# Principles of financial reporting

## Statement of conformity

Vastned Retail Belgium is a public regulated real estate company having its registered offices in Belgium. The consolidated annual accounts of the company as at 31 December 2015 included the company and its subsidiaries (the "Group"). The annual accounts of Vastned Retail Belgium nv have been prepared and are released for publication by the board of directors as at 14 March 2016 and will be submitted for approval to the general meeting of shareholders as at 27 April 2016.
The consolidated financial statements are prepared in compliance with the "International Financial Reporting Standards" (IFRS) as approved by the European Union and according to the Royal Decree of 13 July 2014. These standards comprise all new and revised standards and interpretations published by the International Accounting Standards Board ('IASB') and the International Financial Reporting Interpretations Committee ('IFRIC'), as far as applicable to the activities of the Group and effective for financial years as from 1 January 2015.

### New and amended standards and interpretations effective for financial year starting as at 1 January 2015

The following amended standards by the IASB and published standards and interpretations by the IFRIC became effective for the current period, but do not affect the disclosure, notes or financial results of the company: Annual Improvements to IFRSs (2010-2012) (1/2/2015); Annual Improvements to IFRSs (2011-2013) (1/1/2015); Amendments to IAS 19 Employee Benefits – Employee Contributions (1/2/2015);
IFRIC 21 - Levies (1/7/2014) indicates under which circumstances a levy imposed by government must be booked in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets. This interpretation has no significant impact on the consolidated annual accounts of the Group but does affect the development of the result during the financial year due to the change in the time at which the property tax for vacant units is recognised: with the application of IFRIC 21 the real estate is recognised fully as debt and cost as at 1 January 2015 and the charging on of this property tax to the tenants and the recovery of property tax on vacant buildings from the government units is recognised by the government fully as receivable and revenue as at 1 January 2015. The net impact on the income statement therefore remains limited to the non-rechargeable / recoverable property tax that is henceforth recognised as from 1 January as a cost instead of spread out over the financial year. No other government levies apply to the company for which the application of this interpretation changes the time at and the extent to which liability is to be recognised.

### New and amended standards and interpretations not yet effective in 2015

The following amended standards will become effective as from following year or later, but are not supposed to affect the disclosure, notes or financial results of the RREC: IFRS 9 *Financial Instruments and subsequent amendments* (1/1/2018); IFRS 14 *Regulatory Deferral Accounts* (1/1/2016); IFRS 15 *Revenue from Contracts with Customers* (1/1/2017); Amendments to IFRS 11 *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations* (1/1/2016); Amendments to IAS 16 and IAS 38 *Property, Plant and Equipment and Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortisation* (1/1/2016); Amendments to IAS 16 and IAS 41 *Agriculture: Bearer Plants* (1/1/2016); Annual Improvements to IFRSs (2012-2014) (1/1/2016); Amendments to IFRS 10, IFRS 12 and IAS 28 *Investment Entities: Applying the Consolidation Exception* (1/1/2016); Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (not yet endorsed in the EU); Amendments to IAS 1 *Presentation of Financial Statements - Disclosure Initiative* (1/1/2016); Amendments to IAS 27 *Separate Financial Statements - Equity Method* (1/1/2016); IFRS16 *Leases* (1/1/2019).

## Presentation basis

The consolidated annual accounts are expressed in thousands of €, rounded to the nearest thousand. The accounting principles are applied consistently and the consolidated accounts are presented before profit distribution.

## Consolidation principles

### a. Subsidiary companies

A subsidiary company is an entity over which another entity has control (exclusively or jointly). Control is the power to govern the financial and operating policies of an entity in order to influence benefits from its activities. A subsidiary company's annual financial statement is recognised in the consolidated annual financial statement by means of the integrated consolidation methodology from the time that control arises until such time as it ceases. If necessary, the financial reporting principles of the subsidiaries have been changed in order to arrive at consistent principles within the Group. The reporting period of the subsidiary coincides with that of the parent company.

### b. Eliminated transactions

Any transactions between the Group companies, balances and unrealised profits and losses from transactions between Group companies will be eliminated when the consolidated annual accounts are prepared. The list of subsidiaries is given under Note 22.

## Business combinations and goodwill

When the Group takes control of an integrated combination of activities and assets corresponding to the definition of business according to IFRS 3 - Business combinations, assets, liabilities and any contingent liabilities of the business acquired are recognised separately at fair value on the acquisition date. The goodwill represents the positive change between the sum of the acquisition value, the formerly interest in the entity which was not controlled (if applicable) and the recognised minority interest (if applicable) and on the other part the fair value of the acquired net assets. If the difference is negative ("negative goodwill"), it is immediately recognised in the results after confirmation of the values. All transaction costs are immediately charged and do not represent a part of the determination of the acquisition value.
In accordance with IFRS 3, the goodwill can be determined on a provisional basis at acquisition date and adjusted within the 12 following months.
After initial recognition, the goodwill is not amortised but submitted to an impairment test carried out at least every year for cash-generating units to which the goodwill was allocated. If the carrying amount of a cash-generating unit exceeds its value in use, the resulting impairment is recognised in the results and first allocated in reduction of the possible goodwill and then to the other assets of the unit, proportional to their carrying amount. An impairment loss recognised on goodwill is not reversed during a subsequent year.
In the event of the disposal of a cash-generating unit, the amount of goodwill that is allocated to this unit is included in the determination of the result of the disposal.
When the Group acquires an additional interest in a subsidiary company, formerly already controlled by the Group or when the Group sells a part of the interest in a subsidiary company without losing control, the goodwill, recognised at the moment of the acquisition of control, is not influenced. The transaction with minority interests has an influence on the transferred results of the Group.

## Foreign currencies

Foreign currency transactions are recognised at the exchange rate valid on the transaction date.
Monetary assets and liabilities denominated in foreign currency are valued at the final rate in force on the balance sheet date. Exchange rate differences deriving from currency transactions and from the conversion of monetary assets and liabilities denominated in foreign are recognised in the income statement in the period when they occur.
Non-monetary assets and liabilities denominated in foreign currencies are converted at the exchange rate valid at the transaction date.

## Property result

Income is valued at the fair value of the compensation received or to which title has been obtained. Income will only be recognised if it is probable that the economic benefits will fall to the entity and can be determined with sufficient certainty.
The rental income, the received operational lease payments and the other income and costs are recognised linearly in the income statement in the periods to which they refer.
The compensation paid by tenants for early termination of lease agreements is immediately taken into

result in the period in which it is irrevocably obtained.

## Property charges and general costs

The costs are valued at the fair value of the compensation that has been paid or is due and are recognised in the income statement for the periods to which they refer.

## Result on disposal and changes in fair value of investment properties

The result from the disposal of investment properties is equal to the difference between the selling price and the carrying amount (i.e. the fair value determined by the property expert at the end of previous financial year) less the selling expenses.
The changes in fair value of investment properties are equal to the difference between the actual carrying amount and the previous fair value as estimated by the independent property expert. A comparison is made at least four times a year for the entire portfolio of investment properties. Movements in fair value of the real estate properties are recognised in the income statement in the period in which they arise.

## Financial result

The financial result consists of interest charges on loans and additional financing costs, less the income from investments.

## Taxes on result

Taxes on the result of the financial year consist of the taxes due and recoverable for the reporting period and previous reporting periods, deferred taxes and the exit tax due. The tax expense is recognised in the income statement unless it relates to elements that are immediately recognised in equity. In the latter case, taxes are recognised as a charge against equity.
When calculating the taxation on the taxable profit for the year, the tax rates in force at the end of the period are used.
Withholding taxes on dividends are recognised in equity as part of the dividend until such time as payment is made.
The exit tax owed by companies that have been taken over by the real property investment trust, are deducted from the revaluation surplus at the moment of the merger and are recognised as a liability.
Tax claims and liabilities are valued at the tax rate used during the period to which they refer.
Deferred tax claims and liabilities are recognised on the basis of the debt method ('liability method') for all provisional differences between the taxable basis and the carrying amount for financial reporting purposes with respect to both assets and liabilities.
Deferred tax claims are only recognised if it is probable that there will be taxable profit against which the deferred tax claim can be offset.

## Ordinary and diluted net result per share

The ordinary net result per share is calculated by dividing the net result as shown in the income statement by the weighted average of the number of outstanding ordinary shares (i.e. the total number of issued shares less own shares) during the financial year.
To calculate the diluted net result per share, the net result that is due to the ordinary shareholders and the weighted average of the number of outstanding shares is adapted for the effect of potential ordinary shares that may be diluted.

## Intangible assets

Intangible assets are recognised at cost, less any accumulated depreciation and exceptional impairment losses, if it is likely that the expected economic benefits attributable to the asset will flow to the entity, and if the cost of the asset can be measured reliably. Intangible assets are amortised linearly over their expected useful life. The depreciation periods are reviewed at least at the end of every financial year.

## Investment properties (including mutation rights)

### a. Definition

Investment properties comprise all buildings and lands that are lettable and (wholly or in part) generate rental income, including the buildings where a limited part is kept for own use.

### b. Initial recognition and valuation

Initial recognition in the balance sheet takes place at the acquisition value including transaction costs such as professional fees, legal services, registration charges and other property transfer taxes. The exit tax due from companies absorbed by the company is also included in the acquisition value.
Commission fees paid for acquisitions of buildings must be considered as additional costs for these acquisitions and added to the acquisition value.
If the acquisition takes place through the acquisition of shares of a real estate company, through the nonmonetary contribution of a building against the issue of new shares or by merger through takeover of a real estate company, the deed costs, audit and consultancy costs, reinvestment fees and costs of lifting distraint on the financing of the absorbed company and other costs of the merger are also capitalised.

### c. Valuation after initial recognition

After initial take up, investment properties are valued at fair value in accordance with IAS 40. The fair value is equal to the amount at which a building could be exchanged between well-informed parties, in agreement and acting in conditions of normal competition. From the point of view of the seller it must be understood subject to deduction of registration fees. The fair value is thus obtained by deducting an appropriate portion of the registration fees from the investment value.

- The investment value is the price at which the site will probably be traded between buyers and sellers who are well informed in the absence of information asymmetries and who wish to perform such a transaction, without taking into account any special agreement between them. This value is the investment value when it matches the total price to be paid by the buyer, plus any registration fees or VAT if the purchase is subject to VAT.

- Concerning the amount of the registration fees, on 8 February 2006 the Belgian Asset Managers Association (BEAMA) published a press release (see www. beama.be - publications - press release: "First application of IFRS accounting rules").

  A group of independent property experts, who carry out the periodic valuation of the buildings of RRECs, judged that for transactions relating to buildings in Belgium with an overall value of less than € 2,5 million, registration fees of 10,0% to 12,5% must be taken into account depending on the region where these properties are located.
  For transactions relating to buildings with an overall value of more than € 2,5 million and given the range of methods of transfer of ownership used in Belgium, these same experts - based on a representative sample of 220 transactions performed on the market between 2002 and 2005 and representing a total of € 6,0 billion - valued the weighted average of the fees at 2,5%.

This means that the fair value is equal to the investment value divided by 1,025 (for buildings with a value of more than € 2,5 million) or the investment value divided by 1,10/1,125 (for buildings with a value of less than € 2,5 million).
The difference between the fair value of the pro-perty and the investment value of the property as determined by the independent property experts is recognised at the end of the period in the income statement in the section XVIII "Changes in fair value of investment properties."
After approval of the result appropriation by the general shareholders' meeting (in April of next financial year) this difference between the fair value of real estate properties and the investment value of the real estate properties is attributed to the reserve "c. Reserve for the impact on the fair value of estimated transaction rights and costs resulting from the hypothetical disposal of investment properties" in shareholders equity.

### d. Holding of real estate properties and valuation process

Investment properties are valued by the independent real estate experts at investment value. For this, the investment properties are valued each quarter on the basis of the present value of market rents and/or effective rental income, where appropriate after deduction of associated costs in accordance with the International Valuation Standards 2001 published by the International Valuation Standards Committee.
Valuations are produced by updating the annual net rent received from the tenants, less the associated costs. The updating takes place on the basis of the yield factor, which depends on the inherent risk of the relevant property.
Profits or losses arising from the variation in the fair

value of an investment property are recognised in the income statement in section XVIII. "Changes in fair value of investment properties" in the period in which they arise and when profits are distributed in the following year are allocated to the reserve "b. Reserve for the balance of changes in the fair value of real estate properties". When this allocation is made, within this reserve for the balance of the variations in the fair value of real estate properties a distinction is made between variations in the investment value of the real estate properties and the estimated transaction costs resulting from hypothetical disposal so that this last section always matches the difference between the investment value of the real estate properties and the fair value of the real estate properties.

### e. Disposals of investment properties

By disposal of an investment property the realised profit and losses on the disposal are recorded in the income statement of the reporting period under the item XVI "Result on disposals of investment properties". The commission fees paid to real estate agents the sale of buildings and obligations made as a result of transactions are reduced from the obtained sales price in order the determine the realised profit or loss. By the result allocation of the next year, these realised profits or losses are attributed to the reserve "b. Reserve for the balance of changes in fair value of real estate properties". For this attribution within this reserve between the balance of the changes in fair value of real estate properties a difference is made between the changes in the investment value of the real estate properties and the estimated transaction rights and costs resulting from the hypothetical disposal so that these latest section always corresponds with the difference between the investment value of real estate properties and the fair value of real estate properties.

### f. Assets held for sale

Assets held for sale refer to real estate properties whose carrying amount will be realised during a sales transaction and not through continuing use. The buildings held for sale are valued in accordance with IAS 40 at fair value.

## Other tangible assets

### a. Definition

The current assets under the entity's control that do not meet the definition of investment property are classified as "Other tangible assets".

### b. Valuation

Other tangible assets are initially recognised at cost and thereafter valued according to the cost model. Additional costs are only capitalised if the future economic benefits related to the tangible asset increase.

### c. Depreciation and exceptional impairment losses

Other tangible assets are depreciated using the linear depreciation method. Depreciation begins at the moment the asset is ready for use as foreseen by the management. The following percentages apply on an annual basis:

- plant, machinery and equipment 20%
- furniture and vehicles 25%
- computer equipment 33%
- real estate for own use:
  - land 0%
  - buildings 5%
- other tangible assets 16%

If there are indications that an asset may have suffered impairment loss, its carrying amount is compared to the realisable value. If the carrying amount is greater than the realisable value, an exceptional impairment loss is recognised.

*Solar panels*

Solar panels are valued based on the revaluation model in accordance with IAS 16 - Tangible Assets. After initial recognition, an asset whose fair value can be reliably determined must be booked at the revalued value, i.e. the fair value at the moment of revaluation less any subsequently accumulated depreciation and subsequently accumulated impairment losses. The fair value is determined based on the discounting method for future income. The useful life of solar panels is estimated at 20 years. Capital gains generated upon the start-up of a new site are entered in a separate component of the shareholders' equity. Capital losses are also included in this component, unless they have been converted into cash or unless the fair value drops below the original cost. In the latter cases they are included in the results.

### d. Disposal and retirement

When tangible assets are sold or retired, their carrying amount ceases to be recognised on the balance sheet and the profit or loss is recognised on the income statement.

## Impairment losses

The carrying amount of the assets of the company is reviewed periodically to determine whether there is an indication of impairment. Special impairment losses are recognised in the income statement if the carrying amount of the asset exceeds the realisable value.

## Financial instruments

### a. Trade receivables

Trade receivables are recorded at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for impairment losses are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

### b. Investments

Investments are recognised and derecognised on a trade date basis when the purchase or sale of an investment is under a contract whose terms require delivery of the asset within the timeframe es-ta-blished by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs.
Debt securities of which the Group has the expressed intention and ability to hold to maturity (held-to-maturity debt securities) are valued at amortised cost using the effective interest rate method, less any impairment recognised to reflect irrecoverable amounts. An impairment loss is recognised in the income statement when there is the objective evidence that an asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Special impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

### c. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

### d. Financial liabilities and equity

Financial liabilities and equity instruments issued by the Group are classified according to the economic certainty of the contractual arrangements and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The principles of financial reporting related to specific financial liabilities and equity instruments are set out below.

### e. Interest-bearing bank loans

Interest-bearing bank loans and credit overdrafts are initially valued at fair value and are subsequently valued at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with principles of financial reporting related to financing costs, applied by the Group.

### f. Trade debts

Trade debts are initially valued at fair value and are subsequently valued at amortised cost using the effective interest rate method.

### g. Equity instruments

Equity instruments issued by the company are recognised in the proceeds received (net of direct issue costs).

### h. Derivatives

The Group uses derivatives to hedge its exposure to interest rate risks arising from operational, finan-cing and investment activities. The Group does not engage in speculative transactions nor does it issue or hold derivatives for trading purposes.
Derivatives do not qualify for hedge accounting. Derivatives are initially valued at cost price and are valued after initial recognition at fair value. Changes in fair value of every derivative are recorded immediately in the income statement.

### i. Own shares

When own shares are purchased, the amount paid, including attributable direct costs, is accounted for as a deduction of shareholders' equity.

## Provisions

A provision is an obligation of uncertain size or with an uncertain time element. The amount that is recognised is the best estimate at balance sheet date of the expenditure required to settle the existing liability.
Provisions are only recognised when there is a present obligation (legal or constructive) as a result of a past event that probably will bring an outflow of resources whereby a reliable estimate of the amount of the obligation can be made.

## Post-employment benefits

Contributions to defined-contribution retirement benefit plans are recognised as an expense against the reporting period when employees have rendered services entitling them to the contributions.

### Dividend distribution

Dividends are recognised as equity until the annual shareholders' meeting approves the dividends. The dividends are therefore recognised as a liability in the annual accounts of the period in which the dividend distribution is approved by the annual general shareholders' meeting.

## Events after the balance sheet date

Events after the balance sheet date are events, both favourable and unfavourable, that take place between the balance sheet date and the date the financial statements are authorised for issue. Events providing information of the actual situation on balance sheet date are recognised as result in the income statement.

## Significant valuations and main sources of uncertainty regarding valuations

### a. Fair value of investment properties

The fair value of the investment properties of Vastned Retail Belgium is valued on a quarterly basis by independent property experts. This valuation of the property experts is meant to determine the market value of a building on a certain date according to the evolution of the market and the characteristics of the relevant buildings. The property experts use the principles described in the chapter "Valuation of the portfolio by property experts" in the Property report and in "Note 14. Non-current assets: investment properties" of the Financial report. The real estate portfolio is recorded in the consolidated annual accounts at fair value determined by the property experts.

### b. Financial derivatives

The fair value of the financial derivatives of Vastned Retail Belgium is valued on a quarterly basis by the issuing financial institute. A comprehensive description can be found in "Note 19. Financial instruments" in the Financial report.

### c. Disputes

The company is, and may in the future, be involved in legal procedures. Vastned Retail Belgium is involved as at 31 December 2015 as claimer as well as defendant in a number of legal procedures which (according to the information held by the company on the date of this annual report) will most probably not have a significant impact on the assets, liabilities and results of the company.

## Significant assessments

The company transactions in 2014-2015 were not processed as a business combination as defined under IFRS 3, based on the observation that the latter does not apply due to the nature and the scale of the companies over which control was gained. They are companies that own a limited number of buildings and it is not the intention to maintain them as an autonomous business. These companies will be completely consolidated.