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If you sell or have sold or otherwise transferred all of your Raven Mount Shares, please immediately forward this document and the accompanying documents to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for delivery to the purchaser or transferee. This document and the accompanying documents should not, however, be sent or transmitted in, or into, any Prohibited Territory. If you have sold only part of your holding of your Raven Mount Shares, please contact your stockbroker, bank or other agent through whom the sale or transfer was effected immediately.

This document has been prepared pursuant to sub-section 1.2.2(2) of the Prospectus Rules and contains information which is regarded by the FSA as being equivalent to that of a prospectus. Accordingly, this document comprises an equivalent document ("Equivalent Information Document") and has been approved by and filed with the FSA in accordance with the Prospectus Rules.

The Ordinary Shares, the Preference Shares and the Warrants are admitted to trading on AIM. In connection with the Offer, application will be made for the New Preference Shares and New Warrants to each be admitted to trading on AIM. It is expected that dealings in the New Preference Shares and the New Warrants will commence on AIM on 22 May 2009 (assuming that the Offer becomes or is declared unconditional in all respects (except for the admission condition) on the first closing date of the Offer (8 May 2009)). No application has been made or is currently intended to be made for the Ordinary Shares, the Preference Shares or the Warrants to be admitted to listing or dealt with on any other exchange (save for the previously announced intention of the Company to seek a listing for the Ordinary Shares on the Official List and for the Ordinary Shares to be admitted to trading on the London Stock Exchange's market for listed securities). **AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the United Kingdom Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser.**

Although the whole text of this document should be read, the attention of persons receiving this document is drawn to the section headed "Risk Factors" contained on pages 9 to 23 of this document. All statements regarding the Group's business, financial position and prospects should be viewed in light of the risk factors set out on pages 9 to 23 of this document.

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# Raven Russia Limited

*(a company incorporated in Guernsey under the Companies (Guernsey) Law 1994 to 1996, as amended with registered no. 43371)*

## Equivalent Information Document

## Offer for Raven Mount Group plc

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Numis Securities Limited, which is authorised and regulated in the United Kingdom by the Financial Services Authority for the conduct of investment business, is acting exclusively for the Company and no one else in connection with the Offer, and accordingly will not be responsible to anyone other than the Company for providing the protections afforded to clients of Numis Securities Limited, or for providing advice in relation to the Offer or any other matter referred to in this document. No representation or warranty, express or implied, is made by Numis Securities Limited as to any of the contents of this document (without limiting the statutory rights of any person to whom this document is issued).

Neither the Guernsey Financial Services Commission nor the States of Guernsey Policy Council take any responsibility for the financial soundness of the Company or the correctness of any of the statements made or opinions expressed with regard to it.

The Company is regulated in Guernsey and authorised by the Guernsey Financial Services Commission under section 8 of the Protection of Investors (Bailiwick of Guernsey) Law 1987.

The Ordinary Shares, the Preference Shares and the Warrants have not been and will not be approved or disapproved by the U.S. Securities and Exchange Commission, any state securities commission in the United States, any other United States regulatory authority or any such authority of any other Prohibited Territory or any other jurisdiction and no regulatory clearances in respect of the Ordinary Shares, the Preference Shares or the Warrants have been, or will be, applied for in any jurisdiction other than the UK.

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Copies of this document are available for collection, free of charge, from the date of this document and for one month thereafter during normal business hours from the registered office of the Company.

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## SUMMARY

The following summary should be read as an introduction to this document. Any decision to invest in the Company should be based on consideration of this document as a whole by the prospective investor. Following the implementation of the relevant provisions of the Prospectus Directive (Directive 2003/71/EC) in each member state of the European Economic Area ("EEA"), civil liability attaches to those persons responsible for the summary, including any translation of the summary, but only if the summary is misleading, inaccurate or inconsistent when read together with other parts of this document. Where a claim relating to the information contained in this document is brought before a court, the plaintiff investor might, under the national legislation of the EEA States, have to bear the costs of translating this document before legal proceedings are initiated.

### 1. INTRODUCTION

On 31 March 2009, the Independent Raven Russia Board Committee and the Independent Raven Mount Board Committee announced that they had reached agreement on the terms of a recommended offer, to be made by Raven Russia, for the entire issued and to be issued ordinary share capital of Raven Mount.

The Independent Raven Mount Board Committee consider the terms of the Offer to be fair and reasonable. Accordingly, it has today unanimously recommended that Raven Mount Shareholders accept the Offer.

### 2. SUMMARY OF THE TERMS OF THE OFFER

The Company is offering to acquire, on the terms and subject to the conditions set out in the Offer Document, the entire issued and to be issued ordinary share capital of Raven Mount on the following basis:

**for each Raven Mount Share held                      0.525 Units (each Unit comprising  
1 Preference Share and 1 Warrant)**

and so in proportion for any Raven Mount Shares held.

Based on the closing mid price of the Preference Shares and Warrants as at the close of business on 16 April 2009 (being the latest practicable day before the date of this document), each Unit is valued at 106.5 pence and hence the terms of the Offer value each existing Raven Mount Share at 55.9 pence and the entire issued share capital of Raven Mount at £61 million.

This represents:

- (i) a premium of 173 per cent. to Raven Mount's closing mid price of 20.5 pence as at the close of business on 16 February 2009, the day before the announcement of the Company's intention to make a possible offer (the 2.4 Announcement); and
- (ii) a premium of 36 per cent. to Raven Mount's closing mid price of 41 pence as at the close of business on 30 March 2009, the day before the announcement of the Company's firm intention to make the Offer (the 2.5 Announcement).

The maximum number of New Preference Shares to be issued in connection with the Offer will be 58,309,808. Assuming this number of New Preference Shares are issued and that no further Preference Shares are issued in the period between the date of this document and the date on which the Offer is declared or becomes unconditional, the issued preference share capital of Raven Russia will, immediately following that date, comprise 134,464,808 Preference Shares (excluding the 8.1 million Preference Shares to be issued to the Raven Mount EBT). The existing issued ordinary share capital of Raven Russia will remain unchanged as a consequence of the Offer other than the issue of Ordinary Shares following the exercise of any Warrants.

The Raven Mount Shares will be acquired by Raven Russia fully paid and free from all liens, charges, equitable interests, encumbrances, rights of pre-emption and any other interests of any

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nature whatsoever and together with all rights attaching thereto, including voting rights and the right to receive and retain in full all dividends and other distributions (if any) declared, made or paid on or after the date on which the Offer becomes or is declared unconditional. Under the terms of the Offer, each Raven Mount Shareholder will forego all rights to any future dividend or undeclared dividends or other returns of capital of Raven Mount.

The Offer will extend, subject to the terms and conditions set out in the Offer Document, to any Raven Mount Shares unconditionally allotted or issued from today while the Offer remains open for acceptance (or such earlier date as Raven Russia may, subject to the City Code, decide).

### **3. INFORMATION ON THE GROUP AND THE RAVEN MOUNT GROUP**

#### **Information on Group**

The Company was incorporated on 4 July 2005 to invest in the Russian real estate market with an initial focus on the Warehouse market in the Moscow and St. Petersburg regions. The Company was admitted to AIM at that time and raised £153 million through a placing of Ordinary Shares, and a further £310 million in April 2006 through a further Ordinary Share placing.

Since the IPO, Raven Russia has acquired investment properties producing a rental income stream through indirectly held subsidiaries, and development property portfolios (through development joint ventures), where it has acted both as joint developer and as a partner providing development finance, fully acquiring the asset on completion.

On 26 November 2008, the Company completed the Internalisation of its property advisor, following which the Group is no longer subject to the restrictions of its formal investment strategy.

In March 2009, the Company raised a further £76.2 million (gross) through the Placing. £75 million of this amount was raised through the issue of Units to Invesco.

Raven Russia's strategy is to invest, for the long term, in freehold and leasehold property in Russia, which offers the prospect of attractive returns to its investors. The Group will continue to seek such property opportunities, either for direct investment by entities within the Group or investment with co-investment partners.

The Company's immediate focus is on the completion of its development portfolio, leasing it to high quality tenants as well as taking advantage of property investment opportunities in the CIS, thereby generating an attractive rate of return for shareholders.

#### **Information on Raven Mount**

The principal activity of the Raven Mount Group and its subsidiaries is property development in the UK and overseas.

The Raven Mount Group's current projects include mainstream property residential schemes at Lewes, Brackley and Sheffield as well as the development of second homes projects through its joint venture in the Cotswolds, The Lakes and potentially, subject to planning, in Grand Bahama.

The Raven Mount Group intends to complete and realise cash from these projects. As at 15 April 2009 Raven Mount had net cash balances of £19.6 million and no debt, excluding debt in joint ventures amounting to £7.1 million, of which £2.25 million is guaranteed by Raven Mount. In February 2009, Raven Mount cancelled its debt facility arrangement with the Royal Bank of Scotland.

In addition, the Raven Mount Group currently has shareholdings in Raven Russia and Oriel Securities, which are held as current assets in the balance sheet as it has not been the Raven Mount Group's intention to hold these assets in the long term.

### **4. BACKGROUND TO, AND REASONS FOR RAVEN RUSSIA MAKING THE OFFER AND ITS FUTURE INTENTIONS**

The Group is in a stable position with a portfolio of high quality Warehouse and office buildings and continues to trade in line with the Directors' expectations. However, the turmoil in the world's

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financial markets has hampered the Group's ability to raise further bank debt and has had an effect on the valuation of the Group's completed investment property assets.

This background leads the Raven Russia Board to take a cautious approach which underpins the rationale for the Offer.

Raven Mount Group's cash together with the net proceeds from the Placing will put the Group in a strong financial position. It will provide additional working capital should the letting market deteriorate or properties stand vacant longer than anticipated. It will also provide the Enlarged Group with further resources to take advantage of opportunities in a distressed market.

The 29 million Raven Russia Ordinary Shares owned by Raven Mount could be cancelled, which would be enhancing to the NAV per ordinary share of Raven Russia, thereby benefiting Raven Russia's shareholders, or they could also be used by Raven Russia to satisfy awards under its employee incentive plans.

In addition, the Offer for Raven Mount would mean that the interests of Raven Russia's management would be further aligned with its shareholders, as Anton Bilton, currently Executive Deputy Chairman of Raven Russia and Executive Chairman of Raven Mount, and Glyn Hirsch, currently Chief Executive Officer of Raven Russia and a director of Raven Mount, would both devote all of their time to the enlarged Raven Russia business.

If the Offer is successful, Raven Russia intends to continue working with all the stakeholders to ensure that Raven Mount's property portfolio is managed in order to generate an optimal return for Raven Russia as markets permit.

## 5. IRREVOCABLE UNDERTAKINGS AND LETTERS OF INTENT

Raven Russia has received irrevocable undertakings and letters of intent from the directors of Raven Mount and certain other Raven Mount Shareholders to accept the Offer. Such irrevocable undertakings and letters of intent are in respect of the following Raven Mount Shares:

<i>Raven Mount Shareholder</i>	<i>Number of Raven Mount Shares</i>	<i>Percentage of existing issued Raven Mount Shares (approx) (%)</i>
Anton Bilton	26,359,007	24.26
Schroder Investment Management Limited*	17,871,445	16.45
Laxey Partners Limited*	12,099,220	11.13
Bimaljit Sandhu	8,015,544	7.38
Bilton Family Discretionary Settlement Trust	2,600,000	2.39
Sandhu Family Discretionary Settlement Trust	2,415,634	2.22
Raven Mount Employee Benefit Trust	2,376,000	2.19
The Organon SIPP re Anton Bilton	1,875,000	1.73
Godfrey Bilton Life Interest Settlement Trust	1,449,415	1.33
The Sandhu Charitable Foundation	1,150,000	1.06
MS Sandhu Life Interest Settlement Trust	726,384	0.67
The Bilton Charitable Foundation	600,000	0.55
Robert Ware	275,000	0.25
Glyn Hirsch	250,000	0.23
James Hyslop	222,000	0.20
Rory Macnamara	217,666	0.20
Mark Kirkland	17,000	0.02
<b>Total</b>	<b>78,519,315</b>	<b>72.26</b>

\* Indicates letter of intent.

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Raven Mount's four largest shareholders, comprising Anton Bilton, Bim Sandhu (who are both directors of Raven Mount), Schroder Investment Management Limited and Laxey Partners Limited, who in aggregate have an interest in 74 per cent. of Raven Mount's existing issued ordinary share capital, are also all major shareholders in Raven Russia, owning in aggregate 17.8 per cent. of Raven Russia's existing issued ordinary share capital. They are all supportive of the Offer and together Raven Russia has received irrevocable undertakings and letters of intent to accept the Offer in respect of 78.5 million Raven Mount Shares, representing approximately 72.3 per cent. of the existing issued ordinary share capital of Raven Mount.

The irrevocable undertakings set out above will continue to be binding in the event of a higher competing offer for Raven Mount and will cease to be binding only if the Offer lapses or is withdrawn.

#### **6. THE NEW PREFERENCE SHARES AND NEW WARRANTS**

Dividends will be payable on the Preference Shares quarterly in arrears at the rate of 12 per cent. Each Warrant will entitle the holder to subscribe for one Ordinary Share at the price of 25 pence at any time on or before 25 March 2019. Further summarised terms of the Preference Shares and Warrants are set out in Part 11 of this document.

The New Preference Shares will be issued credited as fully paid, and on identical terms to and will rank *pari passu* with, the Preference Shares in issue at the time the New Preference Shares are issued pursuant to the Offer. All dividends and other distributions declared, made or paid on the Preference Shares, including New Preference Shares, shall accrue from the date of issue of such Preference Shares.

#### **7. EXPECTED TIMETABLE OF PRINCIPAL EVENTS**

Publication of this document and posting of Offer Document	17 April 2009
First closing date of the Offer	8 May 2009
Commencement of dealings in the New Preference Shares and New Warrants on AIM	by 22 May 2009 <sup>(1)</sup>
CREST accounts credited (as applicable) with New Preference Shares and New Warrants	by 22 May 2009 <sup>(1)</sup>
Despatch of definitive share certificates and warrant certificates (as applicable) in respect of the New Preference Shares and the New Warrants	by 22 May 2009 <sup>(1)</sup>

#### **8. RISK FACTORS**

The material risk factors relating to the Group and the Raven Mount Group fall into a number of areas:

##### **General Risk Factors**

- Current crisis in the global financial markets and the deterioration in the global economic outlook.
- Long-term maintenance of capital.
- Gearing.
- Currency Risk.
- Tax.
- Retention of key employees.

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(1) Subject to the Offer becoming or being declared unconditional in all respects (except for the admission condition) on the first closing date of the Offer.

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**Risk Factors relating to property**

- Fall in rental income and default.
- Increase in operating costs.
- Delay in construction and construction cost overruns.
- Risk on land valuation.
- Liquidity of underlying investments.
- Legal changes.
- Uninsured losses.
- Geographic concentration of properties.

**Risk Factors relating to Russia**

- Political risk.
- Economic risk.
- Physical infrastructure.
- Reliance on oil and gas.
- Crime and corruption.
- Official data.
- Accounting practice.
- Foreign currency and exchange rates.
- Foreign investment restrictions.
- Repatriation restrictions.
- Re-nationalisation, requisition, compulsory purchase.
- Russian taxation.
- Legal system.
- Town-planning issues.
- Servitude and easement.
- Liability of investors in joint stock companies.
- Insurance.
- Environmental concerns.
- Liabilities in acquired entities.
- Title, Immovables Register and Register of Rights.
- Land lease expiry or termination.

**Risk Factors relating to the Ordinary Shares, Preference Shares and Warrants**

- Risks relating to the Ordinary Shares, Preference Shares and Warrants trading on AIM.
- Trading in Ordinary Shares, Preference Shares and Warrants.
- If the Company is wound up, distributions to holders of the Preference Shares will be subordinated to the claims of creditors.
- If the Company is wound up, distributions to holders of the Ordinary Shares (including those issued following the exercise of Warrants) will be subordinated to the claims of creditors and the holders of Preference Shares.
- Dividends.
- Volatility.
- Absence of voting rights for Preference Shares.



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- Perpetual securities.
  - Net asset value and market price.
  - Payment by the Company of coupon payments on the Preference Shares may prevent the payment of dividends on, and the redemption or purchase by the Company of, the Ordinary Shares (including those issued upon exercise of the Warrants).
  - Future sales of Ordinary Shares and/or Warrants in the public market.

**Risk Factors relating to the Raven Mount Group**

- Economic Risk
  - General.
  - Inflation.
- Business and Industry Risk
  - Business, strategy, growth and competition.
  - Revenue and profit growth.
  - Dependence on key personnel.
  - Ability to recruit and retain staff.
  - Property prices.
  - Property valuation.
  - Acquisition of further land.
  - Permits.
  - Environmental Risk.
  - Capital expenditure and development risk.
  - Government policies and legislation.
  - Taxation.



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## RISK FACTORS

*An investment in the Company involves significant risks and is only suitable for investors who are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses (which may be equal to the whole amount invested) which may result from such an investment. Accordingly, prospective investors should carefully review and evaluate the risks and the other information contained in this document before making a decision to invest in the Company. If in any doubt, prospective investors should immediately seek their own personal financial advice from their independent professional adviser authorised under FSMA who specialises in advising on the acquisition of shares and other securities or other advisers such as legal advisers and accountants.*

*If any of the following risks actually occur, the Company's business, financial condition, capital resources, results and/or future operations could be materially and adversely affected. In such circumstances, the trading price of the Ordinary Shares, the Preference Shares and Warrants could decline and investors may lose all or part of their investment. Additional risks and uncertainties not currently known to the Board may also have an adverse effect on the Company's business.*

*In this section "Key Managers" is defined as Adrian Baker and Igor Bogorodov.*

*References below to the Company are also deemed to include, where appropriate, each member of the Group.*

### 1. GENERAL RISK FACTORS

#### 1.1 Current crisis in the global financial markets and the deterioration in the global economic outlook

The global financial system has been experiencing difficulties since August 2007 and the financial markets have deteriorated dramatically since the bankruptcy filing by Lehman Brothers in September 2008. This has led to severe dislocation of financial markets around the world and unprecedented levels of illiquidity. In recent months, there has also been growing concern in the financial markets about a global recession. These conditions have produced downward pressure on stock prices and on the availability of credit for financial institutions and corporations. If these levels of market disruption and volatility continue, the Group might experience reductions in business activity, increased funding costs and funding pressures, a decrease in the market price of its Ordinary Shares, Preference Shares and Warrants, decreased asset values, additional write-downs and impairment charges and lower profitability.

#### 1.2 Long-term maintenance of capital

If the Company does not maintain sufficient capital in the longer term, the Company's business, results of operations and financial condition may suffer, its ability to access funding may be further limited and its cost of funding may increase.

#### 1.3 Gearing

The Directors intend to continue to secure borrowing facilities in the future. It is not certain that such facilities will be able to be secured at levels or on terms acceptable to the Directors. Any amounts that are secured under a bank facility are likely to rank ahead of shareholders' entitlements and, accordingly, should the Company's assets not grow at a sufficient rate to cover the costs of operating the Company, shareholders may not recover their investment.

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Prospective investors should be aware that, whilst the use of borrowings should enhance the net asset value of the Ordinary Shares and Preference Shares where the value of the Company's underlying assets is rising, it will have the opposite effect where the underlying asset value is falling. In addition, in the event that the rental income of the Company's property portfolio falls, including as a result of defaults by tenants pursuant to their leases with the Company, the use of borrowings will increase the impact of such falls on the net revenue of the Company and, accordingly, will have an adverse effect on the Company's ability to pay dividends to the holders of its Ordinary Shares and Preference Shares.

Should any fall in the underlying asset value or revenues result in the Company breaching financial covenants given to any lender in the longer term, the Company may be required to repay such borrowings in whole or in part together with any related costs. If the Company is required to repay all or part of its borrowings, it may be required to sell assets at less than their market value.

Even if the Group is unable to secure any borrowing facilities beyond those currently committed to the Group, the Directors are still of the opinion that, after taking into account the financing facilities available, the Group has sufficient working capital for its present purposes, that is, for at least the period of 12 months from the date of this document.

#### **1.4 Currency risk**

The Company transacts in currencies other than Sterling, primarily in US dollars and Roubles. The Company's bank loans are predominantly US dollar denominated as are the terms of the rental contracts. Construction contracts are mostly Rouble denominated. Consequently, the Company's performance will be subject to the effect of exchange rate fluctuations with respect to the currencies employed.

#### **1.5 Tax**

If a member of the Group is found to be, or to have been, tax resident in any jurisdiction other than that in which it is incorporated or domiciled or to have a taxable permanent establishment or other taxable presence elsewhere, other than in the case of certain members of the Group providing advisory and staff services which may have permanent establishments in Russia and the UK, whether on the basis of existing law or the current practice of any tax authority or by reason of a change in law or practice, this may have a material adverse effect on the amount of tax payable by the Group.

Any change in any member of the Group's tax status or in taxation legislation, practice or its interpretation, could adversely affect the post-tax returns to shareholders.

#### **1.6 Retention of key employees**

The Company's future success is substantially dependent on the continued services and performance of certain key employees and its ability to continue to attract and retain highly skilled and qualified personnel. The Directors cannot give assurances that members of the management team will continue to remain with the Company. The loss of the services of key employees could damage the Company's business. The nature of the Company and its business model will create a reliance on a small number of key personnel, whose expertise in their particular business activity is important to the fortunes of the Company going forward. The Company will be dependent, in particular, on the Key Managers. The loss of key personnel and/or the inability to recruit further key personnel could have a material adverse effect on the future of the Company through the impairment of the day-to-day running of the Company, the inability to develop new projects and the inability to develop new and maintain existing relationships.

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## **2. RISK FACTORS RELATING TO PROPERTY**

### **2.1 Fall in rental income and default**

The net revenue generated from the Group's properties may depend on the financial stability of its tenants and its commercial relationships with its major customers. In the event of a number of tenants defaulting, the Group may experience delays in enforcing its rights as landlord and may incur costs, including litigation and related expenses, in protecting its investment and re-letting the relevant units. In the event of a tenant going bankrupt or becoming insolvent, and thus seeking the protection of bankruptcy or insolvency laws, the Group may experience delays in receipt of rental and/or other contractual payments or it may be unable to collect such payments at all.

If a lease is terminated, the Group may be unable to lease the property for the rent previously received or sell the property without incurring a loss. In the event of a default by a tenant leading to a vacancy or during any other period of vacancy, the Group will suffer a rental shortfall and incur additional expenses until the property is re-let. These expenses could include legal and surveyor's costs in re-letting, maintenance costs, insurance, rates and marketing costs.

### **2.2 Increase in operating costs**

The Group's operating and other expenses could increase without a corresponding increase in turnover or tenant reimbursements of operating and other costs. Factors which could increase operating and other expenses include:

- increases in the rate of inflation;
- increases in payroll expenses and energy costs;
- increases in property taxes and other statutory charges;
- increases in insurance premiums;
- increases in the costs of maintaining properties; and
- failure to perform by sub-contractors leading to increases in operating costs.

Such increases could have a material adverse effect on the Group's business, financial conditions or results of operations.

### **2.3 Delay in construction and construction cost overruns**

The Group may also face delays in construction work, budget overruns, insolvency of contractors or sub-contractors, labour disputes, shortages of construction materials, accidents or unforeseen technical difficulties, which may or may not be under the Group's control. Occurrence of any of these risks may cause delays, cost overruns, or loss of income and, in some cases, cause the development project to not be completed, as well as other direct and indirect costs and losses.

### **2.4 Risk on land valuation**

A significant proportion of the Company's net asset value comprises property and property related assets. If the property market weakens, the Company may have to write down the book value of the properties held by any member of the Group with a corresponding loss recognised in the income statement.

Property and property related assets are inherently difficult to value due to the individual nature of each property and the particular terms of the agreements to which interests in those ventures are held. As a result, valuations can be uncertain and there can be no

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assurance that the estimates resulting from the valuation process will reflect actual sale prices that could be realised in the future.

Both rental income and the market value of properties are generally affected by overall conditions in the Russian economy, inflation and changes in interest rates, which may in turn impact upon the demand for properties.

The potential for the development and/or expansion of Warehouses may be adversely affected by a number of factors, including constraints on location, planning legislation and the need to obtain other licences, consents and approvals and the existence of restrictive covenants affecting the title to the property.

#### **2.5 Liquidity of underlying investments**

Investments in property are relatively illiquid and more difficult to realise than equities or bonds.

#### **2.6 Legal changes**

Any changes to the laws and regulations relating to Russian property may have an adverse effect on the capital value and/or the rental income of the Company's property portfolio.

#### **2.7 Uninsured losses**

The Group attempts to ensure that all its properties are adequately insured to cover losses. However, changes in the costs or availability of insurance could expose the Company to uninsured losses. In addition, certain types of risk may be, or may become in the future, uninsurable or not economically insurable or may not be currently, or in the future, covered by the Group's insurance. In the event that any of the properties incurs a loss that is not fully covered by insurance, the value of the Group's assets will be reduced by the amount of any such uninsured loss. In addition, the Group may have no source of funding to repair or reconstruct the damaged property, and there can be no assurance that any such sources of funding will be available to it for such purposes in the future.

#### **2.8 Geographic concentration of properties**

All of the Group's properties are located in Russia, with the majority of the properties being located in the Moscow and St. Petersburg regions. Consequently, any downturn in the Moscow or St. Petersburg economies, or Russia's economy as a whole, could materially adversely affect the Group's business, financial condition or results of operations, particularly as the Group has only a limited ability to help offset such a downturn through alternative activities.

### **3. RISK FACTORS RELATING TO RUSSIA**

Potential investors should note that there are significant risks inherent in investing in Russia. The value of Russian companies and assets may be affected by various uncertainties such as economic, political or diplomatic developments, social and religious instability, taxation and interest rates, currency repatriation restrictions, crime and corruption and developments in the law or regulations in Russia and, in particular, the risks of expropriation, nationalisation and confiscation of assets and changes in legislation relating to the level, or permissibility, of foreign ownership.

#### **3.1 Political risk**

Significant political instability or social unrest could have a material adverse effect on the value of foreign investments in Russia and, therefore, the value of the Company's assets.

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### 3.2 **Economic risk**

Since the collapse of the Soviet Union, Russia has at various times been affected by declines in gross domestic product, hyperinflation, an unstable currency and high government indebtedness relative to Gross Domestic Product. Although Russia now has these factors under a greater degree of control, it cannot be guaranteed that this state of affairs will continue or that Russia's economy will not rapidly deteriorate. This could materially affect the value of the Company's assets.

### 3.3 **Physical infrastructure**

Russia's physical infrastructure largely dates back to Soviet times and much has not been adequately funded and maintained over the last ten years. The deterioration of Russia's physical infrastructure may harm the national economy, disrupt the transportation of goods and supplies, add costs to doing business in Russia and interrupt business operations, each of which could have a material adverse effect on the Group's business.

### 3.4 **Reliance on oil and gas**

The Russian economy is heavily dependent on the production and export of oil and is therefore highly sensitive to changes in the world oil price. It is impossible to predict future oil price movements with any certainty. A reduction in the world oil prices may lead to a decline in the value of Russian assets. In addition, it may have materially adverse effects on the Russian economy.

Making the economy less dependent on oil and natural gas export is a stated priority of Ex-President Putin and current President Medvedev, but there can be no guarantee that this will happen going forward.

### 3.5 **Crime and corruption**

Parts of the Russian economic system continue to suffer from corruption. The Company may have to cease or alter certain activities or liquidate certain investments as a result of criminal threats or activities. Legal rights may be difficult to enforce in the face of organised crime or corruption. Prospective counterparties to the Company may seek to structure transactions in an irregular fashion, and to evade fiscal or legal requirements. They may also deliberately conceal information from the Company and its advisers or provide inaccurate or misleading information.

Further, it is possible that permits, authorisations, re-zoning approvals or other similar matters may have been obtained in breach of legal requirements (often on the basis of illegal payments having been made). Such matters would be susceptible to subsequent challenge as ultra vires. Similar issues may arise in the context of compliance with privatisation procedures and auctions related to the acquisition of land, lease and development rights. It can be difficult, or impossible, to monitor or verify this issue one way or another.

### 3.6 **Official data**

The quality and reliability of official data published by the Russian government and its agencies is generally not equivalent to that of more developed Western countries.

### 3.7 **Accounting practice**

Accounting, auditing and financial reporting standards in Russia do not always match International Financial Reporting Standards and are not always equivalent to those applicable in more developed market economies. The quality and reliability of information available to the Company is likely to be less than when investing in Western countries.

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### 3.8 Foreign currency and exchange rates

The Company's assets may be invested in assets denominated in Roubles, which are not readily convertible into other currencies outside Russia. The value of the Company's assets, as measured in Sterling or US dollars, may be affected, both positively and negatively, by fluctuations in currency rates and exchange control regulations.

### 3.9 Foreign investment restrictions

The laws and regulations affecting foreign investment in Russian enterprises continue to evolve in an unpredictable manner. Laws and regulations, particularly involving taxation, foreign investment and trade, title to securities, and transfer of title that are applicable to the Company's activities can change quickly and unpredictably (sometimes with retroactive effect) in a manner far more volatile than in more developed market economies. Although basic commercial laws are in place, they are subject to varying interpretations and may at any time be amended, modified, repealed or replaced in a manner materially adverse to the interests of the Company.

### 3.10 Repatriation restrictions

Russian foreign investment legislation currently guarantees the right of foreign investors to transfer abroad income received from investments such as profits, dividends and interest payments. This right is subject to settlement of all applicable taxes and duties. However, more recent legislation governing currency regulation and control, guarantees the right to export interest, dividends and other income on investments, but does not expressly permit the repatriation of capital from the realisation of investments. Current practice is to recognise the right to repatriation of capital. Authorities currently do not attempt to restrict repatriation beyond the extent of the earlier law. No guarantee can be made, however, that amounts representing realisation of capital or income will be capable of being remitted.

Russian currency control legislation pertaining to the payment of dividends currently permits Rouble dividends on common stock to be paid to a special Rouble account of a non-resident shareholder or its nominee, and to be converted into a convertible currency and repatriated without restriction, but it is possible that this situation may change.

### 3.11 Re-nationalisation, requisition, compulsory purchase

Russia has, since the early 1990s, undertaken a substantial programme of privatisation. However, an anti-privatisation lobby still exists within the Russian parliament. Re-nationalisation of assets cannot be ruled out. Any such activity could materially adversely affect the value of the Company's assets. Further, land may be subject to compulsory purchase by the state for its own needs or as a sanction for the inappropriate use of that land.

The law on investment activity in Russia provides that in the event that property (including, by implication, real estate) is nationalised or requisitioned by the state, the owner is entitled to full reimbursement for all incurred losses, including loss of profit. It is not clear from the law how such losses will be calculated nor whether there is any way to seek to challenge (and so to prevent) confiscation of real estate.

During Russia's transformation from a centralised economy to a market economy, legislation has been enacted to protect private property against expropriation and nationalisation. However, it is possible that due to the lack of experience in enforcing these provisions and due to political or legal changes, these protections could not be enforced, in the event of an attempted expropriation or nationalisation. Some government entities have tried to invalidate earlier privatisations. Expropriation or nationalisation of the companies in which



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the Company invests, or of their assets or portions thereof, potentially with little or no compensation, would have a material adverse effect on the Company.

### 3.12 Russian taxation

Russian tax law and practice is not as clearly established as that of the UK. It is possible that the current interpretation of the law or understanding of practice may change or, indeed, that the law may be changed with retrospective effect, although legislation with retrospective effect that cause a deterioration in taxpayers' positions is generally prohibited.

Russian tax laws, such as the Tax Code, have been in force for a short period relative to tax laws in more developed market economies: therefore the government's implementation of these tax laws is often unclear or inconsistent. Often, differing legal interpretations exist between companies that are taxed and government organisations, such as the Minister of Finance, the Federal Tax Service and its various inspectorates, creating uncertainties and areas of conflict. Generally, tax declarations remain open and subject to inspection by tax and/or customs authorities for a period of three years following the tax year in question. There is some discussion over a change to the limitation period but how this will be resolved is currently unclear. Further, the tax authorities have in the past sought, and may again in the future, seek, ways to look back beyond the three year period. The fact that a year has been reviewed by tax authorities does not close that year nor any tax declaration applicable to that year, from further review during the three-year period. These facts create tax risks in Russia substantially more significant than typically found in countries with more developed tax systems.

The taxation system in Russia is subject to frequent change and inconsistent enforcement at the federal, regional and local levels. Until the recent adoption of the new Tax Code, the system of tax collection was relatively ineffective, resulting in the continual imposition of new taxes in an attempt to raise government revenues. There can be no guarantee that the Tax Code will not be changed in the future in a way that reverses recent positive changes. Among other things, the potential for government deficits raises the risk of a sudden imposition of additional taxes on the Company or entities in which it invests.

Accordingly, it is possible that the Company or any entity in which it invests could become subject to taxation in Russia that is not anticipated either at the date of this document or when its investments into Russia are made, valued or disposed of, which could have a materially adverse effect on the Company.

Equally, the timing for recovering VAT by the Group from the Russian government in respect of construction costs can be hard to predict.

### 3.13 Legal system

The volume of new legislation which has appeared, as well as the magnitude of the legislative changes taking place, has resulted in a lack of precedent available to the Russian courts to enable them to give clear and consistent judgments. Legal acts are published by a variety of state bodies and complete compliance with legal rules and standards, including in relation to privatisation, has often been difficult to achieve even for those attempting to do so.

Russia had little regulation on the issues relating to private ownership of real estate during the Soviet period. As a result, many aspects of the legislative framework relating to the holding of real estate in Russia remain undeveloped. The process of development of the legislative environment has not been finalised yet. The law is evolving rapidly and it is difficult to predict future changes.



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Due to the inconsistency of Russian legislation, the same provisions of the law may be applied differently by different local authorities and state bodies. As an example, when applying for registration of sale and purchase agreements for real estate, registration may depend upon the decision of a state official who has, at least in practical terms, wide-ranging discretion over registration practices and procedures. The uncertainty as to how the law will be applied by different local authorities and state bodies may have adverse consequences for the Company.

Under Russian law, any legal rule affecting the rights and duties of private individuals must be published. However, there remains the risk of unpublished laws being applied in which case the validity of any act affecting the rights and duties of private individuals that is not based on published law can be challenged in court. Courts normally give protection to the rights of private individuals except, perhaps, in high profile cases where political reasons may prevail.

The independence of the judicial system and its immunity from economic, political and nationalistic influences in Russia remain largely untested. The court system is understaffed and under-funded. Judges and the courts are generally inexperienced in the area of business and corporate law. Judicial precedents have no binding effect on subsequent decisions as Russia is a civil law jurisdiction. In addition, most court decisions are not readily available to the public. Enforcement of court judgements can in practice be very difficult in Russia. All of these factors make judicial decisions in Russia difficult to predict and effective redress uncertain. Additionally, court claims may be used in furtherance of political or private objectives and court judgements are not always enforced or followed by law enforcement agencies.

Disputes concerning real estate are within the exclusive competence of the court of the Russian Federation. This does not therefore allow such disputes to be referred to arbitration outside Russia so that the Company may well be exposed to the issues outlined above.

#### **3.14 Town-planning issues**

City (or other authorities') reconstruction or zoning plans may envisage the demolition or reconstruction of buildings. It may be difficult to ascertain whether an investment that the Company proposes to make is, or may be in the future, affected by such plans. Buildings constructed in Russia often fail to comply with various matters of public or administrative law. As examples, they may not comply with the building code regulations, with the detailed requirements of the permits authorising their construction or with local authority zoning requirements. It can be difficult or, in some cases, impossible to verify compliance due to various factors, not least obtaining information from all relevant authorities in this context.

#### **3.15 Servitude and easement**

In Russia, the concept of an easement or servitude such as right of way or access is non-existent or in its infancy. Accordingly the rights relating to a property over another's land (e.g. for drainage, access, rights of light, cabling, structural support etc.) are generally ill-defined concepts. The Company may be uncertain as to its rights over adjoining land, and similarly, neighbours to the Company's property may have ill-defined rights over the Company's property.

#### **3.16 Liability of investors in joint stock companies**

The Russian Civil Code, the Federal Law on joint stock companies and the Federal Law on limited liability companies generally provide that shareholders in a Russian joint stock company and members of a Russian limited liability company are not liable for the obligations

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of the company and bear only the risk of loss of their investment. An exception to this rule, however, is when one company is capable of determining such decisions of its subsidiary.

Such a company is called an effective parent. The company whose decisions are capable of being so determined is called an effective subsidiary. Under certain circumstances the effective parent bears joint and several responsibility for transactions concluded by the effective subsidiary in carrying out these decisions. In addition, an effective parent is secondarily liable for an effective subsidiary's debts if an effective subsidiary becomes insolvent or bankrupt resulting from the action or inaction of an effective parent.

### **3.17 Insurance**

The insurance industry in Russia is in an early stage of development and, accordingly, the insurance cover available is relatively limited. Many forms of insurance common in more developed countries are not yet available in Russia. Accordingly, there is a risk that losses and liabilities of Russian companies in which the Company invests, could have a materially adverse effect on their value. It may not be possible for the Company to obtain insurance for the loss of rent (or to do so at commercial rates).

As leases may be terminable in certain circumstances under Russian law, the certainty of the Company's lease income cannot necessarily be guaranteed. The Company may also not be able to obtain title insurance due to limited product availability and cost.

### **3.18 Environmental concerns**

The Group may be liable for the costs of removal, investigation or remediation of any hazardous or toxic substances that are located on or in a property owned or occupied by it, or that are migrating or have migrated from a property owned or occupied by it. The costs of any required removal, investigation or remediation of such substances may be substantial regardless of whether the Group originally caused the contamination.

The presence of such substances, or the failure to remedy the situation properly, may also adversely affect the value of the property or the Group's ability to sell, let or regenerate the property. The Group could be required to remove or remediate any hazardous substances that it has caused or knowingly permitted to be located at any property that it has owned or occupied in the past.

Laws and regulations, which may be amended over time, may also impose liability for the presence of certain materials or substances or the release of certain materials or substances into the air, land or water or the migration of certain materials or substances from an investment, including asbestos, and such presence, release or migration can form the basis for liability to third parties for personal injury or other damages. The Group may be affected by the additional cost of environmental liabilities imposed by environmental regulation, which could have a material adverse effect on its business, financial condition or results of operations.

### **3.19 Liabilities in acquired entities**

The Company may need to make investments by acquiring existing companies with undisclosed or unascertained liabilities embedded in such companies. The Company will seek to obtain appropriate contractual protection but obtaining comprehensive protection and the efficacy and enforceability of such protection (to the extent obtained) cannot be guaranteed.

### **3.20 Title, Immovables Register and Register of Rights**

In accordance with the Federal Law on the State Register of Immovable Property dated 24 July 2007, the State Register of Immovable Property (the "Immovables Register"),

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administered by the Federal Agency, was established. The Immovables Register discloses, *inter alia*, certain key information in respect of land such as its location, designated use, ownership title, cadastre value, etc. The general information from the Immovables Register is publicly available and may be obtained by any interested person. Additionally, there is a uniform register of rights to immovable property and transactions with it which also contains key information in respect of land and buildings, similar to the Immovables Register. However, the quality and reliability of the official information in both registers is generally not equivalent to that of more developed Western countries. Further, the state gives no clear guarantee relating to the accuracy and completeness of the information contained in either register.

Thus, although the Company may be forced to rely upon the information contained in either register, it may not have effective redress against the state if the information upon which the Company relied, in deciding whether or not to make an investment, was inaccurate, misleading or incomplete. The information in either register may be subject to a challenge in the court by any interested party.

Broadly speaking, the Company will only acquire a title to assets which is as good as the title of the seller of such assets to the Company. It can be difficult, or impossible, in certain cases, to establish beyond doubt that such title is incapable of challenge. Any successful challenge to the validity of the seller's title to an asset may in turn have adverse consequences for the Company's title to such asset.

### **3.21 Land lease expiry or termination**

The Company may acquire investments where it has only a leasehold interest in the land (but ownership of any building on it). The land lease is likely to be capable of being terminated early in various circumstances; ordinarily this would only be in the event of breach of the land lease provisions, but there may be other circumstances provided for in the lease in question. Furthermore, the land lease may not contain renewal rights. In the event of termination of a land lease (whether during the term, generally for breach, or at the expiry of the term) there is a risk that the landowner will acquire the right to buy the building in question on that land, from the Company, for a price unspecified, but to be determined by the court. This is one possible outcome of a number of possible outcomes contemplated by the Civil Code. Due to a lack of court practice on how these provisions will actually operate, the Company's position, and the ongoing status of its investment, will be unclear upon termination of any land lease rights.

## **4. RISK FACTORS RELATING TO THE ORDINARY SHARES, PREFERENCE SHARES AND WARRANTS**

### **4.1 Risks relating to the Ordinary Shares, Preference Shares and Warrants trading on AIM**

The Ordinary Shares, Preference Shares and Warrants are admitted to trading on AIM, a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than that associated with larger or more established companies. An investment in the Ordinary Shares, Preference Shares and Warrants quoted on AIM may carry a higher risk than an investment in the Ordinary Shares, Preference Shares and Warrants were they quoted on the Official List as it may be more difficult for investors to realise their investment on AIM than to realise an investment in a company whose shares or warrants are quoted on the Official List. The AIM Rules are less demanding than those of the Official List. AIM has been in existence since June 1995 but its future success and liquidity in the market for Ordinary Shares, Preference Shares and Warrants cannot be assured.

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#### 4.2 **Trading in Ordinary Shares, Preference Shares and Warrants**

Investors should be aware that the value of the Ordinary Shares (including those issued upon the exercise of the Warrants), the Preference Shares and the Warrants may go down as well as up and that they may not be able to realise their investment.

Admission to AIM of the New Preference Shares and New Warrants should not be taken as implying that there is or will be a liquid market for such New Preference Shares and New Warrants (and any Ordinary Shares issued upon the exercise of the New Warrants).

#### 4.3 **If the Company is wound up, distributions to holders of the Preference Shares will be subordinated to the claims of creditors**

On a return of capital on a winding-up, holders of Preference Shares will be entitled to be paid out of the assets of the Company available to members only after the claims of all creditors of the Company have been settled.

#### 4.4 **If the Company is wound up, distributions to holders of the Ordinary Shares (including those issued following the exercise of Warrants) will be subordinated to the claims of creditors and the holders of Preference Shares**

On a return of capital on a winding-up, holders of Ordinary Shares (including those issued following the exercise of the Warrants) will be entitled to be paid out of the assets of the Company available to members only after the claims of all creditors of the Company and the holders of the Preference Shares have been settled.

#### 4.5 **Dividends**

The ability of the Company to pay out dividends on the Ordinary Shares and Preference Shares will depend on, *inter alia*, rental and capital value growth in the underlying assets.

On 1 July 2008, the Law came into force in Guernsey. This replaced The Companies (Guernsey) Law, 1994. One of the immediate effects of Law was to replace the capital maintenance requirements in respect of dividend and distribution payments to be made from distributable profits (similar to that to which UK companies are subject and formerly applicable to Guernsey companies) with a solvency based test similar to that applicable to companies incorporated in New Zealand. The use of the solvency test now requires the directors of a company to carry out a liquidity or cashflow test and a balance sheet solvency test before any dividend or distribution payment can be made. The test requires the board to make a future assessment by making reference to the solvency test being satisfied immediately after a distribution or dividend payment is made. If at the time a dividend or distribution payment is to be made the directors believe that the solvency test cannot be passed, then no payment may be made to holders of the Ordinary Shares and Preference Shares.

Investors should be aware that the payment of the Preference Dividend on the Preference Shares or any dividend on the Ordinary Shares will be subject to the Company satisfying this legal requirement.

The corporate structure of the Group entitles it to certain benefits under the double taxation treaty signed between Russia and Cyprus in 1998 and effective from 2000. Should this treaty be amended or terminated, tax efficiencies within the Group could be reduced and adversely affect the overall performance of the Company and its ability to pay dividends.

#### 4.6 **Volatility**

The market price of the Ordinary Shares, Preference Shares and/or Warrants could be subject to significant fluctuations due to a change in sentiment in the market regarding the Ordinary

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Shares, Preference Shares and/or Warrants or in response to various factors and events, including legal or regulatory changes affecting the Group's operations, variations in the Group's operating results or property valuation and any further downturn in the broader Russian property market.

#### **4.7 Absence of voting rights for Preference Shares**

Holders of Preference Shares will only be entitled to receive notice of and to attend any general meetings of Ordinary Shareholders and to speak or vote upon any resolution proposed at such meeting if a resolution is proposed either varying or abrogating any of the rights and restrictions attached to the Preference Shares or to wind-up the Company (and only then in each case to speak and vote upon any such resolution) or in the event that any of the dividends on the Preference Shares are in arrears. The foregoing is subject to certain terms and conditions as more particularly described in the relevant paragraphs of Section A of Part 11 of this document.

#### **4.8 Perpetual Securities**

The Company is unable to redeem the Preference Shares at its election. The holders of the Preference Shares have limited rights to call for their redemption; these are more particularly described in the relevant paragraphs of Section A of Part 11 of this document.

#### **4.9 Net asset value and market price**

There is no guarantee that the market price of the Warrants will fully reflect the underlying value of the assets held by the Company. As well as being affected by the underlying value of the assets held, the market value of the Warrants will, amongst other factors, be influenced by the market price of the Ordinary Shares and the supply and demand for the Warrants in the market. As such, the market value of the Warrants may vary considerably from the underlying value of the Group's assets.

#### **4.10 Payment by the Company of coupon payments on the Preference Shares may prevent the payment of dividends on, and the redemption or purchase by the Company of, the Ordinary Shares (including those issued upon exercise of the Warrants)**

The Preference Shares rank in priority to the Ordinary Shares and their rights contain provisions to the effect that if the Preference Dividend on them is not paid on the dates provided, then the Company will be restricted from paying dividends on, and/or repurchasing, any of the Ordinary Shares.

#### **4.11 Future sales of Ordinary Shares and/or Warrants in the public market**

Sales of a substantial number of Ordinary Shares and/or Warrants by holders of such shares and/or warrants in the public market could adversely depress the market price of the Warrants.

### **5. RISK FACTORS RELATING TO THE RAVEN MOUNT GROUP**

References below to Raven Mount are also deemed to include, where appropriate, each member of the Raven Mount Group.

#### **5.1 Economic risk**

##### **5.1.1 General**

Both UK and world economic conditions may affect the performance of the Raven Mount Group. Factors such as inflation, currency fluctuation, interest rates, recession, supply and demand of capital and industrial disruption or unemployment have an

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impact on business costs, future operations, earnings and stock market prices. Raven Mount's operations, business and profitability could be affected by these and other economic and political factors, which are beyond the control of Raven Mount.

**5.1.2 *Inflation***

Inflation is an economic risk that can erode the value of any investment with fixed income characteristics. Upwards-only rent reviews and rental growth prospects can mitigate the eroding effect of inflation, but the level of rental growth will depend upon whether the occupational demand for properties exceeds supply between rent review dates.

**5.2 *Business and Industry Risk***

**5.2.1 *Business, strategy, growth and competition***

The ability of Raven Mount to implement its strategy in a competitive market requires effective planning and management control systems. The Raven Mount Group's future growth will depend on its ability to expand and improve operational, financial and management information and control systems in line with the Raven Mount Group's growth. This growth and expansion could place a significant strain on Raven Mount's financial, management and other resources, particularly if such growth and/or expansion occurs rapidly. Failure to do so could have an adverse affect on the Raven Mount Group's business, financial condition and results of operations.

**5.2.2 *Revenue and profit growth***

The results of Raven Mount's operations may fluctuate. Raven Mount may not be able to achieve sustained revenue growth and profitability in the future as its results are influenced by a number of factors, many of which are beyond Raven Mount's control. Ultimately, if Raven Mount does not realise sufficient revenue levels to sustain profitability, it may be required to seek financing and/or borrowing in the longer term, which may not be available or which may be on adverse terms.

**5.2.3 *Dependence on key personnel***

The Raven Mount Group's success depends to a significant extent upon the retention of the services of members of the senior management or other key personnel. Any loss (whether temporary or permanent) could have a material adverse effect on the business, financial condition or results of operations of the Raven Mount Group.

**5.2.4 *Ability to recruit and retain staff***

The future success of Raven Mount depends to a significant extent on its ability to hire and retain key development, sales, operational and financial personnel. Although Raven Mount has entered into contracts with certain of its current key personnel, there can be no assurance that Raven Mount will be able to continue to retain and attract qualified personnel for the development of Raven Mount's products and business.

**5.2.5 *Property prices***

The ultimate success of an investment in Raven Mount is dependent in part on property prices in the locations where they are situated remaining stable or rising. There is no guarantee that this will be the case. The financial performance and



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position of the Raven Mount Group could be adversely affected by a sustained downturn in the property market in terms of capital values.

There is also no guarantee that Raven Mount will be able to sell the properties which it develops or that Raven Mount will be able to sell the properties at profitable prices. Raven Mount's financial performance depends, amongst other things, on the economic situation in the markets in which it operates. There can be no guarantee that the residential and commercial property markets, in these countries, will continue to develop, or develop at the rate expected by Raven Mount.

**5.2.6 *Property valuation***

Property and property-related assets are inherently subjective as regards value due to the individual nature of each property. As a result, valuations are subject to uncertainty as they are based on certain assumptions which may not prove to reflect the true position. There is no assurance that the valuations of the properties will reflect actual sale prices even where any such sales occur shortly after the relevant valuation date.

**5.2.7 *Acquisition of further land***

The successful growth of Raven Mount's business and profitability will depend on it being able to acquire good sites at competitive prices and develop them efficiently, and thereafter the ability of Raven Mount to sell its developments in a timely fashion and with a good profit margin. This will depend, to a large extent, on the state of the property market in the countries in which Raven Mount chooses to invest. Raven Mount's future development depends on its ability to identify and execute new development projects. Land for such projects can be difficult to obtain for reasons such as competition in the real estate market, the lengthy process of obtaining permits and the limited availability of land with appropriate infrastructure. Furthermore, there is no certainty that the land for the projects currently under negotiations will be finally purchased.

**5.2.8 *Permits***

There can be no guarantee that any permits, consents or approvals required from third parties in connection with existing or new development projects will be issued or granted to Raven Mount (or a subsidiary of Raven Mount). A failure by Raven Mount to obtain such permits, consents or approvals may affect the Raven Mount Group's ability to execute or complete existing and/or new development projects.

**5.2.9 *Environmental risk***

The board of Raven Mount views the assessment of environmental risk as an important element of its due diligence process when it acquires its properties. However, there can be no guarantee that Raven Mount will not have to pay unexpected costs as a condition to the development of land purchased by Raven Mount, or costs of remedying damages or fines for environmental pollution on real estate developed by Raven Mount.

**5.2.10 *Capital expenditure and development risk***

Projects in which the Raven Mount Group is involved require significant capital expenditure for the purchase of the land and during the implementation stage, and often may only generate a return more than twenty four months after the beginning of construction work. Furthermore, changing conditions, unforeseen circumstances,



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increase in construction costs and financing costs during such lengthy development periods may result in losses or diminished profits from such development projects.

**5.2.11 *Government policies and legislation***

The introduction of new policies or legislation or amendments to existing policies or legislation by governments or the interpretation of those laws in the United Kingdom or other jurisdictions under which the Raven Mount Group operates could impact adversely on the assets, operations and ultimately the financial performance of the Raven Mount Group.

**5.2.12 *Taxation***

Any change in Raven Mount's tax status or in taxation legislation in any of the countries in which Raven Mount operates could affect Raven Mount's ability to provide returns to shareholders.

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## FORWARD LOOKING STATEMENTS

*This document contains forward-looking statements that involve risks and uncertainties. The Group's actual results could differ materially from those estimated or anticipated in the forward-looking statements as a result of many factors, including the risks faced by the Group which are described in the "Risk Factors" section above and elsewhere in this document.*

This document may contain "**forward-looking statements**" concerning Raven Russia and Raven Mount. Generally, the words "**anticipate**", "**believe**", "**estimate**", "**expect**", "**forecast**", "**intend**", "**may**", "**plan**", "**project**", "**should**" and similar expressions identify forward-looking statements. Such statements reflect the relevant company's current views with respect to future events and are subject to risks and uncertainties that could cause the actual results to differ materially from those expressed in the forward-looking statements. Many of these risks and uncertainties relate to factors that are beyond the companies' abilities to control or estimate precisely, such as changes in general economic and business conditions, changes in currency exchange rates and interest rates, lack of acceptance of new exchange rates and interest rates, introduction of competing products or services, lack of acceptance of new products or services, changes in business strategy and the behaviour of other market participants and therefore undue reliance should not be placed on such statements. Raven Russia does not intend nor assumes any obligation to update these forward-looking statements other than as required by law.

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## DIRECTORS, SECRETARY AND ADVISERS

### Directors

Richard Wilson Jewson, *Non-Executive Chairman*  
Anton John Godfrey Bilton, *Executive Deputy Chairman*  
Glyn Vincent Hirsch, *Chief Executive Officer*  
Colin Andrew Smith, *Chief Operating Officer*  
Mark Sinclair, *Chief Financial Officer*  
Stephen Charles Coe, *Non-Executive Director*  
David Christopher Moore, *Non-Executive Director*  
Christopher Wade Sherwell, *Non-Executive Director*

*Further information on the Directors is contained in paragraph 3 of Part 2 of this document*

### Administrator and Company Secretary

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### Website address

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Channel Islands

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## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Publication of this document and posting of Offer Document	17 April 2009
First closing date of the Offer	8 May 2009
Commencement of dealings in the New Preference Shares and New Warrants on AIM	by 22 May 2009 <sup>(1)</sup>
CREST accounts credited (as applicable) with New Preference Shares and New Warrants	by 22 May 2009 <sup>(1)</sup>
Despatch of definitive share certificates and warrant certificates (as applicable) in respect of the New Preference Shares and the New Warrants	by 22 May 2009 <sup>(1)</sup>

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(1) Subject to the Offer becoming or being declared unconditional in all respects (except for the admission condition) on the first closing date of the Offer.

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## PART 1

### INFORMATION ON THE OFFER

#### 1. INTRODUCTION

On 31 March 2009, the Independent Raven Russia Board Committee and the Independent Raven Mount Board Committee announced that they had reached agreement on the terms of a recommended offer to be made by Raven Russia, for the entire issued and to be issued ordinary share capital of Raven Mount.

The Independent Raven Mount Board Committee consider the terms of the Offer to be fair and reasonable. Accordingly, it has today unanimously recommended that Raven Mount Shareholders accept the Offer.

#### 2. SUMMARY OF THE TERMS OF THE OFFER

The Company is offering to acquire, on the terms and subject to the conditions set out in the Offer Document, the entire issued and to be issued share capital of Raven Mount on the following basis:

**for each Raven Mount Share held                      0.525 Units (each Unit comprising  
1 Preference Share and 1 Warrant)**

and so in proportion for any Raven Mount Shares held. Fractions of Preference Shares or Warrants will not be issued to Raven Mount Shareholders and any fractional entitlements to Preference Shares or Warrants will be disregarded.

Based on the closing mid price of the Preference Share and Warrant as at the close of business on 16 April 2009 (being the latest practicable day before the date of this document), each Unit is valued at 106.5 pence and hence the terms of the Offer value each existing Raven Mount Share at 55.9 pence and the entire issued ordinary share capital of Raven Mount at £61 million.

This represents:

- (i) a premium of 173 per cent. to Raven Mount's closing mid price of 20.5 pence as at the close of business on 16 February 2009, the day before the announcement of the Company's intention to make a possible offer (the 2.4 Announcement); and
- (ii) a premium of 36 per cent. to Raven Mount's closing mid price of 41 pence as at the close of business on 30 March 2009, the day before the announcement of the Company's firm intention to make the Offer (the 2.5 Announcement).

The maximum number of New Preference Shares to be issued in connection with the Offer will be 58,309,808. Assuming this number of New Preference Shares are issued and that no further Preference Shares are issued in the period between the date of this document and the date on which the Offer is declared or becomes unconditional, the issued preference share capital of Raven Russia will, immediately following that date, comprise 134,464,808 Preference Shares (excluding the 8.1 million Preference Shares to be issued pursuant to paragraph 7 below). The existing issued ordinary share capital of Raven Russia will remain unchanged as a consequence of the Offer other than the issue of Ordinary Shares following the exercise of any Warrants.

The Raven Mount Shares will be acquired by the Company fully paid and free from all liens, charges, equitable interests, encumbrances, rights of pre-emption and any other interests of any nature whatsoever and together with all rights attaching thereto, including voting rights and the right to receive and retain in full all dividends and other distributions (if any) declared, made or paid on or after the date on which the Offer becomes or is declared unconditional. Under the terms of the Offer, each Raven Mount Shareholder will forego all rights to any future dividend or undeclared dividends or other returns of capital of Raven Mount.

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The Offer extends, subject to the terms and conditions set out in the Offer Document, to any Raven Mount Shares unconditionally allotted or issued from today while the Offer remains open for acceptance (or such earlier date as Raven Russia may, subject to the City Code, decide).

### **3. BACKGROUND TO, AND REASONS FOR, THE OFFER AND ITS FUTURE INTENTIONS**

The Group is in a stable position with a portfolio of high quality Warehouse and office buildings and continues to trade in line with the Directors' expectations. However the turmoil in the world's financial markets has hampered the Group's ability to raise further bank debt and has had an effect on the valuation of the Group's completed investment property assets.

This background leads the Independent Raven Russia Board Committee to take a cautious approach which underpins the rationale for the Offer.

Raven Mount Group's cash together with the net proceeds from the Placing will put the Group in a strong financial position. It will provide additional working capital should the letting market deteriorate or properties stand vacant longer than anticipated. It will also provide the Enlarged Group with further resources to take advantage of opportunities in a distressed market.

The 29 million Raven Russia Ordinary Shares owned by Raven Mount could be cancelled, which would be enhancing to the NAV per ordinary share of Raven Russia, thereby benefiting Raven Russia's shareholders, or they could also be used by Raven Russia to satisfy awards under its employee incentive plans.

In addition, the Offer for Raven Mount would mean that the interests of Raven Russia's management would be further aligned with its shareholders, as Anton Bilton, currently Executive Deputy Chairman of Raven Russia and Executive Chairman of Raven Mount, and Glyn Hirsch, currently Chief Executive Officer of Raven Russia and a director of Raven Mount, would both devote all of their time to the enlarged Raven Russia business.

If the Offer is successful, Raven Russia intends to continue working with all the stakeholders to ensure that Raven Mount's property portfolio is managed in order to generate an optimal return for Raven Russia as markets permit.

### **4. THE PLACING**

The Company has raised £76.2 million (gross) pursuant to the Placing. Of this amount, £75 million was raised through the issue of Units to Invesco. The Preference Shares and Warrants issued pursuant to the Placing were admitted to trading on AIM on 25 March 2009.



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## 5. IRREVOCABLE UNDERTAKINGS AND LETTERS OF INTENT

Raven Russia has received irrevocable undertakings and letters of intent from the directors of Raven Mount and certain other Raven Mount Shareholders to accept the Offer. Such irrevocable undertakings and letters of intent are in respect of the following Raven Mount Shares:

<i>Raven Mount Shareholder</i>	<i>Number of Raven Mount Shares</i>	<i>Percentage of existing issued Raven Mount Shares (approx) (%)</i>
Anton Bilton	26,359,007	24.26
Schroder Investment Management Limited*	17,871,445	16.45
Laxey Partners Limited*	12,099,220	11.13
Bimaljit Sandhu	8,015,544	7.38
Bilton Family Discretionary Settlement Trust	2,600,000	2.39
Sandhu Family Discretionary Settlement Trust	2,415,634	2.22
Raven Mount Employee Benefit Trust	2,376,000	2.19
The Organon SIPP re Anton Bilton	1,875,000	1.73
Godfrey Bilton Life Interest Settlement Trust	1,449,415	1.33
The Sandhu Charitable Foundation	1,150,000	1.06
MS Sandhu Life Interest Settlement Trust	726,384	0.67
The Bilton Charitable Foundation	600,000	0.55
Robert Ware	275,000	0.25
Glyn Hirsch	250,000	0.23
James Hyslop	222,000	0.20
Rory Macnamara	217,666	0.20
Mark Kirkland	17,000	0.02
<b>Total</b>	<b>78,519,315</b>	<b>72.26</b>

\* Indicates letter of intent.

Raven Mount's four largest shareholders, comprising Anton Bilton, Bim Sandhu (who are both directors of Raven Mount), Schroder Investment Management Limited and Laxey Partners Limited, who in aggregate have an interest in 74 per cent. of Raven Mount's existing issued ordinary share capital, are also all major shareholders in Raven Russia, owning in aggregate 17.8 per cent. of Raven Russia's existing issued ordinary share capital. They are all supportive of the Offer and together Raven Russia has received irrevocable undertakings and letters of intent to accept the Offer in respect of 78.5 million Raven Mount Shares, representing approximately 72.3 per cent. of the existing issued Raven Mount share capital.

The irrevocable undertakings set out above will continue to be binding in the event of a higher competing offer for Raven Mount and will cease to be binding only if the Offer lapses or is withdrawn.

## 6. CONDITIONS TO THE OFFER

The full terms and conditions of the Offer are set out in Appendix 1 to the Offer Document.

The Offer must become or be declared unconditional by not later than 16 June 2009, or such later date (if any) as Raven Russia and Raven Mount may, with the consent of the Panel (if required), agree.

In summary, the Offer is also conditional upon:

- valid acceptances being received (and not, where permitted, withdrawn) by no later than 1.00 p.m. on the first closing date of the Offer (8 May 2009) in respect of not less than 90 per cent. (or such lesser percentage as Raven Russia may decide) of the Raven Mount Shares to which the Offer relates;

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- no adverse change having occurred in the business, assets, financial or trading position, profits or prospects of any member of the Raven Mount Group, which is material in the context of the Raven Mount Group taken as a whole;
  - the implementation of the Offer not being rendered impossible or significantly impeded as a result of legislation, regulation, any decision of a court or any action taken by any governmental authority;
  - all authorisations, orders, grants, consents, clearances, licences, permissions and approvals in any jurisdiction deemed reasonably necessary or appropriate by Raven Russia, in respect of the Offer, being obtained in terms and in a form satisfactory to Raven Russia (acting reasonably) from all appropriate relevant authorities or from any persons or bodies with whom any member of the Group or the Raven Mount Group has entered into contractual arrangements or which are necessary for Raven Russia or any member of the Raven Mount Group to carry on its business;
  - appropriate assurances being received, in terms satisfactory to Raven Russia (acting reasonably), from the relevant authorities or any party with whom any member of the Raven Mount Group has any contractual or other relationship that the interests held by any member of the Raven Mount Group under any material licences, leases, consents, permits and other rights will not be materially and adversely amended or otherwise materially and adversely affected by the implementation of the Offer or any matters arising therefrom, that such licences, leases, consents, permits and other rights are in full force and effect and that there is no intention to revoke or amend any of the same; and
  - the satisfaction or waiver of the other conditions, which are considered to be customary for a transaction of this nature.

Raven Russia reserves the right to waive (amongst other things) in whole or in part the conditions relating to any adverse change relating to the Raven Mount Group, the obtaining of authorisations and appropriate assurances.

The Offer will lapse if the European Commission initiates proceedings under Article 6(1)(c) of the EC Merger Regulation or the Offer is referred to the Competition Commission.

#### **7. RAVEN MOUNT GROUP PLC 2008 SHARE OPTION PLAN AND RAVEN MOUNT EBT CONTRIBUTION**

Raven Mount has granted options over 5,590,000 Raven Mount Shares to certain executives (including Anton Bilton and Glyn Hirsch) under the Raven Mount Group plc 2008 Share Option Plan. Subject to the Offer becoming or being declared unconditional in all respects, these executives have agreed to surrender their existing options and enter into arrangements with Raven Mount and the Company such that they will receive the “in the money value” of those options, equal to £1,257,750 (based on the Placing Price of £1.00 for each Unit pursuant to the Placing), in the form of nil-cost options over 1,257,750 Units which will be issued to the Raven Mount EBT on the Offer becoming or being declared unconditional. Of these Units, Anton Bilton and Glyn Hirsch will each be entitled to nil-cost options over 348,750 Units.

On 28 January 2009 and in line with the policy outlined in Raven Mount’s AIM admission document dated 31 October 2008, the Remuneration Committee of Raven Mount approved the payment of a contribution for the year ended 31 December 2008 with a value of £8.1 million to the Raven Mount EBT, the beneficiaries of which include the executive directors of Raven Mount, being Anton Bilton, Bim Sandhu, Glyn Hirsch and Mark Kirkland. This contribution has been accrued in Raven Mount’s 2008 year end balance sheet and is payable whether or not the Offer becomes or is declared unconditional. Raven Mount and the Company have agreed that, should the Offer become or be declared wholly unconditional, the liability to pay the contribution to the EBT will remain with Raven Mount until immediately after such time, at which point it will be

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discharged without amendment by the Company through the issue to the Raven Mount EBT of the same consideration and on the same terms as under the Offer, namely by the issue of 8.1 million Units. The trustee of the Raven Mount EBT will then consider allocating the contribution in accordance with the terms of the Raven Mount EBT trust deed.

#### **8. THE NEW PREFERENCE SHARES AND NEW WARRANTS**

Dividends will be payable on the Preference Shares quarterly in arrears at the rate of 12 per cent. on the Fixed Amount. Each Warrant will entitle the holder to subscribe for one Ordinary Share at the price of 25 pence at any time on or before 25 March 2019. Further summarised terms of the Preference Shares and Warrants are set out in Part 11 of this document.

The New Preference Shares will be issued credited as fully paid, and on identical terms to and will rank *pari passu* with, the Preference Shares in issue at the time the New Preference Shares are issued pursuant to the Offer. All dividends and other distributions declared, made or paid on Preference Shares, including New Preference Shares, shall accrue from the date of issue of such Preference Shares.

The Preference Shares and Warrants have been created under the Law.

The ISIN codes for the Preference Shares and Warrants are GG00BK55K7B92 and GG00B55K7758 respectively.

#### **9. SETTLEMENT, LISTING, DEALINGS, CANCELLATION OF RAVEN MOUNT ADMISSION ON AIM AND COMPULSORY ACQUISITION**

The first closing date of the Offer is 1.00 p.m. on 8 May 2009. Upon the Offer becoming or being declared unconditional, application will be made to the London Stock Exchange for the New Preference Shares and the New Warrants, which will be issued to Raven Mount Shareholders who accept the Offer, to be admitted to trading on AIM. It is expected that the New Preference Shares and the New Warrants will be issued, and that dealings in the New Preference Shares and the New Warrants will commence as soon as practicable, in accordance with the AIM Rules for Companies, within 14 days of the later of 8 May 2009 and the date on which the Offer becomes or is declared unconditional in all respects (save only for the admission condition).

If Raven Russia receives acceptances under the Offer in respect of, and/or otherwise acquires, 90 per cent. or more in nominal value of the Raven Mount Shares to which the Offer relates and of the voting rights carried by those Raven Mount Shares and assuming that all of the other conditions of the Offer have been satisfied or waived (if capable of being waived), Raven Russia intends to exercise its rights in accordance with section 974 to 991 of the 2006 Act to acquire compulsorily the remaining Raven Mount Shares to which the Offer relates on the same terms as the Offer.

Following the Offer becoming or being declared unconditional in all respects and subject to any applicable requirements of the AIM Rules for Companies, Raven Russia intends to procure that Raven Mount makes an application to the London Stock Exchange for the delisting and the cancellation of trading in Raven Mount Shares on AIM and the Raven Mount directors have agreed to instruct Raven Mount's nominated adviser to assist and expedite the making of any such application accordingly. It is anticipated that such delisting and cancellation will take effect no earlier than 20 business days after the Offer becomes or is declared unconditional in all respects (provided that Raven Russia has acquired, or agreed to acquire, existing issued share capital carrying 75 per cent. of the voting rights of Raven Mount). Delisting and the cancellation of trading of Raven Mount Share will significantly reduce the liquidity and marketability of any Raven Mount Shares not acquired by Raven Russia.

It is also intended that, following the Offer becoming or being declared unconditional in all respects and after the delisting and the cancellation of the admission to trading of the Raven

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Mount Shares on AIM, Raven Mount will be re-registered as a private company under the provisions of sections 979 to 982 of the 2006 Act.

**10. RELATED PARTY TRANSACTION**

The Offer comprises a related party transaction under Rule 13 of the AIM Rules for Companies as a consequence of Anton Bilton being a substantial shareholder in Raven Mount. With the exception of Anton Bilton and Glyn Hirsch (for the reasons set out below), the Directors consider, having consulted with Numis, its nominated adviser, that the terms of the Offer are fair and reasonable insofar as the Ordinary Shareholders are concerned. Neither Anton Bilton nor Glyn Hirsch have taken part in the Board's deliberations in respect of the Offer in light of their position as directors of Raven Mount and Anton Bilton's position as a substantial shareholder in Raven Mount.

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## PART 2

### INFORMATION ON THE GROUP

#### 1. HISTORY AND BACKGROUND

The Company was incorporated on 4 July 2005 to invest in the Russian real estate market with an initial focus on the Warehouse market in the Moscow and St. Petersburg regions. The Company was admitted to AIM at that time and raised £153 million through a placing of Ordinary Shares, and a further £310 million in April 2006 through a further Ordinary Share placing.

Since the IPO, Raven Russia has acquired investment properties producing a rental income stream through indirectly held subsidiaries, and development property portfolios (through development joint ventures), where it has acted both as joint developer and as a partner providing development finance, fully acquiring the asset on completion.

On 26 November 2008, the Company completed the Internalisation of its property advisor, following which the Group is no longer subject to the restrictions of its formal investment strategy.

In March 2009, the Company raised a further £76.2 million (gross) through the Placing. £75 million of this amount was raised through the issue of Units to Invesco.

#### 2. THE BUSINESS

Raven Russia's strategy is to invest, for the long term, in freehold and leasehold property in Russia, which offers the prospect of attractive returns to its investors. The Group will continue to seek such property opportunities, either for direct investment by entities within the Group or investment with co-investment partners.

The Company's immediate focus is on the completion of its development portfolio, leasing it to high quality tenants as well as taking advantage of property investment opportunities in the CIS, thereby generating an attractive rate of return for shareholders.

#### 3. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

##### Directors

##### *Richard Jewson, Non-executive Chairman (aged 64)*

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. He is currently Chairman of Archant Ltd, and a non-executive Director of Temple Bar Investment Trust plc, Grafton Group plc and Clean Energy Brazil plc and other unquoted companies. He retired in 2004 from 10 years as Chairman of Savills plc and in 2005 from 14 years as a non-executive Director and deputy Chairman of Anglian Water plc.

##### *Anton Bilton, Executive Deputy Chairman (aged 44)*

Anton Bilton is an economics graduate from City University in London. Anton is Executive Deputy Chairman of the Company and a director of Raven Mount Group plc. He has also been a founder and director of three companies that have floated on AIM (Internet Technology Group plc, Keystone Solutions plc, and E-Capital Investments plc, now called Avanti Capital plc).

Anton has also been a director of four public property companies established under the Business Expansion Scheme.

##### *Glyn Hirsch, Chief Executive Officer (aged 47)*

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

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as an Executive Director specialising in UK smaller companies. From 1995 until 2001, he was Chief Executive of CLS Holdings plc, the listed property investment company, a former Director of Citadel Holdings plc, the specialist French property investor and former chairman of Property Fund Management plc, the listed property fund management business. Glyn is also a non-executive director of a number of public and private companies including Liontrust Asset Management plc. Glyn is also a director of Raven Mount.

***Colin Smith, Chief Operating Officer (aged 39)***

Colin Smith, a Guernsey resident, who has been a senior executive of the Company for a year, was appointed to the Board on 14 November 2008. He has acted as a key liaison between the Company's non-executive board of directors and its service providers, including the property advisor and administrators in Guernsey and Cyprus. Prior to joining the Company, he was a director in the audit and assurance division of the chartered accountant practice of BDO in Guernsey. He was with BDO in Guernsey since 1994, having qualified as a Chartered Accountant with Stoy Hayward's Glasgow office. He is also a non-executive director and chairman of the audit committee of Tethys Petroleum Limited.

***Mark Sinclair, Chief Finance Officer (aged 43)***

Mark Sinclair, a Guernsey resident, is a chartered accountant, and spent 18 years at BDO Stoy Hayward, a leading professional 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 the Raven Group in June 2006 as Finance Director of Raven Russia Property Management Limited, the property adviser to Raven Russia Limited and became a senior member of the Raven Russia Limited finance team following the Internalisation in November 2008. Mark joined the board of the Company in March 2009. He has significant experience in all financial aspects of property transactions and company reporting.

***Stephen Coe, Non-Executive Director (aged 43)***

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

***David Moore, Non-Executive Director (aged 48)***

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

***Christopher Sherwell, Non-Executive Director (aged 61)***

Christopher Sherwell is a Guernsey resident and a former managing director of Schroders in the Channel Islands. Before joining Schroders, he was Far East Regional Strategist in London and Hong Kong for Smith New Court Securities and prior to that spent 15 years as a journalist, most of them as a foreign correspondent for the Financial Times. He has considerable public company experience and acts as a non executive director on a number of publicly listed investment companies including Hermes Absolute Return Fund Limited and Hermes Commodities Umbrella

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Fund Limited, of both of which he is chairman, and IRP Property Investments Limited and Rutley European Property Limited.

### Senior Management

#### *Adrian Baker, Group Managing Director (aged 42)*

Adrian Baker is a member of the RICS with over 20 years' experience of property investment and development in the UK and Europe. He started his career in the property division of Nat West Bank and then spent 10 years at CLS Holdings working on their UK property portfolio. In 1997 he helped establish Citadel Holdings, a specialist AIM listed French property investor. He subsequently had spells at Topland Group, Prestbury Holdings and Great Portland Estates. After a year investing and developing property in Croatia, he joined Raven Mount in June 2005 before joining the Group following the Internalisation.

#### *Igor Bogorodov, General Manager (aged 44)*

Igor Bogorodov is a graduate of the Ukrainian Institute of Technology and Berkley School, New York and has a Masters degree in Engineering and a Bachelors degree in Accounting and Finance. Working with the Moscow government, Igor was instrumental in introducing western construction knowledge and technology from the USA to Russia in the mid 1990s. As a successful Russian businessman, Igor's valued participation in the company ensures that the Company is protected from the changing tides of Russian commercial policy and regulation. Igor joined Raven Mount in June 2005 before joining the Group following the Internalisation.

### Employees

At the date of this document, the Group has 59 employees (excluding those of joint venture companies (the "Joint Venture Employees")).

The table below shows the geographical breakdown of employees by their main activity (excluding the Joint Venture Employees).

<i>Country</i>	<i>Total No. of Employees</i>	<i>Management</i>	<i>Development Monitoring and Acquisition</i>	<i>Structured Finance</i>	<i>Property Management</i>	<i>Accounting</i>	<i>Support and Administration</i>
Guernsey	14	5	1	3	-	1	4
Cyprus	10	3	-	-	-	1	6
Russia	35	2	11	5	5	3	9
<b>Group total</b>	<b>59</b>	<b>10</b>	<b>12</b>	<b>8</b>	<b>5</b>	<b>5</b>	<b>19</b>

## 4. CORPORATE GOVERNANCE

### Board practices

As a company both incorporated in Guernsey and admitted to trading on AIM, there is no requirement for the Company to comply with the Combined Code. During the financial year ended 31 December 2008, the Company did not comply (and continues not to comply) with all aspects of the Combined Code; in particular, the Company did not (and does not) have a designated senior independent non-executive director. However, the Board has determined that it should be the Company's policy to take appropriate measures to ensure that the Company complies with the Combined Code to the extent appropriate and taking into account its size and the nature of its business.

### Committees

The Board has appointed an Audit Committee which is responsible for ensuring that the financial performance of the Group is properly reported on and monitored. The Audit Committee reviews the annual and interim accounts, results, announcements, internal control systems and procedures, accounting policies of the Group and the continuing appointment of the auditors. The Audit

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Committee comprises Richard Jewson, David Moore, Christopher Sherwell and Stephen Coe who is the Chairman. The Audit Committee meets at least four times a year.

The Board has appointed a Nominations Committee which will meet when appropriate. The committee is made up of Anton Bilton, Christopher Sherwell and Richard Jewson, who is Chairman. The nominations committee considers the composition of the Board, retirements and appointments of additional and replacement directors and makes appropriate recommendations to the Board.

The Remuneration Committee appointed by the Board is made up of Richard Jewson, Stephen Coe and Christopher Sherwell, who is Chairman. It meets at least twice a year to review the performance of the executive directors, to recommend their remuneration and other benefit packages, including performance related bonus schemes, pension rights and compensation payments. Fees for the non-executive directors, including the Chairman, are determined by the Board as a whole, outside the framework of the Remuneration Committee.

## 5. SUMMARY FINANCIAL INFORMATION

The following information has been extracted without material adjustment from the annual report and financial statements of the Company for the years ended 31 December 2008, 31 December 2007 and 31 December 2006, which are reproduced in full in Part 5 of this document.

	<i>Year ended 31 December 2008<sup>(1)</sup> US\$m</i>	<i>Year ended 31 December 2007<sup>(1)</sup> US\$m</i>	<i>Year ended 31 December 2007 (As reported) US\$m</i>	<i>Year ended 31 December 2006 US\$m</i>
Net rental and related income	43	26	26	11
(Loss)/profit from operations	(85)	8	10	2
Revaluation (losses)/gains	(39)	80	80	7
Dividends	55	40	40	17
Net Assets at period end	735	974	969	910

(1) During the year to 31 December 2008, certain of the Group's Russian subsidiary and joint venture companies reassessed their functional currencies, which resulted in a restatement the effects of which are more fully explained in the 2008 audited accounts.

(2) With effect from the 2007 audited financial statements, the Group adopted a presentation currency of US dollars. Prior to this, the presentation currency was £ sterling.

## 6. PROPERTY VALUATION POLICY

The Company has appointed Jones Lang LaSalle as property valuers to prepare valuations on a semi-annual basis, with the valuation as at 31 December 2008 appearing in Part 9 of this document. Valuations are undertaken in accordance with the appropriate sections of the current practice statements contained in the Royal Institution of Chartered Surveyors Appraisal and Valuation Standards, 6th Edition (the "Red Book"). This is an internationally accepted basis of valuation. Gains or losses arising from changes in the fair value of investment property are included in the income statement in the period in which they arise.

## 7. DIVIDEND POLICY

In the light of the global financial crisis and Raven Russia's continued focus on cash conservation the Board has decided to adopt a revised policy in relation to ordinary dividends. The Board currently aims to pay a 2009 dividend of 1p per share (subject to financial conditions permitting) and no final dividend will be paid for 2008. Once financial conditions improve and the Group's portfolio matures, the Board intends to adopt a progressive dividend policy going forward.

## 8. FINANCING OF THE GROUP

In accordance with the Group's strategy, to date the Group has financed the acquisition and construction of its Warehouse portfolio through a combination of equity and debt finance, the

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latter in the form of both construction and investment loans, secured on each of the Group's properties on a non-recourse basis to the Company (save for the ancillary arrangements described in paragraph 10 of Part 12 of this document<sup>(3)</sup>).

All facilities, except for the construction facilities at Noginsk Phase 1 of approximately \$69 million (the "Noginsk Facility") and at Rostov on Don of \$60 million (the "Rostov on Don Facility"), are on a long term basis and are not repayable until dates ranging from 2012 to 2017. The Noginsk Facility falls due for repayment in October 2009 when the construction of the property is completed. At that time, the Company intends to convert the construction loan into an investment loan. The Group is currently assisting Anfrimo Holdings Limited (a subsidiary of a company external to the Group) in advanced discussions with HSH Nordbank in relation to the terms of this investment loan and has no reason to believe that such terms will not be agreed. The Rostov on Don Facility is to be repaid in two tranches of \$20 million in September 2009 and \$40 million in September 2010.

The non-recourse nature of each of the Group's banking facilities (save for the ancillary arrangements described in paragraph 10 of Part 12 of this document<sup>(3)</sup>), being secured on individual property assets, protects the remainder of the Group from default on any one facility. In the event of a default, the Group would seek to renegotiate the relevant facility with the banking partners. The Directors believe that such re-negotiations would be successful. However, if this were not the case, ultimately the facilities such as the Noginsk Facility, permit ownership of the underlying asset to be transferred to the relevant bank in full satisfaction of the outstanding debt.

The Group is in ongoing discussions with a number of other banks in relation to securing new financing facilities. A new loan agreement for a \$40 million facility has recently been entered into with the European Bank for Reconstruction and Development on 27 March 2009 in relation to the site located at Novosibirsk and a second bank, which has an existing facility in relation to Phase 1 and 2 at Istra, has an option to enter into investment finance for Phase 3 and 4 at Istra once construction is completed.

Although the Group has continued to progress and sign new facilities and draw down on existing facilities, the recent contraction of the global credit markets has hampered the Group's ability to raise further bank debt.

As mentioned above, the objective of the Offer, together with the proceeds of the Placing, is to secure the Company's position during the letting phase of its portfolio development. Once appropriate letting levels have been achieved, this will allow the Company to pursue further property investment or shareholder value enhancing opportunities. The acquisition of Raven Mount will provide the Group with additional cash resources which should increase over time as the Raven Mount property portfolio is sold down.

The Group is currently in compliance with all of the banking covenants under its financing facilities. In the current uncertain economic environment, if yields continue to shift outwards and therefore values continue to deteriorate, then the terms of the Group's banking facilities allow for any future loan to value covenant breaches to be remedied through prepayment of part of the relevant facility.

## **9. RUSSIAN PROPERTY MARKET OVERVIEW**

The Russian Warehouse sector remains an attractive asset class, offering investors high income returns and the potential for capital growth. Compared to other European countries, Russia still has a deficit of supply on a per capita basis. This and the difficulty in securing and developing large scale land plots in and around the major Russian cities is likely to limit supply in the future.

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(3) The arrangements are those in respect of the rezoning guarantee and indemnities referred to at the end of paragraph 10.8.2, the guarantee given to VTB Bank Europe plc referred to at the end of paragraph 10.14.2, the guarantee given to IFC referred to at the end of paragraph 10.14.3, the guarantee given to EBRD referred to at the end of paragraph 10.14.4 and the completion guarantee and cost overrun undertaking referred to in paragraph 10.15.2, in each case of Part 12 of this document.

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Very little new development is planned to start this year improving the prospects for a stable market from the end of 2009 into 2010.

Tenants have continued to commit to new leases in the Group's portfolio over the past three months and discussions are ongoing on all of the current developments with potential occupiers, although at a lower level than previously. However, the lack of capital available to potential occupiers has created a new type of demand from those who previously wished to construct their own facilities but are now seeking to rent.

Rental rates decreased by approximately 10 per cent. in Moscow in the six months to 31 December 2008, reflecting increased competition for tenants and the Rouble devaluation against the US dollar (in which rents are denominated). The Directors note that whilst they believe that there were virtually no sales of completed warehouses in Russia in the six months to 31 December 2008, the valuation of Raven Russia's portfolio was marked down by approximately 20 per cent. to reflect the changes in the market to this date.

## **10. TAXATION**

It is the intention of the Directors to continue to conduct the affairs of the Group so that the management and control of the Company is exercised in Guernsey and that the Company does not carry on any trade in the UK (whether or not through a permanent establishment situated there). Having taken advice, the Directors have in place certain protocols with regard to the completed of the Company's affairs.

On this basis, the Company should not itself (as opposed to some of the subsidiaries of the Group) be resident in the UK for taxation purposes and therefore should not be liable for UK tax on its income and gains.

Certain companies in the Group (including RRPM and RRPA and, should the Offer be completed, companies in the Raven Mount Group) may be taxable in the UK and certain of their activities may (and, in the case of RRPA, do) give rise to permanent establishments in Russia which will be taxable in Russia.

The policy of the Group will be to continue to manage and operate each Group company in a way that is intended to ensure that it is resident for tax purposes only in the jurisdiction in which it is incorporated or domiciled and that it has no taxable permanent establishments or other taxable presence in any other jurisdiction, other than in the case of those companies providing advisory and staff services which may have permanent establishments in Russia or the UK. In particular, the Group intends to try to ensure, following advice, that any activities of the Company, RRPM, RRPA or other Group companies carried out in Russia will not create permanent establishments in Russia that could lead to reliefs under the Cyprus-Russia treaty being withdrawn or other Russian tax exemptions not being available.

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## PART 3

### OPERATING AND FINANCIAL REVIEW

*The following operating and financial review should be read in conjunction with the financial information set out in Part 5 of this document and the other financial information relating to the Company included elsewhere in this document. This review contains forward-looking statements based on the current expectations and assumptions about the Group's future business. Such statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance. The actual investment performance, results of operations, financial condition, liquidity and dividend policy of the Group, as well as the development of its financing strategies, may differ materially from the impression created by the forward-looking statements contained herein as a result of certain factors including, but not limited to, those discussed in the "Risk Factors" section of this document.*

*The selected financial information discussed in this Part 3 has been extracted without material adjustment from the financial information of the Group as at, and for the three financial years ended, 31 December 2006, 2007 and 2008 which have been prepared in accordance with IFRS.*

#### **1. BUSINESS PERFORMANCE AND OPERATING AND FINANCIAL REVIEW**

##### **1.1 Overview of Business**

The Company's strategy is to invest for the long term, in freehold and leasehold Warehouse properties in Russia, with a completed investment portfolio value of \$453.75 million and investment properties under construction with a carrying value of \$443.65 million at 31 December 2008.

The Company enters into development joint ventures with local partners to develop its Warehouse stock in the Moscow and St Petersburg regions. The partners earn development management fees and a profit share on completion of the assets, subject to certain construction specification and tenancy criteria being met.

The completed investment portfolio in Moscow has a value of \$328.150 million and in St. Petersburg of \$125.60 million at 31 December 2008. Investment properties under construction in Moscow and St. Petersburg have a carrying value of \$180.5 million and \$154.7 million respectively.

The development programme for other Russian regional cities is controlled by a Cypriot joint venture vehicle, Megalogix Limited ("Megalogix"). This joint venture has two investment properties under construction, one in Rostov on Don and the other in Novosibirsk. The Company's share of these assets at 31 December 2008 was \$73.21 million. The joint venture also had a land bank in various regional cities, the Company's share of these assets being \$21.27 million at 31 December 2008.

#### **2. KEY FACTORS AFFECTING OPERATING AND FINANCIAL RESULTS**

##### **2.1 Movements in Property Prices**

At each balance sheet date, the market value of the Company's completed investment property portfolio is assessed by external, independent valuers on an open market basis and this is reflected in the Company's consolidated balance sheet. The Company recognises the resulting upward or downward movement in the value of the Company's wholly owned properties from the previous valuation date on its income statement under "Unrealised profit/(loss) on revaluation of investment property".

The Company carries its investment assets under construction at cost less any impairment loss. The Company recognises any such impairment loss on its income statement under “Impairment of investment property under construction”.

Property values are affected by a number of macroeconomic and sector-specific factors, including GDP growth rates, business and consumer confidence levels, demand for consumer and business products and services, levels of corporate profitability, government building and infrastructure investment initiatives, inward foreign investment, foreign currency exchange movements, the availability and cost of credit and interest rates. In the current economic and financial crisis, values across all asset classes have been significantly impacted, including commercial real estate. As a result, this crisis has had a detrimental effect on the value of the Company’s portfolio valuation.

The following table shows the amounts the Company recorded for its completed investment properties under Unrealised profit/(loss) on revaluation of investment properties for the three years to 31 December 2008:

	<i>For the financial year ended 31 December</i>		
	<i>2006</i>	<i>2007</i>	<i>2008</i>
	<i>(\$'000)</i>	<i>(\$'000)</i>	<i>(\$'000)</i>
Unrealised profit/(loss) on revaluation of investment property	6,997	79,659	(39,145)

The Company recognised impairment losses on investment property under construction, including the Company’s share of Megalogix losses, in the three years to 31 December 2008 as follows:

	<i>For the financial year ended 31 December</i>		
	<i>2006</i>	<i>2007</i>	<i>2008</i>
	<i>(\$'000)</i>	<i>(\$'000)</i>	<i>(\$'000)</i>
Impairment of investment property under construction	-	-	(38,918)

## 2.2 Movements in Foreign Currency Exchange Rates

As the Company operates internationally, it is exposed to foreign exchange risk arising from foreign currency exposure, primarily with respect to US dollars, Sterling, Euros and the Rouble. Foreign exchange risk arises from future commercial transactions, including construction contracts and lease receivables, recognised monetary assets and liabilities and net investments in foreign entities.

The recent volatility in the foreign exchange markets and the relative weakening of the Rouble to the US dollar has had an impact on the results of Russian subsidiary companies whose functional currency is the Rouble. When translating these subsidiary results from their functional currency of the Rouble to the Company’s presentation currency of US dollars, the re-translation of investment assets under construction leads to an unrealised exchange gain or loss in the Company’s income statement under “Foreign currency gains/(losses)”.

Sterling cash flows such as dividends and head office overheads have been hedged by holding sufficient Sterling funds to cover the liability. The foreign exchange movement on translating these Sterling cash balances at the balance sheet dates are taken to the Company’s consolidated income statement under “Foreign currency gains/(losses)”.

The deterioration of the Rouble also results in reducing the net investment in these Russian subsidiaries. The movement on the net investment due to exchange rate movements is taken as a reserve movement through a translation reserve.

The Company recognised these movements in the three years to 31 December 2008 as follows:

	<i>For the financial year ended 31 December</i>		
	<i>2006<sup>(1)</sup></i>	<i>2007<sup>(1)</sup></i>	<i>2008</i>
	<i>(\$'000)</i>	<i>(\$'000)</i>	<i>(\$'000)</i>
Gains/(losses) on foreign currency cash held	153	-	2,209
Gains/(losses) on assets under construction			
foreign subsidiary debt	458	325	(24,273)
Other gains/(losses)	-	-	(11,865)
<b>Foreign currency gains/(losses)</b>	<u>611</u>	<u>325</u>	<u>(33,929)</u>
<b>Loss on net investment in foreign entities<sup>(2)</sup></b>	<u>(10,974)</u>	<u>(6,333)</u>	<u>(53,783)</u>

(1) Restated as described in the Group's audited financial statements for the year ended 31 December 2008, contained in Part 5 of this document.

(2) The loss on net investment in foreign entities is a movement in reserves.

The Company aims to hedge its exposure to non US dollar cash flows to give certainty to future cash flows and balances. The most significant cash flows have been construction payments in Roubles and these have been hedged by using Non Deliverable Forwards (NDFs). As the structure of these hedges does not meet the definition required under IFRS, the mark to market valuation movements and realised gains and losses on maturing NDFs cannot be offset against the related construction costs on the Company's consolidated balance sheet but are taken to the Company's consolidated income statement under "Finance income" or "Finance expense".

The Company has recognised movements on the above for the three years to 31 December 2008 as follows:

	<i>For the financial year ended 31 December</i>		
	<i>2006</i>	<i>2007</i>	<i>2008</i>
	<i>(\$'000)</i>	<i>(\$'000)</i>	<i>(\$'000)</i>
Net gain/(loss) on maturing forward currency derivatives	-	1,792	(14,712)
Net change in fair value of open forward currency derivatives	-	1,030	(2,631)
Net change in fair value of open interest rate derivatives	-	-	(7,595)
Interest income	30,039	27,027	11,613
Interest expense	(2,073)	(1,800)	(13,471)
<b>Net Finance Income/(Expense)</b>	<u>27,966</u>	<u>28,049</u>	<u>(26,796)</u>

### 2.3 Internalisation of the Property Adviser

In November 2008 the Company acquired the property adviser, RRPM and its sister company RRPA from Raven Mount for consideration of 80 million Ordinary Shares and £15 million cash. Details of the transaction and its impact on the income statement of the Company at 31 December 2008 are given in the audited financial statements of the Group in Part 5 of this document.

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## 2.4 Results of operations

### 2.4.1 *Explanation of certain income statement line items*

- (a) *Gross revenue*

Gross revenue includes rent receivable, property operating costs recoverable from tenants and the Company's share of turnover from its logistics joint venture, Avalon Logistics.
- (b) *Net rental and related income*

Net rental and related income is gross rental and related income less property operating expenses and related costs. Property operating costs include costs relating to common areas and other costs incurred in running properties including property taxes.
- (c) *Administrative expenses*

Administrative expenses include the property advisor management and performance fees prior to the Internalisation in November 2008, any impairment of goodwill, corporate overheads, administrator fees for the companies within the Group and the Company's share of operating expenses of Avalon Logistics.
- (d) *Foreign currency gains/(losses)*

This line item is described above in paragraph 2.2.
- (e) *Unrealised profit/(loss) on revaluation of investment property*

This line item is described above in paragraph 2.1.
- (f) *Finance income and Finance expense*

Finance income and expense includes interest receivable on deposits and securities, interest receivable on loans to joint ventures, debt service and refinancing charges, gains and losses on maturing foreign currency forwards, valuation movements on fair value interest derivative contracts and foreign currency forwards.
- (g) *Taxation*

Taxation includes current taxes, principally Russian corporation tax on income producing subsidiaries, and deferred tax, on income and property revaluations.

#### 2.4.2 *Results of operations for the financial years ended 31 December 2006, 2007 and 2008*

The following tables summarise the Company's consolidated income statements, extracted from the audited financial statements for the financial years ended 31 December 2006, 2007 and 2008:

<i>For the financial year ended 31 December 2006<sup>(1)</sup></i>	<i>Revenue (\$'000)</i>	<i>Capital (\$'000)</i>	<i>Total (\$'000)</i>
Gross revenue	16,949	-	16,949
Net rental and related income	10,972	-	10,972
Administrative expenses	(9,053)	-	(9,053)
Foreign currency gains	611	-	611
Unrealised profit on revaluation	-	6,997	6,997
Finance income	30,039	-	30,039
Finance expense	(2,073)	-	(2,073)
Profit before tax	30,496	6,997	37,493
Taxation	(2,791)	(1,679)	(4,470)
Profit for the year	27,705	5,318	33,023

(1) Restated as described in the Group's audited financial statements for the year ended 31 December 2008, contained in Part 5 of this document.

<i>For the financial year ended 31 December 2007<sup>(1)</sup></i>	<i>Revenue (\$'000)</i>	<i>Capital (\$'000)</i>	<i>Total (\$'000)</i>
Gross revenue	38,522	-	38,522
Net rental and related income	25,934	-	25,934
Administrative expenses	(18,483)	-	(18,483)
Foreign currency gains	325	-	325
Unrealised profit on revaluation	-	79,659	79,659
Finance income	27,027	2,822	29,849
Finance expense	(1,800)	-	(1,800)
Profit before tax	33,003	82,481	115,484
Taxation	90	(18,898)	(18,808)
Profit for the year	33,093	63,583	96,676

(1) Restated as described in the Group's audited financial statements for the year ended 31 December 2008, contained in Part 5 of this document.



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<i>For the financial year ended</i>	<i>Revenue</i>	<i>Capital</i>	<i>Total</i>
<i>31 December 2008</i>	<i>(\$'000)</i>	<i>(\$'000)</i>	<i>(\$'000)</i>
Gross revenue	71,311	-	71,311
Net rental and related income	42,864	-	42,864
Administrative expenses	(28,066)	(5,384)	(33,450)
Settlement of advisory contract	(67,581)	-	(67,581)
Negative goodwill	7,564	-	7,564
Foreign currency gains/(losses)	(9,656)	(24,273)	(33,929)
Unrealised profit/(loss) on revaluation	-	(39,145)	(39,145)
Impairment of investment property under construction	-	(38,918)	(38,918)
Finance income	11,613	-	11,613
Finance expenses	(21,066)	(17,343)	(38,409)
(Loss) before tax	(64,328)	(125,063)	(189,391)
Taxation	7,653	11,449	19,102
(Loss) for the year	(56,675)	(113,614)	(170,289)

(a) *Gross revenue*

The Company's gross revenue was \$17 million, \$39 million and \$71 million for the years ended 31 December 2006, 2007 and 2008 respectively.

The increase year on year reflects the progression of the Company's development programme as new properties are completed and become income producing. The share of turnover of the logistics joint venture, Avalon Logistics, was \$nil (2006), \$1 million (2007) and \$9 million (2008).

(b) *Net rental and related income*

The Company's net rental and related income was \$11 million, \$26 million and \$43 million for the years ended 31 December 2006, 2007 and 2008 respectively.

As above, the increasing trend reflects assets under construction completing and transferring to income producing investment assets. Property operating expenditure also included the share of the direct costs of operating Avalon Logistics' which was \$nil (2006), \$1.5 million (2007) and \$10 million (2008).

Therefore net rental income from investment properties in the year ended 31 December 2008 totalled \$45 million which includes a share of the operating losses of Avalon Logistics of \$2 million. The latter reflects the joint venture set up costs as it expanded, doubling its operating space in 2008.

(c) *Administrative expenses*

The Company had administrative expenses of \$9 million, \$18 million and \$33 million for the years ended 31 December 2006, 2007 and 2008 respectively.

The following table analyses the key elements of administrative costs for each of those years.

	<i>For the financial year ended 31 December</i>		
	<i>2006</i>	<i>2007</i>	<i>2008</i>
	<i>(\$'000)</i>	<i>(\$'000)</i>	<i>(\$'000)</i>
Property Adviser management fees	1,828	4,832	6,169
Property Adviser performance fees	1,407	-	-
Equity-settled share-based payment expense	279	796	2,410
Impairment of goodwill	-	-	2,265
Impairment of loans to joint venture	-	-	3,119
Directors' remuneration	324	409	527
Auditors' remuneration	117	84	1,178
Other operating expenditure	5,098	12,362	17,782
	<u>9,053</u>	<u>18,483</u>	<u>33,450</u>

(d) *Foreign currency gains/(losses)*

The Company has foreign currency gains of \$0.6 million and \$0.3 million in the years ended 31 December 2006 and 2007 respectively and a loss of \$33.9 million in 2008. This is principally a reflection of the unrealised foreign exchange movement on investment assets under construction in Rouble functional currency subsidiaries and dollar equivalent of Sterling cash balances held to cover Sterling expenditure. This is summarised in the table at 2.2 above.

(e) *Unrealised profit/(loss) on revaluation of investment property*

The Company's profit on revaluation of investment property was \$7 million in 2006 and \$80 million in 2007 and a loss of \$39 million in 2008.

These valuation movements reflect the changes in the market value of the Company's completed property portfolio at each balance sheet date.

(f) *Finance income and Finance expense*

The Company generated finance income of \$30 million, \$30 million and \$11 million in the years ended 31 December 2006, 2007 and 2008 respectively.

The Company had finance expenses of \$2 million, \$2 million and \$38 million in the years ended 31 December 2006, 2007 and 2008 respectively.

The increase in 2008 reflects a full year of debt servicing on a number of investment debt facilities drawn at the end of 2007 and during the first quarter of 2008 and the realisation of losses on construction cash flow hedging instruments.

The table at section 2.2 above summarises finance income and expense.

(g) *Taxation*

The Company's net taxation was a charge of \$4 million, \$19 million in the years ended 31 December 2006 and 2007 respectively and a credit of \$19 million in the year ended 31 December 2008.

This included a deferred tax charge on revaluation gains of \$2 million and \$19 million in the years ended 31 December 2006 and 2007 and a deferred tax credit of \$11 million in the year ended 31 December 2008, reflecting the revaluation loss in that year.

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(h) *Profit/(loss) for the year*

As a result of the factors described above, the Company's profit/(loss) for the year was a profit of \$33 million and \$97 million for the years ended 31 December 2006 and 2007 respectively and a loss of \$170 million for the year ended 31 December 2008.

These changes were due primarily to the change in valuation of the Company's property portfolio and exchange rate movements between the Rouble and US dollars.

### 3. CAPITALISATION AND INDEBTEDNESS

The tables below set out the Company's total equity attributable to shareholders and its net indebtedness as at 31 December 2008. The information in these tables has been extracted without material adjustment from, and should be read together with, the Company's audited financial statements as at and for the year ended 31 December 2008, which are included in Part 5 of this document.

	<i>As at 31 December 2008 \$'000</i>
<b>Equity</b>	
Share capital - authorised	20,105
Share capital - issued, called up and fully paid	9,921
Share premium	46,791
Special reserve	870,692
Capital reserve	(41,798)
Translation reserve	(71,090)
Retained earnings	(79,476)
<b>Total equity attributable to shareholders of the Company</b>	<b>735,040</b>
<b>Indebtedness</b>	
Bank loans and overdrafts	425,869
Other loans	11,099
Gross indebtedness	436,968
Interest rate and currency derivative liabilities	8,867
	445,835
Cash and cash equivalents	(108,435)
<b>Net indebtedness</b>	<b>337,400</b>

On 24 March 2009 the Company raised \$110,822,000 through the placing of 76.2 million preference shares and 76.2 million warrants to acquire the Company's ordinary shares. The placing increased cash and cash equivalents and gross indebtedness by \$110,822,000.

### 4. CAPITAL RESOURCES AND LIQUIDITY MANAGEMENT

As at 31 December 2008, the Company had \$529 million of committed credit facilities, including joint venture facilities of which \$78 million were undrawn and \$108 million of cash and cash equivalents. As at 16 April 2009 (being the latest practicable date prior to publication of this document), the Company and its joint ventures had \$569 million of committed credit facilities of which \$118 million were undrawn. Facilities above include a \$53 million undrawn facility at a project in Kiev which has been postponed due to the current economic climate.

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Subsequent to 30 December 2008, the Company has raised a further £76.2 million through the issue of preference shares and warrants. Its Megalogix joint venture has also had a \$40 million debt facility approved by EBRD.

The Company's cash management policy is to maintain a minimum central balance to enable it to service its completed assets and act as a buffer for tenant default or slower than expected uptake by new tenants. Dependent on tenant demand, excess cash will be used to enhance shareholder value where possible.

#### 4.1 Cash Flow Analysis

The following table summarises the Company's consolidated cash flow for the financial years ended 31 December 2006, 2007 and 2008.

	<i>For the financial year ended 31 December</i>		
	<i>2006</i>	<i>2007</i>	<i>2008</i>
	<i>(\$'000)</i>	<i>(\$'000)</i>	<i>(\$'000)</i>
<b>Net cash generated from operating activities</b>	4,423	9,390	17,975
<b>Net cash used in investing activities</b>	(112,948)	(363,703)	(670,331)
<b>Net cash from financing activities</b>	581,592	79,988	259,839
Net increase/(decrease) in cash and cash equivalents	473,067	(274,325)	(392,517)
Effect of foreign exchange rate changes	(503)	(1,028)	20,122
	<u>472,564</u>	<u>(275,353)</u>	<u>(372,395)</u>
<b>Closing cash and cash equivalents</b>	<u>756,183</u>	<u>480,830</u>	<u>108,435</u>

(a) ***Net cash generated from operating activities***

The Company's net cash generated from operating activities increased by \$9 million from \$9 million in 2007 to \$18 million in 2008. Similarly, a cash inflow in 2006 of \$4 million increased by \$5 million to a cash inflow of \$9 million in 2007.

In both cases, this was primarily due to the impact of completed properties becoming income generating.

(b) ***Net cash used in investing activities***

The Company had net cash outflows from investing facilities of \$113 million, \$363 million and \$670 million in the years ended 31 December 2006, 2007 and 2008 respectively.

This step increase in each year reflects the increasing development volume, including loans to the Megalogix joint venture, as the Company builds out its investment portfolio.

(c) ***Net cash inflow from financing activities***

The Company had net cash inflows from financing activities of \$582 million, \$80 million and \$260 million for the years ended 31 December 2006, 2007 and 2008 respectively.

The large inflow in 2006 resulted from the issue of new share capital in that year. In 2007 and 2008 the inflows resulted from the draw down of debt facilities.

#### 4.2 Debt Facilities

The Company utilises financing structures secured on individual assets which are non recourse to the Company where possible. Debt facilities have a variety of maturities and the

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following table gives an overview of the maturity profile of the Company's on-balance sheet debt obligations:

	<i>As at</i> <i>31 December</i> <i>2008</i> <i>\$'000</i>
Repayable within 1 year	80,042
Repayable between:	
1 and 2 years	57,850
3 and 5 years	280,949
5 and 10 years	18,127
	<u>356,926</u>
Gross indebtedness	436,968
Interest rate derivatives	8,867
Cash and cash equivalents	<u>(108,435)</u>
<b>Net indebtedness</b>	<u><b>337,400</b></u>

#### 4.2.1 *Facility Details*

(a) *Investment Debt*

As at 31 December 2008, \$267 million of debt had been raised, secured against the cash flows generated by specific completed and income generating assets.

These facilities have 5 year terms and principal repayment terms based on 20 to 30 year amortisation periods. Interest and principal repayments are made quarterly. The facilities had a remaining weighted average debt maturity of 4.3 years at 31 December 2008.

The debt is a mixture of fixed and floating rate facilities, the floating rate having been swapped into fixed rate debt or capped. The facilities had a weighted average interest cost of 3.29 per cent. over US LIBOR at 31 December 2008.

Loan to value covenants on the facilities are 70 per cent. on average and interest and principal amortisation must be covered by income on each asset by 120 per cent. on average.

These loans are principally non-recourse and details of each such loan are given in the material contracts section in Part 12 of this document.

(b) *Construction Debt*

As at 31 December 2008, \$183 million of \$207 million outstanding construction facilities had been drawn, each secured on a development asset and including that drawn by the Megalogix joint venture.

These facilities have varying maturity terms ranging from 12 months to 7 years and a weighted average maturity term of 4.8 years at 31 December 2008.

Three of the facilities are floating rate during construction term and one is fixed rate. The weighted average cost of debt on these facilities was 12 per cent. over US LIBOR before fees at 31 December 2008.

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The shortest term loans have bullet repayments, with \$20 million due in September 2009 and \$40 million in September 2010. The construction facility still being drawn relates to the Noginsk project and this comes to maturity in September 2009. The total facility is €49.1 million, of which €29 million had been drawn at 31 December 2008. The Company is in advanced negotiations with HSH Nordbank to roll this facility into a term investment loan following completion of the asset. The loan is non recourse other than a cost over run guarantee.

The construction facilities have loan to cost covenants of between 65 per cent. and 75 per cent. and have no debt service covenants during the construction period. They are non-recourse facilities during construction except for the cost over run guarantee noted above.

In the case of a \$40 million, 7 year term facility with IFC Bank, following completion of the asset, a debt service covenant of 150 per cent. is required by 31 December 2009. If the debt service covenant is not met by that date then the Company guarantees to service the debt.

Details of each such facility are given in the material contracts section of this document in Part 12.

Of the above construction loans \$100 million relate to projects owned by the Megalogix joint venture.

The Company also has an undrawn facility of \$53 million on a project in Kiev. This project has been postponed and the facility will remain available until 30 June 2009.

## **5. COMMITMENTS**

The Company's debt commitments are described above.

In addition, the Company's current committed development programme is limited to completion of the development project phases described in Part 8 of this document. As at 31 December 2008, the costs to complete these projects after drawing the final construction facility were approximately \$132 million net of VAT representing 12.8 per cent. of the Company's total portfolio including assets under construction.

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## 6. RESTATEMENT OF FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2006 AND 2007

During the year ended 31 December 2008, certain of the Company's Russian subsidiaries and joint venture companies reassessed their functional currencies and concluded that the functional currency was in fact the Rouble rather than the US dollar. The companies concerned have restated their financial statements on the basis that their functional currency is the Rouble. The Group has also reassessed the accounting treatment of loans made to its joint venture entities. Previously the Group adopted presentation on a gross basis, with its balance sheet showing the loan receivable and the Group's share of the loan payable. The Group now considers the net presentation to be fairer, even though there is no right of set off of these assets and liabilities.

The effect of these two changes is summarised below:

	<i>As previously reported</i>	<i>Adjustment</i>	<i>As restated</i>
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
<i>Year ended 31 December 2007</i>			
Profit for the year	95,254	1,422	96,676
Non-current assets	686,821	(24,231)	662,590
Current assets	509,769	108	509,877
Non-current liabilities	(165,944)	28,240	(137,204)
Current liabilities	(61,182)	(32)	(61,214)
Equity	969,464	4,585	974,049
	<i>As previously reported</i>	<i>Adjustment</i>	<i>As restated</i>
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
<i>Year ended 31 December 2006</i>			
Profit for the year	32,565	458	33,023
Non current assets	215,641	352	215,993
Current assets	770,146	-	770,146
Non-current liabilities	(28,040)	-	(25,040)
Current liabilities	(47,297)	-	(47,297)
Equity	910,450	352	910,502

## 7. SIGNIFICANT ACCOUNTING POLICIES

For a discussion of the Company's significant accounting policies, see Note 2 to the Consolidated Financial Statements for the year ended 31 December 2008, which are included in Part 5 of this document.



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## PART 4

### INFORMATION ON THE RAVEN MOUNT GROUP

This section sets out information on the Raven Mount Group. Financial information on the Raven Mount Group for the year ended 31 December 2008 is set out in Part 6 of this document. A copy of the admission document and the annual report and accounts for the Raven Mount Group for the years ended 31 December 2006, 2007 and 2008 may be obtained from the Raven Mount website at [www.theravengroup.co.uk](http://www.theravengroup.co.uk) in accordance with Rule 26 of the AIM Rules for Companies. It is not intended that the contents of this website form part of this document and is not being incorporated by reference herein.

The definitions at the end of this Part 4 apply throughout this Part, in addition to those set out on pages 295 to 299 of this document, unless the context otherwise requires. In the event of any inconsistency between the definitions set out below and those set out on pages 295 to 299 of this document, the definitions below shall apply.

#### 1. HISTORY OF THE RAVEN MOUNT GROUP

Raven Mount Limited was founded in November 2003 and took control of Swan Hill Group plc, the UK housebuilder, in December 2003 in a hostile takeover supported by Swan Hill's four largest shareholders.

In December 2004, the shareholders of Raven Mount Limited approved the acquisition of Anton Bilton and Bim Sandhu's private residential property development group by way of a reverse takeover of Raven Property Holdings plc, for a total consideration of £39.9 million paid in Raven Mount Limited shares and began a strategic reinvention of the business.

In July 2005, Raven Mount Limited subscribed £10 million towards the £153 million flotation of Raven Russia on AIM. Raven Russia was formed at Raven Mount Limited's instigation as a vehicle for institutional shareholders to invest in the Russian property market with an initial focus on the Warehouse property market in the Moscow and St. Petersburg regions.

In May 2008, Raven Mount Limited announced that the trustees of the Pension Scheme, with the support of Raven Mount Limited, had entered into an agreement for a full insurance buy-out of the Pension Scheme. In order to facilitate the buy-out, Raven Mount Limited has paid an additional £6.6 million to the Pension Scheme. Individual buyout policies have now been issued to all of the Pension Scheme members and other beneficiaries and as a result, the Raven Mount Group has no further exposure to the Pension Scheme's defined benefit liability.

In October 2005, Raven Mount Limited announced that it had completed the restructuring of its Audley Court Limited (previously Raven Audley Court plc) joint venture. Audley Court Limited was actively involved in the development and management of "Independent Living" facilities for the elderly through its Audley brand, in which Raven Mount Limited had a 75 per cent. interest, with the remaining 25 per cent. being owned by the management team.

In October 2008, Raven Mount Limited completed the sale of its 75 per cent. interest in Audley Court Limited in consideration for £15,000 in cash and the repayment in full of certain mezzanine loan indebtedness of £14,985,000.

On 26 November 2008, Raven Mount Limited completed the sale of RRPM and RRPA to Raven Russia for a total consideration of £15 million in cash and 80 million new Raven Russia shares. The transaction was designed so that 64 million of the 80 million Raven Russia shares were received directly by Raven Mount Limited shareholders. As part of this process:

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- the admission of Raven Mount Limited's shares to trading on AIM was cancelled on 15 October 2008;
  - by a scheme of arrangement entered into by Raven Mount Limited and completed on 14 October 2008, Raven Mount Holdings became the new holding company of Raven Mount Limited (with the Raven Mount Limited shareholders becoming the shareholders of Raven Mount Holdings) (the "Raven Mount Scheme"); and
  - on 3 November 2008, Raven Mount Holdings was placed into members voluntary winding up and, on the same date, entered into the Section 110 Agreement which effected the de-merger of RRPM from Raven Mount Limited so that Raven Mount became the new holding company of Raven Mount Limited and RPML became the new holding company of RRPM.

The steps that were taken were structured so that Raven Mount Limited shareholders owned Raven Mount Shares in the same proportions as they had held their shares in Raven Mount Limited immediately before the implementation of the Raven Mount Scheme.

Following the admission of Raven Mount's shares to trading on AIM on 4 November 2008, the following then occurred:

- Raven Russia acquired RRPM through a scheme of arrangement entered into by RPML under the terms of which shareholders in RPML received 64 million new Raven Russia shares pro rata to their former holdings in Raven Mount Holdings prior to the completion of the Section 110 Agreement; and
- immediately following completion of that scheme of arrangement, the direct sale of RRPA by Raven Mount Limited to Raven Russia completed for a consideration of £15.0 million in cash and 16 million new Raven Russia shares.

## **2. RAVEN MOUNT GROUP BUSINESS AND CURRENT ASSET INVESTMENTS**

The Raven Mount Group's current projects include mainstream property residential schemes at Lewes, Brackley and Sheffield as well as the development of second homes projects through its joint venture in the Cotswolds, The Lakes and potentially, subject to planning, in Grand Bahama.

The Raven Mount Group intends to complete and realise cash from these projects. As at 15 April 2009, Raven Mount had net cash balances of £19.6 million and no debt, excluding debt in joint ventures amounting to £7.1 million, of which £2.25 million is guaranteed by Raven Mount. In February 2009, Raven Mount cancelled its debt facility arrangement with the Royal Bank of Scotland. In addition, on 5 January 2009 the £4.6 million pension liability accrued in Raven Mount's balance sheet at 31 December 2008 was settled in full.

The Raven Mount Group currently has shareholdings in Raven Russia and Oriel Securities Limited, which are held as current assets in its balance sheet as it has not been the Raven Mount Group's intention to hold these assets in the long term. The Raven Mount Group currently holds 29,035,054 shares in Raven Russia representing 5.7 per cent. of the current issued share capital of Raven Russia. The Raven Mount Group also holds 2,409,769 shares in Oriel Securities Limited, a UK stockbroking firm, representing approximately 15 per cent. of the issued share capital of Oriel. Whilst it is the Raven Mount Group's desire to realise the value of the shares in Oriel in the short to medium term, the Raven Mount Group believes that the prices at which they could currently be disposed of significantly undervalue their intrinsic net worth. It further believes that the business is fundamentally sound, with strong management and good long term business models.

### **Residential development**

Construction work on Sheffield Phase 1, which comprises 149 residential units and approximately 12,000 sq ft of commercial space, is proceeding well and Raven Mount expects full completion of the site imminently. As at 8 April 2009, Raven Mount has completed the sales of 26 units realising

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£3.0 million in cash. Raven Mount recognises that the residential market, particularly for apartments, is and continues to be difficult, largely due to the lack of mortgage provision, and therefore realisation of cash from this site even when fully developed will be slow. Raven Mount has not yet commenced development on its 339-unit Sheffield Phase 2 site, on which it received vacant possession last year, and it will not do so for the foreseeable future.

Development of the 52-unit residential site in the centre of Brackley, which also has approximately 9,000 sq ft of commercial space, is also proceeding well and Raven Mount expects construction to be completed this quarter. However, it does not as yet have any private exchanges on this site given the current reluctance of purchasers to purchase off plan. Raven Mount commenced the marketing of the site this quarter. The sale of five affordable apartments was completed in March 2009 realising £0.6 million in cash.

Construction completion of the 54-unit Lewes scheme is imminent. As at 8 April 2009, Raven Mount has completed the sale of 31 units, including 14 affordable units, realising £6.6 million in cash.

Raven Mount continues to hold a strategic land bank of owned and optioned sites, which can be acquired at varying percentages of their market value. It continues to monitor and progress these sites as appropriate, as it is believed that a number of these sites may be worth considerably more than their current book value should they gain planning consents.

Despite the poor UK residential markets, Raven Mount Group has completed on 27 units in total in 2009, realising £3.3 million and whilst the outlook remains tough, Raven Mount Group will continue to work to realise value from these developments.

Raven Mount Group has outline planning consent, in a joint venture with John Hitchcox and Manhattan Group Limited, for a hotel and 160 second homes in 650 acres at Coln in the Cotswolds. Raven Mount has detailed planning consent for 128 second homes and is seeking changes to the planning permission on subsequent phases in order to enhance the overall value of the site. As at 8 April 2009, the joint venture has completed 29 unit land sales and has entered into construction contracts in respect of these units. Raven Mount is in the early stages of seeking planning permission for its second homes and hotel scheme in Grand Bahama.

### **3. THE MARKET**

The Raven Mount Group operates within the property development market with a focus on mixed-use, planning gain driven opportunities.

The residential development arm of the business has been affected by the increasingly tighter lending practices of the UK banking institutions towards both end purchasers and developers. A lack of liquidity provision by the banks has a huge impact on the level of transactions in the mainstream residential market. Tighter lending criteria in particular have an impact on the first-time buyer market and the buy-to-let markets, which are perhaps the key components of the housing food chain.

### **4. EMPLOYEES**

As at 8 April 2009, the Raven Mount Group had 34 employees.

The table below shows the geographical breakdown of employees by their main activity.

<i>Country</i>	<i>Total number of employees</i>	<i>Directors</i>	<i>Head office</i>	<i>Coln project</i>	<i>Other property development</i>
UK	34	7	10	8	9

### **5. INCORPORATION AND SHARE AND LOAN CAPITAL**

5.1 Raven Mount was incorporated and registered in England and Wales on 23 June 2008 under the Companies Act 1985 (as amended) with registered no 6626216 as a private company

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limited by shares with the name Shieldwave Limited. On 15 August 2008 the name of Raven Mount was changed to Raven Admission Limited. On 20 August 2008, Raven Mount was re-registered as a public limited company with the name Raven Admission plc. On 29 October 2008, the name of Raven Mount was changed to Raven Mount Group plc.

- 5.2 Raven Mount's legal and commercial name is Raven Mount Group plc.
- 5.3 The registered and head office of Raven Mount is at 21 Knightsbridge, London SW1X 7LY and its telephone number is 020 7235 0422.
- 5.4 The principal legislation under which Raven Mount operates is the Companies Acts.

## **6. MATERIAL CONTRACTS**

The following are the only contracts (not being contracts entered into in the ordinary course of business) which have been entered into by members of the Raven Mount Group in the two years immediately preceding the date of this document and which are, or may be, material or which have been entered into at any time by any member of the Raven Mount Group and which contain any provision under which any member of the Raven Mount Group has any obligation or entitlement which is, or may be, material to the Raven Mount Group as at the date of this document:

### **6.1 Framework Agreement**

See summary in paragraph 10.5 of Part 12 below.

### **6.2 Section 110 Agreement**

A Section 110 Agreement was entered into on 3 November 2008 between Raven Mount Holdings, the Liquidators, RPML and Raven Mount to separate the business activities conducted by RRPML from the general activities conducted by the Raven Mount Group (of which Raven Mount Holdings was at that time the holding company) by way of a reconstruction under section 110 of the Insolvency Act 1986.

The agreement contains a number of warranties given by Raven Mount.

### **6.3 Deed of indemnity**

Pursuant to the Section 110 Agreement, a deed of indemnity was entered into on 3 November 2008 between Raven Mount, Raven Mount Holdings and the Liquidators, in terms of which Raven Mount agrees to indemnify the Liquidators in respect of all liabilities and expenses which might arise in connection with the Section 110 Scheme until the date two years and one day from the date of dissolution of Raven Mount Holdings, conditional upon which the Liquidators will enter into the Section 110 Agreement. Raven Mount also agreed to indemnify the Liquidators in respect of all the Liquidators' remuneration fees, costs, including professional and legal costs, disbursements and other expenses and all other costs which might arise in connection with the Section 110 Agreement.

Raven Mount further agreed to indemnify Raven Mount Holdings in respect of all debts and/or liabilities to which Raven Mount Holdings is subject at the date it goes into liquidation, or which it may become subject to after that date by reason of any obligation incurred before that date, together with any interest payable. Raven Mount also agrees to indemnify Raven Mount Holdings against all liabilities and expenses which might arise in connections with or in the course of the liquidation of Raven Mount Holdings.

- 6.4 An agreement dated 16 February 2009 between Raven Mount and Oriel pursuant to which Oriel agreed to act as financial adviser, Rule 3 adviser (as required by Rule 3 of the City Code on Takeovers and Mergers) and joint broker to Raven Mount.

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- 6.5 A nominated advisor agreement dated 30 October 2008 between Raven Mount and Shore Capital, pursuant to which Shore Capital agreed to act as nominated advisor to Raven Mount. Raven Mount gave certain undertakings in order to enable Shore Capital to comply with the AIM Rules.
- 6.6 An introduction agreement dated 30 October 2008 between Raven Mount and Shore Capital pursuant to which Raven Mount authorised Shore Capital to make an application to the London Stock Exchange for admission to trading on AIM of all the issued ordinary shares of Raven Mount. Raven Mount gave certain undertakings in order to enable Shore Capital to comply with the AIM Rules.
- 6.7 The trustees of the Pension Scheme entered into the Buy-out Policy Agreement on 27 May 2008 with PIC which is a company regulated by the FSA.

To facilitate the agreement and following a data and benefit verification process, Raven Mount Limited paid £6.6 million to the Pension Scheme in full and final payment of the scheme's liabilities.

Individual buyout policies have now been issued to all of the Pension Scheme members and other beneficiaries and as a result, the Raven Mount Group has no further exposure to the Pension Scheme's defined benefit liability. It is expected that the Pension Scheme will be wound up this summer.

- 6.8 An agreement dated 11 October 2008 between (1) Raven Mount Limited, (2) Raven Property Holdings plc, (3) AC Holdings S.A.R.L, (4) Swan Hill Homes Limited, (5) Moorfield Real Estate Fund II A LP and Moorfield Real Estate Fund II B LP (together, "Moorfield") and (6) Malcolm Nicholas Sanderson, Dominic Connolley, Giles Leo Rabbets, Benedict Stanislaw Krauze and Tenon (IOM) Ltd, relating to the disposal of Audley and the repayment of certain mezzanine loan indebtedness.

The Audley Disposal completed in accordance with such agreement on 20 October 2008, upon which date (i) Audley was acquired by AC Holdings S.A.R.L (a newly formed company indirectly owned by Moorfield) in consideration for the payment to the Raven Mount Group of £15,000 cash and (ii) a mezzanine loan indebtedness in the amount of £14,985,000 owed by Audley to Raven Mount Limited was repaid in full. A bank debt of £43.6 million was also transferred to AC Holdings S.A.R.L. Furthermore, Moorfield agreed to take an assignment (or sub-lease) of the Raven Mount Group's Waterman's Business Park, Staines office lease subject to a lease back to the Raven Mount Group of the first floor for a period of one year from 20 October 2008 at an all inclusive rent of £200,000. Under the agreement, the Raven Mount Group also agreed not to carry on any assisted living business for a period of two years following completion of the Audley Disposal.

Moorfield and the Raven Mount Group have further agreed to enter into an agreement with respect to the management of the Raven Mount Group's site at Flete House, Flete, Ivybridge, under which Moorfield will also be granted an option to purchase the Raven Mount Group's long leasehold interest (which is of nominal value) upon the sale of the Raven Mount Group's four remaining residential units.

## **7. RELATED PARTY TRANSACTIONS**

Other than those material contracts detailed in paragraph 6 above, the following related party transactions are transactions which, as a single transaction or in their entirety, are or may be material to Raven Mount and have been entered into by Raven Mount or any other member of the Raven Mount Group during the period commencing on 1 January 2008 and terminating immediately prior to the date of this document. Each of the transactions was concluded at arm's length.



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- 7.1 An undertaking dated 3 September 2008 from the Trustee to Raven Mount Limited, pursuant to which the Trustee agreed, subject to the passing of a Raven Mount Limited shareholder resolution to amend the articles of association of that company, to convert the convertible shares in Raven Mount Limited held by the Raven Mount EBT into ordinary shares in Raven Mount Limited. The conversion took place on 6 October 2008 and resulted in the convertible shares being converted into 2,376,000 ordinary shares in Raven Mount Limited.
- 7.2 Raven Russia has granted various options to the Raven Mount EBT, to acquire up to 7.5 per cent. of the issued ordinary share capital of Raven Russia, on behalf of Raven Mount employees. These options were surrendered by the Trustee on 2 September 2008.
- Glyn Hirsch was a director of Raven Russia at the time of the above transaction.
- 7.3 A share purchase agreement dated 30 July 2008 between Raven Russia and Raven Mount Limited pursuant to which Raven Russia purchased a 50 per cent. interest in Armbridge Consultancy Limited for a consideration of £1. In addition, Raven Mount Limited assigned loans made to Armbridge Consultancy Limited, which were for the purpose of funding set up costs and working capital, to Raven Russia in consideration of the payment to Raven Mount Limited in cash of the outstanding principal and interest payable under the loans totalling approximately \$3.1 million.
- 7.4 On 22 October 2008, pursuant to an agreement reached between the parties in connection with the Audley Disposal described in paragraph 6.8 above, Raven Property Group plc paid £100,000 (net of any recoverable VAT) to Santon Group Developments plc (a company owned by Anton Bilton and Bim Sandhu) (“Santon”) in return for the transfer by Santon to Audley of the benefit of certain professional advice received by Santon in respect of a potential development site at Bearwood.
- 7.5 Raven Mount has granted options over 5,590,000 Raven Mount Shares to certain executives under the Raven Mount 2008 Share Option Plan. Subject to the Offer becoming or being declared unconditional in all respects, these executives have agreed to surrender their existing options and enter into arrangements with Raven Mount and Raven Russia such that they will receive the “in the money value” of those options, equal to £1,257,750 (based on the issue price of £1.00 for each Unit pursuant to the Placing), in the form of nil-cost options over 1,257,750 Units which will be issued to the Raven Mount EBT on the Offer becoming or being declared unconditional. Of these Units, Anton Bilton and Glyn Hirsch will each be entitled to nil-cost options over 348,750 Units.
- 7.6 On 28 January 2009 and in line with the policy outlined in Raven Mount’s AIM admission document dated 31 October 2008, the Remuneration Committee of Raven Mount approved the payment of a contribution for the year ended 31 December 2008 with a value of £8.1 million to the Raven Mount EBT, the beneficiaries of which include the executive directors of Raven Mount, being Anton Bilton, Bim Sandhu, Glyn Hirsch and Mark Kirkland. This contribution has been accrued in Raven Mount’s 2008 year end balance sheet and is payable whether or not the Offer becomes or is declared unconditional. Raven Mount and Raven Russia have agreed that, should the Offer become or be declared wholly unconditional, the liability to pay the contribution to the Raven Mount EBT will remain with Raven Mount until immediately after such time, at which point it will be discharged without amendment by Raven Russia through the issue to the Raven Mount EBT of the same consideration and on the same terms as under the Offer, namely by the issue of 8.1 million Units. The Trustee will then consider allocating the contribution in accordance with the terms of the Raven Mount EBT trust deed.
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**DEFINITIONS FOR THIS PART 4**

<b>“Audley”</b>	Raven Audley Court plc
<b>“Audley Disposal”</b>	the disposal by Raven Mount Limited of its interest in Audley
<b>“Buy-Out Policy Agreement”</b>	the buy-out policy agreement dated 27 May 2008 consisting of the written quotation issued by PIC to the trustees of the Pension Scheme and the policy setting out the terms and conditions to which the quotation is subject.
<b>“Liquidators”</b>	Malcolm Cohen and Anthony David Nygate jointly or either of them separately as liquidators of Raven Mount Holdings
<b>“Pension Scheme”</b>	the Swan Hill Pension Scheme
<b>“PIC”</b>	Pension Insurance Corporation Limited
<b>“Raven Mount Holdings”</b>	Raven Mount Holdings plc
<b>“RPML”</b>	Russian Property Management Limited
<b>“Section 110 Agreement”</b>	the agreement pursuant to section 110 of the insolvency Act 1986, between Raven Mount Holdings (1) Malcolm Cohen and Anthony Nygate (as liquidators of Raven Mount Holdings) (2) RPML (3) and Raven Mount (4)
<b>“Section 110 Scheme”</b>	the reconstruction of Raven Mount Holdings into two new companies, RPML and Raven Mount pursuant to the arrangement under section 110 of the Insolvency Act 1986
<b>“Shore Capital”</b>	Shore Capital and Corporate Limited
<b>“Trustee”</b>	Tenon (IOM) Limited, as trustee of the Raven Mount Employee Benefit Trust, a discretionary trust established for the benefit of employees and former employees of Raven Mount Limited and their spouses, widows, widowers and dependants.



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## **PART 5**

### **FINANCIAL INFORMATION ON THE GROUP**

The financial information on the Group set out in Sections A, B and C of this Part 5 represents the financial statements of the Group as published and the audit opinions thereon for the years ended 31 December 2008, 31 December 2007 and 31 December 2006 respectively. The financial statements were audited by BDO Novus Limited for the financial year ended 31 December 2006, by BDO Stoy Hayward LLP and BDO Novus Limited as joint auditors for the financial year ended 31 December 2007 and by Ernst & Young LLP for the financial year ended 31 December 2008. The auditors' reports for each of these three financial years was unqualified

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**SECTION A: AUDITED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2008**

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RAVEN RUSSIA LIMITED**

We have audited the group financial statements (the "financial statements") of Raven Russia Limited for the year ended 31 December 2008 which comprise the Group Income Statement, Group Balance Sheet, Group Cash Flow Statement, the Group Statement of Changes in Equity and the related notes 1 to 33. These financial statements have been prepared under the accounting policies set out therein.

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

**Respective responsibilities of directors and auditors**

The directors are responsible for the preparation of the financial statements in accordance with applicable Guernsey law as set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies (Guernsey) Law, 2008. We also report to you if, in our opinion, the company has not kept proper accounting records, if the company's financial statements are not in agreement with the accounting records or if we have not received all the information and explanations we require for our audit.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Chairman's Statement, the Property Review, the Financial Review, the Directors' Report and the Corporate Governance Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

**Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

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**Opinion**

In our opinion:

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 31 December 2008 and of its loss for the year then ended; and
- the financial statements have been properly prepared in accordance with the Companies (Guernsey) Law, 2008.

**Ernst & Young LLP**

London

29 March 2009

**Notes:**

1. The maintenance and integrity of the Raven Russia Limited website 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 website.
2. Legislation in Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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**GROUP INCOME STATEMENT****For the year ended 31 December 2008**

		2008			2007		
	Notes	Revenue \$'000	Capital \$'000	Total \$'000	(Restated) Revenue \$'000	(Restated) Capital \$'000	(Restated) Total \$'000
Gross revenue	4	71,311	-	71,311	38,552	-	38,552
Property operating expenses		<u>(28,447)</u>	<u>-</u>	<u>(28,447)</u>	<u>(12,618)</u>	<u>-</u>	<u>(12,618)</u>
<b>Net rental and related income</b>		<u>42,864</u>	<u>-</u>	<u>42,864</u>	<u>25,934</u>	<u>-</u>	<u>25,934</u>
Administrative expenses	5	(28,066)	(5,384)	(33,450)	(18,483)	-	(18,483)
Settlement of advisory contract	12	(67,581)	-	(67,581)	-	-	-
Negative goodwill	12	7,564	-	7,564	-	-	-
Foreign currency (losses)/gains		<u>(9,656)</u>	<u>(24,273)</u>	<u>(33,929)</u>	<u>325</u>	<u>-</u>	<u>325</u>
<b>Operating expenditure</b>		<u>(97,739)</u>	<u>(29,657)</u>	<u>(127,396)</u>	<u>(18,158)</u>	<u>-</u>	<u>(18,158)</u>
<b>Operating (loss)/profit before (loss)/profit on investment property</b>		<u>(54,875)</u>	<u>(29,657)</u>	<u>(84,532)</u>	<u>7,776</u>	<u>-</u>	<u>7,776</u>
Unrealised (loss)/profit on revaluation of investment property	10	-	(39,145)	(39,145)	-	79,659	79,659
Impairment of investment property under construction	11	-	(38,918)	(38,918)	-	-	-
<b>Operating (loss)/profit</b>		<u>(54,875)</u>	<u>(107,720)</u>	<u>(162,595)</u>	<u>7,776</u>	<u>79,659</u>	<u>87,435</u>
Finance income	6	11,613	-	11,613	27,027	2,822	29,849
Finance expense	6	(21,066)	(17,343)	(38,409)	(1,800)	-	(1,800)
<b>(Loss)/profit before tax</b>		<u>(64,328)</u>	<u>(125,063)</u>	<u>(189,391)</u>	<u>33,003</u>	<u>82,481</u>	<u>115,484</u>
Tax	7	7,653	11,449	19,102	90	(18,898)	(18,808)
<b>(Loss)/profit for the year</b>		<u>(56,675)</u>	<u>(113,614)</u>	<u>(170,289)</u>	<u>33,093</u>	<u>63,583</u>	<u>96,676</u>
<b>Earnings per share-basic (cents)</b>	8			<u>(38.77)</u>			<u>22.69</u>
<b>Earnings per share-diluted (cents)</b>	8			<u>(38.77)</u>			<u>22.65</u>

The total column of this statement represents the Group's Income Statement, prepared in accordance with IFRS as adopted by the EU. The revenue and capital columns are both supplied as supplementary information permitted by IFRS as adopted by the EU. All items in the above statement derive from continuing operations.

Details of the prior period restatement are provided in note 2.

The accompanying notes are an integral part of this statement.

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**GROUP BALANCE SHEET**  
As at 31 December 2008

		2008	2007
	<i>Notes</i>	\$'000	<i>(Restated)</i> \$'000
<b>Non-current assets</b>			
Investment property	10	453,750	346,250
Investment property under construction	11	443,653	251,775
Property, plant and equipment		4,145	915
Intangible assets	12	-	2,265
Other receivables	15	153,092	59,510
Derivative financial instruments	17	64	-
Deferred tax assets	21	34,830	1,875
		<u>1,089,534</u>	<u>662,590</u>
<b>Current assets</b>			
Trade and other receivables	16	82,597	28,017
Derivative financial instruments	17	-	1,030
Cash and short term deposits	18	108,435	480,830
		<u>191,032</u>	<u>509,877</u>
<b>Total assets</b>		<u>1,280,566</u>	<u>1,172,467</u>
<b>Current liabilities</b>			
Trade and other payables	19	51,511	56,410
Derivative financial instruments	17	1,027	-
Interest bearing loans and borrowings	20	80,042	4,804
		<u>132,580</u>	<u>61,214</u>
<b>Non-current liabilities</b>			
Interest bearing loans and borrowings	20	356,926	98,947
Other payables	22	31,696	12,999
Derivative financial instruments	17	7,904	-
Deferred tax liabilities	21	16,420	25,258
		<u>412,946</u>	<u>137,204</u>
<b>Total liabilities</b>		<u>545,526</u>	<u>198,418</u>
<b>Net assets</b>		<u>735,040</u>	<u>974,049</u>
<b>Equity</b>			
Share capital	23	9,921	8,648
Share premium	24	46,791	11,180
Special reserve	24	870,692	870,692
Capital reserve	24	(41,798)	71,816
Translation reserve	24	(71,090)	(17,307)
Retained earnings	24	(79,476)	29,020
<b>Total equity</b>		<u>735,040</u>	<u>974,049</u>
<b>Net asset value per share (dollars)</b>	25	<u>1.43</u>	<u>2.27</u>

The financial statements were approved by the Board of Directors on 29 March 2009 and signed on its behalf by.

*Director*

*Director*

Details of the prior period restatement are provided in note 2.

The accompanying notes are an integral part of this statement.

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**GROUP STATEMENT OF CHANGES IN EQUITY**

	<i>Notes</i>	<i>Share Capital \$'000</i>	<i>Share Premium \$'000</i>	<i>Special Reserve \$'000</i>	<i>Capital Reserve \$'000</i>	<i>Translation Reserve \$'000</i>	<i>Retained Earnings \$'000</i>	<i>Total \$'000</i>
<b>At 1 January 2007 as previously reported</b>		8,538	-	882,942	8,233	(12,627)	23,364	910,450
Prior year adjustment - functional currency	2	-	-	-	-	1,653	488	2,141
<b>At 1 January 2007 as restated</b>		<u>8,538</u>	<u>-</u>	<u>882,942</u>	<u>8,233</u>	<u>(10,974)</u>	<u>23,852</u>	<u>912,591</u>
Profit for the year as previously reported		-	-	-	-	-	95,254	95,254
Prior year adjustment - functional currency	2	-	-	-	-	1,022	1,422	2,444
Foreign currency translation		-	-	-	-	(7,355)	-	(7,355)
<b>Total recognised income for the year as restated</b>		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,333)</u>	<u>96,676</u>	<u>90,343</u>
Shares issued in respect of Property Adviser's fees		25	2,790	-	-	-	(2,815)	-
Scrip dividend issue of ordinary share capital	9	85	8,390	-	-	-	-	8,475
Dividends paid	9	-	-	-	-	-	(39,556)	(39,556)
Transfer from special reserves to retained earnings		-	-	(12,250)	-	-	12,250	-
Transfer in respect of capital profits		-	-	-	63,583	-	(63,583)	-
Share based payment expense	26(b)	-	-	-	-	-	2,196	2,196
<b>At 31 December 2007 as restated</b>		<u>8,648</u>	<u>11,180</u>	<u>870,692</u>	<u>71,816</u>	<u>(17,307)</u>	<u>29,020</u>	<u>974,049</u>
<b>For the year ended 31 December 2008</b>								
Loss for the year		-	-	-	-	-	(170,289)	(170,289)
Foreign currency translation		-	-	-	-	(53,783)	-	(53,783)
<b>Total recognised income for the year</b>		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(53,783)</u>	<u>(170,289)</u>	<u>(224,072)</u>
Scrip dividend issue of ordinary share capital	9	49	4,101	-	-	-	-	4,150
Ordinary shares issued on acquisition of subsidiary undertakings	30	1,224	31,510	-	-	-	-	32,734
Dividends paid	9	-	-	-	-	-	(55,074)	(55,074)
Transfer in respect of capital losses		-	-	-	(113,614)	-	113,614	-
Share based payment expense	26(b)	-	-	-	-	-	3,253	3,253
<b>At 31 December 2008</b>		<u>9,921</u>	<u>46,791</u>	<u>870,692</u>	<u>(41,798)</u>	<u>(71,090)</u>	<u>(79,476)</u>	<u>735,040</u>

Details of the prior period restatement are provided in note 2.

The accompanying notes are an integral part of this statement.

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**GROUP CASH FLOW STATEMENT****For the year ended 31 December 2008**

		2008	2007
	<i>Notes</i>	\$'000	<i>(Restated)</i> \$'000
<b>Cash flows from operating activities</b>			
(Loss)/profit before tax		(189,391)	115,484
Adjustments for:			
Finance income		(11,613)	(29,849)
Finance expense		38,409	1,800
Loss/(profit) on revaluation of investment property		39,145	(79,659)
Foreign exchange loss/(profit) arising from non-operating activities		33,929	(7,706)
Settlement of advisory contract		67,581	-
Negative goodwill		(7,564)	-
Impairment of investment property under construction		38,918	-
Impairment of investment in joint venture		5,384	-
Share based payments	26(b)	2,410	796
		<u>17,208</u>	<u>866</u>
Decrease/(increase) in operating receivables		3,464	(6,018)
Increase in operating payables		1,271	16,869
		<u>21,943</u>	<u>11,717</u>
Tax paid		(3,968)	(2,327)
<b>Net cash generated from operating activities</b>		<u>17,975</u>	<u>9,390</u>
<b>Cash flows from investing activities</b>			
Purchase of investment property		-	(55,853)
Payments for investment property under construction		(461,740)	(261,004)
Increase in VAT recoverable on construction		(58,743)	(24,834)
Capital expenditure		(3,381)	(819)
Acquisitions		(32,976)	(1,825)
Loans advanced		(101,363)	(64,371)
Loans repaid		1,326	15,154
Settlement of maturing forward currency financial instruments		(14,712)	-
Investment income received		1,258	29,849
<b>Net cash used in investing activities</b>		<u>(670,331)</u>	<u>(363,703)</u>
<b>Cash flows from financing activities</b>			
Proceeds from long term bank borrowings		344,301	95,838
Other borrowings		5,029	34,245
Repayment of bank borrowings		(5,167)	(17,216)
Repayment of other borrowings		(2,355)	-
Bank borrowing costs paid		(31,046)	(1,798)
Dividends paid		(50,923)	(31,081)
<b>Net cash from financing activities</b>		<u>259,839</u>	<u>79,988</u>
Net decrease in cash and cash equivalents		<u>(392,517)</u>	<u>(274,325)</u>
Effect of foreign exchange rate changes		20,122	(1,028)
Cash and cash equivalents at 1 January	18	480,830	756,183
<b>Cash and cash equivalents at 31 December</b>	18	<u>108,435</u>	<u>480,830</u>

Details of the prior period restatement are provided in note 2.

The accompanying notes are an integral part of this statement.



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## NOTES TO THE FINANCIAL STATEMENTS

*For the year ended 31 December 2008*

### 1. GENERAL INFORMATION

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

The Company is incorporated and domiciled in Guernsey under the provisions of the Companies (Guernsey) Law, 2008. The Company’s registered office is Regency Court, Gategny Esplanade, St. Peter Port, Guernsey, GY1 3ST.

The audited financial statements of the Group for the year ended 31 December 2008 comprise the Company and its subsidiaries and were authorised by the Board for issue on 29 March 2009.

### 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 consolidated financial statements have been prepared for both current and prior periods. The consolidated financial statements are presented in US dollars and all values are rounded to the nearest thousand dollars (\$000) except where otherwise indicated.

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

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

#### **Statement of compliance**

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards adopted for use in the European Union (“IFRS”), as issued by the IASB, and the Companies (Guernsey) Law, 2008.

#### **Changes in accounting policies**

The accounting policies adopted are consistent with those of previous financial year except as follows:

The Group has adopted the following new IFRIC interpretations as of 1 January 2008:

- IFRIC 11 *IFRS 2 - Group and Treasury Share Transactions*

The Group has also early adopted the following IFRIC interpretations as of 1 January 2008:

- IFRS 2 *Share-based Payment (Revised) effective 1 January 2009*
- IAS 23 *Borrowing Costs (Revised) effective 1 January 2009*

Adoption of these standards and interpretations did not have any effect on the financial performance or position of the Group. The IASB also issued various interpretations that are effective from 1 January 2008, but have no relevance to the activities of the Group. These are IFRIC 12, IFRIC 13 and IFRIC 14.

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

- IFRS 1 and IAS 27 *Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate (Amendment) effective 1 January 2009*
- IFRS 3 *Business Combinations (Revised) effective 1 July 2009*
- IFRS 7 *Financial Instruments: Disclosure (Amendment) effective 1 January 2009*
- IFRS 8 *Operating Segments effective 1 January 2009*
- IAS 1 *Presentation of Financial Statements (Revised) effective 1 January 2009*
- IAS 23 *Borrowing Costs (Revised) effective 1 January 2009*
- IAS 27 *Consolidated and Separate Financial Statements (Amendment) effective 1 July 2009*
- IAS 32 and IAS 1 *Puttable Financial Instruments and Obligations Arising on Liquidation (Amendment) effective 1 January 2009*
- IAS 39 *Eligible Hedged Items (Amendment) effective 1 July 2009*
- IFRIC 15 *Agreements for the Construction of Real Estate effective 1 January 2009*
- IFRIC 17 *Distributions of Non-cash Assets to Owners effective 1 July 2009*

The Group is currently assessing the impact of these new standards and changes on the financial statements.

In May 2008 the IASB issued its first omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The Group has decided not to adopt early any of these amendments as they are not anticipated to have a significant impact on the reported results of the Group.

#### **Restatement of prior period amounts**

##### **(i) Functional currency**

During the period certain of the Group's Russian subsidiary and joint venture companies reassessed their functional currencies and concluded that their functional currency was in fact the Russian rouble rather than the United States dollar. The companies concerned have restated their financial statements on the basis that their functional currency is the Russian rouble. This has a consequential effect on these consolidated financial statements, which has been summarised below:

<i>Income statement effect</i>	<i>\$'000</i>
<b>Effect on 2007</b>	
Decrease in foreign currency gains	(2,107)
Decrease in tax expense	3,479
Other income statement items	50
	<hr/>
Increase in profit	1,422
<b>Effect on periods prior to 2007</b>	
Increase in profit	488
	<hr/>
Increase in retained earnings	1,910
	<hr/>

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	<i>\$'000</i>
<b>Balance sheet effect</b>	
Increase in investment property under construction	5,007
Decrease in interest bearing loans and borrowings	2
Increase in other non-current payables	(569)
Other balance sheet items	145
	4,585
Increase in net assets	4,585

(ii) ***Recognition of loans made to joint venture entities***

The Group has also reassessed the accounting treatment of loans made to its joint venture entities. Previously the Group adopted presentation on a gross basis, with its balance sheet showing the loan receivable and the Group's share of the loan payable. The Group now considers the net presentation to be fairer, even though there is no right of set off of these assets and liabilities. The effect of this change is summarised below:

	<i>\$'000</i>
<b>Income statement effect</b>	Nil
<b>Balance sheet effect</b>	
Non-current assets	
Decrease in other receivables	(29,307)
Non-current liabilities	
Decrease in interest bearing loans and borrowings	29,307
	-
Net effect on balance sheet	-

***Basis of consolidation***

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

Investment properties have been acquired through special purpose vehicles (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 business acquisitions and instead the financial statements reflect the substance of the transactions, which is considered to be the purchases 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 used into line with those used by the Group.

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

***Joint ventures***

A joint venture is a contractual arrangement whereby two or more parties undertake economic activity that is subject to joint control. The Group undertakes its joint ventures through jointly controlled entities. The consolidated financial statements include the Group's proportionate share of these entities' assets, liabilities, income and expenses on a line by line basis from the date on which joint control commences to the date on which joint control

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ceases. Any premium paid for an interest in a jointly controlled entity above the fair value of Group's share of identifiable assets, liabilities and contingent liabilities is accounted for in accordance with the goodwill policy.

#### *Goodwill*

Goodwill represents the excess of the cost of a business combination over the interest in the fair value of identifiable assets, liabilities and contingent liabilities acquired. Cost comprises the fair values of assets given, liabilities assumed and equity instruments issued, plus any direct costs of acquisition.

Goodwill is capitalised as an intangible asset with any impairment in carrying value being charged to the consolidated income statement. Impairment tests on goodwill are undertaken annually at the financial year end. Impairment charges are included in the administrative expenses line item in the Group income statement. An impairment loss recognised for goodwill is not reversed.

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

#### *Revenue recognition*

Rental income from operating leases is recognised in income on a straight-line basis over the lease term. Rent is billed in advance and then allocated to the appropriate period. Therefore, deferred revenue generally represents the proportion of rentals invoiced in advance as at the reporting date and any advance payments from tenants. Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of revenue can be measured reliably. Rental increases calculated with reference to an underlying index and the resulting rental income ("contingent rents") are recognised in income as they are determined.

Logistics revenue, excluding value added tax, is recognised on an accrued basis.

Interest income is accrued on a time basis, by reference to the principal outstanding, at the effective interest rate applicable.

#### *Leasing (as lessor)*

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 completed properties are leased out under operating leases and are included in investment property in the balance sheet.

#### *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"). The functional currency of the Company, which is also the presentation currency for the Group, is United States dollars.

(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 that are measured in terms of their historical cost in a foreign currency are translated using exchange rates as at the date of the initial transactions.

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(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 expenses for each income statement are translated at the average exchange rate prevailing in the period; and
- (iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, the exchange differences arising from the translation of the net investment in foreign entities are taken to shareholders' equity. 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.

*Taxation*

The Company is a limited company registered in Guernsey, Channel Islands, which has a standard rate of tax of 0 per cent. The Group is liable to Russian and Cypriot tax arising on the activities of its Russian and Cypriot operations.

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

(a) Current Income tax

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

(b) Deferred tax

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

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

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

(c) Value Added Tax

Revenues, expenses and assets 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 expense 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 in the balance sheet.

*Investment property*

Property held to earn rentals and/or for capital appreciation is classified as investment property. 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 Group has appointed Jones Lang LaSalle as property valuers to prepare valuations on a semi-annual basis. Valuations are undertaken in accordance with the appropriate sections of the current Practice Statements contained in the Royal Institution of Chartered Surveyors Appraisal and Valuation Standards, 6th Edition (the "Red Book"). This is an internationally accepted basis of valuation. Gains or losses arising from changes in the fair value of investment property are included in the income statement in the period in which they arise.

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

*Investment property under construction*

Properties in the course of construction for rental purposes are carried at cost, less any recognised impairment loss. Cost includes professional fees and borrowing costs capitalised in accordance with the Group's accounting policy. Upon practical completion of the construction of property, the property is transferred to investment property at fair value, with the resulting gain or loss reflected in the income statement.

During the period under review the Group acquired its Property Adviser (note 30) that had been providing development monitoring services to the Group. From the date of acquisition the Group has included within the cost of properties under construction, the costs incurred by these subsidiaries to the extent they are directly related to the construction of the relevant property.

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Investment property under construction are subject to impairment test whenever events or changes in circumstances indicate that their carrying amount may not be recoverable in full. When the carrying value of an investment property under construction exceeds its recoverable amount, which is the higher of the value in use and its fair value less costs to sell, the property is written down accordingly.

#### *Borrowing costs*

Borrowing costs that are directly attributable to the construction of investment property are capitalised from the date of commencement of the project, until the construction is complete.

All other borrowing costs are recognised in the income statement in the period in which they are incurred.

#### *Financial assets*

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

Unless otherwise indicated, the carrying amounts of the Groups financial assets are a reasonable approximation of their fair values.

(a) Fair value through profit or loss

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

(b) Loans and receivables

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

Loans and receivables are initially recognised at fair value, plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. The amount of the 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 subsequent reversal of an impairment loss is recognised in the income statement.

In relation to trade receivables, a provision for impairment is made where there is objective evidence that the Group will not be able to collect all of the amounts due under the original terms of the lease. The carrying amount of the receivable is reduced through use of an allowance account.

(c) Cash and short term deposits

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.



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### *Financial liabilities*

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

Unless otherwise indicated, the carrying amounts of the Group's financial liabilities are a reasonable approximation of their fair values.

(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) and other short-term monetary liabilities. Trade payables and other short-term monetary liabilities are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method. Interest bearing loans are initially recorded at fair value net of direct issue costs, and subsequently carried at amortised cost using the effective interest method. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis to the income statement using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

### *Segmental reporting*

A business segment is a distinguishable component of the Group that is engaged in providing an individual product or service or a group of related products or services and that is subject to risks and returns that are different from those of other business segments. A geographical segment is a distinguishable component of the Group that is engaged in providing products or services within a particular economic environment and that is subject to risks and returns that are different from those of components operating in other economic environments.

### *Share-based payments*

The Company makes equity-settled and cash-settled share-based payments to certain employees and service providers.

The cost of the equity-settled transactions is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date at which the party is fully entitled to the award. Fair value is determined by an external valuer, using an appropriate pricing model. Vesting conditions associated with the instruments are market related and are accordingly ignored when assessing the number of instruments that will vest.

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and Management's best estimate of the achievement or otherwise of non-market conditions and of the number of equity instruments that will ultimately vest. The movement in the cumulative expense over the previous balance sheet date is recognised in the income statement, with a corresponding entry in equity.

When one equity-settled award is cancelled, it is treated as if had vested on the date of cancellation, and any cost not yet recognised in the income statement for the award is recognised in the income statement, with a corresponding entry in equity.

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### *Dividends*

Dividends to the Company's 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 approved by the shareholders at an AGM.

### **3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

The Group makes certain estimates and assumptions 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 assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

#### **(a) Valuation of investment property**

The best evidence of fair value is current prices in an active market for similar lease and other contracts. In the absence of such information, the Group determines the amount within a range of reasonable, fair value estimates. In making its judgement, the Group considers information from a variety of sources and engages external, professional advisers to carry out third party valuations of its properties. These are completed in accordance with the appropriate sections of the current Practice Statements contained in the Royal Institution of Chartered Surveyors Appraisal and Valuation Standards, 6th Edition (the "Red Book"). This is an internationally accepted basis of valuation.

In completing these valuations the valuer considers the following:

- (i) current prices in an active market for properties of a different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;
- (ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and
- (iii) discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

#### **(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 within the balance sheet.

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

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

(c) **VAT recoverable**

VAT recoverable arises through the payment of value added tax on construction of investment properties which will be recovered through the offset of VAT paid on future revenue receipts or through application to the court. Management estimate using past experience and industry knowledge of the timing of when VAT will be recovered.

(d) **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.

(e) **Goodwill and impairment**

Goodwill only arises in business combinations. The amount of goodwill recognised is dependent on the allocation of the purchase price to the fair value of the identifiable assets acquired and the liabilities assumed. The determination of the fair value of the assets and liabilities is based, to a considerable extent, on management's judgement.

Goodwill is capitalised as an intangible asset with any impairment in the carrying value being charged to the income statement. The Group is required to test, on an annual basis, whether goodwill has suffered any impairment. The recoverable amount is determined based on value in use calculations. The use of this method requires the estimation of future cash flows and the choice of a future discount rate in order to calculate the present value of future cash flows.

(f) **Acquisitions**

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

(g) **Impairment of investment property under construction**

Where an event or change of circumstances gives rise to an indication of impairment of investment property under construction, the Group is required to undertake an impairment test of the relevant property. This involves determining the recoverable amount of the property, which is the higher of its value in use or its fair value less costs to sell. Both of these measures involve the exercise of judgement.

Assessment of the property's value in use involves the estimation of future cash flows from a property that is not yet income generating and the choice of a discount rate in order to calculate the present value of cash flows. In determining the fair value of the property the Group engages an external professional advisor to carry out a valuation of the property in a similar manner to that described in part (a) above.

(h) **Classification of a Joint Venture or Subsidiary Undertaking**

The Group's investment property under construction are typically held in property specific special purpose vehicles ("SPVs"), which may be legally structured as a joint venture with

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a development partner, though in substance reflect the Group's investment in a wholly owned subsidiary.

In assessing whether a particular SPV is accounted for as a subsidiary or joint venture, the Group considers all of the contractual terms of the arrangement, including the extent to which the responsibilities and parameters of the development are determined in advance of the joint venture agreement being agreed between the two parties. The Group will then consider whether it has the power to govern the financial and operating policies of the SPV, so as to obtain benefits from its activities, and the existence of any legal disputes or challenges to this control in order to conclude on the classification of the SPV as a joint venture or subsidiary undertaking. The Group considers this position with the evidence available at the time.

**4. GROSS REVENUE**

	<i>2008</i>	<i>2007</i> <i>(Restated)</i>
	<i>\$'000</i>	<i>\$'000</i>
Rental and related income	62,201	37,327
Logistics	9,110	1,225
	<u>71,311</u>	<u>38,552</u>

The group's leases typically include annual rental increases ("contingent rents") based upon a consumer price index in Russia, Europe and USA, which are recognised in income as they arise. Contingent rents included in rental income for the year amounted to \$746,980 (2007: \$nil).

Details of the Group's contracted future minimum lease receivables are detailed in note 33.

## 5. ADMINISTRATIVE EXPENSES

	2008			2007		
	<i>Revenue</i> \$'000	<i>Capital</i> \$'000	<i>Total</i> \$'000	<i>(Restated)</i> <i>Revenue</i> \$'000	<i>(Restated)</i> <i>Capital</i> \$'000	<i>(Restated)</i> <i>Total</i> \$'000
Property Advisor management fees	6,169	-	6,169	4,832	-	4,832
Equity settled share based payment (note 26)	2,410	-	2,410	796	-	796
External Administrator fees	3,321	-	3,321	2,830	-	2,830
Abortive project costs	3,684	-	3,684	1,977	-	1,977
Legal and professional	1,146	-	1,146	2,632	-	2,632
Impairment of goodwill (note 12)	-	2,265	2,265	-	-	-
Impairment of loans to joint venture (note 28)	-	3,119	3,119	-	-	-
Directors remuneration	527	-	527	409	-	409
Auditors remuneration	1,178	-	1,178	84	-	84
Operating expenditure of subsidiary companies	3,361	-	3,361	1,985	-	1,985
Share of operating expenditure of joint ventures	2,947	-	2,947	1,899	-	1,899
Depreciation	750	-	750	53	-	53
Administration, registrar and other operating expenditure	2,573	-	2,573	986	-	986
	<u>28,066</u>	<u>5,384</u>	<u>33,450</u>	<u>18,483</u>	<u>-</u>	<u>18,483</u>

The Property Adviser management fees are project specific and are included in the cost of investment property under construction on consolidation where appropriate. Cumulative fees of \$41.77 million (2007: \$21.084 million) were included in the cost of investment property and property under construction at 31 December 2008. On 26 November 2008 the Group completed the acquisition of the Property Adviser (note 30). Accordingly the management fees above represent fees charged by the Property Adviser in respect of completed assets up to 26 November 2008. Subsequent to that date, the fee is an intra-group charge, which is eliminated on consolidation.

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**6. FINANCE INCOME AND EXPENSE**

	<i>2008</i>	<i>2008</i>	<i>2007</i>	<i>2007</i>
	<i>\$'000</i>	<i>\$'000</i>	<i>(Restated)</i>	<i>(Restated)</i>
			<i>\$'000</i>	<i>\$'000</i>
<b>Finance income</b>				
Income from cash and short term deposits	1,260		24,433	
Interest income on loans receivable	<u>10,353</u>		<u>2,594</u>	
Total interest income		11,613		27,027
Net gain on maturing forward currency derivative financial instruments	-		1,792	
Net change in fair value of open forward currency derivative financial instruments	<u>-</u>		<u>1,030</u>	
		<u>-</u>		<u>2,822</u>
		<u>11,613</u>		<u>29,849</u>
<b>Finance expense</b>				
Interest expense on financial liabilities measured at amortised cost		13,471		1,800
Net loss on maturing forward currency derivative financial instruments		14,712		-
Net change in fair value of open forward currency derivative financial instruments		2,631		-
Net change in fair value of open interest rate derivative financial instruments		<u>7,595</u>		<u>-</u>
		<u>38,409</u>		<u>1,800</u>

The above financial income and expense include the following in respect of assets and liabilities not at fair value through profit and loss:

	<i>2008</i>	<i>2007</i>
	<i>\$'000</i>	<i>(Restated)</i>
		<i>\$'000</i>
Total interest income on financial assets	11,613	27,027
Total interest expense on financial liabilities	<u>(13,471)</u>	<u>(1,800)</u>
	<u>(1,858)</u>	<u>25,227</u>

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## 7. TAX

The tax expense for the year comprises:

	2008	2007 <i>(Restated)</i>
	<i>\$'000</i>	<i>\$'000</i>
Current taxation	2,022	-
Increase in deferred tax asset	(13,320)	(934)
(Decrease)/increase in deferred tax liability	(7,804)	19,742
Tax (credit)/charge	<u>(19,102)</u>	<u>18,808</u>

The (credit)/charge for the year can be reconciled to the (loss)/profit per the consolidated income statement as follows:

	2008	2007 <i>(Restated)</i>
	<i>\$'000</i>	<i>\$'000</i>
(Loss)/profit before tax	<u>(189,391)</u>	<u>115,484</u>
Tax at the Russian corporate tax rate of 20% (2007: 24%)	(37,878)	27,716
Tax effect of income not subject to tax and non-deductible expenses	32,516	(5,188)
Effect of change of corporation tax rate from 24% to 20%	(3,753)	-
Tax on dividends and other intercompany gains	1,387	594
Tax effect of financing arrangements	(12,665)	(4,088)
Under/(over) provision in prior year	1,291	(226)
Tax (credit)/charge	<u>(19,102)</u>	<u>18,808</u>

During the year the standard rate of Russian corporate tax reduced from 24 per cent. to 20 per cent.

## 8. EARNINGS PER SHARE

The European Public Real Estate Association ("EPRA") issued Best Practice Policy Recommendations in November 2006, which gives guidelines for the calculation of performance measures. The Group has decided to adopt the EPRA earnings measure, which excludes investment property revaluations, impairments, gains and losses on disposals, intangible asset movements and related taxation.



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

	<i>2008</i>	<i>2007</i>
		<i>(Restated)</i>
	<i>\$'000</i>	<i>\$'000</i>
<b>Earnings</b>		
Earnings for the purposes of basic and diluted earnings per share being net (loss)/profit for the year	(170,289)	96,676
Adjustments to arrive at EPRA earnings:		
Unrealised loss/(profit) on revaluation of investment properties	39,145	(79,659)
Settlement of advisory contract	67,581	-
Negative goodwill	(7,564)	-
Impairment of assets under construction	38,918	-
Impairment of investment in joint venture	5,384	-
Net loss/(profit) on maturing foreign currency derivative financial instruments	14,712	(1,792)
Net change in fair value of open forward currency derivative financial instruments	2,631	(1,030)
Net change in fair value of open interest rate derivative financial instruments	7,595	-
Movement on deferred tax thereon	(11,449)	18,898
Adjusted EPRA earnings	<u>(13,336)</u>	<u>33,093</u>
	<i>2008</i>	<i>2007</i>
	<i>No. '000</i>	<i>No. '000</i>
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purposes of basic EPS and basic EPRA EPS	439,235	426,063
Effect of dilutive potential ordinary shares:		
Options	-	134
Warrants	-	539
Weighted average number of ordinary shares for the purposes of diluted EPS and diluted EPRA EPS	<u>439,235</u>	<u>426,736</u>
EPS basic (cents)	(38.77)	22.69
EPRA EPS basic (cents)	(3.04)	7.77
Diluted EPS (cents)	(38.77)	22.65
EPRA diluted EPS (cents)	(3.04)	7.75

The options and warrants were not dilutive at 31 December 2008 due to the movement in the year of the average price of the Company's ordinary shares.

## 9. DIVIDENDS

	<i>2008</i>	<i>2007</i>
		<i>(Restated)</i>
	<i>\$'000</i>	<i>\$'000</i>
<b>Declared and paid during the year on ordinary shares</b>		
Final dividend for 2007 of 4 pence (2006: 2 pence)	34,305	17,531
Interim dividend for 2008 of 3 pence (2007: 2.5 pence)	20,769	22,025
	<u>55,074</u>	<u>39,556</u>

The directors are not proposing to declare or pay a final dividend for 2008.

During the year, scrip dividends of \$4.15 million (2007: \$8.475 million) were taken up by shareholders.

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## 10. INVESTMENT PROPERTY

	<i>2008</i>	<i>2007</i>
	<i>\$'000</i>	<i>\$'000</i>
Balance at 1 January	346,250	140,755
Effect of foreign exchange rate changes	-	2,228
Acquisitions in the year	-	55,853
Transfer from investment property under construction (note 11)	146,645	67,755
	<u>492,895</u>	<u>266,591</u>
Unrealised (loss)/profit on revaluation of investment properties	(39,145)	79,659
Balance at 31 December	<u>453,750</u>	<u>346,250</u>

It is the Group's policy to carry investment property at fair value in accordance with IAS 40 "Investment Property". The fair value of the Group's investment property at 31 December 2008 and 31 December 2007 has been arrived at on the basis of market valuations carried out by Jones Lang LaSalle, external valuers to the Group. Jones Lang LaSalle have consented to the use of their name in these financial statements.

The valuations included in the financial statements have been carried out in accordance with The Royal Institution of Chartered Surveyors Valuation Standards, Sixth Edition (the "Red Book") (the valuation as at 31 December 2007 was carried out in accordance with the Fifth Edition). The definition of market value is "the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and willing seller in an arms length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

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

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

The market values reported are net of purchasers' costs, which would be incurred on the sale of assets including agent's fees of 1.5 per cent. and legal fees of 0.5 per cent.; and

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

The Group has pledged investment property with a value of \$398 million (2007: \$279 million) to secure banking facilities granted to the Group (note 20).

## 11. INVESTMENT PROPERTY UNDER CONSTRUCTION

	<i>2008</i>	<i>2007</i>
	<i>\$'000</i>	<i>(Restated)</i>
		<i>\$'000</i>
Balance at 1 January	251,775	51,941
Costs incurred	406,252	261,002
Impairment	(38,918)	-
Effect of foreign exchange rate changes	(28,811)	6,587
Transfer to investment property (note 10)	(146,645)	(67,755)
Balance at 31 December	<u>443,653</u>	<u>251,775</u>

Borrowing costs capitalised in the year amounted to \$8.10 million (2007: \$nil).

The Group carried out impairment tests on the investment property under construction in St. Petersburg and regional cities in Russia. This involved calculating the value in use of each property by estimating the future cash flows and discounting these to determine their present

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value. The discount rate applied was 13 per cent. and it resulted in a write down of these assets of \$38.918 million.

The Group has pledged investment property under construction with a carrying value of \$246 million (2007: nil) to secure banking facilities granted to the Group (note 20).

## 12. INTANGIBLE ASSETS

	<i>Goodwill</i> \$'000	<i>Negative Goodwill</i> \$'000	<i>Advisory Contract</i> \$'000	<i>Total</i> \$'000
Balance at 1 January 2007	-	-	-	-
Acquired through business combinations	2,265	-	-	2,265
Balance at 31 December 2007	2,265	-	-	2,265
Acquired through business combinations (note 30)	-	(7,564)	67,581	60,017
Impairment (note 5)	(2,265)	-	-	(2,265)
Charge to income statement	-	-	(67,581)	(67,581)
Release to income statement	-	7,564	-	7,564
Balance at 31 December 2008	-	-	-	-

Goodwill impairment is reviewed by management annually. The recoverable amount is determined based on value in use calculations. The use of this method requires the estimation of future cash flows and the choice of a future discount rate in order to calculate the present value of future cash flows. The Group has impaired in full the carrying value of goodwill.

The acquisition of the Property Adviser (note 30) gave rise to an intangible asset from the valuation of the property advisory contract, and the underlying management and performance fees. This is considered to be reflective of the fair value of extinguishing the contract and therefore it has been charged to the income statement in full.

## 13. INVESTMENT IN SUBSIDIARY UNDERTAKINGS

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

<i>Name</i>	<i>Country of incorporation</i>	<i>Proportion of ownership interest</i>	
		<i>2008</i>	<i>2007</i>
CJSC Kulon Estate	Russia	100%	100%
CJSC Kulon Development	Russia	100%	100%
Fenix LLC	Russia	100%	100%
Petroestate LLC	Russia	100%	100%
EG Logistics LLC	Russia	100%	100%
CJSC Kulon Istra	Russia	100%	100%
Soyuz-Invest LLC	Russia	100%	100%
Reserv-Invest LLC	Russia	100%	100%
CJSC Noginsk Vostok	Russia	100%	100%
Resource Economia LLC	Russia	100%	100%
Kulon Spb LLC	Russia	100%	100%
AKM Logistics LLC	Russia	100%	-
Raven Russia Property Management Limited	England	100%	-
Raven Russia Property Advisors Limited	England	100%	-
Raven Russia (Service Company) Limited	Guernsey	100%	-
Raven Russia (Guernsey) 2 Limited	Guernsey	100%	-

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

#### 14. INVESTMENT IN JOINT VENTURES

The Group has interests in jointly controlled entities as follows:

<i>Name</i>	<i>Country of incorporation</i>	<i>Proportion of ownership interest</i>	
		<i>2008</i>	<i>2007</i>
Megalogix Limited	Cyprus	50%	50%
Roslogistics Holdings (Russia) Limited (trading as Avalon Logistics)	Cyprus	50%	50%
Armbridge Consultancy Limited	Cyprus	50%	50%

The Group's interest in each jointly controlled entity has been accounted for by proportionate consolidation. Each of the above jointly controlled entities' is a joint venture with the same joint venture partner. The aggregate amounts recognised in the consolidated balance sheet and income statement are:

	<i>2008</i>	<i>2007</i>
	<i>\$'000</i>	<i>\$'000</i>
Non-current assets	128,891	12,931
Current assets	21,659	19,772
Current liabilities	(14,476)	(2,153)
Non-current liabilities	(163,409)	(31,362)
Net liabilities	<u>(27,335)</u>	<u>(812)</u>
Income	9,110	1,225
Expenditure	<u>(15,459)</u>	<u>(1,750)</u>
Loss after tax	<u>(6,349)</u>	<u>(525)</u>

The Group's share of the jointly controlled entities' contingent liabilities and capital commitments is \$nil (2007: \$nil) and \$36 million excluding VAT (2007: \$174 million) respectively.

#### 15. OTHER RECEIVABLES

	<i>2008</i>	<i>2007</i>
	<i>\$'000</i>	<i>(Restated)</i> <i>\$'000</i>
Loans receivable	136,523	29,607
VAT recoverable	8,626	24,322
Other assets	7,943	5,581
	<u>153,092</u>	<u>59,510</u>

Loans receivable are principally loans to the Group's joint ventures. These loans have increased in the period as a result of capital advances made by the Group to fund the investment property under construction in the Megalogix joint venture and capital investment in the Roslogistics joint venture. During the year, the carrying value of the loan to Ros Logistics was impaired by \$3.1 million (2007: \$nil) to reflect the Group's assessment of the value of the likely future cash flows.

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

The loans receivable are unsecured, with a weighted average loan period of 4 years (2007: 1 year) and a weighted average interest rate of 13.00 per cent. (2007: 12.72 per cent.).

#### 16. TRADE AND OTHER RECEIVABLES

	2008	2007 <i>(Restated)</i>
	\$'000	\$'000
Trade receivables	3,613	2,315
Prepayments	1,740	11,648
VAT recoverable	66,570	5,580
Loans receivable	1,484	2,413
Other receivables	9,190	6,061
	<u>82,597</u>	<u>28,017</u>

The loans receivable are unsecured, with a weighted average interest rate of 14.00 per cent. (2007: 14.00 per cent.).

#### 17. DERIVATIVE FINANCIAL INSTRUMENTS

	2008	2007
	\$'000	\$'000
<b>Interest rate derivative financial instruments</b>		
Non-current assets	64	-
Non-current liabilities	(7,206)	-
<b>Forward currency derivative financial instruments</b>		
Current assets	-	1,030
Current liabilities	(1,027)	-
Non-current liabilities	(698)	-
	<u>          </u>	<u>          </u>

The Group has entered into a series of interest rate derivative financial instruments to manage the interest rate and resulting cash flow exposure from the Group's banking facilities. The instruments have a notional value of \$218.1 million (2007: \$51.7 million) and a weighted average fixed or capped rate of 3.5 per cent. (2007: 5.5 per cent.).

The Group has also entered into a series of forward currency derivative financial instruments to manage its exposure to Russian rouble construction contracts. At 31 December 2008 there were open contracts to sell US dollars amounting to \$2.64 million (2007: \$21.7 million) and buy Russian roubles of RUR 68.57 million (2007: RUR 560.6 million), at an average rate of 26.01 (2007: 25.85).

The Group has also entered into a series of forward currency derivative financial instruments to hedge rentals received under a lease denominated in euros. At 31 December 2008 there were open contracts to sell euros amounting to €11.79 million (2007: €nil) and buy US dollars amounting to \$15.21 million at an average rate of 1.29.

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**18. CASH AND SHORT TERM DEPOSITS**

	<i>2008</i>	<i>2007</i> <i>(Restated)</i>
	<i>\$'000</i>	<i>\$'000</i>
Cash at bank and on call	63,465	229,501
Short term deposits	44,970	251,329
	<u>108,435</u>	<u>480,830</u>

Included within cash and short term deposits is \$5.80 million (2007: \$6.95 million) which is held as security for the Group's interest rate and foreign currency derivative financial instruments (note 17) and is thus restricted in the use to which it can be put by the Group.

Cash at bank and on call attract variable interest rates, whilst short term deposits attract fixed rates but mature and re-price over a short period of time. The weighted average interest rate at the balance sheet date is 2.32 per cent. (2007: 5.46 per cent.).

**19. TRADE AND OTHER PAYABLES**

	<i>2008</i>	<i>2007</i> <i>(Restated)</i>
	<i>\$'000</i>	<i>\$'000</i>
Investment property acquisition obligations	6,500	22,350
Trade and other payables	45,011	34,060
	<u>51,511</u>	<u>56,410</u>

Trade and other payables of \$45 million (2007: \$34 million) comprises mainly balances due to contractors for the construction activity in the period.

**20. INTEREST BEARING LOANS AND BORROWINGS****(a) Bank loans**

	<i>2008</i>	<i>2007</i> <i>(Restated)</i>
	<i>\$'000</i>	<i>\$'000</i>
Loans due for settlement within 12 months	76,066	2,893
Loans due for settlement after 12 months	349,803	92,942
	<u>425,869</u>	<u>95,835</u>

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(b) **Other interest-bearing loans**

	2008	2007 <i>(Restated)</i>
	\$'000	\$'000
Loans due for settlement within 12 months	3,976	1,911
Loans due for settlement after 12 months	7,123	6,005
	<u>11,099</u>	<u>7,916</u>
<b>Totals</b>		
Loans due for settlement within 12 months	80,042	4,804
Loans due for settlement after 12 months	356,926	98,947
	<u>436,968</u>	<u>103,751</u>

The Group's bank borrowings have the following maturity profile:

On demand or within one year	76,066	2,893
In the second year	55,233	2,622
In the third to fifth years	276,443	89,274
After five years	18,127	1,046
	<u>425,869</u>	<u>95,835</u>

At 31 December 2008, the Group had drawn \$267 million (2007: \$96 million) of term investment debt secured on completed assets. This investment debt bears a weighted average margin of 3.29 per cent. over US LIBOR (2007: 2.8 per cent.) and has a weighted average loan term remaining of 4.3 years (2007: 5 years). Including its share of joint venture facilities, it has also drawn \$124 million (2007: \$nil) of US Dollar denominated construction debt which bears a weighted average margin of 12 per cent. over US LIBOR with a weighted average loan term remaining of 4.8 years. There is an additional euro denominated construction facility of \$69 million equivalent (2007: nil) that bears a margin of 4.6 per cent. over EURIBOR and that matures in September 2009. \$27 million equivalent of this facility is still to be drawn. In addition the Group has an undrawn facility secured on its Kiev project of \$53 million (2007: \$nil). This project has been postponed and the facility remains in place until June 2009.

The Group has entered into hedging arrangements in respect of its interest rate exposure (note 17). \$226.3 million (2007: \$48 million) of Group bank borrowings have been fixed with four years remaining (2007: five years) at a weighted average rate of 6.77 per cent. (2007: 7.53 per cent.) and \$41 million (2007: \$41 million) capped at 5.5 per cent. (2007: 5.5 per cent.) for four years (2007: five years). This gave a weighted average cost of debt to the Group of 8.3 per cent. (2007: 6.8 per cent.) at the year end.

Other interest bearing loans are secured and bear a weighted average interest rate of 11.81 per cent. (2007: 13.00 per cent.) per annum. The weighted average loan period is 2 years (2007: 2 years).



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## 21. DEFERRED TAX

### (a) Deferred tax asset

	<i>Tax losses</i>	<i>Other</i>	<i>Total</i>
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
Balance at 1 January 2007 (restated)	978	46	1,024
Credit to income (restated)	886	48	934
Credit to equity (restated)	(83)	-	(83)
Balance at 31 December 2007	1,781	94	1,875
Effect of foreign exchange rate changes	(6,285)	-	(6,285)
Charge to income related to change in corporation tax rate from 24% to 20%	(258)	-	(258)
Credit to income	13,278	300	13,578
Credit to equity	25,920	-	25,920
Balance at 31 December 2008	34,436	394	34,830

Unrecognised deferred tax assets, being 20 per cent. of impairment of investment property under construction, amounts to \$7.78 million (2007: \$nil).

Amounts credited to equity represent balances in respect of loans arising on the translation of the net investment in foreign entities.

### (b) Deferred tax liability

	<i>Accelerated tax allowances</i>	<i>Revaluation of investment property</i>	<i>Total</i>
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
Balance at 1 January 2007 (restated)	2,916	2,600	5,516
Charge to income (restated)	624	19,118	19,742
Balance at 31 December 2007	3,540	21,718	25,258
Effect of foreign exchange rate changes	(1,034)	-	(1,034)
Credit to income related to change in corporation tax rate from 24% to 20%	(449)	(3,620)	(4,069)
Credit to income	3,799	(7,534)	(3,735)
Balance at 31 December 2008	5,856	10,564	16,420

## 22. OTHER PAYABLES

	<i>2008</i>	<i>2007</i>
	<i>\$'000</i>	<i>(Restated)</i>
	<i>\$'000</i>	<i>\$'000</i>
Investment property acquisition obligations	14,064	-
Rent deposits	6,850	4,207
Deferred revenue	60	100
Retentions under construction contracts	6,687	8,692
Other payables	4,035	-
	31,696	12,999

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## 23. SHARE CAPITAL

	2008 \$'000	2007 \$'000
<b>Authorised share capital:</b>		
1,000,000,000 ordinary shares of 1p each:	20,105	20,105
<b>Issued share capital:</b>	9,921	8,648
	2008 No.	2007 No.
Ordinary shares of 1p each:		
Balance at 1 January	430,040,566	424,663,711
Issued in the year	82,512,349	5,376,855
Balance at 31 December	512,552,915	430,040,566

Included in the issued shares for the year ended 31 December 2007 are 1,222,841 ordinary shares issued to the Property Adviser in settlement of their performance fee. There is no equivalent amount for 2008 and on 26 November 2008 the Group completed the acquisition of the Property Adviser (note 30). Of the authorised share capital at 31 December 2008, 9,629,166 (2007: 34,651,347) are reserved for options and warrants.

## 24. RESERVES

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

<i>Reserve</i>	<i>Description and purpose</i>
Share capital	The amount subscribed for share capital at nominal value.
Share premium	The amount subscribed for share capital in excess of the nominal value.
Special reserve	During 2005 and 2006 the Company applied to the Royal Court of Guernsey to reduce its share capital by cancellation of its share premium at that time and creation of a separate special reserve, which is an additional distributable reserve to be used for all purposes permitted under Guernsey Company law, including the buy back of shares and the payment of dividends.
Capital reserve	The amount of any capital profits and losses, including gains and losses on the disposal of investment properties (after taxation), increases and decreases in the fair value of investment properties held at each period end, foreign exchange profits and losses on capital items, profits and losses on forward currency financial instruments 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 into US dollars.
Retained earnings	The amount of any profit or loss for the year after the payment of dividends, together with the amount of any equity-settled share-based payments, and the transfer of capital items described above.

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## 25. NET ASSET VALUE PER SHARE

	2008	2007 (Restated)
	\$'000	\$'000
Net asset value	735,040	974,049
Deferred tax on revaluation gains	10,564	21,718
Fair value of interest rate derivative financial instruments	7,142	-
Adjusted net asset value	<u>752,746</u>	<u>995,767</u>
Number of ordinary shares at 31 December	512,552,915	430,040,566
Net asset value per share	1.43	2.27
Adjusted net asset value per share	1.47	2.32

## 26. SHARE-BASED PAYMENTS

### (a) Terms

In 2005, as part consideration for the services offered by Cenkos Securities Limited and Kinmont Limited under the Placing Agreement, options were granted to these companies pursuant to which they have the right to subscribe for 1,530,000 and 382,500 ordinary shares respectively at £1.00 per share. The options are exercisable at any time during the period to 24 July 2010.

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

The first tranche of options held by the trustee and Adrian Collins lapsed as the associated performance criteria were not met. Upon the acquisition of the Property Adviser (see note 30), the remaining options held by the trustee were cancelled and the Company agreed to grant replacement options to certain employees and former employees of the Property Adviser's group. The Company intends to grant these replacement options during 2009.

Also in 2005, the Company issued warrants to the Property Adviser pursuant to which the Property Adviser was granted the right to subscribe for 7,650,000 ordinary shares in the Company at £1 per ordinary share, such warrants to be exercisable at any time during the period of 5 years from the Company's initial admission to AIM. These warrants were transferred by the Property Adviser to its then parent company, Raven Mount Group plc, immediately prior to the Company's acquisition of the Property Adviser.

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	2008		2007	
	<i>No of options</i>	<i>Weighted average exercise price</i>	<i>No of options</i>	<i>Weighted average exercise price</i>
Outstanding at the beginning of the period	34,651,257	103p	34,620,687	101p
Adjustment to equity settled options	-	-	30,570	107p
Lapsed during the year	(3,825,000)	100p	-	-
Cancelled during the year	(21,197,091)	103p	-	-
Outstanding at the end of the period	<u>9,629,166</u>	<u>100p</u>	<u>34,651,257</u>	<u>103p</u>
Exercisable options at the end of the period	1,912,500	100p	1,912,500	100p
Exercisable warrants at the end of the period	7,650,000	100p	7,650,000	100p

The weighted average exercise of outstanding options at 31 December 2008 was 100.1p (2007: 103.3p) with a weighted average remaining contractual life of 1.8 years (2007: 8.4 years).

The weighted average exercise price of outstanding warrants at 31 December 2008 was 100.0p (2007: 100.0p) with a weighted average remaining contractual life of 1.6 years (2007: 2.6 years).

**(b) Share based payment charge**

The Group recognised a total share-based payment expense of \$3,253,000 (2007: \$2,196,000). Of the share-based payment costs relating to warrants and options \$2,410,000 (2007: \$796,000) was expensed and \$843,000 (2007: \$1,400,000) was included in investment property under construction.

**(c) Other equity-settled payments**

Prior to its acquisition by the Company, any performance fee payable to the Property Adviser was to be settled as to 30 per cent. in cash and as to the balance in ordinary shares allotted by reference to the average closing mid-market price of such shares over the last 20 trading days for the relevant accounting period for which the performance relates. A performance fee was not due for 2008 (2007: nil).

The Company issued 80 million ordinary shares as part of the consideration paid on the acquisition of the Property Adviser (note 30).

**27. CAPITAL COMMITMENT**

The Group has committed to fund and complete the development programme of the Group and its joint ventures. At 31 December 2008, \$132 million of funding was required (2007: \$768 million), excluding VAT. Due to fluctuations in budgets, exchange rates and development profits payable, the actual commitment may differ from this amount.

**28. 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 Directors' Report, Corporate Governance Statement and note 5. There are no loan balances with directors.

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**Property Adviser/Raven Mount Group plc**

Prior to its acquisition by the Company, the Property Adviser and its former parent company, Raven Mount Group plc ("Raven Mount") were considered related parties to the Group. In the period prior to its acquisition the Property Adviser received \$26,854,955 (2007: \$16,474,540) for property advisory and management services provided to the Group.

As further explained in note 30 the Company acquired the Property Adviser, and two related companies, from Raven Mount for consideration of £15 million and the issue of 80 million ordinary shares. As part of this transaction Raven Mount granted the Company a licence to use Raven Mount's office for an annual licence fee of £300,000.

During the year Raven Mount transferred legal ownership to the Company of 50 per cent. of Armbridge Consultancy Limited, for the nominal value of the shares, together with repayment of loans to Raven Mount totalling approximately \$3.1 million.

**Ozannes**

David Moore is a partner in Ozannes, Advocates and Notaries Public. Ozannes provide independent legal advice to the Group. Total legal fees paid to Ozannes during the year amounted to £283,394 (2007: £128,754).

**Investec Administration Services Limited**

Stephen Coe was formerly a director of Investec Administration Services Limited, which acted as the Group's administrator and company secretary until 15 November 2007. Investec Administration Services Limited received £505,191 in payment for administration services during the period to the date of termination of their appointment.

**Joint ventures**

The Group has leased investment property to its joint venture, Roslogistics Holdings (Russia) Limited, and provides loan finance to all three of its joint ventures. A summary of the income statement and balance sheet impact of these transactions is as follows:

	<i>2008</i>	<i>2007</i> <i>(Restated)</i>
	<i>\$'000</i>	<i>\$'000</i>
Net rental income	2,923	-
Loan interest receivable	10,320	1,754
Trade receivables	-	-
Loan receivable	136,012	29,606
Impairment of loan receivable (note 5)	(3,119)	-

**29. FINANCIAL INSTRUMENTS – RISK MANAGEMENT**

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

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

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(a) **Currency risk**

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

The majority of the Group's transactions are denominated in US dollars. As the Group's capital was raised in Sterling, the decision was taken to convert the majority of the Group's cash and cash equivalents to US dollars in July 2007. The average exchange rate on conversion was just over \$2 to £1.

In some cases underlying construction contracts on the Group's development projects are denominated in Russian roubles. Non deliverable forward contracts have been taken out to hedge against the US dollar/Russian rouble cash flow exposure, on a project by project basis, where appropriate. Whilst the table below indicates the exposure of the Group to monetary items in foreign currency, the largest foreign currency swings will occur during construction periods where the construction assets are carried at cost and not valuation. The fact that the Group's subsidiaries have a functional currency of Russian rouble and a presentation currency of US Dollars means that both the balance sheet and income statement are exposed to unrealised exchange movements on translation to presentational currency. When these assets are completed and revalued in US Dollar transaction currency, the impact on net asset value is neutral. During construction periods it is likely that the subsidiary companies will hold larger rouble denominated cash balances to fund construction contracts which will also increase exposure to fluctuations in currency rates.

At holding company level, the Group's exposure to Sterling is restricted to head office costs and dividend payments.

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

**As at 31 December 2008**

	<i>US Dollars</i> \$'000	<i>Russian</i> <i>Rouble</i> \$'000	<i>Other</i> \$'000	<i>Total</i> \$'000
<b>Non-current assets</b>				
Loans receivable	136,523	-	-	136,523
Derivative financial instruments	64	-	-	64
Other non-current assets	2,552	4,846	545	7,943
<b>Current assets</b>				
Trade receivables	2,130	1,071	412	3,613
Loans receivable	1,484	-	-	1,484
Other current receivables	239	8,326	625	9,190
Cash and cash equivalents	66,467	25,907	16,061	108,435
	<u>209,459</u>	<u>40,150</u>	<u>17,643</u>	<u>267,252</u>
<b>Non-current liabilities</b>				
Interest bearing loans and borrowings	356,914	12	-	356,926
Derivative financial instruments	7,904	-	-	7,904
Rent deposits	4,263	2,441	146	6,850
Investment property acquisition obligations	4,840	-	9,224	14,064
Retentions under construction contracts	1,202	1,989	3,496	6,687
Other payables	-	3,947	88	4,035
<b>Current liabilities</b>				
Interest bearing loans and borrowings	38,460	398	41,184	80,042
Investment property acquisition obligations	6,500	-	-	6,500
Derivative financial instruments	1,027	-	-	1,027
Other creditors	11,418	26,053	7,540	45,011
	<u>432,528</u>	<u>34,840</u>	<u>61,678</u>	<u>529,046</u>



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**As at 31 December 2007**

	<i>US Dollars</i> <i>(Restated)</i> \$'000	<i>Russian</i> <i>Rouble</i> <i>(Restated)</i> \$'000	<i>Other</i> <i>(Restated)</i> \$'000	<i>Total</i> <i>(Restated)</i> \$'000
<b>Non-current assets</b>				
Loans receivable	29,606	1	-	29,607
Other non-current assets	228	4,953	400	5,581
<b>Current assets</b>				
Trade receivables	1,367	832	116	2,315
Loans receivable	-	2,413	-	2,413
Other current receivables	3,314	2,744	3	6,061
Derivative financial instruments	1,030	-	-	1,030
Cash and cash equivalents	396,151	54,868	29,811	480,830
	<u>431,696</u>	<u>65,811</u>	<u>30,330</u>	<u>527,837</u>
<b>Non-current liabilities</b>				
Interest bearing bank loans and borrowings	98,947	-	-	98,947
Rent deposits	3,909	298	-	4,207
Retentions under construction contracts	6,670	2,021	-	8,691
<b>Current liabilities</b>				
Interest bearing bank loans and borrowings	4,804	-	-	4,804
Investment property acquisition obligations	22,350	-	-	22,350
Other creditors	11,593	13,364	9,103	34,060
	<u>148,273</u>	<u>15,683</u>	<u>9,103</u>	<u>173,059</u>

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 basis. The sensitivity analysis prepared by management for foreign currency risk illustrates how changes in the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The tables above present financial assets and liabilities denominated in foreign currencies held by the Group in 2008 and 2007. If the US dollar weakened or strengthened by 10 per cent. against the Russian rouble, with all other variables held constant, post tax loss for the year and net asset value on consolidation for the year would move by \$500,000. If the US dollar weakened or strengthened by 10 per cent. against sterling with all other variables held constant, post tax profit for the year and net asset value would move by \$500,000. If the US dollar weakened or strengthened by 10 per cent. against the euro with all other variables held constant, post tax profit for the year and net asset value would move by \$3.5 million. The sensitivity to the euro is principally a result of the euro construction loan, which is described in note 20. It is the Group's intention to refinance this loan in US dollars upon completion of construction, which is scheduled for 2009.

***Cash flow and fair value interest rate risk***

The Group has significant interest-bearing cash resources, the majority of which are held in business accounts with its principal bankers.

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The Group's interest rate risk arises from long-term borrowings (note 20). 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 interest rate risk is periodically monitored by the Group's Board of directors and advisers on a project basis. The cash flow and fair value risk policy is approved quarterly by the Board of directors.

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 scenarios are run only for liabilities that represent the major interest-bearing positions. The simulation is run on an ongoing 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 quarterly basis. To date the Group has sought to fix its exposure to interest rates on borrowings through the use of a variety of interest rate derivatives. The impact of this was certainty over cash flow but exposure to fair value movements, which amounted to an unrealised loss of \$7.595 million at 31 December 2008 (2007: nil). Sensitivity analysis on the Group's interest rate borrowings indicate that a 1 per cent. increase in the relevant underlying interest rate would increase the loss for the year and decrease net assets by \$870,000. There would be a corresponding decrease in the loss and increase in net assets were interest rates to fall by 1 per cent.

(b) **Credit risk**

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

The credit risk on the Group's trade and other receivables is considered low due to the Group having policies in place to ensure that rental contracts are made with tenants meeting appropriate balance sheet covenants, supplemented by rental deposits or bank guarantees from international banks. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is objective evidence that the Group will not be able to collect all amounts due according to the terms of the receivables concerned. No amounts have been provided against trade and other receivables at 31 December 2008 (2007 \$nil).

The credit risk on the Group's loan receivables is considered low due to the Group having joint control over the joint venture which has drawn down the balances. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is objective evidence that the Group will not be able to collect all amounts due according to the terms of the receivables concerned. The amounts due at 31 December 2008 represent balances due from a joint venture of \$136 million (2007: \$30 million) which are not past due and are not considered impaired. An amount of \$3.1 million (2007: \$nil) has been provided against loan receivables in respect of amounts due from a joint venture due to the entity being in a start up phase and reliant on the Group for further funding. Accordingly, the Group has concluded that the joint venture is unlikely to be able to repay the loan balance for a number of years and has provided against the balance.

The Group has VAT receivables of \$75 million (2007: \$30 million). The timing of recovery of these balances is subject to future revenue receipts and application to the Russian courts.

The Group forecasts the recovery of these balances based upon the timing of future revenue receipts and its experience of successful application to the Russia courts. No balances are considered past due or impaired at 31 December 2008 (2007: \$nil) based upon this assessment of the timing of future cash receipts. The Group believes the maximum exposure is the timing of recovery.

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

(c) **Liquidity risk**

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

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

**Group**

	2008	2007 (Restated)
	\$'000	\$'000
<b>Financial assets – non-current</b>		
Trade and other receivables with no fixed term	153,092	59,510
Derivative financial instruments	64	-
	<u>153,156</u>	<u>59,510</u>
<b>Financial assets – current</b>		
Trade and other receivables – maturity within one year	82,597	28,017
Forward currency derivative contracts – maturing within one year	-	1,030
Cash and short term deposits – maturity within one year	108,435	480,830
	<u>191,032</u>	<u>509,877</u>
<b>Financial liabilities – non-current</b>		
Interest bearing loans and borrowings – maturing		
– between one and two years	62,356	8,627
– between two and five years	276,443	89,274
– after more than five years	18,127	1,046
Derivative financial instruments	7,904	-
	<u>364,830</u>	<u>98,947</u>
<b>Financial liabilities – current</b>		
Derivative financial instruments	1,027	-
Trade and other payable – maturity within one year	51,511	56,410
Interest bearing loans and borrowings – maturity within one year	80,042	4,804
	<u>132,580</u>	<u>61,214</u>

In addition to the above balance sheet liabilities the Group has commitments in respect of its construction programme (note 27), which are anticipated to crystallise during the course of 2009 and 2010. Details of the interest rates applicable to the Group's long term borrowings are given in note 20.

The Group monitors its risk to a shortage of funds by forecasting cash flow requirements for future years. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans and equity fund raisings. Since the balance sheet date the Group has raised £76.2 million through the issue of 76.2 million preference shares and 76.2 million warrants, to assist the Group in meeting its liquidity requirements for the foreseeable future.

#### **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.

	2008		2007	
	Carrying value	Fair value	Carrying value (Restated)	Fair value (Restated)
	\$'000	\$'000	\$'000	\$'000
<b>Non current assets</b>				
Loans receivable	136,523	83,732	29,607	26,201
Derivative financial instruments	64	64	-	-
Other non current assets	7,943	7,943	5,581	5,581
<b>Current assets</b>				
Trade receivables	3,613	3,613	2,315	2,315
Loans receivable	1,484	1,484	2,413	2,413
Other current receivables	9,190	9,190	6,061	6,061
Derivative financial instruments	-	-	1,030	1,030
Cash and cash equivalents	108,435	108,435	480,830	480,830
<b>Non current liabilities</b>				
Interest bearing loans and overdrafts	(356,926)	(218,909)	(98,947)	(53,704)
Derivative financial instruments	(7,904)	(7,904)	-	-
Rent deposits	(6,850)	(6,850)	(4,207)	(4,207)
Investment property acquisition obligations	(14,064)	(14,064)	-	-
Retentions under construction contracts	(6,687)	(6,687)	(8,691)	(8,691)
Other payables	(4,035)	(4,035)	-	-
<b>Current liabilities</b>				
Interest bearing loans and overdrafts	(80,042)	(80,042)	(4,804)	(4,804)
Investment property acquisition obligations	(6,500)	(6,500)	(22,350)	(22,350)
Derivative financial instruments	(1,027)	(1,027)	-	-
Other creditors	(45,011)	(45,011)	(34,060)	(34,060)

Fair values have been calculated by using market values at the balance sheet date. The market values of loans receivable and borrowings have been calculated by discounting the expected future cash flows at prevailing interest rates. The fair value of short-term deposits, VAT recoverable and other assets, trade and other receivables, trade and other payables and derivative financial instruments is assumed to approximate to their book values.

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The Group's only obligation is to repay its loans at par value on the maturity dates.

(d) **Capital risk management**

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

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including borrowings and trade and other payables, as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as equity, as shown in the consolidated balance sheet, plus net debt. Where the Group or Company are in a net cash position, the gearing ratio will be zero.

The gearing ratios at 31 December 2008 and 2007 were as follows:

	2008	2007
	\$'000	(Restated) \$'000
Non-current liabilities	412,946	137,204
Current liabilities	132,580	61,214
<b>Total borrowings</b>	<u>545,526</u>	<u>198,418</u>
Less: cash and cash equivalents	108,435	480,830
<b>Net debt/cash</b>	<u>437,091</u>	<u>(282,412)</u>
Equity	735,040	974,049
<b>Total capital</b>	<u>1,172,131</u>	<u>691,637</u>
<b>Gearing ratio</b>	37.29%	Nil

**30. BUSINESS COMBINATIONS**

On 9 July 2008 the Company entered into a framework agreement to acquire its Property Adviser, Raven Russia Property Management Limited, together with two related companies, Russian Property Management Limited and Raven Russia Property Advisors Limited (collectively the "Property Adviser"), which the Group considers comprise a single cash generating unit.

Details of the fair value of identifiable assets and liabilities acquired, purchase consideration and goodwill are as follows:

	<i>Book value</i> \$'000	<i>Adjustment</i> \$'000	<i>Fair value</i> \$'000
<b>Non-current assets</b>			
Property, plant and equipment	952	-	952
Intangible assets (note 12)	-	67,581	67,581
<b>Current assets</b>			
Trade and other receivables	5,482	-	5,482
Cash and cash equivalents	159	-	159
<b>Current liabilities</b>			
Trade and other payables	(1,058)	-	(1,058)
Net asset value	<u>5,535</u>	<u>67,581</u>	<u>73,116</u>
Negative goodwill (note 12)			<u>(7,564)</u>
Consideration			<u>65,552</u>
Consideration comprises:			
Cash			27,987
Issue of 80 million ordinary shares			32,734
Acquisition costs			<u>4,831</u>
			<u>65,552</u>

The fair value of shares issued as consideration was determined by reference to their closing price on 26 November 2008.

The acquisition reflects the internalisation of services previously outsourced to the Property Advisor and thus disclosures regarding the contribution to the loss for the year are not considered relevant.

### 31. SUBSEQUENT EVENTS

On 24 March 2009 the Company raised £76.2 million through the issue of 76.2 million preference shares and 76.2 million warrants to acquire the Company's ordinary shares. The preference shares carry an entitlement to quarterly cumulative dividends of 12 per cent. per annum. The warrants entitle the holder to subscribe for ordinary shares at a price of 25 pence and are exercisable on or before 25 March 2019.

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## 32. SEGMENTAL INFORMATION

The Directors are of the opinion that the Group is engaged in two business segments, being property investment and logistics operations, and in one geographical area, the Commonwealth of Independent States.

### Income Statement

	<i>Property Investment</i>	<i>Logistics</i>	<i>Total</i>
	<i>2008</i>	<i>2008</i>	<i>2008</i>
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
<b>Revenue</b>			
External sales	62,201	9,110	71,311
<b>Segment result</b>			
Operating loss	(156,512)	(6,083)	(162,595)
Finance income	11,579	34	11,613
Finance expense	(37,677)	(732)	(38,409)
Loss before tax	(182,610)	(6,781)	(189,391)
Tax	18,401	701	19,102
Loss for the year	(164,209)	(6,080)	(170,289)
<b>Other information</b>			
Depreciation	325	425	750
Loss on revaluation of investment property	(39,145)	-	(39,145)
Recognised share based payments	(3,253)	-	(3,253)
<b>Capital expenditure</b>			
Purchase of investment properties	-	-	-
Payments for investment properties under construction	406,252	-	406,252
Purchase of property, plant and equipment	1,374	2,606	3,980
<b>Balance Sheet</b>			
	<i>Property Investment</i>	<i>Logistics</i>	<i>Total</i>
	<i>2008</i>	<i>2008</i>	<i>2008</i>
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
<b>Assets</b>			
Non-current assets	1,085,610	3,924	1,089,534
Current assets	187,766	3,266	191,032
Total assets	1,273,376	7,190	1,280,566
<b>Liabilities</b>			
Non-current liabilities	(403,363)	(9,583)	(412,946)
Current liabilities	(129,589)	(2,991)	(132,580)
Total liabilities	(532,952)	(12,574)	(545,526)
<b>Net assets/(liabilities)</b>	740,424	(5,384)	735,040



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**For 2007****Income Statement**

	<i>Property Investment 2007 (Restated) \$'000</i>	<i>Logistics 2007 (Restated) \$'000</i>	<i>Total 2007 (Restated) \$'000</i>
<b>Revenue</b>			
External sales	37,297	1,225	38,522
<b>Segment result</b>			
Operating profit/(loss)	87,649	(214)	87,435
Finance income	29,849	-	29,849
Finance expense	(1,795)	(5)	(1,800)
Profit/(loss) before tax	115,703	(219)	115,484
Tax	(18,860)	52	(18,808)
Profit/(loss) for the year	96,843	(167)	96,676
<b>Other information</b>			
Depreciation	-	53	53
Gains on revaluation of investment properties	79,659	-	79,659
Recognised share based payments	(2,126)	-	(2,196)
<b>Capital expenditure</b>			
Purchase of investment properties	(55,853)	-	(55,853)
Payments for investment properties under construction	(261,004)	-	(261,004)
Purchase of property, plant and equipment	-	(819)	(819)
<b>Balance Sheet</b>			
	<i>Property Investment 2007 (Restated) \$'000</i>	<i>Logistics 2007 (Restated) \$'000</i>	<i>Total 2007 (Restated) \$'000</i>
<b>Assets</b>			
Non-current assets	659,542	3,048	662,590
Current assets	506,862	3,015	509,877
Total assets	1,166,404	6,063	1,172,467
<b>Liabilities</b>			
Non-current liabilities	(135,473)	(1,731)	(137,204)
Current liabilities	(59,654)	(1,560)	(61,214)
Total liabilities	(195,127)	(3,291)	(198,418)
<b>Net assets</b>	971,277	2,772	974,049

**33. OPERATING LEASE ARRANGEMENTS**

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

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

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	<i>2008</i>	<i>2007</i>
	<i>\$'000</i>	<i>\$'000</i>
Within one year	50,279	37,109
In second year	44,605	38,059
In the third to fifth years (inclusive)	112,367	96,839
After five years	99,312	94,305
	<u>306,563</u>	<u>266,312</u>

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## **SECTION B: AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007**

### **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF RAVEN RUSSIA LIMITED**

We have audited the Group and parent company financial statements ("the Financial Statements") of Raven Russia Limited for the year ended 31 December 2007, which comprise the Consolidated and Company Income Statement, Consolidated and Company Balance Sheet, Consolidated and Company Cash Flow Statement, Consolidated and Company Statement of Change in Equity and the related notes 1 to 32. These Financial Statements have been prepared under International Financial Reporting Standards in accordance with the accounting policies as set out on pages 33 to 39.

This report is made solely to the Company's members, as a body, in accordance with Section 64 of the Companies (Guernsey) Law, 1994. Our audit work is undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of the directors and auditors**

As described in the Directors' Responsibility Statement within the Directors' Report, the Company's directors are responsible for the preparation of the Financial Statements in accordance with applicable law and International Financial Reporting Standards ("IFRS").

Our responsibility is to audit the Financial Statements in accordance with the relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the Financial Statements give a true and fair view and are properly prepared in accordance with the Companies (Guernsey) Law, 1994. We also report to you if, in our opinion, the Directors' Report is not consistent with the Financial Statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if the information specified by law is not disclosed.

We read the other information included in the Annual Report and consider whether it is consistent with the audited Financial Statements. This other information comprises only the Chairman's Statement, Property Review, Directors' Report and Corporate Governance. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Financial Statements. Our responsibilities do not extend to any other information.

#### **Basis of opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Financial Statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the Financial Statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Financial Statements.

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**Opinion**

In our opinion:

- The Group Financial Statements give a true and fair view, in accordance with IFRS, of the state of the Group's affairs at 31 December 2007 and of its profit for the year then ended.
- The Parent Company Financial Statements give a true and fair view, in accordance with IFRS, of the state of the Company's affairs at 31 December 2007 and of its profit for the year then ended.
- The Financial Statements have been properly prepared in accordance with the Companies (Guernsey) Law, 1994.

**BDO Stoy Hayward LLP**

10 March 2008

**BDO Novus Limited**

10 March 2008

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**CONSOLIDATED INCOME STATEMENT**

**For the year ended 31 December 2007**

		2007			2006		
	Notes	Revenue US\$'000	Capital US\$'000	Total US\$'000	Revenue US\$'000	Capital US\$'000	Total US\$'000
Gross rental and related income	4	38,522	-	38,522	16,949	-	16,949
Property operating expenditure and related cost		(12,643)	-	(12,643)	(5,977)	-	(5,977)
<b>Net rental and related income</b>		<b>25,879</b>	<b>-</b>	<b>25,879</b>	<b>10,972</b>	<b>-</b>	<b>10,972</b>
Administrative expenses	5	(18,480)	-	(18,480)	(9,053)	-	(9,053)
Foreign currency gains		2,432	-	2,432	153	-	153
<b>Operating expenditure</b>		<b>(16,048)</b>	<b>-</b>	<b>(16,048)</b>	<b>(8,900)</b>	<b>-</b>	<b>(8,900)</b>
<b>Operating profit before gains on investment properties</b>		<b>9,831</b>	<b>-</b>	<b>9,831</b>	<b>2,072</b>	<b>-</b>	<b>2,072</b>
Unrealised gains on revaluation of investment properties	10	-	79,659	79,659	-	6,997	6,997
<b>Operating profit</b>		<b>9,831</b>	<b>79,659</b>	<b>89,490</b>	<b>2,072</b>	<b>6,997</b>	<b>9,069</b>
Finance income	6	29,849	-	29,849	30,039	-	30,039
Finance expense	6	(1,798)	-	(1,798)	(2,073)	-	(2,073)
<b>Profit before tax</b>		<b>37,882</b>	<b>79,659</b>	<b>117,541</b>	<b>30,038</b>	<b>6,997</b>	<b>37,035</b>
Tax	7	(3,389)	(18,898)	(22,287)	(2,791)	(1,679)	(4,470)
<b>Net profit for the year</b>		<b>34,493</b>	<b>60,761</b>	<b>95,254</b>	<b>27,247</b>	<b>5,318</b>	<b>32,565</b>
<b>Earnings per share – basic (cents)</b>	8			22.36			9.65
<b>Earnings per share – diluted (cents)</b>	8			22.32			9.62

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**COMPANY INCOME STATEMENT**

**For the year ended 31 December 2007**

	<i>Notes</i>	<i>2007</i> <i>US\$'000</i>	<i>2006</i> <i>US\$'000</i>
Revenue	4	<u>63,398</u>	<u>39,796</u>
Administration expenses	5	28,591	15,813
Foreign currency losses		<u>7,501</u>	<u>12,753</u>
<b>Operating expenditure</b>		<u>36,092</u>	<u>28,566</u>
Profit before tax		27,306	11,230
Tax		-	-
<b>Net profit for the year</b>		<u>27,306</u>	<u>11,230</u>

All items in the above statement derive from continuing operations.

The accompanying notes are an integral part of this statement.

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**CONSOLIDATED BALANCE SHEET**

As at 31 December 2007

	<i>Notes</i>	<i>2007</i> <i>US\$'000</i>	<i>2006</i> <i>US\$'000</i>
<b>Non-current assets</b>			
Investment property	10	346,250	140,755
Investment property under construction	11	246,768	51,941
Property, plant and equipment		906	-
Intangible assets	12	2,265	-
Deferred tax asset	20	1,876	1,025
Other receivables	15	88,756	21,920
		<u>686,821</u>	<u>215,641</u>
<b>Current assets</b>			
Trade and other receivables	16	27,910	13,963
Forward currency derivative contracts	17	1,030	-
Cash and cash equivalents	18	480,829	756,183
		<u>509,769</u>	<u>770,146</u>
<b>Total assets</b>		<u>1,196,590</u>	<u>985,787</u>
<b>Non-current liabilities</b>			
Interest bearing loans and borrowings	19	128,256	17,320
Deferred tax liability	20	25,256	5,517
Other payables	21	12,432	5,203
		<u>165,944</u>	<u>28,040</u>
<b>Current liabilities</b>			
Trade and other payables	22	56,378	44,424
Interest bearing loans and borrowings	19	4,804	2,873
		<u>61,182</u>	<u>47,297</u>
<b>Total liabilities</b>		<u>227,126</u>	<u>75,337</u>
<b>Net assets</b>		<u>969,464</u>	<u>910,450</u>
<b>Equity</b>			
Share capital	23	8,648	8,538
Share premium	24	11,180	-
Special reserve	24	870,692	882,942
Capital reserve	24	68,994	8,233
Warrant reserve	24	2,571	2,571
Share options reserve	24	4,670	2,474
Share based payment reserve	24	-	2,815
Retained earnings	24	22,691	15,504
Translation reserve	24	(19,982)	(12,627)
<b>Total equity</b>		<u>969,464</u>	<u>910,450</u>
<b>Net asset value per share (dollars)</b>	25	<u>2.25</u>	<u>2.14</u>

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**COMPANY BALANCE SHEET**

As at 31 December 2007

	<i>Notes</i>	<i>2007</i> <i>US\$'000</i>	<i>2006</i> <i>US\$'000</i>
<b>Non-current assets</b>			
Investment in subsidiary undertakings	13	611,651	162,495
<b>Current assets</b>			
Trade and other receivables	16	6,870	266
Cash and cash equivalents	18	288,340	743,145
		295,210	743,411
<b>Total assets</b>		906,861	905,906
<b>Current liabilities</b>			
Trade and other payables	22	9,100	6,566
<b>Total liabilities</b>		9,100	6,566
<b>Net assets</b>		897,761	899,340
<b>Equity</b>			
Share capital	23	8,648	8,538
Share premium	24	11,180	-
Special reserve	24	870,692	882,942
Warrant reserve	24	2,571	2,571
Share options reserve	24	4,670	2,474
Share based payment reserve	24	-	2,815
Retained earnings	24	-	-
<b>Total equity</b>		897,761	899,340
<b>Net asset value per share (dollars)</b>	25	2.09	2.11

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		<i>Share Capital</i>	<i>Share Premium</i>	<i>Special Reserve</i>	<i>Capital Reserve</i>	<i>Warrant Reserve</i>	<i>Share Options Reserve</i>	<i>Translation Reserve</i>	<i>Share Based Payment Reserve</i>	<i>Retained Earnings</i>	<i>Total</i>
	<i>Notes</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
<b>For the year ended</b>											
<b>31 December 2006</b>											
At 1 January 2006		3,076	-	288,253	2,915	2,571	1,051	-	-	(2,549)	295,317
Net profit for the year		-	-	-	-	-	-	-	-	32,565	32,565
Translation on consolidation		-	-	-	-	-	(12,627)	-	-	-	(12,627)
<b>Total recognised income for the year</b>		-	-	-	-	-	(12,627)	-	-	32,565	19,938
Issue of ordinary share capital, net of issue costs		5,420	597,685	-	-	-	-	-	-	-	603,105
Shares issued in respect of Property Adviser's fees		42	4,885	-	-	-	-	-	-	-	4,927
Conversion of share premium		-	(602,570)	602,570	-	-	-	-	-	-	-
Dividends paid	9	-	-	-	-	-	-	-	-	(17,075)	(17,075)
Transfer from special reserves to retained earnings		-	-	(7,881)	-	-	-	-	-	7,881	-
Transfer in respect of gains on investment properties		-	-	-	5,318	-	-	-	-	(5,318)	-
Share based payment expense	26(b)	-	-	-	-	-	1,423	-	-	-	1,423
Property Adviser's fees to be settled by post balance sheet issue of shares		-	-	-	-	-	-	-	2,815	-	2,815
<b>At 31 December 2006</b>		<b>8,538</b>	<b>-</b>	<b>882,942</b>	<b>8,233</b>	<b>2,571</b>	<b>2,474</b>	<b>(12,627)</b>	<b>2,815</b>	<b>15,504</b>	<b>910,450</b>
<b>For the year ended</b>											
<b>31 December 2007</b>											
Net profit for the year		-	-	-	-	-	-	-	-	95,254	95,254
Translation on consolidation		-	-	-	-	-	(7,355)	-	-	-	(7,355)
<b>Total recognised income for the year</b>		-	-	-	-	-	(7,355)	-	-	95,254	87,899
Shares issued in respect of Property Adviser's fees		25	2,790	-	-	-	-	-	(2,815)	-	-
Scrip dividend issue of ordinary share capital		85	8,390	-	-	-	-	-	-	-	8,475
Dividends paid	9	-	-	-	-	-	-	-	-	(39,556)	(39,556)
Transfer from special reserves to retained earnings		-	-	(12,250)	-	-	-	-	-	12,250	-
Transfer in respect of gains on investment properties		-	-	-	60,761	-	-	-	-	(60,761)	-
Share based payment expense	26(b)	-	-	-	-	-	2,196	-	-	-	2,196
<b>At 31 December 2007</b>		<b>8,648</b>	<b>11,180</b>	<b>870,692</b>	<b>68,994</b>	<b>2,571</b>	<b>4,670</b>	<b>(19,982)</b>	<b>-</b>	<b>22,691</b>	<b>969,464</b>

The accompanying notes are an integral part of this statement.

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## COMPANY STATEMENT OF CHANGES IN EQUITY

		<i>Share Capital</i>	<i>Share Premium</i>	<i>Special Reserve</i>	<i>Warrant Reserve</i>	<i>Share Options Reserve</i>	<i>Share Based Payment Reserve</i>	<i>Retained Earnings</i>	<i>Total</i>
	<i>Notes</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
<b>For the year ended</b>									
<b>31 December 2006</b>									
At 1 January 2006		3,076	-	288,253	2,571	1,051	-	(2,036)	292,915
Net profit and total recognised gain for the year		-	-	-	-	-	-	11,230	11,230
Issue of ordinary share capital, net of issue costs		5,420	597,685	-	-	-	-	-	603,105
Shares issued in respect of Property Adviser's fees		42	4,885	-	-	-	-	-	4,927
Conversion of share premium		-	(602,570)	602,570	-	-	-	-	-
Dividends Paid	9	-	-	-	-	-	-	(17,075)	(17,075)
Transfer from special reserves to retained earnings		-	-	(7,881)	-	-	-	7,881	-
Share based payment expense	26(b)	-	-	-	-	1,423	-	-	1,423
Property Adviser's fees to be settled by post balance sheet issue of shares		-	-	-	-	-	2,815	-	2,815
Interest bearing loans and borrowings									
<b>At 31 December 2006</b>		<u>8,538</u>	<u>-</u>	<u>882,942</u>	<u>2,571</u>	<u>2,474</u>	<u>2,815</u>	<u>-</u>	<u>899,340</u>
<b>For the year ended</b>									
<b>31 December 2007</b>									
Net profit and total recognised gain for the year		-	-	-	-	-	-	27,306	27,306
Shares issued in respect of Property Adviser's fees		25	2,790	-	-	-	(2,815)	-	-
Scrip dividend issue of ordinary share capital		85	8,390	-	-	-	-	-	8,475
Dividends Paid	9	-	-	-	-	-	-	(39,556)	(39,556)
Transfer from special reserves to retained earnings		-	-	(12,250)	-	-	-	12,250	-
Share based payment expense	26(b)	-	-	-	-	2,196	-	-	2,196
<b>At 31 December 2007</b>		<u>8,648</u>	<u>11,180</u>	<u>870,692</u>	<u>2,571</u>	<u>4,670</u>	<u>-</u>	<u>-</u>	<u>897,761</u>

The accompanying notes are an integral part of this statement.

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**CONSOLIDATED CASH FLOW STATEMENT****For the year ended 31 December 2007**

	<i>Notes</i>	<i>2007</i> <i>US\$'000</i>	<i>2006</i> <i>US\$'000</i>
<b>Cash flows from operating activities</b>			
Profit before tax		117,541	37,035
Adjustments for:			
Investment income	6	(29,849)	(30,039)
Finance expense	6	1,798	2,073
Gains on revaluation of investment properties	10	(79,659)	(6,997)
Foreign exchange loss arising from non-operating activities		(11,161)	-
Recognised share based payments	26(b)	2,196	279
Performance fee to be settled by share issue		-	1,407
		<u>866</u>	<u>3,758</u>
Increase in operating trade and other receivables		(30,852)	(10,441)
Increase in operating trade and other payables		<u>16,869</u>	<u>11,983</u>
		(13,117)	5,300
Tax paid		<u>(2,327)</u>	<u>(877)</u>
Cash (used in)/generated from operations		<u>(15,444)</u>	<u>4,423</u>
<b>Cash flows from investing activities</b>			
Purchase of investment properties		(55,853)	(12,919)
Payments for investment properties under construction		(261,004)	(110,005)
Capital expenditure		(819)	-
Acquisitions		(1,825)	-
Loans advanced		(64,371)	(20,612)
Loans repaid		15,154	969
Investment income received		<u>29,849</u>	<u>29,619</u>
Net cash used in investing activities		<u>(338,869)</u>	<u>(112,948)</u>
<b>Cash flows from financing activities</b>			
Proceeds from the issue of share capital		-	603,158
Issue costs		-	(52)
Long term borrowings		95,838	-
Other borrowings		34,245	-
Repayments of borrowings		(17,216)	(2,366)
Bank borrowing costs paid	6	(1,798)	(2,073)
Dividends paid		<u>(31,081)</u>	<u>(17,075)</u>
Net cash from financing activities		<u>79,988</u>	<u>581,592</u>
Net (decrease)/increase in cash and cash equivalents		<u>(274,325)</u>	<u>473,067</u>
Opening cash and cash equivalents	18	756,183	283,619
Effect of foreign exchange rate changes		<u>(1,029)</u>	<u>(503)</u>
<b>Closing cash and cash equivalents</b>	18	<u>480,829</u>	<u>756,183</u>

The accompanying notes are an integral part of this statement.

**COMPANY CASH FLOW STATEMENT**  
**For the year ended 31 December 2007**

	<i>Notes</i>	<i>2007</i> <i>US\$'000</i>	<i>2006</i> <i>US\$'000</i>
<b>Cash flows from operating activities</b>			
Profit before tax		27,306	11,230
Adjustments for:			
Foreign exchange loss arising from non-operating activities		7,501	11,285
Recognised share based payments	26(b)	2,196	1,423
Performance fee to be settled by share issue		-	2,815
Investment income	4	(23,556)	(28,756)
Interest accrued included in the carrying value of subsidiary	4	(39,842)	(11,040)
		<u>(26,395)</u>	<u>(13,043)</u>
Increase in operating trade and other receivables		105	(139)
Increase in operating trade and other payables		1,211	2,360
		<u>(25,079)</u>	<u>(10,822)</u>
<b>Cash flows from investing activities</b>			
Investment in subsidiary undertakings		(422,201)	(141,386)
Loans repaid		-	969
Investment income received		23,556	28,756
Dividends received		-	117
		<u>(398,645)</u>	<u>(111,544)</u>
<b>Cash flows from financing activities</b>			
Proceeds from the issue of share capital		-	603,158
Issue costs		-	(52)
Dividends paid		(31,081)	(17,075)
		<u>(31,081)</u>	<u>586,031</u>
Net cash (used in)/from financing activities		<u>(31,081)</u>	<u>586,031</u>
Net (decrease)/increase in cash and cash equivalents		<u>(454,805)</u>	<u>463,665</u>
Opening cash and cash equivalents	18	743,145	279,480
<b>Closing cash and cash equivalents</b>	18	<u>288,340</u>	<u>743,145</u>

The accompanying notes are an integral part of this statement.

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## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

### 1. GENERAL INFORMATION

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

The Company is a limited liability company incorporated and domiciled in Guernsey. The address of its registered office is Regency Court, Gategny Esplanade, St. Peter Port, Guernsey.

These financial statements were approved for issue by the Board of Directors on 9 March 2008 and signed on the Board's behalf by Stephen Coe and David Moore.

### 2. ACCOUNTING POLICIES

#### Basis of preparation

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

These financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively "IFRS") issued by the International Accounting Standards Board ("IASB").

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.

#### Changes in accounting policies

(a) *New standards, amendments to published standards and interpretations to existing standards effective in 2007 adopted by the Group*

IFRS 7, Financial Instruments: disclosures and a complementary amendment to IAS 1, Presentation of Financial Statements - capital disclosures. IFRS 7 introduces new requirements aimed at expanding the disclosure of information about the Group's financial instruments. It requires disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments. The amendment to IAS 1 introduces disclosures about the level and management of an entity's capital. The Company and its Group have applied IFRS 7 and the amendment to IAS 1 in these financial statements, with the relevant disclosures included in note 29.

The IASB also issued various interpretations that effective 1 January 2007, which had no impact on the financial statements. These are IFRIC 7, IFRIC 8, IFRIC 9 and IFRIC 10.

(b) *Standards, amendments and interpretations to published standards not yet effective*

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for later accounting periods and which have not been adopted early. These are:

- IFRS 8: Operating segments (effective for accounting periods beginning on or after 1 January 2009). This standard sets out requirements for the disclosure of information about an entity's operating segments and replaces IAS 14. As this is a disclosure standard it will not have any impact on the results or net assets of the Company or its Group.

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- IAS 23: Borrowing costs (revised) (effective for accounting periods beginning on or after 1 January 2009). This amendment will have no impact on the results or net assets of the Company or its Group.
  - IFRIC 11: IFRS 2 Group and treasury share transactions (effective for accounting periods beginning on or after 1 March 2007). The Group is currently assessing the impact of this interpretation on the financial statements.
  - Revised IFRS 3: Business combinations and complementary amendments to IAS 27 Consolidated and separate financial statements (both effective for accounting periods beginning on or after 1 July 2009). The Group is currently assessing the impact of these changes on the financial statements.
  - Amendment to IFRS 2: Share-based payments - vesting conditions and cancellations (effective for accounting periods beginning on or after 1 January 2009). The Group is currently assessing the impact of this amendment on the financial statements.

The IASB has also issued IFRIC 12 Service concession arrangements, IFRIC 13 Customer loyalty programmes and IFRIC 14 re IAS 19 the limit on a defined benefit asset, minimum funding requirements and their interaction and IAS 32, all of which are not relevant to the operations of the Company or the Group.

#### **Basis of consolidation**

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

Investment properties have been acquired through special purpose vehicles (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 business acquisitions and instead the financial statements reflect the substance of the transactions, which is considered to be the purchases of investment properties.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated 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 used into line with those used by the Group.

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

#### **Joint ventures**

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

#### **Goodwill**

Goodwill represents the excess of the cost of a business combination over the interest in the fair value of identifiable assets, liabilities and contingent liabilities acquired. Cost comprises the fair values of assets given, liabilities assumed and equity instruments issued, plus any direct costs of acquisition.

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

### **Revenue recognition**

Rental income from operating leases is recognised in income on a straight-line basis over the lease term. Rent is billed in advance and then allocated to the appropriate period. Therefore, deferred revenue generally represents proportion of rentals invoiced in advance as at the reporting date and any advance payments from tenants. Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of revenue can be measured reliably.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

### **Leasing**

All of the Group's properties are leased out under operating leases and are included in investment property in the balance sheet.

### **Foreign currency translation**

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

Items included in the financial statements of each of Group entity are measured in the currency of the primary economic environment in which the entity operates (the "functional currency"). On 5 July 2007 the Company converted substantially all of its sterling assets and income streams to United States dollars, which the directors determined, resulted in the Company's functional currency changing from sterling to United States dollars. In accordance with IAS 21 the Company converted all of its assets, liabilities, income and expenses at the sterling United States dollar spot rate on 5 July 2007. At the same time the directors resolved to change the presentation currency of the Company and its Group from sterling to United States dollars.

#### **(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.

#### **(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 presented are translated at the closing rate at the date of the balance sheet;
- (ii) income and expenses for each income statement are translated at the average exchange rate prevailing in the period; and
- (iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, the exchange differences arising from the translation of the net investment in foreign entities are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.



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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.

### **Taxation**

The Company is exempt from Guernsey taxation on income derived outside of Guernsey and bank interest earned in Guernsey under the Income Tax (Exempt Bodies) (Guernsey) Ordinance, 1989. A fixed annual fee of £600 is payable to the States of Guernsey in respect of this exemption. No charge to Guernsey taxation will arise on capital gains.

The Group is liable to Russian tax arising on the activities of its Russian operations.

The Group is liable to Cypriot tax arising on the activities of its Cypriot operations.

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income and expense 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.

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.

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. 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.

### **Investment property**

Property held to earn rentals and/or for capital appreciation is classified as investment property.

Investment property comprises freehold land and freehold buildings.

Investment property is measured initially at its cost, including related transaction costs.

After initial recognition, investment property is carried at fair value. The Group has appointed Jones Lang LaSalle as property valuers to prepare valuations on a semi-annual basis. Valuations will be undertaken in accordance with the appropriate sections of the current Practice Statements contained in the Royal Institution of Chartered Surveyors Appraisal and Valuation Standards, 5th Edition (the "Red Book"). This is an internationally accepted basis of valuation. Gains or losses arising from changes in the fair value of investment property are included in the income statement in the period in which they arise.

The acquisition of a corporate vehicle, whose only activity is that of holding the targeted investment property, is accounted for based on the substance of the transaction. The Directors

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consider the substance of such transactions to be property acquisitions as opposed to a business combination under IFRS 3.

#### **Investment property under construction**

Properties in the course of construction for rental purposes, or for purposes not yet determined are carried at cost, less any recognised impairment loss. Cost includes professional fees and borrowing costs capitalised in accordance with the Group's accounting policy. Upon practical completion of the construction of property the property is transferred to investment property at fair value, with the resulting gain or loss reflected in the Consolidated Income Statement.

#### **Borrowing costs**

Borrowing costs that are directly attributable to the construction of investment property are capitalised from the date of commencement of the project, until the construction is complete.

All other borrowing costs are recognised in the income statement in the period in which they are incurred.

#### **Financial assets**

The Group and the Company classify their financial assets into one of the categories discussed below, depending upon the purpose for which the asset was acquired. The Group and the Company have not classified any of its financial assets as held to maturity or as assets available-for-sale.

Unless otherwise indicated, the carrying amounts of the Groups financial assets are a reasonable approximation of their fair values.

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

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

(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 Company and its Group, loans and receivables comprise trade and other receivables, intra-group loans and cash and cash equivalents.

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.

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

#### **Financial liabilities**

The Group and the Company classify their financial liabilities into one of the categories listed below.

Unless otherwise indicated, the carrying amounts of the Groups financial liabilities are a reasonable approximation of their fair values.

(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 the finance income or expense line item.

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(b) ***Other financial liabilities***

Other financial liabilities include interest bearing loans, trade payables (including rent deposits and retentions under construction contracts) and other short-term monetary liabilities. Trade payables and other short-term monetary liabilities are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method. Interest bearing loans are initially recorded at fair value net of direct issue costs, and subsequently carried at amortised cost using the effective interest method. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis to the profit and loss account using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

**Expenses**

Expenses are accounted for on an accruals basis. Fees payable to the Property Adviser are calculated with reference to the cost or valuation of the underlying properties held by the Group. Fees in respect of properties under construction are included within the cost of such properties, until such times as they are transferred to investment property, whereupon future fees are expensed in the income statement.

All other administration expenses are charged through the income statement.

Transaction costs directly attributable to the purchase of the investment properties are included within the cost of the property.

**Segmental reporting**

A business segment is a distinguishable component of the Group that is engaged in providing an individual product or service or a group of related products or services and that is subject to risks and returns that are different from those of other business segments. A geographical segment is a distinguishable component of the Group that is engaged in providing products or services within a particular economic environment and that is subject to risks and returns that are different from those of components operating in other economic environments.

**Share-based payments**

The Group makes equity-settled and cash-settled share-based payments to certain employees and service providers. Equity-settled, share based payments are measured at fair value as at the date of grant. The fair value determined at grant date is expensed on a straight line basis over the vesting period. Vesting conditions associated with the instruments are market related and are accordingly ignored when assessing the number of instruments that will vest.

**Dividends**

Dividends to the Company's 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 approved by the shareholders at an AGM.

**Investment in subsidiary undertakings**

Investment in subsidiary undertakings are stated at cost less, where appropriate, provisions for impairment.

**3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

The Group makes certain estimates and assumptions 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 assumptions that have a significant risk of

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causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

(a) **Estimate of fair value of investment properties**

The best evidence of fair value is current prices in an active market for similar lease and other contracts. In the absence of such information, the Group determines the amount within a range of reasonable, fair value estimates. In making its judgement, the Group considers information from a variety of sources and engages external, professional advisers to carry out third party valuations of its properties. These are completed in accordance with the appropriate sections of the current Practice Statements contained in the Royal Institution of Chartered Surveyors Appraisal and Valuation Standards, 5th Edition (the “Red Book”). This is an internationally accepted basis of valuation.

In completing these valuations the valuer considers the following:

- (i) current prices in an active market for properties of a different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;
- (ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and
- (iii) discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

(b) **Income taxes and VAT**

The Group is subject to income taxes and VAT in different jurisdictions. Estimates are required in determining the worldwide provision for these taxes. There are some transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax, deferred tax provisions and recoverable VAT balances in the period in which such determination is made.

(c) **Acquisitions**

The consideration payable in respect of each acquisition is dependant upon certain future events. In calculating each acquisition the Directors have assessed the most probable outcome as at the balance sheet date. The Directors will reconsider the consideration payable at each year end and adjust accordingly.

(d) **Estimate of fair value of financial instruments**

In accordance with the stated accounting policy, the Group is required to determine the fair value of the financial instruments it employs, being interest rate derivative contracts and forward currency derivative contracts. These instruments are valued by reference to valuation techniques employed by the counterparty to the instrument. Those techniques are significantly affected by the assumptions used, including discount rates and estimates of future cash flows.

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#### 4. REVENUE

	<i>2007</i>	<i>2006</i>
	<i>US\$'000</i>	<i>US\$'000</i>
<b>Company:</b>		
Income from cash and cash equivalents	23,556	28,640
Dividends from subsidiary undertakings	-	116
Interest from subsidiary undertakings	39,842	11,040
	<u>63,398</u>	<u>39,796</u>

#### Group:

Gross rental income for the year ended 31 December 2007 amounted to US\$38.5 million (2006: US\$16.9 million).

The Group leases all of its investment properties under operating leases. Leases are typically for terms of three, five, seven or ten years.

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

	<i>US\$'000</i>
Within one year	38,360
In second year	38,059
In the third to fifth years (inclusive)	96,839
After five years	94,305
	<u>267,563</u>

#### 5. ADMINISTRATION EXPENSES

	<i>2007</i>	<i>2007</i>	<i>2006</i>	<i>2006</i>
	<i>Company</i>	<i>Group</i>	<i>Company</i>	<i>Group</i>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Property Adviser management fees	16,707	4,832	5,879	1,828
Property Adviser performance fees	-	-	4,021	1,407
Equity-settled share-based payment expense (see note 26)	2,196	796	1,423	279
Directors' remuneration	409	409	324	324
Auditors' remuneration	84	84	44	117
Depreciation	-	53	-	-
Administration, registrar & other operating expenditure	9,195	12,306	4,122	5,098
	<u>28,591</u>	<u>18,480</u>	<u>15,813</u>	<u>9,053</u>

The Property Adviser fees are project specific and are included in the cost of investment properties under construction on consolidation where appropriate. Cumulative fees of US\$21.084 million (2006: US\$7.809 million) were included in the cost of investment properties and properties under construction at 31 December 2007. Performance fees are partly share-based payments as detailed in note 26.

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**6. FINANCE INCOME AND EXPENSE**

	<i>2007</i> <i>Group</i> <i>US\$'000</i>	<i>2007</i> <i>Group</i> <i>US\$'000</i>	<i>2006</i> <i>Group</i> <i>US\$'000</i>	<i>2006</i> <i>Group</i> <i>US\$'000</i>
<b><i>Finance income</i></b>				
Income from cash and cash equivalents	24,433		28,754	
Interest income on loans receivable	2,594		1,285	
	<u>          </u>		<u>          </u>	
Total interest income		27,027		30,039
Net gain on maturing forward currency derivative contracts	1,792		-	
Net change in fair value of open forward currency derivative contracts	1,030		-	
Net change in fair value of open interest rate derivative contracts	-		-	
	<u>          </u>		<u>          </u>	
		2,822		-
		<u>29,849</u>		<u>30,039</u>
<b><i>Finance expense</i></b>				
Interest expense on financial liabilities measured at amortised cost		1,798		2,073
Net change in fair value of open interest rate derivative contracts		-		-
		<u>          </u>		<u>          </u>
		1,798		2,073
		<u>          </u>		<u>          </u>

The above financial income and expense include the following in respect of assets and liabilities not at fair value through profit or loss:

	<i>2007</i> <i>US\$'000</i>	<i>2006</i> <i>US\$'000</i>
Total interest income on financial assets	27,027	30,039
Total interest expense on financial liabilities	(1,798)	(2,073)
	<u>          </u>	<u>          </u>
	25,229	27,966
	<u>          </u>	<u>          </u>

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## 7. TAX

	<i>2007</i> <i>Group</i> <i>US\$'000</i>	<i>2006</i> <i>Group</i> <i>US\$'000</i>
The tax expense for the year comprises:		
Current taxation	3,402	593
(Over)/under provision in prior year	(3)	284
Increase in deferred tax asset	(851)	(312)
Increase in deferred tax liability	19,739	3,905
Income tax expense	<u>22,287</u>	<u>4,470</u>

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

	<i>2007</i> <i>Group</i> <i>US\$'000</i>	<i>2006</i> <i>Group</i> <i>US\$'000</i>
Profit before tax	<u>117,541</u>	<u>37,035</u>
Tax at the Russian corporate tax rate of 24%	28,210	8,890
Tax effect of income not subject to tax	(4,610)	(7,127)
Tax effect of non deductible expenses	3,031	2,423
Tax effect of financing arrangements	(4,341)	-
Under provision in prior year	(3)	284
Tax charge	<u>22,287</u>	<u>4,470</u>

## 8. EARNINGS PER SHARE

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

	<i>2007</i> <i>Group</i> <i>US\$'000</i>	<i>2006</i> <i>Group</i> <i>US\$'000</i>
Earnings for the purposes of basic and diluted earnings per share being net profit attributable to equity holders of the parent.	<u>95,254</u>	<u>32,565</u>

### *Number of shares*

Number of ordinary shares for the purposes of basic earnings per share and dilutive earnings per share:

	<i>2007</i> <i>Group</i> <i>No.'000</i>	<i>2006</i> <i>Group</i> <i>No.'000</i>
Weighted average number of ordinary shares for the purposes of basic earnings per share	426,063	337,565
Effect of dilutive potential ordinary shares:		
Options	134	184
Warrants	539	736
Weighted average number of ordinary shares for the purposes of diluted EPS	<u>426,736</u>	<u>338,485</u>

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The Company has issued 25,088,757 options (2006: 25,058,189), which vesting is based on the share price based performance criteria. At 31 December 2007 the performance criteria had not been met and accordingly the options have not been included in the calculation of dilutive earnings per share.

## 9. DIVIDENDS

	<i>2007</i>	<i>2006</i>
	<i>Group</i>	<i>Group</i>
	<i>US\$'000</i>	<i>US\$'000</i>
Final dividend of 2 pence (2006: nil) per ordinary share proposed and paid during the year relating to the previous year's results	17,531	-
Interim dividend of 2.5 pence (2006: 2 pence) per ordinary share paid during the year	22,025	17,075
	<u>39,556</u>	<u>17,075</u>

The directors are proposing a final dividend of 4 pence (2006: 2 pence) per ordinary share, totalling US\$ 34,305,024 (2006: US\$17,075,551). This dividend has not been accrued at the balance sheet date.

During the year, script dividends of 622,536 in respect of 2006 final dividend and 3,531,478 in respect of 2007 interim were taken up by the shareholders

## 10. INVESTMENT PROPERTY

	<i>2007</i>	<i>2006</i>
	<i>Group</i>	<i>Group</i>
	<i>US\$'000</i>	<i>US\$'000</i>
Balance at 1 January	140,755	56,097
Effect of foreign exchange rate changes	2,228	(6,826)
Acquisitions in the year	55,853	-
Transfer from investment property under construction (note 11)	67,755	84,487
	<u>266,591</u>	<u>133,758</u>
Unrealised gains on revaluation of investment properties	79,659	6,997
Balance at 31 December	<u>346,250</u>	<u>140,755</u>

The fair value of the Group's investment property at 31 December 2007 and 31 December 2006 has been arrived at on the basis of market valuations carried out at that date by Jones Lang LaSalle, independent valuers not connected with the Group. The valuations were carried out in accordance with guidance issued by the Royal Institution of Chartered Surveyors.

The definition of Market Value is "the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and willing seller in an arms length transaction after proper marketing wherein parties had each acted knowledgeably, prudently and without compulsion".

The Group has pledged approximately US\$279 million of its investment property to secure banking facilities granted to the Group (note 19).



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**11. INVESTMENT PROPERTY UNDER CONSTRUCTION**

	<i>2007</i> <i>Group</i> <i>US\$'000</i>	<i>2006</i> <i>Group</i> <i>US\$'000</i>
Balance at 1 January	51,941	-
Costs incurred	261,002	140,888
Effect of foreign exchange rate changes	1,580	(4,460)
Transfer to investment property (note 10)	(67,755)	(84,487)
Balance at 31 December	<u>246,768</u>	<u>51,941</u>

**12. INTANGIBLE ASSETS**

	<i>2007</i> <i>Group</i> <i>US\$'000</i>	<i>2006</i> <i>Group</i> <i>US\$'000</i>
<b><i>Goodwill</i></b>		
Balance at 1 January	-	-
Acquired through business combinations (note 30)	2,265	-
Balance at 31 December	<u>2,265</u>	<u>-</u>

Goodwill has arisen on the acquisition of 50 per cent. of Roslogistics at which point a contract was put in place with the other party giving joint control.

**13. INVESTMENT IN SUBSIDIARY UNDERTAKINGS**

	<i>Share</i> <i>Capital</i> <i>US\$'000</i>	<i>Loans</i> <i>US\$'000</i>	<i>Total</i> <i>US\$'000</i>
Balance at 1 January 2006	30	19,230	19,260
Loans to subsidiary undertakings	-	143,235	143,235
Balance at 31 December 2006	<u>30</u>	<u>162,465</u>	<u>162,495</u>
Acquisition of shares in subsidiary undertakings	1	-	1
Loans to subsidiary undertakings	-	449,155	449,155
Balance at 31 December 2007	<u>31</u>	<u>611,620</u>	<u>611,651</u>

The Group's investment properties are held by its subsidiary undertakings.

All loans to subsidiary undertakings are unsecured and repayable on demand and are subject to a weighted average interest rate of 12.23 per cent. (2006: 11.8 per cent.).

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

<i>Name</i>	<i>Country of incorporation</i>	<i>Proportion of ownership interest at 31 December</i>	
		<i>2007</i>	<i>2006</i>
ZAO Kulon Estates	Russia	100%	100%
ZAO Kulon Developments	Russia	100%	100%
Petroestate LLC	Russia	100%	-
OOO Fenix	Russia	100%	100%
OOO EG Logistics	Russia	100%	-
ZAO Kulon Istra	Russia	100%	-
LLC Kalyinovka Enterprises	Ukraine	100%	-
OOO Real Invest	Russia	100%	-
OOO Soyuz-Invest	Russia	100%	-
OOO Rezerv-Invest	Russia	100%	-
OOO Omega	Russia	100%	-
OOO Terramarket	Russia	100%	-
OOO Piramida	Russia	100%	-
ZAO Noginsk Vostok	Russia	100%	-
OOO Kulon spb	Russia	100%	-
OOO Pulkovo Estates	Russia	100%	-
ZAO Resource Economia	Russia	100%	50%

#### 14. INVESTMENT IN JOINT VENTURES

The Group has interests in joint controlled entities as follows:

<i>Name</i>	<i>Country of incorporation</i>	<i>Proportion of ownership interest at 31 December</i>	
		<i>2007</i>	<i>2006</i>
Megalogix Limited	Cyprus	50%	50%
Roslogistics Holdings (Russia) Limited	Cyprus	50%	-

The Group's 50 per cent. interest in Megalogix Limited has been accounted for by proportionate consolidation. The following amounts have been recognised in the consolidated balance sheet and income statement relating to Megalogix Limited.

	<i>2007</i>	<i>2006</i>
	<i>US\$'000</i>	<i>US\$'000</i>
Non-current assets	11,730	1,228
Current assets	16,492	62
Current liabilities	(593)	-
Non-current liabilities	(27,726)	(1,029)
Net liabilities	<u>(97)</u>	<u>261</u>
Income	-	-
Expenses	<u>(358)</u>	<u>(20)</u>
Loss after tax	<u>(358)</u>	<u>(20)</u>

The Group's share of Megalogix Limited's contingent liabilities and capital commitments is US\$nil (2006: US\$nil) and US\$174 million (2006: US\$nil) respectively.

The Group's 50 per cent. interest in Roslogistics Holdings (Russia) Limited has been accounted for by proportionate consolidation. The following amounts have been recognised in the consolidated balance sheet and income statement relating to Roslogistics Holdings (Russia) Limited.

	<i>2007</i> <i>US\$'000</i>	<i>2006</i> <i>US\$'000</i>
Non-current assets	1,106	-
Current assets	3,016	-
Current liabilities	(1,560)	-
Non-current liabilities	(1,731)	-
Net assets	<u>831</u>	<u>-</u>
Income	1,225	-
Expenses	(1,392)	-
Loss after tax	<u>(167)</u>	<u>-</u>

The Group's share of Roslogistics Holdings (Russia) Limited's contingent liabilities and capital commitments is US\$nil (2006: US\$nil) and US\$nil (2006: US\$nil) respectively.

#### 15. OTHER RECEIVABLES

	<i>2007</i> <i>Company</i> <i>US\$'000</i>	<i>2007</i> <i>Group</i> <i>US\$'000</i>	<i>2006</i> <i>Company</i> <i>US\$'000</i>	<i>2006</i> <i>Group</i> <i>US\$'000</i>
Loans receivable	-	58,913	-	21,032
VAT recoverable	-	24,321	-	753
Other assets	-	5,522	-	135
	<u>-</u>	<u>88,756</u>	<u>-</u>	<u>21,920</u>

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

The loans receivable are unsecured, with a weighted average loan period of 1 year and a weighted average interest rate of 12.72 per cent..

#### 16. TRADE AND OTHER RECEIVABLES

	<i>2007</i> <i>Company</i> <i>US\$'000</i>	<i>2007</i> <i>Group</i> <i>US\$'000</i>	<i>2006</i> <i>Company</i> <i>US\$'000</i>	<i>2006</i> <i>Group</i> <i>US\$'000</i>
Trade receivables	-	2,315	-	4,319
Prepayments	1,220	11,554	266	-
VAT recoverable	-	5,580	-	-
Loans receivable	-	2,413	-	-
Other receivables	-	6,048	-	9,644
Loan to subsidiary undertaking	5,650	-	-	-
	<u>6,870</u>	<u>27,910</u>	<u>266</u>	<u>13,963</u>

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## 17. FORWARD CURRENCY DERIVATIVE CONTRACTS

The Group has entered into a series of forward currency derivative contracts to manage its exposure to certain russian rouble construction contracts. At 31 December 2007 there were open contracts to sell US dollars amounting to US\$ 21.7 million and buy russian rouble of RUR 560.6 million, an average rate of 25.85. The fair values of the contracts at 31 December 2007 amounted to US\$ 1,030,425 (asset).

## 18. CASH AND CASH EQUIVALENTS

	<i>2007</i> <i>Company</i> <i>US\$'000</i>	<i>2007</i> <i>Group</i> <i>US\$'000</i>	<i>2006</i> <i>Company</i> <i>US\$'000</i>	<i>2006</i> <i>Group</i> <i>US\$'000</i>
Cash at bank and on call	37,010	229,500	29,074	42,112
Money market instruments	251,330	251,329	714,071	714,071
	<u>288,340</u>	<u>480,829</u>	<u>743,145</u>	<u>756,183</u>

All the money market instruments attract variable interest rates. The weighted average interest rate at the balance sheet date is 5.46 per cent.

## 19. INTEREST BEARING LOANS AND BORROWINGS

	<i>2007</i> <i>Company</i> <i>US\$'000</i>	<i>2007</i> <i>Group</i> <i>US\$'000</i>	<i>2006</i> <i>Company</i> <i>US\$'000</i>	<i>2006</i> <i>Group</i> <i>US\$'000</i>
<b>(a) Bank loans</b>				
Loans due for settlement within 12 months	-	2,893	-	2,105
Loans due for settlement after 12 months	-	92,945	-	15,110
	<u>-</u>	<u>95,838</u>	<u>-</u>	<u>17,215</u>
<b>(b) Other interest bearing loans</b>				
Loans due for settlement within 12 months	-	1,911	-	768
Loans due for settlement after 12 months	-	35,311	-	2,210
	<u>-</u>	<u>37,222</u>	<u>-</u>	<u>2,978</u>
Total loans due for settlement within 12 months	-	4,804	-	2,873
Total loans due for settlement after 12 months	-	128,256	-	17,320
	<u>-</u>	<u>133,060</u>	<u>-</u>	<u>20,193</u>

The Group's bank borrowings have the following maturity profile:

	<i>2007</i> <i>Group</i> <i>US\$'000</i>	<i>2006</i> <i>Group</i> <i>US\$'000</i>
On demand or within one year	2,893	2,105
In the second year	2,625	15,110
In the third to fifth years	89,274	-
After five years	1,046	-
	<u>95,838</u>	<u>17,215</u>

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The Group's exposure to, and the credit ratings of, its counterparties are continuously monitored. The average investment grade of the Group's bank borrowings at 31 December 2007 was A and for 31 December 2006 it was A. The other interest bearing loans are unrated.

## 20. DEFERRED TAX

### (a) Deferred tax asset

	<i>Tax losses</i> US\$'000	<i>Other</i> US\$'000	<i>Total</i> US\$'000
Balance at 1 January 2006	713	-	713
Credit to income	266	46	312
Balance at 31 December 2006	979	46	1,025
Credit to income	552	299	851
Balance at 31 December 2007	<u>1,531</u>	<u>345</u>	<u>1,876</u>

The Group does not have any unrecognised deferred tax assets

### (b) Deferred tax liability

	<i>Accelerated tax</i> <i>allowances</i> US\$'000	<i>Revaluation</i> <i>of investment</i> <i>property</i> US\$'000	<i>Total</i> US\$'000
Balance at 1 January 2006	691	921	1,612
Charge to income	2,226	1,679	3,905
Balance at 31 December 2006	2,917	2,600	5,517
Charge to income	841	18,898	19,739
Balance at 31 December 2007	<u>3,758</u>	<u>21,498</u>	<u>25,256</u>

## 21. OTHER PAYABLES

	<i>2007</i> <i>Company</i> US\$'000	<i>2007</i> <i>Group</i> US\$'000	<i>2006</i> <i>Company</i> US\$'000	<i>2006</i> <i>Group</i> US\$'000
Rent deposits	-	3,909	-	1,506
Deferred revenue	-	89	-	105
Retention under construction contracts	-	8,434	-	3,592
	<u>-</u>	<u>12,432</u>	<u>-</u>	<u>5,203</u>

## 22. TRADE AND OTHER PAYABLES

	<i>2007</i> <i>Company</i> US\$'000	<i>2007</i> <i>Group</i> US\$'000	<i>2006</i> <i>Company</i> US\$'000	<i>2006</i> <i>Group</i> US\$'000
Investment property acquisition obligations	-	22,350	-	35,260
Other creditors	9,100	34,028	6,566	9,164
	<u>9,100</u>	<u>56,378</u>	<u>6,566</u>	<u>44,424</u>

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## 23. SHARE CAPITAL

	<i>2007</i> <i>US\$'000</i>	<i>2006</i> <i>US\$'000</i>
<b><i>Authorised share capital:</i></b>		
1,000,000,000 ordinary shares of 1p each:	<u>20,105</u>	<u>20,105</u>
<b><i>Issued share capital:</i></b>	<u>8,648</u>	<u>8,538</u>
<b><i>Ordinary shares of 1p each:</i></b>		
	<i>2007</i> <i>No.</i>	<i>2006</i> <i>No.</i>
Balance at 1 January	424,663,711	153,000,000
Issued in the year	<u>5,376,855</u>	<u>271,663,711</u>
Balance at 31 December	<u>430,040,566</u>	<u>424,663,711</u>

Included in the issued shares during the year are 1,222,841 ordinary shares (2006: 2,098,501) issued to the Property Adviser in settlement of their performance fee. Of the authorised share capital 41,815,542 ordinary shares are reserved for options and warrants.

## 24. RESERVES

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

<i>Reserve</i>	<i>Description and purpose</i>
Share capital	The amount subscribed for share capital at nominal value.
Share premium	The amount subscribed for share capital in excess of nominal value.
Special reserve	During 2006 the Company applied to the Royal Court of Guernsey to reduce its capital by cancellation of its share premium at that time and creation of a separate special reserve, which is an additional distributable reserve to be used for all purposes permitted under Guernsey Company law, including the buy back of shares and the payment of dividends.
Capital reserve	The amount of any capital profits and losses, including gains and losses on the disposal of investment properties (after taxation), increases and decreases in the fair value of investment properties held at each period end and deferred taxation of the increase in fair value of investment properties.
Warrant reserve	The amount of share-based payment expenses in relation to warrants issued, to be credited to share capital and premium upon the exercise of a warrant or credited to retained reserves should a warrant lapse.
Share option reserve	The amount of share-based payment expenses in relation to options issued, to be credited to share capital and premium upon the exercise of options or credited to retained reserves should options lapse.
Share-based payment reserve	The amount of any performance fee due to the Property Adviser that is to be settled by a post balance sheet issue of shares.
Retained earnings	The amount of any profit or loss for the year after payment of dividends.
Translation reserve	The amount of any gains or losses arising on the retranslation of net assets of overseas operations into US dollars.

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## 25. NET ASSET VALUE PER SHARE

	<i>2007</i>	<i>2007</i>	<i>2006</i>	<i>2006</i>
	<i>Company</i>	<i>Group</i>	<i>Company</i>	<i>Group</i>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Net asset value	897,761	969,464	899,340	910,450
Net asset value attributable to future issues of shares	-	-	(2,815)	(2,815)
Adjusted net asset value	<u>897,761</u>	<u>969,464</u>	<u>896,525</u>	<u>907,635</u>
Number of ordinary shares at 31 December	430,040,566	430,040,566	424,663,711	424,663,711
Net asset value per share	<u>2.09</u>	<u>2.25</u>	<u>2.11</u>	<u>2.14</u>

## 26. SHARE-BASED PAYMENTS

### (a) Terms

In 2005, as part consideration for the services offered by Cenkos Securities Limited and Kinmont Limited under the Placing Agreement, options were granted to these companies pursuant to which they have the right to subscribe for 1,530,000 and 382,500 ordinary shares respectively at £1.00 per share, such options to be exercisable at any time during the period to 24 July 2010.

In 2005, to incentivise personnel of the Property Adviser involved in providing advice to the Group, the Company granted to the trustee of the Raven Mount Employee Benefit Trust an option to acquire up to 7.5 per cent. of its issued ordinary share capital from time to time. The options will vest in three tranches. The options are exercisable over a period of 4 to 12 years following admission dependent on cumulative performance criteria of between 9 per cent. and 12 per cent. of total shareholders return having been met.

The exercise price for each tranche is set by reference to the average price of the Company's shares in the month preceding the first and second anniversaries of the Company's Admission to AIM (for tranche two and three). Tranche one options have an exercise price of £1.00 per share.

In 2005, the Company has issued warrants to the Property Adviser pursuant to which the Property Adviser has been granted the right to subscribe for 7,650,000 ordinary shares in the Company at £1.00 per ordinary share such warrants to be exercisable at any time during the period of 5 years from the date of Admission. The Warrant Instrument provides that the Warrant Holder from time to time may transfer all or part of their Warrants.

	<i>2007</i>		<i>2006</i>	
	<i>Number</i>	<i>Weighted</i>	<i>Number</i>	<i>Weighted</i>
	<i>of options</i>	<i>average</i>	<i>of options</i>	<i>average</i>
		<i>exercise</i>		<i>exercise</i>
		<i>price</i>		<i>price</i>
Outstanding at beginning of period	34,620,687	101p	21,037,500	100p
Adjustment to equity settled options	30,570	107p	13,583,187	101p
Outstanding at the end of the period	<u>34,651,257</u>	103p	<u>34,620,687</u>	101p
Exercisable options at the end of the period	<u>1,912,500</u>	100p	<u>1,912,500</u>	100p
Exercisable warrants at the end of the period	<u>7,650,000</u>	100p	<u>7,650,000</u>	100p

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Under the agreement, the Raven Mount Plc Employee Benefit Trust has the right to 7.5 per cent. of the issued share capital. The directors estimate the number of options to vest and make an adjustment in each year accordingly. Following the issue of additional shares during the year, an adjustment was made to options granted to the trust in 2005, to maintain its right to 7.5 per cent. of the issued share capital of the company.

The weighted average exercise price of outstanding options at 31 December 2007 was 103.3p (2006: 106.3p) with a weighted average remaining contractual life of 8.4 years.

The weighted average exercise price of outstanding warrants at 31 December 2007 was £1.00, with a weighted average remaining contractual life of 2.6 years.

**(b) Share based payment charge**

The Group recognised a total share-based payment expense of US\$2,196,000 (2006: US\$1,423,000). Of the share-based payment costs relating to warrants and options US\$796,000 (2006: US\$279,000) was expensed and US\$1,400,000 (2006: US\$1,144,000) was included in investment property under construction.

**(c) Other equity-settled payments**

Any performance fee payable to the Property Adviser is to be settled as to 30 per cent. in cash and as to the balance in ordinary shares allotted by reference to the average closing mid-market price of such shares over the last 20 trading days for the relevant accounting period for which the performance relates.

**27. CAPITAL COMMITMENT**

The Company had committed to fund the development of and/or purchase assets with an estimated end value of US\$1,069 million (2006: US\$889 million). The actual value of total commitments may differ due to changing construction budgets and phasing, the share of development profits where appropriate and the set off of accrued mezzanine finance interest receivable. At 31 December 2007, US\$301 million of the above commitment have been incurred.

**28. INVESTMENT ADVISER**

As disclosed in the Directors' Report the Property Adviser received US\$ 16,474,540 for the services of property management and an allotment of 1,222,841 shares during the year as part payment of a prior year performance fee.

As at 31 December 2007, US\$ 2,876,531 of the above fees remains outstanding and US\$ 15,503,372 has been capitalised in investment property under construction.

**29. 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.

**Directors' interests**

Directors who held office at the year end and their interests in the shares of the Company as at 31 December 2007 were:

	<i>Ordinary shares</i>	<i>Percentage of issued share capital</i>
Richard Jewson	60,000	0.014%
Stephen Coe	20,000	0.005%
David Moore	29,227	0.007%
John Peters	45,000	0.010%



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During the year the Directors received the following emoluments in the form of fees

Richard Jewson	£50,000.00
Stephen Coe	£23,333.31
David Moore	£40,000.00
John Peters	£40,000.00
Adrian Collins	£40,000.00
Glyn Hirsch	£0

#### **Administrators**

Stephen Coe was formerly a director of Investec Administration Services Limited which acted as the companies Administrator until 15 November 2007. Investec Administration Services Limited received £505,190.90 in payment of administration services during the period to the date of termination of its appointment.

#### **Legal Advisers**

David Moore is a partner in Ozannes, Advocates and Notaries Public. Ozannes provide independent legal advice to the company. Total legal fees paid to Ozannes in the year ended 31 December 2007 amounted to £128,753.76

### **30. FINANCIAL INSTRUMENTS – RISK MANAGEMENT**

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

Risk management parameters are established by the Board on a project by project basis and overseen by the property adviser and administrator in conjunction with professional advisers. Reports are provided to the Board formally on a quarterly basis and also when authorised changes are required. Cash and cash equivalents are actively managed by two major investment banks, who report to the administrator on performance on a monthly basis.

#### **(a) Market risk**

##### ***Currency risk***

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

The majority of the Group's transactions are denominated in US dollars. As the Group's capital was raised in sterling, the decision was taken to convert the majority of the Group's cash and cash equivalents to US dollars in July 2007. The average exchange rate on conversion was just over US\$2 to £1.

In some cases underlying construction contracts on the Group's development projects are denominated in Russian roubles. Non deliverable forward contracts have been taken out to hedge against the US dollar Russian rouble exposure, on a project by project basis, where appropriate.

At holding company level, the Group's exposure to sterling is restricted to head office costs and dividend payments.

The table below summarises the Group's and Company's currency profile at 31 December.

<i>Group</i>	<i>US Dollars</i>	<i>Russian</i>	<i>Sterling</i>	<i>Total</i>
<i>As at 31 December 2007</i>	<i>US\$'000</i>	<i>Rouble</i>	<i>and other</i>	<i>US\$'000</i>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
<b>Non-current assets</b>				
Loans receivable	58,913	-	-	58,913
Other non-current assets	228	4,894	400	5,522
<b>Current assets</b>				
Trade receivables	1,367	832	116	2,315
Loans receivable	-	2,413	-	2,413
Other current receivables	3,314	2,731	3	6,048
Forward currency derivative contracts	1,030	-	-	1,030
Cash and cash equivalents	396,151	54,867	29,811	480,829
	<u>461,003</u>	<u>65,737</u>	<u>30,330</u>	<u>557,070</u>
<b>Non-current liabilities</b>				
Interest bearing bank loans and borrowings	128,256	-	-	128,256
Rent deposits	3,909	-	-	3,909
Retentions under construction contracts	6,670	1,764	-	8,434
<b>Current liabilities</b>				
Interest bearing bank loans and borrowings	4,804	-	-	4,804
Investment property acquisition obligations	22,350	-	-	22,350
Other creditors	11,593	13,332	9,103	34,028
	<u>177,582</u>	<u>15,096</u>	<u>9,103</u>	<u>201,781</u>

<i>Group</i>	<i>US Dollars</i>	<i>Russian</i>	<i>Sterling</i>	<i>Total</i>
<i>As at 31 December 2006</i>	<i>US\$'000</i>	<i>Rouble</i>	<i>and other</i>	<i>US\$'000</i>
		<i>US\$'000</i>	<i>US\$'000</i>	
<b>Non-current assets</b>				
Loans receivable	21,032	-	-	21,032
Other non-current assets	-	135	-	135
<b>Current assets</b>				
Trade receivables	4,319	-	-	4,319
Other current receivables	5,066	4,313	265	9,644
Cash and cash equivalents	-	-	756,183	756,183
	<u>30,417</u>	<u>4,448</u>	<u>756,448</u>	<u>791,313</u>
<b>Non-current liabilities</b>				
Interest bearing bank loans and borrowings	17,320	-	-	17,320
Rent deposits	1,506	-	-	1,506
Retentions under construction contracts	3,592	-	-	3,592
<b>Current liabilities</b>				
Interest bearing bank loans and borrowings	2,873	-	-	2,873
Investment property acquisition obligations	35,260	-	-	35,260
Other creditors	336	2,262	6,566	9,164
	<u>60,887</u>	<u>2,262</u>	<u>6,566</u>	<u>69,715</u>
<i>Company</i>	<i>US Dollars</i>	<i>Sterling</i>	<i>Other</i>	<i>Total</i>
<i>As at 31 December 2007</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
<b>Non-current assets</b>				
Loans to subsidiaries	597,860	447	13,313	611,620
<b>Current assets</b>				
Loans to subsidiaries	5,650	-	-	5,650
Cash and cash equivalents	263,009	25,331	-	288,340
	<u>866,519</u>	<u>25,778</u>	<u>13,313</u>	<u>905,610</u>
<b>Current liabilities</b>	<u>558</u>	<u>8,005</u>	<u>537</u>	<u>9,100</u>
Trade and other payables	558	8,005	537	9,100
<i>Company</i>	<i>US Dollars</i>	<i>Sterling</i>	<i>Other</i>	<i>Total</i>
<i>As at 31 December 2006</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
<b>Non-current assets</b>				
Loans to subsidiaries	162,465	-	-	162,465
<b>Current assets</b>				
Cash and cash equivalents	-	743,145	-	743,145
	<u>162,465</u>	<u>743,145</u>	<u>-</u>	<u>905,610</u>
<b>Current liabilities</b>	<u>-</u>	<u>6,566</u>	<u>-</u>	<u>6,566</u>
Trade and other payables	-	6,566	-	6,566

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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 basis. The sensitivity analysis prepared by management for foreign currency risk illustrates how changes in the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The tables above present financial assets and liabilities denominated in foreign currencies held by the Group in 2007 and 2006 used to monitor foreign currency risk at the reporting dates. If the US dollar weakened or strengthened by 10 per cent. against the Russian rouble, with all other variables held constant, net asset value on consolidation for the year would move by \$5m. There would be no significant movement on consolidated profit. If the US dollar weakened or strengthened by 10 per cent. against sterling with all other variables held constant, post tax profit for the year and net asset value would move by \$2 million.

The tables above present financial assets and liabilities denominated in foreign currencies held by the Group in 2007 and 2006 used to monitor foreign currency risk at the reporting dates. If the US dollar weakened or strengthened by 10 per cent. against the Russian rouble, with all other variables held constant, post tax profit for the year would move by \$5 million. If the US dollar weakened or strengthened by 10 per cent. against sterling with all other variables held constant, post tax profit for the year would move by \$2 million.

#### ***Cash flow and fair value interest rate risk***

The Group has significant interest-bearing cash resources, the majority of which are held in liquidity funds of two major investment banks and in business accounts with its principal bankers.

The Group's interest rate risk arises from long-term borrowings (see note 19). 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 interest rate risk is periodically monitored by the Group's Board of directors and advisers on a project basis. The cash flow and fair value risk policy is approved quarterly by the Board of directors.

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 scenarios are run for only liabilities that represent the major interest-bearing positions. The simulation is run on an ongoing 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 quarterly basis. To date the Group has sought to fix its exposure to interest rates on borrowings through the use of a variety of interest rate derivatives.

Trade and other receivables and payables are interest free and have settlement dates within one year. As the Group had minimal gearing during the year and only began drawing on external finance at the end of the last quarter, there was no significant exposure to interest rate risk.

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(b) **Credit risk**

The Group has no significant concentrations of credit risk. Credit risk arises from the holding of cash and cash equivalents as well as credit exposures with respect to rental customers, including outstanding receivables. Credit risk is managed by the property adviser and the administrator and structures the levels of credit risk it accepts by placing limits on its exposure to a single counterparty or groups of related counterparties and to geographical and industry segments, where appropriate. Such risks are subject to regular review and are reported to the Board, formally, on a quarterly basis.

The Group has policies in place to ensure that rental contracts are made with customers meeting appropriate balance sheet covenants, supplemented by rental deposits or bank guarantees from International banks. The Group also has policies that limit the amount of credit exposure to any financial institution.

(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. Due to the dynamic nature of the underlying businesses, the Board and its advisers seek to have appropriate credit facilities in place on a project by project basis, either from available internal cash resources or from bank facilities.

The Group's liquidity position is monitored on a daily basis by the property adviser and the administrators, reviewing any cash draw request. Formal liquidity reports are issued from all jurisdictions on a weekly basis and are reviewed quarterly by the Board of directors, along with cash flow forecasts. A summary table with maturity of financial assets and liabilities is presented below.

<i>Group</i>	<i>2007</i> <i>US\$'000</i>	<i>2006</i> <i>US\$'000</i>
<i>Financial assets - non-current</i>		
Trade and other receivables with no fixed term	88,756	21,920
<i>Financial assets - current</i>		
Trade and other receivables - maturity within one year	27,910	13,963
Forward currency derivative contracts - maturing within one year	1,030	-
Cash and cash equivalents - maturity within one year	480,829	756,183
	<u>509,769</u>	<u>770,146</u>
<i>Financial liabilities - non-current</i>		
Interest bearing loans and borrowings - maturing		
- between one and two years	37,936	18,089
- between two and five years	89,274	-
- after more than five years	1,046	-
	<u>128,256</u>	<u>18,089</u>
<i>Financial liabilities - current</i>		
Trade and other payable - maturity within one year	56,378	44,424
Interest bearing loans and borrowings - maturity within one year	4,804	2,873
	<u>61,182</u>	<u>47,297</u>
	<u>409,087</u>	<u>726,680</u>

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<i>Company</i>	<i>2007</i>	<i>2006</i>
	<i>US\$'000</i>	<i>US\$'000</i>
<i>Financial assets - non-current</i>		
Loans to subsidiaries with no fixed term	449,155	143,255
<i>Financial assets - current</i>		
Trade and other receivables - maturity within one year	6,870	266
Cash and cash equivalents - maturity within one year	288,340	743,145
	<u>295,210</u>	<u>743,411</u>
<i>Financial liabilities - current</i>		
Trade and other payable - maturity within one year	9,100	6,566
	<u>753,465</u>	<u>893,232</u>

(d) **Capital risk management**

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

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including borrowings and trade and other payables, as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as equity, as shown in the consolidated balance sheet, plus net debt. Where the Group or Company are in a net cash position, the gearing ratio will be zero.

The gearing ratios at 31 December 2007 and 2006 were as follows:

<i>Group</i>	<i>2007</i>	<i>2006</i>
	<i>US\$'000</i>	<i>US\$'000</i>
Non-current liabilities	165,944	28,040
Current liabilities	61,182	47,297
Total borrowings	<u>227,126</u>	<u>75,337</u>
Less: cash and cash equivalents	480,829	756,183
Net debt	<u>(253,703)</u>	<u>(680,846)</u>
Equity	<u>969,464</u>	<u>910,450</u>
Total capital	<u>715,761</u>	<u>229,604</u>
Gearing ratio	Nil	Nil

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<i>Company</i>	<i>2007</i> <i>US\$'000</i>	<i>2006</i> <i>US\$'000</i>
Non-current liabilities	-	-
Current liabilities	9,100	6,566
Total borrowings	9,100	6,566
Less: cash and cash equivalents	288,340	743,145
Net debt	(279,240)	(736,579)
Equity	897,761	899,340
Total capital	618,521	162,761
Gearing ratio	Nil	Nil

### 31. ACQUISITIONS IN THE YEAR

On 16 August 2007 the Group acquired, via its wholly owned subsidiary Raven Russia Holdings 9 Limited, 50 per cent. of the issued ordinary share capital of Roslogistics Holdings (Russia) Limited. This company in turn acquired 100 per cent. of the trade of Avalon Logistics Company, Avalon Imports and Avalon Systems Visions, which operate a logistics and import business in Russia.

### 32. SUBSEQUENT EVENTS

There has been no significant events since the balance sheet date, which in the opinion of the Directors require disclosure in the financial statements.

### 33. SEGMENTAL INFORMATION

The Directors are of the opinion that the Group is engaged in two business segments, being property investment and logistics operations, and in one geographical area, the Commonwealth of Independent States.

	<i>Property</i> <i>Investment</i> <i>2007</i> <i>US\$'000</i>	<i>Logistics</i> <i>2007</i> <i>US\$'000</i>	<i>Total</i> <i>2007</i> <i>US\$'000</i>
<b><i>Income Statement</i></b>			
<b><i>Revenue</i></b>			
External sales	37,297	1,225	38,522
<b><i>Segment result</i></b>			
Operating profit/(loss)	90,280	(214)	90,066
Finance income	30,221	-	30,221
Finance expense	(1,793)	(5)	(1,798)
Profit/(loss) before tax	118,708	(219)	118,489
Tax	(22,339)	52	(22,287)
Net profit/(loss) for the year	96,369	(167)	96,202
<b><i>Other information</i></b>			
Depreciation	-	53	53
Gains on revaluation of investment properties	79,659	-	79,659
Recognised share based payments	(2,126)	0	(2,126)
<b><i>Capital expenditure</i></b>			
Purchase of investment properties	(55,853)	0	(55,853)
Payments for investment properties under construction	(261,004)	0	(261,004)
Purchase of property, plant and equipment	0	(819)	(819)

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	<i>Property Investment 2007 US\$'000</i>	<i>Logistics 2007 US\$'000</i>	<i>Total 2007 US\$'000</i>
<b><i>Balance Sheet</i></b>			
<i>Assets</i>			
Non-current assets	683,774	3,048	686,822
Current assets	507,327	3,015	510,342
Total assets	<u>1,191,101</u>	<u>6,063</u>	<u>1,197,164</u>
<i>Liabilities</i>			
Non-current liabilities	(164,213)	(1,731)	(165,944)
Current liabilities	(59,246)	(1,560)	(60,806)
Total liabilities	<u>(223,459)</u>	<u>(3,291)</u>	<u>(226,750)</u>
Net assets	<u>967,642</u>	<u>2,772</u>	<u>970,414</u>

Comparative segmental information has not been provided as the Group only engaged in one business segment during 2006, being property investment.



# SECTION C: AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

## Independent Auditors' Report

### To the members of Raven Russia Limited

**We have audited the Group and parent company financial statements ("the financial statements") of Raven Russia Limited for the year ended 31 December 2006, which are set out on pages 19 to 45. These financial statements have been prepared under the historical cost convention as modified by the revaluation of investment properties and in accordance with the accounting policies as set out on pages 27 to 45.**

This report is made solely to the Company's members, as a body, in accordance with Section 64 of the Companies (Guernsey) Law, 1994. Our audit work is undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of the directors and auditors

As described in the Statement of Directors' Responsibilities within the Directors' Report the Company's Directors are responsible for the preparation of the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRS).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies (Guernsey) Law, 1994. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law is not disclosed.

We read the other information included in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Chairman's Statement, Property Review, Company Summary, Directors, and Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

### Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRS, of the state of Group's affairs at 31 December 2006 and of its profit for the year then ended;
- the parent Company financial statements give a true and fair view, in accordance with IFRS, of the state of the Company's affairs at 31 December 2006 and of its profit for the year then ended; and
- have been properly prepared in accordance with the Companies (Guernsey) Law, 1994.

BDO Novus Limited  
CHARTERED ACCOUNTANTS  
Elizabeth House  
St Peter Port  
Guernsey.

18 May 2007

# Consolidated Income Statement

For the year ended 31 December 2006

	Notes	2006			4 July 2005 to 31 December 2005		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gross rental income	6	8,430	-	8,430	140	-	140
Property operating expenditure		(2,973)	-	(2,973)	(92)	-	(92)
<b>Net rental income</b>		5,457	-	5,457	48	-	48
Selling, general and administrative expenses	4	(4,564)	-	(4,564)	(4,400)	-	(4,400)
Other gains		61	-	61	-	-	-
Net foreign currency gains		76	-	76	256	-	256
<b>Operating expenditure</b>		(4,427)	-	(4,427)	(4,144)	-	(4,144)
<b>Operating profit/(loss) before gains on investment properties</b>		1,030	-	1,030	(4,096)	-	(4,096)
Unrealised gains on revaluation of investment properties	8	-	3,480	3,480	-	1,908	1,908
<b>Operating profit/(loss)</b>		1,030	3,480	4,510	(4,096)	1,908	(2,188)
Investment income		3,442	-	3,442	-	-	-
Bank interest receivable		10,860	-	10,860	2,797	-	2,797
Loan interest receivable		639	-	639	57	-	57
Bank borrowing costs		(1,031)	-	(1,031)	(33)	-	(33)
<b>Finance income</b>		13,910	-	13,910	2,821	-	2,821
<b>Profit/(loss) before tax</b>		14,940	3,480	18,420	(1,275)	1,908	633
Tax	5	(1,388)	(835)	(2,223)	7	(458)	(451)
<b>Net profit/(loss) for the year/period</b>		13,552	2,645	16,197	(1,268)	1,450	182
<b>Earnings per share - basic</b>	<b>7</b>			4.80p			0.12p
<b>Earnings per share - diluted</b>	<b>7</b>			4.79p			0.12p

The total column of this statement represents the Group's Income Statement, prepared in accordance with IFRS. The revenue and capital columns are both supplied as supplementary information permitted by IFRS. 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 minority interests.

The accompanying notes are an integral part of this statement.

# Company Income Statement

For the year ended 31 December 2006

		2006	4 July 2005 to 31 December 2005
	Notes	£'000	£'000
Revenue	6	19,794	2,843
Selling, general and administration expenses	4	(7,865)	(4,111)
Net foreign currency (losses)/gains		(6,343)	255
<b>Operating expenditure</b>		<b>(14,208)</b>	<b>(3,856)</b>
<b>Profit/(loss) before tax</b>		<b>5,586</b>	<b>(1,013)</b>
Tax		-	-
<b>Net profit/(loss) for the year/period</b>		<b>5,586</b>	<b>(1,013)</b>

All items in the above statement derive from continuing operations.

The accompanying notes are an integral part of this statement.

# Consolidated Balance Sheet

As at 31 December 2006

	Notes	2006 £'000	2005 £'000
<b>Non-current assets</b>			
Investment property	8	70,010	27,902
Investment property under construction	9	25,835	-
Deferred tax asset	14	510	355
Other receivables	11	10,903	1,706
		107,258	29,963
<b>Current assets</b>			
Trade and other receivables	12	6,945	1,385
Cash and cash equivalents	17	376,117	141,069
		383,062	142,454
<b>Total assets</b>		490,320	172,417
<b>Non-current liabilities</b>			
Interest bearing loans and borrowings	13	8,615	10,106
Deferred tax liability	14	2,744	802
Other payables	15	2,588	376
		13,947	11,284
<b>Current liabilities</b>			
Trade and other payables	16	22,096	13,130
Interest bearing loans and borrowings	13	1,429	1,115
		23,525	14,245
<b>Total liabilities</b>		37,472	25,529
<b>Net assets</b>		452,848	146,888
<b>Equity</b>			
Share capital	19	4,247	1,530
Special reserve	21	439,165	143,374
Capital reserve	22	4,095	1,450
Warrant reserve	23	1,279	1,279
Share options reserve	24	1,231	523
Share based payment reserve	25	1,400	-
Retained earnings/(deficit)	26	7,711	(1,268)
Translation reserve		(6,280)	-
<b>Total equity</b>		452,848	146,888
<b>Net asset value per share</b>	27	106p	96p

The accounts on pages 19 to 45 were approved by the Board of Directors on 18 May 2007 and signed on its behalf by:

Steve Coe  
Director

John Peters  
Director

The accompanying notes are an integral part of this statement.

# Company Balance Sheet

As at 31 December 2006

	Notes	2006 £'000	2005 £'000
<b>Non-current assets</b>			
Investments in subsidiary undertakings	10	80,823	9,580
<b>Current assets</b>			
Trade and other receivables	12	133	903
Cash and cash equivalents	17	369,632	139,010
		369,765	139,913
<b>Total assets</b>		450,588	149,493
<b>Current liabilities</b>			
Trade and other payables	16	3,266	3,800
<b>Total liabilities</b>		3,266	3,800
<b>Net assets</b>		447,322	145,693
<b>Equity</b>			
Share capital	19	4,247	1,530
Special reserve	21	439,165	143,374
Warrant reserve	23	1,279	1,279
Share options reserve	24	1,231	523
Share based payment reserve	25	1,400	-
Retained earnings/(deficit)	26	-	(1,013)
<b>Total equity</b>		447,322	145,693
<b>Net asset value per share</b>	27	105p	95p

The accounts on pages 19 to 45 were approved by the Board of Directors on 18 May 2007 and signed on its behalf by:

Steve Coe  
Director

John Peters  
Director

The accompanying notes are an integral part of this statement.

# Consolidated Statement of Changes in Equity

For the period 4 July 2005 to 31 December 2005

	Notes	Share Capital £'000	Share Premium £'000	Special Reserve £'000	Capital Reserve £'000	Warrant Reserve £'000	Share Options Reserve £'000	Translation Reserve £'000	Share Based Payment Reserve £'000	Retained Earnings £'000	Total £'000
Issue of ordinary share capital, net of issue costs	19,20	1,530	143,374								144,904
Conversion of share premium	20,21		(143,374)	143,374							-
Net profit for the period	26									182	182
Transfer in respect of gains on investment properties	22,26				1,450					(1,450)	-
Recognition in respect of share-based payments	23,24					1,279	523				1,802
At 31 December 2005		1,530	-	143,374	1,450	1,279	523	-	-	(1,268)	146,888
<b>For the year ended 31 December 2006</b>											
Translation on consolidation								(6,280)			(6,280)
Net profit for the year	26									16,197	16,197
Total recognised income for the year		-	-	-	-	-	-	(6,280)	-	16,197	9,917
Issue of ordinary share capital, net of issue costs	19,20	2,696	297,282								299,978
Issue in respect of Property Adviser's fees	19,20	21	2,429								2,450
Conversion of share premium	20,21		(299,711)	299,711							-
Dividends paid	26,28									(8,493)	(8,493)
Transfer from special reserves to retained earnings	21,26			(3,920)						3,920	-
Transfer in respect of gains on investment properties	22,26				2,645					(2,645)	-
Recognition in respect of share based payments	24						708				708
Property Adviser's fees to be settled by post balance sheet issue of shares	25								1,400		1,400
At 31 December 2006		4,247	-	439,165	4,095	1,279	1,231	(6,280)	1,400	7,711	452,848

The accompanying notes are an integral part of this statement.

# Company Statement of Changes in Equity

For the period 4 July 2005 to 31 December 2005

	Notes	Share Capital £'000	Share Premium £'000	Special Reserve £'000	Warrant Reserve £'000	Share Options Reserve £'000	Share Based Payment Reserve £'000	Retained Earnings £'000	Total £'000
Issue of ordinary share capital, net of issue costs	19,20	1,530	143,374						144,904
Conversion of share premium	20,21		(143,374)	143,374					-
Net loss for the period	26							(1,013)	(1,013)
Recognition in respect of share-based payments	23,24				1,279	523			1,802
<b>At 31 December 2005</b>		1,530	-	143,374	1,279	523	-	(1,013)	145,693
<b>For the year ended 31 December 2006</b>									
Issue of ordinary share capital, net of issue costs	19,20	2,696	297,282						299,978
Issue in respect of Property Adviser's fees	19,20	21	2,429						2,450
Conversion of share premium	20,21		(299,711)	299,711					-
Net profit for the year	26							5,586	5,586
Dividends Paid	26,28							(8,493)	(8,493)
Transfer from special reserves to retained earnings	21,26			(3,920)				3,920	-
Recognition in respect of share based payments	24					708			708
Property Adviser's fees to be settled by post balance sheet issue of shares	25						1,400		1,400
<b>At 31 December 2006</b>		4,247	-	439,165	1,279	1,231	1,400	-	447,322

The accompanying notes are an integral part of this statement.

# Consolidated Cash Flow Statement

For the year ended 31 December 2006

	Notes	2006 £'000	4 July 2005 to 31 December 2005 £'000
<b>Cash flows from operating activities</b>			
Operating profit/(loss) for the year/ period		4,510	(2,188)
Adjustments for:			
Gains on revaluation of investment properties	8	(3,480)	(1,908)
Recognised share based payments	29	139	197
Performance fee to be settled by share issue		700	-
Increase in operating trade and other receivables		(5,193)	(2,092)
Increase in operating trade and other payables		5,961	7,357
		2,637	1,366
Investment income received		14,732	2,797
Bank borrowing costs paid		(1,031)	(33)
Dividends paid	28	(8,493)	-
Tax paid		(436)	-
Net cash from operating activities		7,409	4,130
<b>Cash flows from investing activities</b>			
Purchase of investment properties		(6,426)	(5,089)
Payments for investment properties under construction		(54,715)	-
Loans advanced		(10,252)	(482)
Loans repaid		482	-
Net cash used in investing activities		(70,911)	(5,571)
<b>Cash flows from financing activities</b>			
Proceeds from the issue of share capital		300,004	147,027
Issue costs		(26)	(519)
Repayments of borrowings		(1,177)	(3,998)
Net cash from financing activities		298,801	142,510
Net increase in cash and cash equivalents		235,299	141,069
Opening cash and cash equivalents		141,069	-
Effect of foreign exchange rate changes		(251)	-
<b>Closing cash and cash equivalents</b>		<b>376,117</b>	<b>141,069</b>

The accompanying notes are an integral part of this statement.



# Company Cash Flow Statement

For the year ended 31 December 2006

	Notes	2006 £'000	4 July 2005 to 31 December 2005 £'000
<b>Cash flows from operating activities</b>			
Profit/(loss) before tax		5,586	(1,013)
Adjustments for:			
Foreign exchange loss arising from non-operating activities		5,613	-
Recognised share based payments	29	708	197
Performance fee to be settled by share issue	25	1,400	-
Investment income	6	(14,303)	(2,843)
Interest accrued included in the carrying value of subsidiary	6	(5,491)	-
Increase in operating trade and other receivables		(69)	(63)
Increase in operating trade and other payables		1,174	3,729
<b>Cash generated from operations</b>		<b>(5,382)</b>	<b>7</b>
<b>Net cash from operating activities</b>			
Interest income received	6	14,303	2,740
Dividend received	6	58	-
Dividends paid	28	(8,493)	-
<b>Net cash from operating activities</b>		<b>486</b>	<b>2,747</b>
<b>Cash flows from investing activities</b>			
Investment in subsidiary undertakings		(70,324)	(9,763)
Loans advanced		-	(482)
Loans repaid		482	-
<b>Net cash used in investing activities</b>		<b>(69,842)</b>	<b>(10,245)</b>
<b>Cash flows from financing activities</b>			
Proceeds from the issue of share capital		300,004	147,027
Issue costs		(26)	(519)
<b>Net cash from financing activities</b>		<b>299,978</b>	<b>146,508</b>
<b>Net increase in cash and cash equivalents</b>		<b>230,622</b>	<b>139,010</b>
Opening cash and cash equivalents		139,010	-
<b>Closing cash and cash equivalents</b>		<b>369,632</b>	<b>139,010</b>

The accompanying notes are an integral part of this statement.

# Notes to the Financial Statements

## For the year ended 31 December 2006

### 1. General information

Raven Russia Limited is a Company incorporated in Guernsey. The address of the registered office is shown on page 46. The financial statements were authorised for issue on 18 May 2007 by Steve Coe and John Peters on behalf of the board.

The nature of the Group's operations and its principal activities are set out in the Directors' Report.

Foreign operations are included in accordance with the policies set out in note 2.6.

### 2. Accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the period, is set out below:

#### 2.1 Basis of Accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), which comprise standards and interpretations approved by the International Accounting Standards Board (IASB), and International Accounting Standards and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee ("IASC") that remain in effect.

The financial statements have been prepared on the historical cost basis, except for the revaluation of investment properties.

At the date of authorisation of these financial statements, the following standards and interpretations, which have not been applied in these financial statements, were in issue but not yet effective:-

- IFRS 7: Financial instruments: Disclosures and the related amendments to IAS 1 on capital disclosures - for accounting periods commencing on or after 1 January 2007.
- IFRS 8: Operating segments - for accounting periods commencing on or after 1 January 2009.
- IFRIC 7: Applying the Restatement Approach under IAS 29: Financial Reporting in Hyperinflationary Economies - for accounting periods commencing on or after 1 March 2006.
- IFRIC 8: Scope of IFRS 2 - for accounting periods commencing on or after 1 May 2006.
- IFRIC 9: Reassessment of embedded derivatives - for accounting periods commencing on or after 1 June 2006.
- IFRIC 10: Interim financial reporting and impairments - for accounting periods commencing on or after 1 November 2006.
- IFRIC 11: IFRS 2 – Group and Treasury Share Transactions - for accounting periods commencing on or after 1 March 2007.
- IFRIC 12: Service Concession Arrangements - for accounting periods commencing on or after 1 January 2008.

The Directors anticipate that the adoption of these standards and interpretations in future periods will not have material impact on the financial statements of the Group, except for the additional disclosures on capital and financial instruments when IFRS 7 comes into effect.

# Notes to the Financial Statements – *continued*

## **2.2 Basis of consolidation**

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

Investment properties have been acquired through special purpose vehicles (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 business acquisitions and instead the financial statements reflect the substance of the transactions, which is considered to be the purchases of investment properties and associated net assets.

The results of SPVs acquired or disposed of during the year are included in the consolidated 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 SPVs to bring the accounting policies used into line with those used by the Group.

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

## **2.3 Joint ventures**

A joint venture is a contractual arrangement whereby two or more parties undertake economic activity that is subject to joint control. The Group undertakes its joint ventures through jointly controlled entities. The consolidated financial statements include the Group’s proportionate share of these entities’ assets, liabilities, income and expenses on a line by line basis from the date on which joint control commences to the date on which joint control ceases.

## **2.4 Revenue recognition**

Rental revenues are accounted for on an accruals basis. Rent is billed in advance and then allocated to the appropriate period. Therefore, deferred revenue generally represents advance payments from tenants. Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of revenue can be measured reliably.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

## **2.5 Leasing**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

## **2.6 Foreign currency translation**

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

Items included in the financial statements of each of the Group entities are measured in the currency of the primary economic environment in which the entity operates (the “functional currency”). The consolidated financial statements are presented in pounds sterling, which is the Company’s functional and presentation currency.

### **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.

# Notes to the Financial Statements – *continued*

## **c) Group companies**

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 presented are translated at the closing rate at the date of the balance sheet;
- (ii) income and expenses for each income statement are translated at the average exchange rate prevailing in the period; and
- (iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, the exchange differences arising from the translation of the net investment in foreign entities are taken to shareholders' equity. When a foreign operation 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.

## **2.7 Taxation**

The Company is exempt from Guernsey taxation on income derived outside of Guernsey and bank interest earned in Guernsey under the Income Tax (Exempt Bodies) (Guernsey) Ordinance, 1989. A fixed annual fee of £600 is payable to the States of Guernsey in respect of this exemption. No charge to Guernsey taxation will arise on capital gains.

The Directors conduct the Group's affairs such that the management and control is not exercised in the United Kingdom and so that neither the Company nor any of its subsidiaries carries on any trade in the United Kingdom. Accordingly, the Company and its subsidiaries will not be liable for UK taxation.

The Group is liable to Russian tax arising on the activities of its Russian operations.

The Group is liable to Cypriot tax arising on the activities of its Cypriot operations.

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income and expense 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.

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.

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. 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.

# Notes to the Financial Statements – *continued*

## **2.8 Investment property**

Property held to earn rentals and/or for capital appreciation and that is not occupied by the companies in the Group, is classified as investment property.

Investment property comprises freehold land, freehold buildings and land held under operating lease.

Investment property is measured initially at its cost, including related transaction costs.

After initial recognition, investment property is carried at fair value. The Group has appointed Jones Lang LaSalle as property valuers to prepare valuations on a semi-annual basis. Valuations will be undertaken in accordance with International Valuation Standards published by the International Valuations Standards Committee. 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.

The purchase of the investment properties is often made using SPVs.

The acquisition of a corporate vehicle, whose only activity is that of holding the targeted investment property, is accounted for based on the substance of the transaction. The Directors consider the substance of such transactions to be property acquisitions as opposed to a business combination under IFRS 3.

## **2.9 Investment property under construction**

Properties in the course of construction for rental purposes, or for purposes not yet determined are carried at cost, less any recognised impairment loss. Cost includes professional fees and borrowing costs capitalised in accordance with the Group's accounting policy. Upon completion of the construction of property for rental purposes, the property is transferred to investment property at fair value when it is available for letting.

Where a property is constructed under a forward funding arrangement, the Group will provide the developer with funding for the development, generating interest. Such interest accrues throughout the construction period and is not reflected in income but instead is applied as a cost rebate in arriving at the purchase cost of the property.

## **2.10 Borrowing costs**

Borrowing costs that are directly attributable to the construction of investment property are capitalised as incurred.

All other borrowing costs are recognised in the income statement in the period in which they are incurred.

## **2.11 Interest-bearing loans and borrowings**

Interest bearing loans are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis to the profit and loss account using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

## **2.12 Expenses**

Expenses are accounted for on an accruals basis. Fees payable to the Property Adviser are calculated with reference to the cost or valuation of the underlying properties held by the Group. Fees in respect of properties under construction are included within the cost of such properties, until such times as they are transferred to investment property, whereupon future fees are expensed in the income statement.

All other administration expenses are charged through the income statement.

Transaction costs directly attributable to the purchase of the investment properties are included within the cost of the property.

# Notes to the Financial Statements – *continued*

## **2.13 Segmental reporting**

The Directors are of the opinion that the Group is engaged in a single segment of business being property investment business and in one geographical area, Russia.

## **2.14 Cash and cash equivalents**

Cash at bank and short term deposits that are held to maturity are carried at cost. Cash and cash equivalents consist of cash in hand, short term deposits in banks and money market instruments with an original maturity of three months or less.

## **2.15 Share-based payments**

The Group has applied the requirement of IFRS 2 Share-based Payments.

The Group makes equity-settled and cash-settled share-based payments to certain employees and service providers. Equity-settled, share based payments are measured at fair value as at the date of grant. The fair value determined at grant date is expensed on a straight line basis over the vesting period, based on the Group's estimate of the number of instruments that will eventually vest. Further details of how the fair value is determined are shown in note 29.

## **2.16 Financial liability and equity**

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

## **2.17 Financial instruments**

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes party to the contractual provisions of the instrument.

## **2.18 Trade and other payables**

Trade payables are not interest bearing and are stated at their nominal value.

## **2.19 Trade and other receivables**

Trade and other receivables are stated at their cost less impairment losses.

## **2.20 Investment in subsidiary undertakings**

Investment in subsidiary undertakings are stated at cost less, where appropriate, provisions for impairment.

# Notes to the Financial Statements – *continued*

## 3. Financial risk factors

The Group is exposed to interest rate risk, credit risk, liquidity risk and currency risk arising from the financial instruments it holds. The risk management policies employed by the Group to manage these risks are discussed below:

### (a) Interest rate risk

The Group's exposure to interest rate risk relates to the Group's loans receivable, cash and cash equivalents, and long-term debt obligations. Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. Financial instruments issued at variable rates expose the Group to cash flow interest rate risk. Financial instruments issued at fixed rates expose the Group to fair value interest rate risk. The Group's loans receivable are at fixed rates and the cash and cash equivalents are at variable rates. To date the Group has borrowed funds at variable rates. The Group monitors this situation on an on-going basis.

### (b) Credit risk

Credit risk arises when a failure by counter-parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the balance sheet date. In the event of a default by an occupational tenant, the Group will suffer a rental shortfall and incur additional costs, including legal expenses in maintaining, insuring and re-letting the property.

With respect to credit risk arising from other financial assets of the Group, which comprise cash and cash equivalents, the Group's exposure to credit risk arises from default of the counterparty with a maximum exposure equal to the carrying value of these instruments. The Group has determined to maintain its cash and cash equivalent balances with financial institutions, with a minimum credit rating of 'A'. The Group monitors the placement of cash balances on an ongoing basis.

### (c) Liquidity risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Group has procedures with the object of minimising such losses such as maintaining sufficient cash and other highly liquid current assets and will negotiate additional credit facilities as and when required. Cash and cash equivalents are placed with financial institutions on a short term basis reflecting the Group's desire to maintain a high level of liquidity to enable timely completion of investment transactions.

### (d) Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Group's measurement currency. The Group is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the Russian Rouble, United States Dollar and Sterling. The Group's management monitors the exchange rate fluctuations on an on-going basis.

# Notes to the Financial Statements – *continued*

The financial instruments of the Company and its Group had the following currency profile at the balance sheet date:

<b>Group</b>	<b>Sterling</b>	<b>US Dollar</b>	<b>Russian Rouble</b>	<b>Total</b>
<b>31 December 2006</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Non-current assets</b>				
Loans receivable	-	10,461	-	10,461
Other assets	-	-	442	442
<b>Current assets</b>				
Trade receivables	-	-	2,148	2,148
Other receivables	132	2,520	2,145	4,797
Call deposits	14,304	354	6,288	20,946
Money market instruments	355,171	-	-	355,171
	<b>369,607</b>	<b>13,335</b>	<b>11,023</b>	<b>393,965</b>
<b>Non-current liabilities</b>				
Interest bearing loans and borrowings	-	8,615	-	8,615
Rent deposits	-	749	-	749
Retention under construction contracts	-	1,787	-	1,787
<b>Current liabilities</b>				
Investment property acquisition costs	-	17,538	-	17,538
Other creditors	3,266	167	1,125	4,558
Interest bearing loans and borrowings	-	1,429	-	1,429
	<b>3,266</b>	<b>30,285</b>	<b>1,125</b>	<b>34,676</b>
<b>31 December 2005</b>				
<b>Non-current assets</b>				
Other assets	-	-	1,706	1,706
<b>Current assets</b>				
Loan receivable	-	482	-	482
Other receivables	421	-	482	903
Call deposits	-	804	1,461	2,265
Money market instruments	138,804	-	-	138,804
	<b>139,225</b>	<b>1,286</b>	<b>3,649</b>	<b>144,160</b>
<b>Non-current liabilities</b>				
Interest bearing loans and borrowings	-	10,106	-	10,106
Rent deposits	-	325	-	325
<b>Current liabilities</b>				
Investment property acquisition costs	-	6,426	-	6,426
Other creditors	3,800	-	2,904	6,704
Interest bearing loans and borrowings	-	1,115	-	1,115
	<b>3,800</b>	<b>17,972</b>	<b>2,904</b>	<b>24,676</b>



## Notes to the Financial Statements – *continued*

<b>Company</b> <b>31 December 2006</b>	<b>Sterling</b> <b>£'000</b>	<b>US Dollar</b> <b>£'000</b>	<b>Russian Rouble</b> <b>£'000</b>	<b>Total</b> <b>£'000</b>
<b>Non-current assets</b>				
Investment in subsidiary undertakings	-	80,823	-	80,823
<b>Current assets</b>				
Other receivables	133			133
Call deposits	14,303	158	-	14,461
Money market instruments	355,171	-	-	355,171
	<b>369,607</b>	<b>80,981</b>	<b>-</b>	<b>450,588</b>
<b>Current liabilities</b>				
Other creditors	3,266	-	-	3,266
<b>31 December 2005</b>				
<b>Current assets</b>				
Loan receivable	-	482	-	482
Other receivables	421	-	-	421
Call deposits	-	206	-	206
Money market instruments	138,804	-	-	138,804
	<b>139,225</b>	<b>688</b>	<b>-</b>	<b>139,913</b>
<b>Current liabilities</b>				
Other creditors	3,800	-	-	3,800

### (e) Fair value estimation

The fair values of the Group's financial assets and liabilities approximate their carrying amounts at the balance sheet date.

<b>4. Selling, general and administration expenses</b>	<b>2006 Company</b> <b>£'000</b>	<b>2006 Group</b> <b>£'000</b>	<b>2005 Company</b> <b>£'000</b>	<b>2005 Group</b> <b>£'000</b>
Property Adviser management fees	2,924	909	146	146
Property Adviser performance fees	2,000	700	3,500	3,500
Recognised option share-based payments (see note 29)	708	139	197	197
Directors' remuneration	161	161	40	40
Auditors' remuneration	22	58	28	38
Administration, registrar & other operating expenditure	2,050	2,597	200	479
	<b>7,865</b>	<b>4,564</b>	<b>4,111</b>	<b>4,400</b>

The Property Adviser fees are project specific and are included in the cost of investment properties under construction on consolidation where appropriate. Total fees of £3.9 million (2005: nil) were included in the cost of investment properties and properties under construction at 31 December 2006. Performance fees are partly share-based payments as detailed in note 29.

## Notes to the Financial Statements – *continued*

### 5. Tax

	2006 Company £'000	2006 Group £'000	2005 Company £'000	2005 Group £'000
The tax expense for the year comprises:-				
Current taxation	-	295	-	(7)
Increase in deferred tax asset	-	(155)	-	-
Increase in deferred tax liability	-	1,942	-	458
Under provision in prior year	-	141	-	-
Income tax expense	-	2,223	-	451

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

	2006 Group £'000	2005 Group £'000
Profit before tax	18,420	633
Tax at the Russian corporate tax rate of 24%	4,421	152
Tax effect of income not subject to tax	(3,545)	(744)
Tax effect of non deductible expenses and effect of foreign exchange	1,343	1,043
Under provision in prior year	4	-
Tax charge	2,223	451

### 6. Revenue

	2006 Company £'000	2005 Company £'000
<b>Company:</b>		
Bank interest	10,836	2797
Investment income	3,409	-
Dividends from subsidiary undertakings	58	-
Interest from subsidiary undertakings	5,491	46
	19,794	2,843

#### Group:

Gross rental income for the year ended 31 December 2006 amounted to £8.43 million (2005: £0.14 million)

The Group leases all of its investment properties under operating leases. Leases are typically for terms of three, five, seven or ten years.

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

	£'000
Within one year	11,350
In second year	11,306
In the third to fifth years (inclusive)	29,770
After five years	17,032
	69,458

# Notes to the Financial Statements – *continued*

## 7. Earnings per share

	<b>2006 Group £'000</b>	<b>2005 Group £'000</b>
The calculation of the basic and diluted earnings per share is based on the following data:		
Earnings for the purposes of basic and diluted earnings per share being net profit attributable to equity holders of the parent.	16,197	182
<b>Number of shares</b>		
Number of ordinary shares for the purposes of basic earnings per share and dilutive earnings per share:		
Weighted average number of ordinary shares for the purposes of basic earnings per share	337,565	153,000
Effect of dilutive potential ordinary shares:		
Options	184	277
Warrants	736	1,108
Weighted average number of ordinary shares for the purposes of diluted EPS	338,485	154,385

The Company has issued 25,058,189 options (2005: 11,475,000), which vesting is based on the share price based performance criteria. At 31 December 2006 the performance criteria had not been met and accordingly the options have not been included in the calculation of dilutive earnings per share.

Since the balance sheet date the Company has issued a further 1,222,841 ordinary shares.

## 8. Investment property

	<b>2006 Group £'000</b>	<b>2005 Group £'000</b>
As at 1 January	27,902	-
Effect of foreign exchange rate changes	(3,395)	-
Acquisitions in the year /period	-	25,994
Transfer from investment property under construction (note 9)	42,023	-
	66,530	25,994
Unrealised gains on revaluation of investment properties	3,480	1,908
Balance as at 31 December	70,010	27,902

The fair value of the Group's investment property at 31 December 2006 has been arrived at on the basis of valuations carried out at that date by Jones Lang LaSalle, independent valuers not connected with the Group. Market Value valuation basis has been used as defined by the International Valuation Standards Committee ('VIC'). Valuation are gross of purchase cost.

The approved VIC definition of Market Value is "the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and willing seller in an arms length transaction after proper marketing wherein parties had each acted knowledgeably, prudently and without compulsion".

The Group has pledged approximately £25.5m of its investment property to secure banking facilities granted to the Group (note 13).

The consideration payable in respect of each acquisition is dependant upon certain future events. In calculating each acquisition the Directors have assessed the most probable outcome as at the balance sheet date. The Directors will reconsider the consideration payable at each year end and adjust accordingly.

# Notes to the Financial Statements – *continued*

## 9. Investment property under construction

	2006 Group £'000	2005 Group £'000
As at 1 January	-	-
Costs incurred	70,076	-
Effect of foreign exchange rate changes	(2,218)	-
Transfer to investment property (note 8)	(42,023)	-
Balance as at 31 December	25,835	-

All expenditure on the acquisition and construction of investment property is capitalised on an accruals basis. Investment property under construction is reclassified to investment property upon completion of the project, when it is available for letting.

## 10. Investment in subsidiary undertakings

	Share Capital £'000	Loans £'000	Total £'000
At 4 July 2005	-	-	-
Acquisition of shares in subsidiary undertakings	15	-	15
Loans to subsidiary undertakings	-	9,565	9,565
At 31 December 2006	15	9,565	9,580
Loans to subsidiary undertakings	-	71,243	71,243
At 31 December 2006	15	80,808	80,823

The Group's investment properties are held by its subsidiary undertakings.

The Group's share of the assets and liabilities, revenues and expenses of the joint ventures is not significant at the balance sheet date.

All loans to subsidiary undertakings are unsecured and have no set repayment date and are subject to a weighted average interest rate of 11.8%.

## 11. Other receivables

	2006 Company £'000	2006 Group £'000	2005 Company £'000	2005 Group £'000
Loans receivable	-	10,461	-	-
Other assets	-	442	-	1,706
	-	10,903	-	1,706

Included in other assets is value added tax paid on construction of investment properties which will be recovered through the offset of VAT paid on future revenue receipts. VAT recoverable has been split between current and non-current assets based on the Group's assessment of when recovery will occur.

The loans receivable are secured, with a weighted average loan period of 1 year and a weighted average interest rate of 16.2%.

## Notes to the Financial Statements – *continued*

<b>12. Trade and other receivables</b>	<b>2006 Company £'000</b>	<b>2006 Group £'000</b>	<b>2005 Company £'000</b>	<b>2005 Group £'000</b>
Trade receivables	-	2,148	-	-
Loan receivables	-	-	482	482
Other receivables	133	4,797	421	903
	133	6,945	903	1,385

  

<b>13. Interest bearing loans and borrowings</b>	<b>2006 Company £'000</b>	<b>2006 Group £'000</b>	<b>2005 Company £'000</b>	<b>2005 Group £'000</b>
<b>(a) Bank loans</b>				
Loans due for settlement within 12 months	-	1,047	-	1,115
Loans due for settlement after 12 months	-	7,516	-	10,106
	-	8,563	-	11,221
<b>(b) Other interest bearing loans</b>				
Loans due for settlement within 12 months	-	382	-	-
Loans due for settlement after 12 months	-	1,099	-	-
	-	1,481	-	-
Total loans due for settlement within 12 months	-	8,615	-	10,106
Total loans due for settlement after 12 months	-	1,429	-	1,115
	-	10,044	-	11,221

The bank borrowings are secured and bear a weighted average interest rate of 5.2% over 3 month US Libor per annum. The weighted average loan period is 5 years.

Other interest bearing loans are secured and bear a weighted average interest rate of 7% per annum. The weighted average loan period is 5 years.

All loans are sourced in United States dollars and the Group has not entered into any hedging arrangements in respect of its foreign currency obligations or interest rate exposures.

## Notes to the Financial Statements – *continued*

<b>14. Deferred tax</b>	<b>Tax losses and foreign currency effect £'000</b>	<b>Other £'000</b>	<b>Total £'000</b>	
<b>(a) Deferred tax asset</b>				
At 4 July 2005	-	-	-	
Charge to income	355	-	355	
Charge to equity	-	-	-	
At 1 January 2006	355	-	355	
Charge to income	132	23	155	
Charge to equity	-	-	-	
At 31 December 2006	487	23	510	
<b>(b) Deferred tax liability</b>				
	<b>Accelerated tax allowances and other temporary differences £'000</b>	<b>Revaluation of investment property £'000</b>	<b>Total £'000</b>	
At 4 July 2005	-	-	-	
Charge to income	344	458	802	
Charge to equity	-	-	-	
At 1 January 2006	344	458	802	
Charge to income	1,107	835	1,942	
Charge to equity	-	-	-	
At 31 December 2006	1,451	1,293	2,744	
<b>15. Other payables</b>				
	<b>2006 Company £'000</b>	<b>2006 Group £'000</b>	<b>2005 Company £'000</b>	<b>2005 Group £'000</b>
Rent deposits	-	749	-	325
Deferred revenue	-	52	-	51
Retention under construction contracts	-	1,787	-	-
	-	2,588	-	376
<b>16. Trade and other payables</b>				
	<b>2006 Company £'000</b>	<b>2006 Group £'000</b>	<b>2005 Company £'000</b>	<b>2005 Group £'000</b>
Investment property acquisition costs	-	17,538	-	6,426
Other creditors	3,266	4,558	3,800	6,704
	3,266	22,096	3,800	13,130

## Notes to the Financial Statements – *continued*

<b>17. Cash and cash equivalents</b>	<b>2006 Company £'000</b>	<b>2006 Group £'000</b>	<b>2005 Company £'000</b>	<b>2005 Group £'000</b>
Call deposits	14,461	20,946	206	2,265
Money market instruments	355,171	355,171	138,804	138,804
	<u>369,632</u>	<u>376,117</u>	<u>139,010</u>	<u>141,069</u>

All the money market instruments attract variable interest rates. The weighted average interest rate at the balance sheet date is 5.2%.

### 18. Significant non-cash transactions

#### Investing activities

Upon acquisition of its investment properties in 2005 the Group acquired/assumed various assets and liabilities including borrowings of £11.7 million.

#### Financing activities

The proceeds from the issue of ordinary share capital were received after deduction of commissions totalling £10 million (2005: £5.9 million).

Included within issue costs shown in 2005 statement of changes in equity is the cost of issuing certain options and warrants for cost of £1.6 million.

<b>19. Share capital</b>	<b>2006 Company £'000</b>	<b>2006 Group £'000</b>	<b>2005 Company £'000</b>	<b>2005 Group £'000</b>
<b>Authorised share capital</b>				
1,000,000,000 ordinary shares of 1p each:	10,000	10,000	10,000	10,000
<b>Issued share capital:</b>	<u>4,247</u>	<u>4,247</u>	<u>1,530</u>	<u>1,530</u>
	<b>2006 Company No</b>	<b>2006 Group No</b>	<b>2005 Company No</b>	<b>2005 Group No</b>
At at 1 January	153,000,000	153,000,000	-	-
Issued (ordinary shares of 1p each)	271,663,711	271,663,711	153,000,000	153,000,000
Balance as at 31 December	<u>424,663,711</u>	<u>424,663,711</u>	<u>153,000,000</u>	<u>153,000,000</u>

Included in the issued shares during the year are 2,098,501 ordinary shares issued to the Property Adviser. Of the authorised share capital 34,620,687 ordinary shares are reserved for options and warrants.

The Company has one class of ordinary shares which carry no right to fixed income.

## Notes to the Financial Statements – *continued*

<b>20. Share premium</b>	<b>2006 Company £'000</b>	<b>2006 Group £'000</b>	<b>2005 Company £'000</b>	<b>2005 Group £'000</b>
As at 1 January	-	-	-	-
Premium arising on issue of ordinary shares	307,304	307,304	151,470	151,470
Issue in respect of Property Adviser's fees	2,429	2,429	-	-
Transaction costs on issue of ordinary shares	(10,022)	(10,022)	(8,096)	(8,096)
Conversion to special distributable reserve (note 21)	(299,711)	(299,711)	(143,374)	(143,374)
Balance as at 31 December	-	-	-	-

On 16 June 2006 the Royal Court of Guernsey confirmed the reduction of capital by way of cancellation of the Company's share premium. The amount cancelled has been credited as a distributable reserve.

<b>21. Special reserve</b>	<b>2006 Company £'000</b>	<b>2006 Group £'000</b>	<b>2005 Company £'000</b>	<b>2005 Group £'000</b>
As at 1 January	143,374	143,374	-	-
On conversion from share premium (note 20)	299,711	299,711	143,374	143,374
Transfer from special reserve to retained earnings (note 26)	(3,920)	(3,920)	-	-
Balance as at 31 December	439,165	439,165	143,374	143,374

The special reserve is a distributable reserve to be used for all purposes permitted under Guernsey Company law, including the buy back of shares and the payment of dividends.

<b>22. Capital reserve</b>	<b>2006 Company £'000</b>	<b>2006 Group £'000</b>	<b>2005 Company £'000</b>	<b>2005 Group £'000</b>
As at 1 January	-	1,450	-	-
Net fair value adjustments in the year/period on investment properties	-	2,645	-	1,450
Balance as at 31 December	-	4,095	-	1,450

The following are accounted for in this reserve:

- Gains and losses on the disposal of investment properties.
- Increases and decreases in the fair value of investment properties held at the period end.
- Deferred taxation on the increase in fair value of investment properties.



## Notes to the Financial Statements – *continued*

<b>23. Warrant reserve</b>	<b>2006 Company £'000</b>	<b>2006 Group £'000</b>	<b>2005 Company £'000</b>	<b>2005 Group £'000</b>
As at 1 January	1,279	1,279	-	-
Recognised fair value of share-based payments for the year/period	-	-	1,279	1,279
<b>Balance as at 31 December</b>	<b>1,279</b>	<b>1,279</b>	<b>1,279</b>	<b>1,279</b>

Details of share-based payments in the period are shown in note 29.

<b>24. Share options reserve</b>	<b>2006 Company £'000</b>	<b>2006 Group £'000</b>	<b>2005 Company £'000</b>	<b>2005 Group £'000</b>
As at 1 January	523	523	-	-
Recognised fair value of share-based payments for the year/period	708	708	523	523
<b>Balance as at 31 December</b>	<b>1,231</b>	<b>1,231</b>	<b>523</b>	<b>523</b>

Details of share-based payments in the period are shown in note 29.

<b>25. Share-based payment reserve</b>	<b>2006 Company £'000</b>	<b>2006 Group £'000</b>	<b>2005 Company £'000</b>	<b>2005 Group £'000</b>
As at 1 January	-	-	-	-
Property Adviser's fees to be settled by post balance sheet issue of shares	1,400	1,400	-	-
<b>Balance as at 31 December</b>	<b>1,400</b>	<b>1,400</b>	<b>-</b>	<b>-</b>

This reserve will be transferred to share capital and premium upon the allotment of ordinary shares to the Property Adviser.

<b>26. Retained earnings</b>	<b>2006 Company £'000</b>	<b>2006 Group £'000</b>	<b>2005 Company £'000</b>	<b>2005 Group £'000</b>
As at 1 January	(1,013)	(1,268)	-	-
Net profit/(loss) for the year/period	5,586	16,197	(1,013)	182
Dividends paid	(8,493)	(8,493)	-	-
Transfer in respect of gains on investment properties	-	(2,645)	-	(1,450)
Transfer from special reserves to retained earnings (note 21)	3,920	3,920	-	-
<b>Balance as at 31 December</b>	<b>-</b>	<b>7,711</b>	<b>(1,013)</b>	<b>(1,268)</b>

Any surplus arising from the net profit for the period after payment of dividends is taken to this reserve.

## Notes to the Financial Statements – *continued*

<b>27. Net asset value per share</b>	<b>2006 Company £'000</b>	<b>2006 Group £'000</b>	<b>2005 Company £'000</b>	<b>2005 Group £'000</b>
Net asset value	447,322	452,848	145,693	146,888
Net asset value attributable to future issues of shares	(1,400)	(1,400)	-	-
Adjusted net asset value	445,922	451,448	145,693	146,888
Number of ordinary shares at 31 December	424,663,711	424,663,711	153,000,000	153,000,000
Net asset value per share	105p	106p	95p	96p

### 28. Dividend per share

The dividend paid on 22 December 2006 was £8,493,274 (or 2p per share).

### 29. Share-based payments

#### (a) Terms

As part consideration for the services offered by Genkos Securities Limited and Kinmont Limited under the Placing Agreement, options were granted to these companies pursuant to which they have the right to subscribe for 1,530,000 and 382,500 ordinary shares respectively at £1.00 per share, such options to be exercisable at any time during the period of five years from the date of Admission.

To incentivise personnel of the Property Adviser involved in providing advice to the Group, the Company granted to the trustee of the Raven Mount Employee Benefit Trust an option to acquire up to 7.5% of its issued ordinary share capital from time to time (less the number of shares under option in favour of Adrian Collins referred to in the Directors' Report). The options will vest in three tranches. The options are exercisable over a period of 4 to 12 years following admission dependent on cumulative performance criteria of between 9% and 12% of total shareholders return having been met.

The exercise price for each tranche is set by reference to the average price of the Company's shares in the month preceding the first and second anniversaries of the Company's Admission to AIM (for tranche two and three). Tranche one options have an exercise price of £1.00 per share.

The Company has issued warrants to the Property Adviser pursuant to which the Property Adviser has been granted the right to subscribe for 7,650,000 ordinary shares in the Company at £1.00 per ordinary share such warrants to be exercisable at any time during the period of 5 years from the date of Admission. The Warrant Instrument provides that the Warrant Holder from time to time may transfer all or part of their Warrants.

## Notes to the Financial Statements – *continued*

	<b>2006 No of options</b>	<b>2005 No of options</b>
Outstanding at beginning of period	21,037,500	-
Granted during the period:		
Equity-settled options	13,583,187	13,387,500
Equity-settled warrants	-	7,650,000
Outstanding at the end of the period	34,620,687	21,037,500
Exercisable options at the end of the period	1,912,500	1,912,500
Exercisable warrants at the end of the period	7,650,000	7,650,000

The weighted average exercise price of outstanding options at 31 December 2006 was 106.30p (2005: 103.67p) with a weighted average remaining contractual life of eleven years.

The weighted average exercise price of outstanding warrants at 31 December 2006 was £1.00, with a weighted average remaining contractual life of 4 years.

Following the issue of additional shares during the year, options were granted to Raven Mount Plc Employees Benefit Trust to maintain its right to 7.5% of the issued share capital of the Company.

### **(b) Calculation of the fair value of equity settled share based payments**

All share based payments have been valued using a binomial model. The key inputs to this model are:

	<b>Options</b>	<b>Warrants</b>
Weighted average share price	102.46p	98.88p
Weighted average exercise price	104.92p	100.00p
Expected volatility	26%	26%
Risk free rate	4.16%	4.16%
Weighted average expected dividend yield	4.72%	4.55%

- No discount is applied to the option granted to the Raven Mount Employee Benefit Trust.
- Expected volatility was calculated on the one year volatility of an appropriate comparator company.
- The risk free rate is based on the yield on a zero coupon government security at grant date.

The Group recognised a total share-based payment expense of £707,690 (2006: £196,579). Of the share-based payment costs relating to warrants and options £138,914 (2005: £196,579) was expensed and £568,776 (2005: £nil) was included in investment property under construction.

### **(c) Other equity-settled payments**

Any performance fee payable to the Property Adviser is to be settled as to 30% in cash and as to the balance in ordinary shares allotted by reference to the average closing mid-market price of such shares over the last 20 trading days for the relevant accounting period for which the performance relates.

## Notes to the Financial Statements – *continued*

### **30. Capital commitment**

From incorporation until 31 December 2006, the Company had committed to fund the development of and/or purchase assets with an estimated end value of US\$889 million (£453 million) (2005: US\$111 million). Since the year end the Company has committed to additional projects with an estimated end value of US\$111 million. The actual value of total commitments may differ due to changing construction budgets and phasing, the share of development profits where appropriate and the set off of accrued mezzanine finance interest receivable. At 31 December 2006, US\$177 million (£90.5 million) of the above commitment have been incurred.

### **31. 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.

As disclosed in the Directors' Report the Property Adviser received £2.9 million for the services of property management and a £2 million performance fee which was settled as £0.6 million in cash and £1.4 million by allotment of 1,222,841 shares to be issued after the year end.

As at 31 December 2006, £3.1 million of the above fees remains outstanding and £3.9 million has been capitalised in investment property under construction.

Other transactions involving the Administrator, the legal adviser and Directors are detailed in the Directors' Report on page 13 to 15.

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## **PART 6**

### **FINANCIAL INFORMATION ON THE RAVEN MOUNT GROUP**

The financial information on Raven Mount set out below represents the financial statements of the Raven Mount Group and Raven Mount as published and the audit opinion thereon for the year ended 31 December 2008. The financial statements were audited by BDO Stoy Hayward LLP for the financial year 31 December 2008. The auditors' report for the financial year was unqualified and did not contain a statement under section 237(2) or 237(3) of the Act.

The financial information included within this Part 6 does not constitute statutory accounts within the meaning of section 240 of the Act or section 434 of the 2006 Act.

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## **INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF RAVEN MOUNT**

We have audited the Raven Mount Group and parent company financial statements (the "financial statements") of Raven Mount for the period ended 31 December 2008 which comprise the consolidated income statement, the consolidated and company balance sheets, the consolidated cash flow statement, the consolidated statement of recognised income and expense, and the related notes. These financial statements have been prepared under the accounting policies set out therein.

### **Respective responsibilities of directors and auditors**

The Raven Mount directors' responsibilities for preparing the Annual Report and Raven Mount Group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and for preparing the parent company financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and for being satisfied that the financial statements give a true and fair view are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, have been prepared in accordance with the Companies Act 2006 and give a true and fair view. We also to you report to you whether in our opinion the information given in the directors' report is consistent with those financial statements. We also report to you if, in our opinion, Raven Mount has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the annual report and consider whether it is consistent with the audited financial statements. This other information comprises only the directors' report, the chairman's statement, the chief executive's report, the finance director's report, the directors' remuneration report and the Corporate Governance Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Our report has been prepared pursuant to the requirements of the Companies Act 2006 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 2006 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Raven Mount Group's and Raven Mount's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

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**Opinion**

In our opinion:

- the Raven Mount Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Raven Mount Group's affairs as at 31 December 2008 and of its loss for the year then ended;
- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the parent company's affairs as at 31 December 2008;
- the financial statements have been properly prepared in accordance with the Companies Act 2006; and
- the information given in the directors' report is consistent with the financial statements.

**Russell Field**

*Senior Statutory Auditor*

For and on behalf of BDO Stoy Hayward LLP  
Statutory Auditors  
London

31 March 2009

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**RAVEN MOUNT – CONSOLIDATED INCOME STATEMENT***For the year ended 31 December 2008*

		<i>Total</i>	
		<i>2008</i>	<i>2007</i>
	<i>Note</i>	<i>£'000</i>	<i>£'000</i>
<b>Continuing</b>			
<b>Revenue</b>	2	13,842	59,511
Cost of sales		(24,073)	(58,502)
<b>Gross (loss)/profit</b>		(10,231)	1,009
Administrative expenses			
- Cost of closure of pension scheme	4	(14,476)	-
- Other		(15,712)	(6,676)
Total Administrative expenses		(30,188)	(6,676)
Impairment charge on available for sale investments		(13,360)	-
<b>Group operating loss</b>	5	(53,779)	(5,667)
Finance income	6	3,777	6,277
Finance cost	6	(2,837)	(3,630)
Share of profit/(loss) of jointly controlled entities		1,172	(324)
<b>Loss before tax</b>		(51,667)	(3,344)
Tax	7	4,743	2,329
<b>Loss for the year on continuing activities</b>		(46,924)	(1,015)
<b>Discontinuing</b>			
Profit/(loss) on discontinued operations, net of tax	8	39,135	(1,149)
<b>Loss for the year</b>		(7,789)	(2,164)
Basic loss per Ordinary share	10	(6.9)p	(2.0)p

**RAVEN MOUNT – CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSES***For the year ended 31 December 2008*

		<i>2008</i>	<i>2007</i>
		<i>£'000</i>	<i>£'000</i>
	<i>Note</i>		
Losses on revaluation of available for sale investments recognised in equity	24(a)	-	(3,769)
Pension scheme actuarial gain		-	3,199
Deferred tax on items taken directly to equity	7	(369)	178
Loss for the year		(7,789)	(2,164)
<b>Total recognised income and expense in the year</b>		(8,158)	(2,556)

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**RAVEN MOUNT – CONSOLIDATED BALANCE SHEET***As at 31 December 2008*

	<i>Note</i>	<i>2008</i> <i>£'000</i>	<i>2007</i> <i>£'000</i>
<b>Non current assets</b>			
Property	11	-	4,229
Plant and equipment	11	67	966
Investment in jointly controlled entities	12	2,528	42
Deferred tax assets	21	583	2,827
Retirement benefit surplus	4	-	5,027
		<u>3,178</u>	<u>13,091</u>
<b>Current assets</b>			
Inventories	13	34,762	83,586
Trade and other receivables	14	7,463	21,177
Available for sale investments	15	9,066	16,335
Cash and cash equivalents	16	37,538	4,392
<b>Total current assets</b>		<u>88,829</u>	<u>125,490</u>
<b>Total assets</b>		<u>92,007</u>	<u>138,581</u>
<b>Current liabilities</b>			
Trade and other payables		(17,791)	(11,951)
Bank loans and overdrafts	18	(15,134)	(18,330)
Short-term provisions	20	(1,048)	(1,593)
<b>Total current liabilities</b>		<u>(33,973)</u>	<u>(31,874)</u>
<b>Non current liabilities</b>			
Bank loans	18	-	(17,968)
Deferred tax liabilities	21	(583)	(6,767)
<b>Total non current liabilities</b>		<u>(583)</u>	<u>(24,735)</u>
<b>Total liabilities</b>		<u>(34,556)</u>	<u>(56,609)</u>
<b>Net assets</b>		<u>57,451</u>	<u>81,972</u>
<b>Equity</b>			
Called up share capital	22	114	118
Share premium account	24(a)	-	2,418
Other reserves	24(b)	102,654	99,974
Retained earnings	24(a)	(45,317)	(20,538)
<b>Total equity</b>		<u>57,451</u>	<u>81,972</u>

The financial statements were approved by the board of directors and authorised for issue on 31 March 2009.

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**A J G Bilton**  
*Executive Chairman*

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**B S Sandhu**  
*Chief Executive*

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**RAVEN MOUNT – CONSOLIDATED CASH FLOW STATEMENT***For the year ended 31 December 2008*

	<i>Note</i>	<i>2008</i> £'000	<i>2007</i> £'000
Loss before tax		(51,667)	(3,344)
Operating profit attributable to discontinuing operations		10,026	(1,472)
Finance income		(3,777)	(6,375)
Finance cost		2,837	4,445
Share of (profit)/loss of joint ventures		(1,172)	324
		<u>(43,753)</u>	<u>(6,422)</u>
Adjustments for non-cash items:			
Impairment of available for sale investments		13,360	-
Depreciation charge		156	260
Share-based payment charge		1,695	671
Pension scheme		10,130	-
		<u>(18,412)</u>	<u>(5,491)</u>
Operating cash flows before movements in working capital		(18,412)	(5,491)
Decrease in provisions		(545)	(301)
Increase in inventories		(7,752)	(18,481)
Decrease/(increase) in receivables		4,701	(4,841)
Increase in payables		6,916	2,967
Pension contributions		(4,346)	(1,799)
		<u>(1,026)</u>	<u>(22,455)</u>
<b>Net cash flows from operating activities</b>		<u>(19,438)</u>	<u>(27,946)</u>
<b>Investing activities</b>			
Disposal of subsidiaries, net of cash disposed		28,193	-
Interest received		726	450
Dividends received		584	437
Purchase of available for sale investments		-	(297)
Amounts invested in jointly controlled entities		-	(5,166)
Amount received from jointly controlled entities		5,618	-
Proceeds on disposal of plant and equipment		-	74
Purchase of property		-	(4,265)
Purchase of plant and equipment		(267)	(901)
		<u>34,854</u>	<u>(9,668)</u>
<b>Net cash flows from investing activities</b>		<u>34,854</u>	<u>(9,668)</u>
<b>Financing activities</b>			
Tax paid		(46)	-
Interest paid		(2,825)	(1,067)
Dividends paid		(1,565)	(1,991)
Purchase of own shares		(687)	-
New bank loans raised		26,049	17,968
Repayment of bank loans		-	(7,287)
		<u>20,926</u>	<u>7,623</u>
<b>Net cash flows from investing activities</b>		<u>20,926</u>	<u>7,623</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		36,342	(29,991)
<b>Cash and cash equivalents at beginning of year</b>		(13,938)	16,053
<b>Cash and cash equivalents at end of year</b>	26	<u>22,404</u>	<u>(13,938)</u>

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## RAVEN MOUNT – NOTES TO THE FINANCIAL STATEMENTS

### 1. Accounting Policies

#### *Basis of preparation*

The Raven Mount Group's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as endorsed by the European Union. The Company has elected to prepare its parent company financial statements in accordance with UK Generally Accepted Accounting Practice (UK GAAP).

#### *Impact of standards and interpretations in issue but not yet effective*

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for later accounting periods and which have not been adopted early. These are:

#### *International Accounting Standards (IAS/IFRS)*

IFRS 3	Business Combinations (revised) (Effective from 1 July 2009)
IFRS 8	Operating Segments (effective from 1 January 2009) Improvements to IFRSs (effective 1 January 2009)
IAS 1/32	Amendment to Puttable Financial Instruments and Obligations arising on Liquidation (effective from 1 January 2009)
IAS 1	Amendments to Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation (effective from 1 January 2009)
IAS 23	Amendments to Borrowing Costs (effective from 1 January 2009)
IAS 27	Amendments to Consolidated and Separate Financial Statements (effective from 1 July 2009)
IAS 39	Amendments to Financial Instruments: Recognition and Measurement: Eligible Hedged Items (effective 1 July 2009)
IFRS 1	Amendment to Cost of an Investment in a subsidiary, jointly-controlled entity or associate (effective from 1 January 2009)
IFRS 2	Amendment to Share Based Payment: Vesting Conditions and Cancellations (effective from 1 January 2009)

#### *International Financial Reporting Interpretations Committee (IFRIC)*

IFRIC 15	Agreements for the Construction of Real Estate
IFRIC 16	Hedges of a Net Investment in a Foreign Operation
IFRIC 17	Distributions of Non-cash Assets to Owners
IFRIC 18	Transfer of Assets from Customers

It is not expected that these will have any significant future impact on the Group's accounts except for:

- An amendment to IAS 23 Borrowing Costs which requires borrowing costs that relate to qualifying assets (assets that take a substantial period of time to get ready for sale) to be capitalised rather than immediately expensed. This may affect the accounting treatment of interest currently being expensed on a Jointly Controlled Entity, which amounted to £250,000 (2007: £Nil).
- An amendment to IAS 1 Presentation of Financial Statements. The Amendment to IAS 1 affects the presentation of owner changes in equity and of comprehensive income. An entity will be required to present, in a statement of changes in equity, all owner changes in equity. All non-owner changes in equity (i.e. comprehensive income) are required to be presented in one statement of comprehensive income or in two statements (a separate income

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statement and a statement of comprehensive income). In addition, the new requirements would require the presentation of an opening comparative balance sheet when there is a change in accounting policy. The standard does not change the recognition, measurement or disclosure of specific transactions and other events required by other IFRSs.

The principal accounting policies are described below:

### ***Consolidation***

The report consolidates the financial statements of Raven Mount and its subsidiaries drawn up to 31 December 2008. All intra-group balances, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Raven Mount Group obtains control, and continue to be consolidated until the date that such control ceases.

On 26 November 2008 Raven Mount became the legal parent company of Raven Mount Limited (formerly Raven Mount plc). Due to the relative values of the companies and Raven Mount's continuing operations of the combination being those of Raven Mount Limited, the substance of the combination was that Raven Mount Limited acquired Raven Mount in a reverse acquisition.

Under the requirements of the Companies Act 1985 it would normally be necessary for Raven Mount's consolidated accounts to follow the legal form of the business combination. In such a case the pre-combination results would be those of Raven Mount, which would exclude Raven Mount Limited. Raven Mount Limited would then be brought into the Raven Mount Group from 26 November 2008 being the date of acquisition. However, this would portray the combination as an acquisition of Raven Mount Limited by Raven Mount and would, in the opinion of the directors, fail to give a true and fair view of the substance of the business combination. Accordingly, the directors have adopted reverse acquisition accounting as the basis of consolidation in order to give a true and fair view.

As a consequence of applying reverse acquisition accounting, the results for the year ended 31 December 2008 comprise the results of Raven Mount Limited and its subsidiaries for its year ended 31 December 2008 plus those of Raven Mount from 26 November 2008, the date of the reverse acquisition, to 31 December 2008.

### ***Comparative Results***

The comparative figures reported for the year ended 31 December 2007 have been compiled from the 2007 Raven Mount Limited annual report and accounts.

### ***Jointly controlled entities***

In the Raven Mount Group's financial statements, interests in jointly controlled entities ("JCE's") are accounted for using the equity method of accounting. The consolidated income statement includes the Raven Mount Group's share of the JCE's post-tax results. In the consolidated balance sheet, the Raven Mount Group's share of the identifiable net assets attributable to its JCE is shown separately.

Profits and losses arising on transactions between the Raven Mount Group and JCE's are recognised only to the extent of unrelated investors' interests in the entity. The investor's share in the JCE's profits and losses resulting from these transactions is eliminated against the assets or liabilities of the JCE on the transaction.

Under the equity accounting method, the investment in a JCE is initially recognised at cost and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss after the date of acquisition. However, if the investor's share of losses of a JCE equals or exceeds its interest in the JCE, the investor discontinues recognising its share of further losses and offsets such losses against any amounts receivable from the JCE.

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### ***Revenue recognition***

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for properties and services provided in the normal course of business, net of discounts, VAT and other sales related taxes.

The sale of both properties and land are recognised on legal completion. Fee income derived from the Raven Mount Group's development and asset management agreements is stated net of VAT and represents services performed in respect of property management work during the period.

Any performance fees received as part of the property fund management work performed by the Raven Mount Group are recognised at the time the income is capable of being measured reliably and it is probable that the income will be received or when a contingent qualifying event is crystallised.

Construction contract revenue arises from increases in valuations on contracts. Where the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date. Stage of completion is assessed by reference to the proportion of contract costs incurred for the work performed to date relative to the estimated total costs, except where this would not be representative of the stage of completion.

### ***Pensions***

Benefit accruals under the Raven Mount Group's final salary pension scheme ceased with effect from 31 December 2005. The scheme's funds are administered by a Trustee and are independent of the Raven Mount Group's finances. Contributions are paid to the scheme in accordance with the recommendations of independent actuaries to provide retirement benefits based on benefits accrued as at 31 December 2005.

A charge or credit is included in other finance income representing the difference between the increase in the liabilities from the benefits being one year closer to payment and a charge or credit is included in other finance income representing the expected return on the scheme assets. The difference between the value of the scheme assets and its liabilities is included in the balance sheet. Deferred tax in respect of the difference is recognised separately in the balance sheet. Changes in liabilities resulting from changes in assumptions, differences between the actual and expected returns on assets and other experience gains and losses are recognised in the statement of total recognised income and expenses. Actuarial gains and losses are recognised in full as they arise.

Defined benefit scheme surpluses and deficits are measured at:

- the fair value of plan assets at the balance sheet date; less
- plan liabilities calculated using the projected unit method discounted to the present value of the projected accrued benefits

The fair value of plan assets has been determined by reference to the bid value of assets as required by IAS 19.

During the year there has been a full buyout of the pension scheme which has resulted in the prior year retirement benefit surplus and all the costs relating to the buyout of the pension scheme being taken directly to the income statement.

Additionally, the Raven Mount Group operates a defined contribution plan for new employees and former members of its final salary pension scheme who are current employees. Contributions to this plan, as well as to personal pension schemes, are charged to the income statement in the period in which they are payable.

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### ***Dividends***

In accordance with IAS 10, interim dividends are recognised when they are paid and final dividends are recognised when they are approved by shareholders at a general meeting.

Dividend income from investments is recognised when the shareholders' right to receive payment have been legally declared and deemed payable.

### ***Property, plant and equipment***

Freehold land is not depreciated. Depreciation is provided on all other items of property, plant and equipment, to write off the carrying value of items over their expected useful economic lives. It is applied at the following rates:

- Plant and equipment 12½-33½%

### ***Leased assets***

Rentals paid under operating leases are charged to income on a straight-line basis over the period of the relevant lease.

### ***Inventories***

Work in progress on property developments is valued at the lower of cost and net realisable value. Costs exclude interest.

### ***Taxation***

#### ***Current taxation***

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

#### ***Deferred tax***

Deferred tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the

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extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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 profit will be available to allow all or part of the deferred tax asset to be utilised. 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 assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

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 taxes relate to the same taxable entity and the same taxation authority.

#### ***Financial liabilities and equity***

Instruments issued by the entity are classified as debt or equity in accordance with IAS 32 'Financial instruments: Presentation'. Principally, this classification is based on a consideration of whether the instrument involves a contractual obligation to deliver cash or another financial asset, in which case the instrument is classified as a liability. If the instrument does not contain such a contractual obligation it is classified as equity. As the company's Ordinary shares of 0.1p contain no such contractual obligation they have been classified as equity.

Instruments that are to be settled through a variable number of the company's Ordinary shares are, in accordance with IAS 32, also classified as a liability unless the instrument constitutes an equity-settled share-based payment transaction to which IFRS 2 'Share-based Payments' applies in which case it is classified as equity.

#### ***Financial assets***

The Raven Mount Group classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Raven Mount Group's accounting policy for each category is as follows:

*Loans and receivables:* These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade debtors), but also incorporate other types of contractual monetary asset. They are initially carried at fair value and subsequently carried at amortised cost.

*Available-for-sale:* Non-derivative financial assets not included in the above categories are classified as available-for-sale and comprise the Raven Mount Group's investments in entities not qualifying as subsidiaries, associates or jointly controlled entities. They are carried at fair value with changes in fair value recognised directly in equity. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the full amount of the impairment, including any previous amount charged in equity, is recognised in the income statement. The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market with external investors, fair value is assessed by using earnings multiples, calculated with reference to comparable entities.



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### ***Share based employee remuneration***

The Raven Mount Group has applied the requirements of IFRS 2 Share-based Payments. In accordance with the transitional provisions, IFRS 2 has been applied to all grants of equity instruments after 7 November 2002 that were unvested as of 1 January 2006.

Where equity settled share options are awarded to employees, the fair value of the options at the date of grant is charged to the consolidated income statement over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Option shares cannot usually be exercised until 3 years after grant and are subject to a performance condition that the share price increase must exceed the RPI plus 3 per cent. per annum. This is first measured on the third anniversary of the date of grant, thereafter half yearly based on the prior December or June.

The Raven Mount Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled, share-based payments is expensed on a straight-line basis over the vesting period, based on the Raven Mount Group's estimate of shares that will eventually vest. Fair value is measured by use of a Black-Scholes model. When options are cancelled the balance of their fair value is charged to the income statement.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the income statement over the remaining vesting period.

### ***Reserve for own shares***

The reserve for own shares represent the cost of shares in Raven Mount purchased in the market and may be used to satisfy future share option exercises.

### ***Critical accounting estimates and judgements***

The Raven Mount Group makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

### ***Judgements***

#### ***(a) Fair value of financial instruments***

The Raven Mount Group determines the fair value of financial instruments that are not quoted, using valuation techniques and market comparables. Those techniques are significantly affected by the assumptions used, including discount rates and estimates of future cash flows. In that regard, the derived fair value estimates cannot always be substantiated by comparison with independent markets and, in many cases, may not be capable of being realised immediately.

#### ***(b) Inventory***

The Raven Mount Group holds inventories stated at the lower of cost and net realisable value. Such inventories include land, work in progress and completed available for sale units. As residential development in particular is speculative by nature, most inventories are not



covered by forward sale contracts. Furthermore due to the nature of the Raven Mount Group's activity, and in particular the size and length of the development cycle, the Group has to allocate site wide development costs between units being built or completed in the current period and those for future periods. In doing this it also has to forecast the cost to complete on such developments.

In making such assessments and allocations, there is a degree of inherent estimation uncertainty. The Group has established internal controls designed to effectively assess and review inventory carrying values and ensure the appropriateness of the estimates made.

(c) *Maintenance provision*

A provision is made at each year end in respect of housing sales completed in that year of 1.5 per cent. of the selling price of each unit sold. Maintenance costs are then charged to this account. The sufficiency of the residual provision is reviewed at the year-end.

(d) *Share based payment*

The Raven Mount Group has two types of equity-settled share-based remuneration schemes for employees. The fair value of share options is estimated by using the Black-Scholes valuation model on the date of grant based on certain assumptions. Those assumptions are described in note 23 and include, among others, the dividend growth rate, expected volatility, expected life of the options and number of options expected to vest.

## 2. Segmental Analysis

In previous years and during 2008 the Raven Mount Group operated in two business segments, namely Residential and other property development and Property fund management of Russian properties. However, during the year the Raven Mount Group sold the Russian Property Fund Management business and its results are disclosed in discontinued activities (note 8). Accordingly, the Raven Mount Group has only one business segment at 31 December 2008, being Residential and Other Property development. The Directors consider that the disclosure requirements of IAS14 in respect to its remaining business segment are sufficiently included within the continuing activities of the income statement, the consolidated balance sheet and the corresponding notes to the financial statements.

## 3. Employee information

(a) The average number of persons employed by the Raven Mount Group during the year was 157 (2007: 130). The total number of employees of the Raven Mount Group at 31 December 2008 was 39 (2007: 145).

(b) Raven Mount Group employment costs including directors:

	<i>2008</i>	<i>2007</i>
	<i>£'000</i>	<i>£'000</i>
Gross salaries and wages	6,808	6,974
Contribution payable to EBT	8,100	-
Employer's national insurance contributions or foreign equivalents	785	750
Equity settled share based payments charge (note 22)	1,695	671
Employer's pension costs	269	225
	<u>17,657</u>	<u>8,620</u>

Key management and personnel, as defined under IAS 24 'Related Party Disclosures' have been identified as the board of directors as the controls operated by the Raven Mount Group ensure that all key decisions are reserved for the board.

On 28 January 2009, in line with the policy outlined in Raven Mount's AIM Admission document dated 31 October 2008 (which provides for 20 per cent. of the cumulative net profits arising from the Russian Property Management business to be paid as a performance share), the Remuneration Committee of Raven Mount approved the payment of a contribution for the year ended 31 December 2008 with a value of £8.1 million to the Employee Benefit Trust of Raven Mount Limited, a wholly-owned subsidiary of Raven Mount, ("EBT"). The beneficiaries of the EBT include the executive directors of Raven Mount, being Anton Bilton, Bim Sandhu, Glyn Hirsch and Mark Kirkland and other employees of the Raven Mount Group.

This contribution has been accrued in Raven Mount's 2008 year end balance sheet, but not allocated between employees, and is payable whether the Possible Offer by Raven Russia (as referred to in the Chief Executive's statement) is made or not. Raven Mount and Raven Russia have therefore agreed that, should the Possible Offer be made and become or be declared wholly unconditional, the liability to pay the contribution to the EBT will remain with Raven Mount until immediately after such time, when it will be discharged by Raven Russia through the issue to the EBT of the same consideration and on the same terms as under the Possible Offer, namely by the issue of 8.1 million Units (a unit comprising one £1 preference share and one Warrant in Raven Russia Limited). The trustee of the EBT will then allocate the contribution in accordance with the terms of the EBT Trust Deed. Details of the arrangements relating to the discharge of the liability by Raven Russia are set out in the offer announcement for Raven Mount by Raven Russia under Rule 2.5 of the City Code and any Offer Document.

(c) Directors' remuneration (including non-executives) was:

	<i>2008</i>	<i>2007</i>
	<i>£'000</i>	<i>£'000</i>
Emoluments	1,139	1,091
Pension contributions	209	165
Equity settled share based payments charge (see note 22)	421	421
Total	<u>1,769</u>	<u>1,677</u>
Gains on exercise of share options	<u>-</u>	<u>-</u>

Details of remuneration, pension entitlements and interest in share options for each director are set out in the directors' remuneration report. Four executive directors (2007: 3) of the Raven Mount Group receive contributions to their own personal pension plans. In addition to the above, the executive directors are also potential beneficiaries of a share of an £8.1 million contribution to the EBT. Further details are given in note 3(b) above.

#### **4. Pension Scheme**

On 28 May 2008 the Trustees of the Swan Hill Pension Fund ("Scheme"), in conjunction with the Raven Mount Group, sold the Scheme to the Pension Insurance Corporation Limited at a cost to the Raven Mount Group of £6.6 million. The effect of this transaction is a charge to the income statement of £14.5 million comprising the £6.6 million additional contribution, £5.0 million balance sheet surplus of pension assets over pension liabilities, £0.5 million net interest received on the assets and liabilities of the Scheme (from 1 January to the date of sale of the Scheme), 2008 contributions to the Scheme of £1.8 million and associated costs of £0.6 million.

Of the total buy out cost of £6.6 million, £2.0 million was paid in the year and £4.6 million was paid on 5 January 2009 in full and final settlement.

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### ***Defined benefit scheme***

Benefit accruals under the Raven Mount Group's final salary pension scheme ceased with effect from 31 December 2005. The Raven Mount Group paid contributions until the pension fund was disposed on 28 May 2008 as detailed above in order to provide security for existing pensions and the accrued benefits of current and former employees.

Group contributions to the scheme for the period totalled £1.8 million (2007: £1.7 million). Following the latest actuarial valuation as at 5 April 2005, the Raven Mount Group's contributions were fixed at £1.8 million per annum (including £0.2 million towards administrative expenses) for six years from 1 January 2006, after which they were expected to reduce to those required to meet the Scheme's administration expenses. The next actuarial valuation of the Scheme was due on 5 April 2008 but did not take place as the Raven Mount Group sold the pension scheme on 28 May 2008 as detailed above.

The net credit to finance income in the income statement for the Scheme was £0.5 million (2007: credit £1.2 million). (See note 7). As at 31 December 2008, the Scheme had been sold and there is no IAS 19 surplus or deficit (2007: IAS 19 surplus of £5.0 million leading to the inclusion in the balance sheet of a net retirement benefit surplus, after deferred tax, of £3.6 million). The total actuarial gain recognised in the statement of recognised income and expense is £Nil (2007: gain of £2.3 million) after deferred tax. These amounts and those set out below have been determined on the advice of qualified actuaries, who are employees of Watson Wyatt Limited, based on the most recent full actuarial valuation at 5 April 2005 updated to 31 December 2007. The mortality assumptions adopted were in line with standard tables PMA92/PFA92 calendar year 2005 treating members as being one year older than their actual ages. An allowance was made for possible future mortality improvements equivalent financially to a reduction in the discount rate of 0.25 per cent. per annum. This is broadly equivalent to an increase in life expectancy of one year every ten years.

The financial assumptions used for IAS 19 purposes were:

	<i>2008</i>	<i>2007</i>
	<i>Percentage</i>	<i>Percentage</i>
	<i>per annum</i>	<i>per annum</i>
Price inflation	-	3.3
General salary and wage inflation	-	n/a
Pension increases	-	3.3
Discount rate	-	6.0

The IAS 19 valuation assumes that mortality in retirement will be in the line with standard tables. The tables used are PMA92/PFA92 projected to calendar year 2005, with a +1 year age rating. An allowance is also made for anticipated future improvements in life expectancy by reducing the discount rate by 0.25 per cent. pa. The allowance made for future improvements in mortality is subjective and there are differing views on the rate and extent to which mortality improvements will continue in the future.

	<i>2008</i>	<i>2008</i>	<i>2007</i>	<i>2007</i>
	<i>Expected</i>	<i>Market</i>	<i>Expected</i>	<i>Market</i>
	<i>rate of return</i>	<i>value</i>	<i>rate of return</i>	<i>value</i>
	<i>% per annum</i>	<i>£'m</i>	<i>% per annum</i>	<i>£'m</i>
Equities	-	-	-	42.4
Bonds	-	-	-	20.6
Property	-	-	-	0.8
Cash	-	-	-	3.4
Total	-	-	7.6	67.2

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The position of the Scheme can be summarised as follows:

	2008 £'m	2007 £'m
Present value of the defined benefit obligation	-	(62.2)
Assets at fair value	-	67.2
Retirement benefit surplus/(liability)	-	5.0

***Reconciliation of present value of defined benefit obligation for year to 31 December 2008***

	2008 £'m	2007 £'m
Defined benefit obligation at start of year	62.2	66.4
Interest cost	1.6	3.4
Gain on change of assumptions	-	(4.6)
Experience loss	-	0.5
Actual benefit payments	-	(3.5)
Transferred to income statement on closure	(63.8)	-
Defined benefit obligation at end of year	-	62.2

***Analysis of the amount charged to other finance income***

	2008 £'m	2007 £'m
Expected return on Scheme assets	2.1	4.6
Interest on scheme liabilities	(1.6)	(3.4)
Net return	0.5	1.2
<b><i>Net credit for the period</i></b>	<b>0.5</b>	<b>1.2</b>

***Reconciliation of fair value of assets for the year to 31 December 2008***

	2008 £'m	2007 £'m
Fair value of Scheme assets at start of year	67.2	65.3
Expected return on Scheme assets	2.1	4.6
Actuarial (loss)/gain on Scheme assets	-	(0.9)
Company contributions	1.7	1.7
Actual benefit payments	-	(3.5)
Transferred to income statement on closure	(71.0)	-
Fair value of Scheme assets at end of year	-	67.2

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**Return on assets for year to 31 December 2008**

	2008	2007
	£'m	£'m
Expected return on Scheme assets	2.1	4.6
Actuarial (loss)/gain on Scheme assets	-	(0.9)
Actual return on Scheme assets	<u>2.1</u>	<u>3.7</u>
<b>Net balance sheet position</b>		
Defined benefit obligation	-	(62.2)
Fair value of assets	-	67.2
Funded status	<u>-</u>	<u>5.0</u>

**Reconciliation of change in funded status for the year to 31 December 2008**

	2008	2007
	£'m	£'m
Defined benefit liability at start of year	5.0	(1.1)
Pension income	0.5	1.2
Company contributions	1.7	1.7
Gain recognised in SORIE	-	3.2
Charged to income statement on closure	(7.2)	-
Defined benefit asset/(liability)	<u>-</u>	<u>5.0</u>

**5. Raven Mount Group operating loss**

The Raven Mount Group operating loss is stated after charging:

	2008	2008	2007	2007
	£'000	£'000	£'000	£'000
Depreciation of fixed assets		245		260
Auditors' remuneration:				
- Fees payable to the company's auditor for the audit of the group's annual accounts	40		40	
- Fees payable to the company's auditor for the audit of the subsidiary accounts	108		103	
- Tax services	183		221	
- Audit of the pension scheme	9		9	
- Advice in respect of disposal of discontinuing operations	448		-	
- Other services	1		4	
Total amount paid to auditors		789		377
Impairment charge on Raven Russia shares		10,811		-
Impairment charge on Oriol Securities Limited shares		2,549		-
Operating lease rentals - Land and buildings, cars		591		636
Share based payments charge		1,695		671

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**6. Finance income and expense**

	<i>2008</i>	<i>2007</i>
	<i>£'000</i>	<i>£'000</i>
<b><i>Raven Mount Group</i></b>		
<i>Finance income</i>		
Bank interest receivable	593	951
Return on amount charged to pension scheme	2,103	4,592
Dividends received on Raven Russia Limited shares	888	541
Dividends received on Oriel Securities Limited shares	193	193
	<u>3,777</u>	<u>6,277</u>
<i>Finance expense</i>		
Bank interest payable	(1,277)	(270)
Interest on defined benefit pension plan obligation	(1,560)	(3,360)
	<u>(2,837)</u>	<u>(3,630)</u>

**7. Tax expense**

(a) Tax recognised in the income statement comprises:

	<i>2008</i>	<i>2007</i>
	<i>£'000</i>	<i>£'000</i>
UK corporation tax charge at the rate of 28.5 per cent. (2007: 30 per cent.) based on the taxable result for the year	-	-
Over provision in respect of prior years	(2)	-
	<u>(2)</u>	<u>-</u>
Overseas tax - Current	46	82
<b><i>Current tax expense</i></b>	<b>44</b>	<b>82</b>
<b><i>Deferred tax expense</i></b> (note 20)		
Origination and reversal of temporary differences	(4,309)	(734)
Written off on disposal of Raven Audley Court plc	(1,982)	-
Recognition of deferred tax asset on trading losses		
- current year	-	(1,486)
- prior year	-	(514)
	<u>(6,291)</u>	<u>(2,734)</u>
<b><i>Deferred tax expense</i></b>	<b>(6,291)</b>	<b>(2,734)</b>
Total tax credit reported in the income statement	<u>(6,247)</u>	<u>(2,652)</u>
Analysed between:		
Tax on continuing activities	(4,743)	(2,329)
Tax on discontinuing activities	(1,504)	(323)
	<u>(6,247)</u>	<u>(2,652)</u>

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- (b) The tax charge for the period is lower than the standard rate of corporation tax in the UK (28.5 per cent.) due to:

	2008 £'000	2007 £'000
<b><i>Continuing and discontinued:</i></b>		
Loss before tax	(14,036)	(4,816)
Expected tax credit at 28.5 per cent.	(4,000)	(1,445)
Profit on disposal of Russian Property fund management business not taxable	(11,217)	-
Pension disposal cost payable in 2009 for which no deferred tax asset created	(1,300)	-
Losses for which no deferred tax asset recognised	9,208	-
Dividends not taxable	(54)	(220)
Items not deductible for tax purposes	1,478	51
Pension scheme income return not taxable	(152)	(369)
Utilisation of prior year tax losses	(210)	(669)
Total tax credit reported in the income statement	<u>(6,247)</u>	<u>(2,652)</u>

- (c) Reconciliation of movement of deferred tax net liabilities

Details of the deferred tax asset amounts charged to the income statement and amounts charged to reserves are as follows:

	2008 £'000	2008 £'000	2007 £'000	2007 £'000
Net deferred tax liability at 1 January		(3,940)		(6,948)
Other temporary differences	(381)		239	
Recognition of trading losses	(1,494)		2,000	
Deferred consideration on fair value uplift of inventories	4,776		1,404	
Pension scheme	1,408		(813)	
Amounts credited/(charged) to income statement		4,309		2,830
Amounts (charged)/credited to equity				
Pension scheme actuarial gain	-		(927)	
Available for sale investments	(369)		1,105	
		<u>(369)</u>		<u>178</u>
Net deferred tax liabilities		<u>-</u>		<u>(3,940)</u>
Deferred tax assets (note 21)		583		2,827
Deferred tax liabilities (note 21)		(583)		(6,767)
Net deferred tax liabilities		<u>-</u>		<u>(3,940)</u>

## 8. Discontinued Operations

In the year the Raven Mount Group disposed of its Independent Living and Russian Property Fund Management businesses. The profit/(loss) arising on disposal and their results prior to disposal can be summarised as below:

	<i>Independent Living £'000</i>	<i>Property Fund Management £'000</i>	<i>Total £'000</i>
Profit/(loss) on disposal	(3,488)	34,055	30,567
Results to disposal	(3,467)	12,035	8,568
	<u>(6,955)</u>	<u>46,090</u>	<u>39,135</u>

In October 2008 the Raven Mount Group sold its 75 per cent. interest in its Independent Living business Audley for a total consideration of £15 million details of which are provided below.

	<i>£'000</i>	<i>£'000</i>	
Consideration received			
Cash		15,000	
Net assets disposed of			
Property plant and equipment	(4,419)		
Inventories	(56,576)		
Trade and other receivables	(3,627)		
Bank loans and overdrafts	44,017		
Trade and other payables	876	(19,729)	
Costs of disposal		<u>(309)</u>	
Pre tax loss on disposal of discontinued operation		(5,038)	
Related tax credit		1,550	
<b><i>Loss on disposal of discontinued operation</i></b>		<u>(3,488)</u>	
The net cash inflow comprises:			
Cash received		15,000	
Costs of disposal		<u>(309)</u>	
		<u>14,691</u>	
		<i>2008</i>	<i>2007</i>
		<i>£'000</i>	<i>£'000</i>
<b><i>Result of discontinued operation</i></b>			
Revenue		2,395	541
Expense other than finance cost		(4,317)	(4,239)
Finance costs		(1,545)	(811)
<b><i>Loss before tax</i></b>		<u>(3,467)</u>	<u>(4,509)</u>
Tax income		-	405
Loss from selling discontinued operation		<u>(3,488)</u>	<u>-</u>
<b><i>Loss for the period</i></b>		<u>(6,955)</u>	<u>(4,104)</u>

On 9 July 2008 Raven Mount Limited announced the proposed disposal of its Russian Property Fund Management business to Raven Russia and entered into a Framework Agreement which governed the restructuring of Raven Mount Limited and provided for the effective disposal for a



total consideration of £15.0 million in cash and 80 million new Raven Russia shares, the sale was completed in November 2008.

The restructuring provided for in the Framework Agreement was designed so that 64 million of the 80 million Raven Russia shares forming part of the consideration for the disposal were received directly by Raven Mount Limited's Shareholders and the £15.0 million cash consideration and the remaining 16 million of the Raven Russia Limited shares forming the balance of the consideration for the disposal were received by Raven Mount Limited.

	£'000	£'000
Consideration received		
Cash	15,269	
Shares (80 million Raven Russia Ordinary shares valued at 26.75 pence on the date of completion)	21,400	
		36,669
Net assets disposed of		
Property, plant and equipment	(553)	
Trade and other receivables	(495)	
Cash	(156)	
Trade and other payables	201	(1,003)
Costs of disposal	<u>          </u>	<u>(1,611)</u>
Pre tax gain on disposal of discontinued operation		34,055
Related tax expense		<u>          </u>
Profit on disposal of discontinued operation		<u>34,055</u>
The net cashflow inflow comprises:		
Cash received		15,269
Cash disposed of		(156)
Costs of disposal		<u>(1,611)</u>
		<u>13,502</u>

***Results of discontinued operation***

	2008 £'000	2007 £'000
Revenue	15,628	8,517
Expense other than finance cost	(3,680)	(5,574)
Finance income	133	94
<b><i>Profit before tax</i></b>	<u>12,081</u>	<u>3,037</u>
Tax expense	(46)	(82)
Profit from selling discontinued operation	<u>34,055</u>	<u>          </u>
<b><i>Profit for the period</i></b>	<u>46,090</u>	<u>2,955</u>

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## 9. Dividends

	<i>2008</i>	<i>2007</i>
	<i>£'000</i>	<i>£'000</i>
On ordinary shares of Raven Mount Limited		
- Final paid for 2007 1.4p per share (2006: 1.0p)	1,565	1,106
- Interim paid for 2008 nil per share (2007: 0.8p)	-	885
Distribution of Raven Russia Shares (64 million at 26.75 pence)	17,120	-
	<u>18,685</u>	<u>1,991</u>
Proposed for approval at AGM		
Final dividend for 2008 nil pence (2007: 1.4 pence)	<u>-</u>	<u>1,568</u>

## 10. Loss and shareholders' funds per ordinary share

The basic loss per ordinary share is calculated in accordance with IAS 33 on the loss for the year (before dividends on ordinary shares) of £7,789,000 (2007: loss £2,164,000) and 112.1 million shares (2007: 110.1 million), being the weighted average number of ordinary shares in issue excluding those owned by the Employee Share Trust and those held as Treasury shares. Since none of the company's potential ordinary shares are dilutive, there is no difference between the basic and diluted loss per share.

Shareholders' funds per ordinary share are 52.9 pence (2007: 73.2 pence). The calculation is based on shareholders' funds as at the year end of £57.5 million (2007: £82.0 million) divided by the number of shares in issue (less those held as Treasury shares) at the year end amounting to 108.7 million (2007: 112.0 million). The directors consider that as a property development group with a significant level of inventory held at fair value at acquisition (plus subsequent costs), along with available for sale assets held at fair value and a substantial cash balance, shareholders funds per share is a meaningful performance indicator.

## 11. Property, Plant and Equipment

	<i>Freehold land and buildings £,000</i>	<i>Plant and equipment £'000</i>	<i>Total £'000</i>
<b><i>Raven Mount Group</i></b>			
<b><i>Cost</i></b>			
At 1 January 2008	4,265	2,333	6,598
Additions	-	267	267
Disposals following sale of Raven Audley Court plc	(4,265)	(242)	(4,507)
Disposals following sale of Russian Property Fund management business	-	(741)	(741)
Other disposals	-	(330)	(330)
At 31 December 2008	<u>-</u>	<u>1,287</u>	<u>1,287</u>
<b><i>Depreciation</i></b>			
At 1 January 2008	36	1,367	1,403
Charge for the year	-	245	245
Disposals following sale of Raven Audley Court plc	(36)	(61)	(97)
Disposals following sale of Russian Property Fund management business	-	(131)	(131)
Other disposals	-	(200)	(200)
At 31 December 2008	<u>-</u>	<u>1,220</u>	<u>1,220</u>
<b><i>Net book value</i></b>			
At 31 December 2008	<u>-</u>	<u>67</u>	<u>67</u>
At 31 December 2007	<u>4,229</u>	<u>966</u>	<u>5,195</u>
<b><i>Raven Mount Group</i></b>			
<b><i>Cost</i></b>			
At 1 January 2007	-	1,514	1,514
Additions	4,265	901	5,166
Disposals	-	(82)	(82)
At 31 December 2007	<u>4,265</u>	<u>2,333</u>	<u>6,598</u>
<b><i>Depreciation</i></b>			
At 1 January 2007	-	1,151	1,151
Charge for the year	36	224	260
Disposals	-	(8)	(8)
At 31 December 2007	<u>36</u>	<u>1,367</u>	<u>1,403</u>
<b><i>Net book value</i></b>			
At 31 December 2007	<u>4,229</u>	<u>966</u>	<u>5,195</u>
At 31 December 2006	<u>-</u>	<u>363</u>	<u>363</u>

## 12. Investments in jointly controlled entities

	2008 £'000	2007 £'000
(a) <b>Raven Mount Group</b>		
<b>Cost</b>		
At 1 January	-	-
Reclassification of fair value uplift on jointly controlled entities inventories from group inventories	1,646	-
At 1 January and 31 December	<u>1,646</u>	<u>-</u>
<b>Share of retained profits</b>		
At 1 January	42	34
Profit/(loss) for the year	1,172	(324)
(Released)/Off-set against amounts due from jointly controlled entity	(332)	332
At 31 December	<u>882</u>	<u>42</u>
<b>Net book value</b>		
At 31 December	<u>2,528</u>	<u>42</u>

There are no recognised gains or losses in the trading joint ventures apart from the profit for the year.

### (b) Investments in trading joint ventures

The Raven Mount Group's investment in trading joint ventures relates to:

- (i) Coln Park LLP, a limited liability partnership operating in Great Britain. Coln Park is the 50 per cent. joint venture established to develop second homes in Gloucestershire.
- (ii) Wellington Square Development Company Limited ("WSDC"), a company incorporated and operating in Great Britain. The total issued ordinary share capital of this company is £100 of which 50 per cent. is owned by a subsidiary. WSDC is the joint venture company established to develop the retail town centre scheme in Stockton-on-Tees. The scheme was sold during 2004, however the company is still in existence.

The Raven Mount Group's share of the assets and liabilities of its trading joint ventures was as follows:

	2008 £'000	2008 £'000	2007 £'000	2007 £'000
<b>Share of assets</b>				
Current assets:				
Inventories	9,201		5,049	
Receivables	720		184	
Cash and cash equivalents	-		231	
	<u>9,921</u>		<u>5,464</u>	
<b>Share of liabilities</b>				
Current liabilities	(3,897)		(5,422)	
Bank loan	(3,496)	(7,393)	-	(5,422)
	<u>2,528</u>		<u>42</u>	

The balances with joint ventures are shown in note 14.

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### 13. Inventories

	2008	2007
	£'000	£'000
Land held for development	3,357	10,409
Construction work in progress	31,405	73,177
	<u>34,762</u>	<u>83,586</u>

As at 31 December 2008 borrowings of £nil (2007: £17,968,000) were secured against inventories.

### 14. Trade and other receivables

	2008	2007
	£'000	£'000
<i>Amounts falling due within one year</i>		
Trade receivables	371	1,511
Loan to jointly controlled entity	3,171	4,724
Loan to jointly controlled entity partner	1,827	5,892
VAT	261	2,197
Other receivables	1,450	3,006
Prepayments and accrued income	383	3,847
Total	<u>7,463</u>	<u>21,177</u>

Loans to the jointly controlled entity and to the jointly controlled entity partner are repayable on demand.

All remaining trade and other receivables are non-interest bearing.

The directors consider that the carrying amount of these assets approximate their fair value.

Further disclosures relating to financial instruments are set out in note 19.

### 15. Available for sale investments

	2008	2007
	£'000	£'000
Listed shares - Traded on AIM	6,896	11,165
Warrants in Raven Russia	1	452
Other investment	2,169	4,718
	<u>9,066</u>	<u>16,335</u>

Listed shares comprise amounts invested in Raven Russia.

The market value of the listed shares at 31 December 2008 was £6.9 million (2007: £11.2 million).

In addition, the Raven Mount Group also holds warrants to subscribe for 7,650,000 ordinary shares in Raven Russia at £1. The warrants are exercisable at any time during the five year period commencing 29 July 2005, the date of Raven Russia's admission to AIM. The warrants were valued using a Black-Scholes valuation model.

The other investment represents shares in Oriel Securities Limited, an unlisted independent UK stockbroking and advisory business. Fair value is assessed using earnings multiples, calculated with reference to comparable entities.

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## 16. Cash and cash equivalents

The cash balance of £37.5 million comprises the £15.0 million drawdown of the Royal Bank of Scotland facility, £22.0 million on short term deposits (held with five banks with not more than £5.0 million with any one bank), and a further £0.5 million of cash held in current accounts.

## 17. Trade and other payables

	2008	2007
	£'000	£'000
Deferred income	-	62
Trade payables	2,384	5,780
Social security and other taxation	85	295
Accruals	15,322	5,814
	<u>17,791</u>	<u>11,951</u>

Within the accruals balance is £4.6 million for the pension fund settlement (note 4) which was paid on 5 January 2009, and the £8.1 million bonus provision (note 3).

The directors consider that the carrying value of the trade and other payables included in current liabilities approximate to fair value as a result of the short maturity period of the amounts held at the year end.

Further disclosures relating to financial instruments are set out in note 19.

## 18. Bank loans and overdrafts

	2008	2007
	£'000	£'000
<i><b>Current liabilities</b></i>		
Overdrafts	<u>15,134</u>	<u>18,330</u>

In August 2008, Raven Mount Limited renegotiated its group facilities obtaining a secured £20.0 million facility available for one year until 31 August 2009. Following the receipt of the £15.0 million in cash on completion of the Russian Property Fund Management business disposal (note 8), the group facility was restricted to £10.0 million with a further £10.0 million only available with bank consent. At the year end the group had drawdown £15.0 million. The Raven Mount Group repaid the loan facility in January and cancelled the loan facility in February 2009.

## 19. Financial instruments

(a) *In the year the Raven Mount Group was exposed through its operations to the following financial risks:*

- Credit risk
- Fair value or cash flow interest rate risk
- Other market price risk
- Liquidity risk
- Foreign exchange risk

Following the disposal of the Raven Mount Group's Russian and Assisted Living operations during the year (note 8), the group has significantly reduced its exposure to liquidity and foreign exchange risks. Liquidity risk has been reduced due to the cash proceeds received amounting to £28.2 million (net of disposal costs) and foreign exchange risk has been virtually eliminated due to the Raven Mount Group's operations in Russia coming to an end.

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In the coming year the Raven Mount Group is exposed to the following financial risks:

- Credit risk
- Fair value or cash flow interest rate risk
- Other market price risk

This note describes the group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements, notably notes 14, 15, 16, 17 and 18.

The Raven Mount Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks, have decreased from previous periods as the group has substantially reduced debt and increased cash.

#### *Credit risk*

Credit risk is the risk of financial loss when counterparties are not able to meet their obligations.

The Raven Mount Group has minimal exposure to credit risk from trade receivables on the residential side of the business given the nature and legal framework of the UK housing industry. In the vast majority of cases the full cash receipt for each sale occurs on legal completion, which is also the point of revenue recognition under the group's accounting policies.

Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions. For banks and financial institutions, only independently rated parties with minimum credit rating 'A' are accepted.

Credit risk also arises from receivables. The Raven Mount Group reviews the credit-worthiness of those entities it contracts with. Principal receivables are loans to jointly controlled entities and jointly controlled partners, secured on developments which have been independently valued at amounts significantly greater than the loans.

#### *Market risk*

Market risk arises from the Raven Mount Group's use of interest bearing, tradeable and foreign currency financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk), foreign exchange rates (currency risk) or other market factors (other price risk). It also includes the effect of the level of UK house prices which in turn is affected by factors such as employment levels, interest rates, the supply of suitable land and consumer confidence.

#### *Other market price risk*

The Raven Mount Group's balance sheet is exposed to market price risk as the group holds some equity investments in other companies (see note 15).

The directors believe that the exposure to market price risk from these activities is acceptable in the group's circumstances.

#### *Liquidity risk*

Liquidity risk arises from the Raven Mount Group's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the group will encounter difficulty in meeting its financial obligations as they fall due.

The board receives and monitors rolling 12 month cash flow projections on a monthly basis as well as information regarding cash balances. The board sets limits for the amounts of cash that can be held with each individual bank.

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As at 31 December 2008 the Raven Mount Group has £37.5 million as a cash balance compared with £4.4 million at 31 December 2007, accordingly the risk of loss has increased and is the reason for introducing a policy of only depositing a maximum of £5 million with any one bank.

*Interest rate risk*

The Raven Mount Group's loans are all at floating rates of interest. The group's loans during the year were in respect of Raven Audley Court property developments and covered the expected period of development. However, as a result of the disposal of this business segment the group is no longer liable to this obligation.

During the period these loans were in the Raven Mount Group, if interest rates fluctuated, so would the profits from those developments. The Raven Mount Group also has committed group facilities which are renewed on an annual basis, when interest rate risk is considered.

During 2008 and 2007, the Raven Mount Group's borrowings at variable rate were denominated in Sterling.

Interest rate risk has also decreased as the loan facility was completely repaid in January 2009 and the facility was cancelled by the Raven Mount Group in February 2009.

*Foreign exchange risk*

The Raven Mount Group's principal exchange risk is in respect of its property fund management income, which is receivable in Sterling but calculated as a percentage of gross assets which are denominated in US dollars. Following the disposal of the Russian Property Fund Management business, the group no longer have exposure to this risk.

*Principal financial instruments*

The principal financial instruments used the by the Raven Mount Group, from which financial instrument risk arises, are as follows:

- Trade and other receivables
- Cash at bank
- Bank overdrafts
- Investments in quoted and unquoted equity securities
- Trade and other payables
- Floating-rate bank loans

The classification of those principle financial instruments in accordance with IAS 39 is shown below along with the net financial asset position of Raven Mount Group at 31 December 2008 and the income and expenditure recognised in relation to each category of instrument.



The Raven Mount Group's financial instruments at 31 December 2008 were as follows:

	<i>Carrying value £'000</i>	<i>Fair value £'000</i>	<i>Gain recognised in equity £'000</i>	<i>Income/ (expense) recognised in the income statement £'000</i>
<b>As at 31 December 2008</b>				
<i>Financial asset</i>				
Loans and receivables				
Non-derivative assets	6,819	6,819	-	-
Interest receivable on loan to JCE	-	-	-	218
Available for sale investments	9,066	9,066	-	-
Recycled from equity and recognised in the income statement	-	-	1,313	(1,313)
Recognised directly in income statement			-	(12,047)
Cash and cash equivalents	37,538	37,538	-	-
Interest received	-	-	-	726
<i>Other financial liabilities</i>	(17,518)	(17,518)	-	-
Interest payable on loans and overdrafts			-	(2,822)
	<u>35,905</u>	<u>35,905</u>	<u>1,313</u>	<u>(15,238)</u>

The Raven Mount Group's financial instruments at 31 December 2007 were as follows:

	<i>Carrying value £'000</i>	<i>Fair value £'000</i>	<i>Gain recognised in equity £'000</i>	<i>Income/ (expense) recognised in the income statement £'000</i>
<b>As at 31 December 2007</b>				
<i>Financial asset</i>				
Loans and receivables				
Non-derivative assets	15,133	15,133	-	-
Interest receivable on loan to JCE	-	-	-	448
Available for sale investments	16,335	16,335	-	-
Recycled from equity and recognised in the income statement	-	-	(3,769)	-
Cash and cash equivalents	4,392	4,392	-	-
Interest received	-	-	-	1,049
<i>Other financial liability</i>	(42,078)	(42,078)	-	-
Interest payable on loans and overdrafts	-	-	-	(1,085)
	<u>(6,218)</u>	<u>(6,218)</u>	<u>(3,769)</u>	<u>412</u>

The following table details the contractual maturity analysis of the Raven Mount Group's financial liabilities.

	<i>Trade payables</i>	<i>Bank loan and overdrafts</i>	<i>Total</i>
	<i>31 December 2008 £'000</i>	<i>31 December 2008 £'000</i>	<i>31 December 2008 £'000</i>
On demand	-	15,134	15,134
Within one month	2,384	-	2,384
More than one year	-	-	-
	<u>2,384</u>	<u>15,134</u>	<u>17,518</u>

  

	<i>Trade payables</i>	<i>Bank loan and overdrafts</i>	<i>Total</i>
	<i>31 December 2007 £'000</i>	<i>31 December 2007 £'000</i>	<i>31 December 2007 £'000</i>
On demand	-	18,330	18,330
Within one month	5,780	-	5,780
More than one year	-	17,968	17,968
	<u>5,780</u>	<u>36,298</u>	<u>42,078</u>

The Raven Mount Group did not use any financial derivatives during the year.

(b) ***Borrowing facilities***

The Raven Mount Group has borrowing facilities as follows:

	<i>2008 £'000</i>	<i>2007 £'000</i>
Available overdraft facilities	20,000	40,000
Bank loans	-	17,968
	<u>20,000</u>	<u>57,968</u>
Amounts drawn		
- Overdraft facilities	(15,000)	(18,330)
- Bank loans	-	(17,968)
	<u>5,000</u>	<u>21,670</u>
Amounts undrawn	5,000	21,670
Cash at bank	37,538	4,392
Total cash and facilities available to the group	<u>42,538</u>	<u>26,062</u>

At the year end the Raven Mount Group had a £20 million facility until 30 August 2009, £10 million is immediately available and a further £10 million with the bank's consent. The bank loan facilities are secured over inventories included in the financial statements at £24.1 million. The group cancelled the loan facility agreement in February 2009.

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## 20. Short-term provisions

	<i>Provisions for maintenance £'000</i>
<b><i>Raven Mount Group</i></b>	
At 1 January 2008	1,593
Charged to profit and loss account	86
Utilised and released in the year	(631)
At 31 December 2008	<u>1,048</u>

This housing maintenance provision arises principally from warranties and other liabilities on housing sold. Whilst such warranties extend to a period of ten years, payment of these costs are likely to occur within a period of two years. The provision made is the directors' best estimate of the group's liability.

## 21. Deferred tax asset and liabilities

The Raven Mount Group's deferred tax asset and liability can be explained as follows:

	<i>2008 £'000</i>	<i>2007 £'000</i>
Deferred tax asset relating to:		
Trading losses	506	2,000
Mark to market of available for sale investments	-	368
Other temporary differences	77	459
	<u>583</u>	<u>2,827</u>
Deferred tax liability relating to:		
Fair value uplift on inventories	583	5,359
Retirement benefit surplus	-	1,408
	<u>583</u>	<u>6,767</u>

The Raven Mount Group has an additional £11.0 million (calculated at the group's standard rate of UK Corporation Tax of 28 per cent.) of tax losses for which no deferred tax asset has been created, due to the uncertainty of future profits.

## 22. Called up share capital

	<i>2008 No.'000</i>	<i>2008 £'000</i>	<i>2007 No.'000</i>	<i>2007 £'000</i>
<b><i>Authorised</i></b>				
Ordinary shares of 0.1 pence	244,000	244	244,000	244
£1 Convertible Ordinary shares	-	-	6	6
		<u>244</u>		<u>250</u>
<b><i>Allotted, called up and fully paid</i></b>				
Ordinary shares of 0.1 pence	114,399	114	112,021	112
£1 Convertible Ordinary shares	-	-	6	6
		<u>114</u>		<u>118</u>

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The movements in issued ordinary share capital during the period were as follows:

	<i>Ordinary shares of 0.1 pence each</i>	
	<i>No. '000</i>	<i>£'000</i>
Issued on incorporation	2	-
Issued re acquisition of Raven Mount Limited (after issue of 2,376,000 shares from conversion of convertible ordinary shares)	114,397	114
At 31 December 2008	114,399	114

As at 31 December 2008, 5,728,729 ordinary shares, all of which were bought in the year, were held in Treasury.

### 23. Share schemes

#### *Share Options*

Raven Mount has adopted an Unapproved share option plan and an Approved Company share option plan which provide for the issue of options over Ordinary shares in the company.

The total number of ordinary shares over which Option Shares may be granted is limited to 10 per cent. of the total number of issued Ordinary shares of Raven Mount at any time. The total number of shares under option is 5,590,000 representing 5.1 per cent. of the issued share capital at the year end.

#### *Unapproved share option plan (Unapproved Plan)*

Option Shares under the Unapproved Plan are exercisable in 3 equal parts. For each part, exercise will be on or after the third, fourth and fifth anniversaries of the Date of Grant at the earliest and the Performance Condition shall first be tested for each one third part on these anniversaries. Unexercised options may be reviewed against the Performance Condition in subsequent periods broadly every 6 months, but always from the Date of Grant. Options lapse if not exercised within 7 years and 3 months from the Date of Grant. The Performance Condition states that the share price increase must exceed the RPI plus 3 per cent. per annum and exceed the increase in the FTSE Small Cap Index for the relevant period. Since the grant of these options, the share price has decreased by 82.5 per cent, RPI increased by 10.4 per cent. and the FTSE small cap decreased by 42.5 per cent.

Option Shares were issued under the Unapproved Plan on 8 December 2005 over 6,665,000 Ordinary shares in Raven Mount at an exercise price of 80.0 pence, being the average share price for the month of November 2005. As at 31 December 2008 360,000 options have lapsed, 715,000 options were cancelled and 5,590,000 options were surrendered and replaced with new options at a rebased exercise price of 30p on 14 October 2008 following the disposal of the Russian Property Fund Management business.

Further option shares were issued under the Unapproved Plan on the 21 March 2007 over 1,005,000 Ordinary shares at an exercise price of 155.1 pence, being the average share price for the 5 trading days prior to issue. All of these share options were cancelled on 14 October 2008.

All options lapse if they have not been exercised within seven years and three months from the date of grant of the options.

#### *Approved Company share option plan (CSOP)*

Employees and full-time directors of the Raven Mount Group have been offered Option shares subject to a maximum value at any one time per employee of £30,000 (being the Inland Revenue limit for CSOPs). Option Shares cannot be exercised until 3 years after grant and are subject to a

performance condition that the share price increase must exceed the RPI plus 3 per cent. per annum. This is first measured on the third anniversary of the date of grant, thereafter half yearly based on the prior December or June. The options lapse if they are not exercised within seven years and three months from the date of grant of the option.

1,223,809 option shares were issued under the CSOP on 28 April 2006 and a further 221,111 Option shares were issued on 21 March 2007. As at 31 December 2008 507,400 options have lapsed and the remaining 937,520 Option shares in Raven Mount were cancelled on 14 October 2008.

	<i>2008</i> <i>Weighted</i> <i>average</i> <i>exercise</i> <i>price</i> <i>(pence)</i>	<i>2008</i> <i>Number</i>	<i>2007</i> <i>Weighted</i> <i>average</i> <i>exercise</i> <i>price</i> <i>(pence)</i>	<i>2007</i> <i>Number</i>
Outstanding at the beginning of the year	92.9	8,477,797	83.6	7,774,522
Cancelled during the year	120.0	(2,657,520)	-	-
Granted during the year	-	-	148.3	1,226,111
Exercised during the year	-	-	-	-
Lapsed during the year	96.0	(230,277)	97.9	(522,836)
Outstanding at the end of the year	30.0	<u>5,590,000</u>	92.9	<u>8,477,797</u>

All share options either lapsed or were cancelled during the year, with the exception of 5,590,000 of the options that were issued in November 2005, which have had their exercise price modified from 80 pence per share to 30 pence per share.

As at both 31 December 2008 and 31 December 2007 none of the share options were exercisable as the performance conditions had not been satisfied.

The Raven Mount Group uses a calculated Beta to factor in market vesting conditions.

The following information is relevant in the determination of the fair value of options granted during 2007 no options were granted during 2008 under the equity settled share based remuneration schemes operated by Raven Mount Group.

	<i>2007</i>
Option pricing model used	Black-Scholes
Weighted average share price at grant date (pence)	148.34
Weighted average exercise price (pence)	148.34
Weighted average contractual life (days)	1,123
Equity volatility	60%
Expected dividend growth rate	1.69%
Risk-free interest rate	4.5%

The volatility was calculated in accordance with the Raven Mount Group's calculated Beta based on a statistical analysis of the company's share price.

The share-based remuneration expense comprises:

	<i>2008</i> <i>£'000</i>	<i>2007</i> <i>£'000</i>
Equity-settled schemes	<u>1,695</u>	<u>671</u>

The increased charge for the equity settled schemes represents the one-off charge to the income statement following the lapse and surrender of options in relation to the reorganisation of the

Raven Mount Group following the disposal of the Russian Property Fund Management business in November 2008. None of the options were actually exercised and the increase in the charge had no effect on net assets.

The volatility was calculated in accordance with the Raven Mount Group's calculated Beta based on a statistical analysis of the company's share price.

The exercise price of options outstanding at the end of the year was 30p (2007: 80p and 155.1) and their weighted average contractual life was 0.96 years (2007: 2.09 years).

Of the total number of options outstanding at the end of the year, nil (2007: nil) had vested and were exercisable at the end of the year.

The expected life of the options is based on historical data.

## 24(a) Reserves

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Treasury share reserve and Reserve for own shares £'000	Reverse acquisition reserve £'000	Available for sale Merger reserve £'000	Profit investment reserve £'000	and loss account £'000	Total £'000
<b>Raven Mount Group</b>									
At 1 January 2007	114	2,418	50	(150)	62,277	33,152	1,719	(19,326)	80,254
Issue of deferred consideration shares	4	-	-	-	-	5,590	-	-	5,594
Share based payment credit	-	-	-	-	-	-	-	671	671
Dividend payments	-	-	-	-	-	-	-	(1,991)	(1,991)
Actuarial gains net of deferred taxation on pension scheme	-	-	-	-	-	-	-	2,272	2,272
Loss for the year	-	-	-	-	-	-	-	(2,164)	(2,164)
Mark to market of available for sale investments	-	-	-	-	-	-	(3,769)	-	(3,769)
Deferred tax on reduction in fair value of investments	-	-	-	-	-	-	1,105	-	1,105
As at 31 December 2007	118	2,418	50	(150)	62,277	38,742	(945)	(20,538)	81,972
As at 1 January 2008	118	2,418	50	(150)	62,277	38,742	(945)	(20,538)	81,972
Conversion of convertible shares	(4)	4	-	-	-	-	-	-	-
Reverse acquisition accounting	-	(2,422)	-	-	2,422	-	-	-	-
Share buy back	-	-	-	(687)	-	-	-	-	(687)
Share based payment credit	-	-	-	-	-	-	-	1,695	1,695
Dividend payments	-	-	-	-	-	-	-	(18,685)	(18,685)
Loss for the year	-	-	-	-	-	-	-	(7,789)	(7,789)
Mark to market of available for sale investments taken to income statement	-	-	-	-	-	-	1,765	-	1,765
Mark to market of available for sale investments	-	-	-	-	-	-	(451)	-	(451)
Deferred tax on mark to market investments	-	-	-	-	-	-	(369)	-	(369)
At 31 December 2008	114	-	50	(837)	64,699	38,742	-	(45,317)	57,451

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<i>Reserve</i>	<i>Description and purpose</i>
Share premium	Amounts subscribed for share capital in excess of nominal value.
Capital redemption	Amounts transferred from share capital on redemption of preference shares.
Reserve for own shares	The cost of own shares purchased for the Employee Benefit Trust.
Treasury share reserve	The costs of own shares purchased for holding in Treasury.
Reverse acquisition reserve	Amounts arising on adopting reverse acquisition accounting for the acquisition of Swan Hill Group PLC by Raven Mount Limited and subsequently the acquisition of Raven Mount Limited by Raven Mount.
Merger reserve	Amounts arising on the acquisition of Raven Property Holdings Plc, value of consideration paid in shares in excess of nominal value of shares.
Available for sale investments reserve	Amounts arising on the mark to market of the available for sale investments less deferred taxation.

#### **24(b) Other Reserves**

	<i>2008</i>	<i>2007</i>
	<i>£'000</i>	<i>£'000</i>
Treasury share reserve	(687)	-
Reserve for own shares	(150)	(150)
	<u>(837)</u>	<u>(150)</u>
Capital redemption reserve	50	50
Reverse acquisition reserve	64,699	62,277
Merger reserve	38,742	38,742
Available for sale investments reserve	-	(945)
	<u>102,654</u>	<u>99,974</u>

#### **25. Commitments**

Commitments contracted for at 31 December 2008 but not provided for in these accounts were £nil (2007: £nil).

As at 31 December 2008, the Raven Mount Group has outstanding total commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

##### ***Operating leases-lessee***

The Raven Mount Group leases all of its properties, the terms of property leases vary, although they all tend to be tenant repairing with rent reviews every 2 to 5 years and some have break clauses.

	<i>2008</i>	<i>2007</i>
	<i>£'000</i>	<i>£'000</i>
Not later than one year	704	747
Later than one year and not later than five years	2,034	2,494
Later than five years	540	810
	<u>3,278</u>	<u>4,051</u>

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### ***Operating leases-lessor***

Certain properties may be vacated prior to the end of the lease term. Where possible the Raven Mount Group always endeavours to sub-lease such vacant space on short-term lets. An onerous lease provision is recognised where the rents receivable over the lease term are either contracted to be or, where a property remains vacant for part or all of its remaining lease term, are expected to be less than the obligation to the head lessor.

The minimum rent receivables under non-cancellable operating leases are as follows:

	<i>2008</i>	<i>2007</i>
	<i>£'000</i>	<i>£'000</i>
Not later than one year	305	325
Later than one year and not later than five years	696	1,001
Later than five years	-	-
	<u>1,001</u>	<u>1,326</u>

### **26. Notes supporting the cash flow statement**

Cash and cash equivalents for purposes of the cash flow statement comprises:

	<i>2008</i>	<i>2007</i>
	<i>£'000</i>	<i>£'000</i>
Cash available on demand	490	1,387
Short-term deposits	37,048	3,005
	<u>37,538</u>	<u>4,392</u>
Overdrafts	(15,134)	(18,330)
Cash and cash equivalents at 31 December	<u>22,404</u>	<u>(13,938)</u>

All short-term deposits are accessible within 3 months.

### **27. Related party transactions**

Raven Mount is the parent company and ultimate controlling party of the Raven Mount Group. Transactions between the company and its subsidiaries which are related parties have been eliminated on consolidation and are not disclosed in this note.

- (a) During the period, Santon Management Limited, a company controlled by Anton Bilton and Bim Sandhu, rented space from the Raven Mount Group and was provided with office services, on an arm's length basis. Total amounts charged to Santon in the period were £52,746 (2007: £60,773). As at the year end £nil was outstanding (2007: £nil).
- (b) The Raven Mount Group has a 50 per cent. interest in Coln Park LLP and Coln Park Construction Limited which have a loan due to the Raven Mount Group as at 31 December 2008 of £3.2 million (2007: £5.5 million). The Raven Mount Group charged Coln Park LLP a management charge of £192,000 (2007: £192,000) during the year, and interest of £nil (2007: £0.6 million).



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**RAVEN MOUNT – BALANCE SHEET***as at 31 December 2008*

	<i>Note</i>	<i>2008</i> <i>£'000</i>
<b>Fixed assets</b>		
Investment in subsidiary companies	3	114
		<u>114</u>
<b>Current assets</b>		
Debtors	4	1,805
Investments	5	864
Cash		5,013
		<u>7,682</u>
Creditors: Amounts falling due within one year	6	(42)
<b>Net current assets</b>		<u>7,640</u>
<b>Total assets less current liabilities</b>		<u>7,754</u>
<b>Capital and reserves</b>		
Called up ordinary share capital	7	114
Treasury share reserve	8	(687)
Profit and loss account	8	8,327
Shareholders' funds	9	<u>7,754</u>

The financial statements were approved by the board of directors and authorised for issue on 31 March 2009.

.....  
**A J G Bilton**  
*Executive Chairman*

.....  
**B S Sandhu**  
*Chief Executive*

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## RAVEN MOUNT – NOTES TO THE FINANCIAL STATEMENTS

### 1. Company Accounting Policies

#### *Basis of accounting*

The financial statements have been prepared in accordance with the requirements of the Companies Act 1985 using the historical cost basis of accounting and in accordance with applicable accounting standards in the United Kingdom.

#### *Accounting policies*

The principal accounting policies of Raven Mount are set out below. These accounting policies have been applied consistently between the current and prior year.

#### *Dividends*

In accordance with FRS 21, interim dividends are included in the profit and loss account when they are paid and final dividends are recognised when they are approved by shareholders at a general meeting.

#### *Share based employee remuneration*

When share options are awarded to employees, the fair value of the options at the date of grant is charged to the profit and loss account over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Marketing vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measure immediately before and after the modification, is also charged to the income statement over the remaining vesting period.

Where equity instruments are granted to persons other than employees, the income statement is charged with the fair value of goods and services received.

Where share options are granted to employees of a subsidiary the value of the option is debited to the cost of the investment and credited to a non-distributable reserve.

#### *Financial liabilities and equity*

Financial liabilities and equity are classified according to the substance of the financial instrument's contracted obligations rather than the financial instrument's legal form.

Instruments issued by the entity are classified as debt or equity in accordance with FRS 25 'Financial Instruments: Disclosure and Presentation'. Principally, this classification is based on a consideration of whether the instrument involves a contractual obligation to deliver cash or another financial asset, in which case the instrument is classified as a liability. If the instrument does not contain such a contractual obligation it is classified as equity. As Raven Mount ordinary shares of 0.1p contain no such contractual obligation they have been classified as equity.

#### *Investments*

Investments in subsidiary undertakings are stated at cost, provision being made where appropriate to recognise a permanent diminution in value.

Current asset investments are stated at the lower of cost and net realisable value.

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## 2. Profit after tax

As permitted by Section 230 of the Companies Act 1985 Raven Mount has elected not to present its own profit and loss account for the period. The profit after tax for the period recognised in the profit and loss account for Raven Mount was £8,327,000. The 2008 figures includes dividend from its subsidiaries of £8,882,000.

## 3. Fixed asset investments

	<i>Subsidiary companies £'000</i>
<b>Cost</b>	
At 23 June 2008	-
Acquisition of Raven Mount Limited	114
	<hr/>
At 31 December 2008	114
	<hr/>

The following are the main operating subsidiary companies at 31 December 2008. The company marked with an asterisk (\*) is owned directly by Raven Mount and the remainder by subsidiaries. All companies are incorporated and operate in Great Britain, and are 100 per cent. wholly owned (except where indicated).

### ***Residential and other property***

Raven Mount Limited\*  
Raven Property Holdings plc ("RPH")  
Swan Hill Homes Limited  
Swan Hill Swindon Limited  
Swan Hill Property Holdings Limited  
Swan Hill Developments Limited  
Raven Property Group plc  
Raven Brighton Limited

## 4. Debtors

	<i>2008 £'000</i>
<b><i>Amounts falling due within one year</i></b>	
Amounts owed by group companies	1,786
Other debtors	19
	<hr/>
Total	1,805
	<hr/>

Amounts owed by group companies are trading balances that are repayable on demand.

## 5. Investments

	<i>2008 £'000</i>
Listed shares - traded on AIM	864
	<hr/>
	864
	<hr/>

Listed shares comprise amounts invested in Raven Russia.

The market value of the listed shares at 31 December 2008 was £0.9 million.

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**6. Creditors: Amounts falling due within one year**

	<i>2008</i>
	<i>£'000</i>
Accruals and other creditors	42
	<hr/>

**7. Called Up Share Capital**

	<i>2008</i>	<i>2008</i>
	<i>No.'000</i>	<i>£'000</i>
<b><i>Authorised</i></b>		
Ordinary shares of 0.1 pence	244,000	244
		<hr/>
		244
		<hr/>
<b><i>Allotted, called up and fully paid</i></b>		
Ordinary shares of 0.1 pence	114,399	114
		<hr/>
		114
		<hr/>

The movements in issued share capital during the year were as follows:

	<i>Ordinary shares</i>	
	<i>of 0.1pence each</i>	
	<i>No.'000</i>	<i>£'000</i>
<b><i>Allotted and fully paid</i></b>		
Issued on formation of Raven Mount	2	-
Purchase of Raven Mount Limited	114,397	114
	<hr/>	<hr/>
At 31 December 2008	114,399	114
	<hr/>	<hr/>

As at 31 December 2008 5,728,729 ordinary shares, all of which were bought in the period, were held in Treasury.

**8. Reserves**

	<i>Treasury</i>	<i>Profit</i>
	<i>share</i>	<i>and loss</i>
	<i>reserve</i>	<i>account</i>
	<i>£'000</i>	<i>£'000</i>
<b><i>Raven Mount</i></b>		
Share buy backs	(687)	-
Profit for the period	-	8,327
	<hr/>	<hr/>
At 31 December 2008	(687)	8,327
	<hr/>	<hr/>

**9. Reconciliation of movement in shareholders' funds**

	<i>£'000</i>
As at 23 June 2008	-
New shares issued during the period	114
Purchase of own shares	(687)
Profit for the period	8,327
	<hr/>
As at 31 December 2008	7,754
	<hr/>

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## PART 7

### PRO FORMA FINANCIAL INFORMATION ON THE ENLARGED GROUP

The following unaudited pro forma financial information of the Enlarged Group has been prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation and does not, therefore, represent the Enlarged Group's actual financial position or results. This unaudited financial information has been prepared on the basis set out in the notes below and is based on the audited financial statements of the Group and of Raven Mount for their respective financial years ended 31 December 2008. It has been prepared to show the effects of the acquisition of Raven Mount, and the issue of Preference Shares pursuant to the Placing, on the net assets of the Group as if these events had taken effect on 31 December 2008.

	<i>Adjustment</i>		<i>Adjustments</i>				
	<i>Consolidated net assets of the Raven Russia Group at 31 December 2008<sup>(3)</sup></i> <i>\$'000</i>	<i>Proceeds of the Placing, net of expenses<sup>(2)</sup></i> <i>\$'000</i>	<i>Pro forma Raven Russia Group</i> <i>\$'000</i>	<i>Consolidated net assets of Raven Mount at 31 December 2008<sup>(3)</sup></i> <i>\$'000</i>	<i>Adjustment for Raven Mount plc joint ventures<sup>(4)</sup></i> <i>\$'000</i>	<i>Consideration for the acquisition of Raven Mount<sup>(5)</sup></i> <i>\$'000</i>	<i>Pro forma Enlarged Raven Russia Group</i> <i>\$'000</i>
<b>Non-current assets</b>							
Investment properties	453,750	-	453,750	-	-	-	453,750
Investment properties under construction	443,653	-	443,653	-	-	-	443,653
Property, plant and equipment	4,145	-	4,145	99	4	-	4,248
Investment in jointly controlled assets	-	-	-	3,716	(3,716)	-	-
Deferred tax assets	34,830	-	34,830	857	-	-	35,687
Derivative financial instruments	64	-	64	-	-	-	64
Other receivables	153,092	-	153,092	-	-	-	153,092
	<u>1,089,534</u>	<u>-</u>	<u>1,089,534</u>	<u>4,672</u>	<u>(3,712)</u>	<u>-</u>	<u>1,090,494</u>
<b>Current assets</b>							
Inventories	-	-	-	51,093	13,525	-	64,618
Trade and other receivables	82,597	-	82,597	10,969	1,053	-	94,619
Available for sale investments	-	-	-	13,325	-	-	13,325
Cash and short term deposits	108,435	110,822	219,257	55,173	-	-	274,430
	<u>191,032</u>	<u>110,822</u>	<u>301,854</u>	<u>130,560</u>	<u>14,578</u>	<u>-</u>	<u>446,992</u>
<b>Total assets</b>	<u>1,280,566</u>	<u>110,822</u>	<u>1,391,388</u>	<u>135,232</u>	<u>10,866</u>	<u>-</u>	<u>1,537,486</u>
<b>Current liabilities</b>							
Trade and other payables	51,511	-	51,511	26,149	5,727	-	83,387
Interest bearing loans and borrowings	80,042	-	80,042	22,244	5,139	-	107,425
Derivative financial instruments	1,027	-	1,027	-	-	-	1,027
Short term provisions	-	-	-	1,540	-	-	1,540
	<u>132,580</u>	<u>-</u>	<u>132,580</u>	<u>49,933</u>	<u>10,866</u>	<u>-</u>	<u>193,379</u>
<b>Non-current liabilities</b>							
Interest bearing loans and borrowings	356,926	-	356,926	-	-	-	356,926
Preference shares and warrants	-	110,822	110,822	-	-	85,704	196,526
Derivative financial instruments	7,904	-	7,904	-	-	-	7,904
Other payables	31,696	-	31,696	-	-	-	31,696
Deferred tax liabilities	16,420	-	16,420	857	-	-	17,277
	<u>412,946</u>	<u>110,822</u>	<u>523,768</u>	<u>857</u>	<u>-</u>	<u>85,704</u>	<u>610,329</u>
<b>Total liabilities</b>	<u>545,526</u>	<u>110,822</u>	<u>656,348</u>	<u>50,790</u>	<u>10,866</u>	<u>85,704</u>	<u>803,708</u>
<b>Net assets/(liabilities)</b>	<u>735,040</u>	<u>-</u>	<u>735,040</u>	<u>84,442</u>	<u>-</u>	<u>(85,704)</u>	<u>733,778</u>
<b>Net asset value per ordinary share</b>	<u>1.43</u>	<u>-</u>	<u>1.43</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1.43</u>

No account has been taken of any results or other activity since 31 December 2008. If the acquisition of Raven Mount and the issue of Preference Shares pursuant to the Placing had taken place at 1 January 2008, the impact on the earnings of the Group for the year ended 31 December 2008, based on the audited financial statements of the Group and of Raven Mount, would have been to increase the loss of the Group to the extent that Raven Mount was loss-making over the period and given that the Preference Dividend would represent an expense.

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## Notes

- (1) The financial information on the Group has been extracted without material adjustment from the financial statements of the Group for the year ended 31 December 2008, which are included in Part 5 of this document.
- (2) The net proceeds of the Placing of 76,155,000 Preference Shares and Warrants at 100 pence per Unit was \$110,822,000 converted at an exchange rate of \$1 : £0.687 with an estimated fair value for Preference Shares of \$105,835,000 and for the Warrants of \$4,987,000. Each Unit has a value of 100 pence, being the consideration received, and has been allocated 4.5 pence to Warrants and 95.5 pence to Preference Shares, pending an independent valuation that will be undertaken in advance of the 2009 interim financial statements.
- (3) The financial information on Raven Mount has, except for the currency conversion been extracted without material adjustment from the financial statements of Raven Mount for the year ended 31 December 2008, which are included in Part 6 of this document and translated into \$, the reporting currency of the Company, at a rate of \$1 : £0.68.
- (4) The financial information on Raven Mount has been adjusted to proportionately consolidate Raven Mount's share of its joint ventures in accordance with the accounting policies of the Company.
- (5) This adjustment represents the consideration for the acquisition of Raven Mount. The estimated consideration for the acquisition of Raven Mount is \$85,704,000, being £58,309,808 converted at an exchange rate at \$1 : £0.68, of which \$81,847,000 is the estimated fair value of the New Preference Shares and the remainder is the fair value of the New Warrants. The New Preference Shares and New Warrants have an estimated fair value identical to that detailed in note 2 above, the actual fair value of the New Preference Shares and New Warrants will be determined by reference to their respective market price at the date of acquisition. The estimated consideration therefore differs from the offer value of £61 million disclosed elsewhere in this document, which is based on the closing mid price of the Preference Shares and Warrants at the close of business on 16 April 2009. The estimated consideration excludes immaterial transaction costs relating to the acquisition, which have been estimated by the directors in Part 12 of this document.

No adjustments have been made to other carrying values of the individual assets of Raven Mount to reflect restatement to their fair value, which may arise on acquisition. The pro forma does not include any goodwill as the offer price was established with reference to the fair value adjusted net asset value of Raven Mount and any goodwill that may ultimately arise will be due to:

- a) movements in the net asset value, and fair values, of Raven Mount in the period from 31 December to the date of acquisition, neither of which are included in this pro forma;
  - b) determination of the fair value of the New Preference Shares and New Warrants at the date of acquisition; and
  - c) the incidental costs incurred in the transaction, which are not considered material.
- (6) The pro forma financial information takes no account of the results of the Group and Raven Mount for the period subsequent to 31 December 2008, or of any other transaction in that period other than the acquisition of Raven Mount and the Placing.



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The Directors  
Raven Russia Limited  
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GY1 3ST

17 April 2009

Dear Sirs

We report on the pro forma financial information (the "Pro Forma Financial Information") set out in Part 7 of the Equivalent Information Document dated 17 April 2009 which has been prepared on the basis described, for illustrative purposes only, to provide information about how the transaction might have affected the financial information presented on the basis of the accounting policies adopted by Raven Russia Limited in preparing the financial statements for the year ended 31 December 2008. This report is required by item 20.2 of Annex I of the PD Regulation and is given for the purpose of complying with that item and for no other purpose.

Save for any responsibility arising under Prospectus Rule 5.5.3R(2)(f) to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with item 23.1 of Annex I to the PD Regulation, consenting to its inclusion in the Equivalent Information Document.

### **Responsibilities**

It is the responsibility of the directors of Raven Russia Limited to prepare the Pro Forma Financial Information in accordance with item 20.2 of Annex I of the PD Regulation.

It is our responsibility to form an opinion, as required by item 7 of Annex II of the PD Regulation, as to the proper compilation of the Pro Forma Financial Information and to report that opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro Forma Financial Information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

### **Basis of opinion**

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial

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information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro Forma Financial Information with the directors of Raven Russia Limited.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro Forma Financial Information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of Raven Russia Limited.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in other jurisdictions and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

**Opinion**

In our opinion:

1. the Pro Forma Financial Information has been properly compiled on the basis stated; and
2. such basis is consistent with the accounting policies of Raven Russia Limited.

**Declaration**

For the purposes of Prospectus Rule 5.5.3R(2)(f), we are responsible for this report as part of the Equivalent Information Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Equivalent Information Document in compliance with item 1.2 of Annex I of the PD Regulation.

Yours faithfully

**Ernst & Young LLP**



## PART 8 PROPERTY PORTFOLIO

### SECTION 1

The accompanying table summarises the status of each investment and development property project as at the date of this document in which the Company has an interest, together with details of current rental status and external financing facilities where an asset has been used as security. Further information in respect of these properties is set out in Section 2 of this Part 8.

Property	Land plot, ha	GLA, sqm	Total Development Cost	Rental Status	Net Operating Income <sup>(1)</sup>	Interest <sup>(2)</sup>	Financing				
							Type	Principal Amount, \$m	Term end	Provider	Status
Baltia	5.1	28,000	\$29,000,000	Fully let	\$3,500,000	100%	Invest	\$22.6	24-Oct-12	HSH Nordbank	Fully Drawn
Southern	1.7	14,000	\$15,300,000	Fully let	\$2,100,000	100%	Invest	\$13.4	23-Nov-12	HSH Nordbank	Fully Drawn
Krekshino	22.2	118,000	\$113,000,000	Fully let	\$13,800,000	100%	Invest	\$89.3	30-Jan-13	Hypo Real Estate	Fully Drawn
Constanta	0.5	16,000	\$57,000,000	Fully let	\$9,400,000	100%	Invest	\$53.3	16-Nov-12	HSH Nordbank	Fully Drawn
Istra phases 1-5	33.3	199,000	\$171,000,000	77% Let/Pre-Let	\$19,500,000	100%	Invest	\$89.0	24-Oct-13	Aareal Bank	Fully Drawn
Shushary 1-3	26.0	142,000	\$144,500,000	42% Let/Pre-Let	\$7,100,000	100%			Unencumbered		
Noginsk I	21.8	123,000	\$117,000,000	Under construction	\$-	100%	Construct	\$62.8	1-Oct-09 <sup>(3)</sup>	HSH Nordbank	\$59.1m Drawn
Pulkovo	5.1	36,000	\$40,700,000	Under construction	\$-	100%			Unencumbered		
EG	10.0	53,000	\$59,100,000	100% Pre-Let	\$6,900,000	100%			Unencumbered		
Klimovsk I	9.0	54,000	\$63,000,000	34% Pre-Let	\$2,800,000	100%			Unencumbered		
AKM I	12.3	63,000	\$75,100,000	10% Pre-Let	\$900,000	100%	Construct	\$44.0	20-Nov-13	Nomos Bank	Fully Drawn
Rostov on Don I	18.6	100,000	\$123,900,000	37% Pre-Let; 10% under letter of intent	\$6,400,000	50%	Construct	\$60.0	1-Sep-10	VTB	Fully Drawn
Novosibirsk	17.8	120,000	\$127,200,000	27.5% Pre-Let	\$4,400,000	50%	Construct	\$40.0	10-Oct-17	IFC	Fully Drawn
<b>Total</b>	<b>183.4</b>	<b>1,066,000</b>	<b>\$1,135,800,000</b>		<b>\$76,800,000</b>			<b>\$474.4</b>			

(1) Net Operating Income: net operating income for income producing assets represents the annualised, actual rental income for the year ended 31 December 2008. For properties under development Net Operating Income represents the anticipated annual income under signed preliminary lease agreements and letters of intent.

(2) The interest in the project reflects the proportion of the project accounted for in the consolidated financial statements of the Company.

(3) The Noginsk Facility falls due for repayment in October 2009 when the construction of the property is completed. At that time, the Company intends to convert the construction loan into an investment loan. The Group is currently assisting Anfrimo Holdings Limited (a subsidiary of a company external to the Group) in advanced discussions with HSH Nordbank in relation to the terms of this investment loan and has no reason to believe that such terms will not be agreed.

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## SECTION 2

### PORTFOLIO OF INVESTMENT ASSETS

<i>Property name</i>	<i>Location, Description, Tenure &amp; Tenancy</i>
1. <b>Baltia, Moscow</b>	<p>The property is located approximately 23 km to the west of Moscow, on the Baltia (Moscow-Riga) highway around 7 km from the Moscow Ring Road (MKAD). The site of approximately 5.1ha is situated near Mikhalkovo village in the Krasnogorsk district of the Moscow Region</p> <p>The property comprises a Class A warehouse development of three single storey, concrete frame buildings, constructed in 2005. The accommodation offers warehouse space, offices and canteen facilities, with a total area of 28,831 m<sup>2</sup>. The property is let to 14 tenants, including Stockmann, Schneider and Pragmatic Express on a number of leases expiring between April 2009 and July 2011.</p>
2. <b>Southern, Moscow</b>	<p>The property is located in an industrial area of the Southern administrative district of Moscow, approximately 10 km from the city centre, around 1 km from the Varshavskoye highway and 5 km from MKAD.</p> <p>The property comprises a Class A warehouse development of single storey, concrete frame buildings, constructed in 2004. The accommodation offers warehouse space, offices and canteen facilities, with a total area of 14,472 m<sup>2</sup>.</p> <p>The property is let to 13 tenants including Samsung and WeMaTek on a number of leases expiring between February 2009 and January 2015.</p>
3. <b>Krekshino, Moscow</b>	<p>The property is located in the Naro-Fominsky area of the Moscow Region about 40 km to the south west of the city centre, 24 km from MKAD, between the Minsk and Kiev highways. Vnukovo airport, which offers both passenger and freight terminals, and is one of the largest airports in Moscow, is within about 15 km of the properties.</p> <p>The scheme is in four phases, known as 1A, 1B, 1C and 1D. All the phases comprise warehouse accommodation with ancillary offices and mezzanine floors which in total provide 118,012 m<sup>2</sup></p> <p>1A, B and C are all let to National Logistics Company, (the largest logistics operator in Russia) on three leases expiring in January 2016, March 2012 and August 2014 respectively. 1D is let by way of six leases, expiring between March 2009 and December 2014.</p>
4. <b>Constanta, St. Petersburg</b>	<p>The property comprises a stand alone Class B+ office building on Leninsky Prospekt in the Moskovskiy district of St. Petersburg, approximately 8 km to the south of the city centre.</p> <p>The property is a modernised administrative building, which was converted in 2005 to provide an eight storey, self</p>

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- contained office building with a gross leaseable floor area of 15,828 m<sup>2</sup> and 70 car parking spaces.
- The entire building is let to LenEnergO by way of a 10 year lease expiring in April 2017 and the car park is let on a lease expiring in September 2009.
5. **Istra, Moscow – Phase 1** The property comprises Phase 1 of a 33 ha development site situated directly adjacent to the New Riga highway, approximately 50 km from Moscow city centre, 41 km from MKAD and 8 km from the Betonka.
- Phase 1 comprises a logistics warehouse of 51,225 m<sup>2</sup>, including mezzanine and ancillary office space.
- The property is divided into two units. Block 1 (16,888 m<sup>2</sup>) is let to Bacardi by way of a 7 year lease, expiring May 2015 and Block 2 (34,276 m<sup>2</sup>) is let to Interleasing on a 10 year lease, expiring May 2018.
6. **Istra, Moscow – Phase 2** This is the second Phase of the above detailed scheme, situated directly adjacent to Phase 1. Phase 2 comprises a logistics warehouse of 48,696 m<sup>2</sup>, including mezzanine and ancillary office space. The property comprises a single unit, let to DSV by way of a 10 year lease expiring in September 2018.
7. **Istra, Moscow – Phase 3** Phase 3 of the project comprises two logistics warehouses totalling 52,047 m<sup>2</sup>, including mezzanine and ancillary office space, and received its ownership certificate on 26 December 2008.
- Building 1 with an area of 25,688 m<sup>2</sup> is pre-let to Seacontinental Logistics by way of a 7 year lease, expiring December 2015.
- Building 2 is divided into two parts, Block 1 is 8,802 m<sup>2</sup>, and is pre-let to DSV on a 10 year lease. The remainder of Building 2, 17,547 m<sup>2</sup> is currently vacant.
8. **Shushary, St. Petersburg Building 1** The property comprises the first building of a logistics scheme known as Logopark Neva. The total development site has an area of around 26 ha and is situated in the Shushary District of St. Petersburg, approximately 15 km south of the city centre and around 5 km from the St. Petersburg ring road (KAD).
- Building 1 comprises a new, purpose built, Class A logistics warehouse with a total floor area of 61,706 m<sup>2</sup>, including warehouse, offices and mezzanine areas and is let to Avalon Logistics by way of a 10 year lease, expiring in June 2018.
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## PORTFOLIO OF DEVELOPMENT ASSETS

<i>Property name</i>	<i>Location, Description, Tenure &amp; Tenancy</i>
1. <b>Logopark Ob, Novosibirsk</b>	<p>The property is located in Petukhova Road to the south of the city centre and comprises a development site of 17.8 ha.</p> <p>The site was construction complete in Q1 2009. The scheme offers a logistics facility with a total area of 120,571 m<sup>2</sup>, offering Class A warehouse accommodation with mezzanine and ancillary offices. There is also a rail spur serving the site.</p> <p>There is a prelease for 33,037 m<sup>2</sup> in place to Avalon Logistics for a term of 10 years from completion.</p>
2. <b>Logopark Don, Rostov on Don</b>	<p>The property comprises a greenfield development site of 45 ha, held on a freehold basis, situated on the Federal Highway M4 approximately 27 km from the city centre.</p> <p>The first phase of the scheme is for 99,896 m<sup>2</sup> of Class A logistics warehousing including ancillary offices and mezzanine was construction complete in Q1 2009.</p> <p>There are two pre-leases in place, firstly Avalon Logistics have taken 21,315 m<sup>2</sup> on a 10 year lease and Auchan have taken 15,707 m<sup>2</sup> on a seven year lease.</p>
3. <b>Klimovsk, Moscow</b>	<p>The property comprises a development site of 18 Ha to the south of Moscow, approximately 21 km from the MKAD in a town called Klimovsk. The project is a short distance from the M2 Simferopolskoye highway, a major route to the south from Moscow.</p>
4. <b>EG Logistics, Moscow</b>	<p>The property is a greenfield development site of 10 ha on the Rogachevckoe highway located approximately 35 km to the north of the city centre, 25 km from MKAD and 10 km north of Lobnya.</p> <p>The scheme is a logistics complex with mezzanine and ancillary office premises, with a total area of around 54,914 m<sup>2</sup>. The project is to be delivered in one phase, construction will be finished during the first half of 2009.</p> <p>The project is fully prelet to two tenants, firstly EG Logistics have taken 28,801 m<sup>2</sup> on a five year lease and Nippon Express will occupy 24,170 m<sup>2</sup> on a seven year.</p>
5. <b>Istra, Moscow – Phases 4 and 5</b>	<p>The property comprises Phases 4 and 5 of a 33 ha development site situated directly adjacent to the New Riga highway, approximately 50 km from Moscow city centre, 41 km from MKAD and 8 km from the Betonka.</p> <p>Phase 4 will comprise two logistics warehouses, each of 29,658 m<sup>2</sup>, including mezzanine and ancillary office space.</p> <p>Phase 5 comprises a two storey logistics warehouses totalling 36,826 m<sup>2</sup>, including ancillary office space. The lower level will be 18,686 m<sup>2</sup> with a reduced roof height of 6m, the upper</p>

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- storey will be 18,140 m<sup>2</sup> with a 12m roof height. The construction will be completed in 2010.
6. **Shushari, St. Petersburg Buildings 2 + 3**
- The property comprises buildings 2 and 3 of a logistics scheme known as Logopark Neva. The total development site has an area of around 26 ha and is situated in the Shushary District of St. Petersburg, approximately 15 km south of the city centre and around 5 km from KAD.
- Building 2 comprises a new, purpose built, Class A logistics warehouse with a total floor area of 33,624 m<sup>2</sup>, including warehouse, offices and mezzanine areas.
- The unit is currently vacant, completion is expected during the first half of 2009.
- Building 3 comprises a new, purpose built, Class A logistics warehouse with a total floor area of 49,250 m<sup>2</sup>, including warehouse, offices and mezzanine areas.
- This building will be completed before Building 2, this unit is also vacant.
7. **AKM, St. Petersburg**
- This asset comprises part of a 33 ha development site, located to the south of St. Petersburg city centre in the Shushary district. The site benefits from two access points to the Moscow highway.
- This first phase of the project is due to be completed at the date of valuation. It will provide 69,020 m<sup>2</sup> of warehouse accommodation, including mezzanine and ancillary office space.
8. **Pulkovo I, St. Petersburg**
- The property comprises a 5 ha freehold development site which is located to the south of the city centre close to major transport links and the airport.
- The scheme will provide 35,760 m<sup>2</sup> of Class A logistics warehousing including ancillary offices and mezzanine. Construction is due to complete in the first quarter of 2009.
9. **Noginsk, Moscow**
- The property comprises part of a 62 ha development site located in the Noginsk district of the Moscow region approximately 55km from the city, 45 km from MKAD and 3km inside the Betonka. Access to the site is from the Volga highway, which links Moscow to Nizhniy Novgorod.
- Phase 1 provides a logistic complex of 122,429 m<sup>2</sup> comprising three buildings with ancillary office premises. Completion of construction is expected during the second quarter of 2009.
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## LAND BANK

	<i>Land Bank</i>	<i>Potential Area, sq m</i>	<i>Interest<sup>(1)</sup></i>	<i>Ownership</i>	<i>Permitting Status</i>
Nizhniy Novgorod	44.4 ha	220,000	50%	Freehold	Construction permit due in Q2 2009
Omsk	55 ha	275,000	50%	Freehold acquisition is on hold until Q2'09	Construction permit due in Q2 2009
Khabarovsk	27.3 ha	140,000	50%	Land Lease (5yrs) - acquired	Construction permit received
Chelyabinsk	50 ha	250,000	50%	Land Lease (5yrs) - acquired	Construction permit received in January 2009
Saratov	27.5 ha	168,092	50%	Land Lease (49yrs) - acquired	Construction permit received
Ufa	48.1 ha	240,000	50%	Land Lease (10yrs) - acquired	Construction permit due in Q2 2009
Minsk	45 ha	225,000	50%	Land Lease (99yrs) - acquired	Initial permitting work to commence Q2 2009
Pulkovo II	10 ha	65,000	100%	Freehold	Construction permit expected Q4 2009
Kiev	19 ha	111,000	100%	Freehold	Existing use established for warehousing

(1) The interest in the project reflects the proportion of the project accounted for in the consolidated financial statements of the Company.

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## PART 9

### PROPERTY VALUATION REPORT ON THE GROUP



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Robert.Mayhew@eu.jll.com

17 April 2009

Dear Sirs

#### RAVEN RUSSIA LIMITED YEAR END VALUATION OF A PORTFOLIO OF INVESTMENT PROPERTIES

##### SCOPE OF INSTRUCTIONS INFORMATION AND REPORT

In accordance with our engagement agreement, Contract number RU3043, dated 24 November 2008, with Raven Russia Limited (the “**Company**”), we, (Jones Lang LaSalle), Chartered Surveyors, have considered the assets referred to in the attached schedule (the “**Schedule**”), in order to advise you of our opinion of the Market Value (as defined below) of the freehold or leasehold interests (as appropriate) of the Company in each of these properties (the “**Properties**”).

##### PURPOSE OF VALUATION

We understand that this valuation report (the “**Valuation Report**”) is required for the purpose of Reporting in accordance with the International Financial Reporting Standards for inclusion in the Company’s Financial accounts and, in addition, we understand the valuation will be used for the purposes of inclusion in the equivalent information document to be published in relation to a proposed offer for Raven Mount Group plc.

##### BASIS OF VALUATION AND ASSUMPTIONS

We confirm that the valuations have been carried out on the basis of Market Value in accordance with the appropriate sections of the current Practice Statements contained within the RICS Valuation Standards, 6th Edition (the “**Red Book**”). This is an internationally accepted basis of valuation.

Market Value is defined as:

*“The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.”*

We can confirm that we have prepared our valuation as External Valuers as defined in the RICS Valuation Standards and our valuation has been prepared in accordance with our General Principles in Appendix 2 of this report.

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In arriving at our opinions of Market Value we have also arrived at our opinions of current estimated net annual rent. These are assessed on the assumption that they are the best rent at which a new letting of an interest in property would have been completed at the date of valuation assuming:

- (i) a willing landlord;
- (ii) that prior to the date of valuation there had been a reasonable period (having regard to the nature of the property and the state of the market) for the proper marketing of the interest, for the agreement of the price and terms and for the completion of the letting;
- (iii) that the state of the market, levels of value and other circumstances were, on any earlier assumed date of entering into an agreement for lease, the same as on the valuation date;
- (iv) that no account is taken of any additional bid by a prospective tenant with a special interest;
- (v) that where relevant the length of term and principal conditions assumed to apply to the letting and other tenants terms are the same as those set out in the rent review clause contained in the occupational lease which we confirm are not exceptionally onerous or beneficial for letting of the type and class of the subject property and;
- (vi) that both parties to the transaction had acted knowledgeably, prudently and without compulsion.

#### **STATUS OF VALUE**

We confirm that we have undertaken the valuations acting as External Valuers, as defined in the Red Book, qualified for the purpose of the valuation.

#### **DATE OF VALUATION AND INSPECTIONS**

The date of valuation is 31 December 2008 and is based upon tenancy information as at this date. Each of the properties was inspected as shown in the table below and we have made other such enquiries as we deemed necessary in order to provide you with your advice.

<i>Property</i>	<i>Date of Inspection</i>
Baltia	11 November 2008
Istra	11 November 2008
Southern	12 November 2008
Krekshino	12 November 2008
Shushary	17 November 2008
Konstanta	17 November 2008

#### **ASSUMPTIONS AND SOURCES OF INFORMATION**

An assumption is stated in the Glossary to the Red Book to be a “supposition taken to be true” (“**assumption**”). Assumptions are facts, conditions or situations affecting the subject of, or approach to, a valuation that, by agreement, need not be verified by a Valuer as part of the valuation process. In undertaking our valuations, we have made a number of assumptions and have relied on certain sources of information. Where appropriate, the Company’s advisers have confirmed that our assumptions are correct so far as they are aware. We believe that the assumptions we have made are reasonable, taking into account our knowledge of the properties, and the contents of reports made available to us. However, in the event that any of these assumptions prove to be incorrect then our valuations should be reviewed. The assumptions we have made for the purposes of our valuations are referred to below.

We have also made an assumption that the information the Company and its professional advisers have supplied to us in respect of the Properties is both full and correct.



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It follows that we have made an assumption that details of all matters likely to affect value within their collective knowledge such as prospective lettings, outstanding requirements under legislation and planning decisions have been made available to us and that the information is up to date.

Shushary, Konstanta and Krekshino are held freehold. Kulon Baltia, Kulon Southern, and Istra are held on a leasehold basis granted by the local authorities. The ground rental payments of such interests may be reviewed on an annual basis, in either an upwards or downwards direction, by reference to an established formula. Within the terms of the lease, there is a right to extend the term of the lease upon expiry in line with the existing terms and conditions thereof. It should be noted, however, that very few leasehold interests have yet reached termination and, hence, the effective ability to renew on such a basis is relatively untested. In arriving at our opinions of Market Value, we have assumed that the respective ground leases are capable of extension in accordance with the terms of each lease. In addition, given that such interests are not capable of assignment, we have assumed that each leasehold interest is held by way of a special purpose vehicle (SPV), and that shares in the respective SPV are capable of assignment.

In those instances where the properties are held in part ownership, our valuations assume that these interests are capable of sale in the open market without any restriction from the co-owner and that there are no encumbrances within the share agreements which would impact upon the saleability of the properties concerned.

In terms of the Assumptions which we have made and which are summarised within this Valuation Report, the Company has confirmed that our Assumptions are correct as far as they are aware. In the event that any of our Assumptions prove to be incorrect, the valuations contained in this valuation report should be reviewed and modified as necessary.

#### **TENURE AND TENANCIES**

We have been not provided with copies of the title deeds for all the properties and have taken the advice from the Company, in terms of title, in arriving at our opinions of value. However, we are unable to confirm whether any other documents exist which may invalidate or alter our understanding of the legal status of the properties and, as a result, we have assumed that the title is marketable and that the properties are free from encumbrances, mortgages and charges. We have also assumed that, where the interest in the properties is leasehold, there are no unreasonable or unusual clauses which would affect value and no unusual restrictions or conditions governing the assignment or disposal of the interest.

We understand that each property is either held by the Company or jointly with third parties. We have valued a 100 per cent. share of the tenure stated in each property as if each property was held entirely by the Company as at valuation date. We have not made any adjustment to value, which may be appropriate when considering fractural ownership.

The majority of the properties are held under a freehold title. In the case of those with leasehold title the lessee of a ground lease has a priority right to renew the lease upon expiry, on the same terms and conditions. Our valuation is predicated on the special assumption that the ground lease at each property can be extended, effectively in perpetuity, on similar terms to the existing leases.

In terms of those properties which are held by way of ground leases, we understand that such ground leases are not capable of being transferred in Moscow. We further understand that each asset is held as a SPV. Consequently, as noted above, we have valued the Properties on the Special Assumption that the shares in each of these SPVs can be sold and, in addition, that there are no further assets or liabilities held by each SPV which might affect the ability to sell the shares in the vehicles.

It is important to note that the rights to complete a development may be lost or, at least, delayed if the lessee fails to complete a permitted development within the timescale set out by the ground lease. In addition, in the event that a development has not been commenced upon the expiry of

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a lease then the City Authorities are entitled to decline the granting of a new lease on the basis that the land is not used in accordance with its designation. Furthermore, where all necessary permissions and consents for the development are not in place, this may provide the City with grounds for rescinding or non-renewal of the ground lease. In undertaking the valuations reported herein, we have made the assumption that no such circumstances will arise to permit the City to rescind the land lease or to not grant a renewal.

We have been provided with rental information in the form of tenancy schedules for the investment properties; Krekshino, Kulon Baltia, Kulon Southern, Istra Phases 1, 2 & 3, Shushary Building 1 and Konstanta.

We have not conducted credit enquires into the financial status of any of the tenants. However, in undertaking our valuations we have reflected our understanding of the market perception of the financial status of the tenants. We have also assumed that each tenant is capable of meeting its leasehold obligations and that there are no undisclosed breaches of covenant.

#### **FLOOR AREAS**

We have not undertaken any measured surveys of the Properties and have relied entirely on information as to site areas and floor areas and dimensions of existing and proposed developments as provided to us by the Company.

#### **PLANNING**

Although we have not made any formal searches in terms of planning consents and issues, we have generally relied upon information provided by the Company as well as project documentation (where available) in respect of each of the properties.

In arriving at our opinions of Market Value we have had regard, where available, to the Company's specific proposals to develop each asset. However, although we have taken these proposals into account, each valuation reflects our opinion of such a development which may form the basis of a bid for the property by a prospective purchaser. As a result, our valuations do not necessarily fully reflect the Company's proposed development programme.

We have assumed that all existing properties have been erected and are being occupied and used in accordance with all necessary consents and that there are no outstanding statutory notices. We have also assumed that all buildings comply with all statutory and Local Authority requirements including building, fire and health and safety regulations.

#### **ENVIRONMENTAL INVESTIGATIONS AND GROUND CONDITIONS**

We have not been instructed to carry out site surveys or environmental assessments nor have we investigated any historical records, to establish whether any land or premises are or have been, contaminated. Unless we have been provided with information to the contrary, we have assumed that the properties are not, nor are likely to be, affected by land contamination and that there are no ground conditions which would affect the present or future use of the properties.

We were not instructed to carry out structural surveys of the properties but we have reflected any apparent wants of repair in our opinion of the value as appropriate. Properties have been valued on the basis of the issuer's advice save where we have been specifically advised to the contrary, no deleterious materials have been used in the construction of any of the subject buildings.

#### **PLANT AND MACHINERY**

In respect of any existing buildings, landlords' plant and machinery such as lifts, escalators, air-conditioning and other normal service installations have been treated as an integral part of each property and are included within our valuations. Plant and machinery, tenant's fixtures and specialist trade fittings have been excluded from our valuations.

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No specialist tests have been carried out on any of these service systems and for the purposes of our valuations we have assumed that all are in good working order and in compliance with any relevant statute bylaw or regulation.

#### **VALUATION**

On the bases outlined within this Valuation Report, we are of the opinion that the aggregate of the individual gross Market Values, as at 31 December 2008, of the three freehold and three long leasehold interests subject to the existing lettings but otherwise with vacant possession is as set out below:

##### **Freehold Properties:**

**\$244,100,000**

**(Two Hundred and Forty Four Million, One Hundred Thousand US Dollars)**

##### **Leasehold Properties:**

**\$209,650,000**

**(Two Hundred and Nine Million, Six Hundred and Fifty Thousand US Dollars)**

It should be noted that the above valuation represents the aggregate of the individual values attributable to each property type and should not be regarded as a valuation of the portfolio as a whole in the context of a sale as a single lot.

#### **REALISATION COSTS**

Our Valuation is exclusive of VAT and no allowances have been made for any expenses of realisation nor for taxation which might arise in the event of a disposal of any property. Our valuation is, however, net of purchaser's acquisition costs.

#### **MARKET VOLATILITY**

The continued turmoil and instability in the financial markets is continuing to cause volatility and uncertainty in the world's capital markets and real estate markets. There are low levels of liquidity in the real estate market and transaction levels are significantly reduced, resulting in a lack of clarity as to pricing levels and the market drivers. This, combined with a weakening of sentiment towards Russian real estate, has resulted in a continual reappraisal of Russian commercial property prices.

Globally, many of those transactions currently being negotiated are likely to involve vendors who are more compelled to sell, or purchasers who will only buy at discounted prices. In addition, prices agreed during negotiation are frequently reduced prior to exchange of contracts as purchasers bring to bear their greater negotiating position and ability to complete transactions in the current uncertain market. In this environment, prices and values are going through a period of heightened volatility whilst the market absorbs the various issues and reaches its conclusions. In Russia there is a lower level of transactional activity than in other markets and reduced transparency, which exacerbates the present difficulties. As a result of these circumstance market values can change rapidly in current market conditions.

#### **EXCHANGE RATES**

We have indicated the Market Values of the subject properties in the attached valuation schedule in US Dollars, where necessary we have adopted the exchange rate of the Central Bank of Russia or the European Central Bank on 31 December 2008.

#### **RESPONSIBILITY**

For the purpose of Reporting in accordance with the International Financial Reporting Standards for inclusion in the Company's Financial accounts and, in addition, we understand the valuation will used for the purposes of inclusion in the equivalent document to be published in relation to

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a proposed offer for Raven Mount plc. Before this Valuation Report, or any part thereof, is reproduced or referred to in any other document, circular or statement and before its contents, or any part thereof, are otherwise disclosed orally or otherwise to a third party, the Valuer's written approval as to form and context of such publication or disclosure must first be obtained.

For the purposes of Prospectus Rule 5.5.3R(2)(f) we are responsible for this report as part of the Equivalent Information Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Equivalent Information Document in compliance with item 1.2 of Annex I of the PD Regulation.

For the avoidance of doubt, such approval is required whether or not Jones Lang LaSalle are referred to by name and whether or not the contents of our valuation report are combined with other reports.

Yours faithfully

**Robert C Mayhew BSc (Hons) MRICS**  
*European Director*

**Sergey Belov MRICS**  
*Director*

For and on behalf of Jones Lang LaSalle

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## APPENDIX 1

### SCHEDULES OF PORTFOLIO ASSETS

#### RAVEN RUSSIA LIMITED SCHEDULE

##### PORTFOLIO ASSETS VALUATION AS AT 31 DECEMBER 2008

<i>Property Name</i>	<i>Location, Description, Tenure &amp; Tenancy</i>
<b>1. Baltia, Moscow</b>	<p>The property is located approximately 23 km to the west of Moscow, on the Baltia (Moscow-Riga) highway around 7 km from MKAD. It situated near Mikhalkovo village in the Krasnogorsk district of the Moscow Region. The site is level and broadly rectangular in shape and extends to 5.097 ha.</p> <p>The property comprises a Class A warehouse development of three single storey, concrete frame buildings, constructed in 2005. The accommodation offers warehouse space, offices and canteen facilities, with a total area of 28,831 m<sup>2</sup>. The property is let to 14 tenants, including Stockmann, Schneider and Pragmatic Express on a number of leases expiring between April 2009 and July 2011.</p>
<b>2. Southern, Moscow</b>	<p>The property is located in an industrial area of the Southern administrative district of Moscow, approximately 10 km from the city centre, around 1 km from the Varshavskoye highway and 5 km from MKAD.</p> <p>The property comprises a Class A warehouse development of single storey, concrete frame buildings, constructed in 2004. The accommodation offers warehouse space, offices and canteen facilities, with a total area of 14,472 m<sup>2</sup>.</p> <p>The property is let to 13 tenants including Samsung and WeMaTek on a number of leases expiring between February 2009 and January 2015.</p>
<b>3. Krekshino, Moscow</b>	<p>The Krekshino development is located near the rural settlement of the same name in the Naro-Fominsky area in the Moscow Region. The property is situated about 40 km to the south west of the city centre, 24 km from the Moscow Ring Road (MKAD), between the Minsk and Kiev highways. Vnukovo airport, which offers both passenger and freight terminals, and is one of the largest airports in Moscow, is within about 15 km of the properties.</p> <p>The scheme is in four phases, known as 1A, 1B, 1C and 1D. All the phases comprise warehouse accommodation with ancillary offices and mezzanine floors.</p> <p>1A, B and C are all let to National Logistics Company, (the largest logistics operator in Russia) on three leases expiring in January 2016, March 2012 and August 2014 respectively. 1D is let by way of six leases, expiring between March 2009 and December 2014.</p>

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- 4. Constanta, St. Petersburg** The property comprises a stand alone Class B+ office building on Leninsky Prospekt in the Moskovskiy district of Saint Petersburg, approximately 8 km 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 with a gross leaseable floor area of 15,828 m<sup>2</sup> and 70 car parking spaces.
- The entire building is let to LenEnergo by way of a 10 year lease expiring in April 2017 and the car park is let on a lease expiring in September 2009.
- 5. Istra, Moscow Phase 1** The property comprises Phase 1 of a 33 ha development site situated directly adjacent to the New Riga highway, approximately 50 km from Moscow city centre, 41 km from MKAD and 8 km from the Betonka.
- Phase 1 comprises a logistics warehouse of 51,225 m<sup>2</sup>, including mezzanine and ancillary office space. The construction was completed in December 2007 with State Commissioning on 21 December.
- The property is divided into two units. Block 1 (16,888 m<sup>2</sup>) is to Bacardi by way of a 7 year lease, expiring May 2015 and Block 2 (34,276 m<sup>2</sup>) is let to Interleasing on a 10 year lease, expiring May 2018.
- 6. Istra, Moscow Phase 2** This is the second Phase of the above detailed scheme, situated directly adjacent to Phase 1. Phase 2 comprises a logistics warehouse of 48,696 m<sup>2</sup>, including mezzanine and ancillary office space. The property comprises a single unit, let to DSV by way of a 10 year lease expiring in September 2018.
- 7. Istra, Moscow Phase 3** Phase 3 of the project comprises two logistics warehouses totalling 52,047 m<sup>2</sup>, including mezzanine and ancillary office space. Construction was completed in early 2009.
- Building 1 with an area of 25,688 m<sup>2</sup> is prelet to Seacontinental Logistics by way of a 7 year lease, expiring December 2015.
- Building 2 is divided into two parts, Block 1 is 8,812 m<sup>2</sup> and is preleased to DSV on a 10 year lease. Block 2 is currently vacant.
- 8. Shushary, St. Petersburg Building 1** The property comprises the first building of a logistics scheme known as Logopark Neva. The total development site has an area of around 26 ha and is situated in the Shushary District of St Petersburg, approximately 15 km south of the city centre and around 5 km from the KAD ring road.
- Building 1 comprises a new, purpose built, Class A logistics warehouse with a total floor area of 61,706 m<sup>2</sup>, including warehouse, offices and mezzanine areas and is let to Avalon Logistics by way of a 10 year lease, expiring in June 2018.
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## APPENDIX 2

### GENERAL PRINCIPLES ADOPTED IN THE PREPARATION OF VALUATION AND REPORTS

These are the general principles upon which our Valuations and Reports are normally prepared; they apply unless we have specifically mentioned otherwise in the body of the report. Where appropriate, we will be pleased to discuss variations to suit any particular circumstances, or to arrange for the execution of structural or site surveys, or any other more detailed enquiries.

#### 1. RICS VALUATION STANDARDS

Valuations and Reports are prepared in accordance with the Practice Statements contained in the RICS Valuation Standards (6th Edition) published by the Royal Institution of Chartered Surveyors, by valuers who conform to the requirements thereof.

Except where stated, Jones Lang LaSalle and Jones Lang LaSalle Hotels are External Valuers.

#### 2. VALUATION BASIS

Properties are generally valued to "Market Value" or alternatively another basis of valuation as defined in the Appraisal and Valuation Manual. Market Value is defined as "The estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

The full definition of any other basis, which we may have adopted, is either set out in our report or in the Appraisal and Valuation Manual.

There are interpretative commentaries on the definitions which are set out in the Appraisal and Valuation Manual and which we will be pleased to supply on request.

In our valuations no allowances are made for any expenses of realisation, or for taxation, which might arise in the event of a disposal. All property is considered as if free and clear of all mortgages or similar financial encumbrances, which may be secured thereon.

Unless otherwise stated, our valuations are of each separate property. Portfolio valuations are aggregates of individual valuations rather than the portfolio having been valued as a whole. No allowance is made for the effect of the simultaneous marketing of all/or a proportion of the properties.

#### 3. SOURCE OF INFORMATION

We accept as being complete and correct the information provided to us, by the sources listed, as to details of tenure, tenancies, tenant's improvements, planning consents and other relevant matters, as summarised in our report.

#### 4. DOCUMENTATION

We do not normally read leases or documents of title. We assume, unless informed to the contrary, that each property has a good and marketable title, that all documentation is satisfactorily drawn and that there are no encumbrances, restrictions, easements or other outgoings of an onerous nature, which would have a material effect on the value of the interest under consideration, nor material litigation pending. Where we have been provided with documentation we recommend that reliance should not be placed on our interpretation without verification by your lawyers.



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## **5. TENANTS**

Although we reflect our general understanding of a tenant's status in our valuations, enquiries as to the financial standing of actual or prospective tenants are not normally made unless specifically requested. Where properties are valued with the benefit of lettings, it is therefore assumed, unless we are informed otherwise, that the tenants are capable of meeting their financial obligations under the lease and that there are no arrears of rent or undisclosed breaches of covenant.

## **6. MEASUREMENTS**

Where appropriate, all measurement is carried out in accordance with the Code of Measuring Practice issued by the Royal Institution of Chartered Surveyors, except where indicated or where we specifically state that we have relied on another source.

## **7. TOWN PLANNING AND OTHER STATUTORY REGULATIONS**

Information on Town Planning, wherever possible, is obtained verbally from the Local Planning Authority. We do not make formal legal enquiries and, if reassurance is required, we recommend that verification be obtained from lawyers that:

- 7.1. the position is correctly stated in our report;
- 7.2. the property is not adversely affected by any other decisions made, or conditions prescribed, by public authorities;
- 7.3. there are no outstanding statutory notices.

Outside the UK however, it is often not possible to make such verbal enquiries.

Our valuations are prepared on the basis that the premises (and any works thereto) comply with all relevant statutory and EC regulations, including enactments relating to fire regulations, access and use by disabled persons and control and remedial measures for asbestos in the workplace.

## **8. STRUCTURAL SURVEYS**

Unless expressly instructed, we do not carry out a structural survey, nor do we test the services and we therefore do not give any assurance that any property is free from defect. We seek to reflect in our valuations any readily apparent defects or items of disrepair, which we note during our inspection, or costs of repair which are brought to our attention.

## **9. DELETERIOUS MATERIALS**

We do not normally carry out investigations on site to ascertain whether any building was constructed or altered using deleterious materials or techniques (including, by way of example, high-alumina cement concrete, woodwool as permanent shuttering, calcium chloride or asbestos). Unless we are otherwise informed, our valuations are on the basis that no such materials or techniques have been used.

## **10. SITE CONDITIONS**

We do not normally carry out investigations on site in order to determine the suitability of ground conditions and services for the purposes for which they are, or are intended to be, put; nor do we undertake archaeological, ecological or environmental surveys. Unless we are otherwise informed, our valuations are on the basis that these aspects are satisfactory and that, where development is contemplated, no extraordinary expenses or delays will be incurred during the construction period due to these matters.

## **11. ENVIRONMENTAL CONTAMINATION**

Unless expressly instructed, we do not carry out site surveys or environmental assessments, or investigate historical records, to establish whether any land or premises are, or have been, contaminated. Therefore, unless advised to the contrary, our valuations are carried out on the basis

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that properties are not affected by environmental contamination. However, should our site inspection and further reasonable enquiries during the preparation of the valuation lead us to believe that the land is likely to be contaminated we will discuss our concerns with you.

## **12. INSURANCE**

Unless expressly advised to the contrary we assume that appropriate cover is and will continue to be available on commercially acceptable terms. For example in regard to the following:

### **Composite Panels**

We understand that a number of insurers are substantially raising premiums, or even declining to cover, buildings incorporating certain types of composite panel. Information as to the type of panel used is not normally available, and the market response to this issue is still evolving. Accordingly, our opinions of value make no allowance for the risk that insurance cover for any property may not be available, or may only be available on onerous terms, or for any adverse market reaction to the presence of such panels.

### **Terrorism**

To the extent that it is feasible, our valuations have been made on the basis that the properties are insured against risks of loss or damage including damage caused by acts of Terrorism.

### **Flood and Rising Water Table**

Our valuations have been made on the assumption that the properties are insured against damage by flood and rising water table.

## **13. CURRENCY**

The valuations are prepared in US Dollars.

## **14. VALUE ADDED TAX**

Valuations are prepared and expressed exclusive of VAT payments, unless otherwise stated.

## **15. OUTSTANDING DEBTS**

In the case of property where construction works are in hand, or have recently been completed, we do not normally make allowance for any liability already incurred, but not yet discharged, in respect of completed works, or obligations in favour of contractors, subcontractors or any members of the professional or design team.

## **16. CONFIDENTIALITY AND THIRD PARTY LIABILITY**

Our Valuations and Reports are confidential to the party to whom they are addressed for the specific purpose to which they refer, and no responsibility whatsoever is accepted to any third parties. Neither the whole, nor any part, nor reference thereto, may be published in any document, statement or circular, nor in any communication with third parties, without our prior written approval of the form and context in which it will appear.

## **17. VALUATIONS PREPARED ON LIMITED INFORMATION**

In the event that we are instructed to provide a valuation without the opportunity to carry out an adequate inspection and/or without the extent of information normally available for a formal valuation, we are obliged to state that the valuation is totally dependent on the adequacy and accuracy of the information supplied and/or the assumptions made. Should these prove to be incorrect or inadequate, the accuracy of the valuation may be affected.

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## PART 10

### PROPERTY VALUATION REPORT ON THE RAVEN MOUNT GROUP

This report is included in this document to present information and evidence as to how the Company has arrived at the consideration to be offered under the terms of the Offer. This report is not included in order to comply with CESR guidance for property companies.



The Directors  
Raven Russia Limited  
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1 Le Truchot  
St. Peter Port  
Guernsey, GY1 6EH

Email: nick.jacks@dtz.com  
Direct tel: 020 3296 4547  
Direct fax: 020 3296 4430

Your ref:  
Our ref: NCJ/bm

Numis Securities Limited  
10 Paternoster Square  
London EC4M 7LT

17 April 2009

Dear Sirs

#### Valuation of certain property assets to be acquired by Raven Russia Limited ("the Company")

#### 1. INTRODUCTION

In accordance with your instructions which were confirmed in our letter dated 9 February 2009, we have inspected the properties referred to in the attached schedules (the "schedules") in order to advise you of our opinion of the Market Value of the freehold and leasehold interests in each of the properties, (the "Properties"), as at 6 February 2009.

The Properties comprise development projects in various stages of construction.

This Report has been prepared in accordance with Rule 29 of the Takeover Code.

#### 2. INSPECTIONS

The properties were inspected for the purpose of this valuation on 29 January 2009. There were no restrictions to the extent of our inspections.

DTZ  
48 Warwick Street  
London W1B 5NL, England  
Tel: +44 (0)20 3296 3000  
Fax: +44 (0)20 3296 3200

A list of directors' names is open to inspection at the above address  
DTZ Debenham Tie Leung Limited Registered in England No 2757768  
Registered office 48 Warwick Street London W1B 5NL



Certificate No      Certificate No

0000000000      0000000000

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### **3. COMPLIANCE WITH RICS VALUATION STANDARDS**

We confirm that the valuations have been prepared in accordance with the appropriate sections of the current Practice Statements (“PS”), and United Kingdom Practice Statements (“UKPS”) contained within the RICS Valuation Standards, 6th Edition (the “Red Book”).

### **4. STATUS OF VALUER AND CONFLICTS OF INTEREST**

We confirm that we have undertaken the valuations acting as External Valuers, qualified for the purpose of the valuation.

As set out in our letter of 9 February 2009, we have previously carried out a valuation of the property known as The Lakes on behalf of the lender to the current owner. The Bank has confirmed to us that they have no objection to our undertaking a valuation of The Lakes on your behalf and you have confirmed that you are aware of our previous involvement and are content for us to report to you.

You are also aware that we undertook a valuation of the property at College Place, Brackley, Northamptonshire for Raven Mount in 2007 and you have confirmed that you are content for us to report to you in respect of this property. We do not consider that any conflict of interest arises in preparing the advice requested.

### **5. PURPOSE OF THE VALUATION**

We understand that this Valuation Report and Schedules are to be included in an equivalent information document and offer document to be sent to Raven Mount’s shareholders. This Valuation Report and Schedules have been produced for the Raven Russia Board to assist them in determining a value for Raven Mount’s property portfolio for the purposes of an offer (the “Purpose of this Report”).

### **6. DISCLOSURES REQUIRED UNDER THE PROVISIONS OF UKPS 5.4**

#### **6.1 Previous valuations of the properties for the purpose of the Valuation Report**

The Properties have not previously been valued by DTZ Debenham Tie Leung for the same purpose as the Purpose of this Valuation Report.

#### **6.2 DTZ’s relationship with client**

DTZ have not previously carried out any work on behalf of Raven Russia Limited.

#### **6.3 Fee income from Raven Russia Limited**

DTZ Debenham Tie Leung is a wholly owned subsidiary of DTZ Holdings plc (the “Group”). In the Group’s financial year to 30 April 2008, the proportion of total fees payable by the Company to the total fee income of the Group was less than 5 per cent. We anticipate that this will also be the case in the current financial year.

### **7. BASIS OF VALUATION**

Our opinion of the Market Value of each of the properties has been primarily derived using comparable recent market transactions on arm’s length terms.

#### **7.1 Market Value**

The value of each of the properties has been assessed in accordance with the relevant parts of the current RICS Valuation Standards. In particular, we have assessed Market Value in accordance with PS 3.2. Under these provisions, the term “Market Value” means “The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion”.

In undertaking our valuations on the basis of Market Value we have applied the conceptual framework which has been settled by the International Valuation Standards Committee and which is included in PS 3.2.

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## 7.2 **Taxation and costs**

We have not made any adjustments to reflect any liability to taxation that may arise on disposals, nor for any costs associated with disposals incurred by the owner. No allowance has been made to reflect any liability to repay any government or other grants, taxation allowance or lottery funding that may arise on disposals.

We have made deductions to reflect purchasers' acquisition costs.

## 8. **VAT**

The capital valuations and rentals included in this Valuation Report are net of value added tax at the prevailing rate.

## 9. **ASSUMPTIONS AND SOURCES OF INFORMATION**

An Assumption is stated in the Glossary to the Red Book to be a "supposition taken to be true" ("Assumption"). Assumptions are facts, conditions or situations affecting the subject of, or approach to, a valuation that, by agreement, need not be verified by a valuer as part of the valuation process. In undertaking our valuations, we have made a number of Assumptions and have relied on certain sources of information. Where appropriate the Company and its advisers have confirmed that our Assumptions are correct so far as they are aware. In the event that any of these Assumptions prove to be incorrect then our valuations should be reviewed. The Assumptions we have made for the purposes of our valuations are referred to below:

### 9.1 **Title**

We have not had access to the title deeds of any of the properties.

Save as disclosed by Raven Russia's lawyers, we have made an Assumption that the Properties, with the exception of College Place, Brackley, have good and marketable freehold and leasehold title in each case and that the Properties are free from rights of way or easements, restrictive covenants, disputes or onerous or unusual outgoings. We have also assumed that the properties are free from mortgages, charges or other encumbrances.

Raven Russia's lawyers have informed us that the development at College Place, Brackley is occupied under licence pursuant to the terms of a development agreement with the local authority. Our valuation Assumes that this option to acquire the freehold interest contained in the development agreement is being registered against the freehold title and Raven Russia's lawyers have confirmed that they are satisfied with this position.

Raven Russia's lawyers have informed us that the land at Kelham Riverside Phase 2, which is held on a 999 year lease, can be considered as virtual freehold and there are no onerous or unusual restrictions of dealing or developing the property.

### 9.2 **Condition of structure and services, deleterious materials, plant and machinery and goodwill**

Due regard has been paid to the apparent state of repair and condition of each of the properties, but condition surveys have not been undertaken, nor have woodwork or other parts of the structures which are covered, unexposed or inaccessible, been inspected. Therefore, we are unable to report that the properties are structurally sound or free from any defects. We have made an Assumption that the properties are free from any rot, infestation, adverse toxic chemical treatments, and structural or design defects other than such as may have been mentioned in the body of our Valuation Report and any appendices.

We have not arranged for investigations to be made to determine whether high alumina cement concrete, calcium chloride additive or any other deleterious materials have been used in the construction or any alterations, and therefore we cannot confirm that the properties are free from risk in this regard. For the purposes of these valuations, we have made an Assumption that any such investigation would not reveal the presence of such materials in any adverse condition.

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We have not carried out an asbestos inspection and have not acted as an asbestos inspector in completing the valuation inspection of properties that may fall within the Control of the Asbestos at Work Regulations 2002. We have not made an enquiry of the duty holder (as defined in the Control of Asbestos of Work Regulations 2002), of the existence of an Asbestos Register or of any plan for the management of asbestos to be made. Where relevant, we have made an Assumption that there is a duty holder, as defined in the Control of Asbestos of Work Regulations 2002 and that a Register of Asbestos and Effective Management Plan is in place, which does not require any immediate expenditure, or pose a significant risk to health, or breach the HSE regulations. We advise that such enquiries be undertaken by a lawyer during normal pre-contract enquiries.

No mining, geological or other investigations have been undertaken to certify that the sites are free from any defect as to foundations. We have made an Assumption that the load bearing qualities of the sites of the properties are sufficient to support the buildings constructed (or to be constructed) thereon. We have also made an Assumption that there are no services on, or crossing the sites in a position which would inhibit development or make it unduly expensive, and that there are no abnormal ground conditions, nor archeological remains present, which might adversely affect the present or future occupation, development or value of any of the properties.

No tests have been carried out as to electrical, electronic, heating, plant and machinery, equipment or any other services nor have the drains been tested. However, we have made an Assumption that all services, including gas, water, electricity and sewerage, are provided and are functioning satisfactorily.

No allowance has been made in these valuations for any items of plant or machinery not forming part of the service installations of the buildings. We have specifically excluded all items of plant, machinery and equipment installed wholly or primarily in connection with the occupants' businesses. We have also excluded furniture and furnishings, fixtures, fittings, vehicles, stock and loose tools.

Further, no account has been taken in our valuations of any business goodwill that may arise from the present occupation of any of the properties.

In the case of new properties, the construction of which has not been completed, or which have been built within the last ten years, we have made the Assumption that the construction will have been satisfactorily completed and that the properties have been built under the NHBC Build Mark Scheme, Zurich Municipal New Build and Rebuild Schemes or the Premier Guarantee Scheme. Further, we have made an Assumption that all buildings that have been completed recently or are due to be completed shortly, will satisfy all of the various matters discussed above.

It is a condition of DTZ Debenham Tie Leung Limited or any related company, or any qualified employee, providing advice and opinions as to value, that the client and/or third parties (whether notified to us or not) accept that the Valuation Report in no way relates to, or gives warranties as to, the condition of the structure, foundations, soil and services.

### 9.3 **Environmental matters**

We have made enquiries of Raven Mount Group plc in order, so far as reasonably possible, to establish the potential existence of contamination arising out of previous or present uses of the sites of the properties and any adjoining sites.

Raven Russia's lawyers have advised us that it has been confirmed to them by Raven Mount's lawyers that all remediation and environmental matters required to be undertaken at the various sites has been completed in accordance with the requirements of the respective local authorities.

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The developments at Kelham Riverside Phase 1, Baxter's Print Works, Lewes and College Place, Brackley, are almost complete and Raven Russia's lawyers have informed us that they have been advised by Raven Mount's lawyers that all environmental works required by each local authority have been completed.

In respect of Kelham Riverside Phase 2, we have been provided with extracts of geo technical reports and we have taken the contents of these reports into account when arriving at our opinion of value.

In respect of the development at The Lakes, the land occupied by the proposed development is a former gravel extraction site. Raven Russia's lawyers have informed us that they have obtained confirmation from Raven Mount's lawyers that all environmental and remediation requirements are being adhered to.

Other than specifically noted and drawn to your attention, we have made an Assumption that no contamination or other adverse environmental matters exist in relation to the properties sufficient to affect value. Commensurate with our Assumptions set out above we have made no allowance in these valuations for any effect in respect of actual or potential contamination of land or buildings. A purchaser in the market might, in practice, undertake further investigations than those undertaken by us. If it is subsequently established that contamination exists at any of the properties or on any neighbouring land or that any of the premises have been, or are being, put to any contaminative use then this might reduce the values now reported.

#### ***Flooding***

The development at The Lakes is in an area close to a flood plain or has a history of flooding. Raven Russia's lawyers have advised that it has been confirmed to them by Raven Mount's lawyers that the Environment Agency are satisfied in respect of work that has been carried out to date at the development regarding flooding.

Raven Russia's lawyers have advised us that the property at Kelham Riverside Phase 1 is in a flood plain and has been affected by flooding in the past.

If any of the properties lie within or close to a flood plain, or have a history of flooding, we have made the Assumption that building insurance is in place regarding flooding and available to be renewed to the current or any subsequent owners of the properties, without payment of an excessive premium or excess.

#### **9.4 Areas**

Raven Mount Group plc has provided us with the floor areas of the properties that are relevant to our valuation. As instructed, we have relied on these areas and have not checked them on site. We have made an Assumption that the floor areas supplied to us have been calculated in accordance with the current Code of Measuring Practice, prepared by the Royal Institution of Chartered Surveyors.

#### **9.5 Statutory requirements and planning**

Raven Russia's lawyers have advised us that it has been confirmed to them by Raven Mount's lawyers that all of the subject developments have been constructed and are being constructed in accordance with the appropriate planning and building regulation requirements.

Save as disclosed in the reports prepared by Raven Russia's lawyers, we have made an Assumption that the buildings have been constructed in full compliance with valid town planning and building regulations approvals, that where necessary they have the benefit of current Fire Risk Assessments compliant with the requirements of the Regulatory Reform (Fire Safety) Order 2005. Similarly, we have also made an Assumption that the properties are not subject to any outstanding statutory notices as to their construction, use or occupation. Unless our enquiries have revealed the contrary, we have made a further Assumption that the existing



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uses of the properties are duly authorised or established and that no adverse planning conditions or restrictions apply.

No allowances have been made for rights, obligations or liabilities arising under the Defective Premises Act 1972, and we have made an Assumption that the properties comply with all relevant statutory requirements.

In England and Wales, the Government has implemented the Energy Performance of Buildings Directive requiring Energy Performance Certificates (“EPC”) to be made available for all properties, when bought or sold, subject to certain exemptions. In respect of any of the subject properties which are not exempt from the requirements of this Directive, we have made an Assumption that an EPC is made available, free of charge, to the purchasers of the interests which are the subject of our valuation.

We would draw your attention to the fact that employees of town planning departments now always give information on the basis that it should not be relied upon and that formal searches should be made if more certain information is required. We assume that, if the information given about town planning matters is to be relied upon, Raven Russia’s lawyers would be instructed to institute such formal searches.

#### **9.6 Leasing**

Save as disclosed in the reports prepared by your lawyers, we have Assumed that all of the properties have vacant possession.

#### **9.7 Information**

We have made an Assumption that the information supplied to us in respect of the Properties is both full and correct.

It follows that we have made an Assumption that details of all matters likely to affect value within your knowledge such as prospective lettings, rent reviews, outstanding requirements under legislation and planning decisions have been made available to us and that the information is up to date.

### **10. PROPERTIES IN THE COURSE OF DEVELOPMENT OR REQUIRING REFURBISHMENT**

We have relied upon information relating to construction and associated costs in respect of both the work completed and the work necessary for completion, together with a completion date, as advised to us by Raven Mount.

Unless otherwise referred to in the Valuation Report, our valuation of the completed buildings has been based on an Assumption that all works of construction have been satisfactorily carried out in accordance with the building contract and specifications, current British Standards and any relevant codes of practice. We have also made an Assumption that a duty of care and all appropriate warranties will be available from the professional team and contractors, which will be assignable to third parties.

#### **Current financial market instability**

The financial markets have seen significant turbulence over the last year or so resulting in severe liquidity shortages. Lenders have sought to both reduce leverage and to shift to low risk assets.

Against this background buyers of bonds have in the main withdrawn from the market at previous pricing levels resulting in the exit route of many lenders (the CMBS market and securitisation) no longer being available. Such lenders have significantly reduced their lending business at competitive prices leaving only a few “balance sheet lenders”. The result has been materially less liquidity. The cost of debt has risen significantly and the quantum of debt as a percentage of loan to value has fallen substantially for all but the best assets.

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The turmoil in the credit markets had an immediate effect on the real estate investment market resulting in some transactions failing and/or prices being renegotiated downwards. This has caused a marked reduction in the volume of transactions with activity below the levels of recent years. The renegotiation of agreed prices prior to completion of transactions remains common. Generally, there is greater volatility in the evidence generated by comparable transactions and in these circumstances there is a greater degree of uncertainty than that which exists in a more active and stronger market in forming an opinion of the realisation prices of property assets.

The position has also become more difficult with the recent demise and rescue of several of the major banks and institutions across the globe and the significant injections of equity into the banks by the UK, European and US Authorities. These factors have combined to create further anxiety about future availability of debt finance and movements in the financial and real estate markets, despite the joint efforts to cut interest rates by the US Federal Reserve, The Bank of England and the European Central Bank.

Whereas transaction evidence underpins the valuation process, the definition of Market Value, including the commentary in Practice Statement 3.2.4, requires the valuer to reflect the realities of the current market. In this context valuers must use their market knowledge and professional judgement and not rely only upon historic market sentiment based on historic transactional comparables.

The above situation has led to a dearth of comparable transactional evidence which has become more acute in recent weeks. Those transactions which have been proceeding have been doing so at a further significant discount to previously established levels leading to further volatility in all property markets.

Therefore, under Guidance Note 5 of the RICS Valuation Standards, we are of the opinion that 'abnormal' market conditions currently prevail and that there is likely to be a greater than usual degree of uncertainty in respect of the figures now reported. Until the number and consistency of comparable transactions increases, this situation is likely to remain.

The Circumstances described above are particularly acute in respect of properties for development purposes. This is due to the adverse impact of current market conditions on the feasibility of many developments and the increasing risk premiums required by providers of finance for all properties and in particular those with impacted by the uncertainty of the development process.

## **11. VALUATION**

We are of the opinion that the aggregate of the Market Values of the freehold and leasehold interests in the properties described in Schedules A, B and C, subject to the Assumptions and comments in this Valuation Report, as at 6 February 2009 is as follows:

**£36,820,000**

**(Thirty-six million eight hundred and twenty thousand pounds)**

### **Please note:**

- (i) The property described in Schedule A2 is subject to a 50:50 joint venture agreement.
- (ii) The Company benefits from a Development Agreement in respect of the property described in Schedule C.

Our opinion of Market Value of those properties at Kelham Riverside Phase 1, Lewes and Brackley represent the aggregate of the Market Value of each of the residential units at these schemes, less costs to complete and any outstanding sums to be paid to the vendor. This is our opinion of the sum that would be achieved, as at the date of valuation, if each of the units were sold individually over a reasonable period of time. It would take many months to dispose of these units, but it is considered reasonable to value on this basis as other flats within the development have already been sold off on an individual basis and we have been advised that it is the Company policy to



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pursue sales on an individual basis. However, a purchaser acquiring all or a number of units at one or more of the schemes would require a significant discount from the aggregate vacant possession value. Further, if all of the residential units had to be sold at the valuation date, there would be an element of flooding the market which would depress the individual prices that could be achieved.

We are of the opinion that the aggregate of the Market Values of the freehold and leasehold interests in the properties described in Schedules A, B and C, subject to the Assumptions and comments in this valuation Report, as at 6 February 2009, on the Assumption that the development works have been completed, is as follows:

**£211,678,000**

**(Two hundred and eleven million, six hundred and seventy-eight thousand pounds)**

**Please note:**

The above aggregate Assumes that the freehold interest in the property described in Schedule C has been acquired.

The approximate aggregate cost of completing the developments described in Schedules A, B and C, subject to the Assumptions and comments in this valuation Report, as at 6 February 2009, is estimated to be:

**£124,883,000**

**(One hundred and twenty-four million, eight hundred and eighty-three thousand pounds)**

**12. CONFIDENTIALITY AND DISCLOSURE**

The contents of this Valuation Report and Schedules may be relied upon only by the addressees in connection with the Purpose of this Valuation Report. No reliance may be placed upon the contents of the Valuation Report and Schedules by any party who is not an addressee of this Valuation Report or by an addressee of this Valuation Report for any purpose other than in connection with the Purpose of this Valuation Report. Before this Valuation Report, or any part thereof, is reproduced or referred to, in any document, circular or statement, and before its contents, or any part thereof, are disclosed orally or otherwise to a third party, the valuer's written approval as to the form and context of such publication or disclosure must first be obtained. Such publication or disclosure will not be permitted unless, where relevant, it incorporates the Special Assumptions referred to herein. For the avoidance of doubt such approval is required whether or not DTZ Debenham Tie Leung Limited is referred to by name and whether or not the contents of our Valuation Report are combined with others.

**13. RESPONSIBILITY**

For the purposes of Prospectus Rule 5.5.3R(2)(f) we are responsible for this report as part of the Equivalent Information Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Equivalent Information Document in compliance with item 1.2 of Annex I of the PD Regulation.

Yours faithfully

**N C Jacks FRICS**

*Director*

For and on behalf of  
DTZ Debenham Tie Leung Limited

## SCHEDULE A (PROPERTY IN COURSE OF DEVELOPMENT)

### 1. PROPERTIES THAT ARE 100 PER CENT. OWNED

Property	Description, Tenure and Planning Status
1. Kelham Riverside Phase 1, Alma Street, Sheffield, Yorkshire	<p>New build, apartment-led scheme, in the regeneration district of Keiham Island on the northern fringe of Sheffield city centre. Freehold.</p> <p>Planning consent for development granted 24 August 2004, subject to normal conditions.</p> <p>146 apartments and 70 parking spaces plus circa 18,500 sq ft of office, studios and restaurant unit.</p> <p>Development due to be completed Spring 2009. 15 apartment sales and 3 car parking spaces legally completed as at 6 February 2009. 131 residential units and commercial space still to sell and let. Commercial space to be finished to "shell and core".</p>
2. Baxter's Former Print Works, Lewes, East Sussex	<p>Former print works located in the centre of Lewes, East Sussex.</p> <p>The site is largely freehold with a tiny area held on a long lease of 999 years from 26 March 2008 at a rent of £100 per annum.</p> <p>Planning consent granted 30 June 2005 subject to normal conditions.</p> <p>Works to complete a development of 54 new-build private and affordable units, 12 of which are live/work, together with car parking spaces, due to be completed in Spring 2009.</p> <p>17 private flats and 14 affordable units already sold, with 3 private units exchanged contracts but not completed 20 private flats still to be disposed of.</p>

### 2. PROPERTIES HELD UNDER JOINT VENTURE

Property	Description, Tenure and Planning Status
1. The Lakes, Lechlade, Gloucestershire	<p>Large site in rural area in The Cotswolds with planning consent for 160 holiday homes. Freehold.</p> <p>Outline planning consent granted 31 May 2006 subject to normal conditions.</p> <p>Development has commenced and is due to last for approximately 10 years. 28 units sold to date. More units may be built at the development depending upon planning.</p>

The development at The Lakes is subject to a 50/50 joint venture agreement with Yoo Limited. Our opinion of Market Value is for a 50 per cent. share.

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## SCHEDULE B (PROPERTIES HELD FOR DEVELOPMENT)

Property	Description, Tenure and Planning Status
1. Kelham Riverside Phase 2, Green Lane, Sheffield, Yorkshire	<p>Old industrial site in a riverside location in the regeneration district of Kelham Island on the northern fringe of Sheffield city centre.</p> <p>Leasehold, 999 years from June 2007 at peppercorn rent.</p> <p>Existing buildings include a range of old industrial units plus Listed Buildings.</p> <p>Planning permission granted 14 June 2005, subject to normal conditions, for development of 310 apartments and 283 parking spaces, part-conversion and part-new build.</p> <p>No work started on site.</p>

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### **SCHEDULE C (PROPERTIES HELD UNDER A DEVELOPMENT AGREEMENT)**

<b>Property</b>	<b>Description, Tenure and Planning Status</b>
Land to the rear of 29-31 College Place, Brackley, Northamptonshire	Former vacant site in centre of market town of Brackley, Northamptonshire. Currently occupied under the benefit of a development agreement with the option to acquire the freehold interest.  Planning consent granted 25 April 2007, subject to normal conditions.  Works to complete development of 51 flats and 3 commercial units due to be finished in Spring 2009. No private or commercial units yet sold. 5 units to be sold to Registered Social Landlord.

The property at 29-31 College Place, Brackley has been developed under a development agreement with the Local Authority with Raven Mount having the benefit of a call option to acquire the freehold interest upon payment of £1.5 million to the Local Authority. Our valuation of the property in its existing state has reflected the obligation to make this payment to the Local Authority.

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## PART 11

### PRINCIPAL TERMS OF THE PREFERENCE SHARES AND THE WARRANTS

#### SECTION A: PREFERENCE SHARES

**Fixed Amount** £1 per Preference Share.

**Preference Dividends** Cumulative preferential dividends will accrue from day to day on the Preference Shares at a rate of 12 per cent. per annum on the Fixed Amount (being £1) from (and including) the date of issue and will be payable quarterly in equal instalments in arrears on 31 March, 30 June, 30 September and 31 December in each year, save that in respect of any Preference Shares issued on or before 31 March 2009 the first payment of the Preference Dividend will be made on 30 June 2009 in respect of the period from the date of issue of such Preference Shares to (but excluding) 30 June 2009 and shall be calculated on a pro rata basis.

The holders of the Preference Shares shall rank for dividends in priority to the holders of any other class of shares of the Company (save for any Further Preference Shares (as defined below)). The holders of the Preference Shares shall not be entitled to participate in any further dividends or bonus share issue of the Company.

If all or any part of the Preference Dividend is in arrears, interest shall accrue on such unpaid sum at the rate of 15 per cent. per annum from the date upon which such arrears arise until the date of payment. In the event that the arrears of the Preference Dividend shall remain unpaid for six months then the interest rate at which interest will accrue on such arrears will from such time increase to the rate of 20 per cent. per annum.

If there are any arrears of the Preference Dividend outstanding the Company may not pay any distribution (as defined in section 301 of the Law but excluding for these purposes distributions falling within sections 302(1)(a), (d) and (e) of the Law) in respect of the Ordinary Shares or any other shares ranking for distribution after the Preferences Shares or Further Preference Shares.

**Scrip Preference Dividend** Subject to the provisions of the Statutes, the board shall offer all holders of Preference Shares the right to elect to receive the Preference Dividend or any part thereof as a scrip dividend of Preference Shares instead of in cash.

**Redemption** The Preference Shares only have the right to be redeemed in the following circumstances:

- subject to the Statutes, on completion of a takeover bid or merger transaction to which the City Code applies (or would have applied if such bid or transaction was proposed, made or effected as the date of the adoption of the Articles (being 25 March 2009)), however effected (but which for the

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avoidance of doubt will not include a subscription for or purchase of new shares or securities in the Company) including by means of an amalgamation under Part VI of the Law or an arrangement under Part VIII of the Law, as a result of which any person or persons acting in concert (as defined in the City Code) holds shares carrying in aggregate 50 per cent. or more of the voting rights (as defined in the City Code) of the Company; or

- subject to the Statutes, if the Company has served a Rights Cessation Notice (as defined below) on holders of Preference Shares where, at such time, there are fewer than 35,000,000 Preference Shares in issue.

In these circumstances, a holder of Preference Shares can elect to redeem all (but not part) of his holding.

The amount to be paid on such redemption per Preference Share will be an amount equal to the aggregate of (i) the Fixed Amount (being £1); and (ii) a sum equal to all arrears and accruals of the Preference Dividend thereon to be calculated down to and including the day of redemption (together with any accrued interest) and to be payable irrespective of whether or not such dividend has been declared or earned or become due and payable.

The Preference Dividend shall cease to accrue on any Preference Shares so redeemed with effect from such redemption.

If the Company fails to redeem any Preference Shares on the date fixed for such redemption, interest shall accrue on unpaid redemption monies at the rate of 15 per cent. per annum from the date upon which such redemption monies were required to be paid until the date of payment. In the event that the relevant unpaid redemption monies have been unpaid for 6 months from the date fixed for redemption then the interest rate at which interest will accrue on such unpaid redemption monies will increase from such time to the rate of 20 per cent. per annum.

Save as set out above, neither the Company nor the holders of Preference Shares shall have a right to redeem the Preference Shares.

## **Capital**

On a return of capital on a winding up or pursuant to an administration order (other than a redemption or purchase by the Company of any of its share capital) the holders of Preference Shares shall be entitled, in priority to other shareholders (save for the rights relating to Further Preference Shares (as defined below)), to be paid out of the assets of the Company available for distribution to members an amount in respect of each Preference Share equal to the aggregate of the Fixed Amount (being £1) together with a sum equal to any arrears and accruals of the Preference Dividend in respect of such Preference Share (and any accrued interest), whether earned or declared or not, calculated down to the date of commencement of the winding up.

The holders of the Preference Shares shall not have any further right to participate in the assets of the Company on any such return of capital.

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## Voting Rights

The holders of the Preference Shares shall have the right to receive notice of and to attend any general meeting of the Company and to attend, speak and vote at a general meeting of the Company:

- if, and when at the date of the notice convening such meeting, the Preference Dividend is in arrears (and for this purpose, the Preferred Dividend shall be deemed to be payable quarterly on the dates set out above); or
- if a resolution is to be proposed abrogating, varying or modifying any of the rights or privileges of the holders of the Preference Shares or for the winding up of the Company pursuant to Part XXII of the Law, in which case they shall only be entitled to vote on such resolution.

Save as set out herein, the Preference Shares shall not confer on the holders thereof the right to speak or vote at any general meeting of the Company.

Whenever the holders of Preference Shares are entitled to vote at a general meeting of the Company upon any resolution proposed at such general meeting, on a show of hands every holder thereof who is present in person or by proxy or (being a corporation) is present by a duly authorised representative or by proxy shall have one vote and on a poll every holder thereof who (being an individual) is present in person or by proxy or (being a corporation) is present by a duly authorised representative or by proxy shall have one vote in respect of each Preference Share registered in the name of such holder.

The holders of the Preference Shares shall have the right to have sent to them (at the same time as the same are sent to the holders of the Ordinary Shares) a copy of the Company's annual report and accounts and (if available) the Company's six monthly interim unaudited financial statements and such other Company information that is sent to the holders of Ordinary Shares.

## Variation of Rights

For as long as any Preference Shares remain in issue, the issue or allotment of or the creation or increase of the amount of any shares of any class or any security convertible into shares of any class ranking, as regards rights to participate in the Company's profits or assets, in priority to the Preference Shares shall be deemed to constitute a variation of the class rights attaching to the Preference Shares.

The Company may from time to time without the consent of the holders of the outstanding Preference Shares create and issue further preference shares (including but not limited to Preference Shares) ("**Further Preference Shares**") ranking as regards their participation in the profits and assets of the Company *pari passu* with but not in priority to Preference Shares and so that any such Further Preference Shares may either carry as regards participation in the profits and assets of the Company, rights and restrictions identical in all respects with the Preference Shares or with any other series of Further Preference Shares or rights and restrictions differing therefrom in any respect including but without prejudice to the generality of the

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foregoing in that: (i) the rate of dividend may differ; (ii) the Further Preference Shares may rank for dividends from such date as may be provided by the terms of issue thereof and the dates for payment of the dividend may differ; (iii) a premium may be payable on a return of capital or there may be no such premium; or (iv) the Further Preference Shares may be redeemable and/or convertible into Ordinary Shares on such terms and conditions as may be prescribed by the terms of issue thereof.

In the event that the Company creates and issues Further Preference Shares (except where the Further Preference Shares being created and/or issued are Preference Shares), then unless authorised by the consent in writing of the holders of three-fourths in number of the Preference Shares then in issue (excluding any Preference Shares held as treasury shares) or with the sanction of a special resolution passed at a separate general meeting of the holders of the Preference Shares, the Company shall not create or issue such Further Preference Shares unless:

- the board has made an offer to each person who holds Preference Shares to allot to him on the same or more favourable terms such proportion of those Further Preference Shares that is as nearly as practicable (fractions being disregarded) equal to the proportion in number held by him of the aggregate Preference Shares then in issue; and
- the period, which shall not be less than 21 clear days, during which any offer referred to above may be accepted, has expired or the Company has received notice of the acceptance or refusal of every offer made.

Until the Rights Cessation Date (as defined below), then save with such consent or sanction on the part of the holders of the Preference Shares as is required for a variation of the rights attached to such shares as set out in Article 15 of the Articles:

- the Company shall not make a distribution (as defined in section 301 of the Law but excluding for these purposes distributions falling within sections 302(1)(a), (d) and (e) of the Law) in respect of Ordinary Shares or any other shares ranking for distribution after the Preference Shares or Further Preference Shares (a “**Qualifying Distribution**”) which, either itself or when taken together with the aggregate amount of Qualifying Distributions in the previous 12 month period, would exceed 10 per cent. of the consolidated net asset value of the Company at the point in time the Company proposes to make the relevant Qualifying Distribution; and
- there shall not take place:
  - (a) a conversion of the Company under Part V of the Law;
  - (b) a migration of the Company under Part VII of the Law;  
or
  - (c) a voluntary striking off of the Company under Part XX of the Law.



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	If at any time there are fewer than 35,000,000 Preference Shares in issue, the Company may (but shall not be obliged to) serve a notice on the holders of Preference Shares (a “ <b>Rights Cessation Notice</b> ”) providing that the provisions set out above in respect of distributions and other corporate events shall cease to apply from the date specified in the Rights Cessation Notice provided that such date can be no earlier than a date which is 30 days after the date of the Rights Cessation Notice (such date being referred to as the “ <b>Rights Cessation Date</b> ”).
<b>Form</b>	The Preference Shares will be issued in either certificated form or uncertificated form in CREST.
<b>Purchase of Preference Shares</b>	The Company has the power in its articles of incorporation to buyback the Preference Shares. A summary of the key provisions of the Articles is set out in paragraph 5 of Part 12 of this document.
<b>Yield</b>	12 per cent. per annum, payable quarterly.
<b>Listing</b>	On AIM, a market operated by London Stock Exchange plc.

**SECTION B: WARRANTS**

<b>Exercise Amount</b>	25 pence.
<b>Expiry Date</b>	25 March 2019.
<b>Transfer</b>	Freely transferable.
<b>Exercise of Warrants</b>	Save as provided below, the Warrantholder of each Warrant will have the right, which may be exercised on any day prior to the Expiry Date, to subscribe in cash for all or part of the relevant number of Ordinary Shares (as appropriate) in consideration of the payment of the Exercise Amount in full per Warrant.

Warrants will be deemed to be exercised on the business day upon which the registrar shall have received the relevant documentation and remittance, in accordance with the instructions set out in the Warrant Instrument. Subject to value having been received by the Company in respect of the relevant remittance, the Company shall allot the Ordinary Shares to be issued pursuant to the exercise of subscription rights attaching to any Warrant and enter the allottee of such Ordinary Shares in the Company's register of members not later than 14 days after the date on which such Warrants are exercised.

Every Warrant in respect of which subscription rights:

- have been exercised in full; or
- on the Expiry Date have not been exercised (whether in whole or in part),

shall lapse and be cancelled.

Ordinary Shares allotted pursuant to the exercise of Warrants in accordance with the terms of the Warrant Instrument shall be issued fully-paid and free from any liens, charges or encumbrances and rights of pre-emption but shall not rank for any dividends or other distributions declared, made or paid on the Ordinary Shares for which the record date is prior to the relevant day on which the Warrants

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are exercised but, subject thereto, shall rank in full for all dividends and other distributions declared, made or paid on the Ordinary Shares on or after the relevant day on which the Warrants are exercised and otherwise *pari passu* in all respects with the Ordinary Shares in issue at that date.

At any time when the Ordinary Shares are admitted to trading on AIM or to the Official List of the London Stock Exchange, application will be made by the Company to the London Stock Exchange for the Ordinary Shares allotted pursuant to any exercise of Warrants to be admitted to trading on AIM or to the Official List (as the case may be) and the Company will use its reasonable endeavours to obtain such admission not later than 14 days after the date of allotment of the relevant Ordinary Shares pursuant to the exercise of the Warrants in accordance with the terms of the Warrant Instrument.

#### **Undertakings of the Company**

Save as provided below and, unless otherwise authorised by an Extraordinary Resolution (as defined below), whilst any Warrant remains exercisable:

- the Company shall not in any way modify the rights attached to its existing Ordinary Shares as a class in any way which operates to vary the rights of the Warrantheolders in relation to the Warrants (but nothing shall restrict the right of the Company to increase, consolidate, sub-divide or reduce its share capital subject to any adjustments to the subscription rights as may be required by the Warrant Instrument). For the purposes of this sub-paragraph, the creation or issue of preference shares (whether convertible, redeemable and/or cumulative) carrying rights to dividends, capital conversion or otherwise as the directors of the Company shall think fit, shall not be deemed to modify the rights attaching to the Ordinary Shares;
- the Company shall at all times maintain sufficient authorised but unissued share capital and all requisite shareholders or other authorities necessary to enable the issue of Ordinary Shares (free from any rights of pre-emption) pursuant to the exercise of all the Warrants outstanding from time to time;
- Warrantheolders will have made available to them, at the same time and in the same manner as the same are made available to holders of Ordinary Shares, copies of the audited accounts of the Company (with the relevant directors' and auditor's reports) and copies of all other circulars or notices which are made available to holders of Ordinary Shares; and
- in the event that the Company is proposing to make a dividend (as defined in section 302 of the Law) to the holders of the Ordinary Shares (a "**Qualifying Dividend**") of an amount which is not consistent with the stated dividend policy of the Company, the Company will notify Warrantheolders of such proposed Qualifying Dividend at least 60 days prior to the scheduled record date for such Qualifying Dividend.

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## Adjustment of Subscription Rights

While any Warrants remain exercisable:

- after any allotment of fully paid Ordinary Shares by way of capitalisation of profits or reserves to holders of the Ordinary Shares on the register of members of the Company on a date (or by reference to a record date) other than pursuant to a scrip dividend; or
- upon any sub-division or consolidation of the Ordinary Shares, the number and/or nominal value of Ordinary Shares to be subscribed on a subsequent exercise of each Warrant will be increased or (as the case may be) reduced proportionately on the basis that immediately after the allotment, sub-division or consolidation, the Ordinary Shares to be issued if the subscription rights attaching to the then outstanding Warrants were exercised shall constitute the same percentage of the total number of issued Ordinary Shares as that which such Ordinary Shares would have constituted immediately before such allotment, sub-division or consolidation and the Exercise Amount of the then outstanding Warrants shall be adjusted accordingly.

While any Warrants remain exercisable, in the event that the Company pays a Qualifying Dividend which exceeds 10 per cent. of the consolidated net asset value of the Company on the date of payment of the Qualifying Dividend, the Exercise Amount shall be adjusted in such manner as the auditors of the Company certify as fair and reasonable to take into account such Qualifying Dividend. Such adjustment shall become effective on the day following the record date for such Qualifying Dividend. For the purposes of this paragraph, the consolidated net asset value of the Company on the date of payment of a Qualifying Dividend shall be determined by reference to the latest published audited accounts or (if such accounts have been published since the publication of the Company's last audited accounts) the latest published interim half yearly unaudited accounts of the Company.

## General Offers

Save as set out below, if at any time:

- an offer is made to all holders of equity share capital of the Company (as defined in the Act) (or all such holders other than the offeror and/or any company controlled by the offeror and/or any person acting in concert with the offeror (as such expression is defined in the latest edition of the City Code)) to acquire the whole or any part of such equity share capital of the Company; and
- the Company becomes aware that, as a result of such an offer, the right to cast a majority of votes which may ordinarily be cast on a poll at a general meeting of the Company has or will become vested in the offeror and/or such persons or companies as aforesaid,

the Company shall forthwith give notice to the Warrantholders of such vesting within 14 days of its becoming so aware (the "**General Offer**").

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For the avoidance of doubt, the summoning of a meeting by the court in connection with an arrangement under Part VIII of the Law or the preparation of an amalgamation proposal under Part VI of the Law in either case providing for the acquisition by any person of the whole or any part of such equity share capital of the Company shall be deemed to be the making of a General Offer.

Where a General Offer is made and:

- the offeror and/or any company controlled by the offeror and/or any person acting in concert with the offeror shall have made an offer to Warrantheholders or to all Warrantheholders other than the offeror and/or any company controlled by the offeror and/or any person acting in concert with the offeror to acquire all of the outstanding Warrants; or
- the offeror and/or any company controlled by the offeror and/or any person acting in concert with the offeror shall have proposed an arrangement or amalgamation (“scheme”) with regard to the acquisition of all the outstanding Warrants,

and in either case the value of the consideration (on such basis as the auditors of the Company may determine, acting as experts, and shall have confirmed in writing to the Warrantheholders no less than 21 days (or, if that is not possible, such period as is possible) prior to the expiry of such offer or the date on which such scheme becomes effective) receivable by a Warrantheholder pursuant to such offer or scheme represents no less than that which he would have received pursuant to the offer made or scheme proposed to holders of Ordinary Shares had his subscription rights been exercised on the date upon which such offer became wholly unconditional or such scheme became effective (after deduction of the costs of subscription) then any Warrants which are not the subject of an acceptance of the offer to Warrantheholders or are not effectively transferred or cancelled pursuant to such scheme shall lapse upon the expiry of that offer or (provided such scheme becomes effective) upon the date upon which that scheme is sanctioned by the court in the case of an arrangement or in the case of an amalgamation is recorded on the register of companies in Guernsey.

If on a date (or by reference to a record date) while any Warrants remain outstanding:

- an offer or invitation is made by the Company (whether by way of rights or otherwise (including but not limited to an open offer) but not being an All Share Offer (as defined below)) to all the holders of Ordinary Shares; or
- any offer or invitation (not being a General Offer) is made to all the holders of Ordinary Shares otherwise than by the Company,

then the Company shall procure (but in the case of any offer or invitation (not being a General Offer) made to all the holders of Ordinary Shares otherwise than by the Company, only in so far as it is able) that at the same time the same offer or invitation is made to

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the Warrantholders as if their respective Warrants had been exercised and the Warrantholders entered in the register of members accordingly on the day immediately preceding the record date of such offer or invitation then applicable. Provided that, if the directors of the Company so resolve, in the case of any such offer or invitation made by the Company, the Company shall not be required to procure that the same offer or invitation is made to the Warrantholders but that the Exercise Amount and/or the subscription rights shall be adjusted in such manner as the auditors of the Company shall certify to be fair and reasonable to take account of such offer or invitation by the Company.

If a General Offer is made whereunder the consideration consists solely of the issue of ordinary shares of the offeror and the offeror makes available an offer of warrants to subscribe for ordinary shares of the offeror in exchange for Warrants which the auditors of the Company consider in their opinion is fair and reasonable (having regard to the terms of the offer and any other circumstances which may appear to the auditors to be relevant) (an “**All Share Offer**”) then any director of the Company shall be authorised as attorney for each and any of the Warrantholders:

- to execute a transfer thereof in favour of the offeror in consideration of the issue of a warrant to subscribe for ordinary shares of the offeror as aforesaid whereupon the relevant Warrants shall lapse; and
- to do such acts and things as may be reasonably necessary or appropriate in connection therewith,

subject, in each case, to such offer becoming or being declared wholly unconditional and the offeror being in a position to compulsorily acquire the whole of the then issued ordinary share capital of the Company in accordance with the Law or in the case of such an offer implemented by a scheme, the date upon which that scheme is sanctioned by the court in the case of an arrangement (provided that such scheme becomes effective) or in the case of an amalgamation is recorded in the register of companies in Guernsey.

If, on a date while any Warrants remain outstanding, any order is made or an effective resolution is passed for winding up the Company, except for the purpose of reconstruction or amalgamation (including but not limited to pursuant to an amalgamation under Part VI of the Law or an arrangement under Part VIII of the Law) on terms sanctioned by an Extraordinary Resolution of the Warrantholders, and on such winding up (on the assumptions that all Warrants had been exercised in full and the Exercise Amount payable in connection therewith had been received in full by the Company) there would be a surplus available for distribution amongst the holders of the Ordinary Shares which would exceed, in respect of each Ordinary Share, a sum equal to the Exercise Amount each Warrantholder shall be treated as if, immediately before the date of such order or resolution, his Warrants had been exercised in full at the Exercise Amount and such Warrantholders shall accordingly be entitled to receive out of the assets available in the liquidation *pari*

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*passu* with the holders of the Ordinary Shares an amount equal to the sum to which he would have become entitled by virtue of such subscription after deducting a sum per Ordinary Share equal to the Exercise Amount. Subject to the forgoing all Warrants shall lapse on the liquidation of the Company.

**Purchase and Cancellation**

The Company may at any time purchase Warrants:

- by tender (available to all Warrantholders alike) at any price; or
- on or through the market; or
- by private treaty at any price.

All Warrants so purchased shall be cancelled forthwith and may not be reissued or sold.

**Meetings of Warrantholders**

Meetings of Warrantholders may be convened in accordance with the provisions of the Warrant Instrument and shall be competent to pass Extraordinary Resolutions and to exercise all the powers as referred to therein. Without prejudice to the generality of the foregoing the Warrantholders, by way of Extraordinary Resolution, shall have power to:

- sanction any compromise or arrangement proposed to be made between the Company and the Warrantholders or any of them;
- sanction any proposal by the Company for modification, abrogation, variation or compromise of, or arrangement in respect of the rights of the Warrantholders against the Company whether such rights shall arise under the Warrant Instrument or otherwise;
- sanction any proposal by the Company for the exchange or substitution for the Warrants of, or the conversion of the Warrants into, shares, stock, bonds, debentures, debenture stock, warrants or other obligations or securities of the Company or any other body corporate formed or to be formed;
- assent to any modification of the conditions to which the Warrants are subject and/or the provisions contained in the Warrant Instrument which shall be proposed by the Company;
- authorise any person to concur in and execute and do all such documents, acts and things as may be necessary to carry out and give effect to any Extraordinary Resolution;
- discharge or exonerate any person from any liability in respect of any act or omission for which such person may have become responsible under the Warrant Instrument; and
- give any authority, direction or sanction which under the provisions of the Warrant Instrument is required to be given by Extraordinary Resolution.

*Convening of Meetings*

The Company may at any time and shall on receipt of a request in writing of persons holding not less than one-tenth of the outstanding

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Warrants (upon receiving such indemnity (if any) as it may require against all reasonable costs, expenses and liabilities which it may incur by so doing) convene a meeting of the Warrantholders. Such meeting shall be held at such place within the United Kingdom as the Company shall determine.

At least 14 days' notice in writing of every meeting shall be given to the Warrantholders.

The notice shall specify the place, day and hour of the meeting and the general nature of the business to be transacted, but, except in the case where an Extraordinary Resolution is to be proposed, it shall not be necessary to specify in the notice the terms of the resolutions to be proposed. The notice shall state that a Warrantholder is entitled to appoint a proxy to attend and, on a poll, to vote instead of him.

The accidental omission to give notice to or the non-receipt of notice by any of the Warrantholders shall not invalidate the proceedings at any meeting.

#### *Quorum*

At any meeting at least two persons being present in person or by proxy shall form a quorum for the transaction of any business.

No business (other than the election of a chairman) shall be transacted at any meeting unless the requisite quorum is present at the commencement of business.

#### *Absence of Quorum*

If within half an hour from the time appointed for the meeting (or such longer interval as the chairman of the meeting may think fit to allow) a quorum is not present, the meeting, if convened upon the requisition of Warrantholders, shall be dissolved. In any other case it shall stand adjourned to such day and time not being less than seven days nor more than 28 days thereafter and to such place as may be appointed by the chairman and at such adjourned meeting the Warrantholders present and entitled to vote shall be a quorum for the transaction of business including the passing of Extraordinary Resolutions.

At least seven days' notice of any adjourned meeting of Warrantholders at which an Extraordinary Resolution is to be submitted shall be given in the same manner, *mutatis mutandis*, as for an original meeting and such notice shall state that the Warrantholders present at the adjourned meeting whatever their number will form a quorum.

#### *Resolutions*

At any meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands) demanded by the chairman or by one or more Warrantholders present in person or by proxy and holding or representing one-twentieth of the then outstanding Warrants.



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Unless a poll is demanded a declaration by the chairman that a resolution has been carried or carried by any particular majority or lost or not carried by any particular majority shall be conclusive evidence of that fact.

*Poll*

If a poll is duly demanded it shall be taken in such manner and at such time and place as the chairman may direct (save that a poll demanded on the election of a chairman or on any question of adjournment shall be taken at the meeting without adjournment) and the result of a poll shall be deemed to be the resolution of the meeting at which the poll is demanded.

The demand for a poll shall not prevent the continuance of a meeting for the transaction of any business other than the question on which the poll has been demanded. The demand for a poll may be withdrawn.

No notice need be given of a poll not taken immediately.

*Voting*

On a show of hands every Warrantholder who is present in person or, being a corporation, by its authorised representative or proxy shall have one vote. On a poll every Warrantholder who is present in person or by proxy shall have one vote for every Warrant of which he is the holder.

In the case of joint holders of Warrants the vote of the senior who tenders a vote whether in person or by proxy shall be accepted to the exclusion of the vote of the other joint holders and for this purpose seniority shall be determined by the order in which the names stand in the Register.

On a poll votes may be given either personally or by proxy and a Warrantholder entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

No objection shall be raised to the qualification of any person voting except at the meeting or adjourned meeting at which the vote objected to is tendered, and every vote not disallowed at the meeting shall be valid. Any objection made in due time shall be referred to the chairman whose decision shall be final and conclusive.

In the case of an equality of votes whether on a show of hands or on a poll the chairman of the meeting at which the show of hands takes place or at which the poll is demanded shall be entitled to a casting vote in addition to the votes (if any) to which he may be entitled as a Warrantholder.

**Extraordinary  
Resolution**

The expression "Extraordinary Resolution" means a resolution passed at a meeting of the Warrantholders duly convened and held in accordance with the provisions contained within the Warrant Instrument and carried by a majority consisting of not less than three-fourths of the persons voting thereat upon a show of hands or, if a poll is duly demanded, by a majority consisting of not less than three-fourths of the votes given on such poll.



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	<p>A resolution in writing signed by Warrantheolders entitled to subscribe for not less than 75 per cent. of the Ordinary Shares which are the subject of outstanding Warrants pursuant to the Warrant Instrument in accordance with the provisions contained therein shall for all purposes be valid and effectual as an Extraordinary Resolution passed at a meeting duly convened and held in accordance with the provisions therein contained. Such resolution in writing may be contained in one document or in several documents in like form each signed by one or more of the Warrantheolders. In the case of a body corporate the resolution may be signed on its behalf by a director or the secretary thereof or by its duly authorised representative or duly appointed attorney.</p>
	<p>An Extraordinary Resolution passed at a meeting of the Warrantheolders duly convened and held in accordance with the Warrant Instrument shall be binding upon all Warrantheolders whether or not present at the meeting and each of the Warrantheolders shall be bound to give effect thereto accordingly.</p>
<p><b>Modifications to the Warrant Instrument</b></p>	<p>Any modification to the Warrant Instrument may be effected only by an instrument in writing, executed by the Company and expressed to be supplemental to the Warrant Instrument and, save in the case of a modification which is of a formal, minor or technical nature or made to correct a manifest error, only if it shall first have been sanctioned by an Extraordinary Resolution.</p>
<p><b>Availability of the Warrant Instrument</b></p>	<p>Every Warrantheolder shall be entitled to inspect a copy of the Warrant Instrument at the registered office of the Company during normal business hours (Saturdays, Sundays and public holidays in the United Kingdom and Guernsey excepted), and shall be entitled to receive a copy of the Warrant Instrument against payment of such charges as the directors of the Company may impose in their absolute discretion.</p>
<p><b>Listing</b></p>	<p>On AIM, a market operated by London Stock Exchange plc.</p>

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## PART 12

### ADDITIONAL INFORMATION

#### 1. RESPONSIBILITY STATEMENT

The Directors whose names, functions and addresses appear on page 25 of this document, and the Company, accept responsibility for the information contained in this document. To the best of the knowledge of the Directors and the Company (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

#### 2. THE COMPANY

- 2.1 The Company was incorporated with limited liability in Guernsey on 4 July 2005 under the Companies (Guernsey) Laws 1994 to 1996 as amended, with registered number 43371 and with the name Raven Russia Limited.
- 2.2 The Company's legal and commercial name is Raven Russia Limited.
- 2.3 The head office of the Company is at 1 Le Truchot, St. Peter Port, Guernsey and its telephone number is 01481 712955.
- 2.4 The principal legislation under which the Company operates are the Companies (Guernsey) Laws 1994 to 1996 as amended and the Companies (Guernsey) Law, 2008, as amended.

#### 3. SHARE AND LOAN CAPITAL

- 3.1 The Company was incorporated with an authorised share capital of £10,000 divided into 1,000,000 Ordinary Shares of £0.01 each. Two Ordinary Shares were issued upon incorporation.
- 3.2 By a resolution passed on 25 July 2005, the authorised share capital of the Company was increased from £10,000 to £7,500,000 by the creation of an additional 749,000,000 Ordinary Shares. 152,999,998 Ordinary Shares were subsequently issued by the Company and the entire issued share capital of the Company constituting 153,000,000 Ordinary Shares, was admitted to trading on AIM on 29 July 2005.
- 3.3 By a resolution passed on 26 April 2006, the authorised share capital of the Company was increased from £7,500,000 to £10,000,000 by the creation of an additional 250,000,000 Ordinary Shares.
- 3.4 On 26 April 2006, the board resolved to allot 269,565,210 Ordinary Shares at a price of 115p per share, which were admitted to trading on AIM on 27 April 2006.
- 3.5 On the same day, the board resolved to allot a further 2,098,501 Ordinary Shares to RRPM in part settlement of the performance fee due under the Property Advisory Agreement for the period ended 31 December 2005. Such shares were admitted to trading on AIM on 2 May 2006.
- 3.6 On 30 March 2007, the board resolved to allot 1,222,841 Ordinary Shares to RRPM in settlement of the performance fee due under the Property Advisory Agreement for the period ended 31 December 2006. Such shares were admitted to trading on AIM on 10 April 2007.
- 3.7 On 23 August 2007, the board resolved to allot 622,536 Ordinary Shares at a price of 116.75p per share in respect of a scrip dividend. Such shares were admitted to trading on AIM on 31 August 2007.

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- 3.8 On 30 October 2007, the board resolved to allot 3,531,478 Ordinary Shares at a price of 96.17p per share in respect of a scrip dividend. Such shares were admitted to trading on AIM on 5 November 2007.
- 3.9 On 28 April 2008, the board resolved to allot 2,512,349 Ordinary Shares at a price of 83.67p per share in respect of a scrip dividend. Such shares were admitted to trading on AIM on 22 May 2008.
- 3.10 On 27 November 2008, the Company issued 64,000,000 Ordinary Shares to previous shareholders of Raven Mount Limited and 16,000,000 Ordinary Shares to Raven Mount Limited in consideration of the sale of RRPM and RRPA pursuant to the Internalisation. Such shares were admitted to trading on AIM on 28 November 2008.
- 3.11 The 82,512,349 Ordinary Shares issued during the financial year ended 31 December 2008 are accounted for as set out in paragraphs 3.9 and 3.10 above.
- 3.12 By a resolution passed on 24 March 2009, the authorised share capital of the Company was increased from £10,000,000 to £19,000,000 by the creation of an additional 500,000,000 Ordinary Shares and 400,000,000 Preference Shares.
- 3.13 On 24 March 2009, the Company conditionally issued 76,155,000 Preference Shares and 76,155,000 Warrants pursuant to the Placing. Such Preference Shares and Warrants were admitted to trading on AIM on 25 March 2009.
- 3.14 76,155,000 Preference Shares and 76,155,000 Warrants have been issued since 31 December 2008 and are accounted for as set out in paragraph 3.13 above.
- 3.15 At the date of this document the authorised and issued fully paid share capital of the Company is:

<i>Class of shares</i>	<i>£</i>	<i>Authorised</i>		<i>Issued (fully paid)</i>	
		<i>£</i>	<i>No.</i>	<i>£</i>	<i>No.</i>
Ordinary Shares	15,000,000	1,500,000,000		5,125,529	512,552,915
Preference Shares	4,000,000	400,000,000		761,550	76,155,000
Warrants	-	275,000,000		-	76,155,000

- 3.16 The authorised and issued fully paid share capital of the Company immediately following completion of the Offer will be as follows (assuming that (i) the maximum number of New Preference Shares and New Warrants offered pursuant to the Offer are issued; and (ii) no further issue of Ordinary Shares, Preference Shares or Warrants takes place between the date of this document and the date on which the Offer becomes or is declared unconditional in all respects):

<i>Class of shares</i>	<i>£</i>	<i>Authorised</i>		<i>Issued (fully paid)</i>	
		<i>£</i>	<i>no</i>	<i>£</i>	<i>no</i>
Ordinary Shares	15,000,000	1,500,000,000		5,125,529	512,552,915
Preference Shares	4,000,000	400,000,000		1,344,648	134,464,808
Warrants	-	275,000,000		-	134,464,808

- 3.17 The authorised but unissued ordinary share capital of the Company immediately following completion of the Offer (assuming that (i) the maximum number of New Warrants offered pursuant to the Offer are issued; and (ii) no further issue of Ordinary Shares (including the issue of Ordinary Shares upon the exercise of Warrants) takes place between the date of this document and the date at which the Offer becomes or is declared unconditional in all respects) will be £9,874,471 representing approximately 65.82 per cent. of the authorised ordinary share capital. Approximately 7.71 per cent. of the authorised but unissued ordinary share capital will be reserved for the issue of 76,155,000 Ordinary Shares on the exercise
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- of Warrants issued pursuant to the Placing, approximately 5.91 per cent. of the authorised but unissued ordinary share capital will be reserved for the issue of 58,309,808 Ordinary Shares on the exercise of New Warrants to be issued pursuant to the Offer (assuming the maximum number of New Preference Shares and New Warrants offered pursuant to the Offer are issued) and approximately 1.09 per cent. of the authorised but unissued ordinary share capital will be reserved for the issue of circa 10,764,302 Ordinary Shares on the exercise of the warrants and share options referred to in paragraphs 3.25 to 3.29 below.
- 3.18 The authorised but unissued preference share capital of the Company immediately following completion of the Offer (assuming that (i) the maximum number of New Preference Shares offered pursuant to the Offer are issued; and (ii) no further issue of Preference Shares takes place between the date of this document and the date on which the Offer becomes or is declared unconditional in all respects) will be £2,655,352 representing approximately 66.38 per cent. of the authorised preference share capital.
- 3.19 Other than (i) the issue of Preference Shares pursuant to the Offer (ii) the issue of Ordinary Shares on the exercise of the Warrants or the New Warrants to be issued pursuant to the Offer (iii) on the exercise of the warrants and share options as described in paragraphs 3.25 to 3.29 below, the Company has no present intention of issuing any of the authorised but unissued share capital of the Company.
- 3.20 The Company does not have in issue any securities not representing share capital.
- 3.21 There are no provisions of Guernsey law equivalent to section 89(1) of the Act which confer pre-emption rights on existing shareholders in connection with the allotment of equity securities for cash or otherwise but similar pre-emption rights (with certain exceptions) are contained within the Articles. By a resolution passed at the EGM, the Company sought and obtained authority from its Ordinary Shareholders for the directors to disapply pre-emption rights in respect of the allotment of (i) up to 210,000,000 Warrants and (ii) other than pursuant to (i), in respect of allotments of equity securities of up to a maximum aggregate nominal value of £1,250,000, with such power to expire on 23 March 2014.
- 3.22 Save in respect of the Preference Shares and as provided below, no shares of the Company are currently in issue with a fixed date on which entitlement to a dividend arises and there are no arrangements in force whereby future dividends are waived or agreed to be waived.
- 3.23 Raven Russia (Guernsey) 2 Limited has agreed to waive its rights to a dividend in respect of the five million Ordinary Shares it holds. 529,112 shares were acquired on 31 December 2008 and 4,470,888 shares were acquired on 8 January 2009. It is intended that these shares be transferred to an employee benefit trust which is being set up pursuant to the Company's recent Internalisation, further details of which are set out in paragraph 5.1 below.
- 3.24 Save as disclosed in this paragraph 3, there has been no issue of share or loan capital of the Company or any other member of the Group (other than intra-group issues by wholly owned subsidiaries) in the three years immediately preceding the date of this document.
- 3.25 In its circular to shareholders dated 30 July 2008, the Company outlined its intention to grant three "stand alone" unapproved option agreements over circa 2.1 million Ordinary Shares to Bim Sandhu, Mark Kirkland and Alan Pereira. To date, these options have not been granted but it is intended that options over 810,811, 162,162 and 162,162 Ordinary Shares, respectively, be granted out of the reduced share option pool pursuant to the Share Option Scheme, further details of which are set out in paragraph 5.2 below. In light of the fact that the three individuals are not employees of the Group, the employment conditions in the
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Share Option Scheme shall not apply to those awards and the Board will consider which of the terms of the Share Option Scheme should be disappplied in the circumstances.

- 3.26 Pursuant to an option agreement dated 25 July 2005, the Company has granted Cenkos Securities Limited the right to subscribe for 1,530,000 Ordinary Shares at 100p per Ordinary Share. Such option is exercisable at any time during the period of five years starting on 29 July 2005. Cenkos Securities Limited also has the right to transfer all or part of its rights to subscribe for Ordinary Shares.
- 3.27 Pursuant to an option agreement dated 25 July 2005, the Company has granted Kinmont Limited the right to subscribe for 382,500 Ordinary Shares at 100p per Ordinary Share. Such option is exercisable at any time during the period of five years starting on 29 July 2005. Kinmont Limited also has the right to transfer all or part of its rights to subscribe for Ordinary Shares.
- 3.28 An option agreement was entered into on 25 July 2005, pursuant to which the Company has granted Adrian Collins the right to subscribe for 100,000 Ordinary Shares exercisable in three tranches.

As a consequence of the Total Return (as defined in the option agreement) being less than 9 per cent. compound per annum for the three year period following IPO, the first tranche of 33,333 options has lapsed.

The second tranche of 33,333 options will be exercisable after four years and no later than eleven years if the Total Return over the period of three years from the first anniversary of IPO reaches 12 per cent. compound per annum. If the Total Return over the relevant three year vesting period is less than 9 per cent. compound per annum then the tranche will lapse. If the Total Return is between 9 per cent. compound per annum and 12 per cent. compound per annum, then the tranche may only be exercised in respect of between 50 per cent. and 100 per cent. of the Ordinary Shares on a straight line basis. The option exercise price in respect of this tranche is 99.25p.

The third tranche of 33,334 options will be exercisable after five years and no later than twelve years if the Total Return over the period of three years from the second anniversary of IPO reaches 12 per cent. compound per annum. If the Total Return over the relevant three year vesting period is less than 9 per cent. compound per annum then the tranche will lapse. If the Total Return is between 9 per cent. compound per annum and 12 per cent. compound per annum, then the tranche may only be exercised in respect of between 50 per cent. and 100 per cent. of the Ordinary Shares on a straight line basis. The option exercise price in respect of this tranche is 107.075p.

- 3.29 Pursuant to a warrant instrument dated 25 July 2005, the Company granted RRPM the right to subscribe for 7,650,000 Ordinary Shares at 100p per Ordinary Share. Such warrant is exercisable at any time during the period of five years starting on 29 July 2005. RRPM transferred all of such warrants to Raven Mount Limited on 31 October 2008.
- 3.30 Save in respect to the placings referred to in paragraph 1 of Part 2 and save as disclosed in paragraph 10.1 below, no commissions, discounts, brokerages or other special terms have been granted by the Company or any other member of the Group in connection with the issue or sale of any share or loan capital of the Company or any other member of the Group in the three years immediately preceding the date of this document.
- 3.31 Save as disclosed in paragraphs 3.25 to 3.29 above and in paragraph 5 below, on completion of the Offer no share or loan capital of the Company or any other member of the Group will be under option or has been agreed conditionally or unconditionally to be put under option.

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3.32 The New Preference Shares and New Warrants will be in registered form. No temporary documents of title will be issued and prior to the issue of definitive certificates, transfers will be certified against the register. It is expected that definitive certificates for the New Preference Shares and New Warrants not to be held through CREST will be posted by 22 May 2009 (subject to the Offer becoming or being declared unconditional in all respects (except for the admission condition) on the first closing date of the Offer). New Preference Shares and New Warrants to be held through CREST will be credited to CREST accounts shortly after the Offer becomes or is declared unconditional in all respects.

#### **4. MEMORANDUM AND ARTICLES**

The memorandum of association of the Company provides that the Company's principal object is to invest in the purchase of land or any interest in land. The objects of the Company are set out in full in clause 3 of its memorandum of association.

The Articles contain, *inter alia*, the provisions set out below as well as the rights granted in respect of the Preference Shares, further details of which are set out in Section A of Part 11 of this document.

##### **4.1 Voting rights**

Subject to the provisions of the Articles (including the rights and restrictions referred to in paragraph 4.2 below) and subject to any special rights or restrictions as to voting attached to any shares (including Preference Shares and New Preference Shares), on a show of hands every member who (being an individual) is present in person or (being a corporation) is present by a duly authorised representative, not being himself a member, shall have one vote and on a poll every member who is present in person or by proxy shall have one vote for each share held by him. A corporate member may, by resolution of its directors or other governing body, authorise any person to act as its representative at any meeting of the Company or of any class of members of the Company and that person shall be entitled to exercise the same powers as the corporate member could exercise if it were an individual member present at the meeting in person.

##### **4.2 Restrictions on voting**

A member of the Company is not entitled, either in person or by proxy, in respect of any share held by him, to be present at any general meeting of the Company unless all amounts payable by him in respect of that share have been paid.

##### **4.3 Dividends**

Subject to the rights granted in respect of the Preference Shares, the Company may, by ordinary resolution, declare a dividend to be paid to the members, according to their respective rights and interests in the Company (up to the amount recommended by the board). Subject to the rights granted in respect of the Preference Shares, the directors may pay such interim dividends as appear to the board to be justified by the financial position of the Company. No dividends payable in respect of an ordinary share shall bear interest. Subject to the rights granted in respect of the Preference Shares, the directors may, if authorised by an ordinary resolution, offer the holders of any particular class of shares the right to elect to receive further shares (whether or not of that class), credited as fully paid instead of cash in respect of all or part of a dividend (a "scrip dividend").

Subject to the rights granted in respect of the Preference Shares, the Company or its directors may fix a date as the record date for a dividend provided that the date may be before, on or after the date on which the dividend, distribution, allotment or issue is declared. A dividend unclaimed for a period of 12 years from the date when it was declared or became due for payment shall be forfeited and cease to remain owing by the Company.



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#### 4.4 **Return of capital**

Subject to the rights granted in respect of the Preference Shares, if the Company is wound up, the liquidator may, with the sanction of a special resolution and any other sanction required by the Statutes, divide among the members in specie the whole or any part of the assets of the Company and, for that purpose, value any assets and determine how the division shall be carried out as between the members or different classes of members. Alternatively, the liquidator may with the same sanction, vest the whole or any part of the assets in trustees on trusts for the benefit of the members as he with the same sanction thinks fit, but no member shall be compelled to accept any assets on which there is a liability.

#### 4.5 **Variation of rights**

All or any of the rights attaching to a class of shares in the Company may be varied or abrogated with the written consent of the holders of not less than three-quarters in nominal value of the issued shares of the class (excluding any shares of that class held as treasury shares), or with the sanction of a special resolution passed at a separate general meeting of the holders of the relevant class. The quorum for the separate general meeting shall be two persons holding, or representing by proxy, not less than one-third in nominal amount of the issued shares of the relevant class.

The issue of Preference Shares or Further Preference Shares (as defined in the Articles) is not and shall not be deemed an abrogation, variation or modification of the class rights attaching to the Ordinary Shares.

#### 4.6 **Transfer of shares**

Subject to the restriction set out in this paragraph, any member may transfer all or any of his shares in any manner which is permitted by the Statutes or in any other manner which the directors approve. A transfer of a certificated share shall be in writing in the usual common form or in any other form permitted by the Statutes or which the directors approve. The transferor is deemed to remain the holder of the shares concerned until the name of the transferee is entered in the register of members in respect of those shares. All transfers of uncertificated shares shall be made by means of CREST and as provided in the CREST Guernsey Requirements (as defined in the Articles) or in any other manner which is authorised by the board and from time to time approved.

The directors have a discretion to refuse to register a transfer of an uncertificated share (subject to the Regulations) and of a certificated share which is not fully paid (provided that this does not prevent dealings in the shares from taking place on an open and proper basis) without giving a reason. The directors must provide the transferee with a notice of the refusal within two months from the date on which the transfer was lodged in the case of certificated shares or, in respect of uncertificated shares the date on which an instruction was received by the Company through the relevant system. The directors may also decline to register a transfer of shares in certificated form unless (i) the instrument of transfer is delivered to the office of the Company or at another place which the directors determine, accompanied by the certificate for the shares to which it relates and other evidence which the directors reasonably require to prove the title of the transferor; (ii) the instrument of transfer is in respect of only one class of share; and (iii) the number of joint holders to whom the share is to be transferred does not exceed four.

#### 4.7 **Issue of shares**

4.7.1 Unless otherwise authorised by a special resolution, the Company shall not allot equity securities (as defined in the Articles) on any terms unless (i) the Company has made an offer to each person who holds relevant shares and relevant employee

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shares (each as defined in the Articles) to allot to him on the same or more favourable terms a proportion of those equity securities which is as nearly as practicable (fractions being disregarded) equal to the proportion in number held by him of the aggregate of relevant shares and relevant employee shares; and (ii) the period, which shall not be less than 21 clear days, during which any offer referred to in sub-paragraph (i) above may be accepted has expired or the Company has received notice of the acceptance or refusal of every offer made. A reference to the allotment of equity securities includes the grant of a right to subscribe for, or to convert any securities into, relevant shares of the Company but does not include the allotment of any relevant shares pursuant to such a right.

4.7.2 The pre-emption rights set out above shall not apply:

- (a) to a particular allotment of equity securities if these are, or are to be, wholly or partly paid up otherwise than in cash or are allotted in whole or in part otherwise than for cash; and
- (b) to the allotment of equity securities which would, apart from a renunciation or assignment of the right to their allotment, be held under an employees' share scheme (as defined in the Articles).

#### **4.8 Alteration of capital and purchase of own shares**

4.8.1 The Company may alter its share capital as follows:

- (a) by ordinary resolution, it may increase its share capital, consolidate or divide all or any of its share capital into shares of larger amount, sub-divide all or any of its shares into shares of smaller amount, cancel any shares not taken or agreed to be taken by any person, convert all or any of its shares the nominal of which is expressed in a particular currency or former currency, into shares of a nominal amount of a different currency and where its share capital is expressed in a particular currency or former currency, denominate or redenominate it;
- (b) by special resolution and subject to the provisions of the Statutes, and to the rights conferred on the holders of any class of shares it may reduce its share capital or any capital redemption reserve, share premium account or other undistributable reserves in any manner; and
- (c) subject to the provisions of the Statutes and the Articles, the Company may purchase all or any of its shares of any class (together with, for the avoidance of doubt, warrants and/or options over such shares) whether or not they are redeemable and may pay the purchase price in respect of such purchase to the fullest extent permitted by the Law.

Subject to the provisions of the Law and the Articles, shares repurchased by the Company may be held as treasury shares and dealt with by the directors of the Company to the fullest extent permitted by the Law.

4.8.2 Subject to the Law and the Articles, the Company is permitted to make market purchases of up to 250,000,000 Preference Shares provided that:

- (a) the minimum price which may be paid for a Preference Share (exclusive of expenses) pursuant to such authority if £0.01; and
- (b) the maximum price (exclusive of expenses) which may be paid for a Preference Share is an amount equal to 105 per cent. of the average of the



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closing middle market quotation for a Preference Share taken from the London Stock Exchange Daily Official List for the five business days immediately preceding the date on which such share is contracted to be purchased.

The authority shall expire on 25 September 2010, being 18 months from the date of the adoption of the Articles.

#### **4.9 General meetings**

The Company's board shall convene and the Company shall hold general meetings in accordance with the Law and the Articles (which provides that 14 clear days prior written notice is required to convene general meetings).

The main meeting place or other place or places where members are present in person or by proxy for general meetings must be located outside the United Kingdom.

The quorum for general meetings is three members present in person or by proxy and entitled to vote on a poll. Where such a quorum is not present within 15 minutes of the time appointed for the holding of the meeting, if convened on the requisition of the members, the meeting shall be dissolved. In any other case, it shall stand adjourned to the same day in the next week (or, if that day is not a business day, to the next business day) and at the same time and place as the original meeting or to such other day and time as the board may decide and, in the latter case, not less than 7 clear days' notice of the adjourned meeting shall be given in any manner in which notice of a meeting may lawfully be given. If at the adjourned meeting a quorum is not present within 15 minutes from the time fixed for holding the meeting, any two members who are present in person or by proxy and entitled to vote on the poll shall constitute a quorum, failing which the meeting shall be dissolved.

On a show of hands, every member who is present in person or by a duly authorised representative shall have one vote and on a poll, every member who is present in person or by proxy shall have one vote for every share in the Company held by them. In the case of an equality of votes, either on a show of hands or on a poll, the chairman of the meeting shall be entitled to a further or casting vote in addition to any vote or votes to which he may be entitled.

#### **4.10 Ownership thresholds, capital changes and beneficial interest**

The Articles provide that any shareholder who acquires or ceases to have a Notifiable Interest, ('Notifiable Interest' being defined in the Articles as any time when the aggregate number of a class or series of securities in which a shareholder of the Company is interested in percentage terms is equal to or more than 3 per cent. of the aggregate outstanding shares of that class of securities of the Company). The obligation of disclosure also arises if there is an increase or decrease in the percentage level of a shareholders' Notifiable Interest. If the percentage level is not a whole number, it shall be rounded down to the next whole number.

The Articles require persons who receive a notice (as described in Article 13.1 of the Articles) to provide information requested by the directors to the Company. Failure to do so within the time specified, will permit the Company to apply certain restrictions in respect of such shares.

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## 4.11 Directors

### 4.11.1 *Number and Residence*

Unless otherwise determined by the Company by ordinary resolution, the number of directors shall be not less than three but there is no maximum.

At all times, the majority of the directors shall neither be resident nor ordinarily resident in the United Kingdom.

### 4.11.2 *Meetings*

All board meetings must be held in Guernsey, save for one per annum which may be held outside Guernsey but must not be held in the United Kingdom. The majority of the board must be physically present at the location set for each board meeting. Remote attendance is forbidden where the director is physically present in the United Kingdom.

A quorum requires a majority of non-UK resident directors.

The Chairman, or acting Chairman, must be physically present in Guernsey or at the location set for each board meeting.

### 4.11.3 *Committee*

Committee quorum requires one person to be physically present in Guernsey, no person to be physically present in the United Kingdom and a majority of non-UK resident directors.

### 4.11.4 *Remuneration*

The directors shall be paid out of the funds of the Company for their services as directors. The directors may be paid all travel, hotel and other expenses properly incurred in the performance of their duties as directors including expenses incurred in attending meetings of the board, committees of the board and general meetings or separate meetings of the holders of any class of securities of the Company.

### 4.11.5 *Retirement of directors by rotation*

At each annual general meeting of the Company, any director who has been appointed by the board since the previous annual general meeting and any director selected to retire by rotation (as set out below) shall retire from office. At each annual general meeting, one-third of the directors (excluding any director who has been appointed by the board since the previous annual general meeting) or, if their number is not three or a multiple of three, the number nearest to but not more than one-third shall retire from office. In addition, each director shall retire from office at the third annual general meeting after he was appointed or reappointed, if he would not otherwise fall within the directors to retire by rotation.

The directors to retire by rotation shall be those of the directors who have been longest in office since their appointment or last reappointment but, as between persons who became or were last reappointed directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

The directors to retire shall be determined (both as to number and identity) by the composition of the board at the commencement of business on the date of the notice convening the annual general meeting. A director shall not be required, or be relieved from the obligation, to retire by reason of a change in the board after that time but before the close of the meeting.

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A retiring director shall be eligible for re-appointment and (unless he is removed from office or his office is vacated in accordance with the Articles) shall retain office until the close of the meeting at which he retires or (if earlier) when a resolution is passed at that meeting not to fill the vacancy or to appoint another person in his place or the resolution to re-appoint him is put to the meeting and lost.

If at any meeting at which the appointment of a director ought to take place the office vacated by a retiring director is not filled, the retiring director, if willing to act, shall be deemed to be re-appointed, unless at the meeting a resolution is passed not to fill the vacancy or to appoint another person in his place or unless the resolution to appoint him is put to the meeting and lost.

No person shall be required to vacate from office by reason only of the fact that he has attained the age of 70 years or any other age.

#### 4.11.6 *Executive directors*

The directors may appoint a director to an executive office in the Company. The appointment may be on terms the directors determine.

The appointment of a director to an executive office terminates if he ceases to be a director, but without prejudice to any claim for damages for breach of any contract of employment.

#### 4.11.7 *Directors' interests*

A director shall not vote nor be counted in a quorum at a meeting in relation to any resolution of the board concerning any contract, arrangement, transaction or proposal in which he has a material interest (including by virtue of the interests of persons connected with him).

The prohibition will not apply to the following:

- (a) the giving of any guarantee, security or indemnity in respect of money lent or obligations incurred by him or by any other person at the request of or for the benefit of the Company (or any of its subsidiaries) or in respect of a debt or obligation of the Company (or any of its subsidiaries) for which he has assumed responsibility, in whole or in part, under a guarantee or an indemnity or by the giving of security;
- (b) any contract concerning an offer of shares, debentures or other securities by the Company (or any of its subsidiaries) in which offer he is or may be entitled to participate as a holder of securities or he is or is to be interested as a participant in the underwriting or sub-underwriting thereof;
- (c) any contract in which he is interested by virtue of his interest in shares, debentures or other securities of the Company or otherwise in or through the Company;
- (d) a proposal concerning another company in which he is not interested, directly or indirectly, in 1 per cent. or more either of its equity share capital or of its voting rights;
- (e) an arrangement for the benefit of the employees of the Company (or any of its subsidiaries) which does not award the director a privilege or benefit not generally awarded to the employees to whom the arrangement relates; or
- (f) a proposal concerning the purchase or maintenance of insurance for the benefit of persons who include directors.

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Subject to the Law (as defined in the Articles) and provided he has disclosed to the directors the nature and extent of his interest, a director may contract with the Company, the contract shall not be avoided on the grounds of his interest or benefit and the director is not liable to account to the Company for any benefit realised as a result of the contract.

A director may not vote or be counted in the quorum in relation to a resolution concerning his own appointment (including fixing or varying its terms), or the termination of his own appointment.

Where proposals are under consideration concerning the appointment (including fixing or varying its terms) or the termination of the appointment of two or more directors, a separate resolution may be put in relation to each director. In each case, each director (if not otherwise debarred from voting) is entitled to vote in respect of each resolution except that concerning his own appointment.

#### **4.12 Benefits**

The board may exercise all the powers of the Company to pay, provide or procure the grant of pensions or other retirement or superannuation benefits and death, disability or other benefits to any person who is or who has at any time been a director of the Company (and for any of his relations or dependants) or in the employment or service of the Company or any of its subsidiaries (or the relatives or dependants of any such person).

#### **4.13 Borrowing powers**

Subject to the Law, the board may exercise all the powers of the Company to borrow money and to mortgage or charge all or any part of its undertaking, property, assets (present and future) and uncalled capital and to issue debentures and other securities whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party. There are no restrictions on the Company entering into any hedging arrangements.

#### **4.14 Indemnity of officers**

Every director and other officer of the Company shall be indemnified by the Company to the extent permitted by the Law, from and against all actions, expenses and liabilities which they may incur by reason of any contract entered into or any act in or about the execution of their office except where incurred through their own negligence, default or breach of duty or trust.

The Company may purchase and maintain insurance for or for the benefit of any director, and other officer of the Company or any subsidiary including insurance against costs, charges, expenses, losses or liabilities suffered or incurred by such persons in the actual or purported discharge of their respective duties, powers and discretion in relation to the Company.

#### **4.15 CREST**

CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by a written instrument. The Preference Shares and the Warrants have been admitted to, and accordingly enabled for settlement in, CREST.

### **5. INCENTIVE ARRANGEMENTS**

At an extraordinary general meeting of the Company on 28 August 2008, the Ordinary Shareholders approved a resolution to approve and establish, *inter alia*, the Raven Russia Limited Employee Benefit Trust and the Share Option Scheme as described in a circular to Ordinary Shareholders

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dated 30 July 2008 (the “**July 2008 Circular**”), granting the directors of the Company the authority to do all things necessary to give effect to such schemes. The Company intends to amend the terms of the Share Option Scheme as set out below in paragraph 5.2.

The first scheme, which was approved at the extraordinary general meeting of the Company on 28 August 2008, is an employee retention scheme for certain Board members and employees below Board level. The second incentive arrangement approved took the form of an unapproved share option scheme over a ‘share pool’ of 18.5 million Ordinary Shares in the Company. In addition, three ‘stand alone’ unapproved option agreements were to have been entered into with three founders of the Company, namely, Bim Sandhu, Mark Kirkland and Alan Pereira, over circa 2.1 million shares.

#### 5.1 **Raven Russia Employee Benefit Trust**

Under the employee retention scheme, a new employee benefit trust, namely the Raven Russia Limited Employee Benefit Trust (“**New EBT**”) will be established by the Company for the benefit of certain board members and employees below the board level (including their spouses and dependants) of the Group. On 31 December 2008 and 8 January 2009, Raven Russia (Guernsey) 2 Limited acquired, in aggregate, 5 million Ordinary Shares to fund the New EBT. Such shares will be held by Raven Russia (Guernsey) 2 Limited for subsequent transfer to the New EBT.

Following the establishment of the New EBT and the transfer to it of the 5 million Ordinary Shares, the New EBT will use such shares to retain and incentivise recipients by awarding them interests in and/or rights to acquire those shares as described below.

Under the rules of the employee retention scheme, the Company intends to recommend that the trustee of the New EBT arranges to split its holding in the shares into two interests; an interest in the current value of the shares (the “**Historic Interest**”) and an interest in the potential future growth in value of the shares (the “**Future Interest**”). The Company intends to further recommend that the trustee of the New EBT enters into arrangements to sell such number of Future Interests in shares to recipients as the Company considers appropriate. Such number of Future Interests in shares will not exceed in aggregate 5 million. The sale will be made on condition that the recipient’s right to his or her Future Interest shall be subject to forfeiture unless the relevant recipient remains in continued employment with the Company (or any member of the Group) until the date of the publication of the final audited financial results of the Company for the accounting period ending on 31 December 2010 (the “**Publication Date**”). Additionally, the Company intends to recommend that the trustee of the New EBT grants the right to acquire such number of Historic Interests in shares to recipients, as the Company considers appropriate; again, such number of shares not to exceed in aggregate 5 million. The right to acquire these interests will be exercisable on or after the Publication Date provided that the relevant recipient remains in continued employment with the Company (or any member of the Group) as at the Publication Date.

The relevant recipient will bear the income tax and employee national insurance contribution liabilities arising on exercise of the right to acquire the Historic Interests. The Company will however bear the cost of any employer’s national insurance contributions.

It is intended that the trustee of the New EBT would be entitled to receive dividends or other distributions in respect of the Historic Interest in shares held by the trustee between the receipt of such interest and the transfer of the Historic Interest in shares to the relevant recipient, and the trustee will distribute such distributions to the relevant recipient if and to the extent that it transfers those Historic Interests in shares. It is further intended that the relevant recipient would be entitled to receive dividends or other distributions in respect of the Future Interest in shares held by the relevant recipient provided that the

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relevant recipient remains in continued employment with the Company (or any member of the Group) as at the Publication Date.

The Remuneration Committee has provisionally allocated interests in the 5 million Ordinary Shares among certain named employees of the Group. Interests in the following number of Ordinary Shares have been provisionally allocated to certain Directors and Senior Management as follows:

<i>Director/Senior Management</i>	<i>Number of Ordinary Shares</i>
Colin Smith	125,000
Mark Sinclair	1,000,000
Adrian Baker	2,000,000
Igor Bogorodov	1,000,000

Prior to the establishment of the New EBT, it remains within the discretion of the Remuneration Committee to revise or amend its provisional allocations in any manner it sees fit.

## 5.2 The Share Option Scheme

It was proposed that the Company (and the trustee of the New EBT) adopt the Share Option Scheme over a “share pool” of 18.5 million Ordinary Shares in the Company to enable the Company and/or the trustee of the New EBT to grant unapproved options to the employees of the Group on a discretionary basis. The main features of the Share Option Scheme were summarised in the July 2008 Circular.

No awards have been made to date under this plan. In light of market conditions and the recent share price performance of the Company, the Board considered it appropriate to amend the Share Option Scheme, as follows:

- reducing the “share option pool” from 18.5 million options over Ordinary Shares to 10 million options over Ordinary Shares. Awards under the scheme will be capable of being satisfied by using existing Ordinary Shares or issuing new Ordinary Shares;
- introducing new performance criteria for the vesting of options awarded under the Share Option Scheme linked to both total shareholder return together with increases in the Retail Prices Index;
- setting a base price for calculating total shareholder return under the Share Option Scheme to be equal to the exercise price of the Warrants (i.e. 25 pence); and
- vesting the 10 million “share option pool” in three equal tranches over a three year period from the third, fourth and fifth anniversaries of completion of the Placing (being 25 March 2009), subject to certain exceptions.

Such amendments were approved by way of a resolution passed at the EGM and the Board (or a committee thereof) was authorised to make further changes to the Share Option Scheme and its implementation as it considers, in its absolute discretion, necessary, appropriate or desirable. Certain employees may be awarded their entitlement under this plan in the form of a right to acquire Future Interests in Ordinary Shares.

## 5.3 Grant of options to certain non-employees

In its circular to shareholders dated 30 July 2008, the Company outlined its intention to grant three “stand alone” unapproved option agreements over circa 2.1 million Ordinary Shares to Bim Sandhu, Mark Kirkland and Alan Pereira. To date, these options have not been granted but it is intended that options over 810,811, 162,162 and 162,162 Ordinary Shares, respectively, be granted out of the reduced 10 million share option pool pursuant to the Share Option Scheme. In light of the fact that the three individuals are not employees of



the Group, the employment conditions in the Share Option Scheme shall not apply to those awards and the Board will consider which of the terms of the Share Option Scheme should be disapplied in the circumstances. This entitlement may be awarded in the form of a right to acquire Future Interests in Ordinary Shares.

## 6. DIRECTORS' SENIOR MANAGEMENT AND OTHER INTERESTS

6.1 As at the date of this document, the interests of the Directors and members of the Senior Management and their immediate families (all of which are beneficial) in the share capital of the Company and, so far as is known to the Directors and members of the Senior Management or could with reasonable diligence be ascertained by them, persons connected with them (within the meaning of sections 252 to 255 of the 2006 Act) which, if the connected person were a Director or a member of the Senior Management would otherwise be disclosed pursuant to this paragraph, are:

<i>Director/Senior Management</i>	<i>Percentage of issued Number of Ordinary Shares</i>	<i>Ordinary Share capital (%)</i>	<i>Number of Preference Shares</i>	<i>Percentage of issued Preference Share capital (%)</i>	<i>Number of Warrants</i>
Richard Jewson	194,229	0.0379	10,000	0.0131	10,000
Christopher Sherwell	29,000	0.0057	-	-	-
Stephen Coe	63,000	0.0123	25,000	0.0328	25,000
David Moore	89,564	0.0175	-	-	-
Colin Smith <sup>(1)(2)</sup>	11,569	0.0023	10,000	0.0131	10,000
Anton Bilton	14,746,546	2.8771	-	-	-
Glyn Hirsch	139,863	0.0273	-	-	-
Mark Sinclair <sup>(2)</sup>	16,797	0.0033	10,000	0.0131	10,000
Adrian Baker <sup>(2)</sup>	-	-	-	-	-
Igor Bogorodov <sup>(2)</sup>	-	-	-	-	-
The Organon SIPP re: Anton Bilton <sup>(3)</sup>	1,361,469	0.2657	-	-	-
Godfrey Bilton Life Interest Settlement Trust <sup>(4)</sup>	810,875	0.1582	-	-	-
Bilton Family Discretionary Settlement Trust <sup>(5)</sup>	1,454,570	0.2838	-	-	-
The Bilton Charitable Foundation <sup>(6)</sup>	335,670	0.0655	-	-	-
Tenon (IOM) Limited <sup>(7)</sup>	1,329,253	0.2593	-	-	-
Raven Mount Group plc <sup>(8)</sup>	29,163,447	5.7000	-	-	-

- (1) These shares are held by The Lorier Retirement Annuity Trust Scheme, of which Colin Smith is a trustee and beneficiary.
- (2) The Remuneration Committee has provisionally allocated interests in Ordinary Shares to certain named employees of the Group, pending the establishment of the New EBT, including certain Directors and Senior Management. Further details, including the number of interests in Ordinary Shares provisionally allocated to such Directors and Senior Management are set out in paragraph 5.1 above.
- (3) The Organon SIPP re: Anton Bilton is a Self Invested Personal Pension of which Anton Bilton is a trustee and beneficiary.
- (4) The Godfrey Bilton Life Interest Settlement Trust of 1st Floor, 21 Knightsbridge, London SW1X 7LY, was formed on 17 June 2002. Its trustees are Anton Bilton and Martin Davies and its beneficiaries are the Life Tenant (being Anton Bilton's children) and their children and remoter issue (grandchildren, great grandchildren and so on).
- (5) The Bilton Family Discretionary Settlement Trust of 1st Floor, 21 Knightsbridge, London SW1X 7LY was formed on 17 October 2007. Its trustees are Anton Bilton and Martin Davies and its intended beneficiaries are Anton Bilton's children, remoter issue, father, siblings, charitable organisations and anyone who the trustees shall add to the beneficiary class. Anton Bilton and his wife are excluded from benefiting from the Trust.
- (6) The Bilton Charitable Foundation, of 1st Floor, 21 Knightsbridge, London SW1X 7LY, was formed on 26 March 2007. Its trustees are Anton Bilton, Martin Davies and Lisa Bilton and its beneficiaries are as nominated at the discretion of the trustees.
- (7) Tenon (IOM) Limited is the trustee of the Raven Mount Employee Benefit Trust. Anton Bilton and Glyn Hirsch are interested in those shares in their capacity as potential beneficiaries under the trust.
- (8) Anton Bilton and Glyn Hirsch are both directors and shareholders of Raven Mount Group plc. Anton Bilton has an interest in approximately 30.26 per cent. of the issued share capital of Raven Mount Group plc.

6.2 On completion of the Offer, the interests of the Directors and members of the Senior Management and their immediate families (all of which are beneficial) in the share capital of the Company and, so far as is known to the Directors and members of the Senior Management or could with reasonable diligence be ascertained by them, persons connected with them (within the meaning of sections 252 to 255 of the 2006 Act) which, if the connected person were a Director or a member of the Senior Management would otherwise be disclosed pursuant to this paragraph, are expected to be as follows:

<i>Director/Senior Management</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of issued Ordinary Share capital (%)</i>	<i>Number of Preference Shares</i>	<i>Percentage of issued Preference Share capital (%)</i>	<i>Number of Warrants</i>
Richard Jewson	194,229	0.0379	10,000	0.0074	10,000
Christopher Sherwell	29,000	0.0057	-	-	-
Stephen Coe	63,000	0.0123	25,000	0.0186	25,000
David Moore	89,564	0.0175	55,310	0.0411	55,310
Colin Smith <sup>(1)(2)</sup>	11,569	0.0023	10,443	0.0078	10,443
Anton Bilton	14,746,546	2.8771	13,838,478	10.2915	13,838,478
Glyn Hirsch	139,863	0.0273	131,250	0.0976	131,250
Mark Sinclair <sup>(2)</sup>	16,797	0.0033	10,000	0.0074	10,000
Adrian Baker <sup>(2)</sup>	-	-	-	-	-
Igor Bogorodov <sup>(2)</sup>	-	-	-	-	-
The Organon SIPP re: Anton Bilton <sup>(3)</sup>	1,361,469	0.2617	984,375	0.7321	984,375
Godfrey Bilton Life Interest Settlement Trust <sup>(4)</sup>	810,875	0.1582	760,942	0.5659	760,942
Bilton Family Discretionary Settlement Trust <sup>(5)</sup>	1,454,570	0.2838	1,365,000	1.0151	1,365,000
The Bilton Charitable Foundation <sup>(6)</sup>	335,670	0.0655	31,500	0.0234	31,500
Tenon (IOM) Limited <sup>(7)</sup>	1,329,253	0.2593	1,944,750	1.4464	1,944,750

- (1) These shares are held by The Lorier Retirement Annuity Trust Scheme, of which Colin Smith is a trustee and beneficiary.
- (2) The Remuneration Committee has provisionally allocated interests in Ordinary Shares to certain named employees of the Group, pending the establishment of the New EBT, including certain Directors and Senior Management. Further details, including the number of interests in Ordinary Shares provisionally allocated to such Directors and Senior Management are set out in paragraph 5.1 above.
- (3) The Organon SIPP re Anton Bilton is a Self Invested Personal Pension of which Anton Bilton is a trustee and beneficiary.
- (4) The Godfrey Bilton Life Interest Settlement Trust of 1st Floor, 21 Knightsbridge, London SW1X 7LY, was formed on 17 June 2002. Its trustees are Anton Bilton and Martin Davies and its beneficiaries are the Life Tenant (being Anton Bilton's children) and their children and remoter issue (grandchildren, great grandchildren and so on).
- (5) The Bilton Family Discretionary Settlement Trust of 1st Floor, 21 Knightsbridge, London SW1X 7LY was formed on 17 October 2007. Its trustees are Anton Bilton and Martin Davies and its intended beneficiaries are Anton Bilton's children, remoter issue, father, siblings, charitable organisations and anyone who the trustees shall add to the beneficiary class. Anton Bilton and his wife are excluded from benefiting from the Trust.
- (6) The Bilton Charitable Foundation, of 1st Floor, 21 Knightsbridge, London SW1X 7LY, was formed on 26 March 2007. Its trustees are Anton Bilton, Martin Davies and Lisa Bilton and its beneficiaries are as nominated at the discretion of the trustees.
- (7) Tenon (IOM) Limited is the trustee of the Raven Mount Employee Benefit Trust. Anton Bilton and Glyn Hirsch are interested in those shares and warrants in their capacity as potential beneficiaries under the trust.



- 6.3 As at the date of this document, save for the interests of the Directors and the Senior Management disclosed in paragraph 6.1 above, the Company is aware of the following persons who hold, directly or indirectly, voting rights representing 3 per cent. or more of the issued share capital of the Company:

<i>Name</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of issued Ordinary Share capital (%)</i>	<i>Number of Preference Shares</i>	<i>Percentage of issued Preference Share capital (%)</i>	<i>Number of Warrants</i>
Invesco	99,330,832	19.38	75,000,000	98.48	75,000,000
Lansdowne Partners	36,745,161	7.17	-	-	-
F&C Asset Management Limited	33,671,700	6.57	-	-	-
Schroder Asset Management Limited	34,304,409	6.69	-	-	-
Laxey Partners Limited	31,043,025	6.06	-	-	-
Makenzie Financial Corp	29,600,000	5.78	-	-	-
Credit Suisse as principal	19,457,245	3.80	-	-	-
Deutsche Bank as principal	17,160,954	3.35	-	-	-
Aviva Investors Global Services Limited	15,993,440	3.12	-	-	-
Lazard Asset Management Limited	15,813,120	3.08	-	-	-

- 6.4 On completion of the Offer, save for the interests of the Directors and the Senior Management disclosed in paragraph 6.3 above, the Company is aware of the following persons who will hold, directly or indirectly, voting rights representing 3 per cent. or more of the issued share capital of the Company:

<i>Name</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of issued Ordinary Share capital (%)</i>	<i>Number of Preference Shares</i>	<i>Percentage of issued Preference Share capital (%)</i>	<i>Number of Warrants</i>
Invesco	99,330,832	19.38	75,000,000	55.78	75,000,000
Lansdowne Partners	36,745,161	7.17	-	-	-
F&C Asset Management Limited	33,671,700	6.57	-	-	-
Schroder Asset Management Limited	34,304,409	6.69	-	-	-
Laxey Partners Limited	31,043,025	6.06	6,352,090	4.73	6,352,090
Makenzie Financial Corp	29,600,000	5.78	-	-	-
Credit Suisse as principal	19,457,245	3.80	-	-	-
Deutsche Bank as principal	17,160,954	3.35	2,372,054	1.76	2,372,054
Aviva Investors Global Services Limited	15,993,440	3.12	-	-	-
Lazard Asset Management Limited	15,813,120	3.08	-	-	-

- 6.5 Save as disclosed in paragraphs 6.2 and 6.4 above, the Company is not aware of any person who will, immediately following completion of the Offer, hold directly or indirectly, voting rights representing 3 per cent. or more of the issued share capital of the Company to which voting rights are attached or could directly or indirectly, jointly or severally, exercise control over the Company.
- 6.6 The persons, including the Directors and members of Senior Management, referred to in paragraphs 6.1 and 6.2 above, do not have voting rights in respect of the share capital of the Company (issued or to be issued) which differ from any other shareholder of the Company.
- 6.7 The Company and the Directors are not aware of any arrangements the operation of which may at a subsequent date result in a change of control of the Company.

6.8 The Directors and members of Senior Management currently hold, and have during the five years preceding the date of this document held, the following directorships, partnerships or been a member of the senior management:

<i>Name</i>	<i>Current directorships/partnerships</i>	<i>Previous directorships/partnerships</i>
Richard Jewson	Archant Charitable Trustee Company Limited Archant Employee Benefit Trustee Company Limited Archant Limited Archant Profit Sharing Scheme Trustee Company Limited Jarold and Sons Limited Temple Bar Investment Trust PLC Grafton Group plc Clean Energy Brazil plc Nomina No. 195 LLP	Anglian Water Services Financing Limited Anglian Water Services Holdings Limited Anglian Water Services Limited East Port Great Yarmouth Limited Lexi Holdings plc Octagon Healthcare Funding plc Octagon Healthcare Group Limited Octagon Healthcare Holdings (Norwich) Limited Octagon Healthcare Limited PFI Infrastructure Finance Limited Savills plc Taverham Hall Educational Trust Limited Watts Blake Bearne And Company Limited Priory Investments Holdings Limited Top Developments plc PFI Infrastructure plc 111 Alderney Street, (1981) Limited Barlows Banbury LLP
Anton Bilton	Santon Close Nominees Limited The Guaranteed Investment Property Company plc (Company In Liquidation) Santon Management Limited Santon Capital plc Raven Tower Limited Raven Property Holdings plc Raven Mount Limited Raven Property Group plc Santon Developments plc Raven Russia Property Management Limited* Misereavere Limited Santon Putney Limited Raven Mount Group plc Eclipse Film Partners No. 16 LLP Tal Se Land Development Partnership LLP	Capital Reversions plc Avanti Capital plc ZTC Telecommunications plc Angela Flowers Gallery plc Santon UK Limited Swan Hill Staff Pension Trust Limited Bilton House Investments Limited Audley Court Limited A & A Interiors & Furnishings Limited Tal CPT Land Development Partnership LLP
Glyn Hirsch	Emisan Limited Liontrust Asset Management plc Raven Mount Limited Raven Property Group plc Swan Hill Staff Pension Trust Limited Medavinci plc Misereavere Limited Raven Mount Group plc	Glotel PLC Property Fund Management Limited The Io Group Limited International Brand Licensing plc Santon UK Limited Brook Street Consulting Limited Audley Court Limited Proventec plc

\* Wholly owned subsidiary company of the Company.

<i>Name</i>	<i>Current directorships/partnerships</i>	<i>Previous directorships/partnerships</i>
Colin Smith	<p>Tethys Petroleum Limited</p> <p>LLC Logopark Don*</p> <p>LLC Logopark Irtysh*</p> <p>LLC Logopark Oka*</p> <p>LLC Logopark Ufa*</p> <p>LLC Logopark Ob*</p> <p>LLC Logopark Amur*</p> <p>LLC Logopark Svisloch*</p> <p>LLC Noginsk-Vostok*</p> <p>Aimthorn Ltd*</p> <p>Addup Investments Ltd*</p> <p>Mensazo Trading Ltd*</p> <p>Damicon Holdings Ltd*</p> <p>Piney Ltd*</p> <p>Raven Russia Acquisition (Southern) Company (Cyprus) Ltd*</p> <p>Raven Russia Cyprus Acquisition (Baltia) Company Ltd*</p> <p>Deanspar Holdings Ltd*</p> <p>Nenning Ltd*</p> <p>Transboro Ltd*</p> <p>Leifer Investments Ltd*</p> <p>Aimtone Ltd*</p> <p>LC Kalyinovka Enterprises Ltd*</p> <p>Raven Russia Management Company (Cyprus) Ltd*</p> <p>Megalogix Management Company (Cyprus) Ltd*</p> <p>Megalogix Ltd*</p> <p>Bluebeen Ltd*</p> <p>Quelo Ltd*</p> <p>Carluga Holdings Ltd*</p> <p>Becolana Holdings Ltd*</p> <p>Roslogistics Holdings (Russia) Ltd*</p> <p>Armbridge Consultancy Ltd*</p> <p>Raven Russia (Service Company) Ltd*</p> <p>Gilmoretton Ltd*</p> <p>Giarza Ltd*</p> <p>Raven Russia Property Advisors Ltd*</p> <p>Raven Russia Property Management Ltd*</p> <p>Russian Property Management Ltd*</p>	<p>Cript Holdings Limited</p> <p>BDO Novus Limited</p> <p>BDO Novus (Audit) Limited</p> <p>Ibex Systems (CI) Limited</p> <p>Ibex Systems Guernsey Limited</p> <p>Da Vinci CIS Private Sector Growth Fund Ltd</p> <p>Kraken Commercial Property Fund plc</p> <p>KG Property Ltd</p> <p>K&amp;M (IOM) Ltd</p> <p>Carander Ltd*</p> <p>Vindale Ltd*</p> <p>Spiralpont Ltd*</p> <p>Lafael Ltd*</p> <p>Serephina Ltd*</p> <p>Azuresky Ltd*</p> <p>Biznut Ltd*</p> <p>Cestream Ltd*</p> <p>Frontgate Ltd*</p> <p>Frontgoal Ltd*</p> <p>Frontdale Ltd*</p> <p>Storvo Holdings Ltd*</p> <p>Intorla Holdings Ltd*</p> <p>Defar Holdings Ltd*</p> <p>Ritarmo Holdings Ltd*</p> <p>Rubizo Holdings Ltd*</p> <p>Fronthill Ltd*</p> <p>Sommerton Ltd*</p> <p>Anfirimo Holdings Ltd*</p> <p>Raven Russia Finance Company (Cyprus) Ltd*</p> <p>Begur Holdings Ltd*</p> <p>Donadio Holdings Ltd*</p> <p>Padaastro Holdings Ltd*</p> <p>Golea Holdings Ltd*</p> <p>Koro-Toro Ltd*</p> <p>Mensdorf Ltd*</p> <p>Glabach Ltd*</p> <p>Webfog Ltd*</p> <p>Leonco Ltd*</p> <p>Ticcino Holdings Ltd*</p> <p>Estepona Properties Ltd*</p> <p>Barbate Ltd*</p> <p>Maniola Holdings Ltd*</p> <p>Vartor Holdings Ltd*</p> <p>Abequa Ltd*</p>
Mark Sinclair	<p>Heid Limited</p> <p>Capital City Developments Limited</p> <p>Raven Russia Property Management Limited*</p> <p>Raven Russia Property Advisors Limited*</p> <p>Raven Russia (Service Company) Limited*</p> <p>Russian Property Management Limited*</p>	<p>BDO Stoy Hayward LLP</p>

\* Wholly owned subsidiary companies or joint venture companies of the Company.

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<i>Name</i>	<i>Current directorships/partnerships</i>	<i>Previous directorships/partnerships</i>
Stephen Coe	ACP Capital Limited ACP Mezzanine Limited ACP Mezzanine HOLDINGS UK Limited Callidus Holdings Llc Care Home Properties Limited Data Debt PCC Limited George Street Holdings Pty Limited Greenfield Holdings Limited Hamilton Corporate Finance (Guernsey) Limited HCF Guernsey Limited HCHP Limited Healthcare Alpha Limited Healthcare Beta Limited Healthcare Delta Limited Healthcare Finance Limited Healthcare Holdings Limited Healthcare Property Investments Limited Healthcare Real Estate Investors Limited Healthcare Real Estate Holdings Limited HHL Properties Limited HH Properties Limited HHLC Limited HIC Limited HICS Limited HIHP Limited IHP Limited LEASECOM SA Matrix European Real Estate Investment Trust Limited Mosaic Property CEE Limited Mosaic Property GP Limited Mosaic Property CEE LLP Sidra Fund Limited Specialised Care Properties Limited St Andrews Healthcare PTY Supported Living Limited Totemic Insurance Limited Victoria Capital PCC Limited	Petrushka Limited Petrushka Management Limited Glanmore Longus House 1 Limited Glanmore Longus House 2 Limited Dorchester Guernsey General Partner Limited Highbury Hill Limited Select Industries Management Co Limited Fintique Three (BVI) Limited Global Investment Basket Limited Investec Recovery Partners I Limited Enhanced Global Growth Basket Limited Townhouse Limited Globe Films Management (CI) Limited York Limited Maghull Limited Maghull Management Limited Northern Property Investment Company Limited Congleton Management Limited Arkle Limited Victorian Mansions Limited Alborg Plc SMS Investors Inc. Optimal Investment Growth Basket Limited Heathrow Business Centre Limited Senator House Holdings Limited Heathrow Site No.9 (C.I.) Limited Heathrow Site No.10 (C.I.) Limited Pinnacle Holdings Limited Rishon Properties Limited Glanmore Property Dollar Fund Limited British Real Estate Dollar Fund Limited Chateau First Properties SARL (CFPS) Timber Investments Inc. Energy Investment Holdings Inc. Matrix Property Fund Management (Guernsey) Limited MP Trustees Limited Spedition Center Kassel GmbH Palm Developments Limited FIX Protocol Holdings (Jersey) Limited Accelerated Global Growth Basket Limited Synergy Perth Trustee Limited Virosa Limited International Power (Sussex) Limited Matrix European Real Estate Sterling Capital Growth Trust Limited Aurora Russia Limited PTH (Morgan) Limited East Asian Growth Basket Limited

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\* Wholly owned subsidiary company of the Company.

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<i>Name</i>	<i>Current directorships/partnerships</i>	<i>Previous directorships/partnerships</i>
Stephen Coe <i>(continued)</i>		Matrix Real Estate India Limited Matrix Juno (Guernsey) Limited Matrix Abaco Limited Finistere Directors Limited GFT Directors Limited Finistere (UK) Nominees Limited ITGL UK Nominees Limited Investec Administration Services Limited Finistere Secretaries Limited Finistere Limited Investec Trust (Guernsey) Limited Euro Asian Basket Limited Syndicate Asset Management (CI) Limited Syndicate Nominees (CI) Limited
David Moore	ACI Global Insurance Limited AQH Dundee GP Limited AQH Edward Street GP Limited AQH Edward Street Properties Limited Assay Insurance Services Limited Barbican Group Holdings Limited Barbican Reinsurance Company Limited Bracken Partners Investments Channel Islands Limited BSI Generali Bank (CI) Limited Central Capital Limited Clarke Wilmott Indemnity Limited Drummonds Insurance PCC Limited Financial Insurance Guernsey PCC Limited Generali International Limited Generali Worldwide Insurance Company Limited Generali Portfolio Management Limited GLASS CP Funding Limited Guernsey Loan Asset Securitisation Scheme Limited Hauteville Limited HRS Asset Management Limited HRS Diversified Fund PCC Limited HRS Holdings Limited Jupiter Insurance Limited Kraken Insurance Services (Guernsey) Land Securities Insurance Limited Lapco Limited Legis Group Limited Legis Corporate Services Limited Legis Fund Services (Isle of Man) Limited Lothbury Insurance Company Limited Morar ICC Limited Maturin UK 2008-01 (M/F 80-100) IC Limited Nest Egg Investments Limited NT General Partner Limited Orion Finance Corporation Limited	BSkyB (Guernsey) Limited BSkyB Malta 1 Limited BSkyB Malta 2 Limited BSkyB Malta 3 Limited BSkyB Investments (Guernsey) LLP BSI (Channel Islands) Limited Ciel Bleu Limited Ciel Gris Limited Ciel Clair Limited Ciel Orageux Limited Ciel Nuageux Limited Ciel Voilé Limited Central General Limited Central Life Limited Cheshire Guernsey Limited Fortune Dragon Limited FRM Investment Management (Americas) Limited Greenpark Capital Investment Management Limited Greenpark International General Partner I Limited Greenpark International General Partner II Limited Greenpark International General Partner III Limited Generali Portfolio Management Limited Sixt (Guernsey) Limited Sixt Insurance Services PCC Limited Schroder Executor & Trustee Company (CI) Limited Sovrisk Insurance Limited Starman Insurance Company Limited

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<i>Name</i>	<i>Current directorships/partnerships</i>	<i>Previous directorships/partnerships</i>
David Moore (continued)	Ovaco Limited Mssrs Ozannes Advocates Royal Bank of Canada ARC Fund Limited Schroders CI Limited Standard Life Investments Property Holding Limited Standard Life Investments Property Income Trust Limited White Rock Insurance Company PCC Limited White Rock Insurance Company ICC Limited Windward Insurance PCC Limited	
Christopher Sherwell	Burnaby Insurance (Guernsey) Limited Schroder Oriental Income Fund Limited Consulta (Channel Islands) Limited Consulta Alternative Strategy PCC Limited Consulta Alternative Strategy Holdings Limited Consulta Capital Fund PCC Limited Consulta Capital Holdings Limited Consulta Collateral Fund PCC Limited Consulta Collateral Holdings Limited Consulta High Yield Fund Limited Consulta High Yield Holdings Limited Consulta Canadian Energy Fund Limited Alternative Asset Opportunities PCC Limited Dexion Equity Alternative Limited IRP Property Investments Limited IRP Property Investment Holdings Limited The Prospect Japan Fund Limited The Clifford Estate Company Limited The Clifford Estate (Chattels) Limited Hermes Absolute Return Fund (Guernsey) Limited Hermes Commodities Umbrella Fund Limited SIP (Holdings) Limited Strategic Investment Portfolio GP Limited FF&P Alternative Strategy Income PCC Limited Corazon Capital Group Limited Prodesse Investment Limited EMP Europe (CI) Limited Mid Europa III Management Limited Rutley European Property Limited Henderson Global Property Companies Limited Henderson Global Property Companies (Luxembourg) Sarl	Schroders (C.I.) Limited Fox Paine Guernsey GP Limited GAM Diversity III Inc GAM Composite Bond Inc GAM Composite Preservation Plus Inc GAM MP Liquidity Plus Inc GAM MP Relative Value Inc GAM AmalGAMs SPC Inc GAM MP Asia Pacific Equity Inc GAM MP European Equity Inc GAM MP US Equity Inc GAM Equity One Inc GAM European Focus Inc Diversified Alpha Select Z Inc GAM Institutional Alpha Strategies Inc GAM MP US Equity Relative Return Inc GAM Multi- Commodities Inc Alpha Spectrum Inc GAM Alpha Select Inc Select Alternative Investments Inc GAM MP Multi-Europe Inc GAM MP Multi-Japan Inc GAM MP Multi-Asia Pacific Inc GAM MP Multi-Emerging Markets Inc GAM Multi-Japan Inc GAM Multi-North America Inc GAM Trading (No.25) Inc MP Reserved Inc GAM Diversity II Investments Inc Ugbrooke Properties Limited Cervin Growth Fund Inc BAS Alternative Strategies SPC Inc GAM Apex Strategy SPC Inc GAM Composite Absolute Return Access Inc GAM MP Access SPC Inc GAM Portable Diversity/S&P500 Inc GAM Portable Alpha Inc GAM Fermat Cat Bond Inc GAM Starboard Inc GAM EuroSystematic Value Hedge Inc

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<i>Name</i>	<i>Current directorships/partnerships</i>	<i>Previous directorships/partnerships</i>
Christopher Sherwell (continued)	Goldman Sachs Dynamic Opportunities Limited Rufford & Ralston PCC Limited New Star RBC Hedge 250 Index Exchange Traded Securities PCC Limited JP Morgan Progressive Multi-Strategy Fund Limited Saltus European Debt Strategies Limited NB Private Equity Partners Limited NB PEP GP Limited	GAM Global Emerging Markets Hedge Inc GAM Greater China Equity Hedge Inc GAM Diversity III Investments Inc GSC Credit Limited Ciel Bleu Limited Ciel Clair Limited Ciel Gris Limited Ciel Nuageux Limited Ciel Orageux Limited Ciel Voilé Limited BSkyB Guernsey Limited BSkyB Malta 1 Limited BSkyB Malta 2 Limited BSkyB Malta 3 Limited BSkyB Investments (Guernsey) LLP Schroder Executor and Trustee Company (C.I) Limited Schroder Nominees (Guernsey) Limited Schroder Corporate Services Limited Schroders (Bermuda) Limited Braye Finance Limited Dawnay Day Milroy Limited
Adrian Baker	ACB Properties Ltd ZAO Resource Economía* Raven Russia Property Advisors Ltd* Raven Russia Property Management Ltd* LC Kalyinovka Enterprises Ltd* ZAO Kulon Development* ZAO Kulon Estate* ZAO Noginsk Vostok* OOO Petroestate*	CJSC Logistic Centre Kalyinivka*
Igor Bogorodov	ZAO Kulon Development* ZAO Kulon Estate* ZAO Noginsk Vostok* OOO Petroestate* ZAO Kulon Istra* OOO Fenix* LLC Logopark Ob* LLC Logopark Don* LLC Logopark Saratov* LLC Logopark Chelyabinsk* LLC Logopark Amur* LLC Logopark Oka* LLC Logopark Kuban* LLC Logopark Volga* LLC Logopark Irtysh* LLC Logopark Ensei* LLC Logopark Ufa* LLC Logopark Svisloch* LLC Omsk Development* LLC Logopark Ural* LLC Logopark Novosib*	ZAO Resource Economía CJSC Logistic Center Kalyinivka*

\* Wholly owned subsidiary companies or joint venture companies of the Company.



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- 6.9 None of the Directors or members of Senior Management has any unspent convictions in relation to indictable or fraudulent offences.
- 6.10 None of the Directors or members of Senior Management has been the subject of any public criticism by any statutory or regulatory authority (including a recognised professional body).
- 6.11 Save as provided below, none of the Directors or members of Senior Management has at any time in the previous five years been a member of any administrative, management or supervisory body of any company that has been subject to any receivership, liquidation, administration, company voluntary arrangement or any composition or arrangement with that company's creditors generally or with any class of its creditors.
- 6.12 Anton Bilton was a director of Guaranteed Property 1 Limited, Guaranteed Property 2 Limited, Guaranteed Property 3 Limited, Guaranteed Property 4 Limited and The Guaranteed Investment Property Company plc. All of these companies were 'business expansion scheme' companies and were put into members' voluntary liquidation so as to return their funds to shareholders.
- 6.13 Glyn Hirsch was appointed as a non-executive director of Hay & Robertson PLC on 1 January 2002, a position from which he resigned on 21 July 2003. Hay & Robertson PLC was put into liquidation on 2 February 2004 and wound up on 17 February 2004.
- 6.14 Richard Jewson was appointed as a non-executive director of Lexi Holdings plc on 15 November 2004, a position from which he resigned on 27 April 2006. Lexi Holdings plc was put into administration on 5 October 2006.
- 6.15 Christopher Sherwell was a non-executive director of the following companies in the past five years: Ciel Clair, Ciel Gris, Ciel Nuageux, Ciel Orageux, Ciel Voilé and GAM Diversity III Investments Inc, each of which were put into solvent voluntary liquidation.
- 6.16 David Moore was a non-executive director of the following companies in the past five years: Ciel Clair, Ciel Gris, Ciel Nuageux, Ciel Orageux and Ciel Voile, each of which were put into solvent voluntary liquidation.
- 6.17 David Moore was appointed as a director of Orion Finance Corporation Limited on 23 May 2006, a position which he still holds. The interests of Orion Finance Corporation are now vested in the security trustee following enforcement action by creditors.
- 6.18 None of the Directors or members of Senior Management has been a partner of a partnership at the time of, or within 12 months preceding the date of, that partnership being placed into compulsory liquidation or administration or being entered into a partnership voluntary arrangement nor in that time have the assets of any such partnership been the subject of a receivership.
- 6.19 No asset of any Director or members of Senior Management has at any time been the subject of a receivership.
- 6.20 None of the Directors or members of Senior Management is or has been bankrupt nor been the subject of any form of individual voluntary arrangement.
- 6.21 None of the Directors or members of Senior Management is or has ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.
- 6.22 Save as disclosed in this document, there are no outstanding loans or guarantees provided by any member of the Group for the benefit of any of the Directors nor are there any loans or any guarantees provided by any of the Directors for any member of the Group.
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6.23 As explained above in Part 1, Anton Bilton and Glyn Hirsch have not taken part in the Board's deliberation in respect of the Offer, in light of their position as directors of Raven Mount. Save in respect of the interests of the Directors and members of the Senior Management and their immediate families (all of which is beneficial) in the share capital of Raven Mount and, so far as is known to the Directors and members of the Senior Management or could with reasonable diligence be ascertained by them, persons connected with them (within the meaning of sections 252-255 of the 2006 Act), no Director or member of Senior Management has any actual or potential conflicts of interest between their duties to the Company and their private interests or their duty to third parties, either in respect of the Offer or otherwise. Save as set out above, there are no interests, including conflicting ones, that are material to the Offer.

## **7. DIRECTORS' AND SENIOR MANAGEMENT'S SERVICE AGREEMENTS**

### **7.1 Executive Directors**

The following agreements have been entered into between each of the Directors and the Company:

7.1.1 a service agreement dated 9 July 2008 between (1) the Company and (2) Anton Bilton pursuant to which Mr Bilton commenced his employment with the Company on 26 November 2008 and devotes up to three days a week to the Group. The service agreement includes a notice period of 12 months and contains restrictive covenants. The annual salary under Mr Bilton's service agreement is £300,000 and Mr Bilton will be entitled to a discretionary bonus which is to be determined by the remuneration committee;

7.1.2 a service agreement dated 9 July 2008 between (1) the Company and (2) Glyn Hirsch pursuant to which Mr Hirsch is employed as the Chief Executive Officer of the Group since 26 November 2008. The annual salary under Mr Hirsch's service agreement is £450,000 and Mr Hirsch is entitled to a discretionary bonus which is to be determined by the remuneration committee. The service agreement includes a notice period of 12 months and contains restrictive covenants;

7.1.3 a service agreement dated 29 July 2008 between (1) the Company and (2) Colin Smith, as amended by a supplemental agreement dated 14 November 2008, pursuant to which Mr Smith is employed as Chief Operating Officer of the Group on a full time basis since 14 November 2008. Mr Smith's service agreement includes a notice period of 12 months and also contains restrictive covenants. His annual salary is £225,000 and he is entitled to a discretionary bonus which will be determined by the remuneration committee; and

7.1.4 a service agreement dated 9 July 2008 between (1) Raven Russia (Service Company) Limited and (2) Mark Sinclair, pursuant to which Mr Sinclair is employed as Finance Director of the Group on a full time basis since 26 November 2008. The annual salary under Mr Sinclair's service agreement is £300,000 and Mr Sinclair is entitled to a discretionary bonus which is to be determined by the remuneration committee. The service agreement includes a notice period of 12 months and contains restrictive covenants.

Following completion of the Offer, and to reflect the nature of Anton Bilton and Glyn Hirsch's increased roles with the enlarged Raven Russia business going forward, it is proposed that their respective service agreements with both Raven Russia and Raven Mount be amended. Whilst no material changes are to be made to the terms of Glyn Hirsch's contract of employment with Raven Russia and Raven Mount, it is proposed that, conditional upon the Offer becoming unconditional in all respects, Anton Bilton's annual salary with Raven Russia be increased from £300,000 per annum to £450,000 per annum and his annual

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salary with Raven Mount be reduced from £121,800 to £30,000 per annum. Mr Bilton will also no longer receive any benefits in kind pursuant to his contract of employment with Raven Mount. Certain changes are proposed to be made to the service agreements of Anton Bilton. Full details of the proposed changes are set out in the Offer Document.

## 7.2 Non executive Directors

Each Non-executive Director has entered into a letter of appointment with the Company. Such letters of appointment are terminable by the Company or the relevant director by giving notice in writing not less than 90 days in advance.

Details of the remuneration for the Company's Non-executive Directors as at the date of this document is as follows:

<i>Director</i>	<i>Annual Fee</i>
Richard Wilson Jewson	£80,000
Christopher Wade Sherwell	£40,000
Stephen Charles Coe	£40,000
David Christopher Moore	£40,000

## 7.3 Senior Management

The following agreements have been entered into between each member of the Senior Management and Raven Russia (Service Company) Limited:

- 7.3.1 a service agreement dated 9 July 2008 between (1) Raven Russia (Service Company) Limited and (2) Adrian Baker, pursuant to which Mr Baker is employed as Group Managing Director on a full time basis since 1 September 2005. The annual salary under Mr Baker's service agreement is £325,000 and Mr Baker is entitled to a discretionary bonus which is to be determined by the remuneration committee. The service agreement includes a notice period of 12 months and contains restrictive covenants; and
- 7.3.2 an employment agreement dated 10 January 2006 between (1) Raven Russia Property Advisors Limited and (2) Igor Bogorodov pursuant to which Mr Bogorodov is employed as Head of the Branch on a full time basis. The annual salary under Mr Bogorodov's employment agreement is \$440,000 and Mr Bogorodov is entitled to a discretionary bonus. The employment agreement contains includes a notice period of three months and contains restrictive covenants.
- 7.4 The aggregate remuneration paid (including pension fund contributions and benefits in kind) to the Directors and Senior Management by members of the Group in respect of the year ended 31 December 2008 was approximately £397,000. Taking into account completion of the Internalisation, it is estimated that the aggregate remuneration (including pension fund contributions and benefits in kind but excluding bonuses) payable to the Directors and Senior Management by members of the Group in respect of the current financial year (under the arrangements in force at the date of this document) is expected to be £2,262,000.

## 8. THE COMPANY AND ITS SUBSIDIARIES

The Company is the holding company of the Group and has the following principal (direct or indirect) subsidiaries:

<i>Name</i>	<i>Country of registration or incorporation</i>	<i>Registered Office</i>	<i>Principal activity</i>	<i>Percentage of issued share capital held by the Company and (if different) proportion of voting power held</i>
Petroestate LLC	Russian Federation	153, letter "Ñ", Leninsky avenue, 196247, Saint-Petersburg, Russian Federation	Property Holding	100
CJSC Kulon Development	Russian Federation	Dorozhnaya str. 3, building 6, 117535, Moscow, Russian Federation	Property Holding	100
CJSC Kulon Estate	Russian Federation	6, Volokolamskoe Shosse, Krasnogorsk, Krasnogorskii district, 143400 Moscow region, Russian Federation	Property Holding	100
EG Logistics LLC	Russian Federation	Russia, 127550, Moscow, Pryanishnikova Str. 19A, bld.4	Property Holding	50
CJSC Kulon-Istra	Russian Federation	Section 4, 4, Gl. Konstruktora VI. Adasko Street, Istra town, Moscow Oblast 143500	Property Holding	100
Soyuz - Invest LLC	Russian Federation	4, Fabrichnyi proezd, Klimovsk town, 142180 Moscow region, Russian Federation	Property Holding	50
Reserv - Invest LLC	Russian Federation	4, Fabrichnyi proezd, Klimovsk town, 142180 Moscow region, Russian Federation	Property Holding	50
Real - Invest LLC	Russian Federation	4, Fabrichnyi proezd, Klimovsk town, 142180 Moscow region, Russian Federation	Property Holding	50
Logopark Don LLC	Russian Federation	3, Sholohova str., Aksai town, 346720 Rostovskiy region, Russian Federation	Property Holding	50
Logopark Ob LLC	Russian Federation	26, Krylova str., 630091 Novosibirsk city, Novosibirskiy region, Russian Federation	Property Holding	50
Fenix LLC	Russian Federation	1, Tupikoviy proezd, Krekshino village, Marushkinski rural district, Naro-Fominskii district, 143391 Moscow Region, Russian Federation	Property Holding	100
CJSC Noginsk Vostok	Russian Federation	ZAO "Noginskaya Ptitsefabrika", Oktyabrskaya Street, Noginsk 142401, Moscow Region, Russian Federation	Property Holding	50
Resource Economica LLC	Russian Federation	apt. 21H, building 3A, letter "A", Detskoslensky blvd, Pushkin town, 196600, Saint-Petersburg, Russian Federation	Property Holding	100
Kulon Spb LLC	Russian Federation	24, Liteiniy proezd, Saint-Petersburg, 191028, Russian Federation	Property Holding	50
AKM Logistics LLC	Russian Federation	49, ul Bol'shaya Morskaya, St. Petersburg, 190000 Russian Federation	Property Holding	50
Raven Russia Property Management Limited	England and Wales	Swan Court, Watermans Business Park, Kingsbury Crescent, Staines, TW18 3BA	Property Advisory	100
Raven Russia Property Advisors Limited	England and Wales	Swan Court, Watermans Business Park, Kingsbury Crescent, Staines, TW18 3BA	Property Management	100

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<i>Name</i>	<i>Country of registration or incorporation</i>	<i>Registered Office</i>	<i>Principal activity</i>	<i>Percentage of issued share capital held by the Company and (if different) proportion of voting power held</i>
Avalon Logistics LLC	Russian Federation	Russian Federation, 141400 Moscow region, Khimki town, Rabochaya street 2a, building 18	3rd Party Logistics	50
Raven Russia (Service Company) Limited	Guernsey	Regency Court, Glatigny Esplanade, St Peter Port, Guernsey	Group employment company	100

## 9. TAXATION

The following information, which relates only to UK and Guernsey, is applicable to the Company and to persons who are resident or ordinarily resident in the UK or resident in Guernsey and who hold Ordinary Shares and/or Preference Shares and/or Warrants as investments. It is based on the law and practice currently in force in the UK and Guernsey.

The information is not exhaustive and, if any potential investors is in any doubt as to his taxation position, he should consult his professional adviser without delay. Investors should note that tax law and its interpretation can change and that, in particular, the levels and bases of, and reliefs from, taxation may change and such changes may alter the benefits of investment in the Company. These comments do not apply to certain classes of shareholders, such as dealers in securities, insurance companies, collective investment schemes and shareholders who have, or are deemed to have, acquired their shares by reason of, or in connection with, an office or employment.

### 9.1 Guernsey taxation

#### 9.1.1 *The Company*

In response to the review carried out by the European Code of Conduct Group, the States of Guernsey has, with effect from 1 January 2008, abolished exempt status for tax purposes for a majority of companies in Guernsey and introduced a zero rate of tax for companies carrying on all but a few specified types of regulated business (including banking business) or where income is derived from the ownership of land and buildings situated in Guernsey.

The Company is therefore resident for tax purposes in Guernsey and is only subject to the company standard rate of income tax of zero per cent.

A further consequence of the changes to the tax law is that there is now an obligation on the Company, when it makes distributions, and in the case of certain deemed distribution events, to report those events to the Administrator of Income Tax on a six monthly basis and to withhold and account for tax where those distributions are being made to Guernsey tax resident "beneficial members". The deemed distribution withholding only applies to resident individuals with an interest greater than 1 per cent. Subject to the comments in paragraph 9.1.2 below, provided the beneficial member is not resident in Guernsey then the Company's distributions can be paid without further deduction of withholding tax except as indicated above. There is no requirement for the Company to withhold Guernsey tax on any interest payment made.

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The States of Guernsey has stated that it will consider further revenue raising measures including the introduction of a goods and services tax, depending on the state of Guernsey's public finances at that time.

No capital gains or similar taxes are levied in Guernsey on realised or unrealised gains resulting from the Company's investment activities.

No stamp duty is chargeable in Guernsey on the issue, transfer, switching or redemption of Ordinary Shares or Preference Shares.

#### 9.1.2 *EU Savings Tax Directive*

Although not a Member State of the European Union, Guernsey in common with certain other jurisdictions has agreed to apply equivalent measures to those contained in the EU Savings Tax Directive (2003/48/EC), with the exception that the EU resident individual to whom interest is paid will suffer a retention tax on such payment (currently set at a rate of 20 per cent.) where they have not agreed to exchange certain information about their identity, residence and savings income with the tax authorities in their Member State of residence.

However, no retentions or exchanges of information under the EU Savings Tax Directive as implemented in Guernsey are expected to apply to holdings of Ordinary Shares or Preference Shares where payment in respect of such holdings are made by a Guernsey paying agent.

#### 9.1.3 *Shareholders*

Shareholders resident outside Guernsey will not be subject to any tax in Guernsey in respect of or in connection with the acquisition, holding or disposal of any Ordinary Shares or Preference Shares owned by them.

Non-resident shareholders will receive dividends without deduction of Guernsey Income Tax.

As already noted above, shareholders who are resident in Guernsey will incur Guernsey income tax on any dividends paid on Ordinary Shares or Preference Shares owned by them.

Guernsey does not levy taxes upon capital inheritances, capital gains (with the exception of a dwellings profit tax, which is proposed for suspension anyway), gifts, sales or turnover, nor are there any estate duties, save for a small *ad valorem* fee for the grant of probate or letters of administration.

### 9.2 **UK taxation**

#### 9.2.1 *The Company*

It is the intention of the Directors to conduct the affairs of the Company so that the central management and control of the Company is not exercised in the United Kingdom and so that the Company does not carry out any trade in the United Kingdom (whether or not through a permanent establishment situated there). On this basis, the Company should not be liable for United Kingdom taxation on its profits and gains other than certain profits or gains deriving from a United Kingdom source.

#### 9.2.2 *UK Shareholders*

##### *Taxation of dividends*

Shareholders who are resident in the United Kingdom for tax purposes may, depending on their circumstances, be liable to UK income tax or corporation tax in

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respect of dividends paid by the Company (including dividends paid in relation to Preference Shares) whether directly or by way of reinvestment of income.

For shareholders who are individuals and who are not taxable on the remittance basis, income tax will generally be charged at the rate of 10 per cent. or 32.5 per cent. (if the individual is a higher rate tax payer). Any dividend (including on Preference Shares) will carry a tax credit equal to one ninth of the dividend, provided that the individual's interest in the Company is less than 10 per cent.

For corporate shareholders, dividends paid by the Company (including in respect of Preference Shares) will generally be subject to UK corporation tax at a rate of 28 per cent. A tax credit is generally given for any tax withheld at source. In addition, a tax credit should also be given for any underlying tax (that is, tax paid on the profits out of which the dividend was paid), provided the relevant corporate shareholder controls at least 10 per cent. of the voting rights in the Company and certain detailed conditions are satisfied.

It should be noted that the UK Government has recently announced that it intends to alter the rules under which foreign dividends are taxed in the United Kingdom in the near future. Shareholders should seek their own specific advice on how these changes may impact upon them.

Individuals who are taxable on the remittance basis should seek their own advice in relation to the tax treatment of dividends paid by the Company.

#### *Scrip dividends*

Generally, a scrip dividend payable by a non-UK resident company is not taxable as income for UK income tax purposes.

#### *Taxation of chargeable gains*

In the case of those shareholders who are individuals or otherwise not within the charge to corporation tax, capital gains tax may be payable on any chargeable gain arising upon a disposal of Ordinary Shares, Preference Shares or Warrants. Any such gain may be subject to tax at a rate of 18 per cent. subject to the availability of relevant reliefs and exemptions. Individual shareholders are not subject to tax on chargeable gains up to the annual exempt amount. For the 2008/2009 tax year this is £9,600.

Shareholders within the charge to UK corporation tax may be subject to corporation tax on chargeable gains in respect of any gain arising on a disposal of Ordinary Shares, Preference Shares or Warrants. Indexation allowance may apply to reduce any chargeable gain arising on a disposal of the Ordinary Shares, Preference Shares or Warrants but will not create or increase an allowable loss.

#### *Close company*

Shareholders who are resident or ordinarily resident for tax purposes in the United Kingdom who hold more than 10 per cent. of the Company (either alone or taking into account the interests of persons connected with them), should seek their own separate advice on the basis that in certain circumstances (ie if the Company is or becomes a close company for UK tax purposes) a proportion of gains made by the Company could be attributable to them under section 13 of the Taxation of the Chargeable Gains Act 1992.

#### *Collective investment scheme*

The Company should not be regarded as a collective investment scheme for the purposes of section 235 Financial Services and Markets Act 2000. On this basis a



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shareholding in the Company should not be regarded as a material interest in an offshore fund for the purposes of Sections 756A to 764 (as amended by the Finance Act 2005) of the Income and Corporation Taxes Act 1988 (the “Taxes Act”).

It should be noted that the UK Government has recently announced that it intends to alter the rules under which offshore funds are taxed in the United Kingdom. Shareholders should seek their own specific advice on how these changes may impact upon them.

*Controlled foreign company*

A UK resident corporate shareholder who, together with connected or associated persons, holds at least a 25 per cent. interest in the Company should note the provisions of the controlled foreign companies legislation contained in Sections 747 to 756 of the Taxes Act. It should be noted that it is envisaged that the UK Government will announce that it intends to alter the rules relating to controlled foreign companies in the near future. Shareholders should seek their own specific advice on how these changes may impact upon them.

*Transfer of assets abroad*

The attention of individuals ordinarily resident in the United Kingdom is drawn to the provisions of section 714 to 751 of the Income Taxes Act 2007 which may render such individuals liable to tax on the income of the Company (taken before any deduction for interest) in certain circumstances.

*Transactions in securities*

The attention of investors is drawn to Section 684 of the Income Tax Act 2007 under which HM Revenue & Customs may seek to cancel tax advantages from certain transactions in securities.

**9.2.3 *Non-UK Shareholders***

Shareholders who are not resident or ordinarily resident (or temporarily non resident) in the United Kingdom and do not carry on a trade, profession or vocation through a branch, agency or other form of permanent establishment in the United Kingdom with which Ordinary Shares, Preference Shares or Warrants are connected will not normally be liable to United Kingdom taxation on capital gains arising on the sale or other disposal of Ordinary Shares, Preference Shares or Warrants. However, non-UK Shareholders will need to take specific professional advice about their individual tax position.

**9.2.4 *Individual Savings Accounts (“ISA”) and Personal Equity Plans (“PEP”)***

Ordinary Shares, Preference Shares and Warrants in the Company will not be eligible to be held in the stocks and shares component of an ISA or an existing PEP.

**9.2.5 *Self-invested Personal Pension Schemes (“SIPPs”)***

HM Revenue & Customs automatically treats SIPPs existing at 6 April 2006 or set up after that date as registered pension schemes. In accordance with HM Revenue & Customs guidance note RPSM07105010 registered pension schemes may invest in equities regardless of whether or not they are quoted on a recognised stock exchange, and therefore Ordinary Shares, Preference Shares and Warrants should be eligible.

**9.2.6 *Stamp Duty and Stamp Duty Reserve Tax***

The following comments are intended as a guide to the general UK Stamp Duty and Stamp Duty Reserve Tax (“SDRT”) position and do not relate to persons such as market makers, brokers, dealers, intermediaries and persons connected with

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depository arrangements or clearance services to whom special rules apply. No UK Stamp Duty or SDRT will be payable on the issue of Preference Shares or Warrants. UK Stamp Duty (at the rate of 0.5 per cent., rounded up where necessary to the next £5, of the amount of the value of the consideration for the transfer) is payable on any instrument of transfer of Preference Shares or Warrants executed within, or in certain cases brought into, the United Kingdom. Provided that Ordinary Shares, Preference Shares or Warrants are not registered in any register kept in the United Kingdom by or on behalf of the Company any agreement to transfer Ordinary Shares, Preference Shares or Warrants should not be subject to SDRT.

An exemption from stamp duty is available where the amount or value of the consideration is £1,000 or less, provided that it is certified on the instrument of transfer that the transaction does not form part of a larger transaction or series of transactions for which the aggregate consideration exceeds £1,000.

**Any person who is in any doubt as to his/her tax position or requires more detailed information than the general outline above should consult his/her professional advisers.**

## **10. MATERIAL CONTRACTS**

The following are the only contracts (not being contracts entered into in the ordinary course of business) which have been entered into by members of the Group in the two years immediately preceding the date of this document and which are, or may be, material or which have been entered into at any time by any member of the Group and which contain any provision under which any member of the Group has any obligation or entitlement which is, or may be, material to the Group as at the date of this document:

### **10.1 The Placing Agreement**

The Company entered into the Placing Agreement dated 17 February 2009 pursuant to which Numis, as financial adviser, book runner and joint broker and Singer, as joint broker, agreed to use their respective reasonable endeavours to place up to 50,000,000 Units with institutional and other investors, including certain existing Ordinary Shareholders, in addition to 75,000,000 Units for which Invesco agreed to subscribe pursuant to the Placing.

The Placing Agreement contains customary warranties given by the Company to Numis and Singer as to matters relating to the Group and its business and a customary indemnity given by the Company to Numis and Singer in respect of liabilities arising out of or in connection with the Placing.

Under the Placing Agreement, Numis received a commission on 1 per cent. of the aggregate value of Units placed by it with certain existing Ordinary Shareholders and Numis and Singer each received a commission of 3 per cent. of the aggregate value of Units placed by them (respectively) with placees who are not such existing Ordinary Shareholders. In addition, the Company agreed to pay Numis a corporate finance fee of £200,000.

10.2 The Warrant Instrument, details of which are set out in Section B of Part 11 of this document.

10.3 The Company entered into an agreement dated 16 February 2009 with Numis pursuant to which Numis agreed to act as financial adviser, nominated adviser and broker to the Company in relation to the Offer. The agreement contains customary warranties given by the Company to Numis and a customary indemnity given by the Company to Numis in respect of liabilities arising out of or in connection with the Offer. The Company agreed to pay Numis a corporate finance fee of £650,000.

10.4 Armbridge Share Purchase Agreement: a share purchase agreement dated 30 July 2008 between the Company and Raven Mount pursuant to which the Company purchased a



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50 per cent. interest in Armbridge Consultancy Limited for a consideration of £1. In addition, Raven Mount assigned loans made to Armbridge Consultancy Limited, which were for the purposes of funding set up costs and working capital, to the Company in consideration of the payment to Raven Mount in cash of the outstanding principal and interest payable under the loans totalling approximately US\$3.1 million. This was deemed a related party transaction for the Company for the purposes of the AIM Rules for Companies.

#### **10.5 The Framework Agreement**

Raven Mount Holdings plc (now in members' voluntary liquidation), Russian Property Management Limited, Shieldwave Limited (now Raven Mount), the Company and Raven Mount plc (now Raven Mount Limited) entered into the Framework Agreement on 9 July 2008, which governed the mechanism by which the Company acquired RRPM and RRPA.

The aggregate consideration paid by the Company for RRPM and RRPA was satisfied by the payment of £18.5 million in cash and the issue of 80 million Ordinary Shares in the Company allocated as to 64 million Ordinary Shares in the Company to the shareholders of Raven Mount plc on the register of members of Raven Mount plc on 10 October 2008 and 16 million Ordinary Shares in the Company to Raven Mount.

Under the terms of the Framework Agreement, Raven Mount plc gave certain warranties and indemnities to the Company in respect of the business of RRPM and RRPA (with a liability cap of £35 million). The Framework Agreement also includes post-completion restrictive covenants on Raven Mount plc, such as non-complete and non-solicitation of employees.

Owing to the Property Advisory Agreement and Raven Mount's position as owner of RRPM prior to completion of the agreement, the property manager of the Company, Raven Mount was a related party of the Company for the purposes of the AIM Rules for Companies. Therefore, the acquisition of RRPM and RRPA by the Company constituted related party transactions for the purposes of the AIM Rules for Companies.

#### **10.6 AKM**

10.6.1 A share purchase agreement dated 9 July 2008 between Credence Trading Inc. and Detroit Holdings Limited (a holding company indirectly wholly owned by the Company) pursuant to which the Group purchased 50 per cent. of the issued share capital of the holding company of AKM Logistics. The other 50 per cent. remained with Credence Trading Inc. The consideration for the shares was 50 per cent. of the deemed land value (as defined in the agreement) of the site owned by AKM Logistics. The parties to the share purchase agreement also entered into a joint venture agreement on 9 July 2008 to regulate the development of the site owned by AKM Logistics and the management of the joint venture company.

10.6.2 A credit line agreement dated 21 November 2007 between Nomos Bank and AKM Logistics pursuant to which Nomos Bank has made available to AKM Logistics a credit facility for up to \$48 million from 21 November 2007 to 21 November 2013 for the purpose of financing the construction of a trade-storage complex on the site owned by AKM Logistics. The amount drawn as at December 2008 is \$44 million. The interest payable on the facility was 13 per cent. per annum until 15 February 2008 and 12 per cent. per annum thereafter. The obligations of the borrower are secured by various mortgages, charges, pledges and other customary security interests for the benefit of Nomos Bank.

#### **10.7 Klimovsk**

A share purchase agreement dated 29 June 2007 between Deanspar Holdings Limited (a holding company indirectly wholly owned by the Company) and Berlanti Trading Limited

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pursuant to which the Group purchased 50 per cent. of the issued share capital of Arvet Trading Limited. The other 50 per cent. remained with Berlanti Trading Limited. Arvet Trading Limited is the holding company of a number of special purpose entities incorporated in the Russian Federation (including Soyuz - Invest LLC, Reserv - Invest LLC and Real - Invest LLC) which own 49-year renewable lease rights to a site located in the municipality of Klimovsk, Moscow. The parties to the share purchase agreement also entered into a joint venture agreement dated 29 June 2007 (as amended on 28 April 2008) to regulate the development on the site of a logistics and development complex.

## 10.8 Krekshino

10.8.1 A share purchase agreement dated 27 June 2007 (as amended by a deed of amendment dated 20 September 2007) between Piney Limited (a holding company indirectly wholly owned by the Company) and RED Industrial Limited pursuant to which the Group acquired the entire issued share capital of the holding company of Fenix LLC, the owner of the site located near the village of Krekshino, Moscow Oblast.

10.8.2 A facility agreement dated 6 July 2007 between Raven Russia Holdings 10 Limited (a holding company wholly owned by the Company) and Hypo Real Estate Bank International AG ("Hypo Real Estate") pursuant to which Hypo Real Estate made available to the Group a term loan facility for up to \$89,775,000 for the purpose of on-lending the amounts drawn to Fenix LLC. The amount drawn as at December 2008 was \$88.1 million. The main terms of this facility are as follows:

- (a) The facility is a five year term loan expiring in January 2013.
- (b) The interest rate payable is LIBOR plus a margin of 2.85 per cent., plus mandatory costs (if any). The Group has entered into separate interest rate agreements to fix the LIBOR element at 3.51 per cent. over the course of the loan.
- (c) The Group may prepay the whole or any part of the loan (minimum \$1 million) in addition to any break costs, hedging agreement unwind costs and potential fees in order to avoid a breach of any of its covenants.

The obligations of the borrower under this facility are secured by various mortgages, charges, pledges and other customary security interests entered into by various members of the Group for the benefit of Hypo Real Estate. In addition, the Company has given a guarantee and indemnities to Hypo Real Estate in relation to, *inter alia*, losses and damages arising following an event of default (as defined in the facility agreement) from a failure by Fenix LLC to obtain the rezoning of an access road to the site from agricultural land to industrial land. The Company's aggregate liability under this guarantee is limited to \$30 million. The Company has made the application for rezoning and is expecting to receive the relevant approval in the next 6 months without any material financial cost to the Group.

## 10.9 Istra

10.9.1 A share purchase agreement dated 24 May 2007 between Aldama (Overseas) Limited, Aton Real Estate Holding Limited and Nenning Limited (a holding company indirectly wholly owned by the Company) whereby the Group acquired the entire issued share capital of ZAO Kulon-Istra, a company which is developing office and warehouse buildings at a site located in the Istra Region, Moscow Oblast.

10.9.2 A loan agreement dated 3 September 2008 and made between Intorla Holdings Limited as lender and ZAO Kulon-Istra as borrower (the "Istra Loan Agreement").

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The main terms of the Istra Loan Agreement are as follows:

- (a) Intorla Holdings Limited made available to ZAO "Kulon-Istra" a facility of up to \$89 million which shall be repayable in full on 8 August 2013 or such other date as agreed between the parties.
- (b) Interest is payable on the amount of the facility outstanding from time to time at the rate of 13 per cent. per annum.

Intorla Holdings Limited is a subsidiary of a company, external to the Group, that entered into a bank facility agreement with Aareal Bank AG for the purpose of financing the Istra Loan Agreement. Various companies of the Group have provided mortgages, charges, pledges and other customary security interests to Aareal Bank AG in relation to the bank facility agreement.

#### 10.10 EG Logistics

A share sale and purchase agreement dated 12 March 2007 between Raven Russia Holdings 4 Limited (a holding company wholly owned by the Company) and EGL Holdings B.V., whereby Raven Russia Holdings 4 Limited purchased 50 per cent. of the issued share capital of EG Russia B.V. On 18 April 2007, the parties entered into a joint venture agreement for the development of a logistics and distribution complex at a site to the north of Moscow close to Sheremetevo Airport.

#### 10.11 Konstanta

10.11.1 A share purchase agreement dated 7 February 2007 between Mensazo Trading Limited (a holding company indirectly wholly owned by the Company), National Ventures Enterprises Limited and Real Capital Overseas Limited pursuant to which the Group acquired the entire issued share capital of the holding company of Petroestate LLC, the owner of the property known as Konstanta and located in St. Petersburg, Russia.

10.11.2 A loan agreement dated 20 April 2007 between Spiralpont Limited as lender and Petroestate LLC as borrower, as novated, amended and restated pursuant to a loan transfer agreement dated 20 September 2007 between Spiralpont Limited, Petroestate LLC and HSH Nordbank AG. Pursuant to the loan transfer agreement, HSH Nordbank made available to Petroestate LLC a facility in an amount equal to \$23 million (the "Amended Konstanta Loan") under terms substantially similar to the terms of the term facility agreement dated 14 August 2007 and described in paragraph 10.10.3 below.

10.11.3 A term facility agreement dated 14 August 2007 between HSH Nordbank AG and a wholly owned subsidiary of the Company. The outstanding balance borrowed by the Group under this facility as at December 2008 (including the outstanding balance borrowed under the Amended Konstanta Loan) was \$52 million. The main terms of this facility are as follows:

- (a) The facility is a five year term loan expiring in November 2012.
- (b) The interest rate payable on the aggregate amount of this loan and the Amended Konstanta Loan is LIBOR plus a margin at 5.50 per cent. The Group has entered into an interest rate agreement to cap the LIBOR element of \$30.3 million of the total balance at 5.50 per cent. over the course of the loan.
- (c) The Group may prepay the whole or any part of the loan (minimum \$0.5 million) in addition to any break costs and potential fees in order to avoid a breach of any of its covenants.

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The obligations of the borrower under this facility are secured by various mortgages, charges, pledges and other customary security interests entered into by various members of the Group for the benefit of HSH Nordbank AG.

#### 10.12 Pulkovo I

A joint venture agreement dated 17 November 2006 as amended and restated on 24 November 2006 between Aldama (Overseas) Limited and Raven Russia Holdings Limited (a holding company wholly owned by the Company) setting out the terms of operation and management of a joint venture company which acquired Kulon Spb LLC pursuant to a sale and purchase agreement dated 24 November 2006. A purpose of the joint venture is to develop a construct 32,500 sq.m. of warehouse and office space at a site located at Shushari village, St. Petersburg.

#### 10.13 Shushari

A joint venture agreement dated 21 March 2006 between Raven Russia Holdings Limited and KL Holding Aktiengesellschaft in connection with the development, managing and owning of a warehouse and logistics park development on a site located in St. Petersburg and owned by Resource Economia LLC. On 12 April 2006, Raven Russia Holdings Limited acquired 50 per cent. of the issued share capital of the holding company of Resource Economia LLC and on 25 October 2007, it completed the acquisition of the remaining 50 per cent. from its joint venture partner. Following such acquisition, Raven Russia Holdings Limited now indirectly owns the entire issued share capital of Resource Economia LLC.

#### 10.14 Rostov on Don and Novosibirsk

10.14.1 A framework agreement dated 14 July 2006 between Raven Russia Holdings 2 Limited (a holding company wholly owned by the Company) and Addington Management Limited pursuant to which the parties have agreed to co-operate and invest in the development of 14 sites identified by Addington Management Limited across the Russian Federation and Belarus. The sites located at Rostov on Don and Novosibirsk, amongst others, are being developed by the parties in accordance with this agreement. The companies developing these sites are Logopark Don LLC for the site located at Rostov on Don and Logopark Ob LLC for the site located at Novosibirsk.

10.14.2 A loan agreement dated 20 June 2008 as amended and restated pursuant to an amendment agreement dated 22 September 2008 between Webfog Limited as lender and Logopark Don LLC as borrower (the "Logopark Don Loan Agreement").

The main terms of the Logopark Don Loan Agreement are as follows:

- (a) Webfog Limited made available to Logopark Don LLC a facility of up to \$370 million divided into four different tranches, which shall be repayable in full by no later than 26 March 2015.
- (b) Interest is payable on the amount of the facility outstanding from time to time at the rate of 13 per cent. per annum.

Webfog Limited is a subsidiary of a company, external to the Group, that entered into a bank facility agreement with VTB Bank Europe Plc for the purpose of financing the Logopark Don Loan Agreement. Various companies of the Group have provided mortgages, charges, pledges and other customary security interests to VTB Bank Europe Plc in relation to the bank facility agreement.

In addition, under a cost overrun guarantee dated 22 September 2008 and entered into between, *inter alia*, the Company and VTB Bank Europe Plc, the Company has

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agreed to fund any cost overrun to allow completion of the Rostov on Don development. The Company's aggregate liability under this cost overrun guarantee is limited to \$13 million with respect to the phase 1 development of the project and \$9 million with respect to the phase 2 development of the project. The phase 1 development of the project is almost complete and has been state commissioned in March 2009. Construction under Phase 2 of the project has not yet commenced and is subject to tenant demand. There is no agreement or commitment from VTB Bank Europe to finance phase 2 in any event. The Directors therefore believe the likelihood of a claim pursuant to this guarantee to be remote.

10.14.3 A loan agreement dated 26 August 2008 between Logopark Ob LLC and International Finance Corporation ("IFC") pursuant to which IFC agreed to make available to Logopark Ob LLC three loans as follows: (i) the A Loan being \$35 million; (ii) the B Loan being \$55 million and (iii) the C Loan being \$5 million. The B Loan is an uncommitted facility. The balance drawn and outstanding under these loans as at December 2008 was \$40 million. The interest rates payable on these loans are (i) A Loan: LIBOR plus a margin of 4.75 per cent. until project completion, LIBOR plus a margin of 3.75 per cent. thereafter; and (ii) C Loan: LIBOR plus a margin of 16 percent. until 15 August 2011, and thereafter LIBOR plus the margin incurred on the A Loan. The obligations of Logopark Ob LLC under this facility are secured by various mortgages, charges, pledges and other customary security interests entered into by various members of the Group for the benefit of IFC. In addition, the Company has given a guarantee to IFC for all the debts and monetary liabilities of Logopark Ob LLC to IFC in respect of the IFC facility (up to an aggregate amount of \$95 million, of which only \$40 million has been drawn at the date of this document). This guarantee will only come into force if one of the following events occurs by the date indicated: (i) a first ranking security interest in all assets and rights subject to the customary security interests described above (included, but not limited to, the land) is not created and registered in favour of IFC by 31 December 2009; or (ii) Logopark Ob LLC has failed to enter into sufficient lease contracts (at rates acceptable to IFC) that guarantee a capacity utilisation of the Novosibirsk project of not less than 70 per cent. by 31 December 2009; or (iii) the B Loan is not fully syndicated by 1 April 2009. In circumstances where one of the events set out above takes place and the guarantee comes into force, then this of itself will not result in a cash outflow for the Group. Furthermore, on 20 March 2009, IFC waived the requirement to syndicate the B Loan referred to above so that the guarantee did not come into force on 1 April 2009. This waiver will automatically expire if (i) the parties fail to amend the agreements between IFC and Logopark Ob LLC to ensure that the terms of the loans granted by IFC are no less favourable than the terms of the loan granted by the European Bank for Reconstruction and Development ("EBRD") as further described in paragraph 10.14.4 below prior to the first disbursement of the loan granted by EBRD or (ii) the loan granted by EBRD has not been disbursed in an amount sufficient to cover any shortfalls in the costs of the project by 30 June 2009. The Group has already invested funds in the project sufficient to cover all the costs of the project. The Directors therefore believe that this waiver will remain valid.

10.14.4 A loan agreement dated 27 March 2009 between Logopark Ob LLC and EBRD pursuant to which EBRD agreed to make available to Logopark Ob LLC a loan in an amount of up to \$40 million. The interest rate payable on the principal amount of \$35 million is LIBOR plus a margin of 10.25 per cent. per annum which will decrease upon completion of certain leasing milestones and will finally be reduced to 6.25 per cent. per annum following the Project Completion Date (as defined in



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the agreement). The interest rate payable on the principal amount of \$5 million is LIBOR plus a margin of 16 per cent. per annum. The obligations of the borrower will be secured by various mortgages, charges, pledges and other customary security interests for the benefit of EBRD. In addition, the Company intends to enter into a deed of guarantee and indemnity with EBRD pursuant to which the Company will guarantee the payment of all the debts and liabilities of Logopark Ob LLC to EBRD under or in relation to the loan agreement up to \$40 million plus any interest, fees and expenses due to EBRD (the "Guaranteed Obligations") and will undertake to indemnify EBRD against any cost, loss or liability incurred by EBRD as a result of the Guaranteed Obligations being or becoming void, unenforceable or invalid. This guarantee and indemnity will terminate on the earlier of:

- (a) EBRD confirming that all the Guaranteed Obligations have been repaid in full and no amounts remain available for disbursement under the loan agreement; and
- (b) EBRD confirming that (i) all the liens, charges and other security interests granted to EBRD in relation to the loan are validly created and registered (ii) all such security interests are subordinated only to the security interests granted to IFC in connection with the loan agreement described in paragraph 10.14.3 above (iii) it has received from Logopark Ob LLC evidence that Logopark Ob LLC has entered into lease contracts for a weighted average term of at least six years that utilise capacity of the project in an amount sufficient to generate a Projected DSRC of not less than 1.0:1.0 for the period of 12 months starting on 15 August 2010 (iv) no event of default under the loan agreement has occurred and (v) if the guarantee given by the Company to IFC and further described in paragraph 10.14.3 above has come into force, all the debts and liabilities of Logopark Ob LLC to IFC have been discharged in full or the Company has been released from its obligations under such guarantee.

#### 10.15 Noginsk

10.15.1 A joint venture agreement dated 5 June 2006 between Aldama (Overseas) Limited and Raven Russia Holdings Limited setting out the terms of operation and management of a joint venture company which acquired ZAO "Noginsk-Vostok" pursuant to a sale and purchase agreement also dated 5 June 2006. Noginsk-Vostok owns the freehold rights to the land situated in the Noginsk District of the Moscow Region where the warehouse known as the Noginsk property is currently under construction.

10.15.2 A loan agreement dated 21 December 2007 and made between Anfirimo Holdings Limited ("Anfirimo") as lender and Noginsk-Vostok as borrower, as amended by an amendment agreement dated 29 February 2008, an amendment agreement dated 12 March 2008 and as amended and restated pursuant to an amendment and restatement agreement dated 8 September 2008 (the "Noginsk Loan Agreement").

The main terms of the Noginsk Loan Agreement are as follows:

- (a) Anfirimo Holdings Limited made three facilities available to Noginsk-Vostok: Facility A up to €49.1 million which shall be repayable on 21 April 2010, Facility B up to €45 million which shall be repayable on 31 December 2010 and Facility C up to €33 million which shall be repayable on 31 December 2010.
- (b) Interest is payable on the amount of the facility outstanding from time to time at the rate of 13 per cent. per annum.

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Anfirimo is the subsidiary of a company (external to the Group) that entered into a bank facility agreement with HSH Nordbank AG for the purpose of financing the Noginsk Loan Agreement. The loan to Anfirimo under the bank facility agreement falls due for repayment in October 2009. The Company is assisting Anfirimo with the re-negotiation of this facility, as further described in paragraph 8 of Part 2 of this document. Various companies of the Group have provided mortgages, charges, pledges and other customary security interests to HSH Nordbank AG in relation to the bank facility agreement. However, HSH Nordbank AG does not have any legal recourse against the Company save under a completion guarantee and a cost overrun undertaking both dated 15 July 2008 pursuant to which the Company has given certain guarantees and undertakings to HSH Nordbank AG in relation to the completion of the Noginsk development. The Company's aggregate liability under the completion guarantee is limited to €23,080,000 and, under the cost overrun undertaking, to 10 per cent. of the development costs as set out in the initial budget. Construction is due to complete shortly and the Directors believe that the likelihood of a claim pursuant to either the completion guarantee or cost overrun undertaking to be remote.

#### 10.16 Southern

10.16.1 A loan agreement dated 22 December 2006 (as amended by an amendment agreement dated 10 April 2007) between Storvo Holdings Limited and Closed Joint Stock Company Kulon Development ("Kulon Development"), an indirect wholly owned subsidiary of the Company and the owner of the property known as Kulon-Southern in Moscow. This loan was novated, amended and restated pursuant to a loan transfer agreement dated 14 June 2007 between Storvo Holdings Limited, Kulon Development and HSH Nordbank AG as supplemented by a supplemental agreement dated 12 October 2007. Under the terms of the loan transfer agreement, HSH Nordbank AG made available to Kulon Development a facility in an amount equal to \$8.5 million (the "Amended Southern Loan") under terms substantially similar to the terms of the term facility agreement dated 11 May 2007 and described in paragraph 10.15.2 below.

10.16.2 A term facility agreement dated 11 May 2007 between Raven Russia Holdings 3 Limited and HSH Nordbank AG as supplemented by a supplemental agreement dated 10 December 2007. The outstanding balance borrowed by the Group under this facility as at December 2008 (including the outstanding balance borrowed under the Amended Southern Loan) was \$13.1 million. The main terms of this facility are as follows:

- (a) The facility is a five year term loan expiring in December 2012.
- (b) The interest rate payable on this facility is LIBOR plus a margin of 2.99 per cent. The Group has entered into an interest rate agreement to cap the LIBOR element of \$4.8 million of the total balance at 5.50 per cent. over the course of the loan.
- (c) The Group may prepay whole or any part of the loan (minimum \$0.5 million) in addition to any break costs and potential fees in order to avoid a breach of any of its covenants.

The obligations of the borrower under this facility are secured by various mortgages, charges, pledges and other customary security interests entered into by various members of the Group for the benefit of HSH Nordbank AG.

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## 10.17 **Baltia**

10.17.1 A loan agreement dated 22 December 2006 (as amended by an amendment agreement dated 12 April 2007) between Storvo Holdings Limited and Closed Joint Stock Company Kulon Estate (“Kulon Estate”), an indirect wholly owned subsidiary of the Company and the owner of the property known as Kulon-Baltia in Moscow. This loan was novated, amended and restated pursuant to a loan transfer agreement dated 6 July 2007 between Storvo Holdings Limited, Kulon Estate and HSH Nordbank AG as supplemented by a supplemental agreement dated 12 October 2007. Under the terms of the loan transfer agreement, HSH Nordbank AG made available to Kulon Estate a facility in an amount equal to \$16.5 million (the “Amended Kulon Loan”) under terms substantially similar to the terms of the term facility agreement dated 11 May 2007 and described in paragraph 10.17.2 below.

10.17.2 A term facility agreement dated 11 May 2007 between Raven Russia Holdings 3 Limited and HSH Nordbank AG as supplemented by a supplemental agreement dated 10 December 2007. The outstanding balance borrowed by the Group under this facility as at December 2008 (including the outstanding balance borrowed under the Amended Kulon Loan) as \$22 million. The main terms of this facility are as follows:

- (a) The facility is a five year term loan expiring in December 2012.
- (b) The interest rate payable on this facility is LIBOR plus a margin of 2.99 per cent. The Group has entered into an interest rate agreement to cap the LIBOR element of \$5.9 million of the total balance at 5.50 per cent. over the course of the loan.
- (c) The Group may prepay the whole or any part of the loan (minimum \$0.5 million) in addition to any break costs and potential fees in order to avoid a breach of any of its covenants.

The obligations of the borrower under this facility are secured by various mortgages, charges, pledges and other customary security interests entered into by various members of the Group for the benefit of HSH Nordbank AG.

10.18 An option agreement dated 25 July 2005, pursuant to which the Company has granted Cenkos Securities Limited the right to subscribe for 1,530,000 Ordinary Shares at 100p per Ordinary Share. Such option is exercisable at any time during the period of five years starting on 29 July 2005. Cenkos Securities Limited also has the right to transfer all or part of its rights to subscribe for Ordinary Shares.

10.19 An option agreement dated 25 July 2005, pursuant to which the Company has granted Kinmont Limited the right to subscribe for 382,500 Ordinary Shares at 100p per Ordinary Share. Such option is exercisable at any time during the period of five years starting on 29 July 2005. Kinmont Limited also has the right to transfer all or part of its rights to subscribe for Ordinary Shares.

10.20 An option agreement dated 25 July 2005, pursuant to which the Company has granted to Adrian Collins the right to subscribe for 100,000 Ordinary Shares exercisable in three tranches, further details of which is set out in paragraph 3.28 of this Part 12.

10.21 A warrant instrument dated 25 July 2005, pursuant to which the Company granted RRPM the right to subscribe for 7,650,000 Ordinary Shares at 100p per Ordinary Share, such warrant to be exercisable at any time during the period of five years starting on 29 July 2005. RRPM transferred all such warrants to Raven Mount Limited on 31 October 2008.



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## **11. MANDATORY TAKEOVER BIDS AND SQUEEZE-OUT/SELLOUT PROVISIONS**

### **11.1 Mandatory takeover bids**

The City Code applies to all takeover and merger transactions in relation to the Company.

The Panel on Takeovers and Mergers is an independent body, whose main functions are to issue and administer the City Code and to supervise and regulate takeovers and other matters to which the City Code applies in accordance with the rules set out in the City Code. The City Code is designed principally to ensure that shareholders are treated fairly and are not denied an opportunity to decide on the merits of a takeover and that shareholders of the same class are afforded equivalent treatment by an offeror. The City Code also provides an orderly framework within which takeovers are conducted. In addition, it is designed to promote, in conjunction with other regulatory regimes, the integrity of the financial markets.

Under Rule 9 of the City Code, any person who acquires an interest (as defined in the City Code) in shares which, taken together with shares in which he is already interested and in which persons acting in concert with him are interested, carry 30 per cent. or more of the voting right of a company which is subject to the City Code, is normally required to make a general offer to all the remaining shareholders to acquire their shares.

Similarly, when any person, together with persons acting in concert with him, is interested in shares which in aggregate carry not less than 30 per cent. of the voting rights of such a company but does not hold shares carrying more than 50 per cent. of such voting rights, a general offer will normally be required if any further interests in shares are acquired by any such person.

An offer under Rule 9 must be made in cash and at the highest price paid by the person required to make the offer, or any person acting in concert with him, for any interests in shares of the company during the 12 months prior to the announcement of the offer.

In the event that the place of central management and control of the Company were to be determined by the Panel on Takeovers and Mergers to no longer be within the Channel Islands, and the central management and control of the Company were determined not to be in the UK or in the Isle of Man, the City Code would cease to apply to the Company and Shareholders would cease to be protected by the City Code.

There are not in existence any current mandatory takeover bids in relation to the Company.

### **11.2 Squeeze-out**

Part XVIII of the Law provides that if an offer is made for the shares or any class of shares in the capital of the Company and if, within certain time limits, the offer is approved by shareholders comprising 90 per cent. in value of the shares affected then the offeror may again within certain time limits acquire any remaining shares to which the offer relates. The offeror would effect the compulsory acquisition by sending a notice to outstanding shareholders informing them that it wishes to acquire their shares (an “**Acquisition Notice**”). Where an Acquisition Notice is served, the offeror is then entitled and bound to acquire those shares on the terms on which the original offer, approved by the shareholders comprising 90 per cent. in value of the shares affected, was made.

## **12. RELATED PARTY TRANSACTIONS**

Other than (i) those matters referred to in Note 8 to the Financial Statements of the Group for the year ended 31 December 2008, set out in Section A of Part 5 of this document, (ii) those matters referred to in Note 29 to the Audited Financial Statements of the Group for the year ended 31 December 2007, set out in Section B of Part 5 of this document, (iii) those matters referred to in Note 31 to the Audited Financial Statements of the Group for the year ended 31 December 2006, set out in Section C of Part 5 of this document and (iv) those material contracts detailed in

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paragraph 10 above, during the period commencing on 1 January 2006 and terminating on the date of this document, the Company has entered into the following related party transactions.

- 12.1 Invesco's participation in the Placing comprised a related party transaction for the purposes of the AIM Rules for Companies due to it being a substantial Ordinary Shareholder in the Company. The Directors considered, having consulted with Numis, the Company's nominated adviser for the purposes of the AIM Rules for Companies, that Invesco's participation in the Placing was fair and reasonable insofar as the Ordinary Shareholders were concerned.
- 12.2 The Offer comprises a related party transaction under the AIM Rules for Companies as a consequence of Anton Bilton also being a substantial shareholder in Raven Mount. With exception of Anton Bilton and Glyn Hirsch (for the reasons set out below), the Directors consider, having consulted with Numis, its nominated adviser, that the terms of the Offer are fair and reasonable insofar as the Ordinary Shareholders are concerned. Neither Anton Bilton nor Glyn Hirsch have taken part in the Board's deliberations in respect of the Offer in light of their position as directors of Raven Mount and Anton Bilton's position as a substantial shareholder in Raven Mount.

### **13. WORKING CAPITAL**

The Directors are of the opinion that, after taking into account the financing facilities available, the Group has sufficient working capital for its present requirements, that is, for at least the period of 12 months from the date of this document.

### **14. LITIGATION**

- 14.1 No member of the Group is or has been involved in any governmental, legal or arbitration proceedings which may have, or have had during the 12 months preceding the date of this document, a significant effect on the Group's financial position or profitability and, so far as the Directors are aware, there are no such proceedings pending or threatened against any member of the Group.
- 14.2 No member of the Raven Mount Group is or has been involved in any governmental, legal or arbitration proceedings which may have, or have had during the 12 months preceding the date of this document, a significant effect on the Raven Mount Group's financial position or profitability and, so far as the Directors are aware, there are no such proceedings pending or threatened against any member of the Raven Mount Group.

### **15. GENERAL**

- 15.1 Save in respect of the Placing, which raised £76.2 million (gross) for the Company (and is referred to in Note 31 to the Financial Statements for the year ended 31 December 2008, set out in Section A of Part 5 of this document), there has been no significant change in the financial or trading position of the Group since 31 December 2008, the date to which the last audited financial statements of the Group were prepared.
- 15.2 Save in respect of the repayment of the £15 million loan facility and the full and final settlement of the £4.6 million pension liability disclosed in note 18 and note 4 to the Raven Mount financial statements for the year ended 31 December 2008, set out in Part 6 of this document, there has been no significant change in the financial or trading position of the Raven Mount Group since 31 December 2008, the date to which the last audited financial statements of the Raven Mount Group were prepared.
- 15.3 There has been no material change to the freehold and long leasehold properties of the Group set out in the Property Valuation Report on the Group in Part 9 of this document since 31 December 2008, the date to which such report was prepared.
- 15.4 The estimated costs and expenses relating to the Offer (including the fees of the FSA, professional fees and expenses and the costs of printing and distribution of documents) are expected to amount to approximately £1,290,000, excluding VAT.

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- 15.5 Numis Securities Limited is registered in England and Wales under number 02285918 and its registered office is at 10 Paternoster Square, London EC4M 7LT. Numis Securities Limited is regulated by the Financial Services Authority and is acting in its capacity as financial adviser to the Company.
- 15.6 Numis Securities Limited has given and has not withdrawn its written consent to the issue of this document with the inclusion of its name and references to it in the form and context in which they appear.
- 15.7 Ernst & Young LLP has given and not withdrawn its written consent to the inclusion in this document of its name and its report set out in Part 7 of this document and references thereto in the forms and contexts in which they appear and has authorised the contents of such report for the purposes of Prospectus Rule 5.5.3R(2)(f).
- 15.8 Jones Lang LaSalle has given and has not withdrawn its written consent to the inclusion in this document of its name and its report set out in Part 9 of this document and references thereto in the forms and contexts in which they appear and has authorised the contents of such report for the purposes of Prospectus Rule 5.5.3R(2)(f).
- 15.9 DTZ has given and not withdrawn its written consent to the inclusion in this document of its name and its report set out in Part 10 of this document and references thereto in the forms and contexts in which they appear and has authorised the contents of such report for the purposes of Prospectus Rule 5.5.3R(2)(f).
- 15.10 BDO Novus Limited of Elizabeth House, St. Peter Port, Guernsey GY1 3LL and BDO Stoy Hayward LLP of Emerald House, East Street, Epsom, Surrey KT17 1HS were the auditors of the Company for the financial period ended 31 December 2005 and the financial years ended 31 December 2006 and 31 December 2007, between them, and produced the audit reports set out in Sections B and C of Part 5 of this document. BDO Novus Limited and BDO Stoy Hayward LLP both resigned as auditors on 2 December 2008.
- 15.11 Ernst & Young LLP of 1 More London Place, London SE1 2AF, United Kingdom is registered to carry out audit work by the Institute of Chartered Accountants in England and Wales and were the auditors of the Company for the financial year ended 31 December 2008 and produced the audit report set out in Section A of Part 5 of this document.
- 15.12 Save as otherwise disclosed in this document there are no patents or other intellectual property rights, licences, industrial, commercial or financial contracts or new manufacturing processes which are material to the Group's business or profitability.

## **16. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for physical inspection during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the registered office of the Company and at the offices of Berwin Leighton Paisner LLP, Adelaide House, London Bridge, London EC4R 9HA:

- 16.1 the memorandum of association of the Company and the Articles.
- 16.2 the reports and letters prepared by Ernst & Young LLP, Jones Lang LaSalle and DTZ set out in Parts 7, 9 and 10 of this document and referred to in paragraphs 15.7, 15.8 and 15.9 above;
- 16.3 the letter referred to in paragraph 15.6 above; and
- 16.4 the historical financial information referred to in Parts 5 and 6 of this document.

A copy of this document will also be available, during the course of the Offer, from the Company's website, *www.ravenrussia.com*.

Dated 17 April 2009

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## DEFINITIONS

The following definitions apply throughout this document, unless the context otherwise requires:

<b>“2.4 Announcement”</b>	the announcement issued by the Company and Raven Mount on 17 February 2009 in relation to a possible offer made by Raven Russia to acquire the entire issued and to be issued share capital of Raven Mount
<b>“2.5 Announcement”</b>	the announcement issued by Raven Russia and Raven Mount on 31 March 2009 in relation to the Offer
<b>“2006 Act”</b>	the Companies Act 2006 (as amended)
<b>“Act”</b>	the Companies Act 1985 (as amended)
<b>“Acquisition”</b>	the acquisition of all or part of the issued or to be issued share capital of Raven Mount by means of the Offer
<b>“AIM”</b>	AIM, a market operated by the London Stock Exchange
<b>“AIM Rules for Companies”</b>	the AIM Rules for Companies published by the London Stock Exchange from time to time
<b>“Articles”</b>	means the Company’s articles of association as at the date of this document
<b>“certificated” or “in certificated form”</b>	in certificated form (that is, not in CREST)
<b>“CIS”</b>	Commonwealth of Independent States
<b>“City Code”</b>	the City Code on Takeovers and Mergers issued by the Panel on Takeovers and Mergers in the United Kingdom and, from time to time, any successor or replacement body thereof
<b>“Combined Code”</b>	the revised code on the principles of good corporate governance and best practice published in June 2006 by the Financial Reporting Council
<b>“Company” or “Raven Russia”</b>	Raven Russia Limited
<b>“Companies Acts”</b>	the company law provisions of the 2006 Act, the Act, Part 2 of the Companies (Audit, Investigations and Community Enterprise) Act 2004, the Companies Consolidation (Consequential Provisions) Act 1985 and the Companies Act 1989 that remain in place
<b>“Conditions”</b>	the conditions to the Offer which are set out in summary in Part 1 of this document and in full in the Offer Document
<b>“CREST”</b>	the computerised settlement system operated by Euroclear which facilitates the transfer of title to shares in uncertificated form
<b>“CREST Regulations”</b>	the Uncertificated Securities Regulations 2001 (SI 2001/3755), as amended

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<b>“Directors” or “Board”</b>	the directors of the Company as at the date of this document, whose names are set out on page 25 of this document
<b>“EGM” or “Extraordinary General Meeting”</b>	the extraordinary general meeting of the Company held at the Company’s registered office on 24 March 2009
<b>“Enlarged Group”</b>	the Raven Russia Group as enlarged following completion of the Offer
<b>“Equivalent Information Document”</b>	this document
<b>“Euroclear”</b>	Euroclear UK & Ireland Limited, a company incorporated under the laws of England and Wales and the operator of CREST
<b>“Fixed Amount”</b>	£1.00
<b>“Framework Agreement”</b>	the agreement dated 9 July 2008 (as amended on 4 September 2008) between the Company, Raven Mount, Raven Mount Holdings plc (now in members’ voluntary liquidation), Russian Property Management Limited and Raven Mount Admission Limited (now Raven Mount Group plc) for the sale and purchase of the entire issued share capital of RRPA and the disposal of RRPM to the Company
<b>“FSA” or “Financial Services Authority”</b>	Financial Services Authority of the United Kingdom in its capacity as the competent authority for the purposes of FSMA
<b>“FSMA”</b>	Financial Services and Markets Act 2000, as amended
<b>“Group”</b>	the Company and its subsidiaries (which, following completion of the Offer, shall include Raven Mount and its subsidiaries) and “member of the Group” shall be construed accordingly
<b>“IFRS”</b>	International Financial Reporting Standards (including International Accounting Standards)
<b>“Independent Raven Mount Board Committee”</b>	the directors of Raven Mount with the exception of Anton Bilton and Glyn Hirsch (both of whom are also directors of the Company)
<b>“Independent Raven Russia Board Committee”</b>	the directors of Raven Russia with the exception of Anton Bilton and Glyn Hirsch (both of whom are also directors of Raven Mount)
<b>“Internalisation”</b>	the acquisition by the Company of the entire issued share capital of RRPM and RRPA pursuant to the Framework Agreement which completed on 26 November 2008
<b>“Invesco”</b>	Invesco Asset Management Limited
<b>“IPO”</b>	the admission of the Company’s Ordinary Shares to trading on AIM which became effective on 29 July 2005
<b>“Law”</b>	the Companies (Guernsey) Law, 2008 as amended
<b>“London Stock Exchange”</b>	London Stock Exchange plc
<b>“New Preference Shares”</b>	the new Preference Shares to be allotted and issued to Raven Mount Shareholders pursuant to the Offer

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<b>“New Warrants”</b>	the new Warrants to be allotted and issued to Raven Mount Shareholders pursuant to the Offer
<b>“Numis”</b>	Numis Securities Limited
<b>“Official List”</b>	the official list of the UKLA
<b>“Offer”</b>	the recommended offer by the Company to acquire the entire issued and to be issued share capital of Raven Mount on the terms and subject to the conditions set out in the Offer Document and, where the context so requires, any subsequent revision, variation, extension or renewal thereof
<b>“Offer Document”</b>	the document sent to Raven Mount Shareholders today which contains the Offer
<b>“Ordinary Shareholder”</b>	means a holder of Ordinary Shares
<b>“Ordinary Shares”</b>	ordinary shares of £0.01 each in the capital of the Company
<b>“Oriental Securities”</b>	Oriental Securities Limited
<b>“Placing”</b>	the placing by Numis and Singer, on behalf of the Company, of 76,155,000 Units at the Placing Price pursuant to the terms and conditions of the Placing Agreement which was completed on 25 March 2009
<b>“Placing Agreement”</b>	the agreement dated 17 February 2009 between the Company, Numis and Singer relating to the Placing, details of which are set out in paragraph 10.1 of Part 12 of this document
<b>“Placing Price”</b>	£1.00 per Unit
<b>“Preference Dividend”</b>	the cumulative preferential dividend accruing on each Preference Share as set out in more detail in Section A of Part 11 of this document
<b>“Preference Shares”</b>	the cumulative redeemable preference shares of £0.01 each in the capital of the Company
<b>“Prohibited Territories”</b>	Australia, Japan, the Republic of Ireland, the Republic of South Africa and their respective territories and possessions and any other jurisdiction where local laws or regulations may result in a significant risk of civil, regulatory or criminal exposure for the Company or Raven Mount if information or documents concerning the Offer were to be sent or made available to Raven Mount Shareholders in that jurisdiction
<b>“Property Advisory Agreement”</b>	a property advisory agreement between (1) the Company and (2) RRPM dated 25 July 2005, as varied by the variation agreement between (1) the Company (2) Raven Mount and (3) RRPM dated 6 April 2006
<b>“Prospectus Directive”</b>	the Prospectus Directive of the European Parliament and Council (2003/71/EC)
<b>“Prospectus Rules”</b>	the rules made for the purposes of Part VI of FSMA in relation to offers of securities to the public and admission of securities to trading in a regulated market

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<b>“Raven Mount”</b>	Raven Mount Group plc
<b>“Raven Mount Admission”</b>	means the admission of the Raven Mount Shares to trading on AIM which became effective on 4 November 2008
<b>“Raven Mount EBT”</b>	means the Employee Benefit Trust of Raven Mount Limited, a discretionary trust established for the benefit of employees and former employees of Raven Mount Limited and their spouses, widows, widowers and dependents
<b>“Raven Mount Group”</b>	means Raven Mount and its subsidiaries
<b>“Raven Mount Limited”</b>	Raven Mount Limited (formerly Raven Mount plc)
<b>“Raven Mount Shareholders”</b>	holders of Raven Mount Shares
<b>“Raven Mount Shares”</b>	means the ordinary shares of £0.001 each in the capital of Raven Mount
<b>“Rouble”</b>	the lawful currency of the Russian Federation
<b>“RRPA”</b>	Raven Russia Property Advisors Limited
<b>“RRPM”</b>	Raven Russia Property Management Limited
<b>“Share Option Scheme”</b>	the Raven Russia Limited 2008 Unapproved Employee Share Option Scheme
<b>“Singer”</b>	Singer Capital Markets Limited
<b>“Statutes”</b>	the Law and every other statute, statutory instrument, regulation or order for the time being in force concerning companies whether registered under the Law or not
<b>“Sterling”</b>	the lawful currency of the United Kingdom
<b>“subsidiary”</b>	as defined in section 1159 of the 2006 Act
<b>“UK” or “United Kingdom”</b>	the United Kingdom of Great Britain and Northern Ireland
<b>“UK Listing Authority” or “UKLA”</b>	the FSA acting in its capacity as the competent authority for the purposes of Part VI of FSMA
<b>“uncertificated” or “in uncertificated form”</b>	recorded in the register as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST
<b>“Units”</b>	the units, each consisting of one Preference Share and one Warrant
<b>“US”, “USA” or “United States”</b>	the United States of America, its territories and possessions, any state of the US and the District of Columbia and all other areas subject to its jurisdiction
<b>“US dollar” or “\$”</b>	US dollars, the lawful currency of the United States
<b>“VAT”</b>	value added tax

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<b>“Warehouse(s)”</b>	the entire spectrum of both newly-built and existing warehouse buildings, including, but not limited to, high bay logistics buildings, cold storage, industrial and manufacturing factories, light assembly, storage depots, retail warehouses, leisure boxes, multiplexes, supermarkets, exhibition centres, refineries and multi-storey warehouse buildings, any of which may have an office content
<b>“Warrant”</b>	a warrant to subscribe for 1 Ordinary Share at 25 pence per Ordinary Share
<b>“Warrantholder”</b>	a holder of a Warrant
<b>“Warrant Instrument”</b>	the warrant instrument adopted by the Company constituting the Warrants
<b>“£” and “p”</b>	respectively pounds and pence sterling, the lawful currency of the United Kingdom



