



EPRA | REPORTING

European Public Real Estate Association

Best Practices Recommendations Additional Guidance July 2011



Best Practices Recommendations

Additional Guidance

Contents

1. Introduction
2. General Recommendations
3. EPRA Earnings
4. EPRA NAV
5. EPRA NNAV
6. EPRA Net Yield and EPRA 'topped-up' Initial Yield
7. Investment Property Reporting
8. EPRA BPR Examples

1. Introduction

We have developed this additional guidance to clarify issues arising from the Best Practices Recommendations (BPR). Although the BPR try to be prescriptive, they are principles based and considerable effort has been made to clearly explain the rationale behind each of the recommendations. While the BPR are aimed at investment property companies, whose primary business activity is the long term ownership and management of rental income producing investment property, EPRA recognises that there are many business models used by property companies and that they operate in different regulatory environments. In some cases it may therefore be appropriate for companies to make their own specific adjustments although these should clearly be identified as being outside the EPRA definition (i.e. 'below the line').

The additional guidance is intended to facilitate the wider use of the BPR but is not formally part of the BPR. To aid users we have tried to follow the same order and coverage of the key sections of the BPR. Since this is a 'live' document, regular updates will be made as each topic develops. We would encourage users to contact us with further questions so that through their consideration, we will broaden the overall understanding and implementation of the BPR.

Contact

Mohamed Abdel Rahim, EPRA Finance Manager:

mohamed.abdelrahim@epra.com

Square de Meeus 23 1000 Brussels • Belgium

+32 (0) 2 739 10 22



2. General Recommendations

The following are general considerations for companies applying the BPR.

2.1 Materiality

The BPR calculations reflect the adjustments needed to satisfy the objectives of each performance measure. In making EPRA adjustments companies should apply a level of materiality (materiality threshold) that is consistent with the materiality principle under IFRS, their knowledge of the business and whether or not the inclusion or omission of an adjustment would influence the decisions of users.

2.2 BPR scope - Investment Property Companies

The BPR are specifically developed for investment property companies and accordingly, there is an assumption that the core business of these companies is to earn income through rent and capital appreciation on investment property held for the long term (commercial and residential buildings e.g. offices, apartments, shopping centres). Companies should consider this when interpreting the BPR and when considering the rationale behind the EPRA adjustments. Examples may include:

- **EPRA Earnings:** Exclusion of profits/losses from trading properties. If management consider that trading is a core recurring part of the business activity this could be added back as a company specific adjustment to show 'company adjusted Earnings'.
- **EPRA NIY:** Exclusion of marketing costs. For retail outlets, there may be certain costs labelled as 'marketing costs' that clearly represent day to day costs, directly linked to the operation of the property and which will not be recovered via higher future income, or recharges. Management may therefore view these as deductible costs for the EPRA NIY.

2.3 Reporting the BPR

In order to enhance comparability and transparency we recommend that companies include in their annual reports a summary table with the EPRA performance measures calculated. In addition companies should provide full calculations (e.g. for EPRA EPS, NAV) and explanations thereof. EPRA does not specifically require that the BPR disclosures, including the EPRA performance measures, should be audited. However to the extent that they form part of the director's report, auditors are required to check for consistency with the financial statements.

2.4 Interpreting the BPR calculations

For the avoidance of doubt - where a calculation on the table indicates that you should 'include' an item, that item should be in the KPI. Similarly where it indicates 'exclude' - items should not be in the KPI. For example, in the NAV calculations we should replace the book value of investment property at cost and add in the fair value (or simply add in the net difference).

2.5 Overriding principle: disclosure

Where companies are unable to determine the precise treatment of a particular item under the EPRA BPR, EPRA recommend that the companies disclose the approach taken so that this is transparent to users. In this respect, reconciliations of company specific measures and IFRS measures to the EPRA measures are helpful to users and therefore recommended.

[Back to Contents](#)

EPRA Earnings

General description

Why are EPRA Earnings important?

The basis for EPRA Earnings was developed in consultation with preparers, advisors, and institutional investors. Investors and analysts spend considerable time identifying non-core [non-revenue?] items such as profits/losses from trading, disposals and revaluations to determine the 'core' underlying result. EPRA Earnings is especially important for investors who want to assess the extent to which dividends are supported by recurring income. Like all EPRA performance measures, EPRA Earnings enhances transparency and comparability within the industry by setting clear guidelines for companies to report core recurring income in a consistent and reliable manner.

EPRA Earnings is a measure of the underlying operating performance of an investment property company excluding fair value gains, investment property disposals and limited other items that are not considered to be part of the core activity of an investment property company. It has its basis firmly in IFRS earnings (operational earnings) with limited specific adjustments. It therefore does provide a measure of recurring income, but does not, for example, exclude 'exceptional' items that are part of normal IFRS earnings. EPRA Earnings is intended to provide a common baseline measure for performance that is relevant to investors in investment property companies. To ensure that all adjustments reflect the net result to the parent company's shareholders- taxes and minority interests in respect of all adjustments are also taken out.

Note

- EPRA Earnings is not a pure cash flow measure as it has its basis in IFRS earnings. For example, it includes certain depreciation and amortisation costs.
- The EPRA Reporting and Accounting Committee promotes strict adherence to the EPRA calculation. Consequently, only items specifically identified in the BPR should be adjusted for in calculating EPRA Earnings. All other adjustments, which are not considered part of recurring income, should be made as company specific adjustments outside the EPRA definition (i.e. 'below the line').

FAQS

2.1 Is there an EPRA definition of FFO (Funds from Operations) under IFRS?

No. To avoid confusion with the various FFO measures EPRA has avoided using FFO terminology. EPRA Earnings is similar to NAREIT FFO, with similar adjustments aimed at providing an indication of core recurring earnings, but is not identical because it has its foundations in IFRS rather than US GAAP. For example, EPRA Earnings incorporates both cost accounting and fair value accounting under IFRS (not currently available in US GAAP).

2.2 The EPRA Earnings calculation makes an adjustment to exclude "profits/costs associated with early close out of financial instruments". Does this mean that we exclude one-off gains/losses if we realise some interest rate swaps before their maturity and pay out the gain/loss to the counterparty?

Yes, early close out costs or profits such as those described should be excluded.

2.3 Should we adjust for gains/losses due to IFRS 3? We recently purchased 50% of the shares in a property company below NAV and fair valued the property which resulted in an IFRS 3 gain equal to 15-20% of our net income.

When you make an acquisition under IFRS 3 and there is a difference (positive or negative) between the price paid and the fair value of net assets acquired), the difference is goodwill and is a one-off item that is not part of recurring operating earnings. In all cases, it is important to fully understand why the goodwill arises and any goodwill impairments or negative goodwill should be excluded from EPRA Earnings (adjustment 'v' in EPRA Earnings calculation in the BPR).

2.4 Should we exclude property related unrealised currency valuation gains/losses from IFRS earnings in arriving at EPRA Earnings?

Currency gains/losses directly linked to property value are treated in the same way as property revaluations (i.e. not part of underlying earnings) and excluded. All other currency gains/losses are not identified as adjusting items in the EPRA BPR and should not be excluded.

2.5 Our IFRS earnings include income from surrender premiums, should we exclude these in calculating EPRA EPS?

No, this is not identified as an EPRA adjustment and should not be taken out if it is part of IFRS earnings. As mentioned in the General Description above, EPRA Earnings is not intended to exclude exceptional/non – recurring items if they are part of normal operating results. To the extent that a company’s management consider this to be a significant non-recurring item they should adjust for this below EPRA Earnings.

2.6 We have previously interpreted the recommendations so that EPRA Earnings per share should be based on the diluted number of shares - in the same way that EPRA NAV is based on diluted number of shares. Is this correct and if so why is the treatment for EPRA EPS different to EPRA NAV

No, EPRA EPS should be calculated on the basis of basic number of shares (in line with IFRS earnings). Companies may report EPRA EPS based on the diluted number of shares although this should be clearly identified as “Diluted EPRA EPS”. The main reason for this is that EPRA Earnings, and the dividends to which they give rise, accrue to current shareholders and therefore it is more appropriate to use the basic number of shares. In contrast, future shareholders will be entitled to EPRA NAV which is why EPRA requires this to be based on the diluted number of shares.

2.7 How should we treat deferred tax income due to reductions in the rate of corporation tax? Since this is not a core activity, should this be excluded in arriving at EPRA Earnings?

It depends on what underlying activity the tax impact (arising from the change in tax rate) relates to. However, on the basis that most of what a company does is its ‘core’ activity, a practical approach would be to leave this in EPRA Earnings by exception. If the major tax impact of the rate change was due to an item such as future tax on a disposal, the rate change impact would be taken out.

2.8 Should the tax related to share write-downs be excluded in arriving at EPRA Earnings?

This would depend on whether management view this as ‘core’. If the acquisition of property (either directly or via shares in a company owning property) is the objective - and the tax related to revaluations of property are taken out of EPRA Earnings, then so should the tax on share write-downs.

2.9 Should we exclude depreciation on investment property at cost?

The EPRA BPR is based on an assumption that the fair value model is used for investment property. If this is not the case then yes – depreciation charges on investment property should be excluded for EPS.

2.10 Should we exclude the fair value movements on non-hedging financial instruments?

No – only changes in fair value of financial instruments used for hedging purposes should be excluded.

[Back to Contents](#)

3. EPRA NAV

General description

Why is EPRA NAV important?

Investors and analysts want to know the fair value of an investment property company's assets and liabilities that takes into account the specific nature of an investment property company's business model. EPRA NAV provides a measure of the fair value of a company on a long term basis and therefore it is a useful tool to compare against any investment and/or quoted share price. For example, this may be a good indicator of the extent to which the fair value of the (net) assets of the company is reflected in the share price. Also, through the NAV calculation investors can see the impact of any material revaluations of trading property and other investments held at cost which can help them to assess future profits or losses from sales and/or disposals of these assets.

EPRA NAV is a measure of the fair value of net assets assuming a normal investment property company business model. Accordingly, there is an assumption of owning and operating investment property for the long term. For this reason, deferred taxes on property revaluations are excluded as the investment property is not expected to be sold and the tax liability is not expected to materialize. In addition, the fair value of financial instruments which the company intends to hold to maturity is excluded as these will cancel out on settlement. All other assets including trading property, finance leases, and investments reported at cost are adjusted to fair value.

FAQS

3.1 What is the distinction between EPRA NAV and EPRA NNAV?

The EPRA NAV is intended to reflect the true business of an investment property company (a 'going concern' measure) - where the assumption is that assets are held for the long term. Accordingly, it excludes deferred taxes related to future disposals and the fair value of hedging instruments as both of these are not expected to materialize. The NNAV is a "spot" fair value measure and incorporates management's view of the fair value of deferred tax and hedging instruments. It also adjusts to fair value debt which is held at amortised cost in EPRA NAV (which reflects the contracted payments).

3.2 In the EPRA NAV calculation, do we add back the deferred tax liability? What is the treatment of any deferred tax asset?

Firstly, you have to identify what the deferred tax relates to - as the EPRA NAV only adjusts for property-related items that are not appropriate for the 'going concern' view that the EPRA NAV is aimed at. For example, the deferred tax related to the difference between the tax value and IFRS value that would only materialize on disposal of a property would be excluded from EPRA NAV as well as deferred tax on the revaluation of financial instruments (hedging instruments and debt) related to property that will only materialize when the property or financial instrument is sold/settled. Once an item is identified as an adjusting item, then yes - deferred tax liabilities would be added back and deferred tax assets deducted.

3.3 In the EPRA NAV, should we exclude all deferred tax in the balance sheet that is attributable to the properties, or only deferred tax relating to revaluation movements?

The EPRA NAV adjusts for all property-related deferred tax items that would reverse on sale (such as capital gains tax and reversal of tax depreciation). This means that you would adjust for the full nominal tax on fair value vs. tax value - as long as there is no double counting with the tax depreciation adjustment.

3.4 Can we add back property transfer tax to the fair value of property if this is not included in the IFRS fair value and we are able to avoid the transfer tax through a share deal?

No, the EPRA NAV calculation does not include an adjustment for transfer tax. This is because there are different valuation practices across Europe and in some markets valuers may already reflect the potential transfer tax saving in the valuation (since the price buyers pay is affected by the transfer tax to be paid or not).

3.5 Should we fair value own-occupied buildings?

Companies should fair value own-occupied buildings if this constitutes a material adjustment. The BPR does not explicitly require this as there is an assumption that own-occupied buildings represent an insignificant portion of the portfolio.

3.6 Does the adjustment for joint venture interests also apply for associates?

Yes

3.7 In the EPRA NAV calculation should we exclude/add-back mark-to-market values of financial instruments recognised in Other Comprehensive Income (and deferred taxes on the revaluations)?

You should exclude the fair value adjustment to all hedging derivatives which you intend to hold to maturity. This includes derivatives whose fair value adjustment is recorded in 'other comprehensive income' and the deferred taxes on that fair value adjustment.

3.8 Can we exclude the Mark to Market adjustment to the value of financial instruments that are not derivatives (i.e. assets held for trading)?

No – companies should only exclude the fair value adjustments relating to financial instruments used for hedging.

3.9 Should the EPRA NAV treat foreign currency fair value hedges (where the hedged item market value changes are reflected in the balance sheet) differently to cash flow hedges (where the hedged item market changes are not reflected in the balance sheet)? For example, in the case of a currency hedge on investments (table below) if we exclude the fair value gain on the derivative we are left with an NAV which is lower than it should be because the foreign exchange loss related to the investment is recorded in translation reserve?

	Date	Fair Value EUR
Example - Fair Value hedge		
Investment (hedged item)	01/01/10	120
Investment (hedged item)	31/12/10	100
<i>*the EUR 20 difference is attributed only to forex fluctuations.</i>		
Shareholders' equity	01/01/10	500
Currency Swap	01/01/10	0
Currency Swap F	31/12/10	17
<i>*the EUR 17 difference is attributed only to mark to market.</i>		
NAV calculation		
Shareholders' equity EUR 500		500
Translation reserve EUR (20)		-20
SWAP impact/gain EUR 17		17
Total NAV - EUR 497		497
EPRA adjustment - EUR (17)		-17
EPRA NAV – EUR 480		480

Correct. When hedge accounting is applied in the case of a foreign currency fair value hedge such as the one described the fair value changes in the instrument should be adjusted to the underlying position in arriving at EPRA NAV. In contrast, when hedge accounting is applied for a cash flow hedge the change in fair value goes to the hedge reserve in equity. In both cases the impact on the underlying position and the equity should be considered when making the adjustment for the fair value of derivatives. The EPRA NAV calculation focuses on cash flow hedges as they represent the vast majority of hedging instruments used in the sector.

4. EPRA NNNAV

General description

Why is EPRA NNNAV (or 'triple net' asset value) important?

Investors and analysts are interested in EPRA NNNAV because it indicates the current value of all assets and liabilities. For investors it is particularly important as it allows them to see the impact of deferred tax liabilities and revaluations of debt and financial instruments which are omitted in EPRA NAV. While this is not liquidation NAV, the fair values for property assets and publicly traded debt are often based on mark to market/market values that could be realized. EPRA NNAV therefore is a relatively straightforward and accurate measure of the 'spot' fair value.

EPRA NNNAV is similar to EPRA NAV except it includes the fair value of deferred tax liabilities, debt, and financial instruments. The measure can be considered a 'spot' measure of the fair value of all assets and liabilities. EPRA NNAV is not a liquidation NAV as the fair values are not based on a liquidation scenario. For example, the fair values of financial instruments and debts are based on mark-to-market/fair values which do not necessarily reflect the actual cost of closing out derivatives or redeeming the entire debt.

FAQs

4.1 Are the deferred tax assets/liabilities included in NNNAV intended to be the reported IFRS deferred taxes or all deferred taxes ignoring the initial exemptions to the recognition of deferred tax under IFRS?

The NNNAV should include the fair value of all of the deferred taxes including those which are not recognised under IFRS initial recognition exemptions. The aim of the EPRA NNNAV adjustment is to strip out the IFRS deferred tax and include management's view of the fair value of deferred tax.

4.2 The EPRA NNNAV adjustment with respect to deferred taxes indicates that we should reflect the 'gross liabilities without discounting'. Should we not discount the deferred taxes in arriving at management's view of the liability?

Companies should present management's view of the fair value of deferred taxes (based on the expected method of realization of underlying property assets). The wording in the BPR assumes that the deferred tax is calculated using the difference between the fair value of the property (which is already discounted) and the tax value. If companies use a different method of determining the fair value, for example, by determining the estimated value of the property on sale compared to the expected tax value at that date, then it is appropriate to discount.

4.3 Do we only fair value publicly traded debt or all debt including bank loans and non traded debt?

Companies should include the fair value of all debt. EPRA recognizes that this may be more difficult to determine in the case of non-traded debt although this can be done, for example, with reference to the latest terms that could be obtained for a similar type of financing, or through discounted cashflow techniques. Note that floating rate debt is always valued at par - only fixed rate debt needs to be fair valued.

[Back to Contents](#)

4.4 The following table reconciles IFRS NAV to EPRA NNAV. The BPR itself shows adjustments from IFRS NAV to EPRA NAV and then EPRA NAV to EPRA NNAV.

Reconciliation of IFRS NAV to EPRA NNAV		NAV in thousands euros/pounds/etc
NAV per the financial statements		xxx
Effect of exercise of options, convertibles and other equity interests		x
Diluted NAV, after the exercise of options, convertibles and other equity interests		xxx
Include:		
(i.a) Revaluation of investment properties (if IAS 40 cost option is used)		x
(i.b) Revaluation of investment property under construction (IPUC) (if IAS 40 cost option is used)		x
(i.c) Revaluation of other non-current investments held at cost		x
(ii) Revaluation of tenant leases held as finance leases held at cost		x
(iii) Revaluation of trading properties held at cost (IAS 2)		x
(iv) Revaluation of financial instruments held at cost		(x)
(v) Revaluation of debt to fair value		(x)
(vi) Deferred tax in respect of items (i)-(v)		(x)
(vii) Fair value of deferred tax ¹		(x)
Include/exclude:		
Adjustments (i-vii) above in respect of joint venture/minority interests		(x)
EPRA NNAV		xxx
EPRA NNAV PER SHARE		x

¹ Remove the nominal value of the deferred tax (IFRS value) and add back the fair value of deferred tax

[Back to Contents](#)

5. EPRA Net Initial Yield and ‘topped-up’ Net Initial Yield

General description

Why is EPRA Net Initial Yield important?

Net yield is one of the key performance measures used by investment property companies and investors to appraise investments. For investors, the yield that an investment property company achieves is a good indicator of the ‘quality’ of the property portfolio in terms of its ability to generate rents. One of the biggest challenges they face is the wide variation in methods used to calculate yields and the lack of adequate disclosures. The EPRA net yield measures have been developed in order to provide consistent yield definitions that are relevant to investors in investment property companies.

EPRA Net Initial Yield is a measure of the yield based on the annualized cash rents passing at the balance sheet date less non recoverable operating costs (e.g. service charges, property taxes, ground rents) divided by the gross portfolio value.

FAQs

5.1 The fair values of our properties do not include a deduction for purchasers’ transaction costs, which is the common practice in our markets. Should we deduct transaction costs in the EPRA net yield calculation, even though they are deducted in determining the balance sheet fair values?

The value of properties in the EPRA NIY calculation should be ‘grossed up’ for any purchaser’s costs which been deducted in arriving at the property values. The EPRA NIY reflects how the investment is viewed by the market and represents the yield based on the gross investment (or ‘entry price’) including purchase costs. In contrast, the IFRS fair value reflects the ‘exit price’ at which the property could be sold and is after deducting purchaser’s costs.

5.2 In our initial yield calculation we have not deducted repair costs as, according to the external valuer, this is the common practice in our markets. Can repairs be excluded in EPRA Net Yield calculation?

Repair costs are generally considered operating expenses to be deducted in arriving at EPRA NIY and are distinct from capital expenditure (which is not deducted in calculating the EPRA Net Yield). We are not aware of an argument to justify excluding a deduction for repair costs from the NIY calculation.

5.3 Can we deduct marketing costs when calculating EPRA NIY, if these costs are included in our property valuations NRI and therefore our market values?

The EPRA definition is clear that marketing costs are not deducted in arriving at EPRA Net Yield. The question of whether these constitute day-to-day operating costs is a grey area with retail centres, where it is common practice to deduct certain costs labelled as marketing costs. It is difficult to be prescriptive on this, but if you were to deduct marketing costs in the NIY you would need to be confident that they represent operating costs required to operate the asset on a day-to-day basis rather than marketing of vacant space, for example. If the marketing income is considered ‘recurring operational income’ and is included in annualized rent then it would make sense to deduct the marketing costs associated with the marketing income.

[Back to Contents](#)

5.4 Why do we include trading properties in the Net Initial Yield calculation given that these properties are non-income generating?

The BPR are focused on the most important adjustments which are relevant to investment property companies. There is a working presumption that trading properties form an insignificant portion of the property portfolio of investment property companies and that non-income producing properties (such as trading property) are held temporarily. Thus, trading property is included in the valuation since it is relevant to investors who want to see the rent being generated by the whole portfolio.

5.5 Why are doubtful debts expenses excluded if we are sure that they will not be recovered?

EPRA NIY is based on the cash rent passing. Any rental income relating to debtors (doubtful or not) does not form part of the 'annualized rent' used in the yield calculation; hence there is no need to deduct this.

5.6 Why is this referred to as 'Net' Initial Yield?

Because it is based on the initial (or passing) rental income net of non-recoverable operating costs.

[Back to Contents](#)

Topped-up Net Initial Yield

General description

Why is the EPRA Topped-up Net Initial Yield important?

The topped-up net initial is useful in that it allows investors/analysts to see the yield based on the full rent that is contracted at the balance sheet date. When it is presented alongside EPRA Net Yield it allows users to see the impact of lease incentives on the yield.

This measure is very similar to the EPRA Net Initial Yield except that the cash rent is 'topped-up' to reflect the rent after the expiry of incentives such as rent free periods and discounted rents.

FAQs

5.7 Is the notional rent that is added to the rent up to the level of the straight lined rent (the rent in the accounts according to IFRS) or up to the level of the headline rent in the contract that is received after the rent-free period?

The EPRA 'topped-up' NIY is based on the cash rents that will pass at the end of the rent-free period. Because this is based on the rental cash flows and not the accounting rent shown in the income statement, companies should reflect the headline rent as stipulated in the lease contract.

5.8 Is there a limit for the period of rent frees/discounted rent that should be topped up?

No, the BPR states that all leases should be topped up to the expiry of rent frees without a defined limit. However, companies should clearly disclose the period for which the topped up adjustment is applied.

[Back to Contents](#)

6. Investment Property Reporting and additional disclosures

General description

The 'Investment Property Reporting' and 'Additional Recommended Disclosures' sections provide further recommendations on the reporting of valuation, investments and other portfolio information.

Investment Property companies should include the following information as part of their reporting:

- **Valuation Information and Procedures:** disclosure of valuation procedures, inclusion of valuation report which reconciles to published figures. Companies should undertake valuations twice a year by an external valuer and fees should not be based on the outcome of the valuation.
- **Investment Assets:** information on completed investment properties: Area in square metres, rent per square metre, market rents (ERV) assuming fully let, Net Rental Income, Market Value, Vacancy rate, top ten tenants by rental income, etc.
- **Development Assets:** Development costs (costs to date/to completion), ERV at the completion of the development, proportion of development let, and lettable area according to region/usage.
- **Like-for-like Rental Growth:** for each geographical/business segment, growth to be shown in absolute amounts and as a percentage (assuming fixed foreign exchange rates), and the size of the total portfolio or investment portfolio on which like-for-like rental growth is based. The proforma in chapter 7 is only intended as guidance; the important thing is that companies disclose some form of like-for-like comparison.

FAQs

6.1 Does EPRA still have a proforma income statement? Can we use this and can we call it an EPRA income statement?

No. The EPRA BPR have been significantly simplified and refocused on the 'core' BPR and as part of this effort the EPRA income statement has been removed from the BPR. However, companies may continue to use the 2009 EPRA BPR for guidance only and provided they take account of the revised IAS 1 requirement to disclose Other Comprehensive Income.

6.2 Are property management costs - expenses for property and facilities management - included in the Net Rental Income calculation (Section 4.3 of BPR requires recording of 'Net Rental Income')?

This depends on which property management costs we are referring to. The NRI should deduct property operating expenses that are directly related to a property e.g. that arise as part of the owner providing the leased building. These will vary depending on the asset (i.e. retail shopping centre vs. offices). Only costs to operate the asset on a day-to-day basis to achieve current rents are deducted, whereas costs that relate to increasing future rental income and general income (leasing fees, rent review fees, internal administration costs, etc) are not deducted. Generally property operating costs will include items such as ground rent payable, non-recoverable service charges (permanent shortfall), service charge shortfall related to vacant space, local property taxes (when the property is vacant) and insurance.

6.3 Can we refer to other balance sheet measures as 'EPRA' measures (e.g. 'EPRA net debt) if the existing EPRA balance sheet adjustments are made to them

No – only performance measures specifically identified by the EPRA BPR should be identified as EPRA measures.

[Back to Contents](#)

7. EPRA BPR examples

The following section includes examples of the EPRA BPRs used in property company annual reports. They were selected mainly from companies that achieved a Gold or Silver award in the 2009 EPRA Annual Survey. The examples are not intended to be proformas for the BPR, nor an endorsement of the specific formats used. For the full survey and other examples, you can access the report [here](#).

7.1 EPRA Earnings

British Land

	2011		2010	
	£m	Pence per share	£m	Pence per share
Profit for the year after taxation	840	95.2p	1,140	132.6p
Exclude				
Group – non-underlying current tax			(26)	(3.0p)
Group – deferred tax	(12)	(1.4p)	12	1.4p
Joint ventures and funds – non-underlying current tax			2	0.2p
Joint ventures and funds – deferred tax	3	0.3p		
Group – net valuation movement (including result on disposals)	(313)	(35.4p)	(501)	(58.3p)
Joint ventures and funds – net valuation movement (including result on disposals)	(270)	(30.6p)	(412)	(47.9p)
Amortisation of intangible assets	10	1.1p	15	1.7p
Fair value movement on non-hedge accounted derivatives	(3)	(0.3p)		
EPRA earnings per share (EPS)	255	28.9p	230	26.7p

Hammerson

	2010			2009		
	Earnings £m	Shares million	Pence per share	Earnings £m	Shares million	Pence per share
Basic	615.4	705.8	87.2	(344.5)	637.2	(54.1)
Dilutive share options	–	0.2	–	–	–	–
Diluted	615.4	706.0	87.2	(344.5)	637.2	(54.1)
Adjustments:						
Other net (gains)/losses (note 2)	(469.9)		(66.6)	595.7		93.5
Adjustment for associate (note 13A)	0.5		0.1	1.7		0.3
Change in fair value of derivatives (note 7)	(1.7)		(0.2)	4.1		0.6
Distribution from other investments (note 7)	(4.6)		(0.6)	(13.1)		(2.0)
Deferred tax charge/(credit) (note 8)	0.1		–	(103.6)		(16.3)
Equity minority interests in respect of the above	0.4		–	(9.7)		(1.5)
EPRA	140.2		19.9	130.6		20.5
Release of provision relating to formerly owned property (note 2)	–		–	(5.3)		(0.8)
Adjusted	140.2		19.9	125.3		19.7

[Back to Contents](#)

Cofinimmo

EPRA Earnings and EPRA Earnings per share (x €1,000)		
	2010	2009
Earnings per IFRS income statement	83,796	32,450
Adjustments to calculate EPRA Earnings	35,396	72,241
To exclude		
(i) Changes in fair value of investment properties and properties held for sale	27,331	64,299
(ii) Gains or losses on disposal of investment properties	-7,425	-2,956
(iii) Gains or losses on disposal of properties held for sale	172	0
(iv) Goodwill impairment	0	525
(vi) Changes in fair value of financial instruments (IAS 39)	13,757	12,301
(vii) Costs & interests on acquisitions and joint ventures	-950	719
(viii) Deferred tax in respect of EPRA adjustments	2,112	-2,174
(x) Minority interests in respect of the above	400	-472
EPRA EARNINGS	119,192	104,691
Number of shares	14,863,795	14,009,389
EPRA EARNINGS PER SHARE (in €)	8.02	7.47

Great Portland Estates

9 Earnings and net assets per share						
Adjusted earnings and net assets per share are calculated in accordance with the new Best Practice Recommendations issued by the European Public Real Estate Association (EPRA) in October 2010.						
Basic, diluted and EPRA earnings per share						
	Profit/ (loss) before tax 2011 £m	Tax 2011 £m	Profit/ (loss) after tax 2011 £m	Earnings/ (loss) per share 2011 pence	Profit/ (loss) after tax 2010 £m	Earnings/ (loss) per share 2010 pence
Basic and diluted	261.0	(0.9)	260.1	83.8	156.4	55.5
Surplus from investment property (see note 10)	(131.3)	-	(131.3)	(42.3)	(89.8)	(31.8)
Surplus from joint venture investment property (see note 12)	(83.1)	-	(83.1)	(26.8)	(51.3)	(18.2)
Movement in fair value of derivatives (see note 7)	1.1	-	1.1	0.4	1.2	0.4
Movement in fair value of derivatives in joint ventures (see note 12)	(0.4)	-	(0.4)	(0.1)	-	-
Charge on 2010 cancellation of derivatives (see note 7)	3.1	-	3.1	1.0	11.6	4.1
EPRA earnings	50.4	(0.9)	49.5	16.0	28.1	10.0

[Back to Contents](#)

Capital & Counties

Basic earnings/(loss)	131.6
Adjustments:	
Revaluation and sale of investment and development property	(134.6)
Write down of trading property	0.1
Fair value movement on derivative financial instruments	0.3
Costs of termination of derivative financial instruments	7.1
Current tax adjustments	(0.3)
Deferred tax adjustments	(2.9)
Non-controlling interests in respect of the above	–
EPRA adjusted earnings/(loss) per share	1.3
Exceptional other income	(0.7)
Profit on sale of available for sale investments	–
Write down of trading property	(0.1)
Impairment of other receivables	1.6
Demerger costs	5.3
Interest due to Capital Shopping Centres Group	–
Current tax adjustments	(0.8)
Deferred tax adjustments	2.5
REIT entry charge	0.1
Non-controlling interests in respect of the above	–
Underlying earnings per share	9.2

[Back to Contents](#)

7.2 EPRA NAV & EPRA NNAV

Unibail-Rodamco

EPRA NNAV calculation (all figures are group share, in €Mn)	Dec 31, 2009		June 30, 2010		Dec 31, 2010	
	M€	€/share	M€	€/share	M€	€/share
Fully diluted number of shares	93,586,481		93,569,768		95,554,960	
NAV per the financial statements	11,316		11,731		11,025	
ORA and ORNANE	189		132		213	
Effect of exercise of options	225		218		347	
Diluted NAV	11,730		12,081		11,585	
<i>Include</i>						
revaluation intangible assets	104		106		126	
<i>exclude</i>						
Fair value of financial instruments	312		131		129	
Deferred taxes on balance sheet	542		598		760	
Goodwill as a result of deferred taxes	-210		-209		-255	
EPRA NAV	12,479	133.30 €	12,707	135.80 €	12,345	129.20 €
Fair value of financial instruments	-312		-131		-129	
Fair value of debt	-129		-209		-147	
Effective deferred taxes	-230		-302		-378	
Transfer tax optimization	190		194		215	
EPRA NNAV	11,998	128.20 €	12,259	131.00 €	11,906	124.60 €

Corio

RECONCILIATION ADJUSTED NAV AND NNAV TOTAL		
(€ million)	2010	2009*
Shareholders' equity	4,195.6	3,384.1
Fair value of financial instruments	57.9	116.1
Deferred tax	276.8	230.7
Goodwill as a result of deferred tax	-76.4	-61.0
Adjusted NAV	4,453.9	3,669.9
Fair value of financial instruments	-57.9	-116.1
Change loans to market value	-98.4	18.7
Deferred tax (EPRA)	-39.3	-33.6
Adjusted NNAV	4,258.3	3,538.9

* Adjusted to EPRA definition.

[Back to Contents](#)

Klepierre

	12/31/2010
Consolidated shareholders' equity (group share)	2 398
+ Unrealized capital gains on holdings (duties included)	3 084
- Fair value of financial instruments	221
- Differed tax on asset values on the balance sheet	327
Reconstitution NAV	6030
- Duties and fees on the sale of assets	-328
EPRA NAV	5701
- Effective taxes on capital gains	-214
+ Fair value of financial instruments	-221
+ Fair value of fixed-rate debt	-17
Liquidative NAV (EPRA NNAV)	5250
Number of shares, end of period (after dilutive effect)	186 768 082
<i>Per share (in euros)</i>	
Reconstitution NAV per share	32,3
EPRA NAV per share	30,5
Liquidative NAV (EPRA NNAV) per share	28,1

Capital Shopping Centres

3. EPRA NAV			
	2010		
	Net assets £m	Shares million	NAV per share pence
NAV attributable to equity shareholders of CSC Group PLC	2,273.4	685.8	331p
Dilutive convertible bonds, share options and awards	-	-	
Diluted NAV	2,273.4	685.8	331p
Add:			
Unrecognised surplus on trading properties (net of tax)	1.4		-
Remove:			
Fair value of derivative financial instruments (net of tax)	314.9		46p
Deferred tax on investment and development properties	47.7		7p
Non-controlling interest in respect of the above	(31.7)		(5)p
Add:			
Non-controlling interest recoverable balance not recognised	71.3		11p
EPRA NAV	2,677.0	685.8	390p
Fair value of derivative financial instruments (net of tax)	(314.9)		(46)p
Excess of fair value of debt over book value	246.5		36p
Non-controlling interest in respect of the above	31.7		5p
EPRA NNAV	2,640.3	685.8	385p

[Back to Contents](#)

SEGRO

	2010		
	Equity attributable to ordinary shareholders £m	Shares million	Pence per share
Basic NAV	2,710.3	740.2	366
Dilution adjustments:			
Share options and save as you earn schemes	–	0.1	–
Diluted NAV	2,710.3	740.3	366
Fair value of adjustment in respect of derivatives – Group	(11.1)		(2)
Fair value of adjustment in respect of derivatives – Joint ventures	6.8		1
Fair value adjustment in respect of trading properties – Group	25.1		4
Fair value adjustment in respect of trading properties – Joint ventures	5.1		1
Deferred tax in respect of depreciation	54.1		7
Deferred tax in respect of valuation surpluses	(7.0)		(1)
EPRA NAV	2,783.3	740.3	376
Fair value adjustment in respect of debt	(75.5)		(11)
Tax effect of fair value adjustment in respect of debt	21.1		3
Fair value adjustment in respect of derivatives – Group	11.1		2
Fair value adjustment in respect of derivatives – Joint ventures	(6.8)		(1)
Deferred tax in respect of depreciation	(54.1)		(7)
Deferred tax in respect of valuation surpluses	7.0		1
EPRA triple net NAV (NNNAV)	2,686.1	740.3	363

[Back to Contents](#)

7.3 EPRA Net Initial Yield & 'Topped-Up' Initial Yield

Citycon

4) EPRA NET INITIAL YIELD (NIY) (%) AND EPRA "TOPPED-UP" NIY (%)		
EUR million	2010	2009
Fair value of investment properties determined by the external appraiser	2,361.1	2,162.4
Less (re)development properties, lots, unused building rights and properties, the valuation of which is based on the value of the building right	-487.4	-463.3
Completed property portfolio	1,873.7	1,699.1
Plus the estimated purchasers' transaction costs	37.1	32.9
Gross value of completed property portfolio (A)	1,910.8	1,732.0
Annualised gross rents for completed property portfolio	170.8	163.3
Property portfolio's operating expenses	-50.2	-43.8
Annualised net rents (B)	120.6	119.5
Plus the notional rent expiration of rent free periods or other lease incentives	2.4	2.9
Topped-up annualised net rents (C)	123.0	122.4
EPRA Net Initial Yield (NIY) (%) (B/A)	6.3	6.9
EPRA "topped-up" NIY (%) (C/A)	6.4	7.1

EPRA NIY is calculated as the annualised rental income based on the valid rent roll on the balance sheet date, divided by the gross market value of the completed property portfolio (including estimated transaction costs and excluding properties under development, lots, unused building right and properties, the valuation of which is based on the value of the building right). Net rental yield instead is calculated over the past 12 month period, by constructing an index from the monthly net rental income and computational monthly market value figures. Net rental yield includes the total property portfolio and excludes estimated transaction costs.

Capital Shopping Centres

4. EPRA Net Initial Yield and "topped-up" NIY		
	2010 £m	2009 £m
Investment and development property	5,099	4,631
Less developments	(7)	-
Completed property portfolio	5,092	4,631
Allowance for estimated purchasers costs	259	228
Gross up completed property portfolio valuation	5,351	4,859
Annualised cash passing rental income	297	291
Property outgoings	(15)	(14)
Annualised net rents	282	277
Notional rent expiration of rent free periods or other lease incentives	18	8
Topped-up net annualised rent	300	285
EPRA net initial yield	5.3%	5.7%
EPRA "topped-up" NIY	5.6%	5.9%

EPRA net initial yield and "topped-up" NIY by property is given in the Investment and development property section.

[Back to Contents](#)

Unibail-Rodamco

Net Initial Yield - Dec. 31, 2010	Shopping Centres	Offices
U-R yields	5.7%	6.6%
Effect of vacant units and vacant buildings		-0.5%
Effect of EPRA adjustments on NRI	0.1%	0.0%
Effect of estimated transfer taxes and disposals costs	-0.2%	-0.2%
EPRA topped-up yield (a)	5.6%	5.9%
Effect of lease incentives	-0.2%	-0.3%
EPRA cash yield (b)	5.4%	5.6%

(a) Annualised contracted rent, excluding lease incentives, net of expenses, divided by the gross market value of the portfolio.

(b) Annualised contracted cash rent (including current lease incentives), net of expenses, divided by the gross market value of the portfolio.

Befimmo

TABLE (4): EPRA NET INITIAL YIELD (NIY) (as at 30.09.2010)	(€ thousand)
Investment properties & properties held for sale	1 922 611
To exclude:	
Properties that are being constructed or developed for own account in order to be leased	- 49 631
Properties held for sale	- 37 647
Properties available for lease	1 835 334
To include:	
Allowance for estimated purchasers' costs	47 114
Investment value of properties available for lease (B)	1 882 447
Annualised gross rents ⁽⁴⁾	124 157
To exclude:	
Property charges ⁽¹⁾	- 6 765
Annualized net rents	117 392
Adjustments:	
- Signed future rent agreements not yet applicable at balance sheet date	- 52
- Expiration of rent-free periods within next 12 months	- 255
Adjusted annualized net rents (A)	117 085
EPRA NET INITIAL YIELD (A/B)	6.22%

[Back to Contents](#)

7.4 EPRA Vacancy Rate

Citycon

5) EPRA VACANCY RATE (%)		
EPRA vacancy rate is calculated using the same principles as economic occupancy rate.		
EUR million	2010	2009
Annualised potential rental value of vacant premises	9.6	9.5
/. Annualised potential rental value for the whole portfolio	196.5	190.1
EPRA vacancy rate (%)	4.9	5.0

Vastned Retail

The EPRA Net Yield is calculated by dividing the annualised rental income as at the balance sheet date, less non-recoverable property operation expenses, by the market value of the property, including purchasers' costs.

The EPRA Vacancy Rate is calculated by dividing the estimated rental value of vacant space by the estimated rental value of the whole portfolio.

	31-12-2010	
	EPRA Net Yield	EPRA Vacancy Rate
Netherlands	5.6	2.8
Spain	7.1	8.8
France	5.4	7.0
Belgium	5.7	1.2
Turkey	5.5	4.1
Portugal	7.3	–
<i>Total</i>	5.9	4.8

[Back to Contents](#)

7.5 Investment Property Reporting

Segmental Reporting (Great Portland Estates)

2. SEGMENTAL ANALYSIS						
The Group's reportable segments are the geographic locations of the United Kingdom and Continental Europe, which are managed and reported to the Board as separate distinct locations.						
	United Kingdom		Continental Europe		Group	
	2010 £m	2009 £m	2010 £m	2009 £m	2010 £m	2009 £m
Segment revenue	267.8	219.8	165.8	145.7	433.6	365.5
Gross rental income	233.5	207.0	111.1	121.4	344.6	328.4
Property operating expenses	(45.6)	(41.0)	(16.9)	(18.0)	(62.5)	(59.0)
Net rental income	187.9	166.0	94.2	103.4	282.1	269.4
Joint venture management fee income	1.9	-	-	-	1.9	-
Administration expenses (excluding exceptional items)	(24.7)	(24.5)	(14.5)	(15.8)	(39.2)	(40.3)
Share of joint ventures' EPRA profit after tax	9.7	2.6	1.1	0.2	10.8	2.8
EPRA operating profit before interest and tax	174.8	144.1	80.8	87.8	255.6	231.9
Net finance costs	(95.3)	(86.9)	(33.0)	(40.7)	(128.3)	(127.6)
EPRA profit before tax	79.5	57.2	47.8	47.1	127.3	104.3
Adjustments:						
Exceptional administration expenses	-	(7.8)	-	-	-	(7.8)
Adjustments to the share of profit/(loss) from joint ventures after tax ¹	31.8	1.8	(0.7)	-	31.1	1.8
Loss on sale of investment properties	(2.4)	(52.2)	(0.4)	(2.5)	(2.8)	(54.7)
Valuation surplus/(deficit) on investment and owner occupied properties	94.4	(100.2)	(62.0)	(171.6)	32.4	(271.8)
(Loss)/profit on sale of trading properties	0.7	(0.1)	(0.8)	0.7	(0.1)	0.6
Increase in provision for impairment of trading properties	(1.3)	(0.3)	(2.3)	(15.8)	(3.6)	(16.1)
(Loss)/gain on sale of investment in joint ventures	(0.5)	12.9	-	-	(0.5)	12.9
Other investment income/(loss)	5.8	(8.0)	-	-	5.8	(8.0)
(Amounts written off)/gain recognised on acquisitions	(13.9)	8.6	-	-	(13.9)	8.6
Net fair value gain/(loss) on interest rate swaps and other derivatives	23.6	(9.4)	(2.1)	(8.5)	21.5	(17.9)
Total adjustments	138.2	(154.7)	(68.3)	(197.7)	69.9	(352.4)
Profit/(loss) before tax	217.7	(97.5)	(20.5)	(150.6)	197.2	(248.1)
Tax						
On EPRA profits	-	1.4	(4.3)	(2.9)	(4.3)	(1.5)
In respect of adjustments	9.8	(8.1)	5.6	23.6	15.4	15.5
Profit/(loss) after tax	9.8	(6.7)	1.3	20.7	11.1	14.0
EPRA profit after tax	79.5	58.6	43.5	44.2	123.0	102.8
Adjustments	148.0	(162.8)	(62.7)	(174.1)	85.3	(336.9)
Group profit/(loss) after tax	227.5	(104.2)	(19.2)	(129.9)	208.3	(234.1)

Like-for-like Rental Income (Hammerson)

LIKE-FOR-LIKE NET RENTAL INCOME FOR THE YEAR ENDED 31 DECEMBER 2010						
	Properties owned throughout 2009/10 £m	Increase/(Decrease) for properties owned throughout 2009/10 %	Acquisitions £m	Disposals £m	Developments £m	Total net rental income £m
United Kingdom						
Retail	143.6	6.6	10.1	(0.2)	10.4	163.9
Office	23.5	2.9	5.5	9.1	3.3	41.4
Total United Kingdom	167.1	6.1	15.6	8.9	13.7	205.3
Continental Europe						
France retail	79.5	(1.6)	(1.2)	-	1.1	79.4
Group						
Retail	223.1	3.5	8.9	(0.2)	11.5	243.3
Office	23.5	2.9	5.5	9.1	3.3	41.4
Total	246.6	3.5	14.4	8.9	14.8	284.7

[Back to Contents](#)

Segmental Reporting (SEGRO)

	United Kingdom		Continental Europe		Group	
	2010 €m	2009 €m	2010 €m	2009 €m	2010 €m	2009 €m
Segment revenue	267.8	219.8	165.8	145.7	433.6	365.5
Gross rental income	233.5	207.0	111.1	121.4	344.6	328.4
Property operating expenses	(45.6)	(41.0)	(16.9)	(18.0)	(62.5)	(59.0)
Net rental income	187.9	166.0	94.2	103.4	282.1	269.4
Joint venture management fee income	1.9	-	-	-	1.9	-
Administration expenses (excluding exceptional items)	(24.7)	(24.5)	(14.5)	(15.8)	(39.2)	(40.3)
Share of joint ventures' EPRA profit after tax	9.7	2.6	1.1	0.2	10.8	2.8
EPRA operating profit before interest and tax	174.8	144.1	80.8	87.8	255.6	231.9
Net finance costs	(95.3)	(86.9)	(33.0)	(40.7)	(128.3)	(127.6)
EPRA profit before tax	79.5	57.2	47.8	47.1	127.3	104.3
Adjustments:						
Exceptional administration expenses	-	(7.8)	-	-	-	(7.8)
Adjustments to the share of profit/(loss) from joint ventures after tax ¹	31.8	1.8	(0.7)	-	31.1	1.8
Loss on sale of investment properties	(2.4)	(52.2)	(0.4)	(2.5)	(2.8)	(54.7)
Valuation surplus/(deficit) on investment and owner occupied properties	94.4	(100.2)	(62.0)	(171.6)	32.4	(271.8)
(Loss)/profit on sale of trading properties	0.7	(0.1)	(0.8)	0.7	(0.1)	0.6
Increase in provision for impairment of trading properties	(1.3)	(0.3)	(2.3)	(15.8)	(3.6)	(16.1)
(Loss)/gain on sale of investment in joint ventures	(0.5)	12.9	-	-	(0.5)	12.9
Other investment income/(loss)	5.8	(8.0)	-	-	5.8	(8.0)
(Amounts written off)/gain recognised on acquisitions	(13.9)	8.6	-	-	(13.9)	8.6
Net fair value gain/(loss) on interest rate swaps and other derivatives	23.6	(9.4)	(2.1)	(8.5)	21.5	(17.9)
Total adjustments	138.2	(154.7)	(68.3)	(197.7)	69.9	(352.4)
Profit/(loss) before tax	217.7	(97.5)	(20.5)	(150.6)	197.2	(248.1)
Tax						
On EPRA profits	-	1.4	(4.3)	(2.9)	(4.3)	(1.5)
In respect of adjustments	9.8	(8.1)	5.6	23.6	15.4	15.5
	9.8	(6.7)	1.3	20.7	11.1	14.0
Profit/(loss) after tax						
EPRA profit after tax	79.5	58.6	43.5	44.2	123.0	102.8
Adjustments	148.0	(162.8)	(62.7)	(174.1)	85.3	(336.9)
Group profit/(loss) after tax	227.5	(104.2)	(19.2)	(129.9)	208.3	(234.1)
Summary balance sheet						
Total property assets	3,175.1	3,423.7	1,620.9	1,747.5	4,796.0	5,171.2
Investments in joint ventures	255.3	54.6	24.5	24.7	279.8	79.3
Net borrowings	(1,202.4)	(1,090.7)	(1,000.8)	(1,329.4)	(2,203.2)	(2,420.1)
Other net (liabilities)/assets	(81.3)	(480.0)	(82.3)	242.8	(163.6)	(237.2)
Segment net assets	2,146.7	1,907.6	562.3	685.6	2,709.0	2,593.2
Capital expenditure in the year	44.6	143.2	39.9	98.0	84.5	241.2

Rental data (Wereldhave NL)

Investment property - rental data						
<i>(x € 1,000)</i>						
	Gross rental income	Net rental income	Lettable space (m ²)	Annual contract rent	Estimated rental value	EPRA vacancy rate
	for the period	for the period	period end	period end	period end	period end
Belgium	25,466	23,525	151,915	24,787	27,815	12.6%
Finland	30,603	29,419	110,107	28,741	32,229	2.0%
France	9,599	8,357	48,492	12,670	12,882	2.1%
Spain	11,024	8,677	86,856	10,401	12,249	14.3%
The Netherlands	42,513	38,210	321,954	46,452	47,075	1.8%
United Kingdom	18,280	16,119	124,951	23,050	24,115	8.9%
United States	68,188	35,866	260,430	66,339	75,675	14.1%
Total portfolio	205,673	160,173	1,104,705	212,440	232,040	8.6%

[Back to Contents](#)
