolve the matter. It is not possible to determine how quickly the matter will be resolved.

26. Other payables

	2013 US$'000	2012 US$'000
Investment property acquisition obligations	–	2,929
Rent deposits	24,737	25,346
Head leases	11,809	9,928
Other payables	3,161	2,085
	39,707	**40,288**

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 US$36.6 million and have a present value at 31 December 2013 of US$11.861 million (2012: US$9.975 million).

27. Deferred tax

(a) Deferred tax assets

	Tax losses US$'000	Other US$'000	Total US$'000
Balance at 1 January 2012	57,894	100	57,994
Effect of foreign exchange rate changes	3,291	–	3,291
On disposal of SPV	1	–	1
Charge for the year	(8,477)	(100)	(8,577)
Balance at 31 December 2012	**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**

The Group has tax losses in Russia of US$291 million (2012: US$232 million) and tax losses in the UK of US$130 million (2012: US$123 million) for which deferred tax assets have not been recognised. The losses in Russia expire in 10 years (2012: 10 years) whilst the UK losses do not have an expiry date.

(b) Deferred tax liabilities

	Accelerated tax allowances US$'000	Revaluation of investment property US$'000	Total US$'000
Balance at 1 January 2012	25,636	43,926	69,562
Effect of foreign exchange rate changes	1,516	–	1,516
Charge for the year	7,146	13,790	20,936
Balance at 31 December 2012	**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**

28. Share capital

	2013 US$'000	2012 US$'000
Authorised ordinary share capital		
1,500,000,000 (2012: 1,500,000,000) ordinary shares of 1p each	27,469	27,469
Issued share capital		
At 1 January	11,131	11,208
On conversion of preference shares (note 24)	3,227	–
Issued in the year for cash on warrant exercises (note 29)	22	155
Cancelled under tender offers (note 10)	(504)	(232)
At 31 December	**13,876**	**11,131**

	2013 Number	2012 Number
Issued share capital:		
At 1 January	589,349,049	594,093,554
On conversion of preference shares (note 24)	194,832,462	–
Issued in the year for cash on warrant exercises (note 29)	1,392,235	9,690,567
Cancelled under tender offers (note 10)	(32,194,378)	(14,435,072)
At 31 December	**753,379,368**	**589,349,049**

Of the authorised ordinary share capital at 31 December 2013, 26,747,918 (2012: 28,140,153) are reserved for warrants.

The Company incurred fees and expenses of US$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 30.

29. Warrants

	2013 Number	2012 Number
At 1 January	28,140,153	37,830,720
Exercised in the year (note 28)	(1,392,235)	(9,690,567)
At 31 December	**26,747,918**	**28,140,153**

	2013 US$'000	2012 US$'000
At 1 January	1,367	1,985
Exercised in the year (note 28)	(88)	(618)
At 31 December	**1,279**	**1,367**

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

105,095 warrants have been exercised in the period since 31 December 2013.

30. Own shares held

	2013 Number	2012 Number
At 1 January	25,557,737	26,921,176
Acquired under a tender offer	–	12,858,824
On conversion of preference shares (note 24)	113,418	–
Other acquisitions	528,515	82,535
Disposal	–	(8,196,721)
Cancelled	(900,941)	(431,410)
Allocation to satisfy bonus awards (note 33c)	(121,429)	(4,185,000)
Allocation to satisfy ERS options exercised (note 33a)	(979,592)	(1,225,000)
Allocation to satisfy LTIP options exercised (note 33a)	(1,997,932)	(266,667)
At 31 December	**22,199,776**	**25,557,737**

	2013 US$'000	2012 US$'000
At 1 January	(24,145)	(16,222)
Acquired under a tender offer	–	(13,928)
On conversion of preference shares (note 24)	(150)	–
Other acquisitions	(704)	(132)
Disposal	–	3,533
Cancelled	388	186
Allocation to satisfy bonus awards (note 33c)	52	1,804
Allocation to satisfy ERS options exercised (note 33a)	422	528
Allocation to satisfy LTIP options exercised (note 33a)	1,383	86
At 31 December	**(22,754)**	**(24,145)**

Allocations are transfers by the Company's Employee Benefit Trusts to settle bonus awards made in the year and to satisfy ERS and LTIP options exercised in the year following the vesting of the options. 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 33a.

The disposal in 2012 relates to the share transactions undertaken by one of the Company's Employee Benefit Trusts more fully explained in note 24.

31. 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.

32. Net asset value per share

	2013 (Restated) US$'000	2012 (Restated) US$'000
Net asset value	**891,919**	**688,962**
Goodwill	(7,906)	(7,859)
Goodwill in joint ventures	(5,769)	(5,756)
Deferred tax on revaluation gains (note 27b)	70,859	57,716
Cumulative foreign exchange losses on preference shares	24,038	17,863
Fair value of interest rate derivative financial instruments (note 20)	(1,510)	8,682
Fair value of foreign exchange derivative financial instruments (note 20)	(5,862)	(4,211)
Adjusted net asset value	**965,769**	**755,397**
Assuming exercise/vesting of all dilutive potential ordinary shares		
– Warrants (note 29)	11,076	11,435
– ERS (note 33)	–	–
– LTIP (note 33)	2,780	3,568
– CBLTIS (note 33)	–	–
Adjusted fully diluted net asset value	**979,625**	**770,400**
Number of ordinary shares (note 28)	753,379,368	589,349,049
Less own shares held (note 30)	(22,199,776)	(25,557,737)
	731,179,592	**563,791,312**
Assuming exercise/vesting of all dilutive potential ordinary shares		
– Warrants (note 29)	26,747,918	28,140,153
– ERS (note 33)	325,000	1,325,000
– LTIP (note 33)	6,712,613	8,779,279
– CBLTIS (note 33)	14,201,085	14,287,398
Number of ordinary shares assuming exercise of all potential ordinary shares	**779,166,208**	**616,323,142**

	2013 US$	2012 US$
Net asset value per share	1.22	1.22
Fully diluted net asset value per share	1.16	1.14
Adjusted net asset value per share	1.32	1.34
Adjusted fully diluted net asset value per share	1.26	1.25

As the preference shares are considered to be capital for capital risk management (see note 36d) cumulative foreign exchange movements on these have been adjusted when calculating adjusted NAV per share.

33. Share-based payments and other long term incentives

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

Executive Share Option Schemes ("ESOS")

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

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

During 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.

During the year the Company made a discretionary bonus award of 121,429 ordinary shares to certain senior managers below Board level. In 2012 the Company made an award of 4.2 million ordinary shares to satisfy bonuses to the Executive Directors and senior management.

Notes to the Financial Statements – continued

(a) Movements in Executive Share Option Schemes

	2013 No of options	2013 Weighted average exercise price	2012 No of options	2012 Weighted average exercise price
Outstanding at the beginning of the period	10,104,279	22p	11,595,946	20p
Exercised during the year				
– ERS	(1,000,000)	0p	(1,225,000)	0p
– LTIP	(2,066,666)	25p	(266,667)	25p
Outstanding at the end of the period	**7,037,613**	**24p**	**10,104,279**	**22p**
Represented by:				
– ERS	325,000		1,325,000	
– LTIP	6,712,613		8,779,279	
	7,037,613		**10,104,279**	
Exercisable at the end of the period	**4,022,295**	**23p**	**4,073,648**	**17p**

The weighted average remaining contractual life of options was 4 years (2012: 5 years).

(b) Movements in Combined Bonus and Long Term Incentive Scheme 2012 to 2014 Awards

	2013 No of award shares	2012 No of award shares
Awards of Ordinary shares:		
– Outstanding at the beginning of the period	14,287,398	–
– Granted during the year	–	14,287,398
– Lapsed during the year	(86,313)	–
– Vested during the year	–	–
– Outstanding at the end of the period	**14,201,085**	**14,287,398**

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

	2013 No of award shares	2012 No of award shares
Awards of Preference shares:		
– Outstanding at the beginning of the period	3,727,209	–
– Granted during the year	–	3,727,209
– Lapsed during the year	(1,915)	–
– Vested during the year	(3,410,388)	–
– Outstanding at the end of the period	**314,906**	**3,727,209**

(c) Income Statement charge for the year

	2013 US$'000	2012 US$'000
Expense attributable to ERS and LTIP awards in prior periods	518	525
Bonus awards in the year	133	3,879
Combined Bonus and Long Term Incentive Scheme 2012 to 2014 awards	6,983	12,205
	7,634	**16,609**
To be satisfied by allocation of:		
Ordinary shares (IFRS 2 expense)	3,428	12,437
Preference shares (IAS 19 expense)	4,206	4,172
	7,634	**16,609**

34. Capital commitments

The Group has committed to fund the construction of certain additional investment property. At 31 December 2013, US$61.7 million of funding was required (2012: US$28.2 million), excluding VAT.

35. 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

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

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

As set out in note 24, on 26 June 2012 the Company issued and admitted to the Official List of the London Stock Exchange 48,414,250 new preference shares under the terms of a placing and open offer. The new preference shares were issued at a price of 134 pence per share and rank pari passu with the other preference shares in issue. The trustees of the EBT acquired £5 million of new preference shares as part of the placing. The acquisition of these preference shares by the EBT on a non-preemptive basis constitutes a smaller related party transaction under the UKLA's Listing Rules.

Remuneration of Directors and other key management personnel

	2013 US$'000	2012 US$'000
Short term employee benefits	4,154	5,826
Post employment benefits	315	294
Share-based payments and other long term incentives	6,916	15,736
	11,385	**21,856**

36. 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

Whilst the Group has some Rouble denominated overhead and maintains modest levels of Rouble cash balances to fund the working capital requirements of the investment property portfolio in Russia, it is during a period of substantial construction activity that the Group can become exposed to significant Rouble currency risk. This is because construction contracts have tended to be denominated in Roubles. The Group is not currently in a period of substantial construction but when this has been the case the Group has taken out non deliverable forwards to hedge against the US Dollar/Rouble cash flow exposure. The other principal area where the Rouble can affect the Group is the accounting adjustments that are required when consolidating the results of some of the property owning subsidiaries that have a Rouble functional currency. Exchange gains or losses arising as a result of these consolidation accounting adjustments are included in the translation reserve.

Sterling

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

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

As at 31 December 2013	US Dollar US$'000	Sterling US$'000	Russian Rouble US$'000	Other US$'000	Total US$'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
Loans receivable	–	–	–	–	–
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
Investment property acquisition obligations	–	–	–	–	–
Retentions under construction contracts	–	–	–	–	–
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**

As at 31 December 2012	US Dollar US$'000	Sterling US$'000	Russian Rouble US$'000	Other US$'000	Total US$'000
Non-current assets					
Loans receivable	–	1,587	4	–	1,591
Security deposits	4,862	–	–	–	4,862
Restricted cash	–	–	–	–	–
Derivative financial instruments	627	3,651	–	–	4,278
Current assets					
Trade receivables	24,036	2,249	4,418	–	30,703
Loans receivable	–	–	64	–	64
Derivative financial instruments	–	960	–	–	960
Other current receivables	41,315	343	620	8	42,286
Cash and short term deposits	78,774	48,621	60,776	569	188,740
	149,614	**57,411**	**65,882**	**577**	**273,484**
Non-current liabilities					
Interest bearing loans and borrowings	645,121	–	–	–	645,121
Preference shares	–	325,875	–	–	325,875
Derivative financial instruments	9,103	–	–	–	9,103
Rent deposits	22,672	–	–	312	22,984
Investment property acquisition obligations	2,929	–	–	–	2,929
Retentions under construction contracts	–	–	–	–	–
Other payables	–	1,845	241	–	2,086
Current liabilities					
Interest bearing loans and borrowings	121,936	–	–	–	121,936
Derivative financial instruments	206	–	400	–	606
Other payables	22	6,131	30,314	–	36,467
	801,989	**333,851**	**30,955**	**312**	**1,167,107**

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:

	2013 US$'000	2012 US$'000
Post tax profit or loss would change by:		
Russian Rouble	367	869
Sterling	6,719	3,230
Net asset value would change by:		
Russian Rouble	2,082	641
Sterling	10,820	24,184

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

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

As at 31 December 2013	US Dollar US$'000	Sterling US$'000	Russian Rouble US$'000	Other US$'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	**–**	**–**	**–**

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

The Group's interest rate risk arises from long-term borrowings (note 23), which include preference shares issued (note 24). Borrowings issued at variable rates expose the Group to cash flow interest rate risk, whilst borrowings issued at a fixed rate expose the Group to fair value risk. The Group's cash flow and fair value risk is reviewed monthly by the Board. The cash flow and fair value risk is approved monthly by the Board.

The Group analyses its interest rate exposure on a dynamic basis. It takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest costs may increase as a result of such changes. They may reduce or create losses in the event that unexpected movements arise. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios the Group calculates the impact on profit and loss of a defined interest rate shift. The simulation is run on an on-going basis to verify that the maximum potential impact is within the parameters expected by management. Formal reporting to the Board on cash flows is made on a monthly basis.

To date the Group has sought to fix its exposure to interest rate risk on borrowings through the use of a variety of interest rate derivatives and the issue of preference shares at a fixed coupon. This gives certainty over future cash flow but exposure to fair value movements, which amounted to an accumulated unrealised loss of US$7.3 million at 31 December 2013 (2012: loss of US$13.7 million).

Sensitivity analysis on the Group's interest rate borrowings, net of interest bearing deposits, indicate that a 1% increase in LIBOR rates would decrease the profit for the year and net assets by US$1.6 million (2012: US$600,000). If LIBOR rates were to drop to zero then there would be a decrease in the profit for the year and in net assets of US$1.7 million (2012: US$1.9 million) as the loss on income from cash would be greater than gains on interest expense because of the low LIBOR rates prevailing at this time and the interest rate hedges in place.

(b) Credit risk

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

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

	2013 US$'000	2012 US$'000
At 1 January	1,970	377
Charge for the year	–	1,593
Utilised in the year	(1,418)	–
Unused amounts reversed	(175)	–
At 31 December	**377**	**1,970**

At 31 December 2013 there were no significant amounts of trade receivables that were past due for collection (2012: US$ nil).

The Group has VAT recoverable of US$17 million (2012: US$14 million). The timing of recovery of these balances is subject to future revenue receipts and application to the Russian Courts. The Group forecasts the recovery of these balances based upon the timing of future revenue receipts and its experience of successful application to the Russian Courts. No balances are considered past due or impaired at 31 December 2013 (2012: US$ nil) based upon this assessment of the timing of future cash receipts. The Group believes its only exposure is in relation to the timing of recovery.

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

(c) Liquidity risk

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

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

All amounts shown are gross undiscounted cash flows.

Financial liabilities

As at 31 December 2013	Total US$'000	Current US$'000	Year 2 US$'000	Years 3 to 5 US$'000	Years 5 to 10 US$'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	–
Trade and other payables	120,393	31,825	54,041	14,478	20,049
	1,398,455	**196,612**	**183,232**	**678,204**	**340,407**

As at 31 December 2012	Total US$'000	Current US$'000	Year 2 US$'000	Years 3 to 5 US$'000	Years 5 to 10 US$'000
Interest bearing loans and borrowings	1,025,990	175,642	125,328	548,107	176,913
Preference shares	371,410	37,141	37,141	111,423	185,705
Derivative financial instruments	9,709	606	–	9,103	–
Trade and other payables	64,465	37,152	6,243	16,080	4,990
	1,471,574	**250,541**	**168,712**	**684,713**	**367,608**

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

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

Fair values

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

	2013		2012	
	Carrying Value US$'000	Fair Value US$'000	Carrying Value US$'000	Fair Value US$'000
Non-current assets				
Loans receivable	1,261	1,180	1,591	1,501
Security deposits	4,781	4,781	4,862	4,862
Restricted cash	50,000	50,000	–	–
Derivative financial instruments	10,266	10,266	4,278	4,278
Current assets				
Trade receivables	37,620	37,620	30,593	30,593
Loans receivable	–	–	64	64
Other current receivables	638	638	42,286	42,286
Derivative financial instruments	1,519	1,519	960	960
Cash and short term deposits	201,324	201,324	188,740	188,740
Non-current liabilities				
Interest bearing loans and borrowings	721,311	524,269	645,121	496,333
Preference shares	172,205	255,561	325,875	452,965
Derivative financial instruments	4,413	4,413	9,103	9,103
Rent deposits	24,737	17,979	25,346	19,386
Investment property acquisition obligations	–	–	2,929	2,929
Other payables	14,970	14,970	2,085	2,085
Current liabilities				
Interest bearing loans and borrowings	81,803	81,803	121,936	121,936
Derivative financial instruments	–	–	606	606
Other payables	30,686	30,686	36,467	36,467

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.

	2013 US$'000	2012 (Restated) US$'000
Non-current liabilities	869,108	776,598
Current liabilities	183,381	214,833
Total borrowings	1,052,489	991,431
Less: cash and short term deposits	201,324	188,740
Net debt	851,165	802,691
Equity	891,919	688,962
Preference shares	172,205	325,875
Total capital	1,915,289	1,817,528
Gearing ratio	44.44%	44.16%

37. Fair value measurement

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

As at 31 December 2013	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total Fair Value US$'000
Assets measured at fair value				
Investment property	–	–	1,632,475	1,632,475
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

As at 31 December 2012	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total Fair Value US$'000
Assets measured at fair value				
Investment property	–	–	1,495,673	1,495,673
Investment property under construction	–	–	149,450	149,450
Derivative financial instruments	–	5,238	–	5,238
Liabilities measured at fair value				
Derivative financial instruments	–	9,709	–	9,709

* 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.

38. Subsequent events

Details of post year end warrant exercises are set out in note 29.

39. 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:

	2013 US$'000	2012 US$'000
Within one year	171,396	153,873
In the second year	159,851	156,256
In the third to fifth year (inclusive)	312,505	347,955
After five years	135,743	177,993
	779,495	**836,077**

40. Acquisitions

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

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

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

The consideration payable for Pushkino is provisional subject to the conclusion of the litigation described in note 25 and was partially funded by a US$129 million debt facility (see note 23), with the remainder funded out of the net proceeds of the placing and open offer of new preference shares (see note 24). The considerations payable for Sholokhovo and Padikovo were funded out of the Group's existing cash resources and are final.

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