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EUROPEAN PUBLIC
REAL ESTATE ASSOCIATION

Raising the bar
EPRA Annual Report Awards 2008/09

Contents

Foreword

Raising the bar

Deloitte, in conjunction with EPRA, are delighted to announce the results of our 2008/09 Annual Report Awards. Improving financial reporting for the benefit of shareholders and investors is close to the heart of both EPRA's Reporting and Accounting Committee and the Deloitte Real Estate team. Eighty annual reports from across Europe were included in the survey and reviewed for compliance with the EPRA Best Practices Recommendations (BPR), the purpose of which is to promote consistency and transparency in the financial reporting of listed real estate companies in Europe.

I would like to congratulate not only the award winners, Land Securities, for Best Annual Report and Sponda, for Most Improved Annual Report, but also the large number of companies which upgraded their annual reports compared with last year. Raising the bar to the next level is key in helping to continually improve financial reporting across the whole sector for the benefit of shareholders and investors.

However, whilst congratulations are due for efforts this year, there is still room for improvement going forward. EPRA has renewed its focus on the BPR and issued extensive updates for 2009, including a new section on additional performance measures. I encourage companies to consider where these can be applied in their own financial reporting.

I would like to thank PGGM for its continued sponsorship of these awards, the Jury for its very valuable review of our findings and Jennifer Chase, Gemma Grey and the team of reviewers at Deloitte.

Please contact me or Gareth Lewis at EPRA if you would like further information about this survey. We are happy to meet with finance teams to discuss our findings and ways of improving individual company financial reporting.

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"We are delighted to congratulate Land Securities on winning the EPRA Best Annual Report Award. The criteria for the selection of the winner, from listed real estate companies across Europe, go to the heart of what the association does. By encouraging companies to adopt EPRA best practices, we aim to increase the professionalism and transparency of the industry as a whole for investors."

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

Highlights

Key points from the 2008/09 EPRA review

- The bar has been raised even higher with improved financial reporting across the spectrum and narrative reporting giving greater transparency.
- Land Securities is the winner of the 2008/09 EPRA Best Annual Report Award, with commendations to British Land and SEGRO. The award to Land Securities recognises its innovative, clear and transparent reporting.
- The 2008/09 EPRA Most Improved Annual Report Award goes to Sponda with commendations to Mucklow and Big Yellow.
- UK corporates continue to set the standard, with the top three places being awarded to UK companies and, in the main part, a good response to reporting of current market issues. However, Dutch companies showed greater consistency and earned the highest average scores.
- Whilst companies are recognising the need to issue results more quickly in response to market pressure, there has been limited improvement in this area with a few notable exceptions.
- There are early signs that companies are streamlining annual reports to aid clarity, with portfolio and CSR information being published separately.
- 95% of companies now apply the fair value model which enhances comparability in financial reporting.
- There is significant room for improvement in reporting of KPIs. The lack of identifiable KPIs in many companies and differences in calculation result in a lack of comparability of performance.
- 50% of the largest companies are consistently reporting EPRA NAV metrics. However, fewer than 10% of companies reported on all three of the EPRA diluted NAV, diluted NNNAV and diluted EPS measures.

1. Introduction to the awards

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 BPR are covered by financial reporting standards and are an extension of those requirements.

The BPR are regularly updated following a consultation process led by the EPRA Reporting and Accounting Committee. Updates typically reflect amendments to reporting standards and provide additional guidance to IFRS, as well as reflecting changes in the market and demand for information to be disclosed in annual reports.

Purpose of the EPRA Annual Report Awards

The EPRA review 2008/09 has assessed compliance with the EPRA BPR issued in May 2008.

This year Deloitte, in conjunction with EPRA, has created two award categories to recognise both those companies that continue to prepare annual reports with a high level of compliance with the BPR and those companies which have made a significant investment in improving their annual reports. The winners of both awards are detailed in Sections 4 and 5.

- Best Annual Report
  The quality of the annual reports surveyed was very high, particularly amongst the top six companies where the final scores were very close. To differentiate further between them, the extent to which the companies embraced the spirit of the BPR in promoting transparency and clarity in reporting was also considered.

- Most Improved Annual Report
  This award recognises those companies which have most improved their annual reports and the information provided to shareholders and the investor community. Whilst not in the top tier of annual reports surveyed, all finalists showed a commitment to improving the quality and content of their annual reports.

In addition to announcing the winners of each award, this report highlights how the 80 companies surveyed complied with key BPR reporting metrics and how they dealt with reporting matters of particular relevance in the current economic climate. These observations are included in Sections 2 and 3 respectively.

The EPRA Best Practices Recommendations aim to make annual reports of public real estate companies clearer, more transparent and comparable across Europe.

The BPR comprise six 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. **Performance reporting** – guidance on presentation of portfolio performance.

6. **NAV/EPS** – provides standard calculation methods for diluted NAV, diluted NNNAV and diluted EPS.

Companies reviewed

EPRA has over 200 active members, including Europe's leading property companies, investors and consultants that together manage more than €300 billion of real estate assets.

The option to invest further afield could represent significant opportunity for growth.

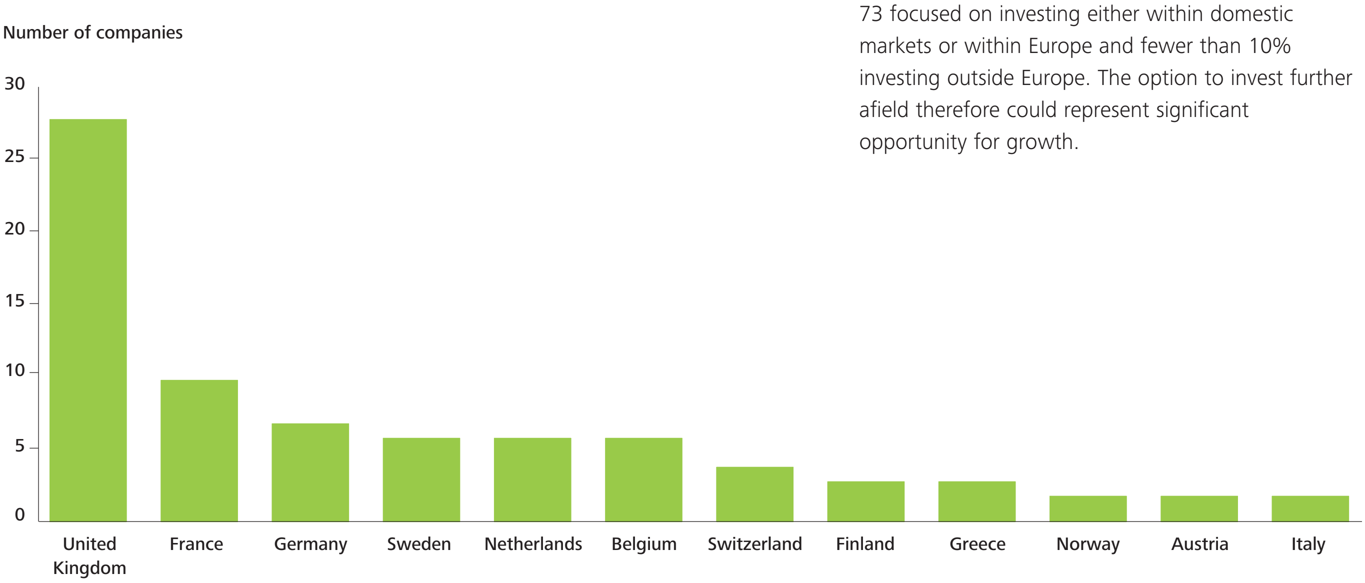
The EPRA review 2008/09 assessed the 2008/09 annual reports of 80 real estate companies from across Europe – the members of the FTSE EPRA/NAREIT Developed Europe Index (the Index). Of the 80 companies surveyed, 78% reported to a December 31 year end.

Geographical location and investment

As shown by Figure 1, UK companies dominate the Index. Overall companies' investments are concentrated primarily in domestic and European markets:

- The UK was the most highly represented country in the Index, with 28 out of 80 companies. A total of 12 countries were represented.
- Over half of the companies surveyed apply the Euro as their reporting currency.
- More significantly, of the 80 companies surveyed, 73 focused on investing either within domestic markets or within Europe and fewer than 10% investing outside Europe. The option to invest further afield therefore could represent significant opportunity for growth.

Figure 1. Where are the companies based?



Portfolio

The portfolio sizes of companies in the Index vary significantly (see Figure 2) and the majority of companies invested across more than one sector:

- The relative size of portfolios by value 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. There was a concentration of mid-sized portfolios of €1-5 billion.
- Figure 3 shows that the majority of companies operate across multiple industry sectors rather than being entirely specialised within one sector.
- The most common sectors invested in are the office sector (61 companies) and the retail sector (48 companies). The main other sectors of operation were (in descending order) residential, industrial, and warehousing.

Figure 2. How large are the property portfolios?

(Based upon the year end portfolio value in Euros)

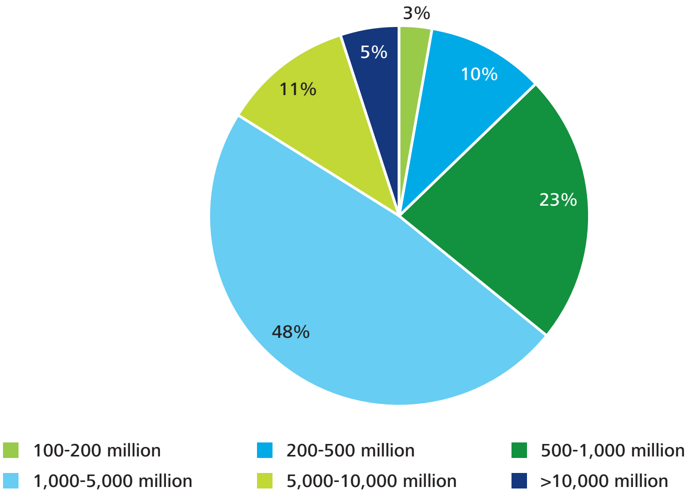
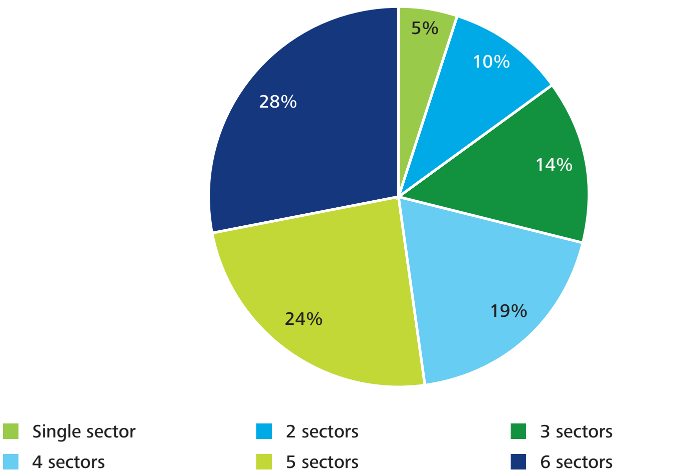


Figure 3. How many sectors are companies investing in?



2. Survey results

Fig 4. What is the distribution of scores?

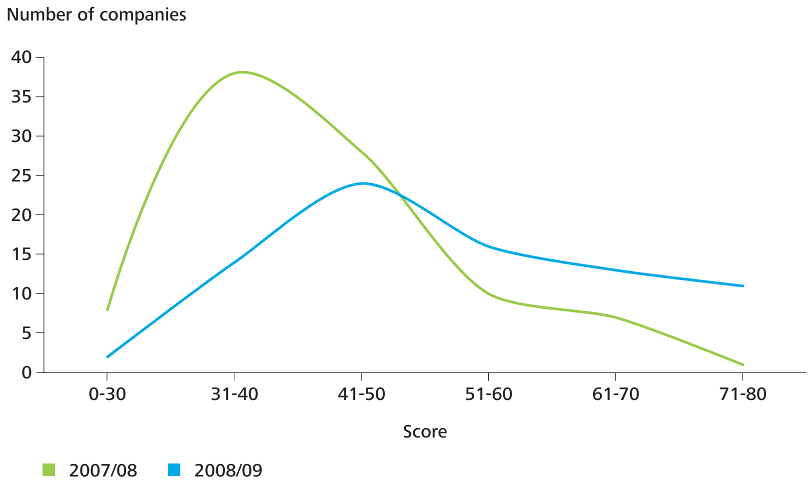


Figure 5. What was the average score per country?

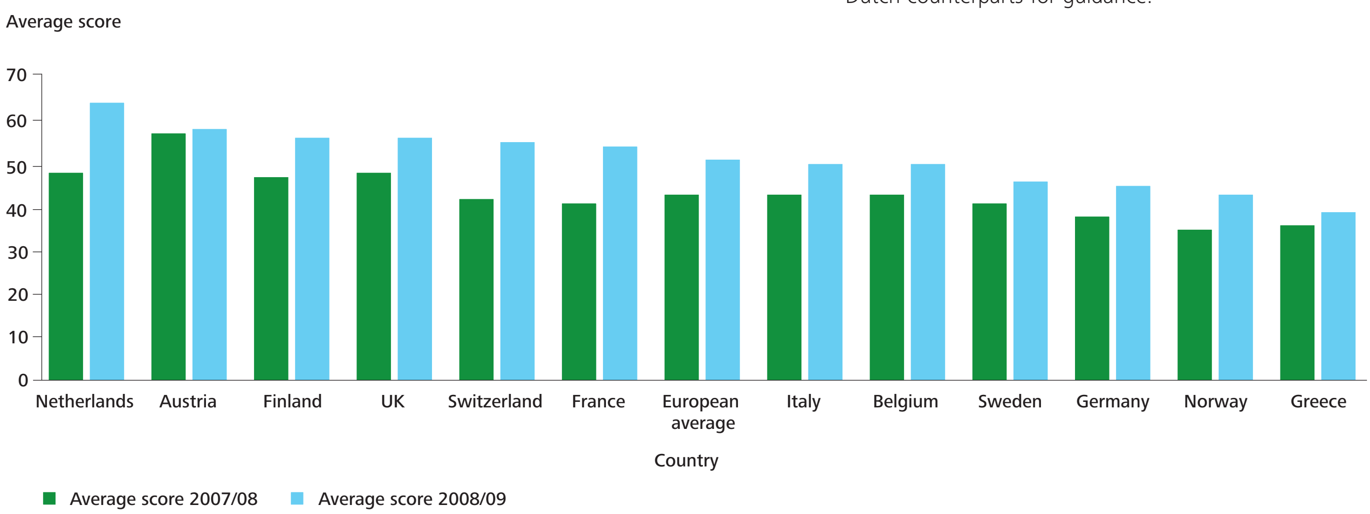
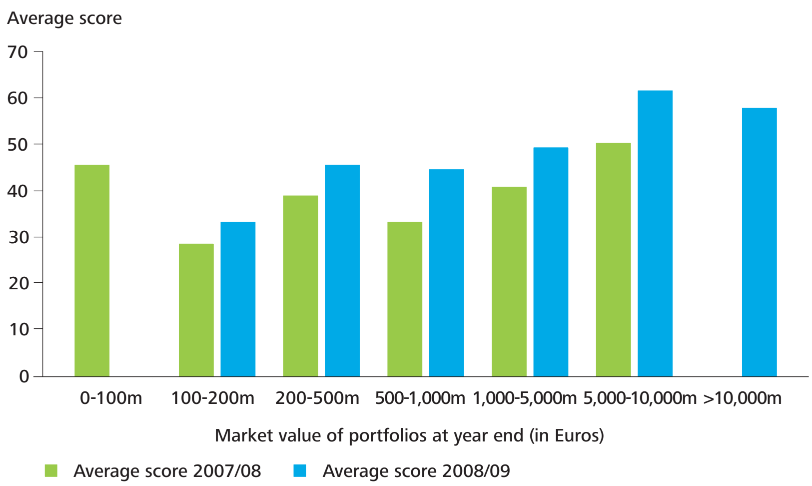


Figure 6. How does size of company influence the score?



Continuous improvement in financial reporting

The annual reports of the companies surveyed continue to improve – as evidenced by Figure 4 which shows a shift towards higher scores.

The highest score achieved for the 2008/09 review was 78 (2007/08: 74), and the lowest was 27 (2007/08: 23) out of a total of 110. As overall scores increase, finance teams should continually challenge themselves as to how to raise the bar even higher to promote transparency and clarity in financial reporting.

As Figure 5 demonstrates, Dutch companies gained the highest average score, although the highest individual scores were notably among the UK companies, setting a high standard for the rest of Europe. With the European average score being 53, it is clear that Greece, Norway, Germany and Sweden have some catching up to do and should look to their UK and Dutch counterparts for guidance.

Figure 6 shows that the size of the company had some influence on the quality of the financial reporting. The smallest companies (with portfolios smaller than €1 billion) received the lowest average scores, and the companies with portfolios larger than €5 billion receiving the highest average scores.

EPRA reporting metrics

EPRA identified a number of the BPR recommendations where compliance was considered to be of particular importance.

Analysis of the level of compliance with these recommendations is set out in this section.

Key EPRA reporting recommendations
(BPR references in brackets)

Real estate companies are highly encouraged to comply with the following:

- Provide details where they are exempt from compliance with BPR (1.2).
- Publish financial reports within 90 days after the close of the reporting period for annual reports (1.7).
- 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).
- Disclose EPRA diluted EPS (6.2), EPRA diluted NAV (6.3), EPRA diluted NNNAV (6.4).
- Provide a clear description of their policies for managing financial risks (1.8) as well as providing thorough analytical information on debt, finance charges and financial instruments (4.5).
- Disclose like-for-like rental growth for each significant sector of the portfolio and each geographical business following an EPRA specified format (1.11).
- Disclose details on Supervisory and Executive Boards including those in respect of compensation (2.1 and 4.1).

EPRA BPR compliance

Only 10 of the 80 companies surveyed included a comment in their annual reports on compliance with the EPRA BPR. In many cases EPRA is only mentioned where specific EPRA metrics are disclosed in the annual report, for example around EPRA diluted EPS and NAV. This highlights that companies currently put more emphasis on compliance with the performance reporting measures than the BPR as a whole and we would encourage them to look beyond these measures and aim to achieve overall compliance with the BPR.

Publication and reporting timeline

The global economic downturn resulted in greater emphasis on transparency and quality of reporting. In spite of this many entities gave due consideration to the impact on their business without extending the reporting time frame.

The companies reported and produced annual reports in an average time of 73 days which is consistent with 2007/08.

> "For this year's survey, we identified a number of specific recommendations which we consider to be particularly important and where analysis of compliance levels will be helpful in developing the EPRA BPRs."

Gareth Lewis
Director of Finance, EPRA

Whilst companies are recognising the need to issue results more quickly in response to market pressure, there has been limited improvement in this area with a few notable exceptions.

Figure 7. How many days did companies take to report?

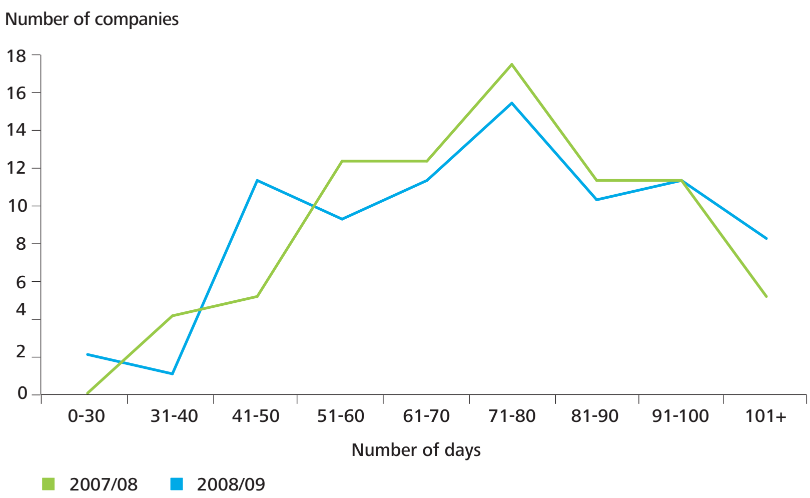
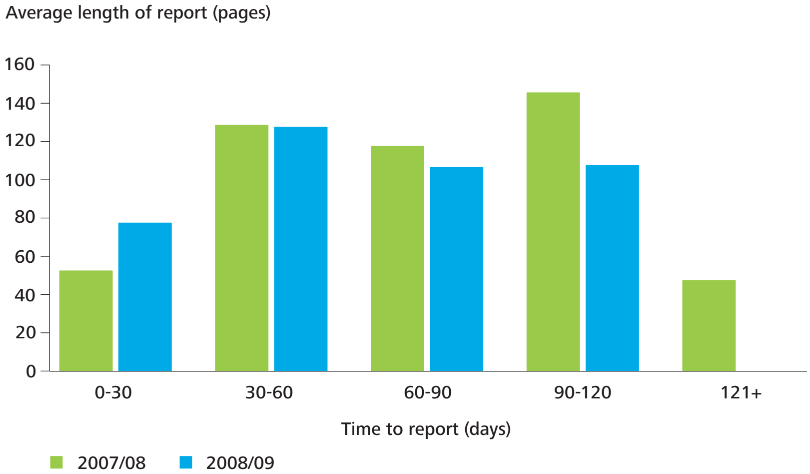


Figure 8. How does the length of the annual report correlate to time taken to report?



Publication and reporting timeline (continued)

Despite this, there were large variances amongst individual entities with many smaller companies taking up to two weeks longer to report their results whilst larger entities, some of which performed capital raising exercises at the beginning of 2009, reported up to three weeks earlier. The fastest reporting companies were Technopolis (29 days), Eurobank Properties (30 days) and Castellum (35 days), all being small and medium sized companies with portfolios up to €5 billion. Of the larger companies (portfolio values over €5 billion), Hammerson reduced its reporting time by over 20 days to report within 40 days of the year end.

Figure 7 highlights that of the 80 companies reviewed, 20 (25%) did not comply with the 90 day BPR, a slight increase from 2007/08 and potentially indicative of some companies' extra consideration of the market situation and uncertainty surrounding financial performance.

The reporting timeline was not necessarily reflected in the length of the annual reports (see Figure 8). While there was a wide range of reports varying between 22 and 358 pages in length, the average length of the annual reports in 2008/09 (149 pages) is in line with 2007/08 (152 pages).

This, however, masks two balancing factors:

- Companies choosing to increase the length of the annual report to accommodate additional disclosures.
- Companies deciding to streamline annual reports to promote clarity in reporting, for example through including property details on their websites rather than in the body of their annual report.

The trend towards providing information on the web, outside annual reports, is likely to increase, both to improve clarity in reporting and for environmental purposes in reducing print volume. Users of the information will therefore have to consider the whole package of information available rather than just the annual report.

Valuation

The global economic recession and subsequent decline in property values have made the valuation of real estate assets even more difficult than before the downturn. Many real estate companies rely on accurate valuations to ensure compliance with borrowing and bond covenants, with possible breaches leading to significant implications to their consideration of the going concern assumption.

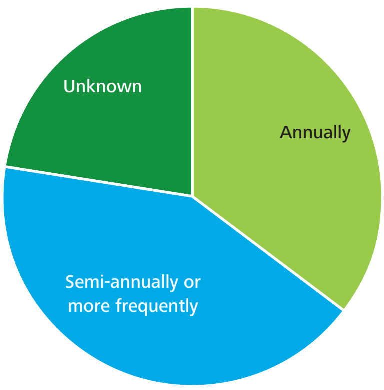
In accordance with EPRA guidelines, 95% of the companies reviewed applied the fair value model in their financial statements, with the remainder disclosing fair values whilst adopting the cost model. In the prior year 94% applied the fair value model, and one company reported only under the cost model with no disclosure of fair value at all. Using the fair value model significantly improves the comparability of the results of the companies and those companies that do not apply the fair value model are becoming increasingly out of step with the industry norm.

Of the 78% of companies that have disclosed which standards are used for valuations, only 24% have disclosed that they use International Valuation Standards (IVS), while 58% disclose Royal Institution of Chartered Surveyors (RICS). RICS standards are considered to be compliant with IVS, and so RICS/IVS were applied by 82% of the companies which gave this disclosure, enabling a high level of comparability in this judgemental area.

While 42% of companies apply best practice by valuing properties semi annually or more frequently, as shown in Figure 9, a large proportion of companies do not explicitly state the frequency of valuation in their accounting policies, so disclosure could be improved in this area. Only a small minority of companies (11%) performed valuations without the use of external valuers.

Although companies were transparent in disclosing valuation movements year on year, the narrative surrounding this generally lacked detail on the underlying assumptions and focused more on a discussion of general market conditions. More useful would have been for companies to give detailed comparative information on yields and valuation assumptions to better aid the user to evaluate and compare results.

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



95% of companies now apply the fair value model which enhances comparability in financial reporting.

Figure 10. What percentage of companies provided EPS and NAV figures compared to last year?

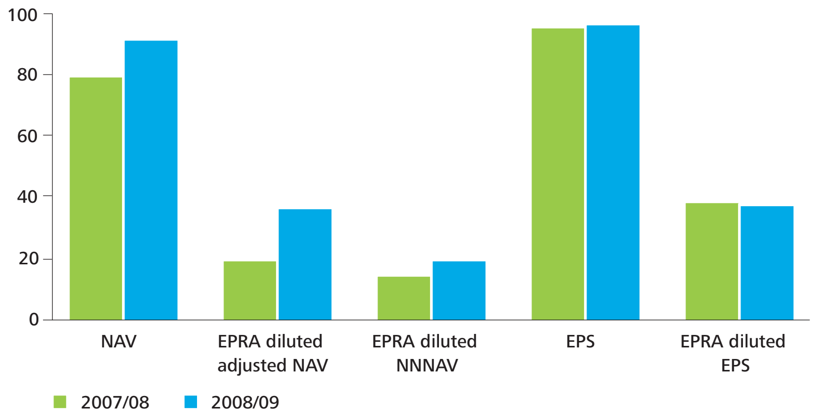
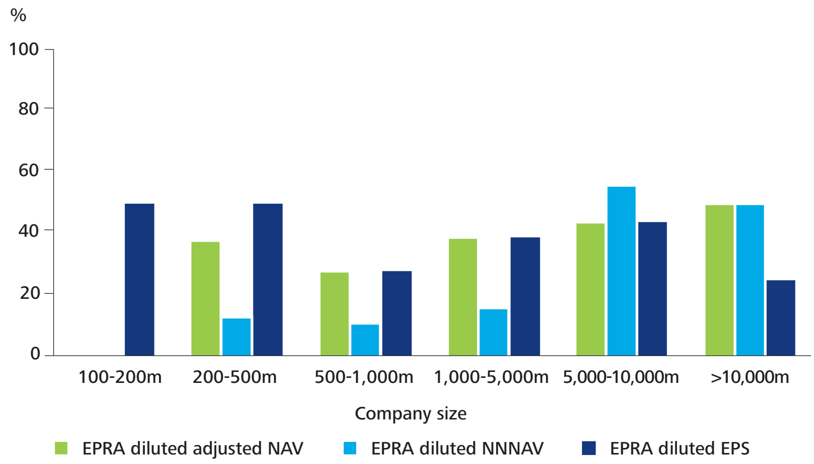


Figure 11. What percentage of companies reported EPRA key reporting metrics?



Over half of the largest companies made the recommended EPRA diluted NNNAV disclosures compared to just 16% of smaller sized entities.

EPRA NAV and EPS metrics

The inclusion of required IFRS disclosures of EPS was generally very good and many real estate companies extended this to include an NAV measure. However, there was room for improvement in the reporting of the additional EPRA measures of NAV and EPS. 50% of the largest companies now consistently report EPRA NAV measures. We urge smaller companies to update their reporting and follow suit to allow greater comparability across the industry. Encouragingly, the number of disclosures made were improved upon from last year across most metrics.

Figure 10 indicates that there has been some improvement in reporting of EPRA metrics since 2007/08, and 37% of companies made appropriate disclosure of EPRA diluted adjusted NAV. Additionally, 20% made the recommended EPRA diluted NNNAV disclosures, showing that although many companies are improving in their overall reporting there is still significant progress to be made in certain areas.

There is some correlation between size of company (based on market value of assets) and disclosure quality in this area. As shown by Figure 11, the mid tier companies were those which generally lacked appropriate detail around key metrics, including the NAV and EPS metrics.

With the more complex NAV disclosure requirements there were some discernable differences in disclosure quality. Over half of the largest companies made the recommended EPRA diluted NNNAV disclosures compared to just 16% of smaller sized entities. However, smaller companies were more consistent in disclosing EPRA diluted EPS than their larger counterparts.

There is considerable opportunity for companies to improve their disclosure in this area, as only 9% of companies surveyed currently include all three EPRA measures. As this is one of the most important measures of comparability within the industry we would strongly recommend companies look to adopt this going forward.

Debt management

Companies are required to comply with IAS 32, IAS 39 and IFRS 7 in respect of financial instruments.

Since the implementation of IFRS 7, disclosure has been significantly improved, and more complex information is now provided in relation to financial instruments.

The EPRA BPR extends this by recommending that companies provide additional narrative information over and above the IFRS 7 requirements "so as to enable readers to fully understand those key elements of their accounts" and draw out the main messages.

Risk management policies are generally very well disclosed with 97% of annual reports discussing risk management policies. Over half of all accounts make some disclosures regarding sensitivity analysis on interest rates, fixed versus floating interest rate exposure, interest rate maturity dates and policies on managing currency positions.

Figure 12 shows that overall detail on net finance charge was the most frequently disclosed financing item (87% of companies gave extensive or brief narrative) with the fewest disclosures being made around the weighted average cost of debt (51%). However, the area where companies included the most extensive disclosure was in respect of explanation of market value of hedges/debt (42%).

Disclosure on financing and debt position is particularly important in the current turbulent market. The level of disclosure highlights that companies still have some way to go in achieving EPRA BPR before looking to exceed basic disclosure requirements and add additional value to their annual reports.

Like-for-like not liked

Despite being one of the key drivers of real estate investment businesses, only a third of companies disclosed like-for-like rental growth as recommended by EPRA. The most frequently disclosed comparative rental metric was in absolute terms (two thirds of rental growth disclosures) followed by growth per geographical business segment and on a percentage basis.

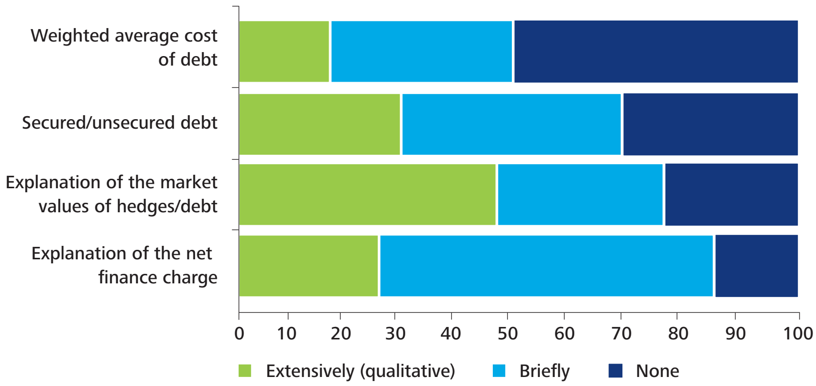
This disclosure provides a clear link between the financial performance of a business and its operational and strategic actions and therefore it would be beneficial for users of the annual reports if more companies were to provide this.

The Board

Disclosure around executive and supervisory boards analysis was by no means fully complied with across the companies. Areas which were commonly not complied with were in relation to gender and nationality for both executive and supervisory board members. The age of the directors was only disclosed in 58% of companies, and, surprisingly photographs were only included in 46 companies for executives and 40 companies for the supervisory board members.

While disclosures were generally better around executive and supervisory board compensation, there were still some areas with low levels of compliance, for example pension and other retirement schemes and contract duration.

Figure 12. What percentage of companies reported their financing and debt position?



The future

The reviews for the 2008/09 award were conducted based on the BPR issued in May 2008. In addition to the identification of Award winners, the survey process enables EPRA to improve and update the BPR to ensure that they remain relevant to real estate companies and the ultimate users of annual reports.

New BPR were issued in May 2009, adoption of which will be considered in the Awards for the next financial year. Significant changes in the May 2009 updated BPR include the following:

- Introduction of additional performance measures section in the BPR, including:
  - Definition of net initial yield.
  - Definition of vacancy rates.
  - Clearer documentation of the objectives and calculation in respect of EPRA EPS and NAV.
- Disclosure of reversionary potential in absolute terms.
- Clearer disclosure on development property including original book value and book value in the annual reports.

Throughout this report Deloitte has highlighted areas where compliance with the BPR has been attained and where, in some areas, increased level of compliance is desired. The results of this work will assist EPRA to make informed decisions regarding where the EPRA Reporting and Accounting Committee should focus in the future.

3. Market trends

Current market environment

The global economic downturn has turned the spotlight on the way that companies report their financial and non-financial results.

To determine the response of the European real estate industry to market conditions, the survey assessed certain market related disclosures and the relative importance given to them in the annual reports reviewed.

Proportion of non-financial reporting

While financial reporting requirements are strictly governed by accounting standards and the length of the disclosure is only likely to vary where significant new standards are introduced, there is a lot more flexibility in reporting on non-financial information.

As Figure 13 demonstrates, the relative proportions of financial to non-financial data included within the annual reports varied considerably, from a 10:90 ratio of financial: non-financial to a 90:10 ratio. The majority of companies fell within the range of 30% to 60% of the annual report comprising financial data, setting an approximate benchmark for the industry.

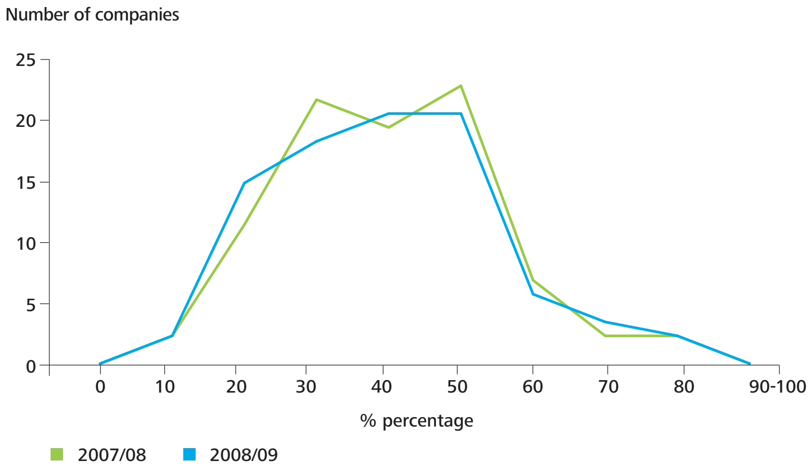
Rather than seeing a greater proportion of non-financial data in annual reports compared to the prior year as might have been expected as a result of additional market commentary, there was actually an average of 45% financial information in the more recent accounts compared to 43% in the prior year. This is likely to be a reflection of the increasing trend of companies to streamline their annual reports by including information on their websites.

Key performance indicators

Surprisingly, the quality of reporting of key performance indicators (KPIs) varied significantly between the companies surveyed. This was one of the weakest areas identified during the review.

On a company by company basis the KPIs reported in the 2008/09 year were broadly consistent with those reported in the 2007/08 year despite market changes. There was, however, very little consistency between companies, with not only a wide range of measures provided, but inconsistency in calculation of those measures. Furthermore, the majority solely use internal measures with only a small number of companies using more rigorous external benchmarks such as the IPD index or peer comparison.

Figure 13. How much of the annual report is financial reporting?



The lack of identifiable KPIs in many annual reports results in a lack of comparability, both in the individual companies compared to strategies and targets, and within the industry as a whole.

The review of KPIs has highlighted a wide variety in the number reported, from none to 60, with the majority of companies reporting between six and 15 KPIs. It is noticeable that where there were fewer KPIs, the overall performance could be more easily assessed and understood.

The general trend, as highlighted by Figure 14, is that KPIs tended to be financial in nature. In 2007/08, 36 companies reported over 90% financial KPIs, compared to 38 companies in 2008/09. This is despite the growing requirement in certain jurisdictions to report on a balance of financial and non-financial KPIs.

This is a sector that easily lends itself to the inclusion of non-financial KPIs, and examples include:

- Vacancy rates.
- Lease terms.
- Customer satisfaction.
- Employee satisfaction.
- Tenant strength.

Some companies embedded KPIs within the narrative of the annual report, with others including sections explicitly stating their KPIs for the current year and comparing them to the prior year performance.

An additional point worth noting is that the term 'KPI' is not widely used. In many cases the business highlights were deemed to be the KPIs of the companies surveyed.

In general, the KPIs included within business highlights tend to be more generic measures such as profit before tax, dividends and EPS measures. Where companies have specifically identified KPIs they are more industry specific such as portfolio returns or rental growth. The trend to explicitly state KPIs should be encouraged as it results in a more honest and industry relevant appraisal of performance.

Principal risks and uncertainties

As shown by Figure 15, all of the 80 companies surveyed presented information about the principal risks and uncertainties facing the company. There was no correlation between size of company and the extent to which the principal risks and uncertainties were discussed, although it was only in Italy, Belgium, Netherlands and Norway that all companies included extensive disclosure in this area.

Typical examples of principal risks and uncertainties presented included liquidity risk, risk of tenant default and development risk, all of which have become increasingly relevant in the current market.

Figure 14. What percentage of KPIs were financial KPIs?

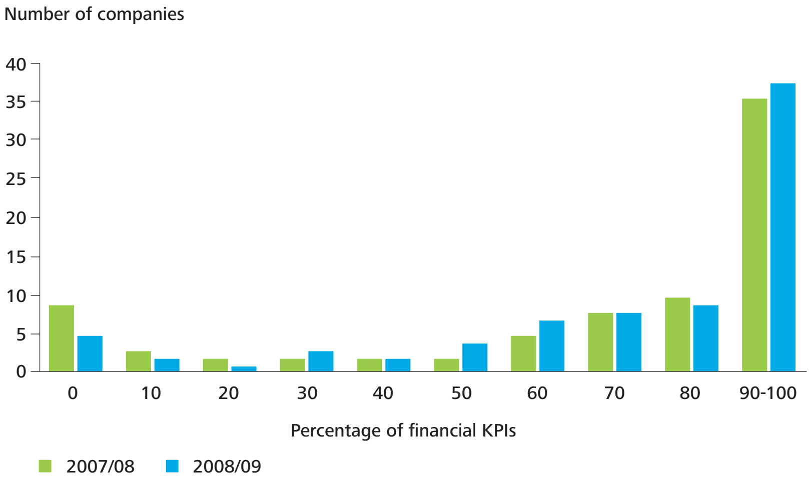
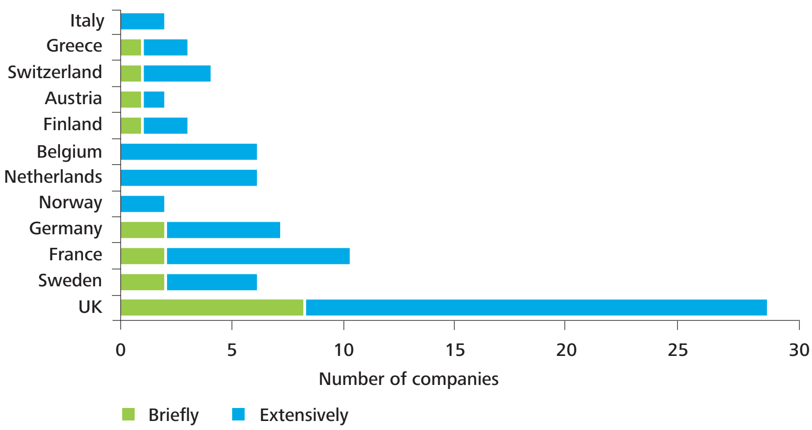


Figure 15. How much detail was included on principal risks and uncertainties? (Split by country)



Principal risks and uncertainties (continued)

As noted previously, over half of companies surveyed operate within their domestic market. It was expected that there might be a clear link between the extent of disclosure and discussion around principal risks and uncertainties and the extent to which the domestic markets have been affected by the global economic downturn.

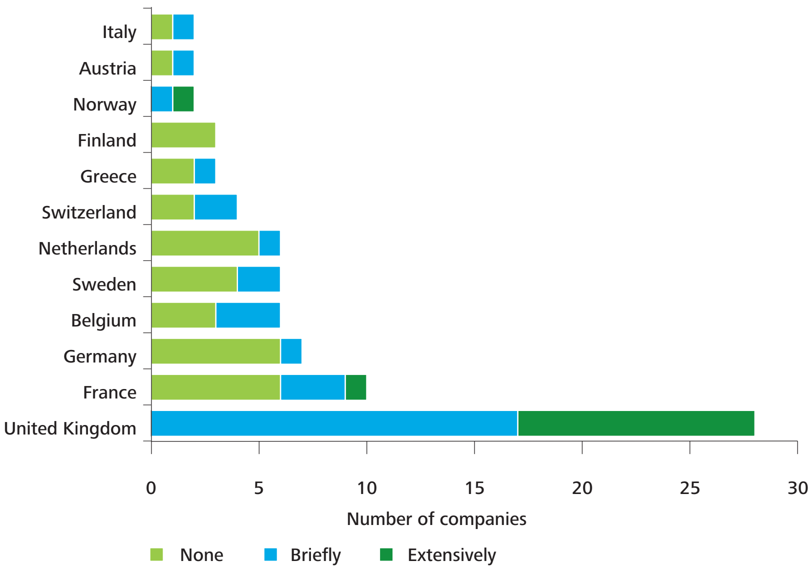
While this was apparent to a certain extent, there were eight companies in the UK which only provided brief reporting. This was despite IPD index data to concluding that the UK property market saw a quarter of its value eroded in the 12 months to 31 December 2008, the same period over which the majority of companies reported their annual results and therefore being indicative of a riskier environment.

Going concern & market uncertainty clauses

The level of narrative around going concern varied from country to country. Of the 46 companies which included going concern disclosures, more than half (60%) were UK-based (see Figure 16), where the Financial Reporting Council has focused heavily on this.

A significant link was noted between the year end reporting date and the level of discussion around going concern. Going concern narrative was more detailed for annual reports published after September 2008.

Fig 16. How did detail of going concern reporting vary by country?



The collapse of Lehman Brothers at that time was a stark warning that no company was too large to fail and was a turning point in financial markets worldwide. As a result, many real estate companies erred on the side of caution and chose to disclose more information to assure investors of their going concern status, including more detailed covenant analysis. While this was driven by market conditions, it would be disappointing for companies not to continue to provide this greater level of transparency when markets stabilise.

Companies' inclusion of market uncertainty commentary within property valuation analysis mirrored that of the going concern narrative. This trend was noted both when analysed by country and by year end.

Many real estate companies erred on the side of caution and chose to disclose more information to assure investors of their going concern status.

Customer relations

The majority of companies discussed the impact of current financial conditions on their tenants. Of the 65 companies that did consider this, 28% included detail on the top 10 tenants, with the remainder including a general discussion of the impact of current financial conditions on tenancies. This again reflects the increasing importance of the strength of tenant covenants and the ongoing inclusion of such information should be supported.

Trends in analysis

The continued pressure to provide ever more clarity and transparency in annual reports has resulted in some companies responding by including information more commonly associated with analyst presentations.

This enables them to engage more fully with the readers of the accounts. Examples of such disclosure seen in annual reports this year are reconciliations, often presented pictorially through bridge charts, on key measures such as EPS and NAV from period to period. As analysts have for a long time demanded this level of detail so it makes sense to provide this clarity to users of the annual reports. While not currently included in the BPR, it is a welcome extension to the requirements of the IFRS.

The reports this year have also provided significantly more information on covenants and compliance with them which, while potentially a result of market pressures, also represents real value to the users of the accounts and a marked improvement in disclosure over and above the requirements of IFRS7.

"Companies are helpfully including more analysis in annual reports, such as bridge charts on key NAV and EPS measures, analysis more traditionally presented in analysts' presentations."

Mark Goodey
Head of Real Estate, Deloitte UK

4. Award winners – Best Annual Report

Winner

Year end 31 March 2009

Land Securities was established by Lord Samuel in 1944 and is based in London. Since 1944 the company has seen significant growth and is now a FTSE 100 company, operating in the office and retail sectors.

On the basis of equity market capitalisation, it is the largest UK Real Estate Investment Trust (REIT), and has a total commercial property portfolio worth just under £10 billion.

Portfolio analysis

- **Size** – £8.2bn directly owned
  £1.2bn funds and joint ventures
- **Type** – Office and retail
- **Location** – UK

Annual report highlights

Land Securities' annual report has been selected as the Best Annual Report. In addition to receiving the highest score in respect of compliance with the EPRA BPR, the key factors that make Land Securities' annual report stand out are:

- **Telling the story:** the report provides a full narrative and tells the story behind the performance in the year.
- **Belief:** from the Chairman's statement onwards, the report engenders belief in the company.
- **Innovation:** innovative reporting throughout the annual report, for example the Directors' Remuneration introduction is presented concisely in 'questions' style of key points of interest to the reader.
- **User-friendly:** clear readability and simple layout with clear structure and good internal cross-referencing.
- **Relevant:** the essential elements of the report are direct and to the point and reflective of the current market conditions.

Highly commended

Year end 31 March 2009

British Land was founded in 1856 and is now one of the UK's largest REITs, specialising in the out of town retail and London office sectors. British Land own and manage properties in the UK, Spain, France, Italy and Portugal. British Land has total assets, owned or under management, valued at just over £12 billion (British Land directly-owned share £5.8 billion).

Portfolio analysis

- **Size** – £5.8bn directly owned
  £2.8bn funds and joint ventures
- **Type** – Office and retail
- **Location** – UK, Spain, France, Italy and Portugal

Annual report highlights

In addition to its high scoring against the BPR, the following factors reflect the strength of British Land's reporting:

- **Valuation transparency:** inclusion of the valuers' report within the annual report and highlighting of valuation uncertainty in relation to current market conditions throughout reporting, including the Chairman's Statement.
- **User-friendly:** clear, concise language, with easy-to-follow contents and structure.
- **Vision and tone:** the images reinforced the business goals and strategy, with some mild humour where appropriate promoting readability.
- **Dual presentation:** columnar income statement format showing underlying results separately from valuation movements and non-recurring items clearly.
- **External comparison:** KPIs set against external benchmarks outside management control and financial performance openly benchmarked against peer group.

Highly commended

Year end 31 December 2008

SEGRO started in 1921 as The Slough Trading Company Ltd, operating out of their 243-hectare site on the Bath Road in Slough. SEGRO has now grown into one of the UK's largest property investment and development companies, operating in 10 countries across Europe. The property portfolio includes offices, light industrial, logistics, warehouses and data centre properties, with a combined value of £4.8 billion.

Portfolio analysis

- **Size** – £4.7bn directly owned
  £0.1bn joint ventures
- **Type** – Office, warehouse, and industrial
- **Location** – Belgium, Czech Republic, France, Germany, Hungary, Italy, Netherlands, Poland, Spain, UK

Annual report highlights

In addition to its high scoring against the BPR, the following factors reflect the strength of SEGRO's reporting:

- **Current market conditions:** frankness in narrative of current market conditions.
- **Rights issue:** clear and transparent reporting of the rationale and context for the rights issue.
- **Dual presentation:** columnar income statement format showing underlying results separately from valuation movements and non-recurring items clearly.
- **Portfolio analysis:** best in class reporting of property portfolio information, including yields and tenant expiry profiles.
- **Clear disclosure:** compliance with EPRA is explicitly stated in the financial statements.

5. Award winners – Most Improved Annual Report

Winner

SPONDA

Year end 31 December 2008

Sponda is a real estate investment company that owns, leases and develops office, retail and logistics property in the largest cities in Finland and Russia. Sponda seeks innovative customer-orientated solutions, together with high-quality properties, to actively develop best practices in its sector and enhance the environment and cityscape in a responsible way.

Portfolio analysis

- **Size** – €2.9bn directly owned
- **Type** – Office, retail, logistics
- **Location** – Finland, Russia

Improvements in reporting

Sponda's annual report has been selected as the Most Improved Annual Report. The following are some the key recent improvements:

- **EPRA metrics:** inclusion of EPRA NAV measures.
- **Strategy:** business strategy now clearly defined and discussed.
- **Risk focus:** risk management information introduced.

Highly commended

MUCKLOW

Year end 30 June 2008

Mucklow was founded in 1933 and is a UK based property company focusing on the long term ownership and development of industrial and commercial property in the Midlands area. It converted to REIT status in 2007.

Mucklow's strategy focuses on hands on management and high levels of re-investment.

Portfolio analysis

- **Size** – £263m directly owned
- **Type** – Industrial, commercial
- **Location** – UK

Improvements in reporting

The following represent the key areas of improvement over the last two years for Mucklow:

- **Portfolio:** detailed information on properties, including ERVs and vacancy data.
- **Strategy:** up front presentation of strategy.
- **EPRA metrics:** disclosure of EPRA diluted EPS and NAV.

Highly commended

THE BIG YELLOW SELF STORAGE COMPANY

Year end 31 March 2009

A UK based leading self storage brand with a strategy to invest in quality properties at the premium end of the self storage market.

Portfolio analysis

- **Size** – £809m directly owned
- **Type** – Storage and warehouse
- **Location** – UK

Improvements in reporting

The following represent the key areas of improvement for Big Yellow:

- **Summary:** upfront two page summary of performance during the year.
- **Borrowing costs:** accounting policies changed to capitalise borrowing costs in compliance with BPR.
- **Valuation:** disclosure of the frequency of valuations.

All finalists showed a commitment to improving the quality and content of their annual reports.

6. Award process

This section outlines the process for the EPRA Annual Report Awards 2008/09.

Thorough and rigorous process

A detailed process was undertaken by the Deloitte real estate assurance team to assess the annual reports of the 80 companies included in the FTSE EPRA/NAREIT Developed Europe Index. Where applicable, Deloitte client engagement teams were excluded from the review of the relevant company annual reports to ensure objectivity was maintained.

The review process consisted of five stages:

1. Detailed primary reviews of the annual reports were performed by members of the Deloitte real estate team. The review consisted of the completion of an online questionnaire, answering questions based directly on the EPRA BPR. The scoring mechanism was kept in line with prior years to ensure consistency, particularly relevant for the Most Improved Annual Report Award.

2. Secondary reviews were performed by a more senior Deloitte real estate specialist, paying particular attention to areas where judgement was required, for example in considering the extent to which individual companies included disclosure in their management narrative.

3. A process to rank all companies based on scoring and BPR section weighting as pre-determined in conjunction with EPRA.

4. Identification of the top six companies based on absolute scores, and the top six companies showing the most marked improvement in scores. Consideration of the top six companies in each category by a Deloitte senior review panel consisting of Real Estate Audit Partners, led by Mark Goodey (Head of Real Estate, UK), and Professor Isobel Sharp (Lead reporting technical partner). Each company's annual report was debated and merits and demerits discussed at length to establish the top companies in each category for recommendation to the EPRA Jury.

5. Review and debate of the Deloitte recommendations by the EPRA Jury and conclusion on the leading companies in each category.

Members of the Jury

Claire Faulkner
Deloitte

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Partner in Deloitte's London real estate practice with over 11 years of experience in the sector. Claire specialises in audit and assurance services in the listed sector and has completed significant levels of transaction support work.

Gareth Lewis
EPRA

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Director of Finance at the European Public Real Estate Association (EPRA), where he is responsible for leading EPRA's initiatives and policy positions with respect to REITs, taxation, financial reporting and EPRA's Best Practices Recommendations.

Osmaan Malik
JP Morgan

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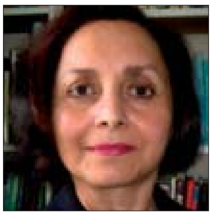
osmaan.malik@jpmorgan.com

JP Morgan property team analyst, focusing on listed companies. The team was ranked 1st in 2009 Extel survey (3rd in 2008) and 2nd in 2009 II survey (1st in 2008).



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Fellow and Director of Studies in Economics at Magdalene College, and Lecturer in Property Finance, University of Cambridge. President of Asian Real Estate Society 2003-4, co-founder of Cambridge-Maastrict Symposium on real estate risk management.

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Morgan Stanley

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Chairman of real estate investment banking for Germany and Austria. Prior to Morgan Stanley, Oliver spent two years as CFO of a Permira portfolio company and before that he worked for six years at Drueker & Co. for German Corporates.

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Senior manager in Deloitte's London practice, with eight years' experience in the real estate sector. Clients include FTSE 100 investment companies, funds and private portfolios.

Participant list

Members of FTSE EPRA/NAREIT Developed Europe Index as at 4 June 2009

Acanthe Developpement SA
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
Brixton PLC
Ca Immobilien Anlagen AG
Castellum AB
Citycon Limited
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 NV
Invista Foundation Property Trust Ltd
IRP Property Investments Limited
ISIS Property Trust Ltd
Klépierre SA
Klovern AB
Kungsleden AB
Lamda Development Group SA
Land Securities Group PLC
LEASINVEST-SICAFI
Liberty International PLC
Mercialys SA
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 & Development 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
Technopolis Oyj
UK Commercial Property Trust Limited
Unibail – Rodamco SE
The Unite Group PLC
Vastned Offices/Industrial NV
Vastned Retail NV
Vivacon AG
Warehouses De Pauw Comm. VA
Wereldhave NV
Wereldhave Belgium Comm. VA
Wihlborgs Fastigheter AB
Workspace Group PLC
Züblin Immobilien Holding AG

Deloitte is one of the UK's leading professional service firms with dedicated professionals providing audit, consulting, financial advisory, risk management and tax services. We are the most client focused, industry specialised, profitable, fastest growing accountancy and professional services firm in the UK. The relentless pursuit of the highest quality in our professional work and passion for client focus and service remain the cornerstones of our success.

We are the leading firm of advisors to the real estate industry in the UK. The Real Estate team comprises of more than 350 professionals with specialist real estate knowledge across all service lines. Providing a fully integrated service to an extensive list of clients focused on your industry. We are actively involved with the Government and the industry bodies that influence the sector. Our Real Estate tax partners are regularly consulted by the Treasury and HMRC on issues impacting the sector, and have played a leading role in the development of the REIT legislation.

The breadth and depth of our practice allows us to assemble specialist teams with specific skills to address our clients' needs, whether to advise on mergers and acquisitions; capital raising; the impact of changing accounting standards or tax legislation; identifying and managing risks in major development opportunities; creating value from an occupiers' estate or reviewing and advising on financing options and proposals.

Our core areas and focus include Property companies, Construction & Housebuilding, Real Estate Funds and Occupier Advisory.

EPRA was established in 1999, the brain child of a few visionaries in the listed property sector and now represents over EUR 250 billion of real estate assets - 85% of the market capitalisation of the FTSE EPRA/NAREIT Europe Index.

EPRA's mission is to represent and promote the European publicly listed 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 appropriate Governmental and regulatory bodies.

EPRA develops policies concerning standards of reporting disclosure, taxation and industry practices, including the EPRA Best Practices Recommendations (BPR). The EPRA BPR provides guidance for property investment companies on interpretation of IFRS, industry specific reporting practices, key metrics 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 BPR 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.

"Once again the financial reporting bar has been raised even higher with companies showing marked improvement across the board."

Claire Faulkner
Real Estate Partner, Deloitte

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