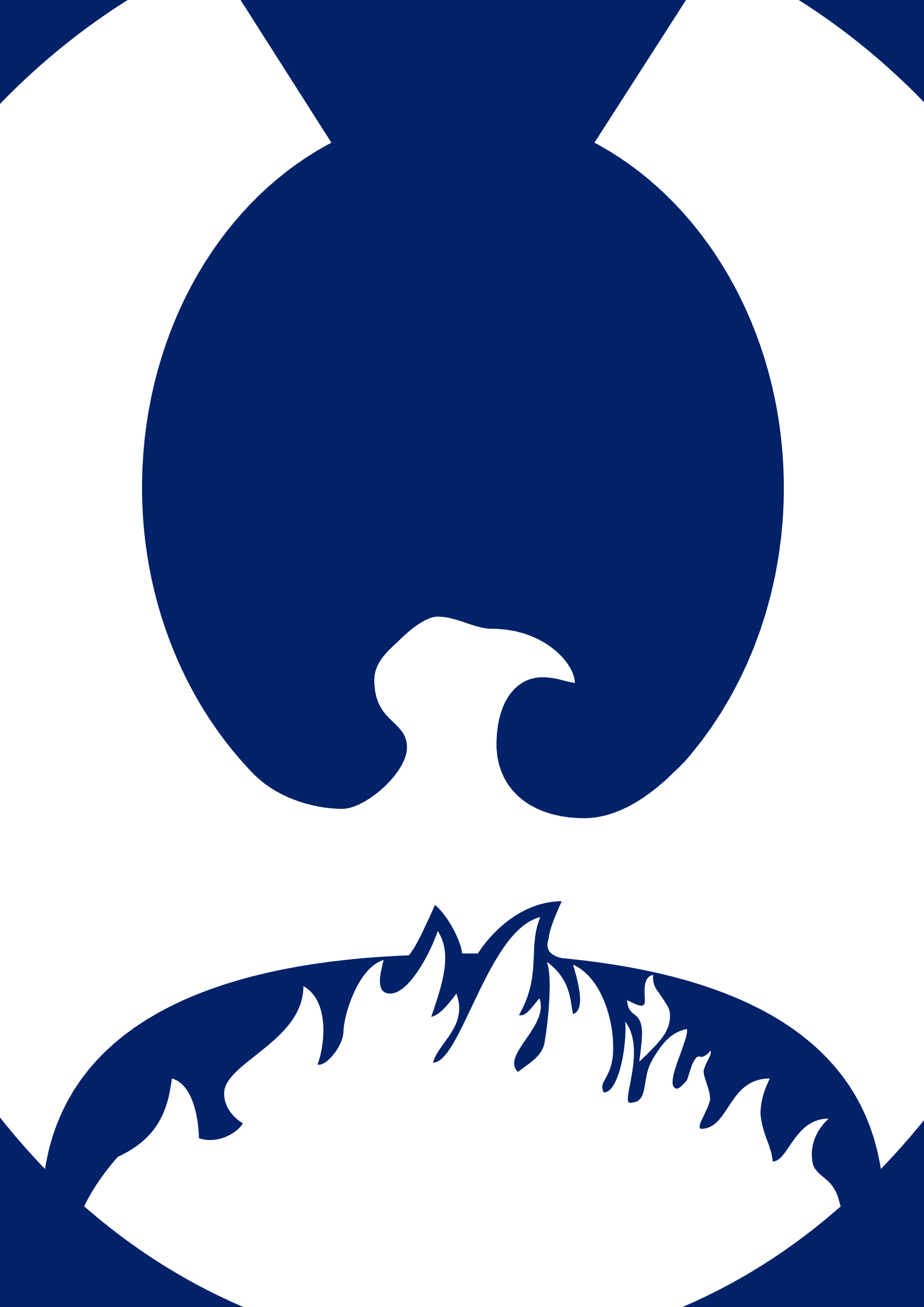




RAVEN PROPERTY GROUP LIMITED

2018 Annual Report



RAVEN PROPERTY GROUP LIMITED
RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

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RESULTS HIGHLIGHTS

NET OPERATING
INCOME

£118.3 MILLION

UNDERLYING EARNINGS
AFTER TAX

£20 MILLION

BASIC
UNDERLYING EPS

3.12 PENCE

DILUTED NAV
PER SHARE

48 PENCE

DISTRIBUTION PER
ORDINARY SHARE
FOR THE YEAR

3 PENCE

INVESTMENT
PROPERTY (SQM)

1.9 MILLION

INVESTMENT
PROPERTY VALUE

RUB 105.5
BILLION

ACQUISITIONS
DURING THE YEAR

123,200 SQM

AVERAGE
WAREHOUSE RENT

RUB 4,900
PER ANNUM PER SQM

PORTFOLIO
OCCUPANCY TODAY

90%

CHAIRMAN'S MESSAGE

I am pleased to report that we have made significant progress in the year. We now consider ourselves a Rouble operating business and our balance sheet exposure to US Dollar liabilities has greatly reduced.

The market fundamentals in the warehouse market have steadily improved and our warehouse occupancy levels have increased from 81% at 1 January 2018 to 89% at 31 December 2018 with a further increase to 90% today.

In 2018 we completed two further acquisitions of grade A warehouse space, totalling 123,200sqm, for Roubles 5.3 billion, which should generate an additional Roubles 580 million of income per annum. Since April 2017 we have acquired Roubles 14.6 billion of new assets and, together with increased occupancy, this has supported our top line as legacy US Dollar pegged leases mature.

Our exposure to US Dollar financing facilities has reduced from 92% at the beginning of the year to 34% of the Group's secured debt at 31 December 2018. We still have some work to do but we are confident that 2019 will see the residue of US Dollar balance sheet exposure disappear.

The certainty of a long term Rouble rental market and the shift away from a US Dollar financing model has led us to reconsider a number of currency related issues. For the first time our valuers have applied Rouble estimated rental values ("ERVs") in the valuation model of our investment portfolio and as at 31 December 2018 all of our investment properties are valued in Roubles rather than US Dollars. This has precipitated a review of both the balance sheet functional currency of our subsidiaries and also the presentation currency we use in our Annual Report. The most obvious change being that we have reverted to a Sterling presentation policy for our Annual Report, the currency of our share capital and preference shares.

The weak Rouble exchange rate at 31 December 2018 has had a detrimental impact on our property valuations. Rouble valuations of the investment portfolio improved in the year but exchange losses caused a revaluation loss on translation. Underlying earnings of £20.0 million support our distribution for the year. IFRS losses of £120.7 million reflect the impact of the weak Rouble on valuation movements.

We welcome Michael Hough to the Board. Michael joined as a non executive director on 9 October 2018 and has a strong commercial pedigree and previous experience of the Russian market. We are sad to say that Stephen Coe will step down from the Board following this year's AGM. Stephen has been an invaluable member of the non executive team for many years and will be missed. We wish him well. Michael will take over the role of Audit Committee Chairman following Stephen's retirement. This signals the resumption of our succession planning for the Board. We had put this on hold following the turbulence of the oil and Rouble collapse in late 2014 and expect to make an ordered rotation over the next three years.

We have successfully completed two secondary listings of our ordinary shares on the Johannesburg Stock Exchange ("JSE") and the Moscow Stock Exchange ("MOEX") during the year and we hope that this will provide an opportunity to widen our shareholder base in the future.

It has been another busy year and as always, we are grateful for the support of our shareholders.

Richard Jewson

Chairman

17 March 2019

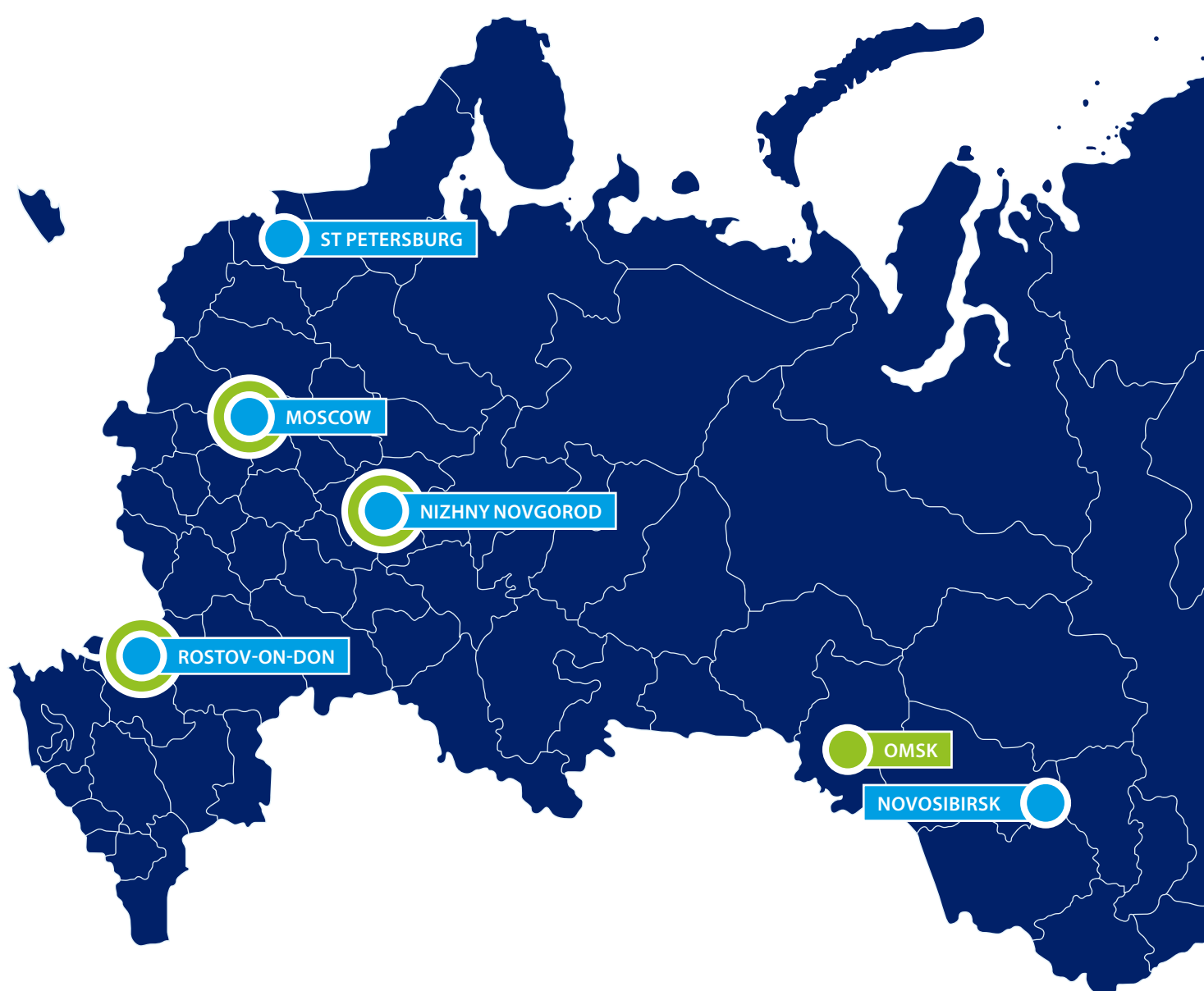


THE PORTFOLIO

RUSSIAN FEDERATION

INVESTMENT PROPERTY

LAND BANK







Moscow

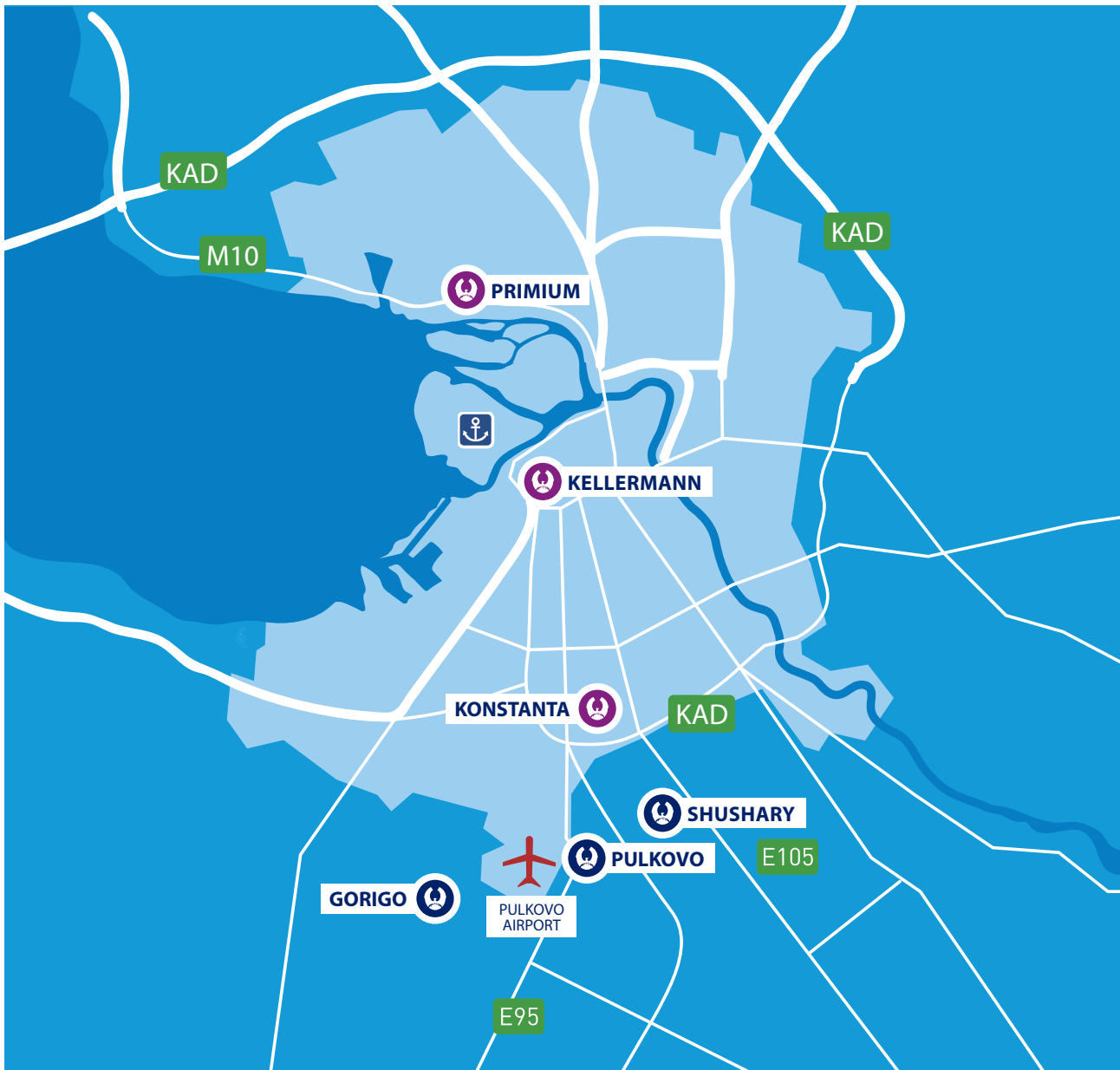


Warehouse



Office

St Petersburg





Sever, Moscow

DESCRIPTION

Grade A Logistics Warehouse Complex

KEY TENANTS

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

GLA

253,000 sqm

LOCATION

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





Pushkino, Moscow

DESCRIPTION

Grade A Logistics Warehouse Complex

KEY TENANTS

- DHL
- Itella
- Makita
- Megapolis
- Axioma

GLA

214,000 sqm

LOCATION

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





Istra, Moscow

DESCRIPTION

Grade A Logistics Warehouse Complex

KEY TENANTS

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

GLA

206,000 sqm

LOCATION

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





Noginsk, Moscow

DESCRIPTION

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

KEY TENANTS

- X5 Retail Group
- Dixy
- Cotton Club
- ID Logistics

GLA

204,000 sqm

LOCATION

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





Klimovsk, Moscow

DESCRIPTION

Grade A Logistics Warehouse Complex

GLA

157,000 sqm

KEY TENANTS

- Gradient
- Private Trade (Kupi VIP)
- TM Project (Marvel)
- Danone
- FARM
- Accord Post
- Mir Instrumenta

LOCATION

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





Shushary, St Petersburg

DESCRIPTION

Grade A Logistics Warehouse Complex

KEY TENANTS

- RosLogistics
- Dixy
- Officemag Sbp
- Bbraun
- Amway

GLA

148,000 sqm

LOCATION

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





Novosibirsk

DESCRIPTION

Grade A Logistics Warehouse Complex

GLA

121,000 sqm

KEY TENANTS

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

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
- Simple Wines

GLA

118,000 sqm

LOCATION

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





Rostov-on-Don

DESCRIPTION

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

KEY TENANTS

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

GLA

102,000 sqm

LOCATION

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





Gorigo, St Petersburg

DESCRIPTION

Grade A Logistics Warehouse Complex

KEY TENANTS

- DB Schenker
- Simba Toys
- Logisan
- DNS Retail

GLA

87,000 sqm

LOCATION

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





Nova Riga, Moscow

DESCRIPTION

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

KEY TENANTS

- Pernod Ricard
- McKenzie
- Maunsfeld
- BGLC Group

GLA

68,000 sqm

LOCATION

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





Volga, Nizhny Novgorod

DESCRIPTION

Grade A warehouse complex with additional 21.5ha of land

KEY TENANT

- X5 Retail Group
- Bristol

GLA

64,000 sqm

LOCATION

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





Lobnya, Moscow

DESCRIPTION

Grade A Logistics Warehouse Complex

KEY TENANTS

- Nippon Express
- RosLogistics
- SportConcept
- Vostok Invest
- ProStore

GLA

52,000 sqm

LOCATION

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





Sholokhovo, Moscow

DESCRIPTION

Grade A Logistics Warehouse Complex

KEY TENANT

- RedCube
- BVK
- Perspektiva

GLA

45,000 sqm

LOCATION

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





Pulkovo, St Petersburg

DESCRIPTION

Grade A Logistics Warehouse Complex

GLA

37,000 sqm

KEY TENANTS

- SKL
- OSG
- Edil Import
- UPM
- Melon Fashion

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

14,000 sqm

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

22,000 sqm

LOCATION

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





Primium, St Petersburg

DESCRIPTION

Class A Office Complex

KEY TENANT

- YIT

GLA

11,000 sqm

LOCATION

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



Konstanta, St Petersburg

DESCRIPTION

Grade B+ office building

KEY TENANT

- LenEnergio

GLA

16,000 sqm

LOCATION

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





CHIEF EXECUTIVE'S REPORT

Dear Shareholders,

We have nearly completed our transition to a Rouble business and in Rouble terms we are performing well. Annoyingly the low year end Rouble exchange rate has not allowed this to be reflected once translated into Sterling. On 1 January 2018 the Rouble/Sterling exchange rate was 77.88. At 31 December 2018 that rate had fallen 13.4% to 88.35. Today it is 86.12.

Local market conditions are improving. Vacancy rates are down, rents are rising and the overall performance of the Russian economy is strengthening.

In our own portfolio we have seen occupancy rise from 81% to 89% in the year with a further increase to 90% today.

Rents have firmed consistently through the year and Moscow rents are now at 3,800 – 4,000 Roubles per sqm for standard space. Our average warehouse rental rates are Roubles 4,900 per sqm after taking into account higher tenant specification, office and mezzanine content. We expect these rates to continue to improve as demand and supply is out of balance and there are exceptionally low levels of speculative development.

At the year end the portfolio revaluation in Roubles has shown an increase of 8%.

We have made good acquisitions in the period and look forward to their full year contribution to results in 2019. We have also invested close to £19 million in Rouble interest rate hedging, capping our Rouble cost of debt at a rate of 8.25% for periods of five to seven years. We are nearly out of dollar debt and by refinancing in Roubles and Euros have maintained a cost of debt of 7.69%. The portfolio valuation yields were between 11% and 12.5% at the year end.

In the meantime the Russian e-commerce sector continues to develop successfully with some impressive players emerging. We anticipate that they will soon start to make a significant impact on the logistics real estate market.

Frustratingly, since the US sanctions in August, the Rouble fall has resulted in Sterling fully diluted NAV per share dropping to 48p at 31 December 2018.

We are pleased to be making a final distribution of 1.75p by way of tender offer buy back of 2 shares in every 51 at 45p, meaning we will have distributed a total of 3p for the year.

The business is now well positioned as a local market leader in one of the world's most appealing property sectors. We are close to having restructured our balance sheet so are in a strong position to benefit from a continued improvement in our market and at some point a significant change in valuations.

Our prospects look better than they have at any time since 2014 and we are confident about the future.

Glyn Hirsch

Chief Executive Officer

17 March 2019

BUSINESS MODEL

Our Strategy

We continue with our strategy of holding an investment portfolio of Grade A logistics warehouses in Russia for the long term, with the aim of producing rental income that delivers progressive distributions to our shareholders. We will consider other asset classes in the region if the property and financial metrics are attractive and we have a small office portfolio in St Petersburg which we also intend to hold for long term income returns.

Business Model

We acquire investment assets typically with yields of between 11% and 14% and have bank financing costs across the Group of 7.69%. We now run a Rouble operating model but continue to have legacy US Dollar pegged leases which will mature over the next three years. As explained in last year's Annual Report, our aim was to adapt our business model, moving the Group's secured banking facilities out of US Dollars and to a Rouble/Euro mix to reduce our foreign currency exposure whilst managing the cost of debt. This process is now well underway.

At the year end, US Dollar leases account for 26% of the Gross Lettable Area ("GLA") of our warehouse portfolio (2017: 31%). Our office portfolio has a currency exposure to Euro on 20% (2017: 23%) of its GLA and 9% to US Dollar (2017: 9%).

The Group's secured banking facilities are 31% (2017: 0%) Rouble denominated, 35% (2017: 8%) Euro and 34% (2017: 92%) of US Dollar, at year end exchange rates. We expect to convert all remaining US Dollar facilities in the current year.

Each of the facilities secured on our property assets sits in a special purpose vehicle ("SPV") structure to minimise recourse to the overall portfolio. At the year end, asset specific debt represented 54.1% loan to value (2017: 53%).

Our average letting size by tenant is 9,000sqm (2017: 8,760sqm). We do not have one tenant with more than 8% (2017: 11%) of our portfolio's GLA and the top ten tenants account for 42% (2017: 41%) of our portfolio in GLA terms and 53% (2017: 54%) in income terms.

Key Performance Indicators ('KPIs')

Occupancy levels and average Rouble rental levels achieved are our primary operating focus.

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.

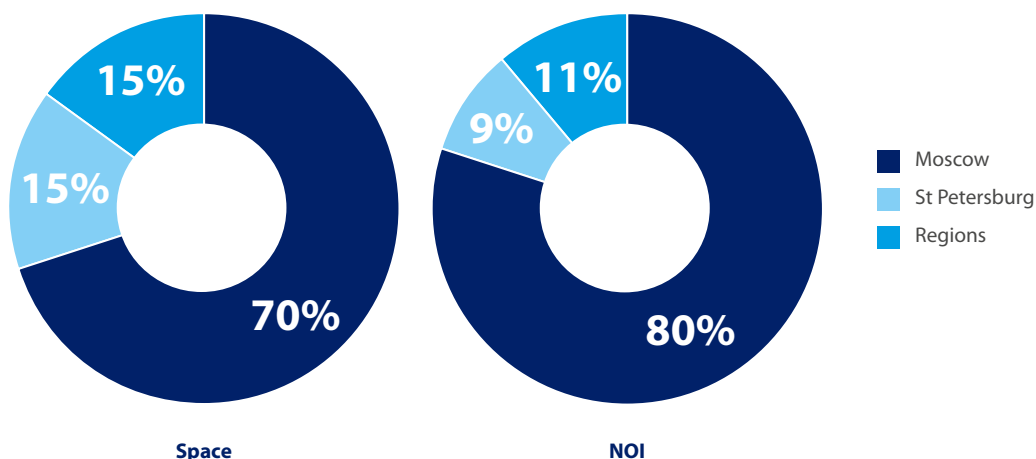
All of the above underpin financial targets set for annual bonus incentives.



PORTFOLIO REVIEW

Geographical analysis

Warehouse



Office

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

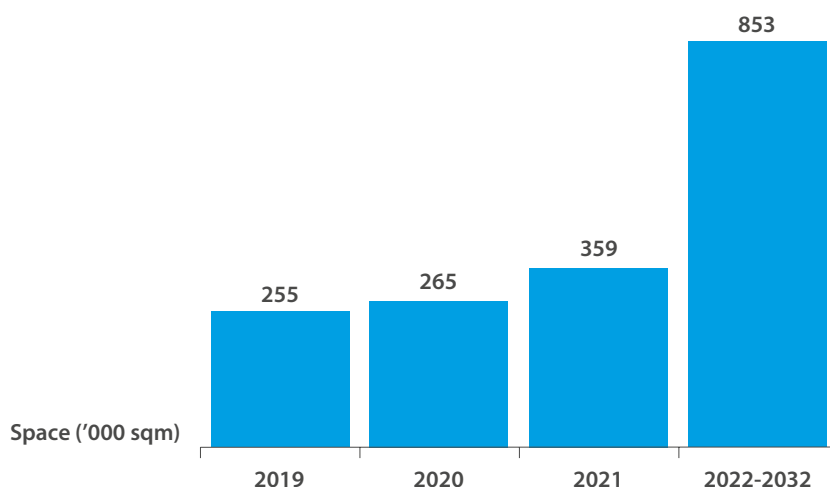
Leasing and maturities

During the year we completed two acquisitions; the final phase of Logopark Sever, a warehouse complex north of Moscow, and Logopark Volga, a warehouse complex with development land in Nizhny Novgorod. In aggregate these were acquired for a total consideration of Roubles 5.3 billion for 123,200sqm at a blended initial annualised yield of 12.4% assuming the leasing of vacant space. The acquisitions did not have a material impact on income in 2018 but we expect them to contribute Roubles 580 million of NOI during 2019.

Occupancy has improved considerably during the year and stands at 90% today with a further 1% covered by letters of intent ("LOIs").

'000 sqm	2018	2019	2020	2021	2022-2032	Total
Maturity profile at 1 January 2018	169	264	308	236	495	1,472
Acquisitions	–	4	–	–	107	111
Subtotal	169	268	308	236	602	1,583
Renegotiated and extended	(102)	(64)	(50)	–	(37)	(253)
Maturity profile of lease extensions	–	41	10	84	118	253
Vacated/terminated	(67)	(5)	(4)	–	(16)	(92)
New Lettings	–	15	1	39	186	241
Maturity profile at 31 December 2018	–	255	265	359	853	1,732

Lease Expiries at 31 December 2018



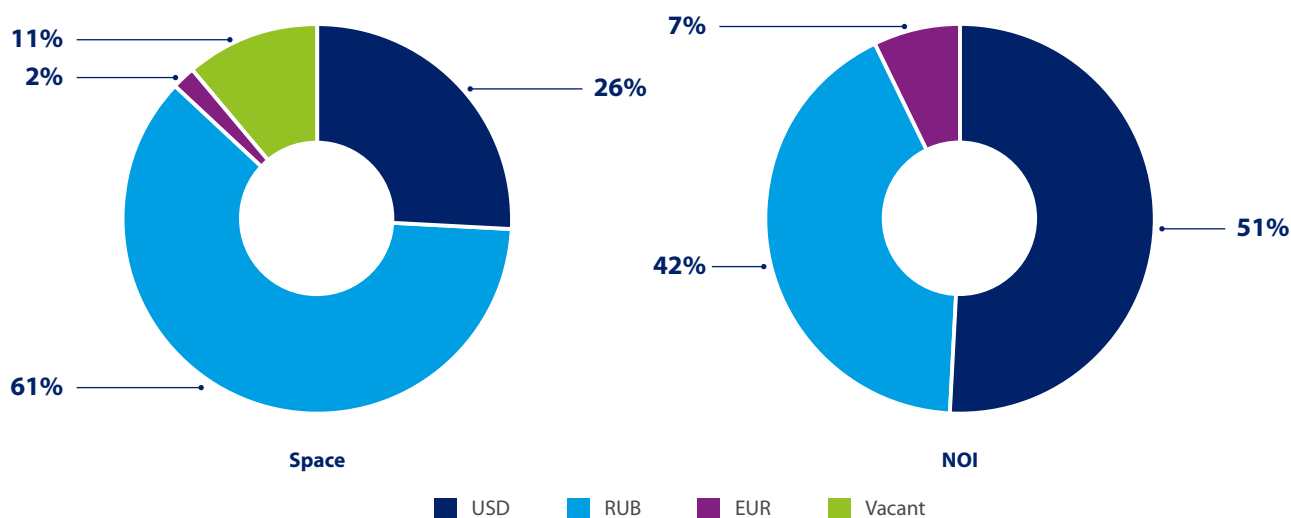
253,000sqm of existing leases have been renegotiated and extended in the financial year and 241,000sqm of new leases signed. Significant new lettings include 11,800sqm to Accord Post, 16,000sqm to Mir Instrumenta, 16,200sqm to Cotton Club and 18,200sqm to Perspektiva, all in Moscow.

Space vacated on maturity, breaks exercised and early terminations totalled 92,000sqm which, together with existing vacant space, gives 206,000sqm of vacancy in our warehouse portfolio at 31 December 2018. There are also potential breaks in the portfolio of 91,600sqm in 2019 and 199,900sqm in 2020. For 2019 we currently expect tenants who occupy circa 17,000sqm to exercise their breaks and vacate.

Since the year end we have signed a further 31,850sqm of deals of which 23,000sqm were new lettings and 8,850sqm were renewals or extensions. We currently have 79,800sqm of LOIs for renewals, extensions and new lettings. If these are signed vacancy will reduce by a further 24,250sqm.

At the year end 26% (2017: 31%) of our warehouse GLA had US Dollar denominated leases with an average warehouse rental level of \$148 per sqm (2017: \$143 per sqm) and a weighted average term to maturity of 2.1 years (2017: 3.0 years). Rouble denominated leases account for 61% (2017: 47%) of our total warehouse space with an average warehouse rent of Roubles 4,900 per sqm (2017: 5,200 per sqm) and weighted average term to maturity of 4.5 years (2017: 3.6 years). Rouble leases have an average minimum annual indexation of 5.9% (2017: 6.8%).

Currency exposure of warehouse leases



The currency split is based on the year end Sterling presentation so will be somewhat volatile, a weak Rouble, as was the case last year, will increase the contribution of US Dollar pegged leases, a stronger Rouble will reduce that contribution.

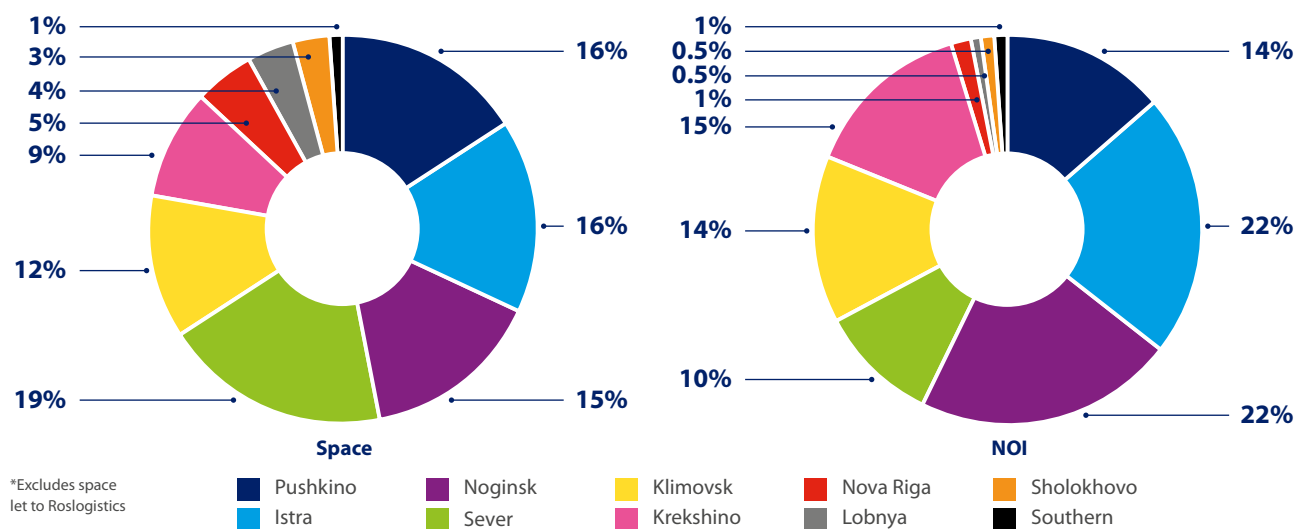


Investment Portfolio

Warehouse portfolio

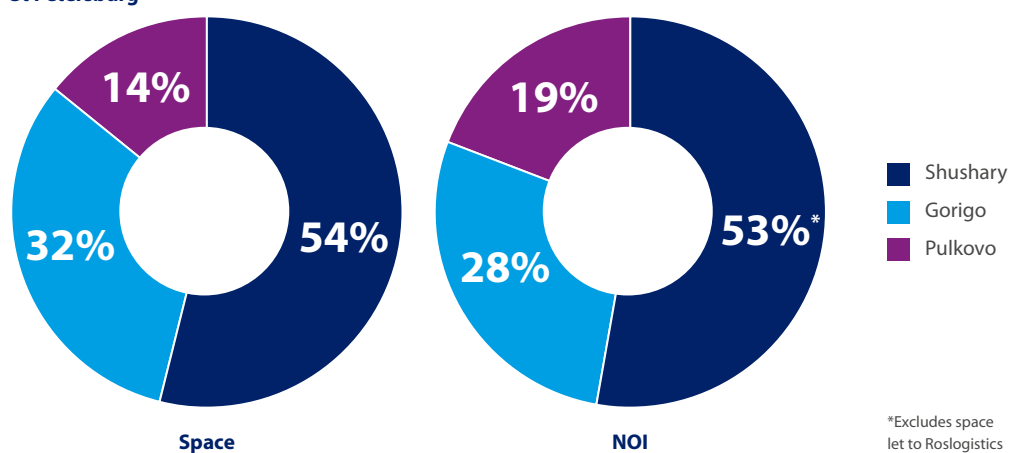
Moscow

We have ten warehouse projects in Moscow totalling 1,331,000sqm with 88% of space let at the year end, excluding LOIs, up from 78% at the beginning of the year.

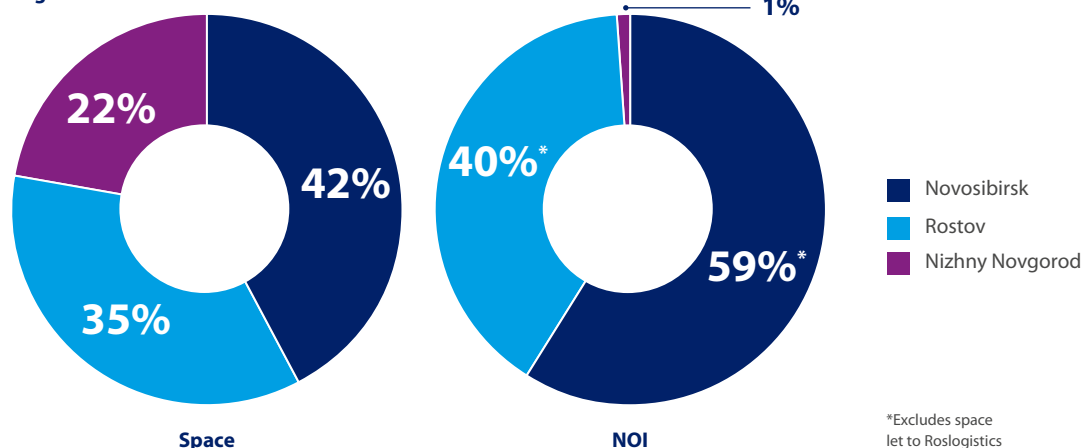


Occupancy has improved in the Moscow portfolio with a net, like for like, increase in occupied area of 132,500sqm during the year, a combination of new letting and successful lease renewals. The Moscow market has seen vacancy decrease and record take up in the past year reflected in a hardening of rents. The market is well set for rental growth in 2019. We expect occupancy to remain in the low 90%'s during the year, held back slightly by over 90,000sqm expiring in Krekshino towards the end of June. We are already working to mitigate this by pro-actively leasing space prior to expiry.

St Petersburg

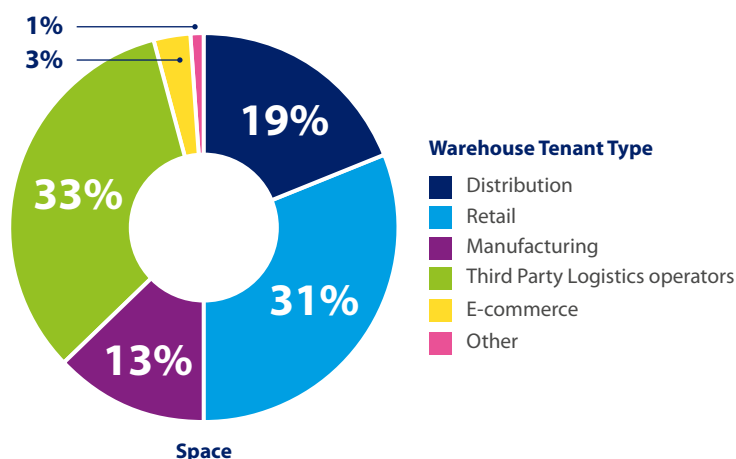


Regions



Warehouse occupancy in the regional markets of St Petersburg, Rostov and Novosibirsk has strengthened and we have seen a lot of activity. Vacancy has reduced in all three markets as at today's date and rents have begun to grow, particularly in Novosibirsk where we are now commanding over Roubles 4,000 per sqm.

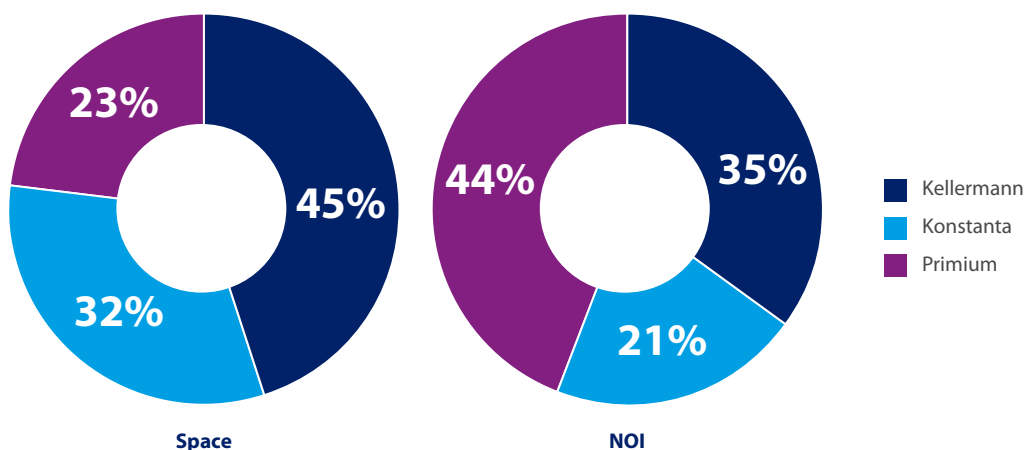
Tenant Mix



Office portfolio

St Petersburg

We have continued implementing our asset management strategy in the St Petersburg office properties. At Kellerman, we have undertaken cosmetic improvements to the common areas, restructured leases and re-let space at enhanced rents. There is more work to do, but the market is strong and we expect to make additional improvements in value and income. In Premium where the lease of the sole tenant expires in the summer, we have already put in place a comprehensive re-letting plan which will mean we suffer little or no vacancy on expiry, including recently signing a new lease with Tele2 on 4,000sqm.



Portfolio yields

Warehouse	Moscow (%)	St Petersburg (%)	Regions (%)
2017	11.25 - 12.5	12.5	12.5
2018	11.00 - 12.6	12.30 - 12.5	12.25 - 12.5

Office	Moscow (%)	St Petersburg (%)	Regions (%)
2017	–	11.00 - 12.25	–
2018	–	12.00 - 12.25	–

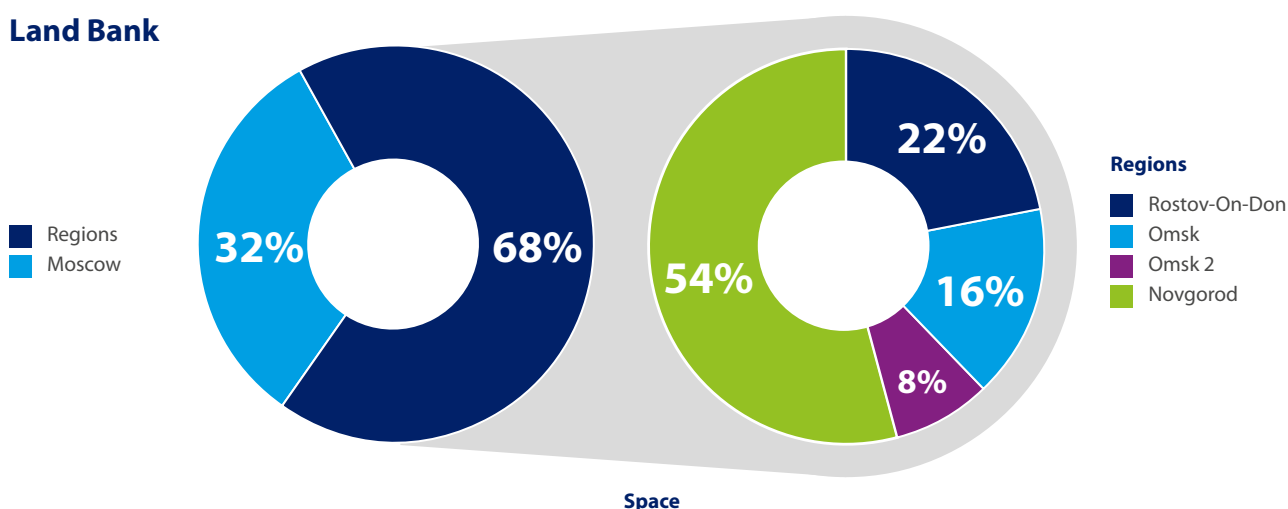
The investment properties and additional phases of existing projects were valued by Jones Lang LaSalle ("JLL") at the year end, in accordance with the RICS Valuation and Appraisal guidelines, and are carried at a market value of £1.2 billion (see notes 11 & 12 to the financial statements). This has resulted in a net loss on revaluation of £121 million in portfolio value during the year, although in Rouble terms the value of the properties has increased by 8%.



All significant yield inputs have remained static for the year reflecting a reasonably stable market place. JLL still quote a range of yields 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.

The property investment market had a very slow year in 2018 with the volume of transactions dropping by around 40%. The political environment and additional sanctions conspired to make many investors sit on their hands, either waiting for things to get better (sellers) or get worse (buyers). Domestic buyers remain the largest part of the market with western capital almost non-existent, foreign investment instead coming from China and the Middle East. The cost of finance has remained broadly flat during the year although the Central Bank of Russia did raise its key lending rate marginally to combat inflation.

Land Bank



In Moscow, as the market tightens, we are considering developing up to an additional 75,000sqm at Nova Riga, subject to pre lets or Build to Suit requests.

The Market

Demand in 2018 was at record levels in Moscow and the Moscow region where we have the majority of our assets. Take up in 2018 was 1,600,000sqm with new supply at 918,000sqm, causing the vacancy rate to shrink. Demand was strongest from the retail and distribution businesses which accounted for 40% and 14% respectively. E-commerce is now an increasing area of demand with total space of 208,000sqm taken by the sector in 2018. This is a strengthening trend and already in 2019 we have seen Ozon lease 122,000sqm in Moscow and Yandex negotiating for up to 80,000sqm. We expect take up from the e-commerce sector to accelerate over the next few years, mirroring other European markets.

The vacancy rate in the market is now around 5% and rents have clearly started to grow. Whilst there are still specific sub markets where demand is weaker and rents lower, the general consensus is that the market is poised for another strong year. A lot will depend on the supply side and the volume of build to suit projects ("BTS") that are actually delivered. Preliminary estimates show that new delivery will be circa 990,000sqm and demand expected to be circa 1,400,000sqm. Of that only 416,000sqm or 42% will be speculative. History tells us the supply side is generally over estimated or delayed, so all things being equal rents should continue to grow. Construction cost inflation is starting to develop, driven partly by the currency effect of imported specialist materials and also by rising labour costs. This will result in less space being built or rents increasing as developers look to maintain their profit levels.

Last year prime rents were in a range from Roubles 3,600 per sqm to Roubles 4,000 per sqm for Grade A space. Today the bottom end of that range has increased to closer to Roubles 3,800 per sqm and the top end is pushing above Roubles 4,000 per sqm. We are already negotiating deals around Roubles 4,000 per sqm and as vacancy continues to decline tenants will be faced with less choice hopefully causing rents to rise further. In St Petersburg and our two regional hubs of Rostov and Novosibirsk rental levels are broadly the same as in Moscow.

Investment volumes in the year decreased to \$2.9 billion, with 66% of this in Moscow. Over 72% of all deals were funded by Russian capital, and only 14% of the total capital or \$400 million went into the warehouse sector. JLL predict prime yields in the range of 10.75-12.25% for Moscow warehouses. We are seeing a number of new acquisition opportunities, although our preference is to acquire newly completed or recently let properties as these generally offer the best long term prospects for value appreciation and sustainable cash flows.

2019 has started positively and all local indicators seem to point to improvements in occupancy and rents. Yields will remain a function of interest rates and the strength of investor appetite, but if rents begin to grow then yields should certainly begin to adjust downwards to reflect the potential of rental growth from under rented leases expiring. In any other European market yields would be considerably lower than we see today, and in the medium term this must be an opportunity.

FINANCE REVIEW

Asset acquisitions and increased occupancy in the investment portfolio have supported our net rental income. The second half of the year has also seen a concerted effort to reduce our exposure to US Dollar financing, moving to a Rouble/Euro mix. The balance sheet at 31 December 2018 gives a snapshot of the business part way through that process and we are very pleased with progress so far. In the current year we expect to convert all remaining US Dollar debt facilities and then move steadily to a Rouble balance sheet in the medium term, with an eye on managing the dynamic between the cost of debt and currency exposure as we go along.

At 31 December 2018, JLL have undertaken Rouble valuations of our investment portfolio for the first time, rather than US Dollar. Combined with the Group's balance sheet debt transitioning out of US Dollars, this has triggered a review of all of the functional currencies of our subsidiaries. Where previously some of our asset owning subsidiaries had a mix of Rouble and US Dollar functional currency, they are now wholly Rouble functional currency from 31 December 2018. As the US Dollar has a reducing impact on both our operating results and balance sheet, we have also made the decision to revert to Sterling as our presentation currency, being the currency of our capital instruments.

Income Statement

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.

Underlying Earnings (Adjusted non IFRS measure)	2018 £'000	2017 £'000
Net rental and related income	118,285	129,696
Administrative expenses	(22,714)	(19,688)
Long term incentives	–	(1,257)
Foreign exchange (losses)/gains	(2,480)	6,132
Share of profits of joint ventures	1,630	1,611
Operating profit	94,721	116,494
Net finance charge	(68,510)	(60,592)
Underlying profit before tax	26,211	55,902
Tax	(6,197)	(12,524)
Underlying profit after tax	20,014	43,378
Basic underlying earnings per share (cents)	3.12p	6.54p

When comparing to 2017, this year's results are distorted by two items. Firstly, the one off income of £16.4 million generated from UK land bank sales in 2017 and a negative swing of £8.6 million on unrealised foreign exchange movements, the latter being the effect of the weak Rouble rate at 31 December 2018 of 88.3 to £1 (31 December 2017: 77.9). This masks the improved performance of our underlying investment portfolio.



	2018 £'000	2017 £'000
Net Rental and Related Income		
Acquisitions	18,152	8,304
Existing Investment Portfolio	91,632	95,418
RosLogistics	8,124	9,601
UK Land Sales	377	16,373
Net rental and related income	118,285	129,696

The table above illustrates the impact of acquisitions and the proceeds from the UK land sales in 2017 on our net rental income over the last two years.

The majority of the movement on the existing investment portfolio is simply the translation to Sterling presentation, the weaker average Rouble/Sterling rate in 2018 of 83.7 (2017: 75.2) reducing equivalent Sterling amounts. The existing investment portfolio actually generated increased Rouble income of 7.7 billion in 2018 compared to 7.2 billion 2017, higher occupancy matching any step down to market rents, and we expect a full year of income from acquisitions in 2019 to contribute Roubles 1.9 billion.

Underlying Administrative Expenses

Underlying administrative expenses increase primarily as a result of bonuses paid in early 2018 in relation to 2017 performance targets. Legal and professional expenses increased in the year for various reasons including an increase in valuation fees with the change in valuation approach, PR costs and finance related costs.

Underlying Net Finance Charge

Net finance costs increase with a full year of preference share coupon on the tranche raised in 2017, the refinancing of acquisitions and a reduction in interest received as our average cash balances reduced.

	2018 £'000	2017 £'000
IFRS Earnings		
Net rental and related income	118,285	129,696
Administrative expenses	(25,150)	(22,099)
Share based payments and other long term incentives	(2,853)	(3,517)
Foreign exchange (loss)/profits	(2,480)	6,132
Share of joint venture profits	1,630	1,611
Operating profit	89,432	111,823
(Loss)/Profit on revaluation	(121,009)	28,235
Net finance charge	(83,311)	(71,737)
IFRS (loss)/profit before tax	(114,888)	68,321
Tax	(5,793)	(25,182)
IFRS (loss)/profit after tax	(120,681)	43,139

The difference between underlying earnings and IFRS earnings is principally down to mark to market movements on various items, the most obvious being the property revaluation loss of £121 million in the year (see comments below). New interest hedging arrangements on Russian Central Bank rates generated increased volatility on mark to market movements and the amortisation of loan origination costs and premiums payable on preference shares also has an impact (see note 7). Administration expenses include £1.6 million of abortive deal costs relating to one potential acquisition project and the final charge for the Retention Scheme is also expensed in share based payments.



Investment Properties

Our investment properties valuation (note 11) harbours the majority of the foreign exchange impact on our Sterling net asset value. The Rouble valuation movement on the portfolio was positive as ERVs and yields began to tighten, giving a Rouble 8.9 billion uplift in the year. However, the change in functional currency from US Dollars to Roubles at a time of Rouble weakness, the year end US Dollar rate being 69.4 compared to an average of 62.8 in the year, gives a significant foreign exchange loss as part of the revaluation movement. This is partly offset by a presentational currency gain through reserves when switching to Sterling presentation. The allocation of these unrealised foreign exchange gains and losses is down to accounting convention but the fundamentals do not change. The underlying Rouble metrics are improving but a weak year end Rouble rate means our Net Assets at 31 December 2018 reduce when converted to the reporting currency.

Debtors and Creditors

Larger movements in debtors and creditors relate to financing and acquisition costs. Derivative financial instruments increase to £22.3 million following the acquisition of interest caps on Russian Central Bank rates. Trade and other receivables reduce on receipt of deferred consideration on the UK Land sales completed in 2017 and the recovery of VAT on asset acquisitions. Deferred consideration on acquisitions falls to £12.2 million from £25.3 million in 2017, reducing Trade and other payables and long term other payables. Construction payables reduce following the completion of a one off project at Pushkino.

Cash and Debt

The profile of our cash and debt has changed significantly over the last 24 months and it is simpler to look at the combined cash flows over the last two years to better understand how the various elements interact. This also deals with the distortion of a refinancing which straddled the 2017 year end.

Cash Flow Summary	24 months to 31 December 2018 £'000
Operating cash generated after net interest paid	58,480
Ordinary shares purchased in tender offers	(39,533)
	18,947
Property improvements and plant and equipment	(24,133)
Acquisition cash flows	(210,837)
Convertible preference shares issued and warrants exercised	103,309
Debt financing and related costs	35,299
	(72,229)
Net decrease in cash and cash equivalents	(77,415)
Cash and cash equivalents at 1 January 2017	160,559
Effect of foreign exchange rate changes	(9,694)
Cash and cash equivalents at 31 December 2018	73,450

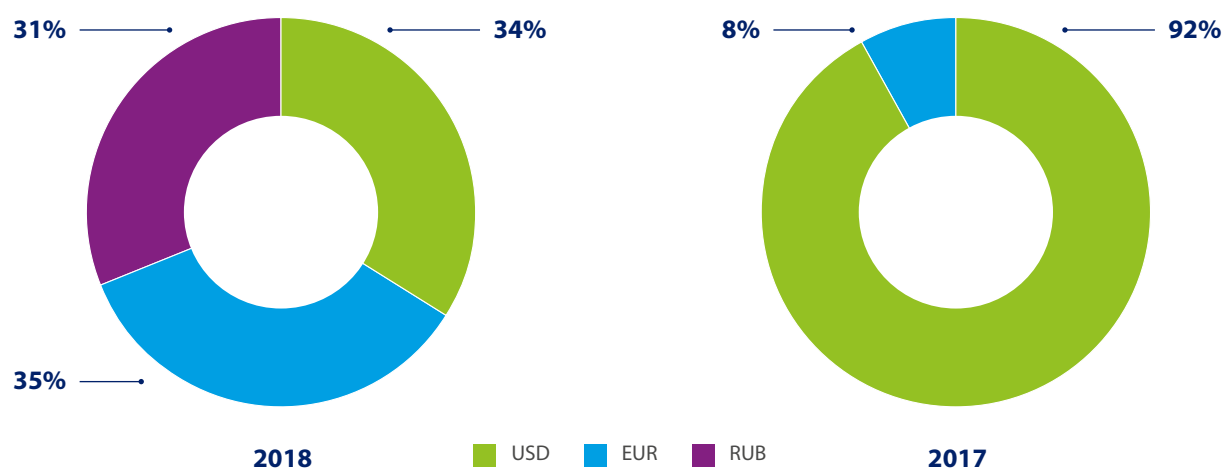


The Group has used a combination of the convertible preference share issue, debt refinancing and existing cash reserves to fund acquisitions and other capital requirements. Tender offer distributions are funded from operating cash after interest, including preference share coupon paid.

Bank Debt	2018 £m	2017 £m
Fixed rate debt	–	141
Debt hedged with caps	543	481
	543	622
Unhedged debt	106	10
	649	632
Unamortised loan origination costs and accrued interest	(6)	(7)
Total debt	643	625
Weighted average cost of debt	7.69%	7.62%
Weighted average term to maturity	4.0	4.5

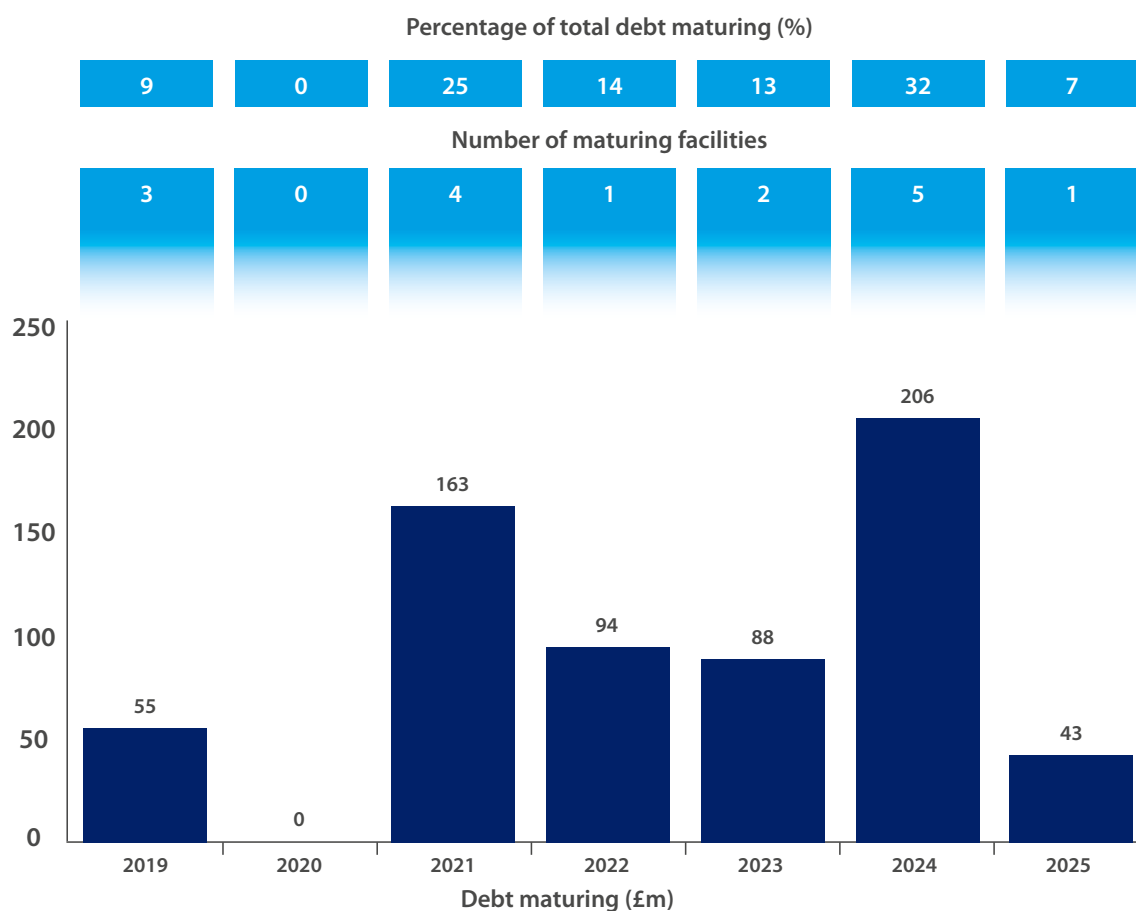
Significant progress has been made moving secured debt facilities out of US Dollar and increasing Rouble exposure to match the Group's changing income profile.

The currency profile of secured debt at 31 December was:



At the year end, the Group had 15 separate secured facilities, five US Dollar denominated, three Euro denominated and seven, a blended mix of Rouble and Euro. The average split on the blended facilities is 61% Rouble, 39% Euro. Higher US LIBOR and the effect of the Rouble loans have increased our weighted average cost of debt to 7.69% from 7.62%. The Group also had one small unsecured facility.

The debt maturity profile at the year end is:



Of the three facilities maturing in the current year, one was extended in January and we are finalising terms on the remaining two. Of the five US Dollar facilities remaining, one has been converted since the year end and we have agreed terms on the conversion of the others and expect the majority to have switched to a Rouble/Euro mix by the half year. We have refinanced all of the projects acquired in the last two years except for Nizhny Novgorod. That is now at document stage and will be a Rouble facility.

The wholesale change in the secured facility profile has meant that we have adapted our interest hedge cover, purchasing a series of caps with terms of between 5 and 7 years. The total cost of this exercise was £18.7 million, the majority of cost for capping Rouble facilities at a strike of 8.25bps for the Central Bank Rate. Since the year end, we have sold existing US LIBOR hedging instruments for £2.3 million.

Taxation

Tax paid reduces in the year, partly a function of exchange rates when converting the Rouble expense and no significant deferred tax liability movements when compared to 2017. In cash terms, £7.3 million was paid in the year (2017:£11.0 million).

Net Asset Value

With our change in presentation currency we include 3 years of balance sheets in our primary statement. This illustrates the impact of the Rouble volatility on our equivalent Sterling Net Asset Value this year. A reasonably benign year of exchange volatility in 2017 meant no significant foreign exchange hit to net assets but as explained in the investment property section above, the weakening Rouble in the last quarter of 2018 had a detrimental impact on our Sterling Diluted Net Asset Value per share, dropping from 59p to 48p in the year.

Subsidiaries

Roslogistics' underlying Rouble results were slightly down on prior year with transport reducing contribution and overheads up slightly. The majority of the variance to 2017 however is the conversion to Sterling with the weaker Rouble.

Raven Mount was effectively dormant this year after the flurry of land sales in 2017. The joint venture at "The Lakes" continues to make a steady contribution of £1.6 million to profit and £3.0 million in dividends in the year.



RISK REPORT

Risk Appetite

As explained in last year's annual report, the Group is adapting its balance sheet to deal with the heightened foreign exchange risk that followed the depreciation of the Rouble in late 2014:

- We reduced existing US Dollar gearing to dampen the effects of Rouble exchange rate volatility on secured debt covenant requirements;
- We have completed a number of acquisitions to enhance our Rouble income streams; and
- We are now converting all of our US Dollar secured debt into a Rouble/Euro mix of facilities.

We are well into the last stage of this transition and expect to completely eliminate any exposure to US Dollar facilities in the current year. As well as re-balancing our currency risk we believe that this will also reduce our exposure to future sanctions risks.

The fundamentals of our market have stabilised and there is a distinct possibility of a continued tightening in supply putting pressure on ERVs and property yields. We intend to continue with our acquisition and growth strategy to take advantage of the opportunities that will arise.

Risk Management and Internal Controls

Risk assessment is built into the Group's operating model and performed throughout the organisation as part of day to day operations. The Board is ultimately responsible for the management of risk and regularly carries out a robust assessment of the principal risks and uncertainties affecting the business, discusses how these may impact on operations, performance and solvency and what mitigating actions, if any, can be taken. The Audit Committee is responsible for ensuring that the internal control procedures are robust and that risk management processes are appropriate. A fuller explanation of the process is given in the Audit Committee Report. The Cypriot holding company is an important part of the day to day management of the Group's operational risks through its authorisation procedures and management oversight duties. It has also recently engaged an outsourced, internal audit function to assist with its responsibilities in managing and monitoring the effectiveness of the internal control systems in place between Cyprus and Russia. The weekly operational committee meetings for each department within the Group allow operational and management information to flow through the Group's risk matrix in a timely manner.

The risk management process is designed to identify, evaluate and mitigate any significant risk the Group faces. The process aims to manage rather than eliminate risks and can only provide reasonable and not absolute assurance.




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

Principal Risks and Uncertainties





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



Political and Economic Risk

Risk	Impact	Mitigation	Change in 2018
Oil and Gas dependent economy  Oil price volatility returns leading to a weakening Rouble.	Reduced consumer demand has an impact on our customer base, reducing appetite for new lettings, the renewal of existing leases and restricting rental growth. This also leads to impaired asset values. The weak Rouble increases the cost of servicing foreign currency debt.	With little or no speculative development in the market, research continues to forecast a drop in vacancy and a tightening of rental levels. We are reducing the balance sheet reliance on foreign currency debt and this will continue in the current year.	
Sanctions The use of economic sanctions by the US and EU continues for the foreseeable future.	Continued isolation of Russia from international markets and a return to a declining Russian economy.	The local market has accepted the inevitability of long term economic sanctions and this has played its part in the fundamental changes to the Russian economy. We have adapted our business model to secure our position in the market. However, the risk of increased sanctions remains.	

Financial Risk

Risk	Impact	Mitigation	Change in 2018
Foreign Exchange  At the year end, 26% of warehouse GLA and 69% of secured debt had foreign currency exposure.	A weakening of the Rouble against those foreign currencies reduces our ability to service debt and reduces our profitability. US Dollar pegged leases contribute above market rental income. As those leases mature, rental income will drop.	We have significantly reduced our exposure to foreign currency secured debt facilities and will continue to do so in the current year. Our acquisition strategy and higher occupancy support our rental income levels with market level Rouble income.	
Interest rates  Increases in Central Bank Rates and financing benchmarks.	The 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 caps with terms matching the debt maturity profile.	



Property Investment


Risk	Impact	Mitigation	Change in 2018
Acquisitions V 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 a strong senior management team in both our Cyprus and Moscow offices with international and Russian experience in real estate acquisitions. External advisers undertake full detailed due diligence on any acquisition projects.	
Leases V Market practice increasingly incorporates lease break requirements and landlord fit-out obligations.	This can lead to uncertainty of on going annualised income due to lease break clauses. There is additional landlord risk attached to the delivery of tenant fit-out requirements.	We have a proactive property management team and continued open dialogue with tenants. We have a dedicated project management resource assigned to construction and fit-out obligations under leases. Market conditions are improving with rents increasing and vacancy dropping. Lease breaks are less likely to be exercised in this market and tenants are signing longer leases on new lettings.	
Capital Expenditure V As 75% of our warehouse portfolio was built between 2007 and 2009 some elements of the buildings require replacement or modernisation.	Properties become less attractive to prospective tenants or lower rental values are achieved.	We have put in place a capital expenditure programme to maintain our properties at a Grade A level. These works should protect or even enhance levels of rent achievable.	NEW

Russian Domestic Risk

Risk	Impact	Mitigation	Change in 2018
Legal Framework 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.	
Russian Taxation Russian tax code is changing in line with global taxation trends in areas such as transfer pricing, beneficial ownership of cross border cash flows and capital gains tax.	Tax treaties may be renegotiated and new legislation or clarification of existing practice may increase the Group's tax expense.	Our business is a significant contributor to inward investment in the Russian logistics sector. Our structure has developed to deal with the commercial risks of operating in Russia rather than to take advantage of tax benefits. Management and control is exerted as appropriate in each jurisdiction and the skills and experience of staff in each office reflect that commercial requirement. Ultimately, Russia remains a relatively low tax jurisdiction with 20% Corporation tax.	



Personnel Risks

Risk	Impact	Mitigation	Change in 2018
Key Personnel Failing to retain key personnel.	Strategy becomes more difficult to flex or implement.	The Remuneration Committee and Executives review remuneration packages against comparable market information; Employees have regular appraisals and documented development plans and targets; and We are continually addressing succession issues where they arise.	

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 edition), 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.

Key considerations for the Board this year have been the effect of exchange rates on earnings and foreign currency denominated debt facilities and together with the effect of acquisitions and capital expenditure programmes, the impact on cash flows and solvency.

The reduction in balance sheet foreign currency exposure, increased portfolio occupancy and earnings enhancing acquisitions has given the Board greater certainty of cash flows over the viability period and hence greater comfort in the forecasts. The viability model assumes current market norms remain 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 debt facility interest benchmarks and the effect on the interest cost over the forecast period;
- The impact of a tightening in available debt finance; and
- The combined impact of all sensitivities on cash balances and banking covenants.

In the case of the Company’s viability and solvency, the key mitigating factors are the Group’s special purpose vehicle structure and limited recourse to other Group companies should one asset be subject to default, the control over ordinary share distributions and control over capital expenditure. The balance sheet at 31 December 2018 does show a current liability position due to two finance facilities maturing later in 2019. Terms to roll over these facilities are currently being finalised.

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

17 March 2019

DIRECTORS

Richard Jewson (aged 74)

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 54)

Executive Deputy Chairman

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

He is a member of the Nominations Committee.

Glyn Hirsch (aged 57)

Chief Executive Officer

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

Mark Sinclair (aged 53)

Chief Financial Officer

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

Colin Smith (aged 49)

Chief Operating Officer

Colin Smith 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 investment funds and companies.

Christopher Sherwell (aged 71)

Senior Independent Non Executive Director

Christopher Sherwell is a former Managing Director of Schroders in the Channel Islands. Before joining Schroders in 1993, he was Far East Regional Strategist in London and Hong Kong for Smith New Court Securities and prior to that spent 15 years as a journalist, much of them as a foreign correspondent for the Financial Times. He has considerable public company experience and since 2004 has acted as a Non Executive Director on a number of publicly listed investment companies. Currently he is a director of 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 53)

Non Executive Director

Stephen Coe BSc, FCA 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 Ltd, Leaf Clean Energy Company and Merian Crysalis Investment Company 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 58)

Non Executive Director

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

He is a member of the Audit and Remuneration Committees.

Michael Hough (aged 58)

Non Executive Director

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

He is a member of the Audit Committee.



CORPORATE GOVERNANCE

Chairman's introduction

I am pleased to present our corporate governance report for this year end. The Board continues to promote the appropriate governance culture for the Group and is readying itself for the updated governance code which will come into effect in the next financial year.

We have been joined on the Board by Michael Hough. Michael was appointed on 9 October 2018 and brings strong financial experience and knowledge of the Russian market. He will replace Stephen Coe as Chairman of the audit committee following this year's annual general meeting ("AGM") and Stephen will step down at that point. Stephen has sat on the Board since the inception of the Company back in 2005. He has been an invaluable member of the non executive team acting objectively, independently and providing challenge to the executive team in pursuit of the Group's strategy. I, along with the Board, wish Stephen all the best and thank him for his contribution.

Within the Corporate Governance section of the report, we set out how we have adopted and applied the principles of the 2016 edition of the UK Corporate Governance Code (the "Code"), how we operate as a Board, and along with the strategic report, our work in 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 considers 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 AGM.

Richard Jewson

17 March 2019

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. Stephen Coe, David Moore and Christopher Sherwell have each served as Non Executive Directors for more than nine years. The Board and the Nominations Committee have specifically considered their independence as in past years. The Board is still of the opinion that length of service is not necessarily a complete or accurate measure of a Director's independence, 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 are part of the essential team with experience of the Group's operations and history over their term which is fundamental in assisting the executives in delivering the Group's strategy. As noted above, Stephen Coe will retire from the Board following this year's AGM. Further information on the work of the Nomination Committee is included within this report.

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

Leadership

The Board is responsible for achieving the Group's strategic objectives and 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 2018, there were 18 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 meeting agendas. The main elements of this policy include Group strategy, material transactions, financial reporting, capital structure and dividend policy, corporate governance and internal controls and risk management. The table below sets out the activities of the Board during the year.

	Key activities of the Board during 2018	Activities specific for the year
Q1	<ul style="list-style-type: none"> • Review of investment portfolio performance • Review of medium term forecasts and strategy • Approval of 2017 annual report • Approval of distribution to shareholders • Approval of principal risks and risk appetite 	<ul style="list-style-type: none"> • Policies and practices in relation to GDPR and Cyber Security
Q2	<ul style="list-style-type: none"> • Review of investment portfolio performance • Review of Q1 2018 reforecast • Review of investor feedback from investor/broker meetings following results • Review and consideration of strategy • Approval of notice of meeting for 2018's AGM 	<ul style="list-style-type: none"> • Consideration of acquisition program as part of the strategic review • Consideration of additional listings on the Johannesburg and Moscow Stock Exchanges • Consideration of an outsourced, Internal Audit function implemented by the Cypriot holding company
Q3	<ul style="list-style-type: none"> • Review of investment portfolio performance • Review of medium term forecasts and strategy • Approval of 2017 interim results • Approval of distribution to shareholders • Approval of principal risks • Review of Q2 2018 reforecast • Review of corporate and regulatory changes and reporting requirements • Review of AGM results 	<ul style="list-style-type: none"> • Consideration of acquisition program as part of the strategic review • Consideration of Michael Hough's appointment and Stephen Coe's retirement
Q4	<ul style="list-style-type: none"> • Review of investment portfolio performance • Review of Q3 2018 reforecast • Approval of 2019 Budget • Review of medium to longer term forecasts • Consideration of Board constitution, balance of skills and experience • Review of internal controls and risk environment • Review of investor feedback from investor/broker meetings following results • Review and consideration of strategy 	<ul style="list-style-type: none"> • Approval of Michael Hough's appointment • Approval of listings on the Johannesburg and Moscow Stock Exchanges • Review of investor feedback from South African and Moscow road shows

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

Board composition

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



The Board and its Committees

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

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

Attendance at Board or Committee meetings during the year to 31 December 2018

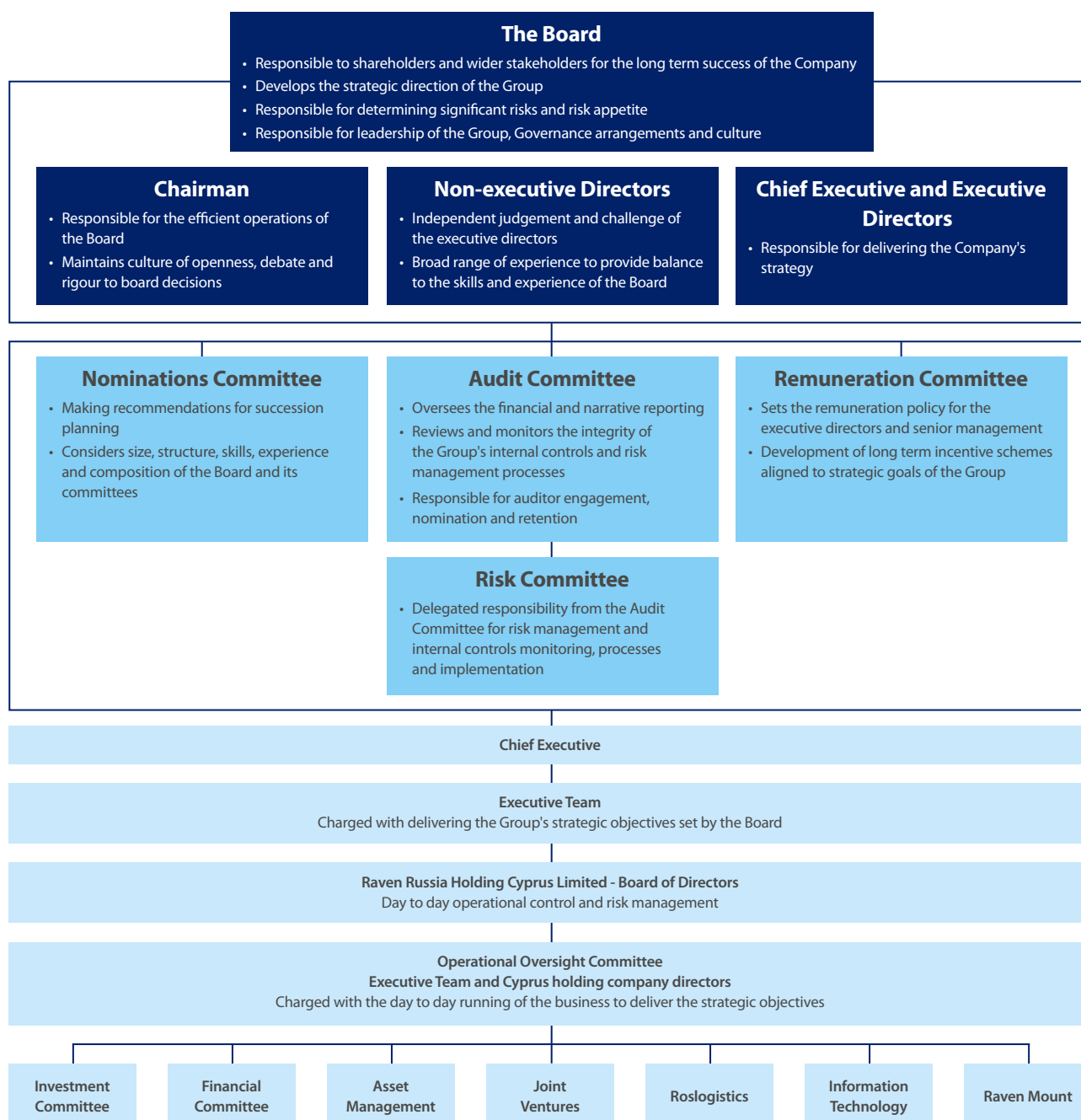
(where 'N/A' is shown, the Director listed is not a member of the committee)

	Board	Audit Committee	Nominations Committee	Remuneration Committee
R Jewson	6	N/A	1	1
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
C Sherwell	6	3	1	1
S Coe	5	3	N/A	1
D Moore	6	3	N/A	1
M Hough*	1	1	N/A	N/A
No. of meetings during the year	6	3	1	1

*Michael Hough was appointed on 9 October 2018. There has been 1 Board and 1 Audit Committee meeting during 2018 since his appointment date

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

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





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 2018 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 AGM save for Stephen Coe who is stepping down this year as mentioned earlier. Having considered the balance of skills, expertise and performance of the Board, its committees and individual Directors, the Board recommends the reappointment of each Director standing for re-election at the forthcoming AGM.

The Nominations Committee

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

Michael Hough joined the Board as a Non Executive Director during the year. Michael was interviewed for the position by the Chairman, Chief Executive and Executive Deputy Chairman prior to a proposal being put forward to the Nominations Committee for consideration. Following the Nominations Committee review, a recommendation for Michael's appointment was made to the Board. It is the intention that Michael will become Chairman of the Audit Committee following the AGM in 2019 when Stephen Coe will be stepping down.

Following Michael's appointment a detailed induction program was put in place so that he could become familiar with the Group and its operations. The process included a review of all key Group policies and management reporting framework. Over the coming months further meetings will be held with the Group's operating subsidiary Boards and local management in Cyprus and Russia.

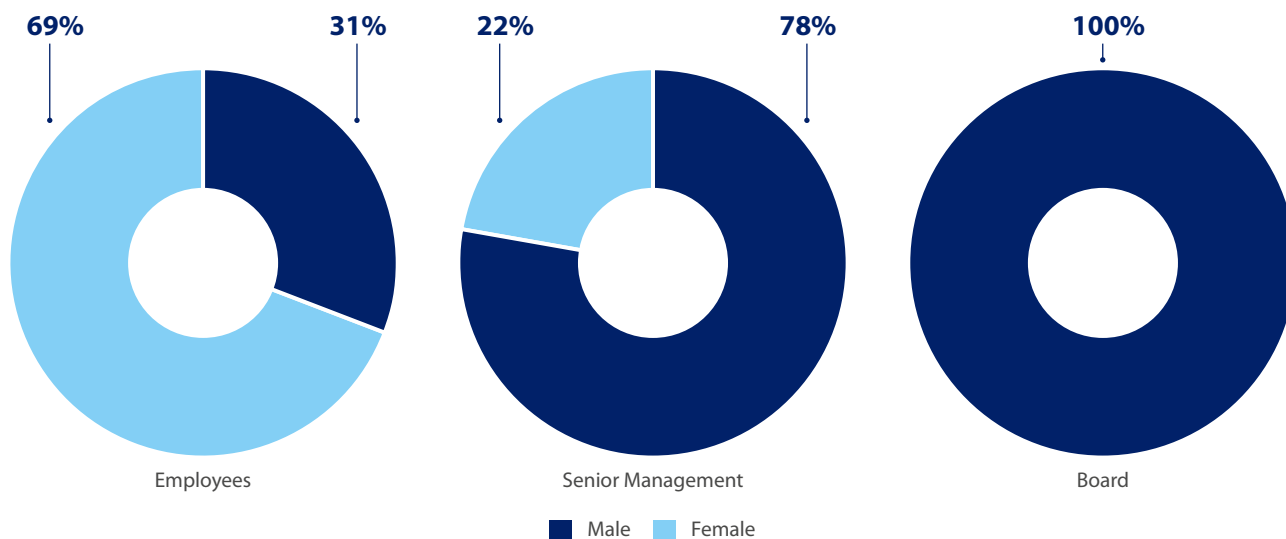
The Committee have discussed the provisions of the new UK Corporate Governance code which was introduced in 2018 and will be reported on for the first time in next year's annual report. Succession planning for the Chairman and the remaining Non Executive Directors who have served for more than nine years is in the process of being reviewed. It is the intention of the Committee to report further on these plans within the 2019 annual report.

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 Nominations 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.

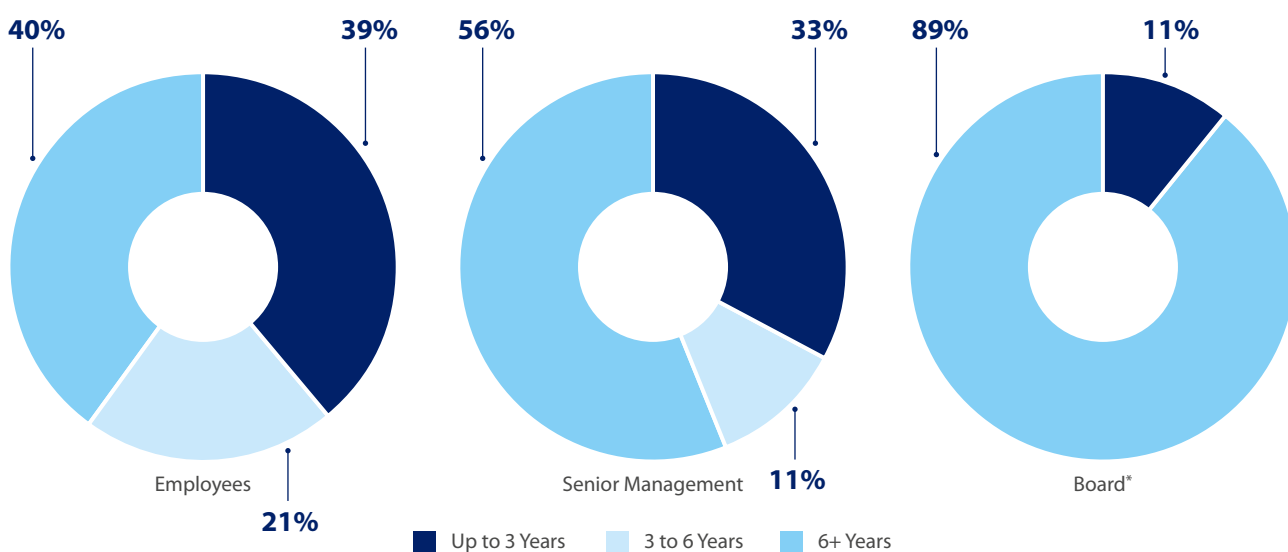
Diversity

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 2018 is set out below.

Gender



Tenure



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

Engagement with Shareholders

The Board considers regular contact with our shareholders to be an important aspect of our corporate governance program. The Chief Executive, Executive Deputy Chairman and Chief Financial Officer perform regular road shows, investor and analysts briefings and shareholder meetings throughout the year. These generally occur after the annual and interim results are published but also when corporate actions, such as fund raisings, take place. During the year a number of meetings were held in South Africa and Moscow following our successful listings on the Johannesburg and Moscow Stock Exchanges.

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

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



CORPORATE RESPONSIBILITY

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 2018 the Group invested £186,800 in supporting various causes including national and local charities and local community sports groups. No political donations were made during the year.

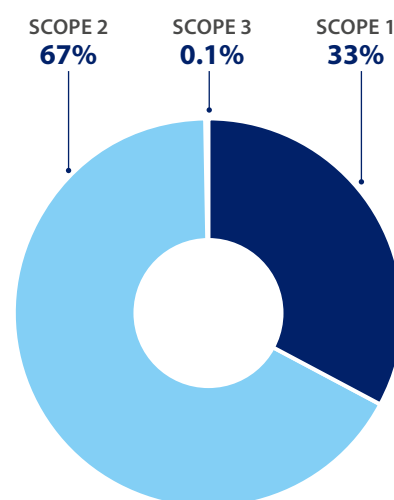
Greenhouse Gases

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 2018	Quantity 2017	Quantity 2016**	Quantity 2015	Quantity 2014*	Quantity 2013
Scope 1	tonnes CO ₂ e	30,976	22,569	19,948	19,289	20,778	18,138
Scope 2 (location-based)	tonnes CO ₂ e	62,505	56,420	54,008	56,914	53,664	44,589
Scope 2 (market-based)	tonnes CO ₂ e	62,604	56,423	54,347	56,919	53,666	n/a
Scope 1 + 2 Intensity (location based)	tonnes CO ₂ e / floor space (sqm)	0.05	0.05	0.05	0.05	0.05	0.05
Scope 3	tonnes CO ₂ e	231	194	184	219	342	n/a

GHG Emissions



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

**Quantity 2016 were restated to include Konstanta.



Data collection and methodology protocol

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

- Direct energy: IPCC 2006 Guidelines for National Greenhouse Gas Inventories
- Natural gas: DEFRA 2018 conversion factor for cubic meters natural gas
- Diesel: DEFRA 2018 conversion factor for litres diesel
- LPG: DEFRA 2018 conversion factor for litres LPG
- Purchased electricity: UK Defra 2018, Russia and Cyprus, IEA Fuel Combustion 2018 and Foreign Electricity Emission Factors
- European market emission factors for electricity: AIB, European Residuals Mixes for 2017
- Office car: DEFRA 2018 conversion factor for kilometers of unknown fuel (average car)
- District heating: electricity factors were adjusted using same ratio as between UK electricity and district heating (from DEFRA 2018 conversion factors for UK electricity, and district heat and steam)
- Business travel: DEFRA 2018 GHG Conversion Factors for flights and rail travel
- Sawdust emissions calculated by Trucost using FAO and IPCC

Scope 1 emissions increased by 37%, 55%, 61%, 49% and 71% compared to 2017, 2016, 2015, 2014 and 2013, respectively. Scope 2 emissions (location-based) are 11%, 16%, 10%, 17% and 40% higher than in 2017, 2016, 2015, 2014 and 2013, respectively. Overall GHG emissions in 2018 were 18% higher than in 2017 largely due to higher occupancy and increased energy intensive temperature control requirements and further acquisition at warehouse "Sever" (acquisition in Nizhniy Novgorod is ignored as did not influence on the gas emission in 2018).

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 and Cyprus offices. 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 2018.

Overview

Shareholders will be familiar with the challenges which the business has faced over the past few years, including the one just gone by. Ever-tightening international sanctions, volatile oil prices, an exchange rate collapse, weak economic growth and a halving of commercial rents – all have taken a toll. Yet at the time of writing, occupancy is back up to 89%, net rental income levels are stable and balance sheet currency risk is diminishing. We are not out of the woods but we can see shafts of sunlight.

Through these travails the Executive team have managed to continue making distributions to preference and ordinary shareholders. Principally, this is a measure of how robust the Company's strategy and business model has been but our remuneration schemes have also played a part by motivating the team as employees and as preference and ordinary shareholders themselves.

Determining the shape of these schemes has been no small challenge in itself but this time round the position is relatively straightforward. The Remuneration Policy now in place does not allow for an Annual Performance Incentive ("API") for 2018 and the Committee had no duty to discharge in this respect. Likewise, the team will receive the final award under the old Retention Scheme on 31 March 2019, a scheme which has well served its purpose.

We are acutely aware of the importance of shareholder interaction on remuneration matters, so we were disappointed that we received only 78.5% approval for the Remuneration Report at the 2018 AGM. This came despite a vote of more than 80% in 2017 for the now operating Five Year Performance Plan and Annual Performance Incentive.

The most significant vote against, from one shareholder with an 8% holding, related to the old Retention Scheme. This scheme was satisfied using Convertible Preference shares and there is a concern that we should not use instruments that offer a fixed coupon in our remuneration schemes. The issuance of these Convertible Preference shares was critical to our strategy for navigating through the problems we faced in 2015 and 2016, whilst avoiding significant dilution for our ordinary shareholders.

In discussion with the small number of shareholders who participated in the issue of the Convertible Preference Shares we felt it was appropriate that the Directors also participated in these share issues through the remuneration schemes. We did, however, take this concern on board and the new Five Year Performance Plan will be satisfied using ordinary shares should targets be met. We would also note that, under both the Five Year Performance Plan and the Annual Incentive Plan, such shares must be retained until at least 2023. No less important in all this, the Executive team and senior managers hold shares in the Company with current values a multiple of their basic salaries.

Performance Criteria

The Committee has agreed targets for 2019, weighted 50% to financial targets and 50% to other operating and strategic measures. The financial targets are based on the business KPIs, such as occupancy, average rental levels and underlying profitability. Other operating measures consider the annual results in the context of long term strategy and can cover issues such as balance sheet risk management, acquisition and joint venture strategies and long term tenant management.

We look forward to seeing what is achieved in 2019.

Christopher Sherwell

Chairman

Remuneration Committee

17 March 2019

DIRECTORS' REMUNERATION REPORT

(UNAUDITED)

Introduction

Composition

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

Policy

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

Fixed elements	Basic salary
	Benefits
	Pension contributions
	2016 Retention Scheme – final payment is due 31 March 2019
Variable elements	Annual Performance Incentive
	2018 to 2023 Five Year Performance Plan

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

Summary of Remuneration for the Financial Year Ended 31 December 2018

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

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

Year ended 31 December 2017	Salary £'000	Benefits ⁽¹⁾ £'000	Pension ⁽²⁾ £'000	Retention scheme – cash £'000	Annual performance incentive – cash ⁽³⁾ £'000	Total cash remuneration £'000	Retention Scheme – shares No of preference shares	Retention scheme – shares No of convertible preference shares	Annual performance incentive ⁽³⁾ – shares No of ordinary shares
G Hirsch	568	36	57	–	–	661	133,236	534,749	852,000
A Bilton	568	40	57	–	–	665	133,236	534,749	852,000
M Sinclair	354	20	35	266	234	909	41,519	166,638	–
C Smith	314	20	31	236	207	808	36,828	147,809	–

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. As indicated in the 2017 letter from the Remuneration Committee, the Annual Performance Incentive for 2017 vested on the issue of 2017 Annual Report. The amounts shown for 2017 have been adjusted accordingly.


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 2018 in the Ordinary Shares, Preference Shares and, Convertible Preference Shares of the Company, both at the beginning and the end of the year, are set out below. There have been no changes since 31 December 2018.

Director	Number of Ordinary Shares 31/12/18	Number of Preference Shares 31/12/18	Number of Convertible Preference Shares 31/12/18
R Jewson	232,626	75,460	–
G Hirsch ⁽¹⁾	7,496,027	2,219,595	1,729,144
A Bilton ⁽¹⁾	43,071,170	5,953,355	1,729,144
M Sinclair ⁽¹⁾	2,939,761	762,462	425,013
C Smith ⁽¹⁾	944,574	503,719	257,270
C Sherwell	237,239	79,728	–
S Coe	89,570	76,393	8,771
D Moore	222,501	14,172	–
M Hough	–	–	–
	55,233,468	9,684,884	4,149,342

Director	Number of Ordinary Shares 31/12/17	Number of Preference Shares 31/12/17	Number of Convertible Preference Shares 31/12/17
R Jewson	252,909	75,460	–
G Hirsch ⁽¹⁾	7,505,640	2,219,595	1,729,144
A Bilton ⁽¹⁾	41,367,676	5,953,355	1,729,144
M Sinclair ⁽¹⁾	3,193,719	762,351	425,013
C Smith ⁽¹⁾	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	–
M Hough	–	–	–
	53,868,820	9,681,792	4,185,947

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

Non Executive Directors

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

	2018 £'000	2017 £'000
R Jewson	113	110
C Sherwell	50	48
S Coe	50	48
D Moore	48	46
M Hough	11	–
	272	252

Salaries and fees for 2019

The contractual arrangements for 2019 are:

Director	Salary or Fee £'000	Appointment date	Unexpired term	Notice periods	Contractual termination payment
R Jewson	113	29.06.07	Rolling contract	3 months	No provision for payment on termination
S Coe	50	04.07.05			
D Moore	48	04.07.05			
C Sherwell	50	01.04.08			
M Hough ⁽¹⁾	48	09.10.18			
G Hirsch	595	27.11.08	Rolling contract	12 months	Payment of 12 months salary and benefits on termination
A Bilton	595	27.11.08			
M Sinclair	372	23.03.09			
C Smith	329	14.11.08			

(1) Will increase to £50,000 pro rata after the 2019 AGM on appointment as Chair of the audit committee.

Christopher Sherwell

Chairman

Remuneration Committee

17 March 2019



AUDIT COMMITTEE REPORT

Audit Committee Chairman's Introduction

Dear Shareholders,

I am sad to say that this will be my last report as Audit Committee Chairman as I will step down from the Board following this year's AGM. Michael Hough, who joined the Board on 9 October 2018, will take over the role following my retirement.

2018 has been a busy year for the Committee. Our key role continues to be the:

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

We have reported to the Board on whether the Committee believes that the annual report and accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's performance, business model and strategy, including advising the Board on the viability and going concern statements. We have also considered the treatment of functional and presentational currencies in our review in light of the changes made in the year.

We meet 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. Michael has met with the lead audit partner to discuss the role of the Committee. We also met the Group's appointed independent valuers whilst visiting our Moscow office.

In both cases, we believe that the working relationship continues to be appropriately independent and management assumptions challenged.

In early autumn the Board spent time with the Cypriot holding company board. The Cypriot team have always had a key role in our risk management processes, overseeing the work of the team in Moscow as well as running their own departments within the business. To assist with their fiduciary duties, the Cypriot board has engaged BDO Stoy Hayward to run an outsourced, internal audit function. This will look at all aspects of the internal control framework of the business and we will ensure that there is also a direct reporting to the Committee on audit plans, findings and recommendations. The first of their reports is currently being finalised.

I have thoroughly enjoyed my time on the Board of The Raven Property Group and have watched it grow to the mature business it is today. I wish the Board well for the future and Michael success in his new role.

Stephen Coe

Chairman
Audit Committee
17 March 2019



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, Stephen Coe (Chairman) and Michael Hough who joined the Committee on his appointment to the Board on 9 October 2018. 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 2018 and addressed:

- The recommendation to the Board to approve the 2017 annual and 2018 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 and management team of the Cypriot holding company;
- Cyber Security and the engagement of an independent review;
- A review of functional and presentation currency policies used in the financial statements;
- Reviewing plans for the outsourced, internal audit function initiated by the Cypriot holding company; and
- The monitoring of the Group's internal control and risk management procedures including a review of risk committee submissions.

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

External Audit and Valuations

External Audit

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

EY was appointed in 2008 following a tender process and this is their eleventh year of tenure as Group auditor.

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

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

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

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

Non Audit Services

EY has also provided non-audit services to the Group where they are assessed to be best placed to provide the particular service. The Committee has policies in place for the provision of non audit services and the external auditor will not be permitted to carry out services such as property valuation or accounting services. The non-audit services provided are typically assignments, such as the review of the interim financial statements or transaction advisory services. As shown in note 6(b) to the financial statements, total fees payable to EY in the year to 31 December 2018 amounted to £1.648 million, of which £0.872 million was for non-audit services. Fees appear high this year due to a large, due diligence exercise on a potential acquisition which was subsequently aborted.

The Committee is sensitive to the level of non audit fees and the Group has actively engaged other firms in due diligence, tax and other advisory projects, including PWC, KPMG, BDO Stoy Hayward and local Russian tax counsel. Fees paid to these other firms totalled £0.5 million in the year (2017: £0.3 million).



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 2018 financial statements, the Committee considered the following:

Matter Arising

Action

Property Valuations

Valuations of investment property and investment property under constructions are undertaken by external valuers. The land bank is carried at directors' valuation.

The external valuers used a discounted cash flow methodology for the year ended 31 December 2018 rather than a term and reversion methodology and also completed the valuations in Roubles rather than US Dollars.

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

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

The auditor's valuation specialist visited the assets in Russia and met with the external valuers to discuss the approach. A comparable term and reversion exercise was also completed to ensure there was no significant difference in the results of the two approaches.

The Committee is satisfied that the discounted cash flow methodology is now standard practice in the Russian real estate market and also becoming more prevalent in other markets and that it is appropriate for the Group.

Foreign Exchange

The Group's exchange rate risk profile has changed in the year as secured debt facilities move away from US Dollar and to a Rouble/Euro mix.

This change together with the move to Rouble property valuations precipitated changes in the functional currency of some of the Group's subsidiaries and the presentation currency of the Annual Report.

The changes in the approach to currency matters were discussed with management. The impact of the changing profile of secured debt facilities was covered in the viability statement forecasts and management had also prepared pro-forma examples of the impact of changes in functional and presentation currencies to consider. The auditors reviewed the workings and reasoning for the changes as part of their audit process. The Committee is satisfied that the changing balance sheet debt profile is adequately addressed in forecasts and that the change to functional and presentation currencies is appropriate.

Taxation

Cross border transactions are coming under ever greater scrutiny by domestic tax authorities. The Russian authorities are no exception and the local approach to international business is constantly evolving.

The Committee considered the adequacy of the Group's approach to its inward investment activities and the level of uncertain tax provisions made.

The Group's business has developed over the years to meet the commercial needs of its activities rather than any tax benefit. The Committee discussed the position with management and the auditors and reviewed current market and court practice in Russia. It is satisfied that the Group conducts its operations appropriately for the transactions it undertakes and tax provisioning is sufficient.

Viability Statement

As noted above, the Group's on-going balance sheet risk has been changing as it moves towards a Rouble denominated environment. The consolidated balance sheet also reflects a net current liability position as a number of small debt facilities mature in the year.

On reviewing the viability statement, the Committee discussed the impact of foreign exchange sensitivities on future cash flows and also the work being done by management to refinance maturing debt facilities. It is satisfied that the forecast model supporting the viability statement reflects a severe but credible scenario for the three years under review.



Internal Control and Risk Management

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

Consideration of risks and risk management form an integral part of the Board's deliberations and are key to its decision making processes. There are risks which the Board has no control over. These are mainly overriding external risks such as the wider economic environment and sanctions, 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, the Cypriot holding company board and senior management in all aspects of the day-to-day operations, including regular meetings to review all operational aspects of the business and risk management systems;
- The role of the board of the Group's Cypriot holding company in exerting proper management and control over the Group's Russian trading subsidiaries;
- The Board's review of Group strategy and progress against objectives throughout the year;
- A formal whistle blowing policy;
- A comprehensive and robust system of financial reporting which includes regular management information, such as budgets, re-forecasts, cash flows, treasury reporting and management accounts with a review of financial KPIs; and
- A regular assessment of risks within the business at all operational levels.

The Audit Committee has established a Risk Committee to carry out the review and assessment of risks associated with the business. This Committee comprises Executive Directors, Cypriot holding company directors and senior management involved in each operating jurisdiction and department of the Group. This engenders a culture of risk assessment within the Group and reinforces the strategic objectives communicated by the Board. During the year ended 31 December 2018, 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. Specific items of note are:

Internal Audit

BDO Stoy Hayward has been engaged by the Cypriot holding company board to perform an internal audit function on operating controls and procedures, their tenure beginning towards the end of last year. The Committee met with the BDO team and will review proposed annual plans and have the opportunity to expand on the remit to cover any areas they may have as a concern. We expect both the internal auditors and the Cypriot subsidiary board to present findings and recommendations to the Committee at least once a year.

Cyber Security and IT systems

An independent review by EY on cyber security will be undertaken in the current year. In addition, a full systems documentation review of all Group operations is currently being undertaken and will be followed by a review by KPMG on the best business automation system solutions for our business.



DIRECTORS' REPORT

The Directors present their report and the audited financial statements of the Group for the year ended 31 December 2018.

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 44 shares at 52p, equivalent to a dividend of 1.25p per share (2017: Distribution of 1p by way tender offer 1 share in every 52 at 52p). The Directors are recommending a final distribution of 1.75p by way of a tender offer of 2 share in every 51 at 45p (2017: Distribution of 3p by way of tender offer of 1 share in every 17 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)
 Michael Hough (independent Non Executive Director) – appointed 9 October 2018

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 2018	% of share capital	Number held 28 February 2019	% of share capital
Invesco Perpetual	196,402,072	31.51	195,768,933	31.39
Woodford Investment Management	80,825,638	12.97	80,825,638	12.96
JO Hambro Capital Management	69,815,477	11.20	69,680,477	11.17
Schroder Investment Management	56,644,519	9.09	56,644,519	9.08
Quilter Investors	32,091,029	5.15	32,091,029	5.15



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 2018 AGM to make market purchases of its own ordinary and preference shares. This authority will expire on 31 August 2019. A resolution will be proposed at the 2019 AGM to renew this authority.

Auditor

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

Going Concern

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

The Board receives monthly updates on future cash flow projections and has regular working capital reports presented, in particular as part of the half and full year reporting process and for any fund raising and acquisition activity. The net current liability position of the Group at the year end was due to two loan facilities maturing in the going concern period of assessment. These facilities are in the process of being refinanced by new loan term senior debt. After making appropriate enquiries and examining sensitivities that could give rise to financial exposure the Board has a reasonable expectation that the Company and the Group have adequate resources to continue operations for the foreseeable future. Accordingly, the Group continues to adopt the going concern basis in preparation of these financial statements.

Directors' responsibilities

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

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

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

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

So far as each of the Directors is aware, there is no relevant audit information of which the Company's auditor is unaware and each has taken the appropriate steps expected of a Director to ensure that this is the case.

**Directors' Responsibility Statement**

The Statement of Directors' Responsibilities below has been prepared in connection with the Company's full Annual Report and Accounts for the year ended 31 December 2018.

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 17 March 2019 and is signed on its behalf by:

Mark Sinclair

Chief Financial Officer

Colin Smith

Chief Operating Officer

INDEPENDENT AUDITOR'S REPORT

Independent Auditor's Report to the Members of Raven Property Group Limited

Opinion

In our opinion:

- Raven Property Group Limited's Group financial statements (the "financial statements") give a true and fair view of the state of the Group's affairs as at 31 December 2018 and of the Group's profit for the year then ended;
- the financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- the financial statements have been properly prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

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

- The Group Balance Sheet as at 31 December 2018;
- The Group Income Statement for the year then ended;
- The Group Statement of Comprehensive Income for the year then ended;
- The Group Statement of Changes in Equity for the year then ended;
- The Group Cash Flow Statement for the year then ended; and
- Related notes 1 to 38 to the financial statements, including a summary of significant accounting policies.

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below.

We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Conclusions relating to principal risks, going concern and viability statement

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

- the disclosures in the annual report set out on pages 40 to 43 that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation set out on page 40 in the annual report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;
- the directors' statement set out on page 63 in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- whether the directors' statement in relation to going concern required under the Listing Rules is materially inconsistent with our knowledge obtained in the audit; or
- the directors' explanation set out on page 44 in the annual report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.



Overview of our audit approach

Key audit matters	<ul style="list-style-type: none"> Economic and financial uncertainties in Russia and their impact Misstatement of the fair value of investment properties and investment properties under construction Revenue recognition with respect to rental revenue, service charge income and logistics income
Audit scope	<ul style="list-style-type: none"> We performed an audit of the complete financial information of the Russian and Guernsey components and audit procedures on specific balances for the Cyprus and United Kingdom components The components where we performed full or specific audit procedures accounted for 100% of Revenue and 100% of Total assets.
Materiality	<ul style="list-style-type: none"> Group materiality of £7.0m which represents 0.5% of total assets.

Key audit matters

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

Economic and financial uncertainties in Russia and their impact (as described in the Strategic Report)

The current geopolitical situation remains an important area of focus for the Group and our audit. Continuing political and economic tension between the US, EU and Russia, together with movements in the oil price and foreign exchange rate, have resulted in continuing economic uncertainty.

Business practice in Russia may differ from business practices in more developed economies. There is a risk that inappropriate inducements may be sought by third parties which may be undetected by the board and management. Areas where inappropriate payments may be made include: payments to secure favourable development land; payments for planning permits; construction payments; payments to resolve ongoing litigations; or payments in connection with the acquisition or disposal of assets.

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.

Another financial risks of conducting business in Russia includes responding to legislative changes, particularly tax laws. There has 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.

Our response to the risk:

We performed the following audit procedures around the impact of uncertainties over the current economic environment in Russia:

We updated our understanding of the current economic environment in Russia through:

- Discussions with management, EY real estate valuation specialists and EY tax specialists in Russia and the UK;
- Undertaking press searches in Russia and the UK and reviewing economic forecasts.

We evaluated whether the assumptions underpinning the Group's property valuations (separately addressed below) and going concern assessment are consistent with our above understanding. For going concern, this included validating key assumptions such as rental rates and interest rates to publically available information.

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

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

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

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

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

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

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

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

Key observations communicated to the Audit Committee

We have completed the additional procedures we designed in order to respond to the heightened political and economic uncertainty in Russia.

We have no significant findings to report from the completion of these procedures. We conclude that the balances and disclosures in the financial statements and notes thereto, appropriately reflect the risk factors identified.

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

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

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

This account has a £1,206m balance in the 2018 annual report (2017: £1,188m).

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

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

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

Our response to the risk:

We performed the following audit procedures around the valuation of investment properties and investment properties under construction:

- We documented and assessed the adequacy of the Group's valuation process and controls over data used in the valuation of its property portfolio;
- We performed testing over source documentation provided by the Group to the external valuer. On a sample basis, we inspected lease agreements and agreed the key terms to the tenancy schedule provided to the valuer;
- For a sample of properties we performed site visits to see if the occupancy matches that presented in the tenancy schedule. We also inspected the asset to determine if the overall condition of the asset aligns to that stated in the external valuer's report;
- We assessed the competence, capabilities and objectivity of the external valuer;

- 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 80% of the total value of investment property and investment property under construction;
- With the support of EY's real estate valuation experts in Russia and the UK, we assessed the valuation approach and the assumptions made by the external valuer and the directors in performing their valuation of each property against industry benchmarks. The key assumptions include estimated rental values, discount rates, yields, indexations, vacancy/void periods and other assumptions that impact the fair value;
- For the remaining properties comprising 20% of the valuation, we conducted analytical procedures on the movement in the valuation of each property compared to the prior year by reference to external market data to evaluate the appropriateness of the valuations adopted by the Group;
- The audit team, together with the EY Chartered Surveyor performed site visits of certain assets in the Group's portfolio inspecting their condition and level tenancy;
- We assessed the adequacy of the disclosures of estimates in note 3 and valuation assumptions in note 13 that were made in accordance with IFRS 13 – Fair Value Measurement;
- We performed full scope audit procedures over this risk area in the one location affected by this risk, which covered 100% of the risk amount.

Key observations communicated to the Audit Committee

We have completed our planned audit procedures over the valuation of investment property and investment property under construction.

We have no significant findings to report from the completion of these procedures.

We conclude that the balances and disclosures in the financial statements and notes appropriately reflect the risk factors identified.

We have concluded that the assessment of fair values performed by JLL and the directors are within an acceptable range and the carrying values of investment property and investment property under construction are fairly stated at 31 December 2018.

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

Total revenue was £162.6m in the 2018 annual report (2017: £177.0m).

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

Rental revenue & service charge income from the investment property portfolio: risk that the revenue is not recorded correctly, including the effect of tenant incentives and contracted rent uplift balances.

Roslogistics: risk that the logistics revenue is not recorded in the correct period.

The risk is unchanged from the prior year.



Our response to the risk:

We performed the following audit procedures around revenue recognition:

- We documented the Group's revenue recognition process and assessed the adequacy of the controls in place to prevent and detect fraud and errors in revenue recognition;
- We performed analytical procedures over rental, service charge and logistics income to identify significant fluctuations and trends. We corroborated any significant fluctuations to the terms within lease agreements or to invoices;
- On a sample basis, we recomputed the revenue recognised in the year, based on the contractual lease terms, including the treatment of rent incentives;
- We obtained and examined the trade receivables ageing. We assessed the recoverability of material debts past due by testing subsequent cash receipts and verifying if there were tenant deposits in place;
- We agreed the calculation of the IFRS rent straight-lining adjustment to underlying lease and tenancy data and tested the arithmetical accuracy of the calculation;
- We performed cut-off procedures on all revenue streams to confirm they had been recorded in the correct period;
- Lease and service charge income from investment properties in Russia, and the Roslogistics business were full scope locations and contributed 100% of the Group's revenue.

Key observations communicated to the Audit Committee

As a result of the procedures performed we concluded that revenue has been appropriately recognised in accordance to the Group's accounting policy and IFRS.

An overview of the scope of our audit

Tailoring the scope

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

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

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

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

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

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

The reporting components where we performed audit procedures accounted for 100% of the Group's Profit before tax, Revenue and Total assets for both the current and prior years. For the current year, the full scope components contributed 94% (2017: 75%) of the Group's Profit before tax, 90% (2017: 89%) of the Group's Revenue and 96% (2017: 91%) 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 £7.0 million (2017: £7.8 million), which is 0.5% (2017: 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% (2017: 75%) of our planning materiality, namely £5.3 million (2017: £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 £2.6 million (2017: £2.7 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 £0.35 million (2017: £0.40 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 64, 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 64** – 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 58 to 61** – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or
- **Directors' statement of compliance with the UK Corporate Governance Code set out on page 46** – the parts of the directors' statement required under the Listing Rules relating to the company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Matters on which we are required to report by exception

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 64, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

**Auditor's responsibilities for the audit of the financial statements**

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

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

This description forms part of our auditor's report.

Use of our report

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

Peter McIver

for and on behalf of Ernst & Young LLP

London

17 March 2019

Notes:

1. The maintenance and integrity of the Raven Property Group Limited web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.
2. Legislation in Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.





GROUP INCOME STATEMENT

For the year ended 31 December 2018

	Notes	Underlying earnings £'000	2018 Capital and other £'000	Total £'000	Underlying earnings £'000	2017 Capital and other £'000	Total £'000
Gross revenue	4 / 5	162,639	–	162,639	177,000	–	177,000
Property operating expenditure and cost of sales		(44,354)	–	(44,354)	(47,304)	–	(47,304)
Net rental and related income		118,285	–	118,285	129,696	–	129,696
Administrative expenses	4 / 6	(22,714)	(2,436)	(25,150)	(19,688)	(2,411)	(22,099)
Share-based payments and other long term incentives	31	–	(2,853)	(2,853)	(1,257)	(2,260)	(3,517)
Foreign currency (losses) / profits		(2,480)	–	(2,480)	6,132	–	6,132
Operating expenditure		(25,194)	(5,289)	(30,483)	(14,813)	(4,671)	(19,484)
Share of profits of joint ventures	15	1,630	–	1,630	1,611	–	1,611
Operating profit / (loss) before profits and losses on investment property		94,721	(5,289)	89,432	116,494	(4,671)	111,823
Unrealised (loss) / profit on revaluation of investment property	11	–	(121,764)	(121,764)	–	31,284	31,284
Unrealised profit / (loss) on revaluation of investment property under construction	12	–	755	755	–	(3,049)	(3,049)
Operating profit / (loss)	4	94,721	(126,298)	(31,577)	116,494	23,564	140,058
Finance income	7	3,286	1,583	4,869	5,627	710	6,337
Finance expense	7	(71,796)	(16,384)	(88,180)	(66,219)	(11,855)	(78,074)
Profit / (loss) before tax		26,211	(141,099)	(114,888)	55,902	12,419	68,321
Tax	8	(6,197)	404	(5,793)	(12,524)	(12,658)	(25,182)
Profit / (loss) for the year		20,014	(140,695)	(120,681)	43,378	(239)	43,139
Earnings per share:	9						
Basic (pence)				(18.81)			6.50
Diluted (pence)				(18.81)			6.27
Underlying earnings per share:	9						
Basic (pence)		3.12			6.54		
Diluted (pence)		3.08			5.68		

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 2018

	2018 £'000	2017 £'000
(Loss) / profit for the year	(120,681)	43,139
Other comprehensive income, net of tax		
<i>Items to be reclassified to profit or loss in subsequent periods:</i>		
Foreign currency translation on consolidation	49,854	(53,722)
Total comprehensive income for the year, net of tax	(70,827)	(10,583)

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 2018

	Notes	2018 £'000	2017 £'000	2016 £'000
Non-current assets				
Investment property	11	1,175,440	1,159,172	1,052,547
Investment property under construction	12	30,548	28,608	33,553
Plant and equipment		3,574	3,147	2,462
Goodwill		–	–	1,523
Investment in joint ventures	15	6,566	7,380	7,874
Other receivables	16	15,535	4,118	2,998
Derivative financial instruments	18	21,953	5,875	4,056
Deferred tax assets	25	24,405	25,611	22,075
		1,278,021	1,233,911	1,127,088
Current assets				
Inventory		356	313	624
Trade and other receivables	17	43,658	58,386	42,518
Derivative financial instruments	18	349	329	290
Cash and short term deposits	19	73,450	197,137	160,559
		117,813	256,165	203,991
Total assets		1,395,834	1,490,076	1,331,079
Current liabilities				
Trade and other payables	20	66,192	79,427	52,667
Derivative financial instruments	18	1	26	763
Interest bearing loans and borrowings	21	75,565	78,871	33,007
		141,758	158,324	86,437
Non-current liabilities				
Interest bearing loans and borrowings	21	567,865	547,371	565,701
Preference shares	22	109,271	108,263	106,582
Convertible preference shares	23	206,116	198,870	96,997
Other payables	24	17,797	25,565	20,312
Derivative financial instruments	18	–	–	54
Deferred tax liabilities	25	57,400	59,845	49,730
		958,449	939,914	839,376
Total liabilities		1,100,207	1,098,238	925,813
Net assets		295,627	391,838	405,266



	Notes	2018 £'000	2017 £'000	2016 £'000
Equity				
Share capital	26	6,233	6,606	6,680
Share premium		103,144	124,568	131,537
Warrants	27	98	438	996
Own shares held	28	(5,965)	(3,652)	(4,692)
Convertible preference shares	23	11,212	11,212	6,536
Capital reserve		(281,001)	(166,494)	(186,957)
Translation reserve		(48,887)	(98,741)	(45,019)
Retained earnings		510,793	517,901	496,185
Total equity	29 / 30	295,627	391,838	405,266
Net asset value per share (pence):	30			
Basic		48	60	
Diluted		48	59	

The financial statements were approved by the Board of Directors on 17 March 2019 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 2018

For the year ended 31 December 2017	Notes	Share Capital £'000	Share Premium £'000	Warrants £'000	Own Shares Held £'000	Convertible Preference Shares £'000	Capital Reserve £'000	Translation Reserve £'000	Retained Earnings £'000	Total £'000
At 1 January 2017		6,680	131,537	996	(4,692)	6,536	(186,957)	(45,019)	496,185	405,266
Profit for the year		–	–	–	–	–	–	–	43,139	43,139
Other comprehensive income		–	–	–	–	–	–	(53,722)	–	(53,722)
Total comprehensive income for the year		–	–	–	–	–	–	(53,722)	43,139	(10,583)
Warrants exercised	26 / 27	139	3,905	(558)	–	–	–	–	–	3,486
Convertible preference shares issued	23	–	–	–	–	4,693	–	–	–	4,693
Conversion of convertible preference shares	23 / 26	5	262	–	–	(17)	–	–	–	250
Own shares acquired	28	–	–	–	(124)	–	–	–	–	(124)
Own shares allocated	28	–	–	–	1,134	–	–	–	(960)	174
Ordinary shares cancelled	26 / 28	(218)	(11,136)	–	30	–	–	–	–	(11,324)
Transfer in respect of capital losses		–	–	–	–	–	20,463	–	(20,463)	–
At 31 December 2017		6,606	124,568	438	(3,652)	11,212	(166,494)	(98,741)	517,901	391,838
For the year ended 31 December 2018										
Loss for the year		–	–	–	–	–	–	–	(120,681)	(120,681)
Other comprehensive income		–	–	–	–	–	–	49,854	–	49,854
Total comprehensive income for the year		–	–	–	–	–	–	49,854	(120,681)	(70,827)
Warrants exercised	26 / 27	85	2,380	(340)	–	–	–	–	–	2,125
Convertible preference shares issued	23	–	–	–	–	–	–	–	–	–
Conversion of convertible preference shares	23 / 26	–	–	–	–	–	–	–	–	–
Own shares acquired	28	–	–	–	(4,235)	–	–	–	–	(4,235)
Own shares allocated	28	–	–	–	1,886	–	–	–	(934)	952
Ordinary shares cancelled	26 / 28	(458)	(23,804)	–	36	–	–	–	–	(24,226)
Transfer in respect of capital losses		–	–	–	–	–	(114,507)	–	114,507	–
At 31 December 2018		6,233	103,144	98	(5,965)	11,212	(281,001)	(48,887)	510,793	295,627

The accompanying notes are an integral part of this statement.



GROUP CASH FLOW STATEMENT

For the year ended 31 December 2018

	Notes	2018 £'000	2017 £'000
Cash flows from operating activities			
(Loss) / profit before tax		(114,888)	68,321
Adjustments for:			
Impairment of goodwill	6	–	1,523
Depreciation	6	811	888
Provision for bad debts	6	(58)	(72)
Share of profits of joint ventures	15	(1,630)	(1,611)
Finance income	7	(4,869)	(6,337)
Finance expense	7	88,180	78,074
Loss / (profit) on revaluation of investment property	11	121,764	(31,284)
(Profit) / loss on revaluation of investment property under construction	12	(755)	3,049
Foreign exchange losses / (profits)		2,480	(6,132)
Non-cash element of share-based payments and other long term incentives	31	2,853	2,260
		93,888	108,679
<i>Changes in operating working capital</i>			
Decrease / (increase) in operating receivables		8,212	(848)
(Increase) / decrease in other operating current assets		(43)	311
Decrease in operating payables		(1,627)	(1,222)
		100,430	106,920
Receipts from joint ventures	15	3,000	2,105
Tax paid		(7,344)	(10,988)
Net cash generated from operating activities		96,086	98,037
Cash flows from investing activities			
Payments for property improvements		(8,611)	(11,642)
Refunds of VAT on construction of investment property		12,754	–
Acquisition of subsidiaries	38	(33,826)	(68,940)
Cash acquired with subsidiaries	38	1,235	3,266
Acquisition of investment property / payment of deferred consideration on acquisition of investment property	11	(44,054)	(80,739)
Loans granted		(194)	–
Loans repaid		34	–
Purchase of plant and equipment		(2,262)	(1,618)
Investment in joint ventures	15	(533)	–
Interest received		3,254	5,631
Net cash used in investing activities		(72,203)	(154,042)

	Notes	2018 £'000	2017 £'000
Cash flows from financing activities			
Proceeds from long term borrowings		155,628	206,641
Repayment of long term borrowings		(153,152)	(98,167)
Loan amortisation		(23,279)	(29,684)
Bank borrowing costs paid		(50,000)	(49,475)
Exercise of warrants	26 / 27	2,125	3,487
Preference shares purchased	22	–	(84)
Ordinary shares purchased	26 / 28	(28,258)	(11,275)
Dividends paid on preference shares		(11,327)	(11,234)
Dividends paid on convertible preference shares		(12,716)	(9,776)
Issue of convertible preference shares	23	–	97,781
Premium paid for derivative financial instruments		(18,848)	(3,680)
Net cash generated from / (used in) financing activities		(139,827)	94,534
Net (decrease) / increase in cash and cash equivalents		(115,944)	38,529
Opening cash and cash equivalents		197,137	160,559
Effect of foreign exchange rate changes		(7,743)	(1,951)
Closing cash and cash equivalents	19	73,450	197,137

The accompanying notes are an integral part of this statement.



NOTES TO THE FINANCIAL STATEMENTS

1. General information

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

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

The audited financial statements of the Group for the year ended 31 December 2018 were authorised by the Board for issue on 17 March 2019.

2. Accounting policies

Basis of preparation

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

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

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

Going concern

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

Statement of compliance

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

Changes in accounting policies

The Group has changed the currency in which it presents its consolidated financial statements from US Dollars to Sterling. A change in presentation currency is a change in accounting policy which is accounted for retrospectively. The Group's results for 2017, which were previously reported in US Dollars, have been restated into Sterling as follows:

- assets and liabilities were translated into Sterling at the closing rates of exchange on 31 December 2017;
- income and expenditure were translated into Sterling at the average rates prevailing in 2017; and
- non-Sterling equity items were translated to Sterling at the historic rates prevailing at the dates of the relevant equity transactions.

The US Dollar Sterling exchange rates used were as follows:

	2017	2016
Closing rate	1.3528	1.2357
Average rate	1.2888	1.3549

Other than the change in presentation currency, 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 2018. The Group applies for the first time, IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments.

IFRS 15 does not affect the financial performance or financial position of the Group but it does require additional disclosures to be made. IFRS 15 does not apply to lease income, so the additional disclosures only relate to the Group's revenues generated by its Roslogistics and Raven Mount reporting segments and provide information as to how the nature, amount, timing and uncertainty of cash flows from these revenues are affected by economic factors. These disclosures are provided in note 4.

The Group has assessed the impact of IFRS 9 and concluded that it does not affect the financial performance or financial position of the Group or the disclosures made in its financial statements.

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

IFRS 16 Leases (effective 1 January 2019)

IFRIC Interpretation 23 Uncertainty over Income Tax Treatments (effective 1 January 2019)

AIP IAS 12 Income Taxes - Income tax consequences of payments on financial instruments classified as equity (effective 1 January 2019)

AIP IAS 23 Borrowing Costs - Borrowing costs eligible for capitalisation (effective 1 January 2019)

The Conceptual Framework for Financial Reporting (effective 1 January 2020)

IFRS 17 Insurance Contracts (effective 1 January 2021)

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, Cypriot and UK tax arising on the results of its Russian, Cypriot and UK operations.

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

(a) Current tax

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



(b) Tax provisions

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 20).

(c) Deferred tax

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

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

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

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

(d) Value added tax

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

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

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

Investment property and investment property under construction

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

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

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

Leasing (as lessors)

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

Financial assets

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

(a) Fair value through profit or loss

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

(b) Loans and receivables

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

Loans and receivables are initially recognised at fair value, plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for 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. Also, to the extent the Five Year Performance Plan vests in March 2023, the resulting entitlements will be settled in ordinary shares and thus will fall within the scope of IFRS 2.

Awards not linked to or settled by ordinary shares

These awards are accounted for in accordance with IAS 19 Employee Benefits whereby the Group estimates the cost of awards using the projected unit credit method, which involves estimating the future value of the preference shares or convertible preference shares, as appropriate, at the vesting date and the probability of the awards vesting. The resulting expense is charged to the Income Statement over the performance period and the liability is remeasured at each Balance Sheet date. The cash component of the 2016 Retention Scheme has been accounted for in this way.

Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each Group entity are measured in the currency of the primary economic environment in which the entity operates (the "functional currency"). For the Company the directors consider this to be Sterling. The group financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds (£'000) except where otherwise indicated and prior years have been restated as described earlier. Following a move to Rouble valuations of investment property, the Russian subsidiaries that hold investment property have changed their functional currency from US Dollars to Roubles.

(b) Transactions and balances

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

(c) On consolidation

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

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



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

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

	2018	2017
Balance Sheet		
– Roubles	88.3524	77.8800
– United States Dollar	1.2736	1.3528
– Euro	1.1142	1.1266
	2018	2017
Income Statement*		
– Roubles	83.6890	75.1859
– United States Dollar	1.3350	1.2888
– Euro	1.1304	1.1415

* These are the average rates for the twelve months ended 31 December 2017 and 2018, which are used unless this does not approximate the rates ruling at the dates of the relevant transactions in which case the item of income or expenditure is translated at the transaction date rate.

Dividends

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

3. Critical accounting estimates and judgements

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

Judgements other than estimates

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

(a) Acquisitions

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

When the acquisition of a subsidiary does not represent a business, it is accounted for as an acquisition of a group of assets and liabilities. The cost of the acquisition is allocated to the assets and liabilities acquired based on their relative fair values, and no goodwill or deferred tax liabilities are recognised. As detailed in note 38, the Group purchased Volga Logistics Park by acquiring all of the issued share capital of the corporate vehicles that owned the property.

(b) Recognition of deferred tax assets

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

Estimates

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

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

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

(b) Income tax

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

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

applied retrospectively. The level of tax reviews and court activity is increasing. The Group is, and has been, subject to tax reviews which are worked through with the relevant authorities to resolve.

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

4. Segmental information

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

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

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

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

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

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

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

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

For the Balance Sheet, segmental information is provided in relation to investment property, inventory, cash balances and borrowings. Whilst segment liabilities include loans and borrowings, segment profit does not include the related finance costs. If such finance costs were included in segment profit or loss, the profit from Property Investment would have decreased by £51.1 million (2017: £48.8 million).



NOTES TO THE FINANCIAL STATEMENTS

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

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

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

(b) 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	139,659	17,964	19,377	177,000	–	177,000
Operating costs / cost of sales	(35,937)	(8,363)	(3,004)	(47,304)	–	(47,304)
Net rental and related income	103,722	9,601	16,373	129,696	–	129,696
Administrative expenses						
Running general and administration expenses	(12,750)	(1,711)	(661)	(15,122)	(4,566)	(19,688)
Impairment of goodwill	–	–	(1,523)	(1,523)	–	(1,523)
Depreciation	(542)	(346)	–	(888)	–	(888)
Share-based payments and other long term incentives	(589)	–	–	(589)	(2,928)	(3,517)
Foreign currency profits	6,129	3	–	6,132	–	6,132
	95,970	7,547	14,189	117,706	(7,494)	110,212
Unrealised profit on revaluation of investment property	31,284	–	–	31,284	–	31,284
Unrealised loss on revaluation of investment property under construction	(3,049)	–	–	(3,049)	–	(3,049)
Share of profits of joint ventures	–	–	1,611	1,611	–	1,611
Segment profit / (loss)	124,205	7,547	15,800	147,552	(7,494)	140,058
Finance income						6,337
Finance expense						(78,074)
Profit before tax						68,321

As at 31 December 2017	Property Investment £'000	Roslogistics £'000	Raven Mount £'000	Total £'000
Assets				
Investment property	1,159,172	–	–	1,159,172
Investment property under construction	28,607	–	–	28,607
Investment in joint ventures	–	–	7,380	7,380
Inventory	–	–	313	313
Cash and short term deposits	191,402	671	5,064	197,137
Segment assets	1,379,181	671	12,757	1,392,609
Other non-current assets				38,752
Other current assets				58,715
Total assets				1,490,076
Segment liabilities				
Interest bearing loans and borrowings	626,242	–	–	626,242
Capital expenditure				
Corporate acquisitions	68,593	–	–	68,593
Other acquisition	90,663	–	–	90,663
Property improvements	12,640	–	–	12,640
	171,896	–	–	171,896



5. Gross revenue

	2018 £'000	2017 £'000
Rental and related income	146,106	139,659
Proceeds from the sale of inventory property	131	19,377
Logistics	16,402	17,964
	162,639	177,000

The Group's leases typically include annual rental increases ("contingent rents") based on a consumer price index in Russia, Europe or the USA, which are recognised in income as they arise. Contingent rents, being amounts recorded in excess of minimum contracted increases, are included in rental income for the year amounted £12k (2017: £8k).

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

The Group recognised revenue of £19 million (2017: £20 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	2018 £'000	2017 £'000
Employment costs	12,079	10,366
Directors' remuneration	2,900	2,386
Bad debts	(58)	(72)
Office running costs and insurance	3,261	3,160
Travel costs	1,321	1,507
Auditors' remuneration	596	553
Impairment of goodwill	–	1,523
Legal and professional	2,070	1,494
Abortive project costs	1,625	–
Depreciation	811	888
Registrar costs and other administrative expenses	545	294
	25,150	22,099
(b) Fees for audit and other services provided by the Group's auditor	2018 £'000	2017 £'000
Audit services	461	417
Audit related assurance services	50	48
	511	465
Other fees:		
Taxation services	47	56
Other services	38	32
	85	88
Total fees	596	553

The Group engaged Ernst & Young to undertake due diligence in respect of the investment property acquisitions in the year, incurring £103k (2017: £313k) of fees, which were included in the cost of the relevant investment property and a further £537k (2017: £nil) incurred in respect of aborted projects.

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 £265k (2017: £235k) and the fees for taxation services were £147k (2017: £59k).

7. Finance income and expense

	2018 £'000	2017 £'000
Finance income		
<i>Total interest income on financial assets not at fair value through profit or loss</i>		
Income from cash and short term deposits	3,254	5,604
Interest receivable from joint ventures	32	23
<i>Other finance income</i>		
Change in fair value of open interest rate derivative financial instruments	1,583	37
Change in fair value of foreign currency embedded derivatives	–	673
Finance income	4,869	6,337
Finance expense		
Interest expense on loans and borrowings measured at amortised cost	51,092	48,808
Interest expense on preference shares	12,335	12,289
Interest expense on convertible preference shares	19,963	15,576
Total interest expense on financial liabilities not at fair value through profit or loss	83,390	76,673
Change in fair value of open forward currency derivative financial instruments	83	121
Change in fair value of open interest rate derivative financial instruments	4,566	1,280
Change in fair value of foreign currency embedded derivatives	141	–
Finance expense	88,180	78,074

Included in the interest expense on loans and borrowings is £3.93 million (2017: £4.25 million) relating to amortisation of costs incurred in originating the loans. Included in the interest expense on preference shares is £0.42 million (2017: £0.42 million) relating to the accretion of premiums payable on redemption of preference shares and amortisation of costs incurred in issuing preference shares. Included in the interest expense on convertible preference shares is £6.95 million (2017: £5.56 million) relating to the accretion of premiums payable on redemption and amortisation of costs incurred in issuing the convertible preference shares of £0.30 million (2017: £0.22 million).



8. Tax

	2018 £'000	2017 £'000
The tax expense for the year comprises:		
Current taxation	5,731	15,001
Deferred taxation (note 25)		
On the origination and reversal of temporary differences	72	11,431
On unrealised foreign exchange movements in loans	(10)	149
Over provision in prior year	–	(1,399)
Tax charge	5,793	25,182

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

	2018 £'000	2017 £'000
(Loss) / profit before tax	(114,888)	68,321
Tax at the Russian corporate tax rate of 20%	(22,978)	13,664
Tax effect of financing arrangements	(1,964)	(3,865)
Tax effect of non deductible preference share coupon	6,460	5,573
Tax effect of foreign exchange movements	(2,186)	1,099
Movement in provision for uncertain tax positions	(1,924)	5,450
Tax effect of other income not subject to tax and non-deductible expenses	5,310	3,431
Tax effect of property depreciation on revaluations	17,179	2,127
Tax on dividends and other inter company gains	2,571	2,696
Movement on previously unprovided deferred tax assets	3,325	(3,594)
Over provision in prior year	–	(1,399)
	5,793	25,182

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

9. Earnings measures

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

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

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

	2018		2017	
	£'000	£'000	£'000	£'000
<i>Earnings</i>				
Net (loss) / profit for the year prepared under IFRS		(120,681)		43,139
Adjustments to arrive at underlying earnings:				
<i>Administrative expenses</i>				
Impairment of goodwill (note 6a)	–		1,523	
Depreciation (note 6a)	811		888	
Aborted project costs (note 6a)	1,625		–	
		2,436		2,411
Share-based payments and other long term incentives (note 31b)		2,853		2,260
Unrealised loss / (profit) on revaluation of investment property		121,764		(31,284)
Unrealised (profit) / loss on revaluation of investment property under construction		(755)		3,049
<i>Finance income</i>				
Change in fair value of open interest rate derivative financial instruments (note 7)	1,583		37	
Change in fair value of foreign currency embedded derivatives (note 7)	–		673	
		(1,583)		(710)
<i>Finance expense</i>				
Change in fair value of open forward currency derivative financial instruments (note 7)	83		121	
Change in fair value of open interest rate derivative financial instruments (note 7)	4,566		1,280	
Change in fair value of foreign currency embedded derivatives (note 7)	141		–	
Premium on redemption of preference shares and amortisation of issue costs (note 22)	417		417	
Premium on redemption of convertible preference shares and amortisation of issue costs (note 23)	7,246		5,784	
Amortisation of loan origination costs (note 7)	3,931		4,253	
		16,384		11,855
<i>Tax</i>				
Movement on deferred tax arising on depreciation and revaluation of investment property	(619)		12,591	
Tax on unrealised foreign exchange movements in loans	215		67	
		(404)		12,658
Underlying earnings		20,014		43,378

	2018	2017
	£'000	£'000
Calculation of Headline earnings		
Net (loss) / profit for the year prepared under IFRS	(120,681)	43,139
Adjustments to arrive at Headline earnings:		
Impairment of goodwill	–	1,523
Unrealised loss / (profit) on revaluation of investment property	121,764	(31,284)
Unrealised (profit) / loss on revaluation of investment property under construction	(755)	3,049
Movement on deferred tax arising on revaluation of investment property	(6,502)	7,772
Headline earnings	(6,174)	24,199



	2018			2017		
	Earnings £'000	Weighted average shares No. '000	EPS Pence	Earnings £'000	Weighted average shares No. '000	EPS Pence
IFRS						
Basic	(120,681)	641,588	(18.81)	43,139	663,493	6.50
Effect of dilutive potential ordinary shares:						
Warrants (note 27)	–	–		–	7,669	
LTIP (note 31)	–	–		–	1,382	
2016 Retention scheme (note 31)	–	–		–	2,513	
Convertible preference shares (note 23)	–	–		15,576	261,369	
Diluted	(120,681)	641,588	(18.81)	58,715	936,426	6.27
	Earnings £'000	2018 Weighted average shares No. '000	EPS Pence	Earnings £'000	2017 Weighted average shares No. '000	EPS Pence
Underlying earnings						
Basic	20,014	641,588	3.12	43,378	663,493	6.54
Effect of dilutive potential ordinary shares:						
Warrants (note 27)	–	2,641		–	7,669	
LTIP (note 31)	–	612		–	1,382	
2016 Retention scheme (note 31)	–	4,535		–	2,513	
Convertible preference shares (note 23)	–	–		9,792	261,369	
Diluted	20,014	649,376	3.08	53,170	936,426	5.68
	Earnings £'000	2018 Weighted average shares No. '000	EPS Pence	Earnings £'000	2017 Weighted average shares No. '000	EPS Pence
Headline earnings						
Basic	(6,174)	641,588	(0.96)	24,199	663,493	3.65
Effect of dilutive potential ordinary shares:						
Warrants (note 27)	–	–		–	7,669	
LTIP (note 31)	–	–		–	1,382	
2016 Retention scheme (note 31)	–	–		–	2,513	
Convertible preference shares (note 23)	–	–		–	–	
Diluted	(6,174)	641,588	(0.96)	24,199	675,057	3.58

The finance expense relating to the convertible preference shares was greater than IFRS, underlying and headline basic earnings per share and thus the convertible preference shares are not dilutive. This was not the case in 2017 where the convertible preference shares were dilutive and were incorporated into the calculation of diluted IFRS and underlying earnings per share.

10. Ordinary dividends

In the place of a final dividend for 2017 the Company implemented a tender offer buy back of ordinary shares on the basis of 1 in every 17 shares held at a tender price of 52 pence per share, the equivalent of a final dividend of 3 pence per share. Instead of an interim dividend for 2018 the Company implemented a tender offer buy back of ordinary shares on the basis of 1 in every 44 shares at a tender price of 55 pence per share, the equivalent of a dividend of 1.25 pence per share.

11. Investment property

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

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	813,667	114,454	122,882	20,084	1,071,087
Corporate acquisitions (note 38)	–	28,589	–	40,004	68,593
Other acquisition	90,663	–	–	–	90,663
Property improvements	8,688	1,329	2,391	232	12,640
Unrealised profit on revaluation	12,090	12,475	3,304	5,048	32,917
On translation to presentation currency	(70,820)	(11,937)	(10,706)	(4,686)	(98,149)
Market value at 31 December 2017	854,288	144,910	117,871	60,682	1,177,751
Tenant incentives and contracted rent uplift balances	(13,715)	(4,249)	(1,264)	(406)	(19,634)
Head lease obligations (note 24)	1,055	–	–	–	1,055
Carrying value at 31 December 2017	841,628	140,661	116,607	60,276	1,159,172
<i>Revaluation movement in the year ended 31 December 2017</i>					
Gross revaluation	12,090	12,475	3,304	5,048	32,917
Movement of tenant incentives and contracted rent uplift balances	444	65	(154)	(282)	73
Less impact of translation to presentation currency	(1,226)	(373)	(96)	(11)	(1,706)
Revaluation reported in the Income Statement	11,308	12,167	3,054	4,755	31,284

*Classified in accordance with the fair value hierarchy, see note 35. There were no transfers between fair value hierarchy in 2017 or 2018.

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

At 31 December 2018 the Group has pledged investment property with a value of £1,153 million (2017: £1,061 million) to secure banking facilities granted to the Group (see note 21).



12. Investment property under construction

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

Asset class Location Fair value hierarchy*	Assets under construction			Land Bank	2017 Total £'000
	Moscow	Regions	Sub-total	Regions	
	Level 3 £'000	Level 3 £'000		Level 3 £'000	
Market value at 1 January 2017	23,954	6,069	30,023	3,128	33,151
Costs incurred	20	9	29	–	29
On translation to presentation currency	(1,578)	(273)	(1,851)	(53)	(1,904)
Unrealised loss on revaluation	(2,660)	(187)	(2,847)	(202)	(3,049)
Market value at 31 December 2017	19,736	5,618	25,354	2,873	28,227
Head lease obligations (note 24)	381	–	381	–	381
Carrying value at 31 December 2017	20,117	5,618	25,735	2,873	28,608

*Classified in accordance with the fair value hierarchy, see note 35. There were no transfers between fair value hierarchy in 2017 or 2018.

No borrowing costs were capitalised in the year (2017: £nil).

At 31 December 2018 the Group has pledged investment property under construction with a value of £25.3 million (2017: £25.4 million) to secure banking facilities granted to the Group (see note 21).

13. Investment property and investment property under construction - Valuation

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

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

The latter is sub-categorised as:

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

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

The fair value of the Group's investment property and assets under construction at 31 December 2018 has been arrived at on the basis of market valuations carried out by Jones Lang Lasalle ("JLL"), external valuers to the Group. JLL have consented to the use of their name in these financial statements.

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

Valuation process

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

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

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

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

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

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

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

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



NOTES TO THE FINANCIAL STATEMENTS

Valuation assumptions and key inputs

Class of property	Carrying amount		Valuation technique	Input	Range	
	2018 £'000	2017 £'000			2018	2017
Completed investment property						
Moscow - Logistics	827,995	841,628	Discounted cash flow	ERV per sqm ERV growth Discount rate Exit cap rate Vacancy rate Passing rent per sqm Passing rent per sqm	Rub 3,500 to Rub 3,800 4.00% to 7.00% 10.75% to 12.60% 10.50% to 11.50% 1% to 50% \$113 to \$170 Rub 3,000 to Rub 12,315	Rub 3,500 to Rub 3,800 5.00% 11.20% to 12.90% 10.50% to 11.50% 1% to 94% \$110 to \$166 Rub 3,104 to Rub 11,847
St Petersburg - Logistics	143,932	140,661	Discounted cash flow	ERV per sqm ERV growth Discount rate Exit cap rate Vacancy rate Passing rent per sqm Passing rent per sqm	Rub 3,800 6.00% 12.30% to 12.50% 11.75% 0% to 29% \$109 to \$133 Rub 2,456 to Rub 5,260	Rub 3,800 4.00% 12.15% to 12.48% 11.75% 3% to 19% \$69 to \$140 Rub 2,339 to Rub 4,916
Regional - Logistics	143,587	116,607	Discounted cash flow	ERV per sqm ERV growth Discount rate Exit cap rate Vacancy rate Passing rent per sqm Passing rent per sqm Passing rent per sqm	Rub 3,800 6.00% 12.25% to 12.50% 11.75% 0% to 9% \$107 to \$138 Rub 3,750 to Rub 7,300 €88	Rub 3,800 4.00% 12.45% to 12.50% 11.75% 6% to 27% \$104 to \$133 Rub 3,720 to Rub 6,707 n/a
St Petersburg - Office	59,926	60,276	Discounted cash flow	ERV per sqm ERV growth Discount rate Exit cap rate Vacancy rate Passing rent per sqm Passing rent per sqm Passing rent per sqm	Rub 10,976 to Rub 12,366 2.00% to 4.00% 12.00% to 12.25% 11.25% to 12.25% 1% to 8% €408 €410 to €413 Rub 4,384 to Rub 17,570	Rub 9,965 to Rub 12,384 0.00% 11.00% to 12.25% 11.00% to 12.25% 0% to 1% \$388 €390 Rub 8,124 to Rub 16,271

		Range	
Description		2018	2017
Other key information			
Moscow - Logistics	Land plot ratio	34% - 65%	34% - 65%
	Age of building	1 to 14 years	1 to 13 years
	Outstanding costs (£'000)	2,290	6,980
St Petersburg - Logistics	Land plot ratio	48% - 57%	48% - 57%
	Age of building	4 to 10 years	3 to 9 years
	Outstanding costs (£'000)	282	611
Regional - Logistics	Land plot ratio	48% - 61%	48% - 61%
	Age of building	9 years	8 years
	Outstanding costs (£'000)	363	114
St Petersburg - Office	Land plot ratio	148% to 496%	148% to 496%
	Age of building	10 to 12 years	9 to 11 years
	Outstanding costs (£'000)	23	60

	Carrying amount		Valuation technique	Input	Range	
	2018 £'000	2017 £'000			2018	2017
Investment property under construction						
Moscow - Logistics	19,676	20,117	Comparable	Value per ha	Rub 17.9m - Rub 33.6m	\$0.31m - \$0.53m
Regional - Logistics	8,335	5,618	Comparable	Value per ha	Rub 9.7m - Rub 20.6m	\$0.29m

The fair value of investment property is determined using the income capitalisation method where a property's fair value is estimated based on the present value of net cash flows generated from each property, plus the reversionary value based on the final year's income capitalised using an all-risks exit yield. Allowance is made for a potential letting void and an assessment is made of the estimated rental value on re-letting (ERV). These elements are determined based on current market conditions and values.

Assets under construction (development projects) are valued on a residual value basis using the future anticipated costs to complete construction, a provision for letting costs, a letting void period and an assessment of ERV, which is capitalised at the prevailing market yield. Depending on the status of the development, and how much of development process has been completed an allowance will also be made for developer's profit. There were no active development projects at 31 December 2018 or 2017.

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

All of the above valuations are completed by JLL.

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

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

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

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

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



14. Investment in subsidiary undertakings

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

Name	Country of Incorporation	Proportion of ownership interest	
		2018	2017
Raven Russia Holdings Cyprus Limited	Cyprus	100%	100%
Dorfin Limited	Cyprus	100%	100%
Roslogistics Holdings (Russia) Limited	Cyprus	100%	100%
Raven Mount Group Limited	England	100%	100%
Raven Russia Property Advisors Limited	England	100%	100%
Raven Russia (Service Company) Limited	Guernsey	100%	100%
Avalon Logistics Company LLC	Russia	100%	100%
Delta LLC	Russia	100%	100%
EG Logistics LLC	Russia	100%	100%
Fenix LLC	Russia	100%	100%
Gorigo LLC	Russia	100%	100%
Kstovo Industrial Park 1 LLC	Russia	100%	–
JSC Kulon Development	Russia	100%	100%
JSC 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%
JSC Noginsk Vostok	Russia	100%	100%
Pervomayskay Zarya LLC	Russia	100%	100%
Petroestate LLC	Russia	100%	100%
Primium LLC	Russia	100%	100%
Resource Economia LLC	Russia	100%	100%
Sever Estate LLC	Russia	100%	100%
Soyuz-Invest LLC	Russia	100%	100%
JSC Toros	Russia	100%	100%

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

15. Investment in joint ventures

The principal joint ventures of the Group are as follows:

Name	Country of Incorporation	Proportion of ownership interest	
		2018	2017
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 primarily associated with the second home development activity. The Group's interest in each joint venture has been accounted for using the equity method. None of the Group's joint ventures are individually material. 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	2018 £'000	2017 £'000
Non-current assets	3,634	3,221
Inventory	3,425	6,157
Cash and short term deposits	3,597	3,533
Other current assets	1,874	1,963
Current liabilities	(3,659)	(2,575)
Non-current liabilities	(3,051)	(4,505)
Net assets	5,820	7,794
Investment in joint ventures		
Goodwill on acquisition	3,694	3,483
Share of net assets	2,872	3,897
Carrying value	6,566	7,380
Carrying value at 1 January	7,380	7,874
Investment in the year	533	–
Share of total comprehensive income for the year	1,630	1,611
Share of distributions paid	(3,000)	(2,105)
On translation to presentation currency	23	–
Carrying value at 31 December	6,566	7,380

Summarised Statement of comprehensive income	2018 £'000	2017 £'000
Gross revenue	27,708	23,886
Cost of sales	(22,329)	(18,684)
Administrative expenses	(2,017)	(1,790)
Finance expense	(216)	(183)
Profit before tax	3,146	3,229
Tax	20	(8)
Profit for the year	3,166	3,221
Other comprehensive income	53	–
Total comprehensive income	3,219	3,221
Group's share of total comprehensive income for the year	1,630	1,611

The joint ventures had no contingent liabilities or capital commitments as at 31 December 2018 and 2017. The joint ventures cannot distribute their profits until they obtain the consent from the joint venture partners.

The Group charged its joint ventures £244k (2017: £73k) for services rendered to them during the year, of which £81k (2017: nil) was included in payables at the balance sheet date. The joint ventures recharged certain costs back to the Group that for the year amounted to £51k (2017: £136k) of which £7k (2017: £7k) was included in payables at the balance sheet date. The Group has advanced loans to its joint ventures of £491k (2017: £300k) generating interest income of £32k (2017: £23k).



16. Other receivables

	2018 £'000	2017 £'000
Loans receivable	676	491
Restricted cash	12,249	965
VAT recoverable	2,538	2,468
Prepayments and other receivables	72	194
	15,535	4,118

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

17. Trade and other receivables

	2018 £'000	2017 £'000
Trade receivables	27,803	32,773
Prepayments	3,524	3,985
Restricted cash	1,792	–
VAT recoverable	7,084	17,328
Other receivables	317	210
Tax recoverable	3,138	4,090
	43,658	58,386

18. Derivative financial instruments

	2018 £'000	2017 £'000
Interest rate derivative financial instruments		
Non-current assets	21,953	5,713
Current assets	329	223
Forward currency derivative financial instruments		
Non-current assets	–	91
Current assets	20	13
Foreign currency embedded derivatives		
Non-current assets	–	71
Current assets	–	93
Current liabilities	(1)	(26)

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 2018 the instruments have a notional value of £543 million (2017: £481 million) and a weighted average fixed or capped rate of 3.90% (2017: 1.61%).

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 £12 million (2017: £24 million), a weighted average capped rate of \$1.55 to £1 (2017: \$1.55 to £1) and quarterly maturities with the final instruments maturing on 18 December 2019 (2017: 18 December 2019).

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

19. Cash and short term deposits

	2018 £'000	2017 £'000
Cash at bank and on call	45,153	128,079
Short term deposits	28,297	69,058
	73,450	197,137

Cash at bank and on call attracts variable interest rates, whilst short term deposits attract fixed rates but mature and re-price over a short period of time. The weighted average interest rate at the balance sheet date is 5.50% (2017: 5.04%).

20. Trade and other payables

	2018 £'000	2017 £'000
Trade and other payables	4,900	4,998
Construction payables	2,958	7,764
Advanced rentals	20,840	19,574
Deferred consideration on property acquisitions	12,197	17,874
Other payables	4,392	5,172
Current tax payable	11,369	14,656
Other tax payable	9,518	9,382
Head leases (note 24)	18	7
	66,192	79,427

21. Interest bearing loans and borrowings

	2018 £'000	2017 £'000
Bank loans		
Loans due for settlement within 12 months	75,565	78,871
Loans due for settlement after 12 months	567,865	547,371
	643,430	626,242
The Group's borrowings have the following maturity profile:		
On demand or within one year	75,565	78,871
In the second year	20,730	109,636
In the third to fifth years	333,862	283,816
After five years	213,273	153,919
	643,430	626,242

The amounts above include unamortised loan origination costs of £7.1 million (2017: £7.8 million) and interest accruals of £1.3 million (2017: £1.2 million).

The Group's interest bearing loans and borrowings have a weighted average interest rate of 7.69% (2017: 7.62%) and a weighted average term to maturity of 4 years (2017: 4.5 years).

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

There have been a number of changes to the Group's financing arrangements in the year. The Group drew down €86.0 million and Rub 5.7 billion on new and existing debt facilities, repaying \$108 million of existing debt. In addition existing facilities of \$306 million were extended and / or converted into Rouble / Euro blended facilities of Rub 11.9 billion and €113 million.

Since the year end, the Group has drawn a further Rub 358 million and €13 million of new bank debt, whilst repaying \$13 million of existing debt.

As at 31 December 2018 the Group had interest rate hedges for £396.8 million of borrowings (2017: £349.6 million) capped at 3.90% (2017: 1.61%) for a weighted average of 4 years (2017: 3 years). None of the Group's borrowings have fixed interest rates (2017: £141.2 million).



22. Preference shares

	2018 £'000	2017 £'000
Issued share capital:		
At 1 January	108,263	106,582
Purchased in the year	–	(84)
Reissued in the year	–	710
Premium on redemption of preference shares and amortisation of issue costs	417	417
Scrip dividends	591	638
At 31 December	109,271	108,263

	2018 Number	2017 Number
Issued share capital:		
At 1 January	99,143,192	98,265,327
Purchased in the year	–	(56,866)
Reissued in the year	–	487,047
Scrip dividends	413,342	447,684
At 31 December	99,556,534	99,143,192
Shares in issue	99,613,402	99,200,060
Held by the Company's Employee Benefit Trusts	(56,868)	(56,868)
At 31 December	99,556,534	99,143,192

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

23. Convertible preference shares

	2018 £'000	2017 £'000
Issued share capital:		
At 1 January	198,870	96,997
Issued in the year	–	100,788
Allocated to equity	–	(4,693)
Acquired by Company's Employee Benefit Trust	–	(3,007)
Reissued in the year	–	3,235
Converted to ordinary shares (note 26)	–	(250)
Premium on redemption of preference shares and amortisation of issue costs	7,246	5,784
Movement on accrual for preference dividends	–	16
At 31 December	206,116	198,870

	2018 Number	2017 Number
Issued share capital:		
At 1 January	192,388,886	102,837,876
Issued in the year	–	89,766,361
Acquired by Company's Employee Benefit Trust	–	(2,631,578)
Reissued in the year	–	2,683,075
Converted to ordinary shares (note 26)	–	(266,848)
At 31 December	192,388,886	192,388,886
Shares in issue	198,189,014	198,189,014
Held by the Company's Employee Benefit Trusts	(5,800,128)	(5,800,128)
At 31 December	192,388,886	192,388,886

The convertible preference shares entitle the holders to a cumulative annual dividend of 6.5 pence per share and are redeemable by the Company on 6 July 2026 at £1.35 per share. The convertible preference shares are convertible to ordinary shares at the holder's request at any time prior to redemption at a rate that is currently 1.617 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.

24. Other payables

	2018 £'000	2017 £'000
Rent deposits	16,425	16,734
Deferred consideration on property acquisitions	–	7,402
Head leases	1,372	1,429
	17,797	25,565

The Group has leasehold properties that it classifies as investment property and investment property under construction. Minimum lease payments due over the remaining term of the leases totalled £3.9 million (2017: £4.3 million) and have a present value at 31 December 2018, as reflected above and in note 20, of £1.4 million (2017: £1.4 million).



25. Deferred tax

(a) Deferred tax assets	Tax losses £'000	Other £'000	Total £'000
Balance at 1 January 2017	21,551	524	22,075
On translation to presentation currency	(770)	–	(770)
Credit for the year	2,488	336	2,824
On acquisition (note 38)	1,482	–	1,482
Balance at 31 December 2017	24,751	860	25,611
On translation to presentation currency	(2,852)	(40)	(2,892)
Credit for the year	237	(41)	196
On acquisition (note 38)	1,490	–	1,490
Balance at 31 December 2018	23,626	779	24,405

The Group has tax losses in Russia of £265 million (2017: £261 million) and tax losses in the UK of £53 million (2017: £53 million) for which deferred tax assets have not been recognised. The losses in the UK do not have an expiry date. The losses in Russia can 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 2017	32,568	17,162	49,730
On translation to presentation currency	(1,404)	(1,486)	(2,890)
Charge for the year	5,233	7,772	13,005
Balance at 31 December 2017	36,397	23,448	59,845
On translation to presentation currency	(4,161)	1,458	(2,703)
Charge / (credit) for the year	6,760	(6,502)	258
Balance at 31 December 2018	38,996	18,404	57,400

26. Share capital

	2018 £'000	2017 £'000
Issued share capital:		
At 1 January	6,606	6,680
Issued in the year for cash on warrant exercises (note 27)	85	139
On conversion of convertible preference shares (note 23)	–	5
Repurchased and cancelled in the year	(458)	(218)
At 31 December	6,233	6,606

	2018 Number	2017 Number
Issued share capital:		
At 1 January	660,571,843	667,968,463
Issued in the year for cash on warrant exercises (note 27)	8,500,126	13,946,387
On conversion of convertible preference shares (note 23)	–	474,722
Repurchased and cancelled in the year	(45,802,535)	(21,817,729)
At 31 December	623,269,434	660,571,843

Of the authorised ordinary share capital of 1,500,000,000 at 31 December 2018, 2,448,226 (2017: 10,948,352) are reserved for warrants.

Details of own shares held are given in note 28.

27. Warrants

	2018 £'000	2017 £'000
At 1 January	438	996
Exercised in the year (note 26)	(340)	(558)
At 31 December	98	438

	2018 Number	2017 Number
At 1 January	10,948,352	24,894,739
Exercised in the year (note 26)	(8,500,126)	(13,946,387)
At 31 December	2,448,226	10,948,352

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.

565,543 warrants have been exercised in the period since 31 December 2018 (2017: 315).

28. Own shares held

	2018 £'000	2017 £'000
At 1 January	(3,652)	(4,692)
Acquired under a tender offer	(4,160)	–
Other acquisitions	(75)	(124)
Allocation to satisfy Annual Performance Incentive (note 31)	1,278	–
Cancelled	36	30
Allocation to satisfy LTIP options exercised (note 31a)	608	1,134
At 31 December	(5,965)	(3,652)

	2018 Number	2017 Number
At 1 January	5,150,122	6,444,080
Acquired under a tender offer	8,000,000	–
Other acquisitions	173,958	257,703
Allocation to satisfy Annual Performance Incentive (note 31)	(1,704,000)	–
Cancelled	(48,613)	(39,472)
Allocation to satisfy LTIP options exercised (note 31a)	(810,811)	(1,512,189)
At 31 December	10,760,656	5,150,122

Allocations are transfers by the Company's Employee Benefit Trusts to satisfy LTIP options exercised in the year and certain of the 2017 Annual Performance Incentives to directors. The amounts shown for share movements are net of the Trustees' participation in tender offers during the period from grant to exercise. Details of outstanding LTIP options, which are vested but unexercised, are given in note 31a.



29. Equity

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

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

30. Net asset value per share

The Group no longer reports its own adjusted net asset value and adjusted net asset value per share. With the change in presentation currency from US Dollars to Sterling the most significant adjustment, being the unrealised foreign exchange gains and losses on irredeemable preference shares, is no longer relevant.

	2018 Number	2017 Number
Number of ordinary shares (note 26)	623,269,434	660,571,843
Less own shares held (note 28)	(10,760,656)	(5,150,122)
	612,508,778	655,421,721

	2018			2017		
	Net asset value £'000	Ordinary shares No. '000	Net asset value per share Pence	Net asset value £'000	Ordinary shares No. '000	Net asset value per share Pence
Net asset value per share	295,627	612,509	48	391,838	655,422	60
Effect of dilutive potential ordinary shares:						
Convertible preference shares (note 23)	–	–		198,870	338,412	
Warrants (note 27)	612	2,448		2,737	10,948	
LTIP (Note 31)	266	1,062		468	1,873	
2016 Retention Scheme (note 31)	2,095	4,998		1,267	4,616	
Fully diluted net asset value per share	298,600	621,017	48	595,180	1,011,271	59

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 NAV per share and thus the convertible preference shares are not dilutive.

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

31. Share-based payments and other long term incentives

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

Long Term Incentive Plan ("LTIP")

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. The LTIP is closed and further awards cannot be made. Awards made under the LTIP have been accounted for in accordance with the Group's accounting policy for Share-based payments.

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.

Five Year Performance Plan ("FYPP")

The FYPP is a long term incentive scheme which is open to the executive directors and two senior managers. The scheme allows each participant to invest into the FYPP a number of the listed securities in the Company that they hold and those that they receive on 31 March 2019 under the 2016 Retention Scheme. All securities invested in the FYPP must continue to be retained by the participant until 31 March 2023. On 31 March 2023, based on annual compound TSR calculations, the participants will be entitled to receive up to three times the value of the securities in the FYPP. Vested entitlements will be settled in the Company's ordinary shares, with a value based on the average price of the Company's ordinary shares for March 2023.

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

The maximum aggregate investment in the FYPP is £12 million and the potential participants will be required to confirm their participation and the amount of their investment once the final payment under the 2016 Retention Scheme has been made on 31 March 2019.

Annual Performance Incentive

As noted in the letter from the Remuneration Committee in the Group's 2017 Annual Report, two of the Company's directors accepted their Annual Performance Incentive in the Company's ordinary shares rather than in cash.

(a) Movements in LTIP options

	2018 No. of options	2017 No. of options
Outstanding at the beginning of the year	1,872,973	3,872,973
Exercised during the year		
– LTIP	(810,811)	(2,000,000)
Outstanding at the end of the year	1,062,162	1,872,973

The options expire in March 2019.



(b) Income Statement charge for the year	2018 £'000	2017 £'000
Annual Performance Incentive	750	–
2016 Retention scheme	2,103	3,517
Five Year Performance Plan	–	–
	2,853	3,517
To be satisfied by allocation of:		
Ordinary shares (IFRS 2 expense)	750	–
Convertible preference shares / preference shares (IFRS 2 expense)	2,103	2,260
Cash	–	1,257
	2,853	3,517

Of the IFRS 2 expense for the year £2.1 million (2017: £1.3 million) is included in current liabilities.

32. Capital commitments

The Group had no significant capital commitments at 31 December 2017 and 2018.

33. Related party transactions

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

<i>Remuneration of Directors and other key management personnel</i>	2018 £'000	2017 £'000
Short term employee benefits	4,247	3,052
Post employment benefits	224	219
Share-based payments and other long term incentives	2,853	3,527
	7,324	6,798

34. Financial instruments – risk management

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

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

(a) Market risk

Currency risk

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

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

Rouble

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

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

Sterling

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

Euro

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

US Dollar

Currency risk to US Dollars is now significantly reduced as the Group moves away from US Dollar debt facilities. It is expected that there will be no US Dollar facilities by the end of 2019. The Group still has a proportion of its leases pegged to the US Dollar and these will mature over the next three years. A weakening Rouble relative to the US Dollar will put pressure on debt servicing of the remaining US Dollar debt but also generate increased Rouble income on US Dollar pegged leases.

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

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



NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2017	Rouble £'000	Euro £'000	US Dollar £'000	Sterling £'000	ZAR £'000
Non-current assets					
Restricted cash	–	–	226	–	–
Derivative financial instruments	–	1,842	48	–	–
	–	1,842	274	–	–
Current assets					
Rent receivable	–	1	2,153	–	–
Restricted cash	–	–	–	–	–
Derivative financial instruments	–	–	7	–	–
Other current receivables	38	1,230	4	17	–
Cash and short term deposits	40,649	30,908	8,928	69	–
	40,687	32,139	11,092	86	–
Non-current liabilities					
Interest bearing loans and borrowings	–	44,302	64,389	–	–
Rent deposits	–	–	13,292	–	–
	–	44,302	77,681	–	–
Current liabilities					
Interest bearing loans and borrowings	10,524	–	2,063	–	–
Rent deposits	3,543	–	–	–	–
Other payables	58	–	400	–	–
	14,125	–	2,463	–	–

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

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

Post tax profit or loss would change by:	2018 £'000	2017 £'000
US Dollar	1,104	8,032
Russian Rouble	13,395	4,069
Sterling	28	4
Euro	11,699	1,278

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

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

To date the Group has sought to fix its exposure to interest rate risk on borrowings through fixed rate debt facilities, the use of a variety of interest rate derivatives and the issue of preference shares and convertible preference shares at a fixed coupon. This gives certainty over future cash flow but exposure to fair value movements, which amounted to an accumulated unrealised loss of £13.8 million at 31 December 2018 (2017: loss of £10.9 million).

We have diversified our debt exposure and, hence, interest rate exposure. The Group is now less exposed to US LIBOR and more sensitive to EURIBOR and Central Bank of Russia Key rate movements. Sensitivity to all benchmark rates are presented in the table below.

	2018		2017	
	Increase 100 bps £'000	Decrease 100 bps £'000	Increase 100 bps £'000	Decrease 100 bps £'000
US LIBOR	(81)	344	(1,923)	4,532
EURIBOR	(1,499)	–	(317)	–
Central Bank of Russia Key rate	(704)	1,680	–	–

(b) Credit risk

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

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

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

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

	2018 £'000	2017 £'000
At 1 January	3,416	3,711
Effect of foreign exchange rate changes	(240)	(223)
Charge for the year	–	82
Utilised in the year	(238)	–
Unused amounts reversed	(58)	(154)
At 31 December	2,880	3,416

At 31 December 2018 there were no significant amounts of unimpaired trade receivables that were past due for collection (2017: £ nil).

**(c) Liquidity risk**

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

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

All amounts shown are gross undiscounted cash flows.

Financial liabilities

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

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	792,484	122,949	146,249	353,389	169,897
Preference shares	118,971	11,897	11,897	35,691	59,486
Convertible preference shares	366,018	12,505	12,505	37,516	303,492
Derivative financial instruments	26	26	–	–	–
Head leases	1,149	115	115	345	574
Trade and other payables	34,525	17,799	5,718	10,335	673
	1,313,173	165,291	176,484	437,276	534,122

Details of the interest rates applicable to the Group's long term borrowings and preference shares are given in notes 21 and 22. The Group is subject to interest costs in perpetuity in respect of preference shares, which have no contractual maturity date. The table above does not show cash flows beyond 10 years.

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

Fair values

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

	2018		2017	
	Carrying Value £'000	Fair Value £'000	Carrying Value £'000	Fair Value £'000
Non-current assets				
Loans receivable	676	627	491	459
Restricted cash	12,249	12,249	965	902
Derivative financial instruments	21,953	21,953	5,875	5,875
Current assets				
Trade receivables	27,803	27,803	32,773	32,773
Restricted cash	1,792	1,792	–	–
Other current receivables	907	907	1,116	1,116
Derivative financial instruments	349	349	329	329
Cash and short term deposits	73,450	73,450	197,137	197,137
Non-current liabilities				
Interest bearing loans and borrowings	567,865	561,076	547,371	549,592
Preference shares	109,271	130,494	108,263	144,749
Convertible preference shares	206,116	226,057	198,870	234,714
Derivative financial instruments	–	–	–	–
Rent deposits	16,425	13,130	16,734	14,150
Deferred consideration	–	–	7,402	7,402
Other payables	1,372	1,372	1,428	1,428
Current liabilities				
Interest bearing loans and borrowings	75,565	75,565	78,871	78,871
Derivative financial instruments	1	1	26	26
Rent deposits	7,242	7,242	4,895	4,895
Deferred consideration	12,197	12,197	17,874	17,874
Other payables	5,262	5,262	12,903	12,903

The fair values of loans receivable and borrowings have been calculated based on a discounted cash flow model using a discount rate based on the Group's weighted average cost of capital. The valuation technique falls within level 3 of the fair value hierarchy (see note 35 for definition). The fair value of short term deposits, other assets, trade and other receivables, trade and other payables is assumed to approximate to their book values. The fair value of preference shares and convertible preference shares are assumed to be their last quoted price, 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 and restricted cash. 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.



	2018 £'000	2017 £'000
Non-current liabilities	847,806	830,222
Current liabilities	141,740	158,317
Total borrowings	989,546	988,539
Less: cash and short term deposits	73,450	197,137
Less: restricted cash	14,041	965
Net debt	902,055	790,437
Equity	295,627	391,838
Preference shares	109,271	108,263
Total capital	1,306,953	1,290,538
Gearing ratio	69.02%	61.25%

35. 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
As at 31 December 2018				
Assets measured at fair value				
Investment property	–	–	1,175,440	1,175,440
Investment property under construction	–	–	30,548	30,548
Derivative financial instruments	–	22,302	–	22,302
Liabilities measured at fair value				
Derivative financial instruments	–	1	–	1

As at 31 December 2017

Assets measured at fair value				
Investment property	–	–	1,159,172	1,159,172
Investment property under construction	–	–	28,608	28,608
Derivative financial instruments	–	6,204	–	6,204
Liabilities measured at fair value				
Derivative financial instruments	–	26	–	26

* Explanation of the fair value hierarchy:

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

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

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

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

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

36. Operating lease arrangements

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

	2018 £'000	2017 £'000
Within one year	124,107	120,708
In the second year	92,553	101,418
In the third to fifth year (inclusive)	133,265	150,533
After five years	66,757	34,128
	416,682	406,787

37. Reconciliation of liabilities arising from financing activities

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

	2016 £'000	Cash flows £'000	Non-cash changes Fair value £'000	Foreign exchange £'000	Other £'000	2017 £'000
Year ended 31 December 2017						
Interest bearing loans and borrowings	598,708	75,201	–	(51,356)	3,689	626,242
Preference shares	106,582	(84)	–	–	1,765	108,263
Convertible preference shares	96,997	97,781	–	–	4,092	198,870
Derivative financial instruments	(3,711)	(3,680)	1,364	(13)	–	(6,040)
	798,576	169,218	1,364	(51,369)	9,546	927,335

	2018 £'000	2017 £'000
Cash flows relating to interest bearing loans and borrowings comprise:		
Proceeds from long term borrowings	155,628	206,641
Repayment of long term borrowings	(153,152)	(98,167)
Add: payments to restricted cash	13,056	–
	(140,096)	(98,167)
Loan amortisation	(23,279)	(29,684)
Bank borrowing costs paid	(50,000)	(49,475)
Add: Interest paid	47,159	45,886
Loan origination costs incurred	(2,841)	(3,589)
	(10,588)	75,201

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.



38. Acquisitions in the year

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

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

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

Acquisitions in prior year

The Group made three corporate acquisitions in the prior period; Gorigo Logistics Park, Primium Business Centre and Kellerman Business Centre. 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, and 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)	23,280	16,724	40,004	28,589	68,593
Deferred tax assets (note 25a)	–	–	–	1,482	1,482
Current assets					
Trade and other receivables	187	352	539	225	764
Cash and short term deposits	1,542	812	2,354	912	3,266
Current liabilities					
Trade and other payables	(1,584)	(2,016)	(3,600)	(1,565)	(5,165)
	23,425	15,872	39,297	29,643	68,940

Discharged by:

Cash consideration paid	68,278
Acquisition costs	662
	68,940

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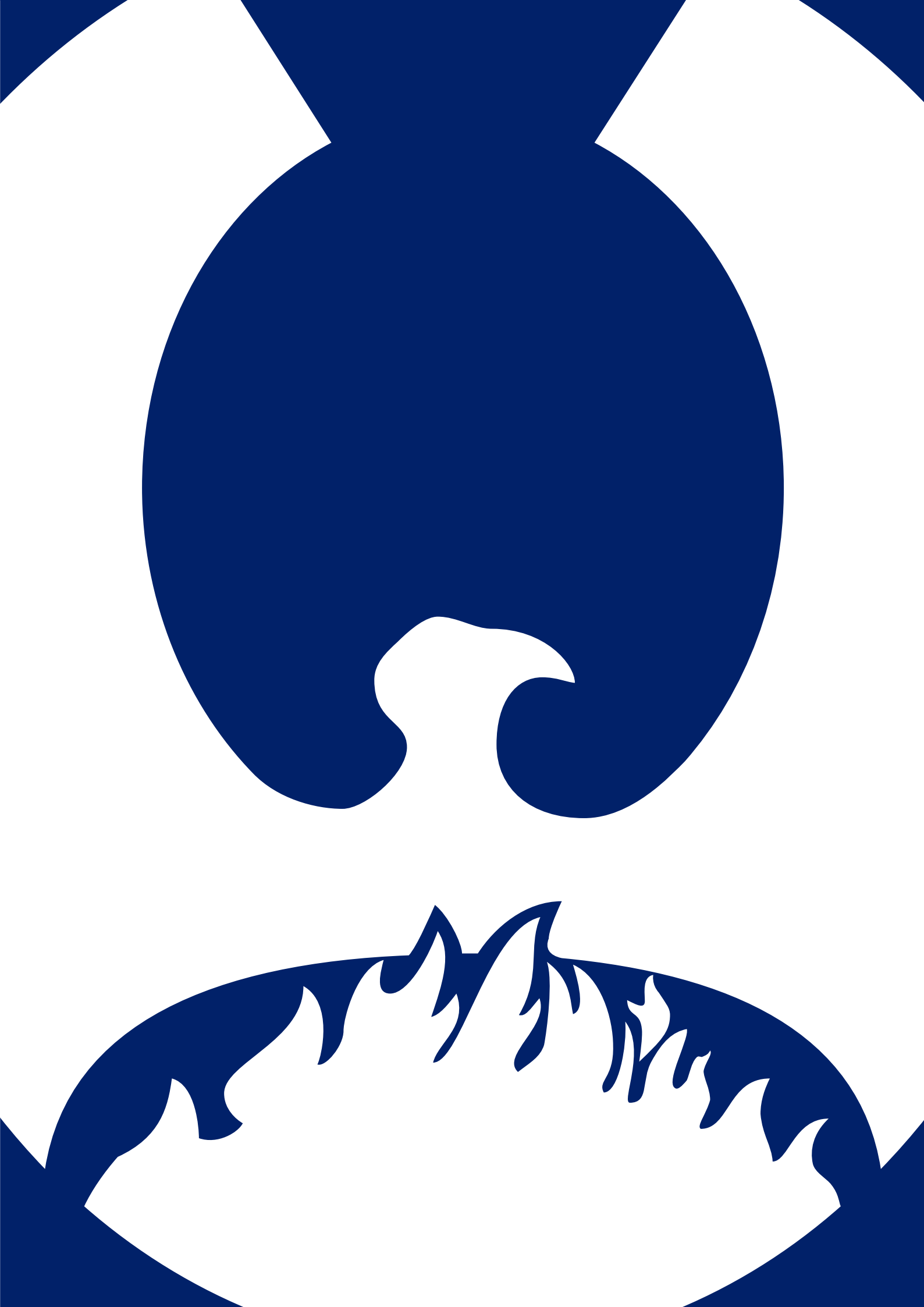
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