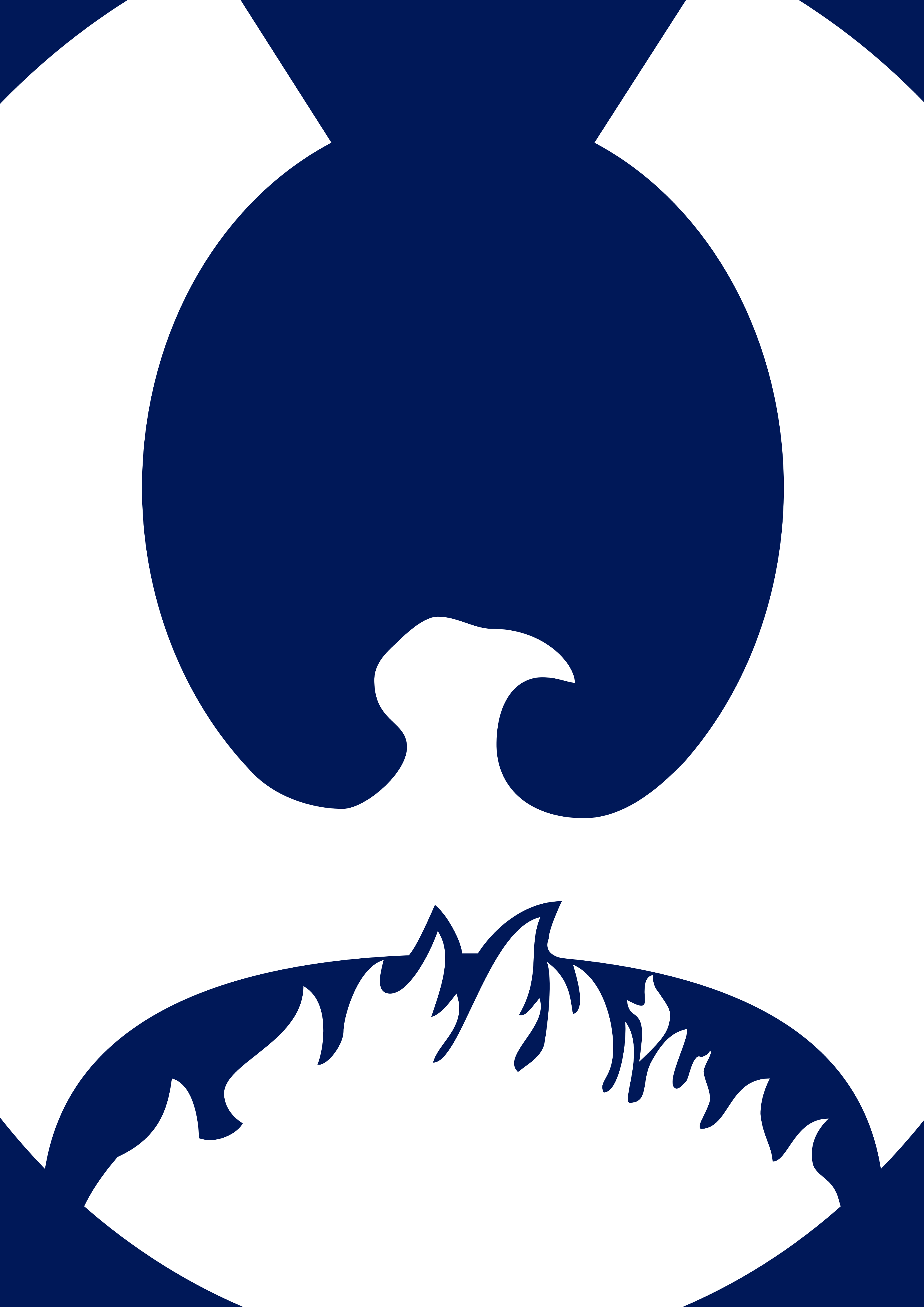
RAVEN PROPERTY GROUP LIMITED

2019 Annual Report



RAVEN PROPERTY GROUP LIMITED
RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

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RESULTS HIGHLIGHTS

NET OPERATING INCOME
£126.5 MILLION

UNDERLYING EARNINGS AFTER TAX
£43.2 MILLION

IFRS EARNINGS AFTER TAX
£46.0 MILLION

BASIC EARNINGS PER SHARE
8.16 PENCE

DILUTED NAV PER SHARE
75 PENCE

PORTFOLIO OCCUPANCY TODAY
92%

INVESTMENT PROPERTY VALUATION
£1.34 BILLION

CASH BALANCES TODAY OF
£104.4 MILLION

CHAIRMAN'S MESSAGE

I am pleased to report that, in the 12 months to 31 December 2019, we have enjoyed a strengthening in all aspects of our business. High average occupancy, improving asset valuations, increasing market rents, reducing Central Bank rates and stable average Rouble exchange rates in 2019 have all contributed to improved results.

Together, they have supported an increase in underlying earnings to £43.2 million (2018: £20.0 million), a significant swing in IFRS earnings to £46.0 million (2018: loss of £120.7 million) and a jump in basic net asset value per share from 48p at the end of 2018 to 76p at 31 December 2019.

As you will read in this Annual Report, the executive team focus in the last 12 months has been diverted to deal with shareholder issues. We have purchased and contracted to purchase 38% of our ordinary shares from our two largest institutional holders. It has been a distracting and stressful period for our senior executive team, but the enhancements are well worth the effort and I'd like to congratulate them all on their determination to secure these transactions.

As I write, the issues with Coronavirus are on all personal and business agendas. This has now been exacerbated by the oil price crash and the impact that has had on Rouble exchange rates. We have agreed an extension to the back stop date to acquire our shares from Invesco as a direct consequence of this. We have yet to see any tangible effect on our trading operations but we are progressing with caution.

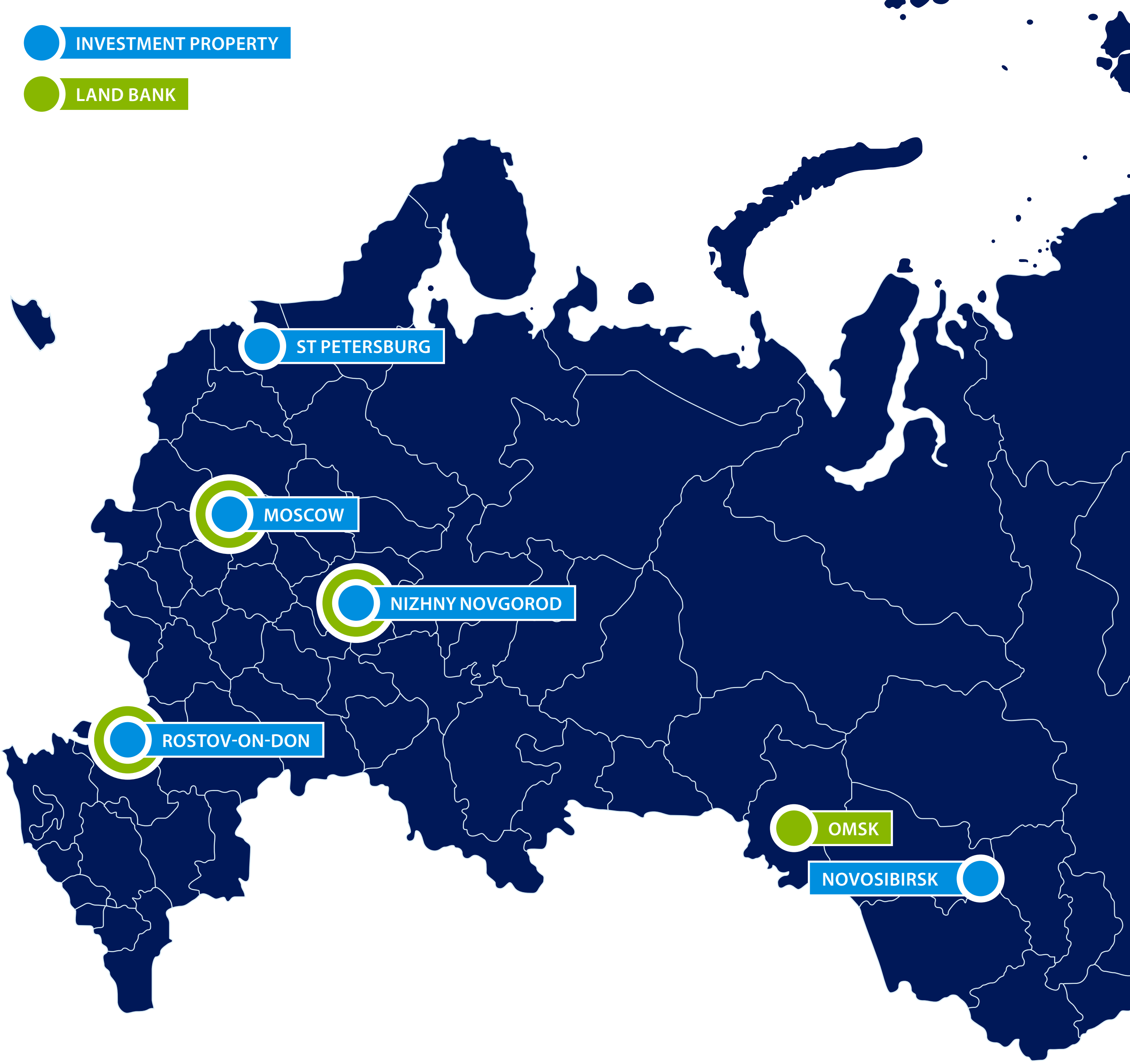
As we continue with our Board succession planning, I am sorry to say that Christopher Sherwell will be stepping down as a Non Executive Director at the AGM. Christopher has been an exemplary Senior Independent Director and Chair of the Remuneration Committee and will be missed. We are actively searching for new members of the non executive team and hope to make an announcement soon.

All in all, a good year but with mixed emotions on the loss of two long term shareholders and supporters of the Company and we will continue into 2020 with a cautious approach given the wider issues in play today.

Sir Richard Jewson
Chairman
15 March 2020

THE PORTFOLIO

RUSSIAN FEDERATION



Moscow

Warehouse

Office

St Petersburg

Sever, Moscow

DESCRIPTION

Grade A Logistics Warehouse Complex

KEY TENANTS

- X5 Retail Group
- R-Pharm
- OBI
- Miratorg
- O'Key
- Major Terminal
- Zara

GLA

254,000 sqm

LOCATION

The property is located north of Moscow city centre, 35km from the MKAD, 0.5km from the Betonka A107 motorway and 1.5km from the new Moscow-St Petersburg toll highway.

Pushkino, Moscow

DESCRIPTION

Grade A Logistics Warehouse Complex

KEY TENANTS

- DHL
- Itella
- Makita
- Megapolis
- Axioma
- Perrino

GLA

214,000 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

- DSV Solutions
- Azbuka Vkusa
- Major Terminal
- Santens
- Bacardi
- Kerry
- Splat
- Amway

GLA

206,000 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
- Dixy
- Cotton Club
- ID Logistics
- UPM
- Roto Frank

GLA

204,000 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 Nizhny Novgorod. A rail spur serves the site.

Klimovsk, Moscow

DESCRIPTION

Grade A Logistics Warehouse Complex

KEY TENANTS

- Kupi VIP
- Marvel
- Danone
- FARM
- Mir Instrumenta
- AccordPost
- Gates
- Fischer Clinical
- Rhenus Automotive

GLA

158,000 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
- Officemag Sbp
- Bbraun
- Amway

GLA

148,000 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.

Novosibirsk

DESCRIPTION

Grade A Logistics Warehouse Complex

KEY TENANTS

- Pepsi
- Sportmaster
- OSG
- Metro
- Oriflame
- Toyota
- FM Logistics
- Wildberries
- Ozon

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

- Gorenje
- Simple Wines
- Diageo

GLA

118,000 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

- Auchan
- Electrosystem
- Mars
- KDV Group
- Mir Instrumenta
- Mobis Parts CIS
- FM Logistics
- Havi Logistics

GLA

102,000 sqm

LOCATION

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

Gorigo, St Petersburg

DESCRIPTION

Grade A Logistics Warehouse Complex

KEY TENANTS

- DB Schenker
- Logisan
- DNS Retail
- Major Terminal
- 220 Volt
- KDV Group
- Kiilto
- Greenland

GLA

88,000 sqm

LOCATION

The property is located south of St Petersburg close to Pulkovo International Airport, just 2 km away from the Ring Road and Tallin highway, which provides easy access to the city.

Nova Riga, Moscow

DESCRIPTION

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

KEY TENANTS

- Pernod Ricard
- Maunsfeld
- BGLC Group
- ORB

GLA

68,000 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.

Volga, Nizhny Novgorod

DESCRIPTION

Grade A warehouse complex with additional 21.5ha of land

KEY TENANT

- X5 Retail Group
- Bristol Alcohol

GLA

64,000 sqm

LOCATION

Volga Logistics Park is located on 33 ha land plot 7 km away from Nizhny Novgorod in Kstovo town. There is a direct access provided from the complex to M7 highway (Moscow-Kazan).

Lobnya, Moscow

DESCRIPTION

Grade A Logistics Warehouse Complex

KEY TENANTS

- Nippon Express
- RosLogistics
- ProStore

GLA

52,000 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

- BVK Group
- Perspektiva
- Godovalov

GLA

45,000 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

- SKL Group
- OSG
- UPM
- Melon Fashion Group
- Holodilnik.ru

GLA

37,000 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

- Lindex
- A&D Rus
- L'Occitane

GLA

14,000 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.

Kellermann, St Petersburg

DESCRIPTION

High quality Office Complex

KEY TENANTS

- Baltiyskiy Leasing
- Melon Fashion Group
- MAERSK
- Saint-Gobain
- Gefco

GLA

22,000 sqm

LOCATION

The property is located in historical centre of St Petersburg in Admiralteyskiy district, 15 min drive from the Nevskiy prospect.

Primium, St Petersburg

DESCRIPTION

Class A Office Complex

KEY TENANT

- YIT
- TELE 2
- Valio
- PIK Group

GLA

11,000 sqm

LOCATION

The property is located north-west of St Petersburg in Primorskiy district, close to the new Gazprom headquarters.

Konstanta, St Petersburg

DESCRIPTION

Grade B+ office building

KEY TENANT

- LenEnergo

GLA

16,000 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.

Fountain at Manezh Square, Moscow

CHIEF EXECUTIVE'S REPORT

Dear Shareholders,

The normal process for producing these statements involves an early discussion draft some weeks ahead of the results date. This draft gets fine tuned up to the announcement date but rarely changes much. This year external events have meant two redrafts, one for coronavirus and the second following the oil price collapse.

2019 was a very good year although not in the way we originally planned. Our market continued to improve. Vacancy rates in the market are down, rents are up and Russian Central Bank ("CBR") rates continued to fall. This is now impacting positively on a business with no exposure to Dollar debt and only 15% of our space now with Dollar pegged leases. The continuation of this Dollar income is benefitting us during this current period of market and currency turmoil.

E-commerce has arrived and is an expanding force in our market. E-commerce tenants now occupy 6% (2018: 3%) of our portfolio and we expect this increase to continue.

Due to completely non-related circumstances in the fund management industry, 2019 was an extraordinary year for the company. Shareholder liquidity issues meant we were offered the opportunity to purchase 38% of our ordinary shares from two large institutional investors, Woodford Investment Management ("WIM") and Invesco Asset Management Limited ("IAML"), at a near 50% discount to net asset value per share. We completed the purchase of 16% in 2019 including all of WIM's holding, and have contracted to purchase the remainder from IAML, together with their holding of preference and convertible preference shares, before 31 July 2020, subject to certain shareholder approvals. Although this has led to a diversion of our cash resources away from property acquisitions it is an opportunity too good to miss.

The announcement of the share buy backs did have an impact on share price performance and we had seen an improvement prior to the recent market sell off. We hope that when markets return to normal, this will again have a positive effect on price performance.

Net asset value per share at 31 December 2019 increased to 76p (2018: 48p) following the year end valuations and the prospects were looking very good from here prior to the Coronavirus outbreak.

At today's date we have £104.4 million in cash.

We are yet to see any immediate impact on our operating business due to the Coronavirus situation but we have delayed the acquisition of IAML's various shareholdings until we can see some stability returning. As with the majority of international businesses we have implemented a number of preventative measures, stopping all non essential travel, increasing the use of our VCU facilities, monitoring of all staff that do travel and implementing back up plans for working remotely. The mayor of Moscow has also introduced strict rules for companies. This covers the monitoring of employees, including mandatory temperature tests each day, and he has also introduced isolation periods for travellers from numerous countries arriving in Moscow which only reinforces our own travel restrictions.

We know that the Russian economy is heavily influenced by the oil market. Recent movements have impaired external sentiment but at this early stage our day to day business of renting warehouses has not been affected.

Inevitably the Coronavirus and a volatile oil market will lead us to adopt a more financially cautious approach which is a frustration given the positive trends we were seeing across all aspects of our business.

Despite an excellent 2019 current market turbulence necessitates a cautious approach to distributions particularly given our tender offers which are sensitive to market movements . With that in mind we intend to make a final distribution of 2.25p per share which amounts to 3.5p for the year. However the timing and structure of this distribution will be determined at a later date when market volatility has calmed down.

Finally, I and my colleagues, delight in congratulating our Chairman, Sir Richard Jewson, on being awarded his knighthood during the year. An honour highly reflective of a man marrying great integrity and compassion with strong leadership. Bravo Sir Richard.

Glyn Hirsch
Chief Executive Officer
15 March 2020

BUSINESS MODEL

Purpose and Culture

The original purpose of our business in 2005 was to act as a conduit for international funds into an underdeveloped and undersupplied logistics property market in Russia at an exciting time of expansion and opportunity for the country. The nascent business encapsulated the entrepreneurial spirit of a small group of pioneers entering a new, untapped market. That spirit remains in the business today and underpins our culture. This has allowed us to be dynamic and quick in reacting to the many obstacles that we have been presented with, from the global crisis of 2009, through international sanctions to the shock of the oil price collapse and Rouble float at the end of 2014.

Today, we have 179 employees in three countries. We have a management team that promotes our entrepreneurial and meritocratic spirit with integrity and openness. The growth of the business also brings the requirement to professionalise, the need for a robust internal control framework and appropriate systems and procedures. The last year has seen a focus on all of these areas, from the introduction of an internal audit function to a review of all internal procedures and IT systems to improve integration.

Our Cyprus Board have run two forums for all senior management this year, to discuss the way the business is managed and controlled. This is fostering a better flow of information and understanding of the control environment amongst employees. It has also precipitated a number of initiatives that are being implemented, covering areas such as data management, IT integration and group structure. At the outset of those meetings however, was a reminder not to lose sight of that original entrepreneurial spirit.

Business Model and Strategy

Our strategy of holding an investment portfolio of Grade A logistics warehouses in Russia for the long term, with the aim of producing rental income that delivers progressive distributions to our shareholders has not changed. The market remains fragmented with a number of developers and single asset owners as our main competitors. Until recently, there had not been an investment property competitor with a sole focus on the logistics market. However, with market fundamentals improving and logistics seen as a key property sector globally, interest in portfolio building does seem to be on the agenda for some international funds.

Having built our infrastructure and with a strong team of property, finance and legal specialists we do believe we have a strong competitive advantage but with such an immature property investment market we would welcome additional players in the sector. It could only benefit the market and support further growth in property valuations.

We have acquired our investment portfolio, typically with yields of between 11% and 14% and have bank financing costs across the Group of 6.52%. The majority of our operating business is Rouble denominated, with a small number of legacy US Dollar pegged leases remaining and secured debt of Rouble and Euro denomination. We intend to continue our move to Rouble denominated debt in the coming year.

At the year end, US Dollar leases accounted for 16% of the Gross Lettable Area ("GLA") of our warehouse portfolio (2018: 26%). Our office portfolio now has no currency exposure (2018: Euro 20%; US Dollar 9%). The majority of leases are "triple net" meaning property operating expenses are recharged to tenants, leakage of cost only occurring on vacant space.

The Group's secured banking facilities are 57.6% (2018: 31.1%) Rouble denominated, 42.4% (2018: 34.8%) Euro and we now have no US Dollar liabilities (2018: 34.1%). Debt amortisation is weighted toward the Euro element of our financing facilities to reduce the foreign exchange exposure over the facility term.

Other than our St Petersburg office portfolio, each of the secured facilities sits in a special purpose vehicle ("SPV") structure to minimise recourse to the overall portfolio. At the year end, asset specific debt represented 50.1% loan to value (2018: 54.1%).

Our average letting size by tenant is 8,722sqm (2018: 9,000sqm). We do not have one tenant with more than 9% (2018: 8%) of our portfolio's GLA and the top ten tenants, including Roslogistics, account for 43% (2018: 42%) of our portfolio in GLA terms and 49% (2018: 53%) in income terms.

Key Performance Indicators ('KPIs')

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

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

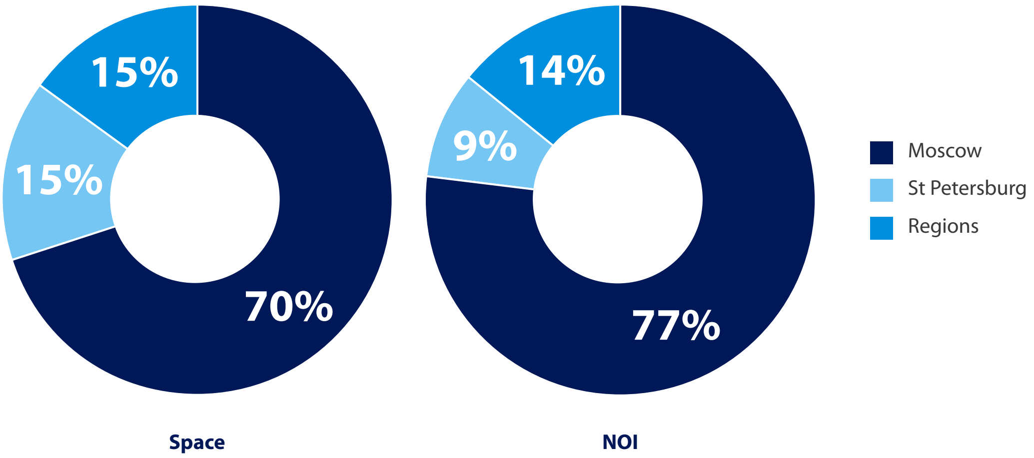
The ability to distribute to ordinary shareholders from cash covered underlying earnings and operating cash flows after interest remains our focus when determining distribution policy.

All of the above underpin financial targets set for annual bonus incentives.

PORTFOLIO REVIEW

Geographical analysis

Warehouse



Office

The Group's office portfolio is located in St Petersburg.

Leasing and maturities

During a year without acquisitions we have focussed on maintaining occupancy, investing in our properties for the long term and positioning ourselves to benefit from the upswing in tenant demand and rents. Occupancy began and ended the year at 90% but has improved since the year end and now stands at 92% with a further 2% covered by letters of intent ("LOIs").

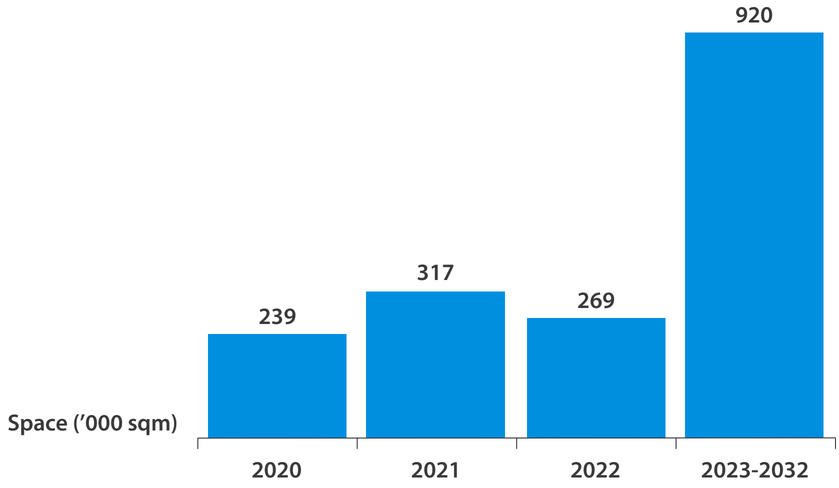
'000 sqm	2019	2020	2021	2022	2023-2032	Total
Maturity profile at 1 January 2019	255	265	359	237	616	**1,732**
Renegotiated and extended	(111)	(46)	(33)	(25)	(66)	**(281)**
Maturity profile of lease extensions	5	18	1	57	200	**281**
Vacated/terminated	(154)	(26)	(21)	(5)	(6)	**(212)**
New lettings	5	28	11	5	176	**225**
Maturity profile at 31 December 2019	**–**	**239**	**317**	**269**	**920**	**1,745**

280,700sqm of existing leases have been renegotiated and extended in the financial year and 225,500sqm of new leases signed. Significant new lettings include 11,500sqm to Inditex, 14,400sqm to Diageo and 19,200sqm for IKEA. A number of major tenants have also increased their space with us including Bacardi taking an extra 17,100sqm, Pernod Ricard 9,300sqm and Cotton Club 11,500sqm.

Space vacated on maturity, breaks exercised and early terminations totalled 212,200sqm during the year. Vacant warehouse space at the year end totalled 195,000sqm and the office portfolio had only 3,000sqm of vacancy. There are potential breaks in the portfolio of 189,000sqm in 2020 and 241,000sqm in 2021. We currently expect tenants who occupy only circa 19,000sqm and 29,750sqm to exercise their breaks and vacate in 2020 and 2021 respectively.

Since the year end we have signed a further 104,000sqm of deals of which 63,000sqm were new lettings and 41,000sqm were renewals or extensions. We currently have 218,000sqm of LOIs for renewals, extensions or expansions and 31,000sqm of new lettings.

Lease Expiries at 31 December 2019

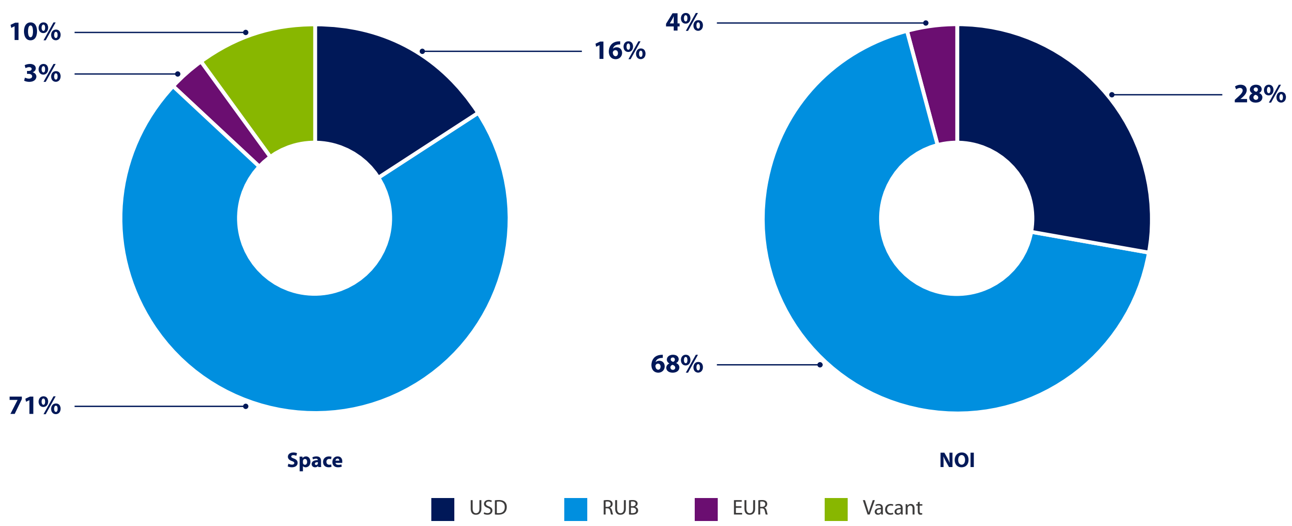


Our leasing strategy remains one of attracting the best tenants for the long term whilst keeping a diversified tenant mix across sectors and business types. We also target tenants who require significant capital investment into their premises and seek to "rentalise" these improvements over the term of the lease, creating enhanced returns.

Across the portfolio we are implementing a number of initiatives to reduce our energy consumption and use more sustainable sources of energy. In 2019, as part of our rolling capital maintenance programme, we have completed the replacement of roof membranes and associated insulation on 89,000sqm of buildings and also replaced outdated lights in 53,000sqm of our portfolio, installing LED fittings. Both of these measures have reduced energy consumption. At Noginsk in Moscow, our electricity is now supplied from a sustainable source (hydro electricity) and we intend to roll this out to other properties where appropriate. In Rostov, in the south of Russia, we are currently evaluating an option to create a solar power plant to generate electricity for our property in the city, and subject to obtaining any necessary permits will start these works during 2020.

At the year end, 16% (2018: 26%) of our warehouse GLA had US Dollar denominated leases with an average warehouse rental level of $158 per sqm (2018: $148 per sqm) and a weighted average term to maturity of 1.9 years (2018: 2.1 years). Rouble denominated leases account for 71% (2018: 61%) of our total warehouse space with an average warehouse rent of Roubles 4,922 per sqm (2018: 4,900 per sqm) and weighted average term to maturity of 4.1 years (2018: 4.5 years). Rouble leases have an average minimum annual indexation of 5.7% (2018: 5.9%).

Currency exposure of warehouse leases

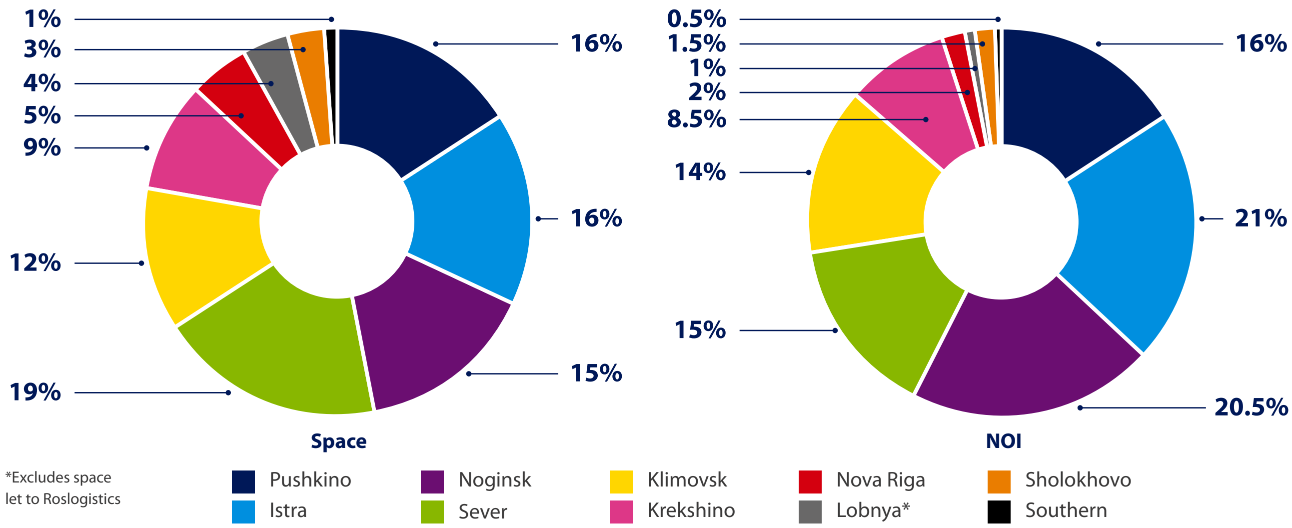


Investment Portfolio

Warehouse portfolio

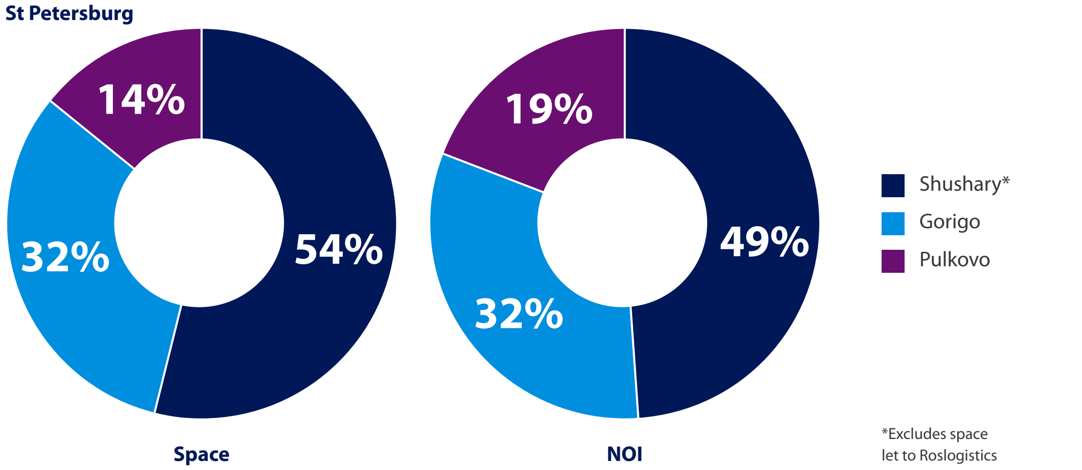
Moscow

We have ten warehouse projects in Moscow totalling 1.3million sqm with 87% (2018: 88%) of space let at the year end.

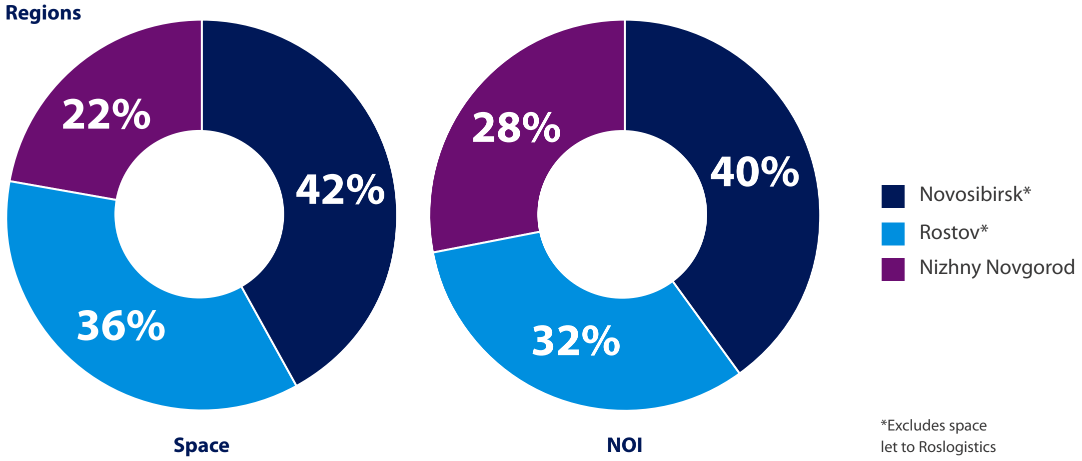


Occupancy in Moscow year on year remained broadly flat, but this hides the fact that one of our largest leases expired in June releasing 91,300sqm of space at Krekshino. At that point we took the opportunity to invest in the property undertaking some technical improvements and a cosmetic refurbishment. At the date of writing only 21,000sqm remains vacant with new tenants including Diageo, Wildberries and Ball Corp with one LOI on a further 5,600sqm. Currently we only have 116,800sqm available for rent in Moscow, although this will rise in the second half when Itella returns a further 65,000sqm to us at Pushkino. We are already in discussions with a number of prospective tenants to relet this space.

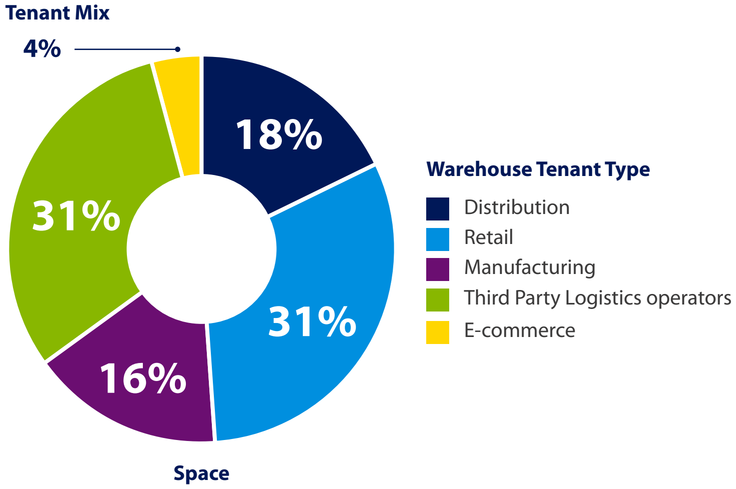
St Petersburg



Regions



Warehouse occupancy in the regional markets of St Petersburg, Rostov and Novosibirsk has remained strong and we have increased rents in all locations. The lack of supply in the market generally means we could see further rental increases in 2020.

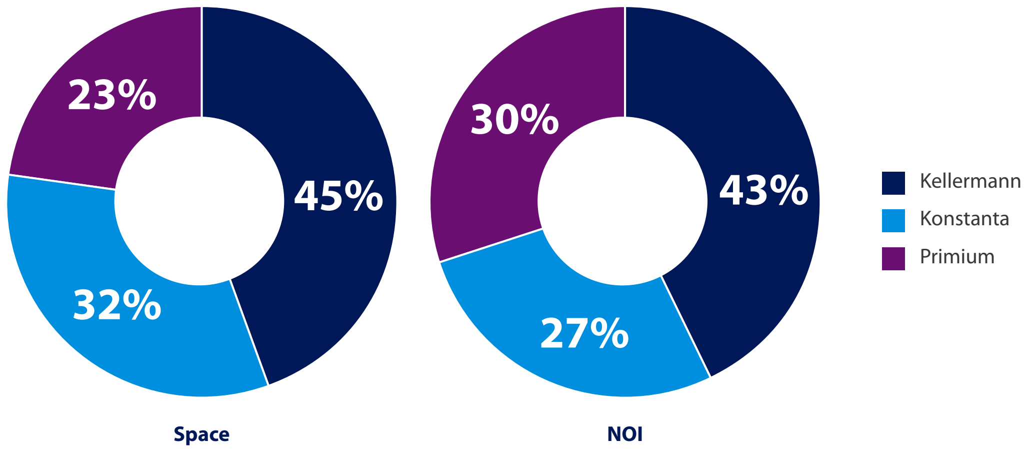


Our tenant mix has remained diverse during the year. The proportion of space leased to the e-commerce sector increased to 4% at the year end and is 6% today. The influence of e-commerce on the letting market still remains small compared to other European markets but it is growing.

Office portfolio

St Petersburg

Rents have continued to improve in St Petersburg where our office portfolio is situated. This has allowed us to virtually fully relet Primium where the sole tenant's lease expired in the summer. New occupiers include Tele2 and PIK as well as YIT, the original occupier, retaining 27% of the building. Since acquisition we had benefitted from a very high Euro rent and this has now re-based down to the market rental level, although the rents we have achieved are 20% above the ERV at the date of purchase. The picture at Kellerman is very similar with the last hard currency lease coming to an end last year. It is now 87% let with LOIs on a further 3%. The office portfolio is now entirely let in Roubles.



Portfolio yields

Warehouse	Moscow (%)	St Petersburg (%)	Regions (%)
2018	10.75 - 12.60	12.30 - 12.50	12.25 - 12.50
2019	10.80 - 12.10	12.10 - 12.30	11.80 - 12.30

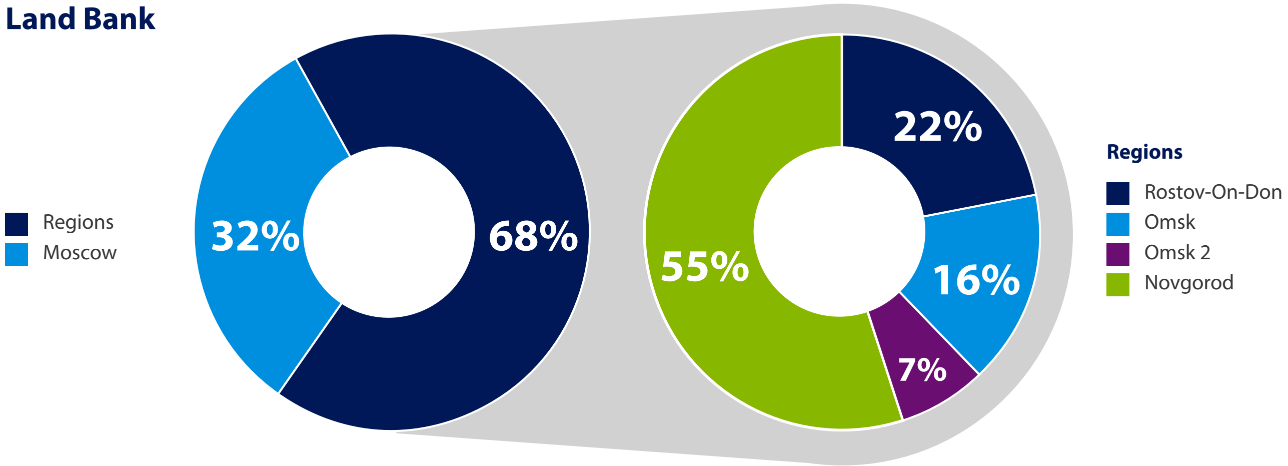
Office	Moscow (%)	St Petersburg (%)	Regions (%)
2018	–	12.00 - 12.25	–
2019	–	11.75 - 12.00	–

The investment properties and additional phases of existing projects were valued by Jones Lang LaSalle ("JLL") at the year end, in accordance with the RICS Valuation and Appraisal guidelines, and are carried at a market value of £1.4 billion (see notes 11 & 12 to the financial statements). This has resulted in a net profit on revaluation of £46.6 million in portfolio value during the year. In Rouble terms the value of the properties has increased by 4.2%.

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

The property investment market improved in 2019 with the total value of transactions increasing by 41% to $4.1 billion. Domestic buyers remain the largest part of the market with western capital almost non existent, foreign investment instead coming from China and the Middle East.

Land Bank



Space

In Moscow, after some delays caused by changes in the planning system we have now renewed our construction permit at Nova Riga, and could start to build out up to 75,000sqm if we secure a sizeable prelet.

The Market

In our main market of Grade A warehouses in Moscow where we hold 70.5% of our portfolio, demand has remained strong and market vacancy has reduced to circa 4%. In real terms this means there is only circa 500,000sqm of space available in the market. At last year's take up levels this amounts to only five months supply. The robust level of demand and limited new supply has forced rents upwards and we are generally seeing average rents of Rub4,000 per sqm in Moscow and the Moscow region. There are variations in different sub markets, with the range of rents being from Rub3,500-Rub4,250, however the vast majority are now above Rub4,000 per sqm. In St Petersburg and our two regional hubs of Rostov and Novosibirsk rental levels are broadly the same as in Moscow.

In 2019, 1.1million sqm of warehouse space was delivered. This is the highest volume since 2016 and 7% higher than in 2018. Only 21% of new supply was speculative, the majority being build to suit or pre-leased, one third of the level of two years ago. Overall take-up amounted to 1.3million sqm which was the driving factor in reducing vacancy. Demand was strongest from the retail, logistics and manufacturing businesses which accounted for 35%, 28% and 18% respectively. E-commerce companies continued to expand, and although their share of take up was down in the year this can partly be explained by the very high level of take up in 2018.

For the coming year it is estimated that a further 918,000sqm will be delivered and take up will be circa 1.2milllion sqm. Of the space under construction 352,000sqm or 38% is pre committed as build to suit for lease or sale, leaving 566,000sqm of speculative space coming to the market. Construction costs have increased by approximately 5% during the year and may continue to rise as a result of Rouble weakness.

Investment volumes in the year increased to $4.1 billion, with 67% of this in Moscow. Over 74% of all deals were funded by Russian capital, and only 7% of the total capital or $290 million went into the warehouse sector. JLL predict prime yields in the range of 10.50-12.00% for Moscow warehouses. We continue to look at a number of new acquisition ideas in our preferred sector of Grade A warehouses and would have made acquisitions in 2019, if the opportunity to buy back our ordinary shares had not arisen.

Tenant demand has started the year very strongly and we are now 92% let. What the medium term effects of the Coronavirus will be are as yet unknown, but we are well placed with high occupancy, a diversified tenant mix and with little vacancy in the broader market. In a favourable scenario where the effect of Coronavirus is muted then 2020 should be another year of high occupancy and rising rents. Even though the CBR reduced rates by 1.75% in 2019, cap rates have only fallen by 25 basis points so we expect there to be further positive movement in cap rates as the cost of borrowing falls. As we have said before, in any other European market yields would be considerably lower than we see today and in the medium to long term the relative high yields and low rents should attract more capital.

FINANCE REVIEW

Increased occupancy and a stronger Rouble have supported our income and profitability in the year. Improving asset valuations have also given a boost to IFRS earnings. Our net asset value per share has benefitted from a stronger year end Rouble, property valuation uplifts and the purchase and cancellation of 99 million ordinary shares at a discount to net asset value per share in the year.

Income Statement

We assess our ability to make covered distributions with reference to underlying earnings and operating cash flows after interest. 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)	**2019 £'000**	**2018 £'000**
Net rental and related income	126,504	118,285
Administrative expenses	(23,130)	(22,714)
Share based payments	(4,927)	–
Foreign exchange gains/(losses)	27,462	(2,480)
Share of profits of joint ventures	792	1,630
Operating profit	126,701	94,721
Net finance charge	(72,966)	(68,510)
Underlying profit before tax	53,735	26,211
Tax	(10,510)	(6,197)
Underlying profit after tax	**43,225**	**20,014**
Basic underlying earnings per share	7.67p	3.12p

Net rental and related income benefits from a full year of income from acquisitions completed in 2018. The average Rouble/Sterling rate of 82.6 (2018: 83.7) has had minimal effect on translating the income statement to presentation currency. The stronger year end Rouble/Euro exchange rate of 69.3 (2018: 79.3) results in an unrealised profit on foreign exchange when our Russian subsidiaries account for their Euro debt liability.

Underlying Administrative Expenses

Underlying administrative expenses increase as a result of bonus provisions. The 2019 results include £1.2 million paid in relation to 2018 performance but also carry an accrual for 2019 bonuses of £1.3 million together with an estimate of share based bonus payments of £4.6 million, therefore accounting for the impact of two years.

FINANCE REVIEW

Underlying Net Finance Charge

Our underlying interest expense increases as acquisitions completed towards the end of 2018 were refinanced in the year. Interest receivable dropped on lower average cash balances following the use of funds to acquire the company's ordinary shares and on reducing CBR rates.

IFRS Earnings	2019 £'000	2018 £'000
Net rental and related income	126,504	118,285
Administrative expenses	(25,433)	(25,150)
Share based payments and other long term incentives	(5,468)	(2,853)
Foreign exchange profit/(loss)	27,462	(2,480)
Share of profits of joint ventures	792	1,630
Profit on disposal of joint ventures	490	–
Operating profit	124,347	89,432
Profit/(loss) on revaluation	48,271	(121,009)
Net finance charge	(107,559)	(83,311)
IFRS (loss)/profit before tax	65,059	(114,888)
Tax	(19,041)	(5,793)
IFRS profit/(loss) after tax	**46,018**	**(120,681)**

The principal movements between underlying earnings and IFRS earnings relate to mark to market changes, with a profit on revaluation of investment properties of £48.3 million (2018: loss of £121.0 million) and the write down of the value of CBR rate caps of £20.4 million (2018: £4.6 million) being the largest. The latter a factor of the CBR monetary easing over the year, interest rates dropping from 7.75% at 1 January 2019 to 6% today.

Taxation

Tax paid increases in line with increased profits. The largest element of the charge for the year relates to deferred taxes with a reduction in deferred tax losses and a charge for the gain in revaluation compared to the depreciated cost of our assets in the Russian operating companies.

Investment Properties

	2019 £m	2018 £m
Investment properties	1,338	1,175
Investment properties under construction	34	31
	1,372	**1,206**

The carrying value of our investment property and investment property under construction benefits from both improving valuations and a stronger Rouble. Revaluation gains of £46.6 million have been recognised in the year on the back of improving yields and ERVs. The stronger year end Rouble/Sterling rate of 81.15 compared to 88.35 at 31 December 2018 also adds £108.8 million on the retranslation of the opening balances to Sterling.

Debtors and Creditors

Debtors	2019 £'000	2018 £'000
Other receivables (non current)	3,414	15,535
Derivative financial instruments	2,621	21,953
Trade and other receivables	41,595	43,658

Non current asset movements in the year relate principally to financing. Other receivables reduce as restricted cash of £12 million retained for repayment of a loan was discharged early in the year. As noted above, the carrying value of interest rate caps on our Rouble debt reduced significantly as CBR rates fell, reflected in the change in derivative financial instruments' carrying value.

Points of note in trade and other receivables include the recovery of a VAT asset of £4 million which arose on the acquisition of the Sever asset in 2018 and the inclusion of deferred consideration of £3 million in other receivables on the sale of the Coln joint venture.

Creditors	2019 £'000	2018 £'000
Trade and other payables	51,691	66,192
Other payables (non current)	18,623	17,797

The largest movement in trade and other payables relates to the payment of £12 million of deferred consideration on the Sever acquisition in the year. Advanced rentals drop in the year on the loss of NLC at Krekshino. Other payables increase with the inclusion of the 2019 bonus provision as explained above.

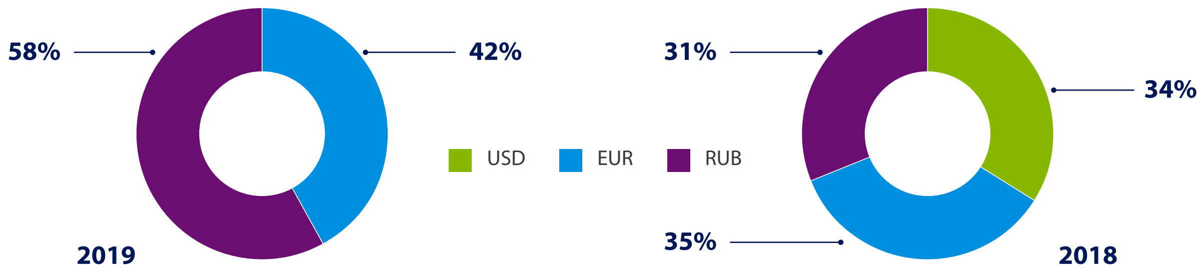
Cash and Debt

Cash Flow Summary	2019 £'000	2018 £'000
Net cash generated from operating activities	93,100	96,086
Net cash used in investing activities	(16,196)	(72,203)
Net cash used in financing activities	(80,062)	(139,827)
Net decrease in cash and cash equivalents	(3,158)	(115,944)
Effect of foreign exchange rate changes	(2,154)	(7,743)
Decrease in cash	(5,312)	(123,687)
Closing cash and cash equivalents	**68,138**	**73,450**

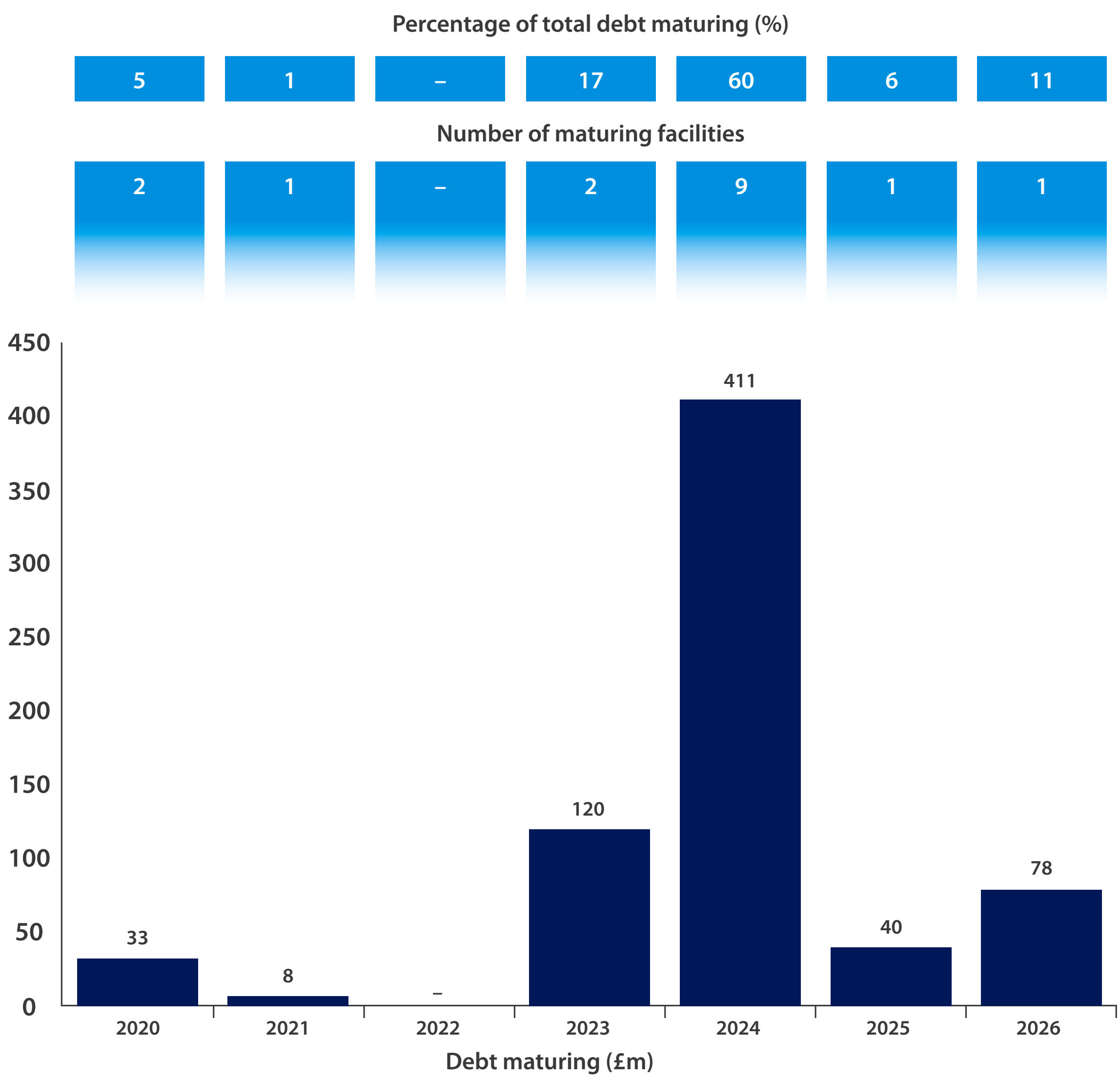
Cash flows for the year were relatively neutral, the main investment in the period being the buy back of our ordinary shares, costing £53.3 million in total, matched by net debt financing of £50.9 million after debt amortisation of £22.7 million. £3.65 million was received as the first tranche consideration on the sale of our share in the Coln joint venture, with a further £3 million payable later this year.

Bank Debt	2019 £m	2018 £m
Fixed rate debt	–	–
Debt hedged with caps	545	543
	545	543
Unhedged debt	145	106
	690	649
Unamortised loan origination costs and accrued interest	(7)	(6)
Total debt	**683**	**643**
Weighted average cost of debt	6.52%	7.69%
Weighted average term to maturity	4.7	4.0

The currency profile of secured debt at 31 December 2019 was:



The debt maturity profile at the year end is:



The Group has now converted all US Dollar debt to a mixture of Rouble and Euro facilities and extended terms on the majority of facilities. There are five facilities of Euro only totalling €126.1 million, one facility of Rouble only and ten facilities with a Rouble/Euro mix. The amortisation profile of the mixed facilities is weighted towards the Euro element to reduce foreign exchange risk over the term of the facility. It is the intention to convert the Euro only facilities into a Rouble/Euro mix during this year, continuing to increase our Rouble debt weighting. At the year end Rouble debt accounted for 57.6% (2018: 31.1%) of secured facilities and Euro 42.4% (2018: 34.8%).

The weighted cost of debt reduced during the year as CBR rates fell. The majority of our facilities are hedged with interest rate caps. Of the unhedged amount £78.4 million relates to debt drawn late in December 2019 which was subsequently hedged with interest caps in January this year. The remainder relates to the near term maturities which are in the process of being extended and two Euro facilities where hedging is only required if EURIBOR exceeds 100 basis points.

Net Asset Value

Net asset value per share has increased from 48p at 31 December 2018 to 76p at 31 December 2019. The 2018 figure was depressed by a weak Rouble at the balance sheet date. 2019 increases on a stronger Rouble, investment property valuation gain and the accretive impact of buying ordinary shares at a significant discount to net asset value per share during the year.

Subsidiaries

In December 2019 we completed on the sale of our share in the Coln Park joint venture for a total consideration of £6.65 million. £4 million was received in December 2019, including the repayment of a loan of £0.35 million, with the £3 million balance payable by December 2020. This gave a small profit on sale of £0.5 million.

Roslogistics has continued to trade at a similar level to 2018. We expect it to reduce its let space during the year but maintain profitability levels.

RISK REPORT

Risk Appetite

The 2019 financial year saw a marked improvement in our sector with market rents increasing, vacancy dropping and property valuations improving. We have now extinguished all of our US Dollar liabilities and asset secured debt is currently a Rouble/Euro mix, reducing our foreign exchange balance sheet risk. If favourable terms for Rouble secured facilities continue then we will further reduce our exposure to Euro financing in the current year.

As we stated in last year's Risk Report, we intended to continue with our acquisition driven growth strategy in the current year but instead have been distracted by some unforeseen developments.

The most significant risk we were presented with in 2019 was a significant overhang in our ordinary shares as firstly WIM and then latterly, IAML, two of our largest shareholders, faced liquidity issues. We diverted funds we had earmarked for property acquisitions to purchase WIM's ordinary shares in August 2019 and subsequently contracted to purchase IAML's. We have secured a credit committee approved financing line for the IAML transaction.

However, we now have the Coronavirus situation and the subsequent oil price collapse. Given the uncertainty surrounding the potential impact this may have on our business we have temporarily reduced our risk appetite. The immediate effect of this is a decision to maintain our current liquidity levels and postpone the IAML share buy back until we have a better understanding of the fall out, if any, from the crisis. Already we have seen a fall in oil prices precipitating a weakening of the Rouble. In a worst case scenario, this could lead to a suspension of investment decisions by our tenants, a disruption in supply chains impacting on the demand for new warehouse space and potential defaults by existing tenants whose businesses are affected most. However, given the experience the business had in 2015 and 2016 following the last oil price collapse we have adapted our balance sheet to reduce the impact of market shocks such as this and we believe we are in a significantly stronger position than we were during that period.

For now though, other than the Rouble weakening, we are not seeing any impact on our operations but we will proceed with caution.

The principal risk factors that follow reflect our opinion of how they have changed in 2019 and how the oil price volatility may impact on our business. The impact of Coronavirus on our local market is as yet unknown.

We are also cognisant of our responsibility for our impact on the environment and sustainability. We are looking at a number of potential projects at the moment. These range from introducing greater energy efficiency in our buildings as part of our rolling capital expenditure programme, through managing international travel with greater use of VCU technology and carbon offsets to the assessment of the impact of building a solar panel farm and the introduction of bee hives at one of our regional asset sites.

Risk Management and Internal Controls

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

Our Cypriot holding company board has been working with our other jurisdictions reviewing and codifying the group's internal control infrastructure and has overseen the first year of our internal audit function. The weekly operational committee meetings for each department within the Group allow operational and management information to flow through the Group's risk matrix in a timely manner.

The risk management process is designed to identify, evaluate and mitigate any significant risk the Group faces. The process aims to manage rather than eliminate risks and can only provide reasonable and not absolute assurance. The Risk Committee has met four times during the year and reports are also reviewed by the Audit Committee. The Cypriot Board have reported to the Audit Committee on progress made with their internal control procedures with and without the internal auditors in attendance.

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

Principal Risks and Uncertainties

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

Political and Economic Risk

Risk	Impact	Mitigation	Change in 2019
Oil and Gas dependent economy V Oil price volatility leads to a weakening of the Rouble.	The weak Rouble increases the cost of servicing Euro debt and puts pressure on banking covenants. A low oil price dampens infrastructure spending which leads to a drop in consumer demand. This in turn impairs demand for warehouse space and a contraction in demand from existing tenants.	As the majority of our financing is Rouble denominated our banking covenants are less sensitive to the servicing of the Euro element of our debt. The amortisation profile of our facilities is weighted towards the Euro element of the facility to reduce the foreign exchange risk over the term of the loans. With little or no speculative development in the market and low vacancy levels research indicates that the warehouse sector should be resilient in the short to medium term.	⇨
Sanctions The use of economic sanctions by the US and EU continues for the foreseeable future.	Continued isolation of Russia from international markets and a return to a declining Russian economy.	The local market has accepted the inevitability of long term economic sanctions and this has played its part in the fundamental changes to the Russian economy. We have adapted our business model to secure our position in the market including extinguishing all US Dollar liabilities. However, the risk of increased sanctions remains.	⇨

Financial Risk

Risk	Impact	Mitigation	Change in 2019
Foreign Exchange V At the year end 42% of secured debt was denominated in Euros and all of our preference shares in Sterling.	A weakening of the Rouble against those foreign currencies reduces our ability to service debt and preference share coupons and reduces our profitability.	We have significantly reduced our exposure to foreign currency secured debt facilities and will continue to do so. As noted above, bank covenants are now less sensitive to the servicing of the Euro element of facilities. The improvement in our secured debt foreign exchange risk benefits the servicing of our preference shares as the overall foreign exchange risk of subordinated debt reduces. However, the recent weakening of the Rouble does increase this risk in the current year.	⇩
Interest rates V Increases in Central Bank rates and financing benchmarks.	The cost of debt increases and Group profitability and debt service cover reduce.	We are operating in a low or reducing interest rate environment for Euro and Rouble facilities. Our variable cost of debt is hedged with the use of caps with terms matching the debt maturity profile.	⇨
Share Buy Backs V We have purchased 16.5% of our ordinary shares in the year and contracted to purchase a further 28.5% in the current year.	We reduce our equity base and increase group gearing.	The overhang of ordinary shares has been impeding share performance and the acquisitions are NAV per share enhancing. Our gearing levels are more an indicator of low asset valuations. The increase in values over the past 12 months partly compensates for the impact of last year's buy backs on our gearing levels.	**NEW**

RISK REPORT

Property Investment

Risk	Impact	Mitigation	Change in 2019
Acquisitions V We operate in an immature investment market where legacy issues are common with Russian acquisitions.	Legacy issues may erode earnings enhancement and integration into our existing systems may involve excessive management resource.	We have a strong senior management team in both our Cyprus and Moscow offices with international and Russian experience in real estate acquisitions. External advisors undertake full detailed due diligence on any acquisition projects.	⇨
Leases V Market practice increasingly incorporates lease break requirements and landlord fit-out obligations.	This can lead to uncertainty of on going annualised income due to lease break clauses. There is additional landlord risk attached to the delivery of tenant fit-out requirements.	We have a proactive property management team and continued open dialogue with tenants. We have a dedicated project management resource assigned to construction and fit-out obligations under leases. Market conditions are improving with rents increasing and vacancy dropping. Lease breaks are less likely to be exercised in this market and tenants are signing longer leases on new lettings given the lack of available space.	⇨
Capital Expenditure V As 75% of our warehouse portfolio was built between 2007 and 2009 some elements of the buildings require replacement or modernisation.	Properties become less attractive to prospective tenants or lower rental values are achieved.	We have put in place a rolling five year capital expenditure programme to maintain our properties at a Grade A level. These works should protect and potentially enhance levels of rent achievable.	⇨

Russian Domestic Risk

Risk	Impact	Mitigation	Change in 2019
Legal Framework The legal framework in Russia continues to develop, with new and proposed laws regularly being introduced.	The large volume of new legislation from various state bodies is open to interpretation, puts strain on the judicial system and can be open to abuse.	We have an experienced in house legal team including a litigation specialist. We use a variety of external legal advisors when appropriate. Our lease agreements have been challenged and have proven to be robust in both ICAC arbitration and in Russian Courts.	⇨
Russian Taxation Russian tax code is changing in line with global taxation trends in areas such as transfer pricing, beneficial ownership of cross border cash flows and capital gains tax.	Tax treaties may be renegotiated and new legislation or clarification of existing practice may increase the Group's tax expense.	Our business is a significant contributor to inward investment in the Russian logistics sector. Our structure has developed to deal with the commercial risks of operating in Russia rather than to take advantage of tax benefits. Management and control is exerted as appropriate in each jurisdiction and the skills and experience of staff in each office reflect that commercial requirement. Ultimately, Russia remains a relatively low tax jurisdiction with 20% Corporation tax.	⇨

Personnel Risks

Risk	Impact	Mitigation	Change in 2019
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 where available; Employees have regular appraisals and documented development plans and targets; and We are continually addressing succession issues where they arise.	⇨

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 31 of 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 average term of leases including breaks remains around three years. Bank facilities have an average outstanding term of around 4 years. Together with an inherent uncertainty in the Russian economy tied to factors such oil prices and international sanctions and latterly, the global impact of Coronavirus, the Board considers the three year period to be appropriate.

Key considerations for the Board on solvency this year have been the effect of exchange rates on earnings and the servicing of the foreign currency denominated element of debt facilities, the likelihood of new debt financings and the potential impact of entering into an additional facility to fund the acquisition of the Company's shares.

The reduction in balance sheet foreign currency exposure, increasing portfolio occupancy and committed secured financing facilities has given the Board greater certainty of cash flows over the viability period and hence greater comfort in the forecasts. The viability model assumes current market norms remain stable 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 or breaks;
- Depreciation in the average Rouble exchange rate against the Euro, Sterling and US Dollar;
- Increases in debt facility interest rate benchmarks and the effect on the interest cost over the forecast period;
- The impact of a tightening in available debt finance;
- The introduction of a new finance facility to purchase the Company's shares; and
- The combined impact of all sensitivities on cash balances and banking covenants.

Following the application of these sensitivities, the key mitigating factors supporting the Company's viability and solvency are the ability to place funds on deposit with banking counterparts to satisfy any marginal breaches in banking covenants hence avoiding defaults, the ability to control ordinary share distributions and minimising uncommitted capital expenditure.

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
15 March 2020

DIRECTORS

Sir Richard Jewson (aged 75)

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 55)

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 Non Executive Chairman of Sabina Estates Limited.

He is a member of the Nominations Committee.

Glyn Hirsch (aged 58)

Chief Executive Officer

Glyn Hirsch 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. He is a Non Executive director of Sabina Estates Limited.

Mark Sinclair (aged 54)

Chief Financial Officer

Mark Sinclair 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 in March 2009.

Colin Smith (aged 50)

Chief Operating Officer

Colin Smith qualified as a Chartered Accountant with BDO 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 investment funds and companies.

Christopher Sherwell (aged 72)

Senior Independent Non Executive Director

Christopher Sherwell is a former Managing Director of Schroders in the Channel Islands. Before joining Schroders in 1993, 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 since 2004 has acted as a Non Executive Director on a number of publicly listed investment companies. Currently he is a director of Trian Investors 1 Limited.

He is Chairman of the Remuneration Committee and a member of the Audit and Nominations Committees. Christopher intends to step down as a Non Executive Director at the AGM.

Michael Hough (aged 59)

Non Executive Director

Michael Hough previously worked at Goldman Sachs and Drexel Burnham Lambert as well as Apax Partners and Altium Capital. He subsequently co-founded two private Equity firms; Iceni Capital and Aurora Russia. He was also, for 5 years, the CEO and President of Henry Technologies, a global manufacturing and technology business. In addition, he was Chairman of OSG, Russia's largest document storage business for 5 years prior to its successful sale.

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

David Moore (aged 59)

Non Executive Director

David Moore is an advocate of the Royal Court of Guernsey and is currently a consultant with Collas Crill. 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

I am pleased to present our corporate governance report for this year end. This is our first report under the new 2018 revision of the UK Corporate Governance Code (the "Code"). The Board and its Committees together with management have been working on implementing the principles and provisions of the Code over the past 18 months. The Strategic and Governance sections of the Annual Report set out how we have applied the principles and complied with the provisions of the Code. There are a number of areas of the Code provisions where we have not complied for various reasons which are set out in this report. Some of these divergences from the Code may be temporary while we continue to embed the new Code in the operations of the Board, its Committee's and wider Group. Others may not be in compliance as we believe that our approach, whilst not following the letter of the provisions as set out in the Code, still adheres to the spirit in which the Board considers they are intended and are more appropriate for the Company and wider Group at the current time. Each of these is set out more fully below.

As explained in our 2018 report, Stephen Coe retired at the conclusion of the 2019 AGM. Michael Hough, who joined the Board in October 2018 became Chair of the Audit Committee from this point. Christopher Sherwell will be retiring at the 2020 AGM. Christopher was appointed on 1 April 2008 and was the Senior Independent Director and Chair of the Remuneration Committee since 2009. Michael will become our Senior Independent Director, Chair of the Remuneration Committee and will also join the Nominations Committee from the 2020 AGM. Christopher has been an invaluable member of the non executive team acting objectively, independently and providing challenge to the executive team in pursuit of the Group's strategy. I, along with the Board, wish Christopher all the best and thank him for his contribution.

Sir Richard Jewson
15 March 2020

Statement of Compliance with the Code

Responsibility for governance matters 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 principles of the Code, and all provisions save for 5, 10, 11, and 19. Each of these is discussed in more detail below setting out our reasons for divergence from the Code and why, in certain cases, we believe our approach upholds the spirit of the provisions within the Code.

5 – Workforce engagement

Given the size of the Group and closeness of the Executive Directors to senior management and operational areas of the Group, we do not consider that any one of the three methods of engagement with the workforce proposed in the Code will generate a more effective means to consider the workforce's views as stakeholders of the Group. There is always a member of senior management in attendance at the formal Board meetings. The senior management team meet on a weekly basis with the executive Directors. Our operational committee structure and the role of the board of our Cypriot subsidiary group means that employees from all facets of the Group have weekly meetings with at least one member of the Executive Directors or senior management. This, along with the team leadership structures in place across the Group, allows a conduit for engagement and multiple touch points for our workforce to engage with Executive Board members and senior management and provides an open and informal approach, which in our opinion, is more appropriate for the Group at the current time than one of the three methods set out in the Code.

10 – Director independence

Provision 10 sets out the Code requirements for Non Executive Directors to be considered independent from the Company. David Moore and Christopher Sherwell have each served as Non Executive Directors for more than nine years. 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. In the Board's opinion, David and Christopher continue to fulfil the requirements acting as independent directors and are part of the essential team with experience of the Group's operations and history over their term which is fundamental in assisting the executives in delivering the Group's strategy. As noted above, Christopher Sherwell will retire from the Board following this year's AGM and the Nominations Committee continues to review the structure and constituents of the Board and its Committee's. Further information on the Group's succession planning is set out in the Nominations Committee report.

11 – Non Executive Directors

During 2019, the Board consisted of four Executive Directors, three Non Executive Directors, following Stephen Coe's retirement, and one Chairman. The requirements of the Code set out that at least half of the Board, excluding the Chair, should be made up of Non Executive Directors. This is a change from the prior iteration of the code that allowed for smaller companies, to be exempt from this provision. Whilst we understand the importance of Non Executive Directors' skills, experience, knowledge, diversity and the challenge that they may bring to the Board, we believe that the current composition is appropriate for a business of our size. Your Board will continue to review this requirement.

19 – Tenure of the Chair

As discussed in last year's annual report and explained further below in the Nominations Committee report, the Board is undertaking a phased approach to succession planning to ensure that any new Non Executive Director can be properly integrated. The Nominations Committee is now focusing on the replacement for Christopher Sherwell and that will be followed by the continuation of the succession plan.

Board leadership and company purpose

The Board is responsible for achieving the Group's strategic objectives and creating value for shareholders through sustainable and continued performance. The strategic goals of the Group are set out in more detail in the business model and strategic report which includes information on the Company's purpose, values and culture. The Board had seven scheduled meetings throughout the year as well as conference calls for specific matters as required. A committee of the Board comprising any two or more Directors meet on an ad hoc basis to consider transactional and related matters concerning the Company's business. During 2019, there were 17 such committee meetings. The Board's scheduled meetings are generally held in Guernsey at the Group's head office, however meetings may also be held in Russia or Cyprus to review the Group's operations, culture and meet local management.

Matters reserved specifically for the Board's consideration form the basis of the scheduled meeting agendas. The main elements of this policy include Group strategy, material transactions, financial reporting, capital structure and dividend policy, corporate governance and internal controls and risk management. The table below sets out the activities of the Board during the year.

	Key activities of the Board during 2019	Activities specific for the year
Q1	• Review of investment portfolio performance • Review of medium term forecasts and strategy • Approval of 2018 annual report • Approval of distribution to shareholders • Approval of principal risks and risk appetite	• Consideration of the internal audit program with the Cypriot subsidiary board
Q2	• Review of investment portfolio performance • Review of Q1 2019 reforecast • Review of investor feedback from investor/broker meetings following results • Review and consideration of strategy • Approval of notice of meeting for 2019's AGM	• Consideration of environmental impacts and strategies to reduce/mitigate carbon footprint • Consideration of the share buy back program and exit of cornerstone investor
Q3	• Review of investment portfolio performance • Review of medium term forecasts and strategy • Approval of 2019 interim results • Approval of distribution to shareholders • Approval of principal risks • Review of Q2 2019 reforecast • Review of corporate and regulatory changes and reporting requirements • Review of AGM results	• Consideration of further share buy back

	Key activities of the Board during 2019	Activities specific for the year
Q4	• Review of investment portfolio performance • Review of Q3 2019 reforecast • Approval of 2020 Budget • Review of medium to longer term forecasts • Consideration of Board constitution, balance of skills and experience • Review of internal controls and risk environment • Review of investor feedback from investor/broker meetings following results • Review and consideration of strategy	• Consideration of potential new Non Executive appointment and Christopher Sherwell's retirement • Consideration and approval of updated policies and terms of reference in regards to the Code • Consideration of the share buy back program and exit of cornerstone investor

The Chairman is responsible for the continued smooth operations of the Board and ensures appropriate discussion, challenge and robust practices are integral in the Board's deliberations and activities. The Chief Executive is responsible for the implementation of the Group's strategy as agreed by the Board. Terms of reference for the Chairman, Chief Executive and Senior Independent Director are set out in writing and reviewed as necessary. The Chief Executive, together with the Executive Directors, the Board of the Cypriot holding company and wider management team, is charged to deliver the strategic goals of the Group. The Non Executive Directors assist the executive team in developing this strategy whilst providing a sounding board, challenge and rigour to the decisions of the Board.

Board composition

The Board contains eight directors, four Executive, three Non Executive and the Chair, who was considered independent on appointment. Biographies for each of the Directors are included elsewhere in this Annual Report.

The Board and its Committees

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.theravenpropertygroup.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.

As well as the members of the Board and its Committees, other Board members, the Company's advisors and operational directors are invited to attend where appropriate to present on a particular matter at hand. Material and briefing papers are supplied in advance of any meeting to all attendees along with regular management information which is circulated to the Board throughout the year. Minutes of all Board and committee meetings are circulated to the Board. Should, in the rare occasion, a director be unable to attend a scheduled meeting, they have the opportunity to discuss matters with the chairman of the Board/committee or the Chief Executive. There is an open dialogue between the Chairman, Non Executive Directors, Executive Directors and senior management with regular informal meetings held outside of the scheduled Board meetings to discuss business matters. All Directors also have access to the Group's professional advisors should they be required.

Attendance at Board or Committee meetings during the year to 31 December 2019

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

	Board	Audit Committee	Nominations Committee	Remuneration Committee
R Jewson	7	N/A	2	3
A Bilton	7	N/A	2	N/A
G Hirsch	6	N/A	N/A	N/A
M Sinclair	6	N/A	N/A	N/A
C Smith	7	N/A	N/A	N/A
C Sherwell	7	3	2	3
S Coe*	2	1	N/A	2
M Hough**	7	3	N/A	2
D Moore	6	2	N/A	2
No. of meetings during the year	**7**	**3**	**2**	**3**

* Stephen Coe retired at the AGM held on 31 May 2019. There were 2 Board, 1 Audit and 2 Remuneration Committee meetings held prior to his retirement

** Michael Hough joined the Remuneration Committee 14 March 2019. There were 2 Remuneration Committee meetings held during 2019 since his appointment date

The structure of the Board, its Committees and group operational committees is set out below.

Each operational committee includes a member of the Executive Board, Cypriot board and senior management. Weekly meetings are held by each committee which then reports into an operational oversight committee. Members of the oversight committee include Executive Board members, senior managers who sit on the operational committees and Cyprus holding company directors.

The Board

- Responsible to shareholders and wider stakeholders for the long term success of the Company
- Develops the strategic direction of the Group
- Responsible for determining significant risks and risk appetite
- Responsible for leadership of the Group, Governance arrangements and culture

Chairman

- Responsible for the efficient operations of the Board
- Maintains culture of openness, debate and rigour to board decisions

Non Executive Directors

- Independent judgement and challenge of the executive directors
- Broad range of experience to provide balance to the skills and experience of the Board

Chief Executive and Executive Directors

- Responsible for delivering the Company's strategy

Nominations Committee

- Making recommendations for succession planning
- Considers size, structure, skills, experience and composition of the Board and its committees

Audit Committee

- Oversees the financial and narrative reporting
- Reviews and monitors the integrity of the Group's internal controls and risk management processes
- Responsible for auditor engagement, nomination and retention

Remuneration Committee

- Sets the remuneration policy for the executive directors and senior management
- Development of long term incentive schemes aligned to strategic goals of the Group

Risk Committee

- Delegated responsibility from the Audit Committee for risk management and internal controls monitoring, processes and implementation

Chief Executive

Executive Team
Charged with delivering the Group's strategic objectives set by the Board

Raven Russia Holding Cyprus Limited - Board of Directors
Day to day operational control and risk management

Operational Oversight Committee
Executive Team and Cyprus holding company directors
Charged with the day to day running of the business to deliver the strategic objectives

- Investment Committee
- Financial Committee
- Asset Management
- Joint Ventures
- Roslogistics
- Information Technology
- Raven Mount

The Nominations Committee

The Committee comprises Anton Bilton, Christopher Sherwell and Richard Jewson, who is Chairman. Key tasks of the Committee include reviewing the size, structure and composition of the Board and its committees to ensure appropriate skill, experience, diversity and independence, lead processes for new Board and senior management appointments, and finally to review the effectiveness of the Board and its committee structure in light of the requirements of the Group, Code and regulations.

As set out earlier in the corporate governance report, Stephen Coe retired following the 2019 AGM, he was replaced by Michael Hough as Chair of the Audit Committee at that point. Michael also joined the Remuneration Committee during the year. Christopher Sherwell will retire at the conclusion of the 2020 AGM and will be succeeded by Michael as the Company's Senior Independent Director and Chair of the Remuneration Committee. Christopher has been with the Board since 2008 and during his term, an invaluable member of the non executive team.

As explained in last year's report, the Committee considered the changes to the provisions of the Code following its publication in 2018, and in particular the additional requirements being implemented that impact the work of the Committee and make up of the Board. The Board's overriding aim is that its composition and that of its Committees are fit for purpose, with the appropriate constituents, balance of skills, knowledge, experience and diversity. The Committee is charged with ensuring this requirement is observed with and where necessary will recommend changes.

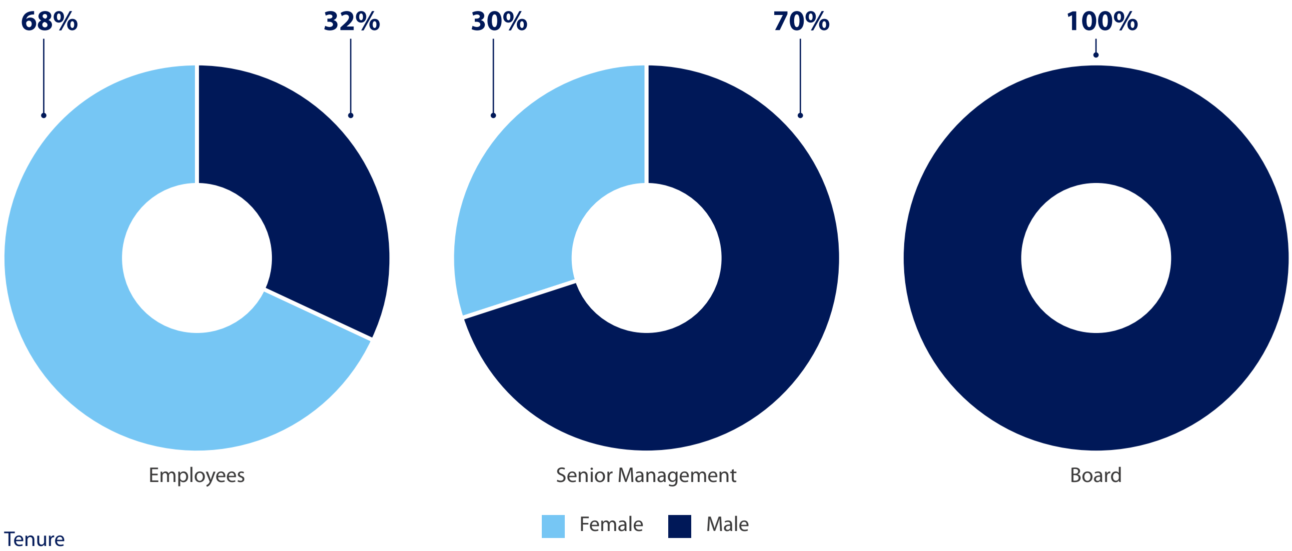
The introduction of new Code provisions around tenure of the Chair and balance of executive to non executive directors for all companies, not just limited to larger companies as it used to be under the previous iteration of the code, should be considered against the requirements of the Board, it's Committees, the Company's current position and wider Group needs. The Committee will continue to consider the requirements of the Code and where appropriate make recommendations to the Board about future appointments.

Diversity

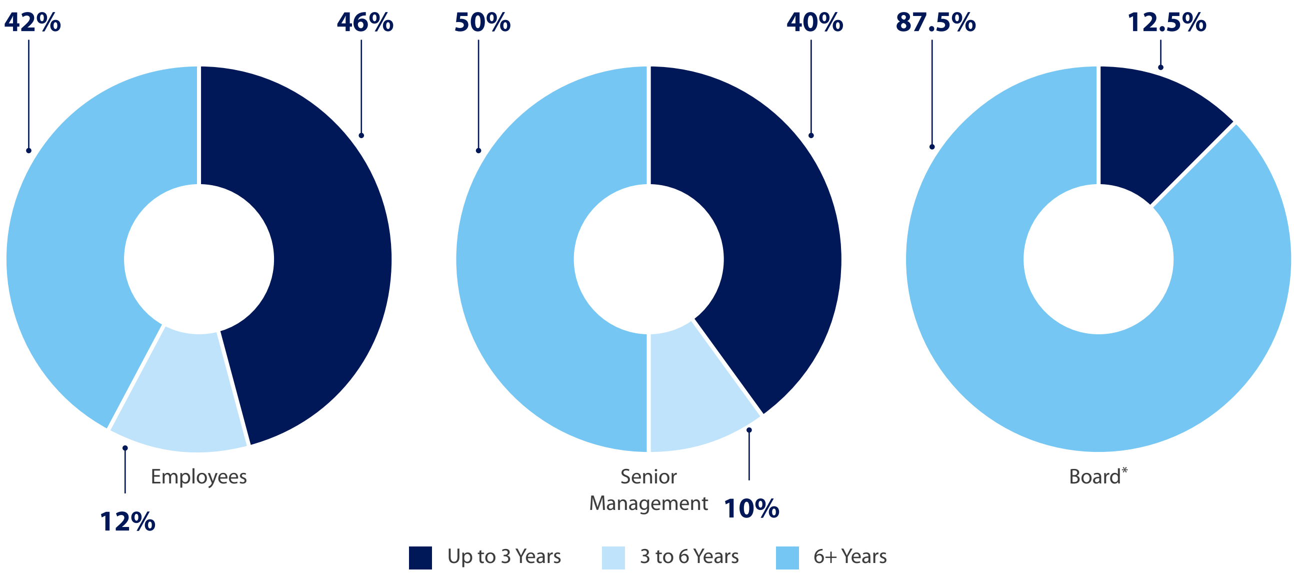
The Committee consider the experience, background, age and tenure of each individual to contribute to the diversity of the Board, its Committees and the wider Group. The Committee has intentionally not adopted a policy on recruitment which may impose certain restrictions when considering applicants for roles within the Group.

Information about the diversity of the Group's workforce at 31 December 2019 is set out below.

Gender

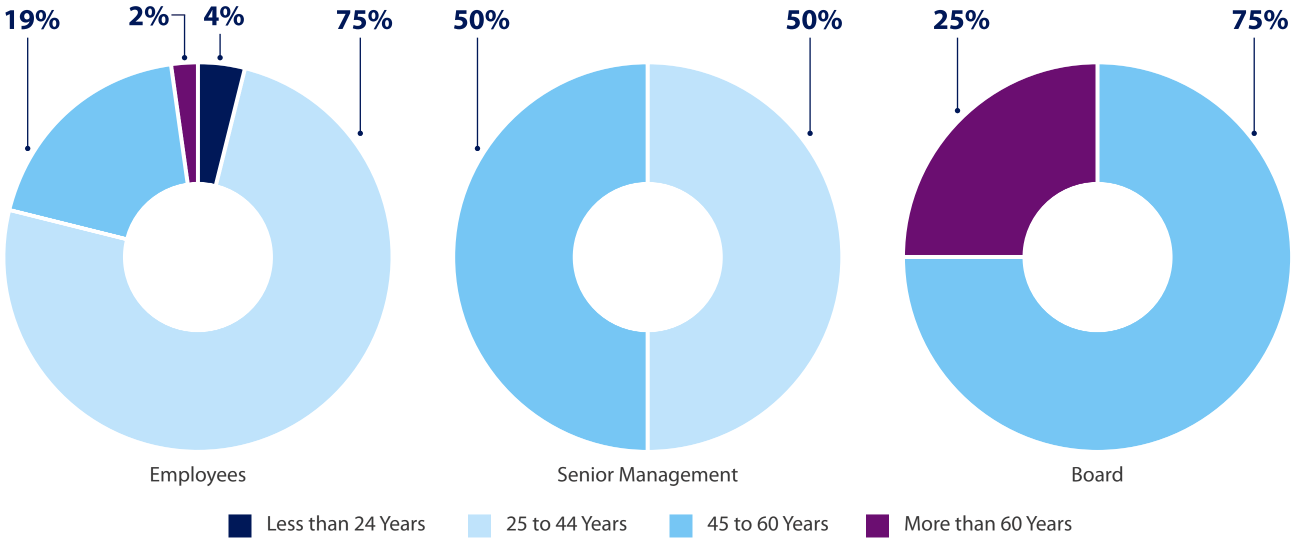


Tenure



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

Age profile



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 2019 were undertaken internally, which included group discussions and individual reviews of performance throughout the year. 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 Committee consider the composition of the Board and its Committees with reference to the Group's needs and also the requirements of the Code and any regulations. In accordance with the Code, all Directors will be put forward for re-election at the AGM save for Christopher Sherwell who will be retiring this year as mentioned earlier. Having considered the balance of skills, expertise and performance of the Board, its committees and individual Directors, the Board recommends the reappointment of each Director standing for re-election at the forthcoming AGM.

Engagement with Shareholders

The Board considers regular contact with shareholders to be an important aspect of our corporate governance program. The Chief Executive, Executive Deputy Chairman and Chief Financial Officer perform regular road shows, investor and analysts briefings and shareholder meetings throughout the year. These generally occur after the annual and interim results are published but also when corporate actions, such as fund raisings, take place.

The views of our major institutional shareholders are a key consideration in the development and support of the Group's strategy. We regularly canvass this group of investors on matters such as distributions, fund raising and remuneration policy. Their views are always taken into consideration prior to the implementation of any such policies.

In addition to face to face shareholder meetings the Group communicates with investors and wider stakeholders through its website. Results presentations, report and accounts, shareholder circulars as well as the Group's governance material is all published on the site. The AGM of the Company provides shareholders with the opportunity to meet the Board and discuss any matters of interest or concern. We continue to encourage shareholders to engage with the Company directly where they have any concerns rather then relying on proxy voting agencies which, in our experience, do little to understand the intricacies of the Group's operations and governance practices. The notice of the Company's AGM is included separately along with a form of proxy to lodge your votes.

CORPORATE RESPONSIBILITY

Social and Environmental Report

Corporate responsibility covers many different aspects of our business, from the activities undertaken within our head office in Guernsey to Siberia where our Novosibirsk warehouse is located, our 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 activities.

The Board considers 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. The Group's employees 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 2019 the Group invested £67,662 in supporting various causes including national and local charities and local community sports groups. No political donations were made during the year.

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. The Company has been reporting its green house gases usage now since the introduction of the regulations in 2013. Over this time we have enhanced our reporting to include all scopes of energy usage including own offices occupied and flight information. The energy consumption of our portfolio has over this time increased due to the energy demands of our clients, particularly with regard to energy intensive activities such as temperature controlled space and manufacturing rather then dry warehouse space.

Although tenants are the end users of the energy consumed, we consider this an important metric to measure. Energy efficiency makes our properties more attractive to tenants as well as being more environmentally responsible.

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. We are reviewing the means of energy production across the portfolio and where possible moving towards less carbon intensive methods of production. At our Noginsk site we have recently switched supplier to provide energy derived from hydro generation, moving away from natural gas. We are undertaking a review across the portfolio to consider further changes to suppliers to lessen the environmental impact of energy production.

We have a rolling capital improvement program which includes implementation of more efficient low energy lighting and changes to insulation materials in our warehouses. New developments are being assessed by BREEAM (Building Research Establishment Environmental Assessment Methodology), the world's 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.

During the year the Board agreed to adopt a carbon offsetting program for all business travel. We are working with a provider of carbon offsetting to agree a methodology and approach to follow during 2020. Other initiatives being considered include the introduction of a solar farm and bee hives to increase bio diversity at our project in Rostov-on-Don. Further information on our initiatives will be presented in our 2020 Annual Report.

Details of our energy consumption are set out below.

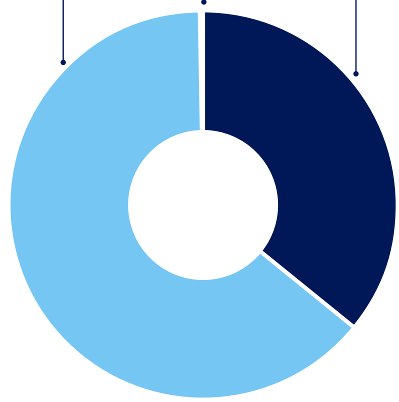
Greenhouse Gases

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 sixteen warehouses and three offices in the portfolio and our four offices in Moscow, St Petersburg, Cyprus and Guernsey. We also collected office car mileage and business travel for the Group's employees to report on Scope 1, Scope 2 and Scope 3 emissions. The report encompasses the impact of the entire property portfolio and not just those elements over which we have direct control. In 2016 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 seven years. In absolute terms, energy consumption has increased over the reporting period which coincides with growth of the property portfolio through acquisitions and construction, however the intensity measures have remained consistent over time.

Data Point	Units	Quantity 2019	Quantity 2018	Quantity 2017	Quantity 2016**	Quantity 2015	Quantity 2014*	Quantity 2013
Scope 1	tonnes CO_2e	36,226	30,976	22,569	19,948	19,289	20,778	18,138
Scope 2 (location-based)	tonnes CO_2e	63,643	62,605	56,420	54,008	56,914	53,664	44,589
Scope 2 (market-based)	tonnes CO_2e	63,642	62,604	56,423	54,347	56,919	53,666	n/a
Scope 1 + 2 Intensity (location based)	tonnes CO_2e / floor space (sqm)	0.05	0.05	0.05	0.05	0.05	0.05	0.05
Scope 3	tonnes CO_2e	200	231	194	184	219	342	n/a

GHG Emissions



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

Data collection and methodology protocol

The group used the Greenhouse Gas Protocol methodology for compiling its GHG data, and includes the following material GHG's: CO_2, N_2O and CH_4. The Group used the following emission conversion factor sources:

- Direct energy: IPCC 2006 Guidelines for National Greenhouse Gas Inventories
- Natural gas: DEFRA 2019 conversion factor for cubic meters natural gas
- Diesel: DEFRA 2019 conversion factor for litres diesel
- LPG: DEFRA 2019 conversion factor for litres LPG
- Purchased electricity: UK Defra 2019, Russia and Cyprus, IEA Fuel Combustion 2018 and Foreign Electricity Emission Factors
- European market emission factors for electricity: AIB, European Residuals Mixes for 2018
- Office car: DEFRA 2019 conversion factor for kilometers of unknown fuel (average car)
- District heating: electricity factors were adjusted using same ratio as between UK electricity and district heating (from DEFRA 2019 conversion factors for UK electricity, and district heat and steam)
- Business travel:
- DEFRA 2019 GHG Conversion Factors for flights and rail travel
- Sawdust emissions calculated by Trucost using FAO and IPCC

LETTER FROM THE REMUNERATION COMMITTEE

Dear Shareholders,

On behalf of the Committee, I present our report on Directors' remuneration for the year ended 31 December 2019.

Overview

This will be my last letter as Remuneration Committee Chairman as I will step down from my role as Non Executive Director at the upcoming AGM. It has been a challenging responsibility but I have had the support of a strong non executive team during my period as Chairman. Michael Hough will take over as a temporary Committee Chairman while the Board finalise new non executive appointments.

As a reminder, the current remuneration scheme incorporates an Annual Performance Incentive scheme ("API") for the years 2018 to 2020 and a Five Year Performance Plan for the period to 31 March 2023.

The API is measured against targets set at the beginning of each year with a maximum award of 50% of salary if the participant elects to take the award in cash and a maximum equivalent to 175% of salary if the award is taken in any of the Company's listed securities. If securities are taken then a retention period of three years applies.

The Five Year Performance Plan ("FYPP") allows executives to place existing holdings of the Company's securities into the Plan, and requires a further five year retention period from the commencement of the plan. The Company agrees to match that holding up to a maximum of three times the value of shares held, where the calculation is based on compound Total Shareholder Returns of between 4% and 12% over the performance period. Any awards made under the Plan will be satisfied by the issue of ordinary shares. Details of the executives' contributions to the plan are given later in this report.

Performance Outcomes

At the beginning of the year, the Committee agreed targets for the API, equally weighted between financial and other operating and strategic measures.

Financial Targets

These were set against the following measures:

- Year end occupancy levels;
- Average Rouble rents per square metre achieved;
- Underlying earnings; and
- Completed asset specific refinancings.

These measures primarily support the Company's ability to fund ongoing shareholder distributions. Each has a performance weighting applied and a floor below which no performance related award is available.

The Company's results for the year have seen a significant improvement on 2018 but upper levels of the performance targets proved stretching. The result is that 39.5% of the total award in this category was achieved.

Other Operating and Strategic Targets

Measurement of these involves discretion from the Committee and, in particular, an assessment of the executive team's ability to deal with unforeseen events as well as the execution of planned objectives. The Committee aimed to focus mainly on balance sheet risk management, acquisition and joint venture strategies and long term tenant management.

In practice, the team's priorities in 2019 were somewhat derailed by shareholder issues, firstly with the problems arising at WIM and latterly at IAML. They successfully dealt with the potential overhang of the WIM shareholding, negotiating the purchase by the Company of their entire ordinary shareholding at a significant discount to net asset value per share. Similarly, the Company has contracted to purchase IAML's holdings of the company's shares again at a significant discount to net asset value per share in relation to the ordinary shares. The team also secured the financing required to complete the latter transaction which is now subject to various shareholder approvals.

In the Committee's view, this has been an involved and stressful exercise for the executive team. Importantly, it is net asset per share enhancing and deals with a significant overhang in the Company's traded instruments and thus is of benefit to the Company and its various stakeholders.

In addition, and in line with objectives established at the start of the year, the team has overseen the successful transition out of US Dollar debt and continues to reduce the balance sheet foreign exchange risk on secured debt and is also altering its tenant concentration, with a greater spread of tenants and increasing exposure to e-commerce tenants. The rolling capital expenditure programme and the initiation of other energy efficiency measures reflect our understanding of our impact on the environment and the sustainability of our business.

Given these strategic achievements the Committee determined that a full 50% be awarded in respect of the operating and strategic targets.

Five Year Performance Plan

As total shareholder returns were below the lower award level no accrual for awards is required for the plan.

Remuneration Decisions

These decisions in sum mean that a total award of 89.5% will be made under of the Annual Performance Incentive for 2019. Each executive has elected to receive their award in ordinary shares.

Based on the current share price, the number of shares that would be awarded would be:

Anton Bilton	2,603,125
Glyn Hirsch	2,603,125
Mark Sinclair	1,625,313
Colin Smith	1,439,375

Awards vest on the issue of this Annual Report and the share price at that date will be used in calculating the award.

2020 Performance Criteria

The Committee do not intend changing the make up of the performance criteria for the API in 2020 and have again agreed targets weighted equally between financial and other operating and strategic measures.

The same KPIs and weightings will be used for the basis of the financial metrics, being:

- Year end occupancy levels - 10% to 30%;
- Average Rouble rents per square metre – 10% to 30%;
- Underlying earnings – 10% to 20%; and
- Asset specific refinancing – 20%.

The first three criteria have a spread of outcomes with the reward weighted on a sliding scale and a floor below which no credit is given. Asset specific refinancing is an absolute target with no contribution to the award if the target is not met. Larger percentages are weighted to the occupancy and average rental levels as they support the longer term returns of the business. The last two criteria support the ability to pay distributions in the coming year.

Other operating and strategic measures will again be discretionary and dependent on the implementation of the strategic objectives of the business and the development of the infrastructure to support those objectives.

It is to be hoped that the business and economic environment will be less turbulent in 2020. Based on recent years' experience, caution will be essential. In the meantime I wish the Raven team every success as they continue their journey.

Christopher Sherwell
Chairman
Remuneration Committee
15 March 2020

DIRECTORS' REMUNERATION REPORT (UNAUDITED)

Introduction

Composition

The Remuneration Committee comprises Michael Hough, Richard Jewson, David Moore and Christopher Sherwell, who is Chairman.

Policy

Our Directors' Remuneration Policy (the "Policy") is unchanged from that approved by shareholders at the 2017 Annual General Meeting on 12 July 2017. A summary of the key elements of executive remuneration for 2019, as set out under the Policy are as follows:

Fixed elements	Basic salary
	Benefits
	Pension contributions
	2016 Retention Scheme – final payment made on 31 March 2019
Variable elements	Annual Performance Incentive
	Five Year Performance Plan

Full details of the Policy were included in the 2017 Annual Report and can also be found on our website.

Summary of Remuneration for the Financial Year Ended 31 December 2019

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

Year ended 31 December 2019	Salary £'000	Benefits [1] £'000	Pension [2] £'000	Total cash remuneration £'000	Annual performance incentive No of Ordinary shares [3]
G Hirsch	595	42	59	696	2,603,125
A Bilton	595	47	59	701	2,603,125
M Sinclair	372	21	37	430	1,625,313
C Smith	329	24	33	386	1,439,375

Year ended 31 December 2018	Salary £'000	Benefits [1] £'000	Pension [2] £'000	Total cash remuneration £'000	Annual performance incentive No of Ordinary shares [3]
G Hirsch	584	38	58	680	–
A Bilton	584	40	58	682	–
M Sinclair	364	22	36	422	–
C Smith	323	22	32	377	–

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. Estimate based on closing ordinary share price on 13 March 2020. The annual performance incentive is payable on issue of the 2019 Annual Report and the number of ordinary shares will be recalculated based on the ordinary share price on that date.

Five Year Performance Plan ("FYPP")

The FYPP is a long term incentive scheme with 6 participants; the 4 executive directors and 2 senior managers. The scheme allows each participant to invest into the FYPP a number of listed securities in the Company that they hold. All securities invested in the FYPP must continue to be retained by the participant until 31 March 2023.

On 31 March 2023, based on annual compound total shareholder return ("TSR") calculations, the participants will be entitled to receive up to three times the initial prescribed value of the securities in the FYPP. Vested entitlements will be settled in the Company's ordinary shares, with a value based on the average price of the Company's ordinary shares for March 2023.

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

The table below sets out the directors' interests in the FYPP.

Director	Securities invested (1)	Initial prescribed value £'000
G Hirsch	66,618 preference shares 1,639,404 convertible preference shares	2,000
A Bilton	66,618 preference shares 1,639,404 convertible preference shares	2,000
M Sinclair	619,500 ordinary shares 556,907 preference shares 754,162 convertible preference shares	2,000
C Smith	723,298 ordinary shares 503,719 preference shares 681,604 convertible preference shares	1,900

(1) Includes ordinary, preference and convertible preference shares held by trusts or pensions schemes where the individual or close family members are beneficiaries. Ordinary shares invested are after participation in tender offer buy backs.

2016 Retention Scheme

The final payment was made on 31 March 2019 and the following shares transferred to the executive Directors:

Director	Number of Convertible Preference Shares
G Hirsch	767,412
A Bilton	767,412
M Sinclair	479,419
C Smith	424,334

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 2019 in the Ordinary Shares, Preference Shares and, Convertible Preference Shares of the Company, both at the beginning and the end of the year, are set out below. There have been no changes since 31 December 2019.

Director	Number of Ordinary Shares 31/12/19	Number of Preference Shares 31/12/19	Number of Convertible Preference Shares 31/12/19
R Jewson	218,429	75,460	–
G Hirsch (1)	6,959,390	2,219,595	2,496,556
A Bilton (1)	41,620,058	4,953,355	2,496,556
M Sinclair (1)	2,761,976	762,462	904,162
C Smith (1)	831,504	505,530	681,604
C Sherwell	237,239	79,728	–
D Moore	222,501	14,172	–
M Hough	–	–	–
	52,851,097	**8,610,302**	**6,578,878**

Director	Number of Ordinary Shares 31/12/18	Number of Preference Shares 31/12/18	Number of Convertible Preference Shares 31/12/18
R Jewson	232,626	75,460	–
G Hirsch (1)	7,496,027	2,219,595	1,729,144
A Bilton (1)	43,071,170	5,953,355	1,729,144
M Sinclair (1)	2,939,761	762,462	425,013
C Smith (1)	944,574	503,719	257,270
C Sherwell	237,239	79,728	–
D Moore	222,501	14,172	–
M Hough	–	–	–
	55,143,898	**9,608,491**	**4,140,571**

(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 fees for Non Executive Directors are determined by the executives. No Non Executive Director is entitled to any form of performance related remuneration, including share options. Fees paid in the year were as follows:

Director	2019 £'000	2018 £'000
R Jewson	113	113
C Sherwell	50	50
D Moore	48	48
M Hough	49	11
S Coe	21	50
	281	**272**

Salaries and fees for 2020

The contractual arrangements for 2020 are:

Director	Salary or Fee £'000	Appointment date	Unexpired term	Notice periods	Contractual termination payment
R Jewson	113	29.06.07	Rolling contract	3 months	No provision for payment on termination
D Moore	48	04.07.05			
C Sherwell	50	01.04.08			
M Hough	50	09.10.18			
G Hirsch	604	27.11.08	Rolling contract	12 months	Payment of 12 months salary and benefits on termination
A Bilton	604	27.11.08			
M Sinclair	377	23.03.09			
C Smith	334	14.11.08			

Christopher Sherwell
Chairman
Remuneration Committee
15 March 2020

AUDIT COMMITTEE REPORT

Audit Committee Chairman's Introduction

Dear Shareholders,

This is the first Audit Committee Report under my tenure as Committee Chairman.

I was fortunate enough to have a handover period with Stephen Coe during the 2018 financial statements process prior to his stepping down at last year's AGM and sit with the executive team through the process. On taking over the role I met with the external audit partner and the client relationship partner to discuss the audit process and their thoughts on the working relationship with the management team and begin to familiarise myself with the dynamics of both teams. Since then I have visited the Company's Moscow office, met with the Cyprus board and again met the external audit team with and without the management team present, for updates on the audit approach, audit independence and the impact of the changes the external audit environment is going through. These changes will no doubt lead to rising costs for audit clients as regulatory scrutiny increases. The management team and the auditors are working closely to identify efficiencies in the external audit process that can go some way to offsetting any potential increase in audit fees.

The Committee's role continues 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 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, including advising the Board on the viability and going concern statements including the potential impact of recent market events on both.

We met the Group's independent valuers whilst visiting our Moscow office to discuss the market and the valuation process.

The operational boards and management teams in Cyprus and Russia have kept us updated on the framework of controls and procedures. That has included reports from the internal auditors from BDO on reviews of procurement, authorisation and anti money laundering and bribery procedures in the period, recommendations arising from those reports and the implementation plan for those recommendations. The Cypriot team also presented the proposed internal audit plan for the next 24 months at the audit committee meeting in November last year.

In all cases with the external professionals, we believe that the working relationship continues to be independent and management assumptions appropriately challenged.

Michael Hough
Chairman
Audit Committee
15 March 2020

The Audit Committee

The Committee is responsible for ensuring that the financial performance of the Group is properly monitored and reported on. 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 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 Michael Hough (Chairman). Stephen Coe, the previous Chairman of the Committee stood down as a Non Executive Director during the year. Christopher Sherwell will step down as a Non Executive Director at the upcoming AGM and the Board are in the process of making new Non Executive Director appointments. The Chairman is considered to have recent and relevant financial experience for the purposes of the Code. The Committee's members have considerable commercial experience relevant to the property and financial services sector to properly discharge their duties. 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 2019 and addressed:

- The recommendation to the Board to approve the annual and 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 results and recommendations of the Group's Cypriot Board and the internal auditor on reports issued during the year and agreement of the plan of work for 2019; and
- The monitoring of the Group's internal control and risk management procedures including a review of risk committee submissions.

Action taken on these areas is expanded on below where appropriate.

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 eleventh year of tenure as Group auditor.

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 met 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.

The Committee discussed the possibility of putting the audit out to tender in 2017, as required by the EU Audit Directive, even though, as a Guernsey registered Company, this is not a requirement. At that time, it was decided that, as a new audit partner had just taken over the engagement and there had also been changes in other senior roles within the audit team, the Committee was comfortable with EY's on-going independence. The Committee has no reason to change that decision in the current year but monitors on an annual basis.

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 the trading entities in Russia and the UK are audited locally by Baker Tilly and Crowe U.K. LLP respectively. The Committee believes that this gives additional 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 assessed 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 the review of the interim financial statements 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 2019 amounted to £0.9 million, of which £0.2 million was for non-audit services.

The Committee is sensitive to the level of non audit fees and the Group has actively engaged other firms in due diligence, tax and other advisory projects, including PWC, KPMG, BDO Stoy Hayward and local Russian tax counsel. Fees paid to these other firms totalled £0.4 million in the year (2018: £0.5 million).

AUDIT COMMITTEE REPORT

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"). The external auditor has direct access to JLL as part of the audit process and has met with them independently of management. 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.

Significant Issues Considered by the Audit Committee

In recommending the approval of the 2019 financial statements, the Committee considered the following:

Matter Arising	Action
Property Valuations	
Valuations of investment property and investment property under construction are undertaken by external valuers. The land bank is carried at directors' valuation. The external valuers continue to use a discounted cash flow methodology for the valuations. 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 auditor's valuation specialist met with the independent valuer separately and various calls and meetings between the valuer, external audit team and management have been held during the year. The Committee is satisfied that the valuation process and conclusions drawn are appropriate.
Foreign Exchange	
The Group's exchange rate risk profile has continued to diminish as foreign currency denominated liabilities reduce. All US Dollar liabilities have been extinguished in the year and the primary risk now relates to Euro debt and the servicing of Sterling preference shares from a predominately Rouble income base.	The Group's sensitivity to changing foreign exchange rates has reduced in the year and the impact is covered in the viability statement. The Committee is satisfied that the impact of the risk is adequately addressed in the Group's forecasting procedures.
Taxation	
There were no significant changes to the Russian tax regime in the year and the Committee met with the management teams in each of the jurisdictions to discuss their approach to management and control. The Committee considered the adequacy of the level of uncertain tax provisions made by the Group.	The Group's business continues to focus on commercial requirements rather than tax benefits. The Committee discussed the position with management in each jurisdiction and the auditors. It is satisfied that the Group conducts its operations appropriately for the transactions it undertakes and tax provisioning is sufficient.
Viability Statement	
The viability statement stress tests the Group's business model and we have reviewed this in the context of the potential buy back of shares by the Company, the impact of the Coronavirus and the impact of oil price volatility and the uncertainty that is causing.	The Committee discussed the sensitivities applied to the Group's forecasts for the three year period. It was agreed that the current global situation could very well present the Group with a severe but credible scenario. After discussion with management we are satisfied that sensitivities applied to the business model adequately test the Group's resilience to a situation such as this.

Internal Control and Risk Management

The Board has overall responsibility for the systems of internal control and for reviewing their effectiveness throughout the Group. In accordance with the guidance of the Turnbull Committee on internal controls, this is a continual process which identifies, evaluates and manages the principal risks and uncertainties that may affect the achievement of the Group's strategic objectives. This 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 has no control over. These are mainly overriding external risks such as the wider economic environment, sanctions and the current Coronavirus situation. 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;
- An internal audit function with an approved annual programme;
- The close involvement of the Executive Directors, the Cypriot holding company board 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 role of the board of the Group's Cypriot holding company in exerting proper management and control over the Group's Russian trading subsidiaries;
- 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 a 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, Cypriot holding company 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 2019, 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.

DIRECTORS' REPORT

The Directors present their report and the audited financial statements of the Group for the year ended 31 December 2019.

Principal activity

The Company is a Guernsey registered company with registration number 43371 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.

In October 2019, the Company undertook a tender offer as an interim distribution for 1 in every 44 shares at 55p, equivalent to a dividend of 1.25p per share (2018: Distribution of 1.25p by way tender offer 1 share in every 44 at 52p). The Directors are intending to recommend a final distribution of 2.25p by way of a tender offer. However the timing and structure of this distribution will be determined at a later date (2018: distribution of 1.75p by way of tender offer of 2 shares in every 51 at 45p).

Directors

The Directors, who served throughout the year, were as follows:
Sir 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) – resigned at the 2019 Annual General Meeting held on 31 May 2019
David Moore (Independent Non Executive Director)
Michael Hough (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 2019	% of share capital	Number held 28 February 2020	% of share capital
Invesco Perpetual	139,678,106	28.52	139,678,106	28.52
Schroder Investment Management	57,234,141	11.69	57,467,122	11.73
JO Hambro Capital Management	55,372,153	11.31	54,722,153	11.17
Quilter Investors	40,404,752	8.25	40,404,752	8.25
Progressive Capital Partners	15,716,846	3.21	15,716,846	3.21

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 purpose of this agreement was 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. Following the share buy backs that occurred during 2019, Invesco's holding in the Company dropped below 30% and the agreement has terminated.

Purchase of own shares

The Company was granted authority at the 2019 AGM to make market purchases of its own ordinary and preference shares. This authority will expire on 31 August 2020. A resolution will be proposed at the 2020 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 34 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 and full year reporting process and for any fund raising and acquisition activity. 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 the appropriate steps expected of a Director to ensure that this is the case.

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 2019.

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 15 March 2020 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 Property Group Limited

Opinion

In our opinion:

- Raven Property Group 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 2019 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 as adopted by the European Union; and
- the financial statements have been properly prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

We have audited the financial statements of Raven Property Group Limited which comprise:

- The Group Balance Sheet as at 31 December 2019;
- 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; and
- Related notes 1 to 38 to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below.
We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs(UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the annual report set out on pages 40 to 43 that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation set out on page 40 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 directors' statement set out on page 65 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;
- whether the directors' statement in relation to going concern required under the Listing Rules is materially inconsistent with our knowledge obtained in the audit; or
- the directors' explanation set out on page 44 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.

Overview of our audit approach

Key audit matters	• Economic and financial uncertainties in Russia and their impact. • 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 Russian and Guernsey components and audit procedures on specific balances for the Cyprus and United Kingdom components. • The components where we performed full or specific audit procedures accounted for 100% of Revenue and 100% of Total assets.
Materiality	• We set overall materiality of £15.2m based on 1% of total assets and specific materiality of £4.8m based on 5% of underlying operating profit.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

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.

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.

Overall this risk level is consistent with the prior year in terms of the impact on the Group's financial statements.

Given the uncertainty surrounding the potential impact of the coronavirus and the subsequent oil price collapse we have also considered the impact of coronavirus on the company in regards to going concern position. We have seen a fall in oil prices precipitating a weakening of the Rouble. In a worst case scenario, this could lead to a suspension of investment decisions by company's tenants, a disruption in supply chains impacting on the demand for new warehouse space and potential defaults by existing tenants whose businesses are affected most.

Our response to the risk:

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, EY real estate valuation specialists and EY tax specialists in Russia and the UK;
- Undertaking 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. For going concern, this included validating key assumptions such as rental rates and interest rates to publicly available information. We evaluated the impact that the coronavirus could potentially have on the company by considering going concern assumptions and sensitivities and related disclosures.

We performed the following audit procedures around the potential risk of inducement payments to third parties:

- We held fraud discussions with Raven staff of various levels and also with the audit committee, throughout the audit. We enquired with management as to whether they were aware of any evidence of fraud, or were aware of any whistle blowing or instances of any non-compliance with laws and regulations;
- We confirmed our understanding of the controls in place to prevent and detect transactions involving inducements payments by performing walkthroughs;
- In order to address the remaining risk over inappropriate payments, we tested on a sample basis (based on material items and a random sample):
  - payments made in respect of capital expenditure; and
  - that journal transactions have a valid business purpose and are on an arm's length basis.

We performed procedures to assess the Group's compliance with applicable laws and regulations:

- We performed a search for sanctions and assessed whether they impacted the Group, management or counterparties of the Group including banks or customers;
- We obtained and read correspondence with regulatory bodies and the Group during the year.

We performed the following audit procedures around the uncertain tax positions arising from the tax laws in Russia:

- We obtained and read correspondence with the tax authorities regarding recent inspections in Russia;
- Considered the results from recent tax inspections;
- Enquired with management about their response to the tax authorities and their assessment of the potential exposure;
- Obtained management's calculation of the provision for uncertain tax positions;
- Using our tax specialists in Russia and the UK, we discussed and challenged management's provision. We inspected recent court cases and challenges by the tax authority to determine if the risk assessment made by management is appropriate.

- We have reviewed the disclosures made in notes 2, 3 and 8 regarding the uncertain tax provision.

We performed full scope audit procedures over this risk area in the one location, Russia, affected by this risk, which covered 100% of the risk amount.

Key observations communicated to the Audit Committee

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 thereto, appropriately reflect the risk factors identified.

As a result of the procedures performed in relation to the provision for uncertain tax positions we concluded that the uncertain tax provisions and related disclosures have been appropriately recognised in accordance to the Group's accounting policy and IFRS.

Misstatement of the fair value of investment properties and investment properties under construction (as described in the Audit Committee Report and notes 2, 3, 11, 12 and 13 of the financial statements)

Material misstatements that could occur in relation to this risk would primarily affect the investment property and investment property under construction balance at year end.

This account has a £1,372m balance in the 2019 annual report (2018: £1,206m).

The valuation of investment property and investment property under construction requires significant judgements and estimates by management and the external valuer (Jones Lang LaSalle (JLL)). There is a risk that management may manipulate the property valuations by exerting influence over the valuers in order to meet shareholder expectations.

This estimate is impacted by the uncertainties over the current economic environment in Russia, as described above.

The current real estate market in Russia is characterised by limited capital transactions, and the valuation of investment properties remains an area of significant estimation.

Our response to the risk:

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;
- For a sample of properties we 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. This included having meetings with JLL, with management absent, and understanding the internal control quality procedures under taken by JLL to ensure quality and independence in their reporting to management.
- For a sample of the Group's investment property and investment property under construction, we performed detailed testing on the valuations performed by the external valuer. This sample represented 74% of the total value of investment property and investment property under construction.
- 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 include estimated rental values, discount rates, yields, indexations, vacancy/void periods and other assumptions that impact the fair value;
- For the remaining properties comprising 26% of the valuation, we 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.
- The audit team, performed site visits of certain assets in the Group's portfolio inspecting their condition and level tenancy.
- We assessed the adequacy of the disclosures of estimates in note 2 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.

Key observations communicated to the Audit Committee

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 2019.

Revenue recognition (as described in note 2 and 5 of the financial statements)

Total revenue was £175.3m in the 2019 annual report (2018: 162.6m).

We have identified the following risks related to the recognition of revenue:

Rental revenue & service charge income from the investment property portfolio: risk that the revenue 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.

Our response to the risk:

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 analytical procedures over rental, service charge and logistics income to identify significant fluctuations and trends. We corroborated any significant fluctuations to the terms within lease agreements or to invoices.
- On a sample basis, we recomputed the revenue recognised in the year, based on the contractual lease terms, including the treatment of rent incentives.
- We obtained and examined the trade receivables ageing. We assessed the recoverability of material debts past due by testing subsequent cash receipts and verifying if there were tenant deposits in place.
- We agreed the calculation of the IFRS rent straight-lining adjustment to underlying lease and tenancy data and tested 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.
- Lease and service charge income from investment properties in Russia, and the Roslogistics business were full scope locations and contributed 100% of the Group's revenue.

Key observations communicated to the Audit Committee

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.

An overview of 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 and Guernsey, the Group audit team includes members from the UK, Guernsey and Russia. Members of the Group team in these 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 Russia experts.

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

For the Group entities incorporated in Cyprus, specific scope procedures on cash, intercompany, debt, derivatives 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 88% (2018: 94%) of the Group's Profit before tax, 90% (2018: 90%) of the Group's Revenue and 87% (2018: 96%) 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 local management 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.

We determined materiality for the Group to be £15.2 million (2018: £7.0 million), which is 1% (2018: 0.5%) of total assets. We believe that the basis of materiality that is the primary measure of performance for shareholders is a capital measure total assets. For underlying earnings related accounts (revenue, cost of sales, administrative expenses, and related working capital balance sheet accounts), for which we deem smaller misstatements could influence decisions of the users of the financial statements, we determined materiality to be £4.8m (5% of underlying operating profit).

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% (2018: 75%) of our planning materiality, namely £11.4 million (2018: £5.3 million) for balance sheet accounts. For accounts impacting underlying operating profit (revenue, cost of sales, admin expenses, and related working capital balance sheet accounts), we used £3.6 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 range of performance materiality allocated to EY Cyprus is £5.7 million (2018: £2.6 million) for Balance Sheet accounts and £1.8m for accounts impacting underlying operating profit (revenue, cost of sales, admin expenses, and related working capital balance sheet accounts).

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 £0.76 million (2018: £0.35 million) for balance sheet accounts and £0.24 million for accounts impacting underlying operating profit (revenue, cost of sales, admin expenses, and related working capital balance sheet accounts); 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.

Other information

The other information comprises the information included in the annual report including Results highlights, the Chairman's message, the Portfolio review, the Strategic Report and the Governance Report set out on pages 4 through 66, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- **Fair, balanced and understandable set out on page 66 –** the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit committee reporting set out on pages 60 to 63 –** the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or
- **Directors' statement of compliance with the UK Corporate Governance Code set out on page 46 –** the parts of the directors' statement required under the Listing Rules relating to the company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies (Guernsey) Law, 2008 requires us to report to you if, in our opinion:

- proper accounting records have not been kept by the company, or proper returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the company's accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 66, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Article 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.

Peter McIver
for and on behalf of Ernst & Young LLP
London
15 March 2020

Notes:

1. The maintenance and integrity of the Raven Property Group 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.

Bolshoi Theatre in Moscow

GROUP INCOME STATEMENT

For the year ended 31 December 2019

	Notes	2019 Underlying earnings £'000	2019 Capital and other £'000	2019 Total £'000	2018 Underlying earnings £'000	2018 Capital and other £'000	2018 Total £'000
Gross revenue	4 / 5	175,373	–	175,373	162,639	–	162,639
Property operating expenditure and cost of sales		(48,869)	–	(48,869)	(44,354)	–	(44,354)
Net rental and related income		**126,504**	**–**	**126,504**	**118,285**	**–**	**118,285**
Administrative expenses	4 / 6	(23,130)	(2,303)	(25,433)	(22,714)	(2,436)	(25,150)
Share-based payments and other long term incentives	31	(4,927)	(541)	(5,468)	–	(2,853)	(2,853)
Foreign currency profits / (losses)		27,462	–	27,462	(2,480)	–	(2,480)
Operating expenditure		**(595)**	**(2,844)**	**(3,439)**	**(25,194)**	**(5,289)**	**(30,483)**
Share of profits of joint ventures	15	792	–	792	1,630	–	1,630
Profit on disposal of joint ventures	15	–	490	490	–	–	–
Operating profit / (loss) before profits and losses on investment property		**126,701**	**(2,354)**	**124,347**	**94,721**	**(5,289)**	**89,432**
Unrealised profit / (loss) on revaluation of investment property	11	–	47,820	47,820	–	(121,764)	(121,764)
Unrealised profit on revaluation of investment property under construction	12	–	451	451	–	755	755
Operating profit / (loss)	4	**126,701**	**45,917**	**172,618**	**94,721**	**(126,298)**	**(31,577)**
Finance income	7	2,011	–	2,011	3,286	1,583	4,869
Finance expense	7	(74,977)	(34,593)	(109,570)	(71,796)	(16,384)	(88,180)
Profit / (loss) before tax		**53,735**	**11,324**	**65,059**	**26,211**	**(141,099)**	**(114,888)**
Tax	8	(10,510)	(8,531)	(19,041)	(6,197)	404	(5,793)
Profit / (loss) for the year		**43,225**	**2,793**	**46,018**	**20,014**	**(140,695)**	**(120,681)**
Earnings per share:	9						
Basic (pence)				8.16			(18.81)
Diluted (pence)				7.50			(18.81)
Underlying earnings per share:	9						
Basic (pence)		7.67			3.12		
Diluted (pence)		6.35			3.08		

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

All items in the above statement derive from continuing operations.

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

The accompanying notes are an integral part of this statement.

GROUP STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	2019 £'000	2018 £'000
Profit / (loss) for the year	**46,018**	**(120,681)**
Other comprehensive income, net of tax		
Items to be reclassified to profit or loss in subsequent periods:		
Foreign currency translation on consolidation	77,018	49,854
Total comprehensive income for the year, net of tax	**123,036**	**(70,827)**

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 2019

	Notes	2019 £'000	2018 £'000
Non-current assets			
Investment property	11	1,337,682	1,175,440
Investment property under construction	12	33,846	30,548
Plant and equipment		6,150	3,574
Investment in joint ventures	15	189	6,566
Other receivables	16	3,414	15,535
Derivative financial instruments	18	2,621	21,953
Deferred tax assets	25	24,290	24,405
		1,408,192	**1,278,021**
Current assets			
Inventory		358	356
Trade and other receivables	17	41,595	43,658
Derivative financial instruments	18	–	349
Cash and short term deposits	19	68,138	73,450
		110,091	**117,813**
Total assets		**1,518,283**	**1,395,834**
Current liabilities			
Trade and other payables	20	51,691	66,192
Derivative financial instruments	18	–	1
Interest bearing loans and borrowings	21	60,173	75,565
		111,864	**141,758**
Non-current liabilities			
Interest bearing loans and borrowings	21	623,168	567,865
Preference shares	22	110,324	109,271
Convertible preference shares	23	217,482	206,116
Other payables	24	18,623	17,797
Deferred tax liabilities	25	71,024	57,400
		1,040,621	**958,449**
Total liabilities		**1,152,485**	**1,100,207**
Net assets		**365,798**	**295,627**

	Notes	2019 £'000	2018 £'000
Equity			
Share capital	26	4,898	6,233
Share premium		51,463	103,144
Warrants	27	–	98
Own shares held	28	(4,582)	(5,965)
Convertible preference shares	23	11,212	11,212
Capital reserve		(234,519)	(281,001)
Translation reserve		28,188	(48,887)
Retained earnings		509,138	510,793
Total equity	29 / 30	**365,798**	**295,627**
Net asset value per share (pence):	30		
Basic		76	48
Diluted		75	48

The financial statements were approved by the Board of Directors on 15 March 2020 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.

Saint Basil's Cathedral, Moscow

GROUP STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

For the year ended 31 December 2018	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 2018		**6,606**	**124,568**	**438**	**(3,652)**	**11,212**	**(166,494)**	**(98,741)**	**517,901**	**391,838**
Loss for the year		–	–	–	–	–	–	–	(120,681)	(120,681)
Other comprehensive income		–	–	–	–	–	–	49,854	–	49,854
Total comprehensive income for the year		–	–	–	–	–	–	49,854	(120,681)	(70,827)
Warrants exercised	26 / 27	85	2,380	(340)	–	–	–	–	–	2,125
Own shares acquired	28	–	–	–	(4,235)	–	–	–	–	(4,235)
Own shares allocated	28	–	–	–	1,886	–	–	–	(934)	952
Ordinary shares cancelled	26 / 28	(458)	(23,804)	–	36	–	–	–	–	(24,226)
Transfer in respect of capital losses		–	–	–	–	–	(114,507)	–	114,507	–
At 31 December 2018		**6,233**	**103,144**	**98**	**(5,965)**	**11,212**	**(281,001)**	**(48,887)**	**510,793**	**295,627**
For the year ended 31 December 2019										
At 1 January 2019		**6,233**	**103,144**	**98**	**(5,965)**	**11,212**	**(281,001)**	**(48,887)**	**510,793**	**295,627**
On adoption of IFRS 16 Leases		–	–	–	–	–	–	57	(390)	(333)
Restated as at 1 January 2019		**6,233**	**103,144**	**98**	**(5,965)**	**11,212**	**(281,001)**	**(48,830)**	**510,403**	**295,294**
Profit for the year		–	–	–	–	–	–	–	46,018	46,018
Other comprehensive income		–	–	–	–	–	–	77,018	–	77,018
Total comprehensive income for the year		–	–	–	–	–	–	77,018	46,018	123,036
Warrants exercised	26 / 27	17	486	(69)	–	–	–	–	–	434
Warrants lapsed	27	–	–	(29)	–	–	–	–	29	–
Conversion of convertible preference shares	23 / 26	–	12	–	–	–	–	–	–	12
Own shares acquired	28	–	–	–	(106)	–	–	–	–	(106)
Own shares allocated	28	–	–	–	1,338	–	–	–	(830)	508
Ordinary shares cancelled	26 / 28	(1,352)	(52,179)	–	151	–	–	–	–	(53,380)
Transfer in respect of capital profits		–	–	–	–	–	46,482	–	(46,482)	–
At 31 December 2019		**4,898**	**51,463**	–	**(4,582)**	**11,212**	**(234,519)**	**28,188**	**509,138**	**365,798**

The accompanying notes are an integral part of this statement.

GROUP CASH FLOW STATEMENT

For the year ended 31 December 2019

	Notes	2019 £'000	2018 £'000
Cash flows from operating activities			
Profit / (loss) before tax		65,059	(114,888)
Adjustments for:			
Depreciation	6	1,782	811
Provision for bad debts	6	(2)	(58)
Loss on disposal of plant and equipment		19	–
Share of profits of joint ventures	15	(792)	(1,630)
Profit on disposal of joint ventures	15	(490)	–
Finance income	7	(2,011)	(4,869)
Finance expense	7	109,570	88,180
(Profit) / loss on revaluation of investment property	11	(47,820)	121,764
Profit on revaluation of investment property under construction	12	(451)	(755)
Foreign exchange (profits) / losses		(27,462)	2,480
Non-cash element of share-based payments and other long term incentives	31	5,468	2,853
		102,870	93,888
Changes in operating working capital			
Decrease in operating receivables		4,491	8,212
Increase in other operating current assets		(2)	(43)
Decrease in operating payables		(6,152)	(1,627)
		101,207	100,430
Receipts from joint ventures	15	1,043	3,000
Tax paid		(9,150)	(7,344)
Net cash generated from operating activities		**93,100**	**96,086**
Cash flows from investing activities			
Payments for property improvements		(11,939)	(8,611)
Refunds of VAT on acquisition of investment property		3,920	12,754
Acquisition of subsidiaries	38	(169)	(33,826)
Cash acquired with subsidiaries	38	–	1,235
Acquisition of investment property / payment of deferred consideration on acquisition of investment property	11	(11,924)	(44,054)
Loans granted		(101)	(194)
Loans repaid		447	34
Purchase of plant and equipment		(2,140)	(2,262)
Proceeds on disposal of plant and equipment		113	–
Investment in joint ventures	15	(13)	(533)
Proceeds on disposal of joint ventures	15	3,650	–
Interest received		1,960	3,254
Net cash used in investing activities		**(16,196)**	**(72,203)**

	Notes	2019 £'000	2018 £'000
Cash flows from financing activities			
Proceeds from long term borrowings		357,966	155,628
Repayment of long term borrowings		(284,431)	(153,152)
Loan amortisation		(22,652)	(23,279)
Bank borrowing costs paid		(54,689)	(50,000)
Exercise of warrants	26 / 27	434	2,125
Ordinary shares purchased	26 / 28	(53,310)	(28,258)
Dividends paid on preference shares		(11,285)	(11,327)
Dividends paid on convertible preference shares		(12,486)	(12,716)
Proceeds from disposal of derivative financial instruments		3,259	–
Premium paid for derivative financial instruments		(2,868)	(18,848)
Net cash used in financing activities		**(80,062)**	**(139,827)**
Net decrease in cash and cash equivalents		**(3,158)**	**(115,944)**
Opening cash and cash equivalents		73,450	197,137
Effect of foreign exchange rate changes		(2,154)	(7,743)
Closing cash and cash equivalents	19	**68,138**	**73,450**

The accompanying notes are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

1. General information

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

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

The audited financial statements of the Group for the year ended 31 December 2019 were authorised by the Board for issue on 15 March 2020.

2. Accounting policies

Basis of preparation

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

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

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

Going concern

The financial position of the Group, its cash flows, liquidity position 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 except for new standards adopted. The Group has adopted new and amended IFRS and IFRIC interpretations as of 1 January 2019. The Group applies for the first time, IFRS 16 Leases and IFRIC Interpretation 23 Uncertainty over Income Tax Treatments.

IFRS 16 has been adopted using the modified retrospective method for the Group's office leases and elected to use the recognition exemptions for lease contracts that have a lease term of 12 months or less and lease contracts for which the underlying asset is of low value. The "right of use assets" are included within plant and equipment and the "lease liabilities" in other payables. The Group has assessed the impact of IFRS 16 and concluded it does not have a material impact as it only affects the leases for the Group's three administrative offices and lessor accounting has not materially changed.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatments addresses the accounting for income taxes when treatments involve uncertainty that affects the application of IAS 12. As set out in note 3, the Group applies significant judgement in identifying uncertainties over income tax treatments. As the Group operates in a number of jurisdictions it has assessed each individually. Whilst the methodology used for assessing the provision has changed, it has not had a material impact on the financial statements.

The Group has assessed the impact of IFRS 16 and IFRIC 23 and concluded that they do not have a material impact on the financial performance or financial position of the Group or the disclosures made in its financial statements.

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 two thought to have a possible impact on the Group are:

Definition of Material - Amendments to IAS1 and IAS 8 (effective 1 January 2020)
The Conceptual Framework for Financial Reporting (effective 1 January 2020)

The Group has assessed the impact of these changes and does not expect them to significantly impact on the financial position or performance of the Group. There may, however, be changes to disclosures within the financial statements.

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 earned.

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

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

(b) Roslogistics

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

(c) Raven Mount

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

Taxation

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

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

(a) Current tax

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

(b) Tax provisions

Management periodically evaluate positions taken in the Group's tax returns with respect to situations where the applicable tax regulations are subject to interpretation and establishes provisions where appropriate. The resulting provision for uncertain tax positions is recorded within current tax payable (see note 20).

(c) Deferred tax

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

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

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

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

(d) Value added tax

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

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

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

Investment property and investment property under construction

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

Investment property is measured initially at its cost, including related transaction costs. After initial recognition, investment property is carried at fair value. The Directors assess the fair value of investment property based on independent valuations carried out by their appointed property valuers or on independent valuations prepared for banking purposes. The Group has appointed Jones Lang LaSalle as property valuers to prepare valuations on a semi-annual basis. Valuations are undertaken in accordance with appropriate sections of the current Practice Statements contained in the Royal Institution of Chartered Surveyors Valuation - Global Standards, 2017 (the "Red Book"). These are internationally accepted standards of valuation. Gains or losses arising from changes in the fair value of investment property are included in the Income Statement in the period in which they arise. For the purposes of these financial statements, in order to avoid double counting, the assessed fair value is reduced by the present value of any tenant incentives and contracted rent uplifts that are spread over the lease term and increased by the carrying amount of any liability under a head lease that has been recognised in the Balance Sheet.

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

Leasing (as lessors)

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

Financial assets

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

(a) Fair value through profit or loss

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

(b) Loans and receivables

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

Loans and receivables are initially recognised at fair value, plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for Expected Credit Loss ("ECL"). The Group assesses on a forward looking basis the ECL for its financial assets measured at amortised cost. The Group measures the ECL and recognises a credit loss allowance at each reporting date.

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

Financial liabilities and equity instruments

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

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

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

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

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

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group considers the convertible preference shares to be a compound financial instrument, that is 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.

Awards linked to or that may be settled by ordinary shares
The share component of the 2016 Retention Scheme may be settled in any of the Company's listed securities, including ordinary shares, and as a consequence falls within the scope of IFRS 2 Share-based payments. The instalments have been settled by preference shares and convertible preference shares and therefore are cash-settled transactions. The cost of cash-settled transactions is recognised as an expense over the vesting period, measured by reference to the fair value of the corresponding liability, which is recognised on the Balance Sheet. The liability is remeasured at fair value at each balance sheet date until settlement, with changes in the fair value recognised in the Income Statement. Also, to the extent the Five Year Performance Plan vests in March 2023, the resulting entitlements will be settled in ordinary shares and thus will fall within the scope of IFRS 2.

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

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

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

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

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

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

	2019	2018
Balance Sheet		
– Roubles	81.1460	88.3524
– United States Dollar	1.3108	1.2736
– Euro	1.1703	1.1142

	2019	2018
Income Statement*		
– Roubles	82.6282	83.6890
– United States Dollar	1.2765	1.3350
– Euro	1.1398	1.1304

* These are the average rates for the twelve months ended 31 December 2018 and 2019, which are used unless this does not approximate the rates ruling at the dates of the relevant transactions in which case the item of income or expenditure is translated at the transaction date rate.

Dividends

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

3. Critical accounting estimates and judgements

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

Judgements other than estimates

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

(a) Acquisitions

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

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

(b) Recognition of deferred tax assets

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

Estimates

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

The best evidence of fair value are current prices in an active market for similar properties. In the absence of such information, the Group determines the amount within a range of reasonable, fair value estimates. In making its estimation the Group considers information from a variety of sources and engages external, professional advisers to carry out third party valuations of its properties. The external valuations are completed in accordance with appropriate sections of the current Practice Statements contained in the Royal Institution of Chartered Surveyors Valuation - Global Standards, 2017 (the "Red Book"). These are internationally accepted standards of valuation and are consistent with the requirements of IFRS 13. In our market, where transactional activity is minimal, the valuers are required to use a greater degree of estimation or judgement than in a market where comparable transactions are more readily available.

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

(b) Income tax

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

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

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

4. Segmental information

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

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

Roslogistics - provision of warehousing, transport, customs brokerage and related services in Russia - IFRS 15 revenue - services are provided to customers over time and invoiced at appropriate intervals in accordance with the relevant contract terms, with payment typically due within 10 to 45 days of invoicing; and

Raven Mount - sale of residential property in the UK - IFRS 15 revenue - the transfer of land or property to the purchaser occurs on legal completion of the sale contract, with payment typically due upon completion, though in some cases a deferral may be agreed.

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

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

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

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

For the Balance Sheet, segmental information is provided in relation to investment property, inventory, cash balances and borrowings. Whilst segment liabilities include loans and borrowings, segment profit does not include the related finance costs. If such finance costs were included in segment profit or loss, the profit from Property Investment would have decreased by £56.0 million (2018: £51.1 million).

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

Year ended 31 December 2019	**Property Investment £'000**	**Roslogistics £'000**	**Raven Mount £'000**	**Segment Total £'000**	**Central Overhead £'000**	**Total £'000**
Gross revenue	158,547	16,663	163	175,373	–	175,373
Operating costs / cost of sales	(40,664)	(8,285)	80	(48,869)	–	(48,869)
Net rental and related income	**117,883**	**8,378**	**243**	**126,504**	**–**	**126,504**
Administrative expenses						
Running general and administration expenses	(15,584)	(1,997)	(406)	(17,987)	(5,143)	(23,130)
Abortive project costs	(521)	–	–	(521)	–	(521)
Depreciation	(1,417)	(364)	(1)	(1,782)	–	(1,782)
Share-based payments and other long term incentives	(815)	–	–	(815)	(4,653)	(5,468)
Foreign currency profits / (losses)	27,460	5	(3)	27,462	–	27,462
	127,006	**6,022**	**(167)**	**132,861**	**(9,796)**	**123,065**
Unrealised profit on revaluation of investment property	47,820	–	–	47,820	–	47,820
Unrealised profit on revaluation of investment property under construction	451	–	–	451	–	451
Share of profits of joint ventures	–	(213)	1,005	792	–	792
Profit on disposal of joint ventures	–	–	490	490	–	490
Segment profit / (loss)	**175,277**	**5,809**	**1,328**	**182,414**	**(9,796)**	**172,618**
Finance income						2,011
Finance expense						(109,570)
Profit before tax						**65,059**

As at 31 December 2019	**Property Investment £'000**	**Roslogistics £'000**	**Raven Mount £'000**	**Total £'000**
Assets				
Investment property	1,337,682	–	–	1,337,682
Investment property under construction	33,846	–	–	33,846
Investment in joint ventures	–	189	–	189
Inventory	–	–	358	358
Cash and short term deposits	62,449	1,069	4,620	68,138
Segment assets	**1,433,977**	**1,258**	**4,978**	**1,440,213**
Other non-current assets				36,475
Other current assets				41,595
Total assets				**1,518,283**
Segment liabilities				
Interest bearing loans and borrowings	683,341	–	–	683,341
Capital expenditure				
Corporate acquisitions	169	–	–	169
Other acquisition	11,924	–	–	11,924
Property improvements	11,939	–	–	11,939
	24,032	**–**	**–**	**24,032**

(a) Segmental information for the year ended and as at 31 December 2018

Year ended 31 December 2018	**Property Investment £'000**	**Roslogistics £'000**	**Raven Mount £'000**	**Segment Total £'000**	**Central Overhead £'000**	**Total £'000**
Gross revenue	146,106	16,402	131	162,639	–	162,639
Operating costs / cost of sales	(36,322)	(8,278)	246	(44,354)	–	(44,354)
Net rental and related income	**109,784**	**8,124**	**377**	**118,285**	**–**	**118,285**
Administrative expenses						
Running general and administration expenses	(14,535)	(1,989)	(419)	(16,943)	(5,771)	(22,714)
Abortive project costs	(1,625)	–	-	(1,625)	–	(1,625)
Depreciation	(491)	(318)	(2)	(811)	–	(811)
Share-based payments and other long term incentives	(350)	–	–	(350)	(2,503)	(2,853)
Foreign currency (losses) / profits	(2,483)	3	–	(2,480)	–	(2,480)
	90,300	**5,820**	**(44)**	**96,076**	**(8,274)**	**87,802**
Unrealised loss on revaluation of investment property	(121,764)	–	–	(121,764)	–	(121,764)
Unrealised profit on revaluation of investment property under construction	755	–	–	755	–	755
Share of profits of joint ventures	–	–	1,630	1,630	–	1,630
Segment (loss) / profit	**(30,709)**	**5,820**	**1,586**	**(23,303)**	**(8,274)**	**(31,577)**
Finance income						4,869
Finance expense						(88,180)
Loss before tax						**(114,888)**

As at 31 December 2018	**Property Investment £'000**	**Roslogistics £'000**	**Raven Mount £'000**	**Total £'000**
Assets				
Investment property	1,175,440	–	–	1,175,440
Investment property under construction	30,548	–	–	30,548
Investment in joint ventures	–	369	6,197	6,566
Inventory	–	–	356	356
Cash and short term deposits	69,605	1,358	2,487	73,450
Segment assets	**1,275,593**	**1,727**	**9,040**	**1,286,360**
Other non-current assets				65,467
Other current assets				44,007
Total assets				**1,395,834**
Segment liabilities				
Interest bearing loans and borrowings	643,430	–	–	643,430
Capital expenditure				
Corporate acquisitions	33,249	–	–	33,249
Other acquisition	27,239	–	–	27,239
Property improvements	2,741	–	–	2,741
	63,229	**–**	**–**	**63,229**

5. Gross revenue

	2019 £'000	2018 £'000
Rental and related income	158,547	146,106
Proceeds from the sale of inventory property	163	131
Logistics	16,663	16,402
	175,373	**162,639**

The Group's leases typically include annual rental increases ("contingent rents") based on a consumer price index in Russia, Europe or the USA, which are recognised in income as they arise. Contingent rents, being amounts recorded in excess of minimum contracted increases, are included in rental income for the year amounted £139k (2018: £12k).

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

In 2019 there were no single customers accounting for more than 10% of Group revenues. In 2018 the Group recognised revenue of £19 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	2019 £'000	2018 £'000
Employment costs	13,615	12,079
Directors' remuneration	2,523	2,900
Bad debts	(2)	(58)
Office running costs and insurance	2,480	3,261
Travel costs	1,164	1,321
Auditors' remuneration	671	596
Legal and professional	2,416	2,070
Loss on disposal of plant and equipment	19	–
Abortive project costs	521	1,625
Depreciation	1,782	811
Registrar costs and other administrative expenses	244	545
	25,433	**25,150**

(b) Fees for audit and other services provided by the Group's auditor	2019 £'000	2018 £'000
Audit services	532	461
Audit related assurance services	50	50
	582	**511**
Other fees:		
Taxation services	89	47
Other services	–	38
	89	85
Total fees	**671**	**596**

In 2018 the Group engaged Ernst & Young LLP to undertake due diligence in respect of the investment property acquisitions in the year, incurring £103k of fees, which were included in the cost of the relevant investment property and a further £537k incurred in respect of aborted projects. There were no equivalent fees for 2019.

Ernst & Young LLP 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 £132k (2018: £265k) and the fees for taxation services were £93k (2018: £147k).

7. Finance income and expense

	2019 £'000	2018 £'000
Finance income		
Total interest income on financial assets not at fair value through profit or loss		
Income from cash and short term deposits	1,960	3,254
Interest receivable from joint ventures	51	32
Other finance income		
Change in fair value of open interest rate derivative financial instruments	–	1,583
Finance income	**2,011**	**4,869**
Finance expense		
Interest expense on loans and borrowings measured at amortised cost	55,956	51,092
Interest expense on preference shares	12,338	12,335
Interest expense on convertible preference shares	19,731	19,963
Other interest expense	1,153	–
Total interest expense on financial liabilities not at fair value through profit or loss	89,178	83,390
Change in fair value of open forward currency derivative financial instruments	20	83
Change in fair value of open interest rate derivative financial instruments	20,372	4,566
Change in fair value of foreign currency embedded derivatives	–	141
Finance expense	**109,570**	**88,180**

Included in the interest expense on loans and borrowings is £6.59 million (2018: £3.93 million) relating to amortisation of costs incurred in originating the loans. Included in the interest expense on preference shares is £0.36 million (2018: £0.42 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 £6.95 million (2018: £6.95 million) relating to the accretion of premiums payable on redemption and amortisation of costs incurred in issuing the convertible preference shares of £0.30 million (2018: £0.30 million).

8. Tax

	2019 £'000	2018 £'000
The tax expense for the year comprises:		
Current taxation	8,210	5,731
Deferred taxation (note 25)		
On the origination and reversal of temporary differences	10,766	72
On unrealised foreign exchange movements in loans	65	(10)
Tax charge	**19,041**	**5,793**

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

	2019 £'000	2018 £'000
Profit / (loss) before tax	65,059	(114,888)
Tax at the Russian corporate tax rate of 20%	13,012	(22,978)
Tax effect of financing arrangements	1,326	(1,964)
Tax effect of fair value movement on open interest rate derivative financial instruments	3,743	327
Tax effect of non deductible preference share coupon	6,414	6,460
Tax effect of foreign exchange movements	(4,480)	(2,186)
Movement in provision for uncertain tax positions	(543)	(1,924)
Tax effect of other income not subject to tax and non-deductible expenses	4,625	4,983
Tax effect of property depreciation on revaluations	(7,422)	17,179
Tax on dividends and other inter company gains	2,423	2,571
Movement on previously unprovided deferred tax assets	(57)	3,325
	19,041	**5,793**

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

9. Earnings measures

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

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

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

	2019 £'000	2019 £'000	2018 £'000	2018 £'000
Earnings				
Net profit / (loss) for the year prepared under IFRS		**46,018**		**(120,681)**
Adjustments to arrive at underlying earnings:				
Administrative expenses				
Depreciation (note 6a)	1,782		811	
Aborted project costs (note 6a)	521		1,625	
		2,303		2,436
Share-based payments and other long term incentives (note 31b)		541		2,853
Profit on disposal of joint ventures		(490)		–
Unrealised (profit) / loss on revaluation of investment property		(47,820)		121,764
Unrealised profit on revaluation of investment property under construction		(451)		(755)
Finance income				
Change in fair value of open interest rate derivative financial instruments (note 7)		–		(1,583)
Finance expense				
Change in fair value of open forward currency derivative financial instruments (note 7)	20		83	
Change in fair value of open interest rate derivative financial instruments (note 7)	20,372		4,566	
Change in fair value of foreign currency embedded derivatives (note 7)	–		141	
Premium on redemption of preference shares and amortisation of issue costs (note 22)	362		417	
Premium on redemption of convertible preference shares and amortisation of issue costs (note 23)	7,245		7,246	
Amortisation of loan origination costs (note 7)	6,594		3,931	
		34,593		16,384
Tax				
Movement on deferred tax arising on depreciation and revaluation of investment property	8,547		(619)	
Tax on unrealised foreign exchange movements in loans	(16)		215	
		8,531		(404)
Underlying earnings		**43,225**		**20,014**

	2019 £'000	2018 £'000
Calculation of Headline earnings		
Net profit / (loss) for the year prepared under IFRS	46,018	(120,681)
Adjustments to arrive at Headline earnings:		
Unrealised (profit) / loss on revaluation of investment property	(47,820)	121,764
Unrealised profit on revaluation of investment property under construction	(451)	(755)
Movement on deferred tax arising on revaluation of investment property	2,280	(6,502)
Headline earnings	**27**	**(6,174)**

NOTES TO THE FINANCIAL STATEMENTS

IFRS	2019 Earnings £'000	2019 Weighted average shares No. '000	2019 EPS Pence	2018 Earnings £'000	2018 Weighted average shares No. '000	2018 EPS Pence
Basic	**46,018**	**563,890**	**8.16**	**(120,681)**	**641,588**	**(18.81)**
Effect of dilutive potential ordinary shares:						
Warrants (note 27)	–	236		–	–	
LTIP (note 31)	–	103		–	–	
2016 Retention scheme (note 31)	–	2,349		–	–	
Five Year Performance Plan (note 31)	–	–		–	–	
Convertible preference shares (note 23)	19,731	310,090		–	–	
Diluted	**65,749**	**876,668**	**7.50**	**(120,681)**	**641,588**	**(18.81)**

Underlying earnings	2019 Earnings £'000	2019 Weighted average shares No. '000	2019 EPS Pence	2018 Earnings £'000	2018 Weighted average shares No. '000	2018 EPS Pence
Basic	**43,225**	**563,890**	**7.67**	**20,014**	**641,588**	**3.12**
Effect of dilutive potential ordinary shares:						
Warrants (note 27)	–	236		–	2,641	
LTIP (note 31)	–	103		–	612	
2016 Retention scheme (note 31)	–	2,349		–	4,535	
Five Year Performance Plan (note 31)	–	–		–	–	
Convertible preference shares (note 23)	12,486	310,090		–	–	
Diluted	**55,711**	**876,668**	**6.35**	**20,014**	**649,376**	**3.08**

Headline earnings	2019 Earnings £'000	2019 Weighted average shares No. '000	2019 EPS Pence	2018 Earnings £'000	2018 Weighted average shares No. '000	2018 EPS Pence
Basic	**27**	**563,890**	**0.00**	**(6,174)**	**641,588**	**(0.96)**
Effect of dilutive potential ordinary shares:						
Warrants (note 27)	–	236		–	–	
LTIP (note 31)	–	103		–	–	
2016 Retention scheme (note 31)	–	2,349		–	–	
Five Year Performance Plan (note 31)	–	–		–	–	
Convertible preference shares (note 23)	–	–		–	–	
Diluted	**27**	**566,578**	**0.00**	**(6,174)**	**641,588**	**(0.96)**

In 2018, the finance expense relating to the convertible preference shares was greater than IFRS, underlying and headline basic earnings per share and thus the convertible preference shares were not dilutive. This was not the case in the current year and thus the convertible preference shares are dilutive for IFRS and underlying earnings per share.

10. Ordinary dividends

In the place of a final dividend for 2018 the Company implemented a tender offer buy back of ordinary shares on the basis of 2 in every 51 shares held at a tender price of 45 pence per share, the equivalent of a final dividend of 1.75 pence per share. Instead of an interim dividend for 2019 the Company implemented a tender offer buy back of ordinary shares on the basis of 1 in every 44 shares at a tender price of 55 pence per share, the equivalent of a dividend of 1.25 pence per share.

11. Investment property

Asset class Location Fair value hierarchy*	Logistics Moscow Level 3 £'000	Logistics St Petersburg Level 3 £'000	Logistics Regions Level 3 £'000	Office St Petersburg Level 3 £'000	2019 Total £'000
Market value at 1 January 2019	840,613	147,978	144,843	60,402	1,193,836
Property improvements	4,214	751	3,115	274	8,354
Unrealised profit / (loss) on revaluation	25,771	10,104	10,532	(304)	46,103
On translation to presentation currency	74,728	13,157	12,870	5,414	106,169
Market value at 31 December 2019	**945,326**	**171,990**	**171,360**	**65,786**	**1,354,462**
Tenant incentives and contracted rent uplift balances	(12,031)	(3,792)	(1,167)	(1,011)	(18,001)
Head lease obligations (note 24)	1,221	–	–	–	1,221
Carrying value at 31 December 2019	**934,516**	**168,198**	**170,193**	**64,775**	**1,337,682**
Revaluation movement in the year ended 31 December 2019					
Gross revaluation	25,771	10,104	10,532	(304)	46,103
Movement of tenant incentives and contracted rent uplift balances	1,643	254	89	(535)	1,451
Less impact of translation to presentation currency	179	(44)	97	34	266
Revaluation reported in the Income Statement	**27,593**	**10,314**	**10,718**	**(805)**	**47,820**

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	2018 Total £'000
Market value at 1 January 2018	854,288	144,910	117,871	60,682	1,177,751
Corporate acquisitions (note 38)	–	–	30,805	–	30,805
Other acquisition	27,239	–	–	–	27,239
Property improvements	1,430	293	504	514	2,741
Unrealised loss on revaluation	(97,641)	(6,468)	(10,795)	(4,686)	(119,590)
On translation to presentation currency	55,297	9,243	6,458	3,892	74,890
Market value at 31 December 2018	**840,613**	**147,978**	**144,843**	**60,402**	**1,193,836**
Tenant incentives and contracted rent uplift balances	(13,674)	(4,046)	(1,256)	(476)	(19,452)
Head lease obligations (note 24)	1,056	–	–	–	1,056
Carrying value at 31 December 2018	**827,995**	**143,932**	**143,587**	**59,926**	**1,175,440**
Revaluation movement in the year ended 31 December 2018					
Gross revaluation	(97,641)	(6,468)	(10,795)	(4,686)	(119,590)
Movement of tenant incentives and contracted rent uplift balances	41	203	8	(70)	182
Less impact of translation to presentation currency	(1,626)	(532)	(150)	(48)	(2,356)
Revaluation reported in the Income Statement	**(99,226)**	**(6,797)**	**(10,937)**	**(4,804)**	**(121,764)**

*Classified in accordance with the fair value hierarchy, see note 35. There were no transfers between fair value hierarchy in 2018 or 2019.

During 2018 the Group acquired two new investment properties. As a corporate acquisition it acquired Volga Logistics Park (see note 38) and, as a direct purchase of real estate, it acquired a further phase of Logopark Sever.

At 31 December 2019 the Group has pledged investment property with a value of £1,345 million (2018: £1,153 million) to secure banking facilities granted to the Group (see note 21).

12. Investment property under construction

Asset class	Assets under construction			Land Bank	
Location	Moscow	Regions		Regions	2019
Fair value hierarchy*	Level 3	Level 3	Sub–total	Level 3	Total
	£'000	£'000	£'000	£'000	£'000
Market value at 1 January 2019	19,342	8,335	**27,677**	2,537	**30,214**
Costs incurred	138	44	**182**	–	**182**
On translation to presentation currency	1,721	740	**2,461**	177	**2,638**
Unrealised profit on revaluation	424	27	**451**	–	**451**
Market value at 31 December 2019	**21,625**	**9,146**	**30,771**	**2,714**	**33,485**
Head lease obligations (note 24)	361	–	**361**	–	**361**
Carrying value at 31 December 2019	**21,986**	**9,146**	**31,132**	**2,714**	**33,846**

Asset class	Assets under construction			Land Bank	
Location	Moscow	Regions		Regions	2018
Fair value hierarchy*	Level 3	Level 3	Sub–total	Level 3	Total
	£'000	£'000	£'000	£'000	£'000
Market value at 1 January 2018	19,736	5,618	**25,354**	2,873	**28,227**
Costs incurred	18	10	**28**	–	**28**
Corporate acquisition (note 38)	–	2,444	**2,444**	–	**2,444**
On translation to presentation currency	(268)	(636)	**(904)**	(336)	**(1,240)**
Unrealised (loss) / profit on revaluation	(144)	899	**755**	–	**755**
Market value at 31 December 2018	**19,342**	**8,335**	**27,677**	**2,537**	**30,214**
Head lease obligations (note 24)	334	–	**334**	–	**334**
Carrying value at 31 December 2018	**19,676**	**8,335**	**28,011**	**2,537**	**30,548**

*Classified in accordance with the fair value hierarchy, see note 35. There were no transfers between fair value hierarchy in 2018 or 2019.

No borrowing costs were capitalised in the year (2018: £nil).

At 31 December 2019 the Group has pledged investment property under construction with a value of £30.8 million (2018: £25.3 million) to secure banking facilities granted to the Group (see note 21).

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 2019 has been arrived at on the basis of market valuations carried out by Jones Lang Lasalle ("JLL"), external valuers to the Group. JLL have consented to the use of their name in these financial statements.

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

Valuation process

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

The effectiveness and independence of the external valuers is reviewed each year. The criteria considered include market knowledge, reputation, independence and professional standards. The Audit Committee also meets the external valuers at least once a year. The Group's management team have determined that the external valuers are experienced in the Russian market and acts as an "External Valuer" as defined in the RICS Valuation - Global Standards, 2017.

The Group has continued to use the income capitalisation approach in assessing its opinion of value based on a discounted cash flow methodology in line with in market practice internationally and in Russia, and is accepted practice under RICS Valuation - Global Standards, 2017. The RICS Valuation - Global Standards, 2017 are internationally accepted standards of valuation and are consistent with the principles of IFRS 13.

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

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

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

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

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

Valuation assumptions and key inputs

Class of property	Carrying amount 2019 £'000	Carrying amount 2018 £'000	Valuation technique	Input	Range 2019	Range 2018
Completed investment property						
Moscow - Logistics	934,516	827,995	Discounted cash flow	ERV per sqm	Rub 3,700 to Rub 4,500	Rub 3,500 to Rub 3,800
				ERV growth	5.00% to 7.00%	4.00% to 7.00%
				Discount rate	10.80% to 12.10%	10.75% to 12.60%
				Exit cap rate	10.25% to 11.25%	10.50% to 11.50%
				Vacancy rate	1% to 59%	1% to 50%
				Passing rent per sqm	$100 to $174	$113 to $170
				Passing rent per sqm	Rub 3,150 to Rub 8,999	Rub 3,000 to Rub 12,315
				Passing rent per sqm	€122	€118
St Petersburg - Logistics	168,198	143,932	Discounted cash flow	ERV per sqm	Rub 3,900 to Rub 4,150	Rub 3,800
				ERV growth	5.00% to 7.00%	6.00%
				Discount rate	12.10% to 12.30%	12.30% to 12.50%
				Exit cap rate	11.50%	11.75%
				Vacancy rate	1% to 15%	0% to 29%
				Passing rent per sqm	$111 to $137	$109 to $133
				Passing rent per sqm	Rub 3,276 to Rub 5,628	Rub 2,456 to Rub 5,260
Regional - Logistics	170,193	143,587	Discounted cash flow	ERV per sqm	Rub 3,800 to Rub 4,200	Rub 3,800
				ERV growth	5.00% to 7.00%	6.00%
				Discount rate	11.80% to 12.30%	12.25% to 12.50%
				Exit cap rate	11.50%	11.75%
				Vacancy rate	0% to 10%	0% to 9%
				Passing rent per sqm	$143	$107 to $138
				Passing rent per sqm	Rub 3,850 to Rub 21,153	Rub 3,750 to Rub 7,300
				Passing rent per sqm	–	€88
St Petersburg - Office	64,775	59,926	Discounted cash flow	ERV per sqm	Rub 11,789 to Rub 12,491	Rub 10,976 to Rub 12,366
				ERV growth	2.00% to 4.00%	2.00% to 4.00%
				Discount rate	11.75% to 12.00%	12.00% to 12.25%
				Exit cap rate	11.00% to 12.00%	11.25% to 12.25%
				Vacancy rate	0% to 13%	1% to 8%
				Passing rent per sqm	–	€408
				Passing rent per sqm	–	€410 to €413
				Passing rent per sqm	Rub 7,596 to Rub 18,319	Rub 4,384 to Rub 17,570

	Description	Range 2019	Range 2018
Other key information			
Moscow - Logistics	Land plot ratio	34% - 65%	34% - 65%
	Age of building	2 to 15 years	1 to 14 years
	Outstanding costs (£'000)	1,262	2,290
St Petersburg - Logistics	Land plot ratio	48% - 57%	48% - 57%
	Age of building	5 to 11 years	4 to 10 years
	Outstanding costs (£'000)	97	282
Regional - Logistics	Land plot ratio	48% - 61%	48% - 61%
	Age of building	10 years	9 years
	Outstanding costs (£'000)	663	363
St Petersburg - Office	Land plot ratio	148% to 496%	148% to 496%
	Age of building	11 to 13 years	10 to 12 years
	Outstanding costs (£'000)	57	23

	Carrying amount 2019 £'000	Carrying amount 2018 £'000	Valuation technique	Input	Range 2019	Range 2018
Investment property under construction						
Moscow - Logistics	21,986	19,676	Comparable	Value per ha	Rub 19.5m - Rub 33.8m	Rub 17.9m - Rub 33.6m
Regional - Logistics	9,146	8,335	Comparable	Value per ha	Rub 9.5m - Rub 20.6m	Rub 9.7m - Rub 20.6m

The fair value of investment property is determined using the income capitalisation method where a property's fair value is estimated based on the present value of net cash flows generated from each property, plus the reversionary value based on the final year's income capitalised using an all-risks exit yield. Allowance is made for a 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, which is capitalised at the prevailing market yield. Depending on the status of the development, and how much of development process has been completed an allowance will also be made for developer's profit. There were no active development projects at 31 December 2019 or 2018.

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

All of the above valuations are completed by JLL.

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

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

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

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

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

14. Investment in subsidiary undertakings

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

Name	Country of Incorporation	Proportion of ownership interest 2019	2018
Raven Russia Holdings Cyprus Limited	Cyprus	100%	100%
Dorfin Limited	Cyprus	100%	100%
Roslogistics Holdings (Russia) Limited	Cyprus	100%	100%
Raven Mount Group Limited	England	100%	100%
Raven Russia Property Advisors Limited	England	100%	100%
Raven Russia (Service Company) Limited	Guernsey	100%	100%
Avalon Logistics Company LLC	Russia	100%	100%
Delta LLC	Russia	100%	100%
EG Logistics LLC	Russia	100%	100%
Fenix LLC	Russia	100%	100%
Gorigo LLC	Russia	100%	100%
Kstovo Industrial Park 1 LLC	Russia	100%	100%
CJSC Kulon Development	Russia	100%	100%
CJSC Kulon Istra	Russia	100%	100%
Kulon Spb LLC	Russia	100%	100%
League LLC	Russia	100%	100%
Logopark Don LLC	Russia	100%	100%
Logopark Ob LLC	Russia	100%	100%
CJSC Noginsk Vostok	Russia	100%	100%
Pervomayskay Zarya LLC	Russia	100%	100%
Petroestate LLC	Russia	100%	100%
Primium LLC	Russia	100%	100%
Resource Economia LLC	Russia	100%	100%
Sever Estate LLC	Russia	100%	100%
Soyuz-Invest LLC	Russia	100%	100%
CJSC Toros	Russia	100%	100%

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

15. Investment in joint ventures

The principal joint ventures of the Group are as follows:

Name	Country of Incorporation	Proportion of ownership interest 2019	2018
Coln Park LLP	England	–	50%
Coln Park Construction LLP	England	–	50%
Ruconnect Holding Cyprus Limited	Cyprus	40%	40%

Coln Park LLP and Coln Park Construction LLP were the entities through which the Group undertook its second home development activity in the UK. In addition, the Group had a number of other small joint ventures primarily 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. In December 2019 the Group sold its interest in the Coln Park LLP and Coln Park Construction LLP to its joint venture partner for £6.65 million, giving rise to a profit on disposal of £0.49 million.

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	2019 £'000	2018 £'000
Non-current assets	432	3,634
Inventory	–	3,425
Cash and short term deposits	159	3,597
Other current assets	348	1,874
Current liabilities	(595)	(3,659)
Non-current liabilities	(486)	(3,051)
Net assets	**(142)**	**5,820**
Investment in joint ventures		
Goodwill on acquisition	246	3,694
Share of net (liabilities) / assets	(57)	2,872
Carrying value	**189**	**6,566**
Carrying value at 1 January	6,566	7,380
Investment in the year	13	533
Share of total comprehensive income for the year	792	1,630
Share of distributions paid	(1,043)	(3,000)
Disposals	(6,160)	–
On translation to presentation currency	21	23
Carrying value at 31 December	**189**	**6,566**

Summarised Statement of comprehensive income	2019 £'000	2018 £'000
Gross revenue	19,158	27,708
Cost of sales	(15,326)	(22,329)
Administrative expenses	(1,983)	(2,017)
Finance expense	(258)	(216)
Profit before tax	**1,591**	**3,146**
Tax	(25)	20
Profit for the year	**1,566**	**3,166**
Other comprehensive income	(88)	53
Total comprehensive income	**1,478**	**3,219**
Group's share of total comprehensive income for the year	**792**	**1,630**

The joint ventures had no contingent liabilities or capital commitments as at 31 December 2019 and 2018. The joint ventures cannot distribute their profits until they obtain the consent from the joint venture partners.

The Group charged its joint ventures £167k (2018: £244k) for services rendered to them during the year, of which £67k (2018: £81k) was included in receivables at the balance sheet date. The joint ventures recharged certain costs back to Group that for the year amounted to £29k (2018: £51k) of which £4k (2018: £7k) was included in payables at the balance date. The Group has advanced loans to its joint ventures of £306k (2018: £491k) generating interest income of £52k (2018: £32k).

16. Other receivables

	2019 £'000	2018 £'000
Loans receivable	67	676
Restricted cash	–	12,249
VAT recoverable	3,059	2,538
Prepayments and other receivables	288	72
	3,414	**15,535**

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

17. Trade and other receivables

	2019 £'000	2018 £'000
Trade receivables	26,475	27,803
Prepayments	3,608	3,524
Restricted cash	3,026	1,792
VAT recoverable	2,651	7,084
Loans receivable	345	–
Other receivables	3,158	317
Tax recoverable	2,332	3,138
	41,595	**43,658**

18. Derivative financial instruments

	2019 £'000	2018 £'000
Interest rate derivative financial instruments		
Non-current assets	2,621	21,953
Current assets	–	329
Forward currency derivative financial instruments		
Current assets	–	20
Foreign currency embedded derivatives		
Current liabilities	–	(1)

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 2019 the instruments have a notional value of £545 million (2018: £543 million) and a weighted average capped rate of 5.36% (2018: 3.90%).

At 31 December 2019 the Group did not hold any forward currency derivative financial instruments nor any embedded derivatives incorporated into leases.

19. Cash and short term deposits

	2019 £'000	2018 £'000
Cash at bank and on call	46,008	45,153
Short term deposits	22,130	28,297
	68,138	**73,450**

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 4.65% (2018: 5.50%).

20. Trade and other payables

	2019 £'000	2018 £'000
Trade and other payables	6,847	4,900
Construction payables	2,232	2,958
Advanced rentals and rent deposits	15,343	20,840
Deferred consideration on property acquisitions	–	12,197
Other payables	5,162	4,392
Current tax payable	7,418	8,081
Other tax payable	14,131	12,806
Head leases (note 24)	21	18
Other lease liabilities (note 24)	537	–
	51,691	**66,192**

21. Interest bearing loans and borrowings

	2019 £'000	2018 £'000
Bank loans		
Loans due for settlement within 12 months	60,173	75,565
Loans due for settlement after 12 months	623,168	567,865
	683,341	**643,430**
The Group's borrowings have the following maturity profile:		
On demand or within one year	60,173	75,565
In the second year	28,656	20,730
In the third to fifth years	497,578	333,862
After five years	96,934	213,273
	683,341	**643,430**

The amounts above include unamortised loan origination costs of £6.8 million (2018: £7.1 million) and interest accruals of £0.9 million (2018: £1.3 million).

The Group's interest bearing loans and borrowings have a weighted average interest rate of 6.52% (2018: 7.69%) and a weighted average term to maturity of 4.7 years (2018: 4.0 years).

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

There have been a number of changes to the Group's financing arrangements in the year. The Group drew down €129.1 million and Rub 19.9 billion on new and existing debt facilities, repaying $100.8 million, €184.5 million and Rub 4.8 billion of existing debt. In addition existing facilities of $185.3 million, €26.6 million and Rub 6.0 billion were extended and / or converted to facilities of €191.6 million and Rub 6.0 billion.

As at 31 December 2019 the Group had interest rate hedges for £545 million of borrowings (2018: £543 million) capped at a weighted average rate of 5.36% (2018: 3.90%) for a weighted average of 4.4 years (2018: 4.0 years). None of the Group's borrowings have fixed interest rates (2018: £nil).

22. Preference shares

	2019 £'000	2018 £'000
Issued share capital:		
At 1 January	109,271	108,263
Premium on redemption of preference shares and amortisation of issue costs	362	417
Scrip dividends	691	591
At 31 December	**110,324**	**109,271**

	2019 Number	2018 Number
Issued share capital:		
At 1 January	99,556,534	99,143,192
Scrip dividends	511,684	413,342
At 31 December	**100,068,218**	**99,556,534**
Shares in issue	100,125,086	99,613,402
Held by the Company's Employee Benefit Trusts	(56,868)	(56,868)
At 31 December	**100,068,218**	**99,556,534**

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

The Company has entered into a conditional contract to purchase 38,936,295 preference shares for 115p per share from Invesco Asset Management Limited (acting as agent for its underlying funds). The purchase is conditional on shareholder approval and the completion of the Company's purchase of ordinary shares from the same investors (see note 26). The contract has a long stop date to complete of 31 July 2020.

23. Convertible preference shares

	2019 £'000	2018 £'000
Issued share capital:		
At 1 January	206,116	198,870
Reissued in the year	4,132	–
Converted to ordinary shares (note 26)	(11)	–
Premium on redemption of preference shares and amortisation of issue costs	7,245	7,246
At 31 December	**217,482**	**206,116**

	2019 Number	2018 Number
Issued share capital:		
At 1 January	192,388,886	192,388,886
Reissued in the year	3,552,907	–
Converted to ordinary shares (note 26)	(12,146)	–
At 31 December	**195,929,647**	**192,388,886**
Shares in issue	198,176,868	198,189,014
Held by the Company's Employee Benefit Trusts	(2,247,221)	(5,800,128)
At 31 December	**195,929,647**	**192,388,886**

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 that is currently 1.517 ordinary shares for each convertible preference share.

The Company has entered into a conditional contract to purchase 42,118,860 convertible shares for 92.5p per share from Invesco Asset Management Limited (acting as agent for its underlying funds). The purchase is conditional on shareholder approval and the completion of the Company's purchase of ordinary shares from the same investors (see note 26). The contract has a long stop date to complete of 31 July 2020.

In applying its accounting policies the Group has determined that the convertible preference shares are a compound financial instrument 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.

24. Other payables

	2019 £'000	2018 £'000
Rent deposits	15,779	16,425
Head leases	1,561	1,372
Other lease liabilities	1,283	–
	18,623	**17,797**

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 £4.4 million (2018: £3.9 million). The carrying value of the liability is shown above and in note 20 as head leases and totalled £1.6 million (2018: £1.4 million).

The Group leases its administrative offices and has minimum lease payments due over the remaining term of the leases totalling £2.3 million. The carrying value of the liability is shown above and in note 20 as other lease liabilities and totalled £1.5 million.

25. Deferred tax

(a) Deferred tax assets	Tax losses £'000	Other £'000	Total £'000
Balance at 1 January 2018	24,751	860	25,611
On translation to presentation currency	(2,852)	(40)	(2,892)
Credit / (charge) for the year	237	(41)	196
On acquisition (note 38)	1,490	-	1,490
Balance at 31 December 2018	**23,626**	**779**	**24,405**
On translation to presentation currency	1,968	69	2,037
(Charge) / credit for the year	(2,511)	359	(2,152)
Balance at 31 December 2019	**23,083**	**1,207**	**24,290**

The Group has tax losses in Russia of £268 million (2018: £265 million) and tax losses in the UK of £49 million (2018: £53 million) for which deferred tax assets have not been recognised. The losses in the UK do not have an expiry date. The losses in Russia can also be carried forward indefinitely, however there is a restriction on the use of losses in that taxable profits cannot be reduced by more than 50% in any one year.

(b) Deferred tax liabilities	Accelerated tax allowances £'000	Revaluation of investment property £'000	Total £'000
Balance at 1 January 2018	36,397	23,448	59,845
On translation to presentation currency	(4,161)	1,458	(2,703)
Charge / (credit) for the year	6,760	(6,502)	258
Balance at 31 December 2018	**38,996**	**18,404**	**57,400**
On translation to presentation currency	3,286	1,659	4,945
Charge for the year	6,399	2,280	8,679
Balance at 31 December 2019	**48,681**	**22,343**	**71,024**

26. Share capital

	2019 £'000	2018 £'000
Issued share capital:		
At 1 January	6,233	6,606
Issued in the year for cash on warrant exercises (note 27)	17	85
On conversion of convertible preference shares (note 23)	–	–
Repurchased and cancelled in the year by tender offer	(361)	(458)
Repurchased and cancelled in the year on purchase from WIM / IAM (note 33)	(991)	–
At 31 December	**4,898**	**6,233**

	2019 Number	2018 Number
Issued share capital:		
At 1 January	623,269,434	660,571,843
Issued in the year for cash on warrant exercises (note 27)	1,734,577	8,500,126
On conversion of convertible preference shares (note 23)	18,425	–
Repurchased and cancelled in the year by tender offer	(36,131,442)	(45,802,535)
Repurchased and cancelled in the year on purchase from WIM / IAM (note 33)	(99,144,978)	–
At 31 December	**489,746,016**	**623,269,434**

Details of own shares held are given in note 28.

The Company has entered into a conditional contract to purchase 139,678,106 ordinary shares for 36p per share from Invesco Asset Management Limited (acting as agent for its underlying funds). The purchase is conditional on shareholder approval and the contract has a long stop date to complete of 31 July 2020.

27. Warrants

	2019 £'000	2018 £'000
At 1 January	98	438
Exercised in the year (note 26)	(69)	(340)
Lapsed in the year	(29)	–
At 31 December	**–**	**98**

	2019 Number	2018 Number
At 1 January	2,448,226	10,948,352
Exercised in the year (note 26)	(1,734,577)	(8,500,126)
Lapsed in the year	(713,649)	–
At 31 December	**–**	**2,448,226**

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

28. Own shares held

	2019 £'000	2018 £'000
At 1 January	(5,965)	(3,652)
Acquired under a tender offer	–	(4,160)
Other acquisitions	(106)	(75)
Allocation to satisfy Annual Performance Incentives / other staff bonuses (note 31)	647	1,278
Cancelled	151	36
Allocation to satisfy LTIP options exercised (note 31a)	691	608
At 31 December	**(4,582)**	**(5,965)**

	2019 Number	2018 Number
At 1 January	10,760,656	5,150,122
Acquired under a tender offer	–	8,000,000
Other acquisitions	253,679	173,958
Allocation to satisfy Annual Performance Incentives / other staff bonuses (note 31)	(876,000)	(1,704,000)
Cancelled	(298,039)	(48,613)
Allocation to satisfy LTIP options exercised (note 31a)	(922,110)	(810,811)
At 31 December	**8,918,186**	**10,760,656**

Allocations to satisfy LTIP options exercised are transfers by the Company's Employee Benefit Trusts upon the exercise of fully vested 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 LTIP options, which are vested but unexercised, are given in note 31a.

29. Equity

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

Component	Description and purpose
Share capital	The amount subscribed for ordinary share capital at nominal value.
Share premium	The amount subscribed for ordinary share capital in excess of the nominal value.
Warrants	The consideration attributed to the subscription of warrants less associated costs of issuance.
Own shares held	The cost to the Company of acquiring the own shares held by the Company and its subsidiary undertakings or Employee Benefit Trusts.
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.

30. Net asset value per share

	2019 Number	2018 Number
Number of ordinary shares (note 26)	489,746,016	623,269,434
Less own shares held (note 28)	(8,918,186)	(10,760,656)
	480,827,830	**612,508,778**

	2019 Net asset value £'000	2019 Ordinary shares No. '000	2019 Net asset value per share Pence	2018 Net asset value £'000	2018 Ordinary shares No. '000	2018 Net asset value per share Pence
Net asset value per share	**365,798**	**480,828**	**76**	**295,627**	**612,509**	**48**
Effect of dilutive potential ordinary shares:						
Convertible preference shares (note 23)	217,482	297,225		–	–	
Warrants (note 27)	–	–		612	2,448	
LTIP (Note 31)	–	–		266	1,062	
2016 Retention Scheme (note 31)	–	–		2,095	4,998	
Five Year Performance Plan (note 31)	–	–		–	–	
Fully diluted net asset value per share	**583,280**	**778,053**	**75**	**298,600**	**621,017**	**48**

At 31 December 2018, the balance sheet carrying value of the liability portion of the convertible preference shares divided by the number of ordinary shares that would be issued on their conversion was greater than the NAV per share and thus the convertible preference shares were not dilutive.

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.

31. Share-based payments and other long term incentives

The Group has utilised a number of different share schemes to reward and incentivise the Group's executives and senior staff. The two active schemes are the Annual Performance Incentive and the Five Year Performance Plan. All other schemes have now ended and the final amounts vested. Details of these are provided below to the extent there was a vesting or exercise of rights in 2018 or 2019.

Annual Performance Incentive ("API")

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

Five Year Performance Plan ("FYPP")

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

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

Investments with an initial prescribed value totalling £11.9 million have been made into the FYPP out of a maximum of £12 million. The Company's TSR for the performance period to date is less than the minimum threshold for vesting and thus no provision has been made for ordinary shares that may ultimately vest in March 2023.

Long Term Incentive Plan ("LTIP")

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

2016 Retention Scheme

During 2016 the Group terminated an incentive scheme, the Combined Bonus and Long Term Incentive Scheme 2015, and the Company's shareholders approved the introduction of the 2016 Retention Scheme. Awards under the 2016 Retention Scheme were made to the executive directors of the Company and two senior managers of the Group. The awards entitled the participants to three equal payments each equivalent to150% of their basic salary. The final instalment was paid on 31 March 2019. The sole condition for each instalment was the continuing employment of the individual at the relevant payment date. In respect of the final instalment, and as a condition to be eligible to participate in the FYPP, payment was made entirely in the Company's convertible preference shares, based on the average price prior to 31 March 2019. As a consequence the Company's EBT transferred 3,552,907 convertible preference shares in respect of the third and final instalment.

(a) Movements in LTIP options

	2019 No. of options	Weighted average exercise price	2018 No. of options	Weighted average exercise price
Outstanding at the beginning of the period	1,062,162	25p	1,872,973	25p
Exercised during the year				
– LTIP	(1,062,162)	25p	(810,811)	25p
Outstanding at the end of the period	**–**	**– p**	**1,062,162**	**25p**

(b) Income Statement charge for the year	2019 £'000	2018 £'000
2016 Retention scheme	541	2,103
Other staff bonuses	664	–
Annual Performance Incentive 2019	4,263	–
Annual Performance Incentive 2018	–	–
Annual Performance Incentive 2017	–	750
Five Year Performance Plan	–	–
	5,468	**2,853**
To be satisfied by allocation of:		
Ordinary shares (IFRS 2 expense)	4,927	750
Convertible preference shares / preference shares (IFRS 2 expense)	541	2,103
Cash	–	–
	5,468	**2,853**

Of the IFRS 2 expense for the year £4.6 million (2018: £2.1 million) is included in current liabilities.

Certain bonuses awarded to employees below executive level for performance in 2018 were settled in ordinary shares of the Company.

32. Capital commitments

The Group had no significant capital commitments at 31 December 2018 and 2019.

33. Related party transactions

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

Remuneration of Directors and other key management personnel	2019 £'000	2018 £'000
Short term employee benefits	3,579	4,247
Post employment benefits	229	224
Share-based payments and other long term incentives	4,805	2,853
	8,613	**7,324**

On 20 August 2019 the Company acquired 72,144,978 ordinary shares from Woodford Investment Management Limited and 17,000,000 ordinary shares from Invesco Asset Management Limited, in each case acting on behalf of certain underlying funds, at a price of 36 pence per share in cash. These are related party transactions, as defined by the UKLA's Listing Rules and were approved by the Company's ordinary shareholders at a general meeting. On 25 October 2019 the Company acquired a further 10,000,000 ordinary shares from Invesco Asset Management Limited at a price of 40 pence per share in cash. This second acquisition from Invesco Asset Management Limited constitutes a smaller related party transaction under the UKLA's Listing Rules.

34. Financial instruments – risk management

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

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

(a) Market risk

Currency risk

The Group operates internationally and is exposed to foreign exchange risk arising from a variety of currency exposures, primarily with respect to Euro, Sterling and US Dollar against the predominate functional currency of its subsidiaries of Roubles. Foreign exchange risk arises from future commercial transactions (including lease receivables), recognised monetary assets and liabilities and net investments in foreign entities.

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

Rouble

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

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

Sterling

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

Euro

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

US Dollar

Currency risk to US Dollars is now significantly reduced as the Group moves away from US Dollar debt facilities. There are no US Dollar facilities as at 31 December 2019. The Group still has a proportion of its leases pegged to the US Dollar and these will mature over the next two years. A weakening Rouble relative to the US Dollar will generate increased Rouble income on US Dollar pegged leases.

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

As at 31 December 2019	Rouble £'000	Euro £'000	US Dollar £'000	Sterling £'000	ZAR £'000
Non-current assets					
Restricted cash	–	–	–	–	–
Derivative financial instruments	–	274	41	–	–
	–	**274**	**41**	**–**	**–**
Current assets					
Rent receivable	–	–	1,673	–	–
Restricted cash	–	701	–	–	–
Derivative financial instruments	–	–	–	–	–
Other current receivables	–	564	1	26	–
Cash and short term deposits	261	5,121	445	252	75
	261	**6,386**	**2,119**	**278**	**75**
Non-current liabilities					
Interest bearing loans and borrowings	–	163,003	–	–	–
Rent deposits	–	–	6,171	–	–
	–	**163,003**	**6,171**	**–**	**–**
Current liabilities					
Interest bearing loans and borrowings	–	38,612	–	–	–
Rent deposits	–	64	4,984	–	–
Other payables	60	721	–	105	–
	60	**39,397**	**4,984**	**105**	**–**

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2018	Rouble £'000	Euro £'000	US Dollar £'000	Sterling £'000	ZAR £'000
Non-current assets					
Restricted cash	–	–	630	–	–
Derivative financial instruments	7,236	4,782	–	–	–
	7,236	**4,782**	**630**	**–**	**–**
Current assets					
Rent receivable	–	1	2,476	–	–
Restricted cash	–	–	1,006	–	–
Derivative financial instruments	–	–	20	–	–
Other current receivables	15	971	84	37	–
Cash and short term deposits	8,835	3,236	984	26	100
	8,850	**4,208**	**4,570**	**63**	**100**
Non-current liabilities					
Interest bearing loans and borrowings	122,717	95,821	–	–	–
Rent deposits	–	–	9,935	–	–
	122,717	**95,821**	**9,935**	**–**	**–**
Current liabilities					
Interest bearing loans and borrowings	27,250	27,122	–	–	–
Rent deposits	–	88	5,799	–	–
Other payables	68	436	40	349	–
	27,318	**27,646**	**5,839**	**349**	**–**

The sensitivity analyses below are based on a change in an assumption while holding all other assumptions constant. In practice this is unlikely to occur and changes in some of the assumptions may be correlated, for example a change in interest rate and a change in foreign currency exchange rates. The Group principally manages foreign currency risk on a project by project basis.

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

Post tax profit or loss would change by:	2019 £'000	2018 £'000
US Dollar	899	1,104
Russian Rouble	20	13,395
Sterling	17	28
Euro	19,574	11,699
ZAR	8	–

The Group's interest rate risk arises from its long-term borrowings (note 21), preference shares (note 22) and convertible preference shares (note 23). Borrowings issued at variable rates expose the Group to cash flow interest rate risk, whilst borrowings issued at a fixed rate expose the Group to fair value risk. The Group's cash flow and fair value risk is reviewed monthly by the Board. The cash flow and fair value risk is approved monthly by the Board.

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

To date the Group has sought to fix its exposure to interest rate risk on borrowings through fixed rate debt facilities, the use of a variety of interest rate derivatives and the issue of preference shares 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 £20.0 million at 31 December 2019 (2018: loss of £5.1 million).

We have diversified our debt exposure and, hence, interest rate exposure. The Group is no longer exposed to US LIBOR and instead is sensitive to EURIBOR and Central Bank of Russia Key rate movements. Sensitivity to all benchmark rates is presented in the table below.

	2019		2018	
	Increase 100 bps £'000	Decrease 100 bps £'000	Increase 100 bps £'000	Decrease 100 bps £'000
US LIBOR	–	–	(81)	344
EURIBOR	(1,774)	399	(1,499)	–
Central Bank of Russia Key rate	(3,496)	3,673	(704)	1,680

(b) Credit risk

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

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

The Group reviews the creditworthiness of potential tenants prior to entering into a lease. Based on this assessment the Group will require a cash deposit or guarantee as collateral for the tenant's obligations under the lease. The collateral typically represents three months rent but may be shorter or longer as required. The Group has a relatively large number of different tenants and as disclosed in note 5 there is only a single tenant that accounts for in excess of 10% of Group revenue.

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

	2019 £'000	2018 £'000
At 1 January	2,880	3,416
Effect of foreign exchange rate changes	191	(240)
Charge for the year	(2)	–
Utilised in the year	(41)	(238)
Unused amounts reversed	–	(58)
At 31 December	**3,028**	**2,880**

At 31 December 2019 there were no significant amounts of unimpaired trade receivables that were past due for collection (2018: £ nil).

(c) Liquidity risk

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

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

All amounts shown are gross undiscounted cash flows.

Financial liabilities

As at 31 December 2019	Total £'000	Current £'000	Year 2 £'000	Years 3 to 5 £'000	Years 6 to 10 £'000
Interest bearing loans and borrowings	888,461	103,473	69,390	608,344	107,254
Preference shares	120,082	12,008	12,008	36,025	60,041
Convertible preference shares	347,284	12,735	12,735	38,206	283,608
Head leases	1,253	132	132	328	661
Other lease liabilities	2,000	659	227	577	537
Trade and other payables	24,941	9,162	2,606	9,346	3,827
	1,384,021	**138,169**	**97,098**	**692,826**	**455,928**

As at 31 December 2018	Total £'000	Current £'000	Year 2 £'000	Years 3 to 5 £'000	Years 6 to 10 £'000
Interest bearing loans and borrowings	814,184	124,230	64,568	401,318	224,068
Preference shares	119,537	11,954	11,954	35,861	59,768
Convertible preference shares	353,514	12,505	12,505	37,516	290,988
Derivative financial instruments	1	1	–	–	–
Head leases	1,150	115	115	345	575
Trade and other payables	28,927	12,503	5,396	8,147	2,881
	1,317,313	**161,308**	**94,538**	**483,187**	**578,280**

Details of the interest rates applicable to the Group's long term borrowings and preference shares are given in notes 21 and 22. 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.

	2019 Carrying Value £'000	2019 Fair Value £'000	2018 Carrying Value £'000	2018 Fair Value £'000
Non-current assets				
Loans receivable	67	63	676	627
Restricted cash	–	–	12,249	12,249
Derivative financial instruments	2,621	2,621	21,953	21,953
Current assets				
Trade receivables	26,475	26,475	27,803	27,803
Restricted cash	3,026	3,026	1,792	1,792
Other current receivables	3,653	3,653	907	907
Derivative financial instruments	–	–	349	349
Cash and short term deposits	68,138	68,138	73,450	73,450
Non-current liabilities				
Interest bearing loans and borrowings	623,168	632,014	567,865	561,076
Preference shares	110,324	131,590	109,271	130,494
Convertible preference shares	217,482	202,787	206,116	226,057
Derivative financial instruments	–	–	–	–
Rent deposits	15,779	12,403	16,425	13,130
Deferred consideration	–	–	–	–
Other payables	2,844	2,844	1,372	1,372
Current liabilities				
Interest bearing loans and borrowings	60,173	60,173	75,565	75,565
Derivative financial instruments	–	–	1	1
Rent deposits	6,364	6,364	7,242	7,242
Deferred consideration	–	–	12,197	12,197
Other payables	3,356	3,356	5,262	5,262

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 35 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 on 31 December 2019, which is considered to be level 1 of the fair value hierarchy. The fair value of derivatives is determined by a model with market based inputs.

(d) Capital risk management

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

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

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

	2019 £'000	2018 £'000
Non-current liabilities	928,736	847,806
Current liabilities	111,843	141,740
Total borrowings	1,040,579	989,546
Less: cash and short term deposits	68,138	73,450
Less: restricted cash	3,026	14,041
Net debt	**969,415**	**902,055**
Equity	365,798	295,627
Preference shares	110,324	109,271
Total capital	**1,445,537**	**1,306,953**
Gearing ratio	**67.06%**	**69.02%**

35. Fair value measurement

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

As at 31 December 2019	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total Fair Value £'000
Assets measured at fair value				
Investment property	–	–	1,337,682	**1,337,682**
Investment property under construction	–	–	33,846	**33,846**
Derivative financial instruments	–	2,621	–	**2,621**
Liabilities measured at fair value				
Derivative financial instruments	–	–	–	**–**

As at 31 December 2018	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total Fair Value £'000
Assets measured at fair value				
Investment property	–	–	1,175,440	**1,175,440**
Investment property under construction	–	–	30,548	**30,548**
Derivative financial instruments	–	22,302	–	**22,302**
Liabilities measured at fair value				
Derivative financial instruments	–	1	–	**1**

* 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.

36. 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:-

	2019 £'000	2018 £'000
Within one year	109,769	124,107
In the second year	80,037	92,553
In the third to fifth year (inclusive)	117,758	133,265
After five years	65,218	66,757
	372,782	**416,682**

37. Reconciliation of liabilities arising from financing activities

			Non-cash changes			
Year ended 31 December 2019	**2018 £'000**	**Cash flows £'000**	**Fair value £'000**	**Foreign exchange £'000**	**Other £'000**	**2019 £'000**
Interest bearing loans and borrowings	643,430	33,943	–	(1,630)	7,630	**683,373**
Preference shares	109,271	–	–	–	1,053	**110,324**
Convertible preference shares	206,116	–	–	–	11,366	**217,482**
Derivative financial instruments	(22,302)	391	20,392	(1,102)	–	**(2,621)**
	936,515	**34,334**	**20,392**	**(2,732)**	**20,049**	**1,008,558**

			Non-cash changes			
Year ended 31 December 2018	**2017 £'000**	**Cash flows £'000**	**Fair value £'000**	**Foreign exchange £'000**	**Other £'000**	**2018 £'000**
Interest bearing loans and borrowings	626,242	(10,588)	–	24,282	3,494	**643,430**
Preference shares	108,263	–	–	–	1,008	**109,271**
Convertible preference shares	198,870	–	–	–	7,246	**206,116**
Derivative financial instruments	(6,040)	(18,848)	3,066	(480)	–	**(22,302)**
	927,335	**(29,436)**	**3,066**	**23,802**	**11,748**	**936,515**

	2019 £'000		2018 £'000	
Cash flows relating to interest bearing loans and borrowings comprise:				
Proceeds from long term borrowings		357,966		155,628
Repayment of long term borrowings	(284,431)		(153,152)	
Movements in restricted cash	(11,173)		13,056	
		(295,604)		(140,096)
Loan amortisation		(22,652)		(23,279)
Bank borrowing costs paid	(54,689)		(50,000)	
Add: Interest paid	48,922		47,159	
Loan origination costs incurred		(5,767)		(2,841)
		33,943		**(10,588)**

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

38. Acquisitions

Acquisitions in the year

There were no acquisitions in the year.

Acquisitions in prior year

The Group made one corporate acquisition in the prior year, the purchase of Volga Logistics Park. The Group purchased the property by acquiring all of the issued share capital of the corporate vehicles that owned the property. In accordance with its accounting policy, the Group considered the acquisition assessing whether an integrated set of activities had been acquired in addition to the property. It was concluded a business had not been purchased but rather the acquisition of a group of assets and related liabilities.

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

	2018 £'000
Non-current assets	
Investment property (note 11)	30,805
Investment property under construction (note 12)	2,444
Deferred tax assets (note 25a)	1,490
Current assets	
Trade and other receivables	642
Cash and short term deposits	1,235
Current liabilities	
Trade and other payables	(2,621)
	33,995
Discharged by:	
Cash consideration paid	32,958
Acquisition costs	868
Payable	169
	33,995

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Primary and Secondary listings:
The Company's ordinary shares and preference shares are listed on the Main Market of the London Stock Exchange and admitted to the Official List of the UK Listing Authority and the Official List of The International Stock Exchange ("TISE"). Its ordinary shares also have a secondary listing on the main board of the Johannesburg Stock Exchange and the Moscow Stock Exchange. Its convertible preference shares are admitted to the Official List of TISE and to trading on the SETSqx market of the London Stock Exchange.

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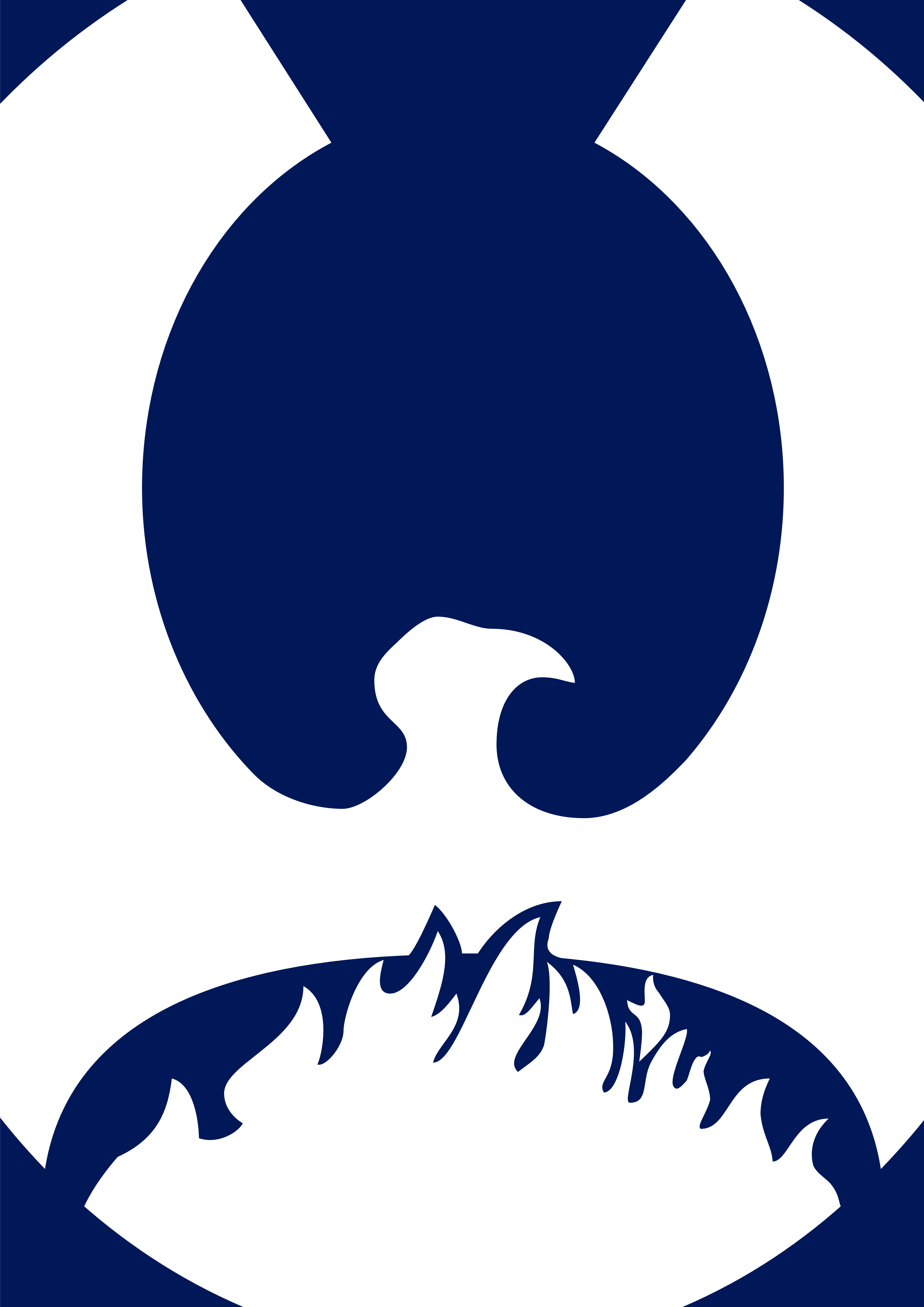

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