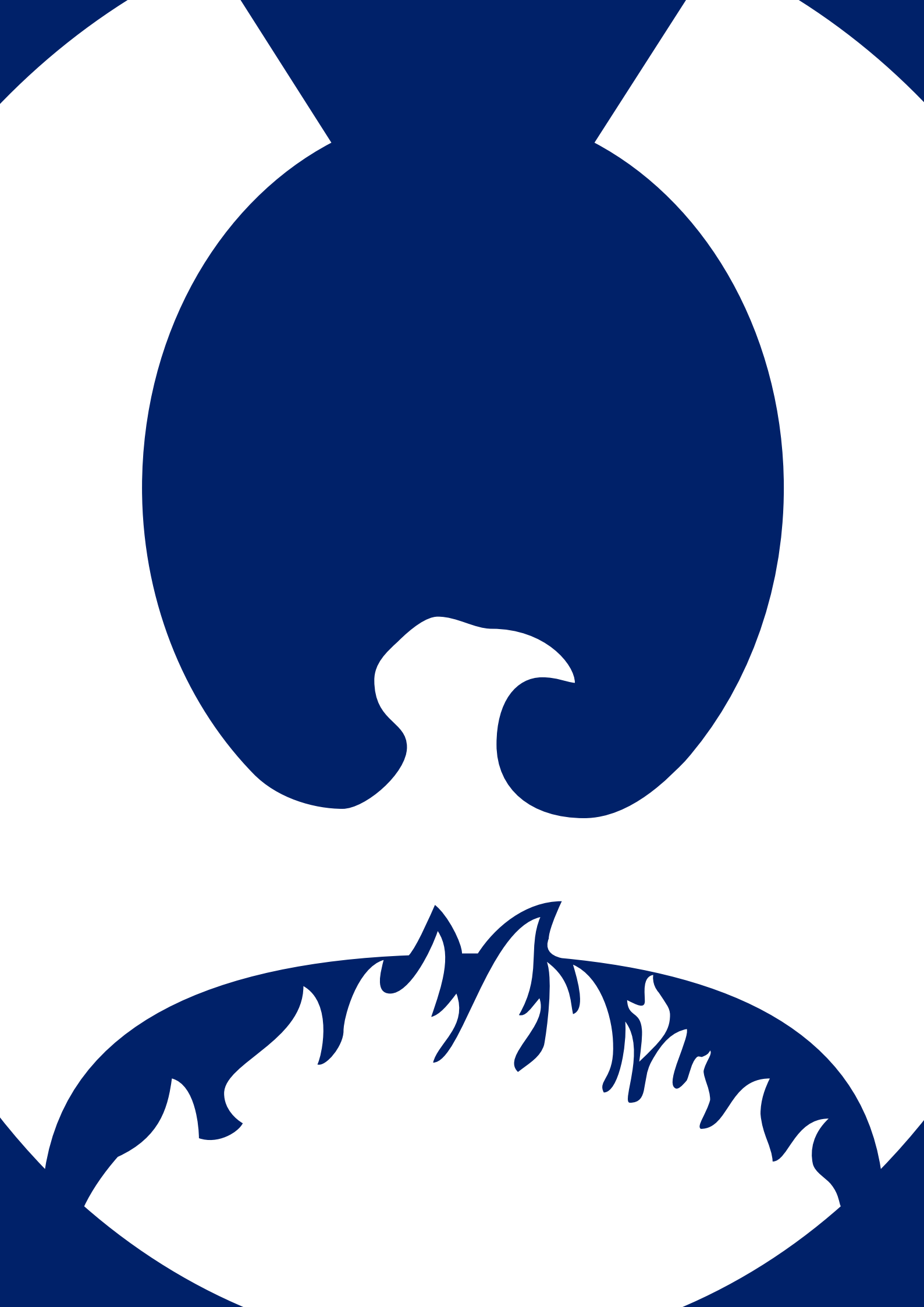




**RAVEN RUSSIA LIMITED**

**2017 Annual Report**



**RAVEN RUSSIA LIMITED**  
**RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017**

# CONTENTS

PAGE

Results Highlights	4
Chairman's Message	5
The Portfolio	6
<b>STRATEGIC REPORT</b>	
Chief Executive's Report	26
Business Model	27
Portfolio Review	28
Finance Review	33
Risk Report	37
Viability Statement	41
<b>GOVERNANCE REPORT</b>	
Directors	42
Corporate Governance	43
Corporate Responsibility	48
Letter from the Remuneration Committee	50
Directors' Remuneration Report	53
Audit Committee Report	60
Directors' Report	64
Independent Auditor's Report	67
<b>FINANCIAL STATEMENTS</b>	
Group Income Statement	74
Group Statement of Comprehensive Income	75
Group Balance Sheet	76
Group Statement of Changes in Equity	79
Group Cash Flow Statement	80
Notes to the Financial Statements	82
Advisers	121
Enquiries	122



# RESULTS HIGHLIGHTS

IFRS PROFIT  
AFTER TAX

**\$57.7** MILLION

UNDERLYING EARNINGS  
AFTER TAX OF

**\$56.8** MILLION

BASIC UNDERLYING  
EARNINGS PER SHARE

**8.56** CENTS

IFRS BASIC EARNINGS  
PER SHARE

**8.69** CENTS

YEAR END  
CASH BALANCE OF

**\$266.7** MILLION

DILUTED NET ASSET  
VALUE PER SHARE

**80** CENTS

**\$209** MILLION  
OF ACQUISITIONS  
COMPLETED  
IN THE YEAR

INVESTMENT  
PROPERTY VALUE

**\$1.6** BILLION

DISTRIBUTION PER  
ORDINARY SHARE  
FOR THE YEAR

**4** PENCE

# CHAIRMAN'S MESSAGE

I am delighted to report that the results for the year have exceeded our expectations and that we are achieving our objective of an acquisition driven business model. In addition, and through a doggedly tenacious approach to planning, we have won various planning consents on our legacy UK land bank and achieved large gains which have added further gloss to the year. I take this opportunity to applaud the executive team for their hard efforts in this regard.

We were successful in completing two acquisition projects in the year, an office portfolio and a warehouse in St Petersburg in April and a large logistics complex in Moscow in November. Consideration for the acquisitions totalled \$209 million and should generate a minimum of \$24 million of net operating income ("NOI") in the current year.

The acquisitions were part funded by a second issue of convertible preference shares in July 2017, raising \$126 million. With significant cash reserves and the potential to secure finance on the last acquisition, we are actively pursuing further income producing acquisitions in a number of different asset classes.

Underlying earnings have increased to \$56.8 million (2016: \$47.1 million) and basic underlying earnings per share to 8.56 cents (2016: 7.17 cents). With a revaluation gain of \$38.2 million (2016: loss of \$43.3 million), the first gain in our portfolio values since 2013, our IFRS earnings increased to \$57.7 million (2016: \$7.7 million) and diluted net asset value per share to 80 cents (2017: 71 cents).

We are proposing a final distribution of 3p, paid by way of a tender offer buy back of 1 share in every 17 at 52p. This will give a total distribution of 4p for the year.

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

**Richard Jewson**

Chairman

11 March 2018



# THE PORTFOLIO

## RUSSIAN FEDERATION

INVESTMENT PROPERTY

LAND BANK







# Moscow



-  Warehouse
-  Office



# St Petersburg





## Pushkino, Moscow

### DESCRIPTION

Grade A Logistics Warehouse Complex

### KEY TENANTS

- DHL
- Itella
- Makita
- Megapolis

### GLA

214,500 sq m

### 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
- Danom
- Bacardi

### GLA

206,000 sq m

### 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
- Sportmaster
- ID Logistics

### GLA

203,800 sq m

### LOCATION

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







## Sever, Moscow

### DESCRIPTION

Grade A Logistics Warehouse Complex

### KEY TENANTS

- R-Pharm
- OBI
- Miratorg
- O'Key
- Major Terminal

### GLA

195,000 sq m

### 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.







## Klimovsk, Moscow

### DESCRIPTION

Grade A Logistics Warehouse Complex

### KEY TENANTS

- Danone
- Private Trade (Kupi VIP)
- TM Project (Marvel)
- Gradient
- FARM

### GLA

157,600 sqm

### LOCATION

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







## Shushary, St Petersburg

### DESCRIPTION

Grade A Logistics Warehouse Complex

### KEY TENANTS

- RosLogistics
- Dixy
- Officemag
- 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

### GLA

121,300 sq m

### KEY TENANTS

- Pepsi
- Sportmaster
- Wildberries
- Roust Russia
- Elektrosystem
- OSG
- Metro

### LOCATION

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







## Krekshino, Moscow

### DESCRIPTION

Grade A Logistics Warehouse Complex

### KEY TENANTS

- Itella
- Gorenje
- S-Import

### GLA

117,900 sq m

### 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
- Elektrosystem
- Mars
- Mir Instrumenta
- Mobis Parts CIS
- Tarkett

### GLA

101,200 sq m

### 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
- Simba Toys
- Orimi

### GLA

84,800 sq m

### 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
- McKenzie
- Vadan

### GLA

67,600 sq m

### 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.







## Lobnya, Moscow

### DESCRIPTION

Grade A Logistics Warehouse Complex

### KEY TENANTS

- Nippon Express
- RosLogistics

### GLA

52,500 sq m

### 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

- RosLogistics

### GLA

45,300 sq m

### 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

### GLA

36,800 sq m

### KEY TENANTS

- SKL
- OSG
- Edil Import
- UPM

### 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

### GLA

14,100 sq m

### KEY TENANTS

- Lindex
- A&D Rus
- L'Occitane
- Stomatorg

### 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

- Oracle Development
- Baltiyskiy Leasing
- Melon Fashion
- MAERSK

### GLA

21,600 sq m

### 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

### GLA

11,100 sq m

### 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

15,800 sq m

### 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.



# CHIEF EXECUTIVE'S REPORT

Dear Shareholders,

We are delighted with the overall results for 2017. NOI is up 10% to \$166.7 million, underlying earnings per share are up 19% to 8.56 cents and diluted net asset value per share is up 13% to 80 cents.

With year end cash balances of \$266.7 million, we are increasing the distribution per share by 50% to 3p per share. As usual this distribution will be made by way of a tender offer buy back of shares, this time for 1 in 17 shares held at a price of 52 pence per share. We intend to allow shareholders to subscribe for more than their pro rata entitlement.

We took advantage of the strong UK housing market by selling most of our UK strategic land holdings. This generated a profit of \$20.2 million and cash of \$21.6 million for Raven Mount in the year. These assets were acquired with Raven Mount PLC in 2008 for \$0.7 million.

In relation to our joint venture with the Russian CoOp we are at the early planning stage of a pilot project. This has potential both for property returns and for our third party logistics operator, Roslogistics, in managing the sites.

Our core business of logistics warehousing has performed well. We still fight the medium term "Roubilisation" of rents through letting space (187,100sqm in 2017) and by strategic acquisitions.

Favourable market conditions gave us the opportunity to acquire four properties in two transactions in Moscow and St Petersburg for a combined consideration of RUR11.989 billion (\$209 million). Both purchases represent attractive prices per sqm relative to replacement cost. The St Petersburg acquisition of three separate properties was completed in April and added 87,000sqm of Grade A warehousing and 33,000sqm of offices for a total consideration of RUR4.9 billion (\$86 million) at an initial yield of 16%. The properties were 98% leased at acquisition to 68 tenants including Otis, Oracle, YIT, Schenker and Maersk. In November we completed the acquisition of Logopark Sever, a new Grade A warehouse complex of 195,000sqm to the north of Moscow. The property was 73% leased at completion to major tenants including Obi, Okey, Major Logistics and Miratorg and is 83% let today. Total consideration based on letting of the vacant space over the next 18 months is estimated at RUR7.089 billion (\$123 million) which would produce a yield of 11.38% and a reversionary yield of 12.51%.

These acquisitions contributed \$10 million of NOI to the 2017 results and should contribute at least \$24 million of NOI in 2018.

As previously indicated, at this stage of the Russian property cycle and in a quest for income, we have successfully broadened our focus into property sectors other than logistics warehousing. We anticipate that this will continue as our strategy of seeking high quality income producing acquisitions continues alongside active management of the existing portfolio. The Group's significant cash balance provides us with the financial resource to achieve this. We expect further news during the year.

Longstanding shareholders know that our business can, and has been, significantly affected by geo-political events. Fortunately, 2017 was a year of relative stability.

The Rouble/Dollar remained within a range of 55 to 60. The oil price has slowly improved and now stands at \$64 per barrel. The Russian economy has stabilised and returned to growth despite sanctions. 2017 GDP growth was 1.5%, inflation fell from 5.4% to 2.5% and central bank rates have fallen from 10% to 7.5%. Although we will not rely on it, most commentators forecast further improvements in 2018 and beyond. With some fair economic winds and the continued implementation of our strategy of acquisitions, alongside organic growth, we believe that shareholders will be rewarded.

We would like to thank our shareholders for their continued support and encouragement, particularly those who do not delegate their voting responsibilities to voting agencies. Compliance, regulation and political correctness are time consuming issues for businesses and we continue to deal with them with our customary professionalism and sense of humour.

## Glyn Hirsch

Chief Executive Officer  
11 March 2018

# BUSINESS MODEL

## Our Strategy

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

But whilst we remain focussed on the logistics market we will consider alternative asset class acquisitions if the property and financial metrics are attractive.

As our lease terms convert from US Dollar pegged to Rouble income, our evolving acquisition strategy is bearing fruit in supporting our net operating income through that transition.

## Business Model

The fundamentals of our business model have not changed. We have a portfolio of assets with a high yield to cost of circa 12% and bank financing costs of approximately 7%. The significant change in that model has been our exposure to foreign currency risk. Prior to 2015, we operated a US Dollar model and today we continue our transition to a Rouble model.

At the year end, 46% of our warehouse income was denominated in Roubles (2016: 24%). These leases represent 47% of the Gross Lettable Area ("GLA") of our warehouse portfolio (2016: 26%). Our banking facilities remain predominately US Dollar denominated and over the past two years we have reduced and restructured facilities to increase covenant headroom and build in a safety margin on debt service should exchange rates move against us. Each of the facilities secured on our warehouse assets sits in a special purpose vehicle ("SPV") structure to minimise recourse to the overall portfolio and holding company. At the year end, asset specific debt represented 53% loan to value (2016: 55%).

Our office portfolio has a different currency mix. 49% of income is Rouble denominated, 39% Euro and 12% US Dollar. Two of the assets have sole tenants and we have refinanced the portfolio of three assets with a Euro loan.

As Russian Central Bank rates continue to reduce, the plan for the next stage of adapting our business model is to move banking facilities to a Rouble/currency mix. This will start the process of reducing our foreign currency risk while managing the cost of debt. Ultimately, the Russian Central Bank rates do not have far to fall before we consider moving to full Rouble facilities and if market commentary is correct, we may not have long to wait for that to be the case. We are having an open dialogue with all of our banking partners on this transition process.

Our average letting size by tenant is 8,760sqm (2016: 11,240sqm). We do not have one tenant with more than 11% (2016: 11%) of our portfolio's GLA and the top ten tenants account for 41% (2016: 46%) of our portfolio in GLA terms and 54% (2016: 58%) in income terms.

## Key Performance Indicators ('KPIs')

We continue to focus on occupancy KPIs together with the currency mix of income and how that is likely to change over the medium term. Cash flows after interest and debt amortisation, a measure of debt service cover, influenced our decision to restructure our existing bank facilities and issue new convertible preference shares.

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.

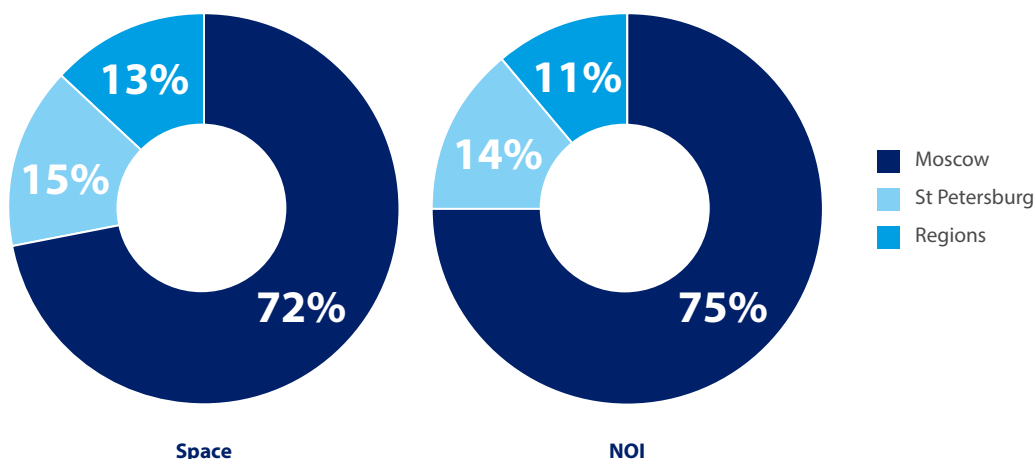
All of the above underpin financial targets set for annual bonus incentives.



# PORTFOLIO REVIEW

## Geographical analysis

### Warehouse



### Office

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

## Leasing and maturities

During the year we made two significant acquisitions, three properties in St Petersburg and Logopark Sever, a warehouse complex north of Moscow, for a total consideration of \$209 million. The acquisition of Logopark Sever did not have a material impact in 2017 as this was completed in November but we expect it to contribute \$13.8 million of NOI during 2018.

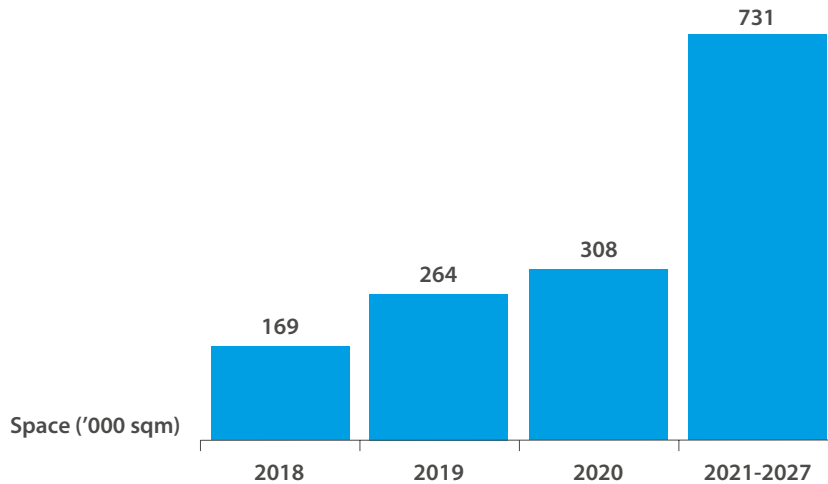
Vacancy has remained stable on a like for like basis and stands at 19% including acquisitions. Although the statistics have remained broadly static there has been a considerable amount of activity in the portfolio.

'000 sqm	2017	2018	2019	2020	2021-2027	Total
Maturity profile at 1 January 2017	215	165	252	179	392	1,203
Maturities profile of the acquired assets	44	31	21	19	147	262
<b>Subtotal</b>	<b>259</b>	<b>196</b>	<b>273</b>	<b>198</b>	<b>539</b>	<b>1,465</b>
Lease extensions	(97)	(79)	(22)	–	–	(198)
Vacated/terminated	(162)	(14)	(4)	–	–	(180)
<b>Remaining lease maturity profile</b>	<b>–</b>	<b>103</b>	<b>247</b>	<b>198</b>	<b>539</b>	<b>1,087</b>

198,100sqm of existing leases have been renegotiated and extended in the financial year. Space vacated on maturity and early terminations of weaker covenants totalled 179,600sqm which, together with existing vacant space, gives 342,900sqm of vacancy at 31 December 2017. The result is a new lease maturity profile as follows:

'000 sqm	2018	2019	2020	2021-2027	Total
Remaining lease maturity profile	103	247	198	539	1,087
Maturity profile of lease extensions	51	–	78	69	198
New leases	15	17	32	123	187
<b>Maturity profile at 31 December 2017</b>	<b>169</b>	<b>264</b>	<b>308</b>	<b>731</b>	<b>1,472</b>

### Lease Expiries at 31 December 2017



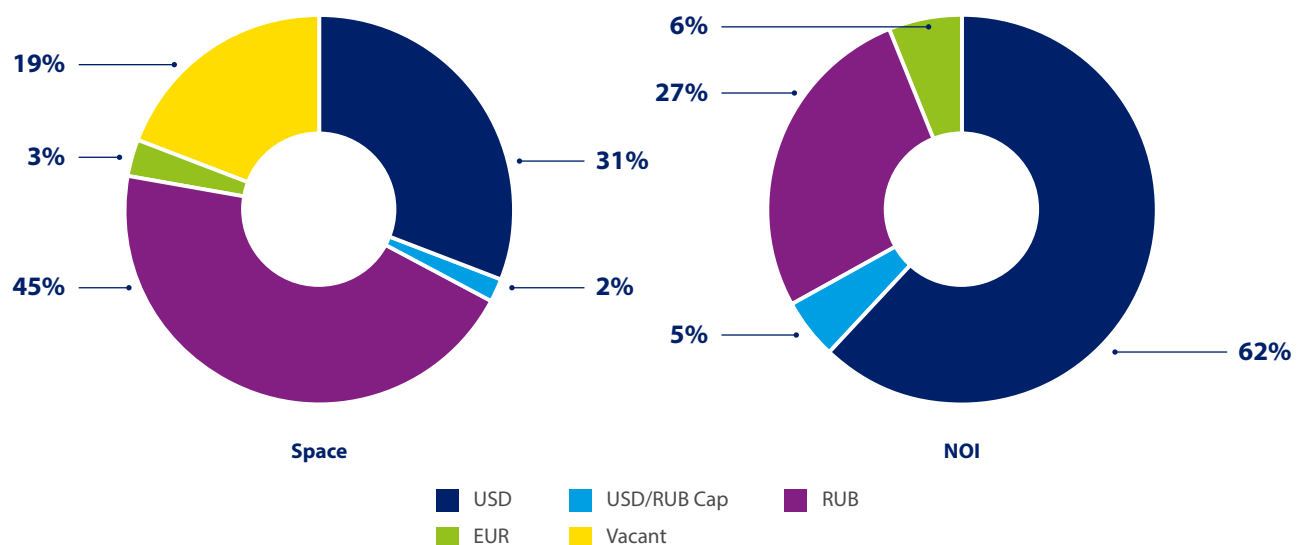
This reflects 187,100sqm of new leases signed in the year in addition to the 198,100sqm of existing lease renegotiations. There are also potential breaks in the portfolio of 78,300sqm in 2018 and 79,000sqm in 2019. Significant new lettings include 27,200sqm to Makita in Moscow, 8,000sqm to Mars in Rostov and Wildberries (one of the largest Russian internet retailers) doubling their space to 10,000sqm in Novosibirsk.

Since the year end, a further 53,000sqm of renewals, 21,000sqm of new lettings have been completed. In addition, letters of intent on vacant space of 38,000sqm and lease extensions of 8,400sqm have been signed.

The warehouse and office markets in which we operate are now almost exclusively Rouble denominated and although we still have historic long term contracts in US Dollars and Euros these are continuing to unwind. New lease terms are shorter, generally contain breaks and are Rouble denominated but they have the benefit of annual indexation linked to Russian CPI.

At the year end 31% (2016: 50%) of our warehouse GLA had US Dollar denominated leases with an average warehouse rental level of \$143 per sqm (2016: \$125 per sqm) and a weighted average term to maturity of 3.0 years (2016: 3.0 years). Rouble denominated or capped leases account for 47% (2016: 26%) of our total warehouse space with an average warehouse rent of Roubles 5,200 per sqm (2016: 5,120 per sqm) and weighted average term to maturity of 3.6 years (2016: 4 years). Rouble leases have an average minimum annual indexation of 6.8% (2016: 7.7%). Average rents on new lettings during the year were Roubles 3,870 per sqm and for renewals Roubles 5,250 per sqm.

### Currency exposure of warehouse leases



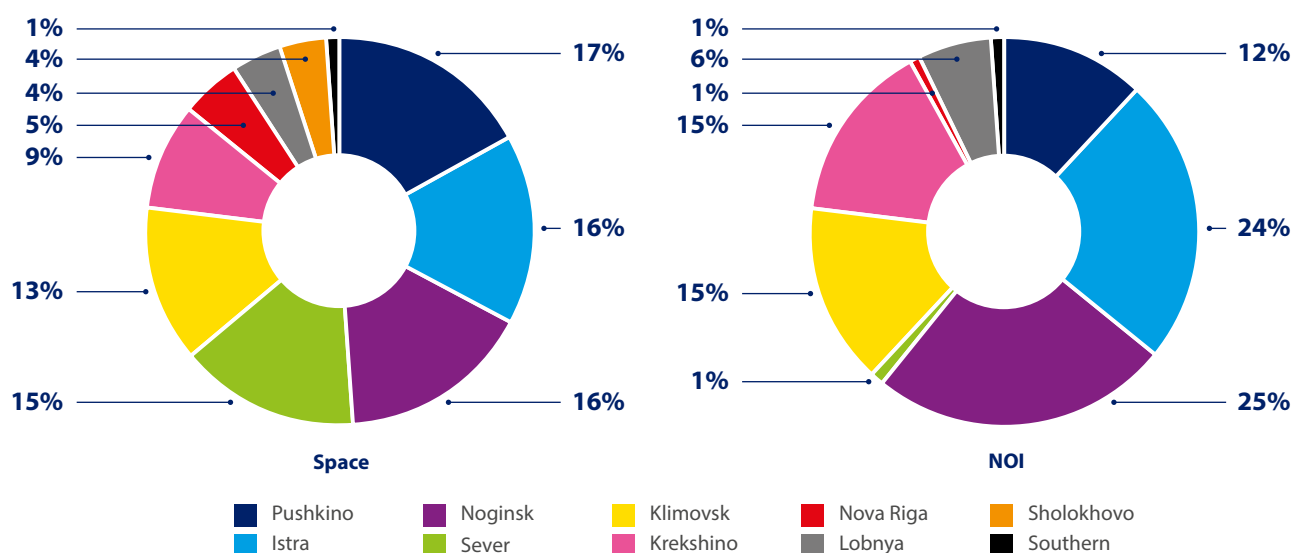


## Investment Portfolio

### Warehouse portfolio

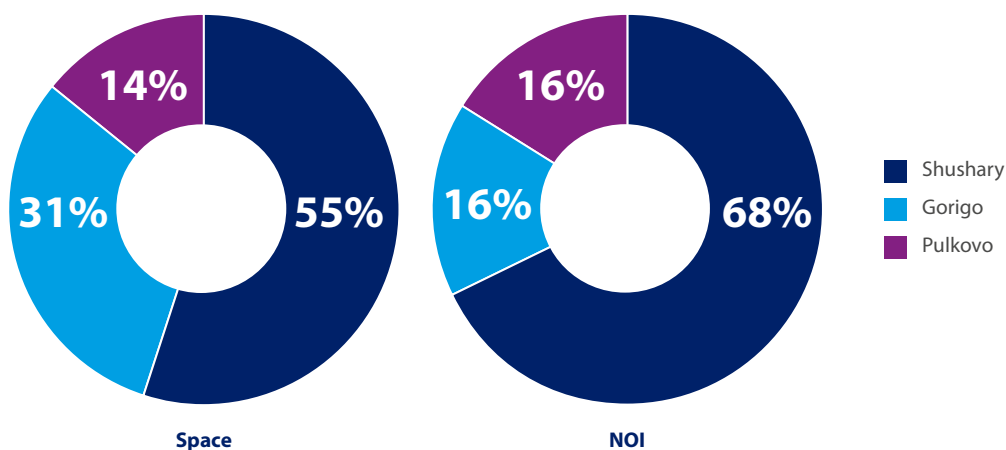
#### Moscow

We have ten projects in Moscow, including Logopark Sever, totalling 1,274,000sqm, and with 78% of space let at the year end.

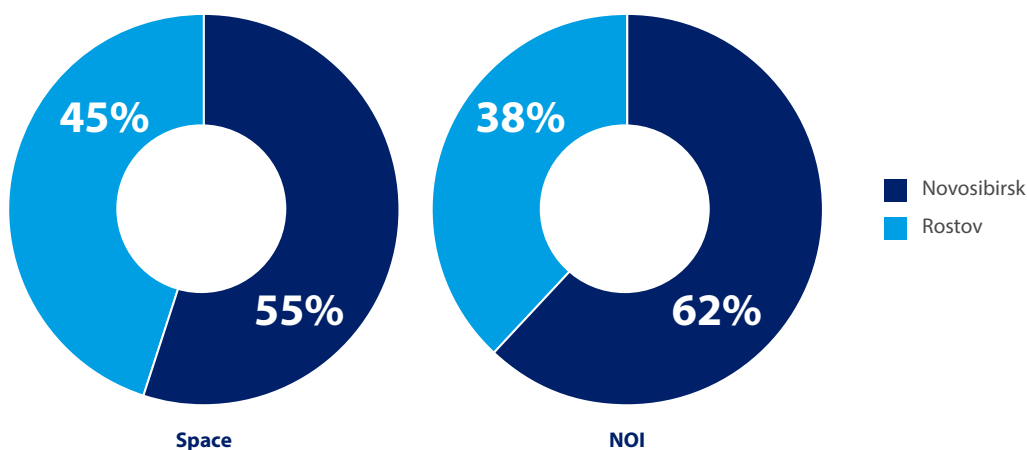


The Moscow portfolio had a net reduction in occupied area of 23,600sqm during the year as lease expiries ran at a faster rate than new lettings. Moscow remains the most competitive market in which we operate, although the reduction in the amount of new space being built means the market has certainly stabilised.

#### St Petersburg



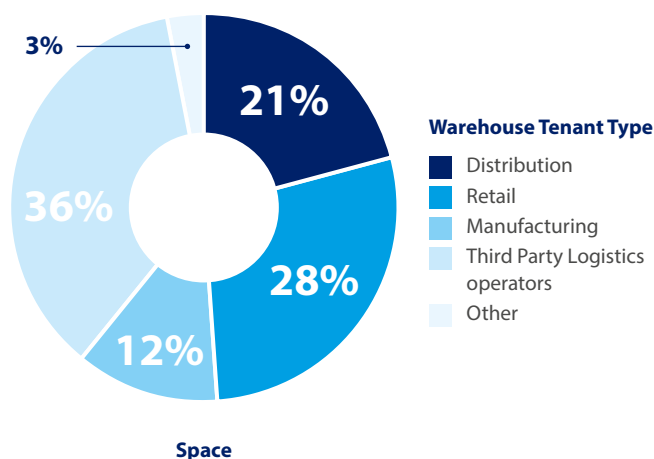
#### Regions





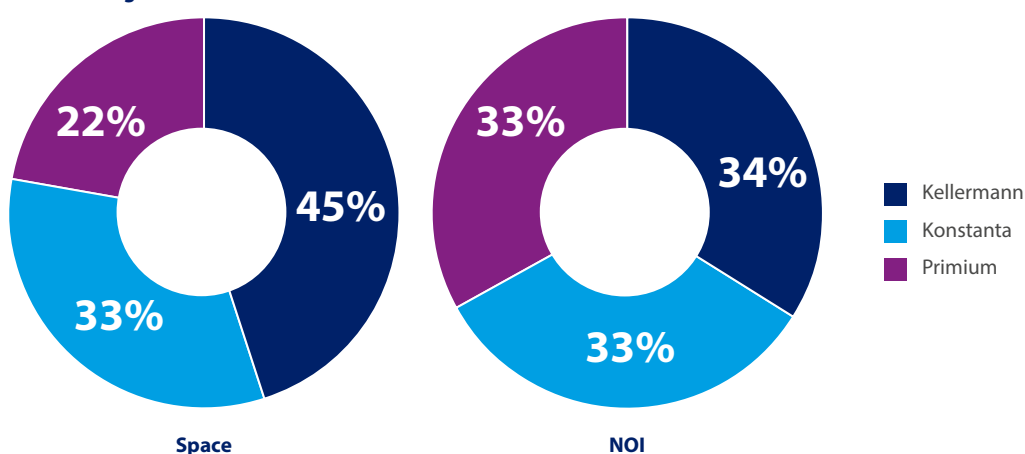
Occupancy in the regional markets of St Petersburg and Novosibirsk continues to be better than in Moscow, driven by demand from retailers and a lack of over supply because of less historic speculative development. Although Rostov was more competitive in 2016 and 2017, since the year end we have secured additional lettings of 9,600sqm and we are now 83% let. We have signed long term agreements with both Metro in Novosibirsk and Mars in Rostov where we have adapted premises to incorporate temperature controlled sections of the warehouse for the storage of specialist goods.

#### Tenant Mix



#### Office portfolio

##### St Petersburg



Since the acquisition of the St Petersburg portfolio we have worked hard to extend and enhance the income profile. At Kellerman we have signed a new six year lease without break with the largest tenant and increased the area they occupy and rental level by 33% and 35% respectively. We are in discussions with various other tenants on similar deals.

#### Portfolio yields

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 \$1.63 billion (see notes 11 & 12 to the financial statements). This has resulted in a net profit on revaluation of \$38.2 million in portfolio value during the year.

Overall JLL have sharpened their yield assumptions for the portfolio although in general they still quote a range for yield across all sectors to reflect the difference in quality of assets, leases and differing currencies. The yields used for the portfolio fall within this range.

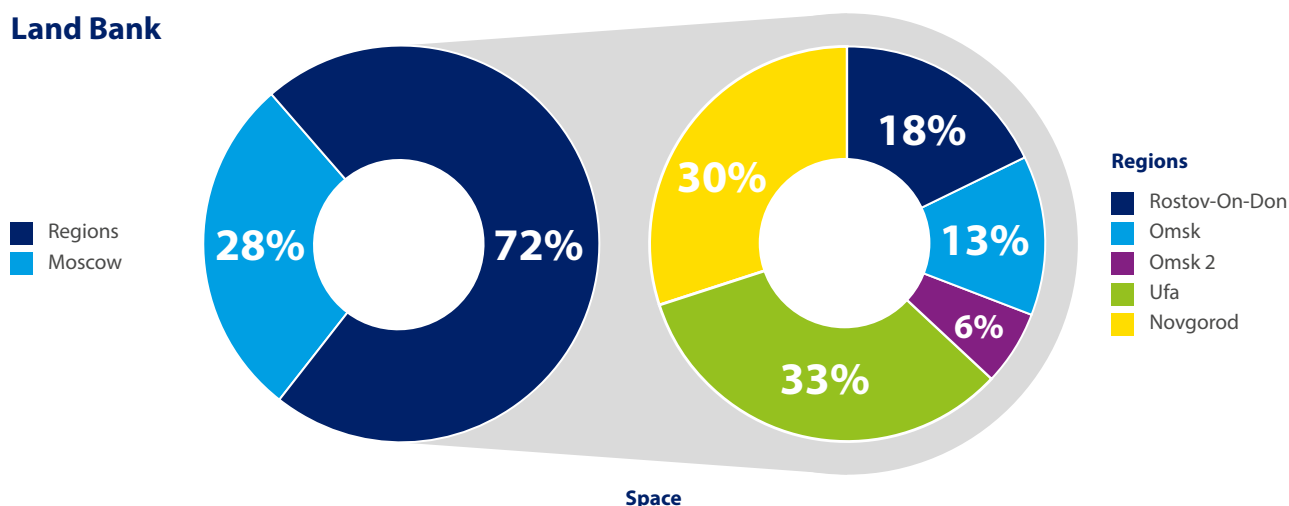
Estimated rental values ("ERVs") have remained static during the year, although the consensus is that they have now found their floor and the next move will be upwards, albeit gradually.

Warehouse	Moscow (%)	St Petersburg (%)	Regions (%)
2016	12.0 – 13.0	13.25	13.25
2017	11.25 – 12.5	12.5	12.5



In the property investment market it is clear that there is a two way tension. On the one hand the Central Bank of Russia has reduced its key lending rate from 10% to 7.5% since the start of 2017. Although this does not have a direct and immediate impact on the prices investors will pay for assets it is clear the risk premium for property assets has become more attractive. The cost of borrowing in Roubles has also fallen, making local currency funding increasingly attractive. On the other hand there are a number of forced or distressed sellers who wish to leave the market. This is primarily a function of the negative view of Russia in the Western press and a number of funds set up in 2007 and 2008 reaching the end of their life. This means there is not yet a clear trend for prices, although domestic buyers remain the most active.

## Land Bank



We continue to hold just over 50ha of land in Moscow for future development where we could build an additional 250,000sqm, although for the foreseeable future we do not anticipate starting development unless we secure pre-lets.

Our 6ha of development land at Lobnya, Moscow have been affected by recent changes in local highway planning. Since the year end these changes have been upheld by the court and as a consequence we have written down the carrying value of the land.

## The Market

As indicated a year ago, the level of new development in the warehouse sector in the Moscow region has reduced during the year with new supply almost halving to just over 500,000sqm. Take up was almost 1.2 million sqm and as a result the vacancy rate in the market has fallen to around 9%. Demand was strongest from retail and distribution businesses who accounted for 39% and 19% of the take up respectively. The warehouse market is now almost without exception denominated in Roubles and rents are in the range of Roubles 3,600 per sqm to Roubles 4,000 per sqm for Grade A space.

Vacancy in our portfolio, especially in Moscow, remains higher than the general market as existing leases expire and new letting activity fails to keep pace. There are still a number of other developers who are leasing space at rents which we feel are below real market levels which is something we will resist doing as we believe it destroys value. As the economy stabilises we expect to see an improvement in letting activity in our portfolio during the year. This is already being reflected in the activity we have seen since the year end.

In St Petersburg and our two regional hubs of Rostov and Novosibirsk rental levels are broadly the same, although the lack of completion and tighter markets mean they are more often at the higher end of this range.

Investment volumes in the year increased to \$4.6 billion, with 79% of this in Moscow. Over 80% of all deals were funded by Russian capital, and only 8% of the total capital or \$370 million went into the warehouse sector. JLL indicate prime yields in the range of 11-12.5% for Moscow warehouses.

There is certainly a general market view that 2018 will be a year of continued improvement on all fronts, including rents, yields and occupancy driven by a general improvement in the wider economy, lower central bank rates and market forces in the property sector.



# FINANCE REVIEW

We continue to 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.

<b>Underlying Earnings</b> (Adjusted non IFRS measure)	<b>2017</b> <b>\$'000</b>	<b>2016</b> <b>\$'000</b>
Net rental and related income	166,729	151,741
Administrative expenses	(25,343)	(24,221)
Long term incentives	(1,635)	(3,133)
Bad debt provision	–	(22)
Foreign exchange gains	9,229	18,079
Share of profits of joint ventures	2,074	1,780
Operating profit	151,054	144,224
Net finance charge	(78,087)	(81,923)
Underlying profit before tax	72,967	62,301
Tax	(16,157)	(15,179)
<b>Underlying profit after tax</b>	<b>56,810</b>	<b>47,122</b>
Basic underlying earnings per share (cents)	8.56	7.17

Our investment portfolio, including the contribution from Roslogistics, shows the continuing effect of the transition from US Dollar pegged to Rouble leases. On a like for like basis, NOI has dropped from \$172 million in 2015, to \$150 million in 2016 and \$136 million for 2017 but our acquisition strategy to counteract this fall in income is bearing fruit. We purchased two investment portfolios during the year, one in April and one in November, which contributed \$10 million to NOI, giving investment income for the year of \$146 million including the contribution from Roslogistics (see note 4). A full year of acquisition income should more than compensate for any additional drop in revenues from the existing portfolio in the current year.

In addition to the positive impact of acquisitions we have been successful in selling off part of the legacy land bank that we hold in the UK. This generated \$21 million of income after costs and boosted our NOI for the year to \$167 million.

Underlying administrative expenses increased during the year, predominantly due to general salary costs increasing on a strengthening Rouble and cash bonuses paid in the year. Bonuses in 2016 had a larger share based element.

As we hold an increasing amount of our free cash in Roubles the strengthening currency created a positive foreign exchange movement in US Dollar terms. This was countered by strengthening sterling at the end of the year increasing the US Dollar value of our preference share liabilities. This resulted in a foreign exchange gain of \$9 million in the income statement (2016: profit of \$18 million) and a foreign currency loss through reserves of \$24.7 million (2016: gain of \$10.9 million).

Underlying earnings increased to \$56.8 million (2016: \$47.1 million) giving Basic Underlying Earnings per Share of 8.56 cents (2016: 7.17 cents).



IFRS Earnings	2017 \$'000	2016 \$'000
Net rental and related income	166,729	151,741
Administrative expenses	(28,547)	(25,344)
Share based payments and other long term incentives	(4,545)	(9,077)
Foreign exchange profits	9,229	18,079
Share of joint venture profits	2,074	1,780
Operating profit	144,940	137,179
Profit/(Loss) on revaluation	38,152	(43,324)
Profit on disposal	–	3,807
Net finance charge	(92,445)	(75,416)
IFRS profit before tax	90,647	22,246
Tax	(32,961)	(14,527)
<b>IFRS profit after tax</b>	<b>57,686</b>	<b>7,719</b>

IFRS earnings are bolstered by the revaluation gain on the portfolio offset against other mark to market movements on derivatives, amortisation and depreciation charges and an increased deferred tax liability of \$16.7 million on the gains. We also impaired the remaining goodwill of \$2 million carried against the Raven Mount subsidiary following the sale of the strategic land bank and this is included in administrative expenses.

Finance costs increased with the issue of new convertible preference shares during the year, the proceeds being used for the acquisition completed at the end of the year. Finance income from cash balances held increased to \$7.2 million (2016: \$3.4 million) reflecting the higher proportion of Rouble cash generating a better interest return. 2016 also had a one off gain of \$15.4 million on the redemption of a loan at below book value which was not repeated this year.

### Investment Properties

A tightening of yields and stable ERVs resulted in a revaluation gain of \$38.2 million for our investment properties during the year. Together with acquisitions this increases the carrying value of investment properties to \$1.57 billion. The carrying value of land held for development reduced by \$2.8 million, the majority relating to one small site where changes in local highway planning has reduced the possibility of new development on this site. This gives a carrying value of investment properties under construction of \$38.4 million.

### Debtors and Creditors

Debtors and creditors are inflated by the most recent acquisition, creditors including a provision for deferred consideration which is dependent on the leasing of vacant space on the asset and debtors including VAT recoverable on the consideration paid to date. Tax payable is also increased by uncertain tax provisions made in the year.

### Cash and Debt

Cash flow Summary	2017 \$'000	2016 \$'000
Net cash generated from operating activities	125,487	118,012
Net cash used in investing activities	(199,733)	(992)
Net cash generated/(used) in financing activities	127,298	(120,759)
Net increase/(decrease) in cash and cash equivalents	53,052	(3,739)
Effect of foreign exchange rate changes	14,993	69
Increase/(decrease) in cash	68,045	(3,670)
Closing cash and cash equivalents	266,666	198,621



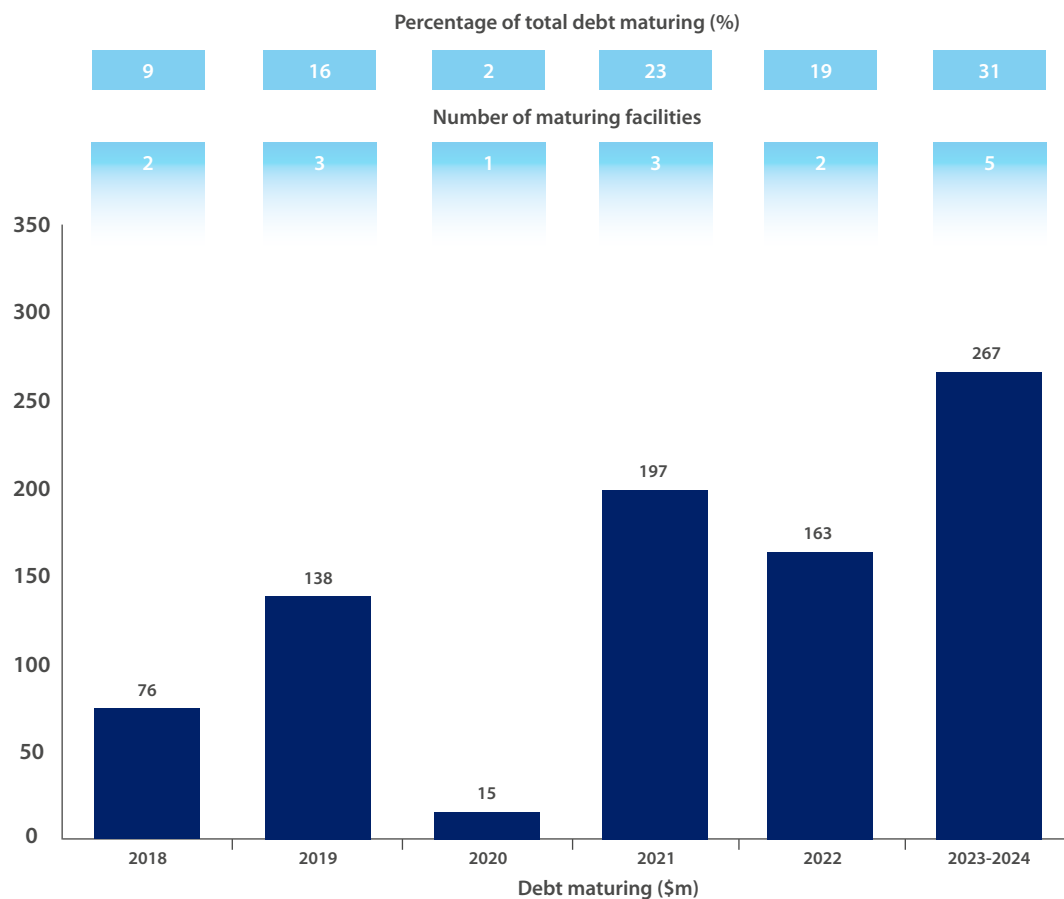
Cash balances increase by \$68 million with a refinancing straddling the year end, a new facility of \$62.3 million being drawn on 29 December 2017 but the old facility of the same amount not repaid until 9 January 2018. This artificially increases cash and debt repayable within one year at the balance sheet date.

In essence, adjusting for above, cash balances are flat for the year, acquisition expenditure of \$190 million being financed from the issue of new convertible preference shares and profits generated.

<b>Bank Debt</b>	<b>2017 \$m</b>	<b>2016 \$m</b>
Fixed rate debt	191	131
Debt hedged with swaps	–	112
Debt hedged with caps	651	469
	842	712
Unhedged debt	14	37
	856	749
Unamortised loan origination costs and accrued interest	(9)	(9)
<b>Total debt</b>	<b>847</b>	<b>740</b>
Undrawn facilities	–	–
Weighted average cost of debt	7.62%	7.48%
Weighted average term to maturity	4.5	4.7

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

### Debt maturing





We continue to extend the maturity dates of our secured facilities, 50% of debt now maturing after 2021. The effective loan to value ratio on these facilities is 53% (2016: 55%).

Our cost of debt has increased slightly to 7.62% (2016: 7.48%) with increases in underlying US LIBOR.

### **Taxation**

The tax charge for the year increases with a deferred tax liability charge on the property revaluations. Tax paid in cash terms rose to \$14.4 million (2016: \$7.7 million), the majority a result of the introduction of the new tax ruling last year, limiting the offset of deferred tax assets to 50% of profits.

### **Subsidiaries**

Raven Mount contributed significantly to profits during the year, generating \$24.3 million on the sale of legacy land plots held in the UK which had a book value of \$0.7 million.

Roslogistics operated out of 112,700sqm of warehouse space at the year end and has increased its Rouble NOI by 10% to Roubles 724 million. We are keen to develop this business in the medium term and increased administration costs include investment into the on-going strategy for operations.

### **Outlook**

Our acquisition strategy is supporting our transition to Rouble rents. Over the coming year we will start to align our foreign currency risk by introducing elements of Rouble debt into our secured facilities. Should the Central Bank of Russia continue with its reduction in the Central Bank rate then this exercise will be accelerated.

# RISK REPORT

## Risk Appetite

The Group continues to adapt its balance sheet to meet the risks of the market in which we operate. The key financial risks continue to be foreign exchange driven, our income model now predominantly Rouble based but our financing US Dollar and Sterling based. Our approach is threefold:

- In the short term we have reduced our amortising US Dollar debt facilities and extended the period of amortisation to build in sufficient covenant headroom to manage adverse foreign exchange movements;
- We have embarked on an acquisition strategy to build our Rouble income streams as our US Dollar pegged income continues to decline; and
- With Russian Central Bank rates reducing, we expect all new and maturing financing facilities to have an increasing proportion of Rouble denominated debt, reducing our exposure to US Dollar financing over the medium term.

With a certain stability returning to the Russian market in 2017, our risk appetite has increased as we seek income enhancing acquisition opportunities.

## Risk Management and Internal Controls

The Board is responsible for the management of risk and regularly carries out a robust assessment of the principal risks and uncertainties affecting the business, discusses how these 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 processes is given in the Audit Committee Report.

The business recruited additional senior managers in both our Cyprus and Moscow offices this year. Together with our acquisition and growth plans it became evident that the current operational review structure would become less effective with the increased senior team. Each department now holds its own weekly meeting to review risks and issues and reports to an operational oversight Group of eight members comprising two executive directors, two directors of the intermediate Cypriot holding board and four senior managers. This group also meets weekly. At least one of the oversight Group sits on each departmental committee. Departmental meetings cover the day to day operating issues and refer key issues to the oversight Group where appropriate. The oversight Group also discusses business wide issues and risks and reports into the Executive Board at the formal bi monthly Board meetings. With the addition of the Company Secretary, the oversight Board also acts as the Risk Committee, reporting to the Audit Committee.

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 Audit Committee has not identified any significant failings or weaknesses in the internal control and risk assessment procedures 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.



## Financial Risk

Risk	Impact	Mitigation	Change in 2017
<b>Oil price</b>  Oil price volatility returns in the medium term leading to a weakening Rouble.	This leads to further falls in US Dollar equivalent income and an increase in the credit risk of those tenants who remain in US Dollar pegged leases.  Reduced consumer demand has an impact on appetite for new lettings, the renewal of existing leases and restricts rental growth.	The percentage of US Dollar pegged leases continues to decline now the market is predominately Rouble based.  With little or no speculative development in the market, research continues to forecast a drop in vacancy level.	
<b>Interest rates</b>  Increases in US LIBOR.	Cost of debt increases and Group profitability and debt service cover reduce.	The majority of our variable cost of debt is hedged with the use of swaps and caps on US LIBOR or fixed rate facilities.  With Russian Central Bank Rates now falling we are also considering moving away from US Dollar debt in the medium term.	
<b>Foreign exchange</b>  The move to a Rouble denominated rental market increases foreign exchange risk as our debt and capital bases are US Dollar and Sterling denominated respectively.	A weakening of the Rouble against those currencies reduces our ability to service US Dollar debt, Sterling preference share coupon and Sterling distributions.	The high yield that we generate on assets has cushioned the impact of severe Rouble depreciation.  Our acquisition strategy is also allowing us to rebuild our profitability with Rouble denominated market rental income.  The intention is for all new and maturing bank facilities to have an increasing element of Rouble denominated funding to reduce our US Dollar exposure over the medium term.	
<b>Bank covenants</b>  The significant drop in US Dollar equivalent rents impacts on both loan to value ("LTV") and debt service cover ratio ("DSCR") covenants on US Dollar debt facilities.	The likelihood of debt facility covenant breaches increases.	We have completed a restructuring of debt facilities, extending amortisation periods and reducing the principal outstanding to create additional covenant headroom.  There is very little recourse to the holding company and other than the new office portfolio acquisition, no cross collateralisation between projects on events of default.	



## Property Investment

Risk	Impact	Mitigation	Change in 2017
<b>Acquisitions</b> <span>V</span> Our acquisition activity has increased significantly and 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 increased our senior management resource in the year with both international and Russian experience in real estate acquisitions.  External advisers undertake full detailed due diligence on any acquisition projects.	
<b>Sector focus</b> Investment is made in new real estate sectors (such as office and retail).	Lack of experience in the new sectors may increase acquisition risks and lead to higher transaction costs and use of excessive management resource.	We have recruited management resource with the appropriate expertise and are familiar with the external advisors specialising in those sectors.	
<b>Leases</b> <span>V</span> Market practice increasingly incorporates lease break requirements and landlord fit-out obligations.	This can lead to uncertainty of annualised income due to lease break clauses.  Additional landlord risk on delivery of tenant fit-out requirements.	Proactive property management and continued open dialogue with tenants.  Dedicated resources assigned to fit-out obligations under leases, project management and management oversight.	
<b>Joint ventures</b> Growth plans could include entering into joint venture arrangements in certain parts of the business.	This could lead to reliance on third parties to help deliver business outcomes.	Any joint venture will be governed by a joint venture agreement and each joint venture party will be required to sign up to Raven Russia's code of conduct. Senior management resource has been enhanced to ensure proper oversight and experience of any joint venture arrangements entered into.	<b>NEW</b>



## Russian Domestic Risk

Risk	Impact	Mitigation	Change in 2017
<b>Legal framework</b> The legal framework in Russia continues to develop with a number of new and proposed laws expected to come into force in the near future.	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.	
<b>Russian taxation</b> Russian tax code is changing in line with global taxation trends in areas such as transfer pricing and capital gains tax.	Tax treaties may be renegotiated and new legislation may increase the Group's tax expense.	The key tax treaty for the Group is between Russia and Cyprus and this was renegotiated during 2013 with no significant impact on the business;  Changes in capital gains tax rules have led to a change in our calculation of Adjusted Diluted NAV per share; and  Russia remains a relatively low tax jurisdiction with 20% Corporation tax.	

## Personnel Risks

Risk	Impact	Mitigation	Change in 2017
<b>Key personnel</b> Failing to retain key personnel.	Strategy becomes more difficult to flex or implement.	The Remuneration Committee and Executives review remuneration packages against comparable market information;  Employees have regular appraisals and documented development plans and targets; and  A new incentive scheme was approved at the last AGM.	

## Political and Economic Risk

Risk	Impact	Mitigation	Change in 2017
<b>Sanctions</b> 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. However, the risk of increased sanctions remains.	

### Change Key



Viability statement risk



Increased risk in the period



Stable risk in the period



Decreased risk in the period



# VIABILITY STATEMENT

In accordance with provision C.2.2 of the UK Corporate Governance Code (April 2016), the Directors have assessed the prospects of the Company and Group over a longer period than the twelve months prescribed for the “Going Concern” review in the financial statements.

The Board has reviewed the suitability of the three year viability period. The weighted average term of leases remains around three years including the remaining US Dollar pegged leases. Although 2017 has been a period of relative stability in the Russian market, the potential remains for macro economic and geo political shocks in the short term.

Key considerations for the Board have been cash flows and solvency, the effect of exchange rates on earnings and the sensitivity of covenants on US Dollar debt facilities as the majority of income streams transition to Roubles.

The full year effect of restructuring debt facilities and resulting reduction in amortisation costs together with the issue of additional convertible preference shares has given the Board greater comfort on cash flows and covenants. The forecast model assumes current market norms remain static but is then sensitised for those principal risks and uncertainties highlighted earlier in the “Risks and Uncertainties” section, the key sensitivities applied to the Group being:

- Increased vacancy assumptions on lease maturities or breaks and decreases in Estimated Rental Values;
- Depreciation in the average Rouble exchange rate against US Dollar, Sterling and Euro;
- Increases in LIBOR, US LIBOR and EURIBOR and the effect on bank facility interest cost over the forecast period;
- The impact of potential acquisition activity; and
- The combined impact of all sensitivities on cash balances and banking covenants.

Where bank facilities mature in the forecast period and term sheets have not yet been agreed it is assumed that the principal will be rolled over for a two year period with no further debt draws assumed.

In the case of the Company’s viability and solvency, the key mitigants are the Group’s special purpose vehicle structure and limited recourse to the holding company should one asset be subject to default and the control over ordinary share distributions.

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

11 March 2018



# DIRECTORS

## **Richard Jewson (aged 73)**

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 53)**

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 Chairman of Sabina Estates Limited.

He is a member of the Nominations Committee.

## **Glyn Hirsch (aged 56)**

Chief Executive Officer

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

## **Mark Sinclair (aged 52)**

Chief Financial Officer

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

## **Colin Smith (aged 48)**

Chief Operating Officer

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

## **Christopher Sherwell (aged 70)**

Senior Independent Non Executive Director

Christopher Sherwell is a Guernsey resident and a former Managing Director of Schroders in the Channel Islands. Before joining Schroders 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 Baker Steel Resources Trust Ltd and NB Distressed Debt Investment Fund Ltd.

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

## **Stephen Coe (aged 52)**

Non Executive Director

Stephen Coe BSc, FCA, a Guernsey resident, is self employed providing Executive and Non Executive services to public and private clients. His current public directorships include TOC Property Backed Lending Trust PLC where he acts as Chairman and Weiss Korea Opportunity Fund Limited, Leaf Clean Energy Company and Trinity Capital Ltd where he acts as a Non Executive Director and Chairman of the Audit Committees. Private clients include investment funds and a captive insurer. From 2003 to 2006, he was Managing Director of Investec Trust (Guernsey) Ltd and Investec Administration Services Ltd, responsible for private client and institutional structures. Between 1997 and 2003 he was a Director of Bachmann Trust Company Ltd and previously he worked with Price Waterhouse specialising in financial services.

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

## **David Moore (aged 57)**

Non Executive Director

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

He is a member of the Audit and Remuneration Committees.

# CORPORATE GOVERNANCE

## Chairman's introduction

I am pleased to present our corporate governance report for this year end. As a Board we are collectively responsible for ensuring that the Group adopts appropriate corporate governance arrangements. This is relevant in all facets of the Group's operations and not restricted solely to the activities of the Board itself. This can only be achieved through the culture of the Group, set by the Board and consistently applied and delivered throughout the Group by the executive and management team. This culture promotes good governance and forms an essential platform to deliver our strategic objectives.

This section of the report sets out how we have adopted and applied the principles of the UK Corporate Governance Code (the "Code"), how we operate as a Board, and along with the strategic report, our journey through the past financial year. In the opinion of the Board, we are fully compliant with the principles of the Code save for B.1.1 which consider the non-executive directors' independence. As explained previously, as a Board we do not consider that tenure should, in itself, be a criterion by which independence is judged. Our reasons are explained in more detail below.

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

**Richard Jewson**

11 March 2018

## 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 provisions of the Code, save for B.1.1 which sets out the requirements for Non-Executive Directors to be considered independent from the Company. Our non-executive team have all served on the Board as Non-Executive Directors for more than nine years, in the case of Stephen Coe and David Moore their term began at the Company's establishment in 2005, with Christopher Sherwell joining shortly after in 2008. The Board and the nominations committee have specifically considered their independence as in past years. The Board is still of the opinion that length of service is not necessarily a complete or accurate measure of a Director's independence, a view the Board feels is shared by our shareholders. In the Board's opinion, Stephen, David and Christopher continue to fulfil the requirements acting as independent directors and form an 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.

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

## Leadership

The Board is charged and responsible for achieving the Group's strategic objectives, creating value for shareholders through sustainable and continued performance. The Board has six 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 2017, there were 16 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 and meet local management.

Matters reserved specifically for the Board's consideration form the basis of the scheduled meetings agenda. 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 2017

Q1	Q2	Q3	Q4
<ul style="list-style-type: none"> <li>• Review of investment portfolio performance</li> <li>• Review of medium term forecasts and strategy</li> <li>• Approval of 2016 annual report</li> <li>• Approval of distribution to shareholders</li> <li>• Approval of principal risks and risk appetite</li> </ul>	<ul style="list-style-type: none"> <li>• Review of investment portfolio performance</li> <li>• Review of Q1 2017 reforecast</li> <li>• Review of investor feedback from investor/broker meetings following results</li> <li>• Review and consideration of strategy</li> <li>• Approval of notice of meeting for 2017's AGM</li> </ul>	<ul style="list-style-type: none"> <li>• Review of investment portfolio performance</li> <li>• Review of medium terms forecasts and strategy</li> <li>• Approval of 2017 interim results</li> <li>• Approval of distribution to shareholders</li> <li>• Approval of principal risks</li> <li>• Review of Q2 2017 reforecast</li> <li>• Review of corporate and regulatory changes and reporting requirements</li> </ul>	<ul style="list-style-type: none"> <li>• Review of investment portfolio performance</li> <li>• Review of Q3 2017 reforecast</li> <li>• Approval of 2018 Budget</li> <li>• Review of medium to longer term forecasts</li> <li>• Consideration of Board constitution, balance of skills and experience</li> <li>• Board evaluation</li> <li>• Review of internal controls and risk environment</li> <li>• Review of investor feedback from investor/broker meetings following results</li> <li>• Review and consideration of strategy</li> </ul>

### Activities specific for the year

<ul style="list-style-type: none"> <li>• Approval of fund raising</li> <li>• Consideration of acquisition program</li> </ul>	<ul style="list-style-type: none"> <li>• Consideration of acquisition program</li> <li>• Consideration of Cyber security measures</li> </ul>
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The Chairman runs the board and is responsible for ensuring appropriate discussion, challenge and robust practices are integral in the Board's deliberations and activities. The Chief Executive runs the day to day operations of the Group and is responsible for delivery of the Board's agreed strategy. This clear division of duties and responsibilities are set out in writing and reviewed as necessary. The Chief Executive, together with the executive and management team, delivers the strategic goals of the Group which are set by the Board as a whole. The non-executive directors with their detailed knowledge and history of the Group and its operations 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 of the Company remains the same as previous years. Our Chairman, Richard Jewson, who was considered independent on appointment, four Executive Directors; Glyn Hirsch, Chief Executive, Anton Bilton, Executive Deputy Chairman, Mark Sinclair, Chief Financial Officer and Colin Smith, Chief Operating Officer, and our three Non Executive Directors, Christopher Sherwell, Senior independent Director, Stephen Coe and David Moore. 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.ravenrussia.com](http://www.ravenrussia.com)). Together, the Committees and the schedule of reserved matters assist the Board in discharging its duties effectively. The Board and its Committees have regular scheduled meetings. An overview of the activities of the Board and its Committees is contained within this report and that of the Audit and Remuneration Committees.

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. 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.

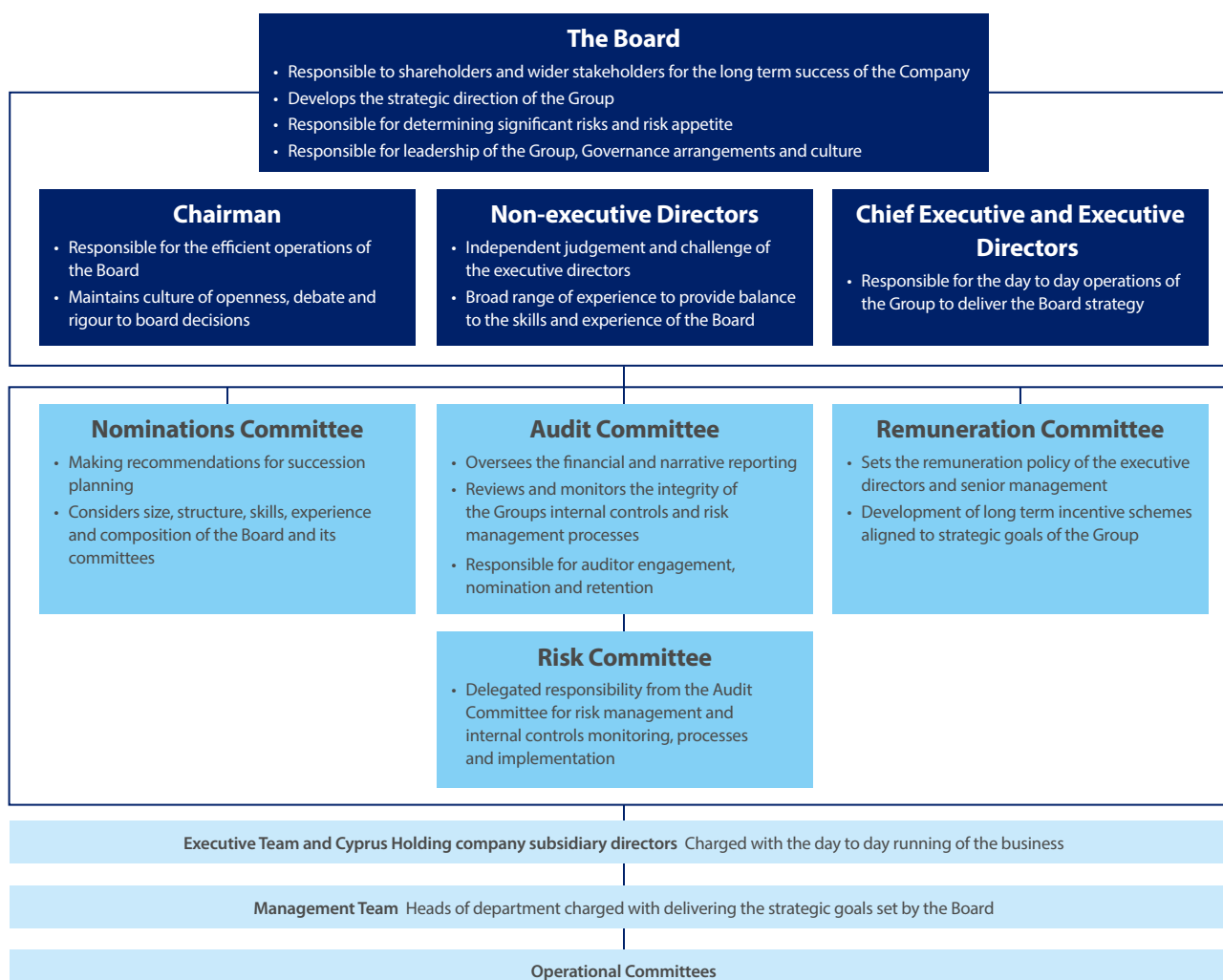
### Attendance at Board or Committee meetings during the year to 31 December 2017

	Board	Audit Committee	Nominations Committee	Remuneration Committee
R Jewson	6	N/A	1	2
A Bilton	6	N/A	1	N/A
G Hirsch	6	N/A	N/A	N/A
M Sinclair	6	N/A	N/A	N/A
C Smith	6	N/A	N/A	N/A
S Coe	5	3	N/A	2
C Sherwell	6	3	1	2
D Moore	5	2	N/A	1
<b>No. of meetings during the year</b>	<b>6</b>	<b>3</b>	<b>1</b>	<b>2</b>

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

To facilitate the continued growth of the Group in terms of assets and people, the executive team have introduced new reporting lines and a number of new internal operating committees which have refocused the allocation of management time. These changes have allowed senior management more time to dedicate to their operational areas, whilst still enabling executive and senior management oversight in all areas of the Group's operations. Each of the new internal operating committees has at least two senior managers or an executive director amongst its membership. The senior management team have formal meetings each week to discuss the Group's activities and reports from the operating committees. The chart below shows the relationships between operating committees and the Board.

The Cypriot operations were also consolidated into an intermediate holding company, Raven Russia Holdings Company Limited ("RRHCL") in 2016. Whilst there was always a significant presence in Cyprus, this restructuring formalised the operations and the role of the intermediary Board and management team.





## Effectiveness

### Board performance evaluation

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

The performance evaluations for the year ended 2017 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 Nominations 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 annual general meeting. Having considered the balance of skills, expertise and performance of the Board, its committees and individual Directors, the Board recommends each Director for re-appointment at the annual general meeting.

The Nominations 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 Boards and its committee structure in light of the requirements of the Group, code and regulations.

As explained in the introduction on compliance with the Code, given the tenure of the Non Executive Directors, a detailed review and discussion was undertaken during the year to consider the succession of the Non Executive team on the Board. The Committee, having considered the current composition of the Board and its Committees, was of the opinion that the Non Executives had served independently and continue to act so.

The Board's overriding aim is that the composition of the Board and its Committees are fit for purpose, with the correct constituents, balance of skills, knowledge, experience and diversity, not limited to gender. The Committee is charged with ensuring this requirement is observed with and where necessary will recommend changes. The Board recognises the importance of diversity, not only at Board level, but throughout the Group. Diversity is not a focus of one factor of differentiation, but many factors. Genuine diversity will only occur when no predetermined guidelines, rules or prejudices are imposed, giving a free reign to appointments solely on the merits of one individual over another for a particular role or situation.

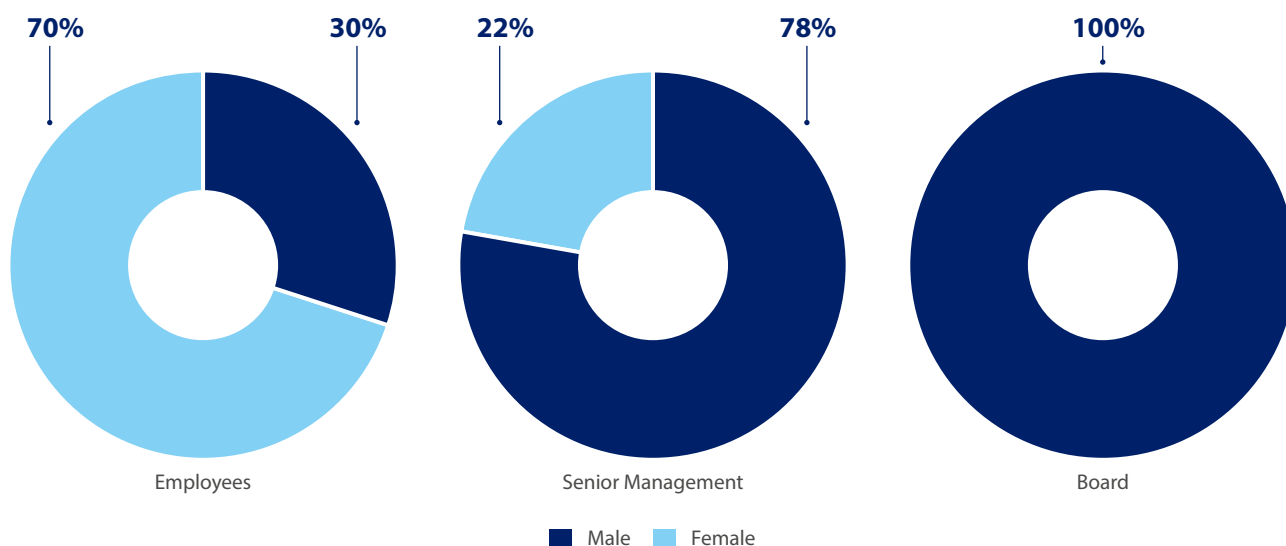
On appointment, a Director receives advice from the Company's financial and other professional advisers as to the affairs of the Company and their responsibilities, an estimation of time commitments necessary to undertake the role and a provide a commitment to receive other such training and induction as may be appropriate.



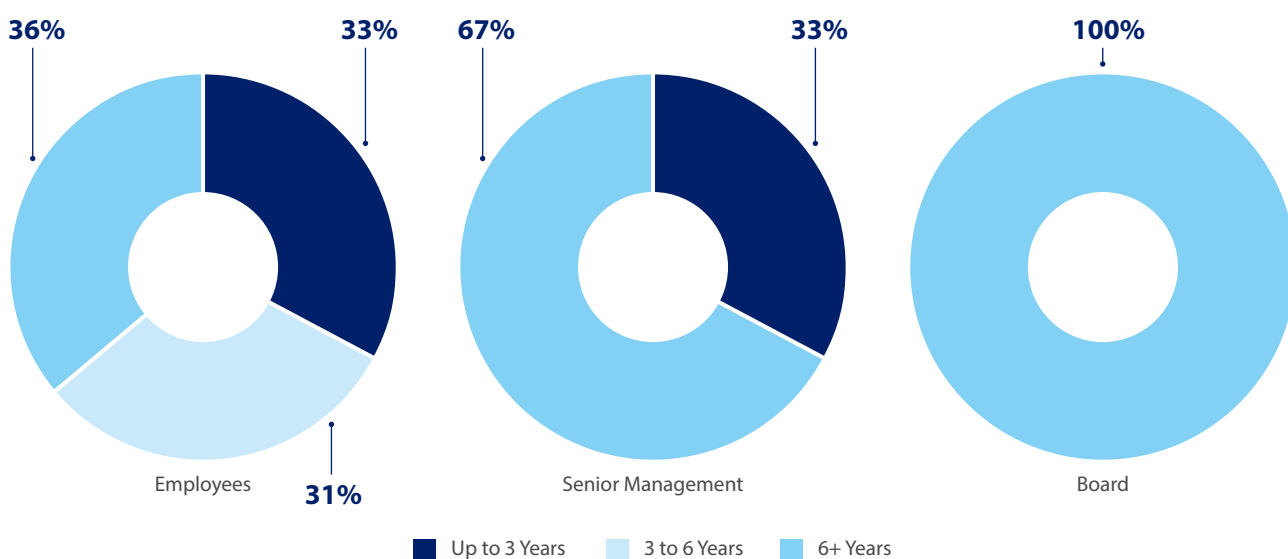
### Diversity

The Nomination Committee consider the experience, background, age and tenure of each individual to contribute to the diversity of the Board, its Committees and the wider Group. Information about the diversity of the Group's workforce at 31 December 2017 is set out below.

#### Gender



#### Tenure



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

### Engagement with Shareholders

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 Board considers the relationship and support of our institutional shareholders of paramount importance in the delivery of the Group's strategic goals. Reports on the Group's shareholder engagement activities are made to the Board as required.

The Group's primary method of communication with our investors and wider stakeholders is through the website which was redesigned recently to provide easier access to relevant information. Results presentations, report and accounts, shareholder circulars as well as the Group's governance material is all published on the site. The annual general meeting of the Company provides shareholders with the opportunity to meet the Board and discuss any matters of interest or concern. The notice of the Company's annual general meeting is included separately along with a form of proxy to lodge your votes.



# CORPORATE RESPONSIBILITY

## Corporate responsibility

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

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

The Board also recognises the social impact of its operations in each of its key jurisdictions, Russia, Guernsey and Cyprus. In Russia, this is particularly evident in the employment opportunities that are created in the communities where the Group's properties are located. Staff are encouraged to participate in community and charitable activities and the Board has established a fund to support local causes or charities, which meet the corporate values of the Group. During 2017 the Group invested \$33,500 in supporting various causes including national and local charities and local community sports groups. No political donations were made during the year.

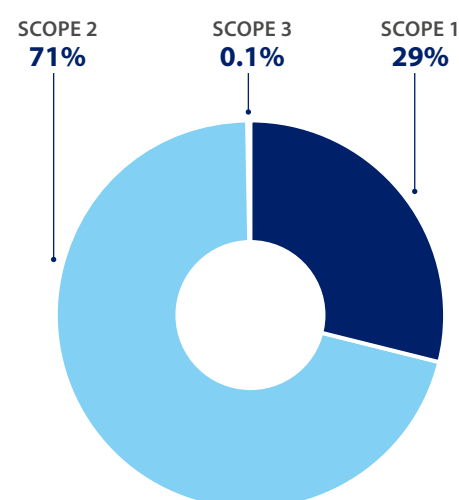
## Greenhouse Gases

We commissioned Trucost to assist in compiling our report to comply with the Mandatory Greenhouse Gases Reporting Regulations (GHG). Energy consumption information was collated from all fifteen warehouses and three offices in the portfolio and our four offices in Moscow, Cyprus and Guernsey. We also collected office car mileage and business travel of the Group's employees to report on Scope 1, Scope 2 and Scope 3 emissions. The report covers 100% by warehouse floor area. 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 four years.

Data Point	Units	Quantity 2017	Quantity 2016**	Quantity 2015	Quantity 2014*	Quantity 2013
Scope 1	tonnes CO <sub>2</sub> e	22,569	19,948	19,289	20,778	18,138
Scope 2 (location-based)	tonnes CO <sub>2</sub> e	56,420	54,008	56,914	53,664	44,589
Scope 2 (market-based)	tonnes CO <sub>2</sub> e	56,423	54,347	56,919	53,666	n/a
Scope 1 + 2 Intensity (location based)	tonnes CO <sub>2</sub> e / floor space (sqm)	0.05	0.05	0.05	0.05	0.05
Scope 3	tonnes CO <sub>2</sub> e	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<sub>2</sub>, N<sub>2</sub>O and CH<sub>4</sub>. The Group used the following emission conversion factor sources:

- Direct energy: IPCC 2006 Guidelines for National Greenhouse Gas Inventories
- Natural gas: DEFRA 2017 conversion factor for cubic meters natural gas
- Diesel: DEFRA 2017 conversion factor for litres diesel
- LPG: DEFRA 2017 conversion factor for litres LPG
- Purchased electricity: UK Defra 2017, Russia and Cyprus, IEA Fuel Combustion 2017 and Foreign Electricity Emission Factors
- European market emission factors for electricity: AIB, European Residuals Mixes for 2016
- Office car: DEFRA 2017 conversion factor for kilometres of unknown fuel (average car)
- District heating: electricity factors were adjusted using same ratio as between UK electricity and district heating (from DEFRA 2017 conversion factors for UK electricity, and district heat and steam)
- Business travel:
  - DEFRA 2017 GHG Conversion Factors for flights and rail travel
  - For Eurostar journeys specifically (between London St Pancras and Paris) Eurostar specific emission factors are used as released by Eurostar (2017)
- Sawdust emissions calculated by Trucost using FAO and IPCC

Scope 1 emissions increased by 13%, 17%, 9% and 24% compared to 2016, 2015, 2014 and 2013, respectively. Scope 2 emissions (location-based) are 4%, 5% and 27% higher than in 2016, 2014 and 2013, respectively, and showed 1% decline in comparison to 2015. Overall GHG emissions in 2017 were 7% higher than in 2016 but alongside a 22% increase in floor space due to several property acquisitions in 2017 and accounting for Konstanta office which was not previously included in the reporting. A direct like-for-like comparison shows an overall decrease in GHG emissions of 6%.

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

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

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





# LETTER FROM THE REMUNERATION COMMITTEE

Dear Shareholders,

On behalf of the Board, I present our report on Directors' remuneration for the year ended 31 December 2017.

## Overview

On 12 July 2017 the Company's shareholders approved a new Directors' Remuneration Policy. Of votes cast, over 80% of shareholders voted in favour of the new policy. The policy comprises an Annual Performance Incentive structure for the years 2018 to 2020 and a Five Year Performance Plan for the period to 31 March 2023.

The Annual Performance Incentive 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 of 175% of salary if the award is taken in any of the Company's listed securities. If securities are taken these must be held for three years. The new policy partly overlaps with the existing Retention Scheme and it has been agreed that no Annual Performance Incentive will be available to the Executive Directors in 2018.

The Five Year Performance Plan allows executives to place part of their existing holdings of the Company's securities into the Plan, extending the holding period on those holdings to five years. The Company agrees to match those holdings up to a maximum of three times the value of shares held, 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.

This plan, as in the past, was discussed with our largest shareholders to ensure that they agreed with our proposals prior to the AGM.

Certain of the Company's senior employees are also included in this scheme. It is also intended to implement a three year plan for the remainder of the management team, incorporating 23 employees in total.

As the only listed company focused solely on the logistics market in Russia we have no listed peers or indices that allow relevant comparative measurement of business outcomes. This has been confirmed by external consultants in two separate reviews we have undertaken in recent years. We believe that this led to votes against our remuneration report last year when we are attempting to incorporate the effect of Russian specific issues into our remuneration schemes. With over 80% of voting shareholders in favour of our new remuneration policy and five year plan, we are confident that this returns the Company to a focus on long term share ownership for its executives and senior management.

All of our Executive and Senior management team have maintained shareholdings with current values a multiple of annual salary for many years and the new Five Year Performance Plan will lock in a significant proportion of these holdings for another five years.

## Performance Outcomes

The existing Annual Performance Incentive and Retention Scheme continued in 2017. The final Annual Performance Incentive is payable on the issue of this Annual Report and the performance outcomes are described below. The second award of the Retention Scheme vested on 31 December 2017 and the final award will vest on 31 March 2019 with all participants receiving payment in the Company's listed securities if conditions are met at that time. No further cash rewards will be paid under the Retention Scheme.

At the beginning of the year, the Committee agreed targets for the Annual Performance Incentive. The targets were grouped into three areas, with a weighting applied to each:

Financial targets	40% weighting
Operational targets	15% weighting
Stretch targets	45% weighting

Details of the outcomes are shown below:

### Financial

Financial targets focussed on headline net operating income, net letting results and cash cover for distributions.

Net operating results for the year have exceeded expectation as have the cash cover and earnings per share expectations. These have translated into an improved, proposed final distribution of 3p.

Net letting results of a 7,000sqm increase in the portfolio were at the lower end of our targets due mainly to three large tenant maturities at the beginning of the year where the tenants decided to vacate. The letting team performed well, with new lets of 187,100sqm offsetting the 180,000sqm of additional vacancies in the year.

The combination of these results gave a 29% weighting for financial targets.

### Operational

Operational measures considered included:

- Maintaining the integrity of existing currency leases;
- Management of effective tax rates;
- The integration of acquisitions;
- The refinancing of acquisitions; and
- Maintaining our cost of debt below 8%.

In the majority of instances, our operational targets were met and a weighting of 14% has been achieved.

#### **‘Stretch’**

Stretch targets involve discretion from the Committee. We appraise those achievements that were not foreseen at the time other targets were set. The Executive team has worked hard throughout the period in a challenging environment to push the business on and counteract the impact of macro economic events on the Company. The Committee has taken into account in particular the following:

- An income accretive acquisition strategy was devised, implemented and is being successfully executed, supported by a successful fundraising of £102 million by way of a further issue of convertible preference shares. Two successful acquisition projects of \$209 million were completed in the year, underpinning the Net Operating results;
- The sale of a large part of our UK strategic land bank generating over \$20 million of profits; and
- A large scale restructuring of the Group has taken place to mitigate increased tax risks following the introduction and clarification of tax legislation in Russia. No significant issues arose on tax reviews undertaken on four of the Group’s Russian subsidiaries by the relevant authorities during the year.

#### **Remuneration Decisions**

Given the scale of these achievements the Committee has awarded the full weighting for the “stretch” targets, giving a total award of 88% of the Annual Incentive Plan for 2017. The maximum that can be awarded under the Plan is the equivalent of 75% of annual salary. The award translates to 66% of 2017 annual salaries as follows:

Anton Bilton	£374,880
Glyn Hirsch	£374,880
Mark Sinclair	£233,640
Colin Smith	£207,240

Anton Bilton and Glyn Hirsch have indicated they would be prepared to accept their award in the Company’s securities. Awards for Mark Sinclair and Colin Smith will be made in cash. Awards vest on the issue of this Annual Report.

#### **Christopher Sherwell**

Chairman

Remuneration Committee

11 March 2018





# DIRECTORS' REMUNERATION REPORT

## (UNAUDITED)

### Introduction

#### Composition

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

#### Policy

The Committee engaged Aon Hewitt, independent remuneration consultants, to review the Company's remuneration policies in 2017. The conclusion of the exercise was that the Company required a policy which allows flexibility in the short term to react to the impact of any extraneous events, together with a long term incentive which is mindful of shareholder returns over an extended period. We also consulted directly with our largest shareholders on the proposed policy prior to presenting the final policy at the 2017 AGM.

On 12 July 2017 shareholders approved the new Remuneration Policy for the period from 1 January 2018 to 31 December 2020. This includes: Basic Salary, Benefits and Pension Contribution all of which show no change in comparison with the previous policy; an Annual Performance Incentive which will not be available for calendar year 2018 but will be for the calendar years 2019 and 2020; and a Five Year Performance Plan which is linked to Total Shareholder Return.

The table below sets out details of the approved policy:

	Purpose and link to strategy	Operation	Opportunity	Performance Metrics	Discretion applied
Basic Salary	To retain, attract and motivate the right people for our business.	Salaries are reviewed annually and fixed for the calendar year reflecting: <ul style="list-style-type: none"> <li>the experience and responsibilities of each individual;</li> <li>market comparators for listed companies; and</li> <li>percentage increases in base salary for the Group as a whole.</li> </ul>	Executive Directors' basic salary increases have been held to a maximum of UK RPI since 2012.	None	None
Benefits	To promote the well-being of Executives.	Benefits are limited to life insurance, health insurance, private healthcare and reimbursement of all professional and business subscriptions and membership fees including gym membership fees.	None	None	None
Pension	To reward continuing service.	A contribution is made to personal pension arrangements or direct to personal pension plans. Benefits and pension contributions are held at the lower end of listed company comparators.	Contributions of 10% of basic salary are made each year.	None	None



## DIRECTORS' REMUNERATION REPORT

	Purpose and link to strategy	Operation	Opportunity	Performance Metrics	Discretion applied
<b>Annual performance incentive</b>	A simple method to allow the Remuneration Committee to reward managements' performance in the year which encourages share ownership and reduces the cash burden to the Group.	<p>An annual bonus payable in cash or listed securities of the Company.</p> <p>Other than disposals made to satisfy tax liabilities arising on the bonus, listed securities must be held for at least three years from the date of receipt.</p> <p>Alternatively the award can be settled in cash subject to the lower maximum award described under "opportunity".</p>	<p>None for calendar year 2018.</p> <p>For calendar years 2019 and 2020, a maximum of 175% of basic salary, if paid in the Company's listed securities.</p> <p>Reducing to a maximum of 50% of basic salary if the Executive elects to receive the award in cash.</p>	At the discretion of the Remuneration Committee based on a framework of performance criteria agreed at the beginning of each financial year.	At the discretion of the Remuneration Committee based on a framework of performance criteria agreed at the beginning of each financial year.
<b>Five Year Performance Plan</b>	A long term incentive scheme designed to encourage share ownership and to directly align participants' interests with ordinary shareholders.	<p>The Plan allows each Executive Director to invest into the Plan a number of listed securities in the Company that they held as at 31 December 2017 (or which they are or may become entitled to receive on 31 March 2019 under the Retention Scheme).</p> <p>Each participant is allowed to invest into the Plan listed securities up to a value of £2 million. To the extent that any of the prospective participants does not invest the maximum number of listed securities permitted, the other participants will be allowed to increase the size of their investment provided that the aggregate value of listed securities invested in the Plan by all the participants does not exceed £12 million.</p> <p>Any securities so invested must continue to be retained by the relevant participant until 31 March 2023.</p> <p>On 31 March 2023, based on annual compound TSR calculations, the participants will be entitled to up to three times the value of the securities invested in the Plan.</p> <p>Vested entitlements would be settled in the Company's ordinary shares with a value based on the calendar month average ordinary share price for March 2023.</p> <p>In order to participate in the Plan, the participants are required to invest all of the listed securities received under the Retention Scheme on 31 December 2017 and 31 March 2019 (other than disposals to meet tax liabilities arising). In addition the participants are required to elect to take the entire amount of the 31 March 2019 payment in listed securities.</p>	Up to three times the value of listed securities invested.	<p>TSR calculations will be based on the comparison of the average ordinary share price for the period from 12 July 2017 (the date of the Company's 2017 AGM) and 31 March 2018 to the highest 30 dealing day average ordinary share price achieved in the period from 1 April 2018 to 31 March 2023.</p> <p>Below an annual compound equivalent TSR of 4% the Plan would lapse;</p> <p>At an annual compound TSR of 12% and above the Plan would vest at the maximum value; and</p> <p>A sliding scale would operate for an annual compound TSR of between 4% and 12%.</p>	None



	Purpose and link to strategy	Operation	Opportunity	Performance Metrics	Discretion applied
Retention Scheme	To retain key management during the period of market turbulence.	<p>An award granted that vests in three equal instalments; upon approval of the revised Directors' remuneration policy at the Company's 2016 AGM, on 31 December 2017 and on 31 March 2019.</p> <p>The participants will receive the payment of each instalment in a combination of listed securities of the Company and cash. The directors of the Company receive their payments on the following basis:</p> <p>A Bilton Entirely in listed securities of the Company;</p> <p>G Hirsch Entirely in listed securities of the Company;</p> <p>M Sinclair Half in cash and the remainder in listed securities of the Company;</p> <p>C Smith Half in cash and the remainder in listed securities of the Company;</p> <p>However as detailed above, participants are required to elect to receive the entire amount of the 31 March 2019 payment in listed securities in order to be eligible for the Five Year Performance Plan.</p> <p>The number of listed securities of the Company is calculated with reference to the average closing mid-market share price of the relevant listed securities of the Company in the 30 trading days up to and including the trading day immediately prior to the scheduled payment date of that instalment.</p> <p>Listed securities of the Company that vest are freely transferable and have no restriction on sale.</p>	150% of basic salary in respect of each of the three scheduled payments.	As the purpose is retention the sole condition for vesting is employment on the day of vesting.	None

#### Clawback

Financial misstatement which resulted in overstatement of vesting of the Five Year Performance Plan would result in clawback.

#### Recruitment and Exit Policies

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





## DIRECTORS' REMUNERATION REPORT

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

Component	Good Leaver*	Bad Leaver*	Change of Control
Basic Salary and Benefits	12 months notice period	No notice period or payment in lieu of notice	150% of the normal notice provisions for basic salary
Annual performance incentive	Pro rata payment based on the performance in the year in question at the discretion of the Remuneration Committee	No award	Pro rata payment based on the previous year's award
Retention scheme	Awards not vested forfeited except in certain circumstances**	Awards not vested forfeited	All subsisting awards vest
Five Year Performance Plan	Will receive the return of their invested securities together with a scaled back return, the amount of which will be at the discretion of the Remuneration Committee	Will receive the return of their invested securities only	The annual compound TSR will be calculated and measured between 31 March 2018 and the date of the change of control takes effect (rather than the highest 30 dealing day average ordinary share price achieved in the 5 year period of the plan) with entitlements vesting to the extent that such annual compound TSR is between 4 and 12%

\*Bad leaver provisions relate to termination of employment for the reason of gross misconduct including breach of obligation, bankruptcy and disqualification as a director. A good leaver covers all other circumstances.

\*\*If a scheme participant ceases employment due to ill health or disability, redundancy as determined by the Committee or retirement, awards not vested shall vest in full on such date as if the remaining scheduled payment dates occurred at such time.

### Shareholder Views

The view of shareholders is sought prior to any significant change to the Remuneration Policy. The views of shareholders holding 63.47% of ordinary shares were taken into account prior to presenting the terms of this Remuneration Policy at the 2017 AGM.

### Summary of Remuneration for the Financial Year Ended 31 December 2017

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

Year ended 31 December 2017	Salary and fees £'000	Benefits <sup>(1)</sup> £'000	Pension <sup>(2)</sup> £'000	Retention scheme – cash £'000	Annual performance incentive – cash £'000	Total cash remuneration £'000	Retention Scheme – shares No of preference shares	Retention scheme – shares No of convertible preference shares	Annual performance incentive – shares No of convertible preference shares
G Hirsch	568	36	57	–	–	661	133,236	534,749	–
A Bilton	568	40	57	–	–	665	133,236	534,749	–
M Sinclair	354	20	35	266	–	675	41,519	166,638	–
C Smith	314	20	31	236	–	601	36,828	147,809	–

Year ended 31 December 2016	Salary and fees £'000	Benefits <sup>(1)</sup> £'000	Pension <sup>(2)</sup> £'000	Retention scheme – cash £'000	Annual performance incentive – cash £'000	Total cash remuneration £'000	Retention Scheme – shares No of preference shares	Retention scheme – shares No of convertible preference shares	Annual performance incentive – shares No of convertible preference shares <sup>(3)</sup>
G Hirsch	554	27	55	–	–	636	–	830,250	364,145
A Bilton	554	41	55	–	–	650	–	830,250	364,145
M Sinclair	345	17	34	258	258	912	–	258,375	–
C Smith	306	17	31	229	229	812	–	229,500	–

1. Benefits include health cover and insurance, subscriptions and sports memberships. These are not performance related. They have been calculated based on premiums and subscriptions payable.

2. Pensions are cash payments made to executive directors, either directly or to their pension scheme.

3. The amounts shown for year ended 31 December 2016 have been restated from the estimate reported in the 2016 Remuneration Report to the actual number of shares transferred.



### 2009 Long Term Incentive Plan ("LTIP")

This scheme is closed to new participants and no further awards can be made.

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

LTIP	Available to exercise at 1/1/17	Vested in year	Exercised in year	Available to exercise at 31/12/17
G Hirsch	1,000,000	–	(1,000,000)	–
A Bilton	–	–	–	–
M Sinclair	–	–	–	–
C Smith	–	–	–	–

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

The beneficial interests of the Directors in office at 31 December 2017 in the Ordinary Shares, Preference Shares, Convertible Preference Shares and Warrants of the Company, both at the beginning and the end of the year, are set out below. There have been no changes to the figures below since 31 December 2017.

Director	Number of Ordinary Shares 31/12/17	Number of Preference Shares 31/12/17	Number of Convertible Preference Shares 31/12/17	Number of Warrants 31/12/17
R Jewson	252,909	75,460	–	–
G Hirsch <sup>(1)</sup>	7,505,640	2,219,595	1,729,144	–
A Bilton <sup>(1)</sup>	41,367,676	5,953,355	1,729,144	–
M Sinclair <sup>(1)</sup>	3,193,719	762,351	425,013	–
C Smith <sup>(1)</sup>	978,031	503,719	293,875	–
C Sherwell	242,755	79,728	–	–
S Coe	105,589	73,412	8,771	–
D Moore	222,501	14,172	–	–
	<b>53,868,820</b>	<b>9,681,792</b>	<b>4,185,947</b>	<b>–</b>

Director	Number of Ordinary Shares 31/12/16	Number of Preference Shares 31/12/16	Number of Convertible Preference Shares 31/12/16	Number of Warrants 31/12/16
R Jewson	252,909	75,460	–	–
G Hirsch <sup>(1)</sup>	7,321,176	2,143,225	830,250	2,292,817
A Bilton <sup>(1)</sup>	43,864,758	5,820,119	830,250	11,151,075
M Sinclair <sup>(1)</sup>	3,384,921	720,832	258,375	–
C Smith <sup>(1)</sup>	1,383,997	466,891	186,500	7,385
C Sherwell	242,755	79,728	–	–
S Coe	111,965	63,004	–	–
D Moore	222,501	14,172	–	–
	<b>56,784,982</b>	<b>9,383,431</b>	<b>2,105,375</b>	<b>13,451,277</b>

(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.



## DIRECTORS' REMUNERATION REPORT

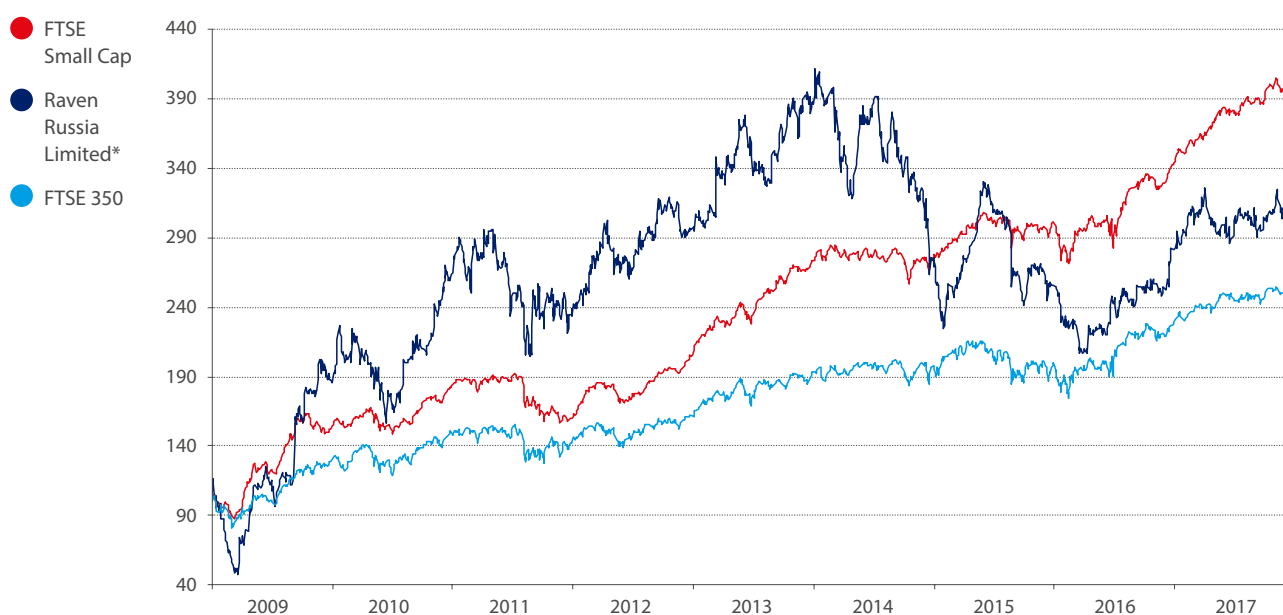
### Non-Executive Directors

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

	2017 £'000	2016 £'000
R Jewson	110	110
C Sherwell	48	48
S Coe	48	48
D Moore	46	46
	<b>252</b>	<b>252</b>

The contractual arrangements of the Non-Executive Directors for 2018, following an inflationary increase in fees are:

Non-Executive Director	Fees £'000	Appointment date	Unexpired term	Notice period	Contractual termination payment
R Jewson	113	29.06.07	Rolling contract	3 months	No provision for payment on termination
S Coe	50	04.07.05	Rolling contract	3 months	
D Moore	48	04.07.05	Rolling contract	3 months	
C Sherwell	50	01.04.08	Rolling contract	3 months	



\*Assuming participation in the tender offer

The graph above shows the performance of the Group's ordinary shares over the last eight years versus FTSE Small Cap and FTSE 350 indices (rebased 2009 = 100).





The contractual arrangements of the Executive Directors for 2018 are:

Director	Salary £'000	Appointment date	Unexpired term	Notice period	Contractual termination payment
G Hirsch	584	27.11.08	Rolling contract	12 months	Payment of 12 months salary and benefits on termination
A Bilton	584	27.11.08	Rolling contract	12 months	
M Sinclair	364	23.03.09	Rolling contract	12 months	
C Smith	323	14.11.08	Rolling contract	12 months	

At the 2017 Annual General Meeting the Remuneration Report, changes to the Directors' Remuneration Policy and new five year plan for the period 31 March 2018 to 31 March 2023 were subject to an advisory vote. The table below sets out the results for these particular resolutions.

Resolution	For		Against		Number of votes withheld	Total votes cast
	Number of votes	%	Number of votes	%		
To approve the Remuneration Report	405,288,055	77.18	119,800,868	22.82	3,135	525,088,923
To approve the changes to the Directors' remuneration policy	427,791,728	81.47	97,297,195	18.53	3,135	525,088,923
To approve the new five year plan for the period 31 March 2018 to 31 March 2023	430,701,304	82.02	94,389,209	17.98	1,545	525,090,513

## Christopher Sherwell

Chairman of the Remuneration Committee

11 March 2018



# AUDIT COMMITTEE REPORT

## **Audit Committee Chairman's Introduction**

Dear Shareholders,

I am pleased to present our Audit Committee report for the year ended 31 December 2017. This report sets out the work of the Committee throughout the year.

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

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

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

During the year the Committee met with the external auditors, with and without management present, to assess the audit approach, audit independence and the working relationship between the Group auditor and management. We also discussed the role and performance of the Group's appointed independent valuers with management during the year.

In both cases, we believe that the working relationship is good and that the management approach and estimates are and will continue to be appropriately challenged. We did think it important, however, given the increase in transaction activity within the Group that the management team continued to expand their relationships in the advisory sector outwith EY and JLL. We are pleased to see that the team have been doing this over the past 12 months.

We also discussed the Group's key IT controls and approach to cyber security during the year and were satisfied with the current approach adopted by the Group.

As the Group continues to grow we have tasked the Executive team with revisiting and considering whether there is need for a formal internal audit function and will review their conclusions later in the year.

**Steve Coe**

Chairman

Audit Committee

11 March 2018



### 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 Stephen Coe (Chairman). 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 2017 and addressed:

- The recommendation to the Board to approve the 2016 annual and 2017 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 Group structure and particularly the role of the Board of the Group's Cypriot operations; and
- The monitoring of the Group's internal control procedures and risk management and specifically, a review of the Group's IT and cyber security policies.

The action taken on these areas is expanded on below.

### External Audit and Valuations

#### External Audit

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

EY was appointed in 2008 following a tender process and this is their tenth 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 meets with the lead audit partner outside of the formal meetings to discuss any issues arising in the course of the audit and to confirm no restrictions on scope are placed on them by management. The Chairman also has regular meetings with the CFO and COO to discuss the audit approach, relationship with auditors and fee structure.

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

Given the length of tenure, the Committee did discuss the possibility of putting the audit out to tender as required by the EU Audit Directive, even though, as a Guernsey registered Company, this is not a requirement. 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.

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 Clark Whitehill 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 a review of the interim financial statements, tax advisory, or transaction advisory services. As shown in note 6(b) to the financial statements, total fees payable to EY in the year to 31 December 2017 amounted to \$1.4 million, of which \$0.5 million was for non-audit services. However, as the Group has increased its transaction activity it is progressively using other advisory firms to manage EY's level of non-audit service involvement. During the year both KPMG and PWC have been engaged on advisory projects.



### 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.

### Significant Issues Considered by the Audit Committee

In recommending the approval of the 2017 financial statements, the Committee considered the following:

#### Matter Arising

#### Action

#### Property Valuations

Valuations for investment property and investment property under construction are conducted by external valuers. The land bank is carried at Directors' valuation.

Valuation movements can have a significant impact on the Group's net asset value.

The Committee discussed the valuation approach with management, and the external auditors.

The Committee also assesses the continuing independence and objectivity of the valuers. The external auditors have direct access to the external valuer and comment on the key assumptions and movements on property valuations. The Committee considered and compared the views of all of the above together with independent market information available and was satisfied that the judgement used was appropriate. Given the relative stability in the economic situation in Russia during the year, JLL have now removed their uncertainty paragraph in their valuation report.

#### Exchange Rate Risk

The Group's exchange rate risk has increased as income streams become Rouble denominated and secured debt remains US Dollar denominated.

The Committee discussed the continuing impact of the transition to Rouble leases on the Group's business with management and external auditors. It also discussed the audit approach with the external auditors and the impact on the viability and going concern statements. It is satisfied that the annual report and accounts adequately reflect the impact of the change in market dynamics.

#### Taxation

Recent changes to and clarifications of tax law in Russia and uncertainty as to how local tax authorities will apply these has led to increased tax risk for the Group.

The Committee reviewed the Group's tax provisioning policies in the light of the new legislation and the results of tax reviews undertaken by the authorities on the Group during the year and is satisfied that the tax charge for the year is adequate. It also discussed the development of the Group structure and the importance of the Group's Cypriot operations demonstrating and exerting appropriate management and control over its Russian subsidiaries.

#### Viability Statement

The period of any viability exercise has to be justified and sensitivities agreed.

The Committee again reviewed the reasons for completing a viability period of three years with management and the auditors and challenged the suitability of the sensitivities applied to the model. It is satisfied that the model reflects a severe but credible scenario and the period under review is appropriate.





### Internal Control and Risk Management

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

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

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

- A comprehensive system of reporting and business planning;
- A defined schedule of matters reserved for the Board;
- An organisational structure chart with clearly defined levels of authority and division of responsibilities;
- Formal documented policies and procedures throughout the Group;
- The close involvement of the Executive Directors and senior management in all aspects of the day-to-day operations, including regular meetings to review all operational aspects of the business and risk management systems;
- The role of the Board of the Group's intermediary 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 review of financial KPIs; and
- A regular assessment of risks within the business at all operational levels.

The Audit Committee has established a Risk Committee to carry out the review and assessment of risks associated with the business. This Committee comprises Executive Directors and senior management involved in each operating jurisdiction and department of the Group. This engenders a culture of risk assessment within the Group and reinforces the strategic objectives communicated by the Board. During the year ended 31 December 2017, the Risk Committee met four times.

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

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

Due to its size, structure and the nature of its activities, the Group does not have an internal audit function. However, as the Group continues to grow the Committee has agreed that this is an area that should be revisited and the management team will present a report and their conclusions for consideration later this year.



# DIRECTORS' REPORT

The Directors present their report and the audited financial statements of the Group for the year ended 31 December 2017.

## Principal activity

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

## Business review

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

## Results and dividends

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

The Company undertook a tender offer as an interim distribution for 1 in every 52 shares at 52p, equivalent to a dividend of 1p per share (2016: Distribution of 0.5p by way tender offer 1 share in every 80 at 40p). The Directors are recommending a final distribution of 3p by way of a tender offer of 1 share in every 17 at 52p (2016: Distribution of 2p by way of tender offer of 1 share in every 26 at 52p).

## Directors

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

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

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

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

## Substantial shareholdings

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

### Ordinary Shares of £0.01

Name of holder	Number held 31 December 2017	% of share capital	Number held 24 February 2018	% of share capital
Invesco Perpetual	214,506,762	32.47	214,506,762	32.47
Woodford Investment Management	92,131,841	13.95	92,131,841	13.95
Schroder Investment Management	67,313,604	10.19	67,613,604	10.24
JO Hambro Capital Management	64,073,105	9.70	65,816,015	9.96
Old Mutual Global Investors	28,645,408	4.34	28,645,408	4.34



### Relationship Agreement

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

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

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

### Purchase of own shares

The Company was granted authority at the 2017 AGM to make market purchases of its own ordinary and preference shares. This authority will expire on 11 October 2018. A resolution will be proposed at the 2018 AGM to renew this authority.

### Auditor

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

### Going Concern

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

The Board receives monthly updates on future cash flow projections and has regular working capital reports presented, in particular, as part of the half year and full year reporting process, 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 all the steps he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

**Directors' Responsibility Statement**

The Statement of Directors' Responsibilities below has been prepared in connection with the Company's full Annual Report and Accounts for the year ended 31 December 2017.

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 11 March 2018 and is signed on its behalf by:

**Mark Sinclair**

Chief Financial Officer

**Colin Smith**

Chief Operating Officer



# INDEPENDENT AUDITOR'S REPORT

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

### **Opinion**

In our opinion:

- Raven Russia Limited Group financial statements (the "financial statements") give a true and fair view of the state of the Group's affairs as at 31 December 2017 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 Russia Limited which comprise:

- The Group Balance Sheet as at 31 December 2017;
- 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 39 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 38 to 40 that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation set out on page 66 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 41 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	<ul style="list-style-type: none"> <li>• Economic and financial uncertainties in Russia and their impact</li> <li>• Misstatement of the fair value of investment properties and investment properties under construction</li> <li>• Revenue recognition with respect to rental revenue, service charge income, Raven Mount sales and logistics income</li> </ul>
Audit scope	<ul style="list-style-type: none"> <li>• 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</li> <li>• The components where we performed full or specific audit procedures accounted for 100% of Revenue and 100% of Total assets.</li> </ul>
Materiality	<ul style="list-style-type: none"> <li>• Overall group materiality of \$10.0m which represents 0.5% of total assets.</li> </ul>

### 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.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p><b>Economic and financial uncertainties in Russia and their impact (as described in the Strategic Report)</b></p> <p>The current geopolitical situation remains an important area of focus for the Group and our audit. Continuing political and economic tension between the US, EU and Russia, together with movements in the oil price and foreign exchange rate, have resulted in continuing economic uncertainty, including deterioration of liquidity in Russia's banking sector.</p> <p>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.</p> <p>We have assessed that, whilst the risk remains, the uncertainty has lessened since prior year and therefore the impact on the financial statements will be less significant due to greater planning and consideration of the potential impact on valuation of investment property and cash flow forecasts.</p> <p>Another financial risks of conducting business in Russia includes responding to legislative changes, particularly tax laws.</p> <p>There have been changes to the Russian tax legislation in recent years. There is uncertainty around the application of this law as it is evolving through court practice. As a result, there is judgment and estimation required to estimate the potential magnitude of tax liabilities and provisions.</p>	<p>We performed the following audit procedures around the impact of uncertainties over the current economic environment in Russia:</p> <p>We updated our understanding of the current economic environment in Russia through:</p> <ul style="list-style-type: none"> <li>Discussions with management and EY real estate valuation specialists in Russian and the UK;</li> <li>Undertaking press searches in Russia and the UK and reviewing economic forecasts.</li> </ul> <p>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 publically available information.</p> <p>We performed the following audit procedures around the potential risk of inducement payments to third parties:</p> <ul style="list-style-type: none"> <li>We held fraud discussions with Raven Russia 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 other fraud related matters or instances of any non-compliance with laws and regulations.</li> <li>We confirmed our understanding of the controls in place to prevent and detect transactions involving inducements payments by performing walkthroughs.</li> <li>In order to address the remaining risk over inappropriate payments, we tested on a sample basis (based on material items and a random sample): <ul style="list-style-type: none"> <li>payments made in respect of capital expenditure;</li> <li>that journal transactions have a valid business purpose and are on an arm's length basis.</li> </ul> </li> </ul> <p>We performed the following audit procedures around the uncertain tax positions arising from the tax laws in Russia:</p> <ul style="list-style-type: none"> <li>We reviewed correspondence with the tax authorities regarding recent inspections in Russia;</li> <li>Enquired with management about their response to the tax authorities and their assessment of the potential exposure;</li> <li>Considered the results from recent tax inspections;</li> <li>Obtained management's calculation of the provision for uncertain tax positions;</li> <li>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.</li> <li>We have reviewed the disclosures made in notes 2, 3 and 8 regarding the uncertain tax provision.</li> </ul> <p>We performed full scope audit procedures over this risk area in the one location, Moscow, affected by this risk, which covered 100% of the risk amount.</p>	<p>We have completed the additional procedures we designed in order to respond to the heightened political and economic uncertainty in Russia.</p> <p>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.</p> <p>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.</p>



Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p><b>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)</b></p> <p>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.</p> <p>This account has a \$1.6bn balance in the 2017 annual report (2016: \$1.3bn).</p> <p>The valuation of investment property and investment property under construction requires significant judgements and estimates by management and the external valuer.</p> <p>This estimate is impacted by the uncertainties over the current economic environment in Russia, as described above.</p> <p>Due to the increasing stability in the Russian economy and more activity in the real estate market, the level of estimation uncertainty has decreased from prior year, however this remains an area of significant estimation.</p>	<p>We performed the following audit procedures around the valuation of investment properties and investment properties under construction:</p> <p>We documented and assessed the adequacy of the Group's valuation process and controls over data used in the valuation of its property portfolio.</p> <p>We performed testing over source documentation provided by the Group to the external valuer. On a sample basis, we:</p> <p>Inspected lease agreements and agreed the key terms to the tenancy schedule provided to the valuer; and</p> <p>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.</p> <p>We assessed the competence, capabilities and objectivity of the external valuer.</p> <p>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 94% of the total value of investment property and investment property under construction.</p> <p>With the support of EY's real estate valuation experts in Russia and the UK, we:</p> <p>Assessed the valuation approach and the assumptions made by the external valuer and the directors in performing their valuation of each property against industry benchmarks. The key assumptions included estimated rental values, yields and other assumptions that impact the value which were benchmarked to market data.</p> <p>For the remaining properties comprising 6% of the valuation, we:</p> <p>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.</p> <p>The audit team, together with the EY Chartered Surveyor performed site visits of certain assets in the Group's portfolio, inspecting their condition and level of tenancy.</p> <p>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.</p> <p>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.</p>	<p>We have completed our planned audit procedures over the valuation of investment property and investment property under construction.</p> <p>We have no significant findings to report from the completion of these procedures.</p> <p>We conclude that the balances and disclosures in the financial statements and notes appropriately reflect the risk factors identified.</p> <p>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 2017.</p>



Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p><b>Revenue recognition (as described in note 2 and 5 of the financial statements).</b></p> <p>Total revenue of \$228m in the 2017 annual report (2016: \$195m).</p> <p>We have identified the following risks related to the recognition of revenue:</p> <p>Rental revenue &amp; service charge income from the property investment portfolio: is not recorded correctly, including the effect of tenant incentives and contracted rent uplift balances.</p> <p>Roslogistics: risk that the logistics revenue is not recorded in the correct period.</p> <p>Raven Mount income from sales of property: the risk is that sales may not be recognised in the correct period.</p> <p>The risk is unchanged from the prior year.</p>	<p>We performed the following audit procedures around revenue recognition:</p> <p>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.</p> <p>We performed analytical procedures over rental, service charge and logistics income to identify significant fluctuations and trends. We corroborated any significant fluctuations to new / terminated lease agreements.</p> <p>On a sample basis, we recomputed the revenue recognised by the company in the year, based on the contractual lease terms, including the treatment of rent incentives.</p> <p>We obtained and examined the trade receivable ageing to assess the recoverability of receivables by testing subsequent cash receipts and confirming the credit worthiness of the tenants with outstanding rent.</p> <p>We agreed the calculation of the IFRS rent straight-lining adjustment to underlying lease and tenancy data as well as the arithmetical accuracy of the calculation.</p> <p>We performed cut-off procedures on all revenue streams to confirm they had been recorded in the correct period.</p> <p>Lease and service charge invoice from investment properties in Russia, and the Roslogistics business were full scope locations and contributed 89% of the Group's revenue.</p> <p>The remaining revenue (11%) relates to Raven Mount and was subject to specific audit procedures. On a sample basis, we obtained the executed sales contracts and checked that the sales were recognised in the correct period.</p>	<p>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.</p>

## 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, specific scope procedures on revenue, cash, goodwill and investment in joint venture balances were performed by the Group team.

For the Group entities incorporated in Cyprus, specific scope procedures on cash, intercompany, debt, 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 75% (2016: 99%) of the Group's Profit before tax, 89% (2016: 99%) of the Group's Revenue and 91% (2016: 92%) 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 \$10.0 million (2016: \$8 million), which is 0.5% (2016: 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.

During the course of our audit, we reassessed initial materiality and there was no change from the original assessment made at planning.

#### 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% (2016: 75%) of our planning materiality, namely \$7.5 million (2016: \$6.0 million).

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality.

The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to EY Cyprus is \$4.5 million (2016: \$3.0 million).

#### Reporting threshold

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

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of \$0.5 million (2016: \$0.4 million), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

#### 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 43** – 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.

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.

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.

#### **Peter McIver**

for and on behalf of Ernst & Young LLP  
London  
11 March 2018



# GROUP INCOME STATEMENT

For the year ended 31 December 2017

	Notes	Underlying earnings \$'000	2017 Capital and other \$'000	Total \$'000	Underlying earnings \$'000	2016 Capital and other \$'000	Total \$'000
Gross revenue	4 / 5	228,083	–	228,083	195,294	–	195,294
Property operating expenditure and cost of sales		(61,354)	–	(61,354)	(43,553)	–	(43,553)
<b>Net rental and related income</b>		<b>166,729</b>	<b>–</b>	<b>166,729</b>	<b>151,741</b>	<b>–</b>	<b>151,741</b>
Administrative expenses	4 / 6	(25,343)	(3,204)	(28,547)	(24,243)	(1,101)	(25,344)
Share-based payments and other long term incentives	32	(1,635)	(2,910)	(4,545)	(3,133)	(5,944)	(9,077)
Foreign currency profits		9,229	–	9,229	18,079	–	18,079
<b>Operating expenditure</b>		<b>(17,749)</b>	<b>(6,114)</b>	<b>(23,863)</b>	<b>(9,297)</b>	<b>(7,045)</b>	<b>(16,342)</b>
Share of profits of joint ventures	16	2,074	–	2,074	1,780	–	1,780
<b>Operating profit / (loss) before profits and losses on investment property</b>		<b>151,054</b>	<b>(6,114)</b>	<b>144,940</b>	<b>144,224</b>	<b>(7,045)</b>	<b>137,179</b>
Unrealised profit / (loss) on revaluation of investment property	11	–	42,320	42,320	–	(40,192)	(40,192)
Profit on disposal of investment property under construction	12	–	–	–	–	3,807	3,807
Unrealised loss on revaluation of investment property under construction	12	–	(4,168)	(4,168)	–	(3,132)	(3,132)
<b>Operating profit / (loss)</b>	<b>4</b>	<b>151,054</b>	<b>32,038</b>	<b>183,092</b>	<b>144,224</b>	<b>(46,562)</b>	<b>97,662</b>
Finance income	7	7,248	914	8,162	3,436	18,086	21,522
Finance expense	7	(85,335)	(15,272)	(100,607)	(85,359)	(11,579)	(96,938)
<b>Profit / (loss) before tax</b>		<b>72,967</b>	<b>17,680</b>	<b>90,647</b>	<b>62,301</b>	<b>(40,055)</b>	<b>22,246</b>
Tax	8	(16,157)	(16,804)	(32,961)	(15,179)	652	(14,527)
<b>Profit / (loss) for the year</b>		<b>56,810</b>	<b>876</b>	<b>57,686</b>	<b>47,122</b>	<b>(39,403)</b>	<b>7,719</b>
Earnings per share:	9						
Basic (cents)				8.69			1.17
Diluted (cents)				8.30			1.16
Underlying earnings per share:	9						
Basic (cents)		8.56			7.17		
Diluted (cents)		7.41			6.81		

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

All items in the above statement derive from continuing operations.

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

The accompanying notes are an integral part of this statement.



# GROUP STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

	2017 \$'000	2016 \$'000
<b>Profit for the year</b>	<b>57,686</b>	<b>7,719</b>
<b>Other comprehensive income, net of tax</b>		
<i>Items to be reclassified to profit or loss in subsequent periods:</i>		
Foreign currency translation on consolidation	(24,712)	10,942
<b>Total comprehensive income for the year, net of tax</b>	<b>32,974</b>	<b>18,661</b>

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

The accompanying notes are an integral part of this statement.



# GROUP BALANCE SHEET

As at 31 December 2017

	Notes	2017 \$'000	2016 \$'000
<b>Non-current assets</b>			
Investment property	11	1,568,126	1,300,643
Investment property under construction	12	38,411	41,253
Plant and equipment		4,248	3,044
Goodwill	14	–	1,882
Investment in joint ventures	16	9,983	9,731
Other receivables	17	5,625	3,724
Derivative financial instruments	19	7,948	5,012
Deferred tax assets	26	34,629	27,451
		<b>1,668,970</b>	<b>1,392,740</b>
<b>Current assets</b>			
Inventory		423	771
Trade and other receivables	18	78,946	52,669
Derivative financial instruments	19	445	358
Cash and short term deposits	20	266,666	198,621
		<b>346,480</b>	<b>252,419</b>
<b>Total assets</b>		<b>2,015,450</b>	<b>1,645,159</b>
<b>Current liabilities</b>			
Trade and other payables	21	107,357	65,408
Derivative financial instruments	19	35	943
Interest bearing loans and borrowings	22	106,697	40,787
		<b>214,089</b>	<b>107,138</b>
<b>Non-current liabilities</b>			
Interest bearing loans and borrowings	22	740,485	699,038
Preference shares	23	146,458	131,703
Convertible preference shares	24	269,031	119,859
Other payables	25	34,566	25,259
Derivative financial instruments	19	–	67
Deferred tax liabilities	26	81,063	61,869
		<b>1,271,603</b>	<b>1,037,795</b>
<b>Total liabilities</b>		<b>1,485,692</b>	<b>1,144,933</b>
<b>Net assets</b>		<b>529,758</b>	<b>500,226</b>



	Notes	2017 \$'000	2016 \$'000
<b>Equity</b>			
Share capital	27	12,479	12,578
Share premium		207,746	216,938
Warrants	28	441	1,161
Own shares held	29	(5,742)	(7,449)
Convertible preference shares	24	14,497	8,453
Capital reserve		(217,782)	(245,426)
Translation reserve		(201,911)	(177,199)
Retained earnings		720,030	691,170
<b>Total equity</b>	30 / 31	<b>529,758</b>	<b>500,226</b>
Net asset value per share (cents):	31		
Basic		81	76
Diluted		80	71
Adjusted net asset value per share (cents):	31		
Basic		78	71
Diluted		77	68

The financial statements were approved by the Board of Directors on 11 March 2018 and signed on its behalf by:

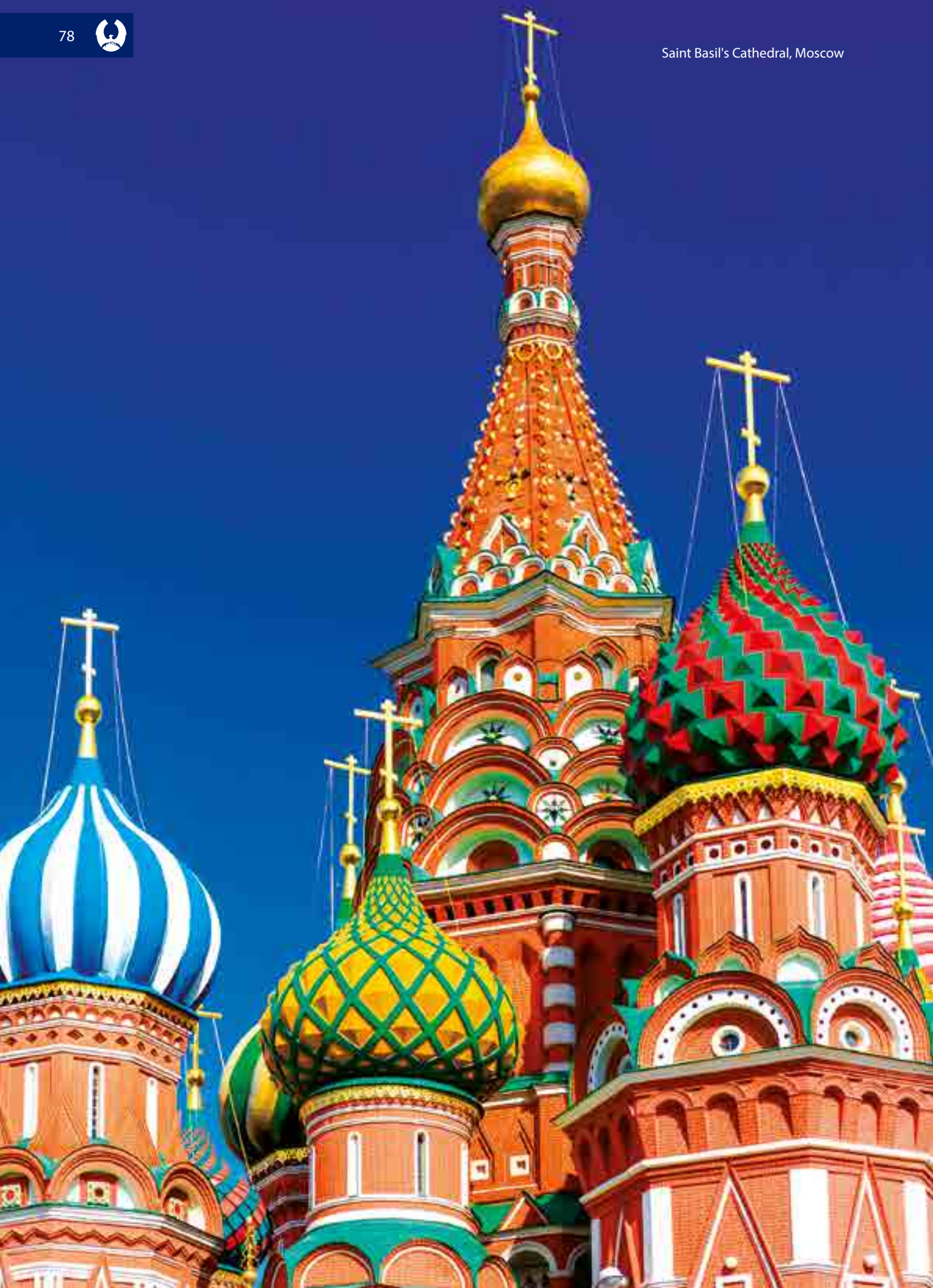
**Mark Sinclair**

Chief Financial Officer

**Colin Smith**

Chief Operating Officer

The accompanying notes are an integral part of this statement.





# GROUP STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

For the year ended 31 December 2016	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
<b>At 1 January 2016</b>		12,776	224,735	1,167	(52,101)	–	(210,176)	(188,141)	676,782	465,042
Profit for the year		–	–	–	–	–	–	–	7,719	7,719
Other comprehensive income		–	–	–	–	–	–	10,942	–	10,942
Total comprehensive income for the year		–	–	–	–	–	–	10,942	7,719	18,661
Warrants exercised	27 / 28	2	41	(6)	–	–	–	–	–	37
Convertible preference shares issued	24	–	–	–	–	8,453	–	–	–	8,453
Conversion of convertible preference shares	24 / 27	–	–	–	–	–	–	–	–	–
Own shares acquired	29	–	–	–	(133)	–	–	–	–	(133)
Own shares disposed	29	–	–	–	43,161	–	–	–	(28,549)	14,612
Own shares allocated	29	–	–	–	1,543	–	–	–	(1,441)	102
Ordinary shares cancelled	27 / 29	(200)	(7,838)	–	81	–	–	–	–	(7,957)
Share-based payments	32 c	–	–	–	–	–	–	–	1,409	1,409
Transfer in respect of capital losses		–	–	–	–	–	(35,250)	–	35,250	–
<b>At 31 December 2016</b>		<b>12,578</b>	<b>216,938</b>	<b>1,161</b>	<b>(7,449)</b>	<b>8,453</b>	<b>(245,426)</b>	<b>(177,199)</b>	<b>691,170</b>	<b>500,226</b>
<b>For the year ended 31 December 2017</b>										
Profit for the year		–	–	–	–	–	–	–	57,686	57,686
Other comprehensive income		–	–	–	–	–	–	(24,712)	–	(24,712)
Total comprehensive income for the year		–	–	–	–	–	–	(24,712)	57,686	32,974
Warrants exercised	27 / 28	180	5,037	(720)	–	–	–	–	–	4,497
Convertible preference shares issued	24	–	–	–	–	6,067	–	–	–	6,067
Conversion of convertible preference shares	24 / 27	6	348	–	–	(23)	–	–	–	331
Own shares acquired	29	–	–	–	(158)	–	–	–	–	(158)
Own shares disposed	29	–	–	–	–	–	–	–	–	–
Own shares allocated	29	–	–	–	1,818	–	–	–	(1,182)	636
Ordinary shares cancelled	27 / 29	(285)	(14,577)	–	47	–	–	–	–	(14,815)
Share-based payments	32	–	–	–	–	–	–	–	–	–
Transfer in respect of capital losses		–	–	–	–	–	27,644	–	(27,644)	–
<b>At 31 December 2017</b>		<b>12,479</b>	<b>207,746</b>	<b>441</b>	<b>(5,742)</b>	<b>14,497</b>	<b>(217,782)</b>	<b>(201,911)</b>	<b>720,030</b>	<b>529,758</b>

The accompanying notes are an integral part of this statement.



# GROUP CASH FLOW STATEMENT

For the year ended 31 December 2017

	Notes	2017 \$'000	2016 \$'000
<b>Cash flows from operating activities</b>			
Profit before tax		90,647	22,246
Adjustments for:			
Impairment of goodwill	6	2,061	–
Depreciation	6	1,143	1,101
Provision for bad debts	6	(93)	22
Share of profits of joint ventures	16	(2,074)	(1,780)
Finance income	7	(8,162)	(21,522)
Finance expense	7	100,607	96,938
Profit on disposal of investment property under construction	12	–	(3,807)
(Profit) / loss on revaluation of investment property	11	(42,320)	40,192
Loss on revaluation of investment property under construction	12	4,168	3,132
Foreign exchange profits		(9,229)	(18,079)
Non-cash element of share-based payments and other long term incentives	32	2,910	5,944
		139,658	124,387
<i>Changes in operating working capital</i>			
(Increase) / decrease in operating receivables		(1,148)	4,419
Decrease in other operating current assets		429	391
Decrease in operating payables		(1,449)	(8,026)
		137,490	121,171
Receipts from joint ventures	16	2,711	4,521
Tax paid		(14,714)	(7,680)
<b>Net cash generated from operating activities</b>		<b>125,487</b>	<b>118,012</b>
<b>Cash flows from investing activities</b>			
Payments for property improvements		(14,793)	(9,163)
Refunds of VAT on construction		–	493
Acquisition of subsidiaries	39	(86,606)	–
Cash acquired with subsidiaries	39	4,088	–
Acquisition of investment property	11	(107,481)	–
Proceeds from disposal of investment property under construction	12	–	4,595
Purchase of plant and equipment		(2,196)	(653)
Loans repaid		–	337
Interest received		7,255	3,399
<b>Net cash used in investing activities</b>		<b>(199,733)</b>	<b>(992)</b>

	Notes	2017 \$'000	2016 \$'000
<b>Cash flows from financing activities</b>			
Proceeds from long term borrowings		271,457	–
Repayment of long term borrowings		(125,371)	(108,150)
Loan amortisation		(38,322)	(56,343)
Bank borrowing costs paid		(64,171)	(66,808)
Exercise of warrants	27 / 28	4,497	37
Preference shares purchased	23	(112)	(713)
Ordinary shares purchased	27 / 29	(14,337)	(7,988)
Ordinary shares sold	29	–	14,612
Dividends paid on preference shares		(14,732)	(15,088)
Dividends paid on convertible preference shares		(13,143)	(4,349)
Issue of convertible preference shares	24	126,402	128,327
Premium paid for derivative financial instruments		(4,870)	(4,296)
<b>Net cash generated from / (used in) financing activities</b>		<b>127,298</b>	<b>(120,759)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>53,052</b>	<b>(3,739)</b>
Opening cash and cash equivalents		198,621	202,291
Effect of foreign exchange rate changes		14,993	69
<b>Closing cash and cash equivalents</b>	20	<b>266,666</b>	<b>198,621</b>

The accompanying notes are an integral part of this statement.



# NOTES TO THE FINANCIAL STATEMENTS

## 1. General information

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

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

The audited financial statements of the Group for the year ended 31 December 2017 were authorised by the Board for issue on 11 March 2018.

## 2. Accounting policies

### Basis of preparation

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

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

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

### Going concern

The financial position of the Group, its cash flows, liquidity position and borrowings are described in the Financial Review and the notes to these financial statements. After making appropriate enquiries and examining sensitivities that could give rise to financial exposure, the Board has a reasonable expectation that the Group has adequate resources to continue operations for the foreseeable future. Accordingly, the Group continues to adopt the going concern basis in the preparation of these financial statements.

### Statement of compliance

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

## Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year. The Group has adopted new and amended IFRS and IFRIC interpretations as of 1 January 2017, which had no impact on the financial position or performance of the Group.

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

IFRS 9 Financial Instruments (effective 1 January 2018)

IFRS 2 Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2 effective 1 January 2018)

IAS 40 Transfer of Investment Property (Amendments to IAS 40 effective 1 January 2018)

IFRS 15 Revenue from contracts with customers (effective 1 January 2018)

IFRS 16 Leases (effective 1 January 2019)

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 determined.

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

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

#### (b) Roslogistics

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

#### (c) Raven Mount

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

### Taxation

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

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

#### (a) Current tax

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

#### (b) Tax provisions

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

#### (c) Deferred tax

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

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

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



directly to equity, in which case the deferred tax is also dealt with in equity.

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

#### (d) Value added tax

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

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

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

#### Investment property and investment property under construction

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

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

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

#### Leasing (as lessors)

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

#### Financial assets

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

##### (a) Fair value through profit or loss

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

##### (b) Loans and receivables

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

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

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. The amount of the impairment loss is recognised in administrative expenses.

If in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment is recognised, the previously recognised impairment loss is reversed. Any such reversal of an impairment loss is recognised in the Income Statement.

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

#### Financial liabilities and equity instruments

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

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

##### (a) Fair value through profit or loss

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

##### (b) Other financial liabilities

Other financial liabilities include interest bearing loans, trade payables (including rent deposits and retentions under construction contracts), preference shares, 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. To date 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.

##### **Awards not linked to or settled by ordinary shares**

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

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

#### **Foreign currency translation**

##### **(a) Functional and presentation currency**

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

##### **(b) Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the year-

end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement. Non-monetary assets and liabilities are translated using exchange rates at the date of the initial transaction or when their fair values are reassessed.

##### **(c) On consolidation**

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

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

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

#### **Dividends**

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

### **3. Critical accounting estimates and judgements**

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

#### **Judgements other than estimates**

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

##### **(a) Acquisitions**

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

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



deferred tax liabilities are recognised. As detailed in note 39, the Group purchased Gorigo Logistics Park, Primium Business Centre and Kellerman Business Centre by acquiring all of the issued share capital of the corporate vehicles that owned the properties.

#### (b) Recognition of deferred tax assets

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

#### Estimates

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

The best evidence of fair value is current prices in an active market for similar lease and other contracts. In the absence of such information, the Group determines the amount within a range of reasonable, fair value estimates. In making its estimation the Group considers information from a variety of sources and engages external, professional advisers to carry out third party valuations of its properties. The external valuations are completed in accordance with appropriate sections of the current Practice Statements contained in the Royal Institution of Chartered Surveyors Appraisal and Valuation Standards, 2014 Edition (the "Red Book"). This is an internationally accepted basis of valuation and is consistent with the requirements of IFRS 13. In our market, where transactional activity is minimal, the valuers are required to use a greater degree of estimation or judgement than in a market where comparable transactions are more readily available. For the valuation at 31 December 2016 the valuer highlighted that as a result of market conditions at the valuation date it was necessary to make more judgements than is normally required. Following the improvement in the Russian economy and commercial property market and an increase in activity in the investment market, they no longer highlight this uncertainty.

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 Group is and has been subject to tax reviews which are worked through with the relevant authorities to resolve.

The Group, in making its tax provision judgements, is confident that an appropriate level of management and control is exerted in each of the jurisdictions in which it operates, all companies are tax resident in their relevant jurisdictions and are the beneficial owners of any income they receive. Local management use their in-house tax knowledge and previous experience as well as independent professional experts when assessing tax risks and the resultant provisions required. For the current year, the Group has specifically reviewed the potential impact that new regulations may have on its financing arrangements and the provision reflects probabilities of between 25% and 100% of possible outcomes.

## 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; and

Raven Mount - sale of residential property in the UK.

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

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

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

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

For the Balance Sheet, segmental information is provided in relation to investment property, inventory, cash balances and borrowings. Whilst segment liabilities includes loans and borrowings, segment 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 \$62,918k (2016: \$68,631k).



## (a) Segmental information for the year ended and as at 31 December 2017

Year ended 31 December 2017	Property Investment \$'000	Roslogistics \$'000	Raven Mount \$'000	Segment Total \$'000	Central Overhead \$'000	Total \$'000
Gross revenue	179,986	23,145	24,952	228,083	–	228,083
Operating costs / cost of sales	(46,710)	(10,775)	(3,869)	(61,354)	–	(61,354)
<b>Net operating income</b>	<b>133,276</b>	<b>12,370</b>	<b>21,083</b>	<b>166,729</b>	<b>–</b>	<b>166,729</b>
<b>Administrative expenses</b>						
Running general and administration expenses	(16,407)	(2,204)	(851)	(19,462)	(5,881)	(25,343)
Impairment of goodwill	–	–	(2,061)	(2,061)	–	(2,061)
Depreciation	(697)	(446)	–	(1,143)	–	(1,143)
Share-based payments and other long term incentives	(775)	–	–	(775)	(3,770)	(4,545)
Foreign currency profits	9,225	4	–	9,229	–	9,229
	<b>124,622</b>	<b>9,724</b>	<b>18,171</b>	<b>152,517</b>	<b>(9,651)</b>	<b>142,866</b>
Profit on disposal of investment property under construction	–	–	–	–	–	–
Unrealised profit on revaluation of investment property	42,320	–	–	42,320	–	42,320
Unrealised loss on revaluation of investment property under construction	(4,168)	–	–	(4,168)	–	(4,168)
Share of profits of joint ventures	–	–	2,074	2,074	–	2,074
<b>Segment profit / (loss)</b>	<b>162,774</b>	<b>9,724</b>	<b>20,245</b>	<b>192,743</b>	<b>(9,651)</b>	<b>183,092</b>
Finance income						8,162
Finance expense						(100,607)
<b>Profit before tax</b>						<b>90,647</b>

As at 31 December 2017	Property Investment \$'000	Roslogistics \$'000	Raven Mount \$'000	Total \$'000
<b>Assets</b>				
Investment property	1,568,126	–	–	1,568,126
Investment property under construction	38,411	–	–	38,411
Investment in joint ventures	–	–	9,983	9,983
Inventory	–	–	423	423
Cash and short term deposits	258,908	907	6,851	266,666
<b>Segment assets</b>	<b>1,865,445</b>	<b>907</b>	<b>17,257</b>	<b>1,883,609</b>
Other non-current assets				52,450
Other current assets				79,391
<b>Total assets</b>				<b>2,015,450</b>
<b>Segment liabilities</b>				
Interest bearing loans and borrowings	847,182	–	–	847,182
<b>Capital expenditure</b>				
Corporate acquisitions	86,173	–	–	86,173
Other acquisition	122,730	–	–	122,730
Property improvements	16,286	–	–	16,286
	<b>225,189</b>	<b>–</b>	<b>–</b>	<b>225,189</b>



# NOTES TO THE FINANCIAL STATEMENTS

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

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

As at 31 December 2016	Property Investment \$'000	Roslogistics \$'000	Raven Mount \$'000	Total \$'000
<b>Assets</b>				
Investment property	1,300,643	–	–	1,300,643
Investment property under construction	41,253	–	–	41,253
Investment in joint ventures	–	–	9,731	9,731
Inventory	–	–	771	771
Cash and short term deposits	192,995	1,014	4,612	198,621
<b>Segment assets</b>	<b>1,534,891</b>	<b>1,014</b>	<b>15,114</b>	<b>1,551,019</b>
Other non-current assets				41,113
Other current assets				53,027
<b>Total assets</b>				<b>1,645,159</b>
<b>Segment liabilities</b>				
Interest bearing loans and borrowings	739,825	–	–	739,825
<b>Capital expenditure</b>				
Property improvements	7,127	–	–	7,127

## 5. Gross revenue

	2017 \$'000	2016 \$'000
Rental and related income	179,986	175,661
Proceeds from the sale of inventory property	24,952	1,827
Logistics	23,145	17,806
	<b>228,083</b>	<b>195,294</b>

The Group's leases typically include annual rental increases ("contingent rents") based on a consumer price index in Russia, Europe or the USA, which are recognised in income as they arise. Contingent rents included in rental income for the year amounted to \$10k (2016: \$172k).

Details of the Group's contracted future minimum lease receivables are detailed in note 37.

The Group recognised revenue of \$25.9 million (2016: \$24.6 million) from a single tenant of the property investment segment that amounted to more than 10% of Group revenue.

## 6. Administrative expenses

(a) Total administrative expenses	2017 \$'000	2016 \$'000
Employment costs	13,341	11,700
Directors' remuneration	3,073	4,882
Bad debts	(93)	22
Office running costs and insurance	4,057	3,218
Travel costs	1,944	1,540
Auditors' remuneration	711	617
Impairment of goodwill (note 14)	2,061	–
Legal and professional	1,931	1,814
Depreciation	1,143	1,101
Registrar costs and other administrative expenses	379	450
	<b>28,547</b>	<b>25,344</b>

(b) Fees for audit and other services provided by the Group's auditor	2017 \$'000	2016 \$'000
Audit services	535	508
Audit related assurance services	62	65
	<b>597</b>	<b>573</b>
Other fees:		
Taxation services	72	44
Other services	42	–
	<b>114</b>	<b>44</b>
<b>Total fees</b>	<b>711</b>	<b>617</b>

The Group engaged Ernst & Young to undertake due diligence in respect of the investment property acquisitions in the year, incurring \$403k (2016: \$nil) of fees, which were included in the cost of the relevant investment property.

Ernst & Young also provide audit and taxation services for various SPVs that form part of the property operating costs. Charges for the audit of SPVs in the year amounted to \$303k (2016: \$306k) and the fees for taxation services were \$75k (2016: \$170k).



## 7. Finance income and expense

	2017 \$'000	2016 \$'000
<b>Finance income</b>		
<i>Total interest income on financial assets not at fair value through profit or loss</i>		
Income from cash and short term deposits	7,218	3,399
Interest receivable from joint ventures	29	37
<i>Other finance income</i>		
Profit on purchase and cancellation of loans and borrowings	–	15,365
Change in fair value of open interest rate derivative financial instruments	48	169
Change in fair value of foreign currency embedded derivatives	867	2,552
<b>Finance income</b>	<b>8,162</b>	<b>21,522</b>
<b>Finance expense</b>		
Interest expense on loans and borrowings measured at amortised cost	62,918	68,631
Interest expense on preference shares	15,825	16,518
Interest expense on convertible preference shares	20,058	7,475
Total interest expense on financial liabilities not at fair value through profit or loss	98,801	92,624
Change in fair value of open forward currency derivative financial instruments	156	2,324
Change in fair value of open interest rate derivative financial instruments	1,650	1,990
<b>Finance expense</b>	<b>100,607</b>	<b>96,938</b>

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

Included in the interest expense on loans and borrowings is \$5.5 million (2016: \$3.8 million) relating to amortisation of costs incurred in originating the loans. Included in the interest expense on preference shares is \$0.5 million (2016: \$0.6 million) relating to the accretion of premiums payable on redemption of preference shares and amortisation of costs incurred in issuing preference shares. Included in the interest expense on convertible preference shares is \$7.1 million (2016: \$2.8 million) relating to the accretion of premiums payable on redemption and amortisation of costs incurred in issuing the convertible preference shares of \$0.3 million (2016: \$0.1 million).



## 8. Tax

	2017 \$'000	2016 \$'000
The tax expense for the year comprises:		
Current taxation	19,346	10,816
Deferred taxation (note 26)		
On the origination and reversal of temporary differences	15,228	3,694
On unrealised foreign exchange movements in loans	191	17
Over provision in prior year	(1,804)	–
<b>Tax charge</b>	<b>32,961</b>	<b>14,527</b>

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

	2017 \$'000	2016 \$'000
Profit before tax	90,647	22,246
Tax at the Russian corporate tax rate of 20%	18,129	4,449
Tax effect of financing arrangements	(4,977)	12,524
Tax effect of non deductible preference share coupon	7,177	4,841
Tax effect of foreign exchange movements	1,150	10,959
Tax effect of debt repurchase not subject to tax	–	(2,990)
Movement in provision for uncertain tax positions	7,038	3,917
Tax effect of other income not subject to tax and non-deductible expenses	4,525	1,738
Tax effect of property depreciation on revaluations	2,878	4,397
Tax on dividends and other inter company gains	3,473	1,235
Movement on previously unprovided deferred tax assets	(4,628)	(26,543)
Over provision in prior year	(1,804)	–
	<b>32,961</b>	<b>14,527</b>

The tax effect of financing arrangements reflects the impact of intra group funding in each jurisdiction. Foreign exchange movements on intra group financing are taxable or tax deductible in Russia but not in other jurisdictions. In accordance with its accounting policy, the Group is required to estimate its provision for uncertain tax positions. During the year the provision has increased, as shown in the reconciliation above, as a consequence of tax clarifications and interpretations. 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, material non-recurring items, depreciation and amortisation of loan origination costs, together with any related tax.



# NOTES TO THE FINANCIAL STATEMENTS

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

	2017 \$'000	2016 \$'000
<i>Earnings</i>		
<b>Net profit for the year prepared under IFRS</b>	<b>57,686</b>	<b>7,719</b>
Adjustments to arrive at underlying earnings:		
Impairment of goodwill (note 6a)	2,061	–
Depreciation (note 6a)	1,143	1,101
Share-based payments and other long term incentives (note 32c)	2,910	5,944
Unrealised (profit) / loss on revaluation of investment property	(42,320)	40,192
Profit on disposal of investment property under construction	–	(3,807)
Unrealised loss on revaluation of investment property under construction	4,168	3,132
Profit on purchase and cancellation of loans and borrowings (note 7)	–	(15,365)
Change in fair value of open forward currency derivative financial instruments (note 7)	156	2,324
Change in fair value of open interest rate derivative financial instruments (note 7)	1,602	1,821
Change in fair value of foreign currency embedded derivatives (note 7)	(867)	(2,552)
Premium on redemption of preference shares and amortisation of issue costs (note 23)	537	562
Premium on redemption of convertible preference shares and amortisation of issue costs (note 24)	7,448	2,892
Amortisation of loan origination costs (note 7)	5,481	3,811
Movement on deferred tax thereon	16,718	212
Tax on unrealised foreign exchange movements in loans	86	(864)
<b>Underlying earnings</b>	<b>56,809</b>	<b>47,122</b>

	Earnings \$'000	2017 Weighted average shares No. '000	EPS Cents	Earnings \$'000	2016 Weighted average shares No. '000	EPS Cents
<b>IFRS</b>						
Basic	57,686	663,493	8.69	7,719	657,468	1.17
Effect of dilutive potential ordinary shares:						
Warrants (note 28)	–	7,669		–	7,651	
LTIP (note 32)	–	1,382		–	1,294	
2016 Retention scheme (note 32)	–	2,513		–	1,009	
CBLTIS 2015 (note 32)	–	–		–	275	
ERS (note 32)	–	–		–	21	
Convertible preference shares (note 24)	20,058	261,369		–	–	
<b>Diluted</b>	<b>77,744</b>	<b>936,426</b>	<b>8.30</b>	<b>7,719</b>	<b>667,718</b>	<b>1.16</b>

	Earnings \$'000	2017 Weighted average shares No. '000	EPS Cents	Earnings \$'000	2016 Weighted average shares No. '000	EPS Cents
<b>Underlying earnings</b>						
Basic	56,809	663,493	8.56	47,122	657,468	7.17
Effect of dilutive potential ordinary shares:						
Warrants (note 28)	–	7,669		–	7,651	
LTIP (note 32)	–	1,382		–	1,294	
2016 Retention scheme (note 32)	–	2,513		–	1,009	
CBLTIS 2015 (note 32)	–	–		–	275	
ERS (note 32)	–	–		–	21	
Convertible preference shares (note 24)	12,610	261,369		4,584	91,851	
<b>Diluted</b>	<b>69,419</b>	<b>936,426</b>	<b>7.41</b>	<b>51,706</b>	<b>759,569</b>	<b>6.81</b>

The finance expense for 2016 relating to the convertible preference shares was greater than IFRS basic earnings per share and thus the convertible preference shares were not dilutive for IFRS fully diluted earnings per share. This was not the case in 2017 nor for underlying earnings per share where the convertible preference shares are dilutive and have been incorporated into the calculation of diluted earnings per share.

## 10. Ordinary dividends

In the place of a final dividend for 2016 the Company implemented a tender offer buy back of ordinary shares on the basis of 1 in every 26 shares held at a tender price of 52 pence per share, the equivalent of a final dividend of 2 pence per share. Instead of an interim dividend for 2017 the Company implemented a tender offer buy back of ordinary shares on the basis of 1 in every 52 shares at a tender price of 52 pence per share, the equivalent of a dividend of 1 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	2017 Total \$'000
Market value at 1 January 2017	1,005,449	141,431	151,846	24,818	1,323,544
Corporate acquisitions (note 39)	–	35,994	–	50,179	86,173
Other acquisition	122,730	–	–	–	122,730
Property improvements	11,155	1,738	3,081	312	16,286
Unrealised profit on revaluation	16,346	16,872	4,477	6,834	44,529
<b>Market value at 31 December 2017</b>	<b>1,155,680</b>	<b>196,035</b>	<b>159,404</b>	<b>82,143</b>	<b>1,593,262</b>
Tenant incentives and contracted rent uplift balances	(18,552)	(5,749)	(1,711)	(550)	(26,562)
Head lease obligations (note 25)	1,426	–	–	–	1,426
<b>Carrying value at 31 December 2017</b>	<b>1,138,554</b>	<b>190,286</b>	<b>157,693</b>	<b>81,593</b>	<b>1,568,126</b>
<i>Revaluation movement in the year ended 31 December 2017</i>					
Gross revaluation	16,346	16,872	4,477	6,834	44,529
Effect of tenant incentives and contracted rent uplift balances	(1,057)	(417)	(339)	(396)	(2,209)
<b>Revaluation reported in the Income Statement</b>	<b>15,289</b>	<b>16,455</b>	<b>4,138</b>	<b>6,438</b>	<b>42,320</b>

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

\*Classified in accordance with the fair value hierarchy, see note 36. There were no transfers between fair value hierarchy in 2016 or 2017.

During the year the Group acquired four new investment properties. As corporate acquisitions it acquired Gorigo Logistics Park, Kellerman Business Centre and Primium Business Centre (see note 39) and also, as a direct purchase of real estate, Logopark Sever, a newly completed logistics park in Moscow.

At 31 December 2017 the Group has pledged investment property with a value of \$1,435 million (2016: \$1,288 million) to secure banking facilities granted to the Group (note 22).



## 12. Investment property under construction

Asset class Location Fair value hierarchy*	Assets under construction			St Petersburg	Land Bank		2017 Total
	Moscow	Regions	Sub-total		Regions	Sub-total	
	Level 3	Level 3			Level 3		
	\$'000	\$'000			\$'000		
Market value at 1 January 2017	29,600	7,500	37,100	–	3,662	3,662	40,762
Costs incurred	57	12	69	–	–	–	69
Disposal	–	–	–	–	–	–	–
Effect of foreign exchange rate changes	686	341	1,027	–	206	206	1,233
Unrealised loss on revaluation	(3,643)	(253)	(3,896)	–	(272)	(272)	(4,168)
<b>Market value at 31 December 2017</b>	<b>26,700</b>	<b>7,600</b>	<b>34,300</b>	<b>–</b>	<b>3,596</b>	<b>3,596</b>	<b>37,896</b>
Head lease obligations (note 25)	515	–	515	–	–	–	515
<b>Carrying value at 31 December 2017</b>	<b>27,215</b>	<b>7,600</b>	<b>34,815</b>	<b>–</b>	<b>3,596</b>	<b>3,596</b>	<b>38,411</b>

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

\*Classified in accordance with the fair value hierarchy, see note 36. There were no transfers between fair value hierarchy in 2016 or 2017.

In 2016 the Group sold a land plot in St Petersburg for \$4.6 million, generating a profit of \$3.8 million after costs.

No borrowing costs were capitalised in the year (2016: \$nil).

At 31 December 2017 the Group has pledged investment property under construction with a value of \$34.3 million (2016: \$37.1 million) to secure banking facilities granted to the Group (note 22).



### 13. Investment property and investment property under construction - Valuation

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

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

The latter is sub-categorised as:

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

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

The fair value of the Group's investment property and assets under construction at 31 December 2017 has been arrived at on the basis of market valuations carried out by Jones Lang Lasalle ("JLL"), external valuers to the Group. JLL have consented to the use of their name in these financial statements.

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

#### Valuation process

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

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

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

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

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

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

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

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

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

## Valuation assumptions and key inputs

Class of property	Carrying amount		Valuation technique	Input	Range	
	2017 \$'000	2016 \$'000			2017	2016
Completed investment property						
Moscow - Logistics	1,138,554	989,406	Income capitalisation	Long term ERV per sqm for existing tenants Short term ERV per sqm for vacant space Initial yield Equivalent yield Vacancy rate Passing rent per sqm Passing rent per sqm	Rub 4,500 to Rub 4,896 Rub 3,500 to Rub 3,800 2.5% to 15.45% 10.54% to 12.04% 1% to 94% \$110 to \$166 Rub 3,104 to Rub 11,847	\$85 to \$105 Rub 4,000 2.0% to 16.0% 10.7% to 12.2% 9% to 77% \$70 to \$158 Rub 3,500 to Rub 6,744
St Petersburg - Logistics	190,286	136,099	Income capitalisation	Long term ERV per sqm for existing tenants Short term ERV per sqm for vacant space Initial yield Equivalent yield Vacancy rate Passing rent per sqm Passing rent per sqm	Rub 4,320 to Rub 4,608 Rub 3,800 5.96% to 13.42% 12.11% to 13.4% 3% to 19% \$69 to \$140 Rub 2,339 to Rub 4,916	\$80 Rub 3,700 11.3% to 13.2% 12.3% to 12.6% 3% to 31% \$105 to \$138 Rub 3,500 to Rub 4,500
Regional - Logistics	157,693	150,474	Income capitalisation	Long term ERV per sqm for existing tenants Short term ERV per sqm for vacant space Initial yield Equivalent yield Vacancy rate Passing rent per sqm Passing rent per sqm	Rub 4,608 Rub 3,800 8.99% to 11.33% 12.14% to 12.53% 6% to 27% \$104 to \$133 Rub 3,720 to Rub 6,707	\$80 Rub 3,700 9.0% to 12.4% 12.4% to 12.5% 22% to 33% \$102 to \$129 Rub 3,900 to Rub 6,547
St Petersburg - Office	81,593	24,664	Income capitalisation	ERV per sqm Initial yield Equivalent yield Vacancy rate Passing rent per sqm Passing rent per sqm Passing rent per sqm	\$173 to \$215 12.53% to 24.25% 11.0% to 12.25% 0% to 1% \$388 €390 Rub 8,124 to Rub 16,271	\$235 20.0% 13.0% 0% Rub 19,545 n/a n/a

		Range	
	Description	2017	2016
Other key information			
Moscow - Logistics	Land plot ratio	34% - 65%	34% - 65%
	Age of building	1 to 13 years	2 to 12 years
	Outstanding costs (US\$'000)	9,436	6,803
St Petersburg - Logistics	Land plot ratio	48% - 57%	51% - 57%
	Age of building	3 to 9 years	2 to 8 years
	Outstanding costs (US\$'000)	826	1,102
Regional - Logistics	Land plot ratio	48% - 61%	48% - 61%
	Age of building	8 years	7 years
	Outstanding costs (US\$'000)	154	665
St Petersburg - Office	Land plot ratio	148% to 496%	320%
	Age of building	9 to 11 years	10 years
	Outstanding costs (US\$'000)	81	—



## NOTES TO THE FINANCIAL STATEMENTS

	Carrying amount		Valuation technique	Input	Range	
	2017 \$'000	2016 \$'000			2017	2016
<b>Investment property under construction</b>						
Moscow - Logistics	27,215	30,091	Comparable	Value per ha (\$m)	\$0.32 - \$0.53	\$0.29 - \$0.61
Regional - Logistics	7,600	7,500	Comparable	Value per ha (\$m)	\$0.30	\$0.29

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

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

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

All of the above valuations are completed by JLL.

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

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

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

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

In preparing their valuations in prior periods JLL specifically referred to the uncertainty in the market caused by sanctions, economic contraction and an oil price that was low compared with recent history and the difficulties this caused in drawing conclusions as to market yields and ERVs. Following the improvement in the Russian economy and commercial property market and an increase in activity in the investment market, they no longer highlight this uncertainty.

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

## 14. Goodwill

\$'000

Balance at 1 January 2016	2,245
Effect of foreign exchange rate changes	(363)
<b>Balance at 31 December 2016</b>	<b>1,882</b>
Effect of foreign exchange rate changes	179
Impairment of goodwill	(2,061)
<b>Balance at 31 December 2017</b>	<b>–</b>

As a consequence of the sale of the majority of Raven Mount's land bank in the year, goodwill has been impaired.

## 15. Investment in subsidiary undertakings

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

Name	Country of Incorporation	Proportion of ownership interest	
		2017	2016
Dorfin Limited	Cyprus	100%	100%
Raven Russia Holdings Cyprus 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%	–
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%	–
Petroestate LLC	Russia	100%	100%
Primium LLC	Russia	100%	–
Resource Economica LLC	Russia	100%	100%
Sever Estate LLC	Russia	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.





## 16. Investment in joint ventures

The principal joint ventures of the Group are as follows:

Name	Country of Incorporation	Proportion of ownership interest	
		2017	2016
Coln Park LLP	England	50%	50%
Coln Park Construction LLP	England	50%	50%

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

Summarised Balance Sheet	2017 \$'000	2016 \$'000
Non-current assets	4,355	4,141
Inventory	8,330	10,960
Cash and short term deposits	4,780	2,558
Other current assets	2,656	1,625
Current liabilities	(6,094)	(4,686)
Non-current liabilities	(3,484)	(3,746)
<b>Net assets</b>	<b>10,543</b>	<b>10,852</b>
<b>Investment in joint ventures</b>		
Goodwill on acquisition	4,712	4,305
Share of net assets at 50%	5,271	5,426
<b>Carrying value</b>	<b>9,983</b>	<b>9,731</b>
Carrying value at 1 January	9,731	14,968
Share of profit for the year	2,074	1,780
Share of distributions paid	(2,711)	(4,521)
Effect of foreign exchange rate changes	889	(2,496)
<b>Carrying value at 31 December</b>	<b>9,983</b>	<b>9,731</b>
<b>Summarised Income Statement</b>	<b>2017 \$'000</b>	<b>2016 \$'000</b>
Gross revenue	30,758	25,430
Cost of sales	(24,060)	(19,807)
Administrative expenses	(2,305)	(1,932)
Finance expense	(236)	(125)
<b>Profit before tax</b>	<b>4,157</b>	<b>3,566</b>
Tax	(10)	(5)
<b>Profit for the year</b>	<b>4,147</b>	<b>3,561</b>
<b>Group's share of profit for the year</b>	<b>2,074</b>	<b>1,780</b>

The joint ventures had no contingent liabilities or capital commitments as at 31 December 2017 and 2016. The joint ventures cannot distribute their profits until they obtain the consent from the joint venture partners.

The Group charged its joint ventures \$93k (2016: \$97k) for services rendered to them during the year. The joint ventures recharged certain costs back to the Group that for the year amounted to \$175k (2016: \$146k) of which \$9k (2016: \$9k) was included in payables at the balance sheet date. In addition to the investment shown above the Group has provided a loan to Coln Park LLP of \$406k (2016: \$342k) generating interest income of \$30k (2016: \$37k).

**17. Other receivables**

	2017 \$'000	2016 \$'000
Loans receivable	665	611
Security deposits	1,305	–
VAT recoverable	3,337	2,982
Prepayments and other receivables	318	131
	<b>5,625</b>	<b>3,724</b>

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

**18. Trade and other receivables**

	2017 \$'000	2016 \$'000
Trade receivables	44,315	37,732
Prepayments	5,397	4,257
Security deposits	–	2,393
VAT recoverable	23,429	4,893
Other receivables	284	319
Tax recoverable	5,521	3,075
	<b>78,946</b>	<b>52,669</b>

**19. Derivative financial instruments**

	2017 \$'000	2016 \$'000
<b>Interest rate derivative financial instruments</b>		
Non-current assets	7,729	4,694
Current assets	303	95
Non-current liabilities	–	–
Current liabilities	–	(25)
<b>Forward currency derivative financial instruments</b>		
Non-current assets	123	269
Current assets	17	8
<b>Foreign currency embedded derivatives</b>		
Non-current assets	96	49
Current assets	125	255
Non-current liabilities	–	(67)
Current liabilities	(35)	(918)

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 2017 the instruments have a notional value of \$651 million (2016: \$581 million) and a weighted average fixed or capped rate of 1.61% (2016: 1.51%).

The Group had also entered into a series of forward currency derivative financial instruments to hedge interest payments due to preference shareholders against sterling strengthening. The instruments have a notional amount of \$37.2 million (2016: \$55.8 million), a weighted average capped rate of \$1.55 to £1 (2016: \$1.55 to £1) and quarterly maturities with the final instruments maturing on 18 December 2019 (2016: 18 December 2019).

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



## 20. Cash and short term deposits

	2017 \$'000	2016 \$'000
Cash at bank and on call	173,244	74,708
Short term deposits	93,422	123,913
	<b>266,666</b>	<b>198,621</b>

Cash at bank and on call attracts variable interest rates, whilst short term deposits attract fixed rates but mature and re-price over a short period of time. The weighted average interest rate on short term deposits at the balance sheet date is 5.04% (2016: 5.06%).

## 21. Trade and other payables

	2017 \$'000	2016 \$'000
Trade and other payables	6,762	8,667
Construction payables	10,497	5,905
Advanced rentals	26,467	28,304
Deferred consideration on property acquisition	24,166	–
Other payables	6,949	3,770
Current tax payable	19,829	9,471
Other tax payable	12,678	9,283
Head leases (note 25)	9	8
	<b>107,357</b>	<b>65,408</b>

## 22. Interest bearing loans and borrowings

	2017 \$'000	2016 \$'000
<b>Bank loans</b>		
Loans due for settlement within 12 months	106,697	40,787
Loans due for settlement after 12 months	740,485	699,038
	<b>847,182</b>	<b>739,825</b>
The Group's borrowings have the following maturity profile:		
On demand or within one year	106,697	40,787
In the second year	148,390	53,292
In the third to fifth years	383,582	440,432
After five years	208,513	205,314
	<b>847,182</b>	<b>739,825</b>

The amounts above include unamortised loan origination costs of \$10.6 million (2016: \$12.3 million) and interest accruals of \$1.7 million (2016: \$3.8 million).

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

<b>As at 31 December 2017</b>	<b>Interest Rate</b>	<b>Maturity (years)</b>	<b>\$'000</b>
Secured on investment property and investment property under construction	7.6%	4.5	832,405
Unsecured facility of the Company	8.9%	2.7	14,777
			<b>847,182</b>

**As at 31 December 2016**

Secured on investment property and investment property under construction	7.5%	4.7	725,123
Unsecured facility of the Company	8.9%	3.7	14,702
			<b>739,825</b>

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

There were a number of refinancings completed during the year. On 19 January 2017 the Group refinanced a secured debt facility, drawing down \$80 million under the new facility and repaying \$74.8 million on the old facility. The new facility has a seven year term. A second secured debt facility was refinanced, drawing \$50.6 million on 21 September 2017 and a further \$14.5 million on 26 October 2017, repaying the old facility of \$50.6 million on the initial draw. The new facility has a term of seven years. A third refinancing straddled the year end, \$62.3 million was drawn on 29 December 2017 and the old facility of the same amount repaid on 9 January 2018. Again the term is seven years.

The Group entered into two new secured debt facilities towards the end of the year. On 9 November 2017 the Group entered into one facility drawing €21.6 million and then €42.8 million in two tranches drawn on 20 December 2017 and 5 January 2018 on the second facility. Both of these facilities have a seven year term.

In June 2017 the Group entered into two four year forward dated caps to extend existing hedging arrangements on expiry. In October 2017 the Group entered into a four year forward dated cap starting in March 2018 to extend existing hedging arrangements on expiry. In December 2017 the Group entered into three interest rate caps to hedge floating interest rates on three facilities drawn in the year. In February 2018 the Group sold a cap hedging the facility that was fully repaid in January 2018.

As at 31 December 2017 the Group had interest rate hedges for \$651 million of borrowings (2016: \$469 million) capped at 1.61% (2016: 1.61%) for three years (2016: two years) and \$191 million of fixed rate loans (2016: \$131 million) with a weighted average rate of 6.90% (2016: 7.10%) for five years (2016: six years). At 31 December 2017 the Group had no interest rate swaps (2016: \$112 million with 3 months remaining at a weighted average swap rate of 1.08%). This gave a weighted average cost of debt to the Group of 7.6% (2016: 7.5%) at the year end.



### 23. Preference shares

	2017 \$'000	2016 \$'000
<b>Issued share capital:</b>		
At 1 January	131,703	156,558
Purchased in the year	(112)	(713)
Reissued in the year	961	–
Premium on redemption of preference shares and amortisation of issue costs	537	562
Scrip dividends	863	614
Effect of foreign exchange rate changes	12,506	(25,318)
<b>At 31 December</b>	<b>146,458</b>	<b>131,703</b>

	2017 Number	2016 Number
<b>Issued share capital:</b>		
At 1 January	98,265,327	98,328,017
Purchased in the year	(56,866)	(450,000)
Reissued in the year	487,047	–
Scrip dividends	447,684	387,310
<b>At 31 December</b>	<b>99,143,192</b>	<b>98,265,327</b>
Shares in issue	99,200,060	98,752,376
Held by the Company's Employee Benefit Trusts	(56,868)	(487,049)
<b>At 31 December</b>	<b>99,143,192</b>	<b>98,265,327</b>

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

### 24. Convertible preference shares

	2017 \$'000	2016 \$'000
<b>Issued share capital:</b>		
At 1 January	119,859	–
Issued in the year	130,290	138,705
Allocated to equity	(6,067)	(8,453)
Acquired by Company's Employee Benefit Trust	(3,888)	(10,378)
Reissued in the year	4,376	2,779
Converted to ordinary shares (note 27)	(331)	–
Premium on redemption of preference shares and amortisation of issue costs	7,448	2,892
Movement on accrual for preference dividends	22	24
Effect of foreign exchange rate changes	17,322	(5,710)
<b>At 31 December</b>	<b>269,031</b>	<b>119,859</b>



	2017 Number	2016 Number
<b>Issued share capital:</b>		
At 1 January	102,837,876	–
Issued in the year	89,766,361	108,689,501
Acquired by Company's Employee Benefit Trust	(2,631,578)	(8,000,000)
Reissued in the year	2,683,075	2,148,375
Converted to ordinary shares (note 27)	(266,848)	–
<b>At 31 December</b>	<b>192,388,886</b>	<b>102,837,876</b>
Shares in issue	198,189,014	108,689,501
Held by the Company's Employee Benefit Trusts	(5,800,128)	(5,851,625)
<b>At 31 December</b>	<b>192,388,886</b>	<b>102,837,876</b>

On 4 July 2017 the Company created and issued a further 89,766,361 convertible preference shares at a placing price of 114p per share. The new convertible preference shares rank pari passu with the existing convertible preference shares in issue. One of the Company's Employee Benefit Trusts participated in the placing and subscribed for a further 2,631,578 convertible preference shares.

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 1.759 ordinary shares for each convertible preference share.

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

## 25. Other payables

	2017 \$'000	2016 \$'000
Rent deposits	22,626	23,324
Deferred consideration on property acquisition	10,008	–
Head leases	1,932	1,935
	<b>34,566</b>	<b>25,259</b>

The Group has leasehold properties that it classifies as investment property and investment property under construction. Minimum lease payments due over the remaining term of the leases totalled \$5.9 million (2016: \$5.9 million) and have a present value at 31 December 2017, as reflected above and in note 21, of \$1.9 million (2016: \$1.9 million).



## 26. Deferred tax

(a) Deferred tax assets	Tax losses \$'000	Other \$'000	Total \$'000
Balance at 1 January 2016	25,479	44	25,523
Effect of foreign exchange rate changes	4,838	–	4,838
(Charge) / credit for the year	(3,517)	607	(2,910)
<b>Balance at 31 December 2016</b>	<b>26,800</b>	<b>651</b>	<b>27,451</b>
Effect of foreign exchange rate changes	1,682	–	1,682
Credit for the year	3,207	433	3,640
On acquisition (note 39)	1,856	–	1,856
<b>Balance at 31 December 2017</b>	<b>33,545</b>	<b>1,084</b>	<b>34,629</b>

The Group has tax losses in Russia of \$353 million (2016: \$346 million) and tax losses in the UK of \$72 million (2016: \$87 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 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 2016	30,145	25,474	55,619
Effect of foreign exchange rate changes	5,448	–	5,448
Charge / (credit) for the year	5,069	(4,267)	802
<b>Balance at 31 December 2016</b>	<b>40,662</b>	<b>21,207</b>	<b>61,869</b>
Effect of foreign exchange rate changes	1,937	–	1,937
Charge for the year	6,749	10,508	17,257
<b>Balance at 31 December 2017</b>	<b>49,348</b>	<b>31,715</b>	<b>81,063</b>

## 27. Share capital

	2017 \$'000	2016 \$'000
<b>Issued share capital:</b>		
At 1 January	12,578	12,776
Issued in the year for cash on warrant exercises (note 28)	180	2
On conversion of convertible preference shares (note 24)	6	–
Repurchased and cancelled in the year	(285)	(200)
<b>At 31 December</b>	<b>12,479</b>	<b>12,578</b>

	2017 Number	2016 Number
<b>Issued share capital:</b>		
At 1 January	667,968,463	682,560,376
Issued in the year for cash on warrant exercises (note 28)	13,946,387	114,084
On conversion of convertible preference shares (note 24)	474,722	–
Repurchased and cancelled in the year	(21,817,729)	(14,705,997)
<b>At 31 December</b>	<b>660,571,843</b>	<b>667,968,463</b>

Of the authorised ordinary share capital of 1,500,000,000 at 31 December 2017, 10,948,352 (2016: 24,894,739) are reserved for warrants.

Details of own shares held are given in note 29.

**28. Warrants**

	2017 \$'000	2016 \$'000
At 1 January	1,161	1,167
Exercised in the year (note 27)	(720)	(6)
<b>At 31 December</b>	<b>441</b>	<b>1,161</b>

	2017 Number	2016 Number
At 1 January	24,894,739	25,008,823
Exercised in the year (note 27)	(13,946,387)	(114,084)
<b>At 31 December</b>	<b>10,948,352</b>	<b>24,894,739</b>

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

315 warrants have been exercised in the period since 31 December 2017 (2016: 66,193).

**29. Own shares held**

	2017 \$'000	2016 \$'000
At 1 January	(7,449)	(52,101)
Acquisitions	(158)	(133)
Disposal	–	43,161
Cancelled	47	81
Allocation to satisfy ERS options exercised (note 32a)	–	68
Allocation to satisfy LTIP options exercised (note 32a)	1,818	598
Allocation to satisfy CBLTIS 2015 awards vesting (note 32b)	–	877
<b>At 31 December</b>	<b>(5,742)</b>	<b>(7,449)</b>

	2017 Number	2016 Number
At 1 January	6,444,080	38,456,594
Acquisitions	257,703	282,468
Disposal	–	(30,937,631)
Cancelled	(39,472)	(64,987)
Allocation to satisfy ERS options exercised (note 32a)	–	(62,756)
Allocation to satisfy LTIP options exercised (note 32a)	(1,512,189)	(500,000)
Allocation to satisfy CBLTIS 2015 awards vesting (note 32b)	–	(729,608)
<b>At 31 December</b>	<b>5,150,122</b>	<b>6,444,080</b>

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



### 30. Equity

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

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

### 31. Net asset value per share

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

	2017 \$'000	2016 \$'000
<b>Net asset value</b>	<b>529,758</b>	<b>500,226</b>
Goodwill	–	(1,882)
Goodwill in joint ventures	(4,712)	(4,305)
Unrealised foreign exchange profits on preference shares	(7,856)	(20,362)
Fair value of interest rate derivative financial instruments (note 19)	(8,032)	(4,764)
Fair value of embedded derivatives (note 19)	(186)	681
Fair value of foreign exchange derivative financial instruments (note 19)	(140)	(277)
<b>Adjusted net asset value</b>	<b>508,832</b>	<b>469,317</b>
	<b>Number</b>	<b>Number</b>
Number of ordinary shares (note 27)	660,571,843	667,968,463
Less own shares held (note 29)	(5,150,122)	(6,444,080)
	<b>655,421,721</b>	<b>661,524,383</b>

	2017			2016		
	Net asset value \$'000	Ordinary shares No. '000	Net asset value per share Cents	Net asset value \$'000	Ordinary shares No. '000	Net asset value per share Cents
<b>IFRS</b>						
Net asset value per share	529,758	655,422	81	500,226	661,524	76
Effect of dilutive potential ordinary shares:						
Convertible preference shares (note 24)	269,031	338,412		119,859	186,959	
Warrants (note 28)	3,703	10,948		7,691	24,895	
LTIP (Note 32)	633	1,873		1,196	3,873	
2016 Retention Scheme (note 32)	1,714	4,616		1,498	10,898	
<b>Fully diluted net asset value per share</b>	<b>804,839</b>	<b>1,011,271</b>	<b>80</b>	<b>630,470</b>	<b>888,149</b>	<b>71</b>

	2017			2016		
	Net asset value \$'000	Ordinary shares No. '000	Net asset value per share Cents	Net asset value \$'000	Ordinary shares No. '000	Net asset value per share Cents
<b>Adjusted</b>						
Net asset value per share	508,832	655,422	78	469,317	661,524	71
Effect of dilutive potential ordinary shares:						
Convertible preference shares (note 24)	–	–		119,859	186,959	
Warrants (note 28)	3,703	10,948		7,691	24,895	
LTIP (Note 32)	633	1,873		1,196	3,873	
2016 Retention Scheme (note 32)	1,714	4,616		1,498	10,898	
<b>Fully diluted net asset value per share</b>	<b>514,882</b>	<b>672,859</b>	<b>77</b>	<b>599,561</b>	<b>888,149</b>	<b>68</b>

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

The 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 is greater than the adjusted NAV per share and thus the convertible preference shares are not dilutive for adjusted diluted NAV per share. In the case of IFRS NAV per share the convertible preference shares are dilutive and have been incorporated into the calculation of IFRS diluted NAV per share.

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





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

The Group has utilised a number of different share schemes to reward and incentivise the Group's executives and senior staff.

#### Share Option Schemes ("SOS")

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

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

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

#### 2016 Retention Scheme

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

Participants will receive payment of an instalment in a combination of the Company's listed securities and cash. The numbers of listed securities to be issued to satisfy such payments will be calculated with reference to the average price of the relevant security prior to the payment date. On 13 July 2016 an employment benefit trust ("EBT") of the Company transferred 2,148,375 convertible preference shares to participants of the scheme in satisfaction of the first instalment. On 31 December 2017 the EBT transferred 487,049 preference shares and 1,957,775 convertible preference shares in respect of the second instalment. It is intended that convertible preference shares held by the EBT will also be used to satisfy the third instalment.

	2017		2016	
	No. of options	Weighted average exercise price	No. of options	Weighted average exercise price
<b>(a) Movements in Share Option Schemes</b>				
Outstanding at the beginning of the year	3,872,973	25p	4,447,973	25p
Exercised during the year				
– ERS	–	0p	(75,000)	0p
– LTIP	(2,000,000)	25p	(500,000)	25p
<b>Outstanding at the end of the year</b>	<b>1,872,973</b>	<b>25p</b>	<b>3,872,973</b>	<b>25p</b>
Represented by:				
– LTIP	1,872,973		3,872,973	
	<b>1,872,973</b>		<b>3,872,973</b>	
<b>Exercisable at the end of the year</b>	<b>1,872,973</b>	<b>25p</b>	<b>3,872,973</b>	<b>25p</b>

The weighted average remaining contractual life of options was 1 year (2016: 2 years).

**(b) Movements in Combined Bonus and Long Term Incentive Scheme 2015 Awards**

	2017 No. of award shares	2016 No. of award shares
<b>Awards of Ordinary shares:</b>		
Outstanding at the beginning of the year	–	34,800,000
Granted during the year	–	–
Unvested awards waived during the year	–	(18,750,000)
Vested during the year (of which entitlement to 2,150,626 was waived)	–	(2,942,060)
Lapsed during the year	–	(6,207,940)
Cancelled during the year	–	(6,900,000)
<b>Outstanding at the end of the year</b>	<b>–</b>	<b>–</b>

**(c) Income Statement charge for the year**

	2017 \$'000	2016 \$'000
CBLTIS 2015	–	1,409
2016 Retention scheme	4,545	7,668
	<b>4,545</b>	<b>9,077</b>
To be satisfied by allocation of:		
Ordinary shares (IFRS 2 expense)	–	1,409
Convertible preference shares / preference shares (IFRS 2 expense)	2,910	4,535
Cash	1,635	3,133
	<b>4,545</b>	<b>9,077</b>

Of the IFRS 2 expense for the year \$1.5 million (2016: \$1.5 million) is included in current liabilities.

**33. Capital commitments**

The Group had no significant capital commitments at 31 December 2016 and 2017.

**34. Related party transactions**

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

*Remuneration of Directors and other key management personnel*

	2017 \$'000	2016 \$'000
Short term employee benefits	3,933	6,821
Post employment benefits	282	288
Share-based payments and other long term incentives	4,545	7,668
	<b>8,760</b>	<b>14,777</b>



### 35. Financial instruments – risk management

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

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

#### (a) Market risk

##### Currency risk

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

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

##### Russian Rouble

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

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

The weak Rouble also has an impact on property values and increased credit risk as explained below.

##### Sterling

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

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

As at 31 December 2017	US Dollar \$'000	Sterling \$'000	Russian Rouble \$'000	Euro \$'000	Total \$'000
<b>Non-current assets</b>					
Loans receivable	–	665	–	–	665
Security deposits	1,305	–	–	–	1,305
Derivative financial instruments	6,345	123	96	1,384	7,948
<b>Current assets</b>					
Trade receivables	21,989	4,397	15,536	2,393	44,315
Security deposits	–	–	–	–	–
Derivative financial instruments	303	17	125	–	445
Other current receivables	677	118	546	168	1,509
Cash and short term deposits	112,440	11,795	99,945	42,486	266,666
	<b>143,059</b>	<b>17,115</b>	<b>116,248</b>	<b>46,431</b>	<b>322,853</b>
<b>Non-current liabilities</b>					
Interest bearing loans and borrowings	680,555	–	–	59,930	740,485
Preference shares	–	146,458	–	–	146,458
Convertible preference shares	–	269,031	–	–	269,031
Derivative financial instruments	–	–	–	–	–
Rent deposits	17,718	–	4,908	–	22,626
Other payables	–	–	1,932	–	1,932
<b>Current liabilities</b>					
Interest bearing loans and borrowings	103,906	–	–	2,791	106,697
Derivative financial instruments	–	–	35	–	35
Rent deposits	4,765	–	1,857	–	6,622
Other payables	–	6,051	11,382	22	17,455
	<b>806,944</b>	<b>421,540</b>	<b>20,114</b>	<b>62,743</b>	<b>1,311,341</b>



## NOTES TO THE FINANCIAL STATEMENTS

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

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

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

	2017 \$'000	2016 \$'000
<b>Post tax profit or loss would change by:</b>		
Russian Rouble	5,156	6,619
Sterling	896	1,455
Euro	4,488	214
<b>Net asset value would change by:</b>		
Russian Rouble	6,196	11,121
Sterling	39,960	22,967
Euro	1,631	214

The sterling sensitivity relates to the retranslation of the value of preference shares and convertible preference shares.



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

As at 31 December 2017	US Dollar \$'000	Sterling \$'000	Russian Rouble \$'000	Euro \$'000
<b>Current assets</b>				
Trade receivables	2,399	–	–	–
Cash and short term deposits	12,797	–	54,998	42,486
	<b>15,196</b>	<b>–</b>	<b>54,998</b>	<b>42,486</b>
<b>Current liabilities</b>				
Interest bearing loans and borrowings	67	–	–	2,791
Rent deposits	4,765	–	–	–
	<b>4,832</b>	<b>–</b>	<b>–</b>	<b>2,791</b>
<b>Non-current liabilities</b>				
Interest bearing loans and borrowings	15,000	–	–	59,930
Rent deposits	17,719	–	–	–
	<b>32,719</b>	<b>–</b>	<b>–</b>	<b>59,930</b>

As at 31 December 2016	US Dollar \$'000	Sterling \$'000	Russian Rouble \$'000	Euro \$'000
<b>Current assets</b>				
Trade receivables	5,767	–	–	–
Cash and short term deposits	35,501	–	79,660	–
	<b>41,268</b>	<b>–</b>	<b>79,660</b>	<b>–</b>
<b>Current liabilities</b>				
Interest bearing loans and borrowings	63	–	–	–
Rent deposits	5,375	–	–	–
	<b>5,438</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Non-current liabilities</b>				
Interest bearing loans and borrowings	15,000	–	–	–
Rent deposits	21,264	–	–	–
	<b>36,264</b>	<b>–</b>	<b>–</b>	<b>–</b>

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

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

To date the Group has sought to fix its exposure to interest rate risk on borrowings through fixed rate debt facilities, the use of a variety of interest rate derivatives and the issue of preference shares and convertible preference shares at a fixed coupon. This gives certainty over future cash flow but exposure to fair value movements, which amounted to an accumulated unrealised loss of \$14.0 million at 31 December 2017 (2016: loss of \$12.4 million).



Sensitivity analysis on the Group's interest rate borrowings, net of interest bearing deposits, indicate that a 1% increase in benchmark rates would increase the loss for the year and decrease net assets by \$2.6 million (2016: \$2.1 million). If benchmark rates were to drop to zero then there would be a decrease in the loss for the year and an increase in net assets of \$8.6 million (2016: increase of \$4.2 million) as the loss on income from cash would be greater than gains on interest expense because of the low rates prevailing at this time and the interest rate hedges in place.

#### (b) Credit risk

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

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

	2017 \$'000	2016 \$'000
At 1 January	4,586	4,311
Effect of foreign exchange rate changes	128	254
Charge for the year	105	742
Unused amounts reversed	(198)	(721)
<b>At 31 December</b>	<b>4,621</b>	<b>4,586</b>

At 31 December 2017 there were no significant amounts of unimpaired trade receivables that were past due for collection (2016: \$ nil).

The Group has VAT recoverable of \$26.8 million (2016: \$7.9 million). The timing of recovery of these balances is subject to future revenue receipts and application to the Russian Courts. The Group forecasts the recovery of these balances based upon the timing of future revenue receipts and its experience of successful application to the Russian Courts. No balances are considered past due or impaired at 31 December 2017 (2016: \$ nil) based upon this assessment of the timing of future cash receipts. The Group believes its only exposure is in relation to the timing of recovery.

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

#### (c) Liquidity risk

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

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

All amounts shown are gross undiscounted cash flows.

#### Financial liabilities

As at 31 December 2017	Total \$'000	Current \$'000	Year 2 \$'000	Years 3 to 5 \$'000	Years 6 to 10 \$'000
Interest bearing loans and borrowings	1,072,072	166,325	197,846	478,065	229,836
Preference shares	160,943	16,094	16,094	48,283	80,472
Convertible preference shares	495,150	16,917	16,917	50,751	410,565
Derivative financial instruments	35	35	–	–	–
Head leases	1,553	155	155	466	777
Trade and other payables	46,705	24,078	7,736	13,981	910
	<b>1,776,458</b>	<b>223,604</b>	<b>238,748</b>	<b>591,546</b>	<b>722,560</b>

**Financial liabilities**

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

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

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

**Fair values**

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

	2017		2016	
	Carrying Value \$'000	Fair Value \$'000	Carrying Value \$'000	Fair Value \$'000
<b>Non-current assets</b>				
Loans receivable	665	621	611	577
Security deposits	1,305	1,220	–	–
Derivative financial instruments	7,948	7,948	5,012	5,012
<b>Current assets</b>				
Trade receivables	44,315	44,315	37,732	37,732
Security deposits	–	–	2,393	2,393
Other current receivables	1,509	1,509	318	318
Derivative financial instruments	445	445	358	358
Cash and short term deposits	266,666	266,666	198,621	198,621
<b>Non-current liabilities</b>				
Interest bearing loans and borrowings	740,485	743,488	699,038	706,682
Preference shares	146,458	195,816	131,703	165,140
Convertible preference shares	269,031	317,521	119,859	143,596
Derivative financial instruments	–	–	67	67
Rent deposits	22,626	19,838	23,324	19,838
Other payables	1,932	1,932	1,935	1,935
<b>Current liabilities</b>				
Interest bearing loans and borrowings	106,697	106,697	40,787	45,458
Derivative financial instruments	35	35	943	943
Rent deposits	6,622	6,622	6,640	6,640
Other payables	17,455	17,455	8,869	8,869

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

**(d) Capital risk management**

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

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

To maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, 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.

	2017 \$'000	2016 \$'000
Non-current liabilities	1,123,213	904,157
Current liabilities	214,080	107,130
Total borrowings	1,337,293	1,011,287
Less: cash and short term deposits	266,666	198,621
<b>Net debt</b>	<b>1,070,627</b>	<b>812,666</b>
Equity	529,758	500,226
Preference shares	146,458	131,703
<b>Total capital</b>	<b>1,746,843</b>	<b>1,444,595</b>
<b>Gearing ratio</b>	<b>61.29%</b>	<b>56.26%</b>

**36. Fair value measurement**

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

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total Fair Value \$'000
<b>As at 31 December 2017</b>				
<b>Assets measured at fair value</b>				
Investment property	–	–	1,568,126	<b>1,568,126</b>
Investment property under construction	–	–	38,411	<b>38,411</b>
Derivative financial instruments	–	8,393	–	<b>8,393</b>
<b>Liabilities measured at fair value</b>				
Derivative financial instruments	–	35	–	<b>35</b>

**As at 31 December 2016****Assets measured at fair value**

Investment property	–	–	1,300,643	<b>1,300,643</b>
Investment property under construction	–	–	41,253	<b>41,253</b>
Derivative financial instruments	–	5,370	–	<b>5,370</b>

**Liabilities measured at fair value**

Derivative financial instruments	–	1,010	–	<b>1,010</b>
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\* Explanation of the fair value hierarchy:

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

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

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

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

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

### 37. 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:-

	2017 \$'000	2016 \$'000
Within one year	153,733	124,505
In the second year	129,165	108,852
In the third to fifth year (inclusive)	191,718	196,800
After five years	43,466	53,140
	<b>518,082</b>	<b>483,297</b>

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

	2016 \$'000	Cash flows \$'000	Non-cash changes Fair value \$'000	Foreign exchange \$'000	Other \$'000	2017 \$'000
Interest bearing loans and borrowings	739,825	103,175	–	(143)	4,325	<b>847,182</b>
Preference shares	131,703	(112)	–	12,506	2,361	<b>146,458</b>
Convertible preference shares	119,859	126,402	–	17,322	5,448	<b>269,031</b>
Derivative financial instruments	(5,041)	(4,870)	1,758	(19)	–	<b>(8,172)</b>
	<b>986,346</b>	<b>224,595</b>	<b>1,758</b>	<b>29,666</b>	<b>12,134</b>	<b>1,254,499</b>

Cash flows relating to interest bearing loans and borrowings comprise:

Proceeds from long term borrowings	271,457
Repayment of long term borrowings	(125,371)
Loan amortisation	(38,322)
Bank borrowing costs paid	(64,171)
Add: Interest paid	59,582
Loan origination costs incurred	(4,589)
	<b>103,175</b>

Other non-cash changes include amortisation of origination costs, movements in interest accruals, accretion of premiums payable on redemption of preference and convertible preference shares and the allocation to equity on issue of convertible preference shares.





### 39. Acquisitions in the period

The Group made three corporate acquisitions in the period; Gorigo Logistics Park, Primium Business Centre and Kellerman Business Centre from the same investment fund. The Group purchased the properties by acquiring all of the issued share capital of the corporate vehicles that owned the properties. In accordance with its accounting policy, the Group considered each acquisition in turn, assessing whether an integrated set of activities had been acquired in addition to the property. In each case it was concluded a business had not been purchased but rather the acquisition of a group of assets and related liabilities.

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

	Primium \$'000	Kellermann \$'000	Offices Total \$'000	Gorigo \$'000	Total \$'000
Non-current assets					
Investment property (note 11)	29,216	20,963	50,179	35,994	<b>86,173</b>
Deferred tax assets (note 26a)	–	–	–	1,856	<b>1,856</b>
Current assets					
Trade and other receivables	234	440	674	282	<b>956</b>
Cash and short term deposits	1,930	1,016	2,946	1,142	<b>4,088</b>
Current liabilities					
Trade and other payables	(1,983)	(2,523)	(4,506)	(1,961)	<b>(6,467)</b>
	<b>29,397</b>	<b>19,896</b>	<b>49,293</b>	<b>37,313</b>	<b>86,606</b>
Discharged by:					85,778
Cash consideration paid					828
Acquisition costs					<b>86,606</b>

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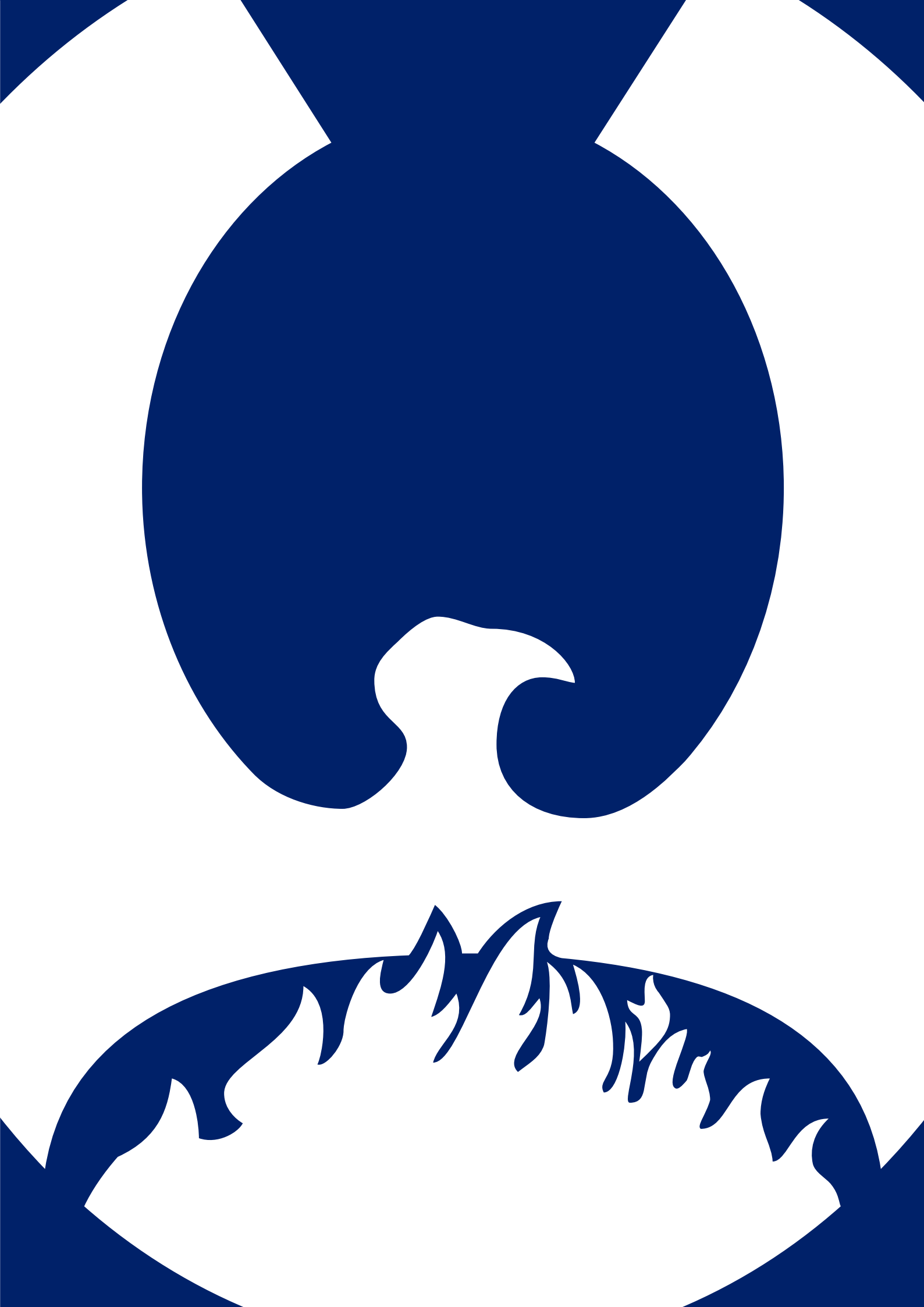
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