

### **Centro MCS - NAB Valuation Policy**

Centro MCS has adopted a Net Asset Backing approach to syndicate investment valuation. Whilst accounting NTA will continue to be used for reporting in the statutory accounts Centro MCS 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.

### **Introduction**

Following the introduction of AIFRS, Centro MCS has reviewed its Net Asset Backing ("NAB") Valuation Policy to ensure the NAB value continues to reflect the underlying value of a non liquid fixed term investment. This is consistent with IFSA guidelines which acknowledge that adjustments may be required to accounting NTA to provide an accurate reflection of value. The resulting changes to the NAB policy have been taken into account when preparing NAB values from December 2005.

The NAB values are published on Centro's web site at [www.centro.com.au](http://www.centro.com.au)

### **Property Revaluations**

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

### **Net Asset Backing (NAB) Methodology**

The Net Asset Backing (NAB) represents Centro MCS' estimate of the fair market value of your investment. The NAB is derived from the accounting NTA and is calculated in accordance with IFSA 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 Centro MCS (potentially including taxes such as US CGT) 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.

Centro MCS reserves the right to amend the NAB Valuation Policy from time to time.