RAVEN RUSSIA LIMITED

Annual Report and Financial Statements for the year ended 31 December 2011

Contents

Highlights

- Profit before tax increased 131% from $55.7 million to $128.9 million;
- NAV per share up 13.3% from 105 cents to 119 cents;
- 222,000sqm of new lettings during the year;
- Portfolio now 92% let;
- Annualised NOI of $129 million at today's date;
- Fully let portfolio NOI of $137 million;
- Fully let portfolio yield of 11.9%;
- Tender offer buy-back of 1 in 39 shares at 68 pence proposed;
- Basic EPS of 16.7 cents;
- Fully diluted EPS of 15.11 cents;
- Year end cash balance of $181.8 million.

Klimovsk Phase 2, Moscow, 11,747m² leased to Danone.

Chairman's Statement

The Board of Raven Russia announces the Group's results for the year ended 31 December 2011.

The year has shown continued progress in lettings and financing, both helped by strong demand from occupiers.

Reported net operating income ("NOI") for the year increased by 50% from $61.0 million to $91.7 million. Operating profit increased by 128% from $25.3 million to $57.8 million and underlying earnings before tax showed a profit of $8.1 million (2010: loss of $19.8 million). Operating cash inflow increased 147% from $33.1 million to $81.6 million.

After a revaluation surplus of $153 million (2010: $79.2 million), profit before tax has increased by 131% to $128.9 million (2010: $55.7 million) and fully diluted net asset value per share has increased by 13.3% to 119 cents (2010: 105 cents) per share.

At today's date the annualised total of NOI including pre let agreements ("PLAs") and letters of intent ("LOIs") is $129 million. On that basis, 92% of our 1.03 million square metres ("sqm") of completed portfolio is let.

Our balance sheet remains strong. Gearing remains low at 38.1% (2010: 35.6%) as calculated in note 34 to the financial statements. Our year end cash balance stood at $181.8 million (2010: $107.6 million).

As a result of the considerable progress made we are able to declare a final distribution of 1.75 pence per share making a total of 3 pence for the year. As the shares continue to trade at a significant discount to NAV we will be distributing in the form of a tender offer buy back of 1 in 39 ordinary shares at 68 pence. The tender offer will be subject to the approval of shareholders and a circular setting out full details will be posted shortly. It is expected that the tender offer will be completed in May 2012.

I would like to take this opportunity to thank our shareholders, employees and advisors for their support during the year.

Richard Jewson
Chairman
11 March 2012

Chief Executive's Report

Our task for 2011 was relatively straightforward. Continue to let the portfolio and improve returns and cash-flow through refinancing.

We have been helped by a strong level of tenant demand and have done as well as we could have hoped.

When we started Raven Russia the aim was to create a high quality, income producing portfolio of grade A warehouses. It feels like we are nearly there. 1.03 million sqm of finished space, 92% let, with an annualised NOI (including PLAs and LOIs) at today's date of $129 million. We are profitable and cash generative and have now started to make the meaningful distributions to shareholders that we have always planned. This should continue to improve as we let up our remaining vacant space.

The completed portfolio will produce $137 million of NOI when fully let, so there is still potential for further growth from the existing portfolio as well as the potential from developing out our land.

Report and Accounts tend to be repetitive but I am more than happy to repeat our key numbers:

- Annualised NOI up to $129 million;
- Profit before tax up to $128.9 million;
- Fully diluted NAV per share 119 cents;
- Distribution per share 3 pence; and
- A year end cash balance $181.8 million.

So looking back is lovely, what about looking forward?

There is some clear built in growth as we let our remaining vacant space and annualised NOI rises towards $137 million. Everything in the occupiers' market today suggests that we will achieve this in the short term. That will enable us to continue a progressive distribution policy and should enhance NAV per share as well.

Noginsk, Moscow, works for X5 who leased 76,000m².

In addition, the 119 cents of NAV per share is derived from a portfolio valuation at an average, fully let yield of 11.9% (2010: 12.8%), which still has potential to improve.

The key to our next phase of growth is investment and the use of our cash. The plan is to combine further development and acquisition of income producing assets. We are in the process of acquiring attractive land plots in the North of Moscow where we believe tenant demand is strong and competition limited. Initial cautious appraisals suggest unleveraged cash on cash returns of around 14% should be achievable. We are confident that we can increase the portfolio by 50,000sqm to 100,000sqm per annum on this basis, from our own resources.

High quality completed assets yielding 11.5% funded with conservative bank debt gives a high income return on equity. This is earnings enhancing and immediately contributes to our capacity to make distributions to shareholders. We are looking at a number of acquisitions and have active negotiations in progress including one potentially significant acquisition which would require shareholder approval.

One option open to us to fund income producing investments would be a further issue of preference shares. We are currently exploring this option and at a 9% yield this would be an attractive funding option for the Group.

So, we have had a good year, the Group's financials are strong and the market place is helping us. What is there to worry about? There are still a lot of global problems. The main direct issue for us is the small pool of debt providers to our market. Despite high margins and reliable cash flows the twin terrors of "Russia" and "property" keep most institutions away. This helps us in constraining development and discouraging competition but reduces our returns and slows our growth.

In general though, business is going well and there is no other asset class or country where we would rather be.

Glyn Hirsch
Chief Executive Officer
11 March 2012

Property Review

Throughout 2011 we saw high levels of tenant demand across the portfolio and as a result we completed 222,000sqm (2.39 million square feet) of new lettings to third parties, generating an additional $31.4 million of annual rental income and allowing full operating cost recovery on the space. We remain the market leader in our sector, as measured by amount of space, breadth of portfolio and capacity to expand.

As we anticipated last year, vacancy rates in Moscow have fallen to negligible levels and rents have risen considerably. In our other markets, vacancy is falling and rents increasing, albeit at a slower rate.

The investment properties were valued by JLL at the period end, in accordance with the RICS Valuation and Appraisal guidelines, and are carried at an aggregate gross value of $1,154 million.

This resulted in an increase of $125 million in portfolio value, (on a like for like basis) compared to 31 December 2010, reflecting our progress in leasing and the improvement in the investment market. This year end valuation reflects an average yield of 11.9% on a fully let portfolio NOI of $137 million.

Investment Portfolio

In Moscow, not including the second phase of the Klimovsk project, we have six completed projects totalling 563,000sqm, producing an annualised income of $74.6 million at the year end. These properties are virtually fully let. We let 135,000sqm in Moscow in 2011 and rents have grown strongly, now standing at $130-$135 per sqm for Grade A warehousing. This included turning a vacancy of 95,000sqm at Noginsk into a vacancy of just 3,000sqm, about 1 million square feet of letting at one project. Within this number was the 76,000sqm we leased to X5 Retail, the largest retailer in Russia for whom we fitted out part of their space as temperature controlled storage, at a cost of almost $20 million, in return for which we benefit from an enhanced rent.

At the end of the last quarter we completed the construction of 53,000sqm of new Grade A warehouse space at Klimovsk on time and budget. Since the year end, we have signed leases with Burda and de Agostini on 18,260sqm with a further 20,217sqm under PLA and LOI, giving a total NOI of $6.3 million per annum. This increases to $8.5 million once the phase is fully let. Cash cost to construct this part of the project was $37.2 million, delivering a yield on cost of 23%. Even after allowing for an allocation of pre paid land and infrastructure costs, the yield on cost is 15.5%. In the third quarter, we acquired 8ha of adjacent land to allow a third phase to the project, with the potential to construct a further 45,000sqm.

In St Petersburg, we have leased 27,000sqm during the year which reflects the slower market in the city. Since the year end we have leased a further 21,500sqm at our Shushari project. We also sold 2ha of surplus land to Johnson Controls at around $500,000 per ha.

Noginsk, Moscow, 92,000m^2 leased in 2011.

Our Rostov project is now 95% leased, with the final space under a LOI. Demand in the city has been strong and we have the potential to start construction of an additional 15,000sqm of new space. In Novosibirsk, demand has been improving although we still have 42,000sqm vacant.

New leases included a total of 50,700sqm to tenants for expansion purposes; effectively organic growth from within the portfolio. The strength of our contacts with occupiers and of our in house leasing team is demonstrated by the fact that we paid agents fees on only 75,288sqm out of the 222,000sqm of lettings, representing a saving of circa $1.7 million.

We have now exited all of our remaining development joint venture arrangements at a notional cash cost.

Land Bank

We own development land at Noginsk, Klimovsk phase 3 and Rostov, a total of 75ha. These projects benefit from existing infrastructure and utilities and should the Company choose, development could commence on them in short order. We sold our property assets in Kiev in the last quarter of 2011, as the market in Ukraine seemed unlikely to deliver better returns than development in Moscow.

The Company holds an additional 290ha of land in various regional Russian cities and in Minsk, Belarus, with longer term potential.

The Market

Particularly in Moscow, tenant demand is strong and far outstrips supply. JLL believe existing supply was just 1.26% or 104,000sqm at the year end. Demand for 2012 is estimated by JLL at 1 million sqm and additional supply at 700,000sqm. Based on this and our own analysis of the market, we will consider starting to build more space at our Moscow projects where possible.

Increasing rents produce excellent development returns, but at the same time they price a number of tenants out of the rental market. That is evidenced by the increasing number of build to suit to buy requirements in the market. Although this delivers immediate profits it does not produce long term stable income streams that can be the backbone for dividends. We therefore remain focused on the leasing market and continue with our strategy of trying to attract the best tenants on the longest leases at acceptable rents. Equivalent yields in Moscow for Grade A, well let, rack rented warehouses are now in the region of 11%, approximately 50bps improvement on last year.

If occupier demand stays strong and rents continue to tick up, our properties look increasingly reversionary, underpinning value.

We have let over 20% of our completed stock in the year and this is reflected in a strong set of financial results.

Income

The Russian warehouse portfolio generated $80.9 million of NOI (2010: $50.4 million) from third party tenants, increasing to $91.6 million (2010: $56.1 million) including Roslogistics contribution to gross revenue, an increase of 63%. This is after the cost of servicing vacant space in the year of $13.7 million (2010: $20.8 million).

Roslogistics continued to operate out of 76,600sqm of our portfolio and is steadily increasing its contribution to profit.

The poor residential market in the UK had an impact on the results of Raven Mount, which generated $14 million (2010: $18 million) in cash on liquidating its stock. In addition, we impaired our investment in a potential development in the Grand Bahamas in the first half of the year, resulting in a charge of $2 million.

Overheads

Overheads supporting the investment portfolio were $12.8 million (2010: $13.2 million) and central overheads, supporting the corporate head office in Guernsey and the intermediate office in Cyprus, $6.1 million (2010: $6.1 million). Raven Mount and Roslogistics had overheads of $3.0 million (2010: $3.1 million) and $3.0 million (2010: $3.4 million) respectively before depreciation and the cost of moving our preference shares to the full list was $0.5 million. The charge for share based payments in the year was $6.1 million (2010: $6.4 million), reflecting the share price on the grant date of various share schemes.

Our underlying earnings for the year, as defined in note 9 to the financial statements, show a pre tax profit of $8 million (2010: pre tax loss of $20 million).

Financing

With the Eurozone problems progressively impacting on the pool of available international lenders, we have focussed on drawing finance on unencumbered assets and extending the maturity of existing facilities, whilst maintaining our cost of debt. This has been a successful exercise so far.

Debt service costs totalled $38.9 million (2010: $35.7 million) including amortisation of costs of $4 million (2010: $3 million). Our year end debt level, excluding preference shares, was $561 million (2010: $432 million) with a weighted average cost of debt of 7.1% (2010: 7.0%) and average term to maturity of 4.5 years (2010: 3 years).

In January, we completed a $30 million, 7 year term loan with Marfin Bank secured on our Lobyna warehouse and in June we completed a $38 million, 9 year term loan with Raiffeisen Bank for the completed phase 1 of our Klimovsk project.

Shushary, St Petersburg, 11,130m^2 leased in 2011.

During the second half of the year, we completed the refinancing and extension of the Istra facility with Aareal Bank. The term has been extended to 2016 and an additional $34.5million was drawn, giving a total outstanding facility of $142 million.

In the final quarter, we completed the refinancing of the $57 million HSH Nordbank loan secured on our Noginsk warehouse, with a new $83.3 million, 5 year facility with Unicredit Bank. This generated $26.3 million of additional funds.

An initial $40 million was drawn from a $78 million, 10 year term loan with Raiffeisen Bank secured on our St Petersburg, Shushary project. The outstanding balance of this committed facility will be drawn this year as leasing and debt service triggers are satisfied.

These facilities have collectively generated $169 million of extra net funding.

The UK Barclays facility of $1.9 million (2010: $7.5 million) was extended to May 2012 at the same margin of 2.5%. A short term $10.9 million Group facility from RBSI was rolled over to January 2012 at a margin of 2.85% and has been repaid since the year end.

The Group has met all covenants on its debt facilities during the period except for the facility secured on Constanta, the Grade B office block in St Petersburg, where a potential loan to value breach of $5.3 million exists. The bank has waived this potential breach in the last calendar year and sweeps all excess cash generated by the asset. It has been agreed that this arrangement will continue in the current year.

The Dollar value of our preference shares was $218 million (2010: $217 million) at 31 December 2011. The unrealised foreign exchange loss since issue is $7.9 million (2010: $9.4 million) and is included in the translation reserve. The coupon paid during the year of $29.3 million (2010: $27.7 million) is included in finance expense. Our weighted average cost of debt and gearing level, including preference shares as debt, is 8.5% (2010: 8.4%) and 53% (2010: 53%) respectively.

Hedging

It is the Group's policy to hedge the cost of debt secured on completed assets and this is achieved using a mixture of caps and swaps on US Libor. $186 million (2010: $117 million) is capped at 2.69% (2010: 3.64%) with four years remaining. $335 million (2010: $225 million) is swapped at an average rate of 2.38% (2010: 3.10%) with three years remaining.

Cash flow hedges are operated through the lease mechanisms which are principally US Dollar pegged and in holding sufficient Sterling cash reserves to cover preference share coupon and dividend commitments.

Cashflow

Letting continues to drive our improving operating cashflows, increasing to $82 million (2010: $33 million) in the year. New debt financing more than covered capital commitments and debt amortisation obligations. We also had the benefit of warrant conversions generating $25 million of funds. Year end cash increased by $74 million, after distributions to ordinary and preference shareholders of $51 million.

Net Asset Value and Dividends

Net assets have increased to $669 million at 31 December 2011(2010: $580 million) after a revaluation surplus of $153 million (2010: $79 million). We distributed the equivalent of 1.25p per share by way of a combined tender offer buy back and dividend during the year and intend to distribute a further 1.75p by tender offer buy back as a final distribution.

Mark Sinclair
Chief Financial Officer
11 March 2012

Richard Jewson (aged 67)

Non-Executive Chairman

Richard Jewson joined Jewson, the timber and building merchant, in 1965 becoming the Managing Director, then Chairman of its holding group, Meyer International plc from which he retired in 1993. Since then he has served as non-executive director and chairman of a number of public companies. He retired in 2004 from 10 years as Chairman of Savills plc and in 2005 from 14 years as a non-executive Director and deputy Chairman of Anglian Water plc. He is currently Chairman of Archant Ltd, and a non-executive director of Temple Bar Investment Trust plc, Grafton Group plc and other unquoted companies.

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

Anton Bilton (aged 47)

Executive Deputy Chairman

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

He is a member of the Nominations Committee.

Glyn Hirsch (aged 50)

Chief Executive Officer

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

Mark Sinclair (aged 46)

Chief Financial Officer

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

Colin Smith (aged 42)

Chief Operating Officer

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

Christopher Sherwell (aged 64)

Senior Independent Non-Executive Director

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

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

Stephen Coe (aged 46)

Non-Executive Director

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

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

David Moore (aged 51)

Non-Executive Director

David Moore is a resident of Guernsey. He is an advocate of the Royal Court of Guernsey and is a partner with Mourant Ozannes. He has been with Mourant Ozannes since 1993 and before that spent 10 years practising in the City of London, predominantly with Ashurst Morris Crisp. He specialises in corporate and financial matters and is a non-executive director of a number of investment and insurance management companies, investment and insurance companies including Standard Life Investments Property Income Trust Ltd of which he is non-executive chairman.

He is a member of the Audit Committee.

The Directors present their report and the audited financial statements of the Group for the year ended 31 December 2011.

Principal activities

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

Business review

A review of the business during the year is contained in the Chairman's Statement, Chief Executive's Report, Property Review and Financial Review.

Results and dividends

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

The Company made an interim dividend of 1.25p per share. A tender offer alternative was also offered should a shareholder wish to elect for this option, (2010: Tender offer 1 share in every 62 at 58p). A final distribution of 1.75p by way of a tender offer of 1 share in every 39 at 68p is being proposed at the Annual General Meeting (2010: Dividend of 1p).

Principal Risks and Uncertainties

Internal controls and an effective risk management regime are integral to the Group's continued operation. The risk management processes adopted by the Group are described within the Corporate Governance statement. The following section outlines the Group's principal risks and uncertainties.

Strategic Risks

A poorly executed or ineffective strategy may damage shareholder value, fail to meet shareholders' expectations and have reputational consequences for the Group. The principal risks to delivering our strategy are:

Risk	Management treatments to mitigate principal risks
Our inability to anticipate, manage and take advantage of changes in the economic environment.	The Board monitors the external financial environment closely in the jurisdictions in which the Group operates and establishes a number of strategic priorities to respond to anticipated changes in the economic environment. Whilst the Russian economy and the Moscow market in particular, has rebounded, the impact of the Eurozone problems is being seen in the Russian arena, principally on a decreasing pool of international banks operating in the sector. This is having an effect on the availability of project finance and may put pressure on the cost of debt in the market. Management have been focussed on financing unencumbered assets and extending the maturity of existing debt finance, whilst maintaining our average cost of debt, to mitigate against the short and medium term effects of this.
Our ability to accurately evaluate and enhance or realise value from real estate investment opportunities in the markets in which we operate.	As noted above, the Russian market continues a strong recovery, assisted by an undersupply of product in our market. However, valuations remain close to replacement cost which may give rise to investment opportunities in the sector. We continue to liquidate our UK stock but the market is slow and may put pressure on the carrying value of our stock. Various initiatives such as "rent to buy" schemes have been undertaken to stimulate residential stock sales where possible.

Financial Risks

The financial risks to which the Group is exposed could lead to the Group's inability to meet shareholder expectations in terms of returns and ultimately the financial viability of the Group. The principal risks are:

Risk	Management treatments to mitigate principal risks
A material fall in the Group's property asset values or rental income could lead to a breach of financial covenants within its credit facilities, which in turn could lead to credit facilities being cancelled.	The Group has a Board approved funding and treasury strategy and monitors funding needs regularly. Financial covenant ratios are monitored and sensitised as part of normal financial planning procedures. The majority of the Group's financing facilities are project specific and non-recourse in nature and have the ability to remedy any marginal breaches. This helps mitigate the risk of one facility breach having a knock on effect on the Group's balance sheet. This structure also assists in the re-negotiation of financial covenants if required. The Group does not have significant gearing and has managed all facilities sufficiently without formal breaches arising.
Deterioration in the Company's credit profile, a decline in debt market conditions or a general rise in interest rates could impact the cost and availability of borrowing.	The Group monitors changes in credit market conditions, and to the broader financial environment, and seeks to optimise its use of different sources of debt capital. Interest rate sensitivity is mitigated by using fixed rate debt instruments or caps. As noted earlier, extending the maturity of debt and fixing our cost of debt was a focus for the team in the last year but this remains a key risk as the Eurozone problems continue.
Foreign exchange rate changes could reduce the US Dollar value of assets and earnings.	The operational currency of Russian assets is Russian Rouble but the transaction currency is US Dollars. To mitigate this, leases are pegged to US Dollar rates. Debt is raised in US Dollars also. Capital instruments are denominated in Sterling and sufficient sterling cash is retained to service these. However, the balance sheet is open to exchange rate movements on the carrying value of our preference shares and rouble assets.
Potential taxation issues.	As the Group operates in a number of jurisdictions, monitoring of cross border tax issues and repatriation of funds is required. The Group has developed adequate presence in its key jurisdictions of Guernsey, Cyprus and Russia to manage the risks that changing tax legislation may present. As the Russian tax regime increases in sophistication and double tax treaties are renegotiated, tax efficiency for the Group may reduce. However, Russia remains a relatively low tax environment for both corporates and individuals.

Real Estate and Development Risks

Real estate and development risks may impact income and the value of the Group's property assets. The principal risks are:

Risk	Management treatments to mitigate principal risks
A potential loss of income and increased vacancy due to customer default, falling demand and oversupply or uninsured loss.	The Group has developed a good tenant mix of both international and Russian tenants and monitors the credit worthiness of its tenants and works closely with individual tenants facing financial difficulty. The impact of transferring foreign exchange risk to tenants by the use of US Dollar pegged leases is also monitored in times of US Dollar strength. Given the stage of development of the Group, there has been no significant customer default and vacant space relates to the introduction of new space into the market in 2009. Appropriate insurance is available in the Russian market but this is an area that is reviewed on an annual basis to ensure that the correct cover and policies are in place.
Failing to acquire or dispose of assets at attractive prices.	The Group has built up a strong property team in Moscow that monitors the market and market opportunities through a network of contacts and agents. Valuations have returned to close to replacement cost and opportunities for acquisitions are appearing on the market. The Group is assessing a number of these.
A decline in the value of property assets due to market conditions.	2009 saw the Russian market rapidly decline and property values drop below replacement cost. The inherent undersupply in the market has assisted in the recovery of those values as new supply and project finance is constrained.
Development projects fail to deliver the expected returns. This may be due to increased project costs, delays, changes in customer demand, or a fall in property market values.	All potential development projects are subject to a full technical and financial appraisal on which Board approval is based. The strategic choice of the warehouse market as a focus was partly based on the ability to build in phases and hence manage the risk of speculative builds in a market downturn. Any new speculative development will be limited to 50,000sqm to 100,000sqm in any year to mitigate against excessive construction or letting risk.
Holding excess or insufficient development land due to unexpected changes in customer demand.	The Executive Board review the land holding and acquisition policy of the Group and agree a strategy for existing holdings and potential acquisitions. The land bank is carried at an appropriate value and opportunities to dispose of land holdings in the Regional cities will be sought where possible.

Operational Risk

The Group's inability to continue its operations may impact the reputation, revenue and value of the Group. The principal risks are:

Risk	Management treatments to mitigate principal risks
Business and IT system disruption.	IT disaster recovery plans are in place and all data is stored remotely offsite for all offices. A full review of the current IT systems was undertaken in the year and a full upgrade programme will be implemented in the current year.
Failing to attract, retain and motivate key staff employees.	The Remuneration Committee and Executive Committee regularly reviews remuneration against comparable market information. Employees have regular appraisals and documented development plans and incentives are based on measurable, annual targets.
A change or breach of regulatory and local legal requirements.	Regulatory compliance is managed with the assistance of external advisors. Changes in Russian legal requirements are monitored by the in house legal department and with the use of external advisors where required.

Directors

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

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

At each annual general meeting of the Company, one third of the Directors shall retire from office. In addition, each Director shall retire from office at the third annual general meeting after he was appointed or reappointed, if he would not otherwise fall within the Directors to retire by rotation. A retiring Director shall be eligible for re-appointment.

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

Substantial shareholdings

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

Ordinary Shares of £0.01 **Name of holder**	**Number held 25 December 2011**	**Percentage of share capital**	**Number held 25 February 2012**	**Percentage of share capital**
Invesco Perpetual	170,896,092	28.77	170,896,092	28.69
Schroder Investment Management	86,294,863	14.53	87,769,863	14.73
Mackenzie Cundill Investment Management	56,739,131	9.55	56,739,131	9.52
F&C Asset Management Limited	29,367,457	4.94	29,245,893	4.91
JO Hambro Capital Management	24,074,889	4.05	24,784,889	4.16
Legal & General Investment Management	20,660,744	3.48	20,817,633	3.49

Auditors

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

Going Concern

The financial position of the Group, its cash flows, liquidity position and borrowings are described in the Financial Review and the notes to the accompanying financial statements. In addition, in note 34 there is a description of the Group's objectives and policies for managing its capital, its financial instruments and hedging activities and its exposure to credit and liquidity risk.

During the year the Group had and continues to hold substantial cash and short term deposits. These were supplemented by the increasing and profitable rental income streams of the operating activities of the Group. Additional financing facilities were obtained during the year which extended the Group's average time to maturity of its facilities to beyond four years. As a consequence, the Directors believe the Group is well placed to manage its future business risks.

After making enquiries and examining major areas which could give rise to significant financial exposure, the Board has a reasonable expectation that the Company and the Group have adequate resources to continue its operations for the foreseeable future. Accordingly, the Group continues to adopt the going concern basis in the preparation of these financial statements.

Directors' responsibilities

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

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

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

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

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

Directors Responsibility Statement

The Board confirms to the best of its knowledge:

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

The management report, which is incorporated into the Directors' Report, includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

This responsibility statement was approved by the Board of Directors on the 11 March 2012 and is signed on its behalf by:

Mark Sinclair
Chief Financial Officer

Colin Smith
Chief Operating Officer

UK Corporate Governance Code

The Board is committed to maintaining a high standard of corporate governance throughout the Group's operations. The Financial Services Authority's listing rules require the Company to explain how it has applied the Main Principles in Section 1 of the UK Corporate Governance Code (the "Code"). This report, together with the Directors' and Remuneration Reports, set out how the Company has done so. In the opinion of the Board, the Company has complied fully with the provisions of the Code throughout the financial year. Copies of the Code can be obtained free of charge from the Financial Reporting Council's website (www.frc.org.uk).

The Role of the Board

The Board is accountable for the governance processes within the Group, and sets the parameters within which the Group seeks to further the interests of shareholders, while monitoring the performance of the executives to whom it delegates management responsibility for the Group. The Board have approved a formal schedule of matters reserved solely for its consideration as outlined below. The Board review and update this schedule as necessary. Matters reserved for the Board include:

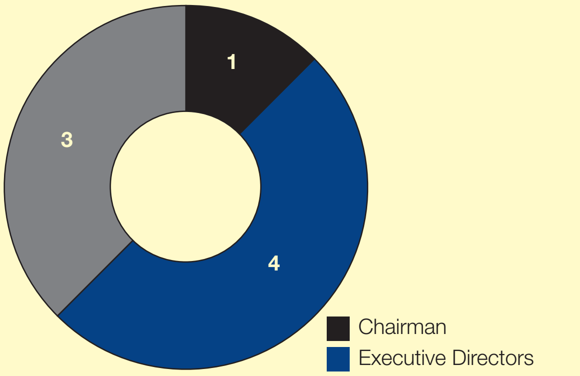
- Strategy;
- Capital structure and dividends;
- Financial reporting including approving results;
- Internal control and risk management;
- Corporate governance; and
- Material transactional activity.

The Board has delegated a number of its responsibilities through its Audit, Remuneration and Nominations Committees. Terms of references for each of these committees are reviewed periodically by the Board and its Committees, and are made available on the Company's website, www.ravenrussia.com. An outline of each of the Committees' functions and responsibilities is set out below.

Board composition

During the year, the Board comprised eight directors: Non-Executive Chairman Richard Jewson; four Executive Directors; and three Non-Executive Directors. The Board considers all of the Non-Executive Directors to be independent for the purposes of the Code as further explained below. The Board considered the Chairman to be independent on appointment. The balance of skills and expertise of the Board ensures that no individual or group of individuals dominate the Board's decision making, allowing for independent challenge and rigour to the Board's deliberations. The roles of the individual Directors are explained further below and within the Directors' Report.

Board balance



There is a defined division of the responsibilities between the Chairman and Chief Executive, the Chairman being primarily responsible for the effective working of the Board, while the Chief Executive is responsible for the operational management of the business, developing the strategy and business model and presenting this to the Board for consideration, along with its implementation across the Group. These roles are undertaken by Richard Jewson and Glyn Hirsch respectively, terms of reference delineating clear divisions of responsibilities have been established and are reviewed on a regular basis.

Christopher Sherwell is the Senior Independent Director of the Company.

David Moore is a partner in Mourant Ozannes, Advocates and Notaries Public. The Group has previously used Mourant Ozannes for legal engagements and Notary services. To avoid any possible conflict of interest or challenge of independence to Mr Moore, the Group has, since early 2010 ensured all new legal engagements, both in terms of structure and remuneration, are not undertaken by Mourant Ozannes other than notary services. During 2011 all engagements, including notary services ceased to be undertaken by Mourant Ozannes further supporting the independence of Mr Moore. Fees to Mourant Ozannes for the year ended 31 December 2011 amounted to £18,877 (2010: £1,194). Mr Moore refrains from participation in and voting on any board resolutions concerning the appointment or remuneration of Mourant Ozannes. The other members of the Board consider that Mr Moore has conducted himself and carried out his duties in relation to the Company in a manner consistent with, and demonstrative of, his independence, this along with the non material nature of the previous fees paid, the Board considers, therefore, Mr Moore to be independent for the purposes of the Code.

Biographies for each Director are included elsewhere in the Annual Report and Financial Statements. In accordance with the Articles, one third of the Directors are required to retire by rotation. The Directors retiring by rotation at the Annual General

Meeting in 2012 are Glyn Hirsch, Colin Smith, Stephen Coe and David Moore. Having considered the balance of skills and expertise of the Board, its Committees and individual Directors, the Board recommends each of the Directors for reappointment at the Annual General Meeting.

The full Board meets at least six times a year to consider general matters affecting the Company and otherwise as required. Committee meetings comprising any two or more Directors meet on an ad hoc basis to consider transactional and related matters concerning the Company's business. During 2011, there were 20 such Committee meetings. Meetings are generally held in Guernsey at the head office, however at least once a year the Board will hold a meeting in Russia to review the Group's operations and meet local management.

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

Attendance at Board or Committee meetings during the year to 31 December 2011

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

	Board[1]	Audit Committee	Nominations Committee	Remuneration Committee
R Jewson[2]	7	2	1	2
A Bilton	7	N/A	1	N/A
G Hirsch	7	N/A	N/A	N/A
M Sinclair	7	N/A	N/A	N/A
C Smith	7	N/A	N/A	N/A
S Coe	5	4	N/A	1
C Sherwell	7	4	1	2
D Moore	6	4	N/A	N/A
Number of meetings during the year	**7**	**4**	**1**	**2**

(1) In addition to the above Board meetings there were 20 Board Committee meetings held throughout the year

(2) Richard Jewson resigned from the audit committee on the 16 May 2011.

Board performance evaluation

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

The performance evaluations during 2011 were facilitated internally which took the form of a questionnaire and one to one interview with the Chairman or Senior Independent Director. It was concluded that the performance of the Board, its Committees and individual Directors were operating effectively and had the necessary balance of skills and expertise required to direct the business. The Board supports the re-election of each Director standing for re-election at the 2012 AGM.

The Board considers the Non-Executive Directors, Stephen Coe and David Moore to be of continued value to the Group's operations having an intrinsic understanding of the Group's operations and having acted and worked with the Company since its establishment. Their continued commitment to the Group, Board and its Committees supports their reappointment. Mr Coe and Mr Moore will, should they be reappointed by shareholders at the 2012 AGM, serve as Non-Executive Directors until their next scheduled re-election during 2015. During this term, the Board and the Nominations Committee will consider the composition of the Board with reference to the business needs and requirements of the Code.

Board Committees

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

Audit Committee

The Audit Committee comprises David Moore, Christopher Sherwell and Stephen Coe, (Chairman), who is considered to have recent and relevant financial experience. Richard Jewson resigned from the Audit Committee on the 16 May 2011 to allow the Committee to be constituted solely from Independent Non-Executive Directors. The Committee meets at least twice a year. There are a number of regular attendees at the meetings of the Audit Committee which include other members of the Board, senior management and the Group's external auditors. The Chairman of the Committee also meets with the external auditors without management present.

The Committee is responsible for ensuring that the financial performance of the Group is properly reported and monitored. The Committee reviews the annual and interim accounts, interim management statement, financial announcements, internal control systems and risk management, accounting policies of the Group and the continuing appointment of the auditors. During the year, the Audit Committee met four times, to consider the annual and interim accounts, audit planning and internal controls and risk management.

Due to its size and structure, the Group does not have an internal audit function, a matter which is kept under review by the Committee. During the year, the Audit Committee again considered the need for an internal audit function, whether a bespoke function facilitated by internal resources, or using an outsourced model with the assistance of the Group's advisors. The Audit Committee concluded that there was no need for a separate internal audit function at this time. The Committee, however assesses the internal controls and risk management of the Group on a regular basis and reports to the Board accordingly.

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

Having considered the ratio of audit to non audit services performed by Ernst & Young LLP, the Committee is satisfied that where Ernst & Young LLP are used for non audit services, due to their intrinsic knowledge of the Group's activities, they were best placed and offered commercial advantage to the Group in performing these services. The policy for the provision of non audit services is reviewed and confirmed by the Committee annually. For the year ended December 2011, fees payable to Ernst & Young LLP totalled $0.972 million (2010: $1.483 million) of which 22% (2010: 64%) was for the provision of non audit services. For the year ended 31 December 2011, the fees for non audit services totalled US$0.210 million (2010: US$0.944 million).

Ernst & Young LLP have provided the Committee with written confirmation of their independence. The Committee has recommended a resolution for their reappointment be proposed to shareholders at the Annual General Meeting.

Nominations Committee

The Nominations Committee comprises Anton Bilton, Christopher Sherwell and Richard Jewson, who is Chairman. The Committee undertake an annual review of any succession planning and ensures that the membership and composition of the Board and its Committees are constituted appropriately in light of the business requirements and those of the Code, with the necessary balance of skills and expertise to undertake their roles effectively.

The Committee reviewed and assessed the performance of the Board and its Committees. It concluded that the Board comprised the appropriate mix of skill and experience for the ongoing activities of the Group. Should the Committee consider it necessary to either refresh or enlarge the Board or its Committees, acting in accordance with its terms of reference, a rigorous and thorough evaluation will be undertaken by the Committee in assessing the requirements of the Company and Group so that the individual or individuals appointed will add value to the ongoing activities of the business.

Remuneration Committee

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

Internal Control and Risk Management

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

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

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

The Audit Committee has reviewed the effectiveness of the systems of internal control and has reported its findings to the Board throughout the year. The Risk Committee (as further defined below) report regularly to the Audit Committee on its deliberations and findings. The risks and uncertainties to which the Group is subject are reviewed and considered by the Audit Committee and Board at regular intervals, specifically around the strategic and long term objects of the Group as a whole in delivering a sustainable operating business and creating long term shareholder value.

The Audit Committee have established a Risk Committee to carry out the review and assessment of risks within the Group's activities. This Risk Committee comprises Executive Directors and senior management involved in each operating jurisdiction and activity of the Group. This process allows a bottom up, as well as a top down approach to risk assessment and ensures that all significant principal risk and uncertainties to which the Group is subject are identified. During the year ended 2011, the Risk Committee met three times.

Corporate, Social and Environmental reporting

The Board are responsible and accountable for matters relating to corporate responsibility. The Executive Directors and senior management have been tasked with the day to day operations and control of the Group's impact within the environments in which it operates. The Board understand that operating in its favoured jurisdiction, Russia, may have implications which can differ from those of organisations operating in western locations such as Europe and the UK. The Board considers its jurisdiction specific obligations as well as those specific to the property asset class.

Investor relations

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

The Board regularly receive reports on the Group's investor relations activities including any reports prepared by the Company's brokers and analysts following the Company, views of major shareholder and details of any shareholder meetings.

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

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

Signed For and On behalf of the Board

Colin Smith
Director
11 March 2012

Remuneration policy principles

The Group's remuneration policy aims to attract, retain and incentivise high calibre executives and senior staff and to align their interests with those of shareholders and other stakeholders in the business. The Remuneration Committee ("the Committee") seeks to ensure that total remuneration is at competitive levels compared to the Company's peers in the property sector, whilst taking into account the strategic and geographical complexity of the business. No Director, Executive or Non-Executive is involved in deciding his own remuneration.

Remuneration Committee

The Committee comprises three independent Non-Executive Directors, Stephen Coe, Richard Jewson and Christopher Sherwell (Chairman). The Committee has responsibility for determining policy and the framework for the remuneration and employment arrangements of the Executive Directors and senior management of the Company consistent with the principles above.

Executive Directors

Remuneration packages for Executive Directors include performance-related and non-performance-related rewards and comprise annual salaries, benefits such as life and health insurance, pension contributions, performance-related bonuses in cash and shares and share options.

Details of these payments in the year are shown in the table below. The cash bonus amounts disclosed in the table relate to performance in 2010, and were confirmed in the annual report for the year ended 31 December 2010.

Executive Directors may serve as Non-Executive Directors for companies outside of the Group and retain such fees which may be paid to them. Glyn Hirsch is a Non-Executive Director on Liontrust Asset Management Plc for which he receives a fee of £27,400 per annum.

Basic salary and benefits

The Committee reviews basic salaries and the level and nature of benefits provided to the Executive Directors and senior management annually. Basic salary is the only element of the Executive Directors' remuneration which attracts pension contributions.

As confirmed in last year's Remuneration Committee Report, Executive Directors received salary increases in 2011 limited to the increase in UK RPI and this will also be the case in 2012.

Benefits principally comprise life insurance, health insurance and private healthcare subscriptions. The cost of these benefits for Executive Directors is included in the table below. A contribution of 10% of basic salary is made to each Executive Director for his personal pension arrangements or direct to his personal pension plan.

Directors' remuneration details in respect of the year ended 31 December 2011

	Salaries/ fees £'000	Cash Bonuses* £'000	Benefits £'000	Total 2011 £'000	Total 2010 £'000	Pension 2011 £'000	Pension 2010 £'000
Executive							
A Bilton	494	–	7	501	491	46	45
G Hirsch	494	–	14	508	491	46	45
M Sinclair	309	100	6	415	402	31	30
C Smith	232	100	6	338	330	23	23
	1,529	**200**	**33**	**1,762**	**1,714**	**146**	**143**
Non-executive							
R Jewson	90	–	–	90	80	–	–
C Sherwell	42	–	–	42	40	–	–
S Coe	42	–	–	42	40	–	–
D Moore	42	–	–	42	40	–	–
	216	**–**	**–**	**216**	**200**	**–**	**–**

*Bonus payments relate to performance in 2010.

The contractual arrangements of the Executive Directors for 2012 are:

	Salary	Appointment Date	Unexpired term	Notice period	Contractual termination payment
Director					
A Bilton	£509,000	27 November 2008	Rolling contract	12 months	Payment of 12 months
G Hirsch	£509,000	27 November 2008	Rolling contract	12 months	salary and benefits
M Sinclair	£318,000	23 March 2009	Rolling contract	12 months	on termination
C Smith	£239,000	14 November 2008	Rolling contract	12 months	

Share Schemes

This is a year of transition for the incentive schemes that have been put in place for the Group. The existing bonus plan ceased at the end of 2011 and the Executive Share Option Schemes ("ESOS") and Long Term Incentive Plan ("LTIP") introduced at the early stages of the Company's development are at the vesting stage. The Committee has reviewed the guidance issued by the Association of British Insurers ("ABI") last year and held discussions with the Group's major shareholders before developing a new long term incentive scheme for the Executive Board and senior management which aims to align their objectives with shareholder interests. The following sections of the report explain the conclusion of the existing schemes and set out the proposed new scheme for the three years to 31 December 2014.

Bonus Plan

In 2009, the Committee designed a bonus plan for 2009, 2010 and 2011 which reduced the cash burden to the Group and aligned Executive Directors and senior management with shareholder interests.

The table below shows the share bonuses issued in the year with regards to 2010 performance as explained in last year's Remuneration Report.

	2010 awards
A Bilton	900,000
G Hirsch	900,000
M Sinclair	775,000
C Smith	160,000

In respect of 2011, the bonus scheme set targets for the Executive Board and senior management to be met over the three years to 31 December 2011. These objectives are detailed below with a comparative to actual results for the period.

- Annualised Net Operating Income targets up to $115 million per annum;
  Annualised Net Operating Income at 1 January 2009 was $51.9 million and has risen to $115.2 million at 31 December 2011, not including PLAs or LOIs;
- Dividend cover targets and /or a share price or diluted NAV per share target of 75p;
  The share price continues to trade at a significant discount to NAV but annualised NOI will now generate increased retained profits and fully diluted NAV per share was 77p at 31 December 2011;
- Treasury management with maintenance of cash buffer;
  The Group holds cash of $181.8 million at 31 December 2011, up from $108.4 million at 1 January 2009;
- Maintaining local and international tenants with strong covenants;
  The Property Review section confirms the continuing success in attracting a range of strong tenants with good covenants;
- Asset and tenant management including operating expenditure targets;
  Operating expenditure has been well controlled and the cost of vacant space reduced from $20.8 million in 2010 to $13.7 million in the 12 months to 31 December 2011. There has been no loss of existing tenants over the performance period;
- Management and expansion of debt relationships;
  Over the performance period, the Group has introduced six new debt facilities with five banks;
- Internal control and risk management;
  The Group runs an active risk management programme and has continually developed and improved its internal control structure over the period; and
- Proactive shareholder relations programme.
  The group has retained the support of its key shareholders over the period.

Under the bonus scheme, the Committee has the discretion to award up to 4.4 million of shares to the Executive Board and senior management for performance over the bonus period.

Any awards based on these targets assumed that the Executives and senior management remained in employment at the time of issue of the 31 December 2011 results and will be made following the issue of these audited financial statements. The Committee will meet to allocate awards in April. In addition, the Committee is also intending to allocate an additional cash bonus not exceeding £1.2 million across the Executive Board and senior management team, with the proviso that no individual will receive a cash bonus of more than 100% of basic salary. As explained later, no further cash bonuses will be available to the Executive Board in the coming three years to 31 December 2014.

Executive Share Option Schemes (ESOS)

The Group operates two ESOS in which the Executive Directors participate. These schemes were approved by shareholders on 28 August 2008 and 24 March 2009 and replaced schemes that had been put in place for the Property Advisor prior to its acquisition by the Company in November 2008. Options available under the schemes are granted by the Company's Employee Benefit Trust ('EBT") which holds the underlying shares. The EBT's Trustees are independent of the Company but will consider the recommendations of the Committee as to the granting of awards under the schemes.

(a) Executive Retention Scheme (ERS)

This scheme was introduced for certain Executive Directors and Senior Managers at the time of the acquisition of the Property Advisor. The EBT held 5 million ordinary shares for this scheme. The options it grants over these shares were exercisable from the date of publication of the audited financial statements of Raven Russia Limited for the year ended 31 December 2010. The options do not have an exercise price, dividends roll up during the life of the option and the sole vesting condition was that the scheme member remained in the employment of the Group until the first exercise date. Anton Bilton and Glyn Hirsch did not participate in this scheme.

(b) Long Term Incentive Plan (LTIP)

All employees of the Group are eligible to receive invitations to participate in this plan and the EBT currently holds the 10 million ordinary shares reserved for the purpose. The options it grants over these shares vest in three equal tranches, subject to performance criteria, on 24 March 2012, 24 March 2013 and 24 March 2014.

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

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

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

The Directors' interests in the ESOS at both 1 January 2011 and 31 December 2011 are set out below:

	Number of Shares		
	ERS	**LTIP**	**Total**
A Bilton	–	810,811	810,811
G Hirsch	–	1,000,000	1,000,000
M Sinclair	1,000,000	1,000,000	2,000,000
C Smith	125,000	500,000	625,000

Combined Bonus and Long Term Incentive Scheme From 2012

As the existing bonus scheme ceased in 2011, and the ESOS vesting periods have now commenced, the Committee has developed a new scheme for the years 2012 to 2014, with reference to the recent guidelines issued by the ABI.

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

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

This new joint scheme will be based on performance criteria which will reflect cash generation and the progressive dividend policy and total shareholder return determined by the Board. No cash bonuses will be paid to the Executive Board and all awards will be made in ordinary shares to align their interest with shareholders.

Over the next three years, on an equal basis, a total of 22.5 million ordinary shares (or any of the Company's other capital instruments to the same value) will be made available for the scheme through a mixture of shares already held by the EBT or in treasury, buy backs and new issues. These will be used for performance remuneration of Executives and senior management, combined, currently a team of 16. In addition it is proposed that:

- Awards for any Executive Director cannot exceed 300% of salary in any year based on the share price at the date of grant of an award; and
- No Executive Director can receive more than 1.5m shares in any one year.

The targets associated with awards are:

Year 1

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

Year 2

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

Year 3

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

- Operating cash income is defined as "Net cash generated from operating activities plus interest received less borrowing costs paid less dividends paid on preference shares", all as presented in the audited group cash flow statement, where borrowing costs paid are adjusted for any element that is capitalised as part of construction programmes. Awards will be made on a straight line basis
- The Remuneration Committee will also take into account total shareholder return targets. If the above cash income targets are not met but total shareholder return targets are achieved, then awards can be made at the discretion of the Committee. The proposed shareholder return target is 7.5% per annum. Shareholder return is defined as either the annual increase in share price or fully diluted NAV per share, whichever is higher, adjusted for distributions to ordinary shareholders.
- All targets will be adjusted appropriately to account for the effect of any change in share capital; and
- All executives must retain any shares awarded under the scheme, except for disposals required for income tax purposes, until the date the annual financial statements for 31 December 2015 are issued. This means a retention period until April 2016.

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

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

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

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

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

Since incorporation in 2005, 30 million existing shares have been allocated to the Company's incentive schemes without the issue of new shares. With the additional 22.5 million proposed in this scheme, a total of 52.5 million ordinary shares will have been made available by 2014 which equates to 8.3% of existing issued ordinary shares and warrants. This is within the 10% rolling dilution ABI guideline over any 10 year period. If all 22.5 million shares were issued as new shares, the actual dilution would be 3.6%. 10 million of unallocated shares which can be used for this scheme, are currently held by the EBT or in treasury. The remainder would be raised through a combination of share buybacks and/or new issues as previously indicated.

Non-Executive Directors

The remuneration of Non-Executive Directors is determined by the Committee in consultation with the wider Board, including in particular the Executive Deputy Chairman and the Chief Executive. The Committee believes the pay of the Non-Executive Directors reflects their commitment of time and the responsibilities of their roles. No Non-Executive Director is entitled to any form of performance-related remuneration, including share options.

The contractual arrangements for 2012 of the Non-Executives Directors are set out below.

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

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

The beneficial interests of the Directors in office at 31 December 2011 in the ordinary shares, preference shares and warrants of the Company, both at the beginning (or date of appointment if later) and the end of the year, are set out below:

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

Director	Number of ordinary shares 31 December 2010	Number of preference shares 31 December 2010	Number of warrants 31 December 2010
R Jewson	123,653	125,127	15,157
A Bilton(1)	17,107,277	27,281,549	15,082,944
G Hirsch(1)	1,944,024	3,549,910	2,292,817
M Sinclair	614,779	150,887	7,332
C Smith	74,100	89,178	7,385
C Sherwell	29,000	100,712	–
S Coe	72,727	51,933	31,997
D Moore	101,779	57,052	40,557
	20,067,339	**31,406,348**	**17,478,189**

(1) Includes ordinary and preference shares and warrants held by an Employer Funded Retirement Benefit Scheme

Independent Auditor's Report

To the Members of Raven Russia Limited

We have audited the financial statements of Raven Russia Limited for the year ended 31 December 2011 which comprise the Group Income Statement, the Group Statement of Comprehensive Income, the Group Balance Sheet, the Group Cash Flow Statement, the Group Statement of Changes in Equity and the related notes 1 to 36. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 18, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- Give a true and fair view of the state of the group's affairs as at 31 December 2011 and of its profit for the year then ended;
- Have been properly prepared in accordance with IFRS as adopted by the European Union; and
- Have been prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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

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

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

Nick Gomer
for and on behalf of Ernst & Young LLP
London
11 March 2012

Note:

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

Group Income Statement

For the year ended 31 December 2011

	Notes	2011 Underlying earnings US$'000	2011 Capital & other US$'000	2011 Total US$'000	2010 Underlying earnings US$'000	2010 Capital & other US$'000	2010 Total US$'000
Gross revenue	4/5	162,770	–	162,770	130,628	–	130,628
Property operating expenditure and cost of sales		(68,662)	(2,454)	(71,116)	(69,553)	–	(69,553)
Net rental and related income		**94,108**	**(2,454)**	**91,654**	**61,075**	**–**	**61,075**
Administrative expenses	4/6	(24,601)	(2,639)	(27,240)	(25,802)	(5,562)	(31,364)
Share-based payments	31	–	(6,099)	(6,099)	–	(6,427)	(6,427)
Foreign currency (losses)/profits		(562)	–	(562)	1,985	–	1,985
Operating expenditure		**(25,163)**	**(8,738)**	**(33,901)**	**(23,817)**	**(11,989)**	**(35,806)**
Operating profit/(loss) before profits and losses on investment property		**68,945**	**(11,192)**	**57,753**	**37,258**	**(11,989)**	**25,269**
Profit on disposal of investment property		–	–	–	–	12,178	12,178
Loss on disposal of investment property under construction		–	(1,158)	(1,158)	–	–	–
Unrealised profit on revaluation of investment property	11	–	133,062	133,062	–	62,798	62,798
Unrealised profit on revaluation of investment property under construction	12	–	10,611	10,611	–	16,453	16,453
Operating profit		**68,945**	**131,323**	**200,268**	**37,258**	**79,440**	**116,698**
Finance income	7	2,197	–	2,197	2,483	1,370	3,853
Finance expense	7	(63,086)	(10,463)	(73,549)	(59,563)	(5,276)	(64,839)
Profit/(loss) before tax		**8,056**	**120,860**	**128,916**	**(19,822)**	**75,534**	**55,712**
Tax	8	(7,109)	(33,444)	(40,553)	(1,385)	(12,842)	(14,227)
Profit/(loss) for the year		**947**	**87,416**	**88,363**	**(21,207)**	**62,692**	**41,485**
Earnings per share:	9						
Basic (cents)				16.73			8.41
Diluted (cents)				15.11			7.40
Underlying earnings per share:	9						
Basic (cents)				0.18			(4.30)
Diluted (cents)				0.16			(4.30)

The total column of this statement represents the Group's Income Statement, prepared in accordance with IFRS as adopted by the EU. The "underlying earnings" and "capital and other" columns are both supplied as supplementary information permitted by IFRS as adopted by the EU. Further details of the change in presentation and the allocation of items between the supplementary columns are given in notes 2 and 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 2011

	2011 US$'000	2010 US$'000
Profit for the year	**88,363**	**41,485**
Foreign currency translation	(12,851)	1,765
Tax relating to foreign currency translation	2,454	661
Other comprehensive income, net of tax	**(10,397)**	**2,426**
Total comprehensive income for the year, net of tax	**77,966**	**43,911**

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 2011

	Notes	2011 US$'000	2010 US$'000
Non-current assets			
Investment property	11	1,145,090	942,950
Investment property under construction	12	101,458	106,741
Plant and equipment		6,711	6,682
Goodwill	13	13,475	13,498
Other receivables	16	13,084	15,522
Derivative financial instruments	19	1,216	347
Deferred tax assets	25	57,994	61,219
		1,339,028	1,146,959
Current assets			
Inventory	17	51,155	56,341
Trade and other receivables	18	43,661	34,737
Derivative financial instruments	19	–	102
Cash and short term deposits	20	181,826	107,641
		276,642	198,821
Total assets		**1,615,670**	**1,345,780**
Current liabilities			
Trade and other payables	21	70,577	47,938
Derivative financial instruments	19	–	1,682
Interest bearing loans and borrowings	22	95,607	89,845
		166,184	139,465
Non-current liabilities			
Interest bearing loans and borrowings	22	465,638	342,205
Preference shares	23	218,206	217,425
Other payables	24	18,352	25,168
Derivative financial instruments	19	8,968	4,439
Deferred tax liabilities	25	69,562	36,714
		780,726	625,951
Total liabilities		**946,910**	**765,416**
Net assets		**668,760**	**580,364**
Equity			
Share capital	26	11,208	10,196
Share premium		83,454	55,119
Warrants	27	1,985	6,033
Own shares held	28	(16,222)	(12,241)
Special reserve		852,802	852,802
Capital reserve		52,239	(71,152)
Translation reserve		(120,647)	(110,250)
Retained earnings		(196,059)	(150,143)
Total equity	29	**668,760**	**580,364**
Net asset value per share (dollars):	30		
Basic		1.18	1.16
Diluted		1.11	1.01
Adjusted net asset value per share (dollars):	30		
Basic		1.26	1.20
Diluted		1.19	1.05

The financial statements were approved by the Board of Directors on 11 March 2012 and signed on its behalf by:

Mark Sinclair Colin Smith

The accompanying notes are an integral part of this statement.

Group Cash Flow Statement

For the year ended 31 December 2011

	Notes	2011 US$'000	2010 US$'000
Cash flows from operating activities			
Profit before tax		128,916	55,712
Adjustments for:			
Depreciation	6	1,754	2,188
Inventory write down		2,454	–
Finance income	7	(2,197)	(3,853)
Finance expense	7	73,549	64,839
Profit on disposal of investment property		–	(12,178)
Loss on disposal of investment property under construction		1,158	–
Profit on revaluation of investment property	11	(133,062)	(62,798)
Profit on revaluation of investment property under construction	12	(10,611)	(16,453)
Foreign exchange losses/(profits)		562	(1,985)
Recognised share-based payments	31	6,099	6,427
		68,622	31,899
(Increase)/decrease in operating receivables		(2,953)	5,456
Decrease in other operating current assets		2,652	8,163
Increase/(decrease) in operating payables		15,921	(9,420)
		84,242	36,098
Tax paid		(2,655)	(2,960)
Net cash generated from operating activities		**81,587**	**33,138**
Cash flows from investing activities			
Payments for investment property and investment property under construction		(76,928)	(35,669)
Refunds of VAT on construction		2,434	26,646
Proceeds from disposal of investment property		8,702	43,451
Cash disposed with subsidiary undertakings		(414)	(3,534)
Proceeds from sale of plant and equipment		475	–
Purchase of plant and equipment		(3,055)	–
Loans advanced		(5,056)	–
Loans repaid		4,215	722
Settlement of maturing forward currency financial instruments		(299)	409
Interest received		2,055	2,483
Net cash (used in)/generated from investing activities		**(67,871)**	**34,508**
Cash flows from financing activities			
Proceeds from long term borrowings		226,085	53,594
Repayment of long term borrowings		(84,624)	(63,622)
Repayment of other borrowings		(9,600)	–
Bank borrowing costs paid		(39,965)	(31,611)
Exercise of warrants	26/27	25,299	1,606
Purchase of warrants	27	–	(5,467)
Own shares acquired	28	(8,752)	(8,047)
Own shares disposed		4,139	–
Dividends paid on preference shares		(25,973)	(24,599)
Ordinary dividends paid	10	(16,355)	(3,949)
Net cash generated from/(used in) financing activities		**70,254**	**(82,095)**
Net increase/(decrease) in cash and cash equivalents		83,970	(14,449)
Opening cash and cash equivalents		107,641	123,782
Effect of foreign exchange rate changes		(9,785)	(1,692)
Closing cash and cash equivalents	20	**181,826**	**107,641**

The accompanying notes are an integral part of this statement.

Group Statement of Changes in Equity

For the year ended 31 December 2011

	Notes	Share Capital US$'000	Share Premium US$'000	Warrants US$'000	Own Shares Held US$'000	Special Reserve US$'000	Capital Reserve US$'000	Translation Reserve US$'000	Retained Earnings US$'000	Total US$'000
For the year ended 31 December 2010										
At 1 January 2010		**9,924**	**46,858**	**8,584**	**(13,841)**	**870,692**	**(151,562)**	**(112,676)**	**(112,096)**	**545,883**
Profit for the year		–	–	–	–	–	–	–	41,485	41,485
Other comprehensive income		–	–	–	–	–	–	2,426	–	2,426
Total comprehensive income for the year		–	–	–	–	–	–	2,426	41,485	43,911
Warrants exercised	26/27	71	1,820	(285)	–	–	–	–	–	1,606
Warrant offer	26/27	340	14,349	(2,266)	–	(17,890)	–	–	–	(5,467)
Own shares allocated	28	–	–	–	1,600	–	–	–	(1,600)	–
Ordinary shares cancelled	26	(139)	(7,908)	–	–	–	–	–	–	(8,047)
Ordinary dividends paid	10	–	–	–	–	–	–	–	(3,949)	(3,949)
Share-based payment expense	31	–	–	–	–	–	–	–	6,427	6,427
Transfer in respect of capital profits		–	–	–	–	–	80,410	–	(80,410)	–
At 31 December 2010		**10,196**	**55,119**	**6,033**	**(12,241)**	**852,802**	**(71,152)**	**(110,250)**	**(150,143)**	**580,364**
For the year ended 31 December 2011										
Profit for the year		–	–	–	–	–	–	–	88,363	88,363
Other comprehensive income		–	–	–	–	–	–	(10,397)	–	(10,397)
Total comprehensive income for the year		–	–	–	–	–	–	(10,397)	88,363	77,966
Warrants exercised	26/27	1,012	28,335	(4,048)	–	–	–	–	–	25,299
Own shares disposed	28	–	–	–	1,739	–	–	–	2,400	4,139
Own shares acquired	28	–	–	–	(8,752)	–	–	–	–	(8,752)
Own shares allocated	28	–	–	–	3,032	–	–	–	(3,032)	–
Ordinary dividends paid	10	–	–	–	–	–	–	–	(16,355)	(16,355)
Share-based payment expense	31	–	–	–	–	–	–	–	6,099	6,099
Transfer in respect of capital profits		–	–	–	–	–	123,391	–	(123,391)	–
At 31 December 2011		**11,208**	**83,454**	**1,985**	**(16,222)**	**852,802**	**52,239**	**(120,647)**	**(196,059)**	**668,760**

The accompanying notes are an integral part of this statement.

For the year ended 31 December 2011

1. General information

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

The Company is incorporated and domiciled in Guernsey under the provisions of the Companies (Guernsey) Law, 2008. The Company's registered office is 1 Le Truchot, St Peter Port, Guernsey GY1 6EH.

The audited financial statements of the Group for the year ended 31 December 2011 comprise the Company and its subsidiaries and were authorised by the Board for issue on 11 March 2012.

2. Accounting policies

Basis of preparation

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

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

The Directors have considered the supplementary information presented in the Group Income Statement and determined that the information presented could be enhanced through disclosing a measure of underlying earnings. This is considered to be a key performance measure, as it is the measure used by Management to assess the long term return on holding investment assets. Underlying earnings is more fully described in note 9. The 2010 supplementary information has been represented for consistency.

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

Statement of compliance

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

Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year, except that the Group has adopted the following new and amended IFRS and IFRIC interpretations as of 1 January 2011:

New and amended standards:

IAS 24 Related Party Disclosures (Amendment)

IAS 32 Financial Instruments: Presentation – Classification of Rights Issues (Amendment)

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

IAS 24 Related Party Disclosures (Amendment)

The IASB issued an amendment to IAS 24 that clarifies the definitions of a related party. The new definitions did not have an impact on the identification of related parties to the Group nor any impact on its financial position or its performance.

IAS 32 Financial Instruments: Presentation – Classification of Rights Issues (Amendment)

The IASB issued an amendment that altered the definition of a financial liability in IAS 32 to enable entities to classify rights issues and certain options or warrants as equity instruments. The amendment has had no effect on the financial position or performance of the Group because the Group has not made any rights issues and the warrants it has in issue already met the definition of equity.

Interpretations and Improvements to IFRS

Improvements to IFRSs (May 2010)

The IASB issued the third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and to clarify wording. There are separate transitional provisions for each standard. The majority of changes had no impact on the accounting policies, performance or financial position of the Group. The key change in so far as the Group is concerned was:

IFRS 7 Financial instruments – Disclosures: The amendment changes the disclosures required of collateral held. The Group reflects the revised disclosure requirements in note 34.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments: IFRIC 19 clarifies that equity instruments issued to a creditor to extinguish a financial liability are consideration paid. The equity instruments issued are measured at their fair value, unless this cannot be reliably measured, in which case, they are measured at the fair value of the liability extinguished. Any gain or loss is recognised immediately in profit or loss. The Group has not issued any equity instruments to extinguish a liability in either the current or prior reporting period.

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

IFRIC 14 Prepayments of a Minimum Funding Requirement (Amendment)

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

IFRS 7 Financial Instruments: Disclosures (Amendment) effective 1 July 2011
IAS 12 Income Taxes (Amendment) – Deferred Taxes: Recovery of Underlying Assets effective 1 January 2012
IFRS 9 Financial Instruments – Classification and Measurement effective 1 January 2013
IFRS 10 Consolidated Financial Statements effective 1 January 2013
IAS 27 Separate Financial Statements effective 1 January 2013
IFRS 11 Joint Arrangements effective 1 January 2013
IAS 28 Investments in Associates and Joint Ventures effective 1 January 2013
IFRS 12 Disclosure of Interests in Other Entities effective 1 January 2013
IFRS 13 Fair Value Measurement effective 1 January 2013
IAS 1 Presentation of Items of Other Comprehensive Income (Amendment) effective 1 July 2012
IAS 19 Employee Benefits (Revised) effective 1 January 2013

The Group is currently assessing the impact of these changes on its financial statements and the effect of these, if any, has not yet been determined. The changes to IFRS 11 will require the Group's joint ventures to be equity accounted. Presently these arrangements are proportionately consolidated. The amendments or revisions are effective for annual periods beginning on or after the dates noted above.

Basis of consolidation

The Consolidated Financial Statements incorporate the Financial Statements of the Company, its subsidiaries and the special purpose vehicles ("SPVs") controlled by the Company, made up to 31 December each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefit from its activities.

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

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

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

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

Goodwill

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

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

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

Joint ventures

A joint venture is a contractual arrangement whereby two or more parties undertake economic activity that is subject to joint control. The Group undertakes its joint ventures through jointly controlled entities. The Group Financial Statements include the Group's proportionate share of these entities' assets, liabilities, income and expenditure on a line by line basis from the date on which joint control commences to the date on which joint control ceases. Any premium paid for an interest in a jointly controlled entity above the fair value of the Group's share of identifiable assets, liabilities and contingent liabilities is accounted for in accordance with the goodwill accounting policy.

Revenue recognition

(a) Property investment

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

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

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

(b) Roslogistics

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

(c) Raven Mount

The sales of completed properties and land are recognised on legal completion.

Taxation

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

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

(a) Current tax

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

(b) Deferred tax

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

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

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

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

(c) Value added tax

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

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

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

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

Investment property and investment property under construction

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

Investment property is measured initially at its cost, including related transaction costs. After initial recognition, investment property is carried at fair value. The Directors assess the fair value of investment property based on independent valuations carried out by their appointed property valuers or on independent valuations prepared for banking purposes. The Group has appointed Jones Lang LaSalle ("JLL") as property valuers to prepare valuations on a semi-annual basis.

Valuations are undertaken in accordance with appropriate sections of the current Practice Statements contained in the Royal Institution of Chartered Surveyors Appraisal and Valuation Standards, 7th Edition (the "Red Book"). This is an internationally accepted basis of valuation. Gains or losses arising from changes in the fair value of investment property are included in the Income Statement in the period in which they arise.

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

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

Leasing (as lessors)

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

Inventory

Inventory is stated at the lower of cost and net realisable value. Such inventory includes land, work in progress and completed units that are available for sale.

Financial assets

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

(a) Fair value through profit or loss

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

(b) Loans and receivables

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

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

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

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

Financial liabilities and equity

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

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

(a) Fair value through profit or loss

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

(b) Other financial liabilities

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

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

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

Own shares held

Own equity instruments which are reacquired 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

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

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

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

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

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

Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

(c) On consolidation

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

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

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

Dividends

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

3. Critical accounting estimates and judgements

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

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

The best evidence of fair value is current prices in an active market for similar lease and other contracts. In the absence of such information, the Group determines the amount within a range of reasonable, fair value estimates. In making its judgement the Group considers information from a variety of sources and engages external, professional advisers to carry out third party valuations of its properties. These are completed in accordance with appropriate sections of the current Practice Statements contained in the Royal Institution of Chartered Surveyors Appraisal and Valuation Standards, 7th Edition (the "Red Book"). This is an internationally accepted basis of valuation.

In completing these valuations the valuers use their market knowledge and professional judgement and consider the following:

(i) current prices in an active market for properties of a different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;

(ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions occurred at those prices; and

(iii) discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease or other contracts and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of cash flows.

All of the above require the valuers to make estimates and assumptions. In our market, where transactional activity is minimal, the valuers are required to use a greater degree of estimation or judgement than in a market where comparable transactions are more readily available.

(b) Income tax

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

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

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

(c) Recognition of deferred tax assets

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

(d) Acquisitions of investment property

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

4. Segmental information

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

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

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

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

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

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

For the balance sheet, segmental information is provided in relation to investment property, inventory, cash balances and borrowings. Whilst segment liabilities includes loans and borrowings, segment loss does not include the related finance costs. If such finance costs were included in segment profit or loss, the profit from Property Investment would have decreased by US$41,279k (2010: US$36,504k) and the loss from Raven Mount increased by US$408k (2010: US$600k). Aggregate segment profit would have decreased by US$41,687k (2010: US$37,104k).

Year ended 31 December 2011

	Property Investment US$'000	Roslogistics US$'000	Raven Mount US$'000	Segment Total US$'000	Central Overhead US$'000	Total US$'000
Gross revenue	124,229	24,599	13,942	162,770	–	162,770
Operating costs/cost of sales	(43,280)	(13,870)	(13,966)	(71,116)	–	(71,116)
Net operating income	**80,949**	**10,729**	**(24)**	**91,654**	**–**	**91,654**
Administrative expenses						
Running general & administration expenses	(12,848)	(2,982)	(2,986)	(18,816)	(6,122)	(24,938)
Listing costs	–	–	–	–	(548)	(548)
Closure costs	–	–	–	–	–	–
Depreciation	(650)	(1,086)	(18)	(1,754)	–	(1,754)
Share-based payments	(1,502)	–	–	(1,502)	(4,597)	(6,099)
Foreign currency (losses)/profits	(35)	(527)	–	(562)	–	(562)
Operating profit/(loss) before profits on investment property	**65,914**	**6,134**	**(3,028)**	**69,020**	**(11,267)**	**57,753**
Profit on disposal of investment property	–	–	–	–	–	–
Loss on disposal of investment property under construction	(1,158)	–	–	(1,158)	–	(1,158)
Unrealised profit on revaluation of investment property	133,062	–	–	133,062	–	133,062
Unrealised profit on revaluation of investment property under construction	10,611	–	–	10,611	–	10,611
Segment profit/(loss)	**208,429**	**6,134**	**(3,028)**	**211,535**	**(11,267)**	**200,268**

Finance income	2,197
Finance expense	(73,549)
Profit before tax	**128,916**

As at 31 December 2011

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

Other non-current assets	92,480
Other current assets	43,661
Total assets	**1,615,670**

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

Year ended 31 December 2010

	Property Investment US$'000	Roslogistics US$'000	Raven Mount US$'000	Segment Total US$'000	Central Overhead US$'000	Total US$'000
Gross revenue	91,236	21,584	17,808	130,628	–	130,628
Operating costs/cost of sales	(40,877)	(15,816)	(12,860)	(69,553)	–	(69,553)
Net operating income	**50,359**	**5,768**	**4,948**	**61,075**	**–**	**61,075**
Administrative expenses						
Running general & administration expenses	(13,216)	(3,377)	(3,060)	(19,653)	(6,149)	(25,802)
Listing costs	–	–	–	–	(2,017)	(2,017)
Closure costs	–	(1,357)	–	(1,357)	–	(1,357)
Depreciation	(573)	(1,599)	(16)	(2,188)	–	(2,188)
Share-based payments	(1,310)	–	–	(1,310)	(5,117)	(6,427)
Foreign currency (losses)/profits	2,270	(285)	–	1,985	–	1,985
Operating profit/(loss) before profits on investment property	**37,530**	**(850)**	**1,872**	**38,552**	**(13,283)**	**25,269**
Profit on disposal of investment property	12,178	–	–	12,178	–	12,178
Unrealised profit on revaluation of investment property	62,798	–	–	62,798	–	62,798
Unrealised profit on revaluation of investment property under construction	16,453	–	–	16,453	–	16,453
Segment profit/(loss)	**128,959**	**(850)**	**1,872**	**129,981**	**(13,283)**	**116,698**
Finance income						3,853
Finance expense						(64,839)
Profit before tax						**55,712**

As at 31 December 2010

	Property Investment US$'000	Roslogistics US$'000	Raven Mount US$'000	Total US$'000
Assets				
Investment property	942,950	–	–	942,950
Investment property under construction	106,741	–	–	106,741
Inventory	–	–	56,341	56,341
Cash and short term deposits	102,463	2,306	2,872	107,641
Segment assets	**1,152,154**	**2,306**	**59,213**	**1,213,673**
Other non-current assets				97,268
Other current assets				34,839
Total assets				**1,345,780**
Segment liabilities				
Interest bearing loans and borrowings	422,738	–	9,312	432,050
Capital expenditure				
Payments for investment property under construction	35,669	–	–	35,669

In 2011 and 2010 there were no single customers accounting for more than 10% of Group revenues.

5. Gross Revenue

	2011 US$'000	2010 US$'000
Rental and related income	124,229	91,236
Proceeds from the sale of inventory property	13,942	17,808
Logistics	24,599	21,584
	162,770	**130,628**

The Group's leases typically include annual rental increases ("contingent rents") based on a consumer price index in Russia, Europe and USA, which are recognised in income as they arise. Contingent rents included in rental income for the year amounted to US$845k (2010: US$337k).

Details of the Group's contracted future minimum lease receivables are detailed in note 36.

6. Administrative expenses

	2011 US$'000	2010 US$'000
Employment costs	12,475	12,363
Directors' remuneration	3,415	3,275
Office running costs and insurance	3,577	4,315
Travel costs	1,562	1,557
External administrator fees	82	385
Auditors' remuneration – audit services	762	539
– non-audit services	210	230
Legal and professional	2,115	2,195
Depreciation	1,754	2,188
Loss on disposal of plant and equipment	337	–
Listing costs	548	2,017
Closure costs	–	1,357
Registrar costs and other administrative expenses	131	754
Share of operating expenditure of joint ventures	272	189
	27,240	**31,364**

7. Finance income and expense

	2011 US$'000	2010 US$'000
Finance income		
Income from cash and short term deposits	1,409	1,249
Interest income on loans receivable	788	1,234
Total interest income on financial assets not at fair value through profit or loss	2,197	2,483
Change in fair value of open forward currency derivative financial instruments	–	961
Profit on maturing forward currency derivative financial instruments	–	409
Finance income	**2,197**	**3,853**
Finance expense		
Interest expense on loans and borrowings measured at amortised cost	38,898	35,740
Interest expense on preference shares	29,261	27,735
Total interest expense on financial liabilities not at fair value through profit or loss	68,159	63,475
Loss on maturing forward currency derivative financial instruments	401	–
Change in fair value of open forward currency derivative financial instruments	2,200	–
Change in fair value of open interest rate derivative financial instruments	2,784	1,333
Loss on closure of interest rate derivative financial instruments	5	31
Finance expense	**73,549**	**64,839**

Included in interest expense on loans and borrowings is US$3.9 million (2010: US$3.0 million) relating to the amortisation of costs incurred in originating the loans. Included in interest expense on preference shares is US$1.1 million (2010: US$0.9 million) relating to the accretion of premiums payable on redemption of preference shares and the amortisation of costs incurred in issuing preference shares.

8. Tax

	2011 US$'000	2010 US$'000
The tax expense for the year comprises:		
Current taxation	3,809	1,752
Decrease/(increase) in deferred tax asset (note 25)	1,493	(303)
Increase in deferred tax liability (note 25)	35,251	12,778
Tax charge	**40,553**	**14,227**

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

	2011 US$'000	2010 US$'000
Profit before tax	128,916	55,712
Tax at the Russian corporate tax rate of 20%	25,783	11,142
Tax effect of income not subject to tax and non-deductible expenses	15,738	5,116
Tax on dividends and other inter company gains	807	771
Tax effect of financing arrangements	(14,181)	(22,335)
Movement on unprovided deferred tax on tax losses	12,357	20,385
Under/(over) provision in prior year	49	(852)
	40,553	**14,227**

9. Earnings measures

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

EPRA earnings

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

Underlying earnings

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

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

Earnings	2011 US$'000	2010 US$'000
Earnings for the purposes of basic and diluted earnings per share being the net profit for the year prepared under IFRS	88,363	41,485
Adjustments to arrive at EPRA earnings:		
Profit on disposal of investment property	–	(12,178)
Loss on disposal of investment property under construction	1,158	–
Unrealised profit on revaluation of investment property	(133,062)	(62,798)
Unrealised profit on revaluation of investment property under construction	(10,611)	(16,453)
Loss/(profit) on maturing foreign currency derivative financial instruments	401	(409)
Change in fair value of open forward currency derivative financial instruments	2,200	(961)
Loss on closure of interest rate derivative financial instruments	5	31
Change in fair value of open interest rate derivative financial instruments	2,784	1,333
Movement on deferred tax thereon	33,444	12,548
Adjusted EPRA earnings	**(15,318)**	**(37,402)**
Inventory write off	2,454	–
Loss on disposal of plant and equipment	337	–
Share-based payments	6,099	6,427
Premium on redemption of preference shares and amortisation of issue costs	1,094	886
Listing costs	548	2,017
Closure costs	–	1,357
Depreciation	1,754	2,188
Amortisation of loan origination costs	3,979	3,026
Tax thereon	–	294
Underlying earnings	**947**	**(21,207)**

Number of shares	2011 No '000	2010 No '000
Weighted average number of ordinary shares for the purposes of basic EPS (excluding own shares held)	528,185	493,100
Effect of dilutive potential ordinary shares:		
Listed warrants (note 27)	48,269	61,285
ERS (note 31)	3,102	3,388
LTIP (note 31)	5,361	2,611
Weighted average number of ordinary shares for the purposes of diluted EPS (excluding own shares held)	**584,917**	**560,384**

	2011 Cents	2010 Cents
EPS basic	**16.73**	**8.41**
Effect of dilutive potential ordinary shares:		
Listed warrants	(1.40)	(0.93)
ERS	(0.08)	(0.05)
LTIP	(0.14)	(0.03)
Diluted EPS (cents)	**15.11**	**7.40**
EPRA EPS basic (cents)	**(2.90)**	**(7.59)**
Effect of dilutive potential ordinary shares:		
Listed warrants	–	–
ERS	–	–
LTIP	–	–
EPRA EPS diluted (cents)	**(2.90)**	**(7.59)**
Underlying EPS basic (cents)	**0.18**	**(4.30)**
Effect of dilutive potential ordinary shares:		
Listed warrants	(0.02)	–
ERS	–	–
LTIP	–	–
Underlying EPS diluted (cents)	**0.16**	**(4.30)**

10. Ordinary dividends

	2011 US$'000	2010 US$'000
Declared and paid during the year on ordinary shares:		
Final dividend for 2010 1 pence (2009: 0.5 pence)	8,511	3,949
Interim dividend for 2011 1.25 pence (2010: nil pence)	7,844	–
	16,355	**3,949**

On 8 September 2011 the Company declared an interim dividend of 1.25 pence per share, with a tender offer alternative. The tender offer alternative allowed shareholders to elect not to receive the ordinary dividend but instead to tender ordinary shares on the basis of 1 in 46 shares at a price of 58 pence, the equivalent of the interim dividend. On 18 November 2011 the Company paid the interim dividend in respect of 391,409,999 ordinary shares and accepted tenders over 4,406,122 ordinary shares (see note 28).

The Directors are proposing to implement a tender offer buy back in place of a final dividend equivalent to 1.75 pence per share.

11. Investment property

	2011 US$'000	2010 US$'000
Market value at 1 January	942,950	878,775
Transfer from investment property under construction (note 12)	50,412	25,533
Property improvements and movement in completion provisions	27,016	4,688
Disposals	(8,350)	(28,844)
Unrealised profit on revaluation	142,462	62,798
Market value at 31 December	**1,154,490**	**942,950**
Tenant incentives and contracted rent uplifts carrying value at 31 December	(9,400)	–
Carrying value at 31 December	**1,145,090**	**942,950**
Revaluation movement in the year		
Gross revaluation	142,462	62,798
Effect of tenant incentives and contracted rent uplift balances	(9,400)	–
Revaluation reported in the Income Statement	133,062	62,798

It is the Group's policy to carry investment property at fair value in accordance with IAS 40 "Investment Property". The fair value of the Group's investment property at 31 December 2011 has been arrived at on the basis of market valuations carried out by Jones Lang LaSalle ("JLL"), external valuers to the Group. JLL have consented to the use of their name in these financial statements.

The valuations used by the Directors in these financial statements have been carried out in accordance with The Royal Institution of Chartered Surveyors Valuation Standards, 7th Edition (the "Red Book"). The definition of market value is "the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and willing seller in an arms length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

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

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

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

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

At 31 December 2011 the Group has pledged investment property with a value of US$1,049 million (2010: US$673 million) to secure banking facilities granted to the Group (note 22).

12. Investment property under construction

	Assets Under Construction US$'000	Additional Phases of Completed Property US$'000	Landbank US$'000	Total US$'000
Balance at 1 January 2010	16,512	32,156	52,612	101,280
Costs incurred	16,324	958	1,716	18,998
Disposals	–	–	(3,821)	(3,821)
Effect of foreign exchange rate changes	(106)	(104)	(426)	(636)
Transfer to investment property (note 11)	(17,793)	(7,740)	–	(25,533)
Unrealised gain on revaluation	363	16,090	–	16,453
Balance at 31 December 2010	**15,300**	**41,360**	**50,081**	**106,741**
Costs incurred	35,117	6,885	1,006	43,008
Disposals	–	(3,300)	–	(3,300)
Effect of foreign exchange rate changes	(669)	(892)	(3,629)	(5,190)
Transfer to investment property (note 11)	(50,412)	–	–	(50,412)
Unrealised gain on revaluation	664	9,947	–	10,611
Balance at 31 December 2011	**–**	**54,000**	**47,458**	**101,458**

No borrowing costs were capitalised in the year (2010: US$0.4 million).

Assets under construction are valued by JLL using the residual value method and additional phases of completed investment property on a comparable sales basis, based on recent real estate transactions with similar characteristics and location to those assets.

The Directors have valued land based on the amounts they consider they can achieve for permitted land and land with access and infrastructure. The Directors also considered updated acquisition appraisals, the key assumptions being developer's required returns, market rents and yields on completed properties. On this basis the Directors consider the fair value of the land bank to be US$47 million, which equates to an average price of US$16.3 per square metre (2010: US$17).

At 31 December 2011 the Group has pledged investment property under construction with a carrying value of US$11.3 million (2010: US$11.2 million) to secure banking facilities granted to the Group (note 22).

13. Goodwill

	Relogistics US$'000	Raven Mount US$'000	Total US$'000
Balance at 1 January 2010	5,383	8,059	13,442
Effect of foreign exchange rate changes	–	56	56
Balance at 31 December 2010	**5,383**	**8,115**	**13,498**
Effect of foreign exchange rate changes	–	(23)	(23)
Balance at 31 December 2011	**5,383**	**8,092**	**13,475**

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

14. Investment in subsidiary undertakings

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

Name	Country of incorporation	Proportion of ownership interest 2011	2010
CJSC Kulon Development	Russia	100%	100%
Fenix LLC	Russia	100%	100%
Petroestate LLC	Russia	100%	100%
EG Logistics LLC	Russia	100%	100%
CSJC Kulon Istra	Russia	100%	100%
Soyuz-Invest LLC	Russia	100%	100%
Reserv-Invest LLC	Russia	100%	100%
Real-Invest LLC	Russia	100%	100%
CSJC Noginsk Vostok	Russia	100%	100%
Resource Economia LLC	Russia	100%	100%
Kulon Spb LLC	Russia	100%	100%
Logopark Don LLC	Russia	100%	100%
Logopark Ob LLC	Russia	100%	100%
Delta LLC	Russia	100%	–
Roslogistics Holdings (Russia) Limited	Cyprus	100%	100%
Avalon Logistics Company LLC	Russia	100%	100%
Raven Mount Group plc	England	100%	100%
Raven Russia Property Advisers Limited	England	100%	100%
Raven Russia (Service Company) Limited	Guernsey	100%	100%

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

15. Investment in joint ventures

The principal jointly controlled entity of the Group is as follows:

Name	Country of incorporation	Proportion of ownership interest 2011	2010
Coln Park LLP	England	50%	50%

The Group's interest in each jointly controlled entity has been accounted for by proportionate consolidation. The aggregate amounts recognised in the balance sheet and income statement were:

	2011 US$'000	2010 US$'000
Non-current assets	30	29
Current assets	17,918	15,864
Current liabilities	(1,120)	(10,159)
Net assets	**16,828**	**5,734**
Income	8,094	8,749
Expenditure	(6,274)	(6,831)
	1,820	**1,918**

16. Other receivables

	2011 US$'000	2010 US$'000
Loans receivable	4	1,017
VAT recoverable	5,217	5,946
Security deposit	2,345	1,722
Prepayments and other receivables	5,518	6,837
	13,084	**15,522**

VAT recoverable arises through the payment of value added tax on construction of investment property, which will be recovered through the offset of VAT paid on future revenue receipts or repayment direct from the taxation authority. VAT recoverable has been split between current and non-current assets based on the Group's assessment of when recovery will occur.

17. Inventory

	Land held for development US$'000	Housing stock US$'000	Total US$'000
Balance at 1 January 2010	3,134	58,269	61,403
Costs incurred in the year	449	8,468	8,917
Cost of sales	–	(12,793)	(12,793)
Effect of foreign exchange rate changes	(99)	(1,087)	(1,186)
Balance at 31 December 2010	**3,484**	**52,857**	**56,341**
Costs incurred in the year	111	8,135	8,246
Cost of sales	–	(10,561)	(10,561)
Inventory write down	(2,116)	(338)	(2,454)
Effect of foreign exchange rate changes	(26)	(391)	(417)
Balance at 31 December 2011	**1,453**	**49,702**	**51,155**

The Group has pledged inventory with a carrying value of US$31 million (2010: US$42 million) to secure banking facilities granted to the Group (note 22).

18. Trade and other receivables

	2011 US$'000	2010 US$'000
Trade receivables	21,848	15,828
Prepayments	4,670	4,888
VAT recoverable	10,205	6,384
Tax recoverable	1,177	2,397
Loans receivable	2,483	642
Accrued income	40	236
Other receivables	3,238	4,362
	43,661	**34,737**

19. Derivative financial instruments

	2011 US$'000	2010 US$'000
Interest rate derivative financial instruments		
Non-current assets	1,216	347
Non-current liabilities	(6,768)	(4,439)
Current liabilities	–	(1,682)
Forward currency derivative financial instruments		
Current assets	–	102
Non-current liabilities	(2,200)	–

The Group has entered into a series of interest rate derivative financial instruments to manage the interest rate and resulting cash flow exposure from the Group's banking facilities. The instruments have a notional value of US$517 million (2010: US$302 million) and a weighted average fixed or capped rate of 2.5% (2010: 3.3%).

The Group had also entered into a series of forward currency derivative financial instruments to hedge rentals received under leases denominated in Euros. At 31 December 2011 there were no open contracts to sell Euros (2010: €5.1 million) and buy US Dollars (2010: US$6.9 million).

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

20. Cash and short term deposits

	2011 US$'000	2010 US$'000
Cash at bank and on call	99,557	76,808
Short term deposits	82,269	30,833
	181,826	**107,641**

The Group has pledged short term deposits with a carrying value of US$12.5 million (2010: US$25.1 million) as security for a loan facility granted to the Group (note 22). US$10.9 million of the loan was outstanding at 31 December 2011 (2010: US$11 million). In 2010 the Group had also placed US$1.3 million as security for the Group's foreign currency derivative financial instruments (note 19). These instruments have all now matured and the restricted cash released for the unfettered use of the Group.

Cash at bank and on call attracts variable interest rates, whilst short term deposits attract fixed rates but mature and re-price over a short period of time. The weighted average interest rate at the balance sheet date is 1.13% (2010: 1.08%).

21. Trade and other payables

	2011 US$'000	2010 US$'000
Investment property acquisition obligations	54	621
Trade and other payables	8,394	9,402
Construction payables	26,869	14,757
Advanced rentals	19,498	11,350
Tax payable	9,095	6,396
Other payable	6,667	5,412
	70,577	**47,938**

22. Interest bearing loans and borrowings

(a) Bank loans

	2011 US$'000	2010 US$'000
Loans due for settlement within 12 months	95,607	82,194
Loans due for settlement after 12 months	465,638	340,366
	561,245	422,560

(b) Other interest bearing loans

Loans due for settlement within 12 months	–	7,651
Loans due for settlement after 12 months	–	1,839
	–	9,490
Totals		
Loans due for settlement within 12 months	95,607	89,845
Loans due for settlement after 12 months	465,638	342,205
	561,245	**432,050**
The Group's borrowings have the following maturity profile:		
On demand or within one year	95,607	89,845
In the second year	100,226	161,735
In the third to fifth years	252,609	122,865
After five years	112,803	57,605
	561,245	**432,050**

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

As at 31 December 2011

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

As at 31 December 2010

	Interest Rate %	Maturity (years)	US$'000
Secured on:			
Investment property and investment property under construction	7.20%	3.1	402,515
Inventory	2.42%	0.2	9,042
Cash	2.85%	1.1	11,003
Unsecured	11.6%	1.0	9,490
			432,050

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

During the year the Group has entered into the following financing arrangements:

The Group has completed and fully drawn on a US$30 million facility secured on its Lobnya project. The facility was provided by Marfin Bank, has a 7 year term and a margin over US LIBOR of 6.75%.

The facility with Aareal Bank secured on the Istra Project was extended, increasing the facility amount to US$142 million and extending the maturity date to 20 April 2016.

The HSH Nordbank facility on the Noginsk Project was successfully refinanced with Unicredit Bank Austria. The Unicredit facility of US$83 million has a 5 year term and a margin over US LIBOR of 5.5%.

The Group has drawn $40 million from a US$78 million facility from ZAO Raiffieisen Bank secured on the Shushary project. This facility has a margin of 6.75% over US LIBOR and a 10 year term. The remaining undrawn balance is available until 10 November 2012.

At 31 December 2011 the Group had undrawn loan facilities available of US$38 million (2010: US$ nil).

The Group has entered into hedging arrangements in respect of its interest rate exposure (note 19). US$335 million (2010: US$225 million) of Group bank borrowings have been fixed with three years remaining (2010: two years) at a weighted average swap rate of 2.38% (2010: 3.10%) and US$186 million (2010: US$117 million) capped at 2.69% (2010: 3.64%) for four years (2010: three years). This gave a weighted average cost of debt to the Group of 7.1% (2010: 7.0%) at the year end.

23. Preference shares

	2011 US$'000	2010 US$'000
Authorised share capital:		
400,000,000 (2010: 400,000,000) preference shares of 1p each	5,981	5,981

	2011 Number	2010 Number
Issued share capital:		
At 1 January	144,357,156	143,315,179
Purchased	(2,000,000)	–
Disposal	2,000,000	–
Scrip dividends	679,786	1,041,977
At 31 December	**145,036,942**	**144,357,156**

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

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

24. Other payables

	2011 US$'000	2010 US$'000
Investment property acquisition obligations	2,929	7,287
Rent deposits	14,833	11,803
Retentions under construction contracts	–	5,838
Other payables	590	240
	18,352	25,168

25. Deferred tax

(a) Deferred tax assets

	Tax losses US$'000	Other US$'000	Total US$'000
Balance at 1 January 2010	60,779	397	61,176
Effect of foreign exchange rate changes	(597)	–	(597)
On disposal of SPV	(324)	–	(324)
Credit/(charge) to income	501	(198)	303
Credit to equity	661	–	661
Balance at 31 December 2010	**61,020**	**199**	**61,219**
Effect of foreign exchange rate changes	(3,247)	–	(3,247)
On disposal of SPV	(359)	–	(359)
Charge to income	(1,394)	(99)	(1,493)
Credit to equity	1,874	–	1,874
Balance at 31 December 2011	**57,894**	**100**	**57,994**

The Group has tax losses in Russia of US$237 million (2010: US$127 million) and tax losses in the UK of US$110 million (2010: US$110 million) for which deferred tax assets have not been recognised. The losses in Russia expire in 10 years (2010: 10 years) whilst the UK losses do not have an expiry date.

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

(b) Deferred tax liabilities

	Accelerated tax allowances US$'000	Revaluation of investment property US$'000	Total US$'000
Balance at 1 January 2010	15,806	8,461	24,267
Effect of foreign exchange rate changes	(302)	–	(302)
On disposal of SPV	(29)	–	(29)
Charge to income	683	12,095	12,778
Balance at 31 December 2010	**16,158**	**20,556**	**36,714**
Effect of foreign exchange rate changes	(1,620)	–	(1,620)
On disposal of SPV	(783)	–	(783)
Charge to income	11,881	23,370	35,251
Balance at 31 December 2011	**25,636**	**43,926**	**69,562**

26. Share capital

	2011 US$'000	2010 US$'000
Authorised ordinary share capital:		
1,500,000,000 (2010: 1,500,000,000) ordinary shares of 1p each	27,469	27,469

	2011 Number	2010 Number
Issued share capital:		
At 1 January	530,273,204	512,697,594
Issued in the year for cash on warrant exercises (note 27)	63,820,350	4,512,713
Issued under the warrant offer (note 27)	–	21,740,807
Cancelled under the tender offer	–	(8,677,910)
At 31 December	**594,093,554**	**530,273,204**

On 25 October 2010 the Company completed the purchase of 8,677,910 ordinary shares under the terms of a tender offer, for a cash consideration of £5 million. The shares repurchased were cancelled.

Of the authorised ordinary share capital at 31 December 2011, 49,426,666 (2010: 115,897,016) are reserved for options and warrants.

Details of own shares held are given in note 28.

27. Warrants

	2011 Number	2010 Number
At 1 January	101,651,070	142,419,799
Exercised in the year	(63,820,350)	(4,512,713)
Cancelled under the warrant offer	–	(36,256,016)
At 31 December	**37,830,720**	**101,651,070**

	2011 US$'000	2010 US$'000
At 1 January	6,033	8,584
Exercised in the year	(4,048)	(285)
Cancelled under the warrant offer	–	(2,266)
At 31 December	**1,985**	**6,033**

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

On 28 July 2010 the Company purchased and cancelled 36,256,016 warrants under an open offer to all warrantholders. The consideration for the purchase was settled partly in cash, £3.5 million, and partly through the issue of 21,740,807 ordinary shares.

In the period since 31 December 2011 2,401,600 warrants have been exercised.

28. Own shares held

	2011 Number	2010 Number
At 1 January	28,400,054	34,035,054
Acquired under a tender offer	4,406,122	–
Other acquisitions for cash	5,185,054	–
Disposal	(4,035,054)	–
Allocation to satisfy bonus awards	(4,585,000)	(5,635,000)
Allocation to satisfy ERS options exercised	(2,450,000)	–
At 31 December	**26,921,176**	**28,400,054**

On 3 November 2011 the Company completed the purchase of 4,406,122 ordinary shares under the terms of a tender offer, for a cash consideration of £2.5 million.

Allocations are transfers by the Company's Employee Benefit Trusts to satisfy bonus awards made in the year and to satisfy ERS options exercised in the year following the vesting of the options. Details of outstanding ERS options, which are vested but unexercised, are given in note 31a.

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

29. Equity

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

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

30. Net asset value per share

	2011 US$'000	2010 US$'000
Net asset value	668,760	580,364
Intangible assets – goodwill	(13,475)	(13,498)
Deferred tax on revaluation gains	43,926	20,556
Unrealised foreign exchange losses on preference shares	7,895	9,372
Fair value of interest rate derivative financial instruments	5,552	5,774
Fair value of foreign exchange derivative financial instruments	2,200	–
Adjusted net asset value	**714,858**	**602,568**
Assuming exercise of all dilutive potential ordinary shares		
– Listed warrants (note 27)	14,698	39,789
– ERS (note 31)	–	–
– LTIP (note 31)	3,515	3,619
Adjusted fully diluted net asset value	**733,071**	**645,976**
Number of ordinary shares (note 26)	594,093,554	530,273,204
Less own shares held (note 28)	(26,921,176)	(28,400,054)
	567,172,378	501,873,150
Assuming exercise of all dilutive potential ordinary shares		
– Listed warrants (note 27)	37,830,720	101,651,070
– ERS (note 31)	2,550,000	5,000,000
– LTIP (note 31)	9,045,946	9,245,946
Number of ordinary shares assuming exercise of all potential ordinary shares	**616,599,044**	**617,770,166**

	2011 US$	2010 US$
Net asset value per share	1.18	1.16
Fully diluted net asset value per share	1.11	1.01
Adjusted net asset value per share	1.26	1.20
Adjusted fully diluted net asset value per share	1.19	1.05

As the preference shares are considered to be capital for capital risk management (see note 34d) unrealised foreign exchange movements on these have been adjusted when calculating adjusted NAV per share.

31. Share based payments

(a) Terms

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

Also in 2005, to incentivise personnel of the Company's former Property Adviser involved in providing advice to the Group, the Company granted to the trustee of the Raven Mount Employee Benefit Trust an option to acquire up to 7.5% of its issued ordinary share capital from time to time, less up to 100,000 ordinary shares under option to Adrian Collins, the Company's former Chairman. The options vested in three tranches and were exercisable over a period of 4 to 12 years following the Company's admission to AIM dependent upon cumulative performance criteria of between 9% and12% total share return having been met.

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

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

	2011 No of options	2011 Weighted average exercise price	2010 No of options	2010 Weighted average exercise price
Outstanding at the beginning of the period	14,245,946	16p	4,740,833	46p
Issued during the year				
– ERS	–	–	3,225,000	–
– LTIP	–	–	8,225,946	25p
Lapsed during the year				
– LTIP	(200,000)	25p	–	–
– Adviser options	–	–	(1,945,833)	100p
Exercised during the year				
– ERS	(2,450,000)	0p	–	–
Outstanding at the end of the period	**11,595,946**	**20p**	**14,245,946**	**16p**
Represented by:				
– ERS	2,550,000		5,000,000	
– LTIP	9,045,946		9,245,946	
	11,595,946		**14,245,946**	
Exercisable at the end of the period	**2,550,000**	**0p**	**–**	**–**

ERS options vested during the year and are available for exercise. The LTIP options have yet to vest. The weighted average remaining contractual life of options was 6 years (2010: 7 years).

(b) Share-based payment charge

The Group recognised a total share-based payment expense as a result of the ERS and LTIP awards of US$1.3 million (2010: US$2.1 million) for the year. Also, and as set out in the Directors' Remuneration Report approved by shareholders, the Company utilised 4.6 million of ordinary shares held (note 28) to satisfy bonuses to the Executive Directors and senior management. This resulted in a charge of US$4.8 million (2010: US$4.3 million) for the year, giving a total expense of US$6.1 million (2010: US$6.4 million).

32. Capital commitments

The Group has committed to fund the construction of certain additional investment property. At 31 December 2011, US$4.4 million of funding was required (2010: US$5.7 million), excluding VAT.

33. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Further disclosures concerning transactions with the Company's directors are made in the Remuneration Report and note 6.

Remuneration of Directors and other key management personnel

	2011 US$'000	2010 US$'000
Short term employee benefits	4,430	4,699
Post employment benefits	278	297
Share-based payment	5,839	6,196
	10,547	**11,192**

Transactions, arrangements and agreements involving key management personnel

There are no loan balances with directors. During the year the Group advanced a loan of £1.2 million to one of the Group's key management personnel. The loan remains outstanding at 31 December 2011, bears interest at a commercial rate and is secured by a first legal charge over a UK property.

Mourant Ozannes

David Moore is a partner in Mourant Ozannes, Advocates and Notaries Public. Mourant Ozannes provide independent legal advice to the Group. Total legal fees paid to Mourant Ozannes during the year amounted to £18,877 (2010: £1,194).

34. Financial instruments – risk management

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

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

(a) Market risk

Currency risk

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

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

Russian Rouble

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

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

Sterling

The Group's exposure to Sterling is primarily driven by the Sterling denominated preference shares and the related quarterly preference dividends, but also head office costs and ordinary dividends.

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

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

As at 31 December 2010	US Dollar US$'000	Sterling US$'000	Russian Rouble US$'000	Other US$'000	Total US$'000
Non-current assets					
Loans receivable	4	1,013	–	–	1,017
Derivative financial instruments	347	–	–	–	347
Current assets					
Trade receivables	8,724	1,106	5,991	7	15,828
Loans receivable	–	579	63	–	642
Derivative financial instruments	102	–	–	–	102
Other current receivables	2,112	1,483	1,487	1	5,083
Cash and short term deposits	55,124	30,804	20,144	1,569	107,641
	66,413	**34,985**	**27,685**	**1,577**	**130,660**
Non-current liabilities					
Interest bearing loans and borrowings	331,309	10,896	–	–	342,205
Preference shares	–	217,425	–	–	217,425
Derivative financial instruments	4,439	–	–	–	4,439
Rent deposits	8,903	–	2,353	547	11,803
Investment property acquisition obligations	7,287	–	–	–	7,287
Retentions under construction contracts	–	–	5,838	–	5,838
Other payables	–	–	240	–	240
Current liabilities					
Interest bearing loans and borrowings	80,425	9,420	–	–	89,845
Derivative financial instruments	1,682	–	–	–	1,682
Other payables	90	4,431	15,627	21	20,169
	434,135	**242,172**	**24,058**	**568**	**700,933**

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

The tables above presents financial assets and liabilities denominated in foreign currencies held by the Group in 2011 and 2010. If the US Dollar weakened or strengthened by 10% against the Russian Rouble or Sterling, with all other variables in each case remaining constant, then:

Post tax profit or loss would change by:	2011 US$'000	2010 US$'000
Russian Rouble	296	182
Sterling	3,513	4,011

Net asset value would change by:	2011 US$'000	2010 US$'000
Russian Rouble	196	46
Sterling	20,481	21,145

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

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

As at 31 December 2011	**US Dollar US$'000**	**Sterling US$'000**	**Russian Rouble US$'000**	**Other US$'000**
Current assets				
Trade receivables	2,623	–	–	–
Cash and short term deposits	70,585	–	–	115
	73,208	**–**	**–**	**115**
As at 31 December 2010				
Current assets				
Trade receivables	1,898	–	–	–
Cash and short term deposits	40,109	–	–	331
	42,007	**–**	**–**	**331**
Current liabilities				
Other payables	23	–	–	142

The Group's interest rate risk arises from long-term borrowings (note 22), which include preference shares issued (note 23). Borrowings issued at variable rates expose the Group to cash flow interest rate risk, whilst borrowings issued at a fixed rate expose the Group to fair value risk. The Group's cash flow and fair value risk is reviewed monthly by the Board. The cash flow and fair value risk is approved monthly by the Board.

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

To date the Group has sought to fix its exposure to interest rate risk on borrowings through the use of a variety of interest rate derivatives and the issue of preference shares at a fixed coupon. This gives certainty over future cash flow but exposure to fair value movements, which amounted to an unrealised loss of US$5.5 million at 31 December 2011 (2010: loss of US$5.8 million).

Sensitivity analysis on the Group's interest rate borrowings, net of interest bearing deposits, indicate that a 1% increase in LIBOR rates would decrease the profit for the year and net assets by US$400,000 (2010: US$900,000). If LIBOR rates were to drop to zero then there would be a decrease in the profit for the year and in net assets of US$900,000 (2010: US$100,000) as the loss on income from cash would be greater than gains on interest expense because of the low LIBOR rates prevailing at this time and the interest rate hedges in place.

(b) Credit risk

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

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

	2011 US$'000	2010 US$'000
At 1 January	377	377
Charge for the year	–	–
Utilised in the year	–	–
Unused amounts reversed	–	–
At 31 December	**377**	**377**

At 31 December 2011 there were no significant amounts of trade receivables that were past due for collection (2010: US$ nil).

The Group has VAT recoverable of US$15.4 million (2010: US$12.3 million). The timing of recovery of these balances is subject to future revenue receipts and application to the Russian Courts. The Group forecasts the recovery of these balances based upon the timing of future revenue receipts and its experience of successful application to the Russian Courts. No balances are considered past due or impaired at 31 December 2011 (2010: US$ nil) based upon this assessment of the timing of future cash receipts. The Group believes its only exposure is in relation to the timing of recovery.

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

(c) Liquidity risk

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

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

All amounts shown are gross undiscounted cash flows.

Financial liabilities

	Total US$'000	Current US$'000	Year 2 US$'000	Years 3 to 5 US$'000	Years 5 to 10 US$'000
As at 31 December 2011					
Interest bearing loans and borrowings	721,504	134,597	131,638	327,726	127,543
Preference shares	269,213	26,921	26,921	80,764	134,607
Derivative financial instruments	8,968	–	–	6,768	2,200
Trade and other payables	51,888	51,888	–	–	–
	1,051,573	**213,406**	**158,559**	**415,258**	**264,350**
As at 31 December 2010					
Interest bearing loans and borrowings	513,051	116,845	183,736	145,865	66,605
Preference shares	271,223	27,122	27,122	81,367	135,612
Derivative financial instruments	6,121	1,682	–	4,439	–
Trade and other payables	45,337	45,337	–	–	–
	835,732	**190,986**	**210,858**	**231,671**	**202,217**

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

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

Fair values

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

	2011 Carrying Value US$'000	2011 Fair Value US$'000	2010 Carrying Value US$'000	2010 Fair Value US$'000
Non-current assets				
Loans receivable	4	4	1,017	959
Derivative financial instruments	1,216	1,216	347	347
Current assets				
Trade receivables	21,848	21,848	15,828	15,828
Loans receivable	2,483	2,483	642	642
Other current receivables	3,277	3,277	5,083	5,083
Derivative financial instruments	–	–	102	102
Cash and short term deposits	181,826	181,826	107,641	107,641
Non-current liabilities				
Interest bearing loans and borrowings	465,638	356,157	342,205	287,322
Preference shares	218,206	291,444	217,425	292,132
Derivative financial instruments	8,968	8,968	4,439	4,439
Rent deposits	14,833	14,833	11,803	11,803
Investment property acquisition obligations	2,929	2,929	7,287	7,287
Retentions under construction contracts	–	–	5,838	5,838
Other payables	590	590	240	240
Current liabilities				
Interest bearing loans and borrowings	95,607	95,607	89,845	89,845
Derivative financial instruments	–	–	1,682	1,682
Other payables	33,536	33,536	20,169	20,169

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

Fair value hierarchy

The following table shows an analysis of the fair values of financial instruments recognised in the balance sheet by level of the fair value hierarchy*:

	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total Fair Value US$'000
As at 31 December 2011				
Assets measured at fair value				
Derivative financial instruments	–	1,216	–	1,216
Liabilities measured at fair value				
Derivative financial instruments	–	8,968	–	8,968
As at 31 December 2010				
Assets measured at fair value				
Derivative financial instruments	–	449	–	449
Liabilities measured at fair value				
Derivative financial instruments	–	6,121	–	6,121

* Explanation of the fair value hierarchy:

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

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

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

(d) Capital risk management

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

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

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

	2011 US$'000	2010 US$'000
Non-current liabilities (excluding preference shares)	562,520	408,526
Current liabilities	166,184	139,465
Total borrowings	728,704	547,991
Less: cash and short term deposits	181,826	107,641
Net debt	546,878	440,350
Equity	668,760	580,364
Preference shares	218,206	217,425
Total capital	**1,433,844**	**1,238,139**
Gearing ratio	**38.14%**	**35.57%**

35. Subsequent events

Details of post year end warrant exercises are set out in note 27.

36. Operating lease arrangements

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

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

	2011 US$'000	2010 US$'000
Within one year	97,564	65,856
In the second year	98,846	65,592
In the third to fifth year (inclusive)	250,998	182,429
After five years	132,420	86,483
	579,828	**400,360**

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