FINANCIAL REPORTING BY PROPERTY COMPANIES IN EUROPE IN 2011

MAZARS INSIGHT
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**NOTA BENE**

(1) - The examples presented in this document are provided for illustrative purposes only. They are not intended to embody the full range of best practices noted during the survey.
1. INTRODUCTION

1.1. OBJECTIVES OF THE SURVEY

Within the context of the industry concentration embodied in a certain number of transactions that accrued during the course of 2011, Mazars surveyed a sample of financial reports of property companies that are subject to European listings. The purpose was to analyse such companies’ financial reporting for 2011 using their annual reference documents and associated press material for 2011 as a basis.

For the sample of listed European property companies mentioned below, Mazars:

- Assessed the degree of compliance with the most recent recommendations issued in particular by EPRA(1) and AMF (the French financial markets authority);
- Compared the companies’ communication modes;
- Identified a few representative illustrations; and
- Examined the evolution of certain indicators.

The survey focuses on three major themes:

- The main accounting standards applicable to property companies: are differences in interpretation of IFRS perceptible within our European sample?
- Reporting within a context of financial crisis: does financial reporting change in times of crisis?
- Key data for financial analysis: what is the main data used by the financial analysts?

1.2. SAMPLE

The survey was performed between March and June 2012 based on companies’ registration documents and press releases for their financial years ended 31 December 2011 or 31 March 2012. Within their reference documents, the survey focused on the annual financial statements.

(1) - EPRA : European Public Real Estate Association
Introduction

The sample comprised the following ten European property companies:

- British Land
- Corio
- Foncière des Régions
- Gecina
- Hammerson
- Icade
- Klépierre
- Land Securities
- Société Foncière Lyonnaise
- Unibail-Rodamco

The sample was selected on the basis of property held and stock market capitalisation in 2011. It represents:

- 6 companies listed in France and 4 elsewhere (3 in the UK and 1 in the Netherlands);
- companies located within the Eurozone;
- Total stock market capitalisation of €42 billion; and
- Total property holdings of €94 billion including 55% of commercial property and 30% of offices.

1.3. LIMITATIONS OF THE SURVEY

The survey focuses on the selected themes mentioned above and is not intended to cover the whole range of financial reporting issues faced by the property sector. It is not intended to provide any opinion on the part of Mazars as to the quality of the financial information reported by the companies surveyed.
2. THE MAIN ACCOUNTING STANDARDS APPLICABLE TO PROPERTY COMPANIES

2.1. IAS 40 - INVESTMENT PROPERTY

The objective of the standard is to prescribe the accounting treatment for investment property and related disclosure requirements.

The standard requires investment property to be measured initially at cost including transaction costs such as legal fees, property transfer taxes etc.

Subsequently, the property company must choose either fair value or amortised cost as its accounting policy, applying that policy on a uniform basis to all of its investment property. Fair value is determined without any deduction for transaction costs which may be incurred on sale or other disposal, and must reflect the market conditions applicable at the balance sheet date.

Under the fair value option, gains or losses arising from changes in fair value must be recognised in profit or loss for the period in which they arise, thereby resulting in greater volatility of results in response to the state of the property market.

Companies that opt for the amortised cost model must provide fair value information as an additional disclosure.

EPRA recommends use of the fair value model and suggests specific justification of the reasons for the use of the amortised cost model.

IAS 40 was amended in 2008. The amendment, applicable on a prospective basis to accounting periods beginning on or after 1st January 2009, expanded the scope of IAS 40 to include property under construction or development for future use as an investment property. Such property previously fell within the scope of IAS 16. Most property companies have defined practical criteria for application of the amendment (contractual arrangements, degree of completion etc.).
The main accounting standards applicable to property companies

The fair value model has been applied by 80% of the property companies surveyed:

Investment property valuation model

<table>
<thead>
<tr>
<th>Number of property companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amortised cost</td>
</tr>
<tr>
<td>Fair value</td>
</tr>
</tbody>
</table>

As regards the two companies using the amortised cost model:
- Both provide the requisite fair value information as an additional disclosure; and
- Neither justifies its recourse to amortised cost.

2.2. IFRS 5 - ASSETS HELD FOR SALE

The objective of the standard is to specify the accounting treatment for assets held for sale, and the presentation and disclosure of discontinued operations.

The standard requires a non-current asset to be classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets and its sale must be highly probable.

For the sale to be highly probable, the following criteria should apply:
- The appropriate level of management must be committed to a plan to sell the asset and an active programme to locate a buyer and complete the plan must have been initiated;
- The asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value; and
- The sale should generally be expected to be completed within one year.

Assets held for sale must be classified separately from other assets in the balance sheet, and measured at the lower of their carrying amounts and fair values less costs to sell.
Within our sample, only the six property companies listed in France disclosed any "Non-current assets held for sale". On average, 4% of their investment property was so classified and reported on as follows:

### Reporting under IFRS 5

<table>
<thead>
<tr>
<th>Accounting policy paragraph devoted to the standard</th>
<th>Reference to the standard</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of property companies</td>
<td></td>
</tr>
<tr>
<td>0</td>
<td>2</td>
</tr>
<tr>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>

The following figure summarises the classification criteria used by listed property companies in France:

### Classification criteria

<table>
<thead>
<tr>
<th>Assets subject to a sale contract or other commitment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group commitment to sale of an asset (or group of assets)</td>
</tr>
<tr>
<td>Management plan for sale</td>
</tr>
<tr>
<td>Number of property companies</td>
</tr>
<tr>
<td>0</td>
</tr>
<tr>
<td>1</td>
</tr>
<tr>
<td>2</td>
</tr>
<tr>
<td>3</td>
</tr>
<tr>
<td>4</td>
</tr>
<tr>
<td>5</td>
</tr>
</tbody>
</table>

#### 2. 3. IAS 23 (AMENDED) - BORROWING COSTS

IAS 23 specifies that borrowing costs must be recognised as an expense in the period in which they are incurred. But, with effect from accounting periods beginning on or after 1st January 2009, borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset form part of the cost of that asset and, therefore, must be capitalised. The IASB\(^{(1)}\) has thus eliminated the previous option for immediate write-off of such financing costs.

\(^{(1)}\) - IASB: International Accounting Standards Board
A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.

The following disclosure is required:

- The amount of borrowing costs capitalised during the period; and
- The capitalisation rate used.

Within our sample, the reporting of borrowing costs directly attributable to the construction of property under development is very heterogeneous (little information on individual assets, overall information occasionally provided...).

2. 4. IAS 39 - FINANCIAL INSTRUMENTS

The objective of IAS 39 is to establish principles for recognising and measuring financial assets and financial liabilities. Special rules apply to embedded derivatives and hedging instruments.

When a financial asset or financial liability is recognised initially, an entity must measure it at its fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Property companies may apply hedge accounting if the requisite criteria of documentation and formal designation of the hedging relationship are complied with. If so, two main hedging models are available:

- **Fair value hedging**: hedging of the exposure to changes in fair value of a recognised asset or liability or a previously unrecognised firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect profit or loss.

- **Cash flow hedging**: hedging of the exposure to variability in cash flows that:
  - Is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction; and
  - Could affect profit or loss.
Eligible fair value hedges must be accounted for as follows:

- The gain or loss from remeasuring the derivative hedging instrument at fair value is recognised in profit or loss; and
- The gain or loss on the hedged item attributable to the hedged risk adjusts the carrying amount of the hedged item and is recognised in profit or loss. This applies if the hedged item is otherwise measured at cost. Recognition of the gain or loss attributable to the hedged risk in profit or loss applies if the hedged item is an available-for-sale financial asset.

Our sample of property companies made the following use of hedge accounting:

The respective proportions are consistent over the geographical zones reviewed:
3. FINANCIAL REPORTING BY PROPERTY COMPANIES WITHIN A CONTEXT OF FINANCIAL CRISIS

3.1. FINANCIAL REPORTING AND FINANCIAL CRISIS

3.1.1. Description of risk factors: country risks

Certain regulatory authorities recommend detailed presentation of the entity’s operations, performance and outlook within sensitive geographical zones and operating segments, focusing on political, economic and social circumstances liable to affect performance and the business outlook.

We have assumed that the applicable sensitive geographical zones are Spain, Greece, Italy and Portugal. Six of our property companies hold assets in those zones and some of them materialise the concept of “country risks”.

Of the six, five express their degree of exposure within those zones and one also highlights a relationship between its country exposure and the trend in its share price.

The level of information provided by the five companies may be summarised as follows:

<table>
<thead>
<tr>
<th>Number of property companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 1 2 3 4 5</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Value of assets located in the sensitive zone(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Name of the country(ies) involved</td>
</tr>
<tr>
<td>Details of country risk (political, economic, social etc. components)</td>
</tr>
<tr>
<td>Details of the financial impact of country risk</td>
</tr>
<tr>
<td>Change in comparison to 2010</td>
</tr>
</tbody>
</table>
Below, we include an illustration of the presentation of assets reflecting qualitative country risk criteria:

![GEOGRAPHIC SPREAD BY VALUE](image1)

![PIPELINE SPREAD BY VALUE](image2)

**GEOGRAPHIC SPREAD BY VALUE**
- Netherlands 29%
- France 27%
- Italy 17%
- Spain/Portugal 10%
- Germany 9%
- Turkey 8%

**PIPELINE SPREAD BY VALUE**
- Netherlands 36%
- France 3%
- Italy 29%
- Spain/Portugal 1%
- Germany 29%
- Turkey 2%

Extract from Corio’s Annual Report 2011

### 3. 1. 2. Description of risk factors: other risks

Certain regulatory authorities recommend other principles for the presentation of risk exposures. We note that that risk factors identified should reflect the reality and specific characteristics of the risks to which the issuer is exposed. It is also considered desirable to provide information on the impact of the risks identified on the entity’s results and net assets.

The risks described are as follows:

- Liquidity risk
- Market risk
- Credit/counterparty risk
- Foreign exchange risk

100% of our sample mention liquidity risk and provide details of payment maturities and of the diversity of their sources of financing.
Financial reporting by property companies within a context of financial crisis

100% equally mention market risk, breaking down their debt and associated hedging instruments by type of interest rate and providing information as to the sensitivity of their debt to changes in interest rates.

As regards credit/counterparty risk, only 30% of our sample provided information as to counterparties’ credit ratings and only 10% provided quantified data as to their exposure to the risk of losing customers.

Finally, of the six out of ten property companies affected by foreign exchange risk, three provided details of their net positions for each of their main foreign currencies.

3. 2. ANALYSIS OF REVALUED NET ASSETS/SHARE PRICE DISCOUNT

Revalued net assets are a key property company indicator. Under IFRS, the indicator reflects items’ fair value and may thus validly be compared to the share price.

3. 2. 1. Historical trend

Revalued net assets (EPRA triple net method) / share price discount
The graph tracks, for the last three years, the discount between revalued net assets under EPRA’s triple net method (excluding changes in the value of financial instruments) and the share price. All assets and liabilities are measured at fair value.

It may be noted that all our sample’s shares have been subject to an increasing discount over that period with the sole exception of Unibail. It may further be noted that the level of discount as at 31/12/2011 is globally comparable to that observed in 2009, i.e. within the range of -20% to -35%. Other details worth noting:

- The five French entities (excluding Unibail) suffer an average discount of 29% compared to 24% for the four companies located outside France;
- The six Eurozone entities (excluding Unibail) suffer an average discount of 29% compared to 23% for the three companies located outside France.

### 3. 2. 2. Debt

- **Average cost of debt**

  ![Market discount - Average cost of debt](chart)

  We note that the average cost of debt varies from 3.6% (Unibail) to 5.2% (Hammerson). The two companies with the highest average cost of debt (Hammerson and Land Securities) are not those subject to the highest discounts.
The average maturity of debt held by the property companies listed in France is four years, compared with twice as long (eight years) for the companies listed outside France. As already noted, the market’s discount in France - excluding Unibail - amounts to an average five percentage points more than for the other companies. An inverse correlation may be observed between average maturity of debt and the level of discount.
### Loan-To-Value (LTV) ratio

The Loan-To-Value (LTV) ratio describes the ratio between the amount of borrowing committed to acquiring an asset and the asset’s value.

- **Discount (%)** vs. **LTV ratio (%)**

A high LTV ratio tends to increase the discount factor as a consequence of gearing. Nevertheless, individual analysis of the data presented by each entity is required:

- Hammerson has the lowest LTV ratio (34%) but its discount factor (29%) is higher than the panel average (24%);
- SFL and Unibail have similar LTV ratios (35.5% and 37%), yet SFL presents a -22% discount and Unibail a +6% premium.

In other words, low gearing appears to provide no guarantee as to a reduced market discount.
3. 2. 3. Assets

- Exposure to sensitive zones

Market discount - Exposure to sensitive zones

As already mentioned, by “sensitive” geographical zones we mean Spain, Greece, Italy and Portugal. The main companies involved are:

- FDR: Italy (33% of sensitive zone exposure);
- Corio: Spain, Italy and Portugal (27% of sensitive zone exposure including 17% to Italy and 10% to Spain and Portugal);
- Klépierre: Greece, Spain, Italy and Portugal (22% of overall exposure including 12% to Italy, 8% to Spain and 2% to Portugal).

These three companies are subject to higher than average market discount (30% as against the average 24%). The geographical exposure to certain countries (Spain, Greece, Italy and Portugal) appears to have a real effect on the level of market discount.
The extent of the average maturity of leases is often quoted by property companies as an element of security.

We note that a specific feature of the three UK listed property companies, is that they possess long leases with average maturity of 9.7 years, compared with 5.4 years on average for the other entities of our sample.

However the security afforded by longer leases does not seem to have a direct impact on market discount (the UK entities have 80% longer leases but their discount is only reduced by 6%). Average lease maturity would not appear to provide any explanation of market discount.
3. 2. 4. Volume of stock market transactions

Liquidity is generally defined as the ability for a share to be traded in at high volume without any major immediate effect on the share price.

**Market discount - Volume of stock market transactions in 2011**

Liquidity within our sample is very heterogeneous: 123% of outstanding Unibail shares are exchanged in the course of a year compared with 61% on average for the other companies.

With the exception of Unibail, the shares of property companies listed in France are not intensively traded in (37% of outstanding shares exchanged in the course of a year). Trading in the shares of property companies listed outside France is more dynamic (92% of outstanding shares exchanged in the course of a year).

The most liquid property companies are subject to lower market discount.
3.2.5. Summary: property company grouping reflecting their market discount

So as to illustrate the difficulty of explaining market discount, we have grouped together three pairs of property companies from our sample of ten, namely those with:

- The lowest discount or existence of a market premium;
- Average discount;
- Significant discount.

**Lowest discount or existence of a market premium**

Lower discounts appear to be closely related to limited exposure to sensitive zones and strong stock market activity.
Average discounts appear to be closely related to limited exposure to sensitive zones and a high LTV ratio.

Significant discounts appear to be closely related to weak stock market activity and a high LTV ratio.

The above illustrations underline the difficulty of identifying tangible indicators capable of explaining market discounts, which nevertheless appear partially to be related to the LTV ratio, country exposure and liquidity.
4. WHAT IS THE KEY DATA FOR FINANCIAL ANALYSIS?

4.1. STRATEGY AND OUTLOOK FOR 2012

The information collated was taken from the companies’ press releases at the time of presentation of their results for the financial year ended 31 December 2011 or 31 March 2012.

It is worth noting that the three UK listed companies provide no forecast data at all.

4.2. ORGANIC GROWTH

4.2.1. Main performance indicators: vacancy ratio

EPRA recommends the communication, for buildings in use, of their vacancy ratio expressed as a percentage of rental income, as well as of commentary on any significant or abnormal variation in vacancy rates.
What is the key data for financial analysis?

EPRA has developed its own ratio defined as the “Ratio between market rent for vacant floor space and market rent for total floor space”.

The manner in which property companies communicate on their vacancy ratios may be summarised as follows:

![Graph showing vacancy ratios](image)

Albeit seven entities retain EPRA’s financial statement presentation, only five employ EPRA’s vacancy ratio of which four are listed outside France. Note that certain entities communicate simultaneously in respect of two indicators.

### 4. 2. 2. Average lease maturity

Certain regulatory authorities recommend that property companies report, by class of asset, on average lease maturities and illustrate their impact on property valuations.

100% of the property companies in our sample report on their average residual lease periods. 70% of the time, the information is directly available and in the other instances, it can be derived by calculation.

In the case of those companies providing details, the information is presented as follows:

![Graph showing lease maturity details](image)
What is the key data for financial analysis?

Below, an illustration of the presentation of average lease maturity

![Expiration of Lease Contracts by Rent (%)](image)

**4. 2. 3. General information about assets: indexation of rents**

Certain regulatory authorities recommend disclosure of the bases applicable to indexation or other modification of rents.

30% of our property companies, depending on their lessee profiles, provide such comments including details of their lessees’ businesses. Only a third of those companies provide percentages.

40% of the companies provide information as to guaranteed minimum rents.

Three companies listed outside France, and whose main focus is on shopping centres, provide no information in respect of variable and/or guaranteed minimum rents.

**4. 2. 4. IFRS 8: degree of reliance on major customers**

Certain regulatory authorities request issuers to provide the information about reliance on major customers required under IFRS 8.34.

70% of the companies in our sample provide information about reliance on major customers. The degree of information provided is variable: three of the seven companies provide the information for individual assets whereas the other four summarise their overall position.
The criteria applied in presenting the degree of customer concentration may be summarised as follows:

**Basis of classification of customer concentration**

- % rental income
- % leased space value
- Number of leases
- Number of property companies

4.3. **FINANCIAL EXPENSE**

The information communicated provides details of short-term maturities. The seven companies with the shortest maturities (the six French companies and Corio) have an average debt maturity of 4.2 years, whereas the three companies with the longest maturities (the three UK companies) have an average maturity of 9.1 years, i.e. more than twice as much.
4.4. ASSET REPORTING

4.4.1. Valuation of assets

- **Bases of valuation**
  
  All the companies in our sample make use of recognised experts; the following are the valuation methods they employ.

```
Asset valuation methods

Discounted cash flow
Capitalisation of income
Comparison
```

![Number of property companies](image)

The three property companies listed in the UK (British Land, Hammerson and Land Securities) do not provide details, in their annual report, of the valuation methods applied but specify that their property valuations have been performed by members of the Royal Institute of Chartered Surveyors.

- **Condensed valuation reports**
  
  Certain regulatory authorities recommend that “condensed valuation reports” be included, or referred to, in the annual reference document. It is recommended that they include:

  - A reference to best practice guidelines and in particular, to a twice-yearly rhythm of valuation;
  - A description of the valuation engagement and of the policy adopted for rotation of valuation experts;
  - A description of the context in which the valuation assumptions have been defined.

In response to these recommendations on reporting on property valuations and the associated risks, the property companies listed in France include condensed valuation reports in their annual reports. The companies listed outside France provide their surveyors’ signed reports (including similar information) on their websites.
What is the key data for financial analysis?

The condensed reports include the following information:

- Valuation method(s) applied
- Number of experts solicited/quoted
- Presence of a compiled valuation report
- Presence of each individual valuation report
- Summary of values
- Rotation of valuation experts
- Assets visited (identification and dates)

Companies listed in France Companies listed outside France

Although all the companies in our sample are not subject to the same regulatory requirements, the financial information reported is consistent overall.

- **Sales of assets and margins on sale**

  The purpose of this part of our review is to highlight the margins recorded on sales of assets, an important element for confirmation of property valuations.

  The property companies included in our sample made €4 billion of sales in 2011, amounting on average to 4.5% of their portfolios. On average, the sales generated margins of 4.9% compared to the carrying amounts under IFRS of the assets identified as held for sale on 31 December 2010. All margins were positive.

- **4. 4. 2. Classification of assets**

  - **IFRS 8: definition of operating segments**

    Certain regulatory authorities encourage issuers to provide details of the composition of their operating segments, the consistency of which must be capable of scrutiny (and thus be documented) for the purpose of review by the auditors or regulators.
What is the key data for financial analysis?

The ten property companies of our sample classify their operating segments as follows:

### Classification of operating segments

![Classification of operating segments](image)

**Number of property companies**

The main segments retained are tertiary - offices - hotels - shopping centres and other stores. Three companies - Foncière des Régions, Land Securities and Hammerson - apply a combined classification.

Below, an illustration of such a combined classification:

#### Investment portfolio

<table>
<thead>
<tr>
<th>Valuation data for investment property for the year ended 31 December 2011</th>
<th>Properties at valuation £m</th>
<th>Revaluation in the year £m</th>
<th>Capital return %</th>
<th>Total return %</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Notes</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>United Kingdom</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retail: Shopping centres</td>
<td>2,429.6</td>
<td>40.9</td>
<td>1.8</td>
<td>7.0</td>
</tr>
<tr>
<td>Retail parks</td>
<td>1,180.4</td>
<td>23.9</td>
<td>2.2</td>
<td>7.9</td>
</tr>
<tr>
<td></td>
<td>3,610.0</td>
<td>64.8</td>
<td>1.9</td>
<td>7.3</td>
</tr>
<tr>
<td>Office: City</td>
<td>486.0</td>
<td>14.4</td>
<td>5.9</td>
<td>12.8</td>
</tr>
<tr>
<td>Other</td>
<td>62.4</td>
<td>0.4</td>
<td>4.5</td>
<td>8.1</td>
</tr>
<tr>
<td></td>
<td>548.4</td>
<td>14.8</td>
<td>5.7</td>
<td>12.1</td>
</tr>
<tr>
<td><strong>Total United Kingdom</strong></td>
<td>4,158.4</td>
<td>79.6</td>
<td>2.5</td>
<td>8.0</td>
</tr>
<tr>
<td><strong>Continental Europe</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>France: Retail</td>
<td>1,320.0</td>
<td>76.9</td>
<td>5.9</td>
<td>11.2</td>
</tr>
<tr>
<td><strong>Group</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retail</td>
<td>4,930.0</td>
<td>141.7</td>
<td>2.8</td>
<td>8.1</td>
</tr>
<tr>
<td>Office</td>
<td>548.4</td>
<td>14.8</td>
<td>5.7</td>
<td>12.1</td>
</tr>
<tr>
<td><strong>Total investment portfolio</strong></td>
<td>5,478.4</td>
<td>156.5</td>
<td>3.1</td>
<td>8.6</td>
</tr>
<tr>
<td>Developments</td>
<td>241.2</td>
<td>29.8</td>
<td>20.3</td>
<td>18.9</td>
</tr>
<tr>
<td><strong>Total Group</strong></td>
<td>5,719.6</td>
<td>186.3</td>
<td>3.6</td>
<td>8.9</td>
</tr>
</tbody>
</table>

---

Extract from Hammerson’s Annual Report 2011
What is the key data for financial analysis?

- **IFRS 8: “Other items” operating segment**

  80% of our sample include an “Other items” operating segment in their classification of assets, on average representing only 20% of total rental income. Of them, half distinguish the segment on the basis of a geographical criterion, half on the basis of a type of activity, and a quarter provide a definition of the segment.

4. 4. 3. **Information in respect of assets**

- **Completed assets**

  EPRA recommends the provision of a list of the main assets held including detailed information covering a range of criteria.

  The extent of information provided in this respect by the entities comprising our sample is very variable:

  - 60% provide part of the recommended information for all their assets;
  - 40% provide the information only for their major assets.

  The criteria retained by the six companies reporting on each of their properties may be summarised as follows:

  ![Chart showing criteria for completed assets](chart.png)

  The criteria followed by * are not EPRA recommendations but are nevertheless retained by one or more companies.
The criteria retained by the four companies reporting on their major assets may be summarised as follows:

- Location
- Main customers*
- Rentable space
- Type of ownership
- Percentage of ownership
- Asset valuation*
- Rental income*
- Length of lease
- Date of acquisition
- Vacancy ratio

Companies listed in France

Companies listed outside France

The criteria followed by * are not EPRA recommendations but are nevertheless retained by one or more companies.

Two companies provide information simultaneously in respect of all their assets and of a “Top 10” selection.

- Projects under development

All the companies in our sample have projects under development in their balance sheets but one provides no details.

EPRA recommends the provision of detailed information on projects under development.
In practice, the information suggested by EPRA is not exhaustively communicated and the information reported differs from company to company:

- Location
- Planned usable floor area
- Type of asset
- Total borrowing costs capitalised during the period*
- Date of completion
- Current status
- Costs of development
- Percentage of development
- Percentage of completion
- Cost to complete
- Percentage of ownership
- Yield*
- Estimated leasehold value
- Proportion of the asset already under lease*
- Borrowing costs capitalised during the period*
- Main customers*

The criteria followed by * are not EPRA recommendations but are nevertheless retained by one or more companies.
5. CONCLUSION

Overall, the companies in our sample report on a consistent basis. The main differences relate to description of the asset portfolios, with more detailed information provided by the companies listed outside France, which have a more operational view of their financial reporting.

IFRSs are properly applied by our sample, with few differences in interpretation other than for IFRS 5. But the resultant differences in asset classification are not such as to call the comparability of our sample’s financial statements into question.

The financial crisis has not led to the creation of any new financial indicators. Revalued net assets, recurring net income and the loan-to-value ratio remain the most commonly used indicators.

Finally, analysis of the factors underlying revalued net assets/share price discount suggests that market discount can have multiple sources. However, within an environment marked by financial crisis investors look in particular to adequate security, and this no doubt explains that the companies with the highest levels of market discount are often subject to higher gearing, higher exposure to geographical zones suffering a greater impact of the crisis, and lower share liquidity, than on average for the other companies.
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