



Global Asset Management

Colonial First State Global Asset Management
Level 7 52 Martin Place
GPO Box 3892 Sydney NSW 2001
Telephone: +61 2 9303 3500
Facsimile: +61 2 9303 3622
Website: cfsgam.com.au

Property Valuation Policy

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Property Valuation Policy

Purpose

Valuations are undertaken on a regular basis in order to determine the fair market value of assets within financial statements and for unit pricing. Valuations may also be undertaken for special interest groups, such as financiers, who may have special requirements which need to be considered when undertaking the valuation.

This policy does not cover replacement costs valuations which may be required for insurance purposes.

The policy formalises changes to the valuation process which has resulted from a review of current valuation practices with regard to the changing investment environment and the needs of our clients.

Objective

The objective of this policy is to ensure that a consistent framework is applied to property valuations from which all stakeholders can reference and have confidence in the process.

Scope

The valuation policy applies to all investment properties and property, plant and equipment, managed by Colonial First State Global Asset Management Property (GAM). This includes unlisted retail and wholesale funds, property mandates and listed funds.

Policy

Overriding obligation

The overriding principle in the valuation of assets is for all personnel to report accurately in a diligent and impartial manner, whilst always acting honestly and in the best interests of the fund and its investors.

Inconsistency of policy with fund documentation

Where inconsistencies and conflicting requirements exist, the fund's constitution, trust deed or management agreement will take precedence over this Policy.

Personnel policy

Senior management is responsible for the overall direction of competency for staff and the adequacy of resources, which is to be reviewed regularly to ensure accurate, efficient and effective valuations.

Fund managers are to nominate a person who is appropriately experienced to manage the valuation process for each property.

In the case of assets which are jointly owned by GAM related parties, a nominated person may represent each owner, or alternatively one nominated person may be jointly appointed by agreement by each fund manager.

The nominated person must have an appropriate level of understanding of the valuation process which, as a minimum, means practical experience as well as tertiary studies that include the valuation of property.

The fund manager may also deem an individual to be qualified by experience if they have appropriate technical skills and level of exposure to valuation held in previous roles.

The nominated person is fully accountable for the valuation process and must ensure that appropriate delegations are in place when they are not available. This includes undertaking internal valuations, the instruction of external valuers and the timely receipt of both draft and final valuations.

The fund manager remains ultimately responsible for authorising or approving valuations. If the fund manager for the respective fund is unavailable their responsibilities are delegated to their line manager.

Governance and risk management framework

The valuation policy is governed within the Compliance Risk Management Framework of GAM including but not limited to, compliance plans and compliance manuals.

This policy must be reviewed on a regular basis to take into account any regulatory changes, changes in market conditions and additional underlying fund type or any other requirements that would need to be accounted for in the valuation process.

Timing of valuations

Investment properties

Investment properties are typically assets which are held over the long term primarily for the purpose of deriving income. These assets are valued at regular intervals as detailed in Schedule 1.

Property, plant and equipment

Property that is being constructed for future use as investment property is to be classed as investment property. Refer to the policy above for investment properties.

Inventory

Property inventory will usually consist of assets that are being developed for sale rather than for deriving rent. These assets are carried at the lower of cost and net realisable value in the financial statements. A valuation may be required from time to time to ensure that these assets are not carried above net realisable value (ie impairment testing). Otherwise there is no requirement to value these assets for financial statement or unit pricing purposes.

There may be other reasons to undertake a valuation of inventory, such as financier requirements or unit pricing, which will determine the timing and nature of the valuation.

Where the net realisable value of inventory is lower than the cost, the inventory is valued at fair value less costs to sell for the purpose of the valuation policy.

Jointly owned assets

- GAM entity and external party

The GAM entity undertakes valuations independent of the external party. A joint valuation may be undertaken for cost sharing purposes as long as this independence is maintained.

- Two or more GAM entities

Where two or more GAM related parties jointly own an asset the valuation is undertaken jointly.

Other valuations

Valuations may also be undertaken at other times where a requirement exists such as on the acquisition or disposal of an asset. These requirements will dictate the timing and nature of the valuation.

Internal valuations

Internal valuations are not generally taken up in the financial statements however they will trigger an external valuation where there is a movement greater than 10% on an individual asset and/or greater than 5% on Net Tangible Assets (NTA) of the fund.

If the internal valuation results in a movement of greater than 5% but less than 10% of an individual asset and less than 5% of the NTA of the fund, the fund manager will determine whether or not it is appropriate to undertake an external valuation. Reasons for this decision must be documented.

No external valuation will be required when the movement is less than 10% of an asset and less than 5% of a fund NTA.

For clarity the internal valuation number will not generally be taken up in the financial statements, however where an external valuation has been triggered the resulting valuation will be taken up in the financial statements.

The nominated person must ensure that internal valuations are undertaken within sufficient time to allow for external valuations to be obtained for the quarter end should one be triggered. In practice this means that the internal valuation will be undertaken approximately 2 months prior to the valuation date.

Inputs to internal valuations

The nominated person must maintain evidence to support the assumptions used when undertaking an internal valuation.

Input may be sought from external valuers when arriving at the assumptions.

For retail asset valuations, Colonial First State Property Management may be required to provide input into the valuation process as determined appropriate by the fund manager.

External valuations

Approval of valuers

The nominated person is required to identify a suitable valuer and make a recommendation to the fund manager(s) for approval. The appointed valuer must be a Certified Practising Valuer registered with the Australian Property Institute or equivalent body, they must be licensed and qualified to value the asset with a current track record of valuing similar types of assets in the geographic region within which the valuation is being performed.

Valuers selected must be from recognised firms with, amongst other things, appropriate insurance arrangements in place.

The fund manager may approve the appointment of a valuer not on the panel from time to time. Reasons for this appointment must be documented.

The nominated person must ensure that the selected valuer does not have any conflict of interest which would preclude them from undertaking the valuation.

Rotation of valuers

Each valuation firm and valuer is limited to undertaking valuations of a property for a two year period. That valuer, and valuation firm, is then excluded from valuing the asset for a period of two years.

Valuation instructions

- **Quotation for valuations**

The nominated person is required to seek a written quotation from the valuer(s) for each asset to be valued.

- **Letter of appointment**

A standard Letter of Appointment is issued by the nominated person to the valuer. The letter is signed by the nominated person.

The letter must contain the purpose of valuation and where appropriate must state that the owner(s) and financier (or other party) can rely on it.

Information provided to valuer

The nominated person is responsible for gathering and dispersing information required by a valuer.

All correspondence is to be provided on a confidential basis. Where the managing agent provides the valuer with information the nominated person is to be provided a copy.

Acceptance and review of valuations

The nominated person is responsible for the timely receipt of the valuation report. All reports need to be obtained in draft format and submitted for review and approval as detailed in Schedule 2.

Once approved the valuation is to be signed off by the nominated person as well as the fund manager. A Valuation Approval Form (see Schedule 3) is available which can be used for all sectors and contains a summary of the valuation results and assumptions, and a comparison to the previous period.

A valuation will be accepted and reflected in the financial accounts if it is considered reasonable and reflective of the market. However if there is a flaw in the valuation logic or evidence, the valuation may be disputed and not adopted. The fund manager of each fund has the responsibility and the discretion to accept a valuation as a representation of the market, therefore valuation policy does not obligate the fund to take all valuations to book. Where a valuation is not taken to book reasons must be documented in a reasonable amount of detail.

Valuation Committee

The Valuation Policy is governed by the Valuation Committee which reports to the Board of Directors of the Responsible Entity.

Charter of the Valuation Committee

- To be the custodians of the valuation policy and ensure that reviews of the Valuation Policy take place on a periodic basis, and not less than annually
- To review the valuation brief on a regular basis
- Review the panel of valuers on a regular basis
- Issue the valuation brief to the panel of approved valuers when changes are made
- Ensure that each firm included on the panel of valuers has supplied evidence of the appropriate level of professional indemnity insurance as determined by the Valuation Committee on an annual basis

Members of the Valuation Committee

The members of the Valuation Committee are:

- Unlisted Property Funds nominee
- Listed Property Funds nominee
- Asset Management nominee
- Finance nominee (Financial Controller or delegate)
- Risk Management & Compliance nominee (Head of RMC or delegate), Chair

Schedule 1 – Timing of valuations

Unlisted funds

Background

Unlisted funds include all funds or direct property mandates, (retail or wholesale) which are not listed on a stock exchange.

Valuations for unlisted funds are used for unit pricing to determine a unitholder/owner entitlement. Interests in these assets are not market traded and as a result valuations are often undertaken more frequently than those for assets held in listed funds.

Timing of valuations

- External valuations are undertaken twice per year.
- Internal valuations are undertaken every quarter that an external valuation is not undertaken or more frequently if market conditions warrant.
- Internal valuations may also trigger an external valuation (see Internal Valuations).

Listed funds

Background

Listed funds include all funds which are listed on a stock exchange.

Timing of valuations

- External valuations are undertaken at least once every financial year.
- If an external valuation is not undertaken during the six months prior to the reporting date, an internal valuation is undertaken as at that date or more frequently if market conditions warrant.
- Internal valuations may also trigger an external valuation (see Internal Valuations).

Jointly owned assets by GAM related party entities

The timing of valuations for assets which are owned jointly by GAM related party entities will be dictated by the most frequent valuation requirement of either the listed fund or unlisted fund.

Schedule 2 – Valuation approval process

Unlisted funds

1. The nominated person provides a copy of the draft valuation and a copy of key information to the fund manager for review and approval.
2. The fund manager provides a copy of the draft valuation along with the key information to the head of unlisted property for approval.
3. The head of unlisted property provides a summary of the draft valuation along with key information to the head of property for approval.

Listed funds

1. The nominated person provides a copy of the draft valuation and a copy of key information to the fund manager for review and approval.
2. The fund manager provides a summary of the draft valuation along with the key information to the head of property for approval.