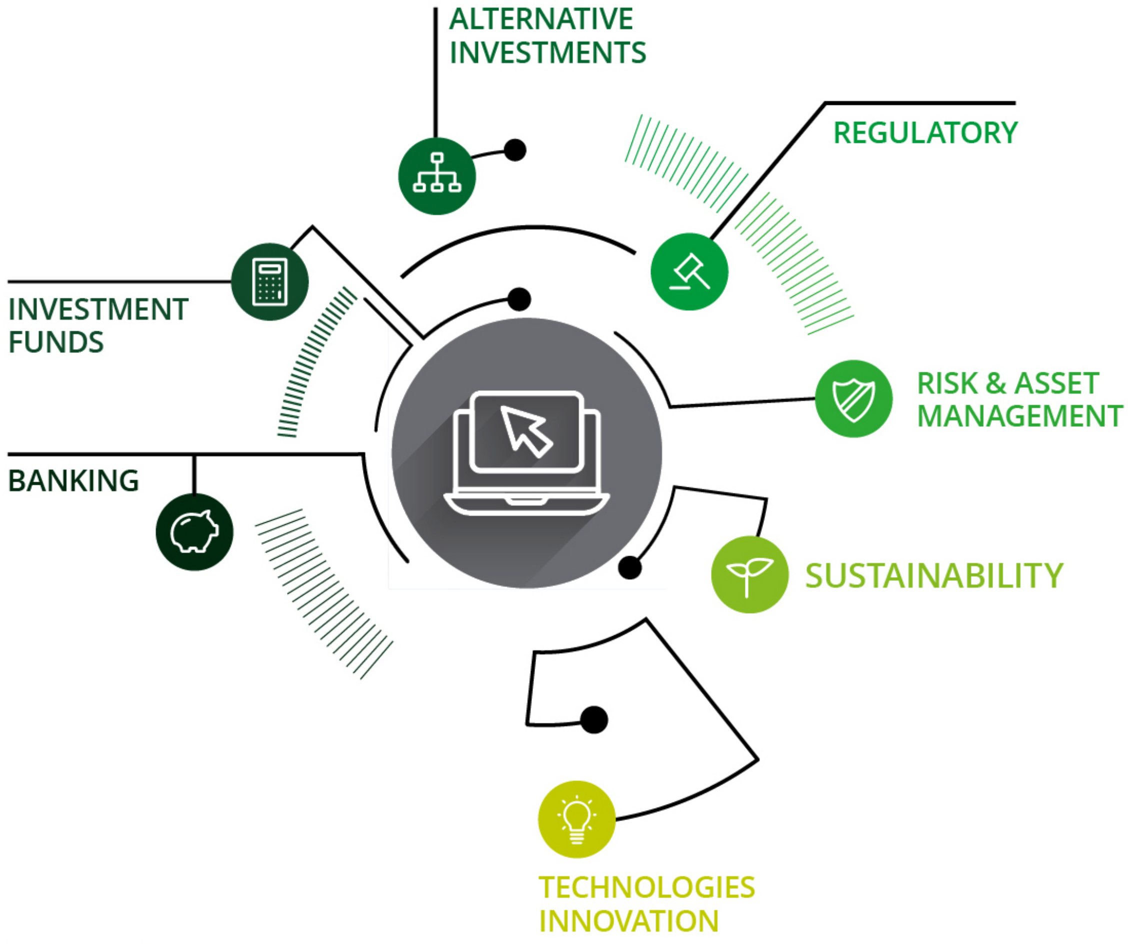

Alternative Investments | INREV NAV / reporting

Link'n Learn 2024 – 15 May 2024

Course objectives

1. Get an understanding of the INREV NAV concept
2. Understand the different INREV NAV adjustments and why they are required
3. Practice NAV Adjustments based on case study

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Introduction to INREV

The Framework

Introduction to INREV

Why was it necessary?

No Harmonization

IFRS or other local GAAP standards	No industry-wide accepted methodology	Fund managers developed their own standards for NAV adjustments	Investors were using their own methodologies to value investments in non-listed real estate funds

INREV Objectives

Guidance on how to calculate and disclose an adjusted NAV in financial reports of non-listed European real estate funds	Transparency and comparability of the performance of different types of funds and enables investors to understand the information provided

Definition – INREV Principle 12

INREV NAV should reflect a more accurate economic value of the investment (units) based on the fair value of the underlying assets and liabilities, as at the balance sheet date, as adjusted for the spreading of costs that will benefit different generations of investors, than the NAV based on generally accepted accounting principles.

Increase in Transparency and Comparability

Not for pricing purposes (not a goal of INREV)

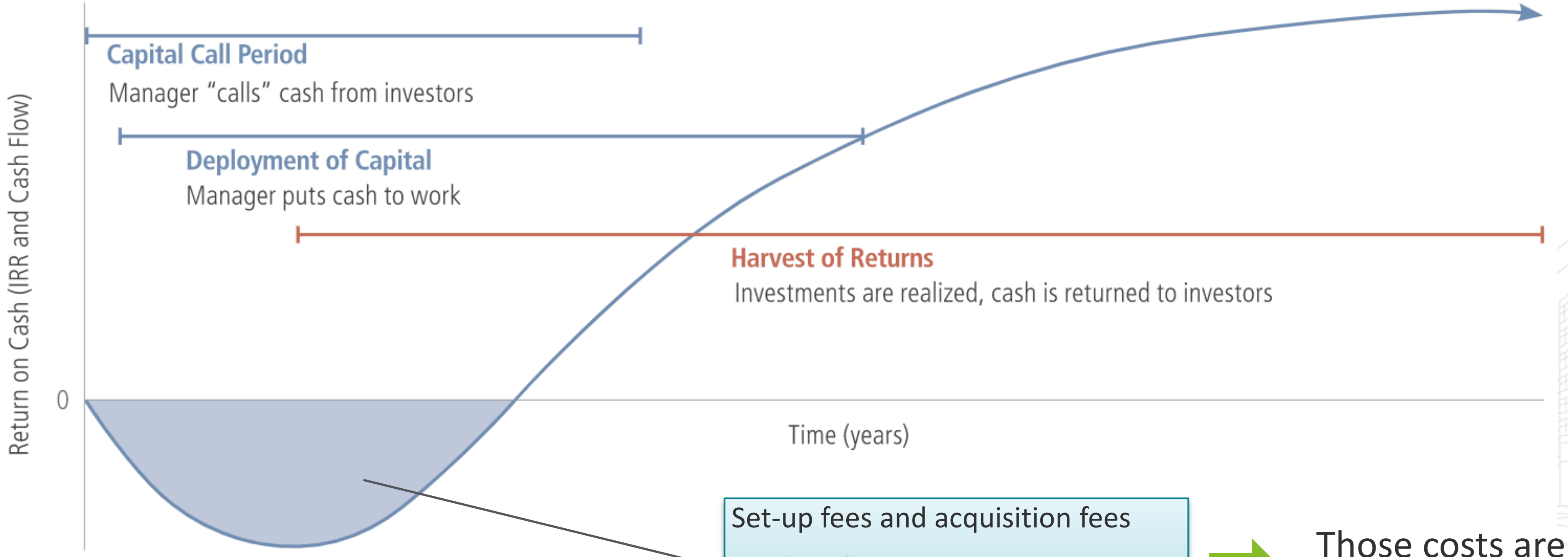
VS

Open End Fund Pricing

Introduction to INREV

The J Curve

Internal rate of return of a private equity fund.



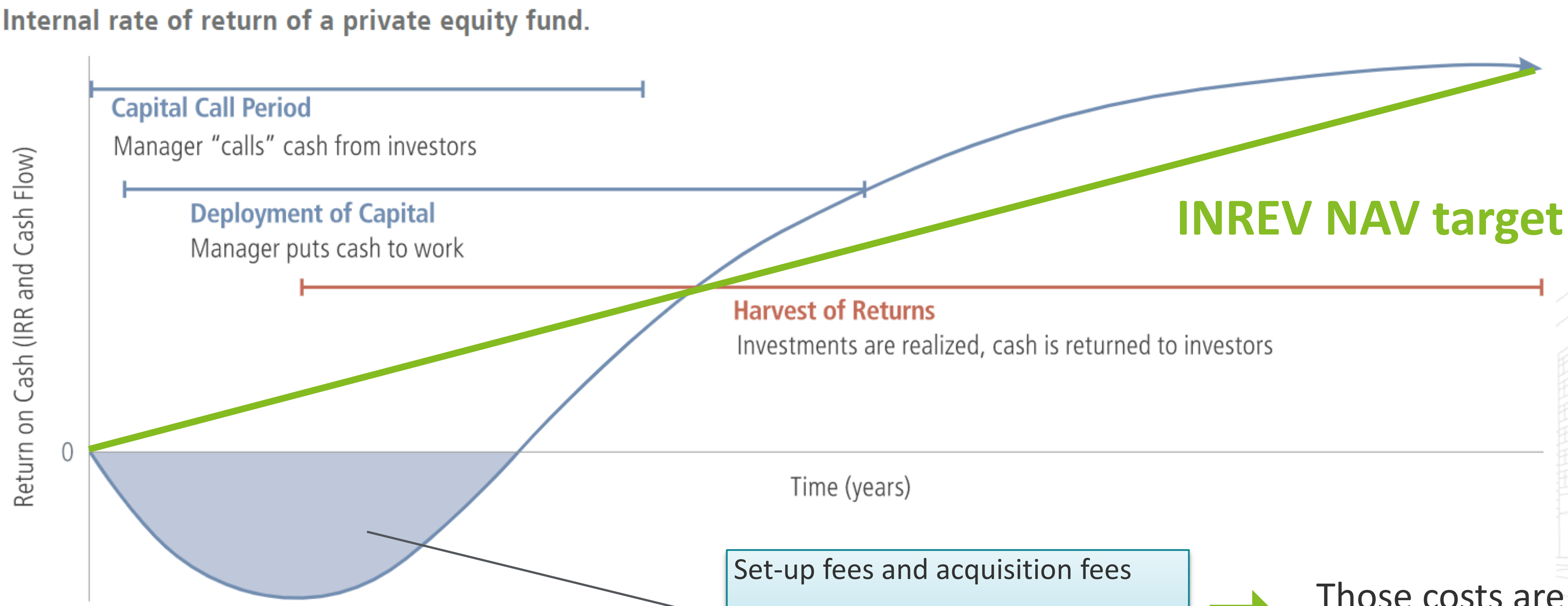
Source: https://www.nb.com/en/global/insights/white-paper-private-equity-in-focus

- Set-up fees and acquisition fees
- Funding fees
- Taxes

Those costs are part of the overall value chain

Introduction to INREV

The J Curve



Source: https://www.nb.com/en/global/insights/white-paper-private-equity-in-focus

- Set-up fees and acquisition fees
- Funding fees
- Taxes

Those costs are part of the overall value chain

NAV Adjustments

Overview as per INREV Guidelines

NAV per the IFRS financial statements	x
Reclassification of certain IFRS liabilities as components of equity	
a) Effect of reclassifying shareholder loans and hybrid capital instruments (including convertible bonds) that represent shareholders long term interests in a vehicle	x
b) Effect of dividends recorded as a liability which have not been distributed	x
NAV after reclassification of equity-like interests and dividends not yet distributed	**x**
Fair value of assets and liabilities	
c) Revaluation to fair value of investment properties	x/(x)
d) Revaluation to fair value of self-constructed or developed investment property	x/(x)
e) Revaluation to fair value of investment property held for sale	x/(x)
f) Revaluation to fair value of property that is leased to tenants under a finance lease	x/(x)
g) Revaluation to fair value of real estate held as inventory	x/(x)
h) Revaluation to fair value of other investments in real assets	x/(x)
i) Revaluation to fair value of indirect investments not consolidated	x/(x)
j) Revaluation to fair value of financial assets and financial liabilities	x/(x)
k) Revaluation to fair value of construction contracts for third parties	x/(x)
l) Set-up costs	x/(x)
m) Acquisition expenses	x/(x)
n) Contractual fees	x/(x)
Effects of the expected manner of settlement of sales/vehicle unwinding	
o) Revaluation to fair value of savings of purchaser's costs such as transfer taxes	x/(x)
p) Revaluation to fair value of deferred taxes and tax effect of INREV NAV adjustments	x/(x)
q) Effect of subsidiaries having a negative equity (non-recourse)	x/(x)
Other adjustments	
r) Goodwill	(x)
s) Non-controlling interest effects of INREV adjustments	x/(x)
INREV NAV	**x**

Once a Real Estate Fund is applying INREV NAV, all INREV needs to be considered.

In case just a few adjustments are adopted, and other adjustments ignored, the calculated NAV is an "Adjusted NAV" and not an "INREV NAV".

NAV Adjustments

Overview as per INREV Guidelines

		31/12/2021	31/12/2020
Net assets per IFRS balance sheet		**350.000.000**	**310.000.000**
INREV Adjustments	Notes		
Dividend declared after year-end	1	1.200.000	-
Set up costs	2	300.000	400.000
Acquisition expense	3	5.500.000	3.500.000
Revaluation to fair value of deferred taxes	4	2.250.000	1.850.000
Revaluation to fair value of fix rates loans	5	1.800.000	500.000
Non-controlling interest	6	(100.000)	-
INREV NAV		**360.950.000**	**316.250.000**

Notes

To determine the INREV NAV, the IFRS NAV shall be adjusted in accordance with the INREV guidelines, as defined in the Offering Memo. Following INREV adjustments have been considered relevant for the Fund:

1 Adjustment for the purpose of the issuance and redemption of interests to reflect the dividend declared before year end and distributed after year-end.

2 Under IFRS, vehicle set-up costs are charged to income after the inception of the vehicle. According to INREV, such costs should be capitalised and amortised over the first 5 years of the term of the vehicle.

3 Under IFRS acquisition expenses of an investment property are effectively charged to income statement when fair value is calculated at the first subsequent measurement date after acquisition. The INREV NAV requires that property acquisition expenses should be capitalised and amortised over the first five years after acquisition of the property, the rationale being to better reflect the duration of the economic benefits to the fund of these costs.

4 Under IFRS, deferred tax assets and liabilities are measured at the nominal statutory tax rate. The manner in which the Manager expects the Fund to realise deferred tax (for example, for investment properties through share sales rather than direct property sales) is not taken into consideration. This adjustment represents the impact on the NAV of the difference between the amount determined in accordance with IFRS and the estimate of deferred tax which takes into account the expected manner of settlement as required under INREV (i.e. when tax structures and the intended method of disposals or settlement of assets and liabilities have been applied to reduce the actual tax liability).
For INREV adjustment purposes the Fund took into consideration the key assumptions which are as follows:
Property A – Asset Deal // Property B – Share Deal – 0% // Property C – Share Deal – 50%.

5 Debt is initially recognised at fair value net of transaction costs and subsequently measured at amortised cost using the effective interest rate method. Under revised INREV guidelines (launched 8 April 2014) the fair value of fix rate loans is fair valued. The fair value has been estimated using market comparables. In providing a fair value, where a sale is contractually agreed, the expected loan settlement dates have been considered rather than the contractual life of the loan.
For INREV adjustment purposes the Fund took into consideration the key assumptions which are as follows:
- Loan Property A market interest rate – 0.90% // current interest rate – 0.70%;
- Loan Property B market interest: – 0.22% // current interest rate – 0.8%;
- Loan Property C market interest rate – 1.35% // current interest rate – 1.35%.

6 The adjustment represents non-controlling interests amounted to 10% at level of Property C.
Other INREV adjustments detailed in the INREV guidelines are not deemed to be relevant for the Fund and its INREV NAV.

NAV Adjustments

Fair value of assets and liabilities

NAV Adjustments

NAV per the IFRS financial statements	x
Reclassification of certain IFRS liabilities as components of equity	
a) Effect of reclassifying shareholder loans and hybrid capital instruments (including convertible bonds) that represent shareholders long term interests in a vehicle	x
b) Effect of dividends recorded as a liability which have not been distributed	x
NAV after reclassification of equity-like interests and dividends not yet distributed	**x**
Fair value of assets and liabilities	
c) Revaluation to fair value of investment properties	x/(x)
d) Revaluation to fair value of self-constructed or developed investment property	x/(x)
e) Revaluation to fair value of investment property held for sale	x/(x)
f) Revaluation to fair value of property that is leased to tenants under a finance lease	x/(x)
g) Revaluation to fair value of real estate held as inventory	x/(x)
h) Revaluation to fair value of other investments in real assets	x/(x)
i) Revaluation to fair value of indirect investments not consolidated	x/(x)
j) Revaluation to fair value of financial assets and financial liabilities	x/(x)
k) Revaluation to fair value of construction contracts for third parties	x/(x)
l) Set-up costs	x/(x)
m) Acquisition expenses	x/(x)
n) Contractual fees	x/(x)
Effects of the expected manner of settlement of sales/vehicle unwinding	
o) Revaluation to fair value of savings of purchaser's costs such as transfer taxes	x/(x)
p) Revaluation to fair value of deferred taxes and tax effect of INREV NAV adjustments	x/(x)
q) Effect of subsidiaries having a negative equity (non-recourse)	x/(x)
Other adjustments	
r) Goodwill	(x)
s) Non-controlling interest effects of INREV adjustments	x/(x)
INREV NAV	**x**

NAV Adjustments

Fair value of assets and liabilities

Self-constructed or developed investment property

If a real estate vehicle uses the option to account for self-constructed or developed investment property under the cost model, the adjustment represents the impact on NAV of the revaluation of the self-constructed or developed investment property to fair value under the fair value option of IAS 40.

NAV Adjustments

Fair value of assets and liabilities

Case Study

Please calculate the INREV Adjustments for the following:

Balance sheet as at December 31, 2019				
Assets			**Equity & Liabilities**	
Investment property	15.250		Fund Capital (NAV)	5.250
Investment property under construction	875		Deferred tax liability	-
Inventory	625		Fixed rate debt	7.500
Finance lease	250		Shareholders-loan	4.000
Deferred Tax Asset	63		Financial instruments	250
			Other liabilities	63
Total	17.063		Total	17.063

Investment property under construction

The self-constructed or developed investment property is valued at cost until the construction or development is complete. The self- constructed or developed investment properties **are held via SPV**.
Current fair value of the property under construction based on valuation report: 1.000

NAV Adjustments

Fair value of assets and liabilities

Case Study

Please calculate the INREV Adjustments for the following:

Balance sheet as at December 31, 2019			
Assets		**Equity & Liabilities**	
Investment property	15.250	Fund Capital (NAV)	5.250
Investment property under construction	875	Deferred tax liability	-
Inventory	625	Fixed rate debt	7.500
Finance lease	250	Shareholders-loan	4.000
Deferred Tax Asset	63	Financial instruments	250
		Other liabilities	63
Total	17.063	Total	17.063

1.000 – 875 = **125** ↑ **SPV**

Investment property under construction

The self-constructed or developed investment property is valued at cost until the construction or development is complete. The self-constructed or developed investment properties **are held via SPV**.

Current fair value of the property under construction based on valuation report: 1.000

NAV Adjustments

Fair value of assets and liabilities

Revaluation to fair value of financial assets and financial liabilities

Financial assets and liabilities such as hedging instruments or debt obligations are generally measured at amortized cost, taking into account any impairment when applicable. The adjustment represents the impact on NAV of the revaluation of financial assets and financial liabilities to fair value as determined in accordance with IFRS, if not yet accounted for at fair value.

All Financial Assets and Liabilities concerned – fixed and floating interest

In addition, vehicles may incur costs for redemption of bank debts as a result of sales of properties. As with disposal costs, these costs are generally not accrued in IFRS. Where the disposal of a property is expected within one year, and therefore, the redemption of the related bank debt is also expected within one year, any bank debt early redemption costs should be accrued in the NAV.

NAV Adjustments

Fair value of assets and liabilities

Case Study

Please calculate the INREV Adjustments for the following:

Balance sheet as at December 31, 2019				
Assets			**Equity & Liabilities**	
Investment property	15.250		Fund Capital (NAV)	5.250
Investment property under construction	875		Deferred tax liability	-
Inventory	625		Fixed rate debt	7.500
Finance lease	250		Shareholders-loan	4.000
Deferred Tax Asset	63		Financial instruments	250
			Other liabilities	63
Total	17.063		Total	17.063

Fixed rate debt

Debt is initially recognized at fair value net of transaction costs and subsequently measured at amortized cost using the effective. **Debt is taken on at Fund level**.

Debt interest 5%
Current interest 5,25%
Current fair value: 7.250

NAV Adjustments

Fair value of assets and liabilities

Case Study

Please calculate the INREV Adjustments for the following:

Balance sheet as at December 31, 2019			
Assets		**Equity & Liabilities**	
Investment property	15.250	Fund Capital (NAV)	5.250
Investment property under construction	875	Deferred tax liability	-
Inventory	625	Fixed rate debt	7.500
Finance lease	250	Shareholders-loan	4.000
Deferred Tax Asset	63	Financial instruments	250
		Other liabilities	63
Total	17.063	Total	17.063

Fixed rate debt

Debt is initially recognized at fair value net of transaction costs and subsequently measured at amortized cost using the effective. **Debt is taken on at Fund level**.

Debt interest 5%
Current interest 5,25%
Current fair value: 7.250

Given a Swap 5% vs. 5,25% would have a positive value (market better than contract):

7.500 – 7.250 = **250** ↑ **No SPV**

NAV Adjustments

NAV per the IFRS financial statements	x
Reclassification of certain IFRS liabilities as components of equity	
a) Effect of reclassifying shareholder loans and hybrid capital instruments (including convertible bonds) that represent shareholders long term interests in a vehicle	x
b) Effect of dividends recorded as a liability which have not been distributed	x
NAV after reclassification of equity-like interests and dividends not yet distributed	**x**
Fair value of assets and liabilities	
c) Revaluation to fair value of investment properties	x/(x)
d) Revaluation to fair value of self-constructed or developed investment property	x/(x)
e) Revaluation to fair value of investment property held for sale	x/(x)
f) Revaluation to fair value of property that is leased to tenants under a finance lease	x/(x)
g) Revaluation to fair value of real estate held as inventory	x/(x)
h) Revaluation to fair value of other investments in real assets	x/(x)
i) Revaluation to fair value of indirect investments not consolidated	x/(x)
j) Revaluation to fair value of financial assets and financial liabilities	x/(x)
k) Revaluation to fair value of construction contracts for third parties	x/(x)
l) Set-up costs	x/(x)
m) Acquisition expenses	x/(x)
n) Contractual fees	x/(x)
Effects of the expected manner of settlement of sales/vehicle unwinding	
o) Revaluation to fair value of savings of purchaser's costs such as transfer taxes	x/(x)
p) Revaluation to fair value of deferred taxes and tax effect of INREV NAV adjustments	x/(x)
q) Effect of subsidiaries having a negative equity (non-recourse)	x/(x)
Other adjustments	
r) Goodwill	(x)
s) Non-controlling interest effects of INREV adjustments	x/(x)
INREV NAV	**x**

NAV Adjustments

Fair value of assets and liabilities

Set-up costs

Under **IFRS**, vehicle set-up costs are charged immediately to income after the inception of a vehicle.

Such costs should be capitalized and amortized over the first five years of the term of the vehicle.
The rationale for capitalizing and amortizing set-up costs is to better reflect the duration of the economic benefits to the vehicle.

When capitalizing and amortizing set-up costs, a possible impairment test should be taken into account every time the adjusted NAV is calculated when market circumstances change and it is not expected that the capitalized set-up costs can be recovered through the sale of units of a vehicle.
For instance, when a decision is made to liquidate the vehicle or stakeholders no longer expect to recover the economic benefit of such capitalized expenses, they should be written down.

NAV Adjustments

Fair value of assets and liabilities

Case Study

Please calculate the INREV Adjustments for the following:

Set-up costs

Set-up costs are charged immediately to equity at the start/inception of a fund
Total amount of set-up costs: 250
The fund was incorporated in January 2017

NAV Adjustments

Fair value of assets and liabilities

Case Study

Please calculate the INREV Adjustments for the following:

Set-up costs

Set-up costs are charged immediately to equity at the start/inception of a fund
Total amount of set-up costs: 250
The fund was incorporated in January 2017

Calculation of the amortization based on 5 years period		
Set up costs	250	Total Amount
Per year	50	amortisation over a period of five years
2017-2019	150	Amortized to date
Total	**100** ↑ No SPV	Remaining

NAV Adjustments

Fair value of assets and liabilities

Acquisition expenses

Under the fair value model, acquisition expenses of an investment property are effectively charged to income when fair value is calculated at the first subsequent measurement date after acquisition. This results in the fair value of a property on subsequent fair value measurement being lower than the total purchase price of the property, all other things being equal.

- Property acquisition expenses should be **capitalized and amortized over the first five years** after acquisition of the property.

- The rationale for capitalizing and amortizing acquisition expenses is to **better reflect the duration of the economic benefits** to the vehicle of these costs.

When capitalizing and amortizing acquisition costs, a possible impairment test should be taken into account every time the adjusted NAV is calculated when market circumstances change and it is not expected that the capitalised acquisition costs can be recovered through the sale of units of a vehicle.

➔ E.g. When a property is sold during the amortization period or is classified as held for sale, the balance of capitalised acquisition expenses of that property should be expensed.

NAV Adjustments

Fair value of assets and liabilities

Acquisition expenses

The rationale to spread these one-off costs over a defined period of time is

- to smooth the effect of the write-off of costs on the vehicle’s performance.
- a simple mechanism to spread costs between different investor group entering or leaving the vehicle’s equity at different times.

In practice, there are many other ways in which vehicles address such issues for pricing, valuation, or other purposes including using bid-ask spreads for issue premium or redemption discounts on the NAV calculated on the basis of set percentages, the capitalization and amortization of such costs over different time periods or, indeed, not taking into account such costs at all in the calculation of the vehicle NAV.

Since the INREV NAV is primarily intended to facilitate comparability between different vehicles, the INREV approach is a simple but fixed methodology.

NAV Adjustments

Fair value of assets and liabilities

Acquisition expenses

Property acquisition costs

Direct costs related to a specific property acquisition such as transfer tax, legal costs, due diligence or other closing costs. These exclude costs of running an acquisition program such as general and administrative costs, costs incurred in analyzing proposals that are later on rejected, joint-venture organizational costs or fees paid to the manager for execution of the deal.

Property acquisition fee

Fee charged by investment advisors, or managers, associated with the closing of a new investment. The fee compensates the real estate investment advisor, or manager, for services rendered in an investment acquisition, including sourcing, negotiating and closing the deal.

NAV Adjustments

Fair value of assets and liabilities

Case Study

Please calculate the INREV Adjustments for the following:

Acquisition expenses

Under the fair value model, acquisition expenses of investment property (incl. under construction) may be partly charged to income as fair value changes at the first subsequent measurement date
In the Tax account these expenses were charged to in come directly
The following acquisition costs are applicable for the Investment properties buildings.

	Acquisition	Amount
A	2017	125
B	2017	175
C	2018	75
D	2018	150
E	2019	150
		675

NAV Adjustments

Fair value of assets and liabilities

Case Study

Please calculate the INREV Adjustments for the following:

Acquisition expenses

Under the fair value model, acquisition expenses of investment property (incl. under construction) may be partly charged to income as fair value changes at the first subsequent measurement date
In the Tax account these expenses were charged to in come directly
The following acquisition costs are applicable for the Investment properties buildings.

	Acquisition	Amount
A	2017	125
B	2017	175
C	2018	75
D	2018	150
E	2019	150
		675

Building	Amount	Acquisition	Yearly amortisation	Unamortized		Years remaining	
Building A	125	2017	25	50		2	years
Building B	175	2017	35	70		2	years
Building C	75	2018	15	45		3	years
Building D	150	2018	30	90		3	years
Building E	150	2019	30	120	SPV	4	years
			Total	**375**			

NAV Adjustments

Effects of the expected manner of settlement of sales/fund unwinding

NAV Adjustments

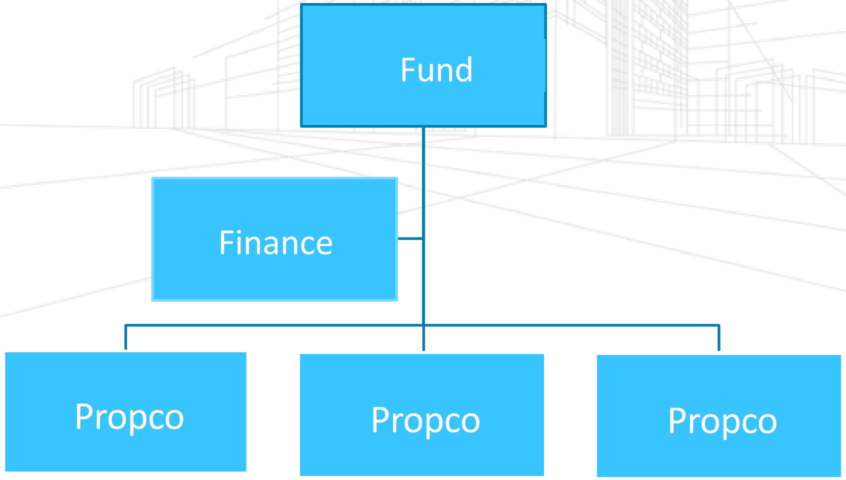
NAV per the IFRS financial statements	x
Reclassification of certain IFRS liabilities as components of equity	
a) Effect of reclassifying shareholder loans and hybrid capital instruments (including convertible bonds) that represent shareholders long term interests in a vehicle	x
b) Effect of dividends recorded as a liability which have not been distributed	x
NAV after reclassification of equity-like interests and dividends not yet distributed	**x**
Fair value of assets and liabilities	
c) Revaluation to fair value of investment properties	x/(x)
d) Revaluation to fair value of self-constructed or developed investment property	x/(x)
e) Revaluation to fair value of investment property held for sale	x/(x)
f) Revaluation to fair value of property that is leased to tenants under a finance lease	x/(x)
g) Revaluation to fair value of real estate held as inventory	x/(x)
h) Revaluation to fair value of other investments in real assets	x/(x)
i) Revaluation to fair value of indirect investments not consolidated	x/(x)
j) Revaluation to fair value of financial assets and financial liabilities	x/(x)
k) Revaluation to fair value of construction contracts for third parties	x/(x)
l) Set-up costs	x/(x)
m) Acquisition expenses	x/(x)
n) Contractual fees	x/(x)
Effects of the expected manner of settlement of sales/vehicle unwinding	
o) Revaluation to fair value of savings of purchaser's costs such as transfer taxes	x/(x)
p) Revaluation to fair value of deferred taxes and tax effect of INREV NAV adjustments	x/(x)
q) Effect of subsidiaries having a negative equity (non-recourse)	x/(x)
Other adjustments	
r) Goodwill	(x)
s) Non-controlling interest effects of INREV adjustments	x/(x)
INREV NAV	**x**

NAV Adjustments

Effects of the expected manner of settlement of sales/fund unwinding

Revaluation to fair value of savings of purchaser’s costs such as transfer taxes

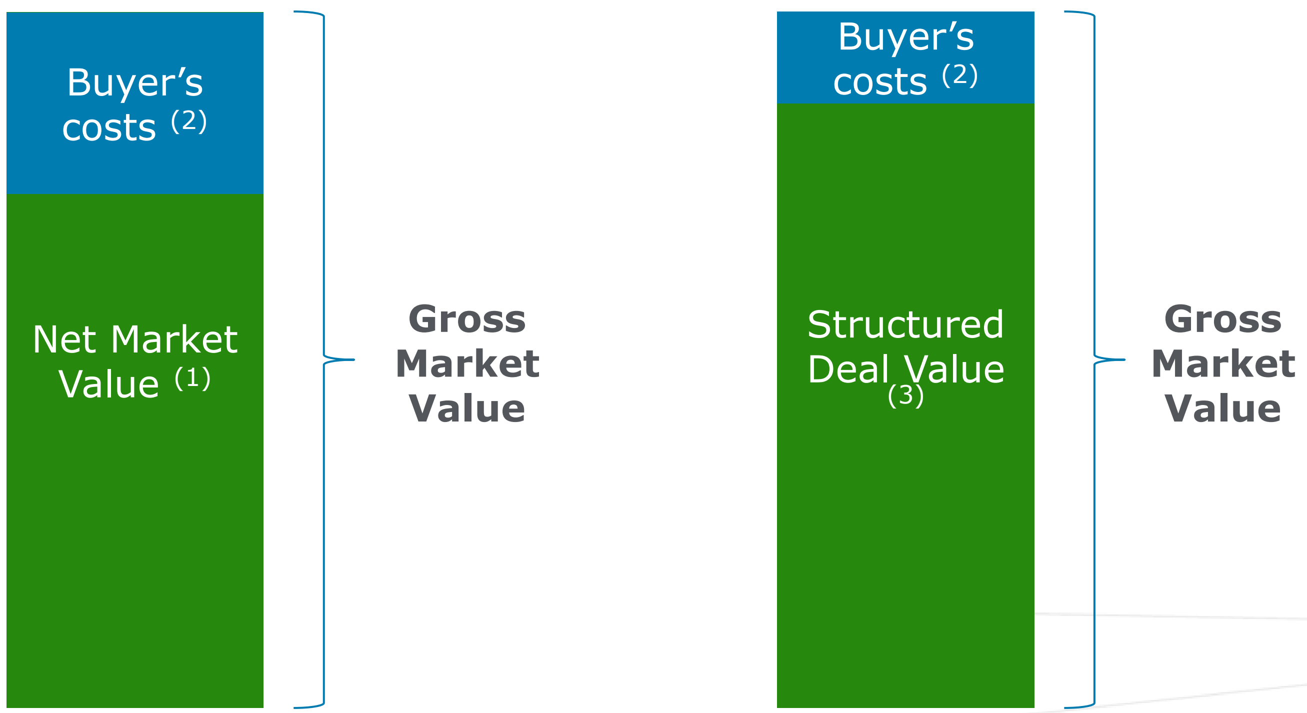
- Transfer taxes and purchaser’s costs are generally deducted when determining the fair value of investment properties under IAS 40
- Usually, the structure of the exit intends to generate benefits for the purchaser that are split between purchase and seller especially by selling per share deal rather than asset deal
- The adjustment therefore represents the positive impact on the NAV of the possible reduction of the transfer taxes and purchaser’s costs for the benefit of the seller based on the expected sale of shares in the property-owning vehicle.
- Disclosure should be made on how the estimate of the amount the manager expects to **benefit from intended disposal strategies** has been made. Reference should be made to both the **current structure** and prevailing **market conditions**.

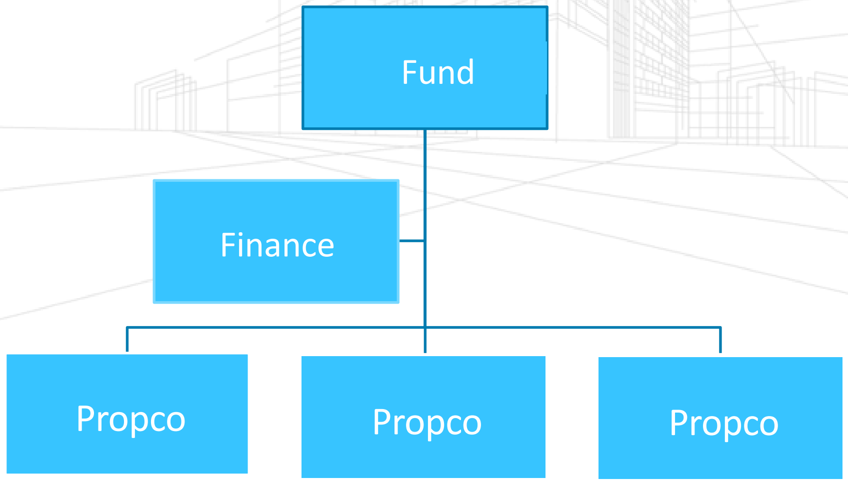


NAV Adjustments

Effects of the expected manner of settlement of sales/fund unwinding

Asset Deal Value* **Share Deal / SPV Deal Value**





(1) The net market value represents the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction
(2) Composed of stamp duty, notary fees, etc. from a purchaser's perspective
(3) Sale of the shares of the company owning the property (reduced or nil stamp duty)

* *For certain countries, stamp duty does not apply under an asset deal*

NAV Adjustments

Effects of the expected manner of settlement of sales/fund unwinding

Case Study

Please calculate the INREV Adjustments for the following:

Transfer Taxes

The fund is structured as a tax efficient structure. **All investment properties are held by a Special Purpose Vehicle (SPV)**.
These sales will lead to a saving of transfer taxes for the potential purchaser of approximately 500.
The Fund believes that it will be able to sell its properties at fair value plus 50% of these transfer taxes, assuming the tax benefit will be shared between the parties to the transaction.

Note: We have not spent cash but are looking at future additional income (in contrast to previous examples on straight-lining)

Building	Acquisition	Transfer tax
Building A	2017	100
Building B	2017	150
Building C	2018	50
Building D	2018	100
Building E	2019	100
		500

NAV Adjustments

Effects of the expected manner of settlement of sales/fund unwinding

Case Study

Please calculate the INREV Adjustments for the following:

Transfer Taxes

The fund is structured as a tax efficient structure. **All investment properties are held by a Special Purpose Vehicle (SPV)**.
These sales will lead to a saving of transfer taxes for the potential purchaser of approximately 500.
The Fund believes that it will be able to sell its properties at fair value plus 50% of these transfer taxes, assuming the tax benefit will be shared between the parties to the transaction.

Note: We have not spent cash but are looking at future additional income (in contrast to previous examples on straight-lining)

No double counting.
Compare Acquisition expenses

Building	Acquisition	Transfer tax
Building A	2017	100
Building B	2017	150
Building C	2018	50
Building D	2018	100
Building E	2019	100
		500

Building	Savings of Fund (50%)	Acquisition	Build up		Years passed	
Building A	50	2017	30		3	years
Building B	75	2017	45		3	years
Building C	25	2018	10		2	years
Building D	50	2018	20		2	years
Building E	50	2019	10		1	years
			115	SPV		

NAV Adjustments

Effects of the expected manner of settlement of sales/fund unwinding

- Investment Property is hold by a SPV. Management intends to sell by share deal. Sale will not lead to tax payments. Usually, deferred tax liability will be settled between seller and purchaser by 50% each.
- Tax Rate is 25%

Tax Rate	25%					
	Tax Base	Fair Value	Temporary difference	Deferred tax liability / (asset)	NAV adjustment	Deferred tax after adjustment
Investment Property	17.000	25.000	8.000	2.000	50,00%	1.000

NAV Adjustments

Effects of the expected manner of settlement of sales/fund unwinding

Revaluation to fair value of deferred taxes and tax effect of INREV NAV adjustments

- Under **IFRS**, deferred tax assets and liabilities are measured at the nominal statutory tax rate.
- The manner in which the **vehicle** expects to realize deferred tax (for example, for investment properties through share sales rather than direct property sales) is generally not taken into consideration.
- The adjustment represents the impact on the NAV of the difference between the amount determined in accordance with IFRS and the estimate of deferred tax which takes into account the expected manner of settlement (i.e., share deal vs. asset deal).
- Tax effect could have a large impact on the INREV NAV.
- This adjustment should include a full assessment of the tax impact on NAV of INREV NAV adjustments.
- As with IFRS, deferred tax balances are not discounted to take into account time value of money.

NAV Adjustments

Effects of the expected manner of settlement of sales/fund unwinding

Case Study

Please add the applicable tax rates (standard rate = 25%). Management assumes to save 50% of tax in a SPV sale (shared with purchaser)

Investment property under construction	**125** ↑	**SPV**
Inventory	**125** ↑	**No SPV**
Finance Lease	**63** ↑	**No SPV**
Fixed rate debt	**250** ↑	**No SPV**
Set-up costs	**100** ↑	**No SPV**
Acquisition expenses	**375** ↑	**SPV**

NAV Adjustments

Effects of the expected manner of settlement of sales/fund unwinding

Case Study

Please add the applicable tax rates (standard rate = 25%). Management assumes to save 50% of tax in a SPV sale (shared with purchaser)

Investment property under construction	**125**	**SPV**	**12,5%**
Inventory	**125**	**No SPV**	**25%**
Finance Lease	**63**	**No SPV**	**25%**
Fixed rate debt	**250**	**No SPV**	**25%**
Set-up costs	**100**	**No SPV**	**25%**
Acquisition expenses	**375**	**SPV**	**12,5%**

NAV Adjustments

NAV per the IFRS financial statements	x
Reclassification of certain IFRS liabilities as components of equity	
a) Effect of reclassifying shareholder loans and hybrid capital instruments (including convertible bonds) that represent shareholders long term interests in a vehicle	x
b) Effect of dividends recorded as a liability which have not been distributed	x
NAV after reclassification of equity-like interests and dividends not yet distributed	**x**
Fair value of assets and liabilities	
c) Revaluation to fair value of investment properties	x/(x)
d) Revaluation to fair value of self-constructed or developed investment property	x/(x)
e) Revaluation to fair value of investment property held for sale	x/(x)
f) Revaluation to fair value of property that is leased to tenants under a finance lease	x/(x)
g) Revaluation to fair value of real estate held as inventory	x/(x)
h) Revaluation to fair value of other investments in real assets	x/(x)
i) Revaluation to fair value of indirect investments not consolidated	x/(x)
j) Revaluation to fair value of financial assets and financial liabilities	x/(x)
k) Revaluation to fair value of construction contracts for third parties	x/(x)
l) Set-up costs	x/(x)
m) Acquisition expenses	x/(x)
n) Contractual fees	x/(x)
Effects of the expected manner of settlement of sales/vehicle unwinding	
o) Revaluation to fair value of savings of purchaser's costs such as transfer taxes	x/(x)
p) Revaluation to fair value of deferred taxes and tax effect of INREV NAV adjustments	x/(x)
q) Effect of subsidiaries having a negative equity (non-recourse)	x/(x)
Other adjustments	
r) Goodwill	(x)
s) Non-controlling interest effects of INREV adjustments	x/(x)
INREV NAV	**x**

NAV Adjustments

Other adjustments

Non-controlling interest

INREV NAV is net of non-controlling interests. As the adjustments are based on 100%, all INREV adjustments have to be adjusted by the percentage of non-controlling interests.

Example: 10% NCI in Company B

NCI Adjustment NCI in Company B 10%	NAV	Difference in Company B	NCI 10%
NAV per the IFRS financial statements	**2.000**		
Reclassification of certain IFRS liabilities as components of equity			
NAV after reclassification of equity-like interests and dividends not yet distributed			
Fair value of assets and liabilities			
e) Revaluation to fair value of investment property held for sale	50	0	0
g) Revaluation to fair value of real estate held as inventory	100	20	2
l) Set-up costs	100	30	3
m) Acquisition expenses	50	10	1
n) Contractual fees	40	0	0
Effects of the expected manner of settlement of sales/vehicle unwinding			
p) Revaluation to fair value of deferred taxes and tax effect of INREV NAV adjustments	-40	10	1
Other adjustments			
s) Non-controlling interest effects of INREV adjustments	7		
INREV NAV	**2.307**		**7**

INREV NAV Training

Questions & Answers

Next Link’n Learn webinar

*Date: **29/05/2024***

Topic: **Risk & Asset management| Digital processes for improving the evaluation and monitoring of risk**