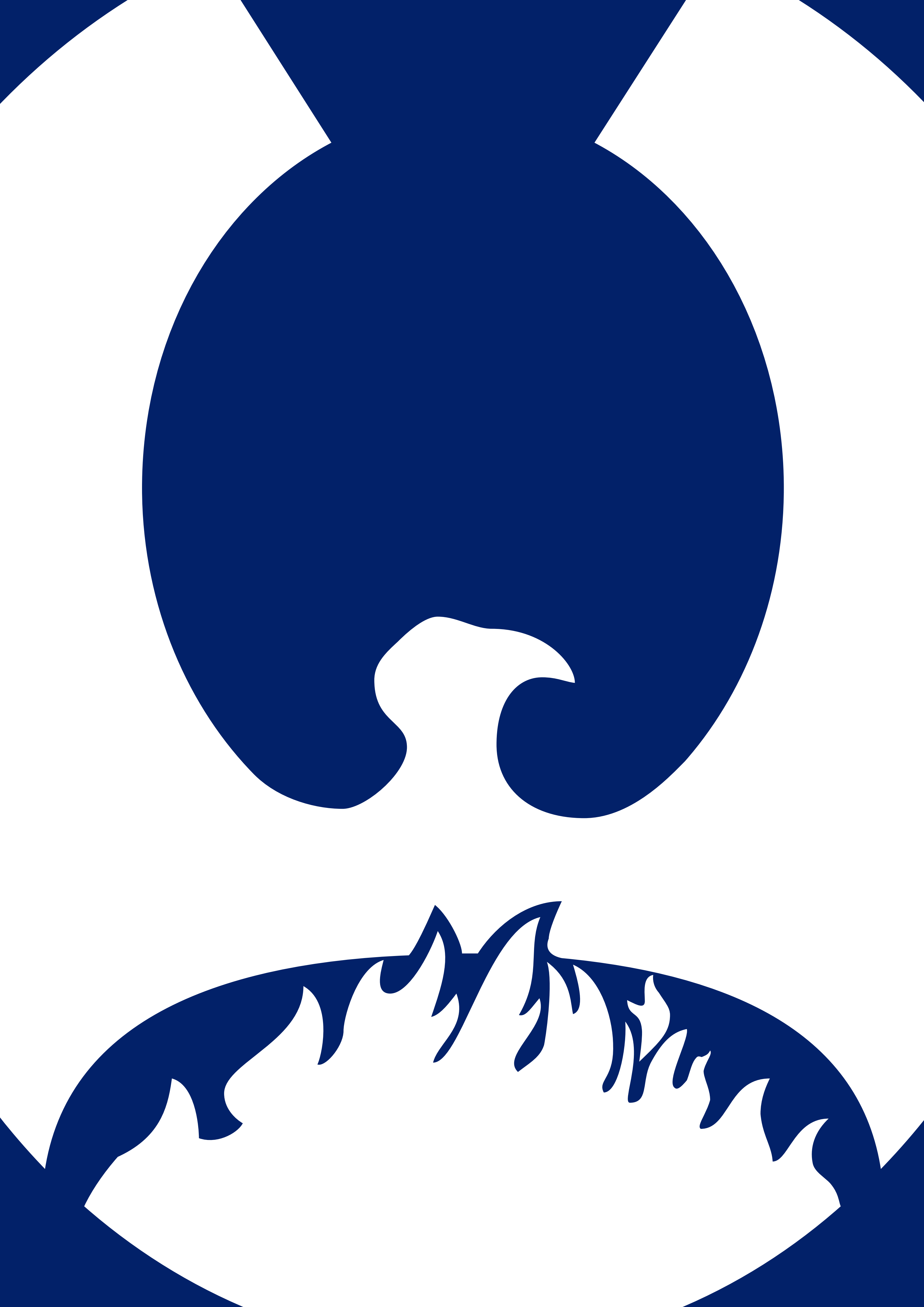
RAVEN RUSSIA LIMITED

2015 Annual Report



RAVEN RUSSIA LIMITED
RESULTS FOR THE YEAR ENDED 31 DECEMBER 2015

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RESULTS HIGHLIGHTS

NET OPERATING INCOME
$174.1 MILLION

UNDERLYING EARNINGS
$54.6 MILLION

BASIC UNDERLYING EPS
8.17 CENTS

FINAL DISTRIBUTION PER ORDINARY SHARE
1.0 PENCE

INVESTMENT PROPERTY
$1.4 BILLION

YEAR END CASH BALANCE
$202 MILLION

BALANCE SHEET GEARING
58%

ADJUSTED FULLY DILUTED NAV PER SHARE
$0.70

CHAIRMAN'S MESSAGE

My message this year continues to be one of caution and our strategy remains defensive. Macro-economic events have again overshadowed our business efforts. The impact of the fall in oil price, corresponding Rouble decline and continuing international sanctions weigh heavily on our results for 2015.

The most obvious outcome is a significant reduction in the value of our investment portfolio. The fall in market value for the year is $256 million which contributes to a reduction in fully diluted, adjusted net asset value ("NAV") per share to 70 cents (2014: 106 cents) and an IFRS loss after tax of $192 million (2014: loss of $88 million).

Despite this, our year end cash balance was $202 million, the investment portfolio is 82% let (2014: 94%) and net operating income ("NOI") for the year was $174 million (2014: $192 million) producing underlying earnings after tax of $55 million (2014: $67 million).

The rapid depreciation of the Rouble has had a fundamental impact on our operating environment. The majority of new lettings are now Rouble denominated rather than US Dollar pegged. There is some compensation in that annual lease indexation is linked to Russian inflation (12.9% for 2015) on these leases. The trend of Rouble denominated leases is likely to continue, at least while the Rouble remains volatile and at current exchange rate levels. The increase in vacancy rate during the year is a result of those tenants with weaker covenants and those smaller businesses exposed primarily to the import market succumbing to the pressures of this new environment.

Our cautious strategy of focusing on cashflow and quality of income means we are not building speculatively nor planning any acquisitions. However, given the underlying profits generated during the year we propose a final distribution of the equivalent of 1p per share (2014: 3.5p) by way of a tender offer buy-back of 1 in every 40 ordinary shares at 40p per share. That will give a distribution for the year equivalent to 2p per share (2014: 6p).

Whilst we expect trading conditions will continue to be difficult throughout 2016, our market has proven to be relatively resilient in the face of such severe events. New supply into our market is very limited and market research forecasts a tightening in vacancy rates over the next 18 months. Any improvement in the Rouble:US Dollar exchange rate will provide us with immediate benefit. Meanwhile we remain a market leading business with excellent investment property assets.

When the market gods smile on you and things are good, it is easy to congratulate your team and applaud their efforts. However, when the markets turn and events are as severe as they have been for the business in the last year, the real qualities of your team come to the fore. We have a talented and robust Executive and Senior Management group who have now been together for over ten years and are steering their way admirably through the obstacles being placed in their way on almost a daily basis. It is a stressful and challenging time for them. They have an experienced and supportive Non Executive Board who understand the business and market environment and they have developed a strong and loyal employee base. They also have the benefit of a group of advisers, some of whom have worked with the Group since its inception, who share in the team's enthusiasm for the Raven Russia brand and culture.

I would like to thank all of those involved for their hard work over the year and for the efforts to come.

Richard Jewson
Chairman
13 March 2016

THE PORTFOLIO

RUSSIAN FEDERATION

Moscow


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

St Petersburg

Pushkino Moscow

DESCRIPTION

Grade A warehouse complex

KEY TENANTS

- DHL
- Leroy Merlin
- Itella

GLA

213,200 sqm

LOCATION

Pushkino Logistics Park is located on the Yaroslavskoe Highway, approximately 15km from the MKAD in the north-eastern part of Moscow Region.

Istra Moscow

DESCRIPTION

Grade A warehouse complex

KEY TENANTS

- Bacardi
- DSV Solutions
- Seacontinental
- Azbuka Vkusa

GLA

205,200 sqm

LOCATION

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

Noginsk Moscow

DESCRIPTION

Grade A warehouse complex with 26 ha of land suitable for construction

KEY TENANTS

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

GLA

203,800 sqm

LOCATION

The Noginsk Logistics Park is located in the Noginsk district of the Moscow region approximately 55km from the city centre, 44km from the MKAD and 3km outside the Betonka A107 motorway. Access to the site is from the Volga highway, which links Moscow to Nizhniy Novgorod.
A rail spur serves the site.

Klimovsk Moscow

DESCRIPTION

Grade A warehouse complex

KEY TENANTS

- Alliance Boots
- Danone
- Burda
- DeAgostini

GLA

157,400 sqm

LOCATION

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

Shushary St Petersburg

DESCRIPTION

Grade A warehouse complex

KEY TENANTS

- RosLogistics
- Johnson Controls
- Dixy
- Yusen Logistics

GLA

147,900 sqm

LOCATION

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

Nova Riga Moscow

DESCRIPTION

Grade A warehouse complex with 25 ha of land suitable for construction

KEY TENANTS

- McKenzie
- Pernod Ricard

GLA

67,300 sqm

LOCATION

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

Novosibirsk Novosibirsk

DESCRIPTION

Grade A warehouse complex

KEY TENANTS

- RosLogistics
- Oriflame
- FM Logistic
- Pepsi
- Amway

GLA

121,000 sqm

LOCATION

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

Krekshino Moscow

DESCRIPTION

Grade A warehouse complex

KEY TENANTS

- Itella
- Gorenje

GLA

117,700 sqm

LOCATION

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

Rostov Rostov-on-Don

DESCRIPTION

Grade A warehouse complex with additional 27ha of land suitable for construction

KEY TENANTS

- RosLogistics
- Auchan
- X5 Retail Group
- Mobis Parts CIS
- Tarkett

GLA

100,700 sqm completed

LOCATION

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

Lobnya Moscow

DESCRIPTION

Grade A warehouse complex with additional 6ha of land suitable for construction

KEY TENANTS

- Nippon Express
- RosLogistics

GLA

52,300 sqm

LOCATION

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

Sholokhovo Moscow

DESCRIPTION

Grade A warehouse complex

KEY TENANTS

- Kuehne+Nagel

GLA

45,300 sqm

LOCATION

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

Pulkovo St Petersburg

DESCRIPTION

Grade A warehouse complex

KEY TENANTS

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

GLA

36,700 sqm

LOCATION

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

Southern Moscow

DESCRIPTION

Grade A warehouse complex

KEY TENANTS

- A&D Rus
- L'Occitane

GLA

14,100 sqm

LOCATION

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

Konstanta St Petersburg

DESCRIPTION

Class B+ office building

KEY TENANT

- Lenenergo

GLA

15,800 sqm

LOCATION

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


Uglich
Kashin
Kalyazin
Rostov
E115
Kimry
Pereslavl'
Zalesskiy
Tver'
Dubna
Konakovo
Aleksandrov
Sergiyev Posad
Klin
Noginsk
Mytishchi
Shchelkovo
Khimki
Orel
MOSKVA
Balashikha
Lyubertsy
Odintsovo
Zhukovskiy
Podol'sk
Kolom
Naro-Fominsk
E105
Obninsk
Serpukhov
Oka
Laptevo
Kaluga
Tula
Dubna

CHIEF EXECUTIVE'S REPORT

The challenging macro-economic conditions, particularly the oil price, have continued to impact negatively on our business. The weak Rouble has maintained downward pressure on rents and this has had a consequent downward effect on valuations. Particularly frustrating is that when we founded the business at the beginning of 2005, the Brent Crude price was $45 per barrel and the Rouble:US Dollar exchange rate was below 30. Today we have Brent at $40 per barrel and the Rouble at 70 to the US Dollar.

These events have contributed to an extremely difficult operating environment throughout the year and we have focussed on maintaining income at whatever level, and in whatever currency, the market allows us, whilst protecting our cash balances.

The Company's monumental efforts have meant we still have an occupancy level of 82% and our year end cash balance was $202 million.

Whether the trend towards Rouble contracts is temporary or permanent only time will tell. The attraction to tenants today is obvious but whether they will feel the same in the future if the Rouble strengthens, or further inflation develops, remains to be seen. Virtually all Rouble leases increase annually with Russian CPI, which was 12.9% in 2015.

We will remain flexible and alert to market changes and opportunities.

At the year end, 10% of our portfolio space was contracted with Rouble denominated leases. This increasing level of Rouble income means that we have significant upside potential if the Rouble weakness against the Dollar reverses, and particularly so if it returns to its ten year trend of around 35 to the US Dollar.

Our general strategy is to batten down the hatches, preserve cash and make sure we are able to participate in the upside when things improve.

That said, underlying profits allow us to continue with a limited distribution policy and we intend to match our interim with a final tender offer buy-back at the equivalent of 1p. As was the case with last year's final distribution, we will not be offering the option to oversubscribe for more than each shareholder's pro rata entitlement.

We remain ready to commence development, pursue acquisitions and do further buy-backs of our own shares at these low levels as soon as we feel that market conditions will support a return to an expansionist strategy. Any reduction in sanctions or strengthening of the oil price will benefit us.

Operationally we are doing all we can and I thank our shareholders for their continued support.

Glyn Hirsch
Chief Executive Officer
13 March 2016

BUSINESS MODEL

Our Strategy

Our long term strategy remains unchanged: to build an investment portfolio of Grade A logistics warehouses in Russia producing rental income that delivers progressive distributions to our shareholders.

Until the end of 2014, to achieve this objective, we planned to grow the business through acquisitions and managed development of new space. The impact of the rapid depreciation in oil prices on the Russian economy and the related Rouble depreciation following the Central Bank of Russia's decision to move to a free float mechanism, has meant that our short to medium term objectives have had to change. The immediate objective is to secure our existing portfolio in an environment where market rents, in US Dollar terms, have fallen.

The severity of the changes in the market dynamics has had a marked effect on our business model and risk appetite as explained below and in our approach to the risk assessment and viability statements.

Business Model

Our business model aims to generate high, US denominated yield from rental income in the under supplied warehouse logistics market in Russia and principally in the Moscow region.

Until 2014, this was achieved, primarily, by entering into US Dollar pegged lease agreements. In essence, tenants took the foreign exchange risk, the majority of the tenant businesses generating Rouble income, in exchange for reduced indexation risk, the leases using US CPI indexation rather than Russian inflation.

Following the depreciation in the Rouble:US Dollar exchange rate, this model is under pressure. The Rouble weakened by 102% in the period following the implementation of sanctions in 2014 until the end of 2015, the majority of that depreciation occurring since November 2014 and the rapid collapse in oil prices followed by the move to a free float mechanism for the Rouble.

On existing leases, Rouble equivalent rents have more than doubled over that timespan forcing current market practice to change. The majority of new leases are now Rouble denominated with Russian inflationary indexation. Therefore, as leases mature, the foreign exchange risk is being passed back to the landlord with the compensation of potentially high indexation over the term of the lease and upside should the Rouble strengthen.

At the year end, 6% of our annualised warehouse income was denominated in Roubles. These leases represent 10% of the Gross Lettable Area ("GLA") of our warehouse portfolio.

Our medium term objective is to manage any change in our model over the next three years as our current leases mature and income potentially drops to new market rental levels driven by a weak currency.

The current mix of Rouble and US Dollar denominated leases gives a natural foreign exchange hedge across the portfolio and high indexation gives a buffer against further Rouble depreciation over the term of a Rouble denominated lease. The risk is focussed on the transition stage between US Dollar pegged rents and Rouble leases and a managed de-gearing of our balance sheet to support potentially lower US Dollar denominated income. Conversely, any appreciation in the Rouble exchange rate, triggered by either the easing of sanctions or higher oil prices, will boost our US Dollar denominated income.

The market turmoil of the last 15 months has tested how robust our model is and will continue to do so, the other key components being:

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

We continue to have relatively high occupancy in our portfolio and the majority of tenants continue to meet their contractual obligations when due. Our tenants tend to be large domestic or international groups with strong covenants which allow them to take large lettings. Our average letting size by tenant is 9,500 sqm . We do not have one tenant with more than 11% (2014: 11%) of our portfolio's GLA and the top ten tenants account for 45% (2014: 49%) of our portfolio in GLA terms and 56% (2014: 50%) in income terms.

Each of our assets sits in a special purpose vehicle ("SPV") with bank debt secured on individual assets with no asset cross collateralisation and minimal recourse to the holding company. Our debt is reasonably highly amortised which means that our gearing levels remain manageable, even at this time of trough valuations. Our asset specific bank debt represents 65% (2014: 55%) loan to value at the year end and consolidated balance sheet gearing is 58.0% (2014: 51.9%) (note 34d) after a drop in property values of 16% over the year. We will work to reduce gearing on our balance sheet over the next three years on the premise that our balance sheet needs to support lower rental income levels.

Key Performance Indicators (KPIs)

Previously, our KPIs were yield and shareholder distribution focussed, results being driven by increasing rental income and NOI performance.

Given the changes in market dynamics in the last year, the emphasis of our KPIs has now changed. The overriding KPI being targeted is that of occupancy. We cannot influence where market rents will settle in US Dollar terms so we will focus on maintaining high occupancy in the medium term.

Operating cash flow was our primary KPI, being the effective measure for shareholder distributions, but in the current environment, whilst it remains a key performance indicator, it is now a measure of our debt service cover as top line income potentially drops to a new market level.

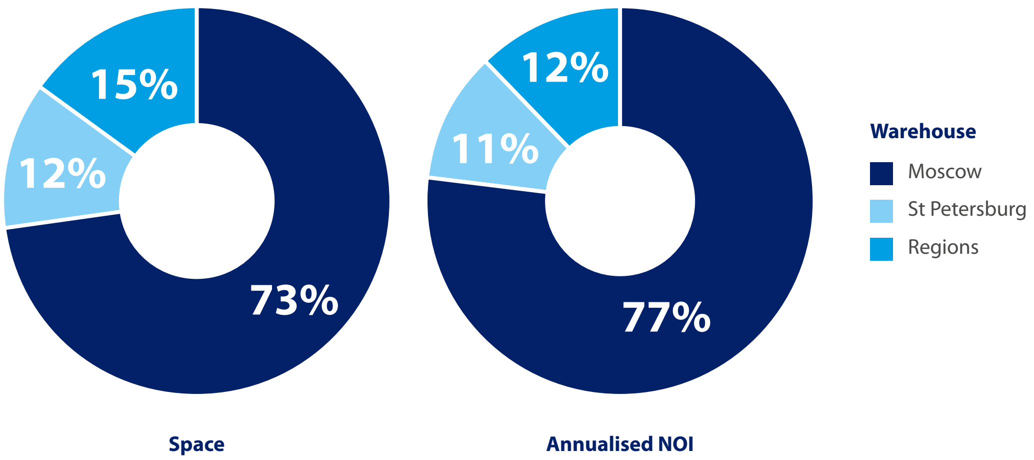
Underlying this is the portfolio mix between Rouble and US Dollar denominated rents, the continuing ability of tenants to meet their obligations under existing US Dollar pegged leases and the impact of foreign exchange movements on US Dollar income.

The current incentive scheme, introduced in early 2014, was linked to the business model of US Dollar pegged rents. In today's environment the objectives set in 2014 are no longer relevant. We also have no directly comparable peers or indices which is a problem when designing incentive schemes as we cannot easily demonstrate relative performance. We are consulting with key shareholders regarding changes to the remuneration policy and any proposals will be considered at the forthcoming AGM.

PORTFOLIO REVIEW

Geographical

The 2015 financial year began with a very low vacancy rate of 6% and ended the year with vacancy of 18%. Early termination of weaker covenants in the tenant portfolio, principally importers and smaller third party logistics operators whose business models could not adapt to the weak Rouble, account for half of the year end vacancy. Contracted NOI at 1 January 2016 was $162 million.



Leasing and maturities

Letting activity in the year is shown below:

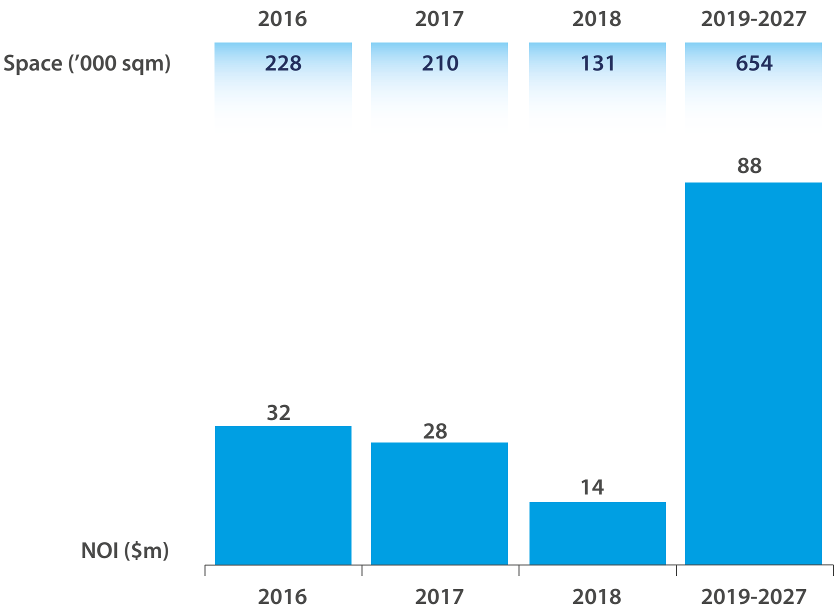
'000 sqm	2015	2016	2017	2018	2019-2023	Total
Maturity profile at 1 January 2015	140	323	211	98	564	**1,336**
Renegotiated and extended	80	101	22	15	-	**218**
Existing lease maturities	-	176	161	52	532	**921**
Vacated/terminated	60	46	28	31	32	**197**

218,000sqm of existing leases have been renegotiated and extended in the financial year. Space vacated on maturity and early terminations of weaker covenants will generate additional vacant space of 197,000sqm which, together with existing vacant space, gives 266,000sqm of potential vacancy at 31 December 2015. The result is a new lease maturity profile as follows:

'000 sqm	2016	2017	2018	2019-2027	Total
Existing lease maturities	176	161	52	532	**921**
Extension of existing leases in 2015	4	49	71	94	**218**
New leases	6	-	8	28	**42**
Pre let agreement*	42	-	-	-	**42**
Maturity profile at 31 December 2015	228	210	131	654	**1,223**

*In occupation at 31 December 2015

Lease Expiries at 31 December 2015

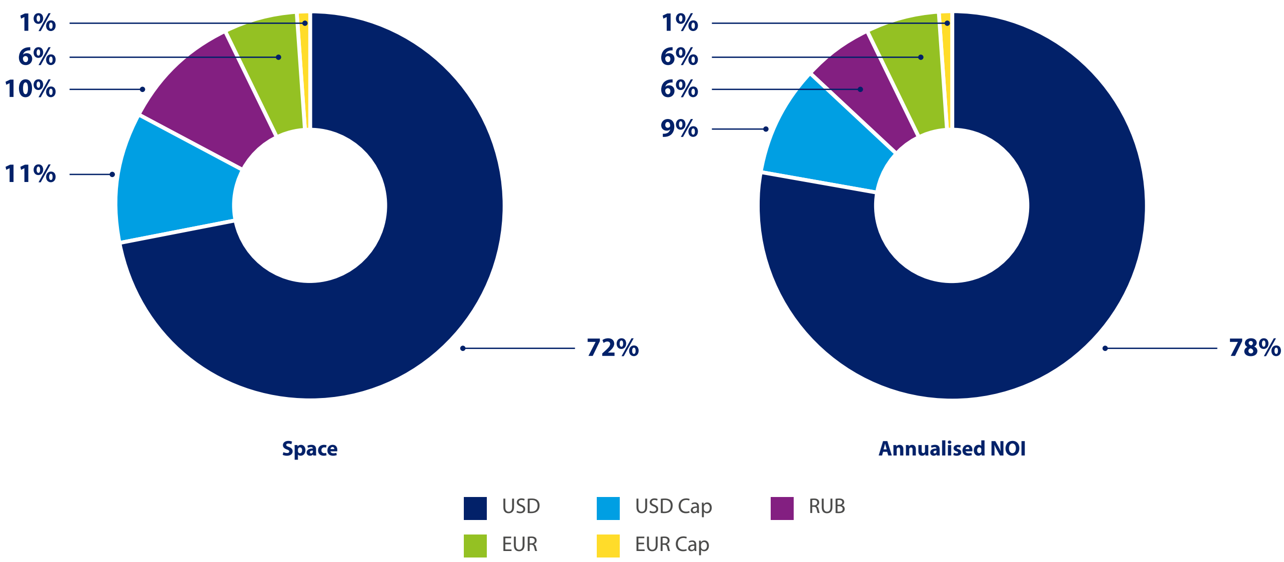


This reflects 42,000sqm of new leases signed in the year in addition to the 218,000sqm of existing lease renegotiations and the upcoming release of space by Dixy under a pre let agreement. There are also potential breaks in the portfolio of 29,000sqm in 2016 and 28,000sqm in 2017.

Since the year end, a further 86,800sqm of renewals and new lettings have been completed and letters of intent on 29,200sqm signed. The average term of these deals is 3.3 years at an average of $73 per sqm with Russian inflationary indexation.

The majority of contracted income continues to be supported by US Dollar pegged leases. However, as shown below, an increasing proportion of warehouse leases are now Rouble denominated or limit tenants' foreign exchange risk with a short term cap on the Rouble:US Dollar exchange rate. For the majority, (95%), of leases which have exchange rate caps, the caps expire by the end of 2017. Annual indexation on Rouble leases is linked to Russian CPI.

Currency exposure of NOI

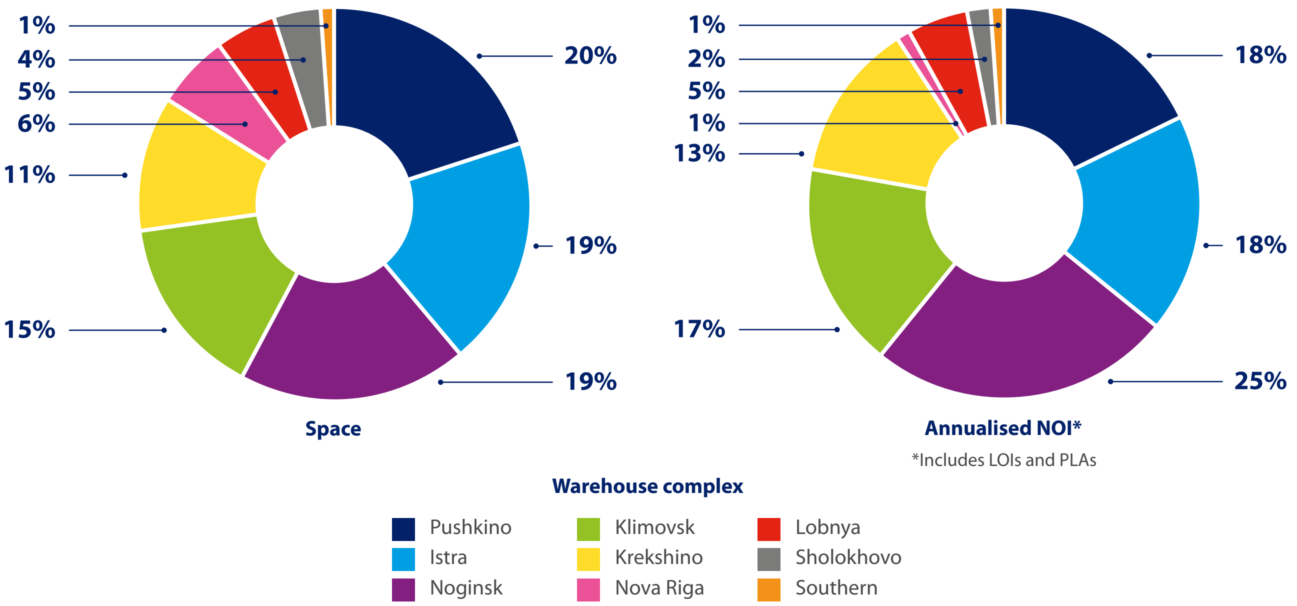


Investment Portfolio

Moscow

In Moscow there are nine projects totalling 1,075,000sqm, producing an annualised income of $121 million at the year end with 81% of space let.

Moscow Portfolio

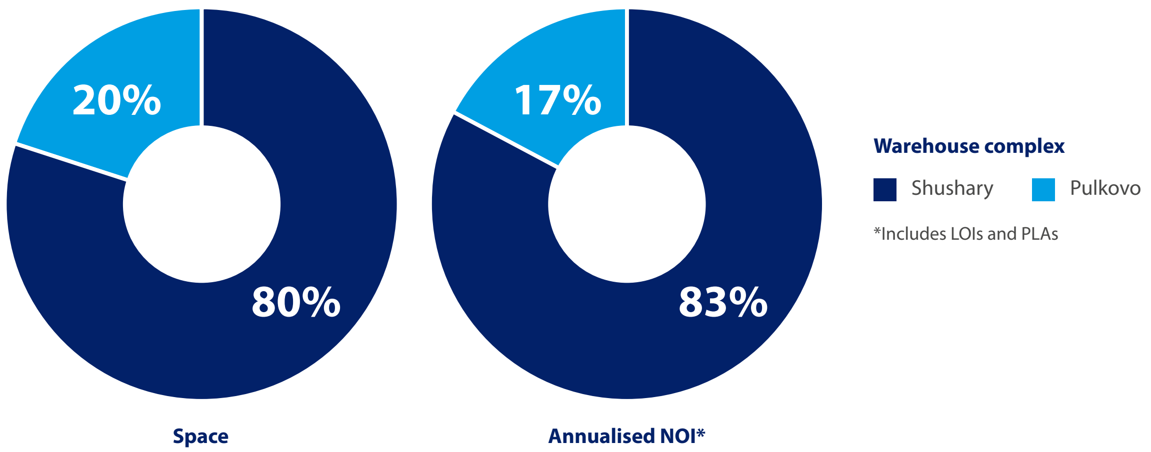


The Moscow portfolio had a net reduction in lettings of 99,700sqm during the year. The increased vacancy is a product of weaker tenants terminating early and some of the larger tenants looking to make supply chain efficiencies on the maturity of their leases.

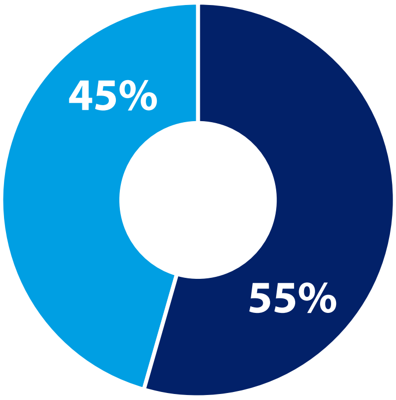
The lowest occupancy at Nova Riga reflects the new build space that came on line at the beginning of 2015 and the two smallest assets at Sholokovo and Southern are affected by a small number of maturities because of their size. In the case of Sholokovo, the increase in vacancy is down to one tenant consolidating their space at another site on maturity of their lease.

Similarly, at Noginsk, Dixy, one of the leading Russian retailers, took occupation of a new, purpose built building of 42,000sqm at the beginning of 2015. Subsequently, they commenced litigation and did not execute the long term lease, despite accepting the building and being in occupation. After three rounds of court hearings, the Russian State Cassation court has recently ruled that the dispute should be heard in the International Commercial Arbitration Court at the Russian Federation Chamber of Commerce and Industry. This is in accordance with the dispute resolution process in the preliminary lease agreement. Dixy vacated the premises in early February 2016 and we are now seeking to re-let the space whilst pursuing the appropriate dispute resolution process.

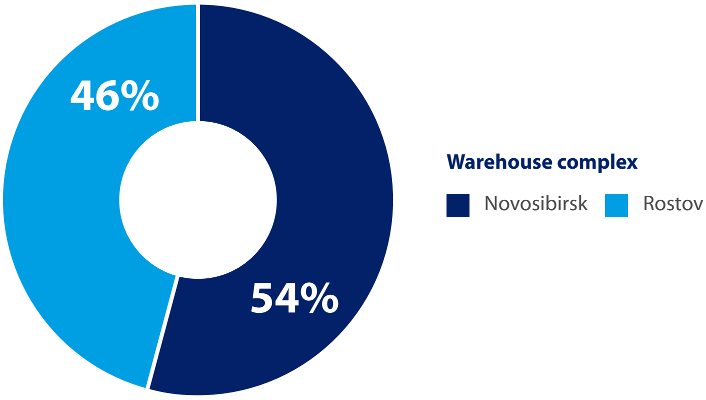
St Petersburg



Regions



Space

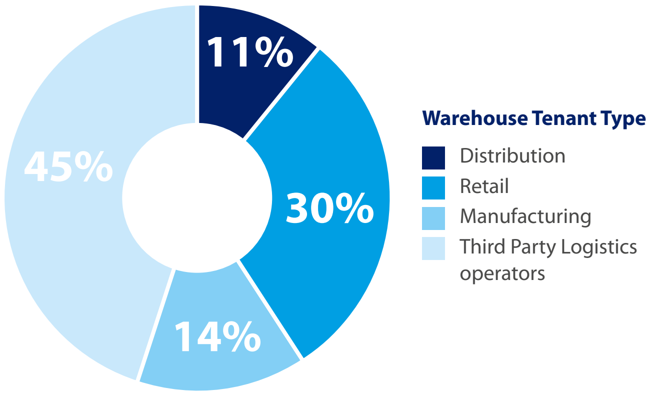


Annualised NOI

The regional markets of St Petersburg, Rostov and Novosibirsk have tracked performance in Moscow with a net reduction of 56,000sqm in lettings across the three locations. Lease terms on renewals have shortened, usually to two or three years, as a reaction to market volatility.

Tenant Mix

The letting strategy has always been to lease to the strongest tenants on secure long term leases. This has protected the portfolio from significant numbers of tenant failures, although the early termination of leases on 136,699sqm of space has been completed or is underway, where tenants have failed or their ongoing covenant is questionable. A number of major international businesses, including DHL, Alliance Healthcare and Danone have renewed or extended their leases for the medium term.



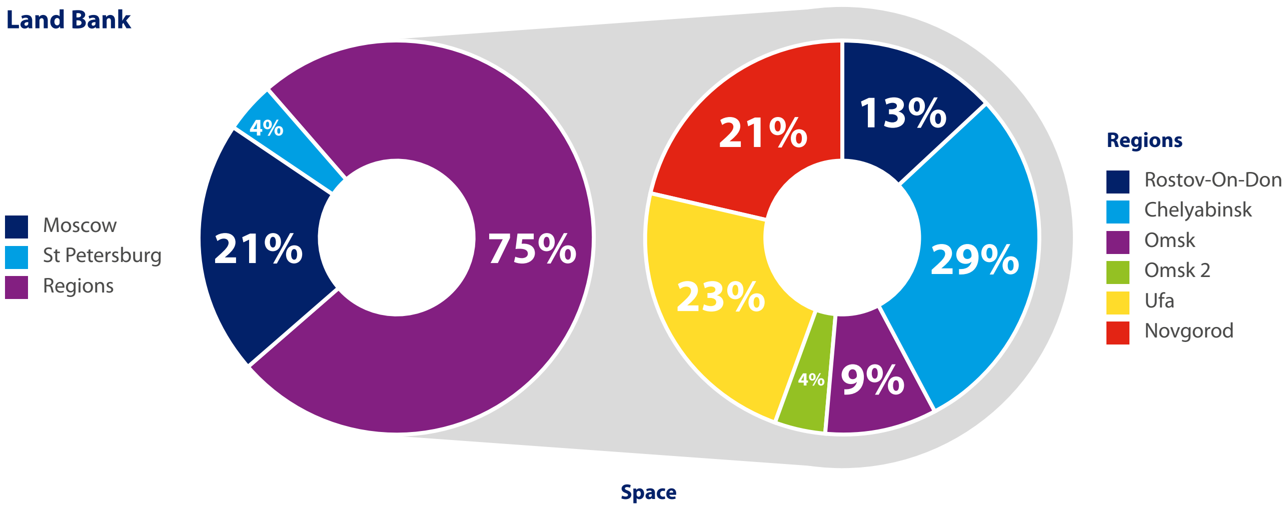
Space

Portfolio yields

Warehouse	Moscow (%)	St Petersburg (%)	Regions (%)
2015	12.0	13.3	14.5
2014	12.0 – 12.5	13.3	14.5

Weakness in estimated rental values ("ERV"), the change to Rouble rents and the weakness of that currency in US Dollar terms have driven property values down during 2015. Prime yields for warehouses have now stabilised at 12% for rack rented, well let buildings in Moscow. In St Petersburg, yields stand at 13.25% and in the regions, 14.5%. Even in Moscow the combination of capitalisation rates and low Rouble rents generate a capital value which is below replacement cost, effectively constraining supply.

The investment properties and additional phases of existing projects were valued by Jones Lang LaSalle ("JLL") at the year end, in accordance with the RICS Valuation and Appraisal guidelines, and are carried at a market value of $1.4 billion (see note 11 to the financial statements). This has resulted in a decrease of $256 million in portfolio value since the end of 2014.



No speculative development is planned at the current time although there is 26 ha at Noginsk on which 134,000sqm of space can be built and at Nova Riga there is the potential to add a further 130,000sqm on the additional 25 ha of land there.

The Market

Across all sectors rents are now Rouble denominated for new lettings, although the majority of leases have indexation linked to Russian CPI. The warehouse/logistics sector has been the most defensive with vacancy peaking at 11.2% in the middle of 2015, and falling back to 10.5% at the year end. JLL estimate take up in 2015 of 1,313,128sqm, the majority of this from large retailers improving their supply chains, followed by distributors and logistics companies. E-commerce is expanding with traditional retailers reporting strong growth in online sales. Total sales volumes are expected to double between 2014 and 2017 which should create increased demand for the best, well located warehouses around major cities.

At current rental levels, minimal new speculative construction is anticipated as capital is scarce, debt expensive and development returns thin. New supply coming to the market is mainly in the form of build to suit developments. Currently there is only 400,000sqm of space under construction for delivery in 2016 of which approximately half is build to suit. With limited new speculative supply, the vacancy rate is forecast to continue to fall during 2016 to 7% or 8% by the year end.

The value of investment transactions fell from $8.2 billion in 2013 to $3.8 billion in 2014 and $2.3 billion in 2015 according to JLL. The 2015 figure equates to less than one third of the number of deals completed in 2014. Approximately 80% of this investment was from Russian sources.

FINANCE REVIEW

The rapid depreciation of the Rouble at the end of 2014 continues to have a marked effect on the Group's results. This has eroded both operating earnings and balance sheet value. Operating results are best explained by focussing on underlying earnings, and the impact of balance sheet movements on results by reviewing IFRS earnings.

Underlying Earnings (Adjusted non IFRS measure)	**2015** **$'000**	**2014** **$'000**
Net rental and related income	174,123	192,317
Administrative expenses	(26,361)	(26,967)
Bad debt provision	(3,720)	-
Foreign exchange gains/(losses)	1,223	(15,471)
Share of profits of joint ventures	2,518	955
Operating profit	147,783	150,834
Net finance charge	(82,836)	(75,707)
Underlying profit before tax	64,947	75,127
Tax	(10,389)	(8,475)
Underlying profit after tax	54,558	66,652
Basic underlying earnings per share (cents)	8.17	9.32

At 31 December 2015 our investment portfolio was 82% let (2014: 94%) on a like for like basis and net rental and related income reduced by $18.2 million in the year compared to 2014. This is a factor of the increase in vacancies, the transition to Rouble income on leases as they mature and the conversion of Roslogistic's Rouble income during the period (see note 4). Underlying administrative costs rose following a bad debt charge for the year of $3.7 million (2014: nil).

Foreign exchange movements through the financial statements were muted this year, the damage being done in the short period between November and December 2014 last year. There is an exchange gain in the Income Statement of $1.2 million in 2015 compared to a loss of $15.5 million in 2014 and a loss of $1.8 million through the Statement of Comprehensive Income (2014: loss of $41 million).

Net finance costs increased following additional draws on debt facilities at the beginning of 2015. Together with an increase in underlying tax cost of $1.9 million this gave a reduction in underlying profit after tax for the year of $12.1 million to $54.6 million.

Given the drop in market rents during the year, this is a very good operating result but assuming that current market conditions prevail, reduced income and profit will continue as a trend in 2016.

IFRS earnings reflect the significant reduction in the mark to market value of the consolidated balance sheet assets at 31 December 2015. A reconciliation between IFRS and underlying earnings is given in note 9 to the financial statements.

IFRS Earnings	2015 $'000	2014 $'000
Net rental and related income	174,123	192,308
Administrative expenses	(26,775)	(34,630)
Bad debt provision	(3,720)	–
Share based payments	(3,594)	(2,354)
Foreign exchange profits/(losses)	1,223	(15,471)
Share of joint venture profits	2,518	955
Operating profit	143,775	140,808
(Loss)/profit on revaluation	(256,548)	(145,404)
Net finance charge	(92,283)	(93,448)
IFRS (loss)/profit before tax	(205,056)	(98,044)
Tax	12,697	9,855
IFRS loss after tax	(192,359)	(88,189)

The significant movement in the IFRS results for the year is the revaluation loss on property assets net of the related deferred tax credit. This accounts for the disparity between underlying earnings and positive operating cashflows and the large IFRS loss after tax shown above.

Investment Properties

The completed property investment portfolio had a market value of $1.36 billion at 31 December 2015 (2014: $1.61 billion), a fall of 16% in value, driven by the fall in US Dollar equivalent market rents. Combined with the revaluation deficit recognised in 2014, the property investment portfolio value has fallen by 22% over the last 24 months.

Investment property under construction, being additional phases of existing projects not yet commenced, has fallen in value by 18% in US Dollar terms during the year.

Cash and Debt

Cash flow Summary	2015 $'000	2014 $'000
Net cash generated from operating activities	136,152	168,797
Net cash generated/(used) in investing activities	12,868	(98,894)
Net cash used in financing activities	(110,300)	(71,771)
Net increase/(decrease) in cash and cash equivalents	38,720	(1,868)
Foreign exchange movements	(7,812)	(28,073)
Increase/(decrease) in cash	30,908	(29,941)

Operating cash inflows fell by $33 million during the year. This follows the drop in net operating income, a reduction in rents paid in advance around the year end as tenants became sensitive to the exchange rate on the date of payment of US Dollar pegged leases, and increased tax payments as historic deferred tax assets were fully utilised on some projects.

Cash generated from investing activities increased significantly as construction costs wound down and a retention held of $25 million on a prior period acquisition was released.

Net cash used in financing activities increased as the prior year included higher debt draws on refinancings to offset debt amortisation. Interest paid during the year totalled $69 million. Preference coupon paid was $17 million and the Company purchased $42 million of its own shares in 2015.

After foreign exchange losses on Rouble and Sterling funds held to service future costs in those currencies, cash generated in the year totalled $31 million, giving a cash balance of $202 million at the year end.

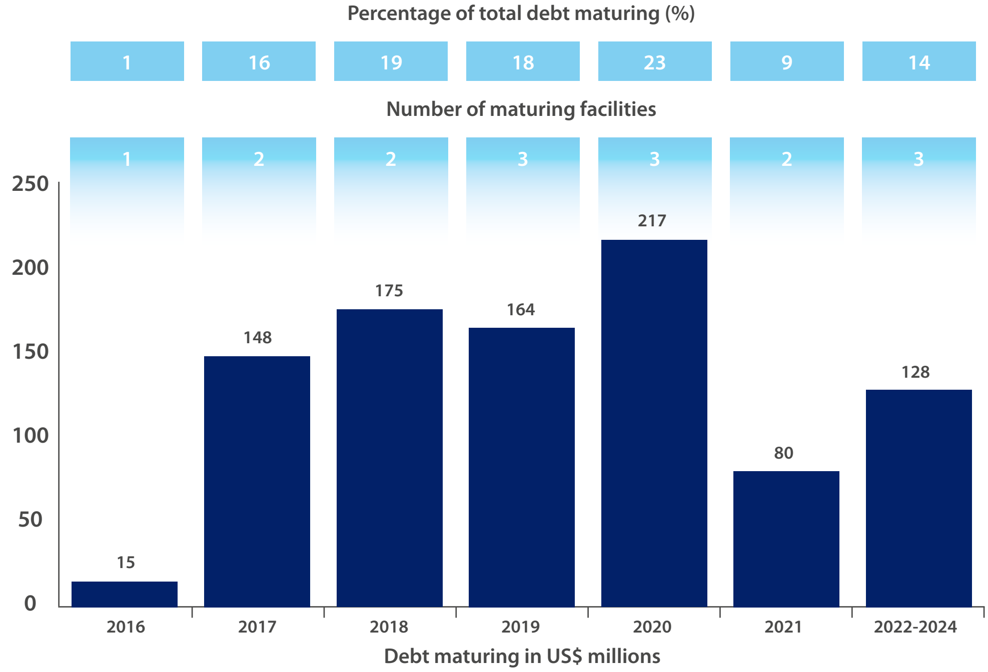
Debt	2015 $m	2014 $m
Fixed rate debt	260	220
Debt hedged with swaps	212	222
Debt hedged with caps	456	395
	928	837
Unhedged debt	-	68
	928	905
Unamortised loan origination costs and accrued interest	(9)	(12)
Total debt	919	893
Undrawn facilities	-	89
Weighted average cost of debt	7.26%	6.99%
Weighted average term to maturity	4.0	4.8

In the first half of the year, further draw downs of $39 million and $27 million were made on the finance facilities secured on the Noginsk and Nova Riga projects respectively. A new facility of $15 million secured on our Pulkovo project was also drawn.

The facility secured on our Istra project was rolled over for a two year term and now matures in April 2018. We hope to do the same with the facility secured on the Pushkino project which matures in 2017.

LIBOR on all debt facilities has now been hedged with a mixture of interest rate swaps, caps or fixed instruments. The quantum and number of facilities maturing each year is shown below.

Debt maturing



The facility secured on the office block in St Petersburg, Constanta, continues on a cash sweep mechanism following a historic potential loan to value breach in December 2012. A delay in rental payments from the sole tenant in 2015 has also caused the facility to breach debt service requirements but no further action has been taken by the bank. All other finance covenants were met at the year end.

Subsidiaries

The Group's trading subsidiaries have performed well in the year. Raven Mount continues to sell legacy land plots it holds in the UK and the joint venture, Coln, generated a share of profits of $2.5 million (2014: $1 million) from sales of plots at the second home site in the Cotswolds.

The third party logistics subsidiary, Roslogistics, is a good example of the impact of foreign exchange on results. In 2014 the company had turnover of Roubles 937 million, which translated to $24 million at the average exchange rate for the year. In 2015, in a tough market, they have maintained turnover at Roubles 930 million. However, converting at the average exchange rate for the year generates only $15 million of turnover (see note 4). Following new contract wins at the end of 2015, they are looking to grow their Rouble top line in the current year and have taken additional space at the project in St Petersburg to meet the increased demand.

Outlook

Despite increasingly difficult trading conditions in US Dollar terms and a net asset value hit by falling asset values, the Group's balance sheet remains robust with high liquidity. Any improvement in economic conditions will translate directly to an improved bottom line.

RISK REPORT

Risk Appetite

The Board places significant importance on identifying and managing the risks facing the business and our processes have been suitably tested over the last two years.

Our risk appetite is two tiered. The original decision to focus on the Russian market could be argued to demonstrate a high risk appetite due to the macro economic and political environment we operate in but this is offset by a relatively risk averse approach at the operating level where:

- We have a focus on an undersupplied asset class in one of Europe's largest cities;
- Tenants are a mix of large international and domestic Groups;
- We have minimal speculative development exposure; and
- Our balance sheet is managed conservatively with relatively low gearing, high debt amortisation and Special Purpose Vehicle security structures.

The macro economic environment however has put pressure on our business model, especially following the rapid depreciation in the Rouble exchange rate against the principal currencies at the end of 2014. The effect of this has been discussed elsewhere in the Strategic Report but the outcome is a significantly reduced risk appetite, with our short to medium term objective being the security of and maintenance of cash flow from our existing portfolio in a volatile market.

This is reflected in our viability statement with the manifestation of the risks to the business in the year being significantly more severe than we could have reasonably foreseen or would have sensitised prior to November 2014.

The combination of international sanctions and the recent macro economic upheavals in Russia, together with the introduction of the updated Corporate Governance Code issued by the Financial Reporting Council, has focussed the Board's attention firmly on risk management.

Risk Management and Internal Controls

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

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

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

The Audit Committee has not identified any significant failings or weaknesses in the internal control and risk assessment procedures during the year but as a result of the monitoring process, improvements have been put in place and further projects have just commenced. These include:

- The introduction of a Company intranet to improve communication across the Group, enhance the social culture and give prominence to regulatory requirements with easy access to Group procedural documents;
- The introduction of a formal property database management system, a project which will be completed during the current financial year; and
- A change in emphasis in the financial reporting information with weekly flash reports, monthly management reports and quarterly forecasts reflecting KPIs relevant to the defensive approach the business is taking.

Principal Risks and Uncertainties

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

At the beginning of 2015 there was uncertainty as to how the effect of low oil prices and the significantly weakened Rouble would permeate to the day to day operations. Following a volatile year, we have greater clarity on the impact on our business and that is reflected in the principal risks that we now focus on.

Financial Risk

Risk	Impact	Mitigation	Change
Oil price and foreign exchange V Weak oil prices prevail in the medium term leading to a continued weak Rouble.	The trend towards Rouble-denominated rents will intensify, leading to further falls in US Dollar equivalent income and an increase in the credit risk of those tenants who remain in US Dollar pegged leases. It also exacerbates the slow down in Russian growth and consumer spending. Reduced consumer demand reduces appetite for new lettings, renewal of existing leases and restricts rental growth.	The majority of new leases now being signed are Rouble denominated with Russian inflationary indexation. The US Dollar equivalent of these rents is significantly below those achieved prior to the Rouble depreciation at the end of 2014. Higher indexation gives some compensation against further weakening of exchange rates. We still have a high proportion of US Dollar pegged rents but income will potentially reduce as these mature over the next four to five years if the weak Rouble persists. The logistics market continues to be undersupplied at current levels of consumer demand. A lack of projected investment in new projects has led to market reports forecasting that vacancy levels will remain low, especially in the Moscow Region. A strengthening of the Rouble will have a commensurate increase in US Dollar income.	⇧
Interest rates V Increases in US LIBOR	Cost of debt increases and Group profitability and debt service cover reduce.	Our variable cost of debt is hedged with the use of swaps and caps on US LIBOR or fixed rate facilities.	⇧
Bank covenants V The significant drop in market rents impacts on both loan to value ("LTV") and debt service cover ratio ("DSCR") covenants.	The likelihood of debt facility covenant breaches increases.	The majority of debt facilities have a relatively high amortisation profile. There is also a focus on reducing Group debt in parallel with US Dollar pegged leases maturing should weak Rouble exchange rates persist. There is very little recourse to the holding company and no cross collateralisation between projects on events of default.	⇧

Russian Domestic Risk

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

Personnel Risks

Risk	Impact	Mitigation	Change
Key personnel V Failing to retain key personnel.	Strategy becomes more difficult to flex or implement.	The Remuneration Committee and Executives review remuneration packages against comparable market information where available; Employees have regular appraisals and documented development plans and targets; Incentive schemes are based on measurable annual targets and weighted towards share based rewards. However, the macro economic and political events in Russia may make it difficult to achieve even the lowest of these performance targets; and This has led to the Board and Remuneration Committee to review the current incentive scheme in light of this risk.	⇧

Russian Political and Economic Risk

Risk	Impact	Mitigation	Change
Ukraine and sanctions The Minsk agreement is not implemented satisfactorily and sanctions against Russia remain in place for the foreseeable future and are potentially increased.	Continued isolation of Russia from international markets and exacerbation of the slow down in the Russian economy.	It is difficult to mitigate against the worst case scenario if escalation were to close Russia's borders to Western markets. However, we have: - Maximised cash reserves at holding company level; - An organisational structure that would allow us to continue to operate the Russian business autonomously if necessary; and - A special purpose vehicle ("SPV") structure that protects the holding company assets (principally cash) in a worst case scenario. In the more likely scenario that events continue to weigh on the Russian economy in the medium term, we have dealt with specific risks in the other sections.	

Key:

V Viability statement risk

Increased risk in the period

Stable risk in the period

VIABILITY STATEMENT

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

Due to the market volatility over the last eighteen months and the significant swings in the Rouble exchange rate, management is currently focussed on a three year time horizon. This reflects market reluctance to enter into longer term contracts at this time. This has also meant a reduction in our weighted average term to maturity on existing leases to 3 years and on bank facilities to 4 years. For this reason the Board has agreed that a three year viability period is appropriate.

Key considerations for the Board have been cash flows and solvency, underlying earnings and the sensitivity of covenants on debt facilities. In addition this year, the key sensitivity of exchange rate movements on Rouble denominated leases has been added.

Actual events over the last two financial years have significantly stretched the boundaries of what was previously modelled as a reasonable "severe and plausible" scenario and this has given the Board added confidence in the Group's processes and balance sheet strength. The current model now assumes that the market dynamics remain static over the three year forecast period and that all leases switch to Rouble denominated contracts on maturity. The model is then sensitised for those principal risks and uncertainties highlighted earlier in the "Risks and Uncertainties" section, the key sensitivities applied to the Group being:

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

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

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

The Board is also reviewing the Group's incentive schemes to ensure they are fit for purpose for the retention of key individuals at a challenging time for the business.

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

Signed for and on behalf of the Board.

Mark Sinclair
Chief Financial Officer
13 March 2016

DIRECTORS

Richard Jewson (aged 71)

Non Executive Chairman

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

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

Anton Bilton (aged 51)

Executive Deputy Chairman

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

He is a member of the Nominations Committee.

Glyn Hirsch (aged 54)

Chief Executive Officer

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

Mark Sinclair (aged 50)

Chief Financial Officer

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

Colin Smith (aged 46)

Chief Operating Officer

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

Christopher Sherwell (aged 68)

Senior Independent Non Executive Director

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

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

Stephen Coe (aged 50)

Non Executive Director

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

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

David Moore (aged 55)

Non Executive Director

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

He is a member of the Audit and Remuneration Committees.

CORPORATE GOVERNANCE

Chairman's foreword

In this section of our Annual Report we explain how the principles of corporate governance have been adopted across the Group. The Board is collectively responsible for upholding high standards of corporate governance and see it as vital to support the delivery of the Group's strategic objectives, and as such, good governance has been embedded within the way we do business. Throughout the year, the Company complied with the provisions of the 2014 UK Corporate Governance Code (the "Code") published by the Financial Reporting Council save for provision B.1.1. This addresses the independence of the Non-Executive Directors which is discussed further on in this report. The 2014 Code saw a number of provisions revised to focus on longer term viability, risk and remuneration. The Board, together with management started a review of how the new provisions would impact the operations of the Group, the Board and its Committees during the latter part of 2014. I am pleased to report that the Company was already undertaking the majority of the activities introduced by the 2014 edition of the Code and with a few minor changes in its activities, fully complied with the revisions to the Code during the year ended 31 December 2015.

Richard Jewson
13 March 2016

Statement of Compliance with the Code

Responsibility for good governance lies with the Board. The Board is ultimately accountable to shareholders for the activities of the Group and remains committed to ensuring the high standards of Code are continually applied across the Group. Copies of the Code are available to download free of charge from the Financial Reporting Council's website (www.frc.org). As explained in the introduction, the Board considers that the Company complies fully with the provisions of the Code save for B.1.1 which sets out the requirements for Non-Executive Directors to be considered independent from the Company. Stephen Coe and David Moore have both served on the Board as Non-Executive Directors since the Company's establishment in 2005 therefore the Board has specifically considered their independence. The Board concluded that length of service is not necessarily a complete or accurate measure of a Director's independence, a view the Board feels is shared by its shareholders. In the Board's opinion, both Stephen and David continue to fulfil the requirements as independent Directors.

Leadership

The Role of the Board

The Board is collectively charged with governance of the Group, providing leadership and direction for management. The Board is responsible to shareholders for the long term success of the Group whilst ensuring appropriate management and operation in pursuit of the objectives of the Group. The Board sets the Group's strategy, values, standards and culture and ensures the resources and controls are in place to deliver this. A formal schedule of matters reserved solely for consideration by the Board has been adopted, this forms the basis of the Board's core activities.

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

Terms of reference delineating a clear division of responsibilities between the Chairman and Chief Executive are in place and are reviewed on a regular basis. The Chairman is primarily responsible for the effective working of the Board and the Chief Executive for the operational management of the business. This includes development of the Group's strategy and business model, the presentation of this to the Board and ultimately its implementation across the Group.

CORPORATE GOVERNANCE

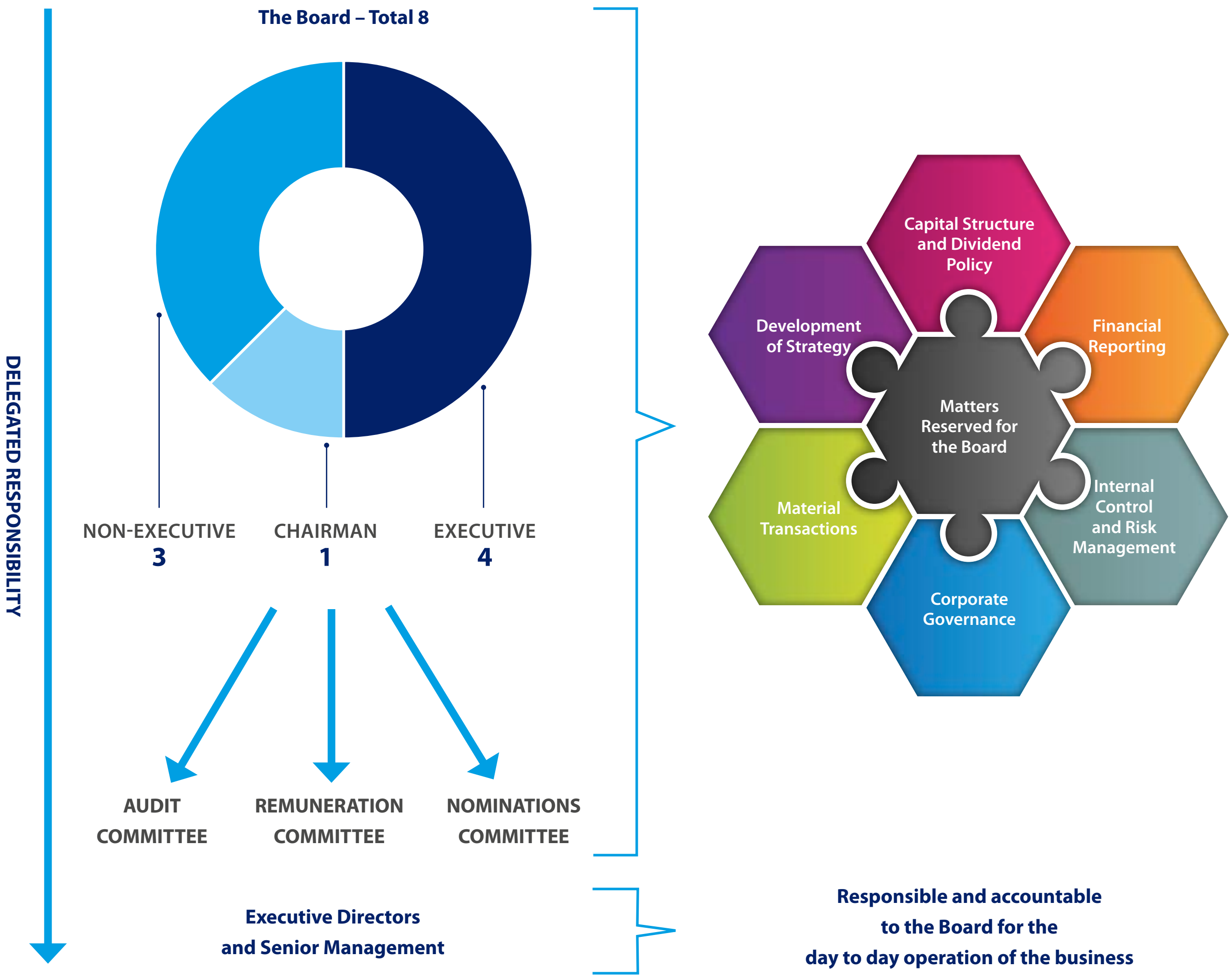
The Board and its Committees

Board composition

During the year, the Board comprised eight directors: Non Executive Chairman, Richard Jewson; four Executive Directors; and three Non Executive Directors. The Board considers all of the Non Executive Directors to be independent having given specific consideration to the continued appointment of Stephen Coe and David Moore as mentioned above. The balance of skills and expertise of the Board ensures that no individual or group of individuals dominate the Board's decision making, allowing for independent challenge and rigour to the Board's deliberations.

Christopher Sherwell is the Senior Independent Director of the Company.

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



The full Board meets at least six times a year to consider general matters affecting the Company and otherwise as required. Committee meetings comprising any two or more Directors meet on an ad hoc basis to consider transactional and related matters concerning the Company's business. During 2015, there were 15 such committee meetings. Meetings are generally held in Guernsey at the Group's head office, however at least once a year, the Board will hold a formal meeting in Russia to review the Group's operations and meet local management.

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

Attendance at Board or Committee meetings during the year to 31 December 2015

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

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

Effectiveness

Board performance evaluation

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

The performance evaluations for the year ended 2015 were undertaken internally, which included face to face interviews with each of the directors and included group discussions on the themes which arose from the interviews. It was concluded that the performance of the Board, its Committees and individual Directors was effective and the Board has the necessary balance of skills, expertise, independence and knowledge required to direct the business.

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

Nominations Committee

The Nominations Committee comprises Anton Bilton, Christopher Sherwell and Richard Jewson, who is Chairman. The Committee undertakes an annual review of any succession planning and ensures that the membership and composition of the Board and its Committees are constituted appropriately in light of the requirements of the Group, with the necessary balance of skills, expertise, independence and diversity to undertake their roles effectively. The Committee reviews the composition of the Board and its Committees in light of the Code. The Committee agreed that no formal policy will be adopted to meet any diversity targets, including gender, as this could be unfairly prejudicial and bias the opinions and judgements of the Board and its Committees in a selection process with any proposed appointment made on merit and giving due consideration to the existing Board composition.

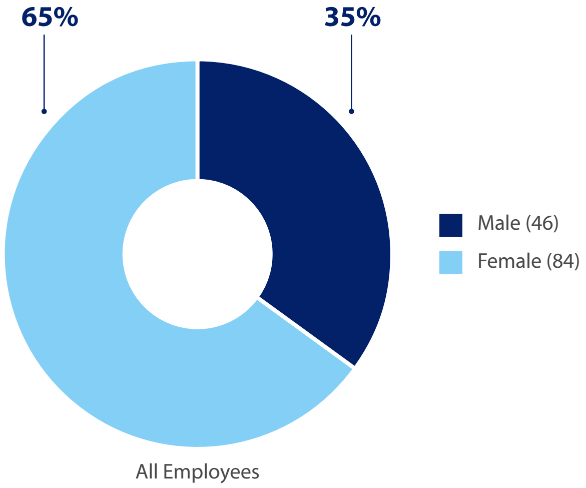
As reported in the 2014 annual report, the Nominations Committee had considered the appointment of two new Non Executive Directors to refresh the Board, however given the volatile conditions which were evident at the time and continue today, it was agreed by the Committee and supported by the Board that it was not an appropriate time for new members to join the Board. The Committee again considered the constitution of the Board and its committees and agreed that whilst the volatility in market conditions prevail, the experience, historic knowledge and relationships of the current Board will be crucial to see the Group through this time.

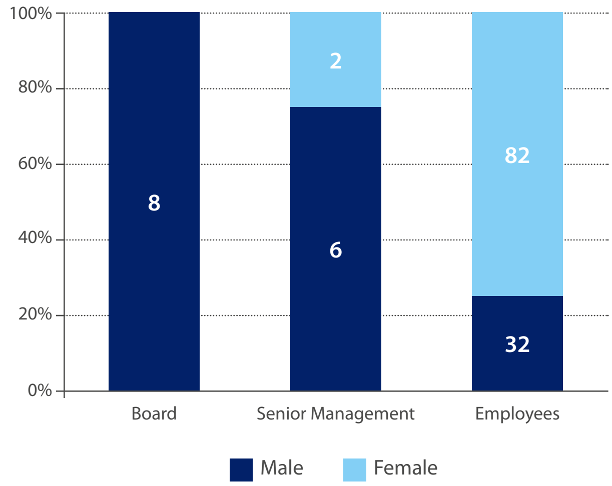
Diversity

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

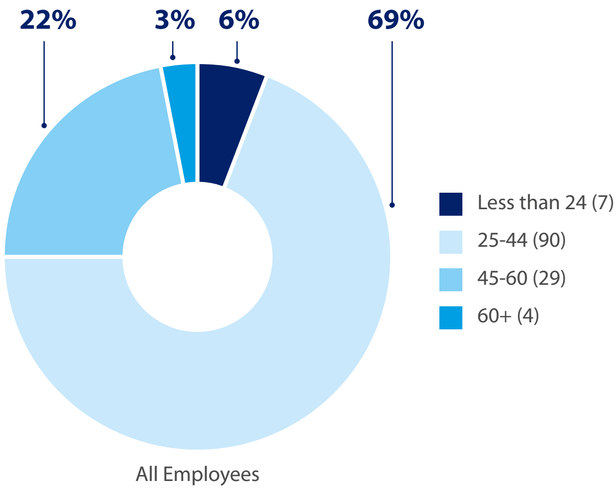
Information about the diversity of the Group's workforce at 31 December 2015 is set out below.

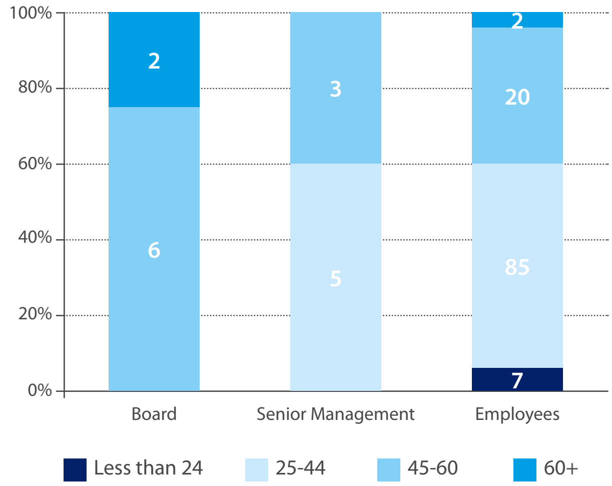
Gender



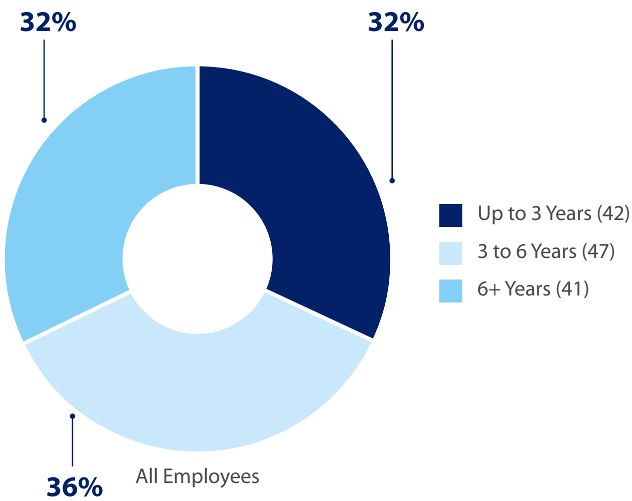


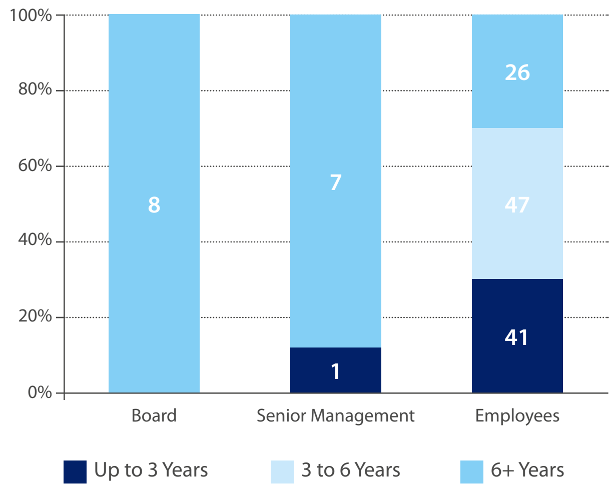
Age





Tenure





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

Remuneration Committee

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

Engagement with Shareholders

The Chief Executive, Executive Deputy Chairman and Chief Financial Officer are the Company's principal spokesmen with investors, fund managers, analysts, the press and other interested parties. The Company's investor relations programme includes formal presentations of the annual and interim results, as well as regular analyst briefings and meetings. The Board receives updates on the Company's investor relations activities including any reports prepared by the Company's brokers, external analyst papers, and details of any shareholder meetings.

The Board believes that sustainable financial performance and delivering on the objectives of the Company are key measures in building trust with the Company's shareholders. To promote a clear understanding of the Company, its objectives and financial results, the Board ensures that information relating to the Company is disclosed in a timely manner and in a format suitable to the shareholders of the Company. The Company's website has been developed to facilitate communication with all shareholders. Communication through these means allows our investors to receive information in a timely and cost effective manner.

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

CORPORATE RESPONSIBILITY

Corporate responsibility

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

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

The Board also recognises the social impact of its operations in each of its key jurisdictions, Russia, Guernsey and Cyprus. In Russia, this is particularly evident in the employment opportunities that are created in the communities where the Group's properties are located. Staff are encouraged to participate in community and charitable activities and the Board has established a fund to support local causes or charities, which meet the corporate values of the Group. During 2015 the Group invested $80,000 in supporting various causes including national and local charities and local community sports groups. No political donations were made during the year.

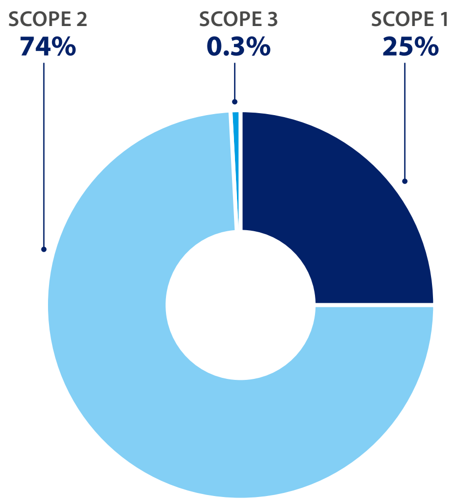
Greenhouse Gases

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

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

Data Point	Units	Quantity 2015	Quantity 2014	Quantity 2013
Scope 1	tonnes CO2e	19,289	20,778	18,138
Scope 2 (location-based)	tonnes CO2e	56,914	56,594	44,589
Scope 2 (market-based)	tonnes CO2e	56,919	n/a	n/a
Scope 1 + 2 Intensity (location-based)	tonnes CO2e / floor space (sqm)	0.05	0.06	0.05
Scope 3	tonnes CO2e	219	342	n/a

GHG Emissions



Data collection and methodology protocol

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

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

There was a 7% decrease in Scope 1 emissions and 6% increase in Scope 2 emissions from 2014. Compared to 2013, Scope 1 emissions reduced by 6%, whereas Scope 2 emissions increased by 28%. However, a large increase in Scope 2 emission in comparison with 2014 was mainly attributable to the change in conversion factor published by IEA, as underlying electricity consumption grew by only 2% over the same period, reflective of the increased warehouse space in the period.

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

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

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

LETTER FROM THE REMUNERATION COMMITTEE

Dear Shareholder,

On behalf of the Board, I present our report on Directors' remuneration for the year ended 31 December 2015.

Performance in context

As has been explained elsewhere in the Annual Report, the magnitude of the depreciation of the Rouble exchange rate since November 2014 has fundamentally changed the landscape in which the business operates. The move to Rouble denominated market rents halted all growth plans as the equivalent US Dollar rents plummeted. The business objective is now to secure the cashflows and occupancy of the existing portfolio.

To put the Group's current remuneration plans and incentive scheme into context:

- The remuneration structure and incentive scheme was designed in late 2013, and discussed with the key shareholders in early 2014. The objective was to reward results which fostered a progressive distribution policy. At that time the Rouble:US Dollar exchange rate was 33, around the running average for the previous ten years;
- The crisis in Ukraine came to the fore in early 2014 and the lower limits of the proposed incentive scheme were reduced in an attempt to allow for the uncertainties that could arise out of this event and the subsequent sanctions;
- When the AGM notice was issued in April 2014 the Rouble traded at 36 to the US Dollar;
- At the end of October 2014, the impact of sanctions on the market had been largely digested and the Rouble traded at 44 to the US Dollar. Even with this level of currency depreciation, the business was still focussed on a growth strategy, albeit tempered by events;
- Following the collapse in oil prices in November 2014 however, the Rouble went into free fall, touching 79 to the US Dollar in December 2014, swinging back to 49 in April 2015 and finishing the year at 73. At the time of writing, it is 70 to the US Dollar following a low of over 80 in January 2016.

In such a turbulent market, a remuneration scheme which incentivises management to make decisions in the best interests of the Company requires, at the very least, valid motivational targets. Over the past year it has become apparent that exogenous events can render such targets unattainable putting the focus and cohesion of our executive team at risk. This is because our distinctive shares-only incentive arrangements, with growth driven targets, do not align the management team incentive with the defensive strategy needed currently.

The fact that the Remuneration Committee has lacked discretion under these arrangements is a further complication. On top of this, we remain unable to identify a reliable peer group or appropriate indices for comparing executive rewards whether markets are going up or down. We have undertaken separate projects with Ernst & Young and New Bridge Street in an attempt to find suitable comparators. In both cases the conclusion has been that there are none. We are the only listed investment property group focussed on our niche market. Listed Russian property groups tend to be development-driven and even then have limited available public information. International groups that may invest in our market have diverse portfolios across property type and geographic markets. Our UK listed peers are exposed to different macro economic and market pressures.

The outcome is that we are left with a remuneration approach which will reward growth but has no room for discretion in the face of such fundamental changes in market dynamics as we have seen.

Performance Outcomes

In this context, performance for the year is above expectations. Underlying profits after tax have reduced by 18% on a drop in NOI of 9.5%. Cash balances have increased by $31 million to $202 million although operating cash inflow has dropped from $169 million to $136 million in the year. Vacancy has increased from 6% to 18% as a number of weaker businesses (mainly importers) succumbed to the weak currency but the bad debt charge in the year was only $4 million.

Details of the incentive schemes are given in the Remuneration Policy table and the summary of targets and performance is:

	2015 Performance	Minimum Target
CBLTIS 2015-2017 - Operating cash inflow after interest	$63million	$60million

Remuneration Decisions

The performance in 2015 means that 34% of the share incentive available for the Executives and Senior Management will be issued. In line with policy, increases in base salaries for Executives have been limited to inflation and no cash bonuses are available.

There were no changes made to the Remuneration Policy in 2015. However, as income is expected to reduce given current market realities, the incentive targets set for 2016 and 2017 are unlikely to be met, even at their minimum levels. We have begun to engage with the key shareholders to discuss this as the Executive and Management team are facing challenges far greater than those they would have confronted when the current incentives were agreed. In the Committee's view, they are making decisions designed to secure the long term value of the business but which are inimical to the reward objectives they have been set. The Committee needs an element of discretion to attempt to correct this, especially given the lack of comparative measurement. Any proposals agreed in outline with the largest shareholders will be presented at the forthcoming AGM for vote.

Christopher Sherwell
Chairman
Remuneration Committee
13 March 2016

DIRECTORS' REMUNERATION REPORT

Introduction

Composition

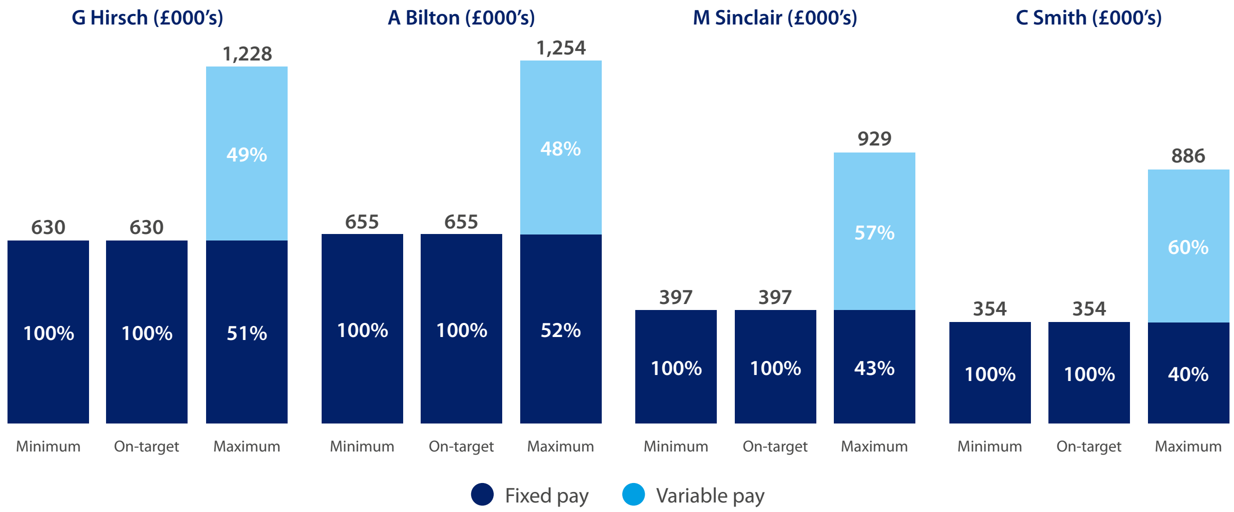
The Remuneration Committee comprises the Board's Non Executive Directors, Stephen Coe, Richard Jewson, David Moore and Christopher Sherwell, who is Chairman.

Policy

There were no changes to the Group's remuneration policy in the year which was approved by shareholders at the Company's AGM on 20 May 2014. The full text of the policy can be found on the investors page of the Company's website.

Potential Remuneration for Directors

The bar charts below show the potential remuneration which each Director could receive if performance in 2016 was below target thresholds, if performance was in line with expectations and the maximum that could be received if expectations are exceeded. Share based remuneration is valued at the share price at the date of grant and does not take account of share price appreciation or accrued distributions.



The minimum amount of remuneration is the fixed element comprising basic salary, pension and benefits. On target remuneration assumes nil vesting of the variable remuneration. The maximum remuneration assumes full vesting of the incentive schemes, not including the deferred element.

Recruitment and Exit Policies

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

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

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

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

**If a scheme participant ceases employment due to ill health or disability, redundancy as determined by the Committee or retirement, awards not vested shall continue in effect and vest on the original vesting dates if performance targets are met. The Committee has discretion to reduce awards with reference to the period of time that has elapsed from the date of grant to the date the participant ceases employment.

DIRECTORS' REMUNERATION REPORT

Shareholder Views

The view of shareholders is sought prior to any significant change to the Remuneration Policy. Prior to the introduction of the CBLTIS scheme, the views of shareholders holding over 60% of ordinary shares (67% not including Directors) were taken into account prior to formal presentation at the AGM. It was at the insistence of certain shareholders that the deferred element of the CBLTIS was included.

Annual Report on Remuneration

This report sets out information about the remuneration of the Directors for the year ended 31 December 2015. The information provided in the section entitled Audited Information has been audited by Ernst & Young LLP.

Audited Information

Summary of Remuneration for the Financial Year Ended 31 December 2015

In this section we summarise the total remuneration packages for the Executive Directors. A total remuneration cost is shown for each Director.

The Committee reviews all elements of pay and has discretion to reduce these if thought appropriate. No discretion has been exercised in the year.

						Shares vesting in the year			
						Value at vesting			
2015	Salary and fees £'000	All taxable benefits (1) £'000	Cash bonuses £'000	Pensions (2) £'000	Subtotal £'000	CBLTIS (4) £'000	LTIP (3) £'000	Total £'000	Adjusted total (5) £'000
G Hirsch	547	21	–	55	623	160	–	783	759
A Bilton	547	46	–	55	648	160	–	808	784
M Sinclair	341	18	–	34	393	142	–	535	514
C Smith	303	17	–	30	350	142	–	492	471

						Shares vesting in the year			
						Value at vesting			
2014	Salary and fees £'000	All taxable benefits (1) £'000	Cash bonuses £'000	Pensions (2) £'000	Subtotal £'000	Old CBLTIS (4) £'000	LTIP (3) £'000	Total £'000	Adjusted total (5) £'000
G Hirsch	538	23	–	54	615	702	181	1,498	1,190
A Bilton	538	42	–	54	634	702	146	1,482	1,199
M Sinclair	335	17	–	34	386	597	162	1,145	872
C Smith	298	18	–	30	346	390	81	817	653

1. Taxable benefits include health cover and insurance, subscriptions and sports memberships. These are not performance related. They have been calculated based on premiums and subscriptions payable.
2. Pensions are cash payments made to Executive Directors, either directly or to their pension scheme.
3. LTIP share awards have an exercise price of 25p.
4. Valuation at vesting for 2015 assumes the price of the shares at the end of the relevant financial period for the CBLTIS plus accumulated dividends or distributions. The CBLTIS awards are shown in the year of the related performance targets. The 2014 estimated figure has been restated to reflect the actual share price at the date of vesting.
5. In light of the contractual and economic restrictions on disposals of shares received as part of the Group's incentive schemes the total remuneration package has been recalculated using the Company's ordinary share price immediately before the announcement of these results, being the closing price on 11 March 2016.

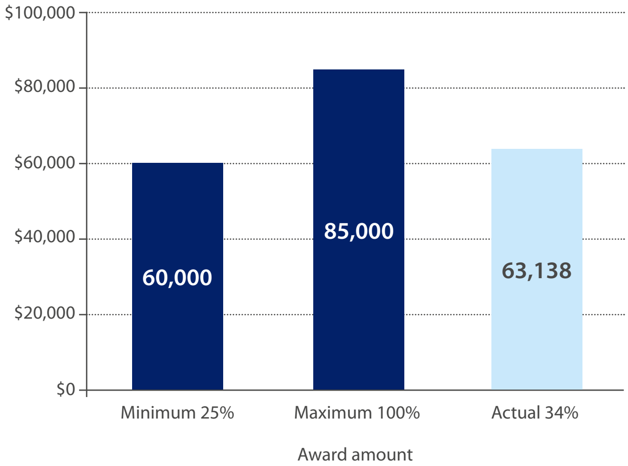
Combined Bonus and Long Term Incentive Scheme (CBLTIS 2015-2017)

Details of CBLTIS Awards for 2015

The operating cash flow after interest result for 2015 compared to target was as follows:

	$'000
Net cash generated from operating activities	136,152
Interest received	2,909
Bank borrowing costs paid	(69,465)
Dividends paid on preference shares	(17,156)
Bank borrowing costs capitalised	–
Total operating cash flow after interest	**52,440**
Adjustments for the cash working capital movements:	
Opening rents in advance and rent deposits	65,431
Closing rents in advance and rent deposits	(54,733)
Total cash inflow	**63,138**

CBLTIS targets for 2015 were:



The table below sets out the directors' interests in the CBLTIS 2012 to 2014 and the CBLTIS 2015 to 2017.

	Contingent awards of ordinary shares					
	At 1/1/15	Made in the year	Vested in the year	Lapsed in the year	At 31/12/15	Number that vest on publication of these accounts
CBLTIS 2012 to 2014						
G Hirsch	1,341,000	–	1,341,000	–	–	–
A Bilton	1,341,000	–	1,341,000	–	–	–
M Sinclair	1,141,000	–	1,141,000	–	–	–
C Smith	756,000	–	756,000	–	–	–
CBLTIS 2015 to 2017						
G Hirsch	–	4,500,000	–	–	4,500,000	387,157
A Bilton	–	4,500,000	–	–	4,500,000	387,157
M Sinclair	–	4,000,000	–	–	4,000,000	344,140
C Smith	–	4,000,000	–	–	4,000,000	344,140

Awards made under the CBLTIS 2015 to 2017 relate to performance over the period to 31 December 2017. The ordinary share price of the Company was 53.2p at the date the awards were granted.

DIRECTORS' REMUNERATION REPORT

2009 Long Term Incentive Plan (LTIP)

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

Performance criteria for each tranche were based on meeting a target of total shareholder return of 7.5% over UK RPI in each of the following three year periods, with a starting share price of 25p:

- 24 March 2009 to 24 March 2012;
- 24 March 2010 to 24 March 2013; and
- 24 March 2011 to 24 March 2014.

Dividends rolled up during the vesting period and options granted under this scheme have an exercise price of 25p.

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

LTIP	Available to exercise at 1/1/15	Vested in year	Exercised in year	Available to exercise at 31/12/15
G Hirsch	1,000,000	–	–	1,000,000
A Bilton	810,811	–	(810,811)	–
M Sinclair	–	–	–	–
C Smith	–	–	–	–

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

The beneficial interests of the Directors in office at 31 December 2015 in the Ordinary Shares, Preference Shares and Warrants of the Company, both at the beginning and the end of the year, are set out below. There have been no changes to the figures below since 31 December 2015.

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

Director	Number of Ordinary Shares 31/12/14	Number of Preference Shares 31/12/14	Number of Warrants 31/12/14
R Jewson	286,253	75,460	–
G Hirsch (1)	7,786,599	2,143,225	2,292,817
A Bilton (1)	54,927,148	8,479,640	11,319,075
M Sinclair (1)	3,090,194	726,275	–
C Smith (1)	1,054,469	466,891	7,385
C Sherwell	242,755	79,728	–
S Coe	126,030	53,061	–
D Moore	222,501	14,172	–
	67,735,949	**12,038,452**	**13,619,277**

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

Non Executive Directors

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

	2015 £'000	2014 £'000
R Jewson	110	110
C Sherwell	48	48
S Coe	48	48
D Moore	46	46
	252	**252**

The contractual arrangements of the Non Executive Directors for 2016 are:

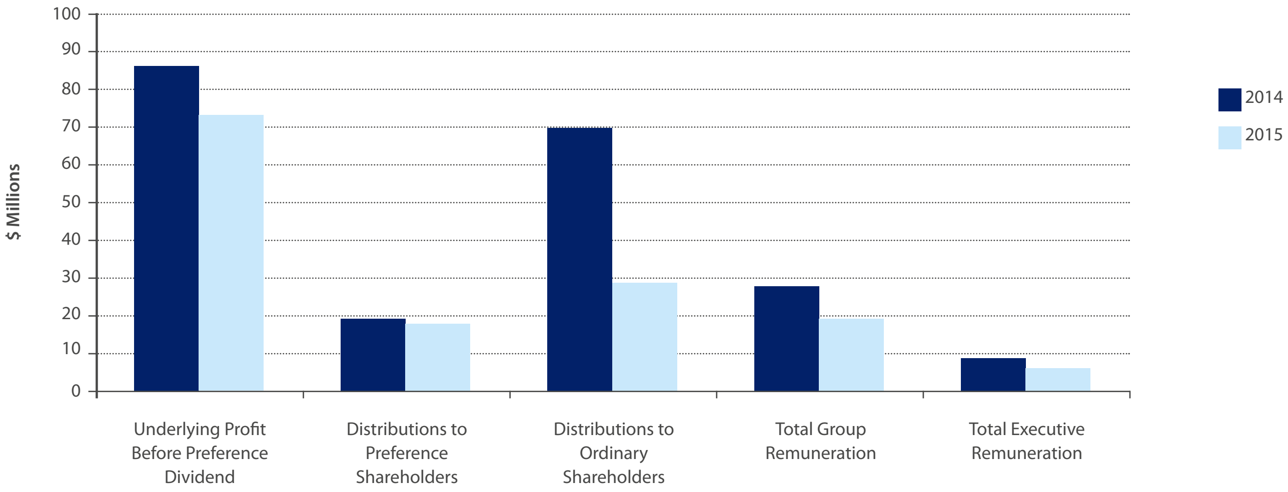
Non Executive Director	Fees £'000	Appointment date	Unexpired term	Notice period	Contractual termination payment
R Jewson	110	29.06.07	Rolling contract	3 months	No provision for payment on termination
S Coe	48	04.07.05	Rolling contract	3 months	
D Moore	46	04.07.05	Rolling contract	3 months	
C Sherwell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

These fees are fixed until 31 December 2016.

Unaudited Information

Relative Spend on Pay

The chart below shows the comparison between total executive remuneration, total Group remuneration, distributions to shareholders, both ordinary and preference and underlying profitability.



Underlying profitability before preference dividends shows the profit from operations after all remuneration and demonstrates how this profit has been distributed to preference and ordinary shareholders. These distributions are then compared to total pay and Directors' pay.

Glyn Hirsch's Remuneration Package

The table below summarises Glyn Hirsch's total remuneration over the last seven years.

Previous 7 years CEO package and percentage of total potential to earn

Year	Salary and fees £'000	Cash bonus £'000	Share based bonus £'000	CBLTIS £'000	LTIP £'000	Other benefits and pension £'000	Total £'000	Annual bonus payout against maximum	Long term incentive vesting rates against maximum opportunity %	Adjusted total [1] £'000
2015	547	-	-	160	-	76	783	Not Applicable	34%	759
2014	538	-	-	702	163	77	1,480	Not Applicable	100%	1,190
2013	523	-	-	906	169	75	1,673	Not Applicable	100%	1,162
2012	509	-	-	968	138	67	1,682	Not Applicable	100%	1,440
2011	494	250	424	-	-	60	1,228	Committee's Discretion	Not Applicable	1,087
2010	480	-	563	-	-	56	1,099	Committee's Discretion	Not Applicable	844
2009	467	-	698	-	-	55	1,220	Committee's Discretion	Not Applicable	1,036

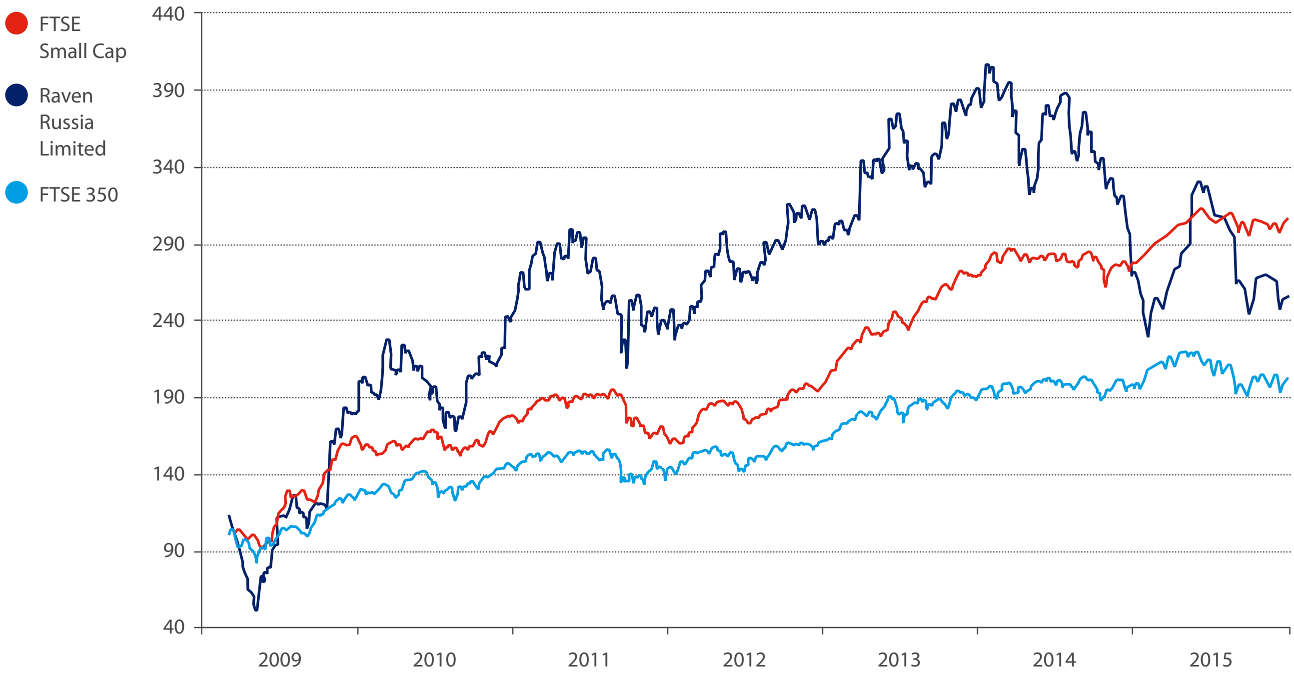
1. Due to the contractual and economic restrictions on disposals of shares received as part of the Group's incentive schemes, to be representative of the current value of the shares received the total remuneration package has been recalculated using the Company's ordinary share price immediately before the announcement of these results, being the closing price on 11 March 2016.

Percentage increase in remuneration in 2015 compared with remuneration in 2014

	CEO		
	2015	**2014**	**% change**
Salary and Fees	547,000	538,000	1.67%
Taxable benefits	21,025	23,134	-9.12%
Annual bonuses	–	–	–
Totals	**568,025**	**561,134**	**1.23%**

The increase for all employees in the year, on a like for like basis, was 1.74%.

A high percentage of the CEO's and other Executive Directors' remuneration packages are share based.



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

The contractual arrangements of the Executive Directors for 2016 are:

Director	Salary £'000	Appointment date	Unexpired term	Notice period	Contractual termination payment
G Hirsch	554	27.11.08	Rolling contract	12 months	Payment of 12 months salary and benefits on termination
A Bilton	554	27.11.08	Rolling contract	12 months	
M Sinclair	345	23.03.09	Rolling contract	12 months	
C Smith	306	14.11.08	Rolling contract	12 months	

At the 2015 Annual General Meeting the Remuneration Report was subject to an advisory vote. The table below sets out the result of the vote.

	For		Against			
Resolution	**Number of votes**	**%**	**Number of votes**	**%**	**Number of votes withheld**	**Total votes cast**
To approve the Remuneration Report	603,779,408	95.82	26,315,961	4.18	91,555	630,095,369

Christopher Sherwell
Chairman of the Remuneration Committee
13 March 2016

AUDIT COMMITTEE REPORT

Audit Committee Chairman's Introduction

Dear Shareholder

I am pleased to present our Audit Committee report for the year ended 31 December 2015. This report sets out the work of the Committee throughout the year.

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

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

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

During the year the Committee met with the external auditors, with and without management present, to assess the audit approach, audit independence and the working relationship between the Group auditor and management. We have also met with Jones Lang LaSalle ("JLL"), the Group's appointed independent valuers, to discuss the property portfolio, valuation methodology and more generally, the market conditions in the locations in which the Group operates.

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

The lead audit partner ends his five year term this year and the Committee has discussed and agreed the transition process to the new lead partner for the forthcoming year.

Stephen Coe
Chairman
Audit Committee
13 March 2016

The Audit Committee

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

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

The Committee met three times during 2015 and addressed:

- The recommendation to the Board to approve the 2014 annual and 2015 interim financial statements following consideration of the key areas of judgement;
- The appropriateness of the current forecast model as the basis for the viability statement;
- The appointment, remuneration and continued independence of the external auditor; and
- The monitoring of the Group's internal control procedures and risk management.

The action taken on these areas is expanded on below.

External Audit and Valuations

External Audit

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

EY was appointed in 2008 following a tender process and this is their eighth year of tenure as Group auditor. The current lead partner has been in place for five years and the appropriate members of the Board and Audit Committee have met with the proposed, new audit partner. It is the view of the Committee that he has the appropriate experience for the role.

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

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

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

Non Audit Services

EY LLP has also provided non audit services to the Group where they are determined to be best placed to provide the particular service. The Committee has policies in place for the provision of non audit services and the external auditor will not be permitted to carry out services such as property valuation or accounting services. The non audit services provided are typically assignments, such as a review of the interim financial statements, tax advisory, remuneration benchmarking or transaction advisory services. As shown in note 6(b) to the financial statements, total fees payable to EY in the year to 31 December 2015 amounted to $1.3 million, of which $0.2 million was for non audit services.

Committee Conclusions

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

Valuers

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

AUDIT COMMITTEE REPORT

Significant Issues Considered by the Audit Committee

In recommending the approval of the 2015 financial statements, the Committee considered the following:

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

Internal Control and Risk Management

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

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

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

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

The Audit Committee has established a Risk Committee to carry out the review and assessment of risks associated with the business. This Committee comprises Executive Directors and senior management involved in each operating jurisdiction and department of the Group. This engenders a culture of risk assessment within the Group and reinforces the strategic objectives communicated by the Board. During the year ended 31 December 2015, the Risk Committee met four times.

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

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

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

DIRECTORS' REPORT

The Directors present their report and the audited financial statements of the Group for the year ended 31 December 2015.

Principal activity

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

Business review

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

Results and dividends

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

The Company undertook a tender offer as an interim distribution for 1 in every 47 shares at 47p, equivalent to a dividend of 1p per share (2014: distribution of 2.5p by way of a tender offer 1 share in every 30 at 75p). The Directors are recommending a final distribution of 1p by way of a tender offer of 1 share in every 40 at 40p (2014: Distribution of 3.5p by way of a tender offer of 1 share in every 15 at 52p).

Directors

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

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

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

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

Substantial shareholdings

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

Ordinary Shares of £0.01

Name of holder	Number held 31 December 2015	% of share capital	Number held 25 February 2016	% of share capital
Invesco Asset Management	215,146,927	31.52	215,146,927	31.52
Schroder Investment Management	72,405,379	10.61	72,405,379	10.61
JO Hambro Capital Management	46,846,200	6.86	46,441,054	6.80
Woodford Investment Management	44,818,254	6.57	44,818,254	6.57
Ruffer	20,912,780	3.06	20,912,780	3.06

Relationship Agreement

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

On 20 November 2015, the Company entered into a Relationship Agreement with Invesco Asset Management Limited. The principal purpose of which is to ensure that the Company is capable at all times of carrying on its business independently of Invesco. If Invesco (together with its associates and/or those it acts in concert with) ceases to hold 30% of more of the voting rights over the Company's shares, the Relationship Agreement shall terminate.

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

Purchase of own shares

The Company was granted authority at the 2015 AGM to make market purchases of its own ordinary and preference shares. This authority will expire on 12 August 2016. A resolution will be proposed at the 2016 AGM to renew this authority.

Auditor

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

Going Concern

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

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

Directors' responsibilities

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

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

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

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

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

Directors' Responsibility Statement

The Statement of Directors' Responsibilities below has been prepared in connection with the Company's full Annual Report and Accounts for the year ended 31 December 2015.

The Board confirms to the best of its knowledge:

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

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

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

This responsibility statement was approved by the Board of Directors on 13 March 2016 and is signed on its behalf by:

Mark Sinclair
Chief Financial Officer

Colin Smith
Chief Operating Officer

INDEPENDENT AUDITOR'S REPORT

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

Opinion on the financial statements

In our opinion:

- Raven Russia Limited's Group financial statements (the "financial statements") give a true and fair view of the state of the Group's affairs as at 31 December 2015 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union;
- the financial statements have been prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

What we have audited

Raven Russia Limited's financial statements comprise:

- The Group Balance Sheet as at 31 December 2015
- The Group Income Statement for the year then ended
- The Group Statement of Comprehensive Income for the year then ended
- The Group Statement of Changes in Equity for the year then ended
- The Group Cash Flow Statement for the year then ended
- Related notes 1 to 37 to the Financial Statements

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

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

Overview of our audit approach

Risks of material misstatement

- Impact of uncertainties over the current economic environment in Russia
- Misstatement of the fair value of investment properties and investment properties under construction
- Revenue recognition with respect to rental revenue, service charge income and logistics income
- Going concern including the impact of uncertainties over the current economic and business environment in Russia on cash flow forecasts used to assess going concern.

Audit scope

- We performed an audit of the complete financial information of the Russia, United Kingdom and Guernsey components and audit procedures on specific balances for the Cyprus component.
- The components where we performed full or specific audit procedures accounted for 100% of Total assets, Revenue and Loss before tax.

Materiality

- Overall Group materiality of $8m which represents 0.5% of total assets.

INDEPENDENT AUDITOR'S REPORT

Our assessment of risk of material misstatement

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

Risk	Our response to the risk	What we concluded to the Audit Committee
Economic and financial uncertainties in Russia and their impact (as described in the Strategic Report) The current geopolitical situation remains an important area of focus for the Group and our audit. Continuing political and economic tension between the US, EU and Russia, together with movements in the oil price and foreign exchange rate, have resulted in continuing economic uncertainty, including deterioration of liquidity in Russia's banking sector. There is a risk that the impact of these events on the financial statements has not been adequately considered. In particular the impact on the valuation of investment property and the impact on cash flow forecasts used to assess going concern. Business practice in Russia may differ from business practices in more developed economies. There is a risk that inappropriate inducements may be sought by third parties which may be undetected by the board and management. Areas where inappropriate payments may be made include: payments to secure favourable development land; payments for planning permits; construction payments; payments to resolve ongoing litigations; or payments in connection with the acquisition or disposal of assets.	We performed the following audit procedures around the impact of uncertainties over the current economic environment in Russia: We built an understanding of the current economic environment in Russia through: • Discussions with management and EY professionals in Moscow and London; • Performance of press searches in Russia and the UK and reviewing economic forecasts. We assessed the impact of the uncertainties on the assessment of fair value of investment property and investment property under construction. We assessed the impact of the uncertainties on the future trading and cash flow forecasts and compliance with banking terms and covenants for the Group as part of our review of the assumptions supporting the going concern basis of preparation. Our procedures are described in more detail under the going concern section of this report. We documented our understanding of the areas of the Group's internal control environment that respond to these specific risks. We performed the following audit procedures around the third party inducements: We confirmed our understanding of the controls in place to prevent and detect transactions involving inappropriate inducements. We held fraud discussions with Raven staff at various levels and the audit committee throughout the audit. We enquired with management as to whether they had seen any evidence of fraud, or were aware of whistle blowing or other fraud related matters or instances of non-compliance with laws and regulations. We performed detailed substantive testing on capital expenditure through testing of additions to investment property under construction. We reviewed the cash book of the main operating accounts, reviewed the detailed listing of administration expense, performed journal entry testing and review of significant and unusual transactions to determine whether transactions are made for a valid business purpose and on an arm's length basis.	We have completed the additional procedures we designed in order to respond to the heightened political and economic uncertainty in Russia. We have no significant findings to report from the completion of these procedures. We conclude that the balances and disclosures in the financial statements and notes appropriately reflect the risk factors identified. We have no significant findings to report from the completion of these procedures.

Risk	Our response to the risk	What we concluded to the Audit Committee
Misstatement of the fair value of investment properties and investment properties under construction (as described in the Audit Committee Report and notes 3 and 13 of the financial statements). The valuation of investment property and investment property under construction requires significant judgements and estimates by management and the external valuer. The uncertainties over the current economic environment in Russia had an impact on the valuation of the Group's properties. In the current year, as referred to in note 3, JLL have highlighted in their assessment of the fair value of the property portfolio that there is limited transactional evidence and less certainty with regard to valuations and that market values can change rapidly in the current market conditions. Accordingly, they have stated that it has been necessary to make more judgements than is usually required.	We performed the following audit procedures around the valuation of investment properties and investment properties under construction: We confirmed our understanding of the Group's valuation process and controls over data used in the valuation of its property portfolio. We performed testing over source documentation provided by the Group to the external valuer, including lease data. We assessed the competence, capabilities and objectivity of the external valuer. With the support of our Chartered Surveyors in Russia and the UK, we: • Challenged the valuation approach and the assumptions made by the external valuer and the directors in performing thei valuation of each property. The key assumptions challenged included estimated rental values, yield profile and other assumptions that impact the value which were benchmarked to market data; • We conducted analytical procedures on the movement in valuation of each property compared to the prior year by reference to external market data to evaluate the appropriateness of the valuations adopted by the Group; • We assessed and challenged the judgements made by JLL in light of the valuation uncertainties they highlight in their report in respect of limited transactional evidence and rapidly changing market conditions. We met with the development director and assessed the forecast costs to complete included in the valuations by obtaining evidence to support these costs. We corroborated the information provided by the development director through valuation review, site visits and cost analysis. We have considered the impact of the current economic environment in Russia on the valuation of properties, including those uncertainties raised by JLL in their valuation report. We assessed the adequacy of the additional disclosures of estimates in note 3 and valuation assumptions in note 13 that were made in accordance with IFRS 13 – *Fair Value Measurement.*	We have completed our planned audit procedures over the valuation of investment property and investment property under construction. We have no significant findings to report from the completion of these procedures. We conclude that the balances and disclosures in the financial statements and notes appropriately reflect the risk factors identified. We have concluded that the assessment of fair values performed by JLL and the directors are within an acceptable range and the carrying values of investment property and investment property under construction are fairly stated at 31 December 2015. We have reviewed the disclosure in the financial statements relating to the valuation uncertainty paragraph included by JLL in their valuation report, and confirm that the disclosure is appropriate.

Risk	Our response to the risk	What we concluded to the Audit Committee
Revenue recognition (as described in note 2 of the financial statements). We have identified the following risks related to the recognition of revenue: Property investment: risk that the rental revenue, and service charge income, is not recorded correctly, including the effect of tenant incentives and contracted rent uplift balances. Roslogistics: risk that the logistics revenue is not recorded in the correct period. For each segment we also identified a risk in connection to fraud and error.	We performed the following audit procedures around revenue recognition: We confirmed our understanding of the controls in place to prevent and detect fraud and errors in revenue recognition. We performed a detailed analytical review of rental, service charge and logistics income based upon quantitative expectations, formed using historical data and our understanding of the changes in the Group's leasing profile during the year. We tested the correct recognition of revenue to underlying agreements (for example, leases) for all revenue streams on a sample basis. For the largest tenants, we performed a press search to assess the risk of default. We obtained and examined the trade receivable ageing to assess the recoverability of receivables by testing subsequent cash receipts and confirming the credit worthiness of the tenants with outstanding rent. We agreed the calculation of the IFRS rent straight-lining adjustment to underlying lease and tenancy data as well as the arithmetical accuracy of the calculation. We performed cut-off procedures on all revenue streams to confirm they had been recorded in the correct period.	As a result of the procedures performed we concluded that revenue has been appropriately recognised in accordance to the Group's accounting policy and IFRS.
Going concern (as described in the Directors' Report and note 2 of the financial statements) We considered this as an area of audit focus due to the uncertainties over the current economic and financial environment in Russia.	We performed the following audit procedures around the going concern assumption: We reviewed the cash flow forecasts prepared by management to support their going concern conclusion and challenged the appropriateness of the key assumptions (such as vacancy rates, foreign exchange rates, interest rates and the related impact of these on the Group's debt covenants) and considered their reasonableness in the context of other supporting evidence gained from our audit work. We reviewed the sensitivity analysis prepared by management (which flex the key assumptions noted above). We examined loan agreements to confirm that maturity dates and covenants are consistent with those used by management. We performed tests over the forecast compliance with covenants prepared by management by applying negative sensitivities.	As a result of the procedures performed we concluded that the Directors' assessment that the Group will continue to operate as a going concern, is reasonable.

In the prior year, our auditor's report included a risk of material misstatement in relation to litigation in CJSC Toros ("Toros"), the subsidiary company that owns the Pushkino project. As the main claim against Toros was resolved in 2014, the risk was not included in the current year.

The scope of our audit

Tailoring the scope

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

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

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

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

The reporting components where we performed audit procedures accounted for 100% of the Group's Loss before tax, Revenue and Total assets for both the current and prior years. For the current year, the full scope components contributed 96% (2014: 86%) of the Group's Loss before tax, 100% (2014: 100%) of the Group's Revenue and 99% (2014: 98%) of the Group's Total assets, with the remainder being addressed by specific scope procedures.

Involvement with component teams

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

Our application of materiality

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

Materiality

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

Based on the comparison we performed of UK listed real estate groups, a balance sheet approach using net assets or total assets is generally used as the basis for setting materiality. There is also evidence of a trend for auditor's to change from profits based to assets based materiality. Accordingly, we have reassessed the basis of materiality for the audit of the year ended 31 December 2015. For 2015 we have used an asset based measure, whereas in 2014 we used an income based measure. We discussed and agreed this change with the Audit Committee and management in May 2015.

Overall materiality for the year ended 31 December 2015 is based on 0.5% of total assets. The basis of materiality reflects the fact that the primary measure of performance for shareholders is a capital measure.

We have assessed overall materiality, in planning the scope of our audit to be $8.0 million based on 0.5% of total assets (2014: $2.4 million based on 5% of adjusted profit before tax).

Performance materiality

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

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 75% (2014: 50%) of our planning materiality, namely $6.0 million (2014: $1.7 million). We increased performance materiality to this percentage due to the fact that our understanding of the Group and past experience with the engagement do not indicate a higher risk of misstatements. This is evidenced by the fact that the sum of corrected and uncorrected misstatements noted in prior years' audits was not significant.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the performance materiality allocated to EY Cyprus was $3.0 million (2014: $1.7 million).

Reporting threshold

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

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of $0.4 million (2014: $0.17 million), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. The increase in threshold is explained by the change in basis for materiality calculation. We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the 2015 Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 64, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Matters on which we are required to report by exception

ISAs (UK and Ireland) reporting	We are required to report to you if, in our opinion, financial and non-financial information in the annual report is: • materially inconsistent with the information in the audited financial statements; or • apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or • otherwise misleading. In particular, we are required to report whether we have identified any inconsistencies between our knowledge acquired in the course of performing the audit and the directors' statement that they consider the annual report and accounts taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the entity's performance, business model and strategy; and whether the annual report appropriately addresses those matters that we communicated to the audit committee that we consider should have been disclosed.	We have no exceptions to report.
Companies (Guernsey) Law, 2008	We are required to report to you if, in our opinion: • proper accounting records have not been kept; or • the financial statements are not in agreement with the accounting records; or • we have not received all the information and explanations we require for our audit.	We have no exceptions to report.
Listing Rules review requirements	We are required to review: • the directors' statement in relation to going concern, set out on page 63, and longer-term viability, set out on page 39; and • the part of the Corporate Governance Statement relating to the company's compliance with the provisions of the UK Corporate Governance Code specified for our review.	We have no exceptions to report.

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

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

Nick Gomer
for and on behalf of Ernst & Young LLP
London
13 March 2016

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

GROUP INCOME STATEMENT

For the year ended 31 December 2015

	Notes	2015 Underlying earnings $'000	2015 Capital and other $'000	2015 Total $'000	2014 Underlying earnings $'000	2014 Capital and other $'000	2014 Total $'000
Gross revenue	4 / 5	219,704	–	219,704	257,596	–	257,596
Property operating expenditure and cost of sales		(45,581)	–	(45,581)	(65,279)	(9)	(65,288)
Net rental and related income		**174,123**	**–**	**174,123**	**192,317**	**(9)**	**192,308**
Administrative expenses	4 / 6	(30,081)	(414)	(30,495)	(26,967)	(7,663)	(34,630)
Share-based payments and other long term incentives	31	–	(3,594)	(3,594)	–	(2,354)	(2,354)
Foreign currency profits / (losses)		1,223	–	1,223	(15,471)	–	(15,471)
Operating expenditure		**(28,858)**	**(4,008)**	**(32,866)**	**(42,438)**	**(10,017)**	**(52,455)**
Share of profits of joint ventures	16	2,518	–	2,518	955	–	955
Operating profit / (loss) before profits and losses on investment property		**147,783**	**(4,008)**	**143,775**	**150,834**	**(10,026)**	**140,808**
Unrealised loss on revaluation of investment property	11	–	(251,198)	(251,198)	–	(135,422)	(135,422)
Unrealised loss on revaluation of investment property under construction	12	–	(5,350)	(5,350)	–	(9,982)	(9,982)
Operating profit / (loss)	4	**147,783**	**(260,556)**	**(112,773)**	**150,834**	**(155,430)**	**(4,596)**
Finance income	7	2,909	1,584	4,493	3,208	2,453	5,661
Finance expense	7	(85,745)	(11,031)	(96,776)	(78,915)	(20,194)	(99,109)
Profit / (loss) before tax		**64,947**	**(270,003)**	**(205,056)**	**75,127**	**(173,171)**	**(98,044)**
Tax	8	(10,389)	23,086	12,697	(8,475)	18,330	9,855
Profit / (loss) for the year		**54,558**	**(246,917)**	**(192,359)**	**66,652**	**(154,841)**	**(88,189)**
Earnings per share:	9						
Basic (cents)				(28.81)			(12.33)
Diluted (cents)				(28.81)			(12.33)
Underlying earnings per share:	9						
Basic (cents)		8.17			9.32		
Diluted (cents)		7.93			8.94		

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

All items in the above statement derive from continuing operations.

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

The accompanying notes are an integral part of this statement.

GROUP STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2015

	2015 $'000	2014 $'000
Loss for the year	**(192,359)**	**(88,189)**
Other comprehensive income, net of tax		
Items to be reclassified to profit or loss in subsequent periods:		
Foreign currency translation on consolidation	(1,753)	(41,010)
Total comprehensive income for the year, net of tax	**(194,112)**	**(129,199)**

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

The accompanying notes are an integral part of this statement.

GROUP BALANCE SHEET

As at 31 December 2015

	Notes	2015 $'000	2014 $'000
Non-current assets			
Investment property	11	1,333,987	1,593,684
Investment property under construction	12	39,129	47,958
Plant and equipment		3,141	4,491
Goodwill	14	2,245	2,375
Investment in joint ventures	16	14,968	17,355
Other receivables	17	6,145	37,042
Derivative financial instruments	19	5,585	6,853
Deferred tax assets	25	25,523	35,766
		1,430,723	**1,745,524**
Current assets			
Inventory		1,381	1,389
Trade and other receivables	18	50,264	52,623
Derivative financial instruments	19	233	432
Cash and short term deposits	20	202,291	171,383
		254,169	**225,827**
Total assets		**1,684,892**	**1,971,351**
Current liabilities			
Trade and other payables	21	53,384	84,962
Derivative financial instruments	19	2,097	1,253
Interest bearing loans and borrowings	22	104,724	55,252
		160,205	**141,467**
Non-current liabilities			
Interest bearing loans and borrowings	22	814,021	837,429
Preference shares	23	156,558	164,300
Other payables	24	31,653	37,595
Derivative financial instruments	19	1,794	4,153
Deferred tax liabilities	25	55,619	89,118
		1,059,645	**1,132,595**
Total liabilities		**1,219,850**	**1,274,062**
Net assets		**465,042**	**697,289**

GROUP BALANCE SHEET

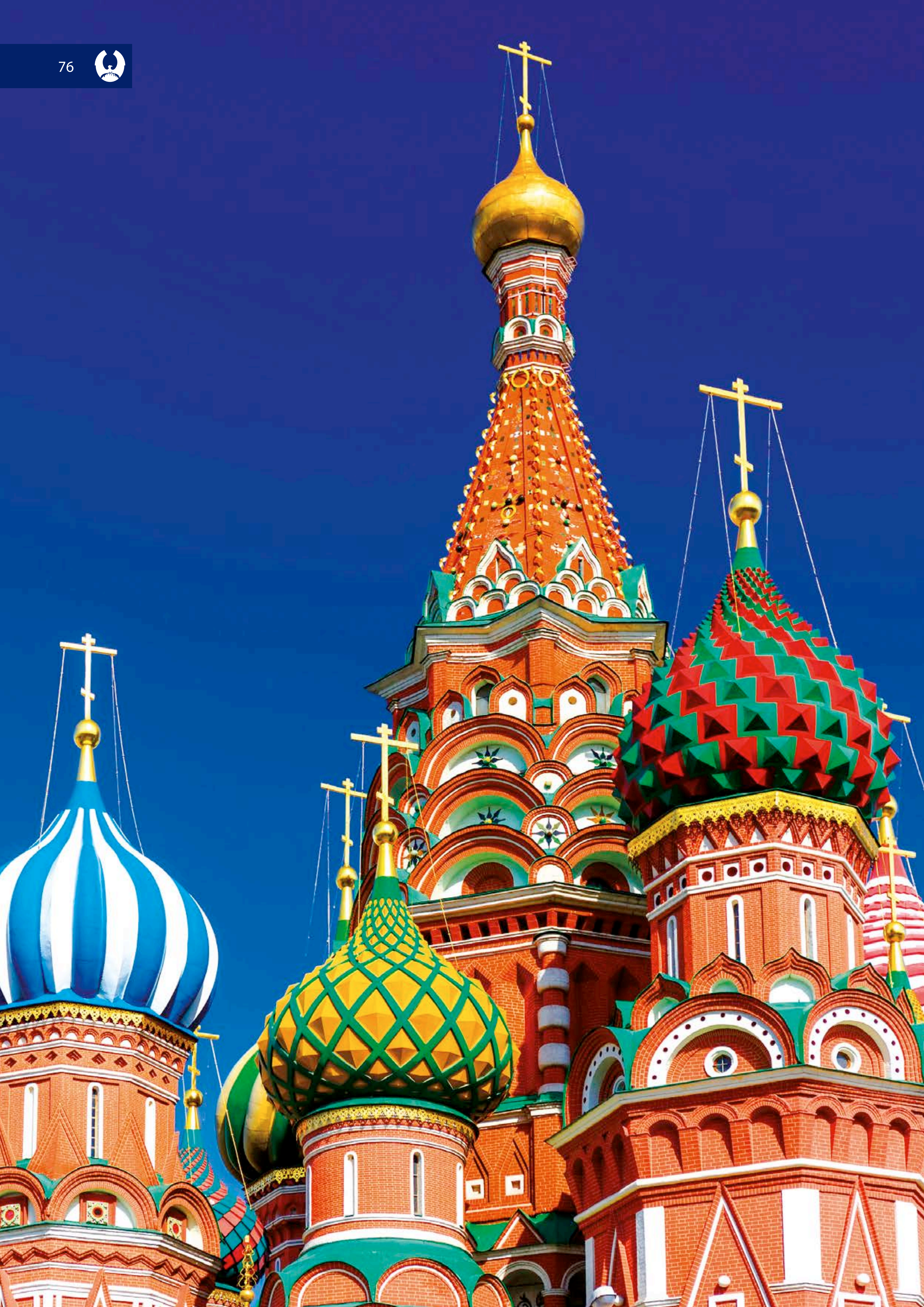
	Notes	2015 $'000	2014 $'000
Equity			
Share capital	26	12,776	13,623
Share premium		224,735	267,992
Warrants	27	1,167	1,195
Own shares held	28	(52,101)	(63,649)
Capital reserve		(210,176)	16,597
Translation reserve		(188,141)	(186,388)
Retained earnings		676,782	647,919
Total equity	29 / 30	**465,042**	**697,289**
Net asset value per share (dollars):	30		
Basic		0.72	1.01
Diluted		0.70	0.98
Adjusted net asset value per share (dollars):	30		
Basic		0.72	1.10
Diluted		0.70	1.06

The financial statements were approved by the Board of Directors on 13 March 2016 and signed on its behalf by:

Mark Sinclair
Chief Financial Officer

Colin Smith
Chief Operating Officer

The accompanying notes are an integral part of this statement.



GROUP STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

For the year ended 31 December 2014	Notes	Share Capital $'000	Share Premium $'000	Warrants $'000	Own Shares Held $'000	Capital Reserve $'000	Translation Reserve $'000	Retained Earnings $'000	Total $'000
At 1 January 2014		13,876	287,605	1,279	(22,754)	146,392	(145,378)	610,899	891,919
Loss for the year		–	–	–	–	–	–	(88,189)	(88,189)
Other comprehensive income		–	–	–	–	–	(41,010)	–	(41,010)
Total comprehensive income for the year		–	–	–	–	–	(41,010)	(88,189)	(129,199)
Warrants exercised	26 / 27	21	587	(84)	–	–	–	–	524
Own shares acquired	28	–	–	–	(48,636)	–	–	–	(48,636)
Own shares allocated	28	–	–	–	7,141	–	–	(7,011)	130
Ordinary shares cancelled	26 / 28	(274)	(20,200)	–	600	–	–	–	(19,874)
Share-based payments	31	–	–	–	–	–	–	2,425	2,425
Transfer in respect of capital losses		–	–	–	–	(129,795)	–	129,795	–
At 31 December 2014		**13,623**	**267,992**	**1,195**	**(63,649)**	**16,597**	**(186,388)**	**647,919**	**697,289**
For the year ended 31 December 2015									
Loss for the year		–	–	–	–	–	–	(192,359)	(192,359)
Other comprehensive income		–	–	–	–	–	(1,753)	–	(1,753)
Total comprehensive income for the year		–	–	–	–	–	(1,753)	(192,359)	(194,112)
Warrants exercised	26 / 27	7	198	(28)	–	–	–	–	177
Own shares acquired	28	–	–	–	(76)	–	–	–	(76)
Own shares allocated	28	–	–	–	7,932	–	–	(9,145)	(1,213)
Ordinary shares cancelled	26 / 28	(854)	(43,455)	–	3,692	–	–	–	(40,617)
Share-based payments	31	–	–	–	–	–	–	3,594	3,594
Transfer in respect of capital losses		–	–	–	–	(226,773)	–	226,773	–
At 31 December 2015		**12,776**	**224,735**	**1,167**	**(52,101)**	**(210,176)**	**(188,141)**	**676,782**	**465,042**

The accompanying notes are an integral part of this statement.

GROUP CASH FLOW STATEMENT

For the year ended 31 December 2015

	Notes	2015 $'000	2014 $'000
Cash flows from operating activities			
Loss before tax		(205,056)	(98,044)
Adjustments for:			
Depreciation	6	1,599	2,142
Provision for bad debts	6	3,720	–
Loss on disposal of plant and equipment		–	9
Impairment of goodwill	6 / 14	–	3,082
Share of profits of joint ventures	16	(2,518)	(955)
Finance income	7	(4,493)	(5,661)
Finance expense	7	96,776	99,109
Loss on revaluation of investment property	11	251,198	135,422
Loss on revaluation of investment property under construction	12	5,350	9,982
Foreign exchange (profits) / losses		(1,223)	15,471
Share-based payments and other long term incentives	31	3,594	2,354
		148,947	162,911
(Increase) / decrease in operating receivables		(4,892)	1,267
(Increase) / decrease in other operating current assets		(159)	904
(Decrease) / increase in operating payables		(2,967)	7,677
		140,929	172,759
Receipts from joint ventures		3,954	983
Tax paid		(8,731)	(4,945)
Net cash generated from operating activities		**136,152**	**168,797**
Cash flows from investing activities			
Payments for investment property under construction		(20,028)	(105,582)
Refunds of VAT on construction		4,877	4,790
Payments in respect of prior period acquisitions		–	(12,873)
Release of restricted cash		25,392	12,873
Proceeds from sale of plant and equipment		–	42
Purchase of plant and equipment		(755)	(1,625)
Loans repaid		473	273
Interest received		2,909	3,208
Net cash generated from / (used in) investing activities		**12,868**	**(98,894)**

	Notes	2015 $'000	2014 $'000
Cash flows from financing activities			
Proceeds from long term borrowings		80,944	298,000
Repayment of long term borrowings		(57,787)	(208,553)
Bank borrowing costs paid		(69,465)	(70,979)
Exercise of warrants	26 / 27	177	524
Ordinary shares purchased	26 / 28	(41,906)	(68,928)
Dividends paid on preference shares		(17,156)	(18,225)
Settlement of derivative financial instruments		–	(339)
Premium paid for derivative financial instruments		(5,107)	(3,271)
Net cash used in financing activities		**(110,300)**	**(71,771)**
Net increase / (decrease) in cash and cash equivalents		**38,720**	**(1,868)**
Opening cash and cash equivalents		171,383	201,324
Effect of foreign exchange rate changes		(7,812)	(28,073)
Closing cash and cash equivalents	20	**202,291**	**171,383**

The accompanying notes are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

1. General information

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

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

The audited financial statements of the Group for the year ended 31 December 2015 were authorised by the Board for issue on 13 March 2016.

2. Accounting policies

Basis of preparation

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

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

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

Going concern

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

Statement of compliance

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

Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year. The Group has adopted new and amended IFRS and IFRIC interpretations as of 1 January 2015, which had no impact on the financial position or performance of the Group.

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

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

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

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

Basis of consolidation

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

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

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

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

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

Joint ventures

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

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

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

Revenue recognition

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

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

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

(b) Roslogistics
Logistics revenue, excluding value added tax, is recognised as services are provided.

(c) Raven Mount
The sale of completed property and land is recognised on legal completion.

Taxation

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

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

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

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

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

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

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

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

Where the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the value added tax is recognised as part of the cost of acquisition of the asset or as part of the expenditure item as applicable; and

Receivables and payables that are stated with the amount of value added tax included.

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

Investment property and investment property under construction

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

Investment property is measured initially at its cost, including related transaction costs. After initial recognition, investment property is carried at fair value. The Directors assess the fair value of investment property based on independent valuations carried out by their appointed property valuers or on independent valuations prepared for banking purposes. The Group has appointed Jones Lang LaSalle as property valuers to prepare valuations on a semi-annual basis. Valuations are undertaken in accordance with appropriate sections of the current Practice Statements contained in the Royal Institution of Chartered Surveyors Appraisal and Valuation Standards, 9th Edition (the "Red Book"). This is an internationally accepted basis of valuation. Gains or losses arising from changes in the fair value of investment property are included in the Income Statement in the period in which they arise. For the purposes of these financial statements, in order to avoid double counting, the assessed fair value is reduced by the present value of any tenant incentives and contracted rent uplifts that are spread over the lease term and increased by the carrying amount of any liability under a head lease that has been recognised in the balance sheet.

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

Leasing (as lessors)

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

Financial assets

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

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

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

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

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

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

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity comprises ordinary shares and warrants.

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

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

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

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

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the Income Statement net of any reimbursement.

Own shares held

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

Share-based payments and other long term incentives

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

Awards linked to or settled by ordinary shares

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

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

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and service conditions are satisfied.

Where an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met.

Awards linked to or settled by preference shares

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

Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

(c) On consolidation

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

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

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

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

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

Dividends

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

3. Critical accounting estimates and judgements

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

Judgements other than estimates

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

(a) Acquisitions

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

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

(b) Recognition of deferred tax assets

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

Estimates

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

The best evidence of fair value is current prices in an active market for similar lease and other contracts. In the absence of such information, the Group determines the amount within a range of reasonable, fair value estimates. In making its estimation the Group considers information from a variety of sources and engages external, professional advisers to carry out third party valuations of its properties. The external valuations are completed in accordance with appropriate sections of the current Practice Statements contained in the Royal Institution of Chartered Surveyors Appraisal and Valuation Standards, 9th Edition (the "Red Book"). This is an internationally accepted basis of valuation and is consistent with the requirements of IFRS 13. In our market, where transactional activity is minimal, the valuers are required to use a greater degree of estimation or judgement than in a market where comparable transactions are more readily available. For the valuations at 31 December 2015 and 31 December 2014 the valuer has highlighted that as a result of market conditions at the valuation date it was necessary to make more judgements than is normally required.

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

(b) Income tax

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

Russian tax legislation is subject to varying interpretations and changes, which may occur frequently. The interpretation of legislation that 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.

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

4. Segmental information

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

Property Investment - acquire, develop and lease commercial property in Russia
Roslogistics - provision of warehousing, transport, customs brokerage and related services in Russia
Raven Mount - sale of residential property in the UK

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

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

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

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

For the Balance Sheet, segmental information is provided in relation to investment property, inventory, cash balances and borrowings. Whilst segment liabilities includes loans and borrowings, segment loss does not include the related finance costs. If such finance costs were included in segment profit or loss, the loss from Property Investment would have increased by $71,571k (2014: $67,658k).

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

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

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

(a) Segmental information for the year ended and as at 31 December 2014

Year ended 31 December 2014	**Property Investment $'000**	**Roslogistics $'000**	**Raven Mount $'000**	**Segment Total $'000**	**Central Overhead $'000**	**Total $'000**
Gross revenue	230,108	24,399	3,089	257,596	–	257,596
Operating costs / cost of sales	(55,567)	(8,606)	(1,115)	(65,288)	–	(65,288)
Net operating income	**174,541**	**15,793**	**1,974**	**192,308**	**–**	**192,308**
Administrative expenses						
Running general and administration expenses	(16,662)	(1,907)	(1,474)	(20,043)	(6,924)	(26,967)
Other acquisition / abortive project costs	(2,439)	–	–	(2,439)	–	(2,439)
Impairment of goodwill	–	(3,082)	–	(3,082)	–	(3,082)
Depreciation	(1,822)	(314)	(6)	(2,142)	–	(2,142)
Share-based payments and other long term incentives	(562)	–	–	(562)	(1,792)	(2,354)
Foreign currency losses	(13,266)	(2,205)	–	(15,471)	–	(15,471)
	139,790	**8,285**	**494**	**148,569**	**(8,716)**	**139,853**
Unrealised loss on revaluation of investment property	(135,422)	–	–	(135,422)	–	(135,422)
Unrealised loss on revaluation of investment property under construction	(9,982)	–	–	(9,982)	–	(9,982)
Share of profits of joint ventures	–	–	955	955	–	955
Segment profit / (loss)	**(5,614)**	**8,285**	**1,449**	**4,120**	**(8,716)**	**(4,596)**
Finance income						5,661
Finance expense						(99,109)
Loss before tax						**(98,044)**

As at 31 December 2014	**Property Investment $'000**	**Roslogistics $'000**	**Raven Mount $'000**	**Total $'000**
Assets				
Investment property	1,593,684	–	–	1,593,684
Investment property under construction	47,958	–	–	47,958
Investment in joint ventures	–	–	17,355	17,355
Inventory	–	–	1,389	1,389
Cash and short term deposits	164,868	618	5,897	171,383
Segment assets	**1,806,510**	**618**	**24,641**	**1,831,769**
Other non-current assets				86,527
Other current assets				53,055
Total assets				**1,971,351**
Segment liabilities				
Interest bearing loans and borrowings	892,681	–	–	892,681
Capital expenditure				
Payments for investment property under construction	105,582	–	–	105,582

5. Gross revenue

	2015 $'000	2014 $'000
Rental and related income	202,286	230,108
Proceeds from the sale of inventory property	2,151	3,089
Logistics	15,267	24,399
	219,704	**257,596**

The Group's leases typically include annual rental increases ("contingent rents") based on a consumer price index in Russia, Europe or the USA, which are recognised in income as they arise. Contingent rents included in rental income for the year amounted to $2,148k (2014: $2,507k).

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

In 2014 there were no single customers accounting for more than 10% of Group revenues. In 2015 there was one customer of the property investment segment which exceeded this threshold. The Group derived revenue of $23.6 million from this customer in the year.

6. Administrative expenses

(a) Total administrative expenses	2015 $'000	2014 $'000
Employment costs	14,607	13,618
Directors' remuneration	3,502	3,698
Bad debts	3,720	–
Office running costs and insurance	4,039	4,032
Travel costs	1,430	1,878
Auditors' remuneration	851	1,006
Abortive project costs	(1,185)	2,439
Impairment of goodwill	–	3,082
Legal and professional	1,430	2,252
Depreciation	1,599	2,142
Registrar costs and other administrative expenses	502	483
	30,495	**34,630**

(b) Fees for audit and other services provided by the Group's auditor	2015 $'000	2014 $'000
Audit services	686	807
Audit related assurance services	73	74
	759	**881**
Other fees:		
Taxation services	12	97
Other services	80	28
	92	125
Total fees	**851**	**1,006**

In 2014 the Group engaged Ernst & Young to undertake due diligence for two investment property acquisitions that were under consideration. These transactions were subsequently aborted. Ernst & Young charged fees amounting to $324k for this work which are included in arbortive project costs.

Ernst & Young also provide audit and taxation services for various SPVs that form part of the property operating costs. Charges for the audit of SPVs in the year amounted to $345k (2014: $338k) and the fees for taxation services were $73k (2014: $82k).

7. Finance income and expense

	2015 $'000	2014 $'000
Finance income		
Total interest income on financial assets not at fair value through profit or loss		
Income from cash and short term deposits	2,909	3,208
Other finance income		
Change in fair value of open forward currency derivative financial instruments	–	342
Change in fair value of open interest rate derivative financial instruments	1,373	1,292
Change in fair value of foreign currency embedded derivatives	211	–
Profit on maturing interest rate derivative financial instruments	–	119
Profit on maturing forward currency derivative financial instruments	–	700
Finance income	**4,493**	**5,661**
Finance expense		
Interest expense on loans and borrowings measured at amortised cost	71,570	67,658
Interest expense on preference shares	18,628	20,012
Total interest expense on financial liabilities not at fair value through profit or loss	90,198	87,670
Change in fair value of open forward currency derivative financial instruments	2,531	4,609
Change in fair value of open interest rate derivative financial instruments	4,047	3,387
Change in fair value of foreign currency embedded derivatives	–	3,443
Finance expense	**96,776**	**99,109**

Included in the interest expense on loans and borrowings is $3.8 million (2014: $8.1 million) relating to amortisation of costs incurred in originating the loans. Included in the interest expense on preference shares is $0.6 million (2014: $0.7 million) relating to the accretion of premiums payable on redemption of preference shares and amortisation of costs incurred in issuing preference shares.

8. Tax

	2015 $'000	2014 $'000
The tax expense for the year comprises:		
Current taxation	11,151	9,149
Deferred taxation (note 25)		
On the origination and reversal of temporary differences	(22,662)	(4,925)
On unrealised foreign exchange movements in loans	(1,203)	(14,256)
Adjustments recognised in the period for tax of prior periods	17	177
Tax credit	**(12,697)**	**(9,855)**

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

	2015 $'000	2014 $'000
Loss before tax	(205,056)	(98,044)
Tax at the Russian corporate tax rate of 20%	(41,011)	(19,609)
Tax effect of income not subject to tax and non-deductible expenses	44,659	38,760
Tax on dividends and other inter company gains	2,333	1,064
Tax effect of financing arrangements	(30,478)	(123,428)
Movement on unprovided deferred tax	11,783	93,181
Adjustments recognised in the period for current tax of prior periods	17	177
	(12,697)	**(9,855)**

9. Earnings measures

In addition to reporting IFRS earnings the Group adopts the European Public Real Estate Association ("EPRA") earnings measure, as set out in their Best Practice Policy Recommendations document issued in December 2014 and also reports its own underlying earnings measure.

EPRA earnings

The EPRA earnings measure excludes investment property revaluations and gains or losses on disposal of investment property, intangible asset movements, gains and losses on derivative financial instruments and related taxation.

Underlying earnings

Underlying earnings consists of the EPRA earnings measure, with additional group adjustments. The Directors consider underlying earnings to be a key performance measure, as this is the measure used by Management to assess the return on holding investment assets for the long term. Adjustments include share-based payments and other long term incentives, the accretion of premiums payable on redemption of preference shares, material non-recurring items, depreciation and amortisation of loan origination costs.

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

	2015 $'000	2014 $'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share being the net loss for the year prepared under IFRS	**(192,359)**	**(88,189)**
Adjustments to arrive at EPRA earnings:		
Unrealised loss on revaluation of investment property	251,198	135,422
Unrealised loss on revaluation of investment property under construction	5,350	9,982
Profit on maturing foreign currency derivative financial instruments (note 7)	–	(700)
Profit on maturing interest rate derivative financial instruments (note 7)	–	(119)
Change in fair value of open forward currency derivative financial instruments (note 7)	2,531	4,267
Change in fair value of open interest rate derivative financial instruments (note 7)	2,674	2,095
Change in fair value of foreign currency embedded derivatives (note 7)	(211)	3,443
Movement on deferred tax thereon	(24,562)	(8,205)
EPRA earnings	**44,621**	**57,996**
Loss on disposal of plant and equipment	–	9
Impairment of goodwill	–	3,082
Abortive project costs	(1,185)	2,439
Share-based payments and other long term incentives	3,594	2,354
Premium on redemption of preference shares and amortisation of issue costs (note 7)	614	650
Depreciation (note 6a)	1,599	2,142
Amortisation of loan origination costs (note 7)	3,839	8,105
Tax on unrealised foreign exchange movements in loans	1,476	(10,125)
Underlying earnings	**54,558**	**66,652**

	2015 No '000	2014 No '000
Number of shares		
Weighted average number of ordinary shares for the purposes of basic EPS (excluding own shares held)	**667,758**	**714,986**
Effect of dilutive potential ordinary shares:		
Warrants (note 27)	11,727	17,011
ERS (note 31)	300	325
LTIP (note 31)	2,478	3,832
CBLTIS (note 31)	1,926	9,375
New CBLTIS (note 31)	2,994	–
Weighted average number of ordinary shares for the purposes of diluted EPS (excluding own shares held)	**687,183**	**745,529**

	2015 Cents	2014 Cents
EPS basic	**(28.81)**	**(12.33)**
Effect of dilutive potential ordinary shares:		
Warrants	–	–
ERS	–	–
LTIP	–	–
CBLTIS	–	–
New CBLTIS	–	–
Diluted EPS	**(28.81)**	**(12.33)**
EPRA EPS basic	**6.68**	**8.11**
Effect of dilutive potential ordinary shares:		
Warrants	(0.11)	(0.20)
ERS	–	–
LTIP	(0.03)	(0.04)
CBLTIS	(0.02)	(0.10)
New CBLTIS	(0.03)	–
EPRA EPS diluted	**6.49**	**7.78**
Underlying EPS basic	**8.17**	**9.32**
Effect of dilutive potential ordinary shares:		
Warrants	(0.15)	(0.22)
ERS	–	–
LTIP	(0.03)	(0.05)
CBLTIS	(0.02)	(0.11)
New CBLTIS	(0.04)	–
Underlying EPS diluted	**7.93**	**8.94**

10. Ordinary dividends

The Company did not declare a final dividend for the year ended 31 December 2014 or an interim dividend for 2015 and instead implemented two tender offer buy backs of ordinary shares.

In the place of a final dividend for 2014 the Company implemented a tender offer buy back of ordinary shares on the basis of 1 in every 15 shares held at a tender price of 52 pence per share, the equivalent of a final dividend of 3.5 pence per share. Instead of an interim dividend for 2015 the Company implemented a tender offer buy back of ordinary shares on the basis of 1 in every 47 shares at a tender price of 47 pence per share, the equivalent of a dividend of 1 pence per share.

11. Investment property

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

Asset class Location Fair value hierarchy*	Logistics Moscow Level 3 $'000	Logistics St Petersburg Level 3 $'000	Logistics Regions Level 3 $'000	Office St Petersburg Level 3 $'000	2014 Total $'000
Market value at 1 January 2014	1,198,986	189,090	217,113	40,922	1,646,111
Transfer from investment property under construction (note 12)	105,553	–	–	–	105,553
Property improvements and movement in completion provisions	(7,667)	312	348	877	(6,130)
Unrealised loss on revaluation	(74,771)	(19,328)	(25,885)	(12,947)	(132,931)
Market value at 31 December 2014	**1,222,101**	**170,074**	**191,576**	**28,852**	**1,612,603**
Tenant incentives and contracted rent uplift balances	(16,311)	(4,899)	(2,323)	(1,501)	(25,034)
Head lease obligations (note 24)	6,115	–	–	–	6,115
Carrying value at 31 December 2014	**1,211,905**	**165,175**	**189,253**	**27,351**	**1,593,684**
Revaluation movement in the year ended 31 December 2014					
Gross revaluation	(74,771)	(19,328)	(25,885)	(12,947)	(132,931)
Effect of tenant incentives and contracted rent uplift balances	(2,633)	(393)	269	266	(2,491)
Revaluation reported in the Income Statement	**(77,404)**	**(19,721)**	**(25,616)**	**(12,681)**	**(135,422)**

*Classified in accordance with the fair value hierarchy, see note 35. There were no transfers between fair value hierarchy in 2014 or 2015.

The movement in completion provisions for Moscow Logistics in 2014 includes the release of the completion provision in respect of the acquisition of Pushkino upon the conclusion of the litigation inherited with the asset. At 31 December 2015 the Group has pledged investment property with a value of $1,348 million (2014: $1,541 million) to secure banking facilities granted to the Group (note 22).

12. Investment property under construction

Asset class	Assets under construction			Land Bank				
Location	Moscow	Regions		Moscow	St Petersburg	Regions		2015
Fair value hierarchy*	Level 3	Level 3	Sub-total	Level 3	Level 3	Level 3	Sub-total	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Market value at 1 January 2015	34,000	9,500	**43,500**	–	–	3,216	**3,216**	**46,716**
Costs incurred	789	–	**789**	–	413	283	**696**	**1,485**
Effect of foreign exchange rate changes	(2,369)	(1,570)	**(3,939)**	–	–	(785)	**(785)**	**(4,724)**
Transfer between asset classes	–	–	**–**	–	–	–	**–**	**–**
Unrealised loss on revaluation	(4,720)	(630)	**(5,350)**	–	–	–	**–**	**(5,350)**
Market value at 31 December 2015	**27,700**	**7,300**	**35,000**	**–**	**413**	**2,714**	**3,127**	**38,127**
Head lease obligations (note 24)	1,002	–	**1,002**	–	–	–	**–**	**1,002**
Carrying value at 31 December 2015	**28,702**	**7,300**	**36,002**	**–**	**413**	**2,714**	**3,127**	**39,129**

Asset class	Assets under construction			Land Bank				
Location	Moscow	Regions		Moscow	St Petersburg	Regions		2014
Fair value hierarchy*	Level 3	Level 3	Sub-total	Level 3	Level 3	Level 3	Sub-total	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Market value at 1 January 2014	79,535	13,800	**93,335**	–	3,668	18,963	**22,631**	**115,966**
Costs incurred	66,669	58	**66,727**	–	175	284	**459**	**67,186**
Effect of foreign exchange rate changes	(7,032)	(4,908)	**(11,940)**	–	(1,286)	(7,675)	**(8,961)**	**(20,901)**
Transfer between asset classes	–	–	**–**	–	–	–	**–**	**–**
Transfer to investment property (note 11)	(105,553)	–	**(105,553)**	–	–	–	**–**	**(105,553)**
Unrealised profit / (loss) on revaluation	381	550	**931**	–	(2,557)	(8,356)	**(10,913)**	**(9,982)**
Market value at 31 December 2014	**34,000**	**9,500**	**43,500**	**–**	**–**	**3,216**	**3,216**	**46,716**
Head lease obligations (note 24)	1,242	–	**1,242**	–	–	–	**–**	**1,242**
Carrying value at 31 December 2014	**35,242**	**9,500**	**44,742**	**–**	**–**	**3,216**	**3,216**	**47,958**

*Classified in accordance with the fair value hierarchy, see note 35. There were no transfers between fair value hierarchy in 2014 or 2015.

	2015 $'000	2014 $'000
Revaluation movement in the year		
Unrealised (loss) / profit on revaluation of assets carried at external valuations	(5,350)	931
Unrealised loss on revaluation of assets carried at directors' valuation	–	(10,913)
	(5,350)	**(9,982)**

No borrowing costs were capitalised in the year (2014: $2.7 million).

At 31 December 2015 the Group has pledged investment property under construction with a value of $35.0 million (2014: $43.5 million) to secure banking facilities granted to the Group (note 22).

13. Investment property and investment property under construction - Valuation

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

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

The latter is sub-categorised as:

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

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

The fair value of the Group's investment property and assets under construction at 31 December 2015 has been arrived at on the basis of market valuations carried out by Jones Lang Lasalle ("JLL"), external valuers to the Group. JLL have consented to the use of their name in these financial statements.

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

Valuation process

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

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

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

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

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

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

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

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

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

Valuation assumptions and key inputs

Class of property	Carrying amount 2015 $'000	Carrying amount 2014 $'000	Valuation technique	Input	Range 2015	Range 2014
Completed investment property						
Moscow - Logistics	1,029,136	1,211,905	Income capitalisation	Long term ERV per sqm for existing tenants	$90 to $110	$110 to $135
				Short term ERV per sqm for vacant space	$64 to $110	$110 to $135
				Initial yield	11.2% to 14.9%	11.3% to 12.8%
				Equivalent yield	10.8% to 12.7%	10.5% to 13.7%
				Vacancy rate	13.9% to 100.0%	0.9% to 69.0%
				Passing rent per sqm	$54 to $191	$68 to $231
St Petersburg - Logistics	133,774	165,175	Income capitalisation	Long term ERV per sqm for existing tenants	$75	$110
				Short term ERV per sqm for vacant space	$57 to $75	$110
				Initial yield	13.3% to 14.1%	13.0% to 13.8%
				Equivalent yield	12.7% to 13.3%	12.8% to 13.6%
				Vacancy rate	11.7% to 40.0%	0% to 8.4%
				Passing rent per sqm	$60 to $146	$96 to $129
Regional - Logistics	147,331	189,253	Income capitalisation	Long term ERV per sqm for existing tenants	$75	$105
				Short term ERV per sqm for vacant space	$57 to $75	$105
				Initial yield	12.2% to 13.1%	14.3% to 14.6%
				Equivalent yield	12.7%	13.0% to 13.3%
				Vacancy rate	13.0% to 21.0%	0.9% to 5.2%
				Passing rent per sqm	$63 to $214	$99 to $214
St Petersburg - Office	23,746	27,351	Income capitalisation	ERV per sqm	$235	$235
				Initial yield	15.8%	19.5%
				Equivalent yield	13.0%	13.0%
				Vacancy rate	0%	0%
				Passing rent per sqm	$294	$323

	Description	Range 2015	Range 2014
Other key information			
Moscow - Logistics	Land plot ratio	31% - 65%	34% - 65%
	Age of building	1 to 11 years	0 to 10 years
	Outstanding costs (US$'000)	6,931	9,131
St Petersburg - Logistics	Land plot ratio	51% - 57%	51% - 57%
	Age of building	1 to 7 years	0 to 6 years
	Outstanding costs (US$'000)	743	1,573
Regional - Logistics	Land plot ratio	48% - 61%	48% - 61%
	Age of building	6 years	5 years
	Outstanding costs (US$'000)	81	–
St Petersburg - Office	Land plot ratio	320%	320%
	Age of building	9 years	8 years
	Outstanding costs (US$'000)	53	400

	Carrying amount 2015 $'000	Carrying amount 2014 $'000	Valuation technique	Input	Range 2015	Range 2014
Investment property under construction						
Moscow - Logistics	28,702	35,242	Comparable	Value per ha ($m)	$0.29-$0.61	$0.42-$0.89
Regional - Logistics	7,300	9,500	Comparable	Value per ha ($m)	$0.29	$0.37

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

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

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

All of the above valuations are completed by JLL.

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

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

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

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

In preparing their valuations at 31 December 2015 and 31 December 2014, JLL have specifically referred to the uncertainty in the market caused by sanctions and by an oil price that is low compared with recent history. The Rouble exchange rate exhibited both volatility and further weakness, inflation remained a concern and debt is comparatively expensive. Investment in all sectors of the economy is depressed. There is a resulting lack of clarity as to pricing levels and market drivers. JLL comment that prices agreed during negotiation are typically reduced prior to exchange of contracts as purchasers bring to bear their greater negotiating position and ability to complete transactions in an uncertain market. They further say that in this environment, prices and values are going through a period of heightened volatility and as a result there is less certainty with regard to valuations and that market values can change rapidly in the current conditions. Where the numbers of genuine third party, arm's length, transactions are severely limited it is challenging to draw conclusions on current market yields and to accurately assess ERVs where landlord and tenants are continuing to negotiate to find the new equilibrium due to the Rouble devaluation. This corresponds to the Group's experience.

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

14. Goodwill

	Roslogistics $'000	Raven Mount $'000	Total $'000
Balance at 1 January 2014	5,383	2,523	7,906
Effect of foreign exchange rate changes	(2,301)	(148)	(2,449)
Impairment of goodwill	(3,082)	–	(3,082)
Balance at 31 December 2014	**–**	**2,375**	**2,375**
Effect of foreign exchange rate changes	–	(130)	(130)
Balance at 31 December 2015	**–**	**2,245**	**2,245**

Goodwill acquired through the Raven Mount and Roslogistics business combinations has been allocated for impairment purposes to their operating segments. These represent the lowest level within the Group at which goodwill is monitored for internal management purposes. The recoverable amount of goodwill has been determined based on value in use calculations using cash flow projections and project appraisals approved for internal management reporting and discounted at rates appropriate to each of the segments.

15. Investment in subsidiary undertakings

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

Name	Country of Incorporation	Proportion of ownership interest 2015	2014
CJSC Kulon Development	Russia	100%	100%
Fenix LLC	Russia	100%	100%
Petroestate LLC	Russia	100%	100%
EG Logistics LLC	Russia	100%	100%
CJSC Kulon Istra	Russia	100%	100%
Soyuz-Invest LLC	Russia	100%	100%
CJSC Noginsk Vostok	Russia	100%	100%
Resource Economia LLC	Russia	100%	100%
Kulon Spb LLC	Russia	100%	100%
Logopark Don LLC	Russia	100%	100%
Logopark Ob LLC	Russia	100%	100%
Delta LLC	Russia	100%	100%
CJSC Toros	Russia	100%	100%
Dorfin Limited	Cyprus	100%	100%
League LLC	Russia	100%	100%
Roslogistics Holdings (Russia) Limited	Cyprus	100%	100%
Avalon Logistics Company LLC	Russia	100%	100%
Raven Mount Group Limited	England	100%	100%
Raven Russia Property Advisors Limited	England	100%	100%
Raven Russia (Service Company) Limited	Guernsey	100%	100%

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

16. Investment in joint ventures

The principal joint venture of the Group is as follows:

Name	Country of Incorporation	Proportion of ownership interest 2015	2014
Coln Park LLP	England	50%	50%

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

Summarised Balance Sheet	2015 $'000	2014 $'000
Non-current assets	4,833	5,333
Inventory	16,262	17,030
Cash and short term deposits	2,289	2,120
Other current assets	505	497
Current liabilities	(4,221)	(1,133)
Net assets	**19,668**	**23,847**
Investment in joint ventures		
Goodwill on acquisition	5,134	5,431
Share of net assets at 50%	9,834	11,924
Carrying value	**14,968**	**17,355**
Carrying value at 1 January	17,355	18,464
Share of profit for the year	2,518	955
Share of distributions paid	(3,954)	(983)
Effect of foreign exchange rate changes	(951)	(1,081)
Carrying value at 31 December	**14,968**	**17,355**

Summarised Income Statement	2015 $'000	2014 $'000
Gross revenue	18,575	8,779
Cost of sales	(12,628)	(6,026)
Administrative expenses	(943)	(787)
Profit before tax	**5,004**	**1,966**
Tax	32	(56)
Profit for the year	**5,036**	**1,910**
Group's share of profit for the year	**2,518**	**955**

The joint ventures had no contingent liabilities or capital commitments as at 31 December 2015 and 2014. The joint ventures cannot distribute their profits until they obtain the consent from the joint venture partners.

The Group charged its joint ventures $92k (2014: $132k) for services rendered to them during the year. The joint ventures recharged certain costs back to the Group that for the year amounted to $104k (2014: $178k) of which $10k (2014: $11k) was included in payables at the balance sheet date. During the year the Group advanced a loan to Coln Park LLP of $368k.

17. Other receivables

	2015 $'000	2014 $'000
Loans receivable	606	1,029
VAT recoverable	3,024	4,907
Security deposits	2,391	4,596
Prepayments and other receivables	124	181
Restricted cash	–	26,329
	6,145	**37,042**

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

18. Trade and other receivables

	2015 $'000	2014 $'000
Trade receivables	38,682	36,459
Prepayments	3,149	3,505
Security deposits	2,041	–
VAT recoverable	4,482	10,637
Other receivables	202	778
Tax recoverable	1,708	1,244
	50,264	**52,623**

19. Derivative financial instruments

	2015 $'000	2014 $'000
Interest rate derivative financial instruments		
Non-current assets	2,900	5,819
Current assets	12	–
Non-current liabilities	(210)	(1,963)
Current liabilities	(413)	–
Forward currency derivative financial instruments		
Non-current assets	2,685	1,034
Current assets	184	432
Foreign currency embedded derivatives		
Current assets	37	–
Non-current liabilities	(1,584)	(2,190)
Current liabilities	(1,684)	(1,253)

The Group has entered into a series of interest rate derivative financial instruments to manage the interest rate and resulting cash flow exposure from the Group's banking facilities. At 31 December 2015 the instruments have a notional value of $667 million (2014: $678 million) and a weighted average fixed or capped rate of 1.51% (2014: 1.49%).

The Group had also entered into a series of forward currency derivative financial instruments to hedge interest payments due to preference shareholders against sterling strengthening. The instruments have a notional amount of $91.0 million (2014: $70.4 million), a weighted average capped rate of $1.6 to £1 (2014: $1.6 to £1) and quarterly maturities with the final instruments maturing on 18 December 2019 (2014: 21 December 2016).

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

20. Cash and short term deposits

	2015 $'000	2014 $'000
Cash at bank and on call	84,732	146,054
Short term deposits	117,559	25,329
	202,291	**171,383**

Cash at bank and on call attracts variable interest rates, whilst short term deposits attract fixed rates but mature and re-price over a short period of time. The weighted average interest rate at the balance sheet date is 1.21% (2014: 1.39%).

21. Trade and other payables

	2015 $'000	2014 $'000
Trade and other payables	5,196	7,374
Construction payables	3,913	19,477
Advanced rentals	25,801	35,182
Other payables	2,165	9,005
Current tax payable	5,217	3,286
Other tax payable	11,080	10,604
Head leases (note 24)	12	34
	53,384	**84,962**

22. Interest bearing loans and borrowings

	2015 $'000	2014 $'000
Bank loans		
Loans due for settlement within 12 months	104,724	55,252
Loans due for settlement after 12 months	814,021	837,429
	918,745	**892,681**
The Group's borrowings have the following maturity profile:		
On demand or within one year	104,724	55,252
In the second year	162,222	174,646
In the third to fifth years	527,861	406,066
After five years	123,938	256,717
	918,745	**892,681**

The amounts above include unamortised loan origination costs of $11.3 million (2014: $13.3 million) and interest accruals of $2.3 million (2014: $1.4 million).

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

As at 31 December 2015	Interest Rate	Maturity (years)	$'000
Secured on investment property and investment property under construction	7.2%	4.0	894,995
Unsecured facility of the Company	7.9%	4.7	23,750
			918,745
As at 31 December 2014			
Secured on investment property and investment property under construction	6.9%	4.8	863,931
Unsecured facility of the Company	7.9%	5.7	28,750
			892,681

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

During the year there were the following changes to the Group's financing arrangements:

The remaining $39 million of the facility secured on the Noginsk project was drawn, as was a further $27 million on the facility secured on the Nova Riga project.

On 21 August 2015, a two year extension was agreed on the facility secured on the Istra project, extending the maturity to April 2018.

The Group agreed and has drawn down in full a $15 million facility secured on its Pulkovo project. The facility has a one year term.

The facility secured on the office block in St Petersburg was in breach of its debt service obligations during the year. In accordance with accounting standards, the amount outstanding of $33 million has been moved to loans due for settlement within 12 months. However, as previously disclosed, this facility has been subject to a full cash sweep since December 2012 following a potential loan to value covenant breach that was subsequently waived. The cash sweep continues and no further action has been taken.

At 31 December the Group had no undrawn loan facilities available (2014: $89 million).

The Group has entered into hedging arrangements in respect of its exposure to interest rates (note 19). $212 million (2014: $222 million) of Group bank borrowings have been swapped into fixed rates with one year remaining (2014: two years) at a weighted average swap rate of 1.44% (2014: 1.44%), $456 million (2014: $457 million) capped at 1.55% (2014: 1.52%) for two years (2014: three years) and $260 million (2014: $220 million) are fixed rate loans with a weighted average rate of 7.21% (2014: 7.14%) for four years (2014: five years). This gave a weighted average cost of debt to the Group of 7.3% (2014: 7.0%) at the year end.

The Group has entered into a two-year forward dated cap starting in April 2016 to extend the existing Istra hedging arrangement on expiry.

23. Preference shares

	2015 $'000	2014 $'000
Authorised share capital:		
400,000,000 (2014: 400,000,000) preference shares of 1p each	**5,981**	**5,981**

	2015 $'000	2014 $'000
Issued share capital:		
At 1 January	164,300	172,205
Reissued / issued in the year	–	593
Premium on redemption of preference shares and amortisation of issue costs	614	650
Scrip dividends	643	935
Effect of foreign exchange rate changes	(8,999)	(10,083)
At 31 December	**156,558**	**164,300**

	2015 Number	2014 Number
Issued share capital:		
At 1 January	98,012,427	97,379,362
Reissued / issued in the year	–	258,197
Scrip dividends	315,590	374,868
At 31 December	**98,328,017**	**98,012,427**
Shares in issue	98,365,066	98,049,476
Held by the Company's Employee Benefit Trusts	(37,049)	(37,049)
At 31 December	**98,328,017**	**98,012,427**

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

Preference shares reissued are where the Company's Employee Benefit Trusts transfer preference shares previously acquired or subscribed to employees in accordance with the terms of the CBLTIS (see note 31b).

24. Other payables

	2015 $'000	2014 $'000
Rent deposits	28,932	30,249
Head leases	2,721	7,323
Other payables	–	23
	31,653	**37,595**

The Group has leasehold properties that it classifies as investment property and investment property under construction. Minimum lease payments due over the remaining term of the leases totalled $8.5 million (2014: $22.3 million) and have a present value at 31 December 2015, as reflected above and in note 21, of $2.733 million (2014: $7.357 million).

25. Deferred tax

(a) Deferred tax assets	Tax losses $'000	Other $'000	Total $'000
Balance at 1 January 2014	48,402	(310)	48,092
Effect of foreign exchange rate changes	(23,723)	–	(23,723)
Charge for the year	11,104	293	11,397
Balance at 31 December 2014	**35,783**	**(17)**	**35,766**
Effect of foreign exchange rate changes	(7,750)	–	(7,750)
(Charge) / credit for the year	(2,554)	61	(2,493)
Balance at 31 December 2015	**25,479**	**44**	**25,523**

The Group has tax losses in Russia of $417 million (2014: $481 million) and tax losses in the UK of $117 million (2014: $119 million) for which deferred tax assets have not been recognised. The losses in Russia expire in 10 years (2014: 10 years) whilst the UK losses do not have an expiry date.

(b) Deferred tax liabilities	Accelerated tax allowances $'000	Revaluation of investment property $'000	Total $'000
Balance at 1 January 2014	44,627	70,859	115,486
Effect of foreign exchange rate changes	(18,761)	–	(18,761)
Charge / (credit) for the year	8,002	(15,609)	(7,607)
Balance at 31 December 2014	**33,868**	**55,250**	**89,118**
Effect of foreign exchange rate changes	(7,158)	–	(7,158)
Charge / (credit) for the year	3,435	(29,776)	(26,341)
Balance at 31 December 2015	**30,145**	**25,474**	**55,619**

26. Share capital

	2015 $'000	2014 $'000
Authorised ordinary share capital:		
1,500,000,000 (2014: 1,500,000,000) ordinary shares of 1p each	**27,469**	**27,469**

	2015 $'000	2014 $'000
Issued share capital:		
At 1 January	13,623	13,876
Issued in the year for cash on warrant exercises (note 27)	7	21
Repurchased and cancelled in the year	(854)	(274)
At 31 December	**12,776**	**13,623**

	2015 Number	2014 Number
Issued share capital:		
At 1 January	737,598,353	753,379,368
Issued in the year for cash on warrant exercises (note 27)	457,589	1,281,506
Repurchased and cancelled in the year	(55,495,566)	(17,062,521)
At 31 December	**682,560,376**	**737,598,353**

Of the authorised ordinary share capital at 31 December 2015, 25,008,823 (2014: 25,466,412) are reserved for warrants. Details of own shares held are given in note 28.

27. Warrants

	2015 $'000	2014 $'000
At 1 January	1,195	1,279
Exercised in the year (note 26)	(28)	(84)
At 31 December	**1,167**	**1,195**

	2015 Number	2014 Number
At 1 January	25,466,412	26,747,918
Exercised in the year (note 26)	(457,589)	(1,281,506)
At 31 December	**25,008,823**	**25,466,412**

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

No warrants have been exercised in the period since 31 December 2015.

28. Own shares held

	2015 $'000	2014 $'000
At 1 January	(63,649)	(22,754)
Acquired under tender offers	–	(48,095)
Other acquisitions	(76)	(541)
Cancelled	3,692	600
Allocation to satisfy ERS options exercised (note 31a)	258	–
Allocation to satisfy LTIP options exercised (note 31a)	901	1,189
Allocation to satisfy CBLTIS awards vested (note 31b)	6,773	5,952
At 31 December	**(52,101)**	**(63,649)**

	2015 Number	2014 Number
At 1 January	49,048,873	22,199,776
Acquired under tender offers	–	35,000,000
Other acquisitions	98,040	449,014
Cancelled	(3,395,130)	(768,220)
Allocation to satisfy ERS options exercised (note 31a)	(237,146)	–
Allocation to satisfy LTIP options exercised (note 31a)	(828,515)	(1,272,447)
Allocation to satisfy CBLTIS awards vested (note 31b)	(6,229,528)	(6,559,250)
At 31 December	**38,456,594**	**49,048,873**

Allocations are transfers by the Company's Employee Benefit Trusts to settle bonus awards made in the year, CBLTIS awards that vest and to satisfy ERS and LTIP options exercised in the year following the vesting of the options. The amounts shown for share movements are net of the Trustees' participation in tender offers during the period from grant to exercise. Details of outstanding ERS and LTIP options, which are vested but unexercised, are given in note 31a.

29. Equity

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

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

30. Net asset value per share

	2015 $'000	2014 $'000
Net asset value	**465,042**	**697,289**
Goodwill	(2,245)	(2,375)
Goodwill in joint ventures	(5,134)	(5,431)
Deferred tax on revaluation gains (note 25b)	–	55,250
Unrealised foreign exchange losses on preference shares	4,956	13,955
Fair value of interest rate derivative financial instruments (note 19)	(2,289)	(3,856)
Fair value of embedded derivatives (note 19)	3,231	3,443
Fair value of foreign exchange derivative financial instruments (note 19)	(2,869)	(1,466)
Adjusted net asset value	**460,692**	**756,809**
Assuming exercise / vesting of all dilutive potential ordinary shares		
– Warrants (note 27)	9,215	9,927
– ERS (note 31)	–	–
– LTIP (note 31)	1,611	2,099
– CBLTIS (note 31)	–	–
– New CBLTIS (note 31)	–	–
Adjusted fully diluted net asset value	**471,518**	**768,835**

	2015	2014
Number of ordinary shares (note 26)	682,560,376	737,598,353
Less own shares held (note 28)	(38,456,594)	(49,048,873)
	644,103,782	688,549,480
Assuming exercise / vesting of all dilutive potential ordinary shares		
– Warrants (note 27)	25,008,823	25,466,412
– ERS (note 31)	75,000	325,000
– LTIP (note 31)	4,372,973	5,383,784
– CBLTIS (note 31)	–	7,401,158
– New CBLTIS (note 31)	2,993,670	–
Number of ordinary shares assuming exercise of all potential ordinary shares	**676,554,248**	**727,125,834**

	2015 $	2014 $
Net asset value per share	0.72	1.01
Fully diluted net asset value per share	0.70	0.98
Adjusted net asset value per share	0.72	1.10
Adjusted fully diluted net asset value per share	0.70	1.06

As the preference shares are considered to be capital for capital risk management (see note 34d) unrealised foreign exchange movements on these have been adjusted when calculating adjusted NAV per share. Following recent changes in Russian tax legislation the Group now accounts for deferred tax provisions on revaluation gains when calculating adjusted NAV per share. This assumes that assets would be sold on an individual basis rather than a sale of the Group as a whole.

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

31. Share-based payments and other long term incentives

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

Executive Share Option Schemes ("ESOS")

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

Combined Bonus and Long Term Incentive Scheme 2012 to 2014 ("CBLTIS")

During 2012 the Group implemented the CBLTIS and contingent awards were made in respect of 14.3 million ordinary shares and 3.7 million preference shares and which cover the calendar years 2012 to 2014. The awards are subject to performance criteria linked to operating cash income. Awards in respect of ordinary shares are accounted for in accordance with the Group's accounting policy for Share-based payments. Awards to be settled by preference shares do not meet the criteria under IFRS for a share-based payment and are instead accounted for in accordance with IAS 19 - Employee Benefits.

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

During 2015, the Group implemented the New CBLTIS. Contingent awards were made in respect of 35 million ordinary shares, which cover the calendar years 2015 to 2017. The awards are subject to preformance criteria; three quarters of the award have performance conditions linked to operating cash flows and the remainder have a share price target. The awards made have been accounted for in accordance with the Group's accounting policy for share-based payments.

(a) Movements in Executive Share Option Schemes	**2015** No. of options	**2015** Weighted average exercise price	**2014** No. of options	**2014** Weighted average exercise price
Outstanding at the beginning of the period	5,708,784	24p	7,037,613	24p
Exercised during the year				
– ERS	(250,000)	0p	–	0p
– LTIP	(1,010,811)	25p	(1,328,829)	25p
Outstanding at the end of the period	**4,447,973**	**25p**	**5,708,784**	**24p**
Represented by:				
– ERS	75,000		325,000	
– LTIP	4,372,973		5,383,784	
	4,447,973		**5,708,784**	
Exercisable at the end of the period	**4,447,973**	**25p**	**5,708,784**	**24p**

The weighted average remaining contractual life of options was 2 years (2014: 3 years).

(b) Movements in Combined Bonus and Long Term Incentive Scheme 2012 to 2014 Awards	2015 No. of award shares	2014 No. of award shares
Awards of ordinary shares:		
Outstanding at the beginning of the period	7,401,158	14,201,085
Granted during the year	–	–
Lapsed during the year	–	(45,259)
Vested during the year	(7,401,158)	(6,754,668)
Outstanding at the end of the period	**–**	**7,401,158**

	2015 No. of award shares	2014 No. of award shares
Awards of preference shares:		
Outstanding at the beginning of the period	–	314,906
Granted during the year	–	–
Lapsed during the year	–	–
Vested during the year	–	(314,906)
Outstanding at the end of the period	**–**	**–**

(c) Movements in Combined Bonus and Long Term Incentive Scheme 2015 to 2017 Awards	2015 No. of award shares	2014 No. of award shares
Awards of ordinary shares:		
Outstanding at the beginning of the period	–	–
Granted during the year	34,800,000	–
Lapsed during the year	–	–
Vested during the year	–	–
Outstanding at the end of the period	**34,800,000**	**–**

(d) Income Statement charge for the year	2015 $'000	2014 $'000
Expense attributable to ERS and LTIP awards in prior periods	–	136
Combined Bonus and Long Term Incentive Scheme 2012 to 2014 awards	(39)	2,218
Combined Bonus and Long Term Incentive Scheme 2015 to 2017 awards	3,633	–
	3,594	**2,354**
To be satisfied by allocation of:		
Ordinary shares (IFRS 2 expense)	3,594	2,425
Preference shares (IAS 19 expense)	–	(71)
	3,594	**2,354**

The fair values at grant of the Combined Bonus and Long Term Incentive Scheme 2015 to 2017 awards were assessed using valuation models. Details of the fair values, models used and key inputs thereto are set out in the table below:

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

32. Capital commitments

The Group has committed to fund the construction of certain additional investment property. At 31 December 2015, $2.6 million of funding was required (2014: $3.0 million), excluding VAT.

33. Related party transactions

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

Remuneration of Directors and other key management personnel	2015 $'000	2014 $'000
Short term employee benefits	6,287	4,613
Post employment benefits	322	341
Share-based payments and other long term incentives	2,582	2,181
	9,191	**7,135**

34. Financial instruments – risk management

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

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

(a) Market risk

Currency risk

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

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

Russian Rouble

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

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

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

Sterling

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2014	US Dollar $'000	Sterling $'000	Russian Rouble $'000	Other $'000	Total $'000
Non-current assets					
Loans receivable	–	1,029	–	–	1,029
Security deposits	4,596	–	–	–	4,596
Restricted cash	10,640	–	15,689	–	26,329
Derivative financial instruments	5,819	1,034	–	–	6,853
Current assets					
Trade receivables	33,116	10	3,333	–	36,459
Derivative financial instruments	–	432	–	–	432
Other current receivables	–	71	703	4	778
Cash and short term deposits	116,502	11,070	38,632	5,179	171,383
	170,673	**13,646**	**58,357**	**5,183**	**247,859**
Non-current liabilities					
Interest bearing loans and borrowings	837,429	-	–	–	837,429
Preference shares	–	164,300	–	–	164,300
Derivative financial instruments	1,963	–	2,190	–	4,153
Rent deposits	28,373	–	1,281	595	30,249
Other payables	23	–	7,323	–	7,346
Current liabilities					
Interest bearing loans and borrowings	55,252	–	–	–	55,252
Derivative financial instruments	–	–	1,253	–	1,253
Rent deposits	8,053	–	14	–	8,067
Other payables	–	2,354	25,600	22	27,976
	931,093	**166,654**	**37,661**	**617**	**1,136,025**

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

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

Post tax profit or loss would change by:	2015 $'000	2014 $'000
Russian Rouble	412	1,435
Sterling	10,502	4,358
Net asset value would change by:		
Russian Rouble	2,355	635
Sterling	11,184	7,512

The majority of sterling sensitivity relates to the retranslation of the value of irredeemable preference shares.

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

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

As at 31 December 2014	US Dollar $'000	Sterling $'000	Russian Rouble $'000	Other $'000
Current assets				
Trade receivables	3,070	–	–	–
Cash and short term deposits	72,333	–	–	5,251
	75,403	**–**	**–**	**5,251**
Current liabilities				
Interest bearing loans and borrowings	5,000	–	–	–
Rent deposits	8,053	–	–	–
	13,053	**–**	**–**	**–**
Non-current liabilities				
Interest bearing loans and borrowings	23,750	–	–	–
Rent deposits	28,373	–	–	–
	52,123	**–**	**–**	**–**

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

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

To date the Group has sought to fix its exposure to interest rate risk on borrowings through fixed rate debt facilities, the use of a variety of interest rate derivatives and the issue of preference shares at a fixed coupon. This gives certainty over future cash flow but exposure to fair value movements, which amounted to an accumulated unrealised loss of $10.6 million at 31 December 2015 (2014: loss of $7.9 million).

Sensitivity analysis on the Group's interest rate borrowings, net of interest bearing deposits, indicate that a 1% increase in LIBOR rates would increase the loss for the year and decrease net assets by $2.0 million (2014: $2.2 million). If LIBOR rates were to drop to zero then there would be a decrease in the loss for the year and an increase in net assets of $2.8 million (2014: increase of $0.7 million) as the loss on income from cash would be greater than gains on interest expense because of the low LIBOR rates prevailing at this time and the interest rate hedges in place.

(b) Credit risk

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

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

	2015 $'000	2014 $'000
At 1 January	591	377
Charge for the year	3,720	214
Utilised in the year	–	–
Unused amounts reversed	–	–
At 31 December	**4,311**	**591**

At 31 December 2015 there were no significant amounts of unimpaired trade receivables that were past due for collection (2014: $ nil).

The Group has VAT recoverable of $7.5 million (2014: $16 million). The timing of recovery of these balances is subject to future revenue receipts and application to the Russian Courts. The Group forecasts the recovery of these balances based upon the timing of future revenue receipts and its experience of successful application to the Russian Courts. No balances are considered past due or impaired at 31 December 2015 (2014: $ nil) based upon this assessment of the timing of future cash receipts. The Group believes its only exposure is in relation to the timing of recovery.

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

(c) Liquidity risk

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

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

All amounts shown are gross undiscounted cash flows.

Financial liabilities

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

Financial liabilities

As at 31 December 2014	Total $'000	Current $'000	Year 2 $'000	Years 3 to 5 $'000	Years 6 to 10 $'000
Interest bearing loans and borrowings	1,184,565	124,394	234,590	531,967	293,614
Preference shares	183,468	18,347	18,347	55,040	91,734
Derivative financial instruments	5,406	1,253	-	4,153	-
Head leases	5,617	562	562	1,685	2,808
Trade and other payables	66,294	36,044	7,395	14,756	8,099
	1,445,350	**180,600**	**260,894**	**607,601**	**396,255**

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

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

Fair values

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

	2015		2014	
	Carrying Value $'000	Fair Value $'000	Carrying Value $'000	Fair Value $'000
Non-current assets				
Loans receivable	606	567	1,029	958
Security deposits	2,391	2,391	4,596	4,596
Restricted cash	–	–	26,329	26,329
Derivative financial instruments	5,585	5,585	6,853	6,853
Current assets				
Trade receivables	38,683	38,683	36,459	36,459
Security deposits	2,041	2,041	–	–
Other current receivables	202	202	778	778
Derivative financial instruments	233	233	432	432
Cash and short term deposits	202,291	202,291	171,383	171,383
Non-current liabilities				
Interest bearing loans and borrowings	814,021	623,340	837,429	593,480
Preference shares	156,558	184,705	164,300	183,467
Derivative financial instruments	1,794	1,794	4,153	4,153
Rent deposits	28,932	21,999	30,249	22,736
Other payables	2,721	2,721	7,346	7,346
Current liabilities				
Interest bearing loans and borrowings	104,724	104,724	55,252	55,252
Derivative financial instruments	2,097	2,097	1,253	1,253
Rent deposits	6,827	6,827	–	–
Other payables	6,090	6,090	27,977	27,977

The fair values of loans receivable and borrowings have been calculated based on a discounted cash flow model using a discount rate based on the Group's weighted average cost of capital. The valuation technique falls within level 3 of the fair value hierarchy (see note 35 for definition). The fair value of short term deposits, other assets, trade and other receivables, trade and other payables is assumed to approximate to their book values. The fair value of preference shares is assumed to be their last quoted price, which is considered to be level 1 of the fair value hierarchy. The fair value of derivatives is determined by a model with market based inputs.

(d) Capital risk management

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

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

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

	2015 $'000	2014 $'000
Non-current liabilities	900,366	960,972
Current liabilities	160,193	141,433
Total borrowings	1,060,559	1,102,405
Less: cash and short term deposits	202,291	171,383
Net debt	**858,268**	**931,022**
Equity	465,042	697,289
Preference shares	156,558	164,300
Total capital	**1,479,868**	**1,792,611**
Gearing ratio	**58.00%**	**51.94%**

35. Fair value measurement

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

As at 31 December 2015	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total Fair Value $'000
Assets measured at fair value				
Investment property	–	–	1,333,987	**1,333,987**
Investment property under construction	–	–	39,129	**39,129**
Derivative financial instruments	–	5,818	–	**5,818**
Liabilities measured at fair value				
Derivative financial instruments	–	3,891	–	**3,891**
As at 31 December 2014				
Assets measured at fair value				
Investment property	–	–	1,593,684	**1,593,684**
Investment property under construction	–	–	47,958	**47,958**
Derivative financial instruments	–	7,285	–	**7,285**
Liabilities measured at fair value				
Derivative financial instruments	–	5,406	–	**5,406**

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

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

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

36. Subsequent events

There have been no subsequent events.

37. Operating lease arrangements

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

	2015 $'000	2014 $'000
Within one year	136,416	172,108
In the second year	113,410	142,252
In the third to fifth year (inclusive)	208,901	252,843
After five years	59,127	79,540
	517,854	**646,743**

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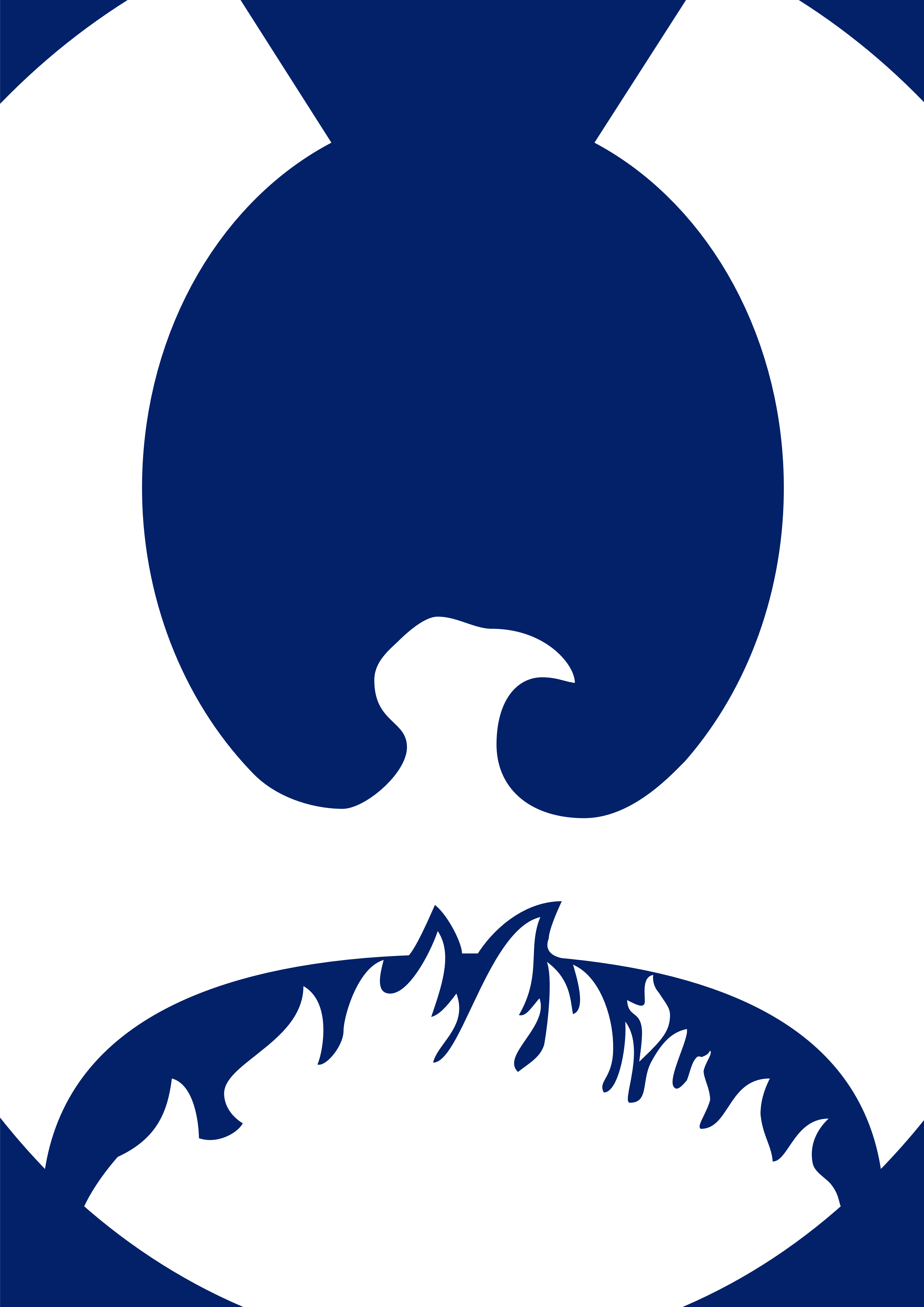

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