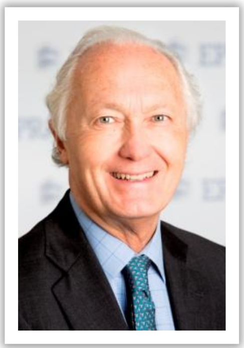
EPRA

EUROPEAN PUBLIC
REAL ESTATE ASSOCIATION

2014



EPRA Annual Report – CEO Summary

Against a backdrop of historically low interest rates, negative inflation and quantitative easing, investors will continue to be drawn to ‘real’ assets which offer attractive yields. European listed real estate companies offer an average historic yield over 4% per annum, offering that attractive investment proposition.

EPRA consistently argues that exposure to property is a key component in diversifying investors’ portfolios. Doing so through blending direct ownership with investment in REITs offers both the quality and location of assets which investors are seeking. Listed real estate companies offer investors exposure to some of the best located and excellent quality properties on the market. This is one of our strongest messages. Not only this, but listed real estate companies offer a highly professional management, transparency and strong corporate governance wrapped in a liquid vehicle.

With quality in mind, EPRA boasts an extremely strong and diverse membership of property companies, investors, banks and leading academics. This diverse group displays confidence in EPRA’s approach and the need for a strong, common voice for the industry. At the end of 2014 EPRA membership stood at 215.

Yet there is plenty of work which remains to be done. Since the crisis we have seen that tough economic conditions have presented opportunities for market expansion. With our ongoing support and involvement, countries such as Spain, Italy and Ireland have all recently reformed their listed property legislation, which has reinvigorated the property market and inward investment. Other countries can use this model as a blueprint to breathe life into their own markets.

During 2014, we focused on three key areas, with excellent results: research, indices and investor outreach

Investor outreach and promotion of the sector to both the global investment community and regulators remain priorities. At a basic level, we communicate the ‘bricks and mortar’ nature of the businesses our members operate. At a more sophisticated level, we explain the performance benefits of the sector as they relate to transparency, liquidity, strong corporate management and governance. Without doubt, we represent a strong asset class which is very much on the right track, boosted by new IPOs and REITs.

We have fine-tuned our outreach message focusing on these strengths. We meet with institutional investors – pension funds, sovereign wealth funds, insurance companies, asset managers and private client brokers – each with a tailored message. During 2014, we held over 140 one-to-one meetings with these investors throughout Europe and held meetings in America, with large investors in New York and Washington DC with over USD 3 trillion USD in AUM.

Our outreach activities were significantly expanded in September 2013, when we established an EPRA office in Hong Kong to focus on Asian markets. Since then, we have met the largest institutional investors massing EUR 7.4 trillion in AUM, promoting European listed as a viable investment opportunity. We view this as building up long-term relationships with the Asian investment community. We are strengthening our ties among Asian investors, raising our profile through our relationship with APREA and ARES and we have signed a memorandum of understanding with the China REITs Alliance. We believe that by establishing a Chinese REIT system, the concept of indirect holding of real estate will take root, which in turn will prompt investment abroad as it becomes the norm in China. In 2014 we organised investor programmes for 12 European listed companies in Asia.

We have seen continued year-on-year growth in terms of use of the FTSE EPRA/NAREIT index. It is a clear indication that it is the global benchmark of choice for the listed real estate sector.

Our academic research continues to contribute to the wider understanding of the sector. In particular, ongoing studies into the benefits of blending listed real estate with direct real estate exposure in terms of diversification and returns is high on investor agendas. The research group signed off grants for various research initiatives in 2014, following a strong response to EPRA's call for proposals.

For financial Best Practice, 84 companies were surveyed in 2014 with 50% of them achieving an EPRA Best Practices Recommendations (BPR) award. However, some 40 companies remained under the bronze medal standard in 2014. While we witnessed progress in 2014, we are hoping that with direct EPRA encouragement, encouragement from peers and most importantly with encouragement from investors, we will see that number reduce significantly in this year's awards. We have set up a specialist investor group to assist in this process. The group focuses on those listed companies who misinterpret, or do not report, the BPR metrics and to promote increased transparency in the sector.

2014 saw the first major revision of both EPRA's financial and sustainability BPRs. This was the first revision to both sets of guidance which now fully reflect the latest trends in reporting. The guidance was simplified and consolidated based on feedback from our members and the BPR Committee which oversees the guidance. The EPRA BPRs make the financial and non-financial statements of public real estate companies clearer and more comparable. This in turn enhances the transparency, sustainability and coherence of the sector as a whole and plays an important part in attracting global flows of capital into the European listed property sector.

On sustainability, 31% of companies surveyed won an award for their non-financial sustainability reporting, with almost 60% of companies reporting at least one metric.

Meanwhile, European legislation is of course a key focus of our regulatory team, given its potential to impact on the real estate industry. The new Juncker Commission has committed to introducing less, but better, regulation. EPRA's activities will continue to focus on minimising the negative impact of poorly-drafted legislation and monitor initiatives coming from national policy-makers, European Institutions and the OECD. This backing on a national level is ongoing, as REIT regimes become established.

Our networking events go from strength to strength, which is in part due the detailed feedback received from delegates. They are more focused than ever and provide even greater value for money. At the 2014 Annual Conference we launched the EPRA App, which allows instant access to index and constituent data back to 1989.

So 2014 was a strong year for the sector. It has emerged from the financial crisis in good shape with the five-year FTSE EPRA UK annual return stands at 17% and the FTSE EPRA Europe Ex-UK 16%. The vast majority of listed companies in Europe are trading at a premium to NAV, a strong sign of confidence in the asset class, with increased interest from the generalist investor community looking to income against low T-bills yields. With 12% of all European IPO funds directed at the listed real estate sector in 2014, among every major asset class our industry is clearly achieving a prominent position.

I would like to take this opportunity to thank you all for your support during 2014, the commitment and dedication of all of our members, sponsors and partner organisation – and I should especially mention the various committees whose time commitment is greater than ever. Finally, thanks to the EPRA board which has enabled the finance and resources for EPRA to remain the voice for the listed real estate sector.

Philip Charls
EPRA CEO

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To the members of the European Public Real Estate Association

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying consolidated financial statements of the European Public Real Estate Association, which comprises the consolidated balance sheet as at 31 December 2014 and the consolidated statement of operating income and expense for the year then ended, and a summary of significant accounting policies and other explanatory information. The consolidated financial statements have been prepared by management using the European Public Real Estate Association's accounting policies and procedures ("Principles for the valuation of assets and liabilities and the determination of the result").

Management's responsibility for the consolidated Financial Statements

Management is responsible for the preparation of these consolidated financial statements in accordance with the European Public Real Estate Association's accounting policies and procedures, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the international standards on auditing (ISA) as issued by the IFAC. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements of the European Public Real Estate Association are prepared, in all material respects, in accordance with the European Public Real Estate Association's accounting policies and procedures ("Principles for the valuation of assets and liabilities and the determination of the result") as disclosed in the Notes to the consolidated financial statements.

Brussels, 12 March 2015

Ernst & Young Bedrijfsrevisoren BCVBA
Represented by

Daniel Wuyts
Partner

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EPRA

EUROPEAN PUBLIC
REAL ESTATE ASSOCIATION

Consolidated Financial Statements

31 december 2014

Balance sheet as at 31 December 2014

(after profit appropriation)

Assets		31 December 2014		31 December 2013	
		€	€	€	€
Fixed assets					
Intangible fixed assets	(1)		217.772		181.139
website and database					
Tangible fixed assets	(1)				
Other fixed operating assets			57.986		67.092
Financial fixed assets	(1)				
Rental guarantee Brussels			46.305		55.076
Current assets					
Accounts receivable					
Debtors	(2)	900.751		847.181	
Amount receivable from					
Taxes and social insurance contributions		25.997		62.612	
Other accounts receivable	(3)	108.155		122.361	
			1.034.903		1.032.154
Cash at banks and in hand			5.188.159		5.458.486
			6.545.125		6.793.947

04/03/2015

Equity and liabilities	31 December 2014		31 December 2013	
	€	€	€	€
Equity				
Other reserves		5.081.611		5.287.372
Undistributed earnings		43.600		43.600
Provisions				
Income equalization account (4)		1.184.394		1.054.692
Current liabilities				
Creditors	135.700		200.129	
Taxes and social insurance contributions (5)	2.897		128.155	
Renumeration and social security (6)	96.923		79.999	
Other debts	-		-	
		235.520		408.283
		6.545.125		6.793.947

04/03/2015

Statement of operating income and expense for the year 2014

		2014		2013	
		€	€	€	€
Revenue					
Membership fees		1.495.923		1.470.175	
Turnover Conference		184.729		265.950	
Sponsorship fees		187.800		252.400	
Investor outreach Asia		36.950		-	
FTSE index		2.196.889		2.015.674	
			4.102.291		4.004.199
Expense					
Cost of conference		287.810		496.907	
Wages and salaries	(7)	2.420.961		2.223.549	
Depreciation on tangible fixed assets	(8)	200.881		71.505	
Other operating costs	(9)	1.004.838		1.198.424	
			3.914.490		3.990.385
Operating result			187.801		13.814
Interest income and similar income		66.195		86.406	
Interest expense and similar expense		21.849		47.100	
			44.346		39.306
Result from ordinary activities before taxation			232.147		53.120
Taxation on results from ordinary activities		9.451		12.961	
Taxation on result from other income		0		0	
			9.451		12.961
Result after taxation			222.696		40.160
Exeptional costs	(10)	-419.694			-506.338
Result after exeptional costs			-196.998		-466.179

04/03/2015

Notes

The association was founded in the Netherlands on 12 October 1999.
The object of the association is to promote the European quoted real estate sector.
In June 2009 the association set up a BVBA and VZW in Belgium and moved its activities to Belgium.
In 2012 the identity 's in the Netherlands were liquidated.
In 2013 the Hong Kong branch was set up
The figures in the consolidated financial statements are the results of the Belgian and Hong Kong activities.

Principles for the valuation of assets and liabilities and the determination of the result

General
The principles in respect of the valuation of assets and liabilities and determination of the result are based on historical cost.
Insofar as not stated otherwise, monetary assets and liabilities are shown at nominal value.

Intangible fixed assets
The fixed operating assets are valued at acquisition cost. Depreciation is calculated according to the straight-line method on the basis of useful life. The rates of depreciation for database and website is 33,33 %

Tangible fixed assets
The fixed operating assets are valued at acquisition cost. Depreciation is calculated according to the straight-line method on the basis of useful life. The rates of depreciation for leasehold improvements of the office in Brussels is 11,11 %.
furniture 11,11 % - blackberry 50 %
The other fixed assets are depreciated at 20 % and 33,33 %.

Financial fixed assets
The rental guarantee is valuated at nominal value.

Accounts receivable
Accounts receivable are stated at nominal value less allowances for doubtful debtors.
Allowances for doubtful debts are booked on an individual basis (case-by-case)
The exchange rate for open invoices on 31-12-2014 from Britisch Pounds to Euro is 1,34

Cash at banks and in hand
Cash at banks and in hand are stated at nominal value.

Provisions
The income equalization accountare the deferred revenues of the invoiced memberships for the year 2014 and is valuated at nominal value

Current liabilities
The current liabilities are stated at nominal value.

Balance sheet as at 31 December 2014

Fixed assets

Intangible fixed assets (1)

	website & database	Total
	€	€
Balance as at 1 January 2014	308.054	308.054
Investments	209.315	209.315
Accumulated depreciation	299.597-	299.597-
Book value	217.772	217.772

Tangible fixed assets

Other fixed operating assets

	Furniture	Computer and automatisation	Leasehold improvements	Total
	€	€	€	€
Balance as at 1 January 2014	40.850	61.140	106.280	208.270
Accumulated depreciation	20.519-	57.020-	63.639-	141.178-
Book value	20.331	4.120	42.641	67.092
Movements in book value				
Investments	3.013	-	8.480	11.493
Depreciation	8.628-	2.803-	9.167-	20.599-
Balance	5.615-	2.803-	687-	9.106-
Balance as at 31 December 2014				
Investments	43.863	61.140	114.760	219.763
Accumulated Depreciation	29.147-	59.823-	72.806-	161.777-
Book value	14.716	1.317	41.954	57.986

Financial fixed assets

	31 Dec. 2014	31 Dec. 2013
	€	€
Rental guarantee Brussels	46.305	55.076

Current assets

Accounts receivable

Debtors (2)

	31 Dec. 2014	31 Dec. 2013
	€	€
Nominal value of outstanding accounts receivable	908.251	895.331
Allowance for doubtful debtors	7.500-	48.150-
	900.751	847.181

Taxes and social insurance contributions

	31 Dec. 2014	31 Dec. 2013
	€	€
Turnover tax (vat)	25.997	62.612
Corporation Tax	-	-
	25.997	62.612

Other accounts receivable (3)

	31 Dec. 2014	31 Dec. 2013
	€	€
Prepaid rent Brussels	24.638	24.851
Prepaid rent & pension	11.765	22.661
Interest receivable	27.614	41.272
Other accounts receivable	44.137	33.577
	108.155	122.361

Equity

Other reserves
The result of the financial year is added to the other reserves.

Provisions

Income equalization account (4)

	31 Dec. 2014	31 Dec. 2013
	€	€
Membership fee 2013 received in advance	-	1.054.692
Membership fee 2014 received in advance	1.184.394	-
	1.184.394	1.054.692

Current liabilities

Taxes and social insurance contributions

(5)	31 Dec. 2014	31 Dec. 2013
	€	€
Turnover tax (vat vzw)	-	-
Income taxes to pay	-	-
Taxation on result from other income	-	-
Wage tax BVBA Belgium	94	96.275
Social security Belgium	-	25.688
Tax on intrests Belgium	2.803	6.191
	2.897	128.154

Remuneration and social security

(6)	31 Dec. 2014	31 Dec. 2013
	€	€
Net wages	96.923	79.999
	96.923	79.999

04/03/2015

Statement of operating income and expense for the year 2014

Wages and salaries (7)

		2014	2013
		€	€
Gross wages and salaries	(*)	2.420.961	2.223.549

(*) Wages and salaries increased from 2.223 k euro in 2013 to 2,420 k euro in 2014 due to :

1. Epra salary increase 2014 - average 3 % :	50 k
2. Individual salary increase	30 k
3. Lower number of expat tax travel days	10 k
4. IT manager transfered from independent advice to staff	75 k
5. Severence pay 2014	32 k

European Public Real Estate Association

Depreciation on tangible fixed assets
(8)

	2014	2013
	€	€
Website and database	172.682	102.909
Furnitures	8.628	3.228
Computer and automatisation	2.904	10.396
Leasehold improvements	9.167	7.472
Bad debts	7.500	52.500-
	200.881	71.505

Other operating costs (9)

	2014	2013
	€	€
Communication	167.494	172.968
Meetings and events	94.367	84.999
Travelcosts	220.749	289.058
Research	133.706	188.824
Office cost	267.566	305.334
Advisory	120.956	157.241
	1.004.838	1.198.424

04/03/2015

Exceptionnal costs - due to special acitivities and start up branch Hong Kong (10)

	2014	2013
	€	€
Consultancy political lobbying	99.395	141.155
content messaging	-	37.060
Asia outreach	190.505	174.665
advertising	129.794	153.458
	419.694	506.338

Staff

During the financial year the Association employed an average of 11 employees
in the following staff categories:

	2014	2013
Chief Executive Officer	1	1
Director research, indices, Investor outreach, reporting	1	1
Finance Director	1	1
Director digital media & publications	1	1
Head of administration & IT	1	-
Office Manager	1	1
Office assistent	1	1
Manager Research & Indices	1	-
Junior Analyst Research & Indices	2	3
Data management	1	1
EU regulations & reporting	1	1
Director investor outreach	1	1
EU regulations & public relations	1	1
Director Asia pacific	1	1
Assistent Asia	1	
	16	14

Brussels, 4 maart 2015

04/03/2015