



15 March 2021

**RAVEN PROPERTY GROUP**

## **Raven Property Group Limited ("Raven" or the "Company" or the "Group")**

### **Results for the year ended 31 December 2020**

The Board of Raven Property Group release results for the year ended 31 December 2020.

#### **Highlights**

- Occupancy at 31 December 2020 increased to 94% (31 December 2019: 90%) with 289,000sqm of new lettings and 310,000sqm of maturity extensions in the period;
- Underlying earnings of £19.0 million (2019: £15.8 million) before unrealised foreign exchange movements;
- Unrealised foreign exchange losses of £53.7 million (31 December 2019: profit £27.5 million) on weaker Rouble;
- IFRS loss of £14.2 million (2019: profit £46.0 million) after these unrealised foreign exchange movements and a profit on the re-designation of convertible preference shares of £45.7 million;
- Cash balance of £53.1 million (31 December 2019: £68.1 million);
- Rent collections in excess of 99% in 2020;
- Rouble value of investment property portfolio of R112.7 billion (31 December 2019: R112.4 billion);
- IFRS diluted net asset value per share of 40p (31 December 2019: 75p) on the weaker Rouble; and
- Final distribution for 2020 of 1.25p by way of a tender offer buy back of 1 in 32 ordinary shares at 40p per share.

**CEO Glyn Hirsch said** "Our strong underlying financial performance reflects the now widely acknowledged quality of logistics warehousing as a global real estate asset class and the resilience of Russia and its economy."

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#### **About Raven Property Group**

Raven Property Group Limited was founded in 2005 to invest in class A warehouse complexes in Russia and lease to Russian and International tenants. Its Ordinary Shares and Preference Shares are listed on the Main Market of the London Stock Exchange and admitted to the Official List of the UK Listing Authority and the Official List of The International Stock Exchange ("TISE"). Its Ordinary Shares also have a secondary listing on the main board of the Johannesburg Stock

Exchange and the Moscow Stock Exchange. The Group operates out of offices in Guernsey, Moscow and Cyprus and has an investment portfolio of circa 1.9 million square metres of Grade "A" warehouses in Moscow, St Petersburg, Rostov-on-Don, Novosibirsk and Nizhny Novgorod and 49,000 square metres of commercial office space in St Petersburg. For further information visit the Company's website: [www.theravenpropertygroup.com](http://www.theravenpropertygroup.com)

## Chairman's Message

In a year where both personal and commercial priorities have been severely challenged, my message is one of relative good fortune.

The Covid -19 virus continues to dominate all agendas a year on from its initial impact and as explained in our half year results at the end of August, the welfare of our staff and support for tenants with cash flow issues has been foremost in our planning for the effects of the virus. The Russian government took a different tack from many other countries and after an initial lockdown in April, they have, to date, avoided a second lockdown, with a light touch quarantine approach. They implemented a mass vaccination programme in December in the hope that this will stem the impact of the second wave which hit the country at that time. They have also given less financial support to the business community than the majority of developed countries, partly because the small business and services sector is comparatively underdeveloped. This leaves their national balance sheet in a strong position.

We are fortunate that the majority of our warehouse space is used to support essential sectors such as the larger supermarket chains. This meant that our properties remained open during lockdown and demand for space in the second half of the year rebounded. The crisis has also accelerated the growth of the e-commerce sector in Russia which had lagged Western markets.

The greatest impact on our business has been the weakness of the Rouble since the pandemic hit. The oil price crash in April, the ever present threat of increased sanctions from both America and the EU, further potential threats on the Russian border as events in Belarus developed and conflict sparked between Azerbaijan and Armenia, all combined to depress the Rouble, especially in the last quarter of 2020. This also resulted in the lowest levels of foreign direct investment into Russia since 1994.

The outcome for the business in 2020 was strong underlying operating earnings and cash collection in Rouble terms but unrealised foreign exchange losses on Euro denominated debt held in our Russian subsidiaries and a significant reduction in our Sterling equivalent net asset value per share at the balance sheet date.

The executive team, with the support of our largest shareholders, has also continued strengthening the Company balance sheet with two significant achievements.

In September, the Company's convertible preference shares were re-designated to a mix of new ordinary shares and irredeemable preference shares, simplifying the balance sheet structure but also dealing with a potential refinancing and dilution risk in the future.

They also continued dialogue with Invesco for the purchase of all of their ordinary and preference shares after the original agreement struck in November 2019 lapsed because of the Covid impact. Together with a number of our existing shareholders, the team has agreed the purchase of all of Invesco's holdings in the Company, subject to formal shareholder and preference shareholder approval.

After two years of dealing with the fallout of the Woodford collapse and the knock on effect for the Invesco funds, the executive team can now focus on the growth of the business.

Including the purchase of the Woodford stake, the Company has distributed £62.5 million in share buy backs in the two years to 31 December 2020. That will increase to £115.8 million on the completion of the purchase of Invesco's ordinary and preference share holdings. A significant sum to be placed back into the market.

The Board have announced that they intend to issue a final distribution of 1.25p (2019: 2.25p) by way of a tender offer of 1 in 32 shares at 40p. This takes account of the very weak exchange rates at the present time and the proposed share buy back transaction. Once that transaction is completed, we intend to revert to the normal distribution timelines following our 2021 interim results.

We have also been dealing with a number of governance issues. In October we appointed two new independent non executive directors, Philip Swire and Russell Field. Russell takes over as Chair of the Audit Committee and he joins the Remuneration Committee. Philip joins the Nominations Committee. Michael Hough takes over as Chair of the Remuneration Committee and the role of Senior Independent Director. Our succession planning continues and we will look to appoint one further non executive director this year.

We have always taken our responsibility for our impact on social and environmental issues seriously but have perhaps not adequately reported on it in the past. In the second half of 2020 we began working with KPMG to develop a proper reporting framework, reflecting what we have achieved in this area to date and agreeing on pragmatic goals for both the short and longer term. Our progress is documented in the Corporate Governance section of this report.

I can only reiterate that our business is in a fortunate position today and that is testament to the efforts and support of our employees, shareholders and all other stakeholder groups. We look forward to a healthy and vibrant future.

Richard Jewson  
Chairman  
14 March 2021

## **Strategic Report**

### **Chief Executive's Report**

Dear Shareholders,

2020 has been a different and challenging year.

There is plenty written elsewhere on Covid and its impact.

Against the background of a fundamental resilience of logistics warehouses and the Russian economy we have been extremely active both in terms of managing our portfolio and our balance sheet.

During the year, leases on 310,000sqm of space have been renegotiated and extended and 289,000sqm of new leases have been signed. Occupancy has increased to 94% and over 99% of rent due has been collected.

This level of activity demonstrates the demand for logistics real estate that has been seen globally. Russian e-commerce activity has also developed rapidly during the period and still has a long way to go. This is starting to be noticed internationally, for example by the successful IPO of Ozon.

Our year end portfolio valuation is broadly flat in Roubles but does not reflect the strategic value inherent in our strong market position nor any portfolio premium which could be attributed.

During the year we have simplified our capital structure and since the year end finally sorted out the overhang of Invesco shares, subject to shareholder approval. Hopefully both these actions will benefit shareholders going forward.

Current currency rates do not allow us to distribute as much as we would have liked to, despite excellent underlying trading, but we are pleased to announce a distribution of 1.25p per share by way of a tender offer buy back of 1 in 32 shares at 40p.

We continue to focus on actively managing and improving our portfolio and its financial performance. Gradually we are becoming a wholly Rouble denominated business in terms of our leases and bank debt.

The Russian economy remains one of the strongest in the world and logistics warehousing is proving to be one of real estate's highest quality investments globally. We look forward to the future with confidence.

Glyn Hirsch  
Chief Executive Officer  
14 March 2021

## **Purpose and Culture**

The original purpose of incorporating our business in 2005 was to act as a conduit for international funds into an underdeveloped and undersupplied logistics property market in Russia at an exciting time of expansion and opportunity for the country. The nascent business encapsulated the entrepreneurial spirit of a small group of pioneers entering a new, untapped market. That spirit remains in the business today and underpins our culture. This has allowed us to be dynamic and quick in reacting to the many obstacles that we have been presented with as an international business operating in Russia.

Our management teams promote our entrepreneurial and meritocratic spirit with integrity and openness but are also cognisant of the need to professionalise as we grow, with appropriate emphasis on the implementation and maintenance of robust internal controls and procedures.

## **Business Model and Strategy**

Our strategy remains one of holding an investment portfolio of Grade A logistics warehouses in Russia for the long term, with the aim of producing rental income that delivers progressive distributions to our shareholders. In our sixteen years focussing on the Russian market, there have been a limited number of competitors with an interest in logistics assets, the few who were tending to have a multi sector portfolio approach. However, with market fundamentals improving and logistics now a prime property sector globally, interest in our market is growing domestically, both as an investment asset and for vertically integrated retailers and e-commerce players.

Having built our operating and investment infrastructure and with a strong team of property, finance and legal specialists we do believe we have a competitive advantage over new entrants into the investment sector. With such an immature property investment market however, we do welcome additional players. It can only benefit the market and support further growth in property valuations.

We have acquired our investment portfolio, typically with yields of between 11% and 14% and have bank financing costs across the Group of 5.48%. The majority of our operating business is Rouble denominated, with a small number of legacy US Dollar and Euro pegged leases remaining and secured debt of Rouble and Euro denomination. We continue to move to a fully Rouble based operating model.

At the year end, US Dollar and Euro leases accounted for 11% (2019: 19%) of the Gross Lettable Area ("GLA") of our warehouse portfolio. The majority of our leases are "triple net" meaning property operating expenses are recharged to tenants, leakage of cost only occurring on vacant space.

The Group's secured banking facilities are 60.3% (2019: 57.6%) Rouble denominated and 39.7% (2019: 42.4%) Euro denominated. Debt amortisation is weighted toward the Euro element of our financing facilities to reduce the foreign exchange exposure over the facility term.

Other than our St Petersburg office portfolio, each of the secured facilities sits in a special purpose vehicle ("SPV") structure to minimise recourse to the overall portfolio. At the year end, asset specific debt represented 56.1% loan to value (2019: 50.1%), the increase a function of foreign exchange rates rather than an increase in debt.

Our Cypriot holding company has entered into a corporate loan of €60 million since the year end, to support the acquisition of Invesco's holding of our listed instruments and this loan will have limited recourse across the property portfolio.

Our average letting size by tenant is 9,397sqm (2019: 8,722sqm). We do not have one tenant with more than 10% (2019: 9%) of our portfolio's GLA and the top ten tenants, including Roslogistics, account for 42% (2019: 43%) of our portfolio in GLA terms and 48% (2019: 49%) in income terms.

## **Key Performance Indicators ('KPIs')**

Occupancy levels and average Rouble rents achieved are our primary operating focus. Our measure of average Rouble rents incorporates the running rent for all parts of a lease: the indexed dry warehouse rent; mezzanine areas; related office space; ancillary items such as parking; and "rentalised" tenant improvements on high specification space.

We also aim to refinance at least the equivalent of our secured debt amortisation each year, which approximates to a four year refinancing cycle for each asset.

Cash covered underlying earnings based on operating cash flows after interest, remain our key measures when determining our ordinary share distribution policy.

All of the above underpin financial targets set for the Annual Performance Incentive.

## Portfolio Review

### Leasing and maturities

Warehouse	Moscow	St Petersburg	Regions
Space ('000sqm)	1,335 (70%)	273 (15%)	287 (15%)
NOI (£m)	75.8 (76%)	10.3 (10%)	14.2(14%)
Office	Moscow	St Petersburg	Regions
Space ('000sqm)	-	49 (100%)	-
NOI (£m)	-	5.6 (100%)	-

Although 2020 was a year with many challenges, we have been able to increase the level of occupancy by a combination of short and long term lets. Tenant demand has been strong and the logistics sector has certainly benefitted from changes in customer behaviour driven by Covid. Occupancy began the year at 90% and ended it at 94%. It has since dipped slightly to 92% as a result of the expiry of a number of large short term leases although we currently have signed letters of intent ("LOIs") on a further 2%.

### Portfolio maturity profile

'000sqm	2020	2021	2022	2023	2024-2032	Total
Maturity profile at 1 January 2020	239	317	269	270	650	1 745
Renegotiated and extended	(101)	(135)	(27)	(9)	(38)	(310)
Maturity profile of lease extensions	7	33	9	21	240	310
Vacated/break exercised	(170)	27	(33)	(6)	(29)	(211)
New Lettings	25	117	2	1	144	289
<b>Maturity profile at 31 December 2020</b>	<b>-</b>	<b>359</b>	<b>220</b>	<b>277</b>	<b>967</b>	<b>1 823</b>

Our asset management team worked very closely with our tenants during the initial weeks of the Covid crisis to ensure operations could continue in a safe and secure manner and in compliance with the changing regulations in each city. We also faced numerous requests from occupiers facing cash flow difficulties and negotiated client specific concessions, including discounts and deferrals, to aid the worst affected businesses through the crisis. It is a testament to the quality of our diverse client base and our methodical approach to leasing, that during the year we collected over 99% of rent due.

309,500sqm of existing leases have been renegotiated and extended in the financial year and 288,800sqm of new leases signed. Significant new lettings include 80,160sqm to Wildberries, 30,060sqm to RVI (X5), 18,470sqm to Sladkaya Zhizn and 10,630sqm to Saks. A number of major tenants have also increased their space with us including Skladskoy Operator taking an extra 12,130sqm and Gorenje an additional 7,970sqm.

Space vacated on maturity, breaks exercised and early terminations totalled 211,400sqm during the year. Vacant warehouse space at the year end totalled 120,000sqm and the office portfolio had only 1,200sqm of vacancy. There are potential breaks in the portfolio of 200,000sqm in 2021 and 109,000sqm in 2022. We do not expect any of these tenants to exercise their breaks in either year.

Since the year end we have signed a further 100,800sqm of deals of which 90,100sqm were new lettings and 10,700sqm were renewals or extensions. We currently have 29,000sqm of LOIs for renewals, extensions or expansions and 29,800sqm for new lettings.

Our leasing strategy focusses on maintaining high occupancy with high quality tenants for the long term whilst keeping a diversified tenant mix across sectors and business types. If short term lets enable us to minimise voids then we will secure these too. We also target tenants who require significant capital investment into their premises and seek to "rentalise" these improvements over the term of the lease, creating enhanced returns. Recent lettings with Mars and RVI (X5), demonstrate our success in this respect. The growth of the e-commerce activities of our tenants is also providing an opportunity to invest in higher specification fit-outs including specialised racking.

We continue to invest in and improve the portfolio in an energy efficient and sustainable way, more details of which are contained in our environmental report.

At the year end, 8% (2019 16%) of our warehouse GLA was occupied under US Dollar denominated leases with an average warehouse rental level of \$177 per sqm (2019: \$158 per sqm) and a weighted average term to maturity of 2.1 years (2019: 1.9 years). Rouble denominated leases account for 83% (2019: 71%) of our total warehouse space with an



average warehouse rent of Roubles 4,973 per sqm (2019: 4,922 per sqm) and weighted average term to maturity of 4.1 years (2019: 4.1 years). Rouble leases have an average minimum annual indexation of 5.6% (2019: 5.7%). Euro denominated leases account for 3% (2019: 3%) of our total warehouse space with an average warehouse rent of Euro 130 per sqm (2019: Euro 126 per sqm) and weighted average term to maturity of 0.4 years (2019: 1.4 years).

Currency exposure of warehouse space	USD	RUB	EUR	Vacant	Total
	sqm '000	sqm '000	sqm '000	sqm '000	sqm '000
	150	1,575	50	120	1,895
% of total	8%	83%	3%	6%	100%

Currency exposure of NOI	USD	RUB	EUR	Total
% of total	18%	77%	5%	100%

## Investment Portfolio

### Moscow

We have ten warehouse projects in Moscow totalling 1.3 million sqm.

Warehouse complex	Space ('000 sqm)	2020 NOI (£m)	Year end Occupancy
Sever	254	12.4	89%
Pushkino	215	12.7	95%
Istra	206	16.8	95%
Noginsk	203	16.7	99%
Klimovsk	158	8.7	86%
Krekshino	119	4.7	94%
Nova Riga	68	1.7	84%
Lobnya	52	0.2*	92%
Sholokhovo	46	1.6	100%
Southern	14	0.3	80%

\*Excludes Roslogistics

Occupancy in Moscow year on year improved to 92% (87%) despite Itella releasing 66,300sqm at Pushkino in the summer. In the first quarter we took a decision to lease almost 72,700sqm of newly vacated space at Pushkino and Krekshino to Wildberries, the largest e-commerce operator in Russia, on a number of short term leases. This provided income through the first phase of the pandemic and Wildberries have only recently relocated into their newly constructed, purpose built warehouse. Elsewhere in Moscow, X5, our largest tenant and the biggest food retailer in Russia, renewed their lease on 75,700sqm at Noginsk until 2031 and took an additional 30,100sqm at the same property with us, investing circa R460 million to enhance the specification in return for a higher rent, underpinning the value of the asset for many years to come. Makita renewed their lease on 27,200sqm at Pushkino for a further five years and Azbuka renewed and extended their commitment at Istra on 30,300sqm until 2031.

### St Petersburg and Regions

Warehouse complex	Space ('000sqm)	2020 NOI (£m)	Year end occupancy
<b>St Petersburg</b>			
Shushary	148	5.0*	100%
Gorigo	88	3.7	94%
Pulkovo	37	1.6	85%
<b>Regions</b>			
Novosibirsk	121	5.7*	97%
Rostov	101	4.4*	96%
Nizhny Novgorod	65	4.1	100%

\*Excludes Roslogistics

Warehouse occupancy in the regional markets of St Petersburg, Rostov and Novosibirsk has remained strong and we have even encountered situations where existing tenants have wanted the same space for expansion purposes. This has helped push rents up in specific instances. Notable successes include the expansion of Mars in Rostov into a further 4,000sqm with an enhanced specification and rent and Sportmaster renewing and expanding into 14,000sqm in Novosibirsk.

## Tenant Mix

Warehouse Tenant Type	Distribution	Retail	Manufacturing	Third Party Logistics operators	E-commerce	Other
Space ('000sqm)	313 (18%)	550 (31%)	306 (17%)	460 (26%)	140 (8%)	6 (0%)

Our tenant mix has remained diverse during the year. The proportion of space leased to e-commerce companies increased to 8% at the year end, although many of our other tenants are also utilising our warehouses to service online demand. The influence of e-commerce on the letting market still remains small compared to other European markets but it is continuing to grow significantly year on year.

## Office Portfolio

As with virtually all major cities, the St Petersburg Government has encouraged people to work from home where possible. Despite this, we have not seen any meaningful drop off in demand at our properties and rents are unchanged. Occupancy at Constanta and Premium has not changed year on year and both properties are fully let. At Kellermann, which is multi let to over 29 tenants, we have seen 3,600sqm of expiries during the year and 16,130sqm of new lettings and renewals, resulting in a significant growth in occupancy there, from 87% at the beginning of the year to 95% at the year end.

Office	Space ('000sqm)	NOI (£m)	Occupancy
<b>St Petersburg</b>			
Kellerman	22	2.5	95%
Constanta	16	1.8	100%
Premium	11	1.3	100%

## Portfolio Yields

Use/Year	Moscow (%)	St Petersburg (%)	Regions (%)
<b>Warehouse</b>			
2019	10.80-12.10	12.10-12.30	11.80-12.30
2020	8.50-11.70	12.20-12.30	10.75-12.20
<b>Office</b>			
2019	-	11.75-12.00	-
2020	-	11.75-12.00	-

The investment properties and additional phases of existing projects were valued by Jones Lang LaSalle ("JLL") at the year end, in accordance with the RICS Valuation and Appraisal guidelines, and are carried at a market value of £1.13 billion (see notes 11 & 12 to the financial statements). In Rouble terms, the value of the properties has increased by 0.5% year on year but following capital expenditure of £12.2 million, a loss on revaluation of £7.9 million results.

JLL reduced both the cap and discount rate inputs during the second half of the year by 25 basis points, reflecting the improving market, falling Central Bank of Russia ("CBR") key interest rates and other market evidence. JLL still quote a range of yields across all sectors to reflect the difference in quality of assets, leases and differing currencies. The figures in the table above are the discount rates applied to the cash flows from the properties. These are derived from the prime cap rates that JLL publish adjusted for individual property factors.

The property investment market was busier than expected in 2020 and demand for logistics properties has increased in Moscow as elsewhere in the globe. When bidding for new acquisitions we have seen strong competition from local buyers. JLL estimate the total value of investment transactions across all sectors increased slightly to \$4.2 billion.

## Land Bank

	Location	Property/Warehouse Complex	Land plot size (ha)
Additional phases of completed property	Moscow	Noginsk	26
		Nova Riga	25
	Regions	Rostov-On-Don	27
		Nizhny Novgorod	22
Land bank	Regions	Omsk	19
		Omsk 2	9
		Nizhny Novgorod	44
Total			172

We are in the process of renewing our construction permits at Noginsk, Rostov, and Nizhny Novgorod. Once renewed, along with Nova Riga where we can build 72,000sqm, we would have the capacity to add almost 400,000sqm subject to prelets.

## The Market

Despite the impact of Covid, in Moscow where we hold 70.5% of our warehouse portfolio, demand has remained strong and market vacancy has reduced further to circa 3%. The total stock of Grade A warehouse space is approximately 15 million sqm and take up during the year was about 2 million sqm. Vacant space is therefore the equivalent of only 3 or 4 month's supply. Although demand has been strong and vacancy reducing, rents have not grown as fast as we had expected and this has held back valuations despite an improving backdrop of lower CBR key interest rates and the increasing appetite of local investors. Currently, average rents in Moscow and the Moscow region are R4,100 per sqm. There remain variations in different sub markets, with the range of rents being from R3,900 to R4,200 per sqm. In St Petersburg, driven by a lack of supply, we are now seeing R4,200 to R4,300 per sqm and in our three regional hubs of Rostov, Novosibirsk and Nizhny Novgorod rental levels are broadly the same as in Moscow.

800,000sqm of warehouse space was delivered in 2020, approximately 30% lower than 2019 according to JLL. Over 80% of new supply was either build to suit or pre leased prior to completion. Take-up amounted to 2 million sqm which was the driving factor in reducing vacancy. Demand was strongest from the retail, distribution and manufacturing sectors which accounted for 25%, 12% and 16% respectively. However, e-commerce companies continued to expand, and their share of take up increased to 36%, driven by a number of exceptionally large build to suit deals, including Vse Intrumenti taking 182,000sqm and Ozon 154,000sqm in the Moscow region.

In 2021 it is estimated that a further 1.3 million sqm will be delivered and take up will be circa 1.4 million sqm, which should hold the vacancy rate at very low levels. Of the space under construction about 900,000sqm, or 69%, is already pre committed as build to suit for lease or sale, leaving only 400,000sqm of speculative space coming to the market.

On the construction side, inflationary pressures are prevalent, caused by a reduction in the labour force and an increase in the cost of steel. There has been a wholesale reduction in the labour force as a result of Covid, lockdowns and the closing of Russia's international borders. Many temporary construction workers have returned to their homes in the former CIS countries as a consequence of the lack of employment in the middle of 2020 and are either unwilling or unable to return as yet. The cost of steel is reported to have risen 40% in the last 12 months. Coupled with the weakness of the Rouble driving cost increases for imported materials, we estimate the cost of constructing a Grade A warehouse has risen by at least 15% over the past year.

The low vacancy rate, lack of new supply and increased construction costs certainly create classic conditions for rental growth. Whilst this could be tempered by a general slowdown in the economy, our sector seems ideally set to benefit from an accelerated structural shift driven by e-commerce and we see all the major retailers developing their strategies to reflect this. On a comparative European measure, rents are very low and for the majority of end users, form a very small percentage of their total cost base. We anticipate rents rising to R4,500 per sqm during the year, and growth continuing thereafter.

Investment volumes in the year increased to \$4.2 billion, with 75% of this in Moscow. The majority of deals were funded by Russian capital, and almost 20% of the total capital, or \$766 million, went into the warehouse sector. JLL predict prime yields in the range of 10.00-11.50% for Moscow warehouses, a reduction of 50bps. We continue to look at a number of

new acquisition ideas in our preferred sector of Grade A warehouses and would have made acquisitions in 2020, if the opportunity to complete the purchase of Invesco's shares had not arisen.

The first two months of 2021 have been extremely busy and tenant demand sees no sign of abating. Since the year end 119,000sqm of leases have expired but we have signed 90,100sqm of new lettings, including two deals in excess of 20,000sqm. The past twelve months have proved how hard it is to predict the future, but with high occupancy, exceptional levels of rent collection and a sector on the up there are many reasons to be confident.

## Finance Review

The results for the year reflect strong underlying trading as we have been fortunate to operate in a sector that supports essential retail supply chains and the growing e-commerce sector in Russia. The greatest impact of the pandemic on our business was the downward pressure on oil prices following the first wave of infection, one of a number of reasons that has produced the weakest Rouble exchange rates in any year since our incorporation. In reading what follows, the fact that the average Sterling/Rouble exchange rate in 2020 was 92.57 (2019: 82.63) and the closing rate at 31 December 2020 was 100.04 (31 December 2019: 81.15) has significant bearing on the presentation of our Sterling results. It is also worth repeating the summary of the influence of foreign exchange on our results given in our Interim Report for 2020:

### Income Statement

- In the income statement, Rouble weakness causes an increased cost in the servicing of our Euro denominated debt and Sterling preference shares relative to our Rouble income and an unrealised foreign exchange movement on the translation of balance sheet Euro debt in our Russian property owning subsidiaries with functional Rouble currency; and
- On the translation to Sterling presentation currency, a reduction in the Sterling equivalent of our Rouble income offset by a reduction in the Sterling equivalent of Rouble costs such as bank interest.

### Balance Sheet

- The greatest impact on our results is the presentation translation of our Rouble denominated net assets to Sterling. This is principally the translation of our investment property value, net of related Rouble denominated net debt, generating an exchange movement through our balance sheet reserves and volatility in our Sterling net asset value per share.

The culmination for the 2020 balance sheet is a reduction in net assets of £200 million relating to the foreign exchange conversion of balances at 31 December 2020.

## European Public Real Estate Association (“EPRA”) Guidelines

Following the changes to EPRA’s guidelines in late 2019, their performance measures now align with the alternative, non-IFRS measures, we report. That allows us, for the first time, to present EPRA measures. We trust that this helps give greater clarity and comparability in the presentation of our results.

### Other Alternative Performance Measures

In assessing our ability to make covered distributions we refer to both underlying earnings before unrealised foreign exchange movements and to operating cash flows after interest and where we use alternative performance measures these are reconciled to IFRS results in note 9 to the accounts.

### Income Statement

<b>Underlying Earnings</b> (Adjusted non IFRS measure)	<b>2020</b> <b>£'000</b>	<b>2019</b> <b>£'000</b>
Net rental and related income	113,090	126,504
Administrative expenses	(23,120)	(23,130)
Share based payments	557	(4,927)
Foreign exchange (losses)/profits	(53,675)	27,462
Share of (losses)/profits of joint ventures	(127)	792
Operating profit	36,725	126,701
Net finance charge	(62,186)	(72,966)
Underlying (loss)/profit before tax	(25,461)	53,735
Tax	(9,247)	(10,510)
Underlying (loss)/profit after tax	(34,708)	43,225
Underlying profit before foreign exchange (losses)/gains	18,967	15,763

The currency profile of our underlying leases is now predominately Rouble with only 11% of our portfolio US Dollar or Euro denominated (2019: 19%). These maturing currency pegged leases continue a step down in our underlying Rouble income

as rents revert to market levels. In Rouble terms, our net rental and related income dropped 4.3% in the year. The remainder of the 10.6% drop in Sterling equivalent income is a factor of the weaker Rouble average exchange rates. As explained below, this is somewhat offset by a lower Sterling equivalent of Rouble costs and the falling Central Bank of Russia ("CBR") key interest rate. Underlying earnings before unrealised foreign exchange movements of £19.0 million (2019: £15.8 million) demonstrates the result of the compensating effects.

### Underlying Administrative Expenses

Underlying administrative expenses reduce due to a number of factors. The weaker Rouble exchange rate and lower costs following the introduction of precautionary Covid measures, such as working from home and the suspension of all non essential travel, including international travel, first implemented in March 2020. Legal and professional costs decrease following the release of over accruals in the prior year and lower marketing costs. IT and communication costs increase with remote working and the implementation of a number of IT initiatives to improve efficiency, especially around document management systems. The 2019 results also included the expense for two years of bonus provisions, increasing the comparative cost.

Administrative costs for 2020 include a charge of £2.8 million in settlement of a vexatious claim brought against one of our Russian subsidiaries by the receiver of a tenant who declared bankruptcy in 2018. We are pursuing all possible appeal routes but have taken the prudent approach of recognising the cost given the uncertain nature of the Russian court process.

### Underlying Net Finance Charge

As the proportion of Rouble denominated debt facilities continued to increase in the year (see the debt section below) the corresponding increase in Rouble cost gives a positive impact on translation to Sterling. The CBR's doveish approach over the last two years has seen the key rate drop from 7.75% on 1 January 2019 to 4.25% today, reducing the underlying Rouble cost.

### Foreign Exchange

The foreign exchange loss in our income statement of £53.7 million (2019: profit £27.5 million) principally relates to the translation of Euro debt on the balance sheets of our Russian subsidiaries at the weaker year end Rouble exchange rate.

### IFRS Earnings

IFRS Earnings	2020 £'000	2019 £'000
Net rental and related income	113,090	126,504
Administrative expenses	(24,695)	(25,433)
Share based payments and other long term incentives	(1,222)	(5,468)
Foreign exchange (losses)/profits	(53,675)	27,462
Share of (loss)/profit of joint ventures	(127)	792
Profit on disposal of joint ventures	-	490
Operating profit	33,371	124,347
(Loss)/profit on revaluation	(5,554)	48,271
Gain on re-designation of convertible preference shares	45,748	
Net finance charge	(72,589)	(107,559)
IFRS profit before tax	976	65,059
Tax	(15,133)	(19,041)
IFRS (loss)/profit after tax	(14,157)	46,018

The main differences between underlying earnings and IFRS earnings in the year relate to the profit on the re-designation of the convertible preference shares, the revaluation movement on our investment properties and the mark to market of interest rate derivatives. On the latter, 2019 included a large write down on the carrying value of our CBR interest rate caps as the underlying key rate fell.

The charge for share based payments in the year includes a provision for the Five Year Performance Plan currently in place offset by the release of part of the provision made in 2019 for the Annual Performance Incentive.

### Re- designation of Convertible Preference Shares

On 31 July 2020 shareholders approved the re-designation of the Company's convertible preference shares into a ratio of new ordinary and preference shares. On 30 September 2020, 121,046,403 new ordinary shares and 115,913,610 new preference shares were admitted to trading and the Company's convertible preference shares ceased to exist. The profit of £45.8 million reflected in our income statement represents the difference between the carrying value of the convertible preference shares on the balance sheet as at 30 September 2020 and the fair value of the new ordinary and preference shares issued on the re-designation.

## Taxation

The group tax charge reduces in the year following a drop in the deferred tax charge on asset revaluations and a reduction in tax provisions.

Following the change in the double tax treaty between Russia and Cyprus which applies from 1 January 2021 we do expect an increase in withholding tax payments going forward.

## EPRA Cost Measures

The calculation of EPRA cost measures are set out in the supplementary information given in the notes to the financial statements. This ratio compares the costs of running the Group's investment property portfolio with the income generated. The EPRA cost ratio has reduced to 22.1% in 2020 from 24.8% in 2019. Excluding share based payments, the ratios reduce to 21.0% for 2020 compared to 20.3% in 2019. Other than the impact caused by share based payments, the small increase reflects the fall in rental income year on year and the one off charge for the legal claim in 2020.

## Investment Properties

<b>Investment Properties and Investment Properties under Construction</b>	<b>2020 £m</b>	<b>2019 £m</b>
Investment properties	1,090	1,338
Investment properties under Construction	27	34
	<u>1,117</u>	<u>1,372</u>

There was no significant change in the underlying Rouble valuation of our investment properties year on year but following capital expenditure of £12.2 million and accounting for lease incentives and head leases, a revaluation loss of £5.6 million (2019: gain of £48.3 million) is recognised in our income statement. As explained earlier, we do have a foreign exchange loss of £263.0 million (2019: gain of £108.8 million) on translation of the investment properties to Sterling, which is recognised in our translation reserve.

## Debtors and Creditors

<b>Debtors</b>	<b>2020 £m</b>	<b>2019 £m</b>
Other receivables (non current)	2,874	3,414
Derivative financial instruments	2,541	2,621
Trade and other receivables	<u>30,947</u>	<u>41,595</u>

The largest movements in current trade and other receivable balances relate to: the weaker Rouble reducing the Sterling equivalent of balances by circa £4.3 million; a reduction in rental debtors of £1.9 million as foreign currency leases are renegotiated; the receipt of £3.0 million of deferred consideration on the sale of the Coln joint venture; and the release of cash deposits of £3.0 million.

<b>Creditors</b>	<b>2020 £m</b>	<b>2019 £m</b>
Trade and other payables	39,189	51,691
Other payables (non current)	<u>15,255</u>	<u>18,623</u>

Current trade and other payable balances are reduced by: weak foreign exchange of £6.8 million; share based accruals reducing by £1.0 million; rent deposits by £1.9 million; and tax and related provisions by £3.5 million. Property capital expenditure creditors increase in relation to on going tenant fit-outs. Foreign currency movements also account for the majority of the reduction in non current payables.

## Cash and Debt

<b>Cash flow Summary</b>	<b>2020 £m</b>	<b>2019 £m</b>
Net cash generated from operating activities	77,649	93,100
Net cash used in investing activities	(9,909)	(16,196)
Net cash used in financing activities	(70,087)	(80,062)
Net decrease in cash and cash equivalents	(2,347)	(3,158)
Effect of foreign exchange rate changes	(12,669)	(2,154)
Decrease in cash	(15,016)	(5,312)
Closing cash and cash equivalents	53,122	68,138

The impact of foreign exchange again looms large on our cash flows and year end cash balance. Operating cash flows in Sterling terms reduce on the weaker average Rouble exchange rate as does the year end exchange rate on our Sterling equivalent cash balance.

Refinancing activity in the year, generating £38.6 million, matched our debt amortisation and cash used in investing activities. The net cash generated from operating activities was then sufficient to cover interest and preference share costs and the tender offer distribution made to ordinary shareholders.

<b>Bank Debt</b>	<b>2020 £m</b>	<b>2019 £m</b>
Fixed rate debt	5	-
Debt hedged with caps	561	545
	566	545
Unhedged debt	66	145
	632	690
Unamortised loan origination costs and accrued interest	(5)	(7)
Total debt	627	683
Weighted average cost of debt	5.48%	6.52%
Weighted average term to maturity	4.1	4.7

The currency profile of secured debt at 31 December 2020 was:

	<b>€ millions</b>	<b>RUB millions</b>
31 December 2020	277	38,155
31 December 2019	342	32,239

The debt maturity profile at the year end is:

	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027 - 2031</b>
Debt maturing £ million	5	-	100	342	110	65	10
Percentage maturing	0.8%	-	15.8%	54.1%	17.4%	10.3%	1.6%
Number of facilities	1	-	2	8	4	1	1

There are four (2019: five) Euro denominated facilities totalling €113.0 million (2019: €126.1 million), five (2019: one) solely Rouble denominated facilities and eight (2019: ten) facilities with a Rouble/Euro mix. The amortisation profile of the mixed facilities is weighted towards the Euro element to reduce foreign exchange risk over the term of the facility. It remains our intention to convert the Euro only facilities into a Rouble or Rouble/Euro mix, continuing to increase our Rouble debt weighting. At the year end, Rouble debt accounted for 60.3% (2019: 57.6%) of secured facilities and Euro 39.7% (2019: 42.4%).



The weighted average cost of debt reduced to 5.48% during the year (2019: 6.52%) as CBR rates fell. The majority of our facilities are hedged with interest rate caps over the term of the loan.

### **Net Asset Value**

IFRS diluted net asset value per share has decreased from 75p at 31 December 2019 to 40p at 31 December 2020, principally due to the weak year end Rouble exchange rate. EPRA net asset values are included in the supplementary information to the notes to the financial statements. Both EPRA NRV and NTA drop to 50.3p from 83.8p. EPRA NDV is 41.7p (2019: 71.1p). It is worth noting that, in calculating the EPRA measures, the Russian market does not have a real estate transfer tax, such as stamp duty.

### **Subsidiaries**

In December 2019 Raven Mount completed on the sale of our share in the Coln Park joint venture for a total consideration of £7 million. £4 million was received in December 2019 with the £3 million balance paid in December 2020.

Roslogistics has continued to trade at a similar level to 2019.

## **Risk Report**

### ***Risk Appetite***

A build up of external risk factors weighed on the business in 2020. The impact of the Covid pandemic which precipitated the oil price and Rouble collapse in March, was then sustained by the continuing threat of further international sanctions against Russia as the year progressed. Following a full lockdown in Russia in April our market rebounded, supported by the activity of the large supermarket and e-commerce players but this has not translated into improved shareholder returns due to the macroeconomic and political pressures.

We have suffered some of the weakest average Rouble exchange rates in any year since our incorporation, dampening our Sterling equivalent returns. However, our continued progression towards a predominately Rouble denominated operating and financing base has limited the impact of the weak foreign exchange environment on day to day operations.

The re-designation of our convertible preference shares to a mix of ordinary and preference shares has also reduced our exposure to Sterling debt instruments on the Company balance sheet.

The overhang on our shares, caused by the requirement of our biggest shareholder, Invesco Asset Management Limited ("IAML"), to exit our stock, continued to place a ceiling on the performance of our shares. The arrival of Covid resulted in a conditional agreement to acquire all of IAML's holdings to lapse. Given the success of the business to weather the impact of the many pressures of 2020, negotiations continued with IAML and we have now contracted, along with existing shareholders, to acquire IAML's stake subject to shareholder approval.

The Russian government has also renegotiated a number of double tax treaties during the year which will potentially increase the withholding tax burden of the group in the future. Given the majority of governments will be seeking increased taxation revenues to counter the cost of the pandemic we do not see this as entirely a Russian specific risk.

We were the victim of a vexatious legal claim made by the receiver of a bankrupt tenant at the end of the year, in relation to a lease signed in 2015 at the time of the collapse in market rental levels. The claim, for the equivalent of £2.8 million, has subsequently been upheld by the Russian courts and we are following all possible appeal routes. Since 2015 we have been subject to 116 court cases and 16 ICAC hearings, many challenging aspects of older lease agreements subject to currency pegged rents, in an attempt to reduce contracted rental levels. This is the first occasion that any ruling has gone against us and given that context, we consider it an isolated incident.

The culmination of the events in the year is a risk neutral approach for the Group as strong operational performance is offset by the caution required to deal with these external factors.

The principal risk factors that follow reflect our opinion of how they have changed in 2020.

### ***Risk Management and Internal Controls***

Risk assessment is built into the Group's operating model and performed throughout the organisation as part of day to day operations. The Board is ultimately responsible for the management of risk and regularly carries out a robust assessment of the principal risks and uncertainties affecting the business, including new and emerging risks, discusses how these may impact on operations, performance and solvency and what mitigating actions, if any, can be taken. The Audit Committee is responsible for ensuring that the internal control procedures are robust and that risk management processes are appropriate. A fuller explanation of this is given in the Audit Committee Report.



The risk management process is designed to identify, evaluate and mitigate any significant risk the Group faces. The process aims to manage rather than eliminate risks and can only provide reasonable and not absolute assurance. The Risk Committee has met seven times during the year and reports are also reviewed by the Audit Committee. The Cypriot Board have reported to the Audit Committee on progress made with their management of internal control procedures and the results of internal audit projects.

No significant failings or weaknesses in the internal control and risk assessment procedures have been identified during the year.




## Principal Risks and Uncertainties

We have set out, in the following tables, 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. We have also annotated those risks that have been considered as part of the viability assessment.



### Political and Economic Risk


Risk	Impact	Mitigation	Change in 2020
<b>Oil and Gas dependent economy (Viability Statement Risk)</b>  Low oil price leads to a weakening of the Rouble.	<p>The weak Rouble increases the cost of servicing Euro debt and puts pressure on banking covenants.</p> <p>A low oil price dampens infrastructure spending which leads to a drop in consumer demand. This in turn impairs demand for warehouse space and a contraction in demand from existing tenants.</p>	<p>As the majority of our financing is now Rouble denominated our banking covenants are less sensitive to the servicing of the Euro element of our debt. The amortisation profile of our facilities is weighted towards the Euro element of the facility to reduce the foreign exchange risk over the term of the loans.</p> <p>The logistics market in Russia has been robust in 2020, driven by essential supermarket chains and acceleration in the growth of the e-commerce sector.</p>	
<b>Sanctions</b>  The use of economic sanctions by the US and EU continues for the foreseeable future.	<p>Continued isolation of Russia from international markets and a return to a declining Russian economy. Rouble exchange rates remain weak.</p>	<p>The local market has accepted the inevitability of long term economic sanctions and this has played its part in the fundamental changes to the Russian economy. We have adapted our business model to secure our position in the market including extinguishing all US Dollar liabilities. However, the risk of increased sanctions has heightened in 2020.</p> <p>The impact of a weak Rouble is covered in the financial risks section.</p>	
<b>Pandemic (Viability Statement Risk)</b>  A new wave of the pandemic causes further lockdown measures in the Russian market.	<p>The Russian economy contracts further and consumer demand falls. Continued weak Rouble puts upward pressure on inflation and Central Bank of Russia key interest rates.</p>	<p>The Russian government has avoided a second lockdown and is focussing on a mass vaccination programme. Our assets continued to operate during the first lockdown as they were a key support function of the essential retailers' logistics chains. There has been minimal impact on rental collections to date.</p> <p>The impact of the weak Rouble, increased taxation and central bank interest rates are covered in the financial risks section.</p>	<b>NEW</b>

## Financial Risk



Risk	Impact	Mitigation	Change in 2020
<b>Foreign Exchange (Viability Statement Risk)</b>  At the year end 40% of secured debt was denominated in Euros and all of our preference shares in Sterling.	A weakening of the Rouble against those foreign currencies reduces our ability to service debt and preference share coupon and reduces our Sterling equivalent profitability and net asset value.	We have significantly reduced our exposure to foreign currency secured debt facilities and will continue to do so. As noted above, bank covenants are now less sensitive to the servicing of the Euro element of facilities.  However, the weak Rouble has had a significant impact on the Sterling equivalent of our net asset value.	
<b>Interest Rates (Viability Statement Risk)</b>  Increases in Central Bank rates and financing benchmarks.	The cost of debt increases and Group profitability and debt service cover reduce.	The Russian Central Bank continued to reduce its key rate in 2020 and has put any further movements on hold at its last two meetings as it monitors the inflation levels. Our variable cost of debt is hedged with the use of caps with terms matching the debt maturity profile.	
<b>Share Buy Backs (Viability Statement Risk)</b>  We have contracted to purchase the majority of the holding of our shares from the Company's largest shareholder.	We reduce our equity base and increase group gearing.	The overhang of ordinary shares has been impeding share performance. On renegotiating the acquisition, the level of gearing required has been substantially reduced.	

## Property Investment


Risk	Impact	Mitigation	Change in 2020
<b>Acquisitions</b>  We operate in an immature investment market where legacy issues are common with Russian acquisitions.	Legacy issues may erode earnings enhancement and integration into our existing systems may involve excessive management resource.	We have a strong senior management team in both our Cyprus and Moscow offices with international and Russian experience in real estate acquisitions.  External advisors undertake full detailed due diligence on any acquisition projects.	
<b>Leases (Viability Statement Risk)</b> Market practice increasingly incorporates lease break requirements and landlord fit-out obligations.	This can lead to uncertainty of on going annualised income due to lease break clauses.  There is additional landlord risk attached to the delivery of tenant fit-out requirements.	We have a proactive property management team and continued open dialogue with tenants.  We have a dedicated project management resource assigned to construction and fit-out obligations under leases.  Market conditions are improving with rents increasing and vacancy dropping. Lease breaks are less likely to be exercised in this market and	

		tenants are signing longer leases on new lettings given the lack of available space.	
<b>Capital Expenditure (Viability Statement Risk)</b>  As the majority of our warehouse portfolio was built between 2007 and 2009 some elements of the buildings require replacement or modernisation.	Properties become less attractive to prospective tenants or lower rental values are achieved.	We have put in place a rolling five year capital expenditure programme to maintain our properties at a Grade A level. These works should protect and potentially enhance levels of rent achievable and provide the opportunity to improve energy efficiency and sustainability.	

### Russian Domestic Risk

Risk	Impact	Mitigation	Change in 2020
<b>Legal Framework</b>  The legal framework in Russia continues to develop, with new and proposed laws regularly being introduced.	The large volume of new legislation from various state bodies is open to interpretation, puts strain on the judicial system and can be open to abuse.	We have an experienced in house legal team including a litigation specialist. We use a variety of external legal advisors when appropriate.  Our lease agreements have been challenged and have proven to be robust in both ICAC arbitration and in Russian Courts. However, we were the victim of a vexatious claim at the end of 2020 which has, thus far, been supported by the Russian courts.	
<b>Russian Taxation (Viability Statement Risk)</b>  Russian tax code is changing in line with global taxation trends in areas such as transfer pricing, beneficial ownership of cross border cash flows and capital gains tax.	Tax treaties may be renegotiated and new legislation or clarification of existing practice may increase the Group's tax expense.	Our business is a significant contributor to inward investment in the Russian logistics sector. Our structure has developed to deal with the commercial risks of operating in Russia rather than to take advantage of tax benefits. Management and control is exerted as appropriate in each jurisdiction and the skills and experience of staff in each office reflect that commercial requirement. The renegotiation of double tax treaties during the year has potentially exposed the group to higher withholding tax charges in the future.  Ultimately, Russia remains a relatively low tax jurisdiction with 20% Corporation tax.	

## Personnel Risks

Risk	Impact	Mitigation	Change in 2020
<b>Key Personnel</b>  Failing to retain key personnel. Remote working increases the challenges for employees to meet targets.	Strategy becomes more difficult to flex or implement.  Remote working puts additional strain on employees' well being.	The Remuneration Committee and Executives review remuneration packages against comparable market information where available;  Employees have regular appraisals and documented development plans and targets; and  We are continually addressing succession issues where they arise.	

Change key



Increased risk in the period



Stable risk in the period



Decreased risk in the period

Signed for and on behalf of the Board

**Colin Smith**

Director

14 March 2021

## **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 2020.

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 14 March 2021 and is signed on its behalf by:

**Mark Sinclair**  
Chief Financial Officer

**Colin Smith**  
Chief Operating Officer

# GROUP INCOME STATEMENT

For the year ended 31 December 2020

		Underlying earnings £'000	2020 Capital and other £'000	Total £'000	Underlying earnings £'000	2019 Capital and other £'000	Total £'000
Gross revenue	4/5	153,804	-	153,804	175,373	-	175,373
Property operating expenditure and cost of sales		(40,714)	-	(40,714)	(48,869)	-	(48,869)
<b>Net rental and related income</b>		<b>113,090</b>	<b>-</b>	<b>113,090</b>	<b>126,504</b>	<b>-</b>	<b>126,504</b>
Administrative expenses	4/6	(23,120)	(1,575)	(24,695)	(23,130)	(2,303)	(25,433)
Share-based payments and other long term incentives	29	557	(1,779)	(1,222)	(4,927)	(541)	(5,468)
Foreign currency (losses) / profits		(53,675)	-	(53,675)	27,462	-	27,462
<b>Operating expenditure</b>		<b>(76,238)</b>	<b>(3,354)</b>	<b>(79,592)</b>	<b>(595)</b>	<b>(2,844)</b>	<b>(3,439)</b>
Share of (losses) / profits of joint ventures		(127)	-	(127)	792	-	792
Profit on disposal of joint ventures		-	-	-	-	490	490
<b>Operating profit / (loss) before profits and losses on investment property</b>		<b>36,725</b>	<b>(3,354)</b>	<b>33,371</b>	<b>126,701</b>	<b>(2,354)</b>	<b>124,347</b>
Unrealised (loss) / profit on revaluation of investment property	11	-	(5,043)	(5,043)	-	47,820	47,820
Unrealised (loss) / profit on revaluation of investment property under construction	12	-	(511)	(511)	-	451	451
<b>Operating profit / (loss)</b>	<b>4</b>	<b>36,725</b>	<b>(8,908)</b>	<b>27,817</b>	<b>126,701</b>	<b>45,917</b>	<b>172,618</b>
Finance income	7	1,940	146	2,086	2,011	-	2,011
Finance expense	7	(64,126)	(10,549)	(74,675)	(74,977)	(34,593)	(109,570)
Profit on re-designation of convertible preference shares	22	-	45,748	45,748	-	-	-
<b>(Loss) / profit before tax</b>		<b>(25,461)</b>	<b>26,437</b>	<b>976</b>	<b>53,735</b>	<b>11,324</b>	<b>65,059</b>
Tax	8	(9,247)	(5,886)	(15,133)	(10,510)	(8,531)	(19,041)
<b>(Loss) / profit for the year</b>		<b>(34,708)</b>	<b>20,551</b>	<b>(14,157)</b>	<b>43,225</b>	<b>2,793</b>	<b>46,018</b>
Earnings per share:	9						
Basic (pence)				(2.80)			8.16
Diluted (pence)				(2.80)			7.50
Underlying earnings per share:	9						
Basic (pence)		(6.86)			7.67		
Diluted (pence)		(6.86)			6.35		

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. 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 2020

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
<b>(Loss) / profit for the year</b>	<b>(14,157)</b>	<b>46,018</b>
<b>Other comprehensive income, net of tax</b>		
<i>Items to be reclassified to profit or loss in subsequent periods:</i>		
Foreign currency translation on consolidation	(146,667)	77,018
<b>Total comprehensive (loss) / income for the year, net of tax</b>	<b>(160,824)</b>	<b>123,036</b>

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 2020

	Notes	2020 £'000	2019 £'000
<b>Non-current assets</b>			
Investment property	11	1,089,768	1,337,682
Investment property under construction	12	26,952	33,846
Plant and equipment		4,673	6,150
Investment in joint ventures		36	189
Other receivables	15	2,874	3,414
Derivative financial instruments	17	2,541	2,621
Deferred tax assets	24	17,675	24,290
		<u>1,144,519</u>	<u>1,408,192</u>
<b>Current assets</b>			
Inventory		532	358
Trade and other receivables	16	30,947	41,595
Cash and short term deposits	18	53,122	68,138
		<u>84,601</u>	<u>110,091</u>
<b>Total assets</b>		<b>1,229,120</b>	<b>1,518,283</b>
<b>Current liabilities</b>			
Trade and other payables	19	39,189	51,691
Interest bearing loans and borrowings	20	29,609	60,173
		<u>68,798</u>	<u>111,864</u>
<b>Non-current liabilities</b>			
Interest bearing loans and borrowings	20	597,843	623,168
Preference shares	21	251,506	110,324
Convertible preference shares	22	-	217,482
Other payables	23	15,255	18,623
Deferred tax liabilities	24	62,028	71,024
		<u>926,632</u>	<u>1,040,621</u>
<b>Total liabilities</b>		<b>995,430</b>	<b>1,152,485</b>
<b>Net assets</b>		<b>233,690</b>	<b>365,798</b>
<b>Equity</b>			
Share capital	25	5,914	4,898
Share premium		79,520	51,463
Own shares held	26	(6,351)	(4,582)
Convertible preference shares	22	-	11,212
Capital reserve		(193,042)	(234,519)
Translation reserve		(118,479)	28,188
Retained earnings		466,128	509,138
<b>Total equity</b>	27/28	<b>233,690</b>	<b>365,798</b>
Net asset value per share (pence):	28		
Basic		41	76
Diluted		40	75

The financial statements were approved by the Board of Directors on 14 March 2021 and signed on its behalf by:

Mark Sinclair  
Chief Financial OfficerColin Smith  
Chief Operating Officer

The accompanying notes are an integral part of this statement.

# **GROUP STATEMENT OF CHANGES IN EQUITY**

For the year ended 31 December 2020

		Share Capital £'000	Share Premium £'000	Warrants £'000	Own Shares Held £'000	Convertible Preference Shares £'000	Capital Reserve £'000	Translation Reserve £'000	Retained Earnings £'000	Total £'000
<b>For the year ended 31 December 2019</b>										
At 1 January 2019	Notes	6,233	103,144	98	(5,965)	11,212	(281,001)	(48,830)	510,403	295,294
Profit for the year		-	-	-	-	-	-	-	46,018	46,018
Other comprehensive income		-	-	-	-	-	-	77,018	-	77,018
Total comprehensive income for the year		-	-	-	-	-	-	77,018	46,018	123,036
Warrants exercised		17	486	(69)	-	-	-	-	-	434
Warrants lapsed		-	-	(29)	-	-	-	-	29	-
Conversion of convertible preference shares	22/25	-	12	-	-	-	-	-	-	12
Own shares acquired	26	-	-	-	(106)	-	-	-	-	(106)
Own shares allocated	26	-	-	-	1,338	-	-	-	(830)	508
Ordinary shares cancelled	25/26	(1,352)	(52,179)	-	151	-	-	-	-	(53,380)
Transfer in respect of capital profits		-	-	-	-	-	46,482	-	(46,482)	-
<b>At 31 December 2019</b>		<b>4,898</b>	<b>51,463</b>	<b>-</b>	<b>(4,582)</b>	<b>11,212</b>	<b>(234,519)</b>	<b>28,188</b>	<b>509,138</b>	<b>365,798</b>
<b>For the year ended 31 December 2020</b>										
<b>At 1 January 2020</b>		<b>4,898</b>	<b>51,463</b>	<b>-</b>	<b>(4,582)</b>	<b>11,212</b>	<b>(234,519)</b>	<b>28,188</b>	<b>509,138</b>	<b>365,798</b>
Loss for the year		-	-	-	-	-	-	-	(14,157)	(14,157)
Other comprehensive income		-	-	-	-	-	-	(146,667)	-	(146,667)
Total comprehensive loss for the year		-	-	-	-	-	-	(146,667)	(14,157)	(160,824)
Cancellation and re-designation of convertible preference shares	22/25	1,210	34,861	-	(409)	(11,212)	-	-	11,212	35,662
Own shares acquired	26	-	-	-	(2,160)	-	-	-	-	(2,160)
Own shares allocated	26	-	-	-	800	-	-	-	(367)	433
Ordinary shares cancelled	25/26	(194)	(6,804)	-	-	-	-	-	-	(6,998)
Share-based payments		-	-	-	-	-	-	-	1,779	1,779
Transfer in respect of capital profits		-	-	-	-	-	41,477	-	(41,477)	-
<b>At 31 December 2020</b>		<b>5,914</b>	<b>79,520</b>	<b>-</b>	<b>(6,351)</b>	<b>-</b>	<b>(193,042)</b>	<b>(118,479)</b>	<b>466,128</b>	<b>233,690</b>

The accompanying notes are an integral part of this statement.

**GROUP CASH FLOW STATEMENT**  
For the year ended 31 December 2020

	Notes	2020 £'000	2019 £'000
<b>Cash flows from operating activities</b>			
Profit before tax		976	65,059
Adjustments for:			
Depreciation	6	1,328	1,782
Bad debts	6	131	(2)
Loss on disposal of plant and equipment		25	19
Share of losses / (profits) of joint ventures		127	(792)
Profit on disposal of joint ventures		-	(490)
Finance income	7	(2,086)	(2,011)
Finance expense	7	74,675	109,570
Profit on cancellation of convertible preference shares		(45,748)	-
Loss / (profit) on revaluation of investment property	11	5,043	(47,820)
Loss / (profit) on revaluation of investment property under construction	12	511	(451)
Foreign exchange losses / (profits)		53,675	(27,462)
Non-cash element of share-based payments and other long term incentives	29	1,222	5,468
		<u>89,879</u>	<u>102,870</u>
<i>Changes in operating working capital</i>			
Decrease in operating receivables		3,659	4,491
Increase in other operating current assets		(174)	(2)
Decrease in operating payables		<u>(4,831)</u>	<u>(6,152)</u>
		88,533	101,207
Receipts from joint ventures		-	1,043
Tax paid		<u>(10,884)</u>	<u>(9,150)</u>
<b>Net cash generated from operating activities</b>		<b><u>77,649</u></b>	<b><u>93,100</u></b>
<b>Cash flows from investing activities</b>			
Payments for property improvements		(14,257)	(11,939)
Refund of VAT on acquisition of investment property		-	3,920
Acquisition of subsidiaries		-	(169)
Acquisition of investment property / payment of deferred consideration on acquisition of investment property	11	-	(11,924)
Loans granted		-	(101)
Loans repaid		-	447
Purchase of plant and equipment		(602)	(2,140)
Proceeds on disposal of plant and equipment		39	113
Investment in joint ventures		-	(13)
Proceeds on disposal of joint ventures		3,000	3,650
Interest received		<u>1,911</u>	<u>1,960</u>
<b>Net cash used in investing activities</b>		<b><u>(9,909)</u></b>	<b><u>(16,196)</u></b>
<b>Cash flows from financing activities</b>			
Proceeds from long term borrowings		105,141	357,966
Repayment of long term borrowings		(66,537)	(284,431)
Loan amortisation		(29,659)	(22,652)
Bank borrowing costs paid		(43,076)	(54,689)
Exercise of warrants	25	-	434
Ordinary shares purchased	25 / 26	(9,158)	(53,310)
Dividends paid on preference shares		(15,122)	(11,285)
Dividends paid on convertible preference shares		(9,501)	(12,486)
Proceeds from disposal of derivative financial instruments		-	3,259
Premium paid for derivative financial instruments		<u>(2,175)</u>	<u>(2,868)</u>
<b>Net cash used in financing activities</b>		<b><u>(70,087)</u></b>	<b><u>(80,062)</u></b>
Net decrease in cash and cash equivalents		(2,347)	(3,158)
Opening cash and cash equivalents		68,138	73,450
Effect of foreign exchange rate changes		<u>(12,669)</u>	<u>(2,154)</u>
<b>Closing cash and cash equivalents</b>	18	<b><u>53,122</u></b>	<b><u>68,138</u></b>

The accompanying notes are an integral part of this statement.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 1. General information

Raven Property Group 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 La Vieille Cour, La Plaiderie, St Peter Port, Guernsey GY1 6EH.

The audited financial statements of the Group for the year ended 31 December 2020 were authorised by the Board for issue on 14 March 2021.

### 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 Sterling and all values are rounded to the nearest thousand pounds (£'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.

#### Going concern

The financial position of the Group, its cash flows, liquidity position, borrowings and the impact of Covid-19 are described in the Finance Review section of the Strategic Report and the notes to these financial statements. Further disclosures regarding borrowings are provided in note 20 to the financial statements.

Rental rates have remained stable and occupancy rates high at 94% at the end of the year (currently 91% with a further 2% agreed through letters of intent). Tenant demand has been strong, and the logistics sector has benefitted from changes in customer behaviour driven by the pandemic. Rent collections ran close to 100% for the year to 31 December 2020, and both the base and stress case modelled scenarios discussed below expect this to continue in the period of going concern assessment, with no evidence suggesting this an unreasonable expectation.

At 31 December 2020, the Group's balance sheet is considered strong with £53.1 million of cash and short term deposits held (2019: £68.1 million), investment properties of £1,089.8 million (2019: £1,337.7 million) and net assets of £233.7 million (2019: £365.8 million). Decline in Sterling values are driven by depreciation in the value of the Rouble against Sterling at the balance sheet date, rather than falls in property value. Our continued progression towards a predominately Rouble denominated operating and financing base limits the impact of the weak foreign exchange environment on day to day operations.

In assessing the Group's ability to continue to operate as a going concern, the Board has examined the latest working capital report prepared by management for the period from the date of signing these financial statements to 31 December 2022. As described in the Going Concern section of the Directors' Report, three working capital scenarios have been modelled, the first being a base case, the second a stress test case and the third being the stress test case amended for ordinary course of business mitigating actions within the Board's control.

The base case for the going concern model used by the Group assumes that current market norms prevail, with reference to the latest economic data and forecasts available. The model is then stress tested incorporating a prudent scenario which assumes:

- the Russian economy remains in a weak Rouble environment for the period to 31 December 2022;
- the ability to refinance assets is limited;
- an increased void period on maturing leases; and
- increased levels of withholding tax on cross jurisdictional treasury movements.

Key mitigating actions include:

- the ability of the Group to place funds on deposit with banking counterparts to heal potential covenant breaches;
- control over ordinary shareholder distributions; and
- the management of capital expenditure programmes.

Even without mitigating actions, the Group maintains liquidity throughout the going concern forecast period in the stress test scenario.

Having made appropriate enquiries and examining the latest working capital report for the period from the date of signing these financial statements to 31 December 2022, including the proposed share buy back and the sensitivities described above that could give rise to financial risk, the Board has a reasonable expectation that the Group has adequate resources to continue operations for the foreseeable future. Accordingly, the Group continues to adopt the going concern basis in the preparation of these financial statements.

Note 32 to the financial statements includes the Group's objectives, policies and procedures for managing risks related to currency, credit, liquidity and capital.

## 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 for new standards adopted. The new and amended IFRS and IFRIC interpretations as of 1 January 2020 have been considered and had no impact on the consolidated financial statements of the Group. Certain new standards, interpretations and amendments to existing standards have been published that are mandatory for later accounting periods and which have not been adopted early. The Group has considered each of these and concluded that they will have no significant impact on the financial performance of the Group nor on the disclosures included in the consolidated financial statements.

## Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company, its subsidiaries and the special purpose vehicles ("SPVs") controlled by the Company, made up to 31 December each year. Control is achieved where the Company 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.

## 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 earned.

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

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

### (b) Roslogistics

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

### (c) Raven Mount

The sale of completed property and land is recognised on legal completion.

## Taxation

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

Management periodically evaluate positions taken in the Group's tax returns with respect to situations where the applicable tax regulations are subject to interpretation and establishes provisions where appropriate. The resulting provision for uncertain tax positions is recorded within current tax payable (see note 19).

**(c) 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.

**(d) 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 Valuation - Global Standards, 2020 (the "Red Book"). These are internationally accepted standards of valuation. Gains or losses arising from changes in the fair value of investment property are included in the Income Statement in the period in which they arise. For the purposes of these financial statements, in order to avoid double counting, the assessed fair value is reduced by the present value of any tenant incentives and contracted rent uplifts that are spread over the lease term and increased by the carrying amount of any liability under a head lease that has been recognised in the Balance Sheet.

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

**Leasing (as lessors)**

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

**Financial assets**

The Group classifies its financial assets into one of the categories discussed below, depending upon the purpose for which the asset was acquired.

(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 Expected Credit Loss ("ECL"). The Group assesses on a forward looking basis the ECL for its financial assets measured at amortised cost. The Group measures the ECL and recognises a credit loss allowance at each reporting date.

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.

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, convertible 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, convertible preference shares 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.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group considered the convertible preference shares to be a compound financial instrument, that is they had a liability and equity component. On the issue of convertible preference shares the fair value of the liability component was determined and the balance of the proceeds of issue was deemed to be equity. The Group's other equity instruments are its ordinary shares.

### 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 which may include settlement in the ordinary or preference shares of the Company.

#### Awards linked to or that may be settled by ordinary shares

The share component of the 2016 Retention Scheme was able to be settled in any of the Company's listed securities, including ordinary shares, and as a consequence fell within the scope of IFRS 2 Share-based payments. Each instalment was settled by the issue of preference shares or convertible preference shares and therefore were cash-settled transactions. The cost of cash-settled transactions is recognised as an expense over the vesting period, measured by reference to the fair value of the corresponding liability, which is recognised on the Balance Sheet. The liability is re-measured at fair value at each balance sheet date until settlement, with changes in the fair value recognised in the Income Statement. The Five Year Performance Plan is an equity settled share-based incentive scheme in which the participants receive a variable number of ordinary shares in the Company based on achieving a total shareholder return over the performance period and subject to the ordinary share price of the Company on vesting in March 2023. Vesting is expressed as a monetary amount based on the total shareholder return achieved. At each reporting date the total shareholder return in the period to date is calculated and considered relative to the minimum conditions for vesting. To the extent this threshold is achieved, a monetary amount is calculated and charged to the Income Statement, subject to cumulative provisions made in prior periods, with a corresponding entry recorded in equity.

#### Awards not linked to or settled by ordinary 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 or convertible preference shares, as appropriate, at the vesting date and the probability of the awards vesting. The resulting expense is charged to the Income Statement over the performance period and the liability is re-measured at each Balance Sheet date.

The cash component of the 2016 Retention Scheme has been accounted for in this way.



## 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 group financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds (£'000) except where otherwise indicated.

### (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 to 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.

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.

The results and financial position of all the Group entities that have a functional currency different from the Group's presentation currency (Sterling) are translated into the presentation currency using the following rates:

Balance Sheet	<b>2020</b>	<b>2019</b>
- Roubles	100.0425	81.1460
- Euro	1.1032	1.1703
Income Statement *	<b>2020</b>	<b>2019</b>
- Roubles	92.5689	82.6282
- Euro	1.1251	1.1398

\* These are the average rates for the twelve months ended 31 December 2019 and 2020, which are used unless this does not approximate the rates ruling at the dates of the relevant transactions in which case the item of income or expenditure is translated at the transaction date 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 liabilities are 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.

## Estimates

### (a) Valuation of investment property and investment property under construction

The best evidence of fair value are current prices in an active market for similar properties. In the absence of such information, the Group determines the amount within a range of reasonable, fair value estimates. In making its estimation the Group considers information from a variety of sources and engages external, professional advisers to carry out third party valuations of its properties. The external valuations are completed in accordance with appropriate sections of the current Practice Statements contained in the Royal Institution of Chartered Surveyors Valuation - Global Standards, 2020 (the "Red Book"). These are internationally accepted standards of valuation and are 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, along with detail of the sensitivities of the valuations to changes in the key inputs.

### (b) Income tax

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

Russian tax legislation is subject to varying interpretations and changes, which may occur frequently. New legislation and clarifications have been introduced over recent years, but it remains unclear as to how these will be applied in practice. The interpretation of the legislation that the Group adopts for its transactions and activities may be challenged by the relevant regional and federal authorities from time to time. Additionally, there may be inconsistent interpretation of tax regulations by each local authority, creating uncertainties in the correct application of the taxation regulations 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 new tax regulations have been applied retrospectively. The level of tax reviews and court activity is increasing. The Group is, and has been, subject to tax reviews which are worked through with the relevant authorities to resolve.

The Group, in making its tax provision judgements, is confident that an appropriate level of management and control is exerted in each of the jurisdictions in which it operates, all companies are tax resident in their relevant jurisdictions and are the beneficial owners of any income they receive. Local management use their in house tax knowledge and previous experience as well as independent professional experts when assessing tax risks and the resultant provisions required. For the current year, the Group has specifically reviewed the potential impact that new regulations may have on its financing arrangements and the provision reflects probabilities of between 0% and 100% of possible outcomes. It is reasonably possible that outcomes within the next financial year are different from the assumptions made and could require an adjustment to the carrying amount of the provision.

## 4. Segmental information

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

Property Investment - acquire or develop and lease commercial property in Russia;

Roslogistics - provision of warehousing, transport, customs brokerage and related services in Russia - IFRS 15 revenue - services are provided to customers over time and invoiced at appropriate intervals in accordance with the relevant contract terms, with payment typically due within 10 to 45 days of invoicing; and Raven Mount - sale of residential property in the UK - IFRS 15 revenue - the transfer of land or property to the purchaser occurs on legal completion of the sale contract, with payment typically due upon completion, though in some cases a deferral may be agreed.

Financial information relating to Property Investment is provided to the Board on a property by property basis. The information provided comprises 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 considered to be 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 monthly financial information incorporating turnover, cost of sales and operating profits or losses after deduction of administrative expenses and a balance sheet.

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 the 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 include loans and borrowings, segment profit 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 £43.2 million (2019: £56.0 million).

(a) Segmental information for the year ended and as at 31 December 2020

Year ended 31 December 2020

	Property Investment £'000	Roslogistics £'000	Raven Mount £'000	Segment Total £'000	Central Overhead £'000	Total £'000
Gross revenue	140,503	13,299	2	153,804	-	153,804
Operating costs / cost of sales	(32,768)	(7,996)	50	(40,714)	-	(40,714)
<b>Net rental and related income</b>	<b>107,735</b>	<b>5,303</b>	<b>52</b>	<b>113,090</b>	<b>-</b>	<b>113,090</b>
<b>Administrative expenses</b>						
Running general & administration expenses	(16,215)	(1,619)	(264)	(18,098)	(4,878)	(22,976)
Aborted project costs	(29)	-	-	(29)	(362)	(391)
Depreciation	(960)	(368)	-	(1,328)	-	(1,328)
Share-based payments and other long term incentives	(144)	-	-	(144)	(1,078)	(1,222)
Foreign currency losses	(53,669)	(5)	(1)	(53,675)	-	(53,675)
	<b>36,718</b>	<b>3,311</b>	<b>(213)</b>	<b>39,816</b>	<b>(6,318)</b>	<b>33,498</b>
Unrealised loss on revaluation of investment property	(5,043)	-	-	(5,043)	-	(5,043)
Unrealised loss on revaluation of investment property under construction	(511)	-	-	(511)	-	(511)
Share of losses of joint ventures	-	(127)	-	(127)	-	(127)
Profit on disposal of joint ventures	-	-	-	-	-	-
<b>Segment profit / (loss)</b>	<b>31,164</b>	<b>3,184</b>	<b>(213)</b>	<b>34,135</b>	<b>(6,318)</b>	<b>27,817</b>

Finance income	2,086
Finance expense	(74,675)
Profit on re-designation of convertible preference shares	45,748
<b>Profit before tax</b>	<b>976</b>

As at 31 December 2020

**Assets**

	Property Investment £'000	Roslogistics £'000	Raven Mount £'000	Total £'000
Investment property	1,089,768	-	-	1,089,768
Investment property under construction	26,952	-	-	26,952
Investment in joint ventures	-	36	-	36
Inventory	-	-	532	532
Cash and short term deposits	51,323	622	1,177	53,122
Segment assets	1,168,043	658	1,709	1,170,410
Other non-current assets				27,763
Other current assets				30,947
<b>Total assets</b>				<b>1,229,120</b>

**Segment liabilities**

Interest bearing loans and borrowings	627,452	-	-	627,452
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**Capital expenditure**

Corporate acquisitions	-	-	-	-
Other acquisition	-	-	-	-
Property improvements	14,257	-	-	14,257
	<b>14,257</b>	<b>-</b>	<b>-</b>	<b>14,257</b>

**(b) Segmental information for the year ended and as at 31 December 2019**

**Year ended 31 December 2019**

	Property Investment £'000	Roslogistics £'000	Raven Mount £'000	Segment Total £'000	Central Overhead £'000	Total £'000
Gross revenue	158,547	16,663	163	175,373	-	175,373
Operating costs / cost of sales	(38,367)	(10,582)	80	(48,869)	-	(48,869)
<b>Net rental and related income</b>	<b>120,180</b>	<b>6,081</b>	<b>243</b>	<b>126,504</b>	<b>-</b>	<b>126,504</b>
<b>Administrative expenses</b>						
Running general & administration expenses	(15,584)	(1,997)	(406)	(17,987)	(5,143)	(23,130)
Aborted project costs	(521)	-	-	(521)	-	(521)
Depreciation	(1,417)	(364)	(1)	(1,782)	-	(1,782)
Share-based payments and other long term incentives	(815)	-	-	(815)	(4,653)	(5,468)
Foreign currency profits / (losses)	27,460	5	(3)	27,462	-	27,462
	<b>129,303</b>	<b>3,725</b>	<b>(167)</b>	<b>132,861</b>	<b>(9,796)</b>	<b>123,065</b>
Unrealised profit on revaluation of investment property	47,820	-	-	47,820	-	47,820
Unrealised profit on revaluation of investment property under construction	451	-	-	451	-	451
Share of profits of joint ventures	-	(213)	1,005	792	-	792
Profit on disposal of joint ventures	-	-	490	490	-	490
<b>Segment profit / (loss)</b>	<b>177,574</b>	<b>3,512</b>	<b>1,328</b>	<b>182,414</b>	<b>(9,796)</b>	<b>172,618</b>
Finance income						2,011
Finance expense						(109,570)
<b>Profit before tax</b>						<b>65,059</b>

The operating costs allocated to Roslogistics have been amended to include their share of the operating costs of the properties that they lease from the Group. The operating costs allocated to the Property Investment segment have been reduced commensurately.

**As at 31 December 2019**

	Property Investment £'000	Roslogistics £'000	Raven Mount £'000	Total £'000
<b>Assets</b>				
Investment property	1,337,682	-	-	1,337,682
Investment property under construction	33,846	-	-	33,846
Investment in joint ventures	-	189	-	189
Inventory	-	-	358	358
Cash and short term deposits	62,449	1,069	4,620	68,138
<b>Segment assets</b>	<b>1,433,977</b>	<b>1,258</b>	<b>4,978</b>	<b>1,440,213</b>
Other non-current assets				36,475
Other current assets				41,595
<b>Total assets</b>				<b>1,518,283</b>
<b>Segment liabilities</b>				
Interest bearing loans and borrowings	683,341	-	-	683,341
<b>Capital expenditure</b>				
Corporate acquisitions	169	-	-	169
Other acquisition	11,924	-	-	11,924
Property improvements	11,939	-	-	11,939
	<b>24,032</b>	<b>-</b>	<b>-</b>	<b>24,032</b>

**5. Gross revenue**

	2020 £'000	2019 £'000
Rental and related income	140,503	158,547
Logistics	13,299	16,663
Other revenue	2	163
	<b>153,804</b>	<b>175,373</b>

The Group's leases typically include annual rental increases ("contingent rents") based on a consumer price index in Russia, Europe or the USA, which are recognised in income as they arise. Contingent rents, being amounts recorded in excess of minimum contracted increases, are included in rental income for the year amounted £143k (2019: £139k).

Details of the Group's contracted future minimum lease receivables are detailed in note 34.

There were no single customers accounting for more than 10% of Group revenues in either 2020 or 2019.

## 6. Administrative expenses

### (a) Total administrative expenses

	2020 £'000	2019 £'000
Employment costs	11,163	13,615
Directors' remuneration	2,898	2,523
Bad debts	131	(2)
Office costs	817	537
IT and communications	2,108	1,718
Insurance	229	171
Travel costs	446	1,164
Auditors' remuneration	729	671
Legal and professional	972	1,931
Loss on disposal of plant and equipment	25	19
Broker, PR and analyst costs	412	471
Aborted project costs	391	521
Depreciation	1,328	1,782
Provision for legal claim	2,751	-
Registrar costs and other administrative expenses	295	312
	<b>24,695</b>	<b>25,433</b>

The provision for legal claim of £2.8 million is in respect of a vexatious claim brought against one the Group's Russian subsidiaries by the receiver of a tenant who declared bankruptcy in 2018. The Group is pursuing all possible remedies but has recognised the cost given the uncertain nature of the Russian legal system.

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

	2020 £'000	2019 £'000
Audit services	539	532
Audit related assurance services	72	50
	<b>611</b>	<b>582</b>
Other fees:		
Taxation services	118	89
<b>Total fees</b>	<b>729</b>	<b>671</b>

In 2020 the Group engaged Ernst & Young as reporting accountants for the Group's prospectus setting out the proposal for the re-designation of the convertible preference shares and also in respect of the aborted purchase of ordinary shares, preference share and convertible preference shares from Invesco Asset Management Limited. The Group incurred £200k of fees in respect of their work on the prospectus, which are included in the incidental costs to calculate the profit on re-designation of convertible preference shares (detailed in note 22), and £201k of fees in respect of the aborted purchase, which is included in aborted project costs. There were no equivalent fees for 2019.

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 £109k (2019: £132k) and the fees for taxation services were £93k (2019: £93k).

## 7. Finance income and expense

### Finance income

*Total interest income on financial assets not at fair value through profit or loss*

Income from cash and short term deposits

Interest receivable from joint ventures

*Other finance income*

Change in fair value of open interest rate derivative financial instruments

### Finance income

### Finance expense

Interest expense on loans and borrowings measured at amortised cost

Interest expense on preference shares

Interest expense on convertible preference shares

Other interest expense

Total interest expense on financial liabilities not at fair value through profit or loss

Change in fair value of open forward currency derivative financial instruments

Change in fair value of open interest rate derivative financial instruments

### Finance expense

	2020 £'000	2019 £'000
Income from cash and short term deposits	1,911	1,960
Interest receivable from joint ventures	29	51
Other finance income		
Change in fair value of open interest rate derivative financial instruments	146	-
<b>Finance income</b>	<b>2,086</b>	<b>2,011</b>
Interest expense on loans and borrowings measured at amortised cost	43,241	55,956
Interest expense on preference shares	15,920	12,338
Interest expense on convertible preference shares	14,899	19,731
Other interest expense	(1,131)	1,153
Total interest expense on financial liabilities not at fair value through profit or loss	72,929	89,178
Change in fair value of open forward currency derivative financial instruments	-	20
Change in fair value of open interest rate derivative financial instruments	1,746	20,372
<b>Finance expense</b>	<b>74,675</b>	<b>109,570</b>

Included in the interest expense on loans and borrowings is £3.00 million (2019: £6.59 million) relating to amortisation of costs incurred in originating the loans. Included in the interest expense on preference shares is £0.37 million (2019: £0.36 million) relating to the accretion of premiums payable on redemption of preference shares and amortisation of costs incurred in issuing preference shares. Included in the interest expense on convertible preference shares is £5.2 million (2019: £6.95 million) relating to the accretion of premiums payable on redemption and amortisation of costs incurred in issuing the convertible preference shares of £0.20 million (2019: £0.30 million).

## 8. Tax

The tax expense for the year comprises:

Current taxation

Deferred taxation (note 24)

On the origination and reversal of temporary differences

On unrealised foreign exchange movements in loans

### Tax charge

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

	2020 £'000	2019 £'000
Current taxation	8,354	8,210
Deferred taxation (note 24)		
On the origination and reversal of temporary differences	5,218	10,766
On unrealised foreign exchange movements in loans	1,561	65
<b>Tax charge</b>	<b>15,133</b>	<b>19,041</b>
	2020 £'000	2019 £'000
Profit before tax	976	65,059
Tax at the Russian corporate tax rate of 20%	195	13,012
Tax effect of financing arrangements	2,797	1,128
Tax effect of fair value movement on open interest rate derivative financial instruments	214	3,775
Tax effect of non deductible preference share interest	6,164	6,414
Tax effect of profit on re-designation of convertible preference shares (note 22)	(9,150)	-
Tax effect of foreign exchange movements	8,576	(4,431)
Movement in provision for uncertain tax positions	(1,515)	(543)
Tax effect of other income not subject to tax and non-deductible expenses	2,014	4,742
Tax effect of property depreciation on revaluations	269	(7,422)
Tax on dividends and other inter company gains	3,621	2,423
Movement on previously unprovided deferred tax assets	1,948	(57)
	<b>15,133</b>	<b>19,041</b>

The tax effect of financing arrangements reflects the impact of intra group funding in each jurisdiction. Foreign exchange movements on intra group financing are taxable or tax deductible in Russia but not in other jurisdictions. In accordance with its accounting policy, the Group is required to estimate its provision for uncertain tax positions and the movement in the provision is reflected above. Other income and expenditure not subject to tax arises in Guernsey.

## 9. Earnings measures

In addition to reporting IFRS earnings the Group also reports its own underlying earnings measure. 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 and the Group's ability to declare covered distributions. As a consequence the underlying earnings measure excludes investment property revaluations, gains or losses on the disposal of investment property, intangible asset movements; gains and losses on derivative financial instruments, share-based payments and other long term incentives (to the extent not settled in cash), the accretion of premiums payable on redemption of preference shares and convertible preference shares, depreciation and amortisation of loan origination costs (as these represent non-cash expenses that do not affect the ability to declare covered distributions); and material non-recurring items, together with any related tax.

The Group is also required to report Headline earnings per share as required by the listing requirements of the Johannesburg Stock Exchange.

The Group has also provided earnings measurements in accordance with the European Public Real Estate Association ("EPRA") guidelines for the first time. These are included as supplementary information to these financial statements.

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

	2020		2019	
	£'000	£'000	£'000	£'000
<b>Earnings</b>				
<b>Net (loss) / profit for the year prepared under IFRS</b>		<b>(14,157)</b>		<b>46,018</b>
Adjustments to arrive at underlying earnings:				
<i>Administrative expenses</i>				
Depreciation (note 6a)	1,328		1,782	
Less depreciation related to offices leases	(144)		-	
Aborted project costs (note 6a)	391		521	
		1,575		2,303
Share-based payments and other long term incentives (note 29b)		1,779		541
Profit on disposal of joint ventures		-		(490)
Unrealised loss / (profit) on revaluation of investment property		5,043		(47,820)
Unrealised loss / (profit) on revaluation of investment property under construction		511		(451)
<i>Finance income</i>				
Change in fair value of open interest rate derivative financial instruments (note 7)		(146)		-
Profit on re-designation of convertible preference shares (note 22)		(45,748)		-
<i>Finance expense</i>				
Change in fair value of open forward currency derivative financial instruments (note 7)	-		20	
Change in fair value of open interest rate derivative financial instruments (note 7)	1,746		20,372	
Premium on redemption of preference shares and amortisation of issue costs (note 21)	373		362	
Premium on redemption of convertible preference shares and amortisation of issue costs (note 22)	5,434		7,245	
Amortisation of loan origination costs (note 7)	2,996		6,594	
		10,549		34,593
<i>Tax</i>				
Movement on deferred tax arising on depreciation and revaluation of investment property	4,261		8,547	
Tax on unrealised foreign exchange movements in loans	1,625		(16)	
		5,886		8,531
<b>Underlying earnings</b>		<b>(34,708)</b>		<b>43,225</b>
<b>Calculation of Headline earnings</b>				
		<b>2020</b>		<b>2019</b>
		<b>£'000</b>		<b>£'000</b>
<b>Net (loss) / profit for the year prepared under IFRS</b>		<b>(14,157)</b>		<b>46,018</b>
Adjustments to arrive at Headline earnings:				
Unrealised loss / (profit) on revaluation of investment property		5,043		(47,820)
Unrealised loss / (profit) on revaluation of investment property under construction		511		(451)
Movement on deferred tax arising on revaluation of investment property		(1,283)		2,280
<b>Headline earnings</b>		<b>(9,886)</b>		<b>27</b>
		<b>2020</b>		<b>2019</b>
		<b>Weighted average shares</b>		<b>Weighted average shares</b>
		<b>No. '000</b>		<b>No. '000</b>
<b>IFRS</b>	<b>Earnings</b>		<b>Earnings</b>	
	<b>£'000</b>		<b>£'000</b>	
Basic	(14,157)	506,289	46,018	563,890
Effect of dilutive potential ordinary shares:				
Warrants	-	-	-	236
LTIP (note 29)	-	-	-	103
2016 Retention Scheme (note 29)	-	-	-	2,349
Five Year Performance Plan (note 29)	-	-	-	-
Convertible preference shares (note 22)	-	-	19,731	310,090
<b>Diluted</b>	<b>(14,157)</b>	<b>506,289</b>	<b>(2.80)</b>	<b>7.50</b>
		<b>2020</b>		<b>2019</b>
		<b>Weighted average shares</b>		<b>Weighted average shares</b>
		<b>No. '000</b>		<b>No. '000</b>
<b>Underlying earnings</b>	<b>Earnings</b>		<b>Earnings</b>	
	<b>£'000</b>		<b>£'000</b>	
Basic	(34,708)	506,289	43,225	563,890
Effect of dilutive potential ordinary shares:				
Warrants	-	-	-	236
LTIP (note 29)	-	-	-	103
2016 Retention Scheme (note 29)	-	-	-	2,349
Five Year Performance Plan (note 29)	-	-	-	-
Convertible preference shares (note 22)	-	-	12,486	310,090
<b>Diluted</b>	<b>(34,708)</b>	<b>506,289</b>	<b>(6.86)</b>	<b>6.35</b>

	Earnings £'000	2020 Weighted average shares No. '000	EPS Pence	Earnings £'000	2019 Weighted average shares No. '000	EPS Pence
<b>Headline earnings</b>						
Basic	(9,886)	506,289	(1.95)	27	563,890	0.00
Effect of dilutive potential ordinary shares:						
Warrants	-	-		-	236	
LTIP (note 29)	-	-		-	103	
2016 Retention Scheme (note 29)	-	-		-	2,349	
Five Year Performance Plan (note 29)	-	-		-	-	
Convertible preference shares (note 22)	-	-		-	-	
<b>Diluted</b>	<b>(9,886)</b>	<b>506,289</b>	<b>(1.95)</b>	<b>27</b>	<b>566,578</b>	<b>0.00</b>

## 10. Ordinary dividends

In the place of a final dividend for 2019 the Company implemented a tender offer buy back of ordinary shares on the basis of 1 in every 16 shares held at a tender price of 36 pence per share, the equivalent of a final dividend of 2.25 pence per share.

## 11. Investment property

Asset class Location Fair value hierarchy *	Logistics Moscow Level 3 £'000	Logistics St Petersburg Level 3 £'000	Logistics Regions Level 3 £'000	Office St Petersburg Level 3 £'000	2020 Total £'000
Market value at 1 January 2020	945,326	171,990	171,360	65,786	1,354,462
Property improvements	10,717	(17)	914	615	12,229
Unrealised (loss) / profit on revaluation	(13,416)	3,460	596	1,923	(7,437)
On translation to presentation currency	(179,329)	(32,490)	(32,442)	(12,475)	(256,736)
<b>Market value at 31 December 2020</b>	<b>763,298</b>	<b>142,943</b>	<b>140,428</b>	<b>55,849</b>	<b>1,102,518</b>
Tenant incentives and contracted rent uplift balances	(8,863)	(3,064)	(598)	(1,126)	(13,651)
Head lease obligations (note 23)	901	-	-	-	901
<b>Carrying value at 31 December 2020</b>	<b>755,336</b>	<b>139,879</b>	<b>139,830</b>	<b>54,723</b>	<b>1,089,768</b>

### Revaluation movement in the year ended 31 December 2020

Gross revaluation	(13,416)	3,460	596	1,923	(7,437)
Movement on tenant incentives and contracted rent uplift balances	3,168	728	569	(115)	4,350
Less impact of translation to presentation currency	(1,360)	(194)	(211)	(191)	(1,956)
<b>Revaluation reported in the Income Statement</b>	<b>(11,608)</b>	<b>3,994</b>	<b>954</b>	<b>1,617</b>	<b>(5,043)</b>

Asset class Location Fair value hierarchy *	Logistics Moscow Level 3 £'000	Logistics St Petersburg Level 3 £'000	Logistics Regions Level 3 £'000	Office St Petersburg Level 3 £'000	2019 Total £'000
Market value at 1 January 2019	840,613	147,978	144,843	60,402	1,193,836
Property improvements	4,214	751	3,115	274	8,354
Unrealised profit / (loss) on revaluation	25,771	10,104	10,532	(304)	46,103
On translation to presentation currency	74,728	13,157	12,870	5,414	106,169
<b>Market value at 31 December 2019</b>	<b>945,326</b>	<b>171,990</b>	<b>171,360</b>	<b>65,786</b>	<b>1,354,462</b>
Tenant incentives and contracted rent uplift balances	(12,031)	(3,792)	(1,167)	(1,011)	(18,001)
Head lease obligations (note 23)	1,221	-	-	-	1,221
<b>Carrying value at 31 December 2019</b>	<b>934,516</b>	<b>168,198</b>	<b>170,193</b>	<b>64,775</b>	<b>1,337,682</b>

### Revaluation movement in the year ended 31 December 2019

Gross revaluation	25,771	10,104	10,532	(304)	46,103
Movement on tenant incentives and contracted rent uplift balances	1,643	254	89	(535)	1,451
Less impact of translation to presentation currency	179	(44)	97	34	266
<b>Revaluation reported in the Income Statement</b>	<b>27,593</b>	<b>10,314</b>	<b>10,718</b>	<b>(805)</b>	<b>47,820</b>

\*Classified in accordance with the fair value hierarchy, see note 33. There were no transfers between fair value hierarchy in 2019 or 2020.

At 31 December 2020 the Group has pledged investment property with a value of £1,102 million (2019: £1,345 million) to secure banking facilities granted to the Group (see note 20).



## 12. Investment property under construction

Asset class	Assets under construction			Land Bank	
Location	Moscow	Regions		Regions	2020
Fair value hierarchy *	Level 3	Level 3	Sub-total	Level 3	Total
	£'000	£'000	£'000	£'000	£'000
Market value at 1 January 2020	21,625	9,146	30,771	2,714	33,485
Costs incurred	4	-	4	-	4
On translation to presentation currency	(4,084)	(1,727)	(5,811)	(512)	(6,323)
Unrealised (loss) / profit on revaluation	(569)	58	(511)	-	(511)
<b>Market value at 31 December 2020</b>	<b>16,976</b>	<b>7,477</b>	<b>24,453</b>	<b>2,202</b>	<b>26,655</b>
Head lease obligations (note 23)	297	-	297	-	297
<b>Carrying value at 31 December 2020</b>	<b>17,273</b>	<b>7,477</b>	<b>24,750</b>	<b>2,202</b>	<b>26,952</b>

Asset class	Assets under construction			Land Bank	
Location	Moscow	Regions		Regions	2019
Fair value hierarchy *	Level 3	Level 3	Sub-total	Level 3	Total
	£'000	£'000	£'000	£'000	£'000
Market value at 1 January 2019	19,342	8,335	27,677	2,537	30,214
Costs incurred	138	44	182	-	182
On translation to presentation currency	1,721	740	2,461	177	2,638
Unrealised profit on revaluation	424	27	451	-	451
<b>Market value at 31 December 2019</b>	<b>21,625</b>	<b>9,146</b>	<b>30,771</b>	<b>2,714</b>	<b>33,485</b>
Head lease obligations (note 23)	361	-	361	-	361
<b>Carrying value at 31 December 2019</b>	<b>21,986</b>	<b>9,146</b>	<b>31,132</b>	<b>2,714</b>	<b>33,846</b>

\*Classified in accordance with the fair value hierarchy, see note 33. There were no transfers between fair value hierarchy in 2019 or 2020.

No borrowing costs were capitalised in the year (2019: £nil).

At 31 December 2020 the Group has pledged investment property under construction with a value of £24.5 million (2019: £30.8 million) to secure banking facilities granted to the Group (see note 20).

## 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 potential development projects and land bank.

The latter is sub-categorised as:

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

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

The fair value of the Group's investment property and assets under construction at 31 December 2020 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 the Regions is valued by the Directors.

### Valuation process

The Group has five qualified RICS members, one of whom was a former Chairman of RICS in Russia and the CIS. Three have relevant valuation and market experience and are actively involved in the valuation process. They also regularly meet with agents and consultants to obtain additional market information.

The effectiveness and independence of the external valuers is reviewed each year. The criteria considered include market knowledge, reputation, independence and professional standards. The Audit Committee also meets the external valuers at least once a year. The Group's management team have determined that the external valuers are experienced in the Russian market and acts as an "External Valuer" as defined in the RICS Valuation - Global Standards, 2020.

The Group has continued to use the income capitalisation approach in assessing its opinion of value based on a discounted cash flow methodology in line with in market practice internationally and in Russia, and is accepted practice under RICS Valuation - Global Standards, 2020. The RICS Valuation - Global Standards, 2020 are internationally accepted standards of valuation and are 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 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 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 valuers in detail and adjustments made as necessary.

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.

In preparing the valuations at 31 December 2020, JLL have referred to some ongoing uncertainty in the Russian real estate market caused by Covid-19 and that, in this environment, prices and values can change frequently in current conditions. JLL consider that, as at the valuation date, they can attach less weight to previous market experience, for comparison purposes, to inform opinions of value.

#### Valuation assumptions and key inputs

Class of property	Carrying amount		Valuation technique	Input	Range	
	2020 £'000	2019 £'000			2020	2019
Completed investment property						
Moscow - Logistics	755,336	934,516	Discounted cash flow	ERV per sqm	Rub 3,700 to Rub 5,200	Rub 3,700 to Rub 4,500
				ERV growth	5% to 6%	5% to 7%
				Discount rate	8.5% to 11.7%	10.8% to 12.1%
				Exit cap rate	10% to 11%	10.25% to 11.25%
				Vacancy rate	0% to 25%	1% to 59%
				Passing rent per sqm	\$103 to \$165	\$100 to \$174
				Passing rent per sqm	Rub 3,308 to Rub 9,538	Rub 3,150 to Rub 8,999
				Passing rent per sqm	€131	€122
St Petersburg - Logistics	139,879	168,198	Discounted cash flow	ERV per sqm	Rub 4,000 to Rub 4,150	Rub 3,900 to Rub 4,150
				ERV growth	5% to 6%	5% to 7%
				Discount rate	12.2% to 12.3%	12.1% to 12.3%
				Exit cap rate	11.25%	11.50%
				Vacancy rate	0% to 15%	1% to 15%
				Passing rent per sqm	\$126 to \$141	\$111 to \$137
				Passing rent per sqm	Rub 3,555 to Rub 5,333	Rub 3,276 to Rub 5,628
Regional - Logistics	139,830	170,193	Discounted cash flow	ERV per sqm	Rub 3,800 to Rub 4,200	Rub 3,800 to Rub 4,200
				ERV growth	5% to 6%	5% to 7%
				Discount rate	10.75% to 12.20%	11.80% to 12.30%
				Exit cap rate	11.25%	11.50%
				Vacancy rate	0% to 4%	0% to 10%
				Passing rent per sqm	-	\$143
				Passing rent per sqm	Rub 3,000 to Rub 21,433	Rub 3,850 to Rub 21,153
St Petersburg - Office	54,723	64,775	Discounted cash flow	ERV per sqm	Rub 12,000 to Rub 12,500	Rub 11,789 to Rub 12,491
				ERV growth	2% to 4%	2% to 4%
				Discount rate	11.75% to 12.00%	11.75% to 12.00%
				Exit cap rate	10.75% to 11.75%	11.00% to 12.00%
				Vacancy rate	0% to 5%	0% to 13%
				Passing rent per sqm	Rub 8,340 to Rub 24,155	Rub 7,596 to Rub 18,319
Other key information						
		Description			2020	2019
Moscow - Logistics		Land plot ratio			34% - 65%	34% - 65%
		Age of building			3 to 16 years	2 to 15 years
		Outstanding costs (£'000)			2,333	1,262
St Petersburg - Logistics		Land plot ratio			48% - 57%	48% - 57%
		Age of building			6 to 12 years	5 to 11 years
		Outstanding costs (£'000)			12	97
Regional - Logistics		Land plot ratio			48% - 61%	48% - 61%
		Age of building			11 years	10 years
		Outstanding costs (£'000)			455	663
St Petersburg - Office		Land plot ratio			148% to 496%	148% to 496%
		Age of building			12 to 14 years	11 to 13 years
		Outstanding costs (£'000)			55	57

Investment property under construction	Carrying amount		Valuation technique	Input	Range	
	2020 £'000	2019 £'000			2020	2019
Moscow - Logistics	17,273	21,986	Comparable	Value per ha	Rub 30.1m - Rub 33.8m	Rub 19.5m - Rub 33.8m
Regional - Logistics	7,477	9,146	Comparable	Value per ha	Rub 10.3m - Rub 20.6m	Rub 9.5m - Rub 20.6m

The fair value of investment property is determined using the income capitalisation method where a property's fair value is estimated based on the present value of net cash flows generated from each property, plus the reversionary value based on the final year's income capitalised using an all-risks exit yield. A void is applied to current vacant space and a structural void assumption is made to all cash flows in lieu of voids on future re-letting. 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, which is capitalised at the prevailing market yield. Depending on the status of the development, and how much of development process has been completed an allowance will also be made for developer's profit. There were no active development projects at 31 December 2020 or 2019.

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;
- ERV growth;
- Void period on re-letting;
- Discount rate;
- Exit capitalisation yield; and
- Specific to property under development: construction costs, letting void, construction period and development profit.

In preparing the valuations at 31 December 2020, JLL have referred to some ongoing uncertainty in the Russian real estate market caused by Covid-19 and that in this environment, prices and values can change frequently in current conditions. JLL consider that, as at the valuation date, they can attach less weight to previous market experience for comparison purposes to inform opinions of value.

Further significant increases (or decreases) in any of the main inputs to the valuation, being discount rate, exit capitalisation yield, ERV (per sqm p.a.), ERV growth and letting void, would result in a significantly lower (or higher) fair value measurement.

#### 14. Investment in subsidiary undertakings

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

Name	Country of incorporation	Proportion of ownership interest	
		2020	2019
Raven Russia Holdings Cyprus Limited	Cyprus	100%	100%
Dorfin Limited	Cyprus	100%	100%
Roslogistics Holdings (Russia) Limited	Cyprus	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%
Avalon Logistics Company LLC	Russia	100%	100%
Delta LLC	Russia	100%	100%
EG Logistics LLC	Russia	100%	100%
Fenix LLC	Russia	100%	100%
Gorigo LLC	Russia	100%	100%
Kstovo Industrial Park 1 LLC	Russia	100%	100%
CJSC Kulon Development	Russia	100%	100%
CJSC Kulon Istra	Russia	100%	100%
Kulon Spb LLC	Russia	100%	100%
League LLC	Russia	100%	100%
Logopark Don LLC	Russia	100%	100%
Logopark Ob LLC	Russia	100%	100%
CJSC Noginsk Vostok	Russia	100%	100%
Pervomayskay Zarya LLC	Russia	100%	100%
Petroestate LLC	Russia	100%	100%
Primium LLC	Russia	100%	100%
Resource Economia LLC	Russia	100%	100%
Sever Estate LLC	Russia	100%	100%
Soyuz-Invest LLC	Russia	100%	100%
CJSC Toros	Russia	100%	100%

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

#### 15. Other receivables

	2020 £'000	2019 £'000
Loans receivable	24	67
Restricted cash	76	-
VAT recoverable	2,584	3,059
Prepayments and other receivables	190	288
	<b>2,874</b>	<b>3,414</b>

VAT recoverable arises from the payment of value added tax on construction or purchase 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.

#### 16. Trade and other receivables

	2020 £'000	2019 £'000
Trade receivables	21,396	26,475
Prepayments	4,629	3,608
Restricted cash	-	3,026
VAT recoverable	2,008	2,651
Loans receivable	358	345
Other receivables	153	3,158
Tax recoverable	2,403	2,332
	<b>30,947</b>	<b>41,595</b>

#### 17. Derivative financial instruments

The Group has entered into a series of interest rate derivative financial instruments to manage the interest rate and resulting cash flow exposure from the Group's banking facilities. At 31 December 2020 the instruments have a notional value of £561 million (2019: £545 million) and a weighted average capped rate of 5.11% (2019: 5.36%).

**18. Cash and short term deposits**

Cash at bank and on call  
Short term deposits

2020 £'000	2019 £'000
26,002	46,008
27,120	22,130
<b>53,122</b>	<b>68,138</b>

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 2.94% (2019: 4.65%).

**19. Trade and other payables**

Trade and other payables  
Construction payables  
Advanced rentals and rent deposits  
Other payables  
Current tax payable  
Other tax payable  
Head leases (note 23)  
Other lease liabilities (note 23)

2020 £'000	2019 £'000
5,972	6,847
2,908	2,232
12,010	15,343
4,025	5,162
4,180	7,418
9,594	14,131
17	21
483	537
<b>39,189</b>	<b>51,691</b>

**20. Interest bearing loans and borrowings****Bank loans**

Loans due for settlement within 12 months  
Loans due for settlement after 12 months

2020 £'000	2019 £'000
29,609	60,173
597,843	623,168
<b>627,452</b>	<b>683,341</b>

The Group's borrowings have the following maturity profile:

On demand or within one year  
In the second year  
In the third to fifth years  
After five years

29,609	60,173
23,462	28,656
520,540	497,578
53,841	96,934
<b>627,452</b>	<b>683,341</b>

The amounts above include unamortised loan origination costs of £5.6 million (2019: £6.8 million) and interest accruals of £0.8 million (2019: £0.9 million).

The Group's interest bearing loans and borrowings have a weighted average interest rate of 5.48% (2019: 6.52%) and a weighted average term to maturity of 4.1 years (2019: 4.7 years).

The interest rates shown above are the weighted average cost, including the relevant benchmark rate, as at the Balance Sheet dates.

The Group drew down €11.5 million and Rub 9.0 billion on new and existing debt facilities, repaying €40.5 million and Rub 3.3 billion of existing debt. One facility was also redenominated from €8.8 million to Rub 735.2 million during the year.

As at 31 December 2020 the Group had interest rate hedges for £561 million of borrowings (2019: £545 million) capped at a weighted average rate of 5.11% (2019: 5.36%) for a weighted average of 3.6 years (2019: 4.4 years). £5.0 million of the Group's borrowings have fixed interest rate (2019: £nil).

**21. Preference shares***Issued share capital:*

At 1 January  
Premium on redemption of preference shares and amortisation of issue costs  
Scrip dividends  
Movement on accrual for preference dividends  
Issued on re-designation of convertible preference shares (note 22)

2020 £'000	2019 £'000
110,324	109,271
373	362
386	691
39	-
140,384	-
<b>251,506</b>	<b>110,324</b>

**At 31 December***Issued share capital:*

At 1 January  
Scrip dividends  
Issued on re-designation of convertible preference shares (note 22)

2020 Number	2019 Number
100,068,218	99,556,534
287,976	511,684
114,599,212	-
<b>214,955,406</b>	<b>100,068,218</b>

**At 31 December**

Shares in issue  
Held by the Company's Employee Benefit Trusts

216,326,672	100,125,086
(1,371,266)	(56,868)
<b>214,955,406</b>	<b>100,068,218</b>

**At 31 December**

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

## 22. Convertible preference shares

### Issued share capital:

At 1 January	217,482	206,116
Reissued in the year	-	4,132
Converted to ordinary shares (note 25)	-	(11)
Movement on accrual for preference dividends	(36)	-
Premium on redemption of preference shares and amortisation of issue costs	5,434	7,245
Re-designation of convertible preference shares	(222,880)	-
<b>At 31 December</b>	<b>-</b>	<b>217,482</b>

2020 £'000	2019 £'000
217,482	206,116
-	4,132
-	(11)
(36)	-
5,434	7,245
(222,880)	-
-	217,482

### Issued share capital:

At 1 January	195,929,647	192,388,886
Reissued in the year	-	3,552,907
Converted to ordinary shares (note 25)	-	(12,146)
Re-designation of convertible preference shares	(195,929,647)	-
<b>At 31 December</b>	<b>-</b>	<b>195,929,647</b>

2020 Number	2019 Number
195,929,647	192,388,886
-	3,552,907
-	(12,146)
(195,929,647)	-
-	195,929,647

Shares in issue

Held by the Company's Employee Benefit Trust

**At 31 December**

-	198,176,868
-	(2,247,221)
-	195,929,647

The convertible preference shares entitled the holders to a cumulative annual dividend of 6.5 pence per share and were redeemable by the Company on 6 July 2026 at £1.35 per share. The convertible preference shares were convertible to ordinary shares at the holder's request at any time prior to redemption at a rate of 1.517 ordinary shares for each convertible preference share.

In applying its accounting policies the Group determined that the convertible preference shares were a compound financial instrument in that it had a liability component and an equity component. The Group determined the fair value of the liability component, which was reflected above, and the residual amount of the fair value of the consideration received on issue was equity. The fair value of the liability component was calculated using a discounted cash flow model.

On 30 September 2020 the Company re-designated all of its convertible preference shares into ordinary shares and preference shares of the Company. The holders of the convertible preference shares received 0.6108 new ordinary shares and 0.5849 new preference shares for every 1 convertible preference share held. On re-designation the convertible preference shares ceased to exist and 121,046,403 new ordinary shares and 115,913,610 new preference shares were issued, of which the Company's Employee Benefit Trust was issued 1,372,602 ordinary shares (see note 26) and 1,314,398 preference shares (see note 21).

### Profit on re-designation of convertible preference shares:

Carrying value of convertible preference shares	222,880
Fair value of new ordinary shares (net of ordinary shares issued to the Company's Employee Benefit Trust)	(35,663)
Fair value of new preference shares (net of preference shares issued to the Company's Employee Benefit Trust)	(140,384)
Less: Incidental expenses	(1,085)
<b>Profit on re-designation</b>	<b>45,748</b>

£'000

## 23. Other payables

Rent deposits	13,120	15,779
Head leases	1,180	1,561
Other lease liabilities	955	1,283
	<b>15,255</b>	<b>18,623</b>

2020 £'000	2019 £'000
13,120	15,779
1,180	1,561
955	1,283
15,255	18,623

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 £3.5 million (2019: £4.4 million). The carrying value of the liability is shown above and in note 19 as head leases and totalled £1.2 million (2019: £1.6 million).

The Group leases its administrative offices and has minimum lease payments due over the remaining term of the leases totalling £1.8 million (2019: 2.3 million). The carrying value of the liability is shown above and in note 19 as other lease liabilities and totalled £1.4 million (2019: £1.5 million).

## 24. Deferred tax

### (a) Deferred tax assets

Balance at 1 January 2019
On translation to presentation currency
(Charge) / credit for the year
<b>Balance at 31 December 2019</b>
On translation to presentation currency
(Charge) / credit for the year
<b>Balance at 31 December 2020</b>

Tax losses £'000	Other £'000	Total £'000
23,626	779	24,405
1,968	69	2,037
(2,511)	359	(2,152)
<b>23,083</b>	<b>1,207</b>	<b>24,290</b>
(4,132)	(228)	(4,360)
(2,552)	297	(2,255)
<b>16,399</b>	<b>1,276</b>	<b>17,675</b>

The Group has tax losses in Russia of £221 million (2019: £268 million) and tax losses in the UK of £48 million (2019: £49 million) for which deferred tax assets have not been recognised. The losses in the UK do not have an expiry date. The losses in Russia can also be carried forward indefinitely, however there is a restriction on the use of losses in that taxable profits cannot be reduced by more than 50% in any one year.

### (b) Deferred tax liabilities

Balance at 1 January 2019
On translation to presentation currency
Charge for the year
<b>Balance at 31 December 2019</b>
On translation to presentation currency
Charge / (credit) for the year
<b>Balance at 31 December 2020</b>

Accelerated tax allowances £'000	Revaluation of investment property £'000	Total £'000
38,996	18,404	57,400
3,286	1,659	4,945
6,399	2,280	8,679
<b>48,681</b>	<b>22,343</b>	<b>71,024</b>
(9,368)	(4,152)	(13,520)
5,807	(1,283)	4,524
<b>45,120</b>	<b>16,908</b>	<b>62,028</b>

Accelerated tax allowances include £39.6 million (2019: £42.2 million) in relation to the tax depreciation applied to investment properties in the Group's Russian subsidiaries.

## 25. Share capital

### Issued share capital:

At 1 January
Issued in the year for cash on warrant exercises
On conversion of convertible preference shares (note 22)
Repurchased and cancelled in the year by tender offer
Repurchased and cancelled in the year on purchase from WIM / IAM
Issued on re-designation of convertible preference shares
<b>At 31 December</b>

2020 £'000	2019 £'000
4,898	6,233
-	17
-	-
(194)	(361)
-	(991)
1,210	-
<b>5,914</b>	<b>4,898</b>

### Issued share capital:

At 1 January
Issued in the year for cash on warrant exercises
On conversion of convertible preference shares (note 22)
Repurchased and cancelled in the year by tender offer
Repurchased and cancelled in the year on purchase from WIM / IAM
Issued on re-designation of convertible preference shares
<b>At 31 December</b>

2020 Number	2019 Number
489,746,016	623,269,434
-	1,734,577
-	18,425
(19,438,653)	(36,131,442)
-	(99,144,978)
121,046,403	-
<b>591,353,766</b>	<b>489,746,016</b>

Details of own shares held are given in note 26.

## 26. Own shares held

	2020 £'000	2019 £'000
At 1 January	(4,582)	(5,965)
Acquired under a tender offer	(2,160)	-
Issued on re-designation of convertible preference shares	(409)	-
Other acquisitions	-	(106)
Allocation to satisfy Annual Performance Incentives / other staff bonuses (note 29)	800	647
Cancelled	-	151
Allocation to satisfy LTIP options exercised (note 29a)	-	691
<b>At 31 December</b>	<b>(6,351)</b>	<b>(4,582)</b>

	2020 Number	2019 Number
At 1 January	8,918,186	10,760,656
Acquired under a tender offer	6,000,000	-
Issued on re-designation of convertible preference shares	1,372,602	-
Other acquisitions	-	253,679
Allocation to satisfy Annual Performance Incentives / other staff bonuses (note 29)	(1,608,212)	(876,000)
Cancelled	-	(298,039)
Allocation to satisfy LTIP options exercised (note 29a)	-	(922,110)
<b>At 31 December</b>	<b>14,682,576</b>	<b>8,918,186</b>

## 27. 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.
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.
Convertible preference shares	The amount subscribed for convertible preference shares which the Directors consider to be Equity.
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

## 28. Net asset value per share

	2020 Number	2019 Number
Number of ordinary shares (note 25)	591,353,766	489,746,016
Less own shares held (note 26)	(14,682,576)	(8,918,186)
	<b>576,671,190</b>	<b>480,827,830</b>

	2020	Net asset value per share	2019	Net asset value per share
	Net asset value £'000	Ordinary shares No. '000	Net asset value £'000	Ordinary shares No. '000
Net asset value per share	233,690	576,671	365,798	480,828
Effect of dilutive potential ordinary shares:				
Convertible preference shares (note 22)	-	-	217,482	297,225
Five Year Performance Plan (note 29)	-	6,375	-	-
<b>Fully diluted net asset value per share</b>	<b>233,690</b>	<b>583,046</b>	<b>583,280</b>	<b>778,053</b>

The number of potential ordinary shares is the total number of ordinary shares assuming the exercise of all potential ordinary shares less those not expected to vest.

The Group has also provided alternative net asset value measures in accordance with the EPRA guidelines for the first time. These are included as supplementary information to these financial statements.



## 29. Share-based payments and other long term incentives

The Group has utilised a number of different share schemes to reward and incentivise the Group's executives and senior staff. The two active schemes are the Annual Performance Incentive and the Five Year Performance Plan. All other schemes have now ended and the final amounts vested. Details of these are provided below to the extent there was a vesting or exercise of rights in 2019 or 2020.

### Annual Performance Incentive ("API")

The API is an annual bonus payable in cash or listed securities of the Company, based on performance targets set annually. The maximum amount payable to an individual is capped at 50% of basic salary if paid in cash or 175% of basic salary if paid in the Company's listed securities. As a condition of the scheme there was no API payable for 2018. An accrual has been made for the 2019 API and it assumes that it will be settled in ordinary shares of the Company.

### Five Year Performance Plan ("FYPP")

The FYPP is a long term incentive scheme which is open to the executive directors and two other senior managers. The scheme allows each participant to invest into the FYPP a number of list securities in the Company that they hold. All securities invested in the FYPP must continue to be retained by the participant until 31 March 2023. On 31 March 2023, based on annual compound total shareholder return ("TSR") calculations, the participants will be entitled to receive up to three times the initial prescribed value of the securities in the FYPP. Vested entitlements will be settled in the Company's ordinary shares, with a value based on the average price of the Company's ordinary shares for March 2023.

The performance period for the FYPP runs from 31 March 2018 to 31 March 2023. Below an annual compound equivalent TSR of 4% the FYPP will lapse, at an annual compound TSR of 12% the FYPP will vest in full and a sliding scale will apply for a TSR between 4% and 12%.

Investments with an initial prescribed value totalling £11.9 million have been made into the FYPP out of a maximum of £12 million. The Company's TSR for the performance period to date has met the minimum threshold for vesting and a provision has been made for ordinary shares that may ultimately vest in March 2023.

### Long Term Incentive Plan ("LTIP")

The LTIP options related to performance criteria for the period 24 March 2009 to 24 March 2014. The options had an exercise price of 25p per option and vested in full. The last remaining options were exercised in 2019.

### 2016 Retention Scheme

During 2016 the Group terminated an incentive scheme, the Combined Bonus and Long Term Incentive Scheme 2015, and the Company's shareholders approved the introduction of the 2016 Retention Scheme. Awards under the 2016 Retention Scheme were made to the executive directors of the Company and two senior managers of the Group. The awards entitled the participants to three equal payments each equivalent to 150% of their basic salary. The final instalment was paid on 31 March 2019. The sole condition for each instalment was the continuing employment of the individual at the relevant payment date. In respect of the final instalment, and as a condition to be eligible to participate in the FYPP, payment was made entirely in the Company's convertible preference shares, based on its average price prior to 31 March 2019. As a consequence the Company's EBT transferred 3,552,907 convertible preference shares in respect of the third and final instalment.

### Other staff bonuses

Discretionary bonuses to employees, who are not eligible to participate in the API, may on occasion be settled by the issue or transfer of ordinary shares of the Company.

#### (a) Movement in LTIP options

	2020		2019	
	No of options	Weighted average exercise price	No of options	Weighted average exercise price
Outstanding at the beginning of the period	-	-	1,062,162	25p
Exercised during the year	-	-	-	-
- LTIP	-	-	(1,062,162)	25p
<b>Outstanding at the end of the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-p</b>

#### (b) Income Statement charge for the year

	2020 £'000	2019 £'000
2016 Retention Scheme	-	541
Other staff bonuses	331	664
Annual Performance Incentive 2020	-	-
Annual Performance Incentive 2019	(888)	4,263
Five Year Performance Plan	1,779	-
	<b>1,222</b>	<b>5,468</b>
To be satisfied by allocation of:		
Ordinary shares (IFRS 2 expense)	1,222	4,927
Convertible preference shares / preference shares (IFRS 2 expense)	-	541
Cash	-	-
	<b>1,222</b>	<b>5,468</b>

Of the IFRS 2 expense £3.6 million (2019: £4.6 million) is included in current liabilities.

The recipients of the 2019 API have agreed to accept a reduced number of ordinary shares and transfer of these ordinary shares will be made following the issue of these financial statements. In respect of the 2020 API, and in light of the participation of the executive directors and certain senior managers in the Invesco transaction (see note 36 for details), a provision of £0.5 million has been made assuming that the award will be settled in cash. As a consequence the related expense is not a share-based payment and has been reflected in administrative expenses.

### 30. Capital commitments

The Group had no significant capital commitments at 31 December 2019 and 2020.

### 31. 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.

#### *Remuneration of Directors and other key management personnel*

	2020 £'000	2019 £'000
Short term employee benefits	4,009	3,579
Post employment benefits	233	229
Share-based payments and other long term incentives	890	4,805
	<b>5,132</b>	<b>8,613</b>

### 32. 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 Group has the following financial instruments on its balance sheet: loans receivable, restricted cash, trade receivables, cash and short term deposits, trade and other payables, interest bearing loans and borrowings, preference shares and derivative financial instruments. At 31 December 2019 the Group also had convertible preference shares in issue (see note 22).

Risk management parameters are established by the Board and overseen by management in conjunction with professional advisers. Reports are provided to the Board weekly basis and also when changes in risk parameters 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 Euro, Sterling and US Dollar against the predominate functional currency of its subsidiaries of Roubles. Foreign exchange risk arises from future commercial transactions (including lease receivables), recognised monetary assets and liabilities and net investments in foreign entities.

The majority of the Group's transactions are denominated in Roubles. The functional currency of the Company is Sterling, which is also the presentation currency of the Group. The analysis that follows considers the impact of these currencies on the Group.

##### Rouble

The majority of the Group's transactions in Russia are undertaken in Roubles. The Group's debt profile however is a mix of Roubles and Euros and a weakening in the Rouble exchange rate can put pressure on the Group's ability to service its Euro debt facilities. This risk has reduced as the Group moves to a greater proportion of Rouble denominated debt.

A weak Rouble also has an impact on reported earnings per share and net asset value per share when translated to the Group's presentation currency of Sterling.

##### Sterling

The Group's exposure to Sterling relates to the Company's preference shares and ordinary shares, together with head office administrative expenses. As the presentation currency of the Group, there will also be foreign currency movements through the Group's translation reserve when restating opening balances on consolidation.

##### Euro

The Group has exposure to Euro debt facilities and a small number of Euro pegged leases. As noted above, a weak Rouble may reduce the Group's ability to service that debt. A weak Rouble will however increase Rouble income on Euro pegged leases.

##### US Dollar

Whilst the Group no longer has US Dollar denominated debt facilities it still has a proportion of its leases pegged to the US Dollar and these will mature over the next two years. A weakening Rouble relative to the US Dollar generate increased Rouble income on US Dollar pegged leases.

Accounting standards 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 2020**
**Non-current assets**

Derivative financial instruments

**Current assets**

Rent receivable

Restricted cash

Other current receivables

Cash and short term deposits

**Non-current liabilities**

Interest bearing loans and borrowings

Rent deposits

Other payables

**Current liabilities**

Interest bearing loans and borrowings

Rent deposits

Other payables

	Rouble £'000	Euro £'000	US Dollars £'000	Sterling £'000	ZAR £'000
Derivative financial instruments	-	166	8	-	-
	-	<b>166</b>	<b>8</b>	-	-
<b>Current assets</b>					
Rent receivable	-	-	1,661	-	-
Restricted cash	-	-	-	-	-
Other current receivables	24	696	-	15	1
Cash and short term deposits	12,682	887	318	581	33
	<b>12,706</b>	<b>1,583</b>	<b>1,979</b>	<b>596</b>	<b>34</b>
<b>Non-current liabilities</b>					
Interest bearing loans and borrowings	-	142,316	-	-	-
Rent deposits	-	-	4,290	-	-
Other payables	-	188	-	-	-
	-	<b>142,504</b>	<b>4,290</b>	-	-
<b>Current liabilities</b>					
Interest bearing loans and borrowings	-	16,137	-	-	-
Rent deposits	-	-	1,968	-	-
Other payables	-	793	7	86	-
	-	<b>16,930</b>	<b>1,975</b>	<b>86</b>	-

**As at 31 December 2019**
**Non-current assets**

Derivative financial instruments

**Current assets**

Rent receivable

Restricted cash

Other current receivables

Cash and short term deposits

**Non-current liabilities**

Interest bearing loans and borrowings

Rent deposits

**Current liabilities**

Interest bearing loans and borrowings

Rent deposits

Other payables

	Rouble £'000	Euro £'000	US Dollars £'000	Sterling £'000	ZAR £'000
Derivative financial instruments	-	274	41	-	-
	-	<b>274</b>	<b>41</b>	-	-
<b>Current assets</b>					
Rent receivable	-	-	1,673	-	-
Restricted cash	-	701	-	-	-
Other current receivables	-	564	1	26	-
Cash and short term deposits	261	5,121	445	252	75
	<b>261</b>	<b>6,386</b>	<b>2,119</b>	<b>278</b>	<b>75</b>
<b>Non-current liabilities</b>					
Interest bearing loans and borrowings	-	163,003	-	-	-
Rent deposits	-	-	6,171	-	-
	-	<b>163,003</b>	<b>6,171</b>	-	-
<b>Current liabilities</b>					
Interest bearing loans and borrowings	-	38,612	-	-	-
Rent deposits	-	64	4,984	-	-
Other payables	60	721	-	105	-
	<b>60</b>	<b>39,397</b>	<b>4,984</b>	<b>105</b>	-

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 table below shows the impact on profits if US Dollar, Euro, Rouble or Sterling weakened or strengthened by 10% against the functional currency of the specific subsidiary or entity in the Group, with all other variables in each case remaining constant, then:

**Post tax profit or loss would change by:**

	2020 £'000	2019 £'000
US Dollar	428	899
Russian Rouble	1,271	20
Sterling	51	17
Euro	15,768	19,574

The Group's interest rate risk arises from its long-term borrowings (note 20) and preference shares (note 21). 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.

The Group has sought to fix its exposure to interest rate risk on borrowings through fixed rate debt facilities, the use of a variety of interest rate derivatives and the issue of preference shares at a fixed coupon. This gives certainty over future cash flow but exposure to fair value movements, which amounted to an accumulated unrealised loss of £19.8 million at 31 December 2020 (2019: loss of £20 million).

The Group is exposed to movements in EURIBOR and Central Bank of Russia Key rate. Sensitivity to benchmark rates is presented in the table below.

	2020		2019	
	Increase 100 bps £'000	Decrease 100 bps £'000	Increase 100 bps £'000	Decrease 100 bps £'000
<b>Post tax profit or loss would change by:</b>				
EURIBOR	(1,112)	-	(1,774)	399
Central Bank of Russia Key rate	(3,495)	3,128	(3,496)	3,673

#### (b) Credit risk

Credit risk refers to the risk that a counterparty will default on their contractual obligations resulting in financial loss to the Group. The Group's principal financial assets are cash and short term deposits and trade receivables.

Cash and short term deposits are placed with a variety of financial institutions in order to spread the counterparty risk and in accordance with limits approved by the Board. The Group considers the credit rating of its counterparties when assessing whether a particular financial institution is suitable. Deposits and liquidity requirements are considered by management weekly.

The Group reviews the creditworthiness of potential tenants prior to entering into a lease. Based on this assessment the Group will require a cash deposit or guarantee as collateral for the tenant's obligations under the lease. The collateral typically represents three months rent but may be shorter or longer as required. The Group has a relatively large number of different tenants and as disclosed in note 5 no single tenant accounts for in excess of 10% of Group revenue.

Taking these factors into account and having examined the Group's historical credit loss ratio, the risk to the Group of individual tenant default is considered low. An allowance for impairment of trade receivables is made with reference to the Group's assessment of expected credit loss or where there is objective evidence that the Group will not be able to collect all amounts due. Details of the movement in provision for impairment of trade receivables is provided in the table below.

	2020 £'000	2019 £'000
At 1 January	3,028	2,880
Effect of foreign exchange rate changes	(487)	191
Charge for the year	131	(2)
Utilised in the year	(17)	(41)
Unused amounts reversed	-	-
<b>At 31 December</b>	<b>2,655</b>	<b>3,028</b>

At 31 December 2020 there were no significant amounts of unimpaired trade receivables that were past due for collection (2019: £ nil).

### (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 and 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 2020

	Total £'000	Current £'000	Year 2 £'000	Years 3 to 5 £'000	Years 6 to 10 £'000
Interest bearing loans and borrowings	776,239	65,272	59,319	593,715	57,933
Preference shares	257,947	25,795	25,795	77,384	128,973
Convertible preference shares	-	-	-	-	-
Head leases	1,087	109	109	326	543
Other lease liabilities	1,766	576	245	558	387
Trade and other payables	20,486	7,367	2,827	6,109	4,183
	<b>1,057,525</b>	<b>99,119</b>	<b>88,295</b>	<b>678,092</b>	<b>192,019</b>

##### As at 31 December 2019

Interest bearing loans and borrowings	888,461	103,473	69,390	608,344	107,254
Preference shares	120,082	12,008	12,008	36,025	60,041
Convertible preference shares	347,284	12,735	12,735	38,206	283,608
Head leases	1,253	132	132	328	661
Other lease liabilities	2,000	659	227	577	537
Trade and other payables	24,941	9,162	2,606	9,346	3,827
	<b>1,384,021</b>	<b>138,169</b>	<b>97,098</b>	<b>692,826</b>	<b>455,928</b>

Details of the interest rates applicable to the Group's long term borrowings and preference shares are given in notes 20 and 21. 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 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.

	2020		2019	
	Carrying Value £'000	Fair Value £'000	Carrying Value £'000	Fair Value £'000
<i>Non-current assets</i>				
Loans receivable	24	23	67	63
Restricted cash	76	71	-	-
Derivative financial instruments	2,541	2,541	2,621	2,621
<i>Current assets</i>				
Trade receivables	21,396	21,396	26,475	26,475
Restricted cash	-	-	3,026	3,026
Other current receivables	2,078	2,078	3,653	3,653
Cash and short term deposits	53,122	53,122	68,138	68,138
<i>Non-current liabilities</i>				
Interest bearing loans and borrowings	597,843	603,440	623,168	632,014
Preference shares	251,506	236,451	110,324	131,590
Convertible preference shares	-	-	217,482	202,787
Rent deposits	13,119	9,907	15,779	12,403
Other payables	2,135	2,135	2,844	2,844
<i>Current liabilities</i>				
Interest bearing loans and borrowings	29,609	29,609	60,173	60,173
Rent deposits	4,041	4,041	6,364	6,364
Other payables	3,827	3,827	3,356	3,356

The fair values of loans receivable and borrowings have been calculated based on a discounted cash flow model using a discount rate based on the Group's weighted average cost of capital. The valuation technique falls within level 3 of the fair value hierarchy (see note 33 for definition). 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 and convertible preference shares are assumed to be their last quoted price, which is considered to be level 1 of the fair value hierarchy. 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, under take tender offers, return capital to shareholders, issue new shares or sell assets to reduce debt. Consistent with others in its industry, the Group monitors capital on the basis of its gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total liabilities but excluding provisions, head lease obligations and preference shares, which for capital risk management is considered to be capital rather than debt, less cash and short term deposits. Total capital is calculated as equity, as shown in the balance sheet, plus preference shares and net debt. Where the Group has a net cash position, the gearing ratio will be zero.

	2020 £'000	2019 £'000
Non-current liabilities	674,171	928,736
Current liabilities	68,315	111,843
Total borrowings	742,486	1,040,579
Less: cash and short term deposits	53,122	68,138
Less: restricted cash	76	3,026
<b>Net debt</b>	<b>689,288</b>	<b>969,415</b>
Equity	233,690	365,798
Preference shares	251,506	110,324
<b>Total capital</b>	<b>1,174,484</b>	<b>1,445,537</b>
<b>Gearing ratio</b>	<b>58.69%</b>	<b>67.06%</b>

#### 33. Fair value measurement

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

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total Fair Value £'000
<b>As at 31 December 2020</b>				
<i>Assets measured at fair value</i>				
Investment property	-	-	1,089,768	1,089,768
Investment property under construction	-	-	26,952	26,952
Derivative financial instruments	-	2,541	-	2,541
<b>As at 31 December 2019</b>				
<i>Assets measured at fair value</i>				
Investment property	-	-	1,337,682	1,337,682
Investment property under construction	-	-	33,846	33,846
Derivative financial instruments	-	2,621	-	2,621

\* 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.

### 34. Operating lease arrangements

The Group earns rental income by leasing its investment properties to tenants under non-cancellable operating leases, which are discussed in detail in the Strategic Report and note 13. At the Balance Sheet date the Group had contracted with tenants for the following future minimum lease payments:-

	2020 £'000	2019 £'000
Within one year	97,308	109,769
In the second year	75,050	80,037
In the third to fifth year (inclusive)	130,097	117,758
After five years	61,475	65,218
	<b>363,930</b>	<b>372,782</b>

### 35. Reconciliation of liabilities arising from financing activities

#### Year ended 31 December 2020

	2019 £'000	Cash Flows £'000	Fair value £'000	Non-cash changes Foreign exchange £'000	Share re- designation £'000	Other £'000	2020 £'000
Interest bearing loans and borrowings	683,341	3,217	-	(63,026)	-	3,920	627,452
Preference shares	110,324	-	-	-	140,384	798	251,506
Convertible preference shares	217,482	-	-	-	(222,880)	5,398	-
Derivative financial instruments	(2,621)	(2,175)	1,600	655	-	-	(2,541)
	<b>1,008,526</b>	<b>1,042</b>	<b>1,600</b>	<b>(62,371)</b>	<b>(82,496)</b>	<b>10,116</b>	<b>876,417</b>

#### Year ended 31 December 2019

	2018 £'000	Cash flows £'000	Fair value £'000	Non-cash changes Foreign exchange £'000	Share re- designation £'000	Other £'000	2019 £'000
Interest bearing loans and borrowings	643,430	33,943	-	(1,630)	-	7,630	683,373
Preference shares	109,271	-	-	-	-	1,053	110,324
Convertible preference shares	206,116	-	-	-	-	11,366	217,482
Derivative financial instruments	(22,302)	391	20,392	(1,102)	-	-	(2,621)
	<b>936,515</b>	<b>34,334</b>	<b>20,392</b>	<b>(2,732)</b>	<b>-</b>	<b>20,049</b>	<b>1,008,558</b>

Cash flows relating to interest bearing loans and borrowings comprise:

	2020 £'000	2019 £'000
Proceeds from long term borrowings	105,141	357,966
Repayment of long term borrowings	(66,537)	(284,431)
Add: movements in restricted cash	(3,134)	(11,173)
	(69,671)	(295,604)
Loan amortisation	(29,659)	(22,652)
Bank borrowing costs paid	(43,076)	(54,689)
Add: Interest paid	40,482	48,922
Loan origination costs incurred	(2,594)	(5,767)
	<b>3,217</b>	<b>33,943</b>

Other non-cash changes include amortisation of origination costs, movements in interest accruals, accretion of premiums payable on redemption of preference and convertible preference shares and the reissue of convertible preference shares in the year to settle share-based payments.

### 36. Post balance sheet events

On 26 January 2021 the Company announced that it had agreed to enter into a joint venture, Raven Holdings Limited, with the Company's executive directors and certain senior managers. The Company and Raven Holdings Limited have reached conditional agreements with Invesco Asset Management ("IAM") to buy ordinary shares and preference shares of the Company that are held by IAM as agent for certain of its discretionary managed clients. Under the agreements:-

- the purchase price of the ordinary shares is 21.6 pence per share and the purchase price of the preference shares is 90.8 pence per share;
- 9,850,350 ordinary shares will be bought back by the Company and cancelled;
- 100,000,000 ordinary shares and 32,500,000 preference shares will be acquired by Raven Holdings Limited; and
- the remaining 46,824,074 ordinary shares and 31,071,616 preference shares held by IAM have been conditionally placed with existing and new investors in the Company.

The agreements with IAM are subject to shareholder approval and have a long stop date of 10 May 2021.

The purchase by the Company and the Company's investment in Raven Holdings Limited will be financed by a €60 million debt facility provided by VTB Bank ("VTB"). The facility agreement with VTB was entered into on 3 March 2021, has a five year term and bears interest at 5.65% over EURIBOR.

The agreements with IAM replace the previous conditional contracts that the Company entered into in respect of the ordinary shares, preference shares and convertible preference shares held by IAM, which lapsed on 31 July 2020.

Supplementary information not forming part of the Audited Financial Statements

EPRA Performance measures summary

EPRA Earnings pence per share	Table Ref	31 December 2020	31 December 2019
EPRA Earnings	1	(9.8)	4.3
<b>EPRA Net Asset Values</b> pence per share			
EPRA Net Reinstatement Value ("NRV")	2	49.3	82.9
EPRA Net Tangible Assets ("NTA")	2	49.3	82.9
EPRA Net Disposal Value ("NDV")	2	41.7	71.1
<b>EPRA Yield and Cost Ratios</b>			
EPRA Net Initial Yield ("NIY")	3	9.4%	9.4%
EPRA "Topped-up" NIY	3	9.6%	9.5%
EPRA Vacancy Rate	4	7.2%	11.0%
EPRA Cost Ratio (Vacancy costs included)	5	22.1%	24.8%
EPRA Cost Ratio (Vacancy Costs excluded)	5	20.5%	22.7%
Total EPRA cost ratio (excluding share based payments)	5	21.0%	20.3%

	2020 £'000	2019 £'000
<b>Table 1 - EPRA Earnings</b>		
Earnings Per IFRS Income Statement	(14,157)	46,018
Adjustments to calculate EPRA Earnings:		
Loss/(Gain) on revaluation of Investment Property	5,043	(47,820)
Loss/(Gain) on revaluation of Investment Property under construction	511	(451)
Changes in fair value of interest rate derivatives	1,600	20,372
Early close out of interest rate derivatives and debt instruments	(1,192)	(2,648)
Profit on re-designation of convertible preference shares*	(45,748)	-
Deferred tax in respect of EPRA adjustments	4,260	8,547
EPRA Earnings	(49,683)	24,018
Basic Number of Shares (thousands)	506,289	563,890
EPRA Earnings Per Share (p)	(9.8)	4.3

\* The profit arising on the re-designation of convertible preference shares is treated as the early close out of a debt instrument.

Table 2 - EPRA Net Asset Value

	2020			2019		
	EPRA NRV £'000	EPRA NTA £'000	EPRA NDV £'000	EPRA NRV £'000	EPRA NTA £'000	EPRA NDV £'000
NAV per the financial statements	233,690	233,690	233,690	365,798	365,798	365,798
Dilutive effect of convertible preference shares	-	-	-	217,482	217,482	217,482
<b>Diluted NAV</b>	233,690	233,690	233,690	583,280	583,280	583,280
Fair value adjustment in respect of interest rate derivatives	(2,541)	(2,541)	-	(2,621)	(2,621)	-
Deferred tax in respect of investment property valuation surpluses and depreciation	56,539	56,539	-	64,582	64,582	-
Fair value of preference shares and debt	-	-	9,458	-	-	(30,112)
Real Estate Transfer tax ("RETT")*	-	-	-	-	-	-
<b>NAV</b>	<b>287,688</b>	<b>287,688</b>	<b>243,148</b>	<b>645,241</b>	<b>645,241</b>	<b>553,168</b>
Fully diluted number of shares (thousands)	583,046	583,046	583,046	778,053	778,053	778,053
<b>NAV per Share (p)</b>	<b>49.3</b>	<b>49.3</b>	<b>41.7</b>	<b>82.9</b>	<b>82.9</b>	<b>71.1</b>

\* No RETT applies to transactions in Russia



**Table 3 - EPRA NIY and Topped-up NIY**

		<b>2020</b>	<b>2019</b>
		<b>R'000</b>	<b>R'000</b>
<b>Gross Value of Investment Property</b>	<b>B</b>	<b>110,298,657</b>	<b>109,909,173</b>
Annualised passing rents		10,566,614	10,723,196
Irrecoverable property costs		(190,682)	(354,329)
<b>Annualised Net Rent</b>	<b>A</b>	<b>10,375,932</b>	<b>10,368,867</b>
Adjustment for rent free periods		251,432	87,103
<b>Topped-up Net Rent</b>	<b>C</b>	<b>10,627,364</b>	<b>10,455,970</b>
<b>EPRA NIY</b>	<b>A/B</b>	<b>9.4%</b>	<b>9.4%</b>
<b>EPRA Topped-up NIY</b>	<b>C/A</b>	<b>9.6%</b>	<b>9.5%</b>

**Table 4 - EPRA Vacancy Rate**

		<b>2020</b>	<b>2019</b>
		<b>R'000</b>	<b>R'000</b>
Estimated Rental Value of Vacant Space	<b>A</b>	688,193	1,040,268
Estimated Rental Value of the Portfolio	<b>B</b>	9,610,368	9,421,421
<b>EPRA Vacancy Rate</b>	<b>A/B</b>	<b>7.2%</b>	<b>11.0%</b>

**Table 5 - EPRA Cost Ratio**

		<b>2020</b>	<b>2019</b>
		<b>£'000</b>	<b>£'000</b>
	Property costs	32,768	38,367
	Administration costs	25,917	30,901
Less:			
	Roslogistics and Raven Mount administration costs	(2,251)	(2,768)
	Management fee, service charge income and other costs recovered through rents	(32,560)	(36,147)
	<b>Total costs</b>	<b>A 23,874</b>	<b>30,353</b>
	<b>Share Based Payments</b>	<b>(1,222)</b>	<b>(5,468)</b>
	<b>Total costs before share based payments</b>	<b>B 22,652</b>	<b>24,884</b>
<b>Gross Rental Income</b>			
	Gross rental income	140,503	158,547
Less:	Management fee, service charge income and other costs recovered through rents	(32,560)	(36,147)
	<b>Total Gross rental income</b>	<b>C 107,943</b>	<b>122,399</b>
	<b>Total costs</b>	<b>A 23,874</b>	<b>30,353</b>
	Vacant property costs	(1,775)	(2,523)
	<b>EPRA total costs excluding vacant property costs</b>	<b>D 22,099</b>	<b>27,829</b>
Cost Ratios			
	<b>Total EPRA cost ratio (including vacant property costs)</b>	<b>A/C 22.1%</b>	<b>24.8%</b>
	<b>Total EPRA cost ratio (excluding vacant property costs )</b>	<b>D/C 20.5%</b>	<b>22.7%</b>
	<b>Total EPRA cost ratio (excluding share based payments)</b>	<b>B/C 21.0%</b>	<b>20.3%</b>

## **Glossary of terms**

### **Annualised passing rents**

The annualised cash rental income received as at a certain date, excluding the effect of lease incentives.

### **Central Bank of Russia (CBR)**

The central bank authority responsible for setting the key interest rate in Russia.

### **Cap Rate**

Capitalisation rate used in valuation models based on net operating income and asset cost or market valuation.

### **EPRA**

The European Public Real Estate Association, a real estate industry body, which has issued Best Practices Recommendations to provide consistency and transparency in real estate reporting across Europe.

### **EPRA cost ratio**

Total costs as a percentage of gross rental income.

### **EPRA earnings**

Recurring earnings generated by the business, excluding items not relevant to the underlying, recurring performance of the portfolio.

### **EPRA Net Disposable Value (NDV)**

The value of net tangible assets, assuming the orderly sale of business assets. This takes into account liabilities such as deferred tax and the difference between the fair value and book value of financial instruments.

### **EPRA Net Initial Yield (NIY)**

EPRA NIY is calculated as the annualised rental income based on the cash rents passing at the balance sheet date, less non-recoverable property operating expenses, divided by the gross market value of the property.

### **EPRA Net Reinstatement Value (NRV)**

The value of net assets assuming the property portfolio is held for the long term. Assets and liabilities that are not expected to crystallise are excluded, such as deferred tax relating to property valuation surpluses.

### **EPRA Net Tangible Assets (NTA)**

A net asset measure that takes account of the fact that property companies may actively buy and sell assets as part of their business model. This measure will take into account items such as deferred tax liabilities unless it can be demonstrated that portfolios are held for the long term.

### **EPRA 'topped-up' Net Initial Yield (NIY)**

The EPRA 'topped-up' NIY is calculated by making an adjustment to the EPRA NIY in respect of the expiration of rent free periods (or other unexpired lease incentives such as discounted rent periods and step rents).

### **Estimated Rental Value (ERV)**

The estimated rental value at which space would be let in the market conditions prevailing at the date of valuation (normally the balance sheet date).

### **Gross Lettable Area (GLA)**

The area of a property that can be leased to a tenant.

### **Gross Rental Income**

Rental income for the period from let properties reported under IFRS, after taking into account the net effects of straight-lining for lease incentives, including rent free periods. Gross rental income will include, where relevant, surrender premiums, car parking income and key money received.

### **Investment Property**

The completed investment properties, which includes properties held throughout the period, completed developments and properties acquired during the period.

### **Investment Property Under Construction (IPUC)**

Property or additional phases of a property that can be constructed or developed for future use as investment property under IAS 40.

### **Irrecoverable Property Costs**

Service charges not recoverable from a tenant including those incurred on vacant space.

### **Lease incentive**

Any consideration given or expense borne by the company to secure a lease.

### **Letter of intent (LOI)**

Heads of terms signed with a prospective tenant prior to the preparation of the lease agreement.

**Loan to Value (LTV)**

The ratio of secured debt facilities to the market value of the property portfolio.

**Net operating income (NOI)**

Rental income for the period net of property operating expenses.

**Property operating expenses**

The expenses relating to operating property for a certain period of time for the account of the landlord (including service charges not recoverable because of vacancy).

**Rent free period**

An incentive provided usually at commencement of a lease during which a customer pays no rent. The amount of rent free is the difference between passing rent and headline rent.

**Service charge expenses**

The amounts paid and/or accrued by the landlord relating to lettable space for which it has been agreed with tenants to recover these amounts from the tenants periodically.

**Service charge income**

The amounts received and/or accrued by the landlord in respect of the reimbursement by a tenant of service charge expenses.

**Special Purpose Vehicle (SPV)**

Corporate vehicles used to acquire and hold single property assets and isolate the security and financial risk of that property.

**Square metres (Sqm)**

The unit of measurement of gross lettable area.

**Topped-up net rent**

Annualised net rent is adjusted for rent free periods.

**Triple Net Rent**

Rent charged under a lease which includes the recharge of costs to the tenant, including property taxes, property insurance, utilities and common area maintenance.

**EPRA Vacancy Rate**

EPRA Vacancy Rate should be expressed as a percentage being the ERV of vacant space divided by ERV of the whole portfolio at the reporting date.

**Vacant space**

Unrented lettable space.