



FAWKNER
PROPERTY

COMMERCIAL PROPERTY SYNDICATORS

26-May-20



Valuation Policy

Policy on valuation of real estate assets in investment portfolios

Fawkner Property Ltd

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Purpose of policy

Fawkner Property Ltd (Fawkner) acts as the manager of unregistered managed investment schemes and may act as manager of registered schemes in the future. These schemes are classed as “unlisted property schemes” by ASIC. As manager of such schemes, Fawkner is required to maintain and comply with a written policy on valuation of real estate assets which form part of scheme property.

ASIC regulatory guide 46

ASIC Regulatory Guide 46 requires AFS Licensees to develop a valuation policy and to implement appropriate procedures for the valuation of real estate assets.

Relevant standards

The key standards which apply to valuation of real estate assets held for investment are:

- AASB 13 *Fair Value Measurement*, published by the Australian Accounting Standards Board;
- AASB 140 *Investment Property*, published by the Australian Accounting Standards Board; and
- International Valuation Application 1, *Valuation for Financial Reporting*, published by the Australian Property Institute.

Valuation requirements

Accounting standards require that investment real estate assets are recognised at cost, when the asset is acquired. At and from the first balance date, the carrying value of the asset is the “fair value”. Generally, the fair value is close to the “market value”, as defined in international valuation standards.

At balance date the responsible entity is required to determine the value of an investment real estate asset

Once the responsible entity or the trustee has determined that a real estate asset previously held for investment is to be sold, the carrying value becomes the “net realisable amount”, being the

amount for which the asset is expected to be sold less the expenses of sale, such as agent's fees, valuation, advertising and conveyance costs.

Valuation by directors

The accounting standards encourage but do not require directors to determine the value of investment real estate on the basis of a suitably qualified independent valuer.

Determination of fair value by the directors requires reference to current market conditions or the current value of future cash flows or both. While the method may involve judgement, it is essentially an objective process.

Directors means the directors of the responsible entity for a registered managed investment scheme and, otherwise the directors of the trustee.

Valuation by independent valuer

Fawkner policy is that a real estate asset acquired for investment will be valued by an independent valuer in the following circumstances:

- before the asset is acquired;
- before the asset is sold;
- at a balance date, when the asset has not been subject to independent valuation for a period of three years; and
- when the directors have reason to believe that the fair value of the asset varies materially from the current carrying value.

An independent valuer is an individual, bound by the code of ethics of the Australian Property Institute and entitled adopt the title of Certified Practising Valuer, who has recent experience in the location and category of the asset to be valued. The valuer must not be a related party of the Responsible Entity (or the trustee), Fawkner, another party providing services to the scheme, such as the finance broker or insurance broker, a lessee, or, in the case of an acquisition or sale, any agent or counterparty associated with the transaction or proposed transaction.

Unless an alternative valuer cannot be found in a timely manner or at reasonable cost, an individual valuer should not be instructed to value an asset on more than three consecutive occasions.

An asset to be acquired will be valued at market value or, where the asset is proposed to be developed and appropriate and sufficient documentation is available, such as executed leases, the asset may be valued at "market value as if complete".

POLICY REVIEW

This policy will be reviewed on an annual basis. As appropriate, that review may be carried out with the assistance of external compliance advisers and/or the auditor of Fawkner. A copy of the current policy is available to investors in Fawkner managed investment schemes.

Date of most recent management review: 26 May 2020

Date of approval by the Fawkner Board: 31 May 2012

CONTACT

Unit holders or advisers who have any questions or would like to request more information available to existing or potential investors, are invited to contact Fawkner investor relations:

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