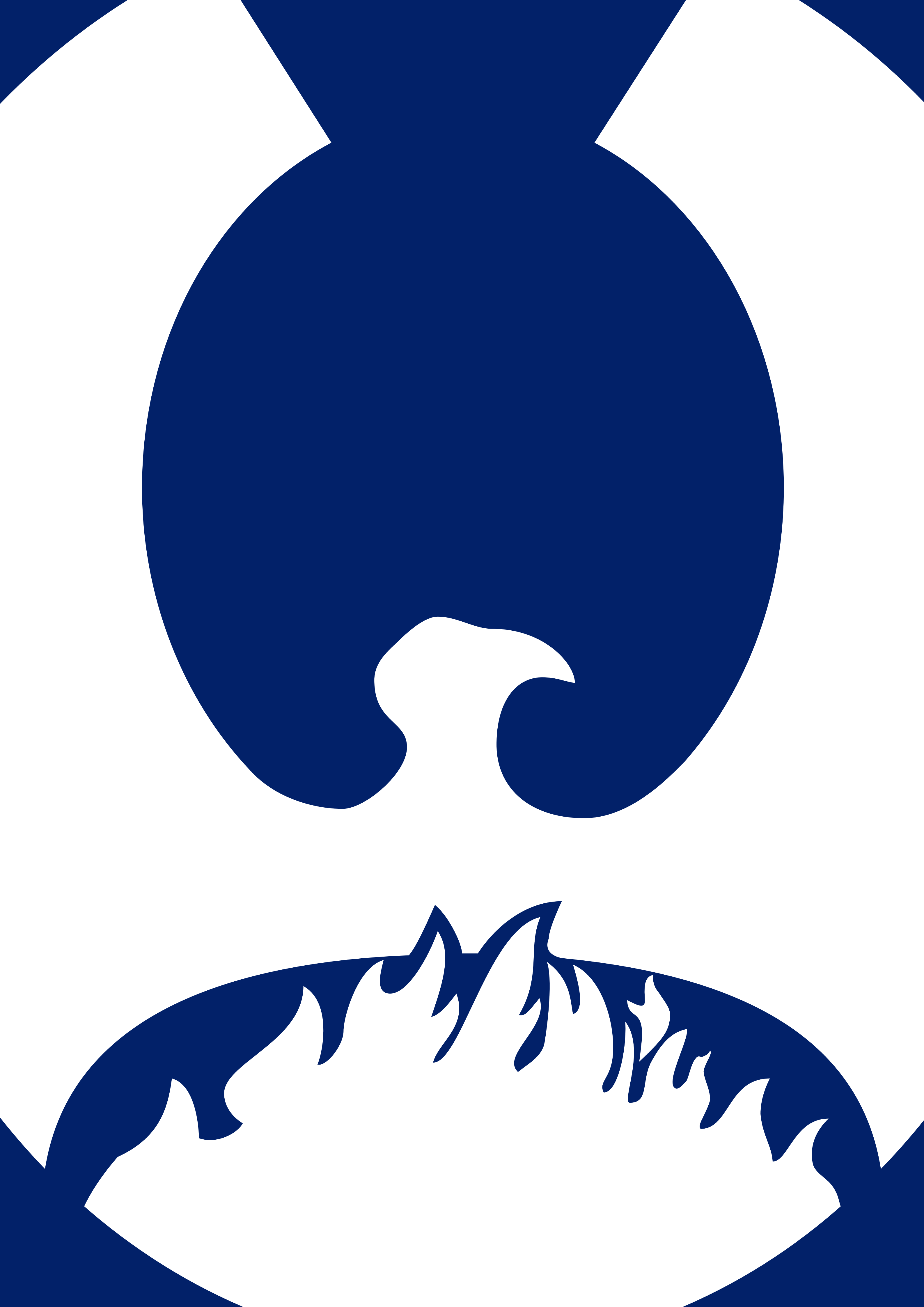
RAVEN RUSSIA LIMITED

2016 Annual Report



RAVEN RUSSIA LIMITED
RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

CONTENTS

RESULTS HIGHLIGHTS

IFRS PROFIT AFTER TAX
$7.7 MILLION

UNDERLYING EARNINGS AFTER TAX OF
$47.1 MILLION

BASIC UNDERLYING EARNINGS PER SHARE
7.17 CENTS

IFRS BASIC EARNINGS PER SHARE
1.17 CENTS

YEAR END CASH BALANCE OF
$198.6 MILLION

DILUTED NET ASSET VALUE PER SHARE
71 CENTS

DISTRIBUTION OF
2.0 PENCE

CHAIRMAN'S MESSAGE

As with my message at the half year, I continue on a more positive note. Our short term objective of improving our balance sheet and seeking acquisitions has been successful and results for the year have exceeded our expectations.

Underlying earnings for the year have remained healthy at $47 million (2015: $55 million) with the foreign exchange environment improving for us. Property values have fallen but only slightly, resulting in a deficit of $43 million for the year, driven by the drop in estimated rental values ("ERVs") (2015: loss of $257 million). This has had a marked effect on our IFRS earnings and we have recorded a much improved post tax profit of $7.7 million in 2016 following an after tax loss in 2015 of $192.4 million.

The issue of new convertible preference shares in July, raising £109 million, has allowed us to reduce our secured, amortising debt and the cost of that amortisation. We have repaid $165 million of secured debt and amortisation in the year.

Included in this was the payment of $16 million for the release from existing bank facilities of $31 million, resulting in a $15 million book profit.

Following this restructuring, we still had almost $200 million of cash at the year end and have since announced the conditional acquisition of three properties in St Petersburg for $83 million at an initial yield of over 16%. We expect to complete this transaction in the next month. We have cash of $215 million today and are continuing to assess potential acquisitions.

This positive progress is tempered by the fact that our average occupancy levels remained at 81% over the year although this belies our efforts dealing with maturities and securing new lettings.

As the percentage of our Rouble denominated leases increased, this translated into a drop in US Dollar denominated net operating income ("NOI") from $174 million in 2015 to $152 million in 2016. Rouble rents now account for 26% (2015: 21%) of our warehouse gross lettable area ("GLA").

This gives basic underlying earnings per share of 7.17 cents (2015: 8.17 cents), basic IFRS earnings per share of 1.17 cents (2015: loss per share 28.81 cents) and diluted NAV per share of $0.71 (2015: $0.70).

Whilst a number of macroeconomic and political factors have positively contributed to Russian sentiment in the last 12 months and particularly since the year end, we still remain wary and our occupancy levels reflect the continuing caution in the market. That said, we intend to distribute 2p by way of a tender offer buy back of 1 share in every 26 at 52p, making 2.5p for the year.

We are again extremely grateful for the continued support of our shareholders over the last twelve months.

Richard Jewson
Chairman
12 March 2017

THE PORTFOLIO

RUSSIAN FEDERATION

Moscow


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

St Petersburg

Pushkino, Moscow

DESCRIPTION

Grade A Logistics Warehouse Complex

KEY TENANTS

- DHL
- Leroy Merlin
- Itella
- Megapolis

GLA

212,900 sqm

LOCATION

The property is located on the Yaroslavskoe Highway, approximately 15km from the MKAD in the northeastern part of Moscow Region.

Istra, Moscow

DESCRIPTION

Grade A Logistics Warehouse Complex

KEY TENANTS

- Bacardi
- DSV Solutions
- Azbuka Vkusa
- Danom
- Major Terminal

GLA

205,800 sqm

LOCATION

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

Noginsk, Moscow

DESCRIPTION

Grade A Logistics Warehouse Complex with 26ha of land suitable for construction

KEY TENANTS

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

GLA

203,800 sqm

LOCATION

The property is located approximately 55km from the city centre, 44km from the MKAD and 3km from the Betonka A107 motorway. Access is from the Volga highway, which links Moscow to Nizhniy Novgorod. A rail spur serves the site.

Klimovsk, Moscow

DESCRIPTION

Grade A Logistics Warehouse Complex

KEY TENANTS

- Danone
- Burda
- DeAgostini
- Gradient

GLA

157,600 sqm

LOCATION

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

Shushary, St Petersburg

DESCRIPTION

Grade A Logistics Warehouse Complex

KEY TENANTS

- RosLogistics
- Dixy
- Lear
- Bbraun
- Amway

GLA

147,800 sqm

LOCATION

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

Nova Riga, Moscow

DESCRIPTION

Grade A Logistics Warehouse Complex with 25ha of land suitable for construction

KEY TENANTS

- McKenzie
- Pernod Ricard

GLA

67,200 sqm

LOCATION

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

Novosibirsk

DESCRIPTION

Grade A Logistics Warehouse Complex

KEY TENANTS

- RosLogistics
- Oriflame
- FM Logistic
- Pepsi
- Amway

GLA

121,000 sqm

LOCATION

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

Krekshino, Moscow

DESCRIPTION

Grade A Logistics Warehouse Complex

KEY TENANTS

- Itella
- Gorenje

GLA

117,700 sqm

LOCATION

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

Rostov-on-Don

DESCRIPTION

Grade A Logistics Warehouse Complex with 27ha of land suitable for construction

KEY TENANTS

- RosLogistics
- Auchan
- Mobis Parts CIS
- Tarkett

GLA

100,800 sqm

LOCATION

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

Lobnya, Moscow

DESCRIPTION

Grade A Logistics Warehouse Complex

KEY TENANTS

- Nippon Express
- RosLogistics

GLA

52,300 sqm

LOCATION

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

Sholokhovo, Moscow

DESCRIPTION

Grade A Logistics Warehouse Complex

KEY TENANT

- Kuehne+Nagel

GLA

45,300 sqm

LOCATION

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

Pulkovo, St Petersburg

DESCRIPTION

Grade A Logistics Warehouse Complex

KEY TENANTS

- OSG Records Management
- Simple
- SKL Iddis
- Edil Import (Holodilniki)

GLA

36,600 sqm

LOCATION

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

Southern, Moscow

DESCRIPTION

Grade A Logistics Warehouse Complex

KEY TENANTS

- A&D Rus
- L'Occitane

GLA

14,100 sqm

LOCATION

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

Konstanta, St Petersburg

DESCRIPTION

Grade B+ office building

KEY TENANT

- Lenenergo

GLA

15,800 sqm

LOCATION

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


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

CHIEF EXECUTIVE'S REPORT

Dear Shareholders,

Let's make Raven Russia great again!

That's what we were working flat out on all last year with little macro help. Hard times call for hard work and it has been a year of decisive action and execution.

We are pleased with our results after such a hectic and difficult period. Diluted NAV per share was $0.71 at the year end (2015: $0.70) and IFRS profit before tax, after some one-off profit and further write downs on the portfolio, was $22.2 million (2015: loss of $205.1 million). Basic underlying earnings per share were 7.2 cents (2015: 8.2 cents). With $199 million of year end cash balances, we feel it appropriate to distribute the equivalent of 2p per share, making 2.5p for the year (2015: 2p) by way of a tender offer buy back of 1 in 26 shares at 52p per share.

Facing the increasing "Roubilisation" of our business we are embracing that change and ensuring all new rouble rents benefit from attractive annual indexation which varies between 5-7% per annum. In 2016 we let 167,000sqm of space and our average vacancy rate ran at 19%.

In order to strengthen our balance sheet and provide funding for opportunistic acquisitions we were delighted by shareholder support for our £109 million issue of convertible preference shares. Those supporters have already been rewarded with 3.2p in dividends and a 16% price rise on their 100p investment.

Key employees continue to fight very hard in a difficult business environment for every Dollar, Pound or Rouble of value and we are pleased to have held the team together.

We have put our additional liquidity to good use with $108 million being applied to reorganise the Group's banking. Maturities have been extended, amortisation reduced and covenants adjusted. All this whilst maintaining an average cost of debt of 7.5% (2015: 7.3%) for the Group.

In particular we managed to make a $15 million profit by opportunistically negotiating a release from $31 million of loans for a payment of $16 million. (Not everyone has the same view of the future).

We also sold a small land plot in St Petersburg for a profit of $3.8 million.

Local markets feel like they are bouncing along the bottom and we have backed that belief through seeking acquisition opportunities. We are in the process of investing $83 million to buy a portfolio of income producing properties on a passing yield of 16% and at a price that's below the replacement cost of the assets. The additional annual income of $13 million will flow straight to the bottom line. We continue our quest for more acquisitions.

It was disappointing to suffer a small drop in the portfolio valuation at the year end. Hopefully we have seen the last of the falls in ERV and look forward to some hardening of yields.

Agents' reports predict a reduction in warehouse supply and increasing take up. We hope they are right as that can only be positive.

With the oil price higher, the Rouble stronger and Trump in the Oval Office we are beginning to feel more confident and look forward to improving macro conditions and more hard evidence of improved trading on the ground.

The Russian economy appears to be stabilising and inflation is falling. Further reductions in Rouble interest rates also have the potential to increase the attraction of our high yielding assets.

We have been through a storm yet there's the chance of clear skies on the distant horizon.

Glyn Hirsch
Chief Executive Officer
12 March 2017

BUSINESS MODEL

Our Strategy

We continue with our strategy of building and maintaining an investment portfolio of Grade A logistics warehouses in Russia with the aim of producing rental income that delivers progressive distributions to our shareholders.

Following the rapid drop in oil prices at the end of 2014 and the effect that had on our market with the related depreciation of the Rouble exchange rate, the last two years were focussed on maintaining the integrity of our existing portfolio. The restructuring of our balance sheet in the second half of last year and the recent relative stability in the market has now allowed us to return to a more progressive business model.

Business Model

Our business model continues to adapt to underlying Rouble denominated leases rather than the US Dollar pegged model that existed until the beginning of 2015. The issue of convertible preference shares during the year and the use of the proceeds to reduce secured amortising debt facilities means that income generated from the existing portfolio supports on-going cash flow obligations. With a cash surplus we can now return to building our top line by acquisition and build to suit opportunities. We are currently considering a variety of different earnings enhancing projects and a variety of different fund raising structures, including the issue of convertible preference shares. Due diligence is being completed on potential warehouse acquisitions with passing rents varying between $10 million and $15 million and initial yields of circa 15%.

At the year end, 24% of our warehouse income was denominated in Roubles. These leases represent 26% of the Gross Lettable Area ("GLA") of our warehouse portfolio.

As well as managing this transition in our business model fundamentals, we remain focussed on the other elements of our model, being:

- Tenant size and covenant;
- Tenant concentration;
- SPV structure; and
- Conservative gearing.

Even after the turmoil of the last two years, we continue to have relatively high occupancy in our portfolio and tenants meet their contractual obligations when due. Our tenants tend to be large domestic or international groups with strong covenants which allow them to take large lettings. Our average letting size by tenant is 11,240sqm (2015: 9,500sqm). We do not have one tenant with more than 11% (2015: 11%) of our portfolio's GLA and the top ten tenants account for 46% (2015: 45%) of our portfolio in GLA terms and 58% (2015: 56%) in income terms.

Each of our projects sits in a special purpose vehicle ("SPV") with debt secured on individual assets, no cross collateralisation and minimal recourse to the holding company. As our debt was previously reasonably highly amortised, historically, our gearing has remained manageable, even at times of trough valuations. The partial repayment programme completed during the year has increased covenant headroom. Our asset specific debt represents 55% (2015: 65%) loan to value at the year end and consolidated balance sheet gearing is 56% (2015: 58%) (note 35d).

Key Performance Indicators ('KPIs')

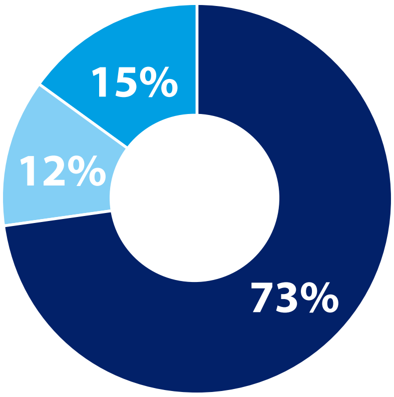
We continue to focus on occupancy KPIs together with the mix of Rouble and US Dollar denominated income and how that is likely to change over the medium term. The components of our balance sheet gearing and our operating cash flows after interest and debt amortisation as a measure of debt service cover were key in our decision to issue new convertible preference shares in the year.

The ability to distribute to ordinary shareholders from cash covered underlying earnings and operating cash-flows after interest remains our focus when determining distribution policy.

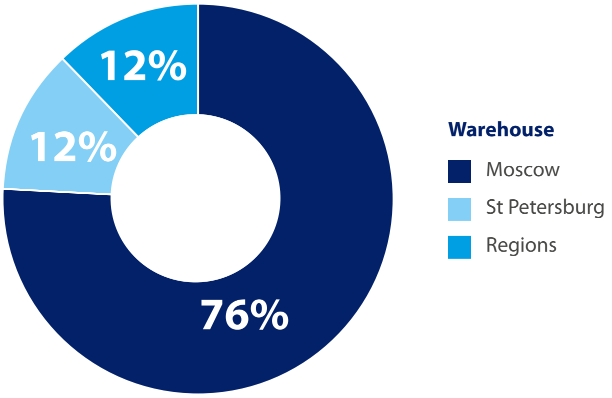
PORTFOLIO REVIEW

Geographical

The geographical split for warehouse space and income has not varied in the year.



Space



Annualised NOI

Leasing and maturities

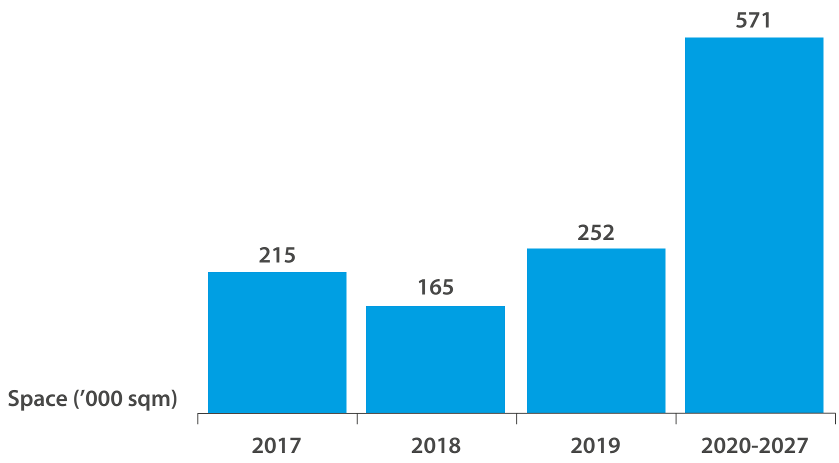
Average vacancy has remained stable at 19%, although this does not mean we haven't been busy in leasing, re-negotiating leases and renewing expiring contracts with our customers.

'000 sqm	2016	2017	2018	2019	2020-2027	Total
Maturity profile at 1 January 2016	228	210	131	225	429	**1,223**
Lease extensions	81	44	20	12	-	**157**
Vacated/terminated	147	17	23	-	-	**187**
Remaining lease maturity profile	-	149	88	213	429	**879**

157,000sqm of existing leases have been renegotiated and extended in the financial year. Space vacated on maturity and early terminations of weaker covenants totalled 187,000sqm which, together with existing vacant space, gives 295,700sqm of vacancy at 31 December 2016. The result is a new lease maturity profile as follows:

'000 sqm	2017	2018	2019	2020-2027	Total
Remaining lease maturity profile	149	88	213	429	**879**
Maturity profile of lease extensions	50	42	21	44	**157**
New leases	16	35	18	98	**167**
Maturity profile at 31 December 2016	215	165	252	571	**1,203**

Lease Expiries at 31 December 2016



This reflects 167,000sqm of new leases signed in the year in addition to the 157,000sqm of existing lease renegotiations. There are also potential breaks in the portfolio of 70,500sqm in 2017 and 33,100sqm in 2018. Since the year end, a further 16,500sqm of renewals and new lettings have been completed and letters of intent on 4,800sqm signed.

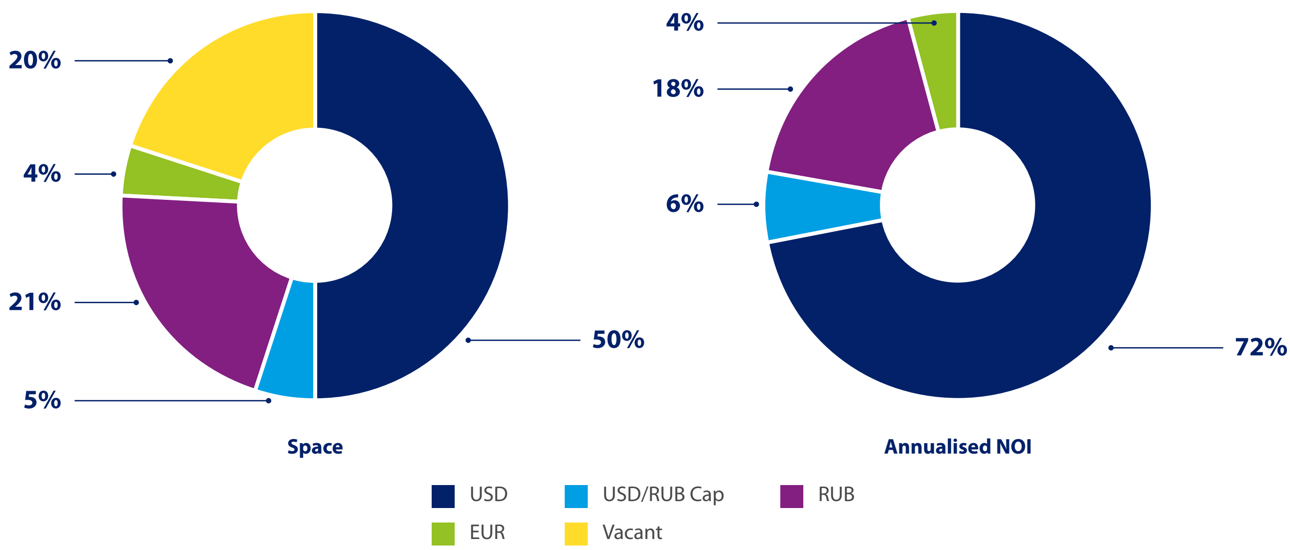
During the year we have successfully defended claims from tenants in various levels of the Russian courts and the International Commercial Arbitration Court in Moscow seeking to undermine our signed lease contracts. Whilst we always seek to find compromise if possible, the strength of our contracts has protected us in these litigation challenges.

We managed to resolve our dispute with Dixy at Noginsk with both parties agreeing to settle their differences and Dixy leasing 43,000sqm on a new eight year lease at market rent.

Our historic long term US Dollar contracts to strong covenants still underpin our NOI, but where space is vacant and available to let we have taken a market lead strategy of leasing to a broader cross section of tenants on varying lease terms to create cash-flow in the short term. By their nature these leases are generally less than five years, contain breaks, are denominated in Roubles and have indexation based on Russian CPI.

At the year end 50% of our warehouse GLA had US Dollar denominated leases with an average warehouse rental level of $125 per sqm and a weighed average term to maturity of 3.0 years. Rouble denominated or capped leases account for 26% of our total warehouse space with an average warehouse rent of Roubles 5,120 per sqm and weighted average term to maturity of 4.0 years. Rouble leases have an average minimum annual indexation of 7.7%.

Currency exposure of leases

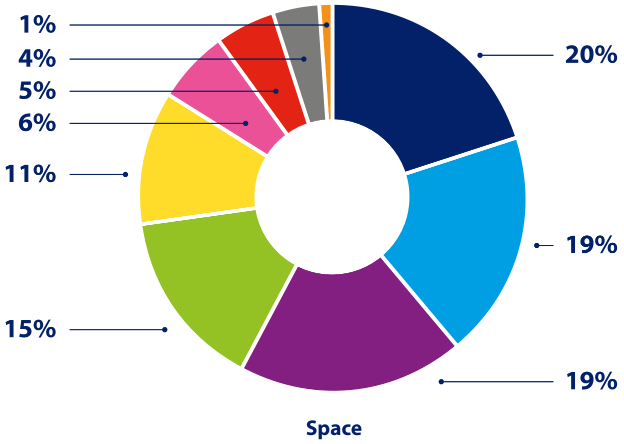


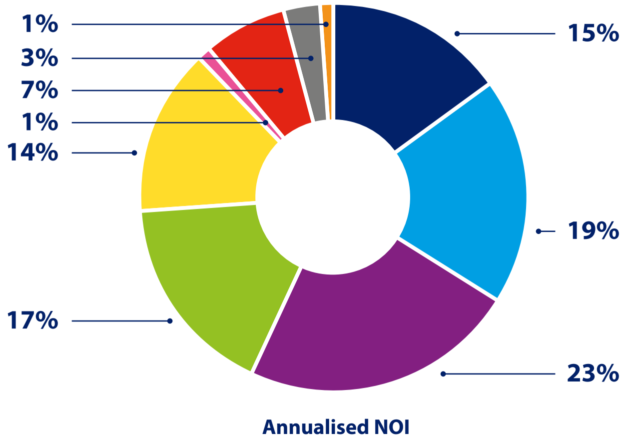
Investment Portfolio

Moscow

In Moscow there are nine projects totalling 1,077,000sqm, producing income of $112 million and with 79% of space let.

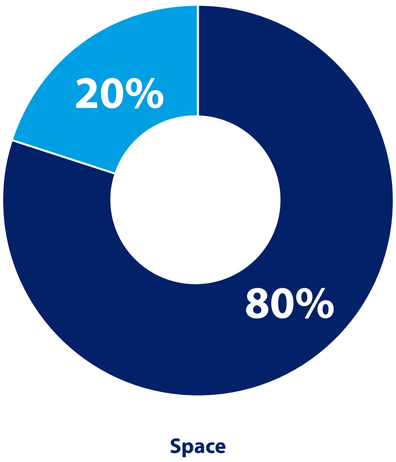
Warehouse complex

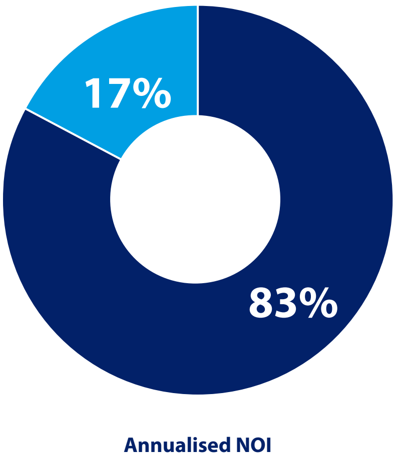




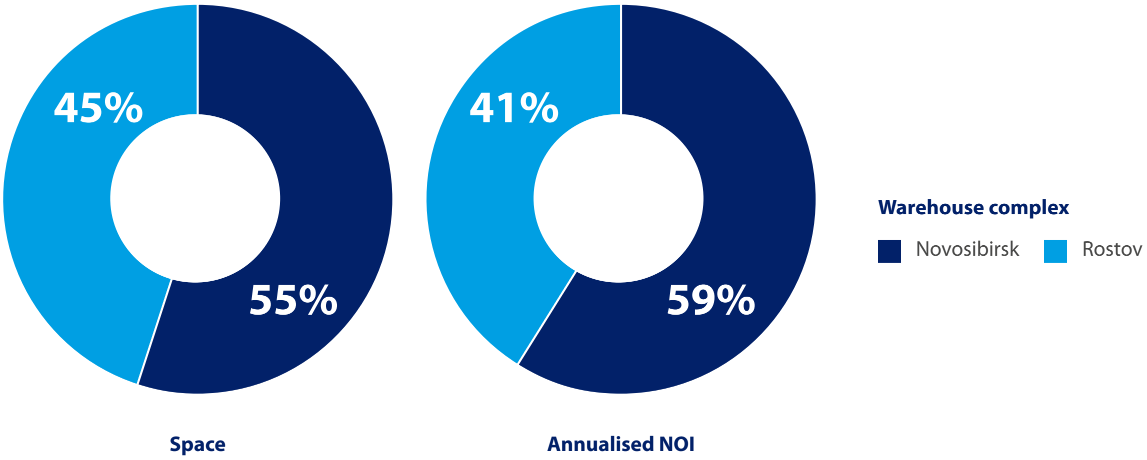
The Moscow portfolio had a net reduction of 17,900sqm during the year reflecting the highly competitive market around the capital and optimisation of supply chains by tenants following lease expiries.

St Petersburg



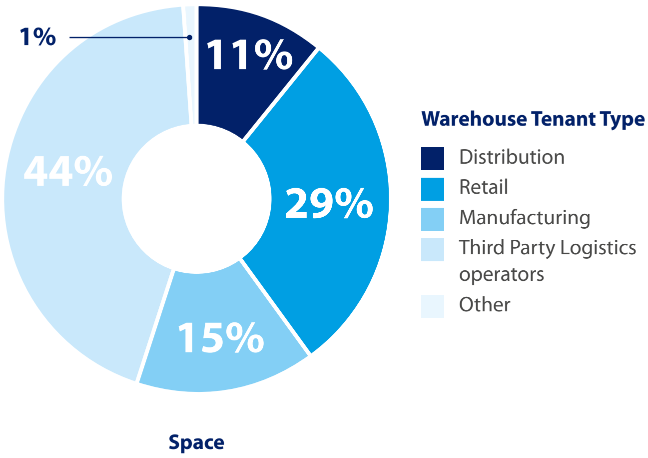


Regions



The regional markets of St Petersburg, Rostov and Novosibirsk have fared better in 2016. These markets certainly feel under less pressure than Moscow as the amount of speculative new development has historically been less. In Rostov and Novosibirsk we are seeing good interest from major occupiers for larger areas of space which we hope to covert into new lettings during the course of the next six months.

Tenant Mix



Portfolio yields

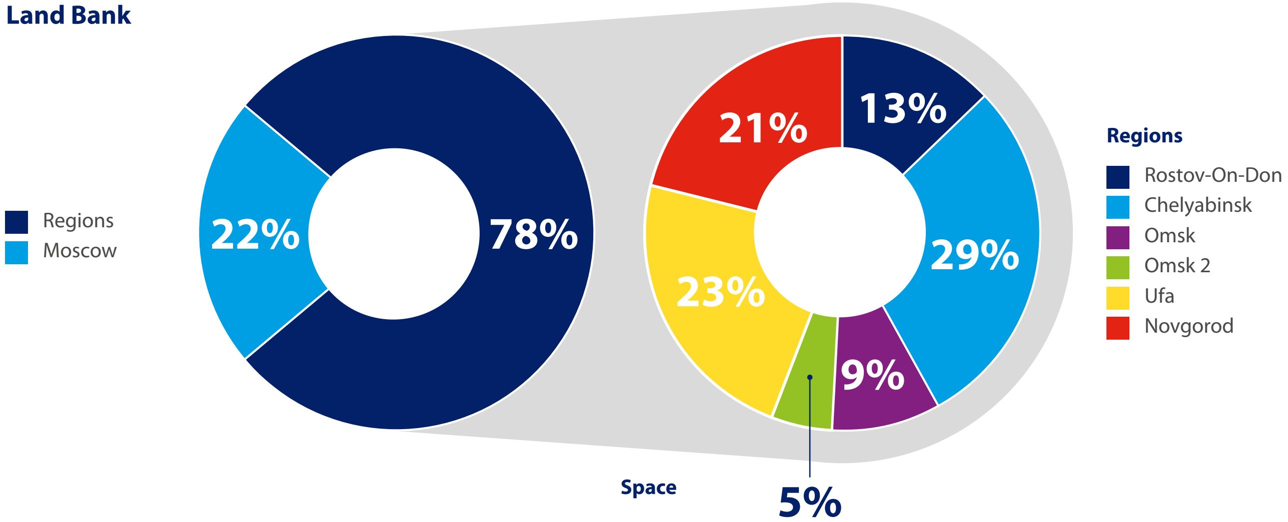
Warehouse	Moscow (%)	St Petersburg (%)	Regions (%)
2015	12.0	13.25	14.5
2016	11.0 – 12.5	13.25	14.5

The investment properties and additional phases of existing projects were valued by Jones Lang LaSalle ("JLL") at the year end, in accordance with the RICS Valuation and Appraisal guidelines, and are carried at a market value of $1.36 billion (see notes 11 & 12 to the financial statements). This has resulted in a decrease of $43.6 million in portfolio value since the end of 2015.

Yields have remained stable during the year, although JLL have now taken to quoting a range for yield across all sectors to reflect the difference in quality of assets, leases and differing currencies. The yields used for the portfolio fall within this range. Estimated rental values "ERVs" fell at the start of the year and through the summer, but have now stabilised, albeit at the level where development returns are extremely marginal.

No speculative development is planned at the current time although there is 26 hectares at Noginsk on which 134,000sqm of space can be built and at Nova Riga there is the potential to add a further 130,000sqm on the additional 25 hectares of land. Our regional land bank is also attracting interest from some of the largest retailers who are looking to expand their regional distribution hubs, although we would only start development with a long term pre-let agreement signed.

Land Bank



The Market

The warehouse market remains a Rouble denominated business with the highest level of demand from major retailers improving their supply chains across Russia. Completion of new space in the Moscow region was at its lowest level since 2012 at circa 770,000sqm and since the middle of 2016 the market vacancy rate has improved to 12.2%, with the final quarter of the year seeing the highest take up in market history. Total take up for the year was circa 1.2 million sqm, although a considerable amount of this reflected build to suit properties delivered to end users requirements.

Rents have stabilised in the second half of the year at between 3,500 and 4,000 Roubles per sqm which at the year end exchange rate to the US Dollar reflect $58-$66 per sqm. At this level, development remains a very marginal return business, unless a tenant has signed a pre-lease agreement.

In St Petersburg and our two regional hubs of Rostov and Novosibirsk the level of new supply has dwindled and the vacancy rates are less than 10%. Rents and occupancy have generally held up better than in Moscow, with prime rental levels at similar rates to Moscow having traditionally been 10-15% less.

Investment volumes in the year increased to $4.2 billion, with 80% of this in Moscow. Over 90% of all deals were funded by Russian capital, with a concentration on the office market and only $239 million in the warehouse sector. JLL indicate prime yields in the range of 11-12.5% for Moscow warehouses.

Looking forward to 2017, vacancy rates are expected to fall, although not substantially and rents stabilise or begin to increase. The supply of new developments will continue to be subdued.

FINANCE REVIEW

The theme for this year has been one of adapting our balance sheet to properly support our income profile in today's market. We have also benefited from a more benign macro economic environment following the volatility of the first quarter of 2016.

Underlying earnings together with operating cash-flows after interest are the KPIs we use when assessing our ability to make covered distributions. The former also allows a comparison of operating results before mark to market valuation movements. The reconciliation between underlying and IFRS earnings is given in note 9 to the accounts.

Underlying Earnings (Adjusted non IFRS measure)	**2016 $'000**	**2015 $'000**
Net rental and related income	151,741	174,123
Administrative expenses	(24,221)	(26,361)
Long term incentives	(3,133)	-
Bad debt provision	(22)	(3,720)
Foreign exchange gains	18,079	1,223
Share of profits of joint ventures	1,780	2,518
Operating profit	144,224	147,783
Net finance charge	(81,923)	(82,836)
Underlying profit before tax	62,301	64,947
Tax	(15,179)	(10,389)
Underlying profit after tax	47,122	54,558
Basic underlying earnings per share (cents)	7.17	8.17

Net rental and related income continues to reduce as maturing leases move from US Dollar pegged to Rouble denominated with a drop of $22.4 million over the year.

Administrative expenses reduce following a switch of costs from standard employment to a long term incentive charge. Success in recovery of bad debts has also meant no significant charge arose during the year (2015: $3.7 million).

Foreign exchange movements continued the theme from the interim results, weak Sterling and strengthening Rouble boosting the US Dollar value of cash and income and reducing the US Dollar value of our Sterling preference shares. This contributed an $18.1 million gain (2015: $1.2 million) to underlying profits and $10.9 million (2015: loss of $1.8 million) to net assets, going some way to recover the significant foreign exchange losses that arose in the income statement in 2014.

Finance costs remained flat over the year at $85.4 million (2015: $85.7 million) although the balance sheet mix changed in the second half as we used the proceeds from our convertible preference share issue to reduce our secured amortising debt. Finance income from cash balances held increased to $3.4 million (2015: $2.9 million).

Underlying tax increased to $15.2 million (2015: $10.4 million) and we expect this to be a continuing trend as new tax rules are introduced limiting the offset of tax losses in the future. Actual tax paid, after the offset of losses, was $7.7 million (2015: $8.7 million).

With the support of an improving foreign exchange environment, underlying earnings have held up well in the year at $47.1 million (2015: $54.6 million) giving Basic Underlying Earnings per Share of 7.2 cents (2015: 8.2 cents).

IFRS Earnings	2016 $'000	2015 $'000
Net rental and related income	151,741	174,123
Administrative expenses	(25,322)	(26,775)
Bad debt provision	(22)	(3,720)
Share based payments and other long term incentives	(9,077)	(3,594)
Foreign exchange profits	18,079	1,223
Share of joint venture profits	1,780	2,518
Operating profit	137,179	143,775
Loss on revaluation	(43,324)	(256,548)
Profit on disposal	3,807	-
Net finance charge	(75,416)	(92,283)
IFRS profit/(loss) before tax	22,246	(205,056)
Tax	(14,527)	12,697
IFRS profit/(loss) after tax	7,719	(192,359)

IFRS earnings reflect a number of positive events in the year.

Asset valuations continue to align with market ERVs but at a significantly reduced rate compared to 2015. The revaluation loss for the year is $43.3 million (2015: loss of $256.5 million).

We also sold a land plot at Pulkovo in St Petersburg generating $3.8 million profit and negotiated a release from bank facilities with HSH Nordbank, generating a $15.4 million profit which is included in Finance Income.

Share based payments and other long term incentive charges have increased following the introduction of the new remuneration scheme in the year with some offset against underlying employment costs.

This all resulted in a significant improvement in IFRS earnings from a loss of $192.4 million in 2015 to a profit of $7.7 million in 2016.

Investment Properties

The market value of our investment property fell during the year but at a significantly reduced rate compared to 2015. This was driven by a small reduction in expected ERVs. The year end market value was $1.324 billion (2015: $1.357 billion). After cost additions of $7.1 million during the year this generated a revaluation loss of $40.4 million (2015: $251.6 million).

Investment properties under construction including our land bank are valued at $40.8 million (2015: $38.1 million) a revaluation loss of $3.1 million offset by additional costs incurred and positive foreign exchange movements. As noted above we also disposed of land in St Petersburg, generating a profit of $3.8 million.

Cash and Debt

Cash flow Summary	2016 $'000	2015 $'000
Net cash generated from operating activities	118,012	136,152
Net cash (used in)/generated from investing activities	(992)	12,868
Net cash used in financing activities	(120,759)	(110,300)
Net (decrease)/increase in cash and cash equivalents	(3,739)	38,720
Effect of foreign exchange rate changes	69	(7,812)
(Decrease)/increase in cash	(3,670)	30,908
Closing cash and cash equivalents	198,621	202,291

The summary of cash and debt reflects the work undertaken to reorganise the Group balance sheet. The cash balance movement was minimal in the year but this is after the repayment of secured debt facilities of $164.5 million including amortisation, funded by the issue of convertible preference shares which generated $128.3 million of cash. As part of this exercise, the maturity of secured debt facilities was extended and future amortisation costs reduced.

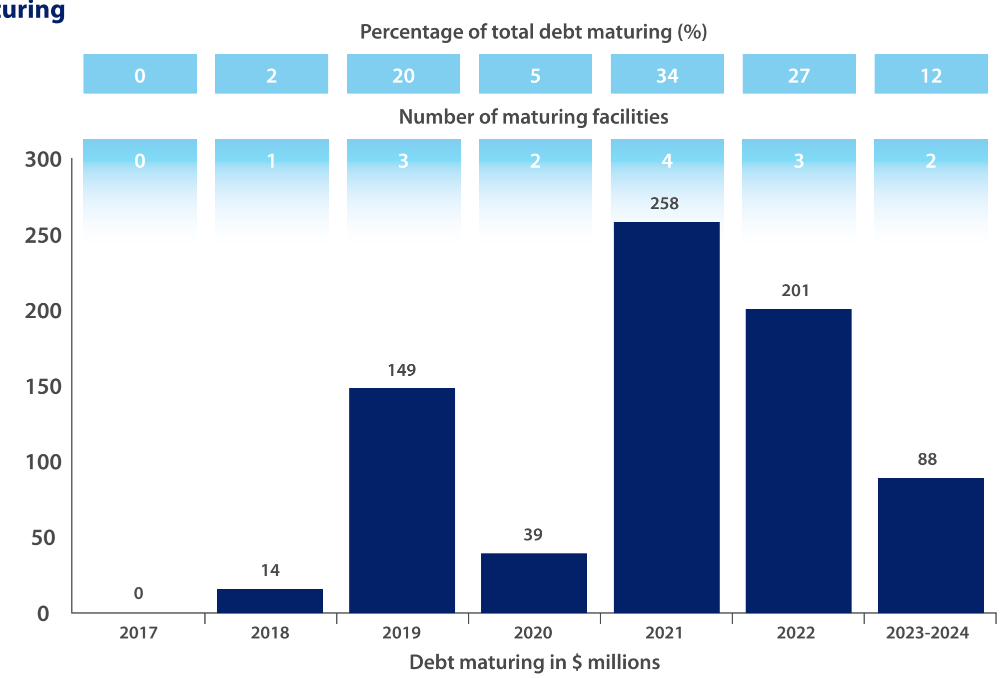
Apart from annual amortisation, we now have no significant debt maturities until 2019 and our weighted average term to maturity has been extended by almost two years to 4.7 years at 31 December 2016.

Our cost of debt has increased slightly to 7.5% (2015: 7.3%) as LIBOR increases remain below our cap levels.

Debt	2016 $m	2015 $m
Fixed rate debt	131	260
Debt hedged with swaps	112	212
Debt hedged with caps	469	456
	712	928
Unhedged debt	37	-
	749	928
Unamortised loan origination costs and accrued interest	(9)	(9)
Total debt	740	919
Undrawn facilities	-	-
Weighted average cost of debt	7.48%	7.26%
Weighted average term to maturity	4.7	4.0

The quantum and number of facilities maturing each year is shown below.

Debt maturing



As referred to earlier, we have now cleared our facilities with HSH Nordbank which were secured on the Konstanta office block in St Petersburg. This was precipitated by the proposed sale of part of their debt book which was publically announced last year and involved us repaying the majority of one facility and our release from the second, generating a profit of $15 million when compared to the carrying value of the loans of $31 million.

Since the year end, we have completed the refinancing of another of our higher amortising loans, repaying the existing bank $75 million of principal and drawing $80 million under the new loan which matures in 2024. The cost of debt is on similar terms to the previous facility but with a much reduced amortisation profile.

Subsidiaries

The Group's trading subsidiaries have again performed well in the year. Raven Mount contributed $2.1 million of profit (2015: $3.9 million) even in this environment of depressed Sterling exchange rates.

Our third party logistics subsidiary, Roslogistics, continues to grow its underlying Rouble turnover and has increased its warehouse space by 26,000sqm, now operating out of 129,000sqm in total.

Outlook

There has been a significant amount of effort from all areas of the business this year, not only to maintain the occupancy levels of our assets and the integrity of our leases but in fundraising in an uncertain market and then applying those funds to secure significant benefit to our on-going cash flows and balance sheet security. The hard work has also left us in a strong position to take advantage of high yielding opportunities as evidenced by the recent announcement on the acquisition of three assets in St Petersburg.

RISK REPORT

Risk Appetite

The risks facing the business have been at the top of the Board's agenda over the last 24 months and have necessitated rapid changes in our approach.

Our risk profile fundamentally remains the same. We invest in a lower risk asset class with historic structural undersupply in a higher risk jurisdiction. As explained in last year's Annual Report, external events meant that our market moved from income streams pegged to the US Dollar to Rouble denominated contracts. In a weak Rouble environment, this can mean progressively lower US Dollar income as current leases mature and are renewed on market terms.

The first nine months of this year were focussed on restructuring the Group balance sheet to support the market changes whilst maintaining occupancy levels in the existing portfolio. With this achieved we are now focussed on rebuilding our Net Operating Income through the acquisition of market rented assets or build to suit development projects. Therefore after two years of a defensive position our risk appetite is once again aligned to supporting growth.

Risk Management and Internal Controls

The business is of a size and culture where risks are discussed and reviewed, formally and informally, at all levels. The Board is responsible for the management of risk and regularly carries out a robust assessment of the principal risks and uncertainties affecting the business, discusses how these impact operations, performance and solvency and what mitigating actions, if any, can be taken. Executive Board members are actively involved in all day to day operational and decision making processes of the business.

The Audit Committee is responsible for ensuring that the internal control procedures are robust and that risk management processes are appropriate. A fuller explanation of the processes is given in the Audit Committee Report.

At an operational level, weekly meetings are held with the eight heads of department, the two members of Senior Management and two Executive Board members to discuss all business matters including the risk environment. A sub committee of seven of this group including the two Executive Board members, together with the Company Secretary, form a separate Risk Committee which meets bi-monthly to formally review the Group and Company's risk profile and reports to the Audit Committee twice a year.

The Audit Committee has not identified any significant failings or weaknesses in the internal control and risk assessment procedures during the year. The introduction of a formal property database management system will be completed early in the second quarter of this year and our financial reporting has adapted to run a three year profile of our contracted Net Operating Income which is updated on a weekly basis.

Principal Risks and Uncertainties

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

There are no significant changes in the principal risks supported by the sustained period of higher oil prices and stronger Rouble.

Financial Risk

Risk	Impact	Mitigation	Change
Oil price and Foreign Exchange V Oil price volatility returns in the medium term leading to a weakening Rouble.	This leads to further falls in US Dollar equivalent income and an increase in the credit risk of those tenants who remain in US Dollar pegged leases. Reduced consumer demand reduces appetite for new lettings, renewal of existing leases and restricts rental growth.	While the majority of new leases now being signed are Rouble denominated with Russian inflationary indexation, we still have a high proportion of US Dollar pegged rents. The logistics market continues to be undersupplied at current levels of consumer demand. A lack of projected investment in new projects has led to market reports forecasting that vacancy levels will remain low.	⇨
Interest rates V Increases in US LIBOR	Cost of debt increases and Group profitability and debt service cover reduce.	The majority of our variable cost of debt is hedged with the use of swaps and caps on US LIBOR or fixed rate facilities.	⇨
Bank covenants V The significant drop in market rents impacts on both loan to value ("LTV") and debt service cover ratio ("DSCR") covenants.	The likelihood of debt facility covenant breaches increases.	We have part prepaid secured, amortising debt facilities during the year, increasing covenant headroom. There is very little recourse to the holding company and no cross collateralisation between projects on events of default.	⇩

Property Investment

Risk	Impact	Mitigation	Change
Acquisitions Immature investment market where legacy issues are common with Russian acquisitions.	Where acquisitions are possible, legacy issues may erode earnings enhancement and integration into our existing systems may involve excessive management resource.	We have an internal management team with both international and Russian experience allowing possible legacy and integration issues to be identified prior to acquisition; and External advisers undertake full detailed due diligence.	⇧

Russian Domestic Risk

Risk	Impact	Mitigation	Change
Legal framework The legal framework in Russia is in the early stages of its development. This could encourage tenants to attack lease terms where they now perceive those to be unfavourable.	The large volume of new legislation from various state bodies is open to interpretation, puts strain on the judicial system and can be open to abuse. Increased litigation on existing leases in an attempt to renegotiate US Dollar denominated leases or seek early termination of contracts.	We have an experienced in house legal team including a litigation specialist. We use a variety of external legal advisors when appropriate. Our lease agreements have been challenged and have proven to be robust in both ICAC arbitration and in Russian Courts.	⇨
Russian taxation Russian tax code is changing in line with global taxation trends in areas such as transfer pricing and capital gains tax.	Tax treaties may be renegotiated and new legislation may increase the Group's tax expense.	The key tax treaty for the Group is with Cyprus and this was renegotiated between the two countries during 2013 with no significant impact on the business; Changes in capital gains tax rules have led to a change in our calculation of Adjusted Diluted NAV per share; and Russia remains a relatively low tax jurisdiction with 20% Corporation tax.	⇧

Personnel Risks

Risk	Impact	Mitigation	Change
Key personnel Failing to retain key personnel.	Strategy becomes more difficult to flex or implement.	The Remuneration Committee and Executives review remuneration packages against comparable market information; Employees have regular appraisals and documented development plans and targets; and A new incentive scheme was approved at the last AGM with a focus on retention.	⇨

Political and Economic Risk

Risk	Impact	Mitigation	Change
Ukraine and sanctions The Minsk agreement is not implemented satisfactorily and sanctions against Russia remain in place for the foreseeable future and are potentially increased.	Continued isolation of Russia from international markets and exacerbation of the slow down in the Russian economy.	It is difficult to mitigate against the worst case scenario if escalation were to close Russia's borders to Western markets. However, we have: - Maximised cash reserves at holding company level; - An organisational structure that would allow us to continue to operate the Russian business autonomously if necessary; and - A special purpose vehicle ("SPV") structure that protects the holding company assets (principally cash) in a worst case scenario. With political events in the West, following Brexit and the US elections and with upcoming elections in other EU countries, market sentiment has, for the time being at least, improved towards Russia.	⇨

Change Key

V Viability statement risk

⇧ Increased risk in the period

⇨ Stable risk in the period

⇩ Decreased risk in the period

VIABILITY STATEMENT

In accordance with provision C.2.2 of the 2014 revision to the UK Corporate Governance Code, the Directors have assessed the prospects of the Company and Group over a longer period than the twelve months prescribed for the "Going Concern" review in the financial statements.

The Board has reviewed the suitability of the three year viability period. The weighted average term of leases remains around three years and US Dollar denominated income becomes increasingly dependent on exchange rates over that period. With changes in the global political landscape and the continuing uncertainty of Russia's place in that arena, the Board believe it is appropriate to continue with a three year horizon.

Key considerations for the Board have been cash flows and solvency, the effect of exchange rates on earnings and the sensitivity of covenants on debt facilities, all of which precipitated the issue of convertible preference shares in the year.

The balance sheet restructuring and reduction in amortisation costs has given the Board greater comfort on cash flows and covenants. The current model assumes current market norms remain static but is then sensitised for those principal risks and uncertainties highlighted earlier in the "Risks and Uncertainties" section, the key sensitivities applied to the Group being:

- Increased vacancy assumptions on lease maturities;
- Depreciation in the average Rouble exchange rate;
- Increases in US LIBOR and bank facility interest cost over the forecast period; and
- The combined impact of all sensitivities on cash balances and banking covenants.

Where bank facilities mature in the forecast period it is assumed that the principal will be rolled over for a two year period with no further debt draws assumed.

In the case of the Company's viability and solvency, the key mitigant is the Group's special purpose vehicle structure and limited recourse to the holding company.

Based on the results of the procedures outlined above, the Board of Directors has a reasonable expectation that the Company and Group will be able to continue in operation and meet their liabilities as they fall due over the period of assessment.

Signed for and on behalf of the Board

Mark Sinclair
Director
12 March 2017

DIRECTORS

Richard Jewson (aged 72)

Non Executive Chairman

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

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

Anton Bilton (aged 52)

Executive Deputy Chairman

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

He is a member of the Nominations Committee.

Glyn Hirsch (aged 55)

Chief Executive Officer

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

Mark Sinclair (aged 51)

Chief Financial Officer

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

Colin Smith (aged 47)

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 69)

Senior Independent Non Executive Director

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

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

Stephen Coe (aged 51)

Non Executive Director

Stephen Coe BSc, FCA, a Guernsey resident, is self employed providing Executive and Non Executive services to public and private clients. His current public directorships include TOC Property Backed Lending Trust PLC and European Real Estate Investment Trust Ltd where he acts as Chairman and Weiss Korea Opportunity Fund Limited, Leaf Clean Energy Company and Trinity Capital Ltd where he acts as a Non Executive Director and Chairman of the Audit Committees. 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 56)

Non Executive Director

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

He is a member of the Audit and Remuneration Committees.

CORPORATE GOVERNANCE

Chairman's introduction

The Board is responsible for ensuring that the Group adopts appropriate corporate governance arrangements. The culture that good corporate governance promotes is essential in delivering our strategic objectives and sound governance principles are embedded in our day to day operations.

This section of the report sets out how we have adopted and applied the principles of the UK Corporate Governance Code (the "Code").

As a Board, we welcome the opportunity to discuss the business with our shareholders at road shows, investor and broker briefings and at our annual general meeting.

Richard Jewson
12 March 2017

Statement of Compliance with the Code

Responsibility for good governance lies with the Board. It is accountable to shareholders for the activities of the Group. The Board consider that the Company complies fully with the provisions of the Code, save for B.1.1 which sets out the requirements for Non Executive Directors to be considered independent from the Company. Stephen Coe and David Moore have both served on the Board as Non-Executive Directors since the Company's establishment in 2005 and Christopher Sherwell will have served nine years by the time of the annual general meeting in 2017. The Board and the nominations committee have specifically considered their independence as in past years. The Board is still of the opinion that length of service is not necessarily a complete or accurate measure of a Director's independence, a view the Board feels is shared by its shareholders. In the Board's opinion, Stephen, David and Christopher continue to fulfil the requirements acting as independent Directors.

Copies of the Code are available to download free of charge from the Financial Reporting Council's website (www.frc.org.uk).

Leadership

The Role of the Board

The Board is collectively charged with governance of the Group, providing leadership and direction for management. The culture of the organisation promoted by the Board and distilled throughout the Group by the executive and management teams who have been charged with running the business.

CORPORATE GOVERNANCE

The Board is accountable to shareholders for the long term success of the Group, whilst ensuring appropriate management and operation in pursuit of the objectives of the Group. A formal schedule of matters reserved solely for consideration by the Board has been adopted and this forms the basis of the Board's core activities and agenda for scheduled Board meetings. The core principal elements of the schedule are set out on the left.

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

The roles and responsibilities of the Chairman and Chief Executive are separate and clearly defined and agreed by the Board. These terms of reference are set out in writing and reviewed as required. The Chairman is primarily responsible for the effective working of the Board and the Chief Executive for the operational management of the business. This includes development of the Group's strategy and business model, the presentation of this to the Board and ultimately its implementation across the Group.

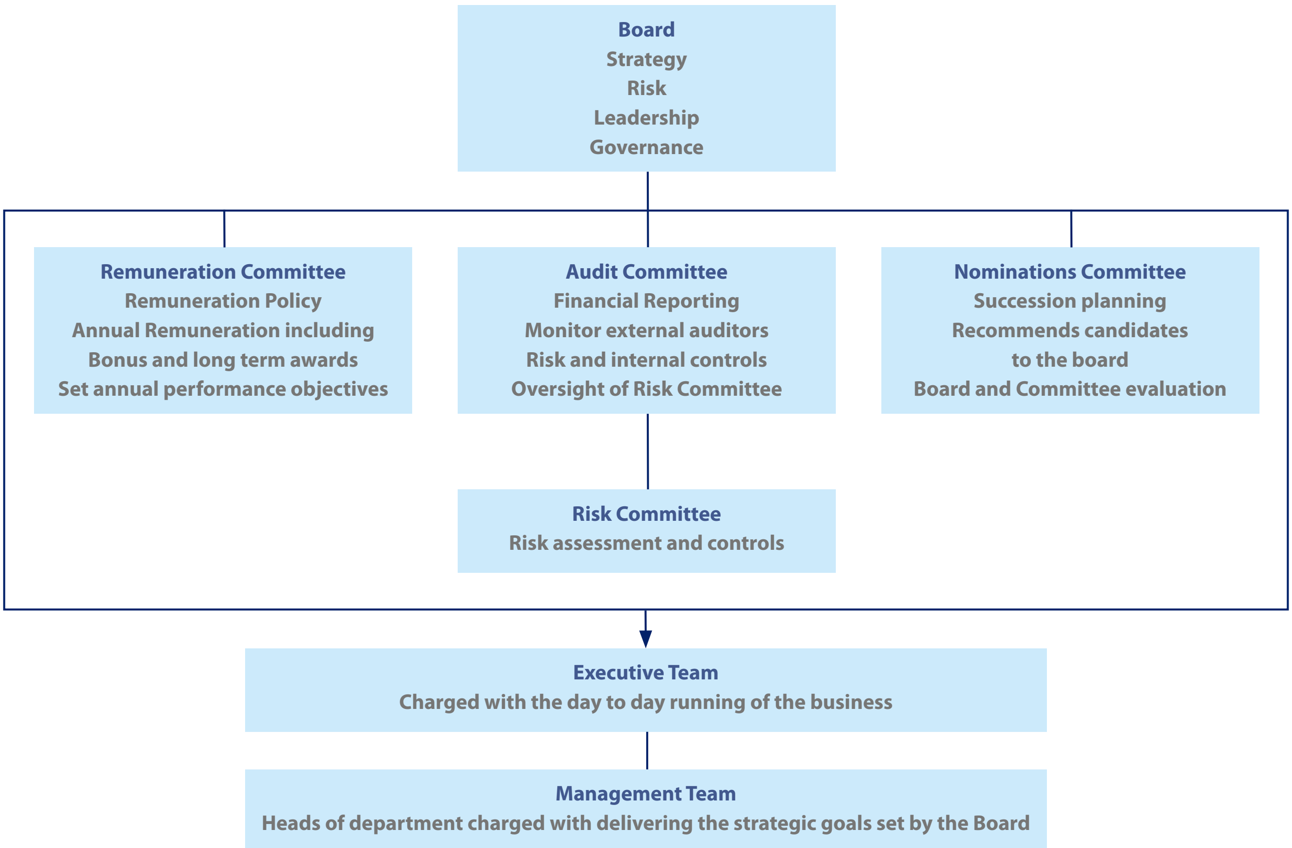
The Board and its Committees

Board composition

Throughout the year, the Board comprised eight directors: Non Executive Chairman, Richard Jewson, who was considered independent on appointment; four Executive Directors; and three Non Executive Directors. The Board considers all of the Non Executive Directors have acted independently from management and are free from any relationship that could impact or interfere with the exercise of their independent judgement. The Board and Nominations Committee have given specific consideration to the continued appointment of the Non Executive directors given their tenure which is explained further below.

Christopher Sherwell is the Senior Independent Director of the Company.

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



The full Board meets at least six times a year to consider general matters affecting the Company and otherwise as required. Committee meetings comprising any two or more Directors meet on an ad hoc basis to consider transactional and related matters concerning the Company's business. During 2016, there were 18 such committee meetings. Meetings are generally held in Guernsey at the Group's head office, however at least once a year, the Board will hold a formal meeting in Russia to review the Group's operations and meet local management.

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

Attendance at Board or Committee meetings during the year to 31 December 2016

	Board	Audit Committee	Nominations Committee	Renumeration Committee
R Jewson	6	N/A	1	4
A Bilton	6	N/A	0	N/A
G Hirsch	6	N/A	N/A	N/A
M Sinclair	6	N/A	N/A	N/A
C Smith	6	N/A	N/A	N/A
S Coe	6	3	N/A	4
C Sherwell	6	3	1	4
D Moore	6	3	N/A	3
No. of meetings during the year	**6**	**3**	**1**	**4**

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

Effectiveness

Board performance evaluation

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

The performance evaluations for the year ended 2016 were undertaken internally, which included group discussions and face to face interviews with each of the directors. It was concluded that the performance of the Board, its Committees and individual Directors was effective and that the Board has the necessary balance of skills, expertise, independence and knowledge required to direct the business.

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

Nominations Committee

The Nominations Committee comprises Anton Bilton, Christopher Sherwell and Richard Jewson, who is Chairman. The Committee undertakes an annual review of any succession planning and ensures that the membership and composition of the Board and its Committees are constituted appropriately in light of the requirements of the Group, with the necessary balance of skills, expertise, independence and diversity to undertake their roles effectively. As explained in the introduction on compliance with the Code, given the tenure of the Non Executive Directors, a detailed review and discussion was undertaken during the year to consider the succession of the Non Executive team on the Board. The Committee, having considered the current composition of the Board and its Committees, was of the opinion that the Non Executives had served independently and continue to act so.

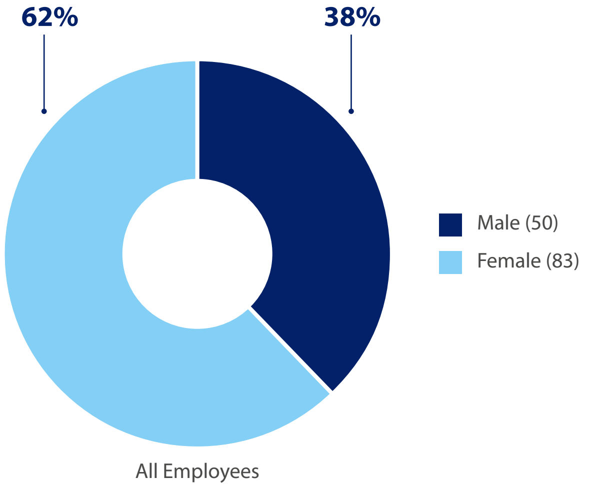
The Board's overriding aim is that the composition of the Board and its Committees are fit for purpose, with the correct constituents and balance of skill, knowledge, experience and diversity, not limited to gender. The Committee is charged with ensuring this requirement is complied with and where necessary will recommend changes. As previously reported, the Committee will not positively discriminate when appointments are considered to comply with any diversity guidelines, reiterating that appointments are made on merit and giving due consideration to the existing Board composition.

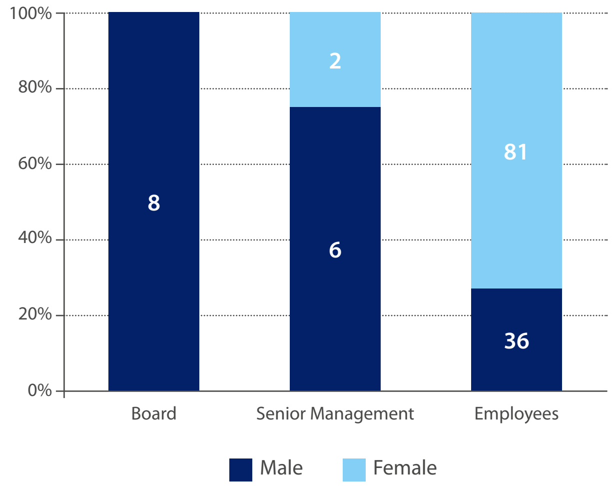
Diversity

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

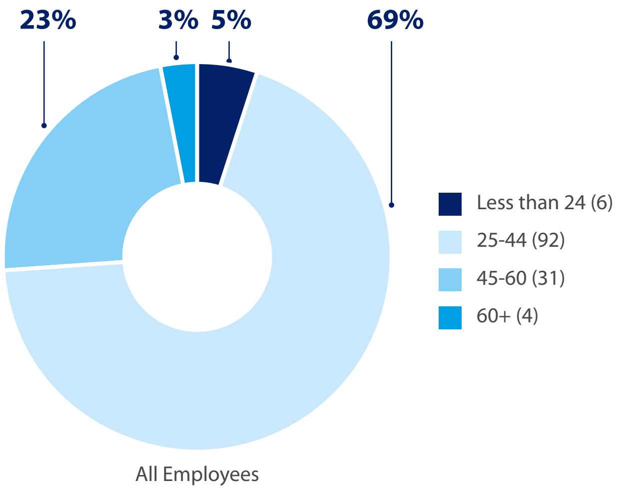
Information about the diversity of the Group's workforce at 31 December 2016 is set out below.

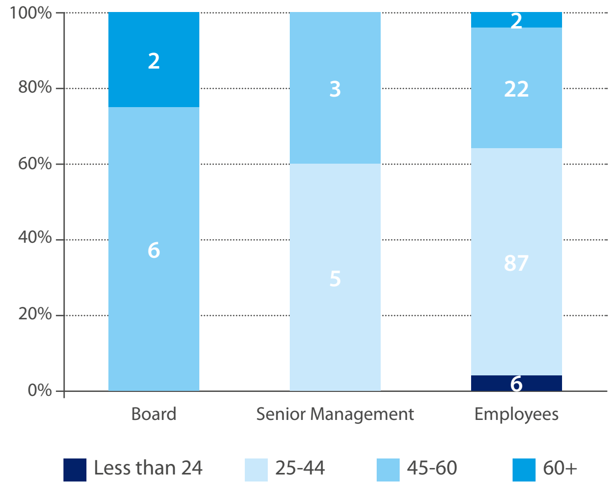
Gender



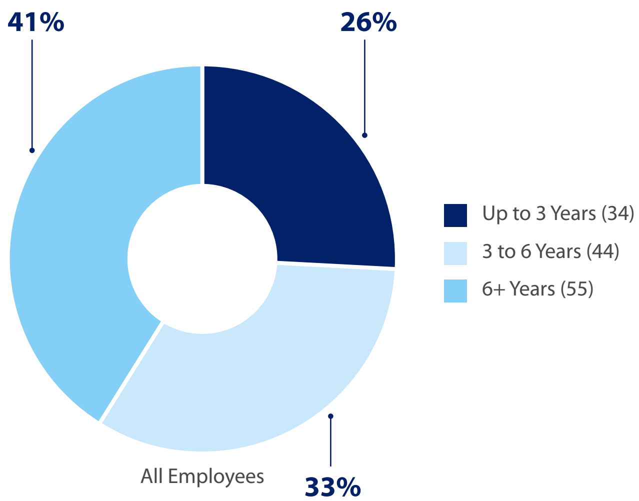


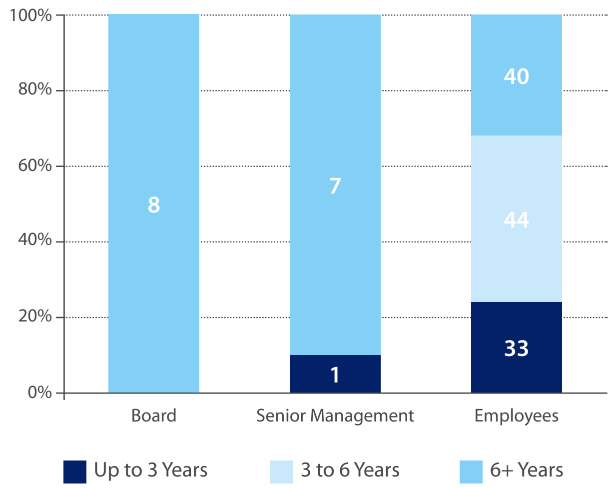
Age





Tenure





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

Remuneration Committee

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

Engagement with Shareholders

The Board considers regular contact with shareholders and other stakeholders an important part of its corporate governance arrangements. Engagement with our investors, fund managers, analysts, the press and other interested parties is performed by the Chief Executive, Executive Deputy Chairman and Chief Financial Officer as the Company's principal spokesmen.

The Company's investor relations programme includes formal presentations of the annual and interim results, as well as regular analyst briefings and meetings. The Board are provided with regular updates on the Company's investor relations activities including any reports prepared by the Company's brokers, external analyst papers, and details of any shareholder meetings.

The Board believes that sustainable financial performance and delivering on the objectives of the Company are key measures in building trust with the Company's shareholders. To promote a clear understanding of the Company, its objectives and financial results, the Board ensures that information relating to the Company is disclosed in a timely manner and in a format suitable for the shareholders of the Company.

The Company has updated its website during 2016 to enable stakeholders quick and easy access to information published by the Group. Communication through these means allows our investors to receive information in a timely and cost effective manner.

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

CORPORATE RESPONSIBILITY

Corporate responsibility

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

The Board recognises that the way its investment properties are designed, built, managed and occupied can significantly influence their impact on the environment and the community in which they are located and it seeks to manage these issues. Although the Group is not required by statute to provide detailed reports on its environmental impact, the Board considers this an issue that must be monitored and warrants disclosure. In 2013 we started to disclose levels of greenhouse gas emissions and in 2014 we also included electricity consumption in our offices in Moscow, Cyprus and Guernsey, and business travel.

The Board also recognises the social impact of its operations in each of its key jurisdictions, Russia, Guernsey and Cyprus. In Russia, this is particularly evident in the employment opportunities that are created in the communities where the Group's properties are located. Staff are encouraged to participate in community and charitable activities and the Board has established a fund to support local causes or charities, which meet the corporate values of the Group. During 2016 the Group invested $61,000 in supporting various causes including national and local charities and local community sports groups. No political donations were made during the year.

Greenhouse Gases

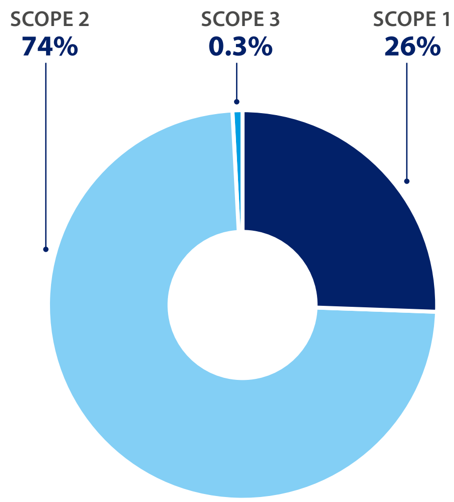
We commissioned Trucost to assist in compiling our report to comply with the Mandatory Greenhouse Gases Reporting Regulations (GHG). Energy consumption information was collated from all thirteen warehouses in the portfolio and our four offices in Moscow, Cyprus and Guernsey. We also collected office car mileage and business travel of the Group's employees to report on Scope 1, Scope 2 and Scope 3 emissions. The report covers 100% by warehouse floor area. Last year we started to report Scope 2 on a dual-reporting basis using location-based and market based approaches in accordance with the GHG Protocol Scope 2 Guidance released in January 2015. Since market-based emission factors are not available for any of our locations, residual emission factors were adopted for offices in Guernsey and Cyprus. Location-based emission factors were used for Russia due to unavailability of residual emission factors.

The table below sets out the emissions data collated and the intensity ratio agreed at tonnes per square metre of floor area for the last four years.

Data Point	Units	Quantity 2016	Quantity 2015	Quantity 2014*	Quantity 2013
Scope 1	tonnes CO2e	18,399	19,289	20,778	18,138
Scope 2 (location-based)	tonnes CO2e	52,635	56,914	53,664	44,589
Scope 2 (market-based)	tonnes CO2e	52,974	56,919	53,666	n/a
Scope 1 + 2 Intensity (location based)	tonnes CO2e / floor space (sqm)	0.05	0.05	0.05	0.05
Scope 3	tonnes CO2e	184	219	342	n/a

*Quantity 2014 were restated in 2016 report given more accurate data available for the Guernsey office.

GHG Emissions



Data collection and methodology protocol

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

- Natural gas: DEFRA 2016 conversion factor for cubic meters natural gas
- Diesel: DEFRA 2016 conversion factor for litres diesel
- LPG: DEFRA 2016 conversion factor for litres LPG
- Office car: DEFRA 2016 conversion factor for kilometres of unknown fuel (average car)
- Purchased electricity: IEA Fuel Combustion (Highlights 2015 Edition) and EIA Foreign Electricity Emission Factors
- District heating: electricity factors were adjusted using the same ratio as between UK electricity, and district heating (from DEFRA 2016 conversion factors for UK electricity, and district heat and steam)

Scope 1 emissions reduced by 5% and 11% compared to 2015 and 2014, respectively, and slightly increased by 1% compared to 2013. Scope 2 emissions are 8% and 2% lower than 2015 and 2014, respectively, and are 18% higher than 2013.

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

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

Other examples of increased efficiency include adopting low energy lighting in our new warehouses and more energy efficient lighting and air conditioning system in Guernsey office. New developments are being assessed by BREEAM (Building Research Establishment Environmental Assessment Methodology), the worlds longest established and most widely used method of assessing, rating and certifying the sustainability of buildings. Our aim is to reduce the environmental impact of our developments and use the results of BREEAM assessments to provide practical ideas for future and existing development projects.

LETTER FROM THE REMUNERATION COMMITTEE

Dear Shareholders,

On behalf of the Board, I present our report on Directors' remuneration for the year ended 31 December 2016.

Overview

In last year's letter I explained why the then existing remuneration scheme was not fit for purpose. The Board outlined a series of objectives to test the ability of the team to hold together, to adapt and to act quickly in the face of extreme conditions to safeguard shareholder value. On 15 June 2016 shareholders approved an amendment to the Directors' Remuneration Policy for 2016 and 2017. This introduced a retention scheme covering the period to 31 March 2019 and the introduction of an Annual Performance Incentive. The former is dependent on continuing employment over the relevant period and the latter takes the form of a cash bonus of up to 75% of basic salary, based on performance in each year and awarded at the discretion of the Remuneration Committee.

Performance Outcomes

As described elsewhere in this Annual Report, we would not have envisaged the team's success in meeting their objectives.

It has been the Committee's task to assess this performance in the context of the updated remuneration scheme and specifically, the discretionary annual bonus.

The Committee has assessed three areas: Financial; Operational; and "Stretch" targets, the latter being achievements over and above those expected in the year. In all areas the team has excelled.

Financial

- Average occupancy levels were maintained during the year with 167,000sqm of new lettings offsetting 187,000sqm of void space on maturity;
- Average rent per sqm on new lettings of Roubles 5,450 was above market expectation;
- Underlying earnings of $47 million for the year were above expectation;
- Year end gearing balances were reduced to 55% for secured debt (2015: 65%) and 56% for overall balance sheet gearing (2015: 58%);
- The year end cash balance of $199 million was significantly above expectation after repayments of $108 million on existing debt facilities; and
- Our ordinary and preference share prices recovered from lows in the year of 29p and 115p, to 45p and 136p at 31 December 2016 respectively. Our new convertible preference shares ended the year at 109p compared to the issue price of 100p.

Operational

- All tenants' legal challenges on leases have been defended successfully during the year (25 cases won in court, arbitration or settled satisfactorily);
- This facilitated the re-letting of 43,000sqm of space at our Noginsk project on an eight year lease with occupancy commencing in the last quarter of the year;
- In addition no significant bad debt charge arose in the year (2015: $3.7 million);
- Significant changes were made to secured debt facilities, extending the terms of near term maturities, reducing amortisation costs and our cash break even requirements;
- This was achieved without any significant change to margins charged and with increases in headroom on banking covenants; and
- Terms were agreed on a further two refinancings which will potentially raise a further $17 million of cash and significantly reduce amortisation on those facilities. The first was completed in January 2017 and the second is now at the document stage.

'Stretch'

The following were not foreseen at the time of reviewing expected targets for the year:

- £109 million of new,10 year convertible preference shares were issued at 100p in July at an annual cost of 6.5% per annum, convertible at 55p and redeemable at a premium of 135p on maturity;
- Commission paid on the issue was £738,000 or 0.68% of funds raised, significantly below what would be expected in the market;
- The Executive team negotiated the release from bank facilities totalling $31 million that were in covenant breach, for a total payment of $16 million, generating a $15 million profit;
- A land plot in St Petersburg was sold for a profit of $3.8 million; and
- With the additional cash resources available, an acquisition opportunity for three assets in St Petersburg, generating a 16% return, was identified in September. Due diligence was completed by the end of November and the acquisition Framework Agreement signed in January 2017.

Remuneration Decisions

The achievements of the Executive team during the year have given the Committee a lot to think about. In the current environment those independent agencies tasked with commenting on remuneration matters may view with suspicion the Committee's award of maximum allowed bonuses for 2016. However, the hard work and foresight of the team has put the business in a position that at the end of 2015 looked implausible two years on, let alone one. The Committee hopes that they continue to surprise us. In anticipation we have engaged Aon Hewitt, independent remuneration consultants, to assist us in constructing a remuneration scheme for future periods. We intend to present our proposals to shareholders at our AGM.

Christopher Sherwell
Chairman
Remuneration Committee
12 March 2017

DIRECTORS' REMUNERATION REPORT (UNAUDITED)

Introduction

Composition

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

Policy

On 15 June 2016 shareholders approved an amendment to the Directors' Remuneration Policy for 2016 and 2017. This introduced a retention scheme covering the period to 31 March 2019 and the introduction of an Annual Performance Incentive.

Retention Scheme

The Retention Scheme was available to the executive directors of the Company and certain other senior managers of the Group. Participants are entitled to receive three equal payments each equivalent to 150% of basic salary. Each instalment is paid as follows; upon approval of the revised remuneration policy at the Company's 2016 AGM, on 31 December 2017 and on 31 March 2019. The sole condition for each instalment being paid will be the continuing employment of the participant at the relevant payment date.

Participants receive payment of an instalment in a combination of the Company's listed securities and cash. The executive directors of the Company receive payment of their instalments as follows:

A Bilton	Entirely in listed securities of the Company
G Hirsch	Entirely in listed securities of the Company
M Sinclair	Half in cash and the remainder in listed securities of the Company
C Smith	Half in cash and the remainder in listed securities of the Company

The number of listed securities of the Company issued to satisfy such payments is calculated with reference to the average closing mid-market share price of the relevant listed security of the Company in the 30 trading days up to and including the trading day immediately prior to the scheduled payment date of that instalment.

Annual performance incentive

An annual cash bonus of up to 75% of basic salary, based on performance in 2016 and 2017, wholly at the discretion of the Remuneration Committee.

The above changes replaced the Combined Bonus and Long Term Incentive Scheme 2015 to 2017 "CBLTIS 2015" with the annual performance incentive and Retention Scheme. All other elements of the Group's policy are unchanged.

DIRECTORS' REMUNERATION REPORT

The table below sets out details of the changes:

	Purpose and link to strategy	Operation	Opportunity	Performance Metrics	Discretion applied
Annual performance incentive	A simple method to allow the Remuneration Committee to reward management's performance in the context of the Group's defensive strategy.	An annual bonus payable in cash.	Up to 75% of basic salary.	Wholly at the discretion of the Remuneration Committee.	The awards, up to the maximum of 75% of basic salary, are wholly at the discretion of the Remuneration Committee.
Retention Scheme	To retain key management during the period of market turbulence.	An award granted that vests in three equal instalments; upon approval of the revised Directors' remuneration policy at the Company's 2016 AGM, on 31 December 2017 and on 31 March 2019. The participants will receive the payment of each instalment in a combination of listed securities of the Company and cash. The directors of the Company receive their payments on the following basis: A Bilton Entirely in listed securities of the Company; G Hirsch Entirely in listed securities of the Company; M Sinclair Half in cash and the remainder in listed securities of the Company; C Smith Half in cash and the remainder in listed securities of the Company; The number of listed securities of the Company is calculated with reference to the average closing mid-market share price of the relevant listed securities of the Company in the 30 trading days up to and including the trading day immediately prior to the scheduled payment date of that instalment. Listed securities of the Company that vest are freely transferable and have no restriction on sale.	150% of basic salary in respect of each of the three scheduled payments.	As the purpose is retention the sole condition for vesting is employment on the day of vesting.	None

As part of the changes, the executive directors agreed to waive their entitlements to awards (whether vested or unvested) under the CBLTIS 2015 and therefore did not receive any compensation pursuant to the CBLTIS 2015. In addition it has since been agreed that in respect of 2016 Anton Bilton and Glyn Hirsch will receive their annual performance incentive in convertible preference shares as set out in the summary table below.

A new incentive scheme for future periods is meanwhile being prepared and the intention is to present it for approval at the 2017 AGM.

The full text of the current remuneration policy can be found on the investors page of the Company's website.

Recruitment and Exit Policies

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

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

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

*Bad leaver provisions relate to termination of employment for the reason of gross misconduct including breach of obligation, bankruptcy and disqualification as a director. A good leaver covers all other circumstances.
**If a scheme participant ceases employment due to ill health or disability, redundancy as determined by the Committee or retirement, awards not vested shall vest in full on such date as if the remaining scheduled payment dates occurred at such time.

Shareholder Views

The view of shareholders is sought prior to any significant change to the Remuneration Policy. Prior to the introduction of the Retention Scheme and Annual Performance Incentive, the views of shareholders holding 59% of ordinary shares were taken into account prior to formal presentation at the AGM.

Summary of Remuneration for the Financial Year Ended 31 December 2016

In this section we summarise the remuneration packages for the Executive Directors.

Year ended 31 December 2016	Salary and fees £'000	Benefits [1] £'000	Pension [2] £'000	Retention scheme – cash £'000	Annual performance incentive – cash £'000	Total cash remuneration £'000	CBLTIS 2015 No of ordinary shares [3]	Retention scheme – shares No. of convertible preference shares	Annual performance incentive – shares No. of convertible preference shares [4]
G Hirsch	554	27	55	-	-	636	-	830,250	364,035
A Bilton	554	41	55	-	-	650	-	830,250	364,035
M Sinclair	345	17	34	258	258	912	-	258,375	-
C Smith	306	17	31	229	229	812	-	229,500	-

Year ended 31 December 2015	Salary and fees £'000	Benefits [1] £'000	Pension [2] £'000	Retention scheme – cash £'000	Annual performance incentive – cash £'000	Total cash remuneration £'000	CBLTIS 2015 No of ordinary shares [3]	Retention scheme – shares No. of convertible preference shares	Annual performance incentive – shares No. of convertible preference shares [4]
G Hirsch	547	21	55	-	-	623	-	-	-
A Bilton	547	46	55	-	-	648	-	-	-
M Sinclair	341	18	34	-	-	393	-	-	-
C Smith	303	17	30	-	-	350	-	-	-

1. Benefits include health cover and insurance, subscriptions and sports memberships. These are not performance related. They have been calculated based on premiums and subscriptions payable.
2. Pensions are cash payments made to executive directors, either directly or to their pension scheme.
3. The amounts shown for the year ended 31 December 2015 have been restated to reflect the executive directors' agreement to waive their entitlements to awards (whether vested or unvested) under the CBLTIS 2015. See next section.
4. Provisional estimate of the number of convertible preference shares based on the closing bid price immediately before the announcement of these results on 10 March 2017. These shares were first issued to the market in 2016.

Combined Bonus and Long Term Incentive Scheme 2015 to 2017

Details of CBLTIS 2015 Awards

Ahead of the AGM on 15 June 2016 the executive directors agreed to waive their entitlements to awards (whether vested or unvested) under the CBLTIS 2015 and therefore received no compensation pursuant to the Scheme for 2016 nor for 2017.

The table below sets out the directors' interests in the CBLTIS 2015.

	Contingent awards of ordinary shares					
CBLTIS 2015	At 1/1/16	Made in the year	Lapsed in the year	Waived in the year	At 31/12/16	Number that vest on publication of these accounts
G Hirsch	4,500,000	-	737,887	3,762,113	-	–
A Bilton	4,500,000	-	737,887	3,762,113	-	–
M Sinclair	4,000,000	-	655,900	3,344,100	-	–
C Smith	4,000,000	-	655,900	3,344,100	-	–

Awards made under the CBLTIS 2015 were intended to relate to performance over the period to 31 December 2017.

2009 Long Term Incentive Plan ("LTIP")

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

Performance criteria for each tranche were 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 rolled up during the vesting period and options granted under this scheme have an exercise price of 25p.

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

LTIP	Available to exercise at 1/1/16	Vested in year	Exercised in year	Available to exercise at 31/12/16
G Hirsch	1,000,000	-	-	1,000,000
A Bilton	-	-	-	-
M Sinclair	-	-	-	-
C Smith	-	-	-	-

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

The beneficial interests of the Directors in office at 31 December 2016 in the Ordinary Shares, Preference Shares, Convertible Preference Shares and Warrants of the Company, both at the beginning and the end of the year, are set out below. There have been no changes to the figures below since 31 December 2016.

Director	Number of Ordinary Shares 31/12/16	Number of Preference Shares 31/12/16	Number of Convertible Preference Shares 31/12/16	Number of Warrants 31/12/16
R Jewson	252,909	75,460	-	-
G Hirsch (1)	7,321,176	2,143,225	830,250	2,292,817
A Bilton (1)	43,864,758	5,820,119	830,250	11,151,075
M Sinclair (1)	3,384,921	720,832	258,375	-
C Smith (1)	1,383,997	466,891	186,500	7,385
C Sherwell	242,755	79,728	-	-
S Coe	111,965	63,004	-	-
D Moore	222,501	14,172		-
	57,196,590	**9,383,431**	**2,105,375**	**13,682,261**

Director	Number of Ordinary Shares 31/12/15	Number of Preference Shares 31/12/15	Number of Convertible Preference Shares 31/12/15	Number of Warrants 31/12/15
R Jewson	261,488	75,460	n/a	-
G Hirsch (1)	7,909,942	2,143,225	n/a	2,292,817
A Bilton (1)	47,696,719	5,820,119	n/a	11,151,075
M Sinclair (1)	3,576,126	720,832	n/a	-
C Smith (1)	1,443,839	466,891	n/a	7,385
C Sherwell	242,755	79,728	n/a	-
S Coe	116,289	54,040	n/a	-
D Moore	222,501	14,172	n/a	-
	61,469,659	**9,374,467**	**n/a**	**13,451,277**

(1) Includes ordinary, preference and convertible preference shares and warrants held by trusts or pensions schemes where the individual or close family members are beneficiaries.

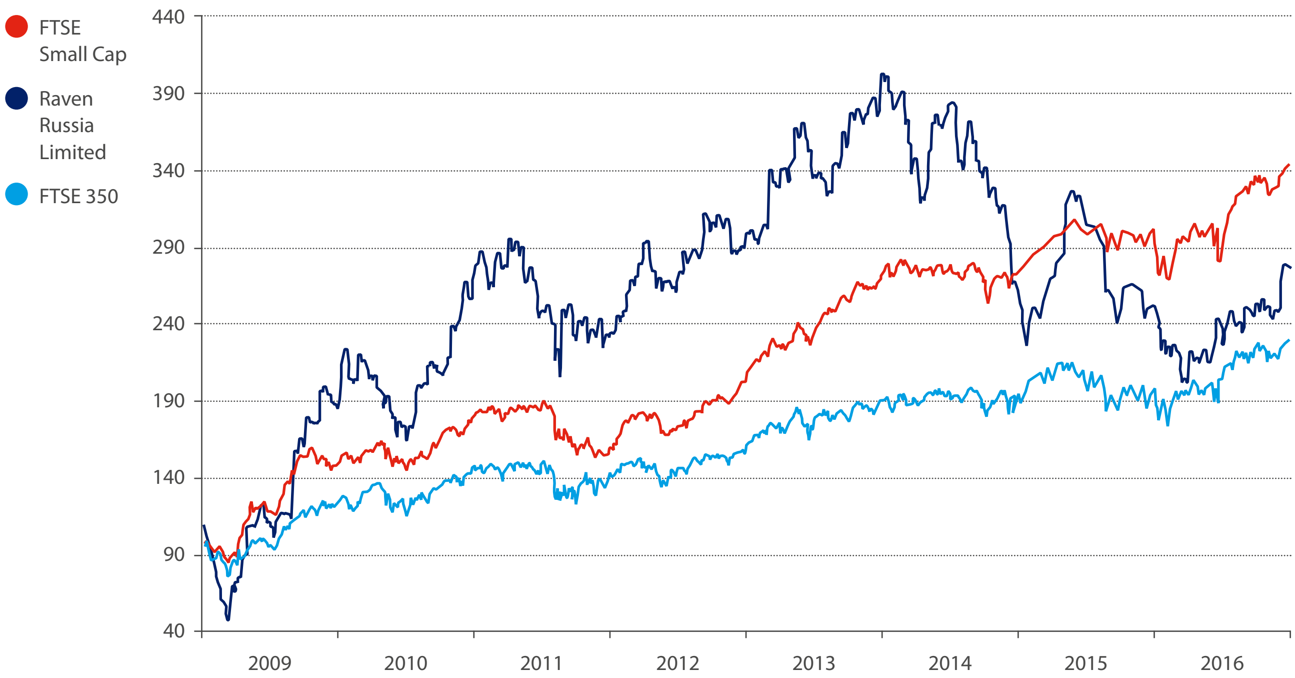
Non Executive Directors

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

	2016 £'000	2015 £'000
R Jewson	110	110
C Sherwell	48	48
S Coe	48	48
D Moore	46	46
	252	**252**

The contractual arrangements of the Non Executive Directors for 2017 are:

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



The graph above shows the performance of the Group's ordinary shares over the last eight years versus FTSE Small Cap and FTSE 350 indices.

The contractual arrangements of the Executive Directors for 2017 are:

Director	Salary £'000	Appointment date	Unexpired term	Notice period	Contractual termination payment
G Hirsch	568	27.11.08	Rolling contract	12 months	Payment of 12 months salary and benefits on termination
A Bilton	568	27.11.08	Rolling contract	12 months	
M Sinclair	354	23.03.09	Rolling contract	12 months	
C Smith	314	14.11.08	Rolling contract	12 months	

At the 2016 Annual General Meeting the Remuneration Report, changes to the Directors' Remuneration Policy and Terms of the Retention Scheme were subject to an advisory vote. The table below sets out the results for these particular resolutions.

	For		Against			
Resolution	Number of votes	%	Number of votes	%	Number of votes withheld	Total votes cast
To approve the Remuneration Report	574,917,151	96.62	20,125,300	3.38	5,170,880	595,042,451
To approve the changes to the Directors' remuneration policy	454,050,083	76.31	140,992,367	23.69	5,170,880	595,042,451
To approve the terms of the Retention Scheme	454,070,226	76.31	140,971,056	23.69	5,172,008	595,041,322

Christopher Sherwell
Chairman of the Remuneration Committee
12 March 2017

AUDIT COMMITTEE REPORT

Audit Committee Chairman's Introduction

Dear Shareholders,

I am pleased to present our Audit Committee report for the year ended 31 December 2016. This report sets out the work of the Committee throughout the year.

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

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

We have also reported to the Board on whether the Committee believes that the annual report and accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's performance, business model and strategy. This includes advising the Board on the viability and going concern statements.

During the year the Committee met with the external auditors, with and without management present, to assess the audit approach, audit independence and the working relationship between the Group auditor and management. This included meetings with our proposed new lead audit partner as required under the partner rotation guidelines and assessing his suitability. We have also met with Jones Lang LaSalle ("JLL"), the Group's appointed independent valuers, to discuss the property portfolio, valuation methodology and more generally, the market conditions in the locations in which the Group operates.

In both cases, we believe that the working relationship is good and that the management approach and estimates are and will continue to be appropriately challenged.

Steve Coe
Chairman
Audit Committee
12 March 2017

The Audit Committee

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

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

The Committee met three times during 2016 and addressed:

- The recommendation to the Board to approve the 2015 annual and 2016 interim financial statements following consideration of the key areas of judgement;
- The appropriateness of the current forecast model as the basis for the viability statement;
- The appointment, remuneration and continued independence of the external auditor;
- The introduction and assessment of the new lead audit partner; and
- The monitoring of the Group's internal control procedures and risk management.

The action taken on these areas is expanded on below.

External Audit and Valuations

External Audit

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

EY was appointed in 2008 following a tender process and this is their ninth year of tenure as Group auditor. The new lead partner has now taken responsibility for the engagement and the transition has run smoothly over the year.

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

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

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

Non Audit Services

EY has also provided non-audit services to the Group where they are determined to be best placed to provide the particular service. The Committee has policies in place for the provision of non audit services and the external auditor will not be permitted to carry out services such as property valuation or accounting services. The non-audit services provided are typically assignments, such as a review of the interim financial statements, tax advisory, or transaction advisory services. As shown in note 6(b) to the financial statements, total fees payable to EY in the year to 31 December 2016 amounted to $1.1 million, of which $0.3 million was for non-audit services.

Committee Conclusions

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

Valuers

As with the external audit process, the Committee monitors the objectivity of the Group's external valuers, Jones Lang LaSalle ("JLL"). We have had open discussion with the valuers during the year on the valuation process and the external auditor has direct access to them as part of the audit process. We also have the opportunity to see comparable valuations of part of the portfolio each year, where independent valuations are required for banking purposes and these are undertaken by other external independent valuers. Meetings were held with the valuers in Moscow during the year and site visits undertaken by members of the Committee.

AUDIT COMMITTEE REPORT

Significant Issues Considered by the Audit Committee

In recommending the approval of the 2016 financial statements, the Committee considered the following:

Matter Arising	Action
Property Valuations	
Valuations for investment property and investment property under construction are conducted by external valuers. The land bank is carried at Directors' valuation. Valuation movements can have a significant impact on the Group's net asset value.	The Committee discussed the valuation approach with management, the external valuers and the external auditors. The Committee also assesses the continuing independence and objectivity of the valuers. The external auditors have direct access to the external valuer and comment on the key assumptions and movements on property valuations. The Committee considered and compared the views of all of the above together with independent market information available and was satisfied that the judgement used was appropriate. Given the economic situation in Russia at the year end, JLL has included an uncertainty paragraph in their valuation report. The Committee considered the implications of this with the valuers and the auditors and ensured that there was appropriate disclosure in the annual report.
Exchange Rate and Credit Risk	
The weak Rouble had a significant effect on the carrying value of the Group's assets. It also increased the Group's credit risk as US Dollar pegged rents became less affordable for tenants.	The Committee discussed the continuing impact of the transition to Rouble leases on the Group's business with management and external auditors. It also discussed the audit approach with the external auditors and the impact on the viability and going concern statements. It is satisfied that the annual report and accounts adequately reflect the impact of the change in market dynamics.
Taxation	
A number of new tax laws have been introduced in Russia in the last 24 months.	The Committee reviewed the Group's tax provisioning policies in the light of the new legislation and is satisfied that the tax charge for the year is adequate.
Viability Statement	
The period of any viability exercise has to be justified and sensitivities agreed.	The Committee reviewed the reasons for completing a viability period of three years with management and the auditors and also questioned the suitability of the sensitivities applied to the model. It is satisfied that the model reflects a severe but credible scenario and the period under review is appropriate.

Internal Control and Risk Management

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

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

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

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

The Audit Committee has established a Risk Committee to carry out the review and assessment of risks associated with the business. This Committee comprises Executive Directors and senior management involved in each operating jurisdiction and department of the Group. This engenders a culture of risk assessment within the Group and reinforces the strategic objectives communicated by the Board. During the year ended 31 December 2016, the Risk Committee met four times.

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

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

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

DIRECTORS' REPORT

The Directors present their report and the audited financial statements of the Group for the year ended 31 December 2016.

Principal activity

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

Business review

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

Results and dividends

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

The Company undertook a tender offer as an interim distribution for 1 in every 80 shares at 40p, equivalent to a dividend of 0.5p per share (2015: Distribution of 1p by way tender offer 1 share in every 47 at 47p). The Directors are recommending a final distribution of 2p by way of a tender offer of 1 share in every 26 at 52p (2015: Distribution of 1p by way of tender offer of 1 share in every 40 at 40p).

Directors

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

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

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

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

Substantial shareholdings

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

Ordinary Shares of £0.01

Name of holder	Number held 31 December 2016	% of share capital	Number held 24 February 2017	% of share capital
Invesco Perpetual	215,146,927	32.21	215,146,927	32.21
Woodford Investment Management	79,065,234	11.84	81,296,877	12.17
Schroder Investment Management	71,512,455	10.71	70,537,455	10.56
JO Hambro Capital Management	61,511,241	9.21	62,111,241	9.30
Old Mutual Global Investors	28,199,077	4.22	28,199,077	4.22
Ruffer	20,157,861	3.02	20,157,861	3.02

Relationship Agreement

In accordance with Listing Rule 9.8.4 (14), the Company can confirm that on 20 November 2015, it entered into a relationship agreement with its principal shareholder, Invesco Asset Management Limited ("Invesco").

The principal purpose of this agreement is to ensure that the Company is capable at all times of carrying on its business independently of Invesco. If the holding of Invesco (together with its associates and/or those it acts in concert with) falls below 30% of the voting rights over the Company's ordinary shares, the relationship agreement shall terminate.

The Company has and, in so far as it is aware, Invesco and its associates have, complied with the independence provisions set out in the relationship agreement during the period. The ordinary shares controlled by Invesco rank pari passu with the other ordinary shares in all respects.

Purchase of own shares

The Company was granted authority at the 2016 AGM to make market purchases of its own ordinary and preference shares. This authority will expire on 15 August 2017. A resolution will be proposed at the 2017 AGM to renew this authority.

Auditor

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

Going Concern

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

The Board receives monthly updates on future cash flow projections and has regular working capital reports presented, in particular, as part of the half year and full year reporting process. After making appropriate enquiries and examining sensitivities that could give rise to financial exposure, the Board has a reasonable expectation that the Company and the Group have adequate resources to continue operations for the foreseeable future. Accordingly, the Group continues to adopt the going concern basis in preparation of these financial statements.

Directors' responsibilities

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

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

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

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

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

Directors' Responsibility Statement

The Statement of Directors' Responsibilities below has been prepared in connection with the Company's full Annual Report and Accounts for the year ended 31 December 2016.

The Board confirms to the best of its knowledge:

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

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

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

This responsibility statement was approved by the Board of Directors on 12 March 2017 and is signed on its behalf by:

Mark Sinclair
Chief Financial Officer

Colin Smith
Chief Operating Officer

INDEPENDENT AUDITOR'S REPORT

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

Our opinion on the financial statements

In our opinion:

- Raven Russia Limited's Group financial statements (the "financial statements") give a true and fair view of the state of the Group's affairs as at 31 December 2016 and of the Group's profit for the year then ended;
- the financial statements have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union;
- the financial statements have been prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

What we have audited

Raven Russia Limited's financial statements comprise:

- The Group Balance Sheet as at 31 December 2016
- The Group Income Statement for the year then ended
- The Group Statement of Comprehensive Income for the year then ended
- The Group Statement of Changes in Equity for the year then ended
- The Group Cash Flow Statement for the year then ended
- Related notes 1 to 38 to the Financial Statements

The financial reporting framework that has been applied in their preparation is applicable law and 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.

Overview of our audit approach

Risks of material misstatement	• Impact of uncertainties over the current economic environment in Russia • Misstatement of the fair value of investment properties and investment properties under construction • Revenue recognition with respect to rental revenue, service charge income and logistics income
Audit scope	• We performed an audit of the complete financial information of the Russia, United Kingdom and Guernsey components and audit procedures on specific balances for the Cyprus component. • The components where we performed full or specific audit procedures accounted for 100% of Total assets, Revenue and Profit before tax.
Materiality	• Overall Group materiality of $8m which represents 0.5% of total assets.

INDEPENDENT AUDITOR'S REPORT

Our assessment of risk of material misstatement

We identified the risks of material misstatement described below as those that had the greatest effect on our overall audit strategy, the allocation of resources in the audit and the direction of the efforts of the audit team. In addressing these risks, we have performed the procedures below which were designed in the context of the financial statements as a whole and, consequently, we do not express any opinion on these individual areas.

<table>
<tr><th>Risk</th><th>Our response to the risk</th><th>Key observations communicated to the Audit Committee</th></tr>
<tr><td>Economic and financial uncertainties in Russia and their impact (as described in the Strategic Report)
The current geopolitical situation remains an important area of focus for the Group and our audit. Continuing political and economic tension between the US, EU and Russia, together with movements in the oil price and foreign exchange rate, have resulted in continuing economic uncertainty, including deterioration of liquidity in Russia's banking sector.
Business practice in Russia may differ from business practices in more developed economies. There is a risk that inappropriate inducements may be sought by third parties which may be undetected by the board and management. Areas where inappropriate payments may be made include: payments to secure favourable development land; payments for planning permits; construction payments; payments to resolve ongoing litigations; or payments in connection with the acquisition or disposal of assets.
We have assessed that, whilst the risk remains, the uncertainty has lessened and therefore the impact on the financial statements will be less significant due to greater planning and consideration of the potential impact on valuation of investment property and cash flow forecasts.</td><td>We performed the following audit procedures around the impact of uncertainties over the current economic environment in Russia:
We updated our understanding of the current economic environment in Russia through:
• Discussions with management and EY real estate valuation specialists in Moscow and London;
• Performance of press searches in Russia and the UK and reviewing economic forecasts.
We evaluated whether the assumptions underpinning the Group's property valuations (separately addressed below) and going concern assessment are consistent with our above understanding.
We performed the following audit procedures around the potential risk of inducement payments to third parties:
• We held fraud discussions with Raven staff at various levels and the audit committee throughout the audit. We enquired with management as to whether they had seen any evidence of fraud, or were aware of whistle blowing or other fraud related matters or instances of non-compliance with laws and regulations.
• We confirmed our understanding of the controls in place to prevent and detect transactions involving inappropriate inducements payments.
• In order to address the remaining risk over inappropriate payments, we tested on a sample basis:
  - payments made in respect of capital expenditure;
  - that journal transactions have a valid business purpose and are on an arm's length basis.
We performed full scope audit procedures over this risk area in the one location affected by this risk, which covered 100% of the risk amount.</td><td>We have completed the additional procedures we designed in order to respond to the heightened political and economic uncertainty in Russia.
We have no significant findings to report from the completion of these procedures.
We conclude that the balances and disclosures in the financial statements and notes appropriately reflect the risk factors identified.</td></tr>
</table>

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Misstatement of the fair value of investment properties and investment properties under construction (as described in the Audit Committee Report and notes 3 and 13 of the financial statements). The valuation of investment property and investment property under construction requires significant judgements and estimates by management and the external valuer. Including the uncertainties over the current economic environment in Russia had an impact on the valuation of the Group's properties as described above. In the current year, as referred to in note 3, JLL, the Group's independent valuers, have highlighted in their assessment of the fair value of the property portfolio that there is limited transactional evidence and little certainty with regard to valuations and that market values can change rapidly in the current market conditions. Accordingly, they have stated that it has been necessary to make more judgements than is usually required. The risk is unchanged from the prior year.	We performed the following audit procedures around the valuation of investment properties and investment properties under construction: We documented and assessed the adequacy of the Group's valuation process and controls over data used in the valuation of its property portfolio. We performed testing over source documentation provided by the Group to the external valuer. On a sample basis, we: • Inspected lease agreements and agreed the key terms to the tenancy schedule provided to the valuer; • Performed site visits to see if the occupancy matches that presented in the tenancy schedule. We also inspected the asset to determine if the overall condition of the asset aligns to that stated in the external valuer's report. We assessed the competence, capabilities and objectivity of the external valuer. With the support of EY's real estate valuation experts in Russia and the UK, we: • Assessed the valuation approach and the assumptions made by the external valuer and the directors in performing their valuation of each property against industry benchmarks. The key assumptions included estimated rental values, yields and other assumptions that impact the value which were benchmarked to market data; • Conducted analytical procedures on the movement in the valuation of each property compared to the prior year by reference to external market data to evaluate the appropriateness of the valuations adopted by the Group; We assessed the adequacy of the additional disclosures of estimates in note 3 and valuation assumptions in note 13 that were made in accordance with IFRS 13 – *Fair Value Measurement*. We performed full scope audit procedures over this risk area in the one location affected by this risk, which covered 100% of the risk amount.	We have completed our planned audit procedures over the valuation of investment property and investment property under construction. We have no significant findings to report from the completion of these procedures. We conclude that the balances and disclosures in the financial statements and notes appropriately reflect the risk factors identified. We have concluded that the assessment of fair values performed by JLL and the directors are within an acceptable range and the carrying values of investment property and investment property under construction are fairly stated at 31 December 2016. We have reviewed the disclosure in the financial statements relating to the valuation uncertainty paragraph included by JLL in their valuation report, and confirm that the disclosure is appropriate.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Revenue recognition (as described in note 2 of the financial statements). We have identified the following risks related to the recognition of revenue: Rental revenue & service charge income from the property investment portfolio: is not recorded correctly, including the effect of tenant incentives and contracted rent uplift balances. Roslogistics: risk that the logistics revenue is not recorded in the correct period. The risk is unchanged from the prior year.	We performed the following audit procedures around revenue recognition: We documented the Group's revenue recognition process and assessed the adequacy of the controls in place to prevent and detect fraud and errors in revenue recognition. We performed a detailed analytical review of rental, service charge and logistics income to identify significant fluctuations and trends. We corroborated any significant fluctuations to new / terminated lease agreements. For a sample, we agreed the revenue recognition applied by the company to our understanding of the signed contract. We obtained and examined the trade receivable ageing to assess the recoverability of receivables by testing subsequent cash receipts and confirming the credit worthiness of the tenants with outstanding rent. We agreed the calculation of the IFRS rent straight-lining adjustment to underlying lease and tenancy data as well as the arithmetical accuracy of the calculation. We performed cut-off procedures on all revenue streams to confirm they had been recorded in the correct period. We performed full scope audit procedures over this risk area in the one location affected by this risk, which covered 100% of the risk amount.	As a result of the procedures performed we concluded that revenue has been appropriately recognised in accordance to the Group's accounting policy and IFRS.

In the prior year, our auditor's report included a risk of material misstatement in relation to going concern. As the company has raised new capital from the issuance of redeemable preference shares and has refinanced a significant portion of its borrowings, the risk was not included in the current year.

The scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each entity within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account size, risk profile, the organisation of the group and effectiveness of group-wide controls, changes in the business environment and other relevant factors when assessing the level of work to be performed at each entity.

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

In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the 4 reporting components of the Group, we performed an audit of the complete financial information of 2 components ("full scope components") which were selected based on their size or risk characteristics. For the remaining 2 components ("specific scope components"), we performed audit procedures on specific accounts within that component that we considered had the potential for the greatest impact on the significant accounts in the financial statements either because of the size of these accounts or their risk profile.

In establishing our overall approach to the Group audit we determined the type of work that needed to be undertaken at each of the components by us, as the Group engagement team, or by component auditors from another EY global network firm operating under our instructions. Audits of the Russia, United Kingdom and Guernsey components, which address all of the material risks of misstatement noted above, were performed by the Group engagement team. The Group audit partner is based in the UK but, since the Group has operations in Russia, the Group audit team includes members from both the UK and Russia. Members of the Group team in both jurisdictions work together as an integrated team throughout the audit process. The Group audit procedures relating to the valuation of investment property and income taxes were also supported by EY Moscow experts.

For the Group entities incorporated in the United Kingdom, specific scope procedures on cash, goodwill and investment in joint venture balances were performed by the Group team.

For the Group entities incorporated in Cyprus, specific scope procedures on cash, intercompany, debt and tax balances were performed by EY Cyprus. We determined the appropriate level of involvement to enable us to determine that sufficient audit evidence had been obtained as a basis for our opinion on the Group as a whole.

The reporting components where we performed audit procedures accounted for 100% of the Group's Profit before tax, Revenue and Total assets for both the current and prior years. For the current year, the full scope components contributed 99% (2015: 96%) of the Group's Profit before tax, 99% (2015: 100%) of the Group's Revenue and 92% (2015: 99%) of the Group's Total assets, with the remainder being addressed by specific scope procedures.

Involvement with component teams

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

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

Overall materiality for the year ended 31 December 2016 is based on 0.5% of total assets. The basis of materiality reflects the fact that the primary measure of performance for shareholders is a capital measure.

We have assessed overall materiality, in planning the scope of our audit to be $8.0 million based on 0.5% of total assets (2015: $8.0 million based on 0.5% of total assets).

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 75% (2015: 75%) of our planning materiality, namely $6.0 million (2015: $6.0 million).

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the performance materiality allocated to EY Cyprus was $3.0 million (2015: $3.0 million).

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of $0.4 million (2015: $0.4 million), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

INDEPENDENT AUDITOR'S REPORT

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the 2016 Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 64, 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.

Matters on which we are required to report by exception

ISAs (UK and Ireland) reporting	We are required to report to you if, in our opinion, financial and non-financial information in the annual report is: • materially inconsistent with the information in the audited financial statements; or • apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or • otherwise misleading. In particular, we are required to report whether we have identified any inconsistencies between our knowledge acquired in the course of performing the audit and the directors' statement that they consider the annual report and accounts taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the entity's performance, business model and strategy; and whether the annual report appropriately addresses those matters that we communicated to the audit committee that we consider should have been disclosed.	We have no exceptions to report.
Companies (Guernsey) Law, 2008 reporting	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.	We have no exceptions to report.
Listing Rules review requirements	We are required to review: • the directors' statement in relation to going concern, set out on page 63, and longer-term viability, set out on page 39; and • the part of the Corporate Governance Statement relating to the company's compliance with the provisions of the UK Corporate Governance Code specified for our review.	We have no exceptions to report.

Statement on the Directors' Assessment of the Principal Risks that Would Threaten the Solvency or Liquidity of the Entity

ISAs (UK and Ireland) reporting	We are required to give a statement as to whether we have anything material to add or to draw attention to in relation to: • the directors' confirmation in the annual report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity; • the disclosures in the annual report that describe those risks and explain how they are being managed or mitigated; • the directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements; and • the directors' explanation in the annual report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.	We have nothing material to add or to draw attention to.

Peter McIver
for and on behalf of Ernst & Young LLP
London
12 March 2017

Notes:
1. The maintenance and integrity of the Raven Russia Limited web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.
2. 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 2016

	Notes	2016 Underlying earnings $'000	2016 Capital and other $'000	2016 Total $'000	2015 Underlying earnings $'000	2015 Capital and other $'000	2015 Total $'000
Gross revenue	4 / 5	195,294	–	195,294	219,704	–	219,704
Property operating expenditure and cost of sales		(43,553)	–	(43,553)	(45,581)	–	(45,581)
Net rental and related income		**151,741**	**–**	**151,741**	**174,123**	**–**	**174,123**
Administrative expenses	4 / 6	(24,243)	(1,101)	(25,344)	(30,081)	(414)	(30,495)
Share-based payments and other long term incentives	32	(3,133)	(5,944)	(9,077)	–	(3,594)	(3,594)
Foreign currency profits		18,079	–	18,079	1,223	–	1,223
Operating expenditure		**(9,297)**	**(7,045)**	**(16,342)**	**(28,858)**	**(4,008)**	**(32,866)**
Share of profits of joint ventures	16	1,780	-	1,780	2,518	–	2,518
Operating profit / (loss) before profits and losses on investment property		**144,224**	**(7,045)**	**137,179**	**147,783**	**(4,008)**	**143,775**
Unrealised loss on revaluation of investment property	11	–	(40,192)	(40,192)	–	(251,198)	(251,198)
Profit on disposal of investment property under construction	12	–	3,807	3,807	–	–	–
Unrealised loss on revaluation of investment property under construction	12	–	(3,132)	(3,132)	–	(5,350)	(5,350)
Operating profit / (loss)	4	**144,224**	**(46,562)**	**97,662**	**147,783**	**(260,556)**	**(112,773)**
Finance income	7	3,436	18,086	21,522	2,909	1,584	4,493
Finance expense	7	(85,359)	(11,579)	(96,938)	(85,745)	(11,031)	(96,776)
Profit / (loss) before tax		**62,301**	**(40,055)**	**22,246**	**64,947**	**(270,003)**	**(205,056)**
Tax	8	(15,179)	652	(14,527)	(10,389)	23,086	12,697
Profit / (loss) for the year		**47,122**	**(39,403)**	**7,719**	**54,558**	**(246,917)**	**(192,359)**
Earnings per share:	9						
Basic (cents)				1.17			(28.81)
Diluted (cents)				1.16			(28.81)
Underlying earnings per share:	9						
Basic (cents)		7.17			8.17		
Diluted (cents)		6.81			7.93		

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

All items in the above statement derive from continuing operations.

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

The accompanying notes are an integral part of this statement.

GROUP STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

	2016 $'000	2015 $'000
Profit/(loss) for the year	**7,719**	**(192,359)**
Other comprehensive income, net of tax		
Items to be reclassified to profit or loss in subsequent periods:		
Foreign currency translation on consolidation	10,942	(1,753)
Total comprehensive income for the year, net of tax	**18,661**	**(194,112)**

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 2016

	Notes	2016 $'000	2015 $'000
Non-current assets			
Investment property	11	1,300,643	1,333,987
Investment property under construction	12	41,253	39,129
Plant and equipment		3,044	3,141
Goodwill	14	1,882	2,245
Investment in joint ventures	16	9,731	14,968
Other receivables	17	3,724	6,145
Derivative financial instruments	19	5,012	5,585
Deferred tax assets	26	27,451	25,523
		1,392,740	**1,430,723**
Current assets			
Inventory		771	1,381
Trade and other receivables	18	52,669	50,264
Derivative financial instruments	19	358	233
Cash and short term deposits	20	198,621	202,291
		252,419	**254,169**
Total assets		**1,645,159**	**1,684,892**
Current liabilities			
Trade and other payables	21	65,408	53,384
Derivative financial instruments	19	943	2,097
Interest bearing loans and borrowings	22	40,787	104,724
		107,138	**160,205**
Non-current liabilities			
Interest bearing loans and borrowings	22	699,038	814,021
Preference shares	23	131,703	156,558
Convertible preference shares	24	119,859	–
Other payables	25	25,259	31,653
Derivative financial instruments	19	67	1,794
Deferred tax liabilities	26	61,869	55,619
		1,037,795	**1,059,645**
Total liabilities		**1,144,933**	**1,219,850**
Net assets		**500,226**	**465,042**

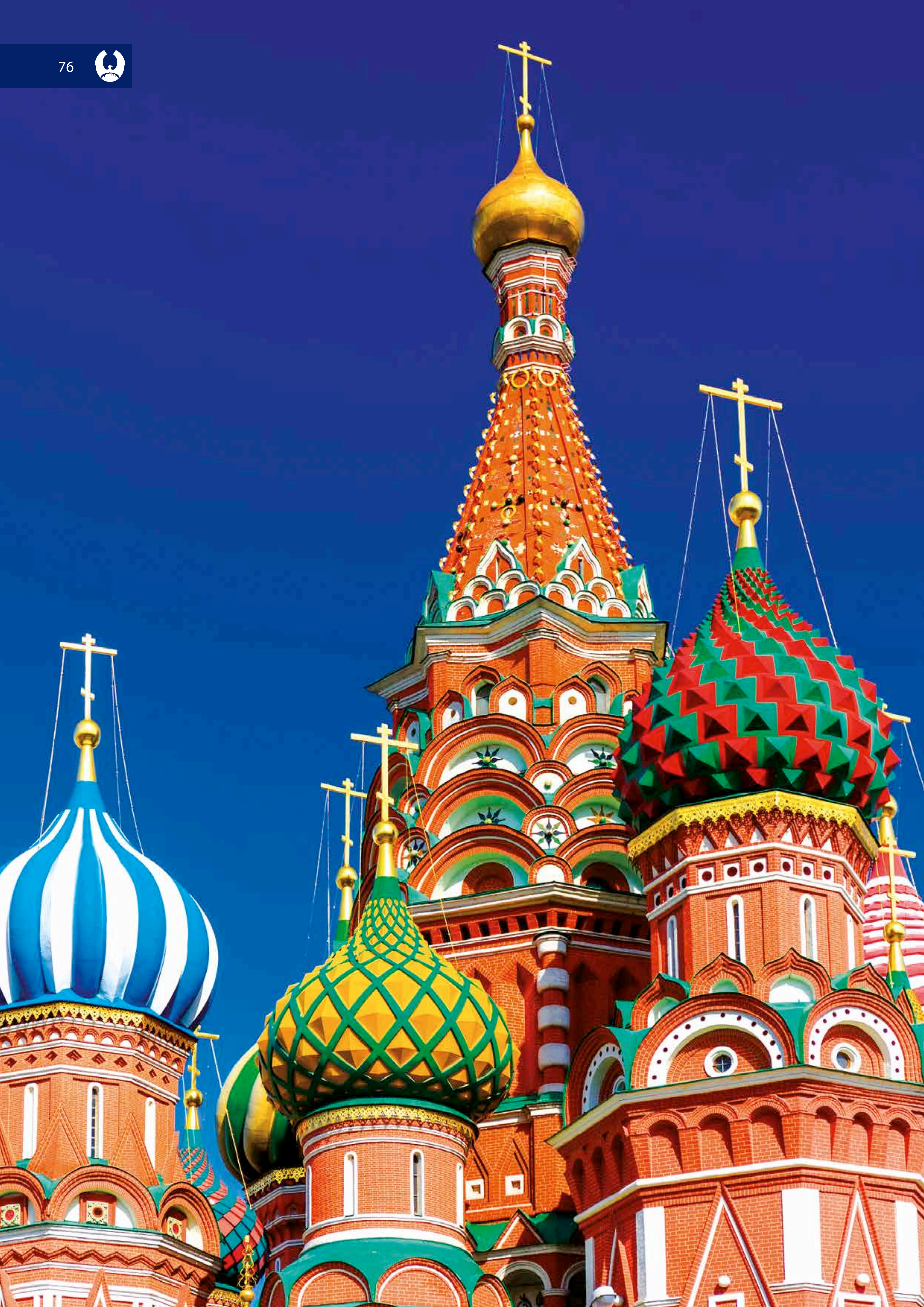
	Notes	2016 $'000	2015 $'000
Equity			
Share capital	27	12,578	12,776
Share premium		216,938	224,735
Warrants	28	1,161	1,167
Own shares held	29	(7,449)	(52,101)
Convertible preference shares	24	8,453	–
Capital reserve		(245,426)	(210,176)
Translation reserve		(177,199)	(188,141)
Retained earnings		691,170	676,782
Total equity	30 / 31	**500,226**	**465,042**
Net asset value per share (cents):	31		
Basic		76	72
Diluted		71	70
Adjusted net asset value per share (cents):	31		
Basic		71	72
Diluted		68	70

The financial statements were approved by the Board of Directors on 12 March 2017 and signed on its behalf by:

Mark Sinclair
Chief Financial Officer

Colin Smith
Chief Operating Officer

The accompanying notes are an integral part of this statement.



GROUP STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

For the year ended 31 December 2015	Notes	Share Capital $'000	Share Premium $'000	Warrants $'000	Own Shares Held $'000	Convertible Preference Shares $'000	Capital Reserve $'000	Translation Reserve $'000	Retained Earnings $'000	Total $'000
At 1 January 2015		13,623	267,992	1,195	(63,649)	–	16,597	(186,388)	647,919	697,289
Loss for the year		–	–	–	–	–	–	–	(192,359)	(192,359)
Other comprehensive income		–	–	–	–	–	–	(1,753)	–	(1,753)
Total comprehensive income for the year		–	–	–	–	–	–	(1,753)	(192,359)	(194,112)
Warrants exercised	27 / 28	7	198	(28)	–	–	–	–	–	177
Own shares acquired	29	–	–	–	(76)	–	–	–	–	(76)
Own shares allocated	29	–	–	–	7,932	–	–	–	(9,145)	(1,213)
Ordinary shares cancelled	27 / 29	(854)	(43,455)	-	3,692	–	–	–	–	(40,617)
Share-based payments	32d	–	–	–	–	–	–	–	3,594	3,594
Transfer in respect of capital losses		–	–	–	–	–	(226,773)	–	226,773	–
At 31 December 2015		**12,776**	**224,735**	**1,167**	**(52,101)**	**–**	**(210,176)**	**(188,141)**	**676,782**	**465,042**
For the year ended 31 December 2016										
Profit for the year		–	–	–	–	–	–	–	7,719	7,719
Other comprehensive income		–	–	–	–	–	–	10,942	–	10,942
Total comprehensive income for the year		–	–	–	–	–	–	10,942	7,719	18,661
Warrants exercised	27 / 28	2	41	(6)	–	–	–	–	–	37
Convertible preference shares issued	24	–	–	–	–	8,453	–	–	–	8,453
Own shares acquired	29	–	–	–	(133)	–	–	–	–	(133)
Own shares disposed	29	–	–	–	43,161	–	–	–	(28,549)	14,612
Own shares allocated	29	–	–	–	1,543	–	–	–	(1,441)	102
Ordinary shares cancelled	27 / 29	(200)	(7,838)	–	81	–	–	–	–	(7,957)
Share-based payments	32d	–	–	–	–	–	–	–	1,409	1,409
Transfer in respect of capital losses		–	–	–	–	–	(35,250)	–	35,250	–
At 31 December 2016		**12,578**	**216,938**	**1,161**	**(7,449)**	**8,453**	**(245,426)**	**(177,199)**	**691,170**	**500,226**

The accompanying notes are an integral part of this statement.

GROUP CASH FLOW STATEMENT

For the year ended 31 December 2016

	Notes	2016 $'000	2015 $'000
Cash flows from operating activities			
Profit / (loss) before tax		22,246	(205,056)
Adjustments for:			
Depreciation	6	1,101	1,599
Provision for bad debts	6	22	3,720
Share of profits of joint ventures	16	(1,780)	(2,518)
Finance income	7	(21,522)	(4,493)
Finance expense	7	96,938	96,776
Profit on disposal of investment property under construction	12	(3,807)	–
Loss on revaluation of investment property	11	40,192	251,198
Loss on revaluation of investment property under construction	12	3,132	5,350
Foreign exchange profits		(18,079)	(1,223)
Share-based payments and other long term incentives	32	5,944	3,594
		124,387	148,947
Changes in operating working capital			
Decrease / (increase) in operating receivables		4,419	(4,892)
Decrease / (increase) in other operating current assets		391	(159)
Decrease in operating payables		(8,026)	(2,967)
		121,171	140,929
Receipts from joint ventures		4,521	3,954
Tax paid		(7,680)	(8,731)
Net cash generated from operating activities		**118,012**	**136,152**
Cash flows from investing activities			
Payments for investment property and investment property under construction		(9,163)	(20,028)
Refunds of VAT on construction		493	4,877
Release of restricted cash		–	25,392
Proceeds from disposal of investment property under construction	12	4,595	–
Purchase of plant and equipment		(653)	(755)
Loans repaid		337	473
Interest received		3,399	2,909
Net cash (used in) / generated from investing activities		**(992)**	**12,868**

	Notes	2016 $'000	2015 $'000
Cash flows from financing activities			
Proceeds from long term borrowings		–	80,944
Repayment of long term borrowings		(108,150)	–
Loan amortisation		(56,343)	(57,787)
Bank borrowing costs paid		(66,808)	(69,465)
Exercise of warrants	27 / 28	37	177
Preference shares purchased		(713)	–
Ordinary shares purchased	27 / 29	(7,988)	(41,906)
Ordinary shares sold	29	14,612	–
Dividends paid on preference shares		(15,088)	(17,156)
Dividends paid on convertible preference shares		(4,349)	–
Issue of convertible preference shares	24	128,327	–
Premium paid for derivative financial instruments		(4,296)	(5,107)
Net cash used in financing activities		**(120,759)**	**(110,300)**
Net (decrease) / increase in cash and cash equivalents		**(3,739)**	**38,720**
Opening cash and cash equivalents		202,291	171,383
Effect of foreign exchange rate changes		69	(7,812)
Closing cash and cash equivalents	20	**198,621**	**202,291**

The accompanying notes are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

1. General information

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

The Company is incorporated and domiciled in Guernsey under the provisions of the Companies (Guernsey) Law, 2008. The Company's registered office is at La Vieille Cour, La Plaiderie, St Peter Port, Guernsey GY1 6EH.

The audited financial statements of the Group for the year ended 31 December 2016 were authorised by the Board for issue on 12 March 2017.

2. Accounting policies

Basis of preparation

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

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

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

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

Statement of compliance

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

Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year. The Group has adopted new and amended IFRS and IFRIC interpretations as of 1 January 2016, which had no impact on the financial position or performance of the Group.

Certain new standards, interpretations and amendments to existing standards have been published that are mandatory for later accounting periods and which have not been adopted early. Of these the only three thought to have a possible impact on the Group are:

IFRS 9 Financial Instruments (effective 1 January 2018)
IFRS 15 Revenue from Contracts with Customers (effective 1 January 2018)
IFRS 16 Leases (effective 1 January 2019)

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

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

Basis of consolidation

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

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

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

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

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

Joint ventures

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

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

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

Revenue recognition

(a) Property investment

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

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

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

(b) Roslogistics

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

(c) Raven Mount

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

Taxation

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

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

(a) Current tax

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

(b) Tax provisions

A current tax provision is recognised when the Group has a present obligation as a result of a past event and it is probable that the Group will be required to settle that obligation. A provision for uncertain taxes is recorded within current tax payable (see note 21).

(c) Deferred tax

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

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

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

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

(d) Value added tax

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

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

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

Investment property and investment property under construction

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

Investment property is measured initially at its cost, including related transaction costs. After initial recognition, investment property is carried at fair value. The Directors assess the fair value of investment property based on independent valuations carried out by their appointed property valuers or on independent valuations prepared for banking purposes. The Group has appointed Jones Lang LaSalle as property valuers to prepare valuations on a semi-annual basis. Valuations are undertaken in accordance with appropriate sections of the current Practice Statements contained in the Royal Institution of Chartered Surveyors Appraisal and Valuation Standards, 2014 Edition (the "Red Book"). This is an internationally accepted basis of valuation. Gains or losses arising from changes in the fair value of investment property are included in the Income Statement in the period in which they arise. For the purposes of these financial statements, in order to avoid double counting, the assessed fair value is reduced by the present value of any tenant incentives and contracted rent uplifts that are spread over the lease term and increased by the carrying amount of any liability under a head lease that has been recognised in the balance sheet.

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

Leasing (as lessors)

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

Financial assets

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

(a) Fair value through profit or loss

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

(b) Loans and receivables

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

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

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

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

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

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

(a) Fair value through profit or loss

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

(b) Other financial liabilities

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

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

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

Own shares held

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

Share-based payments and other long term incentives

The Group rewards its key management and other senior employees by a variety of means many of which are settled by ordinary, preference shares or convertible preference shares of the Company, these include the Executive Share Option Schemes, the Combined Bonus and Long Term Incentive Scheme 2015 to 2017 ("CBLTIS 2015") and the 2016 Retention Scheme.

Awards linked to or that may be settled by ordinary shares

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

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

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.

The CBLTIS 2015 and the share component of the 2016 Retention Scheme have been accounted for in this way.

Awards not linked to or settled by ordinary shares

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

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

Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

(c) On consolidation

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

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

(ii) income and expenditure for each Income Statement are translated at the average exchange rate prevailing in the period unless this does not approximate the rates ruling at the dates of the transactions in which case they are translated at the transaction date rates; and

(iii) all resulting exchange differences are recognised in Other Comprehensive Income.

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

Dividends

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

3. Critical accounting estimates and judgements

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

Judgements other than estimates

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

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

When the acquisition of a subsidiary does not represent a business, it is accounted for as an acquisition of a group of assets and liabilities. The cost of the acquisition is allocated to the assets and liabilities acquired based on their relative fair values, and no goodwill or deferred tax is recognised. There were no acquisitions in 2015 or 2016.

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

Estimates

(a) Valuation of investment property and investment property under construction
The best evidence of fair value is current prices in an active market for similar lease and other contracts. In the absence of such information, the Group determines the amount within a range of reasonable, fair value estimates. In making its estimation the Group considers information from a variety of sources and engages external, professional advisers to carry out third party valuations of its properties. The external valuations are completed in accordance with appropriate sections of the current Practice Statements contained in the Royal Institution of Chartered Surveyors Appraisal and Valuation Standards, 2014 Edition (the "Red Book"). This is an internationally accepted basis of valuation and is consistent with the requirements of IFRS 13. In our market, where transactional activity is minimal, the valuers are required to use a greater degree of estimation or judgement than in a market where comparable transactions are more readily available. For the valuations at 31 December 2016 and 31 December 2015 the valuer has highlighted that as a result of market conditions at the valuation date it was necessary to make more judgements than is normally required.

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

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

Russian tax legislation is subject to varying interpretations and changes, which may occur frequently. New legislation and clarifications have been introduced over the last 12 months, but it remains unclear as to how these will be applied in practice. The interpretation of the legislation that the Group adopts for its transactions and activities may be challenged by the relevant regional and federal authorities from time to time. Additionally, there may be inconsistent interpretation of tax regulations by each local authority, creating uncertainties in the correct application of the taxation regulations in Russia. Fiscal periods remain open to review by the authorities for the three calendar years preceding the years of review and in some circumstances may cover a longer period. Additionally, there have been instances where new tax regulations have been applied retrospectively. The Group is and has been subject to tax reviews which are worked through with the relevant authorities to resolve.

The Group, in making its tax provision judgements, is confident that an appropriate level of management and control is exerted in each of the jurisdictions in which it operates, all companies are tax resident in their relevant jurisdictions and are the beneficial owners of any income they receive. Local management use their in house tax knowledge and previous experience as well as independent professional experts when assessing tax risks and the resultant provisions required. For the current year, the Group has specifically reviewed the potential impact that new regulations may have on its financing arrangements and the provision reflects probabilities of between 20% and 100% of possible outcomes.

4. Segmental information

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

Property Investment - acquire, develop and lease commercial property in Russia;
Roslogistics - provision of warehousing, transport, customs brokerage and related services in Russia; and
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 considered to be a single reporting segment.

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

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.

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 $68,631k (2015: $71,571k).

(a) Segmental information for the year ended and as at 31 December 2016

Year ended 31 December 2016	**Property Investment $'000**	**Roslogistics $'000**	**Raven Mount $'000**	**Segment Total $'000**	**Central Overhead $'000**	**Total $'000**
Gross revenue	175,661	17,806	1,827	195,294	–	195,294
Operating costs / cost of sales	(35,023)	(7,991)	(539)	(43,553)	–	(43,553)
Net operating income	**140,638**	**9,815**	**1,288**	**151,741**	**–**	**151,741**
Administrative expenses						
Running general and administration expenses	(13,887)	(1,355)	(920)	(16,162)	(8,081)	(24,243)
Other acquisition / abortive project costs	–	–	–	–	–	–
Depreciation	(823)	(278)	–	(1,101)	–	(1,101)
Share-based payments and other long term incentives	(2,224)	–	–	(2,224)	(6,853)	(9,077)
Foreign currency profits / (losses)	18,136	(38)	(19)	18,079	–	18,079
	141,840	**8,144**	**349**	**150,333**	**(14,934)**	**135,399**
Profit on disposal of investment property under construction	3,807	–	–	3,807	–	3,807
Unrealised loss on revaluation of investment property	(40,192)	–	–	(40,192)	–	(40,192)
Unrealised loss on revaluation of investment property under construction	(3,132)	–	–	(3,132)	–	(3,132)
Share of profits of joint ventures	–	–	1,780	1,780	–	1,780
Segment profit / (loss)	**102,323**	**8,144**	**2,129**	**112,596**	**(14,934)**	**97,662**
Finance income						21,522
Finance expense						(96,938)
Profit before tax						**22,246**

As at 31 December 2016	**Property Investment $'000**	**Roslogistics $'000**	**Raven Mount $'000**	**Total $'000**
Assets				
Investment property	1,300,643	–	–	1,300,643
Investment property under construction	41,253	–	–	41,253
Investment in joint ventures	–	–	9,731	9,731
Inventory	–	–	771	771
Cash and short term deposits	192,995	1,014	4,612	198,621
Segment assets	**1,534,891**	**1,014**	**15,114**	**1,551,019**
Other non-current assets				41,113
Other current assets				53,027
Total assets				**1,645,159**
Segment liabilities				
Interest bearing loans and borrowings	739,825	–	–	739,825
Capital expenditure				
Payments for investment property and investment property under construction	9,163	–	–	9,163

(b) Segmental information for the year ended and as at 31 December 2015

Year ended 31 December 2015	Property Investment $'000	Roslogistics $'000	Raven Mount $'000	Segment Total $'000	Central Overhead $'000	Total $'000
Gross revenue	202,286	15,267	2,151	219,704	–	219,704
Operating costs / cost of sales	(39,609)	(6,295)	323	(45,581)	–	(45,581)
Net operating income	**162,677**	**8,972**	**2,474**	**174,123**	**–**	**174,123**
Administrative expenses						
Running general and administration expenses	(21,722)	(1,243)	(1,123)	(24,088)	(5,993)	(30,081)
Other acquisition / abortive project costs	1,185	–	–	1,185	–	1,185
Depreciation	(1,352)	(244)	(3)	(1,599)	–	(1,599)
Share-based payments and other long term incentives	(1,425)	–	–	(1,425)	(2,169)	(3,594)
Foreign currency profits / (losses)	1,227	(4)	–	1,223	–	1,223
	140,590	**7,481**	**1,348**	**149,419**	**(8,162)**	**141,257**
Profit on disposal of investment property under construction	–	–	–	–	–	–
Unrealised loss on revaluation of investment property	(251,198)	–	–	(251,198)	–	(251,198)
Unrealised loss on revaluation of investment property under construction	(5,350)	–	–	(5,350)	–	(5,350)
Share of profits of joint ventures	–	–	2,518	2,518	–	2,518
Segment (loss) / profit	**(115,958)**	**7,481**	**3,866**	**(104,611)**	**(8,162)**	**(112,773)**
Finance income						4,493
Finance expense						(96,776)
Loss before tax						**(205,056)**

As at 31 December 2015	Property Investment $'000	Roslogistics $'000	Raven Mount $'000	Total $'000
Assets				
Investment property	1,333,987	–	–	1,333,987
Investment property under construction	39,129	–	–	39,129
Investment in joint ventures	–	–	14,968	14,968
Inventory	–	–	1,381	1,381
Cash and short term deposits	196,861	691	4,739	202,291
Segment assets	**1,569,977**	**691**	**21,088**	**1,591,756**
Other non-current assets				42,639
Other current assets				50,497
Total assets				**1,684,892**
Segment liabilities				
Interest bearing loans and borrowings	918,745	–	–	918,745
Capital expenditure				
Payments for investment property and investment property under construction	20,028	–	–	20,028

RAVEN RUSSIA LIMITED 2016 ANNUAL REPORT

5. Gross revenue

	2016 $'000	2015 $'000
Rental and related income	175,661	202,286
Proceeds from the sale of inventory property	1,827	2,151
Logistics	17,806	15,267
	195,294	**219,704**

The Group's leases typically include annual rental increases ("contingent rents") based on a consumer price index in Russia, Europe or the USA, which are recognised in income as they arise. Contingent rents included in rental income for the year amounted to $2,135k (2015: $2,148k).

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

The Group recognised revenue of $24.6 million (2015: $23.6 million) from a single tenant of the property investment segment that amounted to more than 10% of Group revenue.

6. Administrative expenses

(a) Total administrative expenses	2016 $'000	2015 $'000
Employment costs	11,700	14,607
Directors' remuneration	4,882	3,502
Bad debts	22	3,720
Office running costs and insurance	3,218	4,039
Travel costs	1,540	1,430
Auditors' remuneration	617	851
Abortive project costs	–	(1,185)
Legal and professional	1,814	1,430
Depreciation	1,101	1,599
Registrar costs and other administrative expenses	450	502
	25,344	**30,495**

(b) Fees for audit and other services provided by the Group's auditor	2016 $'000	2015 $'000
Audit services	508	686
Audit related assurance services	65	73
	573	**759**
Other fees:		
Taxation services	44	12
Other services	–	80
	44	92
Total fees	**617**	**851**

Ernst & Young also provide audit and taxation services for various SPVs that form part of the property operating costs. Charges for the audit of SPVs in the year amounted to $306k (2015: $345k) and the fees for taxation services were $170k (2015: $73k).

7. Finance income and expense

	2016 $'000	2015 $'000
Finance income		
Total interest income on financial assets not at fair value through profit or loss		
Income from cash and short term deposits	3,399	2,909
Interest receivable from joint ventures	37	–
Other finance income		
Profit on purchase and cancellation of loans and borrowings	15,365	–
Change in fair value of open interest rate derivative financial instruments	169	1,373
Change in fair value of foreign currency embedded derivatives	2,552	211
Finance income	**21,522**	**4,493**
Finance expense		
Interest expense on loans and borrowings measured at amortised cost	68,631	71,570
Interest expense on preference shares	16,518	18,628
Interest expense on convertible preference shares	7,475	–
Total interest expense on financial liabilities not at fair value through profit or loss	92,624	90,198
Change in fair value of open forward currency derivative financial instruments	2,324	2,531
Change in fair value of open interest rate derivative financial instruments	1,990	4,047
Finance expense	**96,938**	**96,776**

On 20 December 2016, the Group agreed to pay $16.3 million to HSH Nordbank to fully repay and discharge $31.7 million of loans secured on the Konstanta office block, generating a profit for the Group of $15.4 million in the year.

Included in the interest expense on loans and borrowings is $3.8 million (2015: $3.8 million) relating to amortisation of costs incurred in originating the loans. Included in the interest expense on preference shares is $0.6 million (2015: $0.6 million) relating to the accretion of premiums payable on redemption of preference shares and amortisation of costs incurred in issuing preference shares. Included in the interest expense on convertible preference shares is $2.8 million relating to the accretion of premiums payable on redemption and amortisation of costs incurred in issuing the convertible preference shares of $0.1 million.

8. Tax

	2016 $'000	2015 $'000
The tax expense for the year comprises:		
Current taxation	10,816	11,151
Deferred taxation (note 26)		
On the origination and reversal of temporary differences	3,694	(22,662)
On unrealised foreign exchange movements in loans	17	(1,203)
Adjustments recognised in the period for tax of prior periods	–	17
Tax charge / (credit)	**14,527**	**(12,697)**

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

	2016 $'000	2015 $'000
Profit / (loss) before tax	22,246	(205,056)
Tax at the Russian corporate tax rate of 20%	4,449	(41,011)
Tax effect of income not subject to tax and non-deductible expenses	16,170	44,659
Tax on dividends and other inter company gains	1,235	2,333
Tax effect of financing arrangements	15,300	(30,478)
Movement on deferred tax assets	(26,544)	8,783
Movement in tax provisions	3,917	3,000
Adjustments recognised in the period for current tax of prior periods	–	17
	14,527	**(12,697)**

The majority of income not subject to tax and non-deductible expenses relates to income and expenditure arising in Guernsey. As explained in note 7, income in Guernsey this year included the one-off waiver of a loan from HSH Nordbank.

The tax effect of financing arrangements includes inter company financing arrangements and the effect of foreign currency loans entered into by the Group's Russian subsidiaries. Unrealised foreign exchange gains and losses are taxable or tax deductible in Russia. Therefore the movement in each year is a factor of the related movement in underlying exchange rates, principally the US Dollar / Rouble rate.

9. Earnings measures

In addition to reporting IFRS earnings the Group also reports its own underlying earnings measure. The Directors consider underlying earnings to be a key performance measure, as this is the measure used by Management to assess the return on holding investment assets for the long term and the Group's ability to declare covered distributions. As a consequence the underlying earnings measure excludes investment property revaluations, gains or losses on the disposal of investment property, intangible asset movements, gains and losses on derivative financial instruments, share-based payments and other long term incentives (to the extent not settled in cash), the accretion of premiums payable on redemption of preference shares and convertible preference shares, material non-recurring items, depreciation and amortisation of loan origination costs, together with any related tax.

NOTES TO THE FINANCIAL STATEMENTS

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

	2016 $'000	2015 $'000
Earnings		
Net profit / (loss) for the year prepared under IFRS	**7,719**	**(192,359)**
Adjustments to arrive at underlying earnings:		
Profit on disposal of investment property under construction	(3,807)	–
Unrealised loss on revaluation of investment property	40,192	251,198
Unrealised loss on revaluation of investment property under construction	3,132	5,350
Change in fair value of open forward currency derivative financial instruments (note 7)	2,324	2,531
Change in fair value of open interest rate derivative financial instruments (note 7)	1,821	2,674
Change in fair value of foreign currency embedded derivatives (note 7)	(2,552)	(211)
Movement on deferred tax thereon	212	(24,562)
Abortive project costs (note 6a)	–	(1,185)
Share-based payments and other long term incentives	5,944	3,594
Premium on redemption of preference shares and amortisation of issue costs (note 7)	562	614
Premium on redemption of convertible preference shares and amortisation of issue costs (note 7)	2,892	–
Depreciation (note 6a)	1,101	1,599
Profit on purchase and cancellation of loans and borrowings (note 7)	(15,365)	–
Amortisation of loan origination costs (note 7)	3,811	3,839
Tax on unrealised foreign exchange movements in loans	(864)	1,476
Underlying earnings	**47,122**	**54,558**

IFRS	**Earnings $'000**	**2016 Weighted average shares No. '000**	**EPS Cents**	**Earnings $'000**	**2015 Weighted average shares No. '000**	**EPS Cents**
Basic	7,719	657,468	1.17	(192,359)	667,758	(28.81)
Effect of dilutive potential ordinary shares:						
Warrants (note 28)	–	7,651		–	–	
LTIP (note 32)	–	1,294		–	–	
2016 Retention scheme (note 32)	–	1,009		–	–	
CBLTIS 2015 (note 32)	–	275		–	–	
CBLTIS 2012 (note 32)	–	–		–	–	
ERS (note 32)	–	21		–	–	
Convertible preference shares (note 24)	–	–		–	–	
Diluted	**7,719**	**667,718**	**1.16**	**(192,359)**	**667,758**	**(28.81)**

Underlying earnings	2016 Earnings $'000	2016 Weighted average shares No. '000	2016 EPS Cents	2015 Earnings $'000	2015 Weighted average shares No. '000	2015 EPS Cents
Basic	47,122	657,468	7.17	54,558	667,758	8.17
Effect of dilutive potential ordinary shares:						
Warrants (note 28)	–	7,651		–	11,727	
LTIP (note 32)	–	1,294		–	2,478	
2016 Retention scheme (note 32)	–	1,009		–	–	
CBLTIS 2015 (note 32)	–	275		–	2,994	
CBLTIS 2012 (note 32)	–	–		–	1,926	
ERS (note 32)	–	21		–	300	
Convertible preference shares (note 24)	4,584	91,851		–	–	
Diluted	**51,706**	**759,569**	**6.81**	**54,558**	**687,183**	**7.93**

The finance expense for the period relating to the convertible preference shares is greater than IFRS basic earnings per share and thus the convertible preference shares are not dilutive for IFRS diluted earnings per share. In the case of underlying earnings per share the convertible preference shares are dilutive and have been incorporated into the calculation of diluted underlying earnings per share.

10. Ordinary dividends

The Company did not declare a final dividend for the year ended 31 December 2015 or an interim dividend for 2016 and instead implemented two tender offer buy backs of ordinary shares.

In the place of a final dividend for 2015 the Company implemented a tender offer buy back of ordinary shares on the basis of 1 in every 40 shares held at a tender price of 40 pence per share, the equivalent of a final dividend of 1 pence per share. Instead of an interim dividend for 2016 the Company implemented a tender offer buy back of ordinary shares on the basis of 1 in every 80 shares at a tender price of 40 pence per share, the equivalent of a dividend of 0.5 pence per share.

11. Investment property

Asset class Location Fair value hierarchy*	Logistics Moscow Level 3 $'000	Logistics St Petersburg Level 3 $'000	Logistics Regions Level 3 $'000	Office St Petersburg Level 3 $'000	2016 Total $'000
Market value at 1 January 2016	1,043,952	139,106	148,649	25,140	1,356,847
Property improvements and movement in completion provisions	4,906	2,022	378	(179)	7,127
Unrealised (loss) / profit on revaluation	(43,409)	303	2,819	(143)	(40,430)
Market value at 31 December 2016	**1,005,449**	**141,431**	**151,846**	**24,818**	**1,323,544**
Tenant incentives and contracted rent uplift balances	(17,495)	(5,332)	(1,372)	(154)	(24,353)
Head lease obligations (note 25)	1,452	–	–	–	1,452
Carrying value at 31 December 2016	**989,406**	**136,099**	**150,474**	**24,664**	**1,300,643**
Revaluation movement in the year ended 31 December 2016					
Gross revaluation	(43,409)	303	2,819	(143)	(40,430)
Effect of tenant incentives and contracted rent uplift balances	(948)	–	(54)	1,240	238
Revaluation reported in the Income Statement	**(44,357)**	**303**	**2,765**	**1,097**	**(40,192)**

Asset class Location Fair value hierarchy*	Logistics Moscow Level 3 $'000	Logistics St Petersburg Level 3 $'000	Logistics Regions Level 3 $'000	Office St Petersburg Level 3 $'000	2015 Total $'000
Market value at 1 January 2015	1,222,101	170,074	191,576	28,852	1,612,603
Property improvements and movement in completion provisions	(2,768)	(1,194)	114	(266)	(4,114)
Unrealised loss on revaluation	(175,381)	(29,774)	(43,041)	(3,446)	(251,642)
Market value at 31 December 2015	**1,043,952**	**139,106**	**148,649**	**25,140**	**1,356,847**
Tenant incentives and contracted rent uplift balances	(16,547)	(5,332)	(1,318)	(1,394)	(24,591)
Head lease obligations (note 25)	1,731	–	–	–	1,731
Carrying value at 31 December 2015	**1,029,136**	**133,774**	**147,331**	**23,746**	**1,333,987**
Revaluation movement in the year ended 31 December 2015					
Gross revaluation	(175,381)	(29,774)	(43,041)	(3,446)	(251,642)
Effect of tenant incentives and contracted rent uplift balances	(236)	(433)	1,005	108	444
Revaluation reported in the Income Statement	**(175,617)**	**(30,207)**	**(42,036)**	**(3,338)**	**(251,198)**

*Classified in accordance with the fair value hierarchy, see note 36. There were no transfers between fair value hierarchy in 2015 or 2016.

At 31 December 2016 the Group has pledged investment property with a value of $1,288 million (2015: $1,348 million) to secure banking facilities granted to the Group (note 22).

12. Investment property under construction

Asset class	Assets under construction			Land Bank			
Location	Moscow	Regions		St Petersburg	Regions		2016
Fair value hierarchy*	Level 3	Level 3	Sub-total	Level 3	Level 3	Sub-total	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Market value at 1 January 2016	27,700	7,300	**35,000**	413	2,714	**3,127**	**38,127**
Costs incurred	2,353	33	**2,386**	49	355	**404**	**2,790**
Disposal	–	–	**–**	(543)	–	**(543)**	**(543)**
Effect of foreign exchange rate changes	1,774	1,072	**2,846**	81	593	**674**	**3,520**
Unrealised loss on revaluation	(2,227)	(905)	**(3,132)**	–	–	**–**	**(3,132)**
Market value at 31 December 2016	**29,600**	**7,500**	**37,100**	**–**	**3,662**	**3,662**	**40,762**
Head lease obligations (note 25)	491	–	**491**	–	–	**–**	**491**
Carrying value at 31 December 2016	**30,091**	**7,500**	**37,591**	**–**	**3,662**	**3,662**	**41,253**

Asset class	Assets under construction			Land Bank			
Location	Moscow	Regions		St Petersburg	Regions		2015
Fair value hierarchy*	Level 3	Level 3	Sub-total	Level 3	Level 3	Sub-total	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Market value at 1 January 2015	34,000	9,500	**43,500**	–	3,216	**3,216**	**46,716**
Costs incurred	789	–	**789**	413	283	**696**	**1,485**
Disposal	–	–	**–**	–	–	**–**	**–**
Effect of foreign exchange rate changes	(2,369)	(1,570)	**(3,939)**	–	(785)	**(785)**	**(4,724)**
Unrealised loss on revaluation	(4,720)	(630)	**(5,350)**	–	–	**–**	**(5,350)**
Market value at 31 December 2015	**27,700**	**7,300**	**35,000**	**413**	**2,714**	**3,127**	**38,127**
Head lease obligations (note 25)	1,002	–	**1,002**	–	–	**–**	**1,002**
Carrying value at 31 December 2015	**28,702**	**7,300**	**36,002**	**413**	**2,714**	**3,127**	**39,129**

*Classified in accordance with the fair value hierarchy, see note 36. There were no transfers between fair value hierarchy in 2015 or 2016.

During the year the Group sold a land plot in St Petersburg for $4.6 million, generating a profit of $3.8 million after costs.

No borrowing costs were capitalised in the year (2015: $nil).

At 31 December 2016 the Group has pledged investment property under construction with a value of $37.1 million (2015: $35.0 million) to secure banking facilities granted to the Group (note 22).

13. Investment property and investment property under construction - Valuation

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

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

The latter is sub-categorised as:

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

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

The fair value of the Group's investment property and assets under construction at 31 December 2016 has been arrived at on the basis of market valuations carried out by Jones Lang LaSalle ("JLL"), external valuers to the Group. JLL have consented to the use of their name in these financial statements.

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

Valuation process

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

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

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

The external valuers perform their valuations in accordance with the "RICS Valuation - Professional Standards", the 2014 Edition (the "Red Book"). This is an internationally accepted basis of valuation and is consistent with the principles of IFRS 13.

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

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

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

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

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

Valuation assumptions and key inputs

Class of property	Carrying amount 2016 $'000	Carrying amount 2015 $'000	Valuation technique	Input	Range 2016	Range 2015
Completed investment property						
Moscow - Logistics	989,406	1,029,136	Income capitalisation	Long term ERV per sqm for existing tenants	$85 to $105	$90 to $110
				Short term ERV per sqm for vacant space	Rub4,000	Rub4,500
				Initial yield	2.0% to 16.0%	11.2% to 14.9%
				Equivalent yield	10.7% to 12.2%	10.8% to 12.7%
				Vacancy rate	9% to 77%	13.9% to 100.0%
				Passing rent per sqm	$70 to $158	$62 to $158
				Passing rent per sqm	Rub3,500 to Rub6,744	Rub4,500 to Rub6,300
St Petersburg - Logistics	136,099	133,774	Income capitalisation	Long term ERV per sqm for existing tenants	$80	$75
				Short term ERV per sqm for vacant space	Rub3,700	Rub4,000
				Initial yield	11.3% to 13.2%	13.3% to 14.1%
				Equivalent yield	12.3% to 12.6%	12.7% to 13.3%
				Vacancy rate	3% to 31%	11.7% to 40.0%
				Passing rent per sqm	$105 to $138	$80 to $133
				Passing rent per sqm	Rub3,500 to Rub4,500	Rub3,060 to Rub4,600
Regional - Logistics	150,474	147,331	Income capitalisation	Long term ERV per sqm for existing tenants	$80	$75
				Short term ERV per sqm for vacant space	Rub3,700	Rub4,000
				Initial yield	9.0% to 12.4%	12.2% to 13.1%
				Equivalent yield	12.4% to 12.5%	12.7%
				Vacancy rate	22% to 33%	13.0% to 21.0%
				Passing rent per sqm	$102 to $129	$101 to $128
				Passing rent per sqm	Rub3,900 to Rub6,547	Rub3,060 to Rub4,600
St Petersburg - Office	24,664	23,746	Income capitalisation	ERV per sqm	$235	$235
				Initial yield	20.0%	15.8%
				Equivalent yield	13.0%	13.0%
				Vacancy rate	0%	0%
				Passing rent per sqm	Rub19,545	Rub18,848

	Description	Range 2016	Range 2015
Other key information			
Moscow - Logistics	Land plot ratio	34% - 65%	31% - 65%
	Age of building	2 to 12 years	1 to 11 years
	Outstanding costs (US$'000)	6,803	6,931
St Petersburg - Logistics	Land plot ratio	51% - 57%	51% - 57%
	Age of building	2 to 8 years	1 to 7 years
	Outstanding costs (US$'000)	1,102	743
Regional - Logistics	Land plot ratio	48% - 61%	48% - 61%
	Age of building	7 years	6 years
	Outstanding costs (US$'000)	665	81
St Petersburg - Office	Land plot ratio	320%	320%
	Age of building	10 years	9 years
	Outstanding costs (US$'000)	–	53

NOTES TO THE FINANCIAL STATEMENTS

	Carrying amount		Valuation technique	Input	Range	
	2016 $'000	2015 $'000			2016	2015
Investment property under construction						
Moscow - Logistics	30,091	28,702	Comparable	Value per ha ($m)	$0.29 - $0.61	$0.29 - $0.61
Regional - Logistics	7,500	7,300	Comparable	Value per ha ($m)	$0.29	$0.29

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

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

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

All of the above valuations are completed by JLL.

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

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

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

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

In preparing their valuations at 31 December 2016 and 31 December 2015, JLL have specifically referred to the uncertainty in the market caused by sanctions and by an oil price that is low compared with recent history. The Rouble exchange rate exhibited both volatility and further weakness, inflation remained a concern and debt is comparatively expensive. Investment in all sectors of the economy is depressed. There is a resulting lack of clarity as to pricing levels and market drivers. JLL comment that prices agreed during negotiation are typically reduced prior to exchange of contracts as purchasers bring to bear their greater negotiating position and ability to complete transactions in an uncertain market. They further say that in this environment, prices and values are going through a period of heightened volatility and as a result there is less certainty with regard to valuations and that market values can change rapidly in the current conditions. Where the numbers of genuine third party, arm's length, transactions are severely limited it is challenging to draw conclusions on current market yields and to accurately assess ERVs where landlord and tenants are continuing to negotiate to find the new equilibrium due to the Rouble devaluation. This corresponds to the Group's experience.

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

14. Goodwill

	$'000
Balance at 1 January 2015	2,375
Effect of foreign exchange rate changes	(130)
Balance at 31 December 2015	**2,245**
Effect of foreign exchange rate changes	(363)
Balance at 31 December 2016	**1,882**

Goodwill acquired through the Raven Mount business combination has been allocated for impairment purposes to its operating segment. This represents 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 the segment.

15. Investment in subsidiary undertakings

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

Name	Country of Incorporation	Proportion of ownership interest 2016	Proportion of ownership interest 2015
CJSC Kulon Development	Russia	100%	100%
Fenix LLC	Russia	100%	100%
Petroestate LLC	Russia	100%	100%
EG Logistics LLC	Russia	100%	100%
CJSC Kulon Istra	Russia	100%	100%
Soyuz-Invest LLC	Russia	100%	100%
CJSC Noginsk Vostok	Russia	100%	100%
Resource Economia LLC	Russia	100%	100%
Kulon Spb LLC	Russia	100%	100%
Logopark Don LLC	Russia	100%	100%
Logopark Ob LLC	Russia	100%	100%
Delta LLC	Russia	100%	100%
CJSC Toros	Russia	100%	100%
Dorfin Limited	Cyprus	100%	100%
League LLC	Russia	100%	100%
Raven Russia Holdings Cyprus Limited	Cyprus	100%	100%
Roslogistics Holdings (Russia) Limited	Cyprus	100%	100%
Avalon Logistics Company LLC	Russia	100%	100%
Raven Mount Group Limited	England	100%	100%
Raven Russia Property Advisors Limited	England	100%	100%
Raven Russia (Service Company) Limited	Guernsey	100%	100%

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

16. Investment in joint ventures

The principal joint ventures of the Group are as follows:

Name	Country of Incorporation	Proportion of ownership interest 2016	2015
Coln Park LLP	England	50%	50%
Coln Park Construction LLP	England	50%	50%

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

Summarised Balance Sheet	2016 $'000	2015 $'000
Non-current assets	4,141	4,833
Inventory	10,960	16,262
Cash and short term deposits	2,558	2,289
Other current assets	1,625	505
Current liabilities	(8,432)	(4,221)
Net assets	**10,852**	**19,668**
Investment in joint ventures		
Goodwill on acquisition	4,305	5,134
Share of net assets at 50%	5,426	9,834
Carrying value	**9,731**	**14,968**
Carrying value at 1 January	14,968	17,355
Share of profit for the year	1,780	2,518
Share of distributions paid	(4,521)	(3,954)
Effect of foreign exchange rate changes	(2,496)	(951)
Carrying value at 31 December	**9,731**	**14,968**

Summarised Income Statement	2016 $'000	2015 $'000
Gross revenue	25,430	18,575
Cost of sales	(19,807)	(12,628)
Administrative expenses	(1,932)	(943)
Finance expense	(125)	–
Profit before tax	**3,566**	**5,004**
Tax	(5)	32
Profit for the year	**3,561**	**5,036**
Group's share of profit for the year	**1,780**	**2,518**

The joint ventures had no contingent liabilities or capital commitments as at 31 December 2016 and 2015. The joint ventures cannot distribute their profits until they obtain the consent from the joint venture partners.

The Group charged its joint ventures $97k (2015: $92k) for services rendered to them during the year. The joint ventures recharged certain costs back to the Group that for the year amounted to $146k (2015: $104k) of which $9k (2015: $10k) was included in payables at the balance sheet date. In addition to the investment shown above the Group has provided a loan to Coln Park LLP of $342k (2015: $368k) generating interest income of $37k (2015: $nil).

17. Other receivables

	2016 $'000	2015 $'000
Loans receivable	611	606
VAT recoverable	2,982	3,024
Security deposits	–	2,391
Prepayments and other receivables	131	124
	3,724	**6,145**

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

18. Trade and other receivables

	2016 $'000	2015 $'000
Trade receivables	37,732	38,682
Prepayments	4,257	3,149
Security deposits	2,393	2,041
VAT recoverable	4,893	4,482
Other receivables	319	202
Tax recoverable	3,075	1,708
	52,669	**50,264**

19. Derivative financial instruments

	2016 $'000	2015 $'000
Interest rate derivative financial instruments		
Non-current assets	4,694	2,900
Current assets	95	12
Non-current liabilities	–	(210)
Current liabilities	(25)	(413)
Forward currency derivative financial instruments		
Non-current assets	269	2,685
Current assets	8	184
Foreign currency embedded derivatives		
Non-current assets	49	–
Current assets	255	37
Non-current liabilities	(67)	(1,584)
Current liabilities	(918)	(1,684)

The Group has entered into a series of interest rate derivative financial instruments to manage the interest rate and resulting cash flow exposure from the Group's banking facilities. At 31 December 2016 the instruments have a notional value of $581 million (2015: $667 million) and a weighted average fixed or capped rate of 1.51% (2015: 1.51%).

The Group had also entered into a series of forward currency derivative financial instruments to hedge interest payments due to preference shareholders against sterling strengthening. The instruments have a notional amount of $55.8 million (2015: $91.0 million), a weighted average capped rate of $1.55 to £1 (2015: $1.57 to £1) and quarterly maturities with the final instruments maturing on 18 December 2019 (2015: 18 December 2019).

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

20. Cash and short term deposits

	2016 $'000	2015 $'000
Cash at bank and on call	74,708	84,732
Short term deposits	123,913	117,559
	198,621	**202,291**

Cash at bank and on call attracts variable interest rates, whilst short term deposits attract fixed rates but mature and re-price over a short period of time. The weighted average interest rate at the balance sheet date is 2.50% (2015: 1.21%).

21. Trade and other payables

	2016 $'000	2015 $'000
Trade and other payables	8,667	5,196
Construction payables	5,905	3,913
Advanced rentals	28,304	25,801
Other payables	3,770	2,165
Current tax payable	9,471	5,217
Other tax payable	9,283	11,080
Head leases (note 25)	8	12
	65,408	**53,384**

22. Interest bearing loans and borrowings

	2016 $'000	2015 $'000
Bank loans		
Loans due for settlement within 12 months	40,787	104,724
Loans due for settlement after 12 months	699,038	814,021
	739,825	**918,745**
The Group's borrowings have the following maturity profile:		
On demand or within one year	40,787	104,724
In the second year	53,292	162,222
In the third to fifth years	440,432	527,861
After five years	205,314	123,938
	739,825	**918,745**

The amounts above include unamortised loan origination costs of $12.3 million (2015: $11.3 million) and interest accruals of $3.8 million (2015: $2.3 million).

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

As at 31 December 2016	Interest Rate	Maturity (years)	$'000
Secured on investment property and investment property under construction	7.5%	4.7	725,123
Unsecured facility of the Company	8.9%	3.7	14,702
			739,825
As at 31 December 2015			
Secured on investment property and investment property under construction	7.2%	4.0	894,995
Unsecured facility of the Company	8.5%	4.7	23,750
			918,745

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

The table above reflects the impact of the total of $108.2 million of debt which was prepaid in the year across the portfolio to extend the various maturity dates of the loans and reduce amortisation payable. This amount included the $16.3 million paid to fully repay and discharge the loans secured on Konstanta (see note 7).

On 19 January 2017, the Group refinanced the debt secured on the Klimovsk project, drawing down $80 million under the new facility and repaying the old facility of $75 million in full.

The Group has entered into hedging arrangements in respect of its exposure to interest rates (note 19). $112 million (2015: $212 million) of Group bank borrowings have been swapped into fixed rates with 3 months remaining (2015: one year) at a weighted average swap rate of 1.08% (2015: 1.44%), $469 million (2015: $456 million) capped at 1.61% (2015: 1.55%) for two years (2015: two years) and $131 million (2015: $260 million) are fixed rate loans with a weighted average rate of 7.10% (2015: 7.21%) for six years (2015: four years). This gave a weighted average cost of debt to the Group of 7.5% (2015: 7.3%) at the year end.

In December 2016 the Group entered into a six year cap to hedge floating interest rates and a four year forward dated cap starting in June 2017 to extend an existing hedging arrangement.

23. Preference shares

	2016 $'000	2015 $'000
Issued share capital:		
At 1 January	156,558	164,300
Purchased in the year	(713)	–
Premium on redemption of preference shares and amortisation of issue costs	562	614
Scrip dividends	614	643
Effect of foreign exchange rate changes	(25,318)	(8,999)
At 31 December	**131,703**	**156,558**

	2016 Number	2015 Number
Issued share capital:		
At 1 January	98,328,017	98,012,427
Purchased in the year	(450,000)	–
Scrip dividends	387,310	315,590
At 31 December	**98,265,327**	**98,328,017**
Shares in issue	98,752,376	98,365,066
Held by the Company's Employee Benefit Trusts	(487,049)	(37,049)
At 31 December	**98,265,327**	**98,328,017**

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

24. Convertible preference shares

	2016 $'000	2015 $'000
Issued share capital:		
At 1 January	–	–
Issued in the year (net of issue costs)	138,705	–
Allocated to equity	(8,453)	–
Acquired by Company's Employee Benefit Trust	(10,378)	–
Reissued in the year	2,779	–
Premium on redemption of preference shares and amortisation of issue costs	2,892	–
Movement on accrual for preference dividends	24	–
Effect of foreign exchange rate changes	(5,710)	–
At 31 December	**119,859**	**–**

	2016 Number	2015 Number
Issued share capital:		
At 1 January	–	–
Issued in the year	108,689,501	–
Acquired by Company's Employee Benefit Trust	(8,000,000)	–
Reissued in the year	2,148,375	–
At 31 December	**102,837,876**	**–**
Shares in issue	108,689,501	–
Held by the Company's Employee Benefit Trusts	(5,851,625)	–
At 31 December	**102,837,876**	**–**

On 7 July 2016 the Company created and issued 108,689,501 convertible preference shares at a subscription price of £1 per share. The convertible preference shares entitle the holders to a cumulative annual dividend of 6.5 pence per share and are redeemable by the Company on 6 July 2026 at £1.35 per share. The convertible preference shares are convertible to ordinary shares at the holder's request at any time prior to redemption at a rate of 1.818 ordinary shares for each convertible preference share.

One of the Company's Employee Benefit Trusts subscribed for 8,000,000 convertible preference shares and has subsequently transferred 2,148,375 to participants of the 2016 Retention Scheme (see note 32).

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

25. Other payables

	2016 $'000	2015 $'000
Rent deposits	23,324	28,932
Head leases	1,935	2,721
	25,259	**31,653**

The Group has leasehold properties that it classifies as investment property and investment property under construction. Minimum lease payments due over the remaining term of the leases totalled $5.9 million (2015: $8.5 million) and have a present value at 31 December 2016, as reflected above and in note 21, of $1.9 million (2015: $2.7 million).

26. Deferred tax

(a) Deferred tax assets	Tax losses $'000	Other $'000	Total $'000
Balance at 1 January 2015	35,783	(17)	35,766
Effect of foreign exchange rate changes	(7,750)	–	(7,750)
(Charge) / credit for the year	(2,554)	61	(2,493)
Balance at 31 December 2015	**25,479**	**44**	**25,523**
Effect of foreign exchange rate changes	4,838	–	4,838
(Charge) / credit for the year	(3,517)	607	(2,910)
Balance at 31 December 2016	**26,800**	**651**	**27,451**

The Group has tax losses in Russia of $346 million (2015: $417 million) and tax losses in the UK of $87 million (2015: $117 million) for which deferred tax assets have not been recognised. The losses in the UK do not have an expiry date. Previously losses in Russia expired after 10 years, however following a change in tax law in the year, the losses can now be carried forward indefinitely. There is, however, a restriction on the use of losses in that taxable profits cannot be reduced by more than 50% in any one year.

(b) Deferred tax liabilities	Accelerated tax allowances $'000	Revaluation of investment property $'000	Total $'000
Balance at 1 January 2015	33,868	55,250	89,118
Effect of foreign exchange rate changes	(7,158)	–	(7,158)
Charge / (credit) for the year	3,435	(29,776)	(26,341)
Balance at 31 December 2015	**30,145**	**25,474**	**55,619**
Effect of foreign exchange rate changes	5,448	–	5,448
Charge / (credit) for the year	5,069	(4,267)	802
Balance at 31 December 2016	**40,662**	**21,207**	**61,869**

27. Share capital

	2016 $'000	2015 $'000
Issued share capital:		
At 1 January	12,776	13,623
Issued in the year for cash on warrant exercises (note 28)	2	7
Repurchased and cancelled in the year	(200)	(854)
At 31 December	**12,578**	**12,776**

	2016 Number	2015 Number
Issued share capital:		
At 1 January	682,560,376	737,598,353
Issued in the year for cash on warrant exercises (note 28)	114,084	457,589
Repurchased and cancelled in the year	(14,705,997)	(55,495,566)
At 31 December	**667,968,463**	**682,560,376**

Of the authorised ordinary share capital of 1,500,000,000 at 31 December 2016 (2015: 1,500,000,000), 24,894,739 (2015: 25,008,823) are reserved for warrants.

Details of own shares held are given in note 29.

28. Warrants

	2016 $'000	2015 $'000
At 1 January	1,167	1,195
Exercised in the year (note 27)	(6)	(28)
At 31 December	**1,161**	**1,167**

	2016 Number	2015 Number
At 1 January	25,008,823	25,466,412
Exercised in the year (note 27)	(114,084)	(457,589)
At 31 December	**24,894,739**	**25,008,823**

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

66,193 warrants have been exercised in the period since 31 December 2016.

29. Own shares held

	2016 $'000	2015 $'000
At 1 January	(52,101)	(63,649)
Acquisitions	(133)	(76)
Disposal	43,161	–
Cancelled	81	3,692
Allocation to satisfy ERS options exercised (note 32a)	68	258
Allocation to satisfy LTIP options exercised (note 32a)	598	901
Allocation to satisfy CBLTIS 2012 awards vesting (note 32b)	–	6,773
Allocation to satisfy CBLTIS 2015 awards vesting (note 32c)	877	–
At 31 December	**(7,449)**	**(52,101)**

	2016 Number	2015 Number
At 1 January	38,456,594	49,048,873
Acquisitions	282,468	98,040
Disposal	(30,937,631)	–
Cancelled	(64,987)	(3,395,130)
Allocation to satisfy ERS options exercised (note 32a)	(62,756)	(237,146)
Allocation to satisfy LTIP options exercised (note 32a)	(500,000)	(828,515)
Allocation to satisfy CBLTIS 2012 awards vesting (note 32b)	–	(6,229,528)
Allocation to satisfy CBLTIS 2015 awards vesting (note 32c)	(729,608)	–
At 31 December	**6,444,080**	**38,456,594**

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

30. Equity

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

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

31. Net asset value per share

As well as reporting IFRS net asset value and net asset value per share, the Group also reports its own adjusted net asset value and adjusted net asset value per share measure. The Directors consider that the adjusted measure provides more relevant information to shareholders as to the net asset value of a property investment group with a strategy of long term investment. The adjustments remove or adjust assets and liabilities, including goodwill and amounts relating to irredeemable preference shares, that are not expected to crystallise in normal circumstances.

	2016 $'000	2015 $'000
Net asset value	**500,226**	**465,042**
Goodwill	(1,882)	(2,245)
Goodwill in joint ventures	(4,305)	(5,134)
Unrealised foreign exchange (profits) / losses on preference shares	(20,362)	4,956
Fair value of interest rate derivative financial instruments (note 19)	(4,764)	(2,289)
Fair value of embedded derivatives (note 19)	681	3,231
Fair value of foreign exchange derivative financial instruments (note 19)	(277)	(2,869)
Adjusted net asset value	**469,317**	**460,692**
Assuming exercise / vesting of all dilutive potential ordinary shares		
– Convertible preference shares (note 24)	119,859	–
– Warrants (note 28)	7,691	9,215
– ERS (note 32)	–	–
– LTIP (note 32)	1,196	1,611
– 2016 Retention scheme (note 32)	1,498	–
– CBLTIS 2015 (note 32)	–	–
Adjusted fully diluted net asset value	**599,561**	**471,518**

	2016	2015
Number of ordinary shares (note 27)	667,968,463	682,560,376
Less own shares held (note 29)	(6,444,080)	(38,456,594)
	661,524,383	644,103,782
Assuming exercise / vesting of all dilutive potential ordinary shares		
– Convertible preference shares (note 24)	186,959,259	–
– Warrants (note 28)	24,894,739	25,008,823
– ERS (note 32)	–	75,000
– LTIP (note 32)	3,872,973	4,372,973
– 2016 Retention scheme (note 32)	10,897,650	–
– CBLTIS 2015 (note 32)	–	2,993,670
Number of ordinary shares assuming exercise of all potential ordinary shares	**888,149,004**	**676,554,248**

	2016 Cents	2015 Cents
Net asset value per share	76	72
Fully diluted net asset value per share	71	70
Adjusted net asset value per share	71	72
Adjusted fully diluted net asset value per share	68	70

As the preference shares are considered to be capital for capital risk management (see note 35d) unrealised foreign exchange movements on these have been adjusted when calculating adjusted NAV per share. As explained in note 24 the convertible preference shares are a compound financial instrument and their carrying value is split between non-current liabilities and equity. Further more the convertible preference shares have a finite life and thus no adjustment has been made for unrealised foreign exchange gains and losses in calculating the Group's adjusted NAV.

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

32. Share-based payments and other long term incentives

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

Executive Share Option Schemes ("ESOS")

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

Combined Bonus and Long Term Incentive Scheme 2015 to 2017 ("CBLTIS 2015")

During 2015 the Group implemented the CBLTIS 2015. Contingent awards were made in respect of 35 million ordinary shares, which covered the calendar years 2015 to 2017. The awards are subject to performance criteria; three quarters of the award had performance conditions linked to operating cash flows and the remainder had a share price target. The awards made have been accounted for in accordance with the Group's accounting policy for share-based payments. During the year the executive directors and certain senior managers waived their entitlement to rewards under this scheme. Additionally after the initial vesting in 2016 the scheme was cancelled. In accordance with the Group's accounting policy the charge to the income statement in respect of the share price tranche was accelerated following cancellation of the scheme.

2016 Retention Scheme

During the year the Group terminated the CBLTIS 2015 and the Company's shareholders approved the introduction of the 2016 Retention scheme. Awards under the scheme have been made to the executive directors of the Company and two senior managers of the Group. The award entitles the participants to three equal payments each equivalent to 150% of their basic salary. The first instalment was payable upon approval of the scheme and the second and third instalments will be payable on 31 December 2017 and 31 March 2019. The sole condition for each instalment being paid is the continuing employment of the participant at the relevant payment date.

Participants will receive payment of an instalment in a combination of the Company's listed securities and cash. The numbers of listed securities to be issued to satisfy such payments will be calculated with reference to the average price of the relevant security prior to the payment date. On 13 July 2016 an employment benefit trust of the Company transferred 2,148,375 convertible preference shares (see note 24) to participants of the scheme in satisfaction of the fist instalment. It is intended that convertible preference shares held by an employment benefit trust will also be used to satisfy the proportion of the second and third instalments that are to be settled in listed securities.

	2016		2015	
(a) Movements in Executive Share Option Schemes	**No. of options**	**Weighted average exercise price**	**No. of options**	**Weighted average exercise price**
Outstanding at the beginning of the year	4,447,973	25p	5,708,784	24p
Exercised during the year				
– ERS	(75,000)	0p	(250,000)	0p
– LTIP	(500,000)	25p	(1,010,811)	25p
Outstanding at the end of the year	**3,872,973**	**25p**	**4,447,973**	**25p**
Represented by:				
– ERS	–		75,000	
– LTIP	3,872,973		4,372,973	
	3,872,973		**4,447,973**	
Exercisable at the end of the year	**3,872,973**	**25p**	**4,447,973**	**25p**

The weighted average remaining contractual life of options was 1 year (2015: 2 years).

(b) Movements in Combined Bonus and Long Term Incentive Scheme 2012 Awards	2016 No. of award shares	2015 No. of award shares
Awards of Ordinary shares:		
Outstanding at the beginning of the year	–	7,401,158
Granted during the year	–	–
Lapsed during the year	–	–
Vested during the year	–	(7,401,158)
Outstanding at the end of the year	**–**	**–**

(c) Movements in Combined Bonus and Long Term Incentive Scheme 2015 Awards	2016 No. of award shares	2015 No. of award shares
Awards of ordinary shares:		
Outstanding at the beginning of the year	34,800,000	–
Granted during the year	–	34,800,000
Unvested awards waived during the year	(18,750,000)	–
Vested during the year (of which entitlement to 2,150,626 was waived)	(2,942,060)	–
Lapsed during the year	(6,207,940)	–
Cancelled during the year	(6,900,000)	–
Outstanding at the end of the year	**–**	**34,800,000**

(d) Income Statement charge for the year	2016 $'000	2015 $'000
CBLTIS 2012	–	(39)
CBLTIS 2015	1,409	3,633
2016 Retention scheme	7,668	–
	9,077	**3,594**
To be satisfied by allocation of:		
Ordinary shares (IFRS 2 expense)	1,409	3,594
Convertible preference shares (IFRS 2 expense)	4,535	–
Cash	3,133	–
	9,077	**3,594**

Of the IFRS 2 expense for the year $1.5 million is included in current liabilities.

The fair values at grant of the CBLTIS 2015 awards were assessed using valuation models. Details of the fair values, models used and key inputs thereto are set out in the table below:

	Tranche with operating cash flow targets	Tranche with share price target
Fair value at grant date	62p	18p
Expected volatility	26%	27%
Risk free rate	1.05%	1.51%
Dividend yield	0%	0%
Model used	Black Scholes	Monte Carlo

33. Capital commitments

The Group has committed to fund the construction of certain additional investment property. At 31 December 2016, $1.2 million of funding was required (2015: $2.6 million), excluding VAT.

34. Related party transactions

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

Remuneration of Directors and other key management personnel	2016 $'000	2015 $'000
Short term employee benefits	6,821	6,287
Post employment benefits	288	322
Share-based payments and other long term incentives	7,668	2,582
	14,777	**9,191**

35. Financial instruments – risk management

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

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

Russian Rouble

The rapid depreciation of the Rouble since November 2014 has heightened the Group's currency risk. New leases are now predominantly Rouble denominated rather than pegged to US Dollars, which will increase the Group's foreign currency risk when servicing US Dollar denominated debt.

The Group holds sufficient Rouble currency to cover Rouble denominated overheads and any future construction cost commitments.

The weak Rouble also has an impact on property values as explained in note 13 to the accounts and increased credit risk as explained below.

Sterling

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

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

As at 31 December 2016	US Dollar $'000	Sterling $'000	Russian Rouble $'000	Other $'000	Total $'000
Non-current assets					
Loans receivable	–	611	–	–	611
Security deposits	–	–	–	–	–
Restricted cash	–	–	–	–	–
Derivative financial instruments	4,694	269	49	–	5,012
Current assets					
Trade receivables	29,489	38	6,068	2,137	37,732
Security deposits	2,393	–	–	–	2,393
Derivative financial instruments	95	8	255	–	358
Other current receivables	–	98	217	3	318
Cash and short term deposits	61,846	19,841	116,287	647	198,621
	98,517	**20,865**	**122,876**	**2,787**	**245,045**
Non-current liabilities					
Interest bearing loans and borrowings	699,038	–	–	–	699,038
Preference shares	–	131,703	–	–	131,703
Convertible preference shares	–	119,859	–	–	119,859
Derivative financial instruments	–	–	67	–	67
Rent deposits	21,264	–	1,432	628	23,324
Other payables	23	–	1,912	–	1,935
Current liabilities					
Interest bearing loans and borrowings	40,787	–	–	–	40,787
Derivative financial instruments	25	–	918	–	943
Rent deposits	5,375	–	1,265	–	6,640
Other payables	–	2,769	6,078	22	8,869
	766,512	**254,331**	**11,672**	**650**	**1,033,165**

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2015	US Dollar $'000	Sterling $'000	Russian Rouble $'000	Other $'000	Total $'000
Non-current assets					
Loans receivable	–	606	–	–	606
Security deposits	2,391	–	–	–	2,391
Derivative financial instruments	2,900	2,685	–	–	5,585
Current assets					
Trade receivables	32,519	6	6,157	–	38,682
Security deposits	2,041	–	–	–	2,041
Derivative financial instruments	49	184	–	–	233
Other current receivables	–	76	126	–	202
Cash and short term deposits	155,996	14,286	28,771	3,238	202,291
	195,896	**17,843**	**35,054**	**3,238**	**252,031**
Non-current liabilities					
Interest bearing loans and borrowings	814,021	–	–	–	814,021
Preference shares	–	156,558	–	–	156,558
Derivative financial instruments	210	–	1,584	–	1,794
Rent deposits	27,366	–	1,126	440	28,932
Other payables	–	–	2,721	–	2,721
Current liabilities					
Interest bearing loans and borrowings	104,724	–	–	–	104,724
Derivative financial instruments	413	–	1,684	–	2,097
Rent deposits	6,676	–	151	–	6,827
Other payables	–	1,814	4,254	22	6,090
	953,410	**158,372**	**11,520**	**462**	**1,123,764**

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

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

Post tax profit or loss would change by:	2016 $'000	2015 $'000
Russian Rouble	6,619	412
Sterling	1,455	10,502

Net asset value would change by:		
Russian Rouble	11,121	2,355
Sterling	22,967	11,184

The majority of sterling sensitivity relates to the retranslation of the value of preference shares and convertible 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 2016	US Dollar $'000	Sterling $'000	Russian Rouble $'000	Other $'000
Current assets				
Trade receivables	5,767	–	–	–
Cash and short term deposits	35,501	–	79,660	–
	41,268	**–**	**79,660**	**–**
Current liabilities				
Interest bearing loans and borrowings	63	–	–	–
Rent deposits	5,375	–	–	–
	5,438	**–**	**–**	**–**
Non-current liabilities				
Interest bearing loans and borrowings	15,000	–	–	–
Rent deposits	21,264	–	–	–
	36,264	**–**	**–**	**–**

As at 31 December 2015	US Dollar $'000	Sterling $'000	Russian Rouble $'000	Other $'000
Current assets				
Trade receivables	5,257	–	–	–
Cash and short term deposits	128,769	–	–	2,508
	134,026	**–**	**–**	**2,508**
Current liabilities				
Interest bearing loans and borrowings	5,020	–	–	–
Rent deposits	6,676	–	–	–
	11,696	**–**	**–**	**–**
Non-current liabilities				
Interest bearing loans and borrowings	18,466	–	–	–
Rent deposits	27,366	–	–	–
	45,832	**–**	**–**	**–**

The Group's interest rate risk arises from long-term borrowings (note 22), which include preference shares issued (note 23) and convertible preference shares (note 24). Borrowings issued at variable rates expose the Group to cash flow interest rate risk, whilst borrowings issued at a fixed rate expose the Group to fair value risk. The Group's cash flow and fair value risk is reviewed monthly by the Board. The cash flow and fair value risk is approved monthly by the Board.

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

To date the Group has sought to fix its exposure to interest rate risk on borrowings through fixed rate debt facilities, the use of a variety of interest rate derivatives and the issue of preference shares and convertible preference shares at a fixed coupon. This gives certainty over future cash flow but exposure to fair value movements, which amounted to an accumulated unrealised loss of $12.4 million at 31 December 2016 (2015: loss of $10.6 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 decrease net assets by $2.1 million (2015: $2.0 million). If LIBOR rates were to drop to zero then there would be an increase in the profit for the year and an increase in net assets of $4.2 million (2015: increase of $2.8 million) as the loss on income from cash would be greater than gains on interest expense because of the low LIBOR rates prevailing at this time and the interest rate hedges in place.

(b) Credit risk

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

Credit risk associated with the Group's trade and other receivables has increased during the year. The Group historically transacted with tenants using US dollar pegged leases, passing foreign exchange risk on to the tenant in exchange for lower US CPI indexation. The rapid weakening of the rouble has meant that the foreign exchange risk carried by tenants has increased significantly. This may result in some tenants struggling to meet rental obligations. The Group has policies in place to ensure that rental contracts are made with tenants meeting appropriate Balance Sheet covenants, supplemented by rental deposits or bank guarantees from international banks. No significant doubtful receivables existed at the year end and the amounts presented in the Balance Sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is objective evidence that the Group will not be able to collect all amounts due according to the terms of the receivables concerned. Details of the movements in provision for impairment of trade receivables is provided in the table below.

	2016 $'000	2015 $'000
At 1 January	4,311	591
Effect of foreign exchange rate changes	254	–
Charge for the year	742	3,720
Utilised in the year	–	–
Unused amounts reversed	(721)	–
At 31 December	**4,586**	**4,311**

At 31 December 2016 there were no significant amounts of unimpaired trade receivables that were past due for collection (2015: $ nil).

The Group has VAT recoverable of $7.9 million (2015: $7.5 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 2016 (2015: $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 and formal liquidity reports are issued from all jurisdictions on a weekly basis and are reviewed monthly by the Board, along with cash flow forecasts. A summary table with maturity of financial liabilities is presented below.

All amounts shown are gross undiscounted cash flows.

Financial liabilities

As at 31 December 2016	Total $'000	Current $'000	Year 2 $'000	Years 3 to 5 $'000	Years 6 to 10 $'000
Interest bearing loans and borrowings	964,900	96,014	106,721	542,826	219,339
Preference shares	145,711	14,571	14,571	43,713	72,856
Convertible preference shares	254,153	8,260	8,260	24,780	212,853
Derivative financial instruments	1,010	943	67	–	–
Head leases	1,447	145	145	434	723
Trade and other payables	38,832	15,509	5,471	15,496	2,356
	1,406,053	**135,442**	**135,235**	**627,249**	**508,127**

Financial liabilities

As at 31 December 2015	Total $'000	Current $'000	Year 2 $'000	Years 3 to 5 $'000	Years 6 to 10 $'000
Interest bearing loans and borrowings	1,136,455	167,551	214,778	613,384	140,742
Preference shares	173,977	17,398	17,398	52,193	86,988
Derivative financial instruments	3,891	2,097	284	1,510	–
Head leases	2,083	208	208	625	1,042
Trade and other payables	41,850	12,917	6,521	19,007	3,405
	1,358,256	**200,171**	**239,189**	**686,719**	**232,177**

Details of the interest rates applicable to the Group's long term borrowings, preference shares and convertible preference shares are given in notes 22, 23 and 24. The Group is subject to interest costs in perpetuity in respect of preference shares, which have no contractual maturity date. The table above does not show cash flows beyond 10 years.

The Group monitors its risk to a shortage of funds by forecasting cash flow requirements for future years. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of 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

	2016		2015	
	Carrying Value $'000	Fair Value $'000	Carrying Value $'000	Fair Value $'000
Non-current assets				
Loans receivable	611	577	606	567
Security deposits	–	–	2,391	2,391
Derivative financial instruments	5,012	5,012	5,585	5,585
Current assets				
Trade receivables	37,732	37,732	38,683	38,683
Security deposits	2,393	2,393	2,041	2,041
Other current receivables	318	318	202	202
Derivative financial instruments	358	358	233	233
Cash and short term deposits	198,621	198,621	202,291	202,291
Non-current liabilities				
Interest bearing loans and borrowings	699,038	706,682	814,021	821,999
Preference shares	131,703	165,140	156,558	184,705
Convertible preference shares	119,859	143,596	–	–
Derivative financial instruments	67	67	1,794	1,794
Rent deposits	23,324	19,838	28,932	21,999
Other payables	1,935	1,935	2,721	2,721
Current liabilities				
Interest bearing loans and borrowings	40,787	45,458	104,724	108,013
Derivative financial instruments	943	943	2,097	2,097
Rent deposits	6,640	6,640	6,827	6,827
Other payables	8,869	8,869	6,090	6,090

The fair values of loans receivable and borrowings have been calculated based on a discounted cash flow model using a discount rate based on the Group's weighted average cost of capital. The valuation technique falls within level 3 of the fair value hierarchy (see note 36 for definition). The fair value of short term deposits, other assets, trade and other receivables, trade and other payables is assumed to approximate to their book values. The fair value of preference shares and convertible preference shares are assumed to be their last quoted price, which is considered to be level 1 of the fair value hierarchy. The fair value of derivatives is determined by a model with market based inputs.

(d) Capital risk management

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

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

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

	2016 $'000	2015 $'000
Non-current liabilities	904,157	900,366
Current liabilities	107,130	160,193
Total borrowings	1,011,287	1,060,559
Less: cash and short term deposits	198,621	202,291
Net debt	**812,666**	**858,268**
Equity	500,226	465,042
Preference shares	131,703	156,558
Total capital	**1,444,595**	**1,479,868**
Gearing ratio	**56.26%**	**58.00%**

36. Fair value measurement

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

As at 31 December 2016	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total Fair Value $'000
Assets measured at fair value				
Investment property	–	–	1,300,643	**1,300,643**
Investment property under construction	–	–	41,253	**41,253**
Derivative financial instruments	–	5,370	–	**5,370**
Liabilities measured at fair value				
Derivative financial instruments	–	1,010	–	**1,010**
As at 31 December 2015				
Assets measured at fair value				
Investment property	–	–	1,333,987	**1,333,987**
Investment property under construction	–	–	39,129	**39,129**
Derivative financial instruments	–	5,818	–	**5,818**
Liabilities measured at fair value				
Derivative financial instruments	–	3,891	–	**3,891**

* Explanation of the fair value hierarchy:
Level 1 - Quoted prices in active markets for identical assets or liabilities that can be accessed at the balance sheet date.
Level 2 - Use of a model with inputs that are directly or indirectly observable market data.
Level 3 - Use of a model with inputs that are not based on observable market data.

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

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

37. Subsequent events

On 19 January 2017 the Group entered into a conditional agreement to acquire a portfolio of three properties in St Petersburg. The agreement provided for entities in the Group to acquire a warehouse and two office buildings for a total consideration of Rub4.9 billion, subject to the satisfaction of certain escrow arrangements. The acquisitions have yet to complete and have a long stop date of 31 March 2017, with the option to extend this date for a further twenty business days.

38. Operating lease arrangements

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

	2016 $'000	2015 $'000
Within one year	127,962	136,416
In the second year	113,400	113,410
In the third to fifth year (inclusive)	209,100	208,901
After five years	56,379	59,127
	506,841	**517,854**

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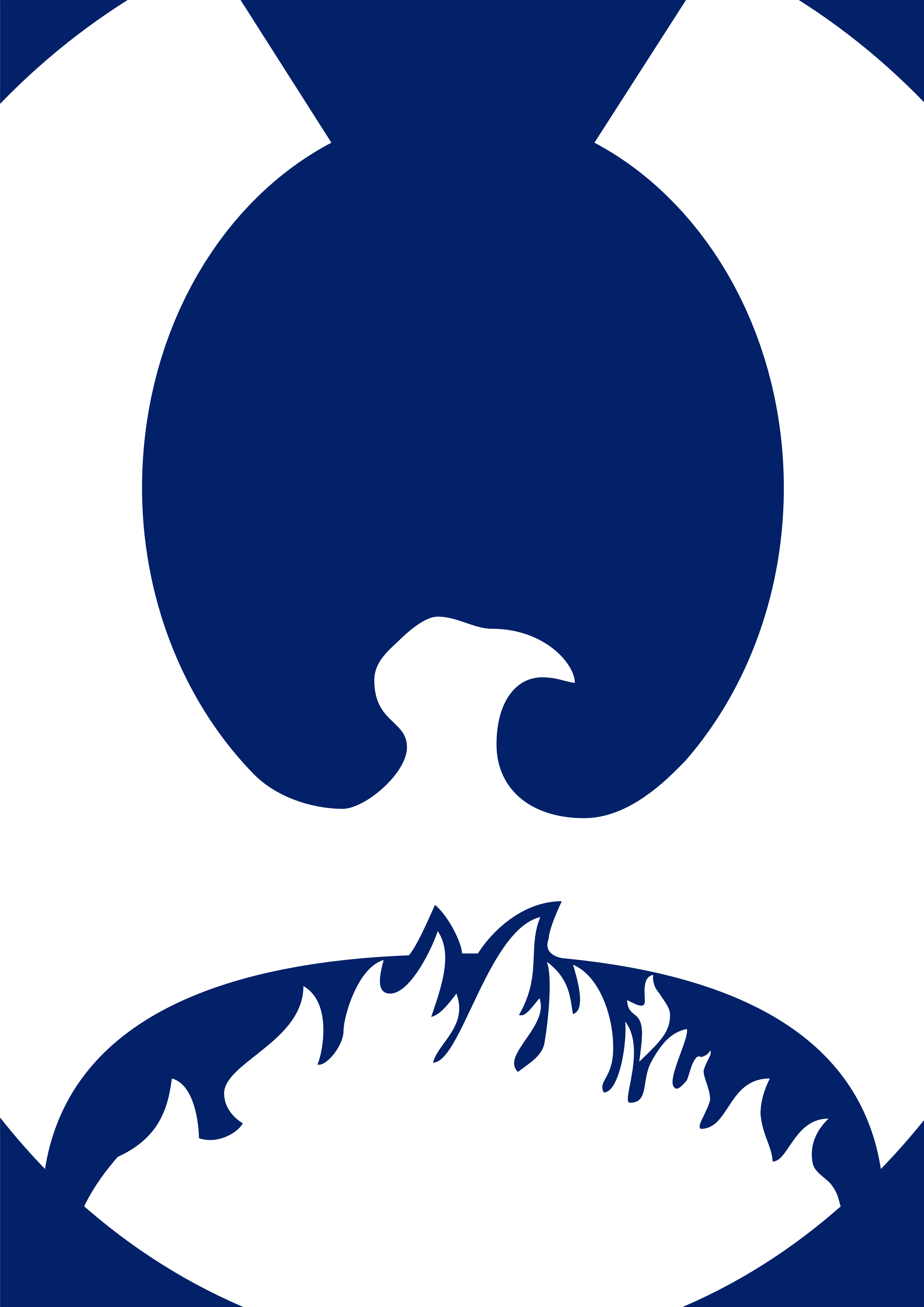

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