



## **Intervest Offices & Warehouses NV/SA, Public regulated real estate company under Belgian law**

Statutory auditor's report to the shareholders' meeting of Intervest Offices & Warehouses NV/SA on the consolidated financial statements for the year ended 31 December 2017

The original text of this report is in Dutch

## Statutory auditor's report to the shareholders' meeting of Intervest Offices & Warehouses NV/SA for the year ended 31 December 2017

In the context of the statutory audit of the consolidated financial statements of Intervest Offices & Warehouses NV/SA, Public regulated real estate company under Belgian law ("the company") and its subsidiaries (jointly "the group"), we hereby submit our statutory audit report to you. This report includes our report on the consolidated financial statements together with our report on other legal and regulatory requirements. These reports are one and indivisible.

We were appointed in our capacity as statutory auditor by the shareholders' meeting of 27 April 2016 in accordance with the proposal of the board of directors issued upon recommendation of the Audit Committee. Our mandate will expire on the date of the shareholders' meeting approving the consolidated financial statements for the year ending 31 December 2018. We have performed the statutory audit of the consolidated financial statements of Intervest Offices & Warehouses NV/SA for 17 subsequent years.

### Report on the audit of the consolidated financial statements

#### Unqualified opinion

We have audited the consolidated financial statements of the company and its subsidiaries, which comprise the consolidated balance sheet as at 31 December 2017, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flow for the year then ended, as well as the summary of significant accounting policies and other explanatory notes. The consolidated balance sheet shows total assets of 679 418 (000) EUR and the consolidated income statement shows a consolidated profit for the year then ended of 21 186 (000) EUR.

In our opinion, the consolidated financial statements of Intervest Offices & Warehouses NV/SA, Public regulated real estate company under Belgian law give a true and fair view of the group's net equity and financial position as of 31 December 2017 and of its consolidated results and its consolidated cash flow for the year then ended, in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium.

#### Basis for our unqualified opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the "Responsibilities of the statutory auditor for the audit of the consolidated financial statements" section of our report. We have complied with all ethical requirements relevant to the statutory audit of consolidated financial statements in Belgium, including those regarding independence.

We have obtained from the board of directors and the company's officials the explanations and information necessary for performing our audit.

We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our opinion.

## Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	How our audit addressed the key audit matters
<p><b>1. Valuation of investment properties</b></p> <ul style="list-style-type: none"> <li>Investment properties measured at fair value (662 539 (000) EUR) represent 98% of the consolidated balance sheet total as at 31 December 2017. Changes in the fair values of the investment properties have a significant impact on the consolidated net result for the period and equity.</li> <li>The portfolio includes completed investments and properties under construction.</li> <li>Acquisitions and divestments of investment properties are individually significant transactions.</li> <li>The Group uses professionally qualified external valuers to fair value the Group's portfolio at three-monthly intervals. The valuers are engaged by the Directors and performed their work in accordance with the Royal Institute of Chartered Surveyors ('RICS') Valuation – Professional Standards. The valuers used by the Group have considerable experience in the markets in which the Group operates.</li> <li>The portfolio is valued by the investment method of valuation with development properties valued by the same methodology with a deduction for all costs necessary to complete the development together with a remaining allowance for risk. The key inputs into the valuation exercise are yields and current market rent, which are influenced by prevailing market forces, comparable transactions and the specific characteristics of each property in the portfolio.</li> <li>Therefore, the audit risk appears in the assumptions and critical judgment linked to those key inputs.</li> </ul>	<ul style="list-style-type: none"> <li>We considered the internal control implemented by management and we carried out testing relating to the design and implementation of controls over investment properties.</li> <li>We assessed the competence, independence and integrity of the external valuers.</li> <li>We discussed and challenged the valuation process, performance of the portfolio and significant assumptions and critical judgement areas, including occupancy rates, yields and development milestones.</li> <li>We benchmarked and challenged the key assumptions to external industry data and comparable property transactions, in particular the yield.</li> <li>We performed audit procedures to assess the integrity and completeness of information provided to the independent valuers relating to rental income, key rent contract characteristics and occupancy.</li> <li>We agreed the amounts per the valuation reports to the accounting records and from there we agreed the related balances through to the financial statements.</li> <li>As part of our audit procedures performed on the acquisitions and divestments of investment properties we examined significant contracts and documentation on the accounting treatment applied to these transactions.</li> <li>Furthermore, we assessed the appropriateness of the disclosures provided on the fair values of investment properties.</li> </ul>

### Reference to disclosures

We refer to the consolidated financial statements, including notes to the consolidated financial statements: Note 2, Principles of financial reporting; Note 13, non-current assets.

## 2. Valuation of derivative financial instruments

- The Group employs derivative instruments that are recognised at fair value. Intervest Offices & Warehouses NV/SA uses derivative contracts to hedge interest rate risks. The fair value of the derivatives as at 31 December 2017 amounts to -1 841 (000) EUR compared to a fair value of -2 960 (000) EUR as at 31 December 2016.
- Derivative transactions can be complex in nature and their valuation can be affected by a large number of variables.
- Proper disclosures of the use of derivative financial instruments is relevant to the reader of the financial statements.
- Therefore, the key audit matter appears in the valuation of these derivatives.

### Reference to disclosures

We refer to the consolidated financial statements, including notes to the consolidated financial statements: Note 2, Principles of financial reporting; Note 18, Financial Instruments.

- We considered the internal control implemented by management and we carried out testing relating to the design and implementation of controls over derivatives financial instruments.
- We have validated the completeness of the derivative financial instruments by obtaining confirmations from all banks with whom Intervest Offices & Warehouses NV/SA has engaged in this type of transactions.
- We have reconciled the marked-to-market values as calculated by the banks to the financial statements.
- We have engaged Deloitte's valuation experts to independently test the valuation of a sample of derivative financial instruments, based on their contract terms.
- Furthermore, we assessed the appropriateness of the disclosures provided on derivative financial instruments.

## Responsibilities of the board of directors for the consolidated financial statements

The board of directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium, and for such internal control as the board of directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements the board of directors is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters to be considered for going concern and using the going concern basis of accounting unless the board of directors either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

### **Responsibilities of the statutory auditor for the audit of the consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from an error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with the audit committee regarding, amongst other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and we communicate with them about all relationships and other matters that may reasonably be thought to bear our independence, and where applicable, related safeguards.

From the matters communicated those charged with the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes any public disclosure about the matter.

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## **Report on other legal and regulatory requirements**

### **Responsibilities of the board of directors**

The board of directors is responsible for the preparation and the content of the directors' report on the consolidated financial statements and other matters disclosed in this report.

### **Responsibilities of the statutory auditor**

As part of our mandate and in accordance with the Belgian (revised) standard complementary to the International Standards on Auditing applicable in Belgium, our responsibility is to verify the director's report on the consolidated financial statements and other matters disclosed in the annual report, in all material respects.

### **Aspects regarding the directors' report on the consolidated financial statements and other matters disclosed in this report**

In our opinion, after performing the specific procedures on the directors' report on the consolidated financial statements, the directors' report on the consolidated financial statements is consistent with the consolidated financial statements for the same year and it has been established in accordance with the requirements of article 119 of the Companies Code.

In the context of our statutory audit of the consolidated financial statements we are responsible to consider, in particular based on information that we became aware of during the audit, if the directors' report on the consolidated financial statements is free of material misstatements, either by information that is incorrectly stated or otherwise misleading. In the context of the procedures performed, we are not aware of such a material misstatement.

### **Statements regarding independence**

We did not perform any services that are incompatible with the statutory audit of the consolidated financial statements and remained independent from the company during the performance of our mandate.

The fees for the non-audit services compatible with the statutory audit of the consolidated financial statements as defined in article 134 of the Companies Code have been properly disclosed and disaggregated in the disclosures to the consolidated financial statements.

**Other statements**

- This report is consistent with our additional report to the audit committee referred to in article 11 of Regulation (EU) No 537/2014.

Zaventem, 8 March 2018

**The statutory auditor**

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**DELOITTE Bedrijfsrevisoren / Réviseurs d'Entreprises**

BV o.v.v.e. CVBA / SC s.f.d. SCRL

Represented by Rik Neckebroek

**Deloitte.**

Deloitte Bedrijfsrevisoren / Réviseurs d'Entreprises  
Burgerlijke vennootschap onder de vorm van een coöperatieve vennootschap met beperkte aansprakelijkheid /  
Société civile sous forme d'une société coopérative à responsabilité limitée  
Registered Office: Gateway building, Luchthaven Nationaal 1 J, B-1930 Zaventem  
VAT BE 0429.053.863 - RPR Brussel/RPM Bruxelles - IBAN BE 17 2300 0465 6121 - BIC GEBABEBB