

# **Retail Direct Property Syndicates Net Asset Backing (NAB) Valuation Policy**

## **Version 1.0**

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<b>Authorised By:</b>	<b>Board of Directors, Retail Responsible Entity Limited</b>
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<b>Responsibility:</b>	<b>Syndicate Fund Manager</b>

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## 1. Introduction

Retail Responsible Entity Limited (**RREL**) is the responsible entity for the Retail Direct Property syndicates.

RREL has adopted a Net Asset Backing (**NAB**) approach to syndicate investment valuation. Whilst accounting NTA will continue to be used for reporting in the statutory accounts RREL believes the NAB value more appropriately reflects the fair value of the underlying investment by taking into account the fixed term, illiquid nature of a syndicate.

The NAB value reflects the underlying value of a non liquid fixed term investment. This is consistent with the Financial Services Council (**FSC**) guidelines which acknowledge that adjustments may be required to accounting Net Tangible Assets (**NTA**) to provide an accurate reflection of value.

The NAB values are published on the Retail Direct Property web site at [www.retaildirectproperty.com.au](http://www.retaildirectproperty.com.au)

## 2. Property Revaluations

To ensure NAB values are properly assessed on a regular basis, independent property revaluations will be undertaken on each property at least once a year, except where the property is being marketed for sale. In addition, a Director's valuation, supported by an independent review will be undertaken on an intervening six monthly basis.

The independent valuer is to be registered or licensed in the relevant state in which the property is located or otherwise be a member of an appropriate professional body. No independent valuation company is to undertake more than three consecutive independent valuations or to conduct valuations over a period of more than three years for any property.

For each real property, an independent valuation is to be obtained within two months after the Directors form a view that there is likelihood that there has been a material change in the value of the property.

An independent valuation is to be obtained:

- a) For any new property acquisition, before the property is purchased;
- b) For a development property, on an 'as is' and 'as if complete' basis; and
- c) For all other property, on an 'as is' basis.

If any conflicts of interest exist with regard to this NAB Valuation Policy they will be governed by RREL's Conflicts of Interest and Related Party Transaction Policy.

## 3. Net Asset Backing Methodology

The NAB represents RREL's estimate of the fair market value of the syndicate investments. The NAB is derived from the accounting NTA and is calculated in accordance with FSC requirements. Certain adjustments are then made to the NTA to calculate the NAB. These adjustments include:

- **Property Acquisition Costs** – Capitalised as an asset and amortised over the expected life of the investment, unless the NAB reaches \$1 earlier, in

Which case amortisation is accelerated to the extent the NAB remains at \$1 or the costs are fully amortised;

- **Structuring and Establishment Costs** – Capitalised as an asset and amortised over the expected life of the investment unless the NAB reaches \$1 earlier, in which case amortisation is accelerated to the extent the NAB remains at \$1 or the costs are fully amortised;
- **Exit & Success Fees** – When there is a reasonable basis for forecasting a likely payment by the syndicate, the forecast liability of projected exit and success fees are recognised progressively over the term of the Syndicate;
- **Selling Costs** – Appropriate property selling costs as adjudged by RREL are taken into account and adjusted as appropriate and necessary, over the life of the Syndicate, where not already factored into accounting NTA; and
- **Deferred Management Fees** – Where the syndicate is liable for deferred management fees, these fees are recognised in calculating the NAB;
- **AIFRS adjustments**
  - The NAB will be calculated on the basis that investors capital is equity and not debt; and
  - The impact of the valuation of financial instruments is removed where appropriate. The mark to market for financial instruments maturing post the syndicate term is regularly updated and included in the NAB value.

For a new Syndicate the NAB value will be first published 12 months after establishment. RREL reserves the right to amend the NAB Valuation Policy from time to time.

## 4. Contact

Any questions may be directed to our Investor Services team:

Investor Services		
	Toll Free (within Australia):	1800 802 400
	Toll Free (from New Zealand):	0800 449 605
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