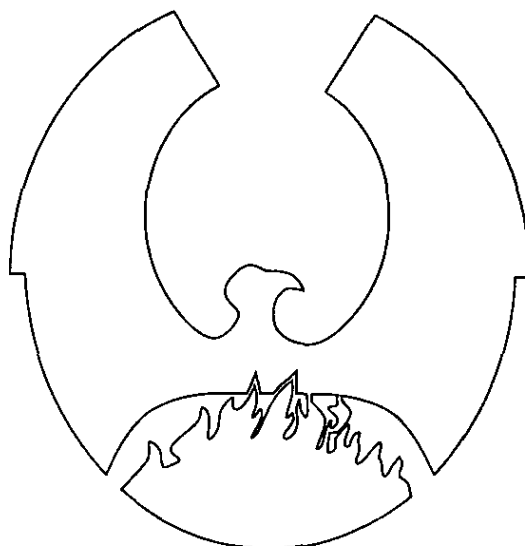


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RAVEN MOUNT PLC

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COMPANIES HOUSE

Report and Accounts 2006

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Highlights

- Group profit before tax was £0.5 million (2005 profit £2.3 million) on turnover of £71.8 million (2005 £72.7 million)
- Property Fund Management business earns fees on £237.3 million committed funds by Raven Russia Limited and generated a management fee during 2006 of £2.9 million in addition to the £2.0 million guaranteed performance fee
- Independent Living business has achieved planning on four sites as at the year end with a total of approximately 400 individual units and has a further site under contract and one in solicitors hands
- All old Swan Hill developments were completed during the year, with the exception of the Paramount development in Swindon
- Final dividend of 1.0p per Ordinary share in addition to the interim dividend of 0.6p and the special dividend of 5.0p per Ordinary share
- Pension deficit under FRS 17 decreased to £1.1 million (2005 £8.7 million)
- Proforma shareholders' funds per Ordinary share of 75.4p (2005 77.1p)
- £8.8 million net cash as at 31 December 2006

Commenting on the results, Anton Bilton, Executive Chairman, said

“2006 was a year of consolidation and further growth for your Company and its two main new businesses. Our five year process of reinvention, now entering its third year, remains firmly on track and our new businesses are growing stronger by the day”

Bim Sandhu, Chief Executive, said

“We continue to remain particularly excited about the prospects for both our Independent Living and Property Fund Management businesses. We believe that there are some very strong fundamentals driving these businesses and that we now have the management teams in place to achieve our goals. In addition, we are actively pursuing second home resort based opportunities both in the UK and internationally”

Chairman's Statement

2006 was a year of consolidation and further growth for your Company and its two main new businesses. Our five year process of reinvention, now entering its third year, remains firmly on track and our new businesses are growing stronger by the day

I am delighted by the market's recognition of our prospects, as expressed by our share price more than doubling during the period

Our Independent Living business, Audley, has gone from strength to strength with planning consent being granted on four schemes thus providing a development pipeline of some 408 individual units. Construction has already commenced and we

populace. This growth in consumer demand is directly beneficial to the provision of logistic warehousing as more and more national and international businesses attempt to feed the demand for their products and to do that they desperately need warehouse space.

During 2006, we advised Raven Russia in the commitment of over US\$1 billion to warehouse projects and we currently have over a further US\$1 billion of projects in the pipeline.

Through our introductions Raven Russia has developed a series of joint ventures with a small group of sophisticated Russian partners and I believe this approach has been a mainstay in

“Our five year process of reinvention, now entering its third year, remains firmly on track and our new businesses are growing stronger by the day.”

expect to have completed units ready for occupation in the first quarter of 2008.

Marketing will begin in earnest this summer for all of our sites and we will then be able to grow the Audley brand nationally, becoming synonymous with the provision of first class Independent Living units and their associated facilities. Public awareness for this product is growing quickly and we believe Audley is very well placed to become the leading operator in the field.

With our aging population ever growing, I remain very excited about the prospects for this sector and take this opportunity to thank the management team for all their hard efforts in initially establishing the business and getting us to where we are today.

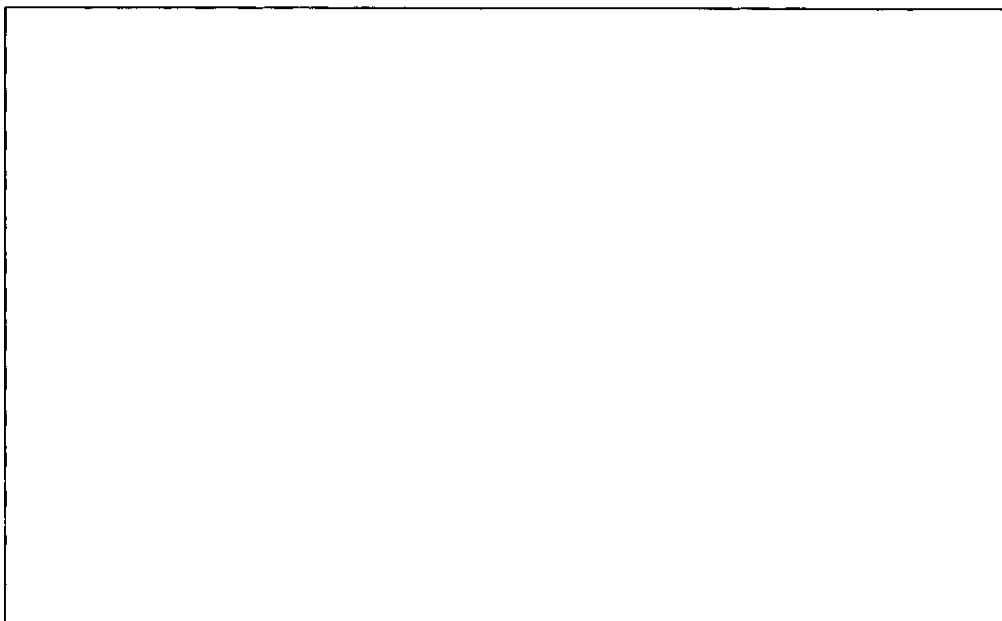
I am equally excited about the prospects for our Russian property fund management business which provides exclusive advice to the independently-listed Raven Russia Limited. Our full expectation is that the Russian economy will continue to grow rapidly as it benefits not just from its vast array of inherent commodities but also from the increasing availability of credit being made available to its relatively unleveraged

our ability to transact business in an environment where we are undoubtedly playing a catalytic part as the concept of property investment begins to take off.

Our activities have not been limited to just Moscow and St Petersburg as we have recognised that there are immense opportunities for logistic warehouse development in the other ten, one million plus populace, regional cities across Russia. These cities are crying out for warehouse space and it has been fascinating to participate in this process in visiting these regions and feel the growing prosperity and requirement for western goods.

I remain very excited about the prospects for this business. We are building a portfolio with dollar yields, pre-leverage, of circa 13% and borrowing costs of circa 8.5% in one of the world's most dynamic economies. Despite searching all over the rest of the world we have found nothing as potentially exciting.

One has to make comparables with current yields for warehouse property in Hungary, Czech Republic and Poland at circa 8% and



Mote House, Maidstone (Raven Audley Court plc)

then compare those economies with Russia's to fully grasp the potential of this opportunity

As property advisor we have built Raven Russia from being a start-up in July 2005 to being the most prolific international investor in Russian real estate in 2006 – an extraordinary feat in an environment where many fear to tread. We have done this because we recognised a great opportunity, chose to take it and applied dedicated focus and energy to getting it done. We have built an incredibly talented Moscow based 29 person strong team and have made it our full intention to create strong local partnerships in helping Raven Russia build a multi-billion dollar portfolio of properties. I take this opportunity to applaud the great efforts of the entire team for making this happen.

We continue to seek out other interesting property orientated opportunities in both Russia and other former CIS countries and I hope to bring further news of these soon.

We are delighted that Numis are Raven Russia's Nomad and joint broker with Credit Suisse and we look forward to working closely with both of them in helping to grow the business.

The UK housing market continues to rumble on and this has been a blessing for our only remaining Swan Hill development. Paramount at Swindon which is nearing completion. I am

delighted to say that it is already over 50% pre-sold. The RPH schemes at Brighton, Lewes and Sheffield are also well advanced. Most significantly we won outline planning consent for 160 second homes and a 120-bed hotel at our 'The Lakes' scheme in the Cotswolds. This designer-led project marks the first step in the development of our proposed Resorts Business which we expect to expand nationally as well as internationally with branded partners. I hope to bring you news of further exciting developments in this area this year.

Overall it has been a year of hard work. As every entrepreneur knows the early stage in establishing a new business is the hardest, to do it both here and abroad is exhausting. It requires determination, tenacity and huge amounts of energy. As I have joined my fellow executives on countless flights and seen them burn vast quantities of midnight oil I can only be humbled by their tireless dedication and enthusiasm for our growing acorns. I take this opportunity to applaud all of our employees for their special efforts this year and hope, as they do, that as they continue to nurture what are now becoming saplings, we will all share the plentiful rewards that these hopeful oak trees will one day bring.

*Anton Bilton
Executive Chairman
20 March 2007*

Chief Executive's Report

Shareholders achieved substantial returns in the year as measured on the widely used Total Shareholder Return basis, namely share price performance and dividends paid. The share price increased during the year by 116%, from 74.5 pence to 161.0 pence, in addition to which shareholders received total dividends of 6.35 pence per share (totalling £6.8 million), including the special dividend of 5 pence per share.

It is fairer to say that this share price movement is reflective of the efforts not just of the last year but since the takeover of Raven Property Holdings just over two years ago and should be viewed as such. For this reason, and as significant and long term investors in the business, Anton and I do not attach too much importance to share price movements over such relatively short periods of time. The share price is obviously of more concern to those wishing to buy or sell or to some extent those institutional investors who are paid on the performance of the funds that they manage. What long term shareholders should be more concerned about is whether real value is being created within our Company (as opposed to how it is being measured by the market at a point in time) as this will determine the long term economic health of the Company and the sustainable share price in the long run. Over any short period this may or may not be reflected in share price movement or in increased profitability and/or net asset value.

Although the creation of real value is very difficult to measure I can say that our management and employees created significant value for our Company over the year.

There were major business developments during the year in each of our three main business areas. Firstly, the additional fund raising of £310 million by Raven Russia together with the extension of our Property Advisory Agreement by just over five years to 31 December 2015. Secondly, the completion of our senior management team for our Independent Living business together with the receipt of our first planning permissions for 408 units on four sites under Raven Audley Court plc's control. Thirdly, the receipt of outline planning permission on our 160-unit residential and hotel scheme in the Cotswolds in joint venture with John Hitchcox and YOO Limited representing the first significant step in the UK for our second home/resort based developments, as discussed below.

Another major development, for which we are only partly responsible, is the reduction of the

Swan Hill Pension Scheme fund deficit, as measured by FRS 17, to £1.1 million, pre-tax, at the year end, and following the additional contribution of £1.6 million on 2 January 2007, the elimination of that deficit on that date. This is not to say that the issue is by any means resolved forever as was demonstrated by the recent turmoil in world markets. Nevertheless, we should cherish a victory in a significant battle even if the war is by no means won.

Results

Our Company generated a profit on ordinary activities before taxation of £0.5 million for the year ended 31 December 2006 (2005 £2.3 million). The decrease in relative profitability is largely accounted for by the much greater profits made on strategic land sales in the prior period. In addition, there was a significant increase of £3.5 million in overheads mainly in employee related costs in the new business areas that we are developing, in particular in our Property Fund Management business and our Independent Living business. We are also having to incorporate for the first time a £0.6 million charge under FRS 20 for share options which is, rather perversely in my opinion, reversed in the balance sheet.

Turnover for the year decreased slightly from £72.7 million to £71.8 million, although as in prior periods, comparisons of turnover and relationship to profit are not directly relevant as the Company continues to evolve new business areas in addition to its traditional housebuilding business.

Stated Net Assets decreased by £3.1 million from £89.0 million at the previous year end to £85.9 million as at 31 December 2006 largely as a result of dividend payments, totalling £6.8 million. To some extent, this was offset by a net actuarial post-tax gain of £2.8 million in relation to the FRS 17 pension fund deficit.

The Company maintains healthy cash balances and unutilised facilities although this is a double edged sword – whilst such excess capacity provides fire power to undertake transactions quickly it also means that we are not utilising our resources as efficiently as we could and indeed should. In a world of excess liquidity, access to relatively cheap funding and asset price inflation our Company would have earned greater returns had we been more fully invested during the period. Our reasons why we are not ideally where we should be at this point in time were set out in my 2006 Interim Statement.

Operating Review

Our Company's three principal areas of focus continue to be Property Fund Management, the Development and Operation of Independent Living facilities and Residential Development where we would hope to increase our emphasis on resort and/or the second home market both in the UK and overseas

Property Fund Management

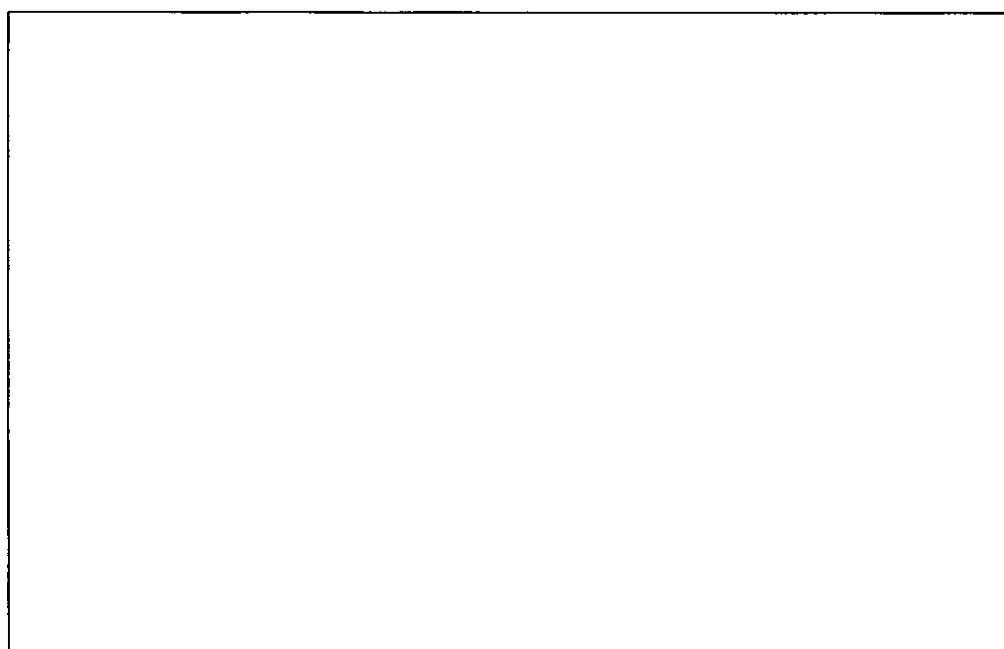
Our Company earned an operating profit of £0.5 million on total fees of £4.9 million from Raven Russia of which £2 million (£1.4 million payable in shares) was in respect of the minimum performance fee agreed for this year as a result of the restructuring of the 2005 fee. As at the year end Raven Mount was earning its core base fee of 2% on US\$465 million (2005 US\$151 million) of gross assets purchased or committed to purchase by Raven Russia. We expect this figure to increase significantly during the year.

The most significant development for the Company in this area was the extension of the Property Advisory Agreement by over five years to 31 December 2015 and the simultaneous additional fund raising of £310 million by Raven Russia Limited, the separately quoted AIM company. This increased Raven Russia's total equity base to £463 million which on a geared basis should enable it to buy approximately

£1.5 billion of assets once fully invested, provided the debt markets in Russia continue to mature as we would wish and indeed expect.

There is little Grade A warehouse space in Moscow and St Petersburg, certainly relative to cities of their size, and very little of it is currently available for purchase on the market. Raven Russia, on our advice, therefore made a conscious decision to both participate in the development process, albeit in a relatively low risk manner, whether by forward funding developers, by tenant partnering or in joint venture with such developers in traditional profit erosion type deals, and to expand into regional cities. Raven Russia raised £310 million additional funding in April 2006 in order to do this.

The advantage of this approach is that it enables the purchase of modern properties built to Raven Russia's specification with more acceptable tenants and lease structures and on better yields than might otherwise have been the case. However, participation in the development process, from our perspective as property advisers, requires a much bigger property team than one required for advising on investment transactions alone and this has resulted in a substantial increase in our overhead base for this business. In addition to the substantial time devoted by your Directors and the general support provided by our central group administrative and finance staff, we currently



Krekshino Logistics Terminal, Moscow (Raven Russia Limited)

Chief Executive's Report *continued*

have a team of 29 employees, and growing, who are directly and fully involved in developing our Russian business interests, principally our Property Fund Management business. Post the year end we have also entered into a long term lease commitment on premises, which are currently being fitted out in the centre of Moscow, to house our rapidly expanding workforce.

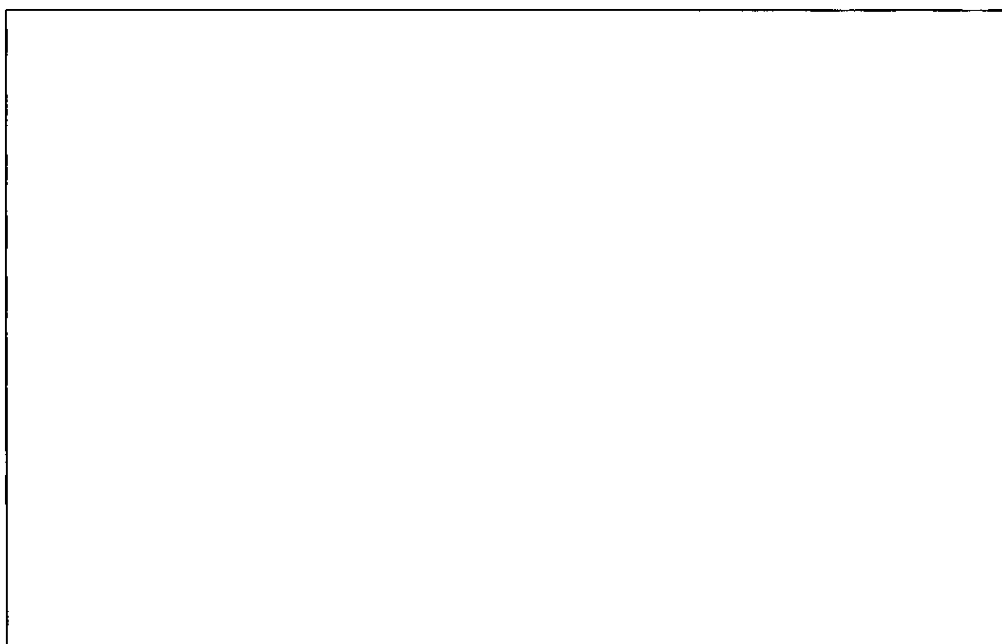
We have been proactive in our commitment of resources in this area and whilst revenues to date do not justify the level of this commitment we expect it will do so in the medium term. This substantial and upfront investment in people is without doubt responsible for the significant progress that we have made in Russia over the last two years, in particular over the last year. The scale of what we have achieved is easy to underestimate and can only truly be appreciated by visiting Russia and trying to understand the Russian property market in the context of the dynamics of the economy, talking to our Russian based managers and employees, talking to the legal, tax and accounting professionals employed by Raven Russia, talking to the real estate agents and other property advisers to Raven Russia, talking to the joint venture partners, developers and tenants we have introduced to Raven Russia, visiting the investment and development properties that we have helped Raven Russia acquire, etc. Whilst I fully appreciate that most shareholders will

not be in a position to do so I would encourage those who have the time, inclination and resources to do so. We look forward to working with Raven Russia's new high calibre advisers and brokers, Numis and Credit Suisse in getting their message across.

Independent Living – Raven Audley Court plc (operating as Audley)

I am pleased to report that we now have the full complement of the Raven Audley Court plc ('RAC') senior management in place to push the business forward to the next phase. This executive team comprises Nick Sanderson as Chief Executive, Giles Rabbetts as Land Director, Ben Krauze as Planning Director, Jonathan Taylor as Construction Director and Dominic Connelly as Finance Director. The Executive Directors are supported by a team of dedicated senior marketing, project management, planning and operational personnel. All are highly experienced in their field and highly incentivised by their equity participation in the business. Shareholders will be aware that this business is 75% owned by our Company and 25% by the Executive Directors of RAC, now operating under the Audley name, and its employees whether directly or through a RAC Employee Benefit Trust.

Our basic business model on a typical site involves trying to create value in three areas, planning, development and operations. The first two in



Site plan of Inglewood, Berkshire (Raven Audley Court plc)

some sense are not materially different to the usual housing business model although planning is relatively easier (but that is not to say easy – it never is!) and build costs tend to be higher as additional communal areas are required as well as a higher specification and more adaptable units. During the year we received planning permission for 408 units on four sites as a result of which there is a significant uplift in the value of these sites. As accounting standards do not allow for the revaluation of stock this uplift will be reflected in the future profitability of the business when sales commence. We have or will have commenced construction work on all four sites in the first half of the year, with the first units becoming available for residents to move into within the next ten months. As a result there will be nominal income for the RAC business in 2007 and it will therefore remain loss making during the current year. We do not expect RAC to be operationally profitable until 2008. We are in discussions and in legal proceedings to acquire a number of other sites largely on a subject to planning basis but also without such consent where we believe the planning profile is positive or where the price reflects the risk.

Shareholders will be aware that, operationally, we are already managing three sites totalling 168 units and the operation of our future sites is very much an intrinsic part of our Independent Living model. We have to be cognisant of the fact that the provision of housing for the elderly, in particular with care, has had a bad reputation in the UK because of the poor standard of the accommodation, service and facilities offered and we therefore have to offer much more than the historical provision.

The first important aspect of this is the setting of the housing, we are very much focused on listed buildings or buildings of similar stature, an area in which we have considerable expertise, set in parkland like settings which immediately serve to change the impression that the elderly are only entitled to second best.

The second important aspect is the level of service and variety of facilities on offer. We very much intend to offer a home for life, where our residents get care in their own homes should they require and their families do not suffer from the extra pressure of having to drop everything to take care of them if something unfortunate happens. We offer more in this area than many of our competitors in the retirement housing field who do not offer sufficient in the way of additional

services, eg a 24-hour care station, health, leisure and fitness facilities, hotel type of service, library, treatment rooms, restaurant and bar facilities etc. The provision of these facilities will allow us to create a profitable operating business whose income stream is not only generated by our own residents but also by non-residents. This also enables us to extend the profile of each project to the local area. As we expand we will also be offering the use of all our centres to all our residents and looking to extend the Audley franchise into other areas related to the elderly.

Thirdly, our model is very much based on the fact that it is our residents who will gain the benefit of the capital appreciation that comes from ownership of their own homes, ones in which our residents can live independent lives in secure settings and/or become active members of the immediate and wider community within which they live.

The setting of our sites combined with the level of service and variety of facilities on offer together with the benefits of home ownership will, we believe, provide a superior product to that of our competitors.

Residential Development

In respect of our third major business strand, residential development, we have now completed and sold all of the units on the former Swan Hill sites with the exception of the 200-unit Swindon site. We expect to complete the fit out of this site this summer and although this is a loss making site it has utilised significant amounts of cash resources (for a negative return) which are being released as we now sell the units. We do not expect to exit this site fully until the second half of 2008 at the earliest and with the recent hike in interest rates sales on this site are likely to remain slow.

The 247-unit New England Quarter, Brighton Station site, which is being developed by our joint venture partner, Barratt Developments, is scheduled for construction completion this year and we would expect to have repaid our bank loan and extracted our equity in the transaction by the end of next year. Sales on this site have also been slower than we would have liked as the structure of the joint venture encourages Barratt to maximise sales values rather than speed of sales.

I am pleased to report that we have commenced development on both the 54-unit Lewes and the 149-unit Sheffield Phase I sites. We have achieved higher than expected sales values on both these

Chief Executive's Report *continued*

sites to date, Lewes in particular, and sales completions should commence next year

We shall be completing the purchase of the 339-unit Sheffield Phase II site in May with vacant possession to follow six months thereafter. We have yet to decide whether we will sell this site or develop it.

More significantly we have obtained outline planning committee consent and entered into legally binding Section 106 planning agreements

Swan Hill Pension Scheme

I outlined in some detail in my report last year both the issues surrounding the closed Swan Hill final salary pension scheme (the Swan Hill Pension Scheme or 'the Scheme') and the considerable efforts that we have made, and continue to make, to try to reduce the Scheme deficit, in the various guises that it can be measured. We continue to be proactive in looking carefully at both the Scheme assets and liabilities with a view to maximising returns whilst maintaining a relatively low risk profile, albeit accepting that the two parameters

“We believe that there are some very strong fundamentals driving our businesses and that we now have the management teams in place to achieve our goals.”

for another major site, at Lechlade on the Cotswolds. The development comprises a hotel and 160 second homes designed by Philippe Starck, Jade Jagger and our joint venture partner, John Hitchcox and YOO Limited, in lakeside settings in 500 acres of the Cotswolds. We have commenced development, and have completed the first three show units. We are very excited by the prospects for this site and it will prove a useful UK show case for the resort/second home business we hope to develop.

We are actively pursuing high-end second home resort-based opportunities in an international arena with current target areas in the Caribbean, Brazil and the Mediterranean region. The much slower pace of tying up deals, due amongst other things, to the longer due diligence process required, means that this can be a time consuming and protracted process. However, we believe this process is worth pursuing where the potential level of return is commensurate with the extra risk

We continue to remain bearish on UK residential property generally, other than the second home and retirement markets, although the market has generally held up better albeit in patches, than we had expected. For those of you who remember him, I am beginning to feel a bit like Bob Beckman!

are usually moving in the same direction, that is, higher returns normally come at the expense of higher risk. I say usually as, in imperfect markets, people can perceive more risk than there actually is.

The Scheme benefited from both the strength in equity markets and the relatively higher level of equities exposure than a Scheme of our maturity might otherwise warrant. During the year, the Trustees of the Scheme, in full consultation with the Company moved £10 million of the Schemes assets from bonds into cash and then into a Hedge Fund of Funds. The Trustees and ourselves both considered bonds to be overvalued and selected, with professional advice, a Hedge Fund of Funds which we considered to have a bond-like risk profile but with higher returns. During the year this move paid off as we achieved higher returns than we might otherwise have done but the acid test will be in the long run and, on that, the judgment remains open for the time being.

In addition, during the year we provided an additional contribution of £1.6 million, over and above our annual contractual obligation, in the form of Raven Russia shares which we believe to be both high yielding and with the prospect of significant capital growth. Perhaps one example of the market mispricing the risk/return matrix

Our basic approach to the Scheme deficit has been to try to reduce it, as rapidly as cash flows and profits, in particular taxable profits, will allow. In this, we have been successful to date.

Under Financial Reporting Standard 17 'Retirement Benefits', the Scheme deficit decreased by £7.6 million from £8.7 million as at 31 December 2005 to £1.1 million as at 31 December 2006 or £6.1 million to £0.8 million on an after tax basis. The decrease in the deficit was principally caused by the additional contributions of £3.4 million in cash and Raven Russia shares, just over twice the agreed annual contribution to the Scheme, as well as a £4.0 million actuarial gain, principally arising as a result of increase in asset values.

More significantly, we contributed the entire 2007 contractual contribution of £1.6 million as a lump sum contribution on 2 January 2007 and the FRS 17 calculation at that date, other things being equal, would have led to a surplus of £0.5 million, an important milestone for the Scheme and the Company particularly in light of the deficit of £16.2 million shown in the 31 December 2004 accounts.

The next actuarial valuation of the Scheme is to be undertaken as at 5 April 2008. The last actuarial valuation was undertaken as at 5 April 2005 and this resulted in a deficit of £9.3 million. It was agreed to reduce this deficit by making additional contributions of £1.57 million a year over a six-year period in addition to a contribution of £1.83 million in 2005. We are legally required to continue making these deficit contributions until the results of the 2008 actuarial valuation are known, which will not be until towards the end of that year.

Finally, and significantly, it is worth shareholders appreciating that our participation in the Independent Living business provides a good 'hedge' against any residual pension fund risk that we carry because, for example, the very demographic trends that work against us on the pension fund also work for us in the Independent Living business.

Acquisition of RPH

Under the terms of the Acquisition Agreement the maximum consideration, all payable in shares, for RPH was £39.9 million of which £34.3 million has been paid at the year end with a balance of £5.6 million remaining. Furthermore, the substantial increase in the Company's share price during the year meant that fewer shares were

issued for each pound of consideration than might otherwise have been the case, to the benefit of all shareholders other than Anton and myself. The same will apply to any shares issued this year. Following planning consent on Mote, Maidstone, we expect to issue deferred consideration shares shortly, following a formal valuation exercise. The remainder of the above amount outstanding could be paid in respect of the Coln site provided that, as required under the terms of the acquisition agreement, detailed planning consent is obtained and the judicial review period has expired, prior to 31 December 2007, the long stop date. The site currently has detailed consent on a small number of units and outline consent for the majority of the site. Rather ironically, this may be one situation in which unnecessary planning delays and politics between various government agencies are to the benefit of the majority of shareholders, as the Acquisition Agreement requires the grant of detailed consent prior to the payment of consideration albeit that substantial value has already been created for the Company. An application has been submitted for detailed consent for 48 units but the detailed consent is being withheld by the local Council because the Environment Agency ('EA'), are, unreasonably, objecting to the siting of the units on flood risk issues, being the only thing they can object to having not objected to the outline planning in the first place! Our strong legal opinion is that 'the EA cannot give advice to the Council or an opinion that strikes at the principle of the planning permission for development or prevents us from providing the fixed number of dwellings that we have permission for'. The only problem is that there are no more suitable locations to site these units! The Council would like to grant planning but must listen to a consultee, the EA, who are in no way accountable to anyone for their decision making! Councils are always nervous to act against the advice of their consultees but it is the poor Counsel, or rather its taxpayers, who have to pick up the costs if the EA prove to be in the wrong and our advice is that they will be acting outside the scope of their role as consultee to this reserved matters application. This may therefore delay the grant of detailed planning. The worse news is that in the not too distant future Shareholders can probably expect a rather lengthy tome, somewhat longer than my Pension Fund note of last year, on the problems inherent in the UK planning system!

Dividends

The Directors propose to pay an Final Dividend of 1.0 pence per Ordinary share, making a total dividend paid in respect of the year to 31 December

Chief Executive's Report *continued*

2006, excluding the Special Dividend of 5 pence each per share, of 1 6 pence per Ordinary share, an increase of 28% compared to last years total dividend of 1 25 pence. The final dividend is payable on Friday, 22 June 2007 to shareholders whose names appear on the Register of Members as at Friday, 13 April 2007.

Prospects

We continue to remain particularly excited about the prospects for both our Independent Living and Property Fund Management businesses. We believe that there are some very strong fundamentals driving these businesses and that we now have the management teams in place to achieve our goals. We believe that we have also identified some obvious but fundamental factors which will help to drive the third new business that we are trying to develop, namely the resort/second-home market.

Your management remain convinced that the Russian market remains in the medium term one of the best, if not the best, property investment opportunity in the world and are devoting appropriate resources to exploit that opportunity. We have invested heavily in top-end personnel in this business during the course of the year and in addition your Executive Directors continue to devote significant management time to this business. In short, we are there to stay in Russia and our significant on ground management presence in Russia should open up any number of business opportunities in the medium term, in addition to the provision of property services to Raven Russia. Even if the market has recognised the value that we are creating in Raven Mount I do not believe that it, as yet, recognises the value that we have helped to create for Raven Russia.

In last years financial statements we highlighted some of the statistics/demographics driving the provision of housing and care for the elderly sector. In particular, it is important to appreciate that increases in longevity through improving healthcare will lead to an increasing requirement for low dependency care in housing settings rather than care homes as has been the case historically. However, there is also increasing competition, albeit from a low base, in this expanding sector as new competitors enter this market but we believe that our offering is superior to that currently available in the market.

The residential market remains very patchy particularly outside London, which has experienced very strong growth as London has rapidly become *the* international city where anyone with substantial wealth wants at least a base. It is in this area perhaps more than most, that we, as Executive Directors, have failed to identify the trend early enough to position ourselves in order to take advantage of the opportunity. I should say that this is one price that we have had to pay as a consequence of our time commitment to our Russian interests in particular. However, the macro-economic reasons behind this (eg the emergence of a world-wide class of substantially wealthy and mobile businessmen, entrepreneurs, professionals and financiers) are the ones that we have been seeking to exploit in building up our UK and international resorts/second-homes business and we intend to devote more resources to this area.

In short, I remain very excited by the prospects for the Company despite the fact that our financial performance, as measured by profits and net assets, does not yet and will not in the current year, reflect the significant advances we have made in our businesses. Company profits for the current period will be hampered, in particular, by the losses of the Audley business despite the fact that value will continue to be created during the year through the development process. This value will be realised in the profit and loss account in future years as units are sold. Albert Einstein was not referring to financial statements when he said "Not everything that can be counted counts, and not everything that counts can be counted" but he might as well have been!

Finally, I should like to join Anton in thanking our fellow directors, our staff, our advisers and our partners without whom we would not have made the significant advances we have made during the course of the last year. Thank you all for your indefatigable efforts.

Bun Sandhu
Chief Executive
20 March 2007

Finance Director's Report

Overview of Results

The Group generated a profit on ordinary activities before taxation of £0.5 million (2005: £2.3 million) for the year to 31 December 2006, based on turnover of £71.8 million (2005: £72.7 million).

Accounting Policies

The Group has adopted the same accounting policies as last year, as detailed in note 1 on page 29, save for the adoption of FRS 20 'Accounting for Share-based payment' that has resulted in an annual charge to the profit and loss account of £0.6 million in respect of the options currently in issue.

The Group will be required to prepare accounts under IFRS in respect of the accounting period ending 31 December 2007. The impact of this change, in terms of the figures, will be primarily in respect of deferred taxation where full recognition of deferred tax assets and liabilities is required under International Accounting Standard 12 Income Taxes. The effect on the Group will be to recognise a deferred tax liability in respect of the fair value uplift to stock arising from the deferred consideration payable in connection with the RPH acquisition. This deferred tax liability as at 31 December 2006 is £6.8 million, which will reduce net assets. The amount is already

recognised by the Group in arriving at Proforma Shareholders' Funds.

In addition, the Group will be required to fair value its shares and warrants in Raven Russia Limited and Oriel Securities Limited.

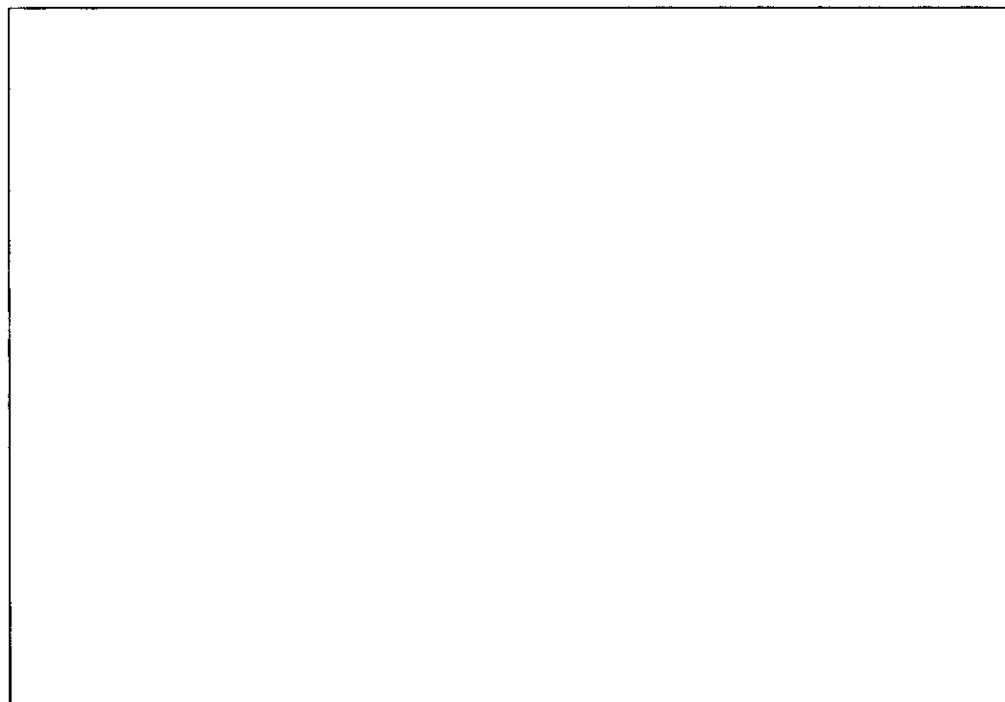
Pension Fund

Under FRS 17 'Retirement Benefits', the deficit in respect of the final salary pension scheme as at 31 December 2006 is £1.1 million (2005: £8.7 million). The total market value of the pension scheme assets as at 31 December 2006 was £65.3 million and the present value of its liabilities was £66.4 million.

During 2006, the Group contributed a total of £3.4 million to the pension scheme, including £0.2 million towards administrative expenses and 1.4 million (£1.6 million worth) Raven Russia Limited shares.

Capital Structure/Deferred Shares

A total of 1,841,213 Ordinary shares were issued during the year. In respect of the RPH acquisition, 1,003,434 and 312,779 Ordinary shares were issued in September and December 2006 respectively. In addition, 525,000 Ordinary shares were issued to Non-Executive Directors on



The 140,000 sq m Shushari St. Petersburg development (Raven Russia Limited)

Finance Director's Report *continued*

exercise of share options granted at the time of the takeover of Swan Hill Group PLC by Raven Mount plc

Group Bank Facilities

The Group has unsecured committed bank facilities totalling £40 million that were unused at the year end

Systems and Controls

The growth of our Property Fund Management activities has led to a significant operation in Russia. We have ensured that sufficient processes and controls are in place to monitor these activities and in particular the relationship with Raven Russia Limited. The agreement of fees due between the two companies is governed by our Property Advisory Agreement and is subject to independent assessment and verification from Investec Administration Services Limited, Administrator and Secretary to Raven Russia Limited

Financial Review

Profit and Loss Account

Turnover

During 2006, the Group had turnover of £71.8 million (2005: £72.7 million)

Turnover from Residential amounted to £66.9 million (2005: £69.2 million) of which £3.8 million (2005: £17.9 million) related to land sales. In respect of our Property Fund Management activities, the Group received management fee income of £2.9 million and a performance fee of £2.0 million of which £1.4 million was paid in Raven Russia Limited shares. Independent Living is an early stage business and is not anticipated having stock available to sell until early 2008.

As at 31 December 2006, the Group was earning management fees based on US\$465 million of funds committed by Raven Russia Limited.

Administrative Expenses

Administrative expenses have increased significantly during 2006 to £12.7 million (2005: £9.2 million) as a result of the growth in both our Property Fund Management and Independent Living activities. Direct costs relating to the old Swan Hill business have been significantly reduced in line with the wind down of those remaining assets and where appropriate, incorporated into other Group activities.

Other Income

Dividend income of £0.2 million was received in respect of our Raven Russia Limited shares.

Taxation

The tax charge of £2.3 million represents the utilisation of a previously created deferred tax asset of £1.3 million, a deferred tax charge of £1.1 million relating to contributions into the Group's defined benefit pension scheme, and a credit of £0.1 million in respect of prior year over provisions. No current tax is payable for the year, due to the utilisation of brought forward tax losses.

Dividends

In 2006, shareholders received dividend payments totalling 6.35 pence per Ordinary share (2005: 1.0 pence), including a 5.0 pence per Ordinary share Special Dividend.

Loss per Share

Basic loss per Ordinary share was 0.8 pence (2005: 0.2 pence) based on the loss after tax and minority interest of £0.8 million (2005: £0.2 million) and on 106.9 million (2005: 89.1 million) Ordinary shares being the weighted average number of Ordinary shares in issue during the year.

Balance Sheet

Stock

Total stock as at the year end was £65.8 million (2005: £90.0 million).

As at the year end, the only remaining old Swan Hill development was Paramount (Swindon) held at £13.5 million, having realised £25.6 million of old Swan Hill stock during the year. This has been a difficult site and we have released £0.9 million of the £1.9 million provision made at the Interims, reflecting the actual level of sales (including exchanges and reservations) achieved in the second half of the year.

Stock in relation to RPH totalled £33.0 million (2005: £31.4 million), the major items being Brighton (£12.4 million), Sheffield I and II (£11.9 million) and Lewes (£5.0 million).

During the year, RAC, our Independent Living business, obtained planning permission in respect of four schemes. In addition to Mote, Maidstone (87 units), announced at the Interims, we obtained

	2006 £m	2005 £m
Proforma shareholders' funds		
Shareholders' funds	87.1	89.3
Mark to market Raven Russia shares and warrants (net of tax @ 30%)	1.8	2.3
RPH acquisition deferred consideration add-back	5.6	7.3
RPH acquisition stock deferred tax liability	(6.8)	(7.6)
Cash receivable from exercise of Share Options	6.5	-
Proforma shareholders' funds	94.2	91.3
	m	m
Diluted Ordinary shares (see note 9)	124.9	118.4
Proforma shareholders' funds per diluted Ordinary share	75.4p	77.1p

The above table does not reflect the excess over book value of certain stock items

planning on St Elphins, Matlock (127 units), Inglewood, Berkshire (96 units) and Ilkley, Yorkshire (98 units). Stock in respect of RAC at the year end totalled £12.1 million (2005: £9.8 million).

A gross value of £7.9 million is held representing the maximum outstanding fair value of the assets acquired under the terms of the RPH acquisition.

Investments

As at the year end, the Group held 10.7 million Raven Russia Limited shares, including shares received as part of our performance fee, at a cost of £11.0 million. Based on a year end Raven Russia Limited share price of 115.5 pence per share, the market value of these shares totals £12.3 million. In addition, the value of the 7.65 million warrants over Raven Russia Limited shares, if exercised, would be £8.8 million, an unrealised gain of £1.2 million above the £7.6 million that we would have to pay to exercise them.

In November 2006, the Group acquired a minority stake in Oriel Securities Limited, an independent stockbroking and advisory business, for £4.7 million. Oriel has a strong reputation in a number of sectors, including Real Estate and Overseas Property Funds.

Cash and Bank

Net cash as at the year end was £8.8 million (2005: £5.2 million). This, however, does not illustrate the significant cash movements during the year, namely inflows from our Weybridge and Clifton developments and outflows being dividends and our acquisition of a minority stake in Oriel Securities Limited.

Shareholders' Funds

Shareholders' funds at the year end decreased to £87.1 million (2005: £89.3 million). The principal movements were the dividends paid of £6.8 million and the actuarial gains of £2.8 million on the pension scheme.

The table above illustrates our view of the proforma shareholders' funds of the Group.

Shareholder Return

The share price increased from 74.5 pence to 161.0 pence per Ordinary share over the year, an increase of 116%, in addition to total dividends of 6.35 pence during the year, giving a total shareholder return of 124.6%.

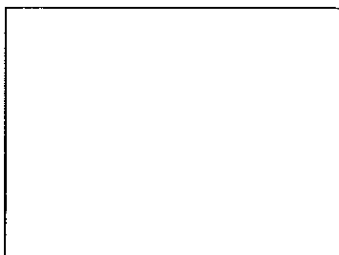
Mark Kirkland
Finance Director
20 March 2007

Board of Directors



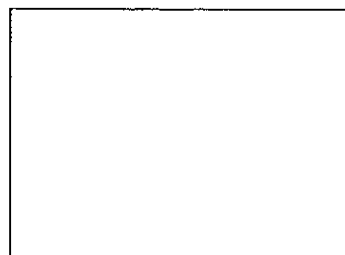
A J G Bilton Executive Chairman

Anton Bilton, aged 42, was the founder Chief Executive and majority shareholder of The Raven Group, the residential arm of which was acquired by the Company in December 2004. He has been a founder and director of three other companies that have floated on AIM. Anton is Chairman of Raven Russia Property Management Limited.



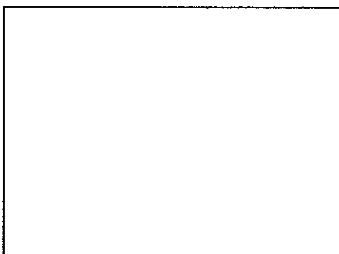
G V Hirsch Executive Deputy Chairman

Glyn Hirsch, aged 45, qualified as a Chartered Accountant with Peat Marwick Mitchell & Co in 1985. Until 1995 he worked in the corporate finance department of UBS (formerly Phillips & Drew) latterly as an Executive Director specialising in UK smaller companies. From 1995 until 2001 he was Chief Executive of CLS Holdings plc, the listed property investment company, a former Director of Citadel Holdings plc, the specialist French property investor and former Chairman of Property Fund Management plc, the listed property fund management business. Glyn is also a non-executive director of a number of public and private companies including Liontrust Asset Management plc. Glyn is a director of Raven Russia Limited and the Swan Hill Pension Trust Limited.



B S Sandhu Chief Executive

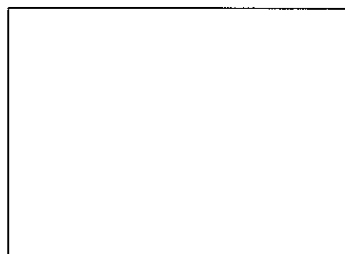
Bim Sandhu, aged 45, qualified as a Chartered Accountant with KPMG in London. Following qualification he was appointed Secretary of the KPMG UK Property and Construction Group. Subsequently he became Financial Director and then Managing Director of the UK operations of Hudson Conway, a listed Australian property developer. He was also a Director of The Courage Pub Company plc, which owned the then 5,000-strong Courage Pub Estate, representing Hudson Conways 50% interest in the joint venture. Bim was Managing Director and a major shareholder of Raven Property Holdings plc prior to its acquisition in December 2004. He is Chairman of the Group's Independent Living subsidiary, Raven Audley Court plc. He is a graduate of the London School of Economics and graduated from Cass Business School at City University joint top of his MBA class and with distinction. He is a Fellow of the Institute of Directors, the Institute of Chartered Accountants in England and Wales and the Chartered Management Institute. Bim is a Director of the Swan Hill Staff Pension Trust Limited.



J B Hyslop

Non-Executive Director

James Hyslop, aged 61, joined Phillips & Drew in 1967 where he held various sales and research positions before being appointed a partner in 1981. From 1986 to 1990 he was a Director in charge of Property Corporate Finance at UBS Phillips & Drew and subsequently from 1990 to 1998 he was Head of Property of PDFM Limited (now UBS Global Asset Management Limited). He is currently a member of the Investment Committees of Gresham Property Partners I & II (Schroder property investment management funds) and Lionbrook Property Partnership (an ING real estate investment management fund) and until recently was a member of the Investment Committee of CBRE Investors and a consultant for UBS Global Asset Management Limited. From 1998 to 2002 he served as a Non-Executive Director at Saville Gordon Estates plc, latterly as Chairman. James is Chairman of the Nominations Committee, a member of the Audit and Remuneration Committees and Chairman of the Swan Hill Staff Pension Trust Limited.



R P Macnamara

Non-Executive Director

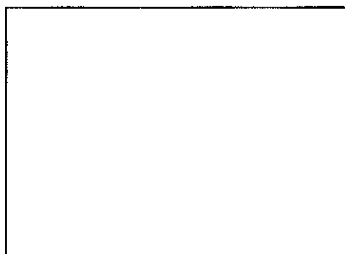
Rory Macnamara, aged 52, qualified as a Chartered Accountant with Price Waterhouse and worked in merchant banking with Morgan Grenfell for 17 years (during which time it was acquired by Deutsche Bank AG). He was a director in Corporate Finance, Head of Mergers and Acquisitions and Vice Chairman of Morgan Grenfell & Co Limited. In 1999 he joined Lehman Brothers where he was a Managing Director in UK Investment Banking until 2001. He currently acts as a corporate consultant and is Chairman of Izodia plc and Goshawk Insurance Holdings plc and a Director of Private Equity Investor plc, Dunedin Income Growth Investment Trust plc and Augean PLC. Rory is Chairman of the Audit Committee and a member of the Remuneration and Nominations Committees.

Advisers



M A Kirkland Finance Director

Mark Kirkland, aged 39, qualified as a Chartered Accountant with Price Waterhouse in London. He has significant experience in UK small and mid-cap company corporate finance, gained predominately with UBS Limited. Mark was part of the original team that led the takeover of Swan Hill Group plc in 2003.



R T E Ware

Non-Executive Director

Robert Ware, aged 52, served as a Director of Development Securities plc between 1988 and 1994, filling the roles of joint Managing Director and Finance Director in the latter stage of his tenure. In 1994, he left to take up the position of Managing Director of Dunton Group plc where he stayed until November 1996. He joined MEPC plc in June 1997 serving first as Corporate Development Director and then as Deputy Chief Executive between June 1997 and June 2003. He is Chief Executive of The Conygar Investment Company PLC and a Non-Executive Director of Tarsus Group plc, Marwyn Value Investors I Limited, Marwyn Value Investors II Limited and Gartmore Growth Opportunities plc. He is a Fellow of the Institute of Chartered Accountants in England and Wales. Robert is Chairman of the Remuneration Committee and a member of the Audit and Nominations Committees.

Independent Auditors

BDO Stoy Hayward LLP
8 Baker Street
London W1U 3LL

Nominated Advisers

Shore Capital & Corporate Limited
Bond Street House
14 Clifford Street
London W1S 4JU

Joint Brokers

Oriel Securities Limited
125 Wood Street
London EC2V 7AN

Shore Capital Stockbrokers Limited
Bond Street House
14 Clifford Street
London W1S 4JU

Principal Bankers

The Royal Bank of Scotland Group
Barclays Bank
Anglo Irish Bank

Solicitors

Stephens & Johnson LLP
99 Gresham Street
London EC2V 7NG

Berwin Leighton Paisner LLP
Adelaide House, London Bridge
London EC4R 9HA

Registrars

Capita IRG Plc
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

Directors' Report

For the year ended 31 December 2006

The directors present their report and the audited accounts for the year ended 31 December 2006

Results and Dividends

The profit before tax which amounted to £0.5 million (2005 £2.3 million) is shown in the Group Profit and Loss account on page 25. A final dividend for 2005 of 0.75 pence per Ordinary share, an interim dividend of 0.6 pence per Ordinary share for 2006 and a special dividend of 5.0 pence per Ordinary share were paid during the year. A final dividend of 1.0 pence per Ordinary share is proposed.

Principal Activities, Business Review and Future Developments

The Group's business comprises housebuilding and property development in the United Kingdom and overseas, the operation of Independent Living facilities and Property Fund Management. A more detailed report on the Group's activities and strategy is contained in the Chairman's Statement, the Chief Executive's Report and the Finance Director's Report.

Financial Instruments

The details of the Group's financial instruments are disclosed in note 18 on pages 41 and 42.

Directors

The directors who served the Group during the year were as follows:

A J G Bilton (Executive Chairman)
G V Hirsch (Executive Deputy Chairman)
B S Sandhu (Chief Executive)
M A Kirkland (Finance Director)
appointed 26 April 2006
J B Hyslop (Non-Executive)
R P Macnamara (Non-Executive)
R T E Ware (Non-Executive)

In accordance with the Articles, one third of the directors are required to retire by rotation at each AGM. B S Sandhu and R T E Ware will retire and, being eligible, offer themselves for re-election. B S Sandhu has a service contract with the Company terminable with a notice period of 12 months. R T E Ware has no service contract with the Company.

No director had any material interest in any contract of significance during the year to which the Company or its subsidiaries was party with the exception of the acquisition of Raven Property Holdings plc, details of which were sent to shareholders in November 2004 and approved at an Extraordinary General Meeting on 13 December 2004.

Interests of the directors (including those of their families) in the share capital of the Company are shown below. No director had any beneficial interest in the Ordinary shares of any subsidiary company during the year.

Director's Interests in Ordinary Shares

	31 December 2006 Number	1 January 2006 Number
Executive		
A J G Bilton	34,145,801	33,268,413
G V Hirsch	250,000	250,000
B S Sandhu	20,950,860	20,512,035
M A Kirkland	Nil	Nil
Non-Executive		
J B Hyslop	222,000	41,667
R P Macnamara	216,666	41,666
R T E Ware	275,000	100,000

- (i) A J G Bilton's and B S Sandhu's interests both include 2,125,000 (1 January 2006 2,125,000) Ordinary shares held by Santon Investments Limited and 5,625,000 (1 January 2006 5,625,000) Ordinary shares held by Santon Capital plc. Santon Investments Limited is wholly owned by Santon Capital plc. A J G Bilton owns 50.0% and B S Sandhu owns 50.0% of the issued share capital of Santon Capital plc and are also directors of that company. The economic interests of A J G Bilton is 30,270,801 shares and B S Sandhu is 17,075,860 shares.

A J G Bilton's and B S Sandhu's interests also include their interests as Trustees of two separate Life Interest Settlements which respectively own 1,318,902 (1 January 2006 1,275,072) and 660,931 (1 January 2006 638,951) Ordinary shares.

All of the interests of the other directors are beneficial.

- (ii) In accordance with the Acquisition Agreement of Raven Property Holdings plc, a further maximum of 3,474,635 Ordinary shares, based upon the Company's share price at 31 December 2006, may be issued to A J G Bilton, B S Sandhu and the Life Interest trusts of which they are Trustees over the course of the period ending 31 December 2007. If all of these shares were issued and assuming no other changes in the issued share capital of the Company, the combined interests of A J G Bilton and B S Sandhu would amount to 45.5% of the increased share capital of the Company.

Directors' Beneficial Interests in Convertible Ordinary Shares and Share Options

In addition, A J G Bilton B S Sandhu and G V Hirsch are interested in 6,000 Convertible Ordinary shares held by the trustees of the Raven Mount Employee Benefit Trust, a discretionary trust, as potential beneficiaries under the trust. The trust was established on the Admission of Raven Mount plc to AIM, prior to the takeover of Swan Hill Group plc. To the extent not previously converted, each Convertible Ordinary share will convert into 396 Ordinary shares on the fifth anniversary of the Admission of Raven Mount to AIM, being 17 December 2008. Based on the Raven Mount share price of 161.0 pence as at 31 December 2006, the Convertible Ordinary shares would have converted into 5,558,000 Ordinary shares.

The Company also operates an Unapproved Share Option Plan and an Approved Share Option Plan and the Executive Directors hold options over the following:

	Unapproved share options at 80p	Approved share options at 105p
A J G Bilton	1,550,000	28,571
G V Hirsch	1,550,000	28,571
B S Sandhu	1,550,000	28,571
M A Kirkland	750,000	28,571

The options are exercisable subject to and in accordance with the Rules of the Raven Mount plc Share Option Plans. These options may not normally be exercised before the Option Holder has been notified that, if applicable, the Performance Conditions have been met. The details of the plans are in the Remuneration Report on pages 21 and 22.

Substantial Shareholders' Interests

At 28 February 2006 the following disclosures of interest pursuant to sections 198 to 208 of the Companies Act 1985 (as amended) in the Company's issued Ordinary share capital had been notified to the Company:

	% of share capital
A J G Bilton and B S Sandhu (Combined holding)	43.8
Schroder Investment Management Ltd	13.0
Silchester International Investors Ltd	7.1
Deutsche Bank AG London	5.9
Credit Suisse First Boston Limited (Laxey Group)	3.5
Man Financial Limited	3.3

The interests of each director are shown on page 16.

Employees

The Board is committed to setting the highest standards of integrity throughout the Group. Its personnel policies are set out in the Group's standard terms and conditions of employment.

Great importance is placed by the Group on employee communication and involvement. Information concerning the Group is provided to employees through normal management channels and briefings as well as through regular circulars and by the distribution to employees of the annual report and accounts and the interim statement.

The Group is committed to the provision of appropriate training and to help employees acquire the skills and experience, which enable them to fulfil their roles and to develop their potential.

Raven Property Group plc (a wholly owned subsidiary of Raven Mount plc), Raven Audley Court plc and Raven Russia Property Management Limited, operate a policy of equal opportunity. No job applicant or employee is to be treated less favourably than another on the grounds of sex, marital status, race, nationality, ethnic origin, colour, age or religious belief.

Within the limitations of its trading activities, it is the Group's policy to make every effort to engage disabled persons. If an employee becomes disabled during the period of employment every effort is made, through re-training if necessary, to enable the employee to remain with the Group. Opportunities for career development are available to all, including disabled persons.

Pensions

The Group operates a retirement plan which is a defined contribution plan based on a stakeholder pension contract. New staff are invited to join this plan.

The Group previously operated a final salary pension scheme. The Group paid contributions to the fund in order to provide security for existing pensions and the accrued benefits of current and former employees. With effect from 31 December 2005, benefits accruals ceased and current employees' benefits were based on salaries at that date. In place of the final salary pension scheme the Group invited active members of the pension scheme to join the Group's retirement plan.

Creditor Payment Policy

It is the Group's code of practice to agree payment terms with its suppliers, along with other terms and conditions, when it enters into binding purchase contracts. Its policy is to abide by the agreed payment terms provided that the supplier has delivered the goods or services in accordance with the terms and conditions of the contract. Group creditor days at 31 December 2006 were 25 (2005: 13). Company creditor days at 31 December 2006 were 31 (2005: 28).

Directors' Report *continued*

Health and Safety

The Group's policy is to ensure the health, safety and welfare of everyone engaged in, or affected by, its activities. In particular, it emphasises the need to eliminate risks before accidents occur and before health is endangered. Health and safety specialists carry out regular audits together with the Group's insurance broker. There is a nominated director who reports regularly to the Board on health and safety matters.

Donations

During the financial year the Group and its Charitable Trust made charitable donations totalling £63,350 (£8,500 and £54,850 respectively) (2005 £15,500 £6,800 and £8,700 respectively).

The Company encourages all of its Directors and employees to make charitable contributions through the GAYE Payroll Deduction Scheme. During the course of the year the Company's Directors and employees contributed £147,053 to charities under the Scheme.

No political donations were made during the year.

Environmental Policy

The Group's environmental policy is to meet statutory requirements and to apply good environmental practices in its business operations and in the development of its products.

Directors' Indemnity

On 5 April 2005, the Companies (Audit Investigations and Community Enterprise) Act (the 'New Act') came into force. The New Act contained provisions expanding the extent to which companies may indemnify their directors. The effect of the New Act was that companies could now indemnify directors and officers against more forms of liability which include defence costs in criminal or civil cases as they were incurred (subject to any obligation to repay if the defence is unsuccessful). Consequently, the Company's Articles of Association were updated with a new Article 138 at the AGM held on 5 June 2006.

Directors' Responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

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

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

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and of the Group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Financial statements are published on the Group's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Group's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Auditors

BDO Stoy Hayward LLP are willing to continue in office and a resolution to reappoint them will be proposed at the Annual General Meeting.

All of the current Directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The Directors are not aware of any relevant audit information of which the auditors are unaware.

Annual General Meeting

A separate circular accompanying this Report explains the ordinary and special business to be considered at the Annual General Meeting which will be held at the offices of Berwin Leighton Paine, Adelaide House, London Bridge, London EC4R 9HA at 3.30 pm on Monday, 14 May 2007.

By order of the Board

A G Confavreux

Secretary

20 March 2007

Corporate Governance

Compliance Statement

The Directors acknowledge the importance of the Principles set out in The Combined Code issued by the Committee on Corporate Governance. Although, as a result of the Company's listing on the Alternative Investment Market, the Company is not required to follow The Combined Code, the Directors set out below how the principles that they consider to be relevant to the Company have been applied during the year.

The Board

The Board now comprises four Executive Directors and three independent Non-Executive Directors. The Board includes Non-Executive Directors of sufficient calibre and number to bring independent judgement on the key issues facing the Group. It is responsible for corporate governance and meets regularly to review reports from the Directors and Board committees. It determines overall Group strategy and approves annual profit and loss and cash flow budgets and, in conjunction with revised forecasts, monitors these at regular intervals against actual performance. It also monitors internal controls which includes the assessment of the risks associated with the business. It sets limits for working capital and capital expenditure as part of the budgeting process and authorises major new projects or contractual obligations under the reserved powers procedures as well as significant financing matters. To enable the Board to discharge its duties, all Directors have full access to all relevant information and to the advice and services of the Company Secretary. The appointment and removal of the Company Secretary is a matter for the Board as a whole. In addition, the Directors may take independent professional advice in the furtherance of their duties, if necessary, at the Company's expense. The Board considers and, if appropriate, approves external appointments of the Directors and the terms of these.

There are three principal committees of the Board: the Audit, Remuneration and Nominations Committees.

Audit Committee

This committee is chaired by R P Macnamara and comprises the Non-Executive Directors with the attendance of relevant Executive Directors. It reviews both the internal and external accounting policies and practices adopted by the Group, taking into account the implications of any changes in accounting standards, the operation and effectiveness of the internal financial controls and considers the auditors' findings arising from their audit. The Committee meets at least twice a year.

The Committee is also responsible for monitoring compliance with accounting and legal requirements and for reviewing the annual and interim financial statements prior to their submission for approval by the Board.

Remuneration Committee

This committee is chaired by R T E Ware and comprises the Non-Executive Directors. The Remuneration Committee assesses the performance of the Executive Directors so as to determine their annual remuneration, any bonus and option awards.

The Directors' Remuneration Report is set out on pages 20 to 22.

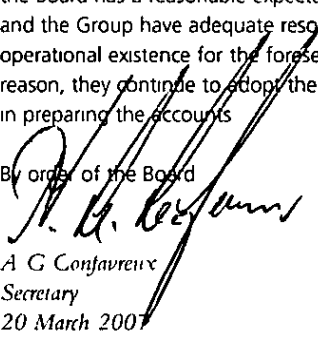
Nominations Committee

This committee is chaired by J B Hyslop and comprises the Non-Executive Directors. Changes in the membership of the Board are considered by the Nominations Committee prior to making recommendations to the full Board.

Going Concern

The Code requires that the Board should state in the Report and Accounts that the business is a going concern. It should be recognised that any consideration about the foreseeable future involves making a judgement, at a particular point in time, about future events which are inherently uncertain. After making enquiries, however, the Board has a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

By order of the Board


A G Confavreux
Secretary
20 March 2007

The Directors' Remuneration Report

Remuneration Policy

The objective of the Group's remuneration policy is to pay salaries and benefits in line with other UK companies of a similar size and complexity so as to attract, retain and incentivise high calibre staff, recognising that they are key to the success of the business. Consistent with this policy, benefit packages awarded to Directors are intended to be competitive and comprise a mix of performance-related and non-performance-related remuneration designed to incentivise directors. Remuneration for the Executive Directors comprises annual salaries, bonuses and share options.

A J G Bilton, G V Hirsch and B S Sandhu are entitled to a contribution towards their pension funds equivalent to 20% of their salary.

Directors' Remuneration

Details of the Directors' remuneration in respect of qualifying services are shown below. The following table and notes have been audited.

	Salary and fees £ 000	Pensions £ 000	Benefits (i) £'000	Bonuses (ii) £ 000	Total 2006 £'000	Total 2005 £'000
Executive						
A J G Bilton (iii)	287	58	6	195	546	493
G V Hirsch	200	40	7	195	442	317
B S Sandhu	287	58	5	195	545	454
M A Kirkland (iv)	102	–	1	50	153	–
Non-Executive						
J B Hyslop	45	–	–	–	45	40
R P Macnamara	35	–	–	–	35	30
R T E Ware	35	–	–	–	35	30
	<u>991</u>	<u>156</u>	<u>19</u>	<u>635</u>	<u>1,801</u>	<u>1,364</u>

(i) Benefits include provision of life insurance and private health insurance.

(ii) Bonuses are included on an accruals basis. Overall Group performance is taken into account when determining Directors' bonuses.

(iii) Highest paid Director.

(iv) M A Kirkland was appointed as a Director on 26 April 2006 and his remuneration for 2006 is shown from that date.

Directors' Options Exercised During the Year

	Number of option shares exercised	Exercise price (pence)	Market price at exercise date (pence)	Gains on exercise 2006 £'000
J B Hyslop	175,000	80.0	112.4	57
R P Macnamara	175,000	80.0	117.9	66
R T E Ware	175,000	80.0	112.4	57
Total				<u>180</u>

Service Contracts

The Directors' service contracts and appointments as at the year end are as follows

Executive (Contracts)	Salary £ 000	Contract date	Unexpired term	Notice period	Contractual termination payment
A J G Bilton	287	24 11 04	Rolling contract	12 months	(Payment of salary
G V Hirsch	200	24 11 04	Rolling contract	12 months	and benefits
B S Sandhu	287	24 11 04	Rolling contract	12 months	on summary
M A Kirkland	150	17 12 03	Rolling contract	12 months	termination)
Non-Executive (Appointment Letters)					
J B Hyslop	45	10 11 03	Rolling contract	3 months	(No provision
R P Macnamara	35	10 11 03	Rolling contract	3 months	for payment of
R T E Ware	35	10 11 03	Rolling contract	3 months	compensation)

Share Options

It is the Board's view that it is necessary to have in place means by which the Board can incentivise the management of the Group and link their interests with those of the shareholders recognising that such incentives should only be payable provided that the Company's performance, as measured through its share price and subject to certain performance conditions, has produced real benefits for the Company and its shareholders

In December 2005, the Company adopted an unapproved share option plan and an approved Company share option plan which provide for the issue of options over Ordinary shares in the Company

The total number of Ordinary shares over which Option Shares may be granted is limited to a maximum 10 per cent of the total number of issued Ordinary shares of the Company at the time of the grant

Unapproved Share Option Plan (Unapproved Plan)

Option Shares under the Unapproved Plan are exercisable in three equal parts. For each part, exercise will be on or after the third, fourth and fifth anniversaries of the Date of Grant at the earliest and the Performance Condition shall first be tested for each one third part on these anniversaries. Unexercised options may be reviewed against the Performance Condition in subsequent periods broadly every six months, but always from the Date of Grant. Options lapse if not exercised within seven years and three months from the Date of Grant. The Performance Condition states that the share price increase must exceed the RPI plus 3 per cent per annum and exceed the increase in the FTSE Small Cap Index for the relevant period

Options were issued under the Unapproved Plan on 8 December 2005 over 6,665,000 Ordinary shares in the Company at an exercise price of 80.0 pence, being the average share price for the month of November 2005

The Directors' Remuneration Report *continued*

Approved Company Share Option Plan (CSOP)

Employees and full-time Directors of the Group may be offered Option Shares subject to a maximum value at any one time per employee of £30,000 (being the Inland Revenue limit for CSOPs). Option Shares cannot usually be exercised until three years after grant and are subject to a Performance Condition that the share price increase must exceed the RPI plus 3 per cent per annum. This is first measured on the third anniversary, thereafter half yearly based on the prior December or June.

The Option Shares under the CSOP are subject to an exercise price calculated as the closing price for the day prior to the issue of the Option Shares.

During the year, following approval of the plan, 1,223,809 Options to acquire Ordinary shares at 105 pence were issued on 28 April 2006, including 28,571 Options to each of the Executive Directors. 114,287 of the Options lapsed during the year, leaving 1,109,522 outstanding at 31 December 2006.

R T E Wan
Chairman of the Remuneration Committee
20 March 2007



Independent Auditors' Report to the shareholders of Raven Mount plc

We have audited the group and parent company financial statements (the 'financial statements') of Raven Mount plc for the year ended 31 December 2006 which comprise the Group Profit and Loss Account, the Group and Company Balance Sheets, the Group Cash Flow Statement, the Statement of Total Group Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective Responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

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

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985 and whether the information given in the Directors' Report is consistent with those financial statements. We also report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

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

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Basis of Audit Opinion

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

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

Independent Auditors' Report *continued*

Opinion

In our opinion

- the group financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's affairs as at 31 December 2006 and of its loss for the year then ended,
- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the parent company's affairs as at 31 December 2006,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements


BDO Stoy Hayward LLP
Chartered Accountants and Registered Auditors
London
20 March 2007



Group Profit and Loss Account

For the year ended 31 December 2006

	Note	2006 £'000	2005 £'000
Turnover (including share of joint trading ventures)	2	71,781	72,815
Less Share of turnover of joint trading ventures		—	(123)
Group turnover		71 781	72 692
Cost of sales		(60,624)	(60,841)
Gross profit		11 157	11 851
Administrative expenses		(12,726)	(9 241)
Group operating (loss)/profit		(1,569)	2 610
Share of operating profit/(loss) in trading joint ventures		58	(500)
Total operating (loss)/profit Group and share of trading joint ventures	2	(1,511)	2,110
Profit on disposal of current asset investments		144	—
Dividends received	6	242	—
(Loss)/profit on ordinary activities before interest and tax		(1,125)	2 110
Net interest receivable and similar charges			
– Group	5	1,656	189
– Joint ventures	5	12	6
Profit on ordinary activities before tax	6	543	2,305
Tax on profit on ordinary activities	7	(2,263)	(2,600)
Loss on ordinary activities after tax		(1 720)	(295)
Minority interest	24	914	117
Loss for the financial period	22(a)	(806)	(178)
Basic loss per Ordinary share	9	(0 8)p	(0 2)p
Adjusted shareholders' funds per Ordinary share	9	79 5p	81 6p

All amounts in the current and prior periods relate to continuing activities

Statement of Group Total Recognised Gains and Losses

For the year ended 31 December 2006

	2006 £'000	2005 £'000
Loss for the financial period	(806)	(178)
Pension scheme actuarial gain net of deferred tax charge of £1,183,000 (2005: £1,670,000)	2,794	3 830
Total recognised gains and losses in the period	1,988	3,652

Group Balance Sheet

As at 31 December 2006

	Note	2006 £'000	2005 £ 000
Fixed assets			
Intangible assets	10	-	(132)
Tangible assets	11	363	334
Fixed asset investments			
Investments in trading joint ventures			
Share of gross assets		3 253	336
Less Share of gross liabilities		(3,152)	(283)
	12	101	53
Investment in associates		49	49
		150	102
		513	304
Current assets			
Stocks	13	65,839	89 958
Debtors	14	12,891	7 037
Investments	15	15 712	10,000
Cash at bank		16,053	15,113
		110,495	122 108
Creditors Amounts falling due within one year	17	(22,465)	(18 873)
Net current assets		88,030	103,235
Total assets less current liabilities		88,543	103 539
Creditors Amounts falling due after more than one year			
Bank loans	18(c)	-	(6,627)
Provisions for liabilities	19	(1,894)	(1,857)
Net assets before pension deficit		86,649	95 055
Pension deficit	4	(775)	(6 100)
Net assets		85,874	88 955
Capital and reserves			
Called up Ordinary share capital	20	108	106
Share premium account	22(a)	2,418	1,998
Other reserves	22(b)	95,329	93,639
Profit and loss account	22(a)	(10,706)	(6 427)
Shareholders' funds	23	87,149	89 316
Minority interests	24	(1,275)	(361)
		85,874	88 955

The financial statements were approved by the Board of Directors and authorised for issue on 20 March 2007

A J G Bliton
Executive Chairman

B S Sandhu
Chief Executive

Company Balance Sheet

As at 31 December 2006

	Note	2006 £'000	2005 £'000
Fixed assets			
Fixed asset investments			
Investments in subsidiary companies	12	88 444	88,444
		<u>88,444</u>	<u>88 444</u>
Current assets			
Debtors Amounts falling due within one year	14	32,842	24 833
Cash at bank		-	10
		<u>32,842</u>	<u>24,843</u>
Creditors Amounts falling due within one year	17	(17,721)	(8,061)
Net current assets		<u>15,121</u>	<u>16,782</u>
Total assets less current liabilities		<u>103,565</u>	<u>105 226</u>
Capital and reserves			
Called up Ordinary share capital	20	108	106
Share premium account	22(a)	2 418	1 998
Other reserves	22(b)	81,027	79,337
Profit and loss account	22(a)	20,012	23,785
Shareholders' funds	23	<u>103,565</u>	<u>105 226</u>

The financial statements were approved by the Board of Directors and authorised for issue on 10 March 2007

A J G Byron
Executive Chairman

B S Sandhu
Chief Executive

Group Cash Flow Statement

For the year ended 31 December 2006

	Note	2006 £'000	2006 £'000	2005 £ 000	2005 £'000
Net cash inflow from operating activities	27(a)		19,096		4 647
Dividends received from trading joint ventures			-		250
Returns on investments and servicing of finance					
Interest received		1,303		728	
Interest paid		(68)		(89)	
Dividends received from current asset investments		242		-	
Net cash inflow from returns on investment and servicing of finance			1,477		639
Tax received			-		75
Capital expenditure and financial investment					
Purchase of current asset investments		(4,718)		(10 000)	
Advances to trading joint ventures		(5,772)		-	
Purchase of tangible fixed assets		(162)		(62)	
Disposal of tangible fixed assets		-		24	
Net cash outflow from capital expenditure and financial investment			(10,652)		(10 038)
Acquisitions and disposals					
Acquisitions of subsidiaries		-		(1,963)	
Disposals of trading joint ventures		-		8,582	
Net cash inflow from acquisitions and disposals			-		6,619
Equity dividends paid to shareholders			(6,821)		(957)
Cash inflow before financing			3,100		1 235
Financing					
Issue of shares		420		-	
(Repayment)/addition of debt due in more than one year		(6,627)		4 439	
Net cash (outflow)/inflow from financing			(6,207)		4,439
(Decrease)/increase in net cash	27(c)		(3 107)		5,674

Notes to the Financial Statements

1 Accounting Policies

Basis of accounting

The financial statements have been prepared in accordance with the requirements of the Companies Act 1985 using the historical cost basis of accounting and in accordance with applicable accounting standards in the United Kingdom

Accounting policies

The principal accounting policies of the Group are set out below. These accounting policies have been applied consistently with the exception of changes noted below in respect of Share-based payments (FRS 20)

Consolidation

The consolidated financial statements incorporate the results of the Company and all of its subsidiary and associated undertakings as at 31 December 2006 using the acquisition method of accounting. In accordance with Section 230 of the Companies Act 1985 a separate profit and loss account for the Company has not been presented

Joint ventures

In the Group's financial statements, interests in joint ventures are accounted for using the gross equity method of accounting. The consolidated profit and loss account indicates the Group's share of the joint venture's turnover and includes the Group's share of the operating results, interest, pre-tax results and attributable taxation of such undertakings based on audited financial statements. In the consolidated balance sheet, the Group's share of the identifiable gross assets and its share of the gross liabilities attributable to its joint ventures are shown separately

Turnover and profit recognition

Turnover represents sales to external customers net of valued added tax or local taxes on sales

Turnover comprises sales of properties and land, property rents receivable and fees receivable from property and fund management. The sale of both properties and land are recognised on legal completion. Fees receivable from property and fund management are recognised on provision of the service

Pensions

The Group ceased accrual to its final salary pension scheme with effect from 31 December 2005. The scheme's funds are administered by a Trustee and are independent of the Group's finances. Contributions are paid to the scheme in accordance with the recommendations of independent actuaries to provide retirement benefits based on benefits accrued as at 31 December 2005

A charge or credit is included in other finance income representing the difference between the increase in the liabilities from the benefits being one year closer to payment and the expected return on the scheme assets. The difference between the value of the scheme assets and its liabilities is included, net of deferred tax, in the balance sheet. Changes in liabilities resulting from changes in assumptions, differences between the actual and expected returns on assets and other experience gains and losses are recognised in the statement of total recognised gains and losses

Dividends

In accordance with FRS 21, interim dividends are included in the profit and loss account when they are paid and final dividends are recognised when they are approved by shareholders at a general meeting

Goodwill

Goodwill arising on the acquisition of a subsidiary undertaking is the difference between the fair value of the consideration paid and the fair value of the assets and liabilities acquired. Positive goodwill is capitalised and amortised through the profit and loss account over the directors' estimate of its useful economic life. Negative goodwill up to the fair values of non-monetary assets acquired is recognised in the profit and loss account in the periods in which the non-monetary assets are recovered, whether through depreciation or sale. Any negative goodwill in excess of the fair values of the non-monetary assets acquired is recognised in the profit and loss account in the periods expected to benefit

Fixed assets

Depreciation is provided under the straight-line method at the following rates to write off the depreciable element of the leasehold properties and the cost of plant and equipment over their expected useful lives

- Short leasehold properties	Over the term of the lease
- Equipment	12% - 33 1/3%
- Fixtures and fittings	10 - 33 1/3%

Leased assets

Rentals paid under operating leases are charged to the profit and loss account on a straight-line basis

Notes to the Financial Statements *continued*

1 Accounting Policies *continued*

Valuation of investments

Investments held as fixed assets are stated at cost less any provision for impairment in value

Investments held as current assets are stated at the lower of cost and net realisable value

Stocks and work in progress

Work in progress on property developments is valued at the lower of cost and net realisable value. Costs exclude interest. Residential properties received in part exchange against the sale of houses are recorded in work in progress and held at the lower of cost and net realisable value.

Long term contracts are assessed on a contract by contract basis and are reflected in the profit and loss account by recording turnover and related costs as contract activity progresses. Where the outcome of each long term contract can be assessed with reasonable certainty before its conclusion, the attributable profit is recognised in the profit and loss account as the difference between the reported turnover and related costs for that contract.

Deferred tax

Deferred tax is recognised as a liability or asset if transactions have occurred at the balance sheet date that give rise to an obligation to pay more tax in the future, or a right to pay less tax in the future. An asset is not recognised to the extent that the transfer of economic benefits in the future is uncertain. Deferred tax assets and liabilities are not discounted.

Foreign currencies

Realised gains or losses on exchange are included in the profit or loss on ordinary activities before tax.

Financial instruments

In relation to the disclosure made in note 18.

Short-term debtors and creditors are not treated as financial assets or financial liabilities except for the currency disclosures.

The Group does not hold or issue derivative financial instruments for trading purposes.

Financial liabilities and equity

Financial liabilities and equity are classified according to the substance of the financial instruments contracted obligations rather than the financial instruments legal form.

Share based employee remuneration

The Group has adopted FRS 20 (Accounting for share-based payment) for the first time this year. Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the income statement over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that ultimately the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the income statement over the remaining vesting period.

Where equity instruments are granted to persons other than employees, the income statement is charged with the fair value of goods and services received.

Employee share trust

In accordance with UITF 38, the Group and Company have recorded the holding in own shares as a deduction in arriving at shareholders' funds. The Group's shareholdings in a subsidiary include shares held by a trust.

2 Segmental Analysis

	2006 £'000	2005 £'000
Turnover – by principal activity		
Residential and other property (including joint ventures) – United Kingdom	66,842	69 169
Property Fund Management of Russian properties	4,939	3 646
	<u>71,781</u>	<u>72 815</u>
Less share of turnover of trading joint ventures	–	(123)
	<u>71,781</u>	<u>72 692</u>
Operating (loss)/profit – by principal activity		
Residential and other property – United Kingdom	(1,997)	341
Property Fund Management of Russian properties	486	1,769
	<u>(1,511)</u>	<u>2 110</u>

For 2006 Residential and other property includes operating profit of £58,000 from joint ventures (2005 losses of £500 000)

Net assets – by principal activity

Residential and other property – United Kingdom	56,970	79 232
Property Fund Management of Russian properties	14,507	11 769
	<u>71,477</u>	<u>91 001</u>
Operating assets	71,477	91 001
Other net funds	14,397	(2,046)
	<u>85,874</u>	<u>88 955</u>

The geographical analysis of turnover by destination is not materially different from the analysis by geographical origin shown above

3 Employee Information

(a) The average number of persons employed by the Group during the period was 95 (2005 85). The total number of employees of the Group at 31 December 2006 was 103 (2005 83). There are no employees of the Company other than three of the four Executive Directors (2005 3) whose employment costs are set out in the remuneration report on page 20.

	2006 £'000	2005 £'000
(b) Group employment costs including Executive Directors		
Gross salaries and wages	7,486	4 866
Employer's national insurance contributions or foreign equivalents	866	530
Employer's pension costs	229	(22)
	<u>8,581</u>	<u>5 374</u>

The pension credit in 2005 arose due to a curtailment gain on the defined benefit pension scheme of £761,000.

(c) Directors' emoluments were

Remuneration	1,645	1,231
Pension contributions	156	133
	<u>1,801</u>	<u>1,364</u>

Notes to the Financial Statements *continued*

3 Employee Information *continued*

(d) Share based payments

Raven Mount plc operates two equity-settled share-based remuneration schemes for employees, an approved scheme and an unapproved scheme

Approved Option shares are subject to a maximum per employee of £30 000 (being the Inland Revenue limit for CSOPs) Options vest at the earliest after three years if the share price increase exceeds the RPI plus 3 per cent per annum for the relevant period

Unapproved Option shares are exercisable in three equal parts exercise will be on the third fourth and fifth anniversaries of the Date of Grant being 8 December 2005 The Performance condition states that the share price increase must exceed the RPI plus 3 per cent per annum and exceed the increase in the FTSE Small Cap index for the relevant period

	2006 Weighted average exercise price (pence)	2006 Number	2005 Weighted average exercise price (pence)	2005 Number
Outstanding at the beginning of the year	80 00	6 665 000	–	–
Granted during the year	105 00	1,223,809	80 00	6 665,000
Lapsed during the year	105 00	(114,287)	–	–
Outstanding at the end of the year	83 62	7,774,522	80 00	6 665 000

The exercise price of options outstanding at the end of the year ranged between 80 pence and 105 pence (2005 80 pence) and their weighted average contractual life was 2.56 years (2005 3.94 years)

Of the total number of options outstanding at the end of the year, nil (2005 nil) had vested and were exercisable at the end of the year

The weighted average fair value of each option granted during the year was 105 pence (2005 80 pence)

The following information is relevant in the determination of the fair value of options granted during the year under the equity settled share based remuneration schemes operated by Raven Mount plc

	2006
Equity-settled	
Option pricing model used	Black-Scholes
Weighted average share price at grant date (pence)	105
Exercise price (pence)	105
Weighted average contractual life (days)	1,096
Equity volatility	60%
Expected dividend growth rate	1.69%
Risk-free interest rate	4.5%
	2006
	£'000
The share-based remuneration expense (note 6) comprises	
Equity-settled schemes	554

The Group did not enter into any share-based payment transactions with parties other than employees during the current or previous period. No share-based charge has been recognised in respect of the prior period as the amount is immaterial.

4 Pensions

Defined contribution scheme

The Group operates a defined contribution plan based on a stakeholder pension contract and contributes to certain personal pension schemes. The Group's contributions to these are charged to the profit and loss account in the period in which they are payable and amounted to £229 000 (2005: £152,000).

Defined benefit scheme

Benefit accruals under the Group's final salary pension scheme ceased with effect from 31 December 2005. The Group pays contributions to the fund in order to provide security for existing pensions and the accrued benefits of current and former employees.

Group contributions to the scheme for the period totalled £3.4 million (2005: £2.4 million). Following the latest actuarial valuation as at 5 April 2005, the Group's contributions were fixed at £1.8 million per annum (including £0.2 million towards administrative expenses) for six years from 1 January 2006, after which they were expected to reduce to those required to meet the scheme's administration expenses. The next actuarial valuation of the pension scheme is at 5 April 2008.

The credit to the profit and loss account for the scheme was £0.2 million (2005: charge £0.2 million) of which £ nil (2005: £0.6 million) has been charged against operating profit, £ nil (2005: £0.8 million) has been credited to operating profit in respect of a curtailment gain and £0.2 million has been credited to other finance income (2005: charge £0.4 million). As at 31 December 2006, the scheme had an FRS 17 deficit of £1.1 million (2005: £8.7 million) leading to the inclusion in the balance sheet of a net pension liability of £0.8 million (2005: £6.1 million) after deferred tax. The total actuarial gain recognised in the statement of total recognised gains and losses is £2.8 million (2005: gain of £3.8 million) after deferred tax. These amounts and those set out below have been determined on the advice of qualified actuaries, who are employees of Watson Wyatt Limited, based on the most recent full actuarial valuation at 5 April 2005 updated to 31 December 2006. The mortality assumptions adopted were in line with standard tables PMA92/PFA92 calendar year 2005 treating members as being one year older than their actual ages. An allowance was made for possible future mortality improvements equivalent financially to a reduction in the discount rate of 0.25% per annum. This is broadly equivalent to an increase in life expectancy of one year every ten years.

The financial assumptions used for FRS 17 purposes were:

	2006 % per annum	2005 % per annum	2004 % per annum
Price inflation	3.1	2.8	2.8
General salary and wage inflation	n/a	n/a	4.8
Pension increases	3.1	2.8	2.8
Discount rate	5.2	4.8	5.3

The scheme's assets (excluding money purchase assets) and the expected rates of return are:

	2006 Expected rate of return % per annum	2006 Market value £m	2005 Expected rate of return % per annum	2005 Market value £m	2004 Expected rate of return % per annum	2004 Market value £m
Equities	9.0	39.6	9.0	22.9	8.1	20.5
Bonds	4.7	20.3	4.3	30.7	4.6	29.1
Property	6.5	1.8	6.4	1.5	6.5	1.4
Cash	4.6	3.6	4.3	4.1	3.8	1.4
Total		65.3		59.2		52.4

Notes to the Financial Statements *continued*

4 Pensions *continued*

Defined benefit scheme *continued*

The position of the scheme (excluding money purchase assets and liabilities) can be summarised as follows

	2006 £m	2005 £m	2004 £m
Total market value of the scheme's assets	65.3	59.2	52.4
Present value of the scheme's liabilities	(66.4)	(67.9)	(68.7)
Resulting deficit	(1.1)	(8.7)	(16.3)
Deferred tax asset	0.3	2.6	4.9
Net pension liability	(0.8)	(6.1)	(11.4)

The following amounts are included in the financial statements

	2006 £m	2005 £m
Analysis of the amount charged to operating profit		
Current service cost	–	(0.6)
Past service cost	–	–
Total operating charge	–	(0.6)
Analysis of other amounts credited to profit and loss account		
Gain on curtailment	–	0.8
Total other gains	–	0.8
Analysis of the amount charged to other finance income		
Expected return on scheme assets	3.4	3.2
Interest on scheme liabilities	(3.2)	(3.6)
Net return	0.2	(0.4)
Net credit/(charge) for the period	0.2	(0.2)
Analysis of the gain recognised in statement of total recognised gains and losses (STRGL)		
Actual return less expected return on scheme assets	2.2	4.2
Experience (losses)/gains arising on scheme liabilities	(0.5)	2.5
Changes in assumptions underlying the present value of scheme liabilities	2.3	(1.3)
Actuarial gain	4.0	5.4
Deferred tax	(1.2)	(1.6)
Net actuarial gain recognised in STRGL	2.8	3.8

4 Pensions continued

Defined benefit scheme continued

Experience gains and losses	2006	2005	2004	2003	2002
Difference between the expected and actual return on scheme assets	£2.2m	£4.2m	£1.6m	£3.0m	£(5.9)m
Percentage of scheme assets	3.3%	7.1%	3.0%	6.0%	13.1%
Experience gains/(losses) on scheme liabilities	£(0.5)m	£2.5m	£0.1m	£(0.2)m	£0.1m
Percentage of scheme liabilities	0.8%	3.7%	0.2%	0.3%	0.2%
Total actuarial gain/(loss) recognised in STRGL	£4.0m	£5.4m	£(5.5)m	£(3.1)m	£(8.5)m
Percentage of scheme liabilities	6.0%	8.0%	8.0%	5.1%	15.8%

	2006 £m	2005 £m
Movement in scheme deficit during the period		
At 1 January 2006	(8.7)	(16.3)
Movement in period		
Current service cost	-	(0.6)
Contributions paid	3.4	2.4
Curtailment gain	-	0.8
Other finance income	0.2	(0.4)
Actuarial gain	4.0	5.4
At 31 December 2006	(1.1)	(8.7)

5 Net Interest Receivable and Similar Charges

	2006 £'000	2005 £'000
Interest receivable		
- Group	1,486	699
- Joint ventures	12	29
Net return on amount charged to pension scheme	226	-
	<u>1,724</u>	<u>728</u>
Interest payable and similar charges		
- Group	(56)	(156)
- Joint ventures	-	(23)
- Net return on amount charged to pension scheme	-	(354)
	<u>(56)</u>	<u>(533)</u>
Net interest receivable and similar charges		
- Group	1,656	189
- Joint ventures	12	6
	<u>1,668</u>	<u>195</u>

Notes to the Financial Statements *continued*

6 Profit on Ordinary Activities Before Tax

	2006 £'000	2005 £'000
Group profit on ordinary activities is stated after crediting		
Operating rent receivable (net of outgoings)	222	305
Dividend received on Raven Russia shares	242	–
Amortisation of negative goodwill	132	–
and after charging		
Depreciation of fixed assets	133	163
Auditors' remuneration – Fees payable to the Company's auditor for the audit		
of the Group's annual accounts	140	133
– Tax services	223	77
– Audit of the pension scheme	9	9
– Other services	5	30
Operating lease rentals – Other assets	693	961
Share based payments charge	554	–
Directors' emoluments (excluding pension contributions)	1,645	1,231

7 Tax on Profit from Ordinary Activities

	2006 £'000	2005 £'000
(a) The tax charge on the profit from ordinary activities comprises		
Current tax		
UK corporation tax charge at the rate of 30% (2005 30%)		
based on the taxable result for the period	–	–
(Over)/under provision in respect of prior periods	(114)	4
Tax payable on profits of joint ventures	22	–
	(92)	4
Overseas tax – Current	–	105
	(92)	109
Deferred tax (note 16)		
Utilisation of prior year tax losses	1,270	1,861
Pension charge deferred tax movement	1,085	630
	2,263	2,600
(b) The tax charge for the period is lower than the standard rate of corporation tax in the UK (30%) due to		
Profit before tax	543	2,305
Expected tax charge at 30%	163	692
(Over)/under provision in respect of prior periods	(114)	4
Dividends not taxable	(73)	–
Additional tax payable on sale of properties acquired from RPH	793	–
Overseas tax including foreign exchange movements	–	58
Items not deductible for tax purposes	39	43
Capital allowances in excess of depreciation	(39)	(61)
Utilisation of tax losses	(821)	(630)
Goodwill	(40)	112
Timing differences recognised in deferred tax	–	(109)
	(92)	109

8 Dividends

	2006 £'000	2005 £'000
On Ordinary shares of Raven Mount plc		
– Special paid 5.0 pence per share (2005: nil)	5,378	–
– Final paid for 2005 0.75 pence per share (2004: 0.5 pence)	798	428
– Interim paid for 2006 0.6 pence per share (2005: 0.5 pence)	645	529
	<u>6,821</u>	<u>957</u>

9 Loss and Shareholders' Funds per Ordinary Share

The basic loss per Ordinary share is calculated in accordance with FRS 22 on the loss for the period (before dividends on Ordinary shares) of £806,000 (2005: loss £178,000) and 106.9 million shares (2005: 89.1 million) being the weighted average number of Ordinary shares in issue excluding those owned by the Employee Share Trust. Since none of the Company's potential Ordinary shares are dilutive, there is no difference between the basic and diluted loss per share.

Shareholders' funds per Ordinary share are 80.6 pence (2005: 84.1 pence). The calculation is based on shareholders' funds as at the period end of £87.1 million (2005: £89.3 million) divided by the number of shares in issue at the period end amounting to 108.1 million (2005: 106.3 million).

Adjusted shareholders' funds per share are 79.5 pence (2005: 81.6 pence) based on the adjusted shareholders' funds and diluted Ordinary shares shown below.

	2006 £'000	2005 £'000
Shareholders' funds per balance sheet	87,149	89,316
Convertible Ordinary £1 shares	6	6
Deferred consideration payable in Ordinary shares	5,594	7,286
Cash receivable from share options	6,517	–
Adjusted shareholders' funds	<u>99,266</u>	<u>96,608</u>

	No. '000	No. '000
Ordinary shares in issue at 31 December 2006	108,102	106,261
Shares issuable as deferred consideration at 31 December 2006 share price of 161 pence (2005: 74.5 pence)	3,475	9,780
Shares issuable on conversion of Convertible Ordinary shares	5,558	2,376
Share issuable under share options	7,774	–
Diluted Ordinary shares as at 31 December 2006	<u>124,909</u>	<u>118,417</u>

In 2005 the issued options in the Unapproved Share Option Plan (6,665,000) were not dilutive as they were options at 80 pence per share and the share price at 31 December 2005 was 74.5 pence.

Notes to the Financial Statements *continued*

10 Intangible Assets

	Negative goodwill £'000
Cost and net book value	
At 1 January 2006	(132)
Realised on sale of trading stock	132
At 31 December 2006	—

11 Tangible Assets

	Equipment, fixtures and fittings £'000
Group	
Cost	
At 1 January 2006	1,352
Additions	162
At 31 December 2006	1 514
Depreciation	
At 1 January 2006	1,018
Charge for the year	133
At 31 December 2006	1,151
Net book value	
At 31 December 2006	363
At 31 December 2005	334

12 Fixed Asset Investments

	Investments in trading joint ventures £'000
(a) Group	
Cost	
At 1 January and 31 December 2006	—
Share of retained profits	
At 1 January 2006	53
Profit for the period	48
At 31 December 2006	101
Net book value	
At 31 December 2006	101
At 31 December 2005	53

There are no recognised gains or losses in the trading joint ventures apart from the profit for the year

12 Fixed Asset Investments *continued*

(b) Investments in trading joint ventures

The Group's investment in trading joint ventures relates to

- i Coln Park LLP a limited liability partnership operating in Great Britain. Coln Park is the joint venture established to develop second homes in Gloucestershire
- ii Wellington Square Development Company Limited (WSDC), a company incorporated and operating in Great Britain. The total issued Ordinary share capital of this company is £100 of which 50% is owned by a subsidiary. WSDC is the joint venture company established to develop the retail town centre scheme in Stockton-on-Tees. The scheme was sold during 2004.

The Group's share of the assets and liabilities of its trading joint ventures was as follows

	2006 £'000	2006 £'000	2005 £'000	2005 £'000
Share of assets				
Current assets				
Residential developments	2,843		81	
Debtors	178		19	
Cash at bank	232		236	
		3,253		336
Share of liabilities				
Creditors: Amounts falling due within one year		(3,152)		(283)
		101		53

The balances with joint ventures are shown in notes 14 and 17

(c) Company

At 1 January and 31 December 2006

**Subsidiary
companies
£'000**

88,444

The following are the main operating subsidiary companies of Raven Mount plc at 31 December 2006. Those companies marked with an asterisk (*) are owned directly by Raven Mount plc and the remainder by subsidiaries. All companies are incorporated and operate in Great Britain, and are 100% wholly owned (except where indicated).

Residential and other property

Raven Property Holdings plc ('RPH')*
Swan Hill Homes Limited
Swan Hill Swindon Limited
Swan Hill Property Holdings Limited
Swan Hill Developments Limited
Raven Property Group plc*
Raven Capital Limited*

Asset Management

Raven Property Investments Limited*
Raven Russia Property Advisors Limited (operates partially in Russia)*
Raven Russia Property Management Limited*

Independent Living

Raven Audley Court plc (75% owned)	Raven Audley Clevedon Limited
Raven Audley St Elphins Limited	Raven Audley Inglewood Limited
Raven Devon Limited	Raven Audley Flete Limited

Notes to the Financial Statements *continued*

12 Fixed Asset Investments *continued*

(d) Acquisition of Raven Property Holdings plc ('RPH') and subsidiaries

On 20 December 2004 the Group acquired 100% of the issued share capital of RPH

As at 31 December 2006 consideration of £34,306,000 has been settled to the former shareholders of RPH (the fair value of which was £33,199,000) in the form of Ordinary shares in the Company. In accordance with the Acquisition Agreement, up to a maximum of a further £5,594,000 may be paid up to 31 December 2007 taking the total consideration up to the maximum possible of £39,900,000, the fair value of which is £40,000,000. This maximum excludes acquisition costs.

13 Stocks

	Group 2006 £'000	Group 2005 £'000	Company 2006 £'000	Company 2005 £'000
Properties under development	65,839	89,958	-	-

14 Debtors

	Group 2006 £'000	Group 2005 £'000	Company 2006 £'000	Company 2005 £'000
Amounts falling due within one year				
Trade debtors	1,243	326	-	-
Amounts owed by Group companies	-	-	32,379	24,831
Amounts owed by trading joint ventures	5,772	20	-	-
Deferred tax asset (note 16)	-	1,270	-	-
Other debtors	1,300	623	375	-
Prepayments and accrued income	4,576	4,798	88	2
Total	12,891	7,037	32,842	24,833

15 Investments

	Group 2006 £'000	Group 2005 £'000	Company 2006 £'000	Company 2005 £'000
Listed shares – Traded on AIM	10,994	10,000	-	-
Other investment	4,718	-	-	-
	15,712	10,000	-	-

Listed shares comprises amounts invested in Raven Russia Limited. The nature of the Group's relationship with Raven Russia is set out in note 26 under Related Party Transactions.

The market value of the listed shares at 31 December 2006 was £12.3 million.

In addition, the Group hold warrants to subscribe for 7,650,000 Ordinary shares in Raven Russia Limited at £1 each. The warrants are exercisable at any time during the five year period commencing 29 July 2005 the date of Raven Russia Limited's admission to AIM.

The other investment represent shares in Oriol Securities Limited, an unlisted independent UK stockbroking and advisory business.

16 Deferred Tax

	Group 2006 £'000	Group 2005 £'000	Company 2006 £'000	Company 2005 £'000
Deferred tax asset included in debtors relating to trading losses (note 14)	-	1,270	-	-
Pension scheme deferred tax asset	332	2,600	-	-
	332	3,870	-	-
Movement in deferred tax asset comprises				
At 1 January 2006	3,870	8,031		
Charge to profit and loss account	(2,355)	(2,491)		
Charge to statement of total recognised gains and losses	(1,183)	(1,670)		
At 31 December 2006	332	3,870		

17 Creditors Amounts Falling Due Within One Year

	Group 2006 £'000	Group 2005 £'000	Company 2006 £'000	Company 2005 £'000
Bank loans and overdrafts (note 18)	7,287	3 240	-	-
Deferred income	1,257	953	-	-
Trade creditors	3,986	3 916	-	-
Amount due to Group companies	-	-	11,220	-
Corporation tax	-	209	-	-
Social security and other taxation	357	186	-	-
Accruals and other creditors	3,978	3 077	901	769
Convertible Ordinary £1 shares (note 20)	6	6	6	6
Deferred consideration (note 20)	5,594	7,286	5,594	7 286
	22,465	18,873	17,721	8,061

18 Financial instruments

- (a) The Group finances its operations through a mixture of shareholders' funds and bank borrowings. It maintains sufficient borrowing facilities. The overall objectives and strategy are to maintain flexibility with drawings of limited duration. No hedging is used.

The Board regularly reviews the amount drawn down under the borrowing facilities to ensure that gearing levels are appropriate to prevailing market conditions.

Short term debtors and creditors have been excluded from the disclosures below.

(b) Borrowing facilities

	2006 £'000	2005 £'000
The Group has borrowing facilities as follows:		
Committed facilities	40,000	25 000
Overdraft facilities	-	15 000
Bank loan facilities	7,287	18 319
	47,287	58,319
Amounts drawn	(7,287)	(9 867)
Amounts undrawn	40 000	48,452
Cash at bank	16,053	15,113
Total cash and facilities available	56,053	63 565

The committed facilities are unsecured.

The bank loan facility is secured over the asset held by the relevant company to which the loan has been provided.

Notes to the Financial Statements *continued*

18 Financial instruments *continued*

(c) Profile of net financial assets

The net financial assets at 31 December 2006 were as follows

	2006 £'000	2005 £'000
Current asset investments	15,712	10,000
Cash at bank	16,053	15,113
Bank loans and overdrafts	(7,287)	(3,240)
Bank loans due after more than one year	-	(6,627)
	<u>24,478</u>	<u>15,246</u>

The above balances are all denominated in Sterling with the exception of Euro cash at bank balances of £33,000 (2005: £33,000)

The committed facilities are available for 364 days from 1 September 2006 at a rate of 1 per cent over base rate. The bank loan facility is at a rate of the margin, LIBOR and the MLA costs. The weighted average interest rate for the period for Sterling borrowings was 5.9 per cent. No interest is received and there is no maturity date on the current asset investments held by the Group.

The Group did not use any financial derivatives during the year.

The fair value of the current asset listed investments held by the Group was £12.3 million (2005: £11.8 million). In the opinion of the Directors, there is no significant difference between the fair values and the book values of the other financial assets and liabilities.

19 Provisions for Liabilities

	Provisions for maintenance £'000
Group	
At 1 January 2006	1,857
Charged to profit and loss account	736
Utilised in the period	(699)
At 31 December 2006	<u>1,894</u>

This provision is in respect of estimated rectification costs of residential house sales.

20 Called Up Share Capital

	2006 No '000	2006 £'000	2005 No '000	2005 £'000
Ordinary shares of 0.1 pence				
Authorised	244,000	244	244,000	244
Allotted called up and fully paid	<u>108,102</u>	<u>108</u>	<u>106,261</u>	<u>106</u>

In addition to the above, the Company has authorised 50,000 £1 redeemable preference shares, none of which have been allotted. If they were to be allotted, these shares would be classified as a liability in accordance with FRS 25.

Also, the Company has 6,000 £1 Convertible Ordinary shares included in accordance with FRS 25 as creditors. The Convertible Ordinary shares carry, in proportion to the number of Ordinary shares they convert into, the same rights to dividends, voting and return of capital as the Ordinary shares. They are convertible at the option of the holders according to a pre-determined formula at any time in the five years from the Company's admission to AIM (17 December 2003) or to the extent not converted by 17 December 2008 at the rate of 396 Ordinary shares for each Convertible Ordinary share held at the fifth anniversary of Admission. On the basis of the 31 December 2006 share price of 161 pence, the Convertible Ordinary shares would convert into 5,558,000 Ordinary shares.

20 Called Up Share Capital *continued*

The movements in issued share capital during the period were as follows

	Ordinary shares of 0.1 pence each	
	No '000	£'000
At 1 January 2006	106,261	106
Issued during the period	1,841	2
At 31 December 2006	108 102	108

The Ordinary shares issued during the period comprise 1 003,434 issued in September 2006 and 312,779 issued in December 2006 in relation to the deferred consideration payable for the acquisition of RPH. Also 525,000 were issued in total to the three non-executive directors on exercise of their share options.

Based on the Company's share price at 31 December 2006, the maximum remaining deferred consideration of £5 594 000 (included under FRS 25 in creditors' amounts falling due within one year) would be settled by the issue of 3,475 000 Ordinary shares.

21 Share Schemes

Share Options

In December 2005, the Company adopted an unapproved share option plan and an approved Company share option plan which provide for the issue of options over Ordinary shares in the Company.

The total number of Ordinary shares over which Option Shares may be granted is limited to 10% of the total number of issued Ordinary shares of the Company at any time. The total number of shares under option are 7,774,522 representing 7.2% of the issued share capital at the year end.

Unapproved share option plan (Unapproved Plan)

Option Shares under the Unapproved Plan are exercisable in three equal parts. For each part, exercise will be on or after the third, fourth and fifth anniversaries of the Date of Grant at the earliest and the Performance Condition shall first be tested for each one third part on these anniversaries. Unexercised options may be reviewed against the Performance Condition in subsequent periods broadly every six months, but always from the Date of Grant. Options lapse if not exercised within seven years and three months from the Date of Grant. The Performance Condition states that the share price increase must exceed the RPI plus 3% per annum and exceed the increase in the FTSE Small Cap Index for the relevant period. Since the grant of these options, the share price has increased by 109.1%, RPI by 4.7% and the FTSE small cap by 21.1%.

Option Shares were issued under the Unapproved Plan on 8 December 2005 over 6 665 000 Ordinary shares in the Company at an exercise price of 80.0 pence, being the average share price for the month of November 2005.

Approved Company share option plan (CSOP)

Employees and full-time Directors of the Group have been offered Option Shares subject to a maximum value at any one time per employee of £30,000 (being the Inland Revenue limit for CSOPs). Option Shares cannot usually be exercised until three years after grant and are subject to a Performance Condition that the share price increase must exceed the RPI plus 3% per annum. This is first measured on the third anniversary thereafter half yearly based on the prior December or June.

1 223 809 Option shares were issued under the CSOP on 28 April 2006. As at 31 December 2006, 114 287 options have lapsed leaving 1 109 522 Option shares in the Company in issue at an exercise price of 105 pence.

28 571 Option shares under the CSOP have been granted to each of the Executive Directors, in addition to the Unapproved Plan.

Notes to the Financial Statements *continued*

22a Reserves

	Share premium account £'000	Capital redemption reserve £'000	Reserve for own shares £'000	Reverse acquisition reserve £'000	Merger reserve £'000	Profit and loss account £'000
Group						
At 1 January 2006	1,998	50	(150)	62,277	31,462	(6,427)
Issue of deferred consideration shares	-	-	-	-	1,690	-
Share based payment credit	-	-	-	-	-	554
Issue of new shares	420	-	-	-	-	-
Dividend payments	-	-	-	-	-	(6,821)
Actuarial gains net of deferred taxation on pension scheme	-	-	-	-	-	2,794
Loss for the period	-	-	-	-	-	(806)
At 31 December 2006	2,418	50	(150)	62,277	33,152	(10,706)
Company						
At 1 January 2006	1,998	50	-	-	79,287	23,785
Issue of deferred consideration shares	-	-	-	-	1,690	-
Issue of new shares	420	-	-	-	-	-
Share based payment credit	-	-	-	-	-	554
Dividend payments	-	-	-	-	-	(6,821)
Profit for the period	-	-	-	-	-	2,494
At 31 December 2006	2,418	50	-	-	80,977	20,012

The profit and loss account includes £775,000 (2005: £6,100,000) relating to the defined benefit pension deficit.

The Group loss for the year includes a profit of £2,494,000 (2005: £8,900,000) which is dealt with in the financial statements of the parent company.

22b Other Reserves

	Group 2006 £'000	Group 2005 £'000	Company 2006 £'000	Company 2005 £'000
Capital redemption reserve	50	50	50	50
Reserve for own shares	(150)	(150)	-	-
Reverse acquisition reserve	62,277	62,277	-	-
Merger reserve	33,152	31,462	80,977	79,287
	95,329	93,639	81,027	79,337

23 Reconciliation of Movements in Shareholders' Funds

	Group 2006 £'000	Group 2005 £'000	Company 2006 £'000	Company 2005 £'000
(Loss)/profit on ordinary activities after tax	(1,720)	(295)	2,494	8,900
Loss attributable to minority interest	914	117	-	-
Dividends paid	(6,821)	(957)	(6,821)	(957)
Retained (loss)/profit	(7,627)	(1,135)	(4,327)	7,943
Issue of Ordinary shares	422	28	422	28
Merger reserve arising on issue of deferred consideration	1,690	20,697	1,690	20,697
Share based payment credit to shareholders' funds	554	-	554	-
Reduction in value of shares to be issued on reverse acquisition of Swan Hill Group plc	-	73	-	-
Actuarial gains net of deferred taxation on pension scheme	2,794	3,830	-	-
Net (reduction in)/addition to shareholders' funds	(2,167)	23,493	(1,661)	28,668
Opening shareholders' funds	89,316	65,823	105,226	76,558
Closing shareholders' funds	87,149	89,316	103,565	105,226

24 Minority Interest

	2006 £'000	2005 £'000
At 1 January 2006	(361)	-
Arising due to reclassification of Raven Audley Court as a subsidiary	-	(244)
Minority share of loss for the period	(914)	(117)
At 31 December 2006	(1,275)	(361)

25 Commitments

Commitments contracted for at 31 December 2006 but not provided for in these accounts were £ nil (2005 £ nil)

As at 31 December 2006 the Group had annual commitments under non-cancellable operating leases as set out below

	Land and buildings		Other	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
Operating leases which expire				
- Within one year	-	-	29	53
- Between two and five years	58	91	32	53
- After five years	678	836	-	-
	736	927	61	106

Notes to the Financial Statements *continued*

26 Related Party Transactions

- (a) On 20 December 2004, Raven Mount plc completed the acquisition of RPH for an initial consideration of 22 362,500 Ordinary shares and an additional potential deferred consideration of up to £22,010,125 in the period until 31 December 2007 subject to the satisfaction of certain criteria as per the Acquisition Agreement. All of the consideration payable will be satisfied by the issue of Ordinary shares. As at 31 December 2006, 45,221 213 Ordinary shares had been issued and up to a maximum of £5 594,000 of deferred consideration may be payable.

RPH was the holding company of the residential property assets previously controlled either directly or indirectly, by Anton Bilton and Bim Sandhu. Anton Bilton and Bim Sandhu are both directors of the Company and in light of their interest in RPH, the acquisition constituted a related party transaction for the purposes of the AIM Rules.

- (b) In 2005 Raven Russia Limited (Raven Russia) was floated on AIM. At flotation the Group purchased £10.0 million of shares in the company and entered into a five year property advisory agreement to provide property advisory, management and development monitoring services to Raven Russia. In 2006, the agreement was extended to 31 December 2015.

The Group will receive an annual fee of 2% of gross assets in consideration for its services. In addition, the Group is entitled to a performance fee which is calculated by reference to excess returns achieved by the shareholders of Raven Russia. Fees to the Group would range from 20% to 35% based on shareholder returns in excess of 12% to 25% per annum. In the year to 31 December 2006 the Group received management fees of £2 938 655 and a performance fee of £2,000 000, 70% of the latter payable in Raven Russia shares. As at the year end the Group have a balance of £1,143,089 due in management fee and £2 000 000 due in performance fee which have been received post year end.

Raven Russia Property Management Limited, a subsidiary of the Company, has been granted the right to subscribe for 7 650,000 Ordinary shares in Raven Russia at the placing price of 100 pence per share, exercisable until 25 July 2010.

Raven Russia has granted various options to the Raven Mount Employee Benefit Trust to acquire up to 7.5% of the issued Ordinary share capital of Raven Russia, on behalf of Raven Mount employees, including Directors in three equal tranches at an exercise price of the Placing Price in respect of the first tranche and the average closing mid-market price for the 20 trading days preceding the first and second anniversaries of Admission for the second and third tranches respectively. The options are performance related and exercisable between three and twelve years from the date of grant. Options are exercisable if compound shareholder returns exceed 12% per annum over the respective three year vesting periods; no options are exercisable if compound returns do not exceed 9% per annum over the vesting period.

- (c) During the period, Santon Management Limited, a company controlled by Anton Bilton and Bim Sandhu, rented space from the Group and was provided with office services, on an arms length basis. Total amounts charged to Santon in the period were £50 579.
- (d) The Group has a 75% interest in Raven Audley Court plc which had a loss for the year of £3.7 million and an inter-company balance with Raven Mount plc of £16.8 million. The Group also charged a management fee of £0.2 million and interest of £1.7 million during the year.
- (e) The Group has a 50% interest in Coln Park LLP which has a loan due to the Group as at 31 December 2006 of £5.6 million. The Group charged Coln Park LLP a management charge of £170,000 during the year and interest of £315 000.
- (f) The Group established an Employee Benefit Trust (EBT) in respect of its subsidiary Raven Audley Court plc during the year. The Group advanced £375,000 to the EBT at a commercial rate of interest. At 31 December 2006 the amount outstanding was £308,000.
- (g) The Company has taken advantage of the exemption in FRS 8 'Related Party Transactions', not to disclose transactions with 90% or more owned Group companies. Other than as detailed above, there were no other related party transactions which require disclosure.

27 Cash Flow Notes

(a) Reconciliation of operating (loss)/profit to cash flow from operating activities

	2006 £'000	2005 £'000
Group operating (loss)/profit	(1,569)	2 610
Depreciation charge	133	163
Recognition of negative goodwill	(132)	–
Impairment of goodwill	–	73
Share based payments	554	–
Loss on closure of operation	–	(20)
Profit on disposal of fixed assets	–	(21)
Contributions to defined benefit pension scheme	(1,770)	(2 303)
Decrease in stocks	24,119	8,433
Increase in debtors	(3 915)	(3 032)
Increase/(decrease) in creditors	1,639	(1 324)
Increase in provisions	37	68
	<u>19,096</u>	<u>4,647</u>

(b) Reconciliation of net cash flow to movements in net funds

	2006 £'000	2005 £'000
(Decrease)/increase in net cash	(3,107)	5,674
Decrease/(increase) in debt due in more than one year	<u>6,627</u>	<u>(4 439)</u>
Change in net debt resulting from cash flows	3,520	1,235
Net funds at 1 January 2006	<u>5,246</u>	<u>4 011</u>
Net funds at 31 December 2006	<u>8,766</u>	<u>5 246</u>

(c) Analysis of changes in net funds

	At 1 Jan 2006 £'000	Cash flows £'000	At 31 Dec 2006 £'000
Cash at bank and in hand	15,113	940	16,053
Bank loans and overdrafts	<u>(3 240)</u>	<u>(4 047)</u>	<u>(7,287)</u>
	11,873	(3,107)	8,766
Bank loans due in more than one year	<u>(6,627)</u>	<u>6,627</u>	<u>–</u>
	<u>5 246</u>	<u>3 520</u>	<u>8,766</u>

(d) Material non-cash item

During the year the Group contributed 1,415,177 Raven Russia Limited Ordinary shares to the pension scheme at a value of £1.6 million

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