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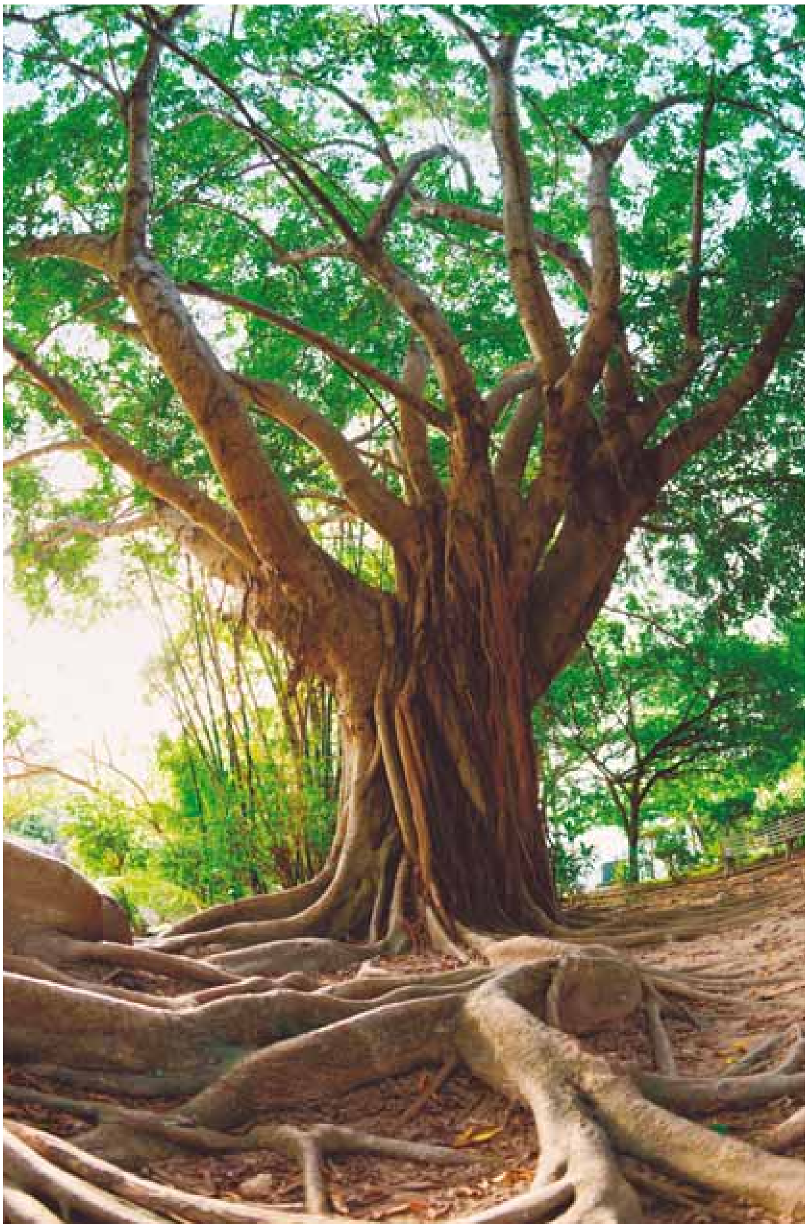
EPRA
EUROPEAN PUBLIC
REAL ESTATE ASSOCIATION

A firm foundation
EPRA Annual Report Survey 2009/10



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Foreword

A firm foundation

Deloitte, in conjunction with EPRA, are delighted to announce the results of our ninth Annual Report Survey. The survey included a review of 80 annual reports from leading listed real estate companies across Europe to assess compliance with EPRA's Best Practice Recommendations (BPR). The purpose of the BPR is to promote consistency and transparency in financial reporting in the real estate sector for the benefit of shareholders and investors. In addition to focusing on the BPR, the Deloitte survey identifies key financial reporting trends from the past year.

During the course of the last 12 months, I have seen firsthand the work of EPRA's Reporting and Accounting Committee and have been hugely impressed by the efforts and dedication of the Committee and the number of people supporting it from across the industry: finance directors and their teams, analysts, investors, surveyors and many others. With this background and focus, I am therefore not surprised that the standard of financial reporting for a large number of the companies surveyed is exceptionally high and the EPRA BPR are embedded in those companies operating at the heart of the sector.

We have changed our approach to the survey this year in acknowledgement of this. Rather than recognise only a handful of companies, we have awarded Gold, Silver and Bronze awards to those companies we judged to have the best financial reporting in the sector. 29 awards were made in total, 8 of them Gold, for British Land, Citycon, Great Portland Estates, Hammerson, Land Securities, SEGRO, Vastned Offices/Industrial and Vastned Retail. We have continued to recognise a company for the Most Improved Annual Report, and the winner this year is Klépierre. This is a fantastic achievement for all those companies and I congratulate them.

However, EPRA has already moved on to the next stage. Recognising it now has a firm foundation on which to build, the Reporting and Accounting Committee, following consultation with a number of investors and property companies, aims to take adoption of the BPR to many more members. As a result, the BPR have undergone significant revision during the last year. The number of recommendations has been reduced and clearly prioritised, focusing on the key EPRA performance measures such as the EPRA EPS and NAV metrics. The new BPR will be published shortly and I encourage all companies to consider whether these can be applied in their own financial reporting.

Finally, I would like to thank the jury for its participation and Jennifer Chase, Gemma Grey and the team of reviewers at Deloitte.

Please contact me, or alternatively Gareth Lewis at EPRA, if you would like any further information about this survey. We would welcome the opportunity to meet with finance teams to discuss the survey and their individual company results.

Claire Faulkner
Real Estate Partner,
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"It is clear from the performance identified in this year's Annual Report Survey that EPRA's Best Practices Recommendations are really developing momentum and having an impact on the ground, where it counts, with listed property companies. I strongly encourage EPRA members to now focus on those areas identified as needing more work, as this is the best way of attracting investment into the industry."

Philip Charls
Chief Executive, European Public Real Estate Association (EPRA)

Highlights

Key points from the 2009/10 EPRA survey

- The results of the 2009/10 EPRA survey demonstrate the firm foundations now underpinning real estate financial reporting across Europe, with over a third of companies receiving accreditation in the survey
- 8 companies received EPRA Gold Awards, 9 Silver, and 12 Bronze
- Klépierre has been awarded the 2009/10 EPRA Most Improved Annual Report Award
- For the first time, some of the best examples of reporting and adoption of the BPR have been identified within this report, providing real life examples for other real estate companies seeking to adopt the BPR
- Companies are reducing the length of their annual reports providing clarity and more succinct, investor-friendly reports
- There has been a clear trend towards faster financial reporting with more companies complying with the 90 day reporting recommendation. Faster financial reporting is a constant on every analyst's wish list, and it is encouraging to see companies heading in the right direction
- Only 36% of all companies referred to carbon reduction targets in their annual reports. However, this does not necessarily imply that companies are not focused on sustainability as many prepare separate reports. The potential role of the Annual Report to connect sustainability and climate change impacts to the core business is often under-utilised and we anticipate significant changes in this respect going forward
- Despite the importance of the new EPRA net initial yield definition, intended to provide one comparable and consistently calculated measure, it has not yet been widely adopted
- The BPR are undergoing a significant revision, focusing on those areas of reporting that are seen to be of most relevance to investors and where more consistent reporting across Europe would bring the greatest benefits improving transparency will attract more investment into the sector

1. Introducing the survey

Best Practices Recommendations

In the words of EPRA, its mission is to 'promote, develop and represent the public real estate sector'. EPRA has published Best Practices Recommendations (BPR) setting out guidelines for European real estate companies to follow in financial reporting. The BPR are just that, 'best practice', and are not governed by regulation or law. However, many of the current BPR are covered by financial reporting standards and are an extension of those requirements.

The BPR have been regularly updated following consultation processes led by the EPRA Reporting and Accounting Committee. A significant revision is underway and the revised BPR are expected to focus on those areas of reporting most relevant to investors and where more consistent reporting across Europe would bring the greatest benefits. The BPR are also being streamlined to focus on fewer, more significant recommendations with the aim of making it easier for companies to follow, particularly new adopters.

Purpose of the EPRA Annual Report survey

The continuing purpose of the survey is to promote awareness of the BPR and to encourage and recognise compliance with them.

This is the ninth year of the Annual Report Survey and this year the annual reports have been reviewed for compliance with the most recent EPRA BPR published in July 2009. The 2009 BPR included a number of improvements and new recommendations based on consultation and feedback from the industry, the most significant being the addition of two new key reporting measures on vacancy rate and net initial yield.

Annual reports for years ending between 30 June 2009 and 31 March 2010 inclusive were reviewed for all members of the FTSE EPRA/NAREIT Developed Europe REITs and Non-REITs indices, comprising 80 listed real estate companies across Europe.

A refreshed approach

A new approach has been taken to the Awards this year, to provide better recognition for companies complying with the EPRA BPR alongside the many other challenges associated with the delivery of relevant and useful annual reports.

Instead of an award for the best annual report, broader recognition is available through the following accreditation levels, as set out in **Section 2**.

EPRA BPR GOLD	**For the highest scoring annual reports based on compliance with the BPR and which stand out as leading reports for the industry**
EPRA BPR SILVER	**For annual reports scoring highly based on compliance with the BPR**
EPRA BPR BRONZE	**For annual reports scoring well based on compliance with the BPR**

As a minimum, all companies receiving an award are required to disclose at least one key EPRA measure within their Annual Reports, being EPRA EPS, NAV or NNNAV.

In addition to the Gold, Silver and Bronze Awards, a 'Most Improved' award has again been made to the company with the annual report showing the greatest improvement in compliance with the BPR, combined with a real move towards embracing transparency and clarity in reporting.

A new approach – companies have been given Gold, Silver and Bronze awards to recognise adoption of the EPRA BPR.

Sections 3 and 4 highlight trends in compliance with the BPR, including application of the key EPRA measures.

Section 5 identifies other key financial reporting trends observed across the real estate sector this year, in particular the application of new requirements around segmental reporting and the presentation of accounts.

Section 6 sets out an initial review of sustainability reporting in the sector.

For the first time, this year's report includes in the Appendix (and highlighted throughout the report) some of the best examples identified during our survey of financial reporting, providing real life examples for other real estate companies.

The BPR comprise seven sections:

1. General items – guidance on specific additional disclosures for real estate companies within the IFRS framework, to enhance uniform performance reporting and presentation between real estate companies.
2. Accounting and valuation principles – for guidance in areas where IFRS are not considered to be specific enough for real estate companies.
3. Presentation of accounts – provides standard formats for presentation of financial statements.
4. Notes and additional disclosure – provides guidance on additional notes and disclosure items to make the financial reporting of real estate companies more insightful.
5. Portfolio information – guidance on presentation of portfolio performance.
6. NAV/EPS – provides standard calculation methods for diluted NAV, diluted NNNAV and diluted EPS.
7. Additional performance measures – guidance on further measures including net initial yield and vacancy rates.

Source: July 2009 EPRA BPR

For the first time this year's report includes some of the best examples identified during our survey of financial reporting.

Companies reviewed

The EPRA review 2009/10 assessed the annual reports of 80 real estate companies from across Europe – the members of the FTSE EPRA/NAREIT Developed Europe REITs and Non-REITs indices. Of the 80 companies surveyed, 76% reported to a December year end and 13% to a March year end.

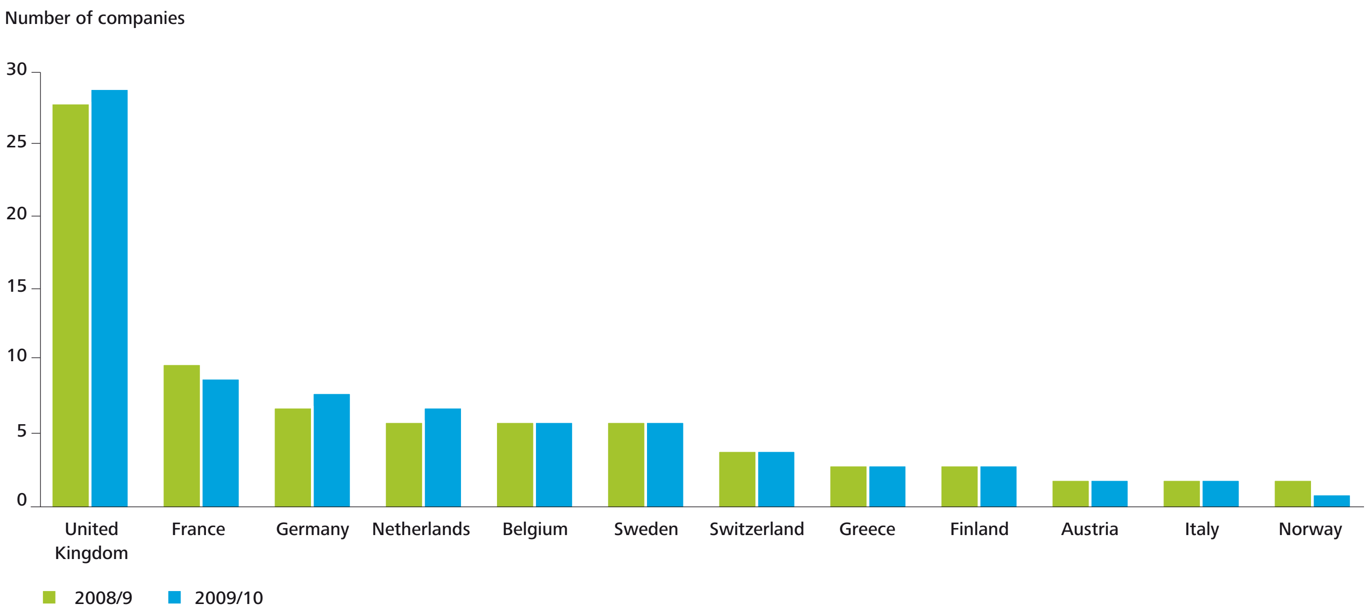
Companies included in the survey in 2009/10 but not in 2008/09	Companies no longer included in the survey
Minerva Plc	Brixton plc*
Safestore Holdings plc	Acanthe Developpement SA
TAG Immobilien AG	Vivacon AG

•Acquired by SEGRO plc

Geographical location and investment

As shown by Figure 1, UK companies continue to dominate the survey, with constituents by country remaining relatively static year on year.

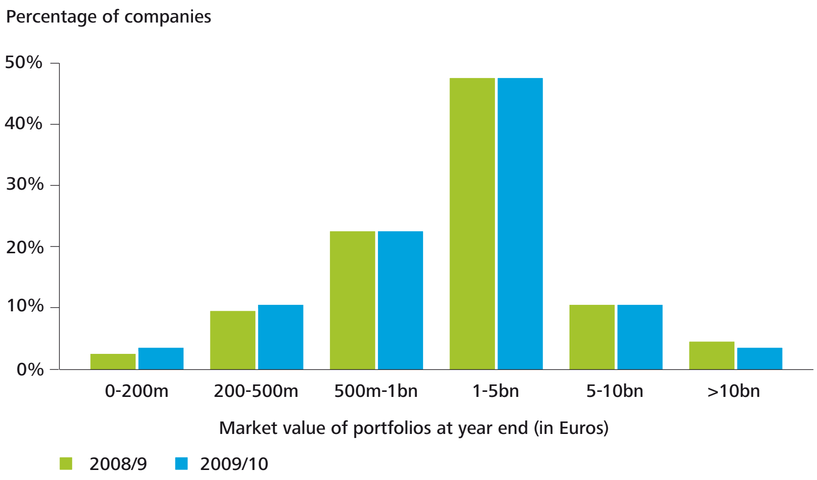
Figure 1. Where are the companies based?



Portfolio size

The relative size of portfolios by value (see Figure 2) varied between smaller portfolios of €100-200 million, to those valued over €10 billion, representing a wide diversity in the asset management strategies and capabilities of the companies.

Figure 2. How large are the property portfolios?



Key facts and figures about the survey:

- UK most highly represented with 29 companies
- 76% of companies have December year ends
- Concentration of mid-sized portfolios of €1-5 billion
- The Euro is the reporting currency for over half the companies surveyed

2. Award winners

We are delighted to present the following companies with Gold Awards for their annual reports:

Company	Key highlights
British Land	• Strong use of straplines and examples reinforcing strategy • Clear user friendly structure and signposting • Succinct list of KPIs split between financial and non financial • Inclusion of valuers' report within the annual report • Detailed analysis of the investment portfolio complemented by summary snapshots of each of the key assets in the portfolio, by segment
Citycon creating success for retailing	• Clear concise and attractive with use of tables, investor style data • Like for like rental growth disclosed in detail by segment • Inclusion of a combined statement of comprehensive income • Clear detail on a property by property basis on leasing, fair market value and occupancy rate
Great Portland Estates	• Good discussion on progress against prior year strategy • Clearly laid out, concise and easy to read, with good visual images and tables • KPIs clearly linked to strategy and benchmarked against objectives • Analyst style data provided useful bridge charts reconciling movements in net asset value and earnings in the year
Hammerson	• User friendly accounts, clearly setting the scene with business highlights, 'at a glance' section, clear strategy and property portfolio information • Q&A with CEO was unique, insightful and open • Strong corporate and social responsibility section, with clearly set out objectives, actions and performance • Detailed but concise report, covering all key areas and easy to navigate
LandSecurities	• Excellent lay out and sign posting of various parts of the report – allowing easy and quick navigation • Clear cross referencing and highlighting of key points and statistics on each page • Performance linked to actions in the year • Useful 'performance at a glance' page summarising key financial highlights
SEGRO WHERE BUSINESS WORKS	• Report is tabbed and well laid out • Clear disclosure of EPRA metrics • Succinct discussion on risks and mitigating factors • Detailed disclosure in respect of adoption of IFRS 8 and presentation of segments
VastNed **Office/industrial**	• Market analysis – included detailed analysis of the geographical markets of operation with clear tables on both the market, tenants, and leasing profile • Comprehensive risk analysis • Fold-outs in front and back cover provide an excellent snapshot of financial position and portfolio performance
VastNed **Retail**	• Succinct and clearly laid out portfolio data by property • Country specific analysis including full narrative of market forces, key trends and portfolio detail by country • Clear focus on risk management with a comprehensive list of risks and control measures in place • Use of fold out of key figures in front and back of the report presenting key performance and property metrics, enabling comparability with prior years

The following companies have been awarded Silver and Bronze Awards:

CA Immobilien Anlagen AG

Capital Shopping Centres Group PLC
(formerly Liberty International Plc)

Corio NV

Helical Bar plc

Klépierre SA

Safestore Holdings plc

Shaftesbury PLC

Unibail-Rodamco SE

Workspace Group PLC

Alstria Office REIT AG

Beni Stabili SpA

Big Yellow Group PLC

Castellum AB

Conwert Immobilien Invest SE

Derwent London PLC

Development Securities PLC

Grainger PLC

Quintain Estates and Development PLC

Sponda Plc

Wereldhave NV

Züblin Immobilien Holding AG

Most Improved Annual Report Award

Klépierre has significantly improved its financial statements this year.

Highlights include:

- Transformation in presentation to produce a single annual report rather than separate financial and activity reports
- More investor friendly – key figures/at a glance section, clear strategy section, use of pictures and case studies
- Reports on a historical cost basis (unusually) but clear balance sheet and income statement disclosures on a fair value basis in the notes to the financial statements
- Disclosure of key EPRA metric EPRA NNNAV
- Produced combined Statement of Comprehensive Income
- Disclosure of additional portfolio information on a property by property basis, clearly provided by country, enabling users to identify key properties
- Clear disclosure on like for like rental growth on a portfolio and geographical segment level

3. Survey results

A firm foundation for the future

The overall scoring position year on year has shown a decline when taking into account the new EPRA measures for net initial yield and vacancy rate. However, in Figure 3 below, the 2009/10 scores have been adjusted to exclude these new measures of the 2009 BPR and to give like-for-like results compared to last year. This demonstrates that while the new EPRA measures have not been widely adopted to date, there are positive underlying improvements in respect of the more established EPRA BPR in comparison to 2008/09 with more companies scoring highly.

The change in the award structure this year to give the Gold, Silver and Bronze accreditation recognises companies in 10 countries. This reflects the widespread support for the BPR across Europe and demonstrates that this is now firmly established as the standard of financial reporting to aim for.

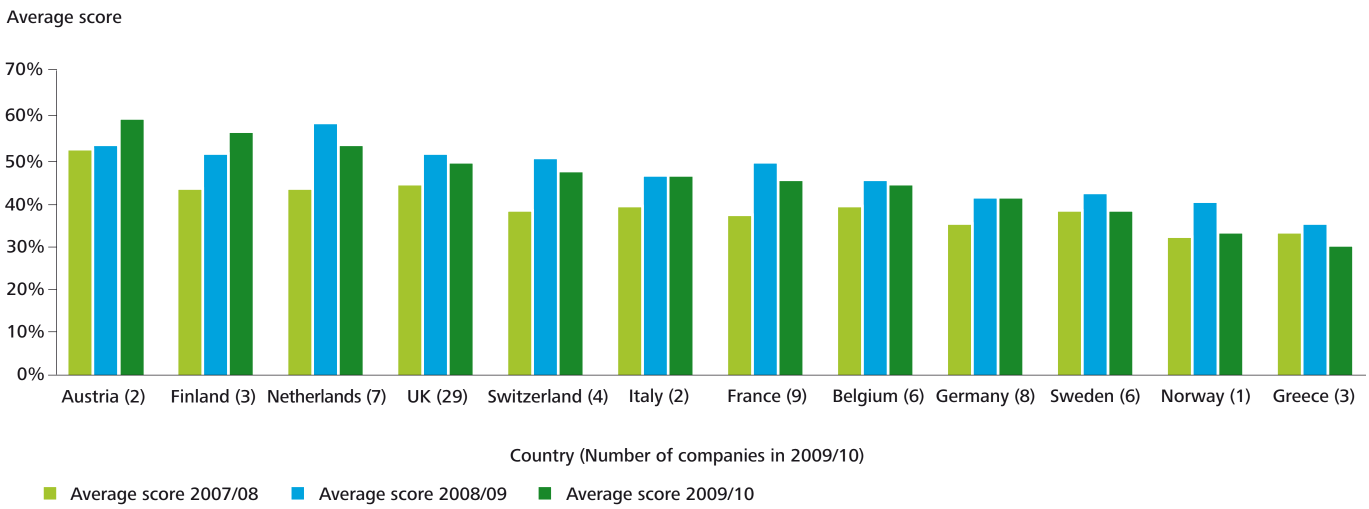
The BPR are currently being revised, to more appropriately reflect the most relevant reporting areas and to streamline the recommendations. The results of this survey demonstrate that the foundations have been laid to ensure that the revised EPRA BPR will follow on from, and develop further, the firmly embedded reporting practices already in place.

Analysis by country

Reflecting the deeper penetration of the BPR throughout Europe, companies in Austria and Finland have overtaken the Netherlands this year in terms of highest average score per country, although as with last year's survey, the highest individual scores were among the UK companies. In addition to Austria and Finland, Italy has also seen an improvement in average scores.

Figure 3. What is the distribution of scores?

Figure 4. What was the average score per country?



“EPRA continues to promote the adoption of the BPR across a broader European platform, through more active engagement with our members. Our considerable efforts to streamline the BPR and focus on core performance measures, including sustainability KPIs, should increase the relevance of the EPRA BPR and lead to an acceleration in compliance throughout Europe.”

Gareth Lewis
Director of Finance, EPRA

Consistent with 2008/09, reporting in Greece, Norway, Germany and Sweden still lags behind other countries.

With the publication of the revised BPR expected later this year, finance teams should look to build on the firm foundations of 2009/10 and take further steps to implement the improvements and new recommendations.

Scores per size of company

The 2008/09 survey identified that the size of the company had some influence on the quality of financial reporting. This trend continues in 2009/10, with companies with portfolios larger than €5 billion receiving the highest average scores in direct contrast with the smallest companies (with portfolios smaller than €200 million) consistently achieving the lowest average scores. This undoubtedly influences the average score per country depending on where the largest companies are concentrated.

Whilst smaller companies may be more resource-constrained, compliance with the BPR should not require additional financial accounting resource and therefore should not be a burden to them.

Figure 5. How does size of company influence the score?

4. EPRA reporting measures

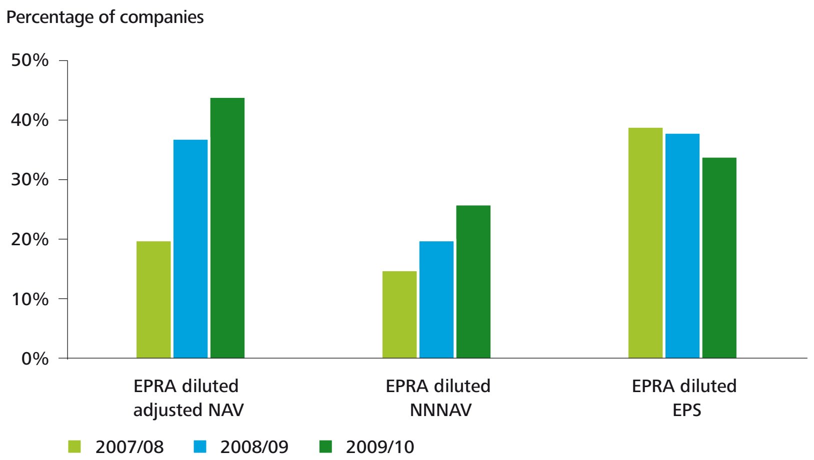
This section sets out analysis of the level of compliance with the key EPRA recommendations. Greater weighting was given in the survey to the EPRA EPS and NAV measures, considered to be key EPRA reporting measures and the inclusion of at least one of these measures was minimum criteria for all companies receiving an award.

Key EPRA reporting recommendations covered in this section (BPR references in brackets)
Disclose EPRA diluted EPS (6.2), EPRA diluted NAV (6.3) and EPRA diluted NNNAV (6.4)
Disclose EPRA Net Initial Yield (7.1) and EPRA Vacancy rate (7.2)
Disclose like-for-like rental growth for each significant sector of the portfolio and each geographical business following an EPRA specified format (1.11)
Account for investment properties using the fair value model, assessed in accordance with International Valuation Standards (IVS) and externally value the portfolio at least once a year (2.1 and 2.2)
Publish financial reports within 90 days after the close of the reporting period for annual reports (1.7)

EPRA EPS and NAV measures

Earnings per share and net asset value measures are key for investors and analysts in allowing them to understand better a company's underlying performance of the property portfolio. The BPR include specific EPRA determined formulae for these measures to enable comparable and consistent reporting.

Figure 6. What percentage of companies provided EPRA EPS and NAV figures?



Earnings per share and net asset value measures are key for investors and analysts in allowing them to understand better a company's underlying performance of the property portfolio.

EPRA EPS and NAV measures

- EPRA EPS is a key measure of a company's strength and ability to pay dividends to its shareholders
- EPRA NAV is meant to highlight the fair value of equity on a long term basis through excluding factors that have no long term impact on the company
- EPRA NNNAV measures provide shareholders with more relevant information on the current fair value of the assets and liabilities through including all fair value adjustments of material items within the balance sheet

The EPRA performance measures continue to be the most important measures of comparability within the industry and are gaining increasing traction.

In particular, there has been a noticeable improvement in the reporting of the key EPRA NAV and NNNAV measures.

As in the prior year survey, however, there was a wide range of disclosure quality. In the best cases, in line with the BPR, companies provided clear reconciliations between the IFRS and EPRA performance measures, disclosing all three EPRA performance measures. A good example of this disclosure has been highlighted in **Example 1** of the Appendix, from the British Land 2010 annual report.

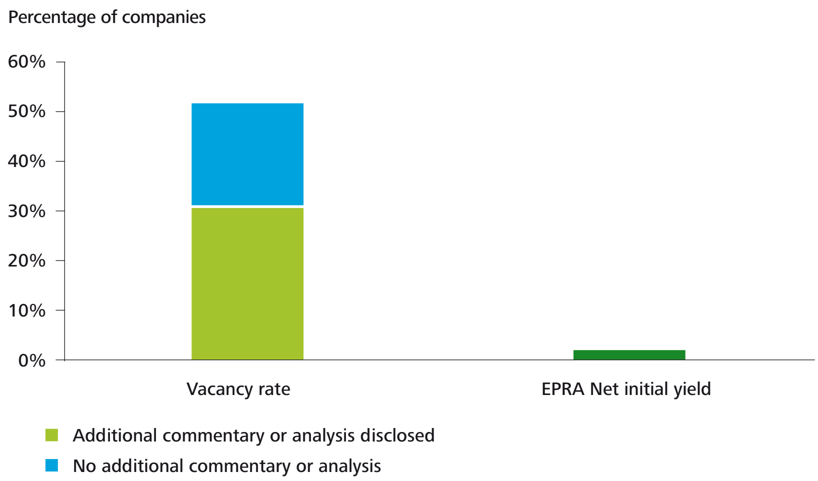
Overall, despite the positive steps in the right direction this remains an area where improvement can still be made.

New EPRA measures

The July 2009 BPR included new EPRA net initial yield and vacancy rate measures in response to recognised disparities in yield reporting by companies and inconsistency in the reporting of vacancy rates.

Yields in particular are one of the main areas of focus for analysts and investors, initial yields in particular being used to forecast revenue as well as providing comparable information on the quality of portfolios across the sector, yet still show a lack of consistency in reporting by companies. Companies have historically disclosed selections of many different yields, often using different calculation methods, while even vacancy rates have been historically calculated in different ways.

Figure 7. How many companies adopted the new EPRA reporting measures?



Vacancy rate

The number of companies disclosing vacancy rate is at first glance encouraging, at 52% of those surveyed, but there remains room for improvement in both the disclosure and analysis in order to fully comply with the EPRA BPR. Of companies disclosing vacancy rates, only 60% had additional commentary or analysis to aid the user in understanding the vacancy rates being disclosed. For the remaining 40%, although vacancy rate figures were disclosed, it was unclear on what basis these were calculated. Very few companies detailed that their vacancy rate measures met the BPR definition.

In adopting the new EPRA definition for disclosure of vacancy rates, the most transparent disclosures detailed any resulting restatement as shown in the Hammerson accounts, detailed in **Example 2** in the Appendix.

Net initial yield

The number of companies clearly adopting and disclosing the EPRA net initial yield is disappointing, being just two out of the 80 companies surveyed. Given the wide range in the nature and extent of yields disclosed by companies, the EPRA BPR guidance was intended to encourage real estate companies to disclose one measure, calculated consistently, and largely comparable from one company to the next.

Example 1
British Land: Net asset value and earnings per share

Example 2
Hammerson: Disclosure of vacancy rate

The revised BPR being issued later this year will place greater emphasis on the importance of these selected EPRA performance measures and this will further encourage the leap forward needed to enhance transparency and comparability in this area.

It is recognised that many companies, being aware of the imminent revision to the BPR, will have elected to delay implementation of the new measures until the revised BPR have been finalised. This will have had a marked impact on compliance with these measures.

Like-for-like continues to be disliked

Typically, real estate companies are subject to dramatic changes in revenue as a result of acquisitions or completion of developments. Like-for-like analysis removes any one-off influences on a portfolio's earnings and allows consistency in comparison of operations.

Although up from just one third of companies in the prior year, fewer than 50% of companies surveyed disclosed like-for-like rental growth as recommended by EPRA. From these companies fewer than 50% again showed like-for-like growth for each significant sector of their portfolio. The Hammerson accounts notably did disclose like-for-like growth for each significant sector of their portfolio, and in line with the standard table disclosure given in the EPRA BPR, as shown in **Example 3** in the Appendix.

Example 3
Hammerson: Like-for-like rental growth

Despite being a disappointing area in terms of EPRA compliance, promisingly, a few examples of innovative reporting were noted, with analyst style bridge charts used by Citycon to reconcile the prior year actual rents to current year, as shown in **Example 4** in the Appendix.

Example 4
Citycon: Net rental income reconciliation

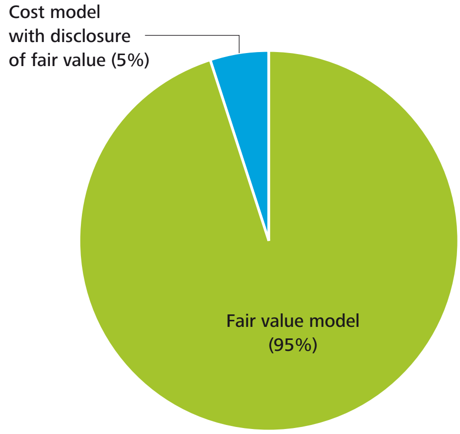
The comparison of revenue on a like-for-like basis provides a clear link between the financial performance of a business and its operational and strategic actions and therefore it would be beneficial for users of the annual reports if more companies were to provide this.

Property reporting

It may be fair but it's not clear

In accordance with EPRA's guidelines, 95% of the companies applied the fair value model in their financial statements, with the remainder disclosing the fair values of their property portfolios whilst adopting the cost model, entirely consistent with last year. This is a positive result, clearly recognising fair value reporting as the European benchmark. There remains the continued challenge to the four companies not adopting this approach.

Figure 8. How many companies apply the fair value model?



Building on last year, 46% (2008/09: 42%) of companies apply best practice by valuing properties twice annually or more frequently as shown in Figure 9, and clearly state this.

However, disclosure in this area remains mixed and could be significantly improved, as a large proportion of companies still do not explicitly state the frequency of valuations in their accounting policies, and 24% have not disclosed which valuation standards have been used.

The number of companies performing valuations without the use of external valuers has fallen from 11% to just 6%.

Figure 9. How often do companies disclose they externally value their properties?

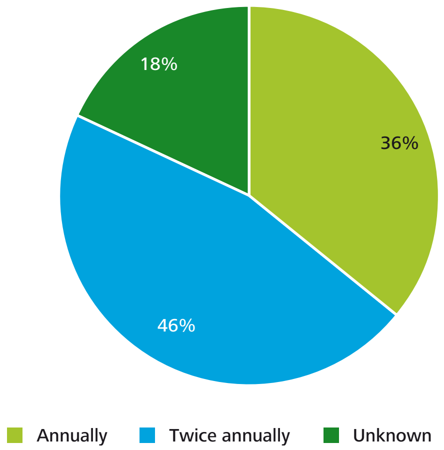
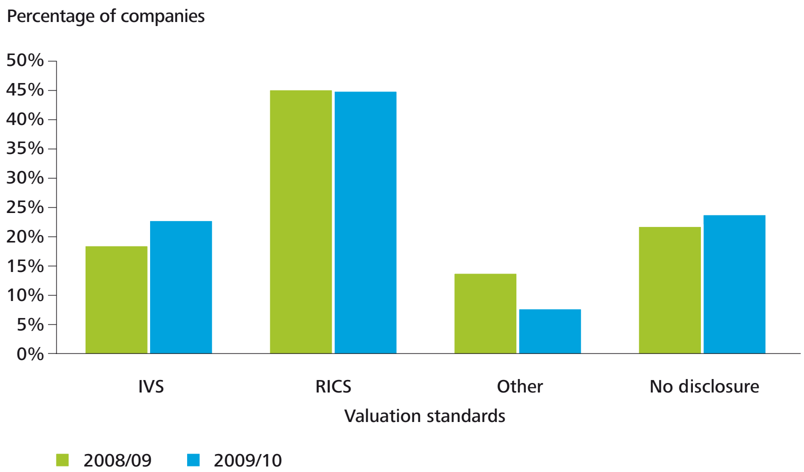


Figure 10. How many companies disclose the standards used for valuations?



Furthermore, as in 2008/09, the narrative surrounding the valuation approach generally lacked detail on the underlying assumptions and focused more on a discussion of general market conditions. The best disclosures give detailed comparative information on yields and valuation assumptions to better aid the user to evaluate and compare results, a good example being found in the Unibail-Rodamco accounts, as shown in **Example 5** in the Appendix.

On a positive note, the number of companies performing valuations without the use of external valuers has fallen from 11% to just 6%, recognising the benefits and confidence provided by an independently verified valuation.

Location, location, location

Investment continues to be focused within domestic markets or within Europe, with only 5% of companies investing outside Europe. Of those companies investing outside domestic markets, discussion of the market did on the whole detail individual country performance and the corresponding opportunities and risks for each. A particularly good example can be seen in the Vastned accounts, as shown in **Example 6** in the Appendix, which provides a section on each country in which the company invests. This form of disclosure aids comparability across the different markets and allows the user to identify risks and uncertainties, which vary between countries.

To build or not to build?

Development property activity has started to pick up again after a lull in 2008/09 during the global economic recession, with 70% of companies surveyed having development or refurbishment projects recognised on their balance sheet.

As was the case for investment properties, the disclosure in this area varied widely, the norm being a general discussion of potential development projects, the amount of total committed expenditure and the carrying value of development projects held on the balance sheet. Many gave no clear indication of when development projects were expected to commence or complete, reflecting the significant uncertainty most property companies are currently facing at the moment. The best examples of development property disclosure set out clearly the company's development projects in a tabular format, with key statistics on percentage pre-lets and ERVs and costs to complete, enhancing transparency, as seen in the Fabege accounts, shown in **Example 7** in the Appendix.

This is expected to be an area of focus for analysts in the near future as development pipelines become more critical in assessing performance.

Compliance with the BPR

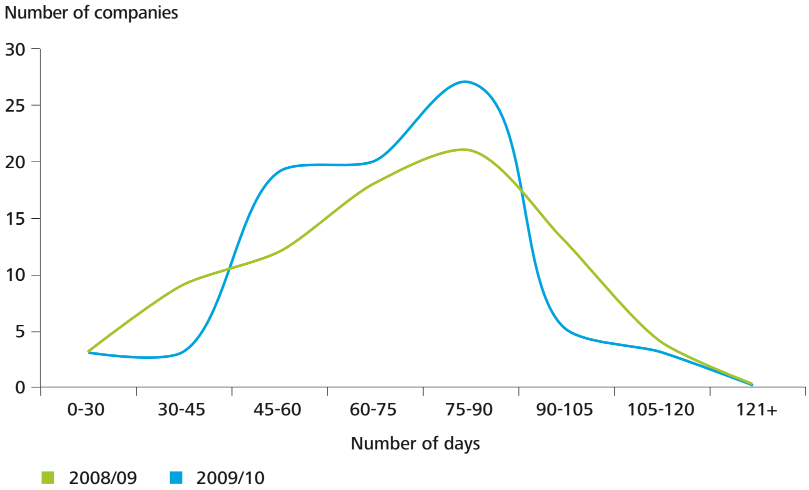
In many cases EPRA is mentioned in annual reports only where specific EPRA measures such as EPRA diluted EPS and NAV are disclosed. Companies continue to place emphasis on compliance with the performance reporting measures rather than the BPR as a whole and, although compliance with the rest of the BPR has improved, we would continue to encourage management teams to look beyond these measures and aim to achieve overall compliance with the BPR, which will be facilitated by the prioritisation and streamlining of the revised BPR.

Example 5
Unibail-Rodamco: Property disclosures

Example 6
Vastned: Country specific analysis

Example 7
Fabege: Development property table

Figure 11. How many days did companies take to report?



Faster over the finish line

There has been a clear trend in faster financial reporting as shown in Figure 11, with more companies complying with the 90 day reporting recommendation. Companies are increasingly concentrating around 60-85 days post period end to report, with a significant improvement in the average number of days to reporting from 73 days to 69 days.

Faster financial reporting is a constant on every analyst's wish list, and it is encouraging to see companies heading in the right direction.

"Generally, we see that faster reporting directly correlates with higher quality companies."

Osmaan Malik
Vice President, J.P. Morgan Cazenove

5. Financial reporting trends

In this section we cover trends in reporting and other matters of relevance to the most recent reporting period:

- Key Performance Indicators
- Going concern and market uncertainty
- Length of annual report
- Proportion of non-financial reporting
- Analyst style data
- IFRS 8
- Third balance sheet
- Statement of comprehensive income
- Local GAAP

Key performance indicators – limited indication of improvement

The quality of reporting of key performance indicators (KPIs) remains one of the weaker areas identified during the review. Last year the inconsistency of reporting in this area was highlighted and there has been no significant improvement this year.

KPIs in this sense are those reporting metrics companies use to measure and compare performance against their strategies rather than the property measures such as yield.

There is still a significant variance in both the number of KPIs reported and the way in which they are reported, both in terms of calculation and presentation. In some annual reports, KPIs were reported clearly on a single page while in others these measures were not necessarily identified as 'key performance indicators' and were scattered throughout the report. In the latter cases, it was not clear whether these measures, which were in some cases called 'Key figures' or 'Financial highlights' were indeed measures on which the company assessed achievement of their strategic objectives or rather purely a presentation of performance.

The average number of KPIs presented was 11, with the majority of companies reporting between six and 15 KPIs. The performance of a company could be understood more clearly when fewer KPIs were presented in some form of summary table or page.

Most importantly, there remains real inconsistency in the methods of calculating KPIs. The basis of calculation of individual KPIs varied widely between companies, even if they were described in the same way and ostensibly were in place to demonstrate the same thing. With this inconsistency, even in the most common KPIs, there remains a lack of comparability and understandability.

Figure 12. What percentage of KPIs were financial KPIs?

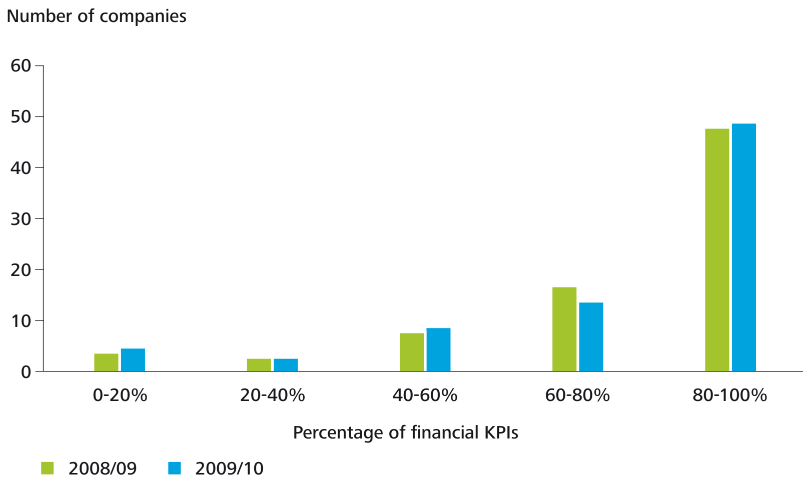


Figure 12 demonstrates the clear trend that companies report more financial KPIs than non-financial. However, the proportion of financial KPIs has decreased dramatically from an average of 88% in 2008/09 to 62% in the most recent reports. This resulted mainly from companies presenting further non-financial KPIs in addition to previously reported KPIs rather than changing those already presented. This is a positive trend as the industry has very high expectations for non financial KPIs and lends itself very easily to them, so it is encouraging to see these more widely used.

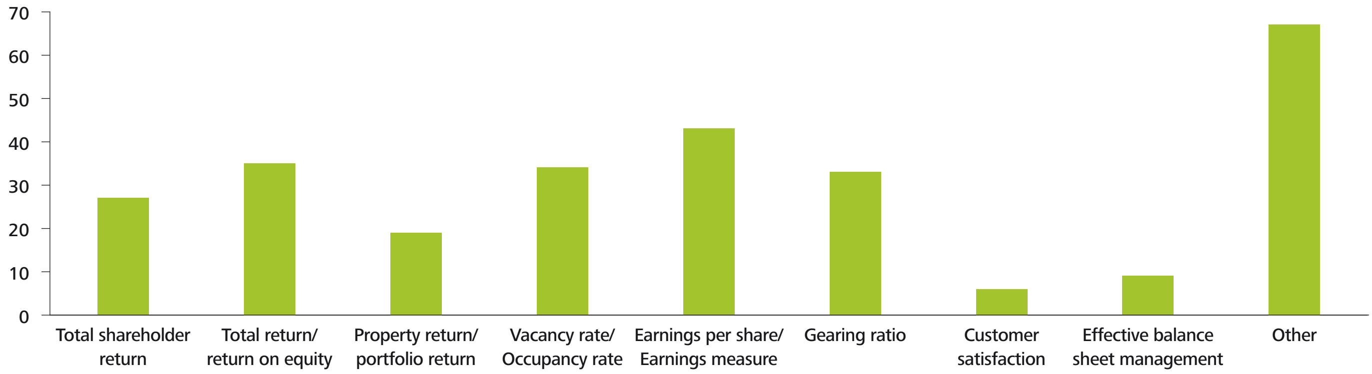
Financial KPIs

Key financial KPIs reported by most companies:

- Return on equity
- EPS
- Gearing ratio
- Total shareholder return
- Portfolio return

Figure 13. What KPIs were reported?

Number of companies



In addition to the other KPIs detailed in Figure 13 above, a number of companies reported expenditure as a percentage of total assets less current liabilities demonstrating these companies' focus on cutting costs as part of enhancing business performance. This is to be expected in the current economic climate as businesses and CFOs do not necessarily have the option to increase revenues significantly in order to generate increased profits.

Surprisingly, the financial KPIs included by most companies tended to be more of a generic nature with fewer companies reporting more industry specific indicators such as loan to value ratios and like for like rental income growth. The most common industry specific financial KPIs reported include net rental income and property return.

Example 8
Great Portland Estates: Key performance indicators

Non-financial KPIs

Despite the consistency in types of businesses analysed, the non-financial KPIs reported varied significantly across the companies.

Examples of non-financial KPIs used include:

- Vacancy rates
- Lease terms
- Customer satisfaction ratings
- Number of properties owned/leased

As reporting of corporate responsibility becomes more high profile it was not surprising to see companies starting to report KPIs in relation to their performance in this area. Such KPIs included energy consumption and level of carbon emissions though it was noted that these were reported by a significant minority of companies.

Further discussion on sustainability reporting is included in **Section 6**.

The most successful analyses of KPIs are included by companies which link their KPIs directly to their strategic objectives and compare these to benchmark measures. The benchmarks include a combination of IPD measures, FTSE measures and internal objectives. This analysis demonstrates how these companies have performed compared with their own goals and similar companies in the market. A good example of KPI disclosure is presented in the accounts of Great Portland Estates, an extract of which is included in **Example 8** in the Appendix.

Going concern and market uncertainty

The number of companies presenting narrative around going concern has decreased from 46 in 2008/09 to 36 in 2009/10. This reduction is perhaps a function of a slight stabilisation of market conditions. Reflecting the further clarification of requirements of the Financial Reporting Council in October 2009 in this area, all UK based companies presented going concern narrative while this was included by a further seven non-UK companies.

The most common industry specific financial KPIs reported include net rental income and property return.

The most successful analyses of KPIs are included by companies which link their KPIs directly to their strategic objectives and compare these to benchmark measures.

A similar trend is apparent in relation to the number of companies including disclosure of market uncertainty commentary within property valuation analysis. 63% of companies presented some reference to the fact that valuations were performed in an uncertain market in the prior year compared with 45% in the 2009/10 reporting period. Interestingly, 11 of the 18 UK companies presenting this disclosure in 2008/09 no longer presented it in 2009/10. The impact of this trend was partly offset by four UK companies with very early reporting periods in the review including this disclosure in 2009/10 results where they had not done so before.

The decrease in the number of countries reporting valuation uncertainty is expected given the disclosure responded to the sudden macro economic shock seen during 2007 and 2008 which meant the market departed from the norm. It is therefore surprising that any companies with later reporting periods have continued to include this disclosure and it is not expected to see disclosure on valuation uncertainty in future years.

Length of annual report – short and sweet

Although the average length of annual reports continued a downward trend, at 128 pages compared to 149 pages in 2008/09 and 152 pages in 2007/08, the reporting timeline has little correlation with the length of the report.

Figure 14. Have companies included detail of their assessment on going concern?

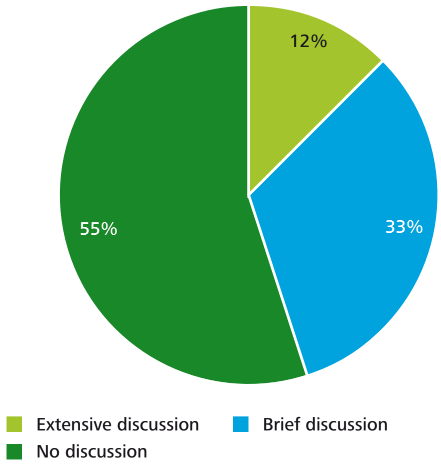
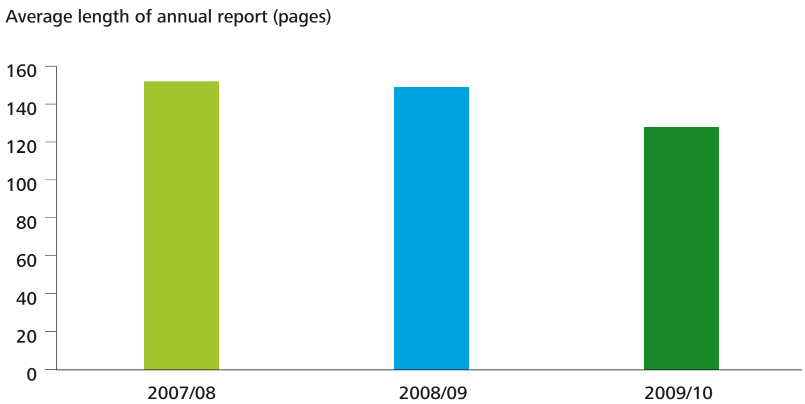


Figure 15. How does the average length of annual reports compare to last year?



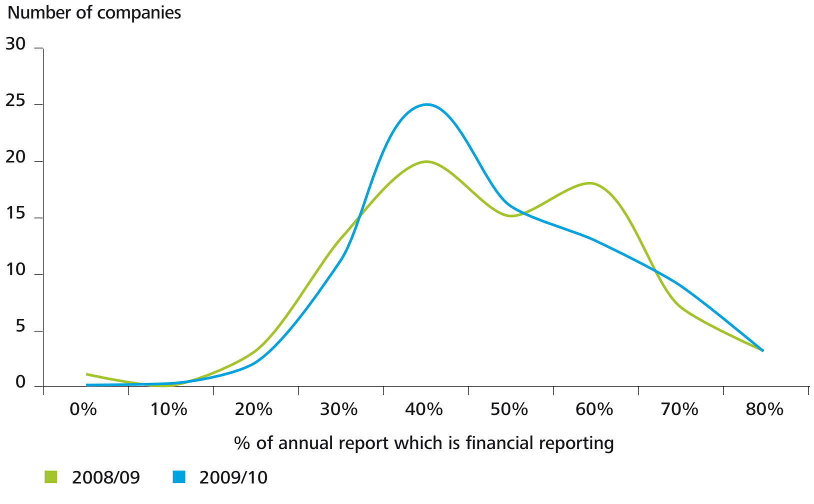
“Transparency is not always about giving all information possible, but about clearly presenting the relevant information.”

Osmaan Malik
Vice President, J.P. Morgan Cazenove

Companies are increasingly supporting their annual reports with additional information in alternative reports or on companies’ websites. In particular, over 20% of companies presented a separate property data book and over 30% information on corporate responsibility (CR).

- The information presented on CR ranged from separately published CR or sustainability reports to the inclusion of summary information on the website.
- Many companies have taken the opportunity provided by using websites to present interactive property data including maps, photos and drill-down information which are not available to annual reports.
- Other information that was commonly presented on companies’ websites includes corporate governance policies or reports and analyst reports or presentations.

Figure 16. What percentage of the annual report is financial reporting?



The trend to include more information outside annual reports moves further away from the traditional concept that the annual report as the sole method of communication with shareholders. It also indicates an effort to add clarity and produce more succinct, investor-relevant reports.

Proportion of non-financial reporting

While financial reporting requirements are strictly governed by accounting standards, there is a lot more flexibility in reporting of non-financial information.

Figure 16 illustrates this, with the relative proportions of financial to non-financial data included within the annual reports having a range between 10% to 90% of the report.

The trend appears to be towards a decrease in financial reporting, reflecting efforts made to condense the now extensive IFRS reporting and disclosure requirements. The average percentage of financial reporting in the prior year of 45% has decreased to 42% in the most recent period reviewed. This is in line with the efforts companies have made to streamline their annual reports by including information such as property data books or information on CR on their websites, rather than in their annual reports and it is clear the main focus remains on the narrative reporting.

Analyst style data

Companies have continued to enhance the clarity and transparency of their reporting with the majority of companies disclosing some form of ‘performance at a glance’ page with charts and diagrams illustrating the results for the year, and 38% of companies presenting bridge charts showing reconciliations of measures such as net asset value and profit before tax.

The analyst style data is a welcome addition to annual reports, enabling users of the accounts to understand clearly the key trends for the year and the respective impacts of different factors driving the movements from prior year.

Good examples of this analysis are presented in the accounts of Capital Shopping Centres Group PLC, Group Affine and Land Securities which are included in **Examples 9,10 and 11** in the Appendix.

IFRS 8 – how many segments?

Of the 80 companies surveyed, 66 companies included segmental analysis in their reports. Not all companies yet qualified for the disclosure, as IFRS 8 Operating Segments became effective for periods beginning on or after 1 January 2009 and in the 2010/11 survey it will be expected that everyone includes these disclosures.

This new standard has been introduced to allow users to understand the company through the eyes of management and enhance a user's ability to predict future management operating decisions and assessment of future performance.

The number of segments that a company has disclosed has no particular correlation to the size of the portfolio. As seen in Figure 17, the majority of companies tended to disclose between one to three segments with only three companies disclosing more than seven segments.

Figure 18 shows there appears to be a balance between companies reporting either geographical, business or portfolio segments, with no clear preference within the industry. It is more likely that a combination of these segments is actually more relevant to the majority of companies.

With the expected increase in development activity expected in the sector it is likely that management will start to require analysis on the development performance which will then flow through into the reporting of these segments in the financial statements and it will be interesting to see trends emerging in the future.

Companies should continually ensure segments are reported on a basis which is consistent with their internal reporting, and in particular on the type of property and where their investments are located to enhance clarity within reporting.

We have identified SEGRO for inclusion as a good example of segmental analysis (see **Example 12** in the Appendix). The disclosure includes clear identification of geographical segments and outlines why this is appropriate for the business.

Examples 9, 10 and 11
Analyst style data

Example 12
SEGRO: Segment disclosure

Figure 17. How many segments do companies show?

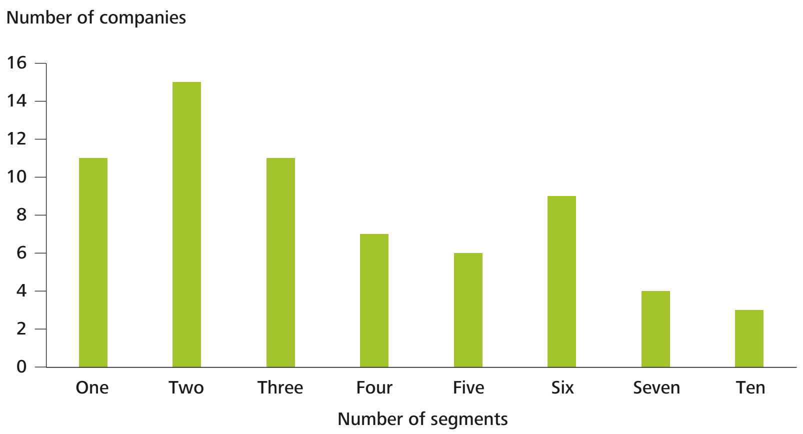
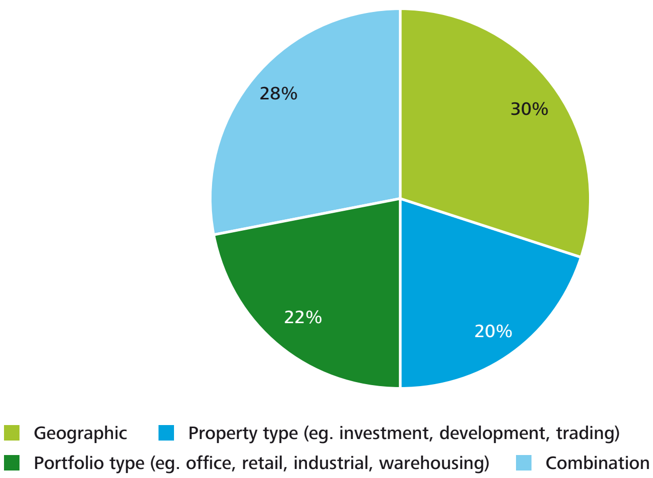


Figure 18. What segments are disclosed?



The analyst style data is a welcome addition to annual reports, enabling users of the accounts to understand clearly the key trends for the year.

Example 13
Züblin Immobilien: Third balance sheet

Example 14
Klépierre: Combined statement of comprehensive income

Third balance sheet – three's a crowd

An amendment to IAS 1 (effective for periods commencing on or after 1 January 2009) requires three balance sheets (statements of financial position) and related notes to be presented in IFRS financial statements when an entity makes a retrospective change to its financial statements.

This was an area of particular debate during the year end reporting season with the requirement being triggered by any change to prior period financial statements, including a change in the notes. This was not welcomed as evidenced by the fact that only 11% of the 80 companies surveyed included third balance sheets while a further 5% indicated a form of restatement had occurred during the year but no third balance sheet was presented.

A company that did include a third balance sheet was Züblin Immobilien as can be seen in **Example 13** in the Appendix.

However, going forward, it is likely third balance sheets and related disclosures are set to become the "norm" as accounting standards are continually introduced and amendments applied retrospectively.

One deterrent of currently including the third balance is simply around the formatting to present it in a readable format, with companies still keen to include all on one page. Once the initial hurdle to include two prior year balance sheets rather than one is overcome, this will become standard practice.

Statement of comprehensive income

An element of choice currently exists in respect to the presentation of a statement of comprehensive income which also came into effect with the IAS 1 amendment from 1 January 2009:

1. Combined income statement and statement of a comprehensive income.

2. Income statement followed by a separate statement of comprehensive income which takes the profit or loss as a starting point and then includes all other comprehensive income.

The more common theme was for the continued presentation of a separate income statement and comprehensive statement of income.

Uptake was generally poor for combined statements, although good examples were noted in respect of CLS Holdings and Development Securities in the UK and Klépierre (see **Example 14** in the Appendix) and Société de la Tour Eiffel in Europe, who welcomed the opportunity to produce their results on a combined basis. These companies hold themselves in good light in respect of the current exposure draft proposal, issued on 27 May 2010 to move towards compulsory combined presentation.

Local GAAP – UK leaders are not leading the way

There is currently no requirement for the use of IFRS for company financial statements where companies prepare both individual and group financial statements and the choice between IFRS and local GAAP operates separately for each.

Although our survey shows that 59% of companies produce both company only and consolidated accounts under IFRS, the UK reporters are the most prevalent among those not using IFRS for both. 14 UK companies still present individual financial statements under UK GAAP.

In this respect, UK companies should consider looking to their European counterparties in this aspect of financial reporting as IFRS is more widely accepted across the globe.

Furthermore, the IASB's proposal to replace UK GAAP with IFRS for small and medium-sized entities (IFRS for SMEs) means there is an uncertain future ahead for UK GAAP.

6. Sustainability

Emerging and evolving

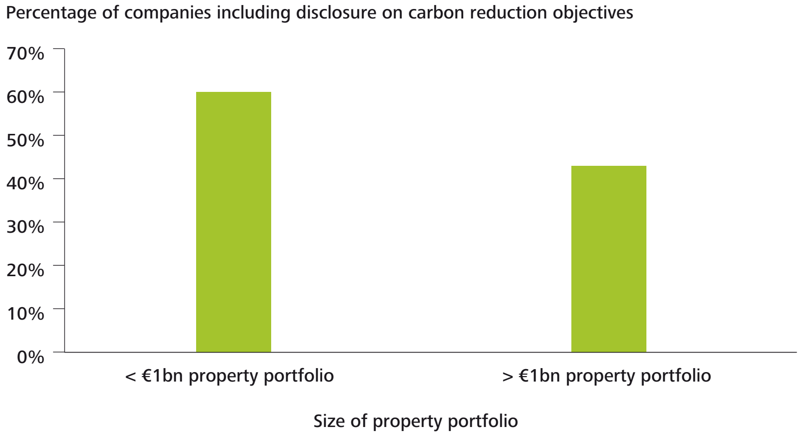
Climate change has emerged in recent years as a significant investment concern – in the dual form of risk and opportunity – and is therefore becoming an increasingly important issue for corporate disclosure. There is strong evidence globally of out-performance by those companies which place emphasis on sustainability and climate change goals for their businesses, whilst the UN Environment Programme Finance Initiative highlights the risk of fiduciary negligence claims against professional investment advisors and asset managers who fail to proactively take account of environmental, social and governance issues.

It is hardly surprising that sentiments of climate risk and opportunity have become strongly evident within the European real estate industry, given that around half of all man made carbon emissions arise from the use of energy in the construction and occupation of buildings.

Accordingly, regulations and fiscal instruments are evolving rapidly across Europe, with tightening energy standards required of new developments and a notable recent shift in emphasis towards the carbon performance of existing real estate too. The flagship legislative tool, the Energy Performance of Buildings Directive, is due to be strengthened in 2012 and signals an ongoing trend of emboldened government intervention within European real estate markets.

Across Europe, and indeed globally, institutional and private equity investors in real estate, as well as corporate and public sector occupiers, are beginning to demand higher sustainability standards of assets and occupational estates respectively, particularly in relation to energy and carbon performance. The conditions would appear to be materialising for those assets which compare unfavourably to their peers in energy performance terms, to become more vulnerable to depreciation and physical obsolescence – and hence lose value more quickly.

Figure 19. How does carbon disclosure correlate to the size of the company?



Disclosure

54% of participating companies provided some level of disclosure in relation to their carbon reduction objectives, although this headline figure masks significant variation between their respective countries of establishment and the value of assets held.

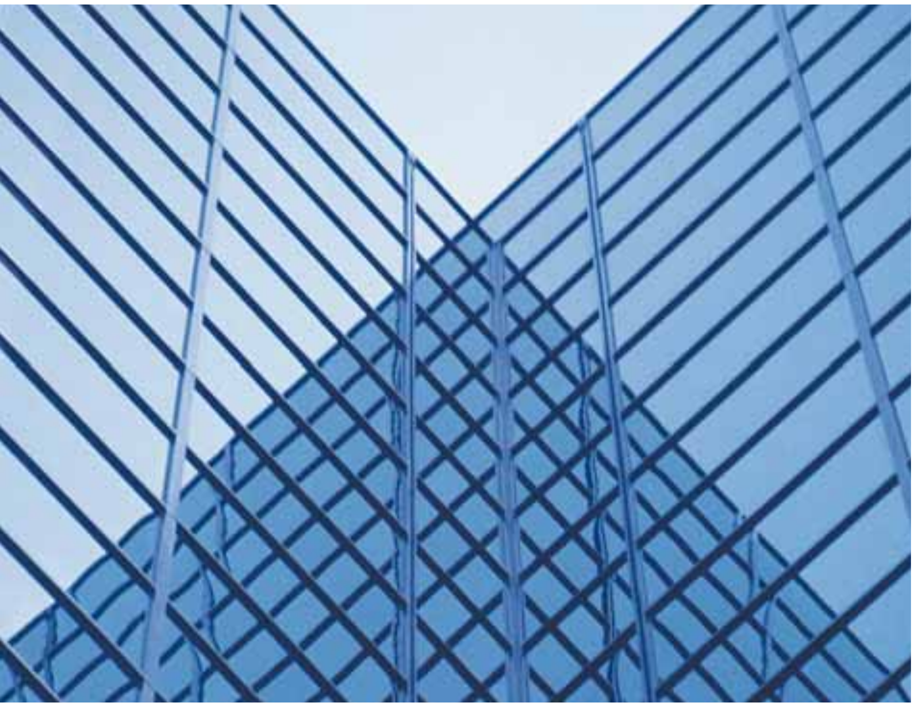
For example, all six of the Swedish companies, and both of those based in Austria, incorporated some level of carbon disclosure in their Annual Reports, whilst this was limited to only 25% of those established in Germany and 29% in the Netherlands. UK-based companies, representing over a third of the participants, were broadly consistent with the European average, with 55% discussing carbon reduction objectives.

Size does matter – 60% of companies with assets valued at €1billion or more included some level of disclosure in relation to their carbon reduction objectives, but only 43% of those with assets below €1billion in value.

The quality and depth of disclosure within annual reports is also highly variable, with many making only brief, vague reference to environmental and climate change issues and commitments. Significantly though, 36% of all participants referred to specific carbon reduction targets for their businesses, although a lack of clear quantification was widely evident and very few recorded measured progress against their targets.

There is strong evidence globally of out-performance by those companies which place emphasis on sustainability and climate change goals for their businesses.

The key observation then, is that the potential role of the Annual Report to connect sustainability and climate change impacts to core business and accounting is often under-utilised.



Indeed, only a small number of participating companies highlight that they are active in recognised reporting initiatives or quality assurance schemes (such as the Carbon Disclosure Project, Global Reporting Initiative or ISO 14064-1) with Hammerson, Shaftesbury plc and Big Yellow Group plc each stating that they are active in several.

Importantly however, an absence of reference within the annual report does not necessarily imply that participating companies are not involved in extensive carbon, corporate responsibility or environmental reporting. Many of the companies are known to prepare separate sustainability reports; some of them very highly regarded. The key observation then, is that the potential role of the annual report to connect sustainability and climate change impacts to core business and accounting is often under-utilised.

The future of sustainability reporting

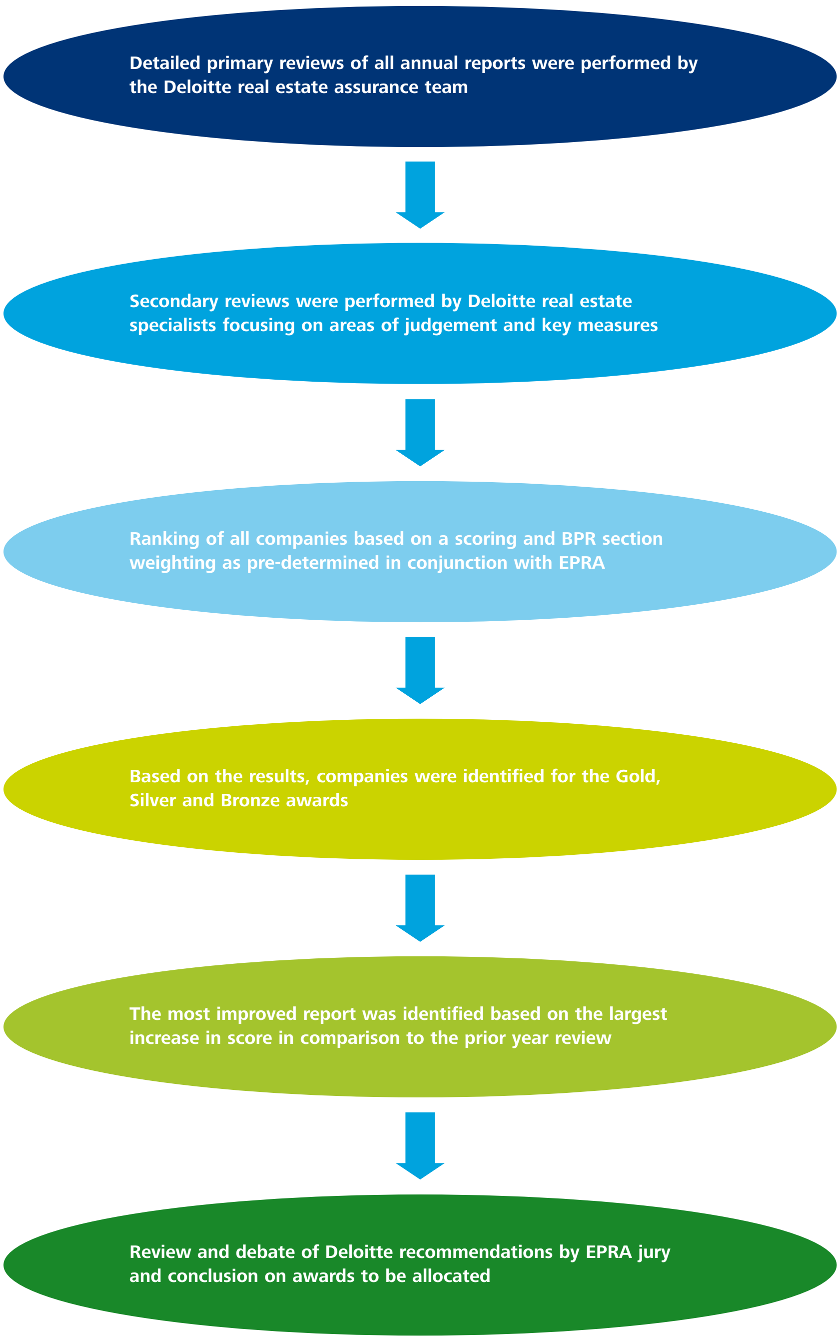
We anticipate a widening of reporting scope to occur in this respect going forward, particularly as the practice of Connected Reporting (linking strategic direction, financial performance and environmental and social considerations) gains further traction, as industry efforts to synchronise reporting measures progress, and with mandatory greenhouse gas emissions measurement and reporting a genuine prospect in the UK following the introduction of the Climate Change Act 2008.

EPRA are placing increasing importance on this area, and the expectation is for EPRA to publish new sustainability recommendations in the future.

7. Award process

A detailed process was undertaken by the Deloitte real estate assurance team, in conjunction with the EPRA jury, to assess the annual reports of the 80 companies included in the FTSE EPRA/NAREIT Developed Europe REITs and Non-REITs indices. Where applicable, Deloitte client engagement teams were excluded from the review of the relevant company annual reports to ensure objectivity was maintained. An online questionnaire set by Deloitte containing the key areas of focus based directly on the EPRA BPR was followed and was consistent across all companies.

The review process consisted of the following stages:



Members of the jury

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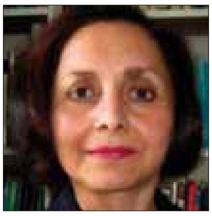

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Participant list

Members of FTSE EPRA/NAREIT Developed Europe REITs and Non-REITs indices at 31 March 2010

Allreal Holding AG
Alstria Office REIT AG
Babis Vovos International SA
Befimmo (Sicafi)
Beni Stabili SpA
Big Yellow Group PLC
The British Land Company PLC
CA Immobilien Anlagen AG
Capital Shopping Centres Group PLC
(formerly Liberty International Plc)
Castellum AB
Citycon Oyj
CLS Holdings PLC
Cofinimmo NV/SA
Colonia Real Estate AG
Conwert Immobilien Invest SE
Corio NV
Daejan Holdings PLC
Derwent London PLC
Deutsche Wohnen AG
Development Securities PLC
DIC Asset AG
Deutsche EuroShop AG
Eurobank Properties REIC SA
Eurocommercial Properties NV
F&C Commercial Property Trust Limited
Fabege AB
Foncière Des Régions SA
Gagfah SA
Gecina SA
Grainger PLC
Great Portland Estates plc
Groupe Affine
Hammerson PLC
Helical Bar plc
Hufvudstaden AB
Icade SA
Immobiliare Grande Distribuzione SpA
ING UK Real Estate Income Trust
Intervest Offices NW
Invista Foundation PropertyTrust Ltd
IRP Property Investments Limited
ISIS Property Trust Limited
Klépierre SA
Klovern AB
Kungsleden AB
Lamda Development Group SA
Land Securities Group PLC
LEASINVEST-SICAFI
Mercialys SA
Minerva Plc
A & J Mucklow Group plc
Nieuwe Steen Investments NV
Norwegian Property ASA
Patrizia Immobilien AG
Primary Health Properties PLC
ProLogis European Properties
PSP Swiss Property AG
Quintain Estates and Development PLC
Safestore Holdings plc
SEGRO plc
Shaftesbury PLC
Silic SA
Société de la Tour Eiffel SA
Sponda Plc
St.Modwen Properties PLC
Standard Life Investments Property Income Trust Limited
Swiss Prime Site AG
TAG Immobilien AG
Technopolis Oyj
UK Commercial Property Trust Limited
Unibail – Rodamco SE
The Unite Group PLC
Vastned Offices/Industrial NV
Vastned Retail NV
Warehouses De Pauw Comm. VA
Wereldhave NV
Wereldhave Belgium Comm. VA
Wihlborgs Fastigheter AB
Workspace Group PLC
Züblin Immobilien Holding AG

Appendix: Examples

In this Appendix, we set out examples of good financial reporting and compliance with the key reporting measures as set out in the EPRA Best Practice Recommendations or other areas of interest. These examples are intended to provide an illustrative guide of transparent and easily understandable disclosure or new reporting formats. The annual reports of Gold Award winners are also considered to be leading examples for the industry.

2 Performance measures

Earnings per share (diluted)	2010 Earnings £m	2010 Pence per share	2009 Earnings (loss) £m	2009 Pence per share
Underlying pre-tax profit – income statement	249		268	
Tax charge relating to underlying profit	(5)		(9)	
Underlying earnings per share	244	28.4p	259	41.0p
Realisation of cash flow hedges/non-recurring items*	(9)		(119)	
EPRA earnings per share	235	27.3p	140	22.2p
Profit (loss) for the year after taxation	1,140	133p	(3,881)	(614)p

*In the year ended 31 March 2010 debt break costs of £9m were incurred in HUT – see note 12 (2009: Realisation of cash flow hedges £119m – see note 7)

The European Public Real Estate Association (EPRA) issued Best Practices Policy Recommendations in July 2009, which gives guidelines for performance measures. The **EPRA earnings measure** excludes investment property revaluations and gains or losses on disposals, intangible asset movements and their related taxation.

Underlying earnings consists of the EPRA earnings measure, with additional company adjustments. Adjustments include realisation of cash flow hedges and non-recurring items, see note 7. The weighted average number of shares in issue for the year was: basic: 857m (2009: 630m); diluted for the effect of share options: 860m (2009: 632m). Basic undiluted earnings per share for the year was 133p (2009: 614p loss).

Net asset value (NAV) (diluted)	2010 £m	2009 £m
Balance sheet net assets	4,208	3,209
Deferred tax arising on revaluation movements	43	25
Mark to market on effective cash flow hedges and related debt adjustments	126	153
Dilution effect of share options	30	
EPRA NAV	4,407	3,387
EPRA NAV per share	504p	398p

The **EPRA NAV per share** excludes the mark to market on effective cash flow hedges and related debt adjustments, deferred taxation on revaluations and is calculated on a fully diluted basis. At 31 March 2010, the number of shares in issue was: basic: 866m (2009: 850m); diluted for the effect of share options: 875m (2009: 851m).

Total return per share for the year ended 31 March 2010 of 33.5% represents an increase in EPRA NAV per share of 106p in addition to dividends paid of 27.3p (see note 20). Total return per share for the year ended 31 March 2009 was minus 61.6%.

Calculation of EPRA NNNAV per share

	2010 £m	2009 £m
EPRA NAV	4,407	3,387
Deferred tax arising on revaluation movements	(43)	(25)
Mark to market on effective cash flow hedges and related debt adjustments	(129)	(153)
Mark to market on debt	285	1,116
EPRA NNNAV	4,520	4,325
EPRA NNNAV per share	517p	508p

EPRA NNNAV is the EPRA NAV adjusted to reflect the fair value of debt and derivatives and to include deferred taxation on revaluations.

Example 1

British Land: Net asset value and earnings per share

The 2010 Annual Report for The British Land Company PLC follows the EPRA guidance for its disclosure of performance measures ie. EPRA earnings, EPRA NAV and EPRA NNNAV. The earnings per share disclosure provides a clear reconciliation between the IFRS measure and the EPRA earnings per share measure, setting out the reconciling adjustments, and providing narrative commentary as to the composition of both EPRA and underlying earnings. This makes it easy for the user to understand and interpret the performance measures, and the difference between the two measures. Similarly, the net asset value disclosure provides a clear reconciliation between the balance sheet net assets and the EPRA net asset value, including adjustments for deferred tax, mark to market movements and the dilution effect of share options. A separate table provided towards the back of the accounts also reconciles EPRA NAV to EPRA NNNAV, as shown below, together with a definition of the EPRA NNNAV measure.

The earnings per share disclosure provides a clear reconciliation between the IFRS measure and the EPRA earnings per share measure.

Example 2

Hammerson: Disclosure of vacancy rate

Hammerson PLC has have adopted the revised EPRA guidance on the calculation of vacancy rates, and restated their disclosure to comply with the new guidance, detailing the restatement in their narrative. Vacancy is one of Hammerson's KPIs, and disclosure is given in the KPI table.

OCCUPANCY/VACANCY

EPRA has issued revised guidance for the calculation of vacancy. Previously, vacancy was reported as a percentage of the total ERV of a property or portfolio. The revised definition expresses vacancy as a percentage of rents passing plus the ERV of vacant space. We have adopted this new definition and restated our 2008 comparatives for vacancy and occupancy data.

By the end of 2009, occupancy in the investment portfolio returned to its December 2008 level of 95.2%. A strong letting performance at the developments completed in 2008 offset the effects of the inclusion of 60 Threadneedle Street and Union Square following their completion in 2009.

	Return on shareholders' equity (ROE)	Portfolio returns relative to IPD[3]	Occupancy
Description	ROE represents the income and capital returns in a year expressed as a percentage of shareholders' equity at the start of the year.[1]	The Group compares the total returns it achieves from its portfolio against the relevant IPD index.	The ERV of the space in the portfolio which is currently let, as a percentage of the total portfolio.[3,4]
Why it is important	It is a measure of how effective Hammerson is in generating a return on the equity invested by shareholders in the business.	It enables the Group to monitor the returns it achieves from its portfolio against a recognised benchmark.	The Group aims to maximise the occupancy of its properties as income lost through vacancy has a direct impact on profitability.
Benchmark	**8.5%** (estimated cost of equity)	**IPD Universe +1.0%**	**97.0%**
2008 actual	**-32.5%**[2]	**-16.2%** (IPD Universe: -13.6%)	**95.2%**
2009 actual	**-16.9%**	**-0.5%** (IPD Universe: 2.8%)	**95.2%**
Commentary	Financial and property returns **»p23**	Financial and property returns **»p23**	Business Review **»p29**

LIKE-FOR-LIKE NET RENTAL INCOME FOR THE YEAR ENDED 31 DECEMBER 2009

	Properties owned throughout 2008/9 £m	Increase/(Decrease) for properties owned throughout 2008/9 %	Acquisitions £m	Disposals £m	Develop-ments £m	Total net rental income £m
United Kingdom						
Retail	120.4	(3.1)	2.1	2.8	17.1	142.4
Office	30.7	2.7	–	14.1	2.9	47.7
Total United Kingdom	**151.1**	**(2.0)**	**2.1**	**16.9**	**20.0**	**190.1**
Continental Europe						
France	82.9	7.4	(0.4)	12.4	7.5	102.4
Germany	–	–	–	1.1	–	1.1
Total Continental Europe	**82.9**	**7.4**	**(0.4)**	**13.5**	**7.**	**103.5**
Group						
Retail	203.3	0.9	1.7	5.2	24.6	234.8
Office	30.7	2.7	–	25.2	2.9	58.8
Total	**234.0**	**1.1**	**1.7**	**30.4**	**27.5**	**293.6**

Example 3

Hammerson: Like-for-like rental growth

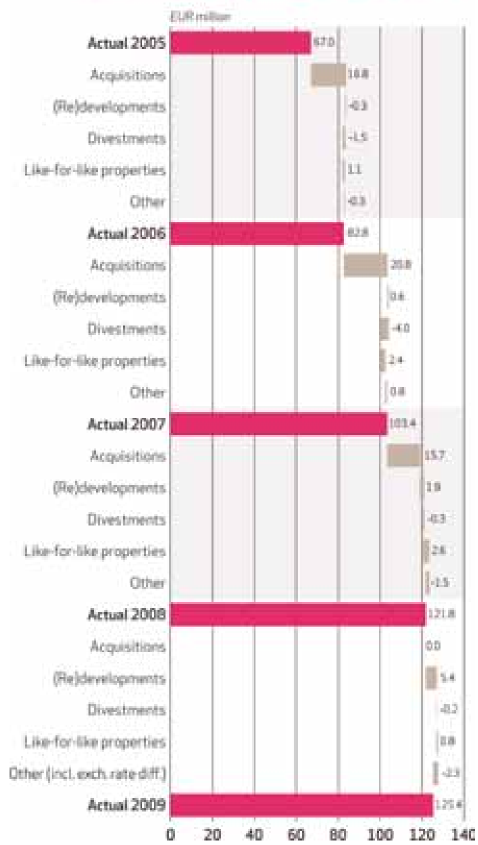
A good example of disclosure of like-for-like rental growth is given in the 2009 annual report for Hammerson PLC. For each geographical and business sector the table shows a breakdown of the amount of rental growth that can be attributed to properties owned throughout the year, for example from rent reviews, or lease renewals, and the amount of rental growth from acquisitions, disposals and developments. It is a very concise summary, and easy to pick out the key data from, through the use of bold and a different colour (light blue) to highlight the totals for United Kingdom and Continental Europe.

Example 4

Citycon: Net rental income reconciliation

The disclosure of the development of net rental income between 2005 and 2009 detailed in Citycon's 2009 Annual Report, is a good visual representation of the impact asset management has had on the underlying business – showing how much rental income growth can be attributed to acquisitions, rent reviews and lease renewals on existing properties, disposals and other items. It is transparent in disclosing all the way back to 2005, showing how much the business has grown since that date. The related table also helpfully reconciles the movements since 2007 between the geographical segments enhancing the transparency of clear, useful information.

DEVELOPMENT OF NET RENTAL INCOME 2005-2009



LIKE-FOR-LIKE NET RENTAL INCOME BY SEGMENTS

EUR million	Finland	Sweden	The Baltic Countries	Other	Total
Actual 2007	**75.7**	**21.6**	**6.0**	**0.1**	**103.4**
Acquisitions	13.5	1.4	0.7	-	15.7
(Re)developments	1.2	0.4	0.4	-	1.9
Divestments	-0.3	0.0	0.0	-	-0.3
Like-for-like properties	1.8	0.7	0.0	-	2.5
Other	-1.0	-0.2	-0.3	-0.1	-1.5
Actual 2008	**90.9**	**24.1**	**6.8**	**0.0**	**121.8**
Acquisitions	0.0	0.0	0.0	-	0.0
(Re)developments	1.0	1.0	3.3	-	5.4
Divestments	-0.2	0.0	0.0	-	-0.2
Like-for-like properties	0.7	0.5	-0.4	-	0.8
Other (incl. exchange rate diff.)	0.0	-2.4	0.1	0.0	-2.3
Actual 2009	**92.4**	**23.2**	**9.8**	**0.0**	**125.4**

Example 5

Unibail-Rodamco: Property disclosures

The disclosure given in the Unibail-Rodamco accounts is a good example of detailed property information disclosures. Amongst other information on the portfolio given in the front half of the accounts, the tables disclose the proportions of the portfolio valued by each valuer, and a reconciliation of the prior year investment property balance to the current year for each property segment identified. This format is useful in being able to compare movements across different parts of the portfolio, and to identify where valuation movements are driven by revaluations as opposed to other asset management initiatives such as additions, capital expenditure and disposals.

Appraiser	Property location	% of total portfolio (in value)
DTZ	France/Central Europe/ Netherlands/Nordic countries	27%
CB Richard Ellis	France/Central Europe/ Nordic countries	24%
Jones Lang LaSalle	Austria/France/Central Europe/Spain/Netherlands	24%
Cushman & Wakefield	Austria/Central Europe/ Spain/Netherlands	13%
KPMG	France	6%
Savills	Nordic countries	2%
PwC	France	1%
At cost or under sale agreement		3%
		100%

Evolution of Unibail-Rodamco's Shopping Centre portfolio valuation

The value of Unibail-Rodamco's Shopping Centre Portfolio decreased from €18,025 Mn to €16,528 Mn as at December 31, 2009, including transfer taxes and disposal costs:

Valuation 31/12/2008 (€Mn)	18,025	
Like for Like revaluation - 1H09	-1,327	(a)
Like for Like revaluation - 2H09	-283	
Revaluation of Non Like for Like assets	-87	(b)
Capex/Acquisitions	562	
Disposals	-346	
Constant Currency effect	-16	(c)
Valuation 31/12/2009 (€Mn)	**16,528**	

[illegible]

Example 6

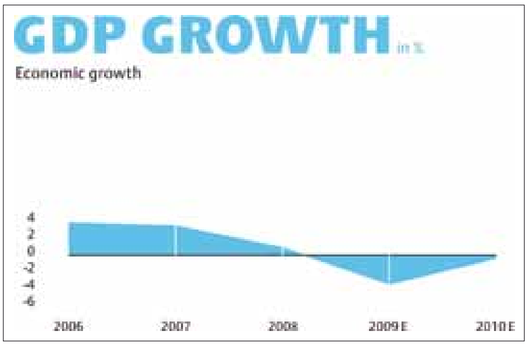
Vastned Retail and Vastned Offices/Industrial: Country specific analysis

The 2009 Annual Reports for both Vastned Retail and Vastned Offices/Industrial gave very detailed country specific analysis, with full narrative of market forces, key trends and portfolio detail by country while showing further information in charts and graphs enhancing the visual impact of the report.

Detailed property information by country was given for lease expiry dates. Other charts and tables detailed the property value, rental income, occupancy and number of tenants for the top 10 properties, and detail of the amount and percentage of rent recognised from the top 10 tenants.

In addition to detailed property information by country, the Vastned reports also disclosed economic data by country, providing useful context for the markets Vastned is operating in. In addition to the chart for GDP growth as shown below, graphs of unemployment, inflation and industry sector detail were disclosed. The disclosure for each country follows a similar format, making it very helpful for the investor to be able to compare different markets, and find relevant information.

Country information:



Example 7

Fabege: Development property table

The 2009 Annual Report for Fabege, a Swedish property company focusing mainly on office premises and property development, provides a good example of disclosure of development properties, in an informative table, similar to the format set out in the EPRA BPR. The table is transparent in disclosing key measures for projects in progress, setting out cost information including costs incurred up to the reporting date, and forecast total development costs, in addition to lease information including estimated rental values and occupancy rate. The table provides clear transparent information to investors.

Projects in progress >50 SEKm, 31 Dec 2009, SEKm

Property name	Property type	Area	Completed	Lettable area, m²	Occupancy rate, % Floor area	Estimated rental value	Book value 31 Dec 2009	Estimated investment	Of which, accrued 31 Dec 2009
Påronet 8	Office	Solna Strand	Q1-2010	24,125	97	39	445	305	235
Fräsaren 10	Office	Solna Business Park	Q1-2011	11,470	88	21	90	155	15
Uarda 2	Office	Arenastaden	Q3-2012	44,500	97	103	140	1050	23
Total				**80,095**	**95**	**163**	**675**	**1,510**	**273**
Other Projects and land properties							1,197		
Other Improvement properties							4,055		
Total Projects, land and improvement properties							**5,927**		

Example 8

Great Portland Estates: Key performance indicators

A good example of disclosure of key performance indicators can be found in the 2009 Great Portland Estates Annual Report. Pages 14 and 15 set out the four measures identified by the Directors as being key performance indicators used to evaluate performance against the company's strategic objectives. The narrative clearly explains the nature of the KPI, and how it is benchmarked, together with commentary as to the measurement of the KPI against the benchmark for both the current year, and cumulative over a five year period. Further, a chart is provided as a visual comparison of the company's performance against the benchmark annually for a five year history. The disclosure is transparent, easy to understand, and clearly explains the link between the measure and the company's long-term incentive plans.

The measure and benchmark

TPR is calculated from capital growth in the portfolio plus net rental income derived from holding these properties plus profit or loss on sale of disposals expressed as a percentage return on the period's opening value.

The Group's portfolio TPR is compared to a universe of over £20 billion of similar assets included in the IPD central London benchmark. This is an independent index and is the most appropriate way of benchmarking asset level returns against comparable buildings in our market.

Commentary

The Group generated a portfolio TPR of 18.4% in the year whereas the benchmark produced a return of 19.4% resulting in a relative underperformance of 0.8 percentage points. The Group's return was adversely affected by the compulsory purchase order of 18/19 Hanover Square, W1 described in more detail on page 21.

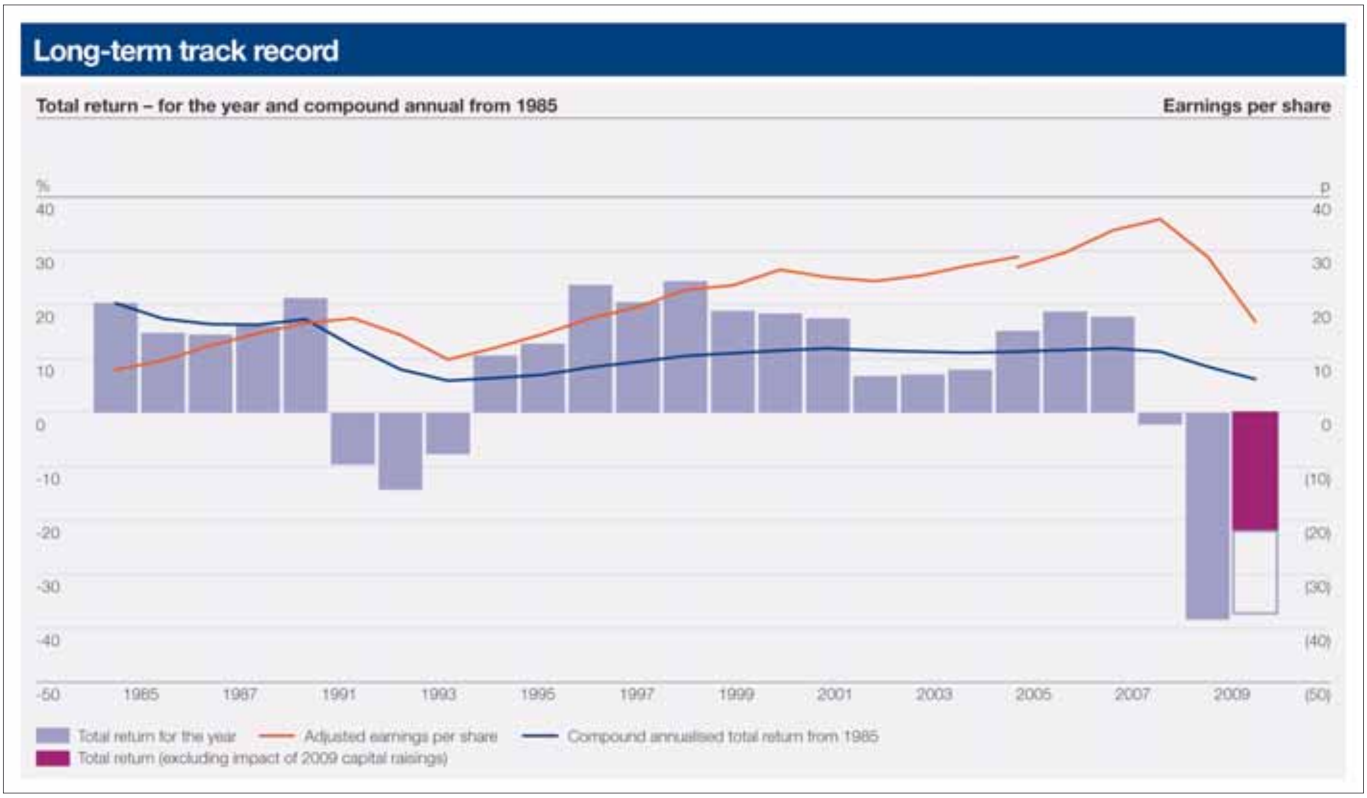
Over the last five years the Group's portfolio TPR was 9.5% outperforming the benchmark by 4.1 percentage points.

Example 9

Capital Shopping Centres (formerly Liberty International): Long term track record

The 2009 accounts for Capital Shopping Centres (formerly Liberty International) provides a long-term track record of total return and adjusted earnings per share, dating back to 1985, in an analyst style chart. The use of the analyst style charts provides a visual illustration of the underlying figures making it easier for shareholders to understand the key movements in the year which in some cases is not easily apparent or well commented on in the front half.

Example 10



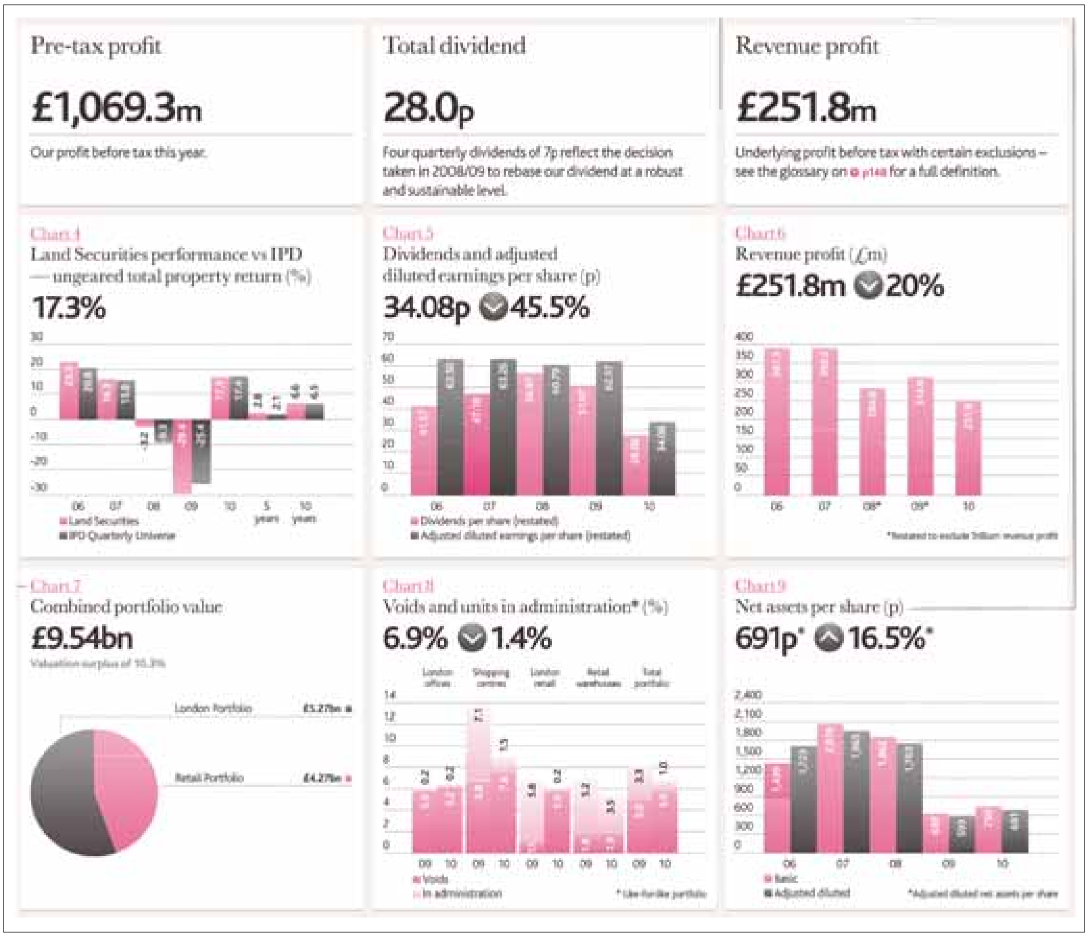
Groupe Affine: Rental income bridge

The 2009 accounts of Groupe Affine, an investment property group set out a reconciliation of like-for-like rental income growth. A bridge chart provides a pictorial analysis of the movement in actual rents between 2008 and 2009. This is useful in giving a visual representation for the key movements in the period, and highlights the extent of the Group's activities in both property disposals and acquisitions.

Example 11

Land Securities: Financial highlights – performance at a glance

Land Securities includes a 'performance at a glance' page towards the front of its 2010 annual report, summarising the key statistics and results for the year. These figures are different to the key performance indicators given elsewhere in the annual report, but are other financial highlights which investors are likely to be interested in. The visual format is easy to read and comprehend, links through to where more detail can be found further on in the annual report, and clearly indicates movements and trends for the year – for example in highlighting the percentage increase in net assets per share. This one page summary brings the key financial highlights in one place, and is therefore transparent in its disclosure, and eliminates the need to read through all the narrative in the front half to interpret the key information.



Example 12

SEGRO: Segment disclosure

SEGRO plc has adopted IFRS 8 Operating Segments with effect from 1 January 2009, their December 2009 accounts providing full disclosure of segment information for geographical segments. The disclosure sets out the required information in a columnar format, and reconciles this clearly with the financial statements.

3. SEGMENTAL ANALYSIS

Adoption of IFRS 8, Operating Segments

The Group has adopted IFRS 8 Operating Segments with effect from 1 January 2009. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Chief Executive to allocate resources to the segments and to assess their performance. In contrast, the predecessor Standard (IAS 14 Segment Reporting) required the Group to identify two sets of segments (business and geographical), using a risks and returns approach, with the Group's system of internal financial reporting to key management personnel serving only as the starting point for the identification of such segments. As a result, following the adoption of IFRS 8, the identification of the Group's reportable segments has resulted in only geographical segments being disclosed on a consistent basis with prior year.

		United Kingdom		Continental Europe		Group	
Geographical segments		**2009 £m**	2008 £m	**2009 £m**	2008 £m	**2009 £m**	2008 £m
Segment revenue		**219.8**	218.8	**145.7**	195.9	**365.5**	414.7
Gross rental income	– investment properties	**205.7**	194.5	**100.6**	85.6	**306.3**	280.1
	– trading properties	**1.3**	–	**20.8**	16.0	**22.1**	16.0
Gross rental income		**207.0**	194.5	**121.4**	101.6	**328.4**	296.1
Property operating expenses	– investment properties	**(40.8)**	(38.5)	**(15.0)**	(9.0)	**(55.8)**	(47.5)
	– trading properties	**(0.2)**	(0.2)	**(3.0)**	(3.5)	**(3.2)**	(3.7)
Property operating expenses		**(41.0)**	(38.7)	**(18.0)**	(12.5)	**(59.0)**	(51.2)
Net rental income	– investment properties	**164.9**	156.0	**85.6**	76.6	**250.5**	232.6
	– trading properties	**1.1**	(0.2)	**17.8**	12.5	**18.9**	12.3
Net rental income		**166.0**	155.8	**103.4**	89.1	**269.4**	244.9
Administration expenses (excluding exceptional items)		**(24.5)**	(21.3)	**(15.8)**	(18.7)	**(40.3)**	(40.0)
Share of joint ventures' recurring rental profit after tax		**2.6**	1.9	**0.2**	(1.0)	**2.8**	0.9
Adjusted operating profit before interest and tax		**144.1**	136.4	**87.8**	69.4	**231.9**	205.8
Net finance costs		**(86.9)**	(63.1)	**(40.7)**	(53.4)	**(127.6)**	(116.5)
Adjusted profit before tax – recurring rental profits		**57.2**	73.3	**47.1**	16.0	**104.3**	89.3
Exceptional administration expenses		**(7.8)**	(2.6)	**–**	–	**(7.8)**	(2.6)
Adjustments to the share of profit/(loss) from joint ventures after tax[1]		**1.8**	(17.7)	**–**	9.4	**1.8**	(8.3)
Loss on sale of investment and development properties		**(52.2)**	(34.8)	**(2.5)**	–	**(54.7)**	(34.8)
Valuation deficit on investment and development properties		**(100.2)**	(925.5)	**(171.6)**	(50.1)	**(271.8)**	(975.6)
Gain on sale of investment in joint ventures		**12.9**	–	**–**	–	**12.9**	–
(Loss)/profit on sale of trading properties		**(0.1)**	4.0	**0.7**	23.9	**0.6**	27.9
(Increase)/decrease in provision for impairment of trading properties		**(0.3)**	0.6	**(15.8)**	(4.6)	**(16.1)**	(4.0)
Gain arising from bargain purchase		**8.6**	–	**–**	–	**8.6**	–
Other investment (loss)/income		**(8.0)**	1.7	**–**	–	**(8.0)**	1.7
Net fair value loss on interest rate swaps and other derivatives		**(9.4)**	(18.3)	**(8.5)**	(14.5)	**(17.9)**	(32.8)
Loss before tax		**(97.5)**	(919.3)	**(150.6)**	(19.9)	**(248.1)**	(939.2)
Summary balance sheet							
Total property assets		**3,423.7**	2,607.7	**1,747.5**	2,072.3	**5,171.2**	4,680.0
Net borrowings		**(1,090.7)**	(1,220.7)	**(1,329.4)**	(1,275.1)	**(2,420.1)**	(2,495.8)
Other net (liabilities)/assets		**(425.4)**	(105.1)	**267.5**	(69.9)	**(157.9)**	(175.0)
Segment net assets		**1,907.6**	1,281.9	**685.6**	727.3	**2,593.2**	2,009.2
Capital expenditure in the year		**143.2**	105.7	**98.0**	358.4	**241.2**	464.1

Consolidated balance sheet

Assets

in CHF thousand	Notes	31.3.2010	31.3.2009*	1.4.2008*
Non-current assets				
Investment properties	8	1 458 765	1 551 984	1 972 628
Furnishings and equipment	10	556	898	1 509
Derivative financial instruments	18	0	0	13 574
Deferred tax assets	11	5 433	5 829	10 625
Total non-current assets		**1 464 754**	**1 558 711**	**1 998 336**
Current assets				
Investment property held for sale	8	34 562	29 893	54 280
Trade accounts receivable	12	7 930	16 039	18 903
Receivable from income taxes		9 005	9 427	0
Other current assets		15 549	10 340	14 744
Cash and cash equivalents	13	60 121	71 551	63 779
Total current assets		**127 167**	**137 250**	**151 706**
Total assets		**1 591 921**	**1 695 961**	**2 150 042**

* Amounts have been adjusted based upon the amended presentation (see sections 2.2.6 and 2.2.7 in the notes to the Consolidated Financial Statements).

Information contained in the notes to the Consolidated Financial Statements is an integral part of the Consolidated Financial Statements.

Example 13

Züblin Immobilien: Third balance sheet

Züblin Immobilien was one of the few companies which did present a third balance sheet, triggered by a restrospective change in accounting policy as detailed in the notes to the accounts. The addition of the third column on the balance sheet page does not detract from the format of the accounts, the figures are still clear and easy to read, and the format allows for easy spotting of trends in figures, and comparison year on year.

Comprehensive income statement (EPRA model)

	Notes	December 31, 2009	December 31, 2008
Lease income	6.1	895 470	716 973
Land expenses (real estate)		- 2 694	- 2 605
Non-recovered rental expenses		- 36 997	- 21 646
Building expenses (owner)		- 58 974	- 41 962
Net lease income		**796 805**	**650 760**
Management, administrative and related income		80 783	77 493
Other operating income		27 097	15 747
Survey and research costs		- 3 281	- 2 534
Payroll expenses	9.1	- 103 735	- 82 324
Other general expenses		- 34 511	- 27 797
Depreciation and amortization allowance on investment property	6.2	- 369 142	- 213 106
Depreciation and amortization allowance on PPE	6.2	- 5 043	- 5 194
Provisions		- 4 295	- 1 274
Gains on the sale of investment property and equity interests	6.3	364 612	243 885
Net book value of investment property and equity investment sold	6.3	- 277 635	- 185 393
Income from the sale of investment property and equity investment securities		86 977	58 493
Profit on the sale of short term assets		- 334	828
Operating income		**471 321**	**471 202**
Net dividends and provisions on non-consolidated investments		- 22	431
Net cost of debt	6.4	- 291 905	- 219 480
Change in the fair value of financial instruments		0	- 5
Effect of discounting		- 969	710
Share in earnings of equity-method investees		2 369	1 425
Pre-tax earnings		**180 894**	**254 284**
Corporate income tax	6.5	26 784	- 20 397
NET INCOME OF CONSOLIDATED ENTITY		[illegible]	[illegible]
of which			
Group share		162 102	200 277
Minority interests		45 576	33 610
Net income per share in euros		**0.9**	**1.3**
Net income fully diluted per share in euros		**0.9**	**1.3**

	Notes	December 31, 2009	December 31, 2008
Net income of consolidated entity		**207 678**	**233 887**
Other comprehensive income items (gross of tax) recognized directly as equity		**- 110 109**	**- 387 274**
- Income from sales of treasury shares		- 1 103	- 3 745
- Effective portion of profits and losses on cash flow hedging instruments		- 56 043	- 264 823
- Translation profits and losses		- 63 177	- 163 819
- Tax on other comprehensive income items		10 214	44 913
Share of other comprehensive income items for associated companies		0	0
Total comprehensive income		**97 569**	**- 153 387**
Of which			
Group share		32 893	- 144 229
Minority interests		64 676	- 11 597
Comprehensive income per share in euros		**0.2**	**- 0.9**
Comprehensive income fully diluted per share in euros		**0.2**	**- 0.9**

Example 14

Klépierre: Combined statement of comprehensive income

The Klépierre accounts included a combined statement of comprehensive income, in line with IFRS guidance, providing the key elements of income and comprehensive income on one page. The page has been well formatted, with clear subtotals formatted in bold, which enable the reader to focus on the key figures.

Deloitte.

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We are the leading firm of advisors to the real estate industry in the UK. The Real Estate group at Deloitte and Drivers Jonas Deloitte comprises of more than 1,000 professionals, with specialist real estate knowledge across all areas of the business. The breadth and depth of our practice allows us to assemble expert teams with specific skills to address our clients' needs.

With the financial advice and business expertise of Deloitte combined with the highly-regarded real estate transaction and advisory skills of Drivers Jonas Deloitte, we have established the new benchmark for how real estate advisory services will be provided in today's business world.

We have the largest real estate business across Europe, enabling us to deliver unique value to our clients through one fully integrated service.

EPRA
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REAL ESTATE ASSOCIATION

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EPRA's mission is to promote, develop and represent the European public real estate sector. Its members constitute property companies, investors, advisors and academics in the real estate sector. EPRA provides effective and continuous leadership in matters of common interest by publishing research and encouraging discussion of issues impacting the industry both within the membership and with a wide range of stakeholders, including the EU institutions, governmental and regulatory bodies, and business partners.

EPRA works to foster trust and encourage greater investment in listed real estate companies in Europe. EPRA develops policies concerning standards of reporting disclosure, taxation and industry practices, including EPRA Best Practices Recommendations (BPR). The EPRA BPR provides guidance for property investment companies on interpretation of IFRS, industry specific reporting practices, and key performance indicators. The aim of the EPRA BPR is to 'raise the bar' for listed property investment companies in Europe through improved consistency, comparability and transparency in reporting practices. The EPRA BPRs are continuously developed through wider consultation with EPRA members and other interested parties and fall under the jurisdiction of the EPRA Reporting and Accounting Committee.

Notes

"The results of the 2009/10 EPRA annual report survey demonstrate the foundations that have been built for the future revisions of the BPR. In particular companies are reducing the lengths of their annual reports indicating an effort to add clarity and produce more succinct, investor relevant reports."

Claire Faulkner
Real Estate Partner, Deloitte

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