18 March 2019

Raven Property Group Limited ("Raven" or the "Company" or the “Group”)

Results for the year ended 31 December 2018

The Board of Raven Property Group release results for the year ended 31 December 2018.

Highlights

- A good trading performance adversely affected by currency movements;
- Occupancy up from 81% to 89% at 31 December 2018 and 90% today;
- Two warehouse acquisitions completed in the second half of the year;
- Rouble valuation of the investment portfolio up 8% but falling by 10% after currency exchange losses;
- Secured debt facilities moving to Roubles;
- Underlying earnings of £20.0 million and IFRS loss of £120.7 million after revaluation currency loss;
- Tender offer buy back of 2 in 51 shares at 45p, equating to 1.75p per share, giving full year distribution of 3p.

CEO Glyn Hirsch said “Local market conditions are improving. Vacancy rates are down, rents are rising and the overall performance of the Russian economy is strengthening. Annoyingly the low year end Rouble exchange rate has not allowed this to be reflected once translated into Sterling.”

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About Raven Property Group

Raven was founded in 2005 to invest in class A warehouse complexes in Russia and lease to Russian and International tenants. Its Ordinary Shares, preference shares and warrants are listed on the Main Market of the London Stock Exchange and admitted to the Official List of the UK Listing Authority and the Official List of The International Stock Exchange (“TISE”). Its Ordinary Shares also have a secondary listing on the main board of the Johannesburg Stock Exchange and the Moscow Stock Exchange. Its convertible preference shares are admitted to the Official List of TISE and to trading on the SETSqx market of the London Stock Exchange. The Group operates out of offices in Guernsey, Cyprus and Moscow and has an investment portfolio of circa 1.9 million square metres of Grade "A" warehouses in Moscow, St Petersburg, Rostov-on-Don, Novosibirsk and Nizhny Novgorod and 49,000 square metres of commercial office space in St Petersburg. For further information visit the Company's website: www.theravenpropertygroup.com

Chairman's Message

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

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

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

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

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

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

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

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

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

Richard Jewson
Chairman
17 March 2019

Strategic Report

Chief Executive's Report

Dear Shareholders,

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

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

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

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

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

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

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

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

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

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

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

Glyn Hirsch
Chief Executive Officer
17 March 2019

Business Model

Our Strategy

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

Business Model

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

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

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

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

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

Key Performance Indicators ('KPIs')

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

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

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

Portfolio Review

Leasing and maturities

Warehouse	**Moscow**	**St Petersburg**	**Regions**
Space (000sqm)	1,331 (70%)	272 (15%)	287 (15%)
NOI (£m)	81 (80%)	9 (9%)	11 (11%)
Office	**Moscow**	**St Petersburg**	**Regions**
Space (000sqm)	-	49 (100%)	-
NOI (£m)	-	9 (100%)	-

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

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

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

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

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

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

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

Currency exposure of warehouse space	**USD**	**RUB**	**EUR**	**Vacant**	**Total**
	sqm '000	**sqm '000**	**sqm '000**	**Sqm '000**	**sqm '000**
	485	1,149	50	206	1,890
% of total	*26%*	*61%*	*2%*	*11%*	*100%*

Currency exposure of NOI	**USD**	**RUB**	**EUR**	**Total**
% of total	*51%*	*42%*	*7%*	*100%*

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

Investment Portfolio

Moscow

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

Warehouse complex	Space (000 sqm)	2018 NOI (£m)	Year end Occupancy
Sever	253	8.0	87%
Pushkino	214	11.6	94%
Istra	206	17.5	93%
Noginsk	204	18.0	77%
Klimovsk	157	11.2	97%
Krekshino	118	12.3	99%
Nova Riga	68	1.1	50%
Lobnya	52	0.2*	99%
Sholokhovo	45	0.1	80%
Southern	14	0.5	79%

*Excludes space let to Roslogistics

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

St Petersburg and Regions

Warehouse complex	Space ('000sqm)	2018 NOI (£m)	Year end Occupancy
St Petersburg			
Shushary	148	5.0*	100%
Gorigo	87	2.6	67%
Pulkovo	37	1.8	88%
Regions			
Novosibirsk	121	6.6*	97%
Rostov	102	4.5*	91%
Nizhny Novgorod	64	0.1	100%

*Excludes space let to Roslogistics

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

Tenant Mix

Warehouse Tenant Type	Distribution	Retail	Manufacturing	Third Party Logistics operators	E-commerce	Other
Space ('000sqm)	322 (19%)	519 (31%)	212 (13%)	559 (33%)	45 (3%)	27 (1%)

Office Portfolio

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

Office	Space (‘000sqm)	NOI (£m)	Occupancy
St Petersburg			
Kellerman	22	3.1	99%
Constanta	16	1.8	100%
Primium	11	3.8	91%

Portfolio Yields

Use/Year		Moscow (%)	St Petersburg (%)	Regions (%)
Warehouse				
	2017	11.25-12.5	12.5	12.5
	2018	11.00-12.6	12.30-12.5	12.25-12.5
Office				
	2017	-	11.00-12.25	-
	2018	-	12.00-12.25	-

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

All significant yield inputs have remained static for the year reflecting a reasonably stable market place. JLL still quote a range of yields across all sectors to reflect the difference in quality of assets, leases and differing currencies. The yields used for the portfolio fall within this range.

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

Land Bank

	Location	Property/Warehouse Complex	Land plot size (ha)
Additional phases of completed property	Moscow	Noginsk	26
		Nova Riga	25
		Lobnya	6
	Regions	Rostov-On-Don	27
		Nizhny Novgorod	22
Land bank	Regions	Omsk	19
		Omsk 2	9
		Nizhny Novgorod	44
Total			**178**

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

The Market

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

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

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

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

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

Finance Review

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

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

Income Statement

We continue to assess our ability to make covered distributions with reference to underlying earnings and operating cash flows after interest. The former also allows a comparison of operating results before mark to market valuation movements. The reconciliation between underlying and IFRS earnings is given in note 9 to the accounts.

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

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

Net Rental and Related Income

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

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

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

Underlying Administrative Expenses

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

Underlying Net Finance Charge

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

IFRS Earnings

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

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

Investment Properties

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

Debtors and Creditors

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

Cash and Debt

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

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

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

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

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

The currency profile of secured debt at 31 December 2018 was:

	$ millions	**€ millions**	**RUB millions**
31 December 2018	$276.7	€247.3	17,523.4
31 December 2017	$777.2	€53.2	-

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

The debt maturity profile at the year end is:

	2019	2020	2021	2022	2023	2024	2025
Debt maturing £ million	55	-	163	94	88	206	43
Percentage maturing	9%	-	25%	14%	13%	32%	7%
Number of facilities	3	-	4	1	2	5	1

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

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

Taxation

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

Net Asset Value

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

Subsidiaries

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

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

Risk Report

Risk Appetite

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

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

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

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

Risk Management and Internal Controls

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

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

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

Principal Risks and Uncertainties

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

Political and Economic Risk

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

Financial Risk

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

Property Investment

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

Russian Domestic Risk

Risk	Impact	Mitigation	Change in 2018
Legal Framework The legal framework in Russia continues to develop with a number of new and proposed laws expected to come into force in the near future.	The large volume of new legislation from various state bodies is open to interpretation, puts strain on the judicial system and can be open to abuse.	We have an experienced in house legal team including a litigation specialist. We use a variety of external legal advisors when appropriate. Our lease agreements have been challenged and have proven to be robust in both ICAC arbitration and in Russian Courts.	

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

Personnel Risks

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

Change key

Increased risk in the period

Stable risk in the period

Decreased risk in the period

Signed for and on behalf of the Board

Colin Smith
Director
17 March 2019

Directors' Responsibility Statement

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

The Board confirms to the best of its knowledge:

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

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

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

This responsibility statement was approved by the Board of Directors on 17 March 2019 and is signed on its behalf by:

Mark Sinclair	Colin Smith
Chief Financial Officer	Chief Operating Officer

GROUP INCOME STATEMENT
For the year ended 31 December 2018

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

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

All items in the above statement derive from continuing operations.

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

The accompanying notes are an integral part of this statement.

GROUP STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2018

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

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

The accompanying notes are an integral part of this statement.

GROUP BALANCE SHEET

As at 31 December 2018

	Notes	2018 £'000	2017 £'000	2016 £'000
Non-current assets				
Investment property	11	1,175,440	1,159,172	1,052,547
Investment property under construction	12	30,548	28,608	33,553
Plant and equipment		3,574	3,147	2,462
Goodwill		-	-	1,523
Investment in joint ventures	15	6,566	7,380	7,874
Other receivables	16	15,535	4,118	2,998
Derivative financial instruments	18	21,953	5,875	4,056
Deferred tax assets	25	24,405	25,611	22,075
		1,278,021	1,233,911	1,127,088
Current assets				
Inventory		356	313	624
Trade and other receivables	17	43,658	58,386	42,518
Derivative financial instruments	18	349	329	290
Cash and short term deposits	19	73,450	197,137	160,559
		117,813	256,165	203,991
Total assets		**1,395,834**	**1,490,076**	**1,331,079**
Current liabilities				
Trade and other payables	20	66,192	79,427	52,667
Derivative financial instruments	18	1	26	763
Interest bearing loans and borrowings	21	75,565	78,871	33,007
		141,758	158,324	86,437
Non-current liabilities				
Interest bearing loans and borrowings	21	567,865	547,371	565,701
Preference shares	22	109,271	108,263	106,582
Convertible preference shares	23	206,116	198,870	96,997
Other payables	24	17,797	25,565	20,312
Derivative financial instruments	18	-	-	54
Deferred tax liabilities	25	57,400	59,845	49,730
		958,449	939,914	839,376
Total liabilities		**1,100,207**	**1,098,238**	**925,813**
Net assets		**295,627**	**391,838**	**405,266**
Equity				
Share capital	26	6,233	6,606	6,680
Share premium		103,144	124,568	131,537
Warrants	27	98	438	996
Own shares held	28	(5,965)	(3,652)	(4,692)
Convertible preference shares	23	11,212	11,212	6,536
Capital reserve		(281,001)	(166,494)	(186,957)
Translation reserve		(48,887)	(98,741)	(45,019)
Retained earnings		510,793	517,901	496,185
Total equity	29 / 30	**295,627**	**391,838**	**405,266**
Net asset value per share (pence):	30			
Basic		48	60	
Diluted		48	59	

The financial statements were approved by the Board of Directors on 17 March 2018 and signed on its behalf by:

Mark Sinclair
Chief Financial Officer

Colin Smith
Chief Operating Officer

The accompanying notes are an integral part of this statement.

GROUP CASH FLOW STATEMENT
For the year ended 31 December 2018

	Notes	2018 £'000	2017 £'000
Cash flows from operating activities			
(Loss) / profit before tax		(114,888)	68,321
Adjustments for:			
Impairment of goodwill	6	-	1,523
Depreciation	6	811	888
Provision for bad debts	6	(58)	(72)
Share of profits of joint ventures	15	(1,630)	(1,611)
Finance income	7	(4,869)	(6,337)
Finance expense	7	88,180	78,074
Loss / (profit) on revaluation of investment property	11	121,764	(31,284)
(Profit) / loss on revaluation of investment property under construction	12	(755)	3,049
Foreign exchange losses / (profits)		2,480	(6,132)
Non-cash element of share-based payments and other long term incentives	31	2,853	2,260
		93,888	108,679
Changes in operating working capital			
(Increase) / decrease in operating receivables		8,212	(848)
Decrease in other operating current assets		(43)	311
Decrease in operating payables		(1,627)	(1,222)
		100,430	106,920
Receipts from joint ventures	15	3,000	2,105
Tax paid		(7,344)	(10,988)
Net cash generated from operating activities		**96,086**	**98,037**
Cash flows from investing activities			
Payments for property improvements		(8,611)	(11,642)
Refund of VAT on acquisition of investment property		12,754	-
Acquisition of subsidiaries	38	(33,826)	(68,940)
Cash acquired with subsidiaries	38	1,235	3,266
Acquisition of investment property / payment of deferred consideration on acquisition of investment property	11	(44,054)	(80,739)
Loans granted		(194)	-
Loans repaid		34	-
Purchase of plant and equipment		(2,262)	(1,618)
Investment in joint ventures	15	(533)	-
Interest received		3,254	5,631
Net cash used in investing activities		**(72,203)**	**(154,042)**
Cash flows from financing activities			
Proceeds from long term borrowings		155,628	206,641
Repayment of long term borrowings		(153,152)	(98,167)
Loan amortisation		(23,279)	(29,684)
Bank borrowing costs paid		(50,000)	(49,475)
Exercise of warrants	26 / 27	2,125	3,487
Preference shares purchased	22	-	(84)
Ordinary shares purchased	26 / 28	(28,258)	(11,275)
Dividends paid on preference shares		(11,327)	(11,234)
Dividends paid on convertible preference shares		(12,716)	(9,776)
Issue of convertible preference shares	23	-	97,781
Premium paid for derivative financial instruments		(18,848)	(3,680)
Net cash generated from / (used) in financing activities		**(139,827)**	**94,534**
Net (decrease) / increase in cash and cash equivalents		(115,944)	38,529
Opening cash and cash equivalents		197,137	160,559
Effect of foreign exchange rate changes		(7,743)	(1,951)
Closing cash and cash equivalents	19	**73,450**	**197,137**

The accompanying notes are an integral part of this statement.

GROUP STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2018

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

The accompanying notes are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2018

1. General information

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

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

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

2. Accounting policies

Basis of preparation

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

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

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

Going concern

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

Statement of compliance

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

Changes in accounting policies

The Group has changed the currency in which it presents its consolidated financial statements from US Dollars to Sterling. A change in presentation currency is a change in accounting policy which is accounted for retrospectively. The Group's results for 2017, which were previously reported in US Dollars, have been restated into Sterling as follows:
- assets and liabilities were translated into Sterling at the closing rates of exchange on 31 December 2017;
- income and expenditure were translated into Sterling at the average rates prevailing in 2017; and
- non-Sterling equity items were translated to Sterling at the historic rates prevailing at the dates of the relevant equity transactions.

The US Dollar Sterling exchange rates used were as follows:

	2017	**2016**
Closing rate	1.3528	1.2357
Average rate	1.2888	1.3549

Other than the change in presentation currency, the accounting policies adopted are consistent with those of the previous financial year. The Group has adopted new and amended IFRS and IFRIC interpretations as of 1 January 2018. The Group applies for the first time, IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments.

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

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

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

IFRS 16 Leases (effective 1 January 2019)
IFRIC Interpretation 23 Uncertainty over Income Tax Treatments (effective 1 January 2019)
AIP IAS 12 Income Taxes - Income tax consequences of payments on financial instruments classified as equity (effective 1 January 2019)
AIP IAS 23 Borrowing Costs - Borrowing costs eligible for capitalisation (effective 1 January 2019)
The Conceptual Framework for Financial Reporting (effective 1 January 2020)
IFRS 17 Insurance Contracts (effective 1 January 2021)

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

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

Basis of consolidation

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

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

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

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

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

Joint ventures

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

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

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

Revenue recognition

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

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

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

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

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

Taxation

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

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

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

(b) Tax provisions
A current tax provision is recognised when the Group has a present obligation as a result of a past event and it is probable that the Group will be required to settle that obligation. A provision for uncertain taxes is recorded within current tax payable (see note 20).

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

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

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

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

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

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

Investment property and investment property under construction

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

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

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

Leasing (as lessors)

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

Financial assets

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

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

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

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

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

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

Financial liabilities and equity instruments

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

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

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

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

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

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group considers the convertible preference shares to be a compound financial instrument, that is they have a liability and equity component. On the issue of convertible preference shares the fair value of the liability component is determined and the balance of the proceeds of issue is deemed to be equity. The Group's other equity instruments are its ordinary shares and warrants.

Own shares held

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

Share-based payments and other long term incentives

The Group rewards its key management and other senior employees by a variety of means many of which are settled by ordinary, preference shares or convertible preference shares of the Company.

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

Awards not linked to or settled by ordinary shares
These awards are accounted for in accordance with IAS 19 Employee Benefits whereby the Group estimates the cost of awards using the projected unit credit method, which involves estimating the future value of the preference shares or convertible preference shares, as appropriate, at the vesting date and the probability of the awards vesting. The resulting expense is charged to the Income Statement over the performance period and the liability is remeasured at each Balance Sheet date.The cash component of the 2016 Retention Scheme has been accounted for in this way.

Foreign currency translation

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

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

(c) On consolidation
The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
(i) assets and liabilities for each Balance Sheet are translated at the closing rate at the date of the Balance Sheet;
(ii) income and expenditure for each Income Statement are translated at the average exchange rate prevailing in the period unless this does not approximate to the rates ruling at the dates of the transactions in which case they are translated at the transaction date rates; and
(iii) all resulting exchange differences are recognised in Other Comprehensive Income.

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

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

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

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

Dividends

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

3. Critical accounting estimates and judgements

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

Judgements other than estimates

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

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

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

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

Estimates

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

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

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

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

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

4. Segmental information

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

Property Investment - acquire or develop and lease commercial property in Russia
Roslogistics - provision of warehousing, transport, customs brokerage and related services in Russia - IFRS 15 revenue - services are provided to customers over time and invoiced at appropriate intervals in accordance with the relevant contract terms, with payment typically due within 10 to 45 days of invoicing; and
Raven Mount - sale of residential property in the UK - IFRS 15 revenue - the transfer of land or property to the purchaser occurs on legal completion of the sale contract, with payment typically due upon completion, though in some cases a deferral may be agreed.

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

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

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

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

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

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

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

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

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

Year ended 31 December 2017	Property Investment £'000	Roslogistics £'000	Raven Mount £'000	Segment Total £'000	Central Overhead £'000	Total £'000
Gross revenue	139,659	17,964	19,377	177,000	-	177,000
Operating costs / cost of sales	(35,937)	(8,363)	(3,004)	(47,304)	-	(47,304)
Net rental and related income	**103,722**	**9,601**	**16,373**	**129,696**	**-**	**129,696**
Administrative expenses						
Running general & administration expenses	(12,750)	(1,711)	(661)	(15,122)	(4,566)	(19,688)
Impairment of goodwill	-	-	(1,523)	(1,523)	-	(1,523)
Depreciation	(542)	(346)	-	(888)	-	(888)
Share-based payments and other long term incentives	(589)	-	-	(589)	(2,928)	(3,517)
Foreign currency profits	6,129	3	-	6,132	-	6,132
	95,970	**7,547**	**14,189**	**117,706**	**(7,494)**	**110,212**
Unrealised profit on revaluation of investment property	31,284	-	-	31,284	-	31,284
Unrealised loss on revaluation of investment property under construction	(3,049)	-	-	(3,049)	-	(3,049)
Share of profits of joint ventures	-	-	1,611	1,611	-	1,611
Segment profit / (loss)	**124,205**	**7,547**	**15,800**	**147,552**	**(7,494)**	**140,058**
Finance income						6,337
Finance expense						(78,074)
Profit before tax						**68,321**

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

5. Gross revenue

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

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

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

The Group recognised revenue of £19 million (2017: £20 million) from a single tenant of the property investment segment that amounted to more than 10% of Group revenue.

6. Administrative expenses

(a) Total administrative expenses

	2018 £'000	2017 £'000
Employment costs	12,079	10,366
Directors' remuneration	2,900	2,386
Bad debts	(58)	(72)
Office running costs and insurance	3,261	3,160
Travel costs	1,321	1,507
Auditors' remuneration	596	553
Impairment of goodwill	-	1,523
Legal and professional	2,070	1,494
Abortive project costs	1,625	-
Depreciation	811	888
Registrar costs and other administrative expenses	545	294
	25,150	22,099

(b) Fees for audit and other services provided by the Group's auditor

	2018 £'000	2017 £'000
Audit services	461	417
Audit related assurance services	50	48
	511	465
Other fees:		
Taxation services	47	56
Other services	38	32
	85	88
Total fees	596	553

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

Ernst & Young also provide audit and taxation services for various SPVs that form part of the property operating costs. Charges for the audit of SPVs in the year amounted to £265k (2017: £235k) and the fees for taxation services were £147k (2017: £59k).

7. Finance income and expense

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

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

8. Tax

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

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

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

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

9. Earnings measures

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

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

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

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

IFRS	**Earnings** £'000	**2018 Weighted average shares** No. '000	**EPS** Pence	**Earnings** £'000	**2017 Weighted average shares** No. '000	**EPS** Pence
Basic	(120,681)	641,588	(18.81)	43,139	663,493	6.50
Effect of dilutive potential ordinary shares:						
Warrants (note 27)	-	-		-	7,669	
LTIP (note 31)	-	-		-	1,382	
2016 Retention Scheme (note 31)	-	-		-	2,513	
Convertible preference shares (note 23)	-	-		15,576	261,369	
Diluted	(120,681)	641,588	(18.81)	58,715	936,426	6.27

Underlying earnings	2018 Earnings £'000	2018 Weighted average shares No. '000	2018 EPS Pence	2017 Earnings £'000	2017 Weighted average shares No. '000	2017 EPS Pence
Basic	20,014	641,588	3.12	43,378	663,493	6.54
Effect of dilutive potential ordinary shares:						
Warrants (note 27)	-	2,641		-	7,669	
LTIP (note 31)	-	612		-	1,382	
2016 Retention Scheme (note 31)	-	4,535		-	2,513	
Convertible preference shares (note 23)	-	-		9,792	261,369	
Diluted	20,014	649,376	3.08	53,170	936,426	5.68

Headline earnings	2018 Earnings £'000	2018 Weighted average shares No. '000	2018 EPS Pence	2017 Earnings £'000	2017 Weighted average shares No. '000	2017 EPS Pence
Basic	(6,174)	641,588	(0.96)	24,199	663,493	3.65
Effect of dilutive potential ordinary shares:						
Warrants (note 27)	-	-		-	7,669	
LTIP (note 31)	-	-		-	1,382	
2016 Retention Scheme (note 31)	-	-		-	2,513	
Convertible preference shares (note 23)	-	-		-	-	
Diluted	(6,174)	641,588	(0.96)	24,199	675,057	3.58

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

10. Ordinary dividends

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

11. Investment property

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

Asset class Location Fair value hierarchy *	**Logistics Moscow Level 3 £'000**	**Logistics St Petersburg Level 3 £'000**	**Logistics Regions Level 3 £'000**	**Office St Petersburg Level 3 £'000**	**2017 Total £'000**
Market value at 1 January 2017	813,667	114,454	122,882	20,084	1,071,087
Corporate acquisitions (note 38)	-	28,589	-	40,004	68,593
Other acquisition	90,663	-	-	-	90,663
Property improvements	8,688	1,329	2,391	232	12,640
Unrealised profit on revaluation	12,090	12,475	3,304	5,048	32,917
On translation to presentation currency	(70,820)	(11,937)	(10,706)	(4,686)	(98,149)
Market value at 31 December 2017	854,288	144,910	117,871	60,682	1,177,751
Tenant incentives and contracted rent uplift balances	(13,715)	(4,249)	(1,264)	(406)	(19,634)
Head lease obligations (note 24)	1,055	-	-	-	1,055
Carrying value at 31 December 2017	**841,628**	**140,661**	**116,607**	**60,276**	**1,159,172**
Revaluation movement in the year ended 31 December 2017					
Gross revaluation	12,090	12,475	3,304	5,048	32,917
Movement on tenant incentives and contracted rent uplift balances	444	65	(154)	(282)	73
Less impact of translation to presentation currency	(1,226)	(373)	(96)	(11)	(1,706)
Revaluation reported in the Income Statement	**11,308**	**12,167**	**3,054**	**4,755**	**31,284**

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

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

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

12. Investment property under construction

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

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

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

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

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

13. Investment property and investment property under construction - Valuation

It is the Group's policy to carry investment property and investment property under construction at fair value in accordance with IFRS 13 "Fair Value Measurement" and IAS 40 "Investment Property":
- investment property consists of the completed, income producing, portfolio; and
- investment property under construction consists of potential development projects and land bank.

The latter is sub-categorised as:
- assets under construction - current development projects and the value of land on additional phases of existing investment property; and
- land bank - land held for potential development.

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

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

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

Valuation process

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

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

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

For investment properties and assets under construction, the executive team members consult with the external valuers and the valuers then determine:
- whether a property's fair value can be reliably determined;
- which valuation method should be applied for each asset; and
- the assumptions made for unobservable inputs that are used in valuation methods.

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

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

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

Valuation assumptions and key inputs

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

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

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

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

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

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

All of the above valuations are completed by JLL.

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

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

The significant unobservable inputs used in the fair value measurement categorised within Level 3 of the fair value hierarchy of the entity's portfolio of investment property are:
- ERV;
- ERV growth;
- Void period on re-letting;
- Discount rate;
- Exit capitalisation yield; and
- Specific to property under development: construction costs, letting void, construction period and development profit.

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

14. Investment in subsidiary undertakings

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

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

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

15. Investment in joint ventures

The principal joint ventures of the Group are as follows:

Name	Country of incorporation	Proportion of ownership interest 2018	2017
Coln Park LLP	England	50%	50%
Coln Park Construction LLP	England	50%	50%

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

Summarised Balance Sheet	**2018 £'000**	**2017 £'000**
Non-current assets	3,634	3,221
Inventory	3,425	6,157
Cash and short term deposits	3,597	3,533
Other current assets	1,874	1,963
Current liabilities	(3,659)	(2,575)
Non-current liabilities	(3,051)	(4,505)
Net assets	**5,820**	**7,794**
Investment in joint ventures		
Goodwill on acquisition	3,694	3,483
Share of net assets	2,872	3,897
Carrying value	**6,566**	**7,380**
Carrying value at 1 January	7,380	7,874
Investment in the year	533	-
Share of total comprehensive income for the year	1,630	1,611
Share of distributions paid	(3,000)	(2,105)
On translation to presentation currency	23	-
Carrying value at 31 December	**6,566**	**7,380**

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

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

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

16. Other receivables

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

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

17. Trade and other receivables

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

18. Derivative financial instruments

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

The Group has entered into a series of interest rate derivative financial instruments to manage the interest rate and resulting cash flow exposure from the Group's banking facilities. At 31 December 2018 the instruments have a notional value of £543 million (2017: £481 million) and a weighted average fixed or capped rate of 3.90% (2017: 1.61%).

The Group had also entered into a series of forward currency derivative financial instruments to hedge interest payments due to preference shareholders against sterling strengthening. The instruments have a notional amount of £12 million (2017: £24 million), a weighted average capped rate of $1.55 to £1 (2017: $1.55 to £1) and quarterly maturities with the final instruments maturing on 18 December 2019 (2017: 18 December 2019).

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

19. Cash and short term deposits

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

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

20. Trade and other payables

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

21. Interest bearing loans and borrowings

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

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

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

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

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

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

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

22. Preference shares

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

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

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

23. Convertible preference shares

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

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

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

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

24. Other payables

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

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

25. Deferred tax

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

The Group has tax losses in Russia of £265 million (2017: £261 million) and tax losses in the UK of £53 million (2017: £53 million) for which deferred tax assets have not been recognised. The losses in the UK do not have an expiry date. The losses in Russia can be carried forward indefinitely, however there is a restriction on the use of losses in that taxable profits cannot be reduced by more than 50% in any one year.

(b) Deferred tax liabilities	Accelerated tax allowances £'000	Revaluation of investment property £'000	Total £'000
Balance at 1 January 2017	32,568	17,162	49,730
On translation to presentation currency	(1,404)	(1,486)	(2,890)
Charge for the year	5,233	7,772	13,005
Balance at 31 December 2017	36,397	23,448	59,845
On translation to presentation currency	(4,161)	1,458	(2,703)
Charge / (credit) for the year	6,760	(6,502)	258
Balance at 31 December 2018	38,996	18,404	57,400

26. Share capital

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

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

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

Details of own shares held are given in note 28.

27. Warrants

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

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

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

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

28. Own shares held

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

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

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

29. Equity

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

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

30. Net asset value per share

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

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

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

The balance sheet carrying value of the liability portion of the convertible preference shares divided by the number of ordinary shares that would be issued on their conversion is greater than the NAV per share and thus the convertible preference shares are not dilutive.

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

31. Share-based payments and other long term incentives

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

Long Term Incentive Plan ("LTIP")

The LTIP options vested in three equal tranches, subject to performance criteria, on 24 March 2012, 2013 and 2014. The LTIP options have an exercise price of 25p per option and have vested in full. The LTIP is closed and further awards cannot be made. Awards made under the LTIP have been accounted for in accordance with the Group's accounting policy for Share-based payments.

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

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

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

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

The maximum aggregate investment in the FYPP is £12 million and the potential participants will be required to confirm their participation and the amount of their investment once the final payment under the 2016 Retention Scheme has been made on 31 March 2023.
Annual Performance Incentive

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

(a) Movement in LTIP options

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

The options expire in March 2019.

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

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

32. Capital commitments

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

33. Related party transactions

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

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

34. Financial instruments - risk management

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

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

(a) Market risk

Currency risk

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

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

Rouble

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

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

Sterling

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

Euro

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

US Dollar

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

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

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

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

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

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

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

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

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

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

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

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

(b) Credit risk

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

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

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

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

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

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

(c) Liquidity risk

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

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

All amounts shown are gross undiscounted cash flows.

Financial liabilities

As at 31 December 2018	**Total £'000**	**Current £'000**	**Year 2 £'000**	**Years 3 to 5 £'000**	**Years 6 to 10 £'000**
Interest bearing loans and borrowings	814,184	124,230	64,568	401,318	224,068
Preference shares	119,537	11,954	11,954	35,861	59,768
Convertible preference shares	353,514	12,505	12,505	37,516	290,988
Derivative financial instruments	1	1	-	-	-
Head leases	1,150	115	115	345	575
Trade and other payables	28,927	12,503	5,396	8,147	2,881
	1,317,313	**161,308**	**94,538**	**483,187**	**578,280**
As at 31 December 2017					
Interest bearing loans and borrowings	792,484	122,949	146,249	353,389	169,897
Preference shares	118,971	11,897	11,897	35,691	59,486
Convertible preference shares	366,018	12,505	12,505	37,516	303,492
Derivative financial instruments	26	26	-	-	-
Head leases	1,149	115	115	345	574
Trade and other payables	34,525	17,799	5,718	10,335	673
	1,313,173	**165,291**	**176,484**	**437,276**	**534,122**

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

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

Fair values

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

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

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

(d) Capital risk management

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

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

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

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

35. Fair value measurement

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

As at 31 December 2018	**Level 1** £'000	**Level 2** £'000	**Level 3** £'000	**Total Fair Value** £'000
Assets measured at fair value				
Investment property	-	-	1,175,440	1,175,440
Investment property under construction	-	-	30,548	30,548
Derivative financial instruments	-	22,302	-	22,302
Liabilities measured at fair value				
Derivative financial instruments	-	1	-	1
As at 31 December 2017				
Assets measured at fair value				
Investment property	-	-	1,159,172	1,159,172
Investment property under construction	-	-	28,608	28,608
Derivative financial instruments	-	6,204	-	6,204
Liabilities measured at fair value				
Derivative financial instruments	-	26	-	26

* Explanation of the fair value hierarchy:
Level 1 - Quoted prices in active markets for identical assets or liabilities that can be accessed at the balance sheet date.

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

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

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

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

36. Operating lease arrangements

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

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

37. Reconciliation of liabilities arising from financing activities

Year ended 31 December 2018

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

Year ended 31 December 2017

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

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

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

38. Acquisitions in the year

Acquisitions in the year

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

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

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

Acquisitions in prior year

The Group made three corporate acquisitions in the prior period; Gorigo Logistics Park, Primium Business Centre and Kellerman Business Centre. The Group purchased the properties by acquiring all of the issued share capital of the corporate vehicles that owned the properties. In accordance with its accounting policy, the Group considered each acquisition in turn, and in each case it was concluded a business had not been purchased but rather the acquisition of a group of assets and related liabilities.

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

	Primium £'000	Kellerman £'000	Offices Total £'000	Gorigo £'000	Total £'000
Non-current assets					
Investment property (note 11)	23,280	16,724	40,004	28,589	68,593
Deferred tax assets (note 25a)	-	-	-	1,482	1,482
Current assets					
Trade and other receivables	187	352	539	225	764
Cash and short term deposits	1,542	812	2,354	912	3,266
Current liabilities					
Trade and other payables	(1,584)	(2,016)	(3,600)	(1,565)	(5,165)
	23,425	15,872	39,297	29,643	68,940
Discharged by:					
Cash consideration paid					68,278
Acquisition costs					662
					68,940