ANREV

REVIEW OF REPORTING BEST PRACTICE FOR NON-LISTED REAL ESTATE VEHICLES IN ASIA

PROFESSIONAL STANDARDS

Deloitte.
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ABOUT ANREV

ANREV, the Asian Association for Investors in Non-listed Real Estate Vehicles Limited, is a not-for-profit organisation focused on Investors in Asian Non-listed Real Estate Vehicles and serves as a platform for institutional investors, fund managers, advisory firms and other stakeholders to address key issues facing the Asian non-listed real estate fund markets.

ANREV's agenda is driven by the members, in particular the investors, and is focused on improving transparency and accessibility of market information, promoting professionalism and best practices, sharing and spreading knowledge. The objectives are being achieved through implementing research projects such as the Investment Intentions Asia Survey, reporting guidelines and regular events.

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01
EXECUTIVE SUMMARY

The INREV Guidelines (hereafter "the Guidelines") are designed to establish best practice reporting and governance frameworks for the non-listed real estate fund sector and to assist fund managers in their practical implementation. The Guidelines aim to ensure that investors in non-listed real estate funds obtain consistent, understandable, easily accessible and reliable information. With increased awareness of the Guidelines, it is expected that the transparency and professionalism of reporting will be increased in the future.

This report sets out the results of a review of non-listed Asian real estate fund financial reports with years ending from 2007 – 2009. The purpose of the review is to provide insight into current market practice in non-listed real estate fund reporting in Asia and to assess how it compares to the relevant Guidelines. This is the first time such an exercise has been undertaken for non-listed Asian real estate funds and the analysis depicts the situation prior to the Guidelines being formally promoted in the Asian market.

The review concentrates on funds' annual reporting; therefore, only those guidelines which relate to the annual report have been considered in the review.

We have analysed the following guidelines:

- Corporate Governance Principles and Guidelines
- Reporting Guidelines

Based on the information assembled in our study, the extent to which reporting practices in Asia are consistent with the Guidelines on financial reporting and corporate governance is low. For 77% of the reports analysed, the reports complied with less than 50% of the Guidelines.

On this basis, it seems likely that the process of achieving greater standardisation in annual reporting to conform to the Guidelines will take time, as and when the Guidelines are promoted for non-listed real estate funds in Asia. However, against this background, fund managers should be able to use compliance with the Guidelines as a source of competitive advantage, which should be an incentive for early adoption of the Guidelines. By increasing their level of compliance with the Guidelines above the market average, fund managers have the opportunity to make their funds more attractive to investors, particularly European investors who are generally familiar with the INREV Guidelines.

Conclusions of the review of reporting guidelines

Our review reveals that in general there is a low level of compliance with the INREV reporting guidelines amongst non-listed Asian real estate funds. None of the fund reports reviewed made any explicit reference to the Guidelines, and none of the funds complied with more than 75% of the Guidelines on reporting.

Whilst the levels of compliance were generally low in the sample, the Guidelines under the property report, financial report and financial statement headings appeared to be the weaker areas.

Only 23% of the reports had a level of compliance on all reporting guidelines of between 50% and 75%, while 54% of the sample showed a level of compliance between 25% and 50%. The balance of the population being compliant with between 0% and 25%.

Conclusions of the review of corporate governance principles and guidelines

According to our research, 16% of the funds reported on corporate governance issues on an extensive basis. It is evident that this aspect of reporting is still at an early stage of development and needs to be improved.

The corporate governance principles describe the roles of managers, investors and those who monitor and provide oversight over the activities of fund and fund manager on behalf of the investors. Although the corporate governance principles and guidelines are not yet widely adopted amongst the non-listed real estate funds in Asia, it is expected that disclosure on corporate governance will be increased in coming years, not only due to changing market circumstances but also as a result of further standardisation of reporting in the market.

Next steps

ANREV plans to lead the promotion of the Guidelines in the Asian market in the coming year, with a series of educational events to spread awareness of the Guidelines and explain aspects of their implementation. The precise form of the programme will depend upon feedback from investors.

ANREV also intends to gather feedback from investors and fund managers regarding the current form of the INREV Guidelines, with a view to determining if there are any aspects of the Guidelines that require amendment to suit the specific characteristics of the Asian marlet.

The Review of Reporting Best Practice for Non-listed Real Estate Vehicles in Asia will be repeated next year for the purposes of tracking developments in reporting practices over the next 12 months.

02 INTRODUCTION

The Asian Association for Investors in Non-listed Real Estate Vehicles Limited ("ANREV") aims to improve the transparency of and promote best practices and professionalism in the non-listed real estate funds industry in Asia. This is the first study conducted by ANREV to review fund reporting practices for non-listed real estate funds in Asia. In order to have a standard basis for appraising the fund reports, the European Association for Investors in Non-listed Real Estate Vehicles ("INREV") [1] Guidelines are being used as a benchmark in the research study.

The research study was carried out in Autumn 2009, and the analysis depicts the situation prior to the Guidelines being formally promoted in the Asian market.

Given the recent financial crisis, it is expected that investors will be increasingly concerned about the standardisation of reporting and corporate governance, as these will enhance the relevance, transparency and consistency of disclosed information to help monitoring of investments and communicating with investors. This study is a first step in identifying how the industry is placed to respond to these demands.

Purpose of this research

Based on the results of the 2008 review conducted by INREV, it is apparent that the INREV Guidelines on reporting, corporate governance and NAV are becoming more widely used by the non-listed real estate fund sector in European countries.

By contrast, the adoption of the INREV Guidelines is new to investors and fund managers in Asia. The results of this review will help ANREV to support the promotion of best practice in several ways:

- It will give ANREV and its membership insight into the extent to which the standards currently attained by non-listed real estate funds in Asia comply with the INREV Guidelines;
- Best practice examples found in the Asian market will be used to develop a best practice database for the fund managers of the various types and styles of funds to make reference to; and
- The information gathered and outcome of the research will be taken into consideration as part of the process of developing a set of reporting guidelines that are tailored to reflect the particular characteristics of the Asian non-listed real estate fund market.

1 The European Association for Investors in Non-listed Real Estate Vehicles ("INREV") is a platform for the sharing and dissemination of knowledge concerning the European non-listed real estate fund market, which developed INREV Guidelines to provide an integrated set of principles, best practice requirements and further guidance for governance and information provision in relation to non-listed real estate vehicles. For more details, please visit www.inrev.org.

Research basis

This review focuses on funds' annual reporting and therefore only those guidelines which relate to the annual report are included in the review. We have analysed the reports by using a questionnaire developed for INREV in relation to the INREV Guidelines as issued in November 2008. The questionnaire relates to Chapter 3.7.4 (see Appendix A) of the Guidelines and focuses on the Guidelines for annual reporting.

We have analysed the level of compliance with the following guidelines in the study:

- Corporate Governance Principles and Guidelines; and
- Reporting Guidelines

An overview of the INREV Guidelines is included in Appendix B for reference.

This is the first study on reporting best practice for non-listed real estate vehicles in Asia; the outcome of the analysis will enable us to set a benchmark for the future development of the industry's financial reporting practice within the region.

We acknowledge that reporting best practice may differ on the basis of fund type, style and the launch year of the fund. These factors have been taken into account in our review.

The compliance review of the reporting guidelines was set up as a quantitative research study, the objective of the quantitative research study was to determine the degree of compliance of annual reports with specific guidelines. The outcome of the quantitative research study can be used to determine the need for future studies.

The research study was carried out in October to November 2009. Fund managers who provided their annual reports to ANREV for the purpose of this review will receive individual feedback on their scores against the Guidelines for their funds which are included in the sample.

03
STUDY FRAMEWORK AND SAMPLE

Approach

As stated before, the compliance review on the reporting related guidelines was a quantitative research study. ANREV invited Deloitte Touche Tohmatsu, Hong Kong as consultant for the project to assist in carrying out the study. A small project team has carried out the research for the study. In addition, the questionnaire developed by INREV for reviewing the reporting and corporate governance guidelines has been used in this research to ensure a consistent, fair and efficient review of all reports submitted by fund managers who have agreed to participate in this research study.

Some of the recommendations concern specific topics or issues such as joint ventures and development assets which may not be relevant for all participants. For example, not all funds have assets under development and / or hold an interest in jointly controlled entities. Accordingly, some of the recommended disclosures would not be applicable for these funds. In the scoring, a "not applicable" answer is treated as compliance.

In the Guidelines, a distinction is made between the manager's report and the financial report. As noted during the review, this distinction is not made for all reports. Some financial reports are published in a free form in which fund managers' reports are included and not separated.

Certain fund managers submitted quarterly or half-yearly reports for the study. In order to ensure the same set of guidelines were used to review all the reports in the study, the guidelines for annual reports were adopted for the purpose of reviewing such quarterly or half-yearly reports.

Population

ANREV invited approximately 180 companies to provide the most recent annual reports of their funds under management for the purposes of the study.

As a result of the invitation, ANREV received 33 reports, from more than 20 fund managers. These reports included not only annual reports, but also some quarterly and half-yearly reports. Of the reports received, 31[2] were included in this review.

In analysing the findings of the review, we have focused on the following three fund classifications:

- Fund style
- Fund strategy
- Year of incorporation

2 Two out of the 33 reports received were incomplete and therefore were not included in the review.

Fund style

Table 1

Style	Count	%
Core	14	45
Value added	8	26
Opportunity	9	29
Total	31	100

Fund strategy

In analysing the results according to the funds' strategies, we distinguish between those funds that invest in properties in more than one jurisdiction and those that only invest in one country.

Table 2

Style	Count	%
Single country	23	74
Multi-country	8	26
Total	31	100

Year of incorporation

For the purposes of analysing the results according to the maturity of the funds, the funds have been split into the following three groups:

- Funds incorporated before or in the year 2000;
- Funds incorporated between 2000 and 2005; and
- Funds incorporated between 2006 and 2008

Table 3

Year of incorporation	Count	%
≤ 2000	2	7
2001 – 2005	15	48
2006 – 2008	13	42
Not specified	1	3
Total	31	100

04
GENERAL FINDINGS ON REPORTS INCLUDED IN THE REVIEW

In the following section we outline some general findings on the 31 reports included in the review.

Accounting standards applied

32% of the reports applied International Financial Reporting Standard ("IFRS") as the accounting standards, while the remaining 68% applied different accounting standards: Generally Accepted Accounting Principles in the United States ("US GAAP"), Generally Accepted Accounting Principles in Australia ("Australian GAAP"), Singapore Financial Reporting Standards ("Singapore FRS"), Hong Kong Financial Reporting Standards ("HKFRS"), Generally Accepted Accounting Principles in Korea ("Korean GAAP"), Generally Accepted Accounting Principles in Japan ("Japanese GAAP").

Table 4

GAAP	Single country	Multi-country	⩽ 2000	2001 – 2005	2006 – 2008	Not specified	Total
IFRS	6 (26%)	4 (52%)	0 (0%)	4 (26%)	6 (46%)	0 (0%)	10 (32%)
Australian GAAP	9 (40%)	1 (12%)	1 (50%)	6 (40%)	3 (24%)	0 (0%)	10 (32%)
US GAAP	2 (9%)	1 (12%)	0 (0%)	1 (7%)	2 (15%)	0 (0%)	3 (10%)
Singapore FRS	1 (4%)	1 (12%)	0 (0%)	0 (0%)	2 (15%)	0 (0%)	2 (7%)
HKFRS	1 (4%)	0 (0%)	0 (0%)	1 (7%)	0 (0%)	0 (0%)	1 (3%)
Korean GAAP	1 (4%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	1 (100%)	1 (3%)
Japanese GAAP	1 (4%)	0 (0%)	0 (0%)	1 (7%)	0 (0%)	0 (0%)	1 (3%)
Not specified	2 (9%)	1 (12%)	1 (50%)	2 (13%)	0 (0%)	0 (0%)	3 (10%)
Total	23 (100%)	8 (100%)	2 (100%)	15 (100%)	13 (100%)	1 (100%)	31 (100%)

As shown in the table above, Australian GAAP has a similar level of adoption to IFRS in the accounting standards applied in the financial reporting. For those funds that have chosen to adopt Australian GAAP, the place of establishment of the funds is in Australia. We found that the accounting principles applied by the fund managers often have a direct correlation with the place of establishment of the funds.

For the funds established after 2005, about 50% of them adopted IFRS. For the funds established before 2005, only 25% of them have adopted IFRS as their accounting principles. Over time, IFRS has clearly become a more popular and important reporting standard.

Reporting

The manager's reports and financial reports were generally presented on an annual basis (77%). For certain funds, no annual reports were prepared and as a consequence, either quarterly or half-yearly reports (23%) were used.

05
RESULTS OF REVIEW OF BEST PRACTICE IN COMPARISON TO REPORTING GUIDELINES

In this section we present the results of our analysis of the funds' reporting practice in comparison to the Reporting Guidelines. The objective of the Reporting Guidelines is:

> *To provide investors with information in order to be able to consider the fund's future outlook, particularly its key risks and opportunities and the major drivers of historical performance.*

Table 5

Reporting Guidelines	0%-25%	25%-50%	50%-75%	75%-100%
General information	9 (29%)	11 (35%)	7 (23%)	4 (13%)
Manager's report	3 (10%)	13 (42%)	14 (45%)	1 (3%)
Property report	16 (52%)	14 (45%)	1 (3%)	0 (0%)
Financial report	9 (29%)	17 (55%)	5 (16%)	0 (0%)
Valuer's statement	14 (45%)	0 (0%)	7 (23%)	10 (32%)
Financial statements	3 (10%)	28 (90%)	0 (0%)	0 (0%)

Our review reveals that in general there is a low level of compliance with the INREV reporting guidelines amongst non-listed Asian real estate funds. None of the fund reports reviewed made any explicit reference to the Guidelines, and none of the funds complied with more than 75% of the Guidelines on reporting.

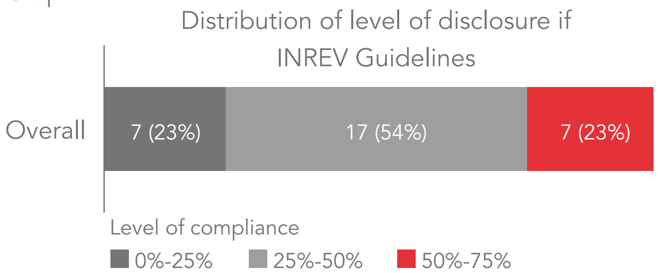
With the exception of the valuer's statement guidelines, the level of compliance was less than 50% for all areas of the Reporting Guidelines.

Whilst the levels of compliance were generally low in the sample, the Guidelines under the property report, financial report and financial statement headings appeared to be the weaker areas. These may therefore merit particular focus in activities to promote the Guidelines in Asia.

The Reporting Guidelines are divided into six areas:

1. General information
2. Manager's report
3. Property report
4. Financial report
5. Valuer's statement
6. Financial statements

Graph A



Only 23% of the reports covered by the review had a level of compliance on all reporting guidelines between 50% and 75%, while 54% of the sample showed a level of compliance between 25% and 50%, the balance of the population being compliant with between 0% and 25%. None of the reports covered by the review had a level of compliance for all the reporting guidelines which exceeded 75%.

An overview of the results for each heading is set out below.

General information

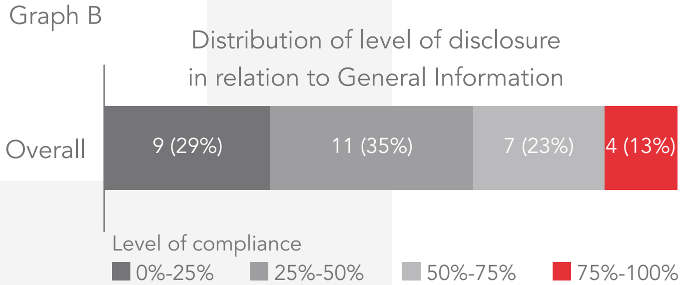
The Guidelines under the General Information heading cover disclosure in relation to:

- Governance, management and administration
- Domicile, legal form and structure of the fund
- Investment stage of the fund by geography and/or segment
- Current monetary commitment of the investors to the fund
- Key milestone dates

Table 6

General information	0%-25%	25%-50%	50%-75%	75%-100%
Core	3 (21%)	6 (43%)	4 (29%)	1 (7%)
Value added	1 (12%)	2 (25%)	2 (25%)	3 (38%)
Opportunity	5 (56%)	3 (33%)	1 (11%)	0 (0%)
Single country	6 (26%)	9 (39%)	4 (17%)	4 (17%)
Multi-country	3 (37%)	2 (25%)	3 (37%)	0 (0%)
⩽ 2000	1 (50%)	0 (0%)	0 (0%)	1 (50%)
2001 – 2005	4 (27%)	5 (33%)	5 (33%)	1 (7%)
2006 – 2008	4 (31%)	6 (46%)	1 (8%)	2 (15%)
Percentages may not add up exactly to 100% due to rounding.				

Graph B



Compliance with the Guidelines on General Information was generally low in the sample, with only 13% of the funds complying with more than 75% of the individual guidelines in this section, and 23% of the funds complying with between 50% and 75% of the guidelines. In total, only 36% of the reports complied with more than 50% of the guidelines.

Table 7

General information	Total	Core	Value added	Oppor-tunity	Single country	Multi-country
Governance, management and administration	6 (19%)	3 (21%)	3 (38%)	0 (0%)	4 (17%)	2 (25%)
Domicile, legal form and structure of the fund	21 (68%)	11 (79%)	6 (75%)	4 (44%)	18 (78%)	3 (38%)
Investment stage	9 (29%)	5 (36%)	4 (50%)	0 (0%)	7 (30%)	2 (25%)
Current monetary commitments	11 (35%)	1 (7%)	4 (50%)	6 (67%)	7 (30%)	4 (50%)
Key milestone dates	2 (6%)	0 (0%)	2 (25%)	0 (0%)	2 (9%)	0 (0%)

Reports complying with the individual guideline.

As shown in table 7, the level of compliance with each of the best practice recommendations relating to General Information varies quite widely. 68% of the sample met the requirements in terms of disclosures relating to the domicile, legal form and structure of the fund. The fact that some of this general information is required to be disclosed under certain accounting standards may explain this.

Conversely, less than 35% of the reports complied with the guidelines on disclosure of corporate governance, management, administration, the investment stage of the fund, current monetary commitments and also key milestone dates. There is no specific guidance on the extent of disclosure of governance under the current accounting standards and in general, the fund managers tend to choose minimum disclosure in the reports.

For the funds established in 2006 – 2008, i.e. those newly established funds, the funds adopted a higher level of disclosures on corporate governance than the funds established in 2005 or before.

For the General Information best practice recommendations, core and value-added funds exhibited a higher level of compliance by comparison with the opportunistic funds included in the review. However, the overall level of compliance is still relatively low.

Manager's report

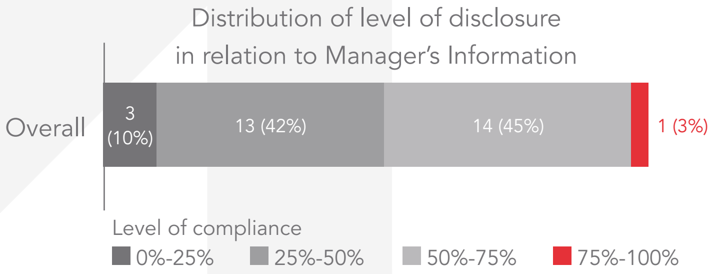
IFRS or other local reporting standards may or may not address the requirements for information to be included in a manager's report or management discussion and analysis. Such requirements are generally determined by local laws and regulations. The Reporting Guidelines recommend that the manager's report should contain information relevant to gaining an understanding of the overall performance of the fund and factors that may affect performance in the future. The core principles consist of the disclosure of:

- Principal activities and review of business
- Future developments
- Macro-economic factors
- Risks and opportunities
- Post balance sheet events

Table 8

Manager's report	0%-25%	25%-50%	50%-75%	75%-100%
Core	0 (0%)	6 (43%)	7 (50%)	1 (7%)
Value added	0 (0%)	2 (25%)	6 (75%)	0 (0%)
Opportunity	3 (33%)	5 (56%)	1 (11%)	0 (0%)
Single country	1 (4%)	9 (39%)	13 (57%)	0 (0%)
Multi-country	2 (25%)	4 (50%)	1 (13%)	1 (13%)
⩽ 2000	0 (0%)	1 (50%)	1 (50%)	0 (0%)
2001 – 2005	0 (0%)	6 (40%)	8 (53%)	1 (7%)
2006 – 2008	3 (23%)	6 (46%)	4 (31%)	0 (0%)
Percentages may not add up exactly to 100% due to rounding.				

Graph C



In relation to the Manager's Report best practice recommendations, we found that 48% of the reports in the sample complied with more than 50% of the best practice guidelines, while only 3% complied with more than 75% of the guidelines. The top three recommendations on the topic 'Principal Activities and Review of Business' that were adopted in the manager reports related to:

- Information on the principal activities;
- Description of the principal risks and uncertainties facing the fund; and
- Financial information being consistent with the detailed property and financial reports.

Improvement could be made in the following areas:

- Disclosure of returns from all joint ventures
- Discussion of major one-off impacts on the results for the year which could include the effect of unusual abort costs or legal expenses
- Changes in the strategy of the fund

As shown in the table below, the level of compliance with the best practice recommendations for Manager's Reports in respect of future developments and risks & opportunities is comparatively higher than for principal activities and review of business, macro-economic factors and post balance sheet events. Due to the outbreak of the financial crisis in the second half of 2008, investors are particularly concerned with the various risk disclosures including credit risk, interest rate risk, foreign exchange risk and liquidity risk faced by the different types of the funds. The detailed disclosures relating to financial derivatives and various types of swap instruments as required by the current accounting standards are important in the turbulent financial markets. This explains why the 2008 reports include a high level of disclosure in the management report on the topic of risk affecting the fund.

The disclosure of post balance sheet events is also an area where fund managers could include more detailed information.

Table 9

Manager's report	Total	Core	Value added	Oppor-tunity	Single country	Multi-country
Principal activities and review of business	14 (45%)	8 (57%)	6 (75%)	0 (0%)	13 (57%)	1 (13%)
Future developments	19 (61%)	11 (79%)	6 (75%)	2 (22%)	14 (61%)	5 (63%)
Macro-economic factors	16 (52%)	7 (50%)	7 (88%)	2 (22%)	11 (48%)	5 (63%)
Risks & opportunities	23 (74%)	10 (71%)	7 (88%)	6 (67%)	19 (83%)	4 (50%)
Post balance sheet events	10 (32%)	6 (43%)	3 (38%)	1 (11%)	10 (43%)	0 (0%)

Reports complying with the individual guideline.

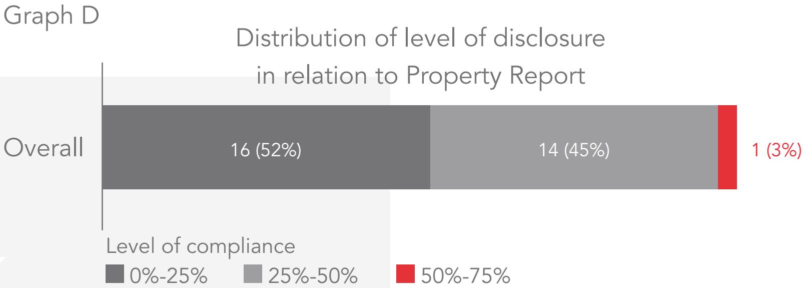
Property report

This section concentrates on disclosures relating to performance at an asset level. Comparative prior year information should be provided where relevant. The core principles of best practice focus on differentiating investment properties and development properties. The key items for investment properties are disclosures relating to the market value, valuation changes, investments and divestments, rental growth and voids. The key items in relation to the development properties are the development strategy, development activities, changes in the development portfolio and committed expenditures for the development properties.

Table 10

Property report	0%-25%	25%-50%	50%-75%	75%-100%
Core	5 (36%)	8 (57%)	1 (7%)	0 (0%)
Value added	2 (25%)	6 (75%)	0 (0%)	0 (0%)
Opportunity	9 (100%)	0 (0%)	0 (0%)	0 (0%)
Single country	11 (48%)	12 (52%)	0 (0%)	0 (0%)
Multi-country	5 (63%)	2 (25%)	1 (13%)	0 (0%)
⩽ 2000	1 (50%)	1 (50%)	0 (0%)	0 (0%)
2001 – 2005	6 (40%)	8 (53%)	1 (7%)	0 (0%)
2006 – 2008	8 (62%)	5 (38%)	0 (0%)	0 (0%)
Percentages may not add up exactly to 100% due to rounding.				

Graph D



For this section of the Guidelines more than 97% of the reports in the sample complied with less than 50% of the Guidelines, which indicates that particular emphasis will be required on this area to improve the transparency of disclosure of performance at an asset level.

Table 11

REF *	Best Practice Recommendations	% **
32	A summary of the properties and their market value	71
33	Disclose the total property revaluation amount and the significant buildings separately	61
34	Provide an analysis of like for like movements of the valuation and by rental income on property held in current and comparative year	32
35	Disclose gains and losses on disposals of buildings	16
36	Provide commentary on rental growth	35
37	Disclose the lease renewal profile, and include details of contracted rental increases	5
38	Explain the trends in new leases and incentives offered	3
39	A summary of the voids within the portfolios should be disclosed and the basis on which the void has been calculated	19
40	Depending on the materiality of the development portfolio, the activity should be described	52
41	Discuss the development strategy and pipeline	29
42	Quantify the amount of property development being undertaken, the amount transferred to investment properties and the amount sold during the year	17
43	Discuss developments being undertaken at existing properties, for example, renovations, extensions and improvements	23
44	Quantify the cost and committed expenditures for key development properties	26
45	Show the portfolio broken down into segments relevant to the Fund e.g. by sector and geography	39
46	Disclose tenant concentration, by either theoretical (ERV) or actual rental	10

* Reference number refers to the Guidelines (See Appendix A)
** % of Reports complying with the individual guideline

As shown in the above table, those guidelines with higher compliance levels all related to the market value/revaluation, either at an aggregate level or with the significant properties shown separately. More than 50% of the sample also made disclosures regarding the nature of their development activities.

Other than for these items, the level of compliance runs at 39% or less for the other best practice recommendations for the property report. Disclosure levels for information relating to the tenant profiles, the lease renewal profile and new leases and incentives are particularly low. This may reflect the greater commercial sensitivity attached to such information.

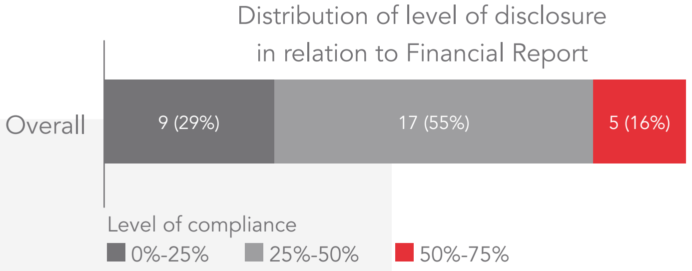
Financial report

The best practice recommendations for financial statements encourage funds to include a review by the management, which describes and explains the main features of the enterprise's financial performance and position. The main features to be disclosed cover the net asset value of the fund and its debt structure, together with a risk analysis which relates to interest rate risks, foreign exchange exposures, and financial instruments.

Table 12

Financial report	0%-25%	25%-50%	50%-75%	75%-100%
Core	3 (21%)	8 (57%)	3 (21%)	0 (0%)
Value added	1 (13%)	5 (62%)	2 (25%)	0 (0%)
Opportunity	5 (56%)	4 (44%)	0 (0%)	0 (0%)
Single country	5 (22%)	13 (56%)	5 (22%)	0 (0%)
Multi-country	4 (50%)	4 (50%)	0 (0%)	0 (0%)
⩽ 2000	0 (0%)	1 (50%)	1 (50%)	0 (0%)
2001 – 2005	1 (7%)	11 (73%)	3 (20%)	0 (0%)
2006 – 2008	7 (54%)	5 (38%)	1 (8%)	0 (0%)
Percentages may not add up exactly to 100% due to rounding.				

Graph E



For this section of the Guidelines, only 16% of the reports in the population complied with more than 50% of the guidelines. The majority of funds complied with between 25%-50% of the guidelines in this area. On financial report related disclosures, the core and value added funds had a slightly higher compliance level than opportunistic funds.

Table 13

REF *	Best Practice Recommendations	% **
52	All significant components of profits should be analysed and discussed. For example, operating profit, valuations movement and realised profits on disposal of assets	61
53	Distributions per ownership interest	29
54	Adjusted NAV showing adjustments made	3
55	Details of the results and net asset split (by sector/geography etc) as relevant to the fund	13
56	Disclose new debt arranged during the year, including structure and security	71
57	Discuss the total amount of debt and change from prior year	87
58	Explain the Fund's gearing policy	38
59	Discuss the debt strategy of the Fund, for example, extent of reliance on asset specific secured bank financing, unsecured bond issues, available facility, how much debt is non-recourse, etc	61
60	Disclose and/or discuss the different combinations of debt	61
61	Discuss Fund financial ratios, for example, interest cover, debt to asset ratios and the Fund's general compliance with these	11
62	Discuss maturity and interest rate profile of debt, for example. Weighted average term of debt, weighted average interest rate, % amount of fixed or floating debt, and any actions taken by the Fund to address expiries	81
63	Discuss the fair value of financial instruments, movement year on year, reasons for movement, and the impact on net assets per share	52
64	Discuss foreign exchange exposures, including amounts and why they arise. Address how the Fund manages this exposure through the use of foreign exchange contracts, cross currency interest rate swaps, and matching of assets and liabilities in the same currency	24
65	Include a summary of interest rate instruments (e.g. a table detailing principals and rates of swaps outstanding for 1-year and 5-years)	48

* Reference number refers to the Guidelines (See Appendix A)

** % of Reports complying with the individual guideline

In terms of the individual best practice recommendations as shown in the table above, those with higher levels of compliance related to the discussion on the total amount of debt and change from prior year and the maturity and interest rate profile of the funds debt.

Amongst the areas where there appears to be a particular need for improvement are the disclosure of adjusted NAV showing the relevant adjustments, disclosure of details of the results and net asset split (e.g by geography, sector etc), and discussion of fund financial ratios.

The above findings showed that the best practice recommendations with high levels of compliance are those typically required under the various generally accepted accounting principles.

Valuer's statement

The best practice recommendations focus on the proportion of property which has been subject to an independent external valuation along with references to the name and qualifications of the valuer and date of the valuation. In relation to best practice on the valuers' statement, 39% of the reports in the population disclosed such information. 48% of the population disclosed the information regarding the valuation method used for investment property, property under construction and ground leases, as well as applicable input and market assumptions.

Financial statements

The guidelines recommend the provision of full GAAP financial statements to investors, as opposed to summary or simplified financial statements. These should contain:

- Balance sheet
- Income statement
- Statement of changes in equity
- Cash flow statement and
- Notes to the financial statements

More than 90% of the reports under review disclosed full GAAP financial statements. The primary statements are the basic requirements for all the accounting standards and the cases of non-compliance with such disclosures relate to those fund managers that only provide quarterly or semi-annual financial reports.

06
RESULTS OF REVIEW OF MARKET BEST PRACTICE IN COMPARISON TO CORPORATE GOVERNANCE PRINCIPLES AND GUIDELINES

In this review, we also included the analysis of funds' best practice in comparison to the Corporate Governance Principles and Guidelines.

The objective of the Corporate Governance Principles and Guidelines is:

> *To identify the principles and guidelines relating to corporate governance in non-listed real estate vehicles, identifying seven core principles, ranging from diligence and integrity, to the duty of managers to act in the interests of fund investors, along with alignment of interests, and handling conflicts of interest.*

According to the received reports, only 5 out of 31 of the population have disclosures about their corporate governance in the annual report. It is evident that non-listed funds still have ample room, and perhaps necessity, for improvement of their reporting related to corporate governance in their annual reports. ANREV expects that disclosure on corporate governance in reporting to stakeholders will increase in coming years, not only due to changing market circumstances, but also due to the further standardisation of reporting in the market for non-listed real estate funds.

One of the greatest shocks from the financial crisis has been the widespread failure of risk management. In many cases, risk was not managed properly on an enterprise basis and not adjusted to corporate strategy. During the turbulent times, both financial and non-financial companies face a similar range of risks that need to be managed including operational and strategic risks. Improved corporate governance provides a higher level of investor confidence from international investors and thus increases the stability of local equity and other capital markets. There are thus significant benefits to be achieved from encouraging good corporate governance and the associated reporting disclosures in Asia.

It is the first time that ANREV has carried out a study of corporate governance for the Asian real estate funds. Such research is designed to expand and deepen the level of knowledge on corporate governance in Asian countries with the ultimate objective of generating a model/models for corporate governance that are unique to the Asian corporate/business setting. The goal is to enhance the standards of Asian real estate funds' corporate governance to an appropriate level that supports the development of the market for non-listed Asian real estate funds.

07
RESULTS OF THE REVIEW OF MARKET BEST PRACTICE

As part of our review, we have sought to identify examples of best practice already present in the non-listed Asian real estate fund market, which may serve as a guide to other fund managers regarding those areas of reporting where improvements in reporting may be easily achievable.

This section provides an overview of the areas where we have identified suitable examples, which will be publicized to the members at the ANREV conference.

Adjusted NAV

In just one of the 31 reports reviewed in our study an adjusted NAV or equivalent was disclosed. The NAV is one of the most critical components for investors in the evaluation of the quality of the real estate held by investment funds and the market performance of the real estate funds.

Due to the variety of reporting GAAP adopted by different real estate fund managers, the disclosure of NAV according to consistent principles is particularly valuable to investors.

It is of importance to have some guidance on how to calculate the adjusted NAV to enhance the comparability and consistency of information reported by different real estate funds. ANREV will provide more guidance on the calculation of NAV with the objective of providing fund managers with guidance on how to calculate and disclose adjusted NAV in the financial statements of their non-listed real estate funds. This should lead to greater transparency and comparability regarding the performance of different types of funds with different lives and enable investors to understand the information provided.

Disclosure of segmental information regarding the portfolio properties

In 12 of the 31 reports reviewed the returns of properties were disclosed by the different segments held. Therefore the majority of the annual reports simply disclosed the returns from the properties on an aggregate basis. Given the fact that the risks and returns of the different types of property, or property in different geographical locations, may vary widely, investors will clearly be interested to see analysis presented by fund managers which identifies such variances in performance of their portfolio.

08
CONCLUSIONS AND NEXT STEPS

General conclusions

Based on the results of our 2009 research, it is evident that the level of compliance with the INREV reporting and corporate governance guidelines by Asian real estate funds is low. The fact that only 23% of the reports reviewed complied with more than 50% of the individual guidelines clearly illustrates that there is plenty of scope for improvement.

The Guidelines require disclosures which are not mandatory in the sense of those disclosures required by accounting standards. However, those fund managers that provide the additional voluntary disclosures envisaged under the INREV guidelines, for example on the financial information, property valuation and fund strategy of their investment funds will provide greater insights for investors to evaluate their investments, which should make their funds more attractive to investors.

Through the coming promotion of the Guidelines to increase the awareness of the fund managers in the areas of financial reporting and corporate governance, it is hoped that the reports will conform more closely to the Guidelines in the future and provide more useful information to the investors.

Next steps

After the release of the findings of this research report, the participating fund managers will receive individual feedback on their reports in the coming months.

ANREV plans to lead the promotion of the Guidelines in the Asian market in the coming year, with a series of educational events to spread awareness of the Guidelines and explain aspects of their implementation. The precise form of the programme will depend upon feedback from investors.

ANREV also intends to gather feedback from investors and fund managers regarding the current form of the Guidelines, with a view to determining if there are any aspects of the Guidelines that require amendment to suit the specific characteristics of the Asian market.

The Review of Reporting Best Practice for Non-listed Real Estate Vehicles in Asia will be repeated next year for the purposes of tracking developments in reporting practices over the next 12 months.

APPENDIX A: THE INREV REPORTING GUIDELINES

This appendix provides an introduction to and summary of the INREV Reporting Guidelines, and is reproduced with the permission of INREV.

1. INTRODUCTION

Objective

INREV's objective in establishing its reporting guidelines is to provide investors with information in order to be able to consider a fund's future outlook, particularly its key risks and opportunities, and the major drivers of historical performance.

Application of the Guidelines

The underlying strategy, size and complexity of funds differ considerably, and so flexibility must be allowed in the implementation of these guidelines in order to optimise clear reporting. It is acknowledged that these guidelines are currently drafted to be most relevant to those funds which are closest to a 'core' strategy. They are not as appropriate to those funds which have a highly 'opportunistic' strategy. It is expected that fund managers will explain to investors any significant departures.

Presentation of the Reporting Guidelines

This appendix sets out the reporting guidelines for non-listed real estate funds. The guidance itself is split between 'Best practice recommendations' and 'Further guidance'. Whilst it is expected that fund managers will include the former where material, 'Further guidance' has been included so as to indicate those areas where further information is considered desirable but not required. If a fund manager states that their financial statements have been prepared in accordance with the INREV Reporting Guidelines, all 'Best practice recommendations' should be included where applicable. Application of 'Further guidance' should be considered so as to increase the overall transparency of the annual report.

The guidance is divided into sections, which are typically used in financial statements. When reporting to investors, the fund manager should consider and observe the following reporting principles:

- *Relevance*
  The information provided should allow investors to monitor their investment;
- *Transparency*
  The information on all relevant topics regarding the evaluation of the Fund's performance should be communicated to investors in a transparent manner;
- *Consistency*
  The information provided to investors should be consistent over time.

The guidelines have been issued against the background of a changing reporting environment and evolving best practice. Consequently they will be kept under regular review and updates to best practice will be provided.

There are a number of areas within the reporting guidelines, such as the Valuer's Statement, where it has been identified that further guidance is required and the INREV Reporting Committee will research and provide this guidance. Further, the INREV Reporting Committee interacts with other committees, such as the INREV Corporate Governance Committee, and these guidelines refer to the outputs of these committees where appropriate.

INREV Website

The INREV website, www.inrev.org (under Industry Guidelines), has the current version of the reporting guidelines as well as the two further reporting documents as described below:

PRO FORMA FINANCIAL STATEMENTS

A simple template which can act as a starting point from which a full set of financial statements can be produced. This is not intended to be prescriptive and certain disclosures required by IFRS or Local GAAP and regulations may not be included.

BEST PRACTICE REPORTING DATABASE

Whilst the guidelines give guidance on what should be included in the fund reporting, the INREV Reporting Committee has deliberately not included 'mandated' examples as it is considered that this 'one size fits all' attitude would go against the underlying principles of the guidelines. However it is recognised that many users would like further information than that included in the Reporting Guidelines or the pro forma financial statements. Accordingly a database of examples of Best Practice reporting has been produced. It is intended that this will be updated on a regular basis as further examples of good practice become available. Please contact INREV with your own examples of Best Practice so that they can be considered for inclusion on the website.

Annual Reporting vs Other Investor Reporting

As part of the extensive consultation project to produce these guidelines, some members noted that many of the guidelines, and predominantly those in excess of the GAAP, applied to their annual reporting, were disclosed within other investor communications, for example quarterly reports, distribution notices etc.

This document is written with the intention of being applied to the annual financial statements and not to other forms of reporting. The INREV Reporting Committee has acknowledged the concerns of duplicating information, and, having also noted that information outside of the annual accounts has not necessarily been subject to the same rigorous external review as the annual accounts, take the view that the fund manager should discuss with investors the requirement for how the information should be presented to them.

However, if the decision is taken not to present the best practice recommendations in the annual report then a statement of compliance with INREV's Reporting Guidelines could not be made.

2. DEFINITIONS

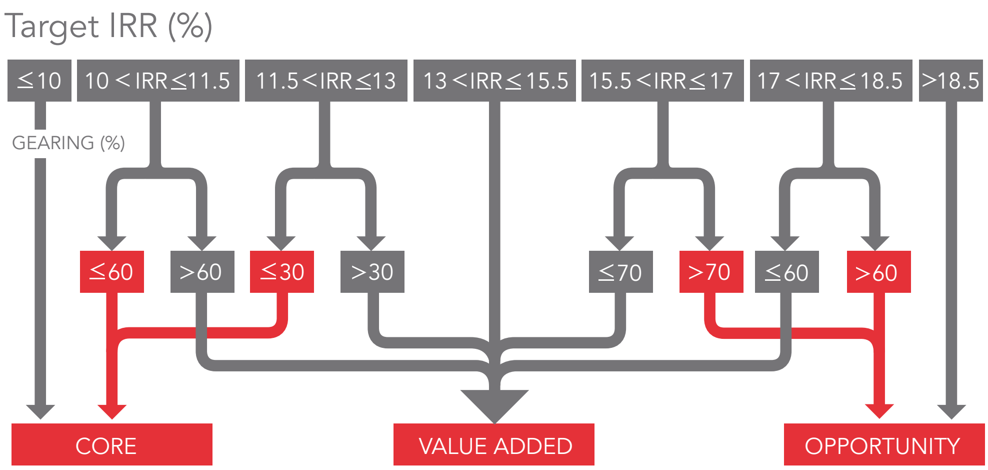
The following definitions apply:

WORDING	MEANINGS
Corporate governance	Corporate governance is the relationship between corporate managers, directors and the providers of equity, people and institutions who save and invest their capital to earn a return. It ensures that the board of directors is accountable for the pursuit of corporate objectives and that the organisation itself conforms to the law and regulations.
Open ended funds	A fund is open ended if: – no formal limit is placed upon the maximum amount of capital which may be invested into the fund; – trading takes place either through the fund on an issue/ redemption basis or through a matched bargain basis; and – the issue/redemption of units is subject to, inter alia, conditions as to price Notes An investor in an open ended fund can be issued/redeem units directly through the manager at a price based on the net asset value of the fund often with appropriate issue or redemption fees or costs. These costs are set by the manager within the constraints of the fund documentation. Capital outflow in an open ended fund structure occurs as investors exercise the right to redeem. Capital inflow can happen in two instances: – hrough subscriptions, whereby the fund opens (monthly, quarterly, annually) to new investors; and/or – through additional leverage which involves the sourcing of debt from a financial institution to increase the size of a fund. In some cases additional leverage is used in the situation where redemptions outweigh subscriptions in a particular period. Open ended funds can either have a finite or infinite life, but typically have an infinite life. Recommendation Where an open ended fund has conditions applying to the issue / redemption of units (whether such conditions apply to price, notice periods, amounts, payment periods or other matters) such conditions should be clearly stated by the manager and disclosed in all marketing / reporting material used by the fund. To be defined as an open ended fund the notice period for redemption of the whole investor's holding should be no longer than 12 months and the fund manager's suspension rights should be for a finite period no longer than 2 years.

WORDING	MEANINGS
Closed ended funds	A fund is closed ended if: – a formal limit is placed upon the maximum amount of capital which may be accepted into the fund without existing investors' consent; – it has a finite life; – there is limited liquidity, but investors wishing to purchase a stake in the fund may buy units from existing investors (once the fund is closed); and – redemption of units at the investors' choice can otherwise only occur at end of the life of the fund, and / or at interim periods of over 12 months notice. Notes Fund managers have a first closing where the fund manager sets a date for initial equity commitments, after which the commitment period commences and investment begins. Depending on the success of the capital raising in the period up to first closing and the fund manager's ability to seed the fund, subsequent closings may take place to allow further equity investment, the last of which is a final closing. Once the investment period has elapsed, all proceeds from disposals are distributed to investors. In a fund with a life over 10 years, it is typical to see redemption mechanisms of periods greater than 1 year.
Core fund	A core fund is a fund where: – the fund assets provide stable income returns which are a key element of the total return; – its overall target return (post tax and fees) is up to 11.5% per annum or its target return (post tax and fees) is less than 1% above a specified property or peer group; and – its permitted capital leverage ratio is below 60% of gross asset value. Core funds are seen as low risk funds that invest in stabilised, income producing property which is held typically for 5 – 10 years and have little acquisition / disposal activity after the fund has been invested. Assets in such a fund are typified by stable income returns with less capital growth. A core-plus fund invests in similar style assets but adopts a more aggressive management style.

WORDING	MEANINGS
Value added fund	A value added fund is a fund where: – returns are driven by a combination of income and capital return; – its target return (post tax and fees) is between 11.5% and 18.5% per annum or its target return (post tax and fees) is 1 – 3% above a specified property or peer group benchmark; and – ts permitted capital leverage ratio is between 30% and 70% of gross asset value. Value added funds take on higher risk. The higher risk is borne from assets that often require some refurbishment, active asset management and in some cases development.
Opportunistic fund	An opportunistic fund is a fund where: – returns are driven primarily through capital return; – its target return (post tax and fees) is in excess of 18.5% per annum or its target return (post tax and fees) is greater than 3% above a specified property or peer group benchmark; and – its capital leverage ratio is in excess of 70% gross asset value. Opportunistic funds are generally of a high-risk nature that can involve developments without pre-letting, acquisition of distressed assets, large portfolio acquisitions and re-packaging.

Fund style definitions:



The reporting guidelines have been split into General Information, Manager's Report, Property Report, Financial Report, Valuer's Statement, Corporate Governance and Financial Statements as a means of giving them structure. It is not intended to prescribe where information should be disclosed.

Where key performance indicators are used they should be used consistently between periods to ensure that the results are comparative.

Items should only be disclosed when material or significant.

In the following sections, the reference numbers are shown in dark blue which are strongly recommended to be disclosed in order to comply with INREV best practice; while the reference numbers are shown in light blue which are suggested for best practice.

REF	BEST PRACTICE RECOMMENDATIONS
REF	FURTHER GUIDANCE / 'Optional'

3. GENERAL INFORMATION

The following definitions apply:

REF	BEST PRACTICE RECOMMENDATIONS
1	Give details of governance, management and administration; for example, third party administrator, trustee, general partner, valuers etc.
2	Domicile, legal form and structure of Fund.
3	Investment stage of the Fund by geography and/or segment e.g. commitment, divestment etc.
4	Current monetary commitment of the investors to the Fund.
5	Key milestone dates.

REF	FURTHER GUIDANCE
6	Contact details of offices of the Fund.
7	In a tabular form detail the significant events affecting the Fund during the year and since year end to assist clarity.

4. MANAGER'S REPORT ON THE FUND

Overview

International Financial Reporting Standards do not address the requirements for information to be included in a directors' report or financial review. Such requirements are generally determined by local laws and regulations. IAS 1 does not require an entity to present, outside the financial statements, a financial review by management that describes and explains the main features of the entity's financial performance and financial position and the principal uncertainties that it faces. Reports and statements presented outside financial statements are also outside the scope of IFRS. However, best practice is to ensure that where a financial review is presented, its information is balanced and consistent with the disclosures in the financial statements.

The manager's report should contain information relevant to gaining an understanding of the overall performance of the Fund and factors that may affect performance in the future.

4.1 Principal Activities and Review of Business

REF	BEST PRACTICE RECOMMENDATIONS
8	The principal activities of the Fund and its subsidiary undertakings and significant changes during the year.
9	A description of the principal risks and uncertainties facing the Fund.
10	An analysis of the development and performance of the Fund during the financial year and of its position at the year end.
11	Present and discuss relevant key financial performance indicators.
12	New investments and realisations should be disclosed together with valuation changes where significant.
13	Discuss the current development of the fund's investment property portfolio in each segment, for example: occupancy level, tenant profile by area occupied, average rent, the percentage of newly developed property that has been pre-let, etc.
14	Any changes in the strategy of the Fund.
15	Significant changes to the management of the Fund, and/or the general partner/ manager.
16	Financial information should agree with the detailed property and financial reports.
17	Discuss major one off impacts on the result for the year which could include the effect of unusual abort costs or legal expenses.
18	Disclose returns from all joint ventures.
19	Disclose returns from non-property investments.

REF	FURTHER GUIDANCE
20	Discuss strategy for any significant new acquisitions or sales during the period.
21	Discuss property yields by sector and geography.
22	An analysis relating to environmental matters and employee matters
23	Present a short high level summary of the strategy of the fund.
24	The manager should include any definitions which are not included in or are different to those within the INREV Core Definitions Paper.

4.2 Future Developments

REF	BEST PRACTICE RECOMMENDATIONS
25	Provide an indication of the likely future developments in the Fund's business.

REF	FURTHER GUIDANCE
26	Provide an indication of the likely future developments in the Fund's business AND this should be linked to how they will impact on the achievement of the fund objectives.

4.3 Macro-Economic Factors

REF	BEST PRACTICE RECOMMENDATIONS
27	Discuss macro-economic factors which may have affected and have a future effect on the results of the Fund, especially the growth in economy and its effect both on demand for new rentals and on the supply of property across the industry, changes to government taxation on the structure and the effect of interest rates.

4.4 Financial Instruments and Strategy

REF	FURTHER GUIDANCE
28	Discuss the financial risk management objectives and policies of the Fund, including the policy for hedging and gearing for each major type of transaction.
29	Discuss the exposure of the entity to credit risk, liquidity risk and cash flow risk. Also consider price risk when developments are involved.

4.5 Risk and Opportunities

REF	BEST PRACTICE RECOMMENDATIONS
30	Describe the principal risks affecting the fund which may include items such as – Foreign exchange; – Interest rates; – Tenant debtors; and – Lease expiry profile.

4.6 Post Balance Sheet Events

REF	BEST PRACTICE RECOMMENDATIONS
31	Details of all significant events affecting the Fund since the year end.

5. PROPERTY REPORT

This section concentrates on the performance at an asset level. Comparative prior year information should be provided where relevant. It will contain more detail then the Fund performance narrative.

REF	BEST PRACTICE RECOMMENDATIONS
32	A summary of the properties and their market value.
33	Disclose the total property revaluation amount and the significant properties separately.
34	Provide an analysis of like for like movements of the valuation and by rental income on property held in current and comparative year.
35	Disclose gains and losses on disposals of properties.
36	Provide commentary on rental growth.
37	Disclose the lease renewal profile, and include details of contracted rental increases.
38	Explain the trends in new leases and incentives offered.
39	A summary of the voids within the portfolios should be disclosed and the basis on which the void has been calculated.
40	Depending on the materiality of the development portfolio, the activity should be described.
41	Discuss the development strategy and pipeline.
42	Quantify the amount of property development being undertaken, the amount transferred to investment properties and the amount sold during the year.
43	Discuss developments being undertaken at existing properties, for examples, renovations, extensions and improvements.
44	Quantify the cost and committed expenditures for key development properties.
45	Show the portfolio broken down into segments relevant to the funds e.g. by sector and geography.
46	Disclose tenant concentration, by either theoretical (ERV) or actual rental.

REF	FURTHER GUIDANCE
47	Provide an analysis of rental income by type/industry etc of occupier in order to identify concentration risk.
48	Provide an analysis of rental income by sector and/or location.
49	Disclose average yields achieved, broken down to relevant segments.
50	If significant, disclose details of service charge recoveries, debt write off's, outstanding rent reviews and vacancy rates.
51	Provide an analysis of like for like movements of the valuation by systematic and market yield movement to distinguish value movement between general cap rate movements and that derived by the manager.

6. FINANCIAL REPORT

For financial statements, IAS 1.9 encourages enterprises to include a review by management, which describes and explains the main features of the enterprise's financial performance and position. Where non-statutory numbers are disclosed, it should be clear that these differ from the statutory numbers. The equivalent statutory number should be disclosed and there should be reconciliation between the statutory and non-statutory numbers.

REF	BEST PRACTICE RECOMMENDATIONS
52	All significant components of profit should be analysed and discussed. For example, operating profit, valuations movement and realized profits on disposal of assets.
53	Distributions per ownership interest.
54	Adjusted NAV showing adjustments made.
55	Details of the results and net asset split (by sector/geography etc) as relevant to the Fund.
56	Disclose new debt arranged during the year, including structure and security.
57	Discuss the total amount of debt and change from prior year.
58	Explain the Fund's gearing policy.
59	Discuss the debt strategy of the Fund, for example, extent of reliance on asset specific secured bank financing, unsecured bond issues, available facility, how much debt is non-recourse, etc.
60	Disclose and/or discuss the different combinations of debt.
61	Discuss Fund financial ratios, for example, interest cover, debt to asset ratios and the Fund's general compliance with these.
62	Discuss maturity and interest rate profile of debt, for example, weighted average term of debt, weighted average interest rate, % amount of fixed or floating debt, and any actions taken by the Fund to address expiries.
63	Discuss the fair value of financial instruments, movement year on year, reasons for movement, and the impact on net assets per share.
64	Discuss foreign exchange exposures, including amounts and why they arise. Address how the Fund manages this exposure through the use of foreign exchange contacts, cross currency interest rate swaps, and matching of assets and liabilities in the same currency.
65	Include a summary of interest rate instruments (e.g. a table detailing principals and rates of swaps outstanding for 1-yr and 5-yrs).

REF	FURTHER GUIDANCE
66	Details of actual gearing together with target gearing if relevant.
67	Five year track record of the Fund and, or since inception.
68	Detailed results table.
69	Comparison of the Fund's performance against relevant index. Please note that INREV annually publishes an Index but it is currently not yet considered an appropriate benchmarking tool. However, it is INREV's intention to further develop the INREV Index and in time it will be moved to 'Best practice'.
71	Disclose changes in net interest expense due to changes in interest rates and level of debt.

7. VALUER'S STATEMENT

For financial statements, IAS 1.9 encourages enterprises to include a review by management, which describes and explains the main features of the enterprise's financial performance and position. Where non-statutory numbers are disclosed, it should be clear that these differ from the statutory numbers. The equivalent statutory number should be disclosed and there should be reconciliation between the statutory and non-statutory numbers.

REF	BEST PRACTICE RECOMMENDATIONS
72	The proportion of property which has been subject to an independent external valuation should be disclosed, along with references to the name, qualifications, and date of such valuation.

REF	FURTHER GUIDANCE
73	All property should be valued on an annual basis.

8. CORPORATE GOVERNANCE

Please see the INREV website www.inrev.org (under Industry Guidelines) for further guidance.

9. FINANCIAL STATEMENTS

REF	BEST PRACTICE RECOMMENDATIONS
74	Full GAAP financial statements should be provided to investors, as opposed to summary or simplified financial statements. These should contain: – Balance sheet; – Income statement; – Statement of changes in equity; – Cash flow statement; and, – Notes to the financial statements.
75	Carried interest/performance fees should be disclosed where not already accrued by the Fund when the performance criteria are met. They should not be accounted for on a cash basis.

APPENDIX B: OVERVIEW OF THE INREV GUIDELINES

Guidelines For A Secondary Market (February 2006)

The first published guidelines were the Secondary Market Guidelines, providing a framework for the evolution of a secondary market in non-listed real estate funds.

Core Definitions (December 2006)

The Core Definitions provide a set of definitions for the non-listed real estate industry.

Corporate Governance Principles And Guidelines (December 2006)

The Corporate Governance Principles and Guidelines identify the principles and guidelines relating to corporate governance in non-listed real estate vehicles, with seven core principles, ranging from diligence and integrity, to the duty of managers to act in the interests of fund investors, along with alignment of interests, and handling conflicts of interest.

Reporting Guidelines (March 2007)

The guidance has been broken down into three sections. The publication's first section concentrates on the management information part of the annual report and provides investors with the information they require.

1. Best Practice Reporting Guidelines
2. Pro Forma Financial Statements *
3. Best Practice Reporting Database *.

* Sections 2 and 3 contain examples of best practice for financial reporting.

Due Diligence Protocol (April 2007)

The Due Diligence Protocol aims to create an industry standard for the investment evaluation questionnaire (or request for proposal), to be used in the initial stage of fund or investment manager selection. The protocol also recommends a basic, heading-level structure for Private Placement Memoranda (PPM).

INREV Net Asset Value (September 2007)

Contains the calculation principles for the Net Asset Value of non-listed real estate funds.

Fee Metrics Guidelines (September 2007)

A set of Fee Metrics for the analysis of expense ratios and fee structures for non-listed real estate funds.

Principles And Guidelines For Property Valuation (September 2008)

Principles and best practice recommendations for the valuation of properties, based on requirements from investors in non-listed real estate funds.

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