

Vesteda Annual Report 2013



Vesteda
Annual Report
2013

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Disclaimer: References in this Annual Report to 'Vesteda', 'we', 'the company' or similar terms mean Vesteda as defined in the 'Legal structure' section on page 76. This Annual Report contains forward-looking statements. Those statements may - without qualification - contain expectations on future realised and unrealised results, yields, distributions, government measures, the effect of other regulatory measures on Vesteda's activities, the partnership contributions in Vesteda, subsidiaries and joint ventures, macro-economic trends and Vesteda's performance in them. Such comments are preceded or followed by or contain terms such as 'believe', 'expect', 'forecast', 'of the opinion', 'anticipate' or similar terms. These forward-looking statements are based on current assumptions about future activities and are subject to known and unknown factors and other uncertainties, many of which are beyond Vesteda's control, and so actual results in the future may differ materially from these expectations.

Highlights 2013

Puntenburg, Amersfoort

Year of construction: 2011

Rental segment: mid

Region: primary

The Zicht op Amersfoort (Puntenburg) property is located in the Puntenburg/Eemplein redevelopment area close to Amersfoort city centre. Zicht op Amersfoort is an offshoot of this redevelopment, with approximately 110 apartments and two commercial units of 130 m² and 35 m². The apartments in the complex stand out thanks to their contemporary look and feel and the use of high-quality materials. With an average rent of approximately € 945, the property has virtually no vacancies.

START
VERKOOP
2^{de} FASE
2 april
11.00 - 14.00 uur

Key figures

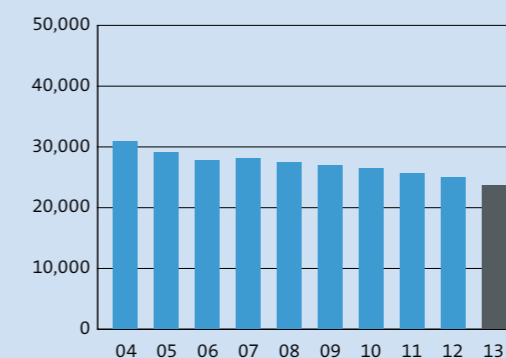
Key figures at year-end	2012	2013
Total assets (in € million)	4,158	3,782
Equity (in € million)	2,423	2,280
Loan capital (in € million)	1,523	1,350
Leverage (in %)	36.6	35.7
Number of residential units	25,100	23,791
Portfolio value (in € million)	3,982	3,678
Occupancy rate (in % of units)	95.6	96.1
Financial vacancy rate (in % of theoretical gross rent)	5.6	5.7
Gross rental income (in % of the value of the letting portfolio, at start of year)	5.7	6.0
Property operating expenses (in % of gross rental income)	27.6	24.8
Net rental income (in % of the value of the letting portfolio, at start of year)	4.2	4.5
Management expenses ¹	35.3 bps	32.1 bps
Realised return (in % of opening equity)	3.6	4.2
Unrealised return (in % of opening equity)	-8.7	-6.7
Total return (in % of opening equity)	-5.1	-2.5
Distribution to investors (in % of opening equity) ²	3.5	4.1
Tenant satisfaction (rating out of 10)	7.0	6.9
Employees (in FTE)	253	227
Average energy index (EI) and classification in letting portfolio	1.53; C	1.49; C

¹ Excluding the partial release of the reorganisation provision

² Vesteda's dividend policy is to pay the realised return excluding the result on disposals

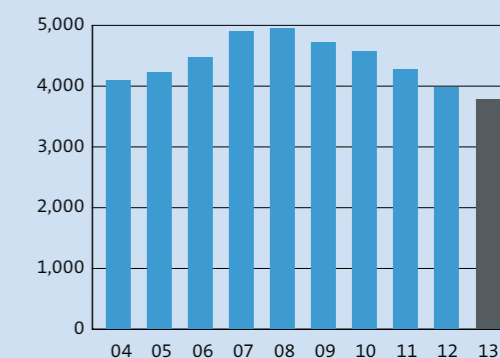
Number of residential properties

portfolio, year-end



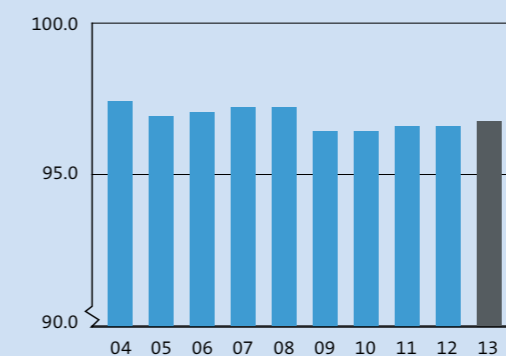
Total portfolio value

million at year-end



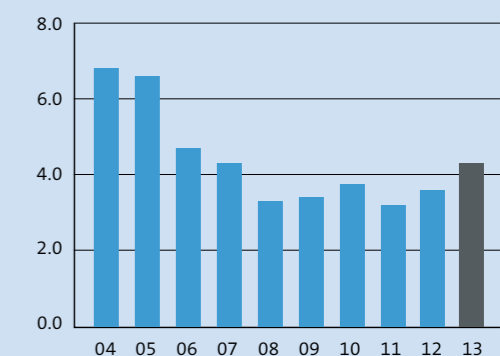
Occupancy rate

% of portfolio, year-end



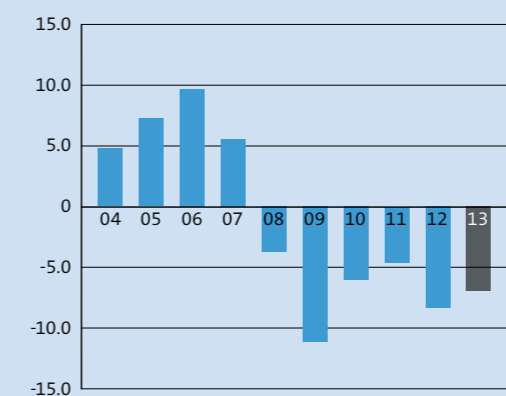
Realised return from letting

% of opening equity



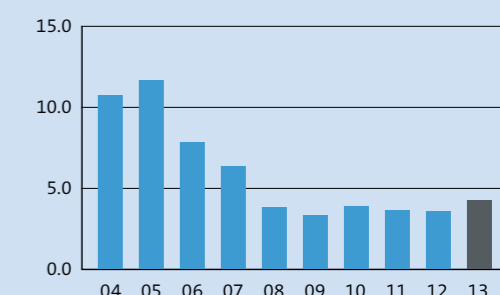
Unrealised return

% of opening equity



Distribution to investors

% of opening equity



For a 10-year overview of the key figures please see Annex 1 on page 124

Key developments

Portfolio developments

- In 2013, Vesteda sold non-strategic assets with a total value of € 186 million. In the same period, a total of € 10 million in residential units was added to the portfolio. Investment sales accounted for a greater proportion of total sales compared with 2012.
- Vesteda spent a total of € 35 million in the portfolio, split between planned maintenance programmes, minor repairs and breakdowns, reletting expenses and capital expenditures (€ 13 million).
- Despite the measures taken to accelerate the leasing process (differentiated rent increases, focused investments to improve the quality of the homes and targeted marketing campaigns), vacancies were insufficiently reduced in the first half of 2013. This was largely due to disappointing rentals in the higher segment and an increase in lease terminations. In mid-2013, Vesteda took another critical look at average market rent levels for vacant properties, which led to an increase in occupancy levels in the second half of the year. For the full year, the financial vacancy rate as a percentage of theoretical gross rent remained stable at 5.7%, compared with 5.6% in 2012. The occupancy rate had risen to 96.1% by year-end 2013, compared with 95.6% at year-end 2012. Total tenant turnover was slightly lower in 2013 than in the previous year. This drop was due to a significantly lower turnover rate in the higher rental segment. Thanks to targeted campaigns, the turnover rate in the higher rental segment had fallen to 19% at year-end 2013, from 42% a year earlier.

Financing and equity

- On balance, Vesteda reduced its debt capital by € 125 million. At year-end 2013, Vesteda's drawn capital amounted to € 1,350 million, representing 35.7% of its total capital.
- In 2013, a total dividend of € 74 million was paid out to participants. This was the final payment of the dividend realised over the financial year 2012 of € 94 million, of which € 20 million was already paid in 2012 as an interim dividend.
- In December 2013, Vesteda repurchased participations for a total amount of € 50 million at NAV.

Vesteda Property Management (VPM)

- By the end of 2014, VPM aims to achieve a positive operating result, on the basis of average market based income and expenses, and within market based parameters set for professional services for clients and tenants. To achieve this goal, VPM devised a reorganisation plan in 2013 and will have to gradually reduce the number of FTE to around 108 FTE in the course of 2014, from 153 FTE ultimo 2013.
- VPM will focus increasingly on online client servicing and the business has drawn up plans for extra investments in IT systems and processes for this purpose.

Vesteda Project Development (VPD)

- In 2013, the pipeline of Vesteda Project Development was further reduced to € 310 million at year-end 2013, from € 452 million at year-end 2012. The pipeline will be fully developed in 2018. In line with this downsizing, VPD also reduced the number of FTE, to 4.6 FTE at year-end 2013, from 9.4 FTE ultimo 2012.
- VPD completed and delivered two projects in 2013, representing a fair value of € 13 million. These included nine owner-occupied homes in the OpBuuren residential district of Maarssen and 49 rental homes in the De Leyster complex in The Hague. VPD sold a total of 41 owner-occupied homes in 2013, largely from projects in Den Bosch.

AIFMD and ISAE 3402

- In May 2013, Vesteda Investment Management BV submitted its application for an AIFMD license with the Dutch Financial Markets Authority (AFM). On 17 February 2014, Vesteda Investment Management BV was the first real estate investment manager in the Netherlands who received the AIFMD license from the Dutch Financial Markets Authority.
- Over the past year, Vesteda Investment Management (VIM) evaluated and systematically recorded its internal business processes. One of VIM's goals in this context was to gain process certification according to the ISAE 3402 standard. On 9 December 2013, VIM was awarded so-called Type I certification. VIM plans to gain Type II certification in 2014. Vesteda Property Management has also launched a project to gain certification for its internal processes in 2014.

Appointments / resignations

- At the General Meeting of Participants in the Vesteda Residential Fund FGR held on 10 December 2013, Gertjan van der Baan was appointed CEO of Vesteda Investment Management BV. Van der Baan succeeds A.J.M. (Arjan) Schakenbos, who resigned as CEO of Vesteda Investment Management BV with effect from 1 June 2013.
- On 5 March 2014, L.A.S. (Luurt) van der Ploeg announced to resign as CFO of Vesteda Investment Management BV with effect from 6 March 2014.
- Astrid Schlüter was appointed Managing Director of VPM effective 1 September 2013. Ms. Schlüter succeeded Onno Breur.
- Wil van der Have was appointed director Finance and Administration at VPM effective 1 February 2013.
- Jelle Kasteel was appointed director Portfolio Management at VIM effective 1 April 2013.
- Ruud Spee was appointed director Fund Management at VIM effective 1 January 2013.

Profile of the Fund

New Amsterdam, Amsterdam

Successful renovation

Year of construction: 2008

Rental segment: higher

Region: primary

On 2 January 2013, Vesteda started on the repair of a construction fault in the New Amsterdam complex. The fault was in the couplings of the waste water pipelines, which had resulted in a history of leakage complaints. All the bathrooms in the 174 apartments were opened up and, once repairs had been completed, restored to their original condition.

Profile of the Fund

Vesteda Residential Fund FGR is a 'core' investment fund (INREV classification). The fund's investments are solely in residential and housing-related real estate.

VESTEDA RESIDENTIAL FUND FGR

Clear proposition and limited risk.

- Core investment fund open to institutional investors
- Investments only in Dutch residential real estate
- Focus on the mid-segment of the rental market
- Active in economically robust regions
- Cost efficient integrated management
- Limited use of leverage

Vesteda Residential Fund FGR (VRF) is an unlisted open-ended mutual fund managed by Vesteda Investment Management BV. The fund is transparent for tax purposes.

VRF is the largest independent residential fund in the Netherlands. Due to the size of the fund and portfolio diversification, Vesteda offers participants limited risk and a hedge against inflation.

Portfolio overview as at 31 December 2013:

- Portfolio value: € 3,678 million
- Number of homes: 23,791
- Occupancy rate: 96.1%

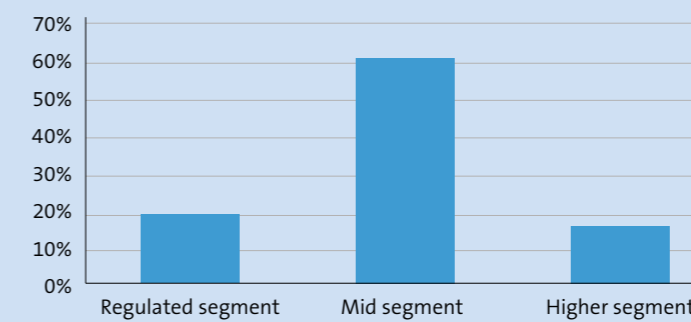
Portfolio by type of residential unit

(in units)



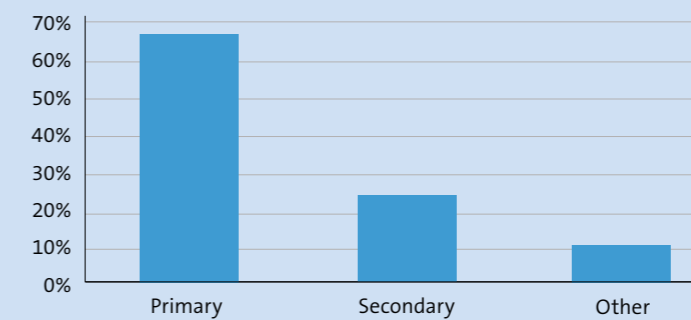
Portfolio by rental segment

(weight in value)



Portfolio by region

(weight in value)



Profile of the Fund Manager

Reitdiep Haven, Groningen

Year of construction: 2011

Rental segment: mid

Region: primary

The Reitdiep Haven complex consists of 47 luxury rental apartments in the mid rental segment. These comfortable apartments ranging from approximately 90 m² to 111 m² are beautifully situated in the vicinity of the newly constructed marina. The apartments come with luxury kitchens and well-appointed bathrooms. All the apartments have their own parking space in the covered parking facility attached to the complex. This parking facility will be fitted with a green roof to keep the view from the apartments open and green.

Profile of the Fund Manager

PROFESSIONAL AND DEDICATED MANAGEMENT ORGANISATION

Vesteda Investment Management BV focuses on maximising shareholder value and retaining its leading position in the Dutch market for residential property investments.

Vesteda Investment Management BV comprises an investment manager and a property manager. At year-end 2013, Vesteda Investment Management (VIM), employed 69 FTE, active in Asset Management, Portfolio Management, Fund Management and staff functions. The property manager, Vesteda Property Management, employed 153 FTE at year-end 2013; these employees are responsible for the administrative, technical and commercial management of the properties in the portfolio. Vesteda Property Management operates as a separate organisation with a commercial management contract.

Vesteda will gradually phase out the project development activities of Vesteda Project Development BV in the coming years, in line with the strategy of focusing on the investment activities.

VIM and VPM have been responsible for the investment and property management of Vesteda Residential Fund (VRF), the largest independent residential fund in the Netherlands since 1997. They have built a long-term track record in fund management (triple A-funding, broad investor base), asset management (outperforming the IPD direct return benchmark³) and property management (stable customer satisfaction score⁴). The fund's governance is fully in line with the sector's best practice guidelines, with a strong emphasis on transparency and engagement. Vesteda Investment Management BV follows the guidelines of the Association of Institutional Property Investors in the Netherlands (IVBN) and the INREV⁵ reporting guidelines (see Annex 3 on page 133). VIM also reports in accordance with the recommendations of the Global Reporting Initiative at level B+ (GRI CRESS). Please find more information on this in the Corporate Social Responsibility section on page 57 and Annex 6 on page 142.

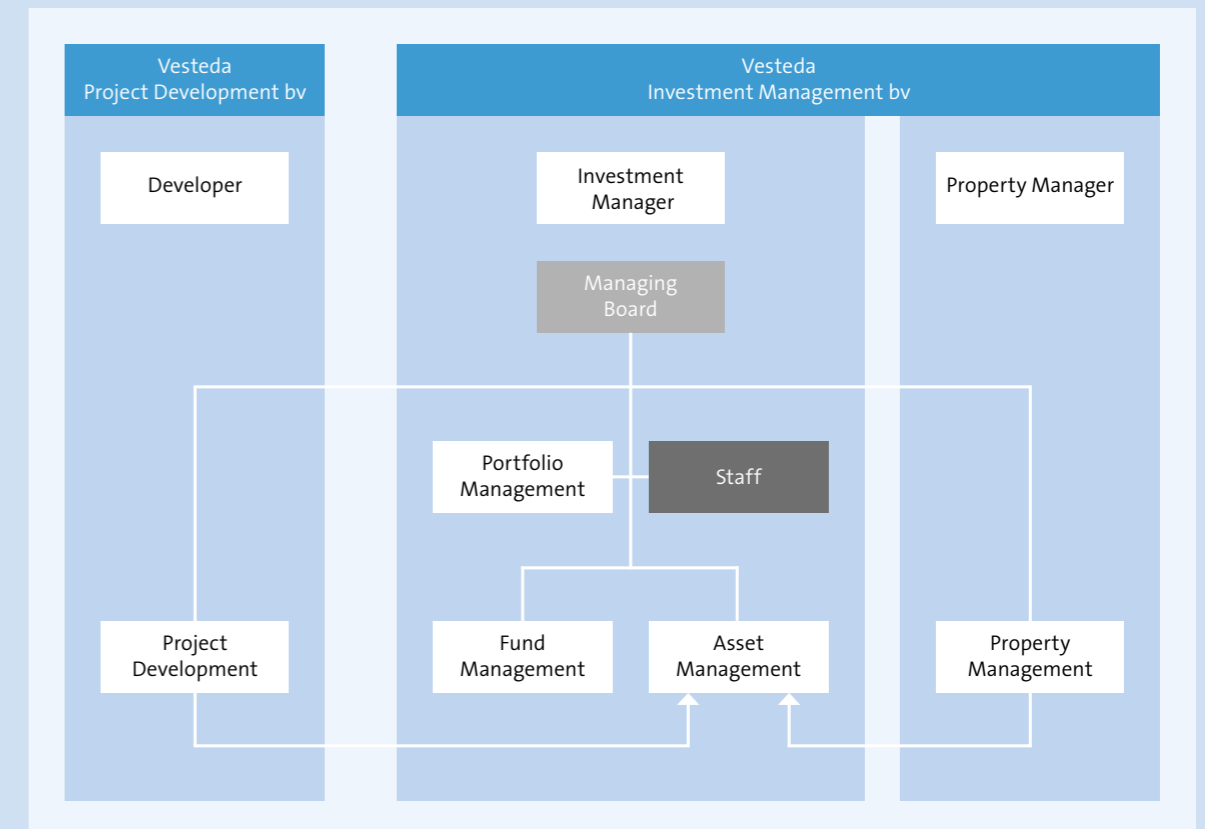
The Managing Board consists of two members, with management teams for Vesteda Investment Management, Vesteda Property Management and Vesteda Project Development. The Supervisory Committee, comprising five members, is responsible for the supervision of the management of the fund.

³ Annex 3 provides an overview of the IPD benchmark results (2009-2013)

⁴ Annex 7 provides an overview of the tenant survey results (2009-2013)

⁵ European Association for Investors in Non-Listed Real Estate Vehicles. INREV promotes transparency in the growing market for unlisted real estate investment vehicles in Europe. www.INREV.org.

Organisation structure



Report of the Supervisory Committee

De Uitkijk, IJburg

Year of construction: 2006

Rental segment: mid

Region: primary

The De Uitkijk complex is located on Haveneiland West, one of the man-made islands in Amsterdam's IJ Lake. The front of the complex is close to the IJburglaan, the main access road for IJburg, while the rear of the complex overlooks the IJburg waterway 'De groene tunnel'. De Uitkijk offers 42 luxury rental apartments in an extraordinary location.

The two and four-room apartments come complete with spacious outdoor areas, in the form of terraces, roof terraces or conservatories. The apartments vary in size from approximately 97 m² to 155 m². Each apartment has a reserved parking place in the underground parking garage below the complex.

Members of the Supervisory Committee

SUPERVISORY COMMITTEE

The Supervisory Committee had five members in 2013.

C.A.M. (Kees) de Boo (1944), chairman

Dutch. Former Chairman of the Managing Board of NS Vastgoed.

Areas of expertise: management, finance (including property investment), project development, asset management.

Ancillary positions: board member of the Central Fund for Social Housing, board member of Stichting ROZ, member of the board of Artis (Amsterdam Zoo).

Reappointed May 2011, second term of office ends in April 2015.



J.A. (John) de Die (1960)

Dutch. Chairman of the Audit Committee. CFO-COO of AAC Capital Partners. Former CFO of Rodamco Europe, Geveke, Kempen & Co, former Head of Finance at KLM.

Areas of expertise: risk management & control, corporate finance, investments, reporting.

Ancillary positions: member of the Supervisory Board of Diamond Tools Group, board member at VUmc Kinderstad, Stichting Sportbedrijf Amstelveen (chair), coordinator/lecturer at Amsterdam Business School (UVA).

Appointed April 2011, first term of office ends in March 2015.



P.J.W.G. (Peter) Kok (1954)

Dutch. Member of the Audit Committee. CFRO of APG and former CFO of Delta Lloyd.

Areas of expertise: management, finance, risk management.

Ancillary positions: chairman of the Supervisory Committee of Airport Real Estate Management, member of the Supervisory Committee of Mn Services (until 31 December 2013), Dunea (until 31 December 2013), Optimix Investment Funds NV, Triodos Vastgoedfonds (until 31 December 2013), Q-Park (until 31 December 2013), and ANWB. Member of the board of Stichting Toetsing Verzekeraars and member of the board of Stichting Bewindvoering Bewoners 's Heeren Loo West Nederland.

Appointed July 2011, first term of office ends in June 2015.



J. (Hans) Pars (1962)

Dutch. Member of the Nomination and Remuneration Committee. Associated partner at Twijnstra Gudde. Former CEO of Wereldhave NV, Chief Investment Officer of VastNed Groep and Managing Director CEE at Rodamco Europe NV.

Areas of expertise: management, property investment, asset management.

Appointed April 2012, first term of office ends in March 2016.



C.M. (Charlotte) Insinger (1965)

Dutch. Chairman of the Nomination and Remuneration Committee. Independent management consultant.

Areas of expertise: management, finance, tax.

Ancillary positions: member of the Supervisory Board of SNS Reaal NV, member of the Supervisory Committee of Stichting Koninklijke Diergaarde Blijdorp (Blijdorp Zoo), member of the Supervisory Committee of Air Traffic Control Netherlands and member of the Supervisory Committee of Rijnland Zorggroep.

Appointed January 2010, resigned with effect from 1 January 2014.

Presentation of the Annual Report and Financial Statements

To the General Meeting of Participants (GMP) in Vesteda Residential Fund

We are pleased to present you with the 2013 annual report and accounts as drawn up by the Managing Board for your adoption. In line with the provisions of the Terms and Conditions, said adoption will serve as discharge of the manager and custodians for their management and discharge of the members of the Supervisory Committee (SC) for their supervision of same in 2013.

UNQUALIFIED AUDITOR'S STATEMENT

In the meeting of 10 March 2014, the SC discussed the financial statements 2013 as drawn up by Vesteda's Managing Board. The 2013 annual accounts were drawn up in line with the International Financial Reporting Standards (IFRS) and audited by and discussed with the external auditor Ernst & Young Accountants LLP. Ernst & Young Accountants issued an unqualified independent auditor's report, which you can find on page 122 of this annual report.

COMMITTEES

Supervisory Committee

The Supervisory Committee and the Managing Board held five meetings in the year under review and discussed recurring items such as the financial statements and the annual report, quarterly reports, return criteria, investment and divestment proposals, the composition of the Managing Board, the proposed reorganisation at Vesteda Property Management and proposals made by the Audit Committee and the Nomination and Remuneration Committee. The Supervisory Committee also held meetings at which the Managing Board was not present.

Transparency and visibility

The Supervisory Committee increased its visibility in the organisation in the year under review, for instance by also seeking informal contacts with the Managing Board and employees on a regular basis. At the request of the Audit Committee and the Supervisory Committee, employees also regularly participated in the meetings in order to discuss certain topics in more detail.

Risk management policy

The Supervisory Committee approved the risk management policy after the scope of the policy's components was extended for various reasons, including the AIFMD license application.

Disposals and acquisitions

The target portfolio and Vesteda's strategy to achieve the target portfolio, are discussed constantly by the Managing Board with the Supervisory Committee.

CEO

The departure of Mr. Schakenbos left the post of CEO vacant as of 1 June 2013. The Supervisory Committee opted to have the CFO, Mr. Van der Ploeg, act as interim CEO. To this end, Mr. Van der Ploeg met at least every two weeks with the chairman of the Supervisory Committee and the chairman of the Audit Committee. The Supervisory Committee appreciates how Mr. Van der Ploeg and the Management Team have managed this in the interim period. The Supervisory Committee appointed a Nomination Committee comprising the two regular members of the Nomination and Remuneration Committee and the chairman of the Supervisory Committee to supervise the recruitment and selection procedure to find a new CEO. The Nomination Committee hired a recruitment agency for a search on the basis of a job profile agreed in advance with various stakeholders.

The Nomination Committee selected a preferred candidate on the basis of interviews, the results of assessments and the positive outcome from reference and integrity checks. The Supervisory Committee submitted the nomination of Mr. Van der Baan and reasons for same to the participants, which was unanimously approved at the meeting of 10 December 2013.

Self-evaluation

For the third year in a row, the SC initiated the self-evaluation process, on this occasion headed by an external consultant. The process and the results are described in the Corporate Governance section of this report.

Audit Committee

The Audit Committee met four times in the year under review. The recurring topics on the Committee's agenda include the discussion of the financing strategy and the execution of same, the quarterly reports, the return targets set annually, discussion of one of the areas of risk management, fiscal issues and horizontal supervision, the treasury policy and investor relations.

The auditor attended three of the Committee meetings, to discuss the 2012 annual accounts, as well as the management letter and the early warning memorandum for the year 2013. The Committee also met with the auditor once in the absence of Vesteda Investment Management.

The Committee also specifically discussed the following subjects: the successful refinancing project, the AIFMD license, the risk management policy and the appointment of the Risk Management Officer, the tasks of the treasury function, the 2013 valuation manual (Taxatiemanual) and the Committee regulations.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee held five meetings in the year under review, in the presence of the (interim) CEO. The Nomination and Remuneration Committee submitted the new remuneration policy for the Managing Board and senior management, as well as the Managing Board regulations (remuneration regulations Managing Board) to the Supervisory Committee for adoption.

The Committee is responsible for the continuous education of the Supervisory Committee and to this end hosted an afternoon session with the external auditor, during which they discussed a range of subjects, including IFRS reporting. Prior to the Supervisory Committee meeting in September, the committee convened a session in which it discussed the residential property market and the governance in relation to the fund Terms and Conditions.

The chairman of the Nomination and Remuneration Committee and the chairman of the Supervisory Committee participated in the annual consultations with the works council (OR) on one occasion during the year under review.

Meeting of Participants

The Supervisory Committee and the Managing Board held three meetings with participants in 2013.

Changes to the Supervisory Committee

Mrs. Insinger did not seek a second term, which has created a vacancy on the Supervisory Committee as of 1 January 2014. The Supervisory Committee would like to express its appreciation for her commitment and contribution to the Supervisory Committee in the past four years.

Rotation schedule

First term	Current term	Name
1 May 2007 - 30 April 2011	2 nd term until 30 April 2015	Mr. De Boo
1 April 2011 - 31 March 2015	1 st term until 31 March 2015	Mr. De Die
1 July 2011 - 30 June 2015	1 st term until 30 June 2015	Mr. Kok
1 April 2012 - 31 March 2016	1 st term until 31 March 2016	Mr. Pars

To conclude

The Supervisory Committee would like to express its appreciation for the great efforts and commitment of the employees, the Works Council, the Management Team and the Managing Board.

Amsterdam, 10 March 2014

Supervisory Committee Vesteda

C.A.M. de Boo, Chairman
J.A. de Die
P.J.W.G. Kok
J. Pars

Strategy and targets

De Hoge Heren, Rotterdam

Active management of vacancies results in 100% occupancy

Year of construction: 2001
Rental segment: higher
Region: primary

Thanks to very active management, Vesteda last year successfully reduced vacancies in the Hoge Heren complex by approximately 94%. The luxury residential complex is located in the centre of Rotterdam and consists of 211 rental apartments in the higher rental segment. The complex has a swimming pool and a fitness centre.

Strategic objectives and long-term targets

The qualitative and quantitative developments in supply and demand in the Dutch residential real estate market are likely to boost investment opportunities in the rental market over the next few years. Vesteda sees clear opportunities in the mid rental sector (homes in the monthly rental range from the regulated limit, which is approximately € 700, to € 1,200) and in the residential care segment. Last year saw the government introduction of a landlord levy (*verhuurderheffing*) for homes in the regulated rental sector. This levy will increase considerably in the years ahead, and it will not be possible to offset this completely with the introduced potential of income-related rent increases. In early 2013, Vesteda defined its target portfolio for 2020. Vesteda will continue to focus on the so-called mid rental segment and will acquire assets in the mid rental segment in economically robust municipalities and those with a positive economic and demographic outlook. Vesteda will seek to dispose of assets outside these focus areas.

AMBITION

Vesteda's commercial strategy is to maximise shareholder value. Maintaining a leading position in the Dutch residential investment market is vital in this regard. This requires a professional organisation able to anticipate and respond to opportunities with entrepreneurship and innovation, as well as an organisation focused on growth, with a lean organisational structure. This ambition has been translated into four strategic objectives.

STRATEGIC OBJECTIVES

Offering an attractive fund profile	<ul style="list-style-type: none"> Maintaining a leading position in the Dutch residential investment market: extensive and diversified portfolio; Maintaining a positive track record: outperforming the benchmark; Attractive risk-return ratio: core residential investment fund with a defensive character; Offering liquidity and fiscal transparency; Conservative use of loan capital with optimal diversification by market, type of financing and maturity.
Optimal portfolio- and asset management	<ul style="list-style-type: none"> Target portfolio with accent on the mid rental segment (80% in mid rental sector, concentrated in economically robust regions); Acquisitions in promising market segments; Gross/net ratio ≤ 25% (excluding landlord levy); Increased sustainability of the portfolio.
Maintaining a professional and cost-effective organisation	<ul style="list-style-type: none"> Professional and result-focused activities; Maintaining customer satisfaction and customer focus; Management expenses in line with market; Attracting and retaining talented employees.
Maximising total return	<ul style="list-style-type: none"> Achieving stable distributable realised return and real long-term value growth; Structural outperformance of the three-year IPD benchmark.

The portfolio strategy is based on the fund targets that focus on maintaining a leading position in the Dutch residential investment market, offering a realised return on equity of at least 4.5% per year and low risk. This has been translated into the following portfolio objectives:

PORTFOLIO OBJECTIVES

- A shift towards the target portfolio, with a clear focus on the mid rental sector;
- Increased focus on strong municipalities in economically robust regions;
- Completion of development pipeline;
- Acquisitions in promising market segments;
- Continuation of the improvement in the sustainability of the portfolio.

COMPOSITION OF THE TARGET PORTFOLIO

The target portfolio is the framework for the acquisition and disposal policy, which we have divided by rent levels as follows:

- 10% of properties in the regulated rental segment (< non-regulated level);
- 80% in the mid rental sector (non-regulated level- € 1,200);
- 10% in the higher rental sector (> € 1,200)

The target portfolio by region is:

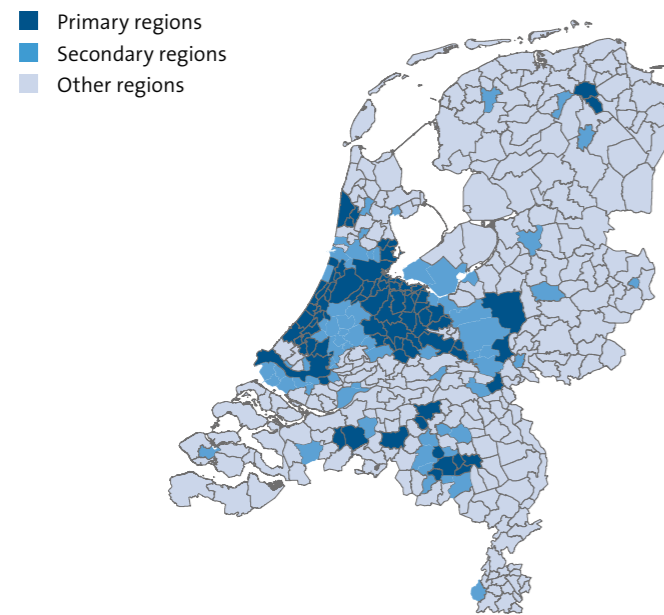
- 70% in primary regions;
- 30% in secondary regions.

Vesteda recognises large differences in market potential of Dutch municipalities. The market potential of regions is determined based on four composite indicators, which relate to the strength of the economy, the owner-occupied housing market, the rental market and target groups.

Primary regions are regions that offer the greatest market potential for the non-regulated rental sector. These regions are characterised by a high market potential and low market risks. Secondary regions score less in some respects but are promising.

Market potential in the non-regulated rental sector 2013-2020

source: Vesteda (2013)



The large regional differences in the housing market will continue to increase, with demand exceeding supply in the Randstad and Noord-Brabant regions and a contraction in demand in peripheral areas of the Netherlands.

LONG-TERM TARGETS

Performance indicator	Long-term target	Actual 2013
Portfolio		
Occupancy rate (in % of units)	≥ 97.0	96.1
Financial vacancy rate (as a % of theoretical gross rent)	≤ 5.0	5.7
Rent increase (nominal)	at least inflation	3.0% (inflation 2.5%)
Property operating expenses (in % of gross rental income)	≤ 25 (excluding landlord levy)	24.8
Net rental income (in % of the value of the portfolio, at start of year)	≥ 4.5	4.5
Average energy classification in portfolio	C; (no ≤ E)	C (EI: 1.49)
Management/letting		
Management expenses (basis points)	< 35 bps	32.1 bps
Customer satisfaction	≥ 7.0	6.9
Leverage	≤ 30%	35.7%
Return		
IPD Netherlands 'All Residential'	above benchmark	direct return (+0.4%); indirect return (+0.2%)
Realised return (in % of opening equity)	≥ 4.5	4.2
Distribution to investors	realised return ⁶	4.1%

⁶ Excluding the result on disposals

Report of the Fund Manager

Cortile, Maastricht

**Energy savings of 80,153 kW
per annum**

Vesteda has replaced 305 lamps in the six stairwells of the Cortile apartment complex in Maastricht with LED lighting. This led to a cut in the total energy use to 32,062 kW from 112,215 kW. The 80,153 kW reduction in energy use led to savings of no less than € 17,000 per annum.



Members of the Managing Board

Until 31 May 2013, the Managing Board of Vesteda consisted of Mr. Schakenbos (CEO) and Mr. Van der Ploeg (CFO). For the period 1 June to 31 December 2013, Mr. Van der Ploeg acted both as CFO and interim CEO. As of 1 January 2014, Mr. Van der Baan has been appointed as CEO.

G.S. (Gertjan) van der Baan (1968)
CEO, Dutch.

Areas of responsibility: Asset Management, Property Management, legal affairs, HR and facilities. Also responsible for Corporate Social Responsibility.

Appointed January 2014, first term of office ends in December 2018.

L.A.S. (Luurt) van der Ploeg (1970)
CFO, Dutch.

Areas of responsibility: Fund Management, Portfolio Management & Research, tax affairs and Business Solutions & Information Management (BSIM).

Appointed October 2010, resigned from the Managing Board with effect from 6 March 2014.



Members of the Management Team

Management Team of Vesteda Investment Management

J.D.M. (Hans) Touw
Director Asset Management

G.A.A.M (Trudy) van Twuijver
Manager Human Resources

R.J. (Ruud) Spee
Director Fund Management



Management Team of Vesteda Property Management

Management of
Vesteda Project Development

J.A. (Jelle) Kasteel
Director Portfolio Management

A.V.M. (Astrid) Schlüter
General Manager Vesteda Property
Management

W.H.A. (Wil) van der Have
Director Finance & Administration

J.W. (Jan Willem) van der Marel
Director Real Estate Operations &
Management

G.F.M.H. (Guido) Roijen
HR Vesteda Property Management

N. (Nico) Mol
Director Vesteda Project Development



Introduction by the Managing Board

Over the past year, Vesteda made significant progress in the continued optimisation and professionalisation of its organisation. We are now starting to see the positive impact of our chosen strategy and the various measures we have taken in recent years, resulting Vesteda to outperform the IPD Netherlands 'All Residential' index over 2013.

A turning point for the residential market

Last year was most definitely a year of two halves. Until the summer, the Netherlands was still very much in recession, but immediately after the summer we saw the first signs of a recovery. The Dutch Central Bank (DNB) predicted that the country would emerge fairly quickly from the recession. This recovery was also clearly visible in the owner-occupied housing market. The downturn in house prices showed signs of bottoming out in some areas and we began to see cautious signs of a rise in values in the most popular regions. And slowly but surely, the number of house sales began to increase. In the third and fourth quarters of 2013, Vesteda saw a clear rise in the number of individual property sales. On the rental market front, the government had taken some significant measures that will help to create a mature non-regulated rental sector. All in all, these positive developments created improved prospects for investors in the residential property market.

Vesteda bolsters the foundation of its portfolio

Vesteda also took a number of significant steps to strengthen the foundations of its portfolio. We made good progress in the direction of our target portfolio through the sale of over € 180 million in non-strategic assets. This mainly concerned the reduction of ownership in regions and segments that do not belong to Vesteda's core investment regions and insufficiently contribute to the financial performance of the fund. And thanks to differentiated rent increases, focused investments to further improve the quality of our homes and targeted marketing campaigns, we managed to reduce vacancy rates considerably in the second half of 2013.

Market-based property manager

In early 2013, Vesteda set itself the goal of making Vesteda Property Management, the property manager of the residential portfolio, a competitive market player. By the end of 2014, VPM aims to achieve a positive operating result in line with the market on the basis of average market based income and expenses, and within market based average parameters set for professional services for clients and tenants. To achieve this goal, VPM devised a reorganisation plan in 2013. As part of this plan, VPM will drastically restructure its leasing and management processes in 2014. The most important pillar of this move is the regional management, which will be responsible for net rental income, communications with clients and tenants associations, as well as the regional operations. In addition, VPM will focus increasingly on online client servicing and plans have been drawn up for extra investments in IT systems and processes for this purpose. Vesteda launched these projects in 2013, of which the most important is the design of a client-friendly tenant portal, and will complete the projects in 2014.

Professional investment manager

On 30 May of last year, Vesteda Investment Management was among the first real estate investment managers to apply to the Dutch Financial Markets Authority AFM for an AIFMD (Alternative Investment Fund Manager Directive) license, which we received in February 2014. Vesteda views the AIFMD license as a stamp of quality that will reinforce Vesteda's reputation as a professional fund manager. We also devoted a great deal of time in 2013 to evaluating and systematically recording our internal business processes, and as a result we gained ISAE 3402 Type I certification at the end of year. In the second half of the year, we made further progress on meeting our funding targets aimed at diversification and deleveraging by refinancing € 775 million in bonds from Vesteda's CMBS programme and cutting our borrowed capital by € 125 million, firstly by agreeing an unsecured bank facility of € 600 million with ABN AMRO Bank NV, BNP Paribas and Coöperatieve Centrale Raiffeisen-Boerenleenbank BA and secondly by closing € 50 million new mortgage facility with Berlin Hyp AG.

Seize the day

The indicators for investing in the Dutch residential market are positive. The Dutch owner-occupied market is picking up, the shortage of homes continues to increase and the non-regulated rental market is set to grow. Vesteda has set itself the goal of increasing its footprint in the non-regulated residential market in the years to come. In the year ahead, Vesteda expects the main acquisition opportunities to be in existing housing stock, including the homes likely to be liberalised and put on the market by Dutch housing corporations. On top of this, we will maintain a firm focus on the acquisition of newly-built residential properties. Vesteda has a clear footprint on the Dutch residential market and thus has an excellent position to take full advantage of the recovery in the housing market and the improving sentiment in the residential investment market.

The Dutch economy and housing market

DEVELOPMENTS IN 2013

General

Last year saw the economic crisis dominate the real estate market in the Netherlands for the fifth year in a row. Disappointing macro-economic figures led to continued uncertainty among both consumers and manufacturers, although there were some signs of a recovery in the second half of 2013.

Macro-economic developments

Consumer uncertainty about the economy was clearly visible in consumer confidence figures⁷ in 2013. Although the consumer confidence index rose from -36 in January 2013 to -12 in January 2014, the index still reflects the prevailing negative sentiment. The same was true for the willingness to make major purchases⁸, which fell to -15 from -20, although this was significantly higher than the -26 recorded in mid-2013. Consumers were keeping a very tight rein on spending and postponed purchases of durable household goods. This was hardly surprising given the forecasts from the Central Planning Bureau (CPB) of a drop in purchasing power of 1.25 percent in 2013⁹ and continuing uncertainty about job security. In 2013, unemployment rose to 641,000 from 608,000, or to 8.1 percent from 7.7 percent of the working population¹⁰.

Demographics

The total population of the Netherlands grew by 49,500 to 16.8 million in 2013. At the same time, the number of households increased by 58,000, taking the total number of private households in the Netherlands to 7.6 million. The size of the average household dropped to 2.20 from 2.22 persons. The post-war baby-boom generation has been reaching the retirement age of 65 since 2011, which is also reflected in the figures. The number of over-65s in the Netherlands increased by 72,500 in the year under review and the population continues to age.

Housing market in general

The 40,000 new homes built in 2013 were insufficient to meet the housing requirements of the growing number of households (+58,000). Since production has lagged demand for some years now, pressure on the housing market increased further in 2013.

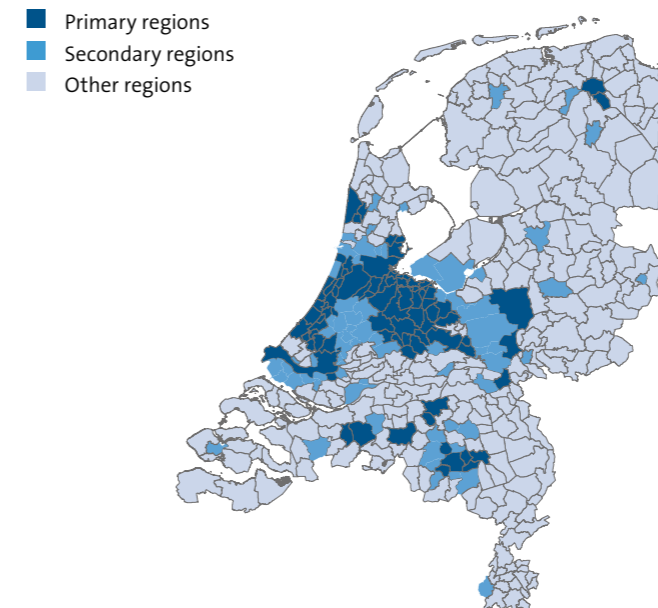
Regional market potential

Vesteda reassesses the regional market potential of the non-regulated rental sector in Dutch municipalities, on the basis of a number of market indicators in the fields of economy, property value, non-regulated rental market and target groups.

The outcome of the analyses this year revealed no structural changes in the market outlook of the various municipalities, compared with the previous year. The market potential remains the highest in the Randstad conurbation, the area around the main cities of the province of Noord-Brabant (*Brabantse Stedenrij*) and the KAN region around Arnhem and Nijmegen in the east, plus a number of individual cities in more peripheral regions.

Market potential in the non-regulated rental sector 2013-2020

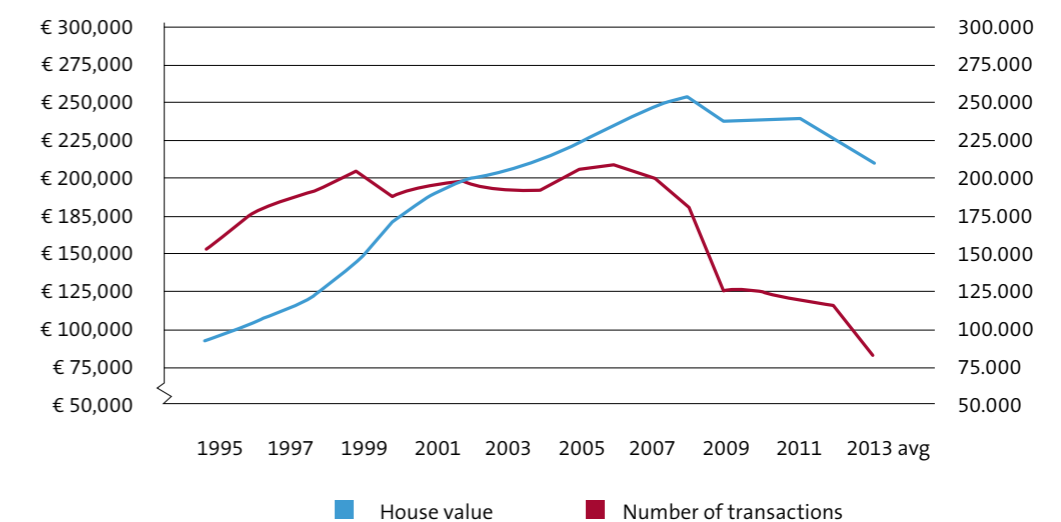
source: Vesteda (2013)



OWNER-OCCUPIED HOUSING MARKET

Existing owner-occupied homes, average sales prices and transaction volume 1995-2013

Source: IPD Transaction Monitor, Non-regulated rental market



⁷ CBS Statline, consumer confidence (corrected for seasonal influences)

⁸ CBS Statline, consumer confidence

⁹ CPB MEV 2014

¹⁰ CBS Statline, unemployed working population

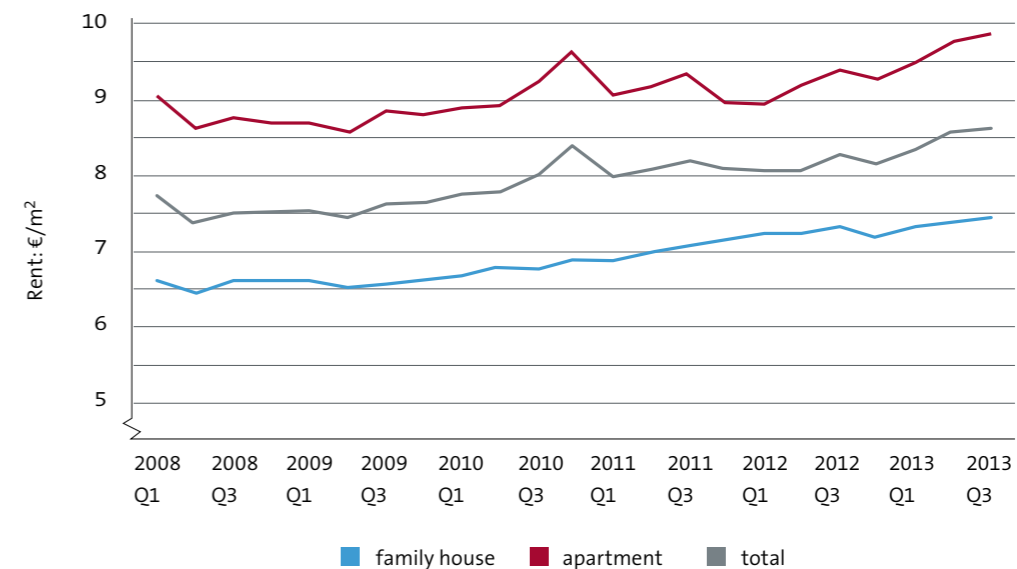
The lack of willingness to make major purchases among consumers was also reflected in the housing market. The number of existing homes sold¹¹ came in at 110,000 in 2013, down 7,000 from the 2012 figure, although we did see a rise in the number of homes sold from mid-2013 onwards. Many households had to adjust to the new tax regulations for mortgage relief and the limitations on mortgage lending imposed by the banks. However, owner-occupied homes have become more affordable as a result of falling prices and the low mortgage interest rates. The average sales price was € 213,300 in 2013, which is comparable to 2004 price levels*. This drop in housing prices has left many households with remaining mortgage debt that exceeds the sales value of their homes, which means they will be faced with negative equity if they sell. The Dutch Central Bureau of Statistics (CBS) calculated that the official home valuation, or WOZ value, is now below the outstanding mortgage debt for around one million households.

Not only were fewer existing homes sold, but new construction projects in the owner-occupied market also continued to suffer from the effects of the economic recession, although signs at the end of 2013 did give some renewed hope to developers and builders. In 2013, some 14,800 new homes were sold¹², up three percent from the previous year, but still well below the long-term average number of homes sold (34,750)¹³. In the year under review, around 40,000 home completions were reported¹⁴, down 8,000 compared with 2012, while the long-term average¹⁵ is around 81,000. The fact that the construction sector has not yet recovered was also clear from the number of construction permits issued in 2013¹⁶. This stood at 18,000 last year, with 8,100 permits issued for rental properties. More than 3,900 permits were issued to housing corporations. The non-regulated rental market performed well in the year under review. The IPD non-regulated market transactions monitor (*Transactiemonitor Vrije Sector Huurwoningen*)¹⁷ showed that the number of rental transactions has increased, while the average rent also went up. Apartments were more expensive in relative terms than houses and their rental prices also increased more rapidly in the past year.

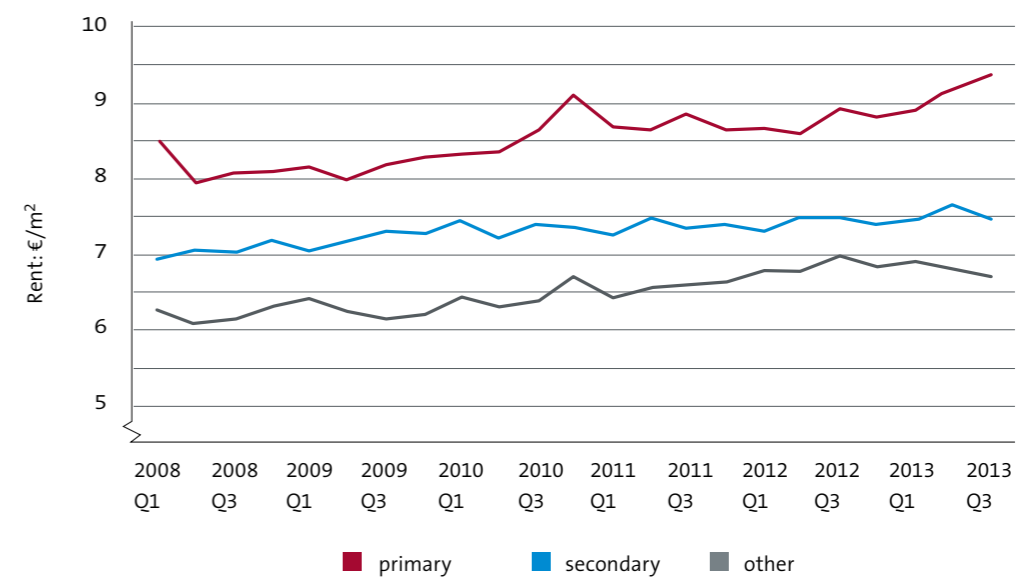
The bottom chart on page 43 shows the geographical distribution of the rental price development based on the regions Vesteda has defined. We see the highest price levels in the primary regions, where the housing market is at its tightest. These price levels continued to rise in 2013. The same cannot be said for the developments in the secondary and other regions, which showed stagnating price levels.

Rental market

Type of residential unit
Rent development (per m²) non-regulated rental segment 2008-2013, per quarter
Source: CBS/Kadaster (land register)



Region
Rent development (per m²) non-regulated rental segment 2008-2013, per quarter
Source: CBS/Kadaster (land register)



¹¹ CBS Statline, existing owner-occupied homes, sales prices, index 2010=100

¹² NVB press release "More new owner-occupied homes sold in 2013 (15 January 2014)

¹³ NVB (2014) sales newly-built homes (20 September 2013)

¹⁴ Bouwkennis, Prognosis new builds production (20 September 2013)

¹⁵ 1988-2011

¹⁶ CBS Statline, Newly built homes with permit issued

* NB: In 2013, the average book value of a Vesteda residential unit was € 151,000

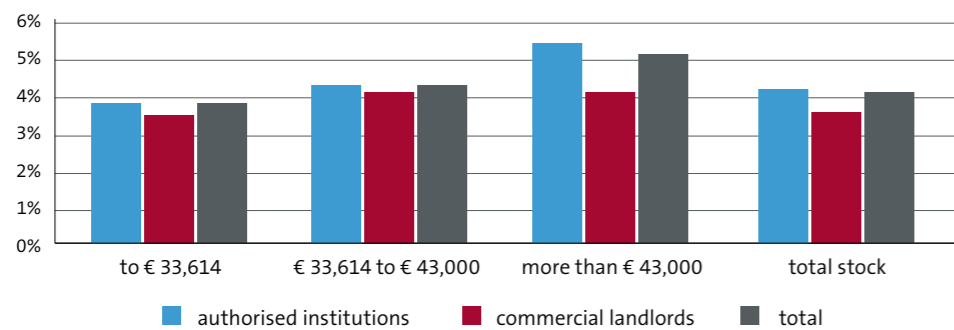
¹⁷ IPD, Market report, Transaction Monitor, Non-regulated rental market

Legislation and regulations

The appointment of the second cabinet headed by Prime Minister Mark Rutte in the autumn of 2012 marked the beginning of a reformation in the housing market. The Housing Accord (*Woonakkoord*)¹⁸ closed between the two governing parties and three of the opposition parties in the spring of 2013, sparked a fleshing-out of plans that are aimed at further liberalisation of the rental market and that should also create a more balanced and level playing field for housing corporations and investors. In concrete terms, this is about assigning (regulated) housing corporation homes to the policy's intended target group and increasing the effect of market forces in the rental market by introducing above-inflation rent increases in combination with income-dependent rent increases. The government also announced that it planned to overhaul the home valuation system in the future, using the WOZ value as an indicator for various quality elements when determining rent levels.

Average rent increase in the regulated rental housing stock, excluding rental harmonisation, per income and property owner

Source: Companen, Facts and backgrounds to the rental policy 2013



Households with a combined income of € 33,614 to € 43,000 living in a regulated sector rental property saw rent charged by commercial companies increase by 4.2 percent, while tenants with a higher income saw their rent go up by 4.1 percent.

The overall nationwide rental price increase for non-regulated rental sector homes was 2.9 percent¹⁹. Given the average inflation rate of 2.5 percent²⁰, this is a fairly limited real rental price increase, which also makes the sensitivity of the non-regulated rental segment to economic fluctuations even more obvious.

In December 2013, a parliamentary majority approved a motion²¹ under which the income threshold for the target group of housing corporations was raised to €38,000. The initiators said the motion was in line with a parliamentary white paper submitted by former Home Affairs Minister Spies dating from October 2012, in which she informed parliament that the European Commission had given the Netherlands the freedom to come up with a temporary solution for lower mid-range income households (up to € 38,000) in the housing market.

¹⁸ Letter to parliament on an approach to the problems in the housing market (13 February 2013)

¹⁹ Companen, Facts and backgrounds to the rental policy 2013 (annex 1, table 7, page 8)

²⁰ CBS press release (9 January 2014)

²¹ Motion from MP Monasch, 25 November 2013

OUTLOOK 2014 AND BEYOND

Macro-economic developments

There were clear signs in the fourth quarter of 2013 that the Dutch economy would slowly recover in 2014 and show (continued) growth, partly on the back of renewed growth in global trade. However, economists²² expect unemployment to remain high with a downward trend forecast no earlier than 2015. Despite some optimism on the growth in purchasing power in 2014, consumer spending is expected to lag purchasing power. Due to high unemployment and ongoing discussions on the level of pension payments in the future, consumers remain cautious, as they are still trying to put their every-day finances in order. Inflation forecast is between 1.0 and 1.5 percent. This will mean limited real growth in income and purchasing power.

Demographic developments

The population will continue to grow until 2060²³, when the Netherlands will have a total population of 17.9 million. For the near future, we will continue to see the number of births exceeding the mortality rates, but from the mid-2030s, we will see a reversal in this trend, as a result of the ageing of the population and despite the rise in life expectancy. Migration is forecast to remain relatively stable. When it comes to the effect on the housing market, however, the most interesting development is the increase in the number of households. In 2060, the Netherlands will have approximately 8.6 million households, around 1 million more than the current total.

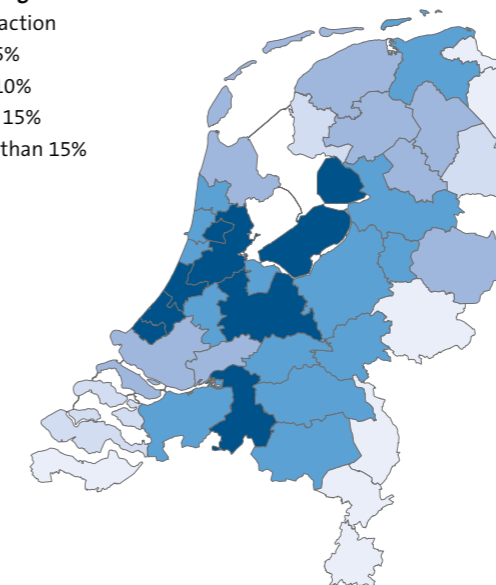
This growth in the number of households will not be the same in all regions. According to Corop-level forecasts (a regional research programme that divides the country into regions dominated by cities with a surrounding service area), the level of growth in the number of households will run parallel to the economic strength of the regions. The greatest growth will be recorded in the major cities. Statistics Netherlands (CBS) has calculated that 75% of the population growth through to 2025 will be recorded in cities with populations of more than 100,000²⁴. This 'drift to the city' will in the coming years widen the growing demographic and socio-economic gap between urban regions and more peripheral regions²⁵. This will also lead to a further increase in pressure on the housing market, including the non-regulated rental market, in urban regions.

Population and household trends by Corop+ region 2014-2020

Source: CBS, Regional household forecast 2014-2040

Households growth:

- contraction
- 0% - 5%
- 5% - 10%
- 10% - 15%
- more than 15%



²² CBRE The Netherlands Residential Market View, Autumn 2013

²³ CBS Population and household prognosis 2013-2060 (2012)

²⁴ CBS press release 1 October 2013

²⁵ CBS Population trends (November 2013)

The average size of households in the Netherlands is set to fall to 2.07, from 2.20 people by 2040, clear evidence of the continued individualisation in society. The Netherlands currently has some 2.8 million single-person households out of a total of 7.5 million²⁶. In the coming 25 years, a further 960,000 single-person homes will be added to that figure. The Netherlands also has 2.5 million two-person households. In 2040, these two groups will account for 74 percent of all households in the Netherlands²⁷.

One of the key reasons for this trend is the ageing of the population. The first groups of post-war baby-boomers have meanwhile reached the age of 65. In the coming years, the percentage over-65s will increase from the current 17 percent to 24 percent of the population in 2030 and 26 percent in 2060²⁸, meaning one in four people in the Netherlands will be 65 or older at that time. This in turn will lead to an increase in the 'grey burden', the ratio of over-65s versus the working population (15-64 years of age). The Randstad conurbation population will 'age' less in relative terms than the population in the more peripheral regions thanks to the conurbation's economic appeal for a younger population but here, too, we will see a rise in the average age of the population.

Qualitative homes stock

The qualitative composition of the stock of available homes will change in the future due to individualisation and the ageing of the population. The desired market/product combinations will increasingly shift in the direction of homes, frequently apartments, with a floor space of between 70 and 110 m². Lifecycle-proof will be the trend. The demand for care as a result of the ageing of the population will mean greater demand for more specific care concepts, while control over that care will remain in the hands of the consumer.

Owner-occupied market

Signals noted at the end of 2013 with regard to the economy and the owner-occupied housing market, plus growing consumer confidence, will have a positive impact on the owner-occupied market in 2014. The real income development, high unemployment and a further tightening of the lending restrictions faced by households will remain the critical factors in this process. On the other hand, homes for sale have become more affordable as a result of the low mortgage interest rates and the substantial drop in housing prices. The price of existing homes fell by an average of 6.4 percent in 2013, compared with 2012 levels²⁹. It seems that we could see any further decline in housing prices brought to a halt in the next two years, starting in the regions with the strongest housing market. However, the continued uncertainties surrounding the housing market also show just how fragile the house price recovery actually is.

Rental market

The sensitivity of the non-regulated rental market to economic developments means that, given current economic forecasts, we are likely to see only a slight improvement in that market in the short term. The non-regulated rental segment has become a price-dominated market, in which homes compete on price levels, while aligning with market demands as closely as possible. The top of the non-regulated rental segment will continue to be challenging in the coming years. Demand will be focused in the lower end of the non-regulated market.

The coming years will see an increase in demand for homes in the non-regulated rental sector³⁰. Depending on the chosen scenario, the demand for homes in this segment will increase by at least 25 percent³¹. This demand will be focused primarily in the Randstad region and Noord-Brabant province and more specifically in the lower price ranges (rent up to € 850). In addition to the cost of housing aspect, this is also due to an increase in the number of one-person households.

Legislation and regulations

The landlord levy will continue to put increasing pressure on results from the exploitation of homes in the regulated market sector. We will therefore see a downsizing of residential portfolios through the sale of individual homes in this segment of the market. It will be possible to offset some of the costs of this exercise by implementing differentiated rent increases - in 2014 varying from 4 to 6.5 percent in

the regulated segment of the portfolio - and by making these increases income-dependent.

The government is currently working on a new housing valuation system, which is due to come into effect on 1 January 2015. The new system is set to be more in tune with market forces, which should result in a maximum reasonable rent that will be largely based on the official home valuation or 'WOZ' value. The transition from the regulated to the non-regulated segment is marked by the regulation rent limit (*liberalisatiegrens*). This has been moved to € 699.48, from € 681.02, as of 1 January 2014. Above this rent level, lessor and tenant are free to agree a rent and rental pricing will be based on market levels. Homes below that limit are part of the regulated rental system.

Investment market

The investment market will continue to improve, both for purchases and sales of homes and residential complexes. The stable direct return and above-average inflation hedge provide a solid basis from an investor point of view. In addition, research from Finance Ideas³² shows that the house price/rent ratio (the reverse yield) is returning to its long-term balance as a result of the decline in housing prices and the increase in rents.

Medium-term market developments are also creating opportunities. For instance, there is a growing shortage of homes as a result of new construction lagging developments in household numbers. The economic crisis has also fuelled the popularity of the non-regulated rental market, and this popularity has been further boosted by the government's housing market policies, such as the further demarcation of the regulated rental segment. This will clear the path for commercial players to acquire homes newly classified as non-regulated from housing corporations.

The year 2014 will offer ample opportunities for investors to enter the market, given that the decline in house valuations seems to be bottoming out.

Residential market and portfolio strategy

The growing demand for rental homes offers opportunities. At the same time, the regional market potential shows where the greatest opportunities can be found. The Randstad, for instance, accounts for the bulk of housing demand. Socio-demographic developments, such as the growing individualisation in society, will result in growing demand for smaller and cheaper homes. The ageing of the population will mean further growth in the need for lifecycle-proof homes and homes incorporating residential care concepts.

Government regulations are set to result in an expansion of the non-regulated rental market. On the demand side of the market, the allocation policy will result in a growing number of households with a pre-tax combined income of more than € 34,678 (in 2014) having to seek their new homes in the non-regulated sector. On the supply side, the liberalisation of the rules governing the sale of housing corporation homes will offer investors the opportunity to buy homes both in the non-regulated sector and homes set to be re-classified as non-regulated.

Compared to last year, consumers cite affordability as the most important aspect when choosing a rental home. Consumers are more influenced by rent levels than the quality of the product and location³³. Rent rises above the rate of inflation will be increasingly difficult to justify when viewed in the context of the general cost of housing and the above-mentioned shift from quality to price. On the other hand, the growing shortage of homes will push rent levels up, especially in areas with a strong housing market. This notwithstanding the fact that the affordability of housing will remain an issue.

Compared to 2012, tenants pay more attention to their energy consumption and sustainability is receiving increased attention from the lessor³⁴. Limiting energy costs by using sustainable materials and/or systems that benefit the tenant financially will considerably improve the competitiveness of any residential property.

²⁶ CBS Statline 2013

²⁷ CBS Households prognosis 2013-2060

²⁸ CBS Population prognosis; gender, age, origins and generation, 2013-2060

²⁹ CBS Webmagazine, 21 January 2014

³⁰ ABF Research, Developments in the housing market Socrates 2013

³¹ ABF Research, Developments in the housing market Socrates 2013, table G.1 page 52

³² Finance Ideas (2014) Research paper: The European Residential Market and the Special Case of the Netherlands

³³ Vesteda customer survey 2013

³⁴ Vesteda customer survey 2013

Notes to the results

Income and returns in 2013

Income (€ million)	2012	2013
Gross rental income	245	240
- Property operating expenses	68	60
+ Other income	2	-1 ³⁵
Net income	179	179
- Management expenses	20	16
- Net interest	65	63
Operating income	94	100
+ Net income from disposals	3	3
Realised rental income	97	103
Unrealised income	-234	-163
Total operating income	-137	-60
Revaluation of derivatives	-30	41
Total comprehensive income	-167	-19

Return as a percentage of opening equity	2012	2013
Realised return	3.6	4.2
Unrealised return	-8.7	-6.7
Total operating return	-5.1	-2.5
Revaluation of derivatives	-1.1	1.7
Total return	-6.2	-0.8

Gross rental income

Gross rental income amounted to € 240 million in 2013, 2.0% lower than the gross rental income reported for 2012. This decline is the result of the reduced size of the portfolio due to a larger portfolio outflow than inflow (€ 186 million in disposals, compared with € 10 million in acquisitions).

Lower vacancies and rent increase

Thanks to active asset and property management, Vesteda managed to reduce vacancy levels, especially in the higher rental segment. The average rent stood at € 827 at year-end 2013, a rise of 2.7% on the average rent in 2012 (€ 805). This increase is the result of the sum of annual rent increases (+3.0%), the impact of new rental contracts (-1.6%) and the relative shift in the portfolio towards higher rents (+1.3%).

Reduction in property operating expenses

Net income remained stable at € 179 million, as a result of a significant drop in property operating expenses. Operating expenses fell by almost 12% to € 60 million in 2013, from € 68 million the previous year. This reduction was largely due to lower expenses related to regular planned maintenance and lower service costs allocated to the company itself. Property operating expenses as a percentage of gross rental income improved to 24.8% from 27.6% in 2012, in line with the target of 24.5-26% set for 2013.

Lower management expenses

Despite the decline in the total portfolio value, investment management expenses came in well below the target of 34-36 bps set for 2013, thanks to the strict monitoring and control of costs. The investment management expenses allocated to the fund in 2013 amounted to 30.5 basis points (bps) of the portfolio value at the start of the year. Excluding the release of part of the reorganisation provision, investment management expenses amounted to 32.1 bps.

³⁵ Other income includes a loss of € 2 million at VPD

Lower net interest expense

Net interest expense fell to € 63 million in 2013, from € 65 million in 2012, largely due to the € 125 million deleverage in 2013 and partly offset by the accelerated depreciation of financing fees of the Forward Start Facility.

Income from disposals

In 2013, Vesteda sold a total of 1,358 homes, with 331 of these sold individually and 1,027 sold as investment. At € 3.0 million, the total net income from disposals was in line with the income reported in 2012. The net income contains a loss of € 5 million (2012: negative € 3 million) relating to the investment sales. Furthermore the result includes a profit of € 8 million (2012: positive € 6 million) relating to the sale of individual units. The average net income per residential unit was approximately € 2,000, compared with € 3,000 in 2012. This drop was due to the relative increase in investment sales.

Higher realised income

The realised income rose to € 103 million from € 97 million, a year-on-year increase of 6.2%. The key drivers of this improvement were lower vacancies, reduced operating expenses, lower management expenses and lower net interest expense. The realised return as a percentage of opening equity improved accordingly to 4.2% from 3.6%, slightly below the target range of 4.3-4.5% set for 2013.

Unrealised income

At € -163 million, the unrealised income was less negative than in 2012 (€ -234 million). The negative revaluation in the second half of the year (-1.3%) was significantly lower than in the first half (-2.6%). The full-year unrealised return as a percentage of opening equity came in at -6.7%, compared to -8.7% in 2012.

Total income

Total income for 2013, including the positive revaluation of derivatives of € 41 million, came in at € -19 million, representing a total return as a percentage of opening equity of -0.8%.

Performance indicator	Target 2013	Actual 2013
Portfolio		
Occupancy rate (in % of units)	95 or higher	96.1
Rent increase (nominal)	at least inflation	+3.0% (inflation: +2.5%)
Property operating expenses (in % of gross rental income)	24.5-26	24.8
Net rental income (in % of the value of the portfolio, at start of year)	4.4-4.7	4.5
Management/letting		
Management expenses (basis points)	34-36	32.1
Tenant satisfaction (rating out of 10)	7.0 or higher	6.9
Return		
IPD Netherlands 'All Residentials'	above benchmark	direct return +0.4%, indirect return +0.2%
Realised return (as a % of opening equity)	4.3-4.5	4.2
Distribution to investors	realised return ³⁶	realised return ³⁶

³⁶ Excluding income from disposals

EQUITY

Equity as at 31 December 2013 stood at € 2,280 million, compared with € 2,423 million as at 31 December 2012. This drop of € 143 million was due to a number of factors: total result (€ -19 million), the redemption of participations (€ -50 million), payment of dividend realised in the financial year 2012 (€ -74 million). Total dividend over 2012 amounted to € 94 million, € 20 million of which was distributed in January 2012 as an interim dividend.

In line with Vesteda's dividend policy to distribute the realised return less income from disposals, Vesteda will propose to the General Meeting of Participants the payment of a total dividend of € 100 million for the 2013 financial year.

List of institutional investors (participants)

At year-end 2013, Vesteda had the following 17 institutional investors, in alphabetical order:

Bouwfonds Nationale-Nederlanden BV ³⁷	Stichting Pensioenfonds ABP ³⁷
Delta Lloyd Levensverzekering NV	Stichting Pensioenfonds C1000
Delta Lloyd Life NV (includes Delta Lloyd Vastgoed Participaties BV)	Stichting Pensioenfonds Openbaar Vervoer
Loyalis Leven NV	Stichting Pensioenfonds voor de Grafische Bedrijven
Loyalis Schade NV	Stichting Pensioenfonds voor Fysiotherapeuten
Stichting Achmea Dutch Residential Fund	Stichting Pensioenfonds Xerox
Stichting Bedrijfstakpensioenfonds voor de Media PNO	Stichting Spoorwegpensioenfonds
Stichting Depository PGGM Real Estate Fund ³⁷	Stichting TKPI European Real Estate Fund

Number of issued participations

As at 31 December 2013, Vesteda Residential Fund had issued a total of 24,580,770 participations (31 December 2012: 25,119,737). At the end of December 2013, Vesteda redeemed a total of 538,967 participations, representing an amount of € 50 million.

LOAN CAPITAL

At year-end 2013, Vesteda's drawn loan capital amounted to € 1,350 million and represented 35.7% of its total capital.

In 2013, Vesteda successfully achieved key objectives of its financing strategy, by diversifying its debt funding and deleveraging its debt through a € 125 million repayment of debt capital. At year-end 2013, Vesteda's debt capital structure comprised an unsecured corporate credit facility, mortgage loans and issued notes under its CMBS programme. Throughout 2013, Vesteda met all the financial covenants of its financing arrangements, while the triple-A rating for Vesteda's outstanding CMBS notes was retained and confirmed. Vesteda actively mitigates the interest rate risk exposure on its loan portfolio by entering into interest rate swaps and by purchasing interest caps. Vesteda manages its exposure to fluctuations in interest rates with a view to containing its interest costs and securing its interest revenues in accordance its approved Treasury Policy. As such, Vesteda does not enter into any transaction with interest rate derivatives other than to hedge any existing or future interest risk exposure of its loan portfolio. Vesteda undertakes its interest risk management activities by employing only instruments which are in accordance with pre-approved limits and parameters and hedges a minimum of 70% of existing interest rate exposure.

DEBT INSTRUMENTS AND FINANCING STRATEGY

CMBS programme

Vesteda is an established issuer in the CMBS market and has drawn loan capital primarily in the form of CMBS notes in the period from 2001 to 2012. Historically, Vesteda was able to issue notes at competitive pricing levels, thanks to the triple-A credit rating of its notes. All Vesteda's CMBS notes have performed in line with their prescribed ratios since the start of issuance.

Vesteda refinanced € 775 million of its CMBS notes (the A6 and A8 Note) with alternative debt funding in 2013.

At year-end 2013, Vesteda had two CMBS notes with a volume of € 650 million in place. Vesteda is not exposed to interest rate risk on any loans under the CMBS programme. The loans are hedged via standard interest rate swap contracts (ISDA) with Deutsche Bank AG and Coöperatieve Centrale Raiffeisen-Boerenleenbank BA

Corporate bank funding

In 2013, Vesteda sourced a new € 600 million corporate unsecured bank facility with a consortium of banks consisting of ABN Amro Bank NV, Coöperatieve Centrale Raiffeisen-Boerenleenbank BA and BNP Paribas Fortis SA/NV.

The bank facility is divided into a € 300 million 3-year term loan tranche and a € 300 million 5-year revolving credit facility. At year-end 2013, Vesteda had drawn € 555 million, leaving € 45 million of funds available for drawdown under the revolving credit facility.

Mortgage loan facilities

In 2013, Vesteda refinanced € 50.2 million of its existing mortgage loan with a new 5-year facility. In addition, Vesteda arranged a 5-year € 50 million mortgage loan facility with Berlin Hyp AG. At year-end 2013, Vesteda had a mortgage loan portfolio of approximately € 145 million.

Interest expense and average maturity

Net interest expense fell to € 63 million in 2013, from € 65 million in 2012, largely due to the € 125 million deleverage in 2013 and partly offset by the accelerated depreciation of financing fees of the Forward Start Facility. Net finance expenses in percentage of the weighted average loan capital amounted to 4.3%. Excluding the accelerated depreciation of financing fees of the Forward Start Facility, net financing expenses in percentage of loan capital amounted to 4.1%, compared to 4.3% in 2012. The average maturity of Vesteda's loan capital was 2.4 years at year-end, versus 1.3 years at year-end 2012.

Financing strategy and implementation

Since the outbreak of the credit crisis in 2007, conditions for the issuance of new CMBS notes have remained tight and there have been significantly fewer opportunities for refinancing existing notes. Consequently, Vesteda refinances its CMBS programme using other debt instruments to continue to improve its financing risk profile by increasing diversification of its financing sources. In addition to diversification of its funding in terms of product, market and maturity, Vesteda has a long-term strategic focus on reducing its leverage to a target level of 30% LTV. Vesteda realised an important step in its financing strategy with the modification of Vesteda's CMBS programme at the end of 2012. The CMBS asset pool was reallocated to new borrowers, which enabled Vesteda - as per the start of 2013 - to redeem individual notes and refinance using other sources of debt funding that co-exist next to the CMBS funding and its asset pool.

The next step in Vesteda's plan to use alternative debt instruments will be the scheduled redemption of the A7 Note with non-CMBS debt in July 2014.

³⁷ Interest of more than 5%

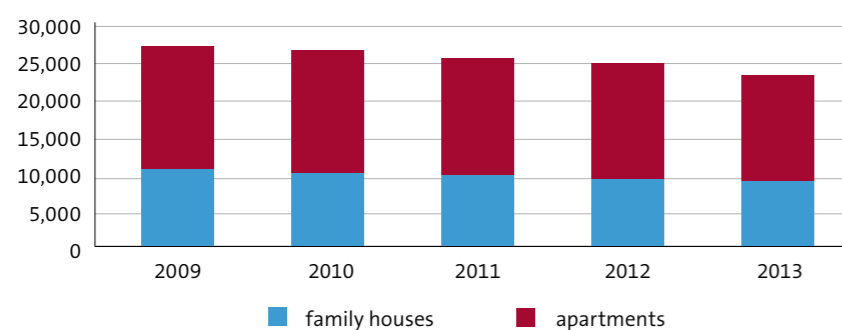
Key portfolio developments

As outlined in the section Strategy and targets on page 29 of this annual report, the composition of the target portfolio is based on the following three pillars:

- Return, contribution of forecast property returns to the overall portfolio return;
- Location, focus on economically strong municipalities;
- Rental segment, focus on the mid rental sector.

This section describes the key portfolio developments over the last (few) year(s), based on market segmentation and strategic portfolio criteria.

UNITS



Changes in portfolio (units)

	2013
Number of units	
Beginning of year	25,100
- outflow (disposals)	1,358
+ inflow (acquisitions)	49
At year-end	23,791

The total number of units stood at 23,791 at year-end 2013, a drop of 5.2% from year-end 2012. Most of the 1,358 units disposed of were sold as an investment. In line with the market trend, the last two quarters of 2013 did show an increase in the number of individual property sales.

The investment sales consisted of 15 properties, representing a total of 1,027 units. Vesteda's decision to dispose of assets via investment sales or individual property sales depends largely on the combination of risk perception, expected term of individual property sales and short-term market conditions.

INCOME

Market rental value and theoretical rental income

The theoretical gross rent at year-end 2013 was 2.5% higher than the market rental value. This can be largely explained by market rental adjustments in the higher rental segment.

Letting portfolio, market rental value and theoretical gross rent

Year-end (€ million)	2009	2010	2011	2012	2013
Market rental value	264	265	266	260	243
Theoretical gross rent	261	263	262	259	249

Rental income trends

The average rental income per unit rose by 2.7% to € 827 in 2013. The main driver of this increase was the annual rent increase on 1 July. This increase was dampened slightly by the impact of lower realised rents from re-lettings.

Letting portfolio, average monthly rent

Year-end (€)	2009	2010	2011	2012	2013
Average monthly rent	755	771	793	806	827

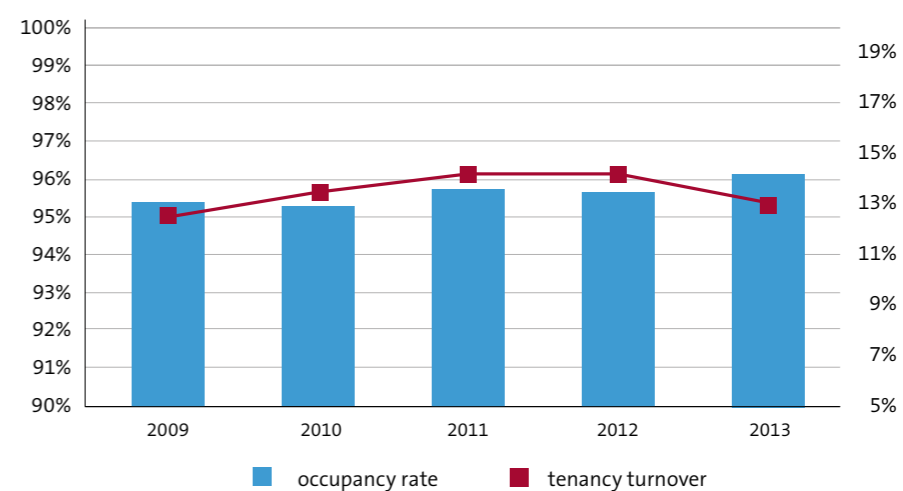
Letting portfolio, average rent rise by source

Start of year compared with year-end, in %	2013
inflow and outflow of properties in the portfolio	1.3
re-letting	-1.6
average rent rise for sitting tenants	3.0
Total increase in average rent	2.7

Occupancy rate and tenancy turnover

The occupancy rate rose slightly due to Vesteda's additional efforts to reduce vacancy rates, primarily in the >€ 1,200 units. Tenancy turnover dropped to 13% for the year.

Occupancy rate and tenancy turnover



Realised rental income

Letting portfolio, realised rental income

(€ million)	2009	2010	2011	2012	2013
Gross annual rent	241	243	245	243	240
Net annual rent	177	173	171	177	180
Gross/net annual rent	26%	29%	30%	27%	25%

In 2013, the gross/net ratio fell to 25%, mainly as a result of a reduction in the owner service charges.

VALUE

The table below shows the value of the letting portfolio, which fell to € 3,655 million as at 31 December 2013.

Letting portfolio, value

Year-end (€ million)	2009	2010	2011	2012	2013
Single-unit residential properties*	1,743	1,652	1,626	1,528	1,429
Multiple-residential properties*	2,741	2,750	2,622	2,441	2,226
Total	4,484	4,402	4,248	3,970	3,655

*including value of associated parking/garage spaces and commercial space in projects

Value changes in detail

The letting portfolio fell by a net 7.9% in value. The table below shows the changes and the impact of revaluation.

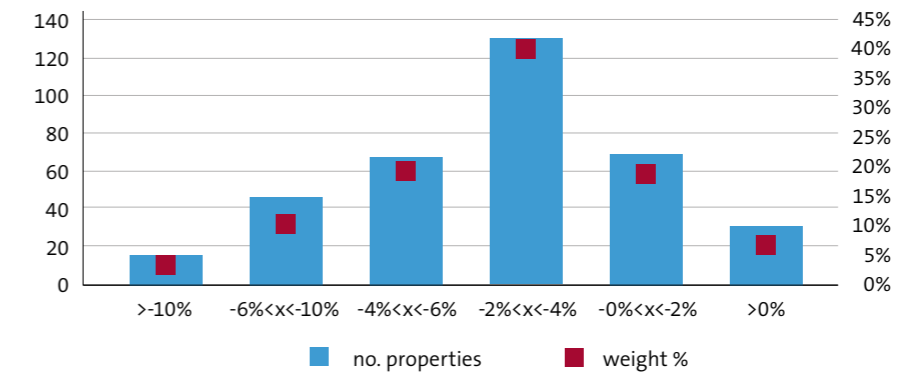
Letting portfolio, changes in value

(€ million)	2013	% value
Value at start of year	3,970	100
Acquisitions	10	0.3
Capex	13	0.3
Disposals	-186	-4.7
Revaluation	-152	-3.9
Value at year-end	3,655	92.1

The inflow (acquisitions) and outflows (disposals) led to a net reduction of € 176 million or 4.4% in the value of the portfolio. Property revaluations cut the value of the portfolio by € 152 million or 3.9%.

Last year was a year of two very distinct halves. The first two quarters saw a continued deterioration of underlying value drivers; lower consumer confidence, lower vacant position values and an expansion of exit yields. The second half of the year saw an increase in consumer confidence and a stabilisation of vacant position values. Although this resulted in better individual sales, the institutional property market is still cautious, which resulted in a further expansion of exit yields, while discount rates merely stabilised. This resulted in a revaluation of the letting portfolio in 2013 that came in close to our forecast drop of 4%.

Distribution of revaluation



Average value per residential unit

The average value per residential unit in the portfolio had dropped by 2.1% to € 151,000 at year-end 2013. This figure is better than the downward revaluation of 3.9% on the total letting portfolio. This was due to the impact of the disposal of units with a lower than average value and the relabeling of the care-related properties.

Letting portfolio, average value per residential unit

Year-end (€ thousand)	2009	2010	2011	2012	2013
Average value per residential unit	162	161	161	154	151

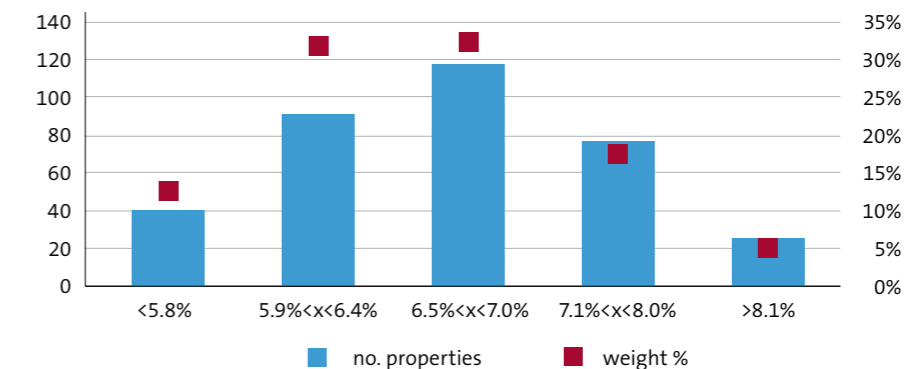
Gross initial yield

The gross yield on the portfolio, defined as the theoretical rent at year-end divided by the value of the portfolio at year-end, rose for the sixth consecutive year to 6.8%.

Portfolio, gross yield

(in %)	2009	2010	2011	2012	2013
Gross yield	5.8	6.0	6.2	6.5	6.8

Distribution of initial yield



SEGMENTATION

The tables below provide an insight into the distribution of the various key parameters of the portfolio on the two levels of segmentation (rental segment and region) and portfolio strategy designation.

	Weight in units	Weight in value	Average year of construction	E-label a-b-c % total value	E-label d+ % total value
Fund	100%	100%	1991	68%	32%
Primary	60%	66%	1992	43%	21%
Secondary	26%	24%	1989	19%	7%
Other	14%	11%	1990	6%	4%
> € 1,200	9%	17%	2007	17%	0%
Non reg. - €1,200	60%	62%	1989	41%	21%
Regulated	31%	20%	1982	9%	11%

	Gross/ Net ratio	Financial vacancy	Occupancy rate	Rent 2013 vs 2012	Rent increase 2013	Revaluation 2013
Fund	25%	5.7%	96.1%	2.7%	3.0%	-3.9%
Primary	25%	6.6%	95.7%	2.0%	2.8%	-4.1%
Secondary	24%	4.0%	96.8%	3.1%	3.5%	-3.3%
Other	28%	4.4%	96.2%	3.5%	3.3%	-4.0%
> € 1,200	26%	13.8%	89.1%	-1.9%	1.6%	-5.6%
Non reg. - € 1,200	22%	3.7%	96.4%	2.6%	3.3%	-3.6%
Regulated	28%	2.4%	97.4%	3.9%	3.4%	-3.7%

CSR and sustainability

Corporate Social Responsibility (CSR) is an essential part of Vesteda's long-term vision and strategy. To Vesteda, CSR is about more than just saving energy or limiting CO₂ emissions. It is just as much about good operations, reducing the overall environmental footprint, improving the ergonomics and health aspects in the development, construction or management of the property.

We are convinced that our CSR efforts help us to improve the financial performance and enhance risk management. CSR is therefore an integral part of Vesteda's mission and strategy and is reflected in all its operating activities. Annex 6 on page 142 outlines the targets Vesteda has set as part of its CSR policy, along with the progress made.

Vesteda's CSR policy is expressed in ESG (Environmental, Social and Corporate Governance) factors, which have been broken down further into three categories which apply to Vesteda:

- 1. Living:** Vesteda's influence on society and communication with stakeholders;
- 2. Housing:** the sustainability of the homes in the portfolio;
- 3. Working:** the operation of the organisation as a whole.

Main achievements 2013

Living	Housing	Working
Assurance Readiness Assessment Assurance Readiness Assessment GRI CRESS B+	3,992 new energy labels	Start CSR in performance cycle
Energy label communicated via the website for individual home rentals	Improvement in average energy index (EI) to 1.49 from 1.53	
Tenant receives energy label upon request	Execution BREEAM pilot in 25 properties	CO ₂ reduction
Sixth place in Global Real Estate Sustainability Benchmark Dutch residential funds	Launch of Energy management system	Internal assessment flexible working hours
Membership Global Real Estate Sustainability Benchmark	Installation of smart meters in public spaces	
Start Sustainable taskforce	Purchasing green power: 8,000 MWh and 3 million m ³ of gas	

LIVING

Vesteda identifies the following stakeholders: participants, tenants, buyers/sellers, employees and suppliers. Vesteda has an ongoing dialogue with these parties and CSR is one of the addressed topics. In the communication of the CSR policy, Vesteda puts emphasis on transparency, credibility and mostly inspiration. The CSR sections on 'housing' and 'working' provide more information on the dialogue with our employees and suppliers.

Sustainable reporting

A transparent overview of Vesteda's CSR results in the annual report is also a key part of this dialogue. This is why Vesteda applies the EPRA & INREV guidelines for sustainable reporting on the sustainability performance measurements. Vesteda also follows the guidelines of the Global Reporting Initiative (GRI) and more specifically the Construction Real Estate Sector Supplement (CRESS). Vesteda reported at GRI CRESS 3.1 level C and B for the reporting years 2011 and 2012 respectively. In 2013, Vesteda conducted an Assurance Readiness Assessment and on the basis of this it was decided to report at level B+ over 2013. In 2014, Vesteda will move up to GRI G4 guidelines.

Communications with tenants and buyers

The total energy usage in a home is determined by the construction and the usage by the consumer. As an investor in residential properties, Vesteda can influence the construction of residential units which are part of the portfolio and Vesteda can influence its tenants and buyers by maintaining a structural dialogue. Vesteda communicates with its tenants about sustainability through its property managers, the tenants association, regular questionnaires (tenant monitor) and the Vesteda website. The outcome of the tenant monitor is shown on the next page and in Annex 7. In case the energy label is registered, Vesteda provides since 2013 information on the energy label of homes to be rented on its website, and provides tenants with the energy label for their home with their rental contract upon request. Sustainability is a regular part of the 'tenant monitor' survey since 2012. It is the aim of the asset management department to discuss the results of the tenant survey with the property managers at least once a year as part of Vesteda's efforts to increase customer satisfaction and to improve the performance of its property managers. The real estate agents provide buyers with information on the energy label, including a home's related features such as double glazed windows, insulation and technical installations.

OUTCOME SUSTAINABILITY IN THE 2013 TENANT MONITOR

Vesteda uses its tenant monitor to ask its tenants, among other things, about sustainability, with questions on subjects such as energy consumption, energy-saving measures, waste separation, water and heat consumption and car use.

Of the current tenants, 31% say the insulation of their homes could be improved. This makes insulation the top item for improvement. This means that improving the insulation of homes will not only increase customer satisfaction, but will also reduce the environmental impact of the homes and achieve cost savings on energy consumption for the tenant. Many of the energy-saving measures tenants introduce are cost-driven.

Of the current residents, 57% say they pay as much attention as possible to energy consumption, while 26% say they regularly pay attention to energy consumption. More than half of the tenants closely monitor the exact monthly costs of gas, water and electricity. Of the current tenants, 68% say they have taken energy-savings measures themselves. Of that group, 40% says they intend to take further energy-saving measures in the future.

Of the total group of tenants, 43% now have green electricity and a further 5% plan to switch to green electricity. The majority of the tenants are aware of their energy consumption.

The most frequently mentioned energy-saving measures are: 90% of tenants are careful with lighting, 84% turn down the thermostat earlier in the evening, 83% keep the doors of rooms where the heating is on closed as much as possible, 82% reduce energy consumption as much as possible, 81% separate their waste, 81% do their washing at a lower temperature, 77% turn the heating down and 71% hang their washing up to dry instead of using a dryer.

Energy-saving measures related to car use, such as buying a fuel-efficient car or selling the car and borrowing or renting one when necessary, are considerably less popular. Carpooling is also rare. Tenants do say they are willing to cycle or walk, or use public transport more frequently where possible. Planning electricity use during lower-rate hours and buying products in environment-friendly packaging have so far failed to gain traction.

Moreover, 60% of tenants do not know the energy label of their home. Vesteda would like to change that. Tenants are aware (63%) that energy use is also largely determined by their behaviour.



Communications with participants

The importance of CSR is raising among participants in Vesteda Residential Fund and property funds across the globe, with both parties seeking a balance between return and risk. An effective CSR policy is frequently seen as an opportunity to maintain a fund's performance and reduce risk in the longer term. Vesteda continued to conduct a structural dialogue with its participants in 2013, through both participants' meetings and separate consultations. This dialogue also includes discussion of CSR-related issues.

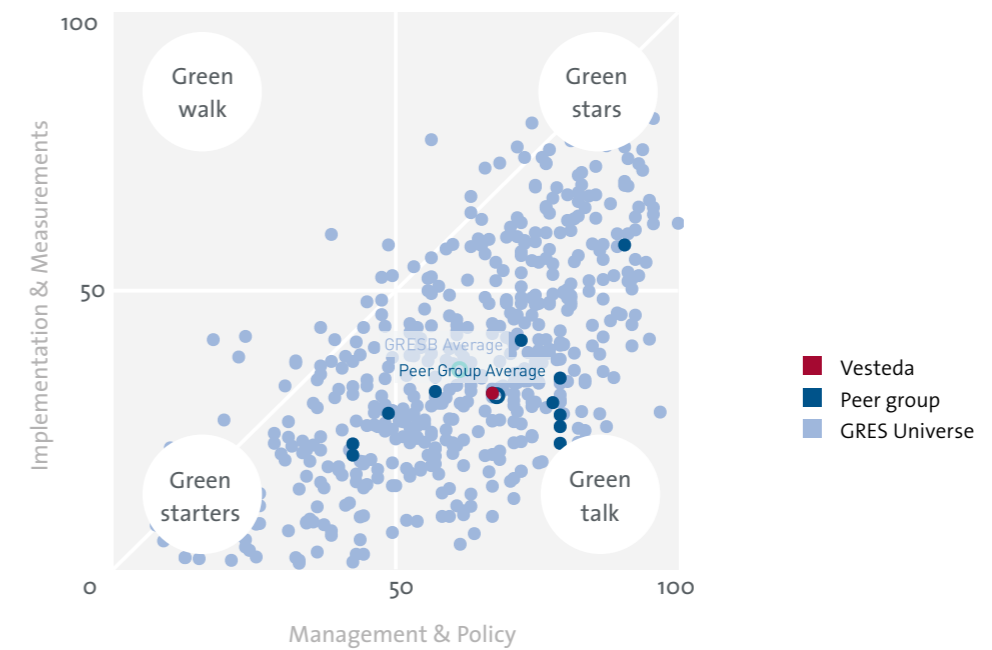
In recent years, institutional investors and fund managers have been looking for ways to compare the sustainability of property funds. The Global Real Estate Sustainability Benchmark (GRESB) has provided a tool for this since 2010. The GRESB is designed to identify the environmental and social performance of the property sector and has developed into a widely-recognised initiative in that sector. The environmental benchmark rates environmental management practices and their implementation, making it possible to measure the ratings of different property investments against corporate sustainability targets. Vesteda has been a part of the Benchmark since its inception, which resulted in a first place among residential funds in the Netherlands in 2011 (out of 26), a sixth place in 2012 (out of 18) and a sixth place again in 2013 (out of 12). Vesteda believes that the GRESB is helping to increase transparency in terms of the sustainability of property funds but also believes the GRESB so far has failed to provide a complete picture, because the survey questions remain largely geared to the office market. To contribute to the continued evolution of the benchmark, Vesteda joined the GRESB as a member in 2013. Vesteda's ambition is to attain a Dutch top-3 position and an international top-10 place in the coming years (2014-2018).

The GRESB four-quadrant model of sustainability performance (see GRESB Quadrant model) provides an overview of the global sustainability performance of property companies and funds and provides each respondent with a rating designation based on its data submission. The model shows the percentage scores for every residential fund on issues related to Management & Policy and Implementation & Measurement. The four quadrants illustrate a respondent's position on the adoption of both of these elements. Vesteda is rated as a Green Talker, which indicates that the company has developed dedicated resources for sustainability management, comprehensive external reporting and sustainability implementation plans. But also that Vesteda needs to devote more attention to the implementation and measurement of these action plans. Closer inspection of the strengths and weaknesses (see Vesteda GRESB strengths and weaknesses figure) shows that Vesteda scored above the peer group average in two of the seven areas and that the company can realise a significant improvement in internal management by setting up a sustainable taskforce. This is why in 2013 Vesteda has set up a sustainable taskforce, including employees from Asset Management and Vesteda Property Management, with the aim on focusing on measures to reduce energy consumption and CO2 emissions in the public areas of the properties in the portfolio.

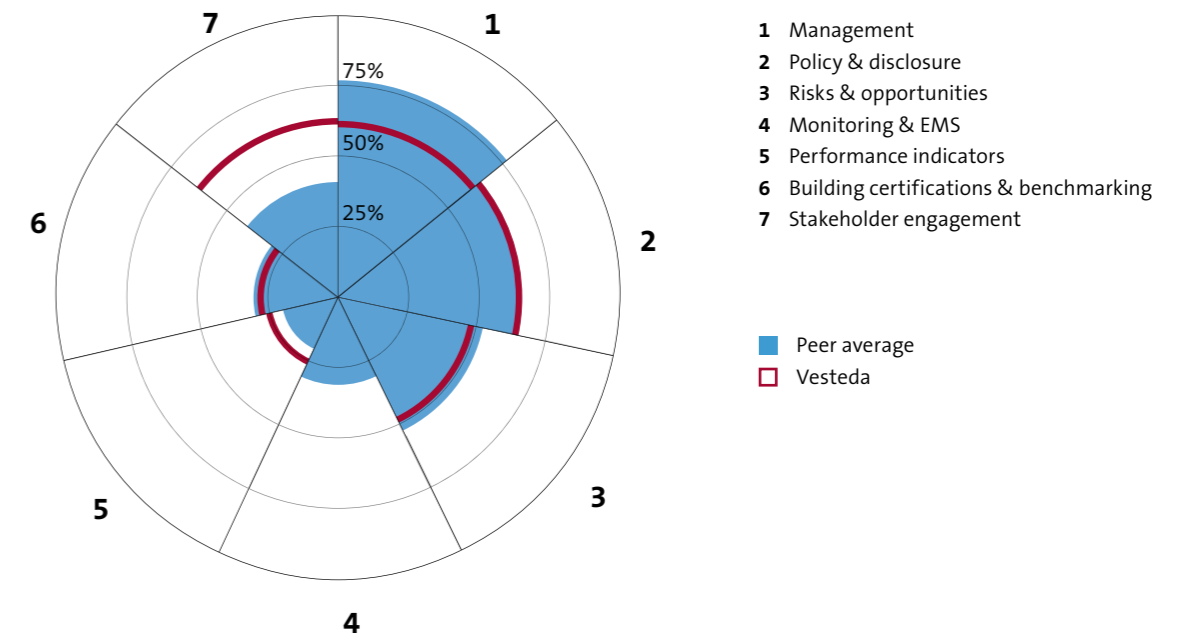
Cooperation

Of course, it is easier to make progress and innovate in cooperation with others. This is why Vesteda has for many years been an active participant in various initiatives that help to improve living environments to minimise environmental impact, such as the contribution to the sustainability taskforce of the Association of Dutch Institutional Property Investors (IVBN). Vesteda is also a participant in the Dutch Green Building Council (DGBC), a member of the National Renovation Platform (NRP) and a Founding Partner of the Green Business Club Zuidas (GBC-Z).

GRESB Quadrant model



Vesteda GRESB strengths and weaknesses



HOUSING

Vesteda's aim is to create an environment where people want to live and stay for a long time. This means pleasant accommodation where people feel at home, built with respect for the surroundings, in a district or neighbourhood where people enjoy being. This puts demands on the design, development and letting of the homes and the areas where they are situated, which in turn results in greater tenant satisfaction, higher rental income and lower tenancy turnover. These factors play an increasingly important role in Vesteda's portfolio strategy.

In the recent years, Vesteda's portfolio has become greener thanks to the measures which have been taken without having a negative impact on yields. In 2013, these measures resulted in new energy labels for 3,993 residential units, compared with 3,000 in 2012. The impact of Vesteda's strategy aimed at increasing the sustainability of the portfolio is shown in the table below. The residential properties younger than 10 years have been given an notional energy classification A, based on the year of construction.

Energy label in portfolio



At the moment, only three properties in the letting portfolio include residential units with an energy label lower than E. As a result of all the measures taken, Vesteda has already achieved its target of an average energy label C for its 'letting' portfolio. The energy index average (EI) of 1.53 for the 'letting' portfolio in 2012 improved to 1.49 in 2013. In 2013, Vesteda raised its target as follows: by 2018, the 'letting' portfolio will no longer include any residential unit with an energy label E or lower.

Sustainable measures

To increase the sustainability of its portfolio, Vesteda routinely investigates the possibility of replacing central heating installations with high-efficiency installations, installing extra high-efficiency (HR++) glazing and replacing strip lighting with LED alternatives. Furthermore Vesteda chooses charging systems, modulating boilers with lower capacities, optimum settings for collective heating installations, plus lift systems without geared transmissions and with low start-up energy use. These kinds of - generally budget-neutral - investments help to improve the energy usage in the properties.

The figure below shows the measures which have been taken in the portfolio. The moment of intervention depends on the strategy for the property, if it can be combined with other measures, if its time for natural replacement or if the installation is at the end of its life cycle. This explains the differences between the years.

Measures taken	2011	2012	2013
Under-floor insulation	6	40	8
High-efficiency glazing	410	402	186
Cavity-wall insulation	2	1	0
Roof insulation	7	100	57
High-efficiency boilers	638	746	489
Total	1,063	1,289	740

BREEAM

In 2013, Vesteda conducted a BREEAM-in-use pilot at 25 of its properties. BREEAM provides insight into a property's sustainability performance in the following nine categories: management, health, energy, transport, water, materials, waste, land use and ecology, and pollution. The purpose of the exercise was twofold. Firstly, the pilot was used to determine whether BREEAM-in-use is suitable to assess the sustainability of residential properties in a broader sense than just energy use. Secondly, Vesteda looked at whether BREEAM-in-use is suitable for the certification of residential properties. The conclusion of this pilot was that all the residential units assessed recorded a virtually identical score: Good. This is because the standards used in the assessment pay little attention to elements that may vary at each property. The pilot did, at any rate, show that before BREEAM-in-use can be used as a fully-fledged tool, the standards for existing residential stock need to be adapted. Vesteda shared its findings with the Dutch Green Building Council (DGBC) and Vesteda reached agreements on ways to improve the quality of the certification process.

Public areas

Facts & figures	2011	2012	2013
Average EPC level	D	C (Ei 1,53)	C (Ei 1,49)
CRESB rating	1 st out of 26 residential funds	6 th out of 18 residential funds	6 th out of 12 residential funds

INREV Sustainable Performance Measures - Absolute Measures	absolute measures			like for like			like for like	
	2011	2012	2013	2011	2012	2013	2012	2013
Energy								
Total energy consumption from electricity (kWh) (GRI: EN4)	4,884,838	6,018,535	2,885,719	1,520,523	1,530,653	1,470,046	2,163,902	2,126,700
Corresponding floor area (total m ² of the apartments corresponding with assets)	306,990	478,750	185,957		96,248		135,520	
Percentage covered in portfolio (% of properties)	9%	16%	5%		2%		3%	
Total energy consumption from district heating and cooling (kWh) (GRI: EN4)	na	na	na					
Total energy consumption from fuels (kWh) (GRI: EN3)	6,528,181	7,014,012	8,373,632	538,996	570,626	569,632	570,626	569,632
Corresponding floor area (total m ² of the apartments corresponding with assets)	66,392	66,392	65,716		41,237		41,237	
Percentage covered in portfolio (% of properties)	1%	1%	1%		1%		1%	
Total direct and indirect (kwh)	11,413,019	13,032,547	11,259,351	2,059,519	2,101,279	2,039,678	2,734,528	2,696,332
Greenhouse Gas								
Total direct greenhouse gas emissions by weight (Metric tonnes CO ₂) (GRI: EN16)	1,157	1,243	1,484	96	101	101	101	101
Total indirect greenhouse gas emissions by weight (Metric tonnes CO ₂) (GRI: EN16)	2,223	2,738	1,313	692	696	669	985	968
Total direct and indirect greenhouse gas emissions by weight (Metric tonnes CO ₂) (GRI: EN16)	3,379	3,981	2,797	787	798	770	1,086	1,069
Water								
Total water withdrawal by source (GRI: EN8) (m ³)	38,975	41,850	35,879	38,975	41,850	35,879	41,850	35,879
Corresponding floor area (total m ² of the apartments corresponding with assets)	205,507	205,507	205,507		205,507		205,507	
Percentage covered in portfolio (% of properties)	29%	30%	8%		6%		6%	
Waste								
Total weight of waste by disposal route (GRI: EN22) (ton)	na	na	na					
Percentage of waste by disposal route (GRI: EN22)	na	na	na					
Total costs of waste by disposal route (euro)	6,086	3,247	3426	2,893	1,957	2,216	1,957	2,216
Corresponding floor area (total m ² of the apartments corresponding with assets)	29,801	26,517	27,089		20,885		20,885	
Percentage covered in portfolio (% of properties)	1%	1%	1%		1%		1%	
Corresponding floor area (total m ² of the apartments corresponding with assets)	1,303,007							
No assets included in disclosure	13,865							
No properties included in disclosure	197							
Percentage covered in portfolio (% of properties)	57%							

Note: measures can only be taken of communal spaces so coverage has a maximum of 57%.

Note: Vesteda did not yet receive all invoices of 2013. This is why the coverage in this year is lower than the previous years.

na: not available

Smart meters

In 2013, Vesteda mandated the placement of 80 smart meters in its core portfolio. This means it is no longer necessary to take meter readings and submit them to the supplier in person, because the gas and/or electricity readings are transmitted to the net managers automatically. The final bill is therefore based on up-to-date readings and estimates have become a thing of the past. The smart meters also make it easier to monitor the effects of sustainability investments and to realise planned reduction targets.

Purchasing green energy

Vesteda has completed the purchasing processes for green electricity and gas for both the Vesteda portfolio and for the owner-occupied resident associations located in Vesteda properties, following the approval of the General Members Meeting. During this process, Vesteda's external advisor constantly monitored the energy market to determine the right purchasing moment. 8,000 MWh of electricity was purchased for the period 1 January 2013 through 1 January 2017. Furthermore, 3 million m³ of gas for the period 1 January 2014 through 1 January 2018 was purchased.

New construction

As in previous years, in 2013 Vesteda used the GPR Building scan on development projects and turnkey acquisitions to assess their sustainability in terms of energy, environment (including water and air), health, user quality and future value. The ambitions expressed in GRP Building are now a fixed part of Vesteda's Programme of Requirements. Of the ten projects which are in the pipeline, five have been assessed, two are in the process of being assessed, and three are apartment buildings meant for the owner-occupied market that will not be assessed. These owner-occupied apartments meet the requirements of the warranty organisation for owner-occupied homes, SWK. During construction, Vesteda uses wood from sustainable sources whenever possible. Five of the nine projects in the pipeline are making use of wood from sustainable sources.

WORKING

As a part of being a responsible corporate citizen, Vesteda aims to embed CSR in the day-to-day activities of each and every one of its individual employees. Vesteda therefore devoted specific attention last year to incorporating CSR in the performance cycles of its employees.

CO₂ emissions offices & transport

In the period 2009 through 2012, the CO₂ footprint of Vesteda's offices was reduced by 11% to 713 tonnes of CO₂. Transport accounts for the bulk (70%) of this CO₂ footprint. By purchasing green electricity, Vesteda is reducing CO₂ emissions by 240 tonnes, which means that transport will now account for an even greater proportion of the total, at 90%. Vesteda is therefore targeting transport specifically through the car lease policy, by making environmentally friendly driving the focal point of the policy. This is done on the basis of CO₂ emissions, specifying a maximum CO₂ emission value of 140 g/km for diesel cars and 160 g/km for petrol cars. While in 2012 52% of the cars fell below this level, in 2013 this was 71%.

2012	2013
< Gasonline 160 g/km 40% (65)	< Gasonline 160 g/km 44% (71)
< Diesel 140g/km 12% (20)	< Diesel 140g/km 27% (44)
A&B label 76% (124)	A&B label 87% (141)

Sustainable IT policy

Virtually everyone working at Vesteda uses thin clients, which reduces the energy consumption of computer equipment per work space. Vesteda encourages the recycling of raw materials by making clear choices in how its disposes of obsolete computer equipment. To maximise recycling, Vesteda chooses companies that separate out the raw materials in the equipment or resell computers via the second-hand market.

Purchasing policy

Vesteda wants to record the sustainability activities of all contract parties and suppliers (for example ISO 14001 or similar certification). To support this, in 2012, CSR became part of the CRM system which lists contract parties and suppliers. It has shown that certification on companies or activities actually is still sporadic. Sustainability is often, therefore, only included qualitatively in purchasing considerations.

Employee satisfaction

Employee satisfaction and commitment are crucial in a working environment that is subject to drastic changes. Employees at Vesteda have the possibility to reflect their opinion with their manager and via the Works Council. In 2013, Vesteda established the outlines for the employee satisfaction survey, which will be conducted in 2014.

Human Resources

Workforce

Vesteda's total workforce fell sharply, in all business lines, for the fifth year in a row in 2013. At the end of December 2013, Vesteda employed a total of 227 FTE, compared with 253 FTE at year-end 2012.

Employees

FTE	2009	2010	2011	2012	2013
	year-end	year-end	year-end	year-end	year-end
Year-end	346	332	305	253	227
Annual average*	344	331	322	275	235

*average of 12x month-end balances

FTE	2009	2010	2011	2012	2013
	year-end	year-end	year-end	year-end	year-end
Fund manager (VIM)	110	108	99	76	69
Property manager (VPM)	203	201	189	168	153
Vesteda Investment Management BV	313	309	288	244	222
Vesteda Project Development BV	33	23	17	9	5
Total Vesteda	346	332	305	253	227

Employees	2009	2010	2011	2012	2013
	year-end	year-end	year-end	year-end	year-end
Fund manager (VIM)	120	119	108	84	75
Property manager (VPM)	239	236	221	193	176
Vesteda Investment Management BV	359	355	329	277	251
Vesteda Project Development BV	34	23	17	10	5
Total Vesteda	393	378	346	287	256

The total number of employees fell to 256 at year-end 2013, from 287 at year-end 2012.

The average age of Vesteda's employees rose slightly to 43.2 years in 2013 from 43 in 2012. The largest proportion (37%) of the workforce is between 35 and 45 years old. The under-35 group remained stable at 20%. The 45 to 55 year-old group is still the second largest age group but fell slightly to 27% of the total workforce. The 55 and older age group rose by 2% to a total of 16% in 2013.

Workforce, by age

Percentage of employees	2009	2010	2011	2012	2013
	%	%	%	%	%
younger than 35 years	31	28	23	20	20
35 to 45 years	33	34	36	38	37
45 to 55 years	23	25	27	28	27
over 55 years	13	13	14	14	16
Total	100	100	100	100	100

The male/female ratio changed slightly in favour of female employees last year. At the end of 2013, 55% of the workforce were female, an absolute increase of 2%.

Workforce, by gender

Percentage of employees	2009	2010	2011	2012	2013
	%	%	%	%	%
male	46	46	46	47	45
female	54	54	54	53	55
Total	100	100	100	100	100

In 2013, 32 new employees joined Vesteda (66% female/34% male) and 63 employees left (49% female/51% male). Most employees had to leave because of fixed-term contracts that were not renewed or as a result of the reorganisation.

In 2013, a higher percentage of female employees took maternity leave than in 2012 (7.8% in 2013 versus 6% in 2012). The average length of the maternity leave taken was 2.2 days longer at 114.8 days.

Bonuses

Vesteda has a bonus scheme with a collective component, determined by a number of criteria, such as the realised result, customer satisfaction, sales of residential properties with a monthly rent above € 1,000 and sustainability targets. The variable remuneration also includes an individual component and in some cases a team component. Variable remuneration is only paid, in full or in part, if Vesteda's realised results meet the targets set to a sufficient extent. These requirements were met in 2013.

Total remuneration

In 2013, the total remuneration of all 256 employees amounted to € 14.8 million, of which € 13.4 million was fixed and € 1.4 million variable. In accordance with AIFMD, VIM has determined which employees belong to the identified staff. The identified staff, i.e. staff whose actions could significantly affect the risk profile of the company, received a total remuneration of € 1.6 million, of which € 1.0 million was received by the Managing Board and € 0.6 million by the other employees which have been designated as identified staff.

Organisation, employee development and training

In March 2013, Vesteda launched a Management Development programme. This programme is aimed at the personal development of its staff. Vesteda wants to use the programme to create a working environment and business culture that offers employees the opportunity to grow and achieve their full potential. The programme includes a wide range of modules, such as a personal assessment aimed at producing a personal development programme and various workshops and (team) coaching sessions. Over the course of the year, a number of teams have addressed issues such as performance management, competencies and team-building. In each instance, theory and practice were combined, by using business cases and practical examples. The main thrust of the programme is to gain insight into people's strengths and weaknesses and to provide insight into the desired organisational development.

In 2013, a total of € 352,600, or 2.6% of the gross payroll, was invested in the development of individual employees and teams.

Sick leave

Sick leave, including long-term leave, fell quite sharply in 2013 to 3.9% (3.6% excluding long-term leave). In times of economic crisis, employees tend to call in sick less frequently than in times of economic growth. Last year also saw a slight reduction in the uncertainty within the organisation following the successful completion of the restructuring of Vesteda Investment Management. The high level of uncertainty during the restructuring operation led to relatively high sick leave in 2012. Sick leave is calculated on the basis of calendar days.

Percentage	2009	2010	2011	2012	2013
	%	%	%	%	%
Total sick leave	3.6	4.1	3.9	5.5	3.9
Sick leave excluding long-term leave (> one year)	3.5	4.1	3.6	4.8	3.6

Works council

As in previous years, the meetings between the Managing Board and the Works Council were constructive and helpful. In the second half of the year under review, elections were organised and a new Works Council with a good cross-section of people from across the organisation was installed. The new council dealt with most of the significant requests for advice related to the strategic reorientation of Vesteda Property Management and the continued professionalisation of Vesteda's sick leave policy.

Outlook and management agenda

OUTLOOK

In the fourth quarter of 2013, there were clear signs that the economy is set for a slow recovery in 2014 and that we will see further economic growth this year, partly driven by the steady growth in world trade.

The signals seen at the end of 2013, both in terms of economic growth and the owner-occupied housing market, plus rising consumer confidence, will all have a positive impact on the owner-occupied segment of the Dutch residential real estate sector. However, a great deal still depends on a number of critical factors, such as real income development, high unemployment and the further tightening of household borrowing. On the other hand, houses are now more affordable thanks to the low mortgage interest rates and the sharp drop in housing prices. It does look like the housing price falls we have seen in recent years will bottom out in the next two years, initially in the most robust regions for residential real estate. At the same time, the uncertainties surrounding the housing market do show just how fragile the recovery in house prices really is.

The medium-term market developments will create opportunities in the non-regulated segment of the Dutch residential real estate market. New home construction is lagging demographic developments, such as the rising number of single person households, which is creating a growing housing shortage in certain popular regions. In addition, the crisis has helped increase the popularity of the non-regulated rental segment, a trend that has been reinforced by the Dutch government's housing policies, such as the further demarcation of the regulated housing market. This is likely to create opportunities to acquire homes from Dutch housing corporations once these have been reassigned to the non-regulated sector.

From an investor's point of view, the stable direct returns and the above-average hedge against inflation make residential real estate a solid long-term, low-risk investment. Certainly now that the worst of the decline in housing prices seems behind us and housing prices are stabilising, 2014 is likely to offer investors ample opportunities to invest in the Dutch rental housing market.

MANAGEMENT AGENDA 2014

Portfolio Management & Research

Portfolio Management & Research will be closely monitoring overall developments in the Dutch residential investment market in 2014, to provide Vesteda with the research and market data it needs to optimise its product/market combinations. Vesteda will use this to continue with the optimisation of the Vesteda Residential Fund portfolio, both qualitatively and quantitatively.

Asset Management

In 2014, Asset Management will be directing its efforts towards optimising returns (both direct and indirect) and will do its utmost to raise Vesteda's tenant satisfaction score. In line with the size of the Vesteda Residential Fund, Asset Management has an active acquisition and disposal strategy, aimed at generating long-term returns. The impact of the landlord levy is being analysed at property level. In the shorter term, Asset Management will continue to optimise net rental income levels, through tight cost controls and the use of a dynamic rental price strategy to maximise occupancy rates. Vesteda believes these measures will enable it to outperform the IPD benchmark once again in 2014.

Vesteda Property Management

In 2013, Vesteda Property Management launched a restructuring operation aimed at making Property Management an outstanding and cost-efficient property manager. VPM is on track to complete this restructuring in 2014, with specialisation and innovation in the management and leasing of residential properties as the top priorities. As part of this refocus, Vesteda Property Management will be investing in a client-friendly tenant portal that will enable tenants to customise their Vesteda services via a special online counter. Vesteda Property Management will also continue to actively work on improving its overall service levels for tenants in order to achieve an acceptable tenant satisfaction score.

Vesteda Project Development

Vesteda's development portfolio is gradually declining and Vesteda is downsizing the Vesteda Project Development organisation in line with this drop in activity. Vesteda will retain at least part of the organisation's project development expertise in 2014, using it for acquisitions and the supervision of development activities by third parties.

Treasury

In 2014, Vesteda aims to continue to reduce its leverage, optimise the average interest expenses, increase the diversification of its debt funding sources and improve its debt maturity profile, in line with its long term financing strategy.

Investor Relations

The role of Investor Relations at Vesteda is to draw the attention of new investors to the unique selling points of the Vesteda Residential Fund (in terms of portfolio, funding, structure and management), which will in turn enable the Vesteda Residential Fund to expand its portfolio.

Risk management

Vesteda pays a great deal of attention to risk management, as set out on page 80 to 83 of this annual report. As it did in 2012, the Managing Board has issued a general 'in control' statement for the 2013 financial year. Vesteda will continue to invest in risk management, so that the Managing Board can issue a similar statement for the current financial year.

ISAE

In 2013, Vesteda invested in mapping out and recording its procedures, controls and process framework, as a result of which VIM was granted ISAE 3402 type I certification. Vesteda will continue down this path in 2014, and will have its processes and process controls tested by an external expert, with the aim of gaining ISAE 3402 type II certification.

CSR

Vesteda has defined clear portfolio-related CSR objectives for 2014, including energy-efficient internal processes and raising sustainability awareness among its tenants and employees. Vesteda sees its proactive CSR strategy as a clear endorsement of the importance of sustainability for an active investor.

Training programme

In 2013, Vesteda started a company-wide training programme, which it will continue in 2014. The priorities of this programme are the continued professionalisation of Vesteda services to institutional investors, fruitful cooperation and the development of the talents of its employees. Our aim is to be an employer of choice for talented professionals.

Performance indicator	Target 2014	Actual 2013
Portfolio		
Occupancy rate (in % of units)	≥ 96.0	96.1
Financial vacancy rate (as a % of theoretical gross rent)	5.0	5.7
Rent increase (nominal)	at least inflation	3.0% (inflation 2.5%)
Property operating expenses (in % of gross rental income)	27-29 (including landlord levy)	24.8
Net rental income (in % of the value of the portfolio, at start of year)	4.6-4.8	4.5
Average energy classification in portfolio	C (EI: <1.45)	C (EI: 1.49)
Management/letting		
Management expenses (basis points)	40-42 bps	32.1 bps
Customer satisfaction	≥ 7.0	6.9
Return		
IPD Netherlands 'All Residential'	above benchmark	direct return (+0.4%); indirect return (+0.2%)
Realised return (in % of opening equity)	4.2-4.4	4.2
Distribution to investors	realised return ³⁸	4.1%

Finally

We are pleased that our tenants and buyers have chosen Vesteda's services and homes. We are grateful for the trust of our investors and appreciate the contributions from the members of the Supervisory Committee. Above all, we would like to thank our employees for their efforts and enthusiasm in the past year.

Amsterdam, 10 March 2014

Managing Board

G.S. van der Baan

³⁸ Excluding the result on disposals

Governance and risk management

Het Paleis, Breda

Year of construction: 2006

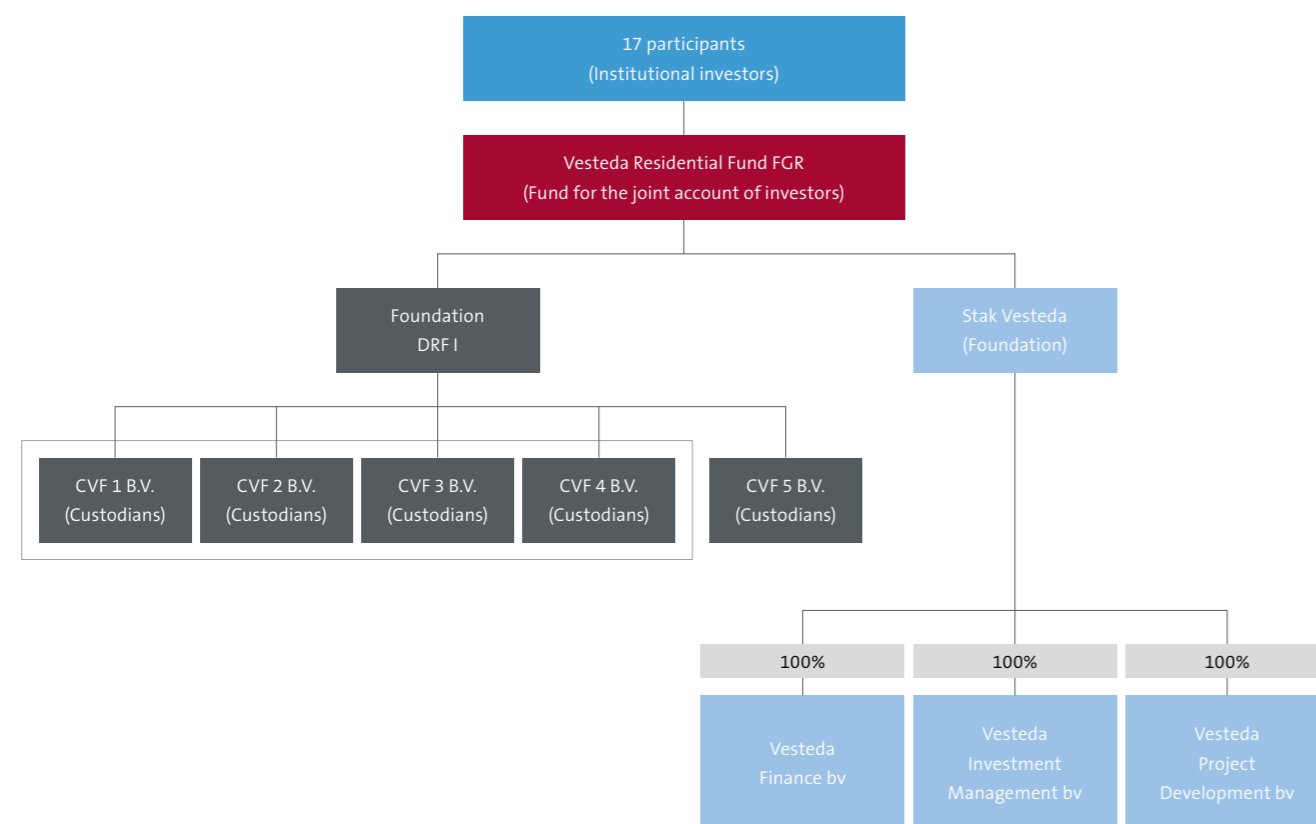
Rental segment: mid

Region: primary

Het Paleis is located in the Chassé park, a public park in the heart of the historical city centre of Breda. The complex consists of 86 luxury three and four-room apartments, varying in size from 94 m² to 181 m². The apartments come with a luxury, fully-fitted kitchen and underfloor heating. Each apartment has its own parking space in the attached parking garage.

Legal and tax structure

Vesteda has the legal structure shown below, as set out in the Vesteda Residential Fund Terms and Conditions. Investors may join at one level.



Vesteda Residential Fund

Vesteda is a mutual fund for the joint account of the participants. The fund is transparent for tax purposes. For this reason, investors can participate in Vesteda through an entity with its own legal and fiscal nature structured as they require. Investors always join or leave the fund through the fund manager: Vesteda Investment Management BV. The rights and obligations of the manager, the Supervisory Committee and the investors are set out in the Fund Terms and Conditions. Investors' rights and obligations in respect of the shares in Vesteda Investment Management BV, Vesteda Project Development BV, and Vesteda Finance BV are exercised through an enduring power of attorney granted to Stichting Administratiekantoor (STAK) Vesteda.

Vesteda Investment Management BV (the manager)

The Fund Terms and Conditions instruct the manager to manage the fund under the specified conditions. The manager is responsible for day-to-day operations and implementation of strategy. The Managing Board and the staff are employed by the manager.

Vesteda Finance BV and Vesteda Project Development BV

Vesteda Finance BV will undertake Vesteda's financing activities on behalf of the fund. Vesteda Project Development BV is responsible for completing the development projects in the pipeline.

Custodians

The custodians are the legal owners of the properties in the fund. The fund is the beneficial owner. It is possible to reallocate individual properties to the various custodians for tax purposes, making it possible to finance the fund flexibly if desired by allocating collateral to one of the custodians. For this reason the structure was altered with effect from January 2013.

Corporate governance

Vesteda Residential Fund is an unlisted fund for the joint account of the participants. Vesteda Investment Management BV is the manager of the fund. The purpose of the Fund is long-term value creation for the participants.

Dutch Corporate Governance Code

All listed companies with a statutory seat in the Netherlands, are legally obliged to comply with the Dutch Corporate Governance Code, in line with the 'apply or explain' principle. The code is not mandatory for the Vesteda Residential Fund because the fund is non-listed. However, despite the lack of legal obligation, the Managing Board of Vesteda Investment Management BV and the Supervisory Committee endorse the Code in every respect insofar as it is applicable to a non-listed fund. The governance expressed in the Vesteda Residential Fund Terms and Conditions is state of the art in terms of transparency, participation and integrity.

Terms and Conditions of Vesteda Residential Fund

The Terms and Conditions charge the manager, Vesteda Investment Management BV, with the management and operation of the Fund. The manager carries out its task in the sole interest of the participants and within the boundaries described in the fund's Terms and Conditions. The Supervisory Committee supervises how the manager executes its task, as well as the general course of the Fund, such on behalf of the participants in the fund.

PARTICIPANTS

The Participants do not take part in the operation of the fund or the management or control of its affairs, and have no right or authority to bind the fund assets, or to vote on matters relating to the fund other than as set forth in or pursuant to the Terms and Conditions.

The financial statements, the annual report and the (adoption of the) Business Plan for each Accounting Period as well as any proposals put forward for discussion by the manager or the Supervisory Committee will be put on the agenda for the Participants' Meetings. Participants are entitled to cast the number of votes pro rata to their respective participation rights. Participants consent is required for resolutions relating to the acquiring, leasing, letting and in any way acting, investing or divesting, if the value of these legal acts exceeds € 75 million, except if the said acts are included in the Business Plan.

SUPERVISORY COMMITTEE

The Terms and Conditions entrust the manager and the supervisory body with specific tasks and authorities pertaining to the execution of the management and how the supervision is carried out.

In the year under review, Vesteda adopted newly amended Manager Rules and By-Laws. These rules and by-laws lay down the governance and decision-making within the statutory Managing Board and within the Supervisory Committee.

Authority

The Supervisory Committee holds regular consultations, both formally and informally, with its sub-committees and the manager on the strategy and policies of Vesteda as a whole. In the context of the committees and in the meetings with the Supervisory Committee, the members have been given opportunities to meet other Vesteda employees on a regular base.

The Supervisory Committee supervises the policies and functioning of the manager and the general course of the fund. In this context, the Supervisory Committee is also responsible for the evaluation of the performance of Vesteda Investment Management BV and the statutory members of the Managing Board and the key executives.

All decisions involving sums greater than € 10 million are subject to the approval of the Supervisory Committee. Other decisions that require the consent of the Supervisory Committee are outlined in the Terms and Conditions. Decisions involving sums in excess of € 75 million require the approval of the General Meeting of Participants, as do the financial statements and the Business Plan for the upcoming financial year.

Composition and appointments

The Supervisory Committee strives to achieve the best possible balance among its membership in terms of expertise and experience in the fields of management, compliance, risk management, financial reporting and property and knowledge related to institutional investments. The Supervisory Committee has an Audit Committee and a Nominations and Remunerations Committee.

Following a recommendation to this effect from the Nominations and Remunerations Committee the members of the Supervisory Committee have drawn up a profile outline. Members of the Supervisory Committee serve a term in office of four years, with an optional one-time extension of four more years.

Mr. De Boo, chairman, second term ends May 2015

Mr. De Die, first term ends April 2015

Mr. Kok, first term ends July 2015

Mr. Pars, first term ends March 2016

Evaluation

The Supervisory Committee assesses its own functioning in the absence of the Managing Board, at least once a year. In the year under review, an external consultant facilitated and supervised this assessment. The members first completed a written questionnaire and subsequently participated in individual interviews. The external consultant also interviewed the current member of the Managing Board and the member who left in mid-2013.

The members of the Supervisory Committee discussed the results of the assessment under the guidance of the external consultant. The discussion covered subjects such as the functioning of the Supervisory Committee as a whole, the functioning of the Audit and the Nomination and Remuneration Committees, and of the Managing Board. On the basis of the assessment, the Supervisory Committee revised and sharpened its priorities for the future.

Remuneration Supervisory Committee

The premise for the annual remuneration of the chairman and the members of the Supervisory Committee is remuneration in line with market standards on the basis of a labour market benchmark study. The remuneration was last determined by the General Meeting of Participants in their meeting in the spring of 2008, based on the most recently conducted benchmark assessment in 2008 and amounts to € 44,000 for the chairman of the Supervisory Committee and € 31,000 for each of its members. Each member of the Supervisory Committee also receives an expenses allowance of € 2,500. These amounts are fixed, not indexed and paid annually.

MANAGING BOARD

Function

The Terms and Conditions entrust the manager with the management and operation of the fund. The Managing Board is responsible for the management of the manager. The Managing Board is charged with developing and executing the strategy and ensuing corporate and investment policy via the manager and under the supervision of the Supervisory Committee.

Appointment

Contracts with the Managing Board members are closed for a fixed period and appointments are made in line with the four-year period(s) outlined in the Dutch Corporate Governance Code.

Remuneration Managing Board

The premise of the annual remuneration of the members of the Managing Board is to achieve remuneration in line with the market on the basis of a labour market benchmark survey, which was conducted in 2012 by an external agency at the behest of the Supervisory Committee. The benchmark group comprises comparable Dutch institutional residential fund managers.

From 2013 onwards, the variable component of the remuneration package has been adapted to bring it into line with (new) European legislation and regulations, including the supplementary requirement pertaining to procedures and proof. Vesteda has a bonus scheme that in principle entitles recipients to 43.3% for 'on target' performances, with a maximum of 65%. The bonus is divided into a direct and an indirect deferred component. The variable remuneration comprises a direct component, which is paid or received immediately after the one-year performance period, and an indirect, deferred component, which is paid out or received after a period of three years. Both the direct component and the deferred component are paid out half in so-called Phantom Shares and half in cash. The indirect component is subject to an appropriate retention policy which is aimed at balancing financial rewards with Vesteda's long-term interests. The retention policy applies to both the non-cash component paid out immediately and the deferred non-cash component.

The employment contracts of the members of the Managing Board include provisions related to severance packages. With effect from 2010, the amount of the severance package laid down in these contracts has been maximised at one year's salary on the basis of the fixed component of said salary, in line with the Dutch Corporate Governance Code. The total remuneration of the Managing Board, as stated on page 120 of the annual report, comprises the basic salary, the variable bonus, pension expenses and other employer charges.

Conflicts of interest

In the event that any request for approval for a proposed transaction or any other action could result in a conflict of interest, discussions will be initiated by the manager with the participant in question, the meeting of participants, the chairman of the Supervisory Committee or the manager to ensure that appropriate action is taken. This has been incorporated in the Terms and Conditions of the fund.

Integrity

As member of the Dutch Association of Institutional Investors in Real Estate (IVBN), the Managing Board has in the past followed the IVBN's sample code of conduct and associated minimum requirements. As of the year under review, the fund has an internal code of conduct geared specifically to Vesteda. Vesteda also has an extensive whistle-blower code. Both codes comply with the latest requirements in the field of integrity.

Vesteda has an integrity officer charged with the risk component integrity, the code of conduct and the whistle-blower code. In view of Vesteda's AIFMD license application, in the year under review Vesteda revised and extended the integrity policy to cover areas such as Corporate Due Diligence. All employees with external contacts participated in a dilemma workshop in the year under review. In December 2013, Vesteda employees were sent the annual request to reaffirm that they comply with the code of conduct and whistle-blower code.

The integrity officer reports to the Managing Board and, if necessary, to the chairman of the Supervisory Committee.

The chairman of the Supervisory Committee did not receive any integrity-related notifications in the year under review. The integrity officer did receive various reports in the year under review. These reports all pertained to inconsequential matters that did not require any further action.

Risk management

Vesteda has fully incorporated risk management in its strategic and operational processes. It has defined its risk management policy and implemented a risk management framework in line with the core fund risk profile, as defined in the Terms and Conditions of the Vesteda Residential Fund, extending to all levels and lines of business. The Vesteda Managing Board assesses its proper functioning on a regular basis and continues to pursue further improvement and optimisation of the internal risk management and control procedures.

Focus on achieving organisational targets

Risk management and decision-making are focused on making the best use of opportunities and limiting their adverse effects. The aim is not to preclude risks entirely but to obtain the information required to respond as effectively as possible to opportunities and threats. Vesteda believes it is extremely important that risk management is an integrated part of effective operations at strategic and operational levels. As a result, Vesteda's stakeholders, such as employees, investors and financiers, can accept that the business is run in a controlled way, focused on the achievement of strategic goals and objectives, with results that justify the risk profile.

Focus on prompt identification

The purpose of the risk management and internal control systems is to promptly identify significant risks and to assess and manage them in order to achieve business targets in line with the overall strategy and targets in the business plan. It is not impossible that risks which have not currently been identified or which are not currently regarded as significant may later have a major adverse effect on Vesteda's ability to achieve its corporate targets. The internal reporting systems are designed in part to identify these risks promptly.

Integral part of business operations

Risk management is an integral part of Vesteda's business operations and process management. To put this into practice, Vesteda identifies the risks associated with business operations and – if the Managing Board believes it necessary – reduces these risks to the desired level through control measures. Vesteda regularly identifies and evaluates the strategic, operational, compliance and financial risks and has defined the relevant risk limits. Vesteda has developed its internal control systems on the basis of the recommendations of the Committee of Sponsoring Organisations of the Treadway Commission (COSO), the aim of which is to create a reasonable level of assurance on the achievement of organisational targets. They allow management to assess the proper functioning of the control measures that have been adopted. The internal control systems cannot, however, offer absolute assurance due to the possibility of unforeseen circumstances, human errors of judgement and mistakes, collusion by employees, breaches of regulations, cost/benefit considerations or the occurrence of inherently minor incidents with significant consequences.

Managing Board's responsibility

The Managing Board is responsible for managing the risks inherent in Vesteda's business activities. It is also responsible for ensuring that the company complies with relevant legislation and regulations. Senior management and the designated process owners have day-to-day responsibility for on-going monitoring of the design and operation of the risk management measures. Vesteda has appointed a risk management officer with the task to design and maintain the overall framework, to coordinate and advise on the measures to be implemented, and to evaluate the assessment and reporting of senior management with regard to the measures' proper functioning.

2013: 15 risks

In the last quarter of 2013, the Managing Board evaluated the list of most relevant and significant risks for Vesteda. This resulted in a redefinition of a list of 15 risks which were considered to be the most relevant and significant risks in 2013:

- a Strategic vision;
- b Portfolio management;
- c Project development;
- d Asset management;
- e Disposals;
- f Acquisitions;
- g Treasury;
- h Investor Relations;
- i Financial reporting;
- j Human Resource Management;
- k Integrity;
- l Continuity of IT;
- m Tax;
- n Contractual obligations;
- o Corporate Social Responsibility.

One of the criteria for selecting these 15 risks is that they should satisfactorily cover on-going strategic, operational, compliance and financial risks. Vesteda conducts an annual evaluation of the extent to which the existing set of identified risks covers Vesteda's risk universe. In other words, this is an assessment of whether new risks should be added to the existing list, or whether risks can be removed from the list based on developments in operations, the real estate and financial markets, stakeholders, etc. The 15 risk areas are addressed in detail below.

a Strategic vision

Description of the risk The risk that Vesteda's strategic vision is not in line with external developments, not in line with investors' visions, or is not translated into effective implementation measures.

Control measure(s) Developing and updating the strategic vision using internal and external research in coordination with the investors. Shaping this strategic vision using all available knowledge and expertise and monitoring the implementation measures.

b Portfolio management

Description of the risk The risk that Vesteda's portfolio moves away from the defined target portfolio compiled under the agreements with the investors. In addition to this: the risk of incorrect valuation of the portfolio.

Control measure(s) The portfolio is designed to create an optimum risk/return profile for the investors. To safeguard this risk/return profile, current developments are matched against the optimum target portfolio and – if necessary – additional action is initiated to achieve the target portfolio. Control measures are implemented in order to ensure a transparent and professional valuation process.

c Project development

Description of the risk The risks that may arise from having inadequate control of projects under development and construction, focusing on the financial consequences and quality of the projects.

Control measure(s) Continuous reconciliation and fine-tuning of projects under development in accordance with the programme of qualitative and quantitative requirements initiated on the basis of the target portfolio. Continuous budget control on the financial development of a project.

d Asset management

Description of the risk The risk that Vesteda's asset management activities are not aligned with the defined target portfolio compiled under the agreements with the investors, and may fail to achieve optimal operational results or may lead to lower appreciation of the portfolio. Asset management should have sufficient focus on client satisfaction in the deployment of its activities.

Control measure(s) Asset management can achieve the predefined objectives by performing hold/sell analyses and by defining the tactics for the Vesteda properties. The execution of the tactics is closely managed and monitored. The results are compared with the industry benchmark.

e Disposals

Description of the risk The risk that the necessary sales volume and margins are not achieved for business operations.

Control measure(s) Continuous reconciliation and fine-tuning of projects in the sale phase, in line with the requirements of the target portfolio. Close monitoring of the sales process in comparison with the targets set out in the business plan. Performance of pre-sale CDD-screening.

f Acquisitions

Description of the risk The risk that Vesteda cannot correctly and transparently manage any newly-acquired properties, focusing on the financial consequences and quality of the acquired projects.

Control measure(s) Predefined acquisition criteria, planning the acquisition process, screening all possible acquisitions (and the selling party involved, through CDD). Monitoring the acquisition process, including the integration of newly-acquired properties into the portfolio.

g Treasury

Description of the risk The risk that Vesteda cannot attract the necessary loan capital on competitive terms and conditions to achieve its strategy and targets. Obtaining loan capital involves an interest rate risk and a volume risk. The interest rate risk may confront Vesteda with undesirable fluctuations in the interest rate charges. Treasury also deals with the risk that Vesteda may not be able to generate sufficient cash to meet its financial obligations or financial covenants.

Control measure(s) Vesteda has chosen to reduce the volume risk by using different maturities in its current funding, thus reducing the amount of refinancing in most instances. Multiple sources and sorts of financing are used to avoid dependence on single segments or providers. A further aim is to gradually reduce the level of loan capital to 30%. Interest rate risks are hedged using caps and swaps. Control measures have been adopted in order to assure compliance with the financial covenants and a Treasury Policy Statement. Stress testing is one of the measures taken to monitor the risks involved.

h Investor Relations

Description of the risk The risk that Vesteda cannot attract the necessary equity funding to achieve its strategy and targets. Investor relations aims to achieve the goals set in relation to the current and future providers of equity.

Control measure(s) Researching investor preferences, structuring of the sales and redemption process and continuous information flow to current and potential new investors.

i Financial reporting

Description of the risk The risk that Vesteda presents incorrect and/or incomplete and/or late financial reports to its stakeholders.

Control measure(s) A complete set of internal control and compliance measures have allowed the Managing Board to issue an 'in control'-statement on financial reporting risks since 2007 and a general in control statement since 2012.

J Human Resource Management

Description of the risk The risk that Vesteda has insufficiently qualified staff and/or too few people to achieve its targets.

Control measure(s) Vesteda has many measures in place related to selection, appraisal, remuneration and the development of its people. These measures are primarily executed through Vesteda's on-going performance management programme.

k Integrity

Description of the risk The risk that Vesteda focuses insufficiently on controlling integrity risks which might lead to extra costs and reputational damage.

Control measure(s) Vesteda uses a set of procedures and measures to reduce the risk in processes related to conflict of interest situations, to avoid fraud, or to avoid improper social behaviour. All staff must act in accordance with a code of conduct and there is a procedure in place for recording and reporting fraudulent action to the Managing Board and Supervisory Board, under which corrective measures are taken when necessary.

l Continuity of IT

Description of the risk The risk that one or more business processes cannot be performed or is hindered as a result of the non-availability or insufficient availability of key systems.

Control measure(s) Availability requirements are agreed with system owners, based on analyses of the critical business processes and the related key systems. Regular monitoring of the current situation and requirements lead to corrective action when necessary.

m Tax

Description of the risk The risk of non-compliance with tax regulations and with the obligations stemming from Vesteda's corporate structure.

Control measure(s) Permanently safeguarding and monitoring tax and other conditions for the tax status, as stated in rulings and law.

n Contractual obligations

Description of the risk The risk that flawed contracts are drawn up and that there is a lack of adequate checks and balances in contract preparation.

Control measure(s) Proper contract preparation and monitoring that this is in line with the mandatory policy, strategy and frameworks and signatory authority of management, Managing Board and Supervisory Committee.

o Corporate Social Responsibility

Description of the risk The risk of insufficient focus on Corporate Social Responsibility, with the possible result of inadequate increases in the value of the investments over time, reduced attractiveness for current potential investors, potential loss of income and damage to image.

Control measure(s) Identifying the requirements and wishes of stakeholders, in order to set up, implement and maintain a clear CSR strategy. Close monitoring of and reporting on the execution of the policy.

Dynamic and continuous process

The above risk management framework is embedded in the planning and control cycles. The internal control systems include other measures for achieving adequate segregation of duties, prompt recording of significant transactions and information security. Internal accountability and management reports, management reviews and other internal research into the design and operation of the internal controls are an integral part of this approach.

The Managing Board regularly assesses the risk management and internal control systems. It has reported on the main business risks and the structure and operation of the risk management and internal control systems to the Audit Committee and Supervisory Committee and continuously seeks to improve and optimise the framework.

'In control'-statement

The Managing Board issues an 'in control'-statement on the financial reporting and on the strategic and operational processes at Vesteda. The Managing Board is responsible for proper risk management and internal control systems and for assessing the effectiveness of these systems. The Vesteda Managing Board continues to pursue further improvement and optimisation of the internal risk management and control procedures.

Based on its assessment of the risk management and internal control systems, the Managing Board believes that:

- these systems provide a reasonable level of assurance that the financial reports contain no material errors;
- these systems have functioned properly during 2013;
- there is no indication that these systems will not function properly in 2014.

Vesteda identified no significant shortcomings in these systems which could have a material effect in 2013, nor to the date of signing this annual report in 2014.

Independent assurance report

To: the participants of Vesteda Residential Fund FGR

Scope

We have performed a limited assurance engagement on the chapters "Highlights 2013", "Profile of the Fund Manager: Vesteda Investment Management", "Profile of the Fund: Vesteda Residential Fund FGR", "Report of the Supervisory Committee", "Strategy and targets", "Report of the Fund Manager", "Governance and risk management" and Annexes 1 up to 9 (hereafter: non-financial information) in the Annual Report 2013 of Vesteda Residential Fund FGR (hereafter: Vesteda). Our assurance engagement is aimed to provide limited assurance that the non-financial information is correctly presented in accordance with the Sustainability Reporting Guidelines (G3) of the Global Reporting Initiative and the internal reporting criteria as described in Annex 4 in the Annual Report. We do not provide assurance regarding the corresponding non-financial information for the years 2012 and earlier.

The report contains forward-looking information in the form of ambitions, strategy, plans, forecasts and estimates. The fulfilment of such information is inherently uncertain. For that reason, we do not provide assurance in respect of the assumptions and the achievement of forward-looking information.

References in the report (to www.vesteda.com, external websites and other documents) are not part of our assurance engagement.

Management's responsibility

Management is responsible for the preparation of the non-financial information in the Annual Report in accordance with the Sustainability Reporting Guidelines (G3) of the Global Reporting Initiative and the reporting policy of Vesteda as described in the Annual Report, including the identification of stakeholders and the selection of material topics.

The choices made by management regarding the scope of the non-financial information and the reporting policy are set out in Annex 4 in the Annual Report.

Management is also responsible for such internal control as it determines is necessary to enable the preparation of the non-financial information such that it is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to draw a conclusion on the non-financial information in the Annual Report based on the assurance evidence obtained. We conducted our engagement in accordance with Dutch law, including the Dutch Standards 3410N, "Assurance Engagements with respect to Sustainability Reports". This requires that we comply with ethical requirements and plan and perform our procedures to obtain limited assurance about whether the non-financial information is free from material misstatement.

The procedures performed in order to obtain limited assurance aim to verify the plausibility of information and are less extensive than those performed for assurance engagements aimed at obtaining reasonable assurance and therefore less assurance is provided.

We believe that the assurance evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Conclusion

Based on our assurance procedures performed we conclude that nothing came to our attention that causes us to believe that the non-financial information reported in the Annual Report 2013 of Vesteda is not, in all material respects, correctly presented in accordance with the Sustainability Reporting Guidelines (G3) of the Global Reporting Initiative and the internal reporting criteria as described in Annex 4 in the Annual Report.

Amsterdam, March 10, 2014
Ernst & Young Accountants LLP

signed by J.M. Heijster

signed by H. Hollander

Vesteda Residential Fund FGR Financial Statements 2013

La Fenêtre, Den Haag

Strong improvement in turnover and occupancy rate

Year of construction: 2006

Rental segment: higher

Region: primary

The La Fenêtre complex is located in the centre of The Hague and consists of luxury apartments in the higher rental segment, with a wellness centre on the ground floor. The market for apartments in this price range has been under severe pressure in recent years due to the economic crisis. Despite this, the occupancy rate for the complex improved strongly by 12.7% in 2013. Up until 2013, part of the complex was used for short stay purposes, with apartments fully furnished by Vesteda. Due to the high tenant turnover and related high costs, plus the high vacancy rate, in 2013 Vesteda decided to discontinue short stay rentals. Virtually all the apartments previously used for short stay purposes have now been rented out on a regular rental contract basis.

Consolidated statement of comprehensive income

(amounts in € million)

	Notes	2013	2012
Rental income	6	240	245
Property operating expenses	7	60-	68-
Other income	8	1	2
Net rental income		181	179
Result on projects in progress		2-	-
Result on disposals	9	3	3
Management expenses	10	16-	20-
Interest income		-	2
Interest expense		63-	67-
Realised result before tax		103	97
Unrealised result	11	163-	234-
Result before tax		60-	137-
Tax	12	-	-
Result after tax		60-	137-
(attributable to equity holders of the parent)			
Net gains (losses) on cash flow hedges arising during the year (may be classified to profit and loss in future periods)		41	30-
Other comprehensive income, net of tax		41	30-
Total comprehensive income			
(attributable to equity holders of the parent)		19-	167-
Earnings per participation right in €	13	2.37-	5.37-
Comprehensive income per participation right in €		0.76-	6.53-

Consolidated balance sheet

(amounts in € million)

	Notes	31-12-2013	31-12-2012
Assets			
Non-current assets			
Investment property	15	3,655	3,768
Investment property under construction	16	11	10
Property, plant and equipment	17	6	7
Financial assets	18	7	13
		3,679	3,798
Current assets			
Inventory property	19	16	15
Projects in progress	20	10	9
Trade and other receivables	21	14	21
Cash and cash equivalents	22	63	113
		103	158
Investment property held for sale	15	-	202
Total assets		3,782	4,158
Equity and liabilities			
Equity			
Group equity	23	2,280	2,423
Non-current liabilities			
Financial liabilities	24	948	692
Investment property under construction	16	14	20
Provisions	25	47	40
Derivative financial instruments	26	44	85
		1,053	837
Current liabilities			
Financial liabilities	24	395	822
Provisions	25	4	6
Projects in progress	20	-	2
Trade and other payables	27	50	68
		449	898
Total liabilities		1,502	1,735
Total equity and liabilities		3,782	4,158
Net Asset Value (NAV) per participation right in €			
Basic and diluted NAV	14	92.76	96.46
Adjusted (INREV) NAV	14	92.76	96.46

Consolidated statement of changes in equity

(amounts in € million)

	Fund Equity	Reserve			Total equity	
		General paid in surplus	Property	Deriva- tives		
As at 1 January 2012	25	2,081	652	55-	33-	2,670
Result for the year	–	–	122-	–	15-	137-
Other comprehensive income	–	–	–	30-	–	30-
Total comprehensive income	–	–	122-	30-	15-	167-
Realised from sales	–	–	22-	–	22	–
Redemption	–	50-	–	–	–	50-
Dividend	–	120-	–	–	–	120-
Stockdividend	–	90	–	–	–	90
As at 31 December 2012	25	2,001	508	85-	26-	2,423
Result for the year	–	–	86-	–	26	60-
Other comprehensive income	–	–	–	41	–	41
Total comprehensive income	–	–	86-	41	26	19-
Realised from sales	–	–	11-	–	11	–
Redemption	–	50-	–	–	–	50-
Dividend	–	74-	–	–	–	74-
As at 31 December 2013	25	1,877	411	44-	11	2,280

Consolidated cash flow statement

(amounts in € million)

	Notes	2013	2012
Operating activities			
Result for the year after tax		60-	137-
Adjustments to reconcile result before tax to cash flow from operating activities			
Unrealised result	11	163	234
Depreciation of property, plant and equipment	17	–	1
Financial assets	18	6	–
Amortisation of financing costs	24	9	4
Provisions	25	2-	5-
Interest income		–	2-
Interest expense		63	67
		239	299
Working capital adjustment		18-	19-
Net cash flow from operating activities		161	143
Investing activities			
Capital expenditure in investment property	15	13-	16-
Disposals of investment property	15	186	153
Capital expenditure/disposals of property, plant and equipment	17	–	1-
Capital expenditure in investment property under construction	16	16-	40-
Disposals of investment property under construction	16	–	2
Net cash flow from investing activities		157	98
Financing activities			
Loans drawn	24	605	625
Loan repayment	24	778-	751-
Financing costs	24	7-	5-
Dividend paid		74-	30-
Redemption	23	50-	50-
Interest received		–	2
Interest paid		64-	64-
Net cash flow from financing activities		368-	273-
		50-	32-
Net increase/decrease in cash and cash equivalents		50-	32-
Cash and cash equivalents at the beginning of the period	22	113	145
Cash and cash equivalents at 31 December	22	63	113

Non-cash transactions

In 2013 and 2012 no non-cash transactions have been done.

Notes to the consolidated financial statements

1. CORPORATE INFORMATION

The consolidated financial statements of Vesteda Residential Fund FGR and the affiliated entities (the Vesteda Companies) for the year ended 31 December 2013 were authorised for issue in accordance with a resolution of the Managing Board on 10 March 2014. Vesteda Residential Fund FGR (the fund) is a mutual fund. Vesteda Investment Management BV is the fund manager, its registered office is located at Claude Debussylaan 15, Amsterdam, the Netherlands.

The principal activity of the Vesteda Residential Fund is investments in Dutch residential properties.

The fund is not subject to the Financial Supervision Act (Wet financieel toezicht 'Wft').

2. BASIS OF PREPARATION

Vesteda Residential Fund FGR (the Fund) is not a legal entity. These financial statements present the consolidated financial information of the Fund and its affiliated companies (the Vesteda Companies). Management considered whether the Vesteda Companies would represent a reporting entity. Although no legal parent company exists, management believes that the Vesteda Companies meet the definition of a reporting entity under IFRS, taking into account the discussions held by IFRIC in 2009-2010 and the ED Conceptual Framework for Financial Reporting: *The Reporting Entity* issued by the IASB in March 2010. The Vesteda Companies represent a defined area of economic activities whose financial information has the potential to be useful to users of financial statements and has the following features:

- The economic activities can be objectively distinguished from those of other entities and from the economic environment in which the Vesteda Companies exist; and
- Financial information about the economic activities of the Vesteda Companies has the potential to be useful in making decisions about providing resources to the Vesteda Companies and in assessing whether the Managing Board and the Supervisory Committee have made efficient and effective use of the resources provided.

As a result management believes that this basis of preparation results in a true and fair presentation of the Vesteda Companies' financial position, financial performance and cash flows, and that the consolidated financial statements comply in all material aspects with IFRS, as issued by the International Accounting Standards Board (IASB).

The consolidated financial statements of the Vesteda Companies have been prepared on a historical cost basis, except for investment property, property, plant and equipment, investment property under construction, assets held for sale and derivative financial instruments which have been measured at fair value. The consolidated financial statements are presented in euros and all amounts are rounded to the nearest million, except where otherwise indicated.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Vesteda Companies financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, as at the reporting date. However, uncertainty concerning these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Assets and liabilities are classified as current (short-term) if Vesteda expects them to be realised or settled within twelve months of the reporting date.

Judgements other than estimates

In the process of applying Vesteda's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Revenue recognition

A property sale is recognised when the beneficial ownership including the financial rights and risks of the ownership has been transferred.

For projects in progress revenue is recognised using the percentage of completion method. This method uses the proportion of a project that has been completed, calculated on the basis of the percentage of contract costs incurred to date and the estimated costs to complete.

Classification of property

The Vesteda Companies use the following criteria to determine the classification of a property:

- Investment property comprises land and buildings (principally residential properties) which are not occupied substantially for use by, or in the operations of, the Vesteda Companies, or for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation.
- Investment property under construction comprises land and buildings (principally residential properties) under construction with the aim of adding to the investment property portfolio upon completion.
- Inventory property comprises property that is held for sale in the ordinary course of business. Principally, this is residential property that the Vesteda Companies have developed with the intention to sell on completion of construction.
- Projects in progress comprises properties developed on behalf of others, based upon specifically negotiated contracts to build residential properties.
- Held for sale investment property comprises the properties from the investment property portfolio, primarily held to earn rental income, which the company has decided to sell in order to optimise its investment property portfolio performance.

Operating lease contracts – the Vesteda Companies as lessor

The Vesteda Companies have entered into property leases on their investment property portfolio. Vesteda has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and so accounts for the leases as operating leases.

Lease contracts – the Vesteda Companies as lessee

The Vesteda Companies have entered into land leases as a lessee. Vesteda has determined, based on an evaluation of the terms and conditions of the arrangements, that in most cases, the land lease is an operating lease, as the Vesteda Companies do not retain the significant risks and rewards incidental to ownership.

Tax status

Vesteda is a mutual fund (fonds voor gemene rekening/FGR). The fund is tax transparent and investors can join or leave the fund at the Manager level. Participants can hold their partnership contribution in Vesteda through an entity with its own legal and fiscal structure.

Each participant is therefore responsible for their individual tax liabilities and individual tax compliance obligations as a result of the issue, holding or redemption of participation rights.

The Manager is responsible for compliance with the tax rulings relating to the holding, issue and redemption of participation rights.

Vesteda Investment Management BV, Vesteda Project Development BV, Custodian Vesteda Fund (CVF) I BV, CVF II BV, CVF III BV, CVF IV BV, CVF V BV, HOG Heerlen Onroerend Goed BV, Gordiaan Vastgoed BV and Vesteda Finance BV are taxable for Dutch corporate income tax. Furthermore the fund reached an agreement with the Tax authorities known as 'Horizontaal toezicht' and several tax rulings exist regarding VAT and transfer tax.

The Vesteda Companies recognise liabilities for current taxes based on estimates of whether corporate income taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will affect the corporate income and deferred tax provisions in the period in which the determination is made. Any deferred tax asset relating to income tax on the possible offset of losses for tax purposes and differences between accounting policies for commercial and tax purposes is recognised at current tax rates to the extent that it is probable that they can be utilised.

Estimates

Estimation of net realisable value for inventory property

Inventory is stated at the lower of cost and net realisable value (NRV).

NRV for inventory property is assessed by reference to market conditions and prices existing at the reporting date and is determined by the Vesteda Companies after taking suitable external advice and in the light of recent market transactions, as well as the estimated cost to complete the construction.

Investment Property

The fair value of investment property is determined by independent real estate valuation experts using recognised valuation techniques as defined in the standards of the Royal Institution of Chartered Surveyors (RICS) and other professional bodies. The fair values of properties are determined on the basis of recent real estate transactions – if available - with similar characteristics and locations to those of the Vesteda Companies' assets.

The Discounted Cash Flow Method is used to determine the fair values of the investment property.

The Discounted Cash Flow Method involves the projection of a series of periodic cash flows associated with either an operating property or a development property. An appropriate, market-derived discount rate is applied to this projected cash flow series, to establish an indication of the current value of the income stream associated with the property. The calculated periodic cash flow is typically estimated as gross rental income less vacancy and collection losses and less operating expenses/outgoings. A series of periodic net operating incomes, along with an estimate of the reversion/terminal/exit value (which uses the traditional valuation approach) anticipated at the end of the projection period, are discounted to current value. The aggregate of the net current values equals the market value of the property.

The total portfolio is appraised comprehensively by external appraisers in the course of the year. Vesteda's goal is to conduct comprehensive appraisals on approximately 25% of the portfolio each quarter. The remainder of the quarterly appraisals comprise a desktop update by the external appraisers.

Investment property under construction

Investment property under construction is also measured at fair value. The fair value is assessed by reference to market prices at the reporting date for similar completed property, less estimated costs to complete construction and less an estimate of the time value of money to the date of completion. Development risks (such as construction and letting risks) are taken into consideration when determining the fair value of investment properties under construction.

Projects in progress

Projects in progress are recognised at the costs incurred plus a profit margin for any completed portion, less invoiced instalments and a provision for losses. Losses are recognised as soon as they become foreseeable. Cost incurred consists of costs directly attributable to the work plus a mark-up for general expenses.

Provisions for contractual obligations

Provisions for the development of investment property under construction but not yet started are calculated as the difference between the estimated market value of the investments and the cost to come. In 2013, Vesteda reassessed the plans and timing of the projects. Considering the adjusted timing of project completion, the time value of money will become increasingly important. Therefore, Vesteda decided to use discounted cash flows. The impact of the change in estimation methodology amounted € 12 million.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Implications of legal restructuring for the financial statements

In December 2012 Stichting DRF I merged with Stichting DRF II, Stichting DRF III and Stichting DRF IV. Stichting DRF I subsequently established the custodians: Custodian Vesteda Fund I, II, III, IV and V BV. Finally Stichting DRF I split off its own equity to the Custodians Vesteda Fund I, II, III, IV en V BV. This legal restructuring was effective from 1 January 2013.

Vesteda is a mutual fund or collective investment scheme under Dutch law (fonds voor gemene rekening). Investors can join the fund by taking a partnership contribution in the fund.

The fund is transparent for tax purposes. For this reason, investors can participate in Vesteda through an entity with its own legal and fiscal nature structured as they require. Investors always join or leave the fund through the fund manager: Vesteda Investment Management BV. The rights and obligations of the manager, the Supervisory Committee and the investors are set out in the fund Terms and Conditions. Investors' rights and obligations in respect of the shares in Vesteda Investment Management BV and Vesteda Project Development BV are exercised through an enduring power of attorney granted to Stichting Administratiekantoor Vesteda.

Vesteda Investment Management BV (the manager)

The fund Terms and Conditions instruct the manager to manage the fund. The manager is responsible for day-to-day operations and the implementation of strategy. The Managing Board and the staff are employed by the manager. The management of the fund is conducted under the conditions set out in the fund Terms and Conditions.

Vesteda Finance BV and Vesteda Project Development BV

Vesteda Finance BV will undertake Vesteda's financing activities. Vesteda Project Development BV is responsible for completing the development projects in the pipeline.

Custodians

The five custodians are legal owners of the property in the fund. The fund is the beneficial owner. Individual properties can be allocated to the various custodians, making it possible to finance the fund flexibly if desired by allocating collateral to one of the custodians.

Vesteda Residential Fund FGR is a mutual fund, which is not classified as a legal entity by Dutch Law. Therefore Vesteda Residential Fund FGR has no legal obligation to prepare company financial statements.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Vesteda Companies as at 31 December each year. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Vesteda Companies obtain control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

The following entities are included in the Vesteda Companies consolidated financial statements:

- Vesteda Residential Fund FGR, Amsterdam - Parent entity
- Vesteda Investment Management BV, Amsterdam - 100%
- Stichting Dutch Residential Fund I, Amsterdam - 100%
- Custodian Vesteda Fund I BV, Amsterdam - 100%
- Custodian Vesteda Fund II BV, Amsterdam - 100%
- Custodian Vesteda Fund III BV, Amsterdam - 100%
- Custodian Vesteda Fund IV BV, Amsterdam - 100%
- Custodian Vesteda Fund V BV, Amsterdam - 100%
- Vesteda Finance BV, Amsterdam - 100%
- Vesteda Project Development BV, Amsterdam - 100%
- - HOG Heerlen Onroerend Goed BV, Heerlen - 100%
- - Gordiaan Vastgoed BV, Heerlen - 100%
- All intra-Vesteda Companies' balances, transactions and unrealised gains and losses resulting from intra-Vesteda Companies' transactions are eliminated in full.

Vesteda is able to move assets between the custodians within the boundaries of the debt covenants.

Control is achieved when the Fund is exposed, or has rights, to variable returns from its involvement with the affiliated company and has the ability to affect those returns through its power over the affiliated company. Specially, the Fund controls an affiliated company if and only if the Fund has:

- Power over the affiliated company (i.e. existing rights that give it the current ability to direct the relevant activities of the affiliated company)
- Exposure, or rights, to variable returns from its involvement with the affiliated company and,
- The ability to use its power over the affiliated company to affect its returns

When the Fund has less than a majority of the voting or similar rights of an affiliated company, the Fund considers all relevant facts and circumstances in assessing whether it has power over an affiliated company, including:

- The contractual arrangement with the other vote holders of the affiliated company
- Rights arising from other contractual arrangements
- The Fund's voting rights and potential voting rights

The Fund re-assesses whether or not it controls an affiliated company if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of an affiliated company begins when the Fund obtains control over the affiliated company and ceases when the fund loses control of the affiliated company. Assets, liabilities, income and expenses of an affiliated company acquired or disposed of during the year are included in the statement of comprehensive income from the date the Fund gains control until the date the Fund ceases to control the affiliated company.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Fund's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Vesteda Companies are eliminated in full on consolidation.

A change in the ownership interest of an affiliated company, without a loss of control, is accounted for as an equity transaction. If the Fund loses control over an affiliated company, it:

- Derecognises the assets (including goodwill) and liabilities of the affiliated company
- Derecognises the carrying amount of any non-controlling interests
- Derecognises the cumulative translation differences recorder in equity
- Derecognises the fair value of the consideration received
- Derecognises the fair value of any investment retained
- Derecognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Fund had directly disposed of the related assets or liabilities

Accounting policies

Investment property

Investment property comprises completed property and property under construction (or redevelopment) held to earn (future) rental income or for capital appreciation or both. Investment property is measured initially at cost including transaction costs. Transaction costs include transfer taxes, professional fees for legal services and initial leasing commissions to bring the property to the condition necessary for operational purpose. The carrying amount also includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met.

Subsequent to initial recognition, investment property is stated at fair value. Fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction, where parties traded in an informed, diligent way and without compulsion. Gains or losses arising from changes in the fair values are included in the income statement in the year in which they arise.

The determination of the fair value for investment property is based on the income approach in line with IFRS 13. Considering the limited public data available, the complexity of real estate asset valuations, as well as the fact that appraisers use in their valuations the rents and property operating expenses of Vesteda's assets, Vesteda believes it appropriate to classify its investment property under Level 3. In addition, unobservable inputs, including appraisers' assumptions on discount rates, dates rates, inflation and exit yields, are used by appraisers to determine the fair value of Vesteda's investment property.

Investment property under construction

Investment property under construction is, subsequent to initial recognition, also stated at fair value.

The fair value is assessed with reference to market prices at the reporting date for similar completed property, less estimated costs to complete construction and less an estimate of the time value of money to the date of completion.

Development risks (such as construction and letting risks) are taken into consideration when determining the fair value of investment properties under construction.

Investment property is derecognised when it has been disposed of or permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the withdrawal or disposal of investment property are recognised in the income statement in the year of withdrawal or disposal.

Non-current assets held for sale

Investment property is transferred to non-current assets held for sale when it is expected that the carrying amount will be recovered principally through sale rather than from continuing use. For this to be the case, the property must be available for immediate sale in its present condition subject only to terms that are common and customary for sales of such property and its sale must be highly probable.

For the sale to be highly probable:

- The Managing Board is committed to a plan to sell the property and an active programme to locate a buyer and completion of the plan must have been initiated.
- The property is actively marketed for sale at a price that is reasonable in relation to its current fair value.
- The sale is expected to qualify for recognition as a completed sale within one year from the date of classification.

On re-classification, investment property that is measured at fair value continues to be so measured.

Property, plant and equipment

The office building is recognised at fair value, reappraised annually by an external appraiser. The revaluation is taken directly to group equity and recognised through other comprehensive income. Any revaluation losses in excess of the positive revaluation reserve in group equity is recognised directly in the income statement. Straight-line depreciation is applied, based on an estimated useful life, over the depreciable amount, being the carrying amount less residual value.

Other property, plant and equipment are recognised at cost less straight-line depreciation and any impairment. Depreciation is based on the estimated useful life of the assets concerned, which is between three and ten years.

An asset is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the income statement.

Financial assets

- Associates; if significant influence is exercised on the commercial and financial policy of participating interest, those interests are accounted for using the equity method based on net asset value.
- Other participating interests are recognised at fair value.
- Loans receivable are recognised at amortised cost. Where necessary, there is a write-down for doubtful debts.

Leases – Vesteda Companies as lessee

Finance leases, which transfer to the Vesteda Companies substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and the reduction of the lease liability to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the income statement as they arise.

Other leases are classified as operating leases, unless they are leases of investment property (see investment property above). Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term, except for contingent rental payments which are expensed when they arise.

Inventory property

Property acquired or constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation, is held as inventory and is measured at the lower of cost and net realisable value.

Costs include:

- Freehold and leasehold rights for land.
- Amounts paid to contractors for construction.
- Borrowing costs, planning and design costs, costs of site preparation, professional fees for legal services, property transfer taxes, construction overheads and other related costs.

Non refundable commissions paid to sales or marketing agents on the sale of real estate units are expensed when paid.

Net realisable value is the estimated selling price in the ordinary course of business, based on market prices at the reporting date and discounted for the time value of money if material, less the estimated costs of sale.

The cost of inventory recognised in profit or loss on disposal is determined by reference to the specific costs incurred on the property sold and an allocation of any non-specific costs based on the relative size of the property sold.

Projects in progress

Property under construction for sale in the ordinary course of business, rather than to be held for rental or capital appreciation, is held as projects in progress. Projects in progress are recognised at the costs incurred plus a profit margin for any completed portions, less invoiced instalments and a provision for losses.

Receivables

Receivables are recognised at amortised cost, which is generally in line with face value, less a provision for doubtful debts.

Cash and cash equivalents

Cash is cash on hand and at bank. Cash is recognised at face value.

Financial liabilities

Loans are initially recognised at cost, which is the fair value of the amount received, less transaction costs. After initial recognition, loans are subsequently measured at amortised cost using the effective interest method. Interest expense is attributed to the period to which it relates and recognised through the income statement.

Derivatives

The Vesteda Companies use derivatives such as interest rate caps and interest rate swaps to hedge changes in interest rates. The derivatives are used to hedge the risk of uncertain future cash flows. In the financial statements, these relate to the variable-rate bonds, the credit facility and the mortgage loans.

Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

At the inception of the hedge relationship, the Vesteda Companies formally designate and document the hedge relationship to which the Vesteda Companies wish to apply hedge accounting together with the risk management objective and the strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's cash flows attributable to the hedged risk.

Such hedges are expected to be highly effective in achieving offsetting changes in cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

The determination of the fair value for derivatives is based on the income approach in line with IFRS 13. Fair value hierarchy level 2 is applied. The risk free interest rate as used for the valuation of the derivative portfolio can be observed in the market.

Provisions

Provisions are recognised if it is probable that the obligation will have to be settled and a reliable estimate can be made of the amount of the obligation. The amount of a provision is set using the best estimate of the amount that will be required to settle the obligations and losses at the reporting date.

Pensions

Vesteda has arranged for its pension obligations through joining Stichting Pensioenfond ABP (ABP). The ABP pension arrangement is a Multi employer plan in which actuarial and investment risks are almost in full for the account of the employees. Employers who joined this arrangement have no obligation to contribute additional premium in case of a deficit. Vesteda's obligations are limited to contribution of the premium set by the pensionfund. The Managing Board of ABP determines this premium annually on the basis of their own datafiles and with reference to the parameters and requirements specified by the supervising authority of ABP (the Dutch Central Bank).

The premium obligation arises from being a participant in the pension arrangement in the current year and does not originate from having joined the pension plan in previous years. The ABP pension arrangement qualifies as a defined contribution (DC) plan. Consequently the premium is recognised as an expense for the year. No further disclosure is required.

Current liabilities

Trade payables and other current liabilities are recognised at amortised cost, which is generally in line with face value.

Rental income

Rental income from operating leases is recognised when it becomes receivable. Incentives for lessees to enter into lease agreements are spread evenly over the lease term, even if the payments are not made on such a basis.

Property operating expenses

Operating expenses comprise costs directly attributable to a specific property. These costs are mainly maintenance costs, property tax and other levies, insurance premiums, management and letting fees and service costs not chargeable to tenants.

Other income

Other income is recognised when realised.

Net rental income

Net rental income is the rental income plus other income less property operating expenses.

Result on projects in progress

Profit is recognised in proportion to the amount of the project that has been completed.

Result on disposals

A property (or property under construction) is regarded as sold when the significant risks and returns have been transferred to the buyer, which is normally upon the unconditional exchange of contracts. For conditional exchanges, sales are recognised only when all the significant conditions are satisfied. The result on disposals is the proceeds from sales (less any facilitation costs) less the most recent carrying value of the properties sold, established each quarter.

Management expenses

Any expenses that cannot be allocated directly to the various properties are regarded as management expenses.

Interest income and expense

Interest income and expense is recognised as it accrues using the effective interest method.

Realised result

The realised result is the sum of the net rental income and results on disposals and projects in progress less management expenses and net interest charges.

Unrealised result

The unrealised result is made up of unrealised gains and losses related directly to property investments.

Corporate income tax

Entities within the Vesteda Companies which are subject to corporate income tax, have no difference between accounting and taxable income. As such, taxation on income is calculated by applying the standard rate of tax to the taxable amount. If such a taxable amount is negative, Vesteda only recognises a benefit if there is a possibility to carry back the loss to years where taxes have been paid and if a refund is expected. Where relevant, the Vesteda Companies may recognise deferred tax assets in relation to losses carry forward. For purposes of clarity, the fund itself is exempt from corporate income taxes.

5. NEW AND AMENDED STANDARDS AND INTERPRETATIONS

Effective for financial years starting on 1 January 2013

Changes in accounting policies and disclosures

IFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities

The amendments require disclosure about rights to set-off and related arrangements (e.g., collateral agreements). These disclosures are required for all recognized financial instruments that are set off in accordance with IAS 32. The disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. As Vesteda is not setting off financial instruments in accordance with IAS 32 and does not have relevant offsetting arrangements, the amendment does not have an impact on the Group's current disclosures.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when fair value is required to be used, but rather provides guidance on how to measure fair value under IFRS. IFRS 13 defined fair value as an exit price. As a result of the guidance in IFRS 13, the Group re-assessed its policies for measuring fair values, in particular, its valuation inputs such as non-performance risk for fair value measurement of liabilities. IFRS 13 also requires additional disclosures. Application of IFRS 13 has not materially impacted the fair value measurements of Vesteda. Additional disclosures where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined.

IAS 1 Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income

The amendment introduces a grouping of items presented in other comprehensive income. Items that will be reclassified ('recycled') to profit or loss at a future point in time have to be presented separately from items that will not be reclassified. The amendment affected presentation only and did not have an impact on the Vesteda's financial position or performance.

IAS 12 Income Taxes – Deferred Tax: Recovery of Underlying Assets

The amendment clarifies the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, it introduces the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16 always be measured on a sale basis of the asset. The amendment did not have an impact on Vesteda's financial position or performance.

Amended IAS 19 Employee Benefits

IAS 19R includes a number of amendments to the accounting for defined benefit plans, including actuarial gains and losses that are now recognised in other comprehensive income and permanently excluded from profit and loss; expected returns on plan assets that are no longer recognised in profit or loss, instead, there is a requirement to recognise interest on the net defined benefit liability (asset) in profit or loss, calculated using the discount rate used to measure the defined benefit obligation, and; unvested past service costs are now recognised in profit or loss at the earlier of when the amendment occurs or when the related restructuring or termination costs are recognised. Other amendments include new disclosures, such as, quantitative sensitivity disclosures.

Vesteda has arranged for its pension obligations through joining Stichting Pensioenfonds ABP (ABP). The ABP pension arrangement is a Multi employer plan in which actuarial and investment risks are almost in full for the account of the employees. Employers who joined this arrangement have no obligation to contribute additional premium in case of a deficit. Vesteda's obligations are limited to contribution of the premium set by the pensionfund. The Managing Board of ABP determines this premium annually on the basis of their own datafiles and with reference to the parameters and requirements specified by the supervising authority of ABP (the Dutch Central Bank).

The premium obligation arises from being a participant in the pension arrangement in the current year and does not originate from having joined the pension plan in previous years. The ABP pension arrangement qualifies as a defined contribution (DC) plan. Consequently the premium is recognised as an expense for the year. No further disclosure is required.

IAS 36 Impairment of Assets – Recoverable Amount Disclosures for Non-financial Assets

The amendments remove the unintended consequences of IFRS 13 on the disclosures required under IAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or CGUs for which impairment losses have been recognised or reversed during the period. These amendments are effective retrospectively for annual periods beginning on or after 1 January 2014 with earlier application permitted, provided IFRS 13 is also applied. The amendments did not have an impact on Vesteda's financial position, performance or disclosures.

IFRS 10 Consolidated Financial Statements

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12 Consolidation - Special Purpose Entities. IFRS 10 changes the definition of control such that an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. To meet the definition of control in IFRS 10, all three criteria must be met, including: (a) an investor has power over an investee; (b) the investor has exposure, or rights, to variable returns from its involvement with the investee; and (c) the investor has the ability to use its power over the investee to affect the amount of the investor's returns. Vesteda concludes that IFRS 10, and specifically the new definition of control, has no impact on the basis of consolidation. This standard is of no relevance to Vesteda, since none of the entities in group would qualify to be an investment entity under IFRS 10.

IFRS 11 Joint Arrangements

IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities – Non-monetary Contributions by Venturers. IFRS 11 removes the option to account for jointly controlled entities using proportionate consolidation. Instead, jointly controlled entities that meet the definition of a joint venture must be accounted for using the equity method. This Standard did not have an impact on Vesteda's financial position, performance or disclosures.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The requirements in IFRS 12 are more comprehensive than the previous existing disclosure requirements for subsidiaries. This Standard did not have a significant impact on Vesteda's financial position, performance or disclosures.

IFRS 10-12 - Transition Guidance

The amendments clarify the transition guidance in IFRS 10 Consolidated Financial Statements and also provide additional transition relief in IFRS 10, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities. The amendments will have no impact on the Group's financial position and performance.

IFRS 10, IFRS 12 and IAS 27 - Investment Entities

The amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10. The exception to consolidation requires investment entities to measure particular subsidiaries at fair value through profit or loss. These amendments are of no relevance to Vesteda, since none of the entities in group would qualify to be an investment entity under IFRS 10.

IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)

As a consequence of the new IFRS 11 and IFRS 12, IAS 28 has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. The revised standard has no impact on the Vesteda's financial position and performance.

Effective for financial years starting after 1 January 2013 or later

Standards issued but not yet effective

Standards and interpretations issued but not yet effective up to the date of issuance of the Vesteda's financial statements are listed below. The listing of standards and interpretations issued are those that Vesteda reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Group intends to adopt these standards and interpretations when they become effective.

- IFRS 9 Financial Instruments, effective date has been postponed and has not yet been determined
- IAS 32 Financial Instruments - Presentation: Offsetting Financial Assets and Financial Liabilities, effective 1 January 2014
- IAS 39 Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting¹, effective 1 January 2014
- Annual Improvements to IFRSs 2010-2012 Cycle (Issued December 2013)¹, effective 1 July 2014
- Annual Improvements to IFRSs 2011-2013 Cycle (Issued December 2013)¹, effective 1 July 2014

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9 as issued reflects the first and the third phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and liabilities as defined in IAS 39 (first phase) and hedge accounting (third phase). In subsequent phases, the IASB is addressing impairment of financial assets and hedge accounting. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Vesteda's financial assets and on hedge accounting, but will not have an impact on the classification and measurement of Vesteda's financial liabilities. Vesteda will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued. The effective date of IFRS 9 has been postponed and has not yet been determined.

IAS 32 Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities

The amendments clarify the meaning of "currently has a legally enforceable right to set-off" and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. As the Group is not setting off financial instruments in accordance with IAS 32 and does not have relevant offsetting arrangements, the amendment will not have an impact on Vesteda. The amendments become effective for financial years beginning on or after 1 January 2014.

IAS 39 Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. Vesteda has not novated its derivatives during the current period. However, these amendments would be considered for future novations. The amendments become effective for financial years beginning on or after 1 January 2014.

Improvements to IFRSs 2010-2012 Cycle (Issued December 2013)

The IASB issued the 2010-2012 cycle improvements to its standards and interpretations, primarily with a view to removing inconsistencies and clarifying wording.

- IFRS 2 Share-based Payment: The performance condition and service condition definitions were clarified to address several issues.
- IFRS 3 Business Combinations: It was clarified that contingent consideration in a business combination that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of IFRS 9 'Financial Instruments'.
- IFRS 13 Fair Value Measurement: It was clarified in the Basis for Conclusions that short-term receivables and payables with no stated interest can be held at invoice amounts when the effect of discounting is immaterial.
- IAS 16 Property, Plant & Equipment and IAS 38 Intangible Assets: The revaluation method was clarified: accumulated depreciation or amortisation is eliminated so that the gross carrying amount and carrying amount equal the market value.

- IAS 24 Related Party Disclosures: It was clarified that a management entity - an entity that provide key management personnel services - is a related party subject to related party disclosure requirements. An entity that uses a management entity is required to disclose the expenses incurred for management services.

Vesteda is currently assessing the impact of this standard. The improvements become effective for financial years beginning on or after 1 July 2014.

Improvements to IFRSs 2011-2013 Cycle (Issued December 2013)

The IASB issued the 2011-2013 cycle improvements to its standards and interpretations, primarily with a view to removing inconsistencies and clarifying wording.

- IFRS 3 Business Combinations: It was clarified that joint arrangements, and not only joint ventures, are outside the scope of IFRS 3. It was further clarified that the scope exemption only applies to the accounting in the financial statements of the joint arrangement itself.
- IFRS 13 fair Value measurement: It was clarified that the portfolio exception can be applied to financial assets, financial liabilities and other contracts.
- IAS 40 Investment Property: The interrelationship between IFRS 3 and IAS 40 was clarified. The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property. IFRS 3 is used to determine if the transaction is the purchase of an asset or a business combination.

Vesteda is currently assessing the impact of this standard. The improvements become effective for financial years beginning on or after 1 July 2014.

6. RENTAL INCOME

	2013	2012
Rental income	240	245

The rental income has decreased because of the declining number of properties in portfolio.

7. PROPERTY OPERATING EXPENSES

Operating expenses is made up as follows:

	2013	2012
Property (and related) taxes	11	11
Property management costs	7	8
Maintenance costs	20	24
Fitting out costs	2	2
Letting and marketing fees	4	4
Non-recoverable service charges	9	12
Miscellaneous operational costs	7	7
Total	60	68

Operating expenses amounted to 24.8% of gross rental income in 2013 (2012: 27.6%). Taxes consist primarily of property taxes. The property management costs and letting and marketing fees are management expenses allocated to the property operating expenses.

Net rental income

Net rental income (rental income plus other income less property operating expenses) for the financial year 2013 was € 181 million, as compared with € 179 million in 2012.

8. OTHER INCOME

The other income is made up as follows:

	2013	2012
Short stay rent	–	1
Other	1	1
Total	1	2

The short stay rent income compared to 2012 decreased with € 1 million due to the reduction of the number of properties operated in the short stay rent market.

9. RESULT ON DISPOSALS

The result on disposals is made up as follows:

	2013	2012
Result on disposals of investment property	3	3
Total	3	3

The result contains a loss of € 5 million (2012: loss € 3 million) relating to the disposal of entire properties. Furthermore the result includes a profit of € 8 million (2012: profit € 6 million) relating to the disposal of individual units.

10. MANAGEMENT EXPENSES

The management expenses comprise:

	2013	2012
Salaries	20	22
Social security charges	2	2
Pension charges	2	2
Depreciation expenses	1	1
Other operating expenses	4	9
Gross property management costs	29	36
Presented within net rental income	13-	16-
Total	16	20

Presented within net rental income are the management costs of Vesteda's in-house property management department.

The Vesteda Companies employed an average of 272 people (2012: 317) during the year; this was an average of 240.0 FTE's (2012: 279.0 FTE's).

11. UNREALISED RESULTS

The unrealised results are made up as follows:

	2013	2012
Revaluation investment property	152-	200-
Revaluation investment property under construction	1	12-
Revaluation inventory property	2-	3-
Revaluation property, plant and equipment	1-	1-
Results on projects in progress	1	1-
Additions provisions for contractual obligations	7-	17-
Additions other provisions	3-	-
Total	163-	234-

12. TAX

No deferred tax asset for tax loss carry forwards and differences in measurement for tax and commercial purposes has been recognised in view of the losses expected to be incurred by Vesteda Project Development BV in the future.

The total tax loss carry forward can be specified as follows:

2005	5
2007	2
2009	3
2010	45
2011	14
2011	13
2013	-
Total	82

The tax loss can be carried forward for nine years after the loss is recognised. In 2013 the positive result was almost nil.

13. EARNINGS PER PARTICIPATION RIGHT

Basic earnings per participation right are calculated by dividing result after tax for the year attributable to equity holders of the parent by the weighted average number of participation rights outstanding during the year. The following reflects the income and number of participation rights used in the basic and diluted earnings per participation right computations:

	2013	2012
Result after tax attributable to equity holders	60-	137-
Weighted average number of participation rights	25,118,260	25,636,184

There have been no other transactions involving participation rights or potential participation rights between the reporting date and the date of completion of these financial statements.

14. NET ASSET VALUE (NAV) PER PARTICIPATION RIGHT

Basic NAV per participation right is calculated by dividing net assets in the balance sheet attributable to ordinary equity holders of the parent by the number of participation rights at year-end. The following reflects the net asset and number of participation rights used in the basic and diluted NAV per participation right computations:

	2013	2012
NAV attributable to equity holders of the parent	2,280	2,423
Number of participation rights at the reporting date	24,580,770	25,119,737
	2013	2012
Basic NAV	2,280	2,423
Fair value of derivatives held for hedging	-	-
Realisable transfer taxes and purchasers costs	-	-
Deferred taxation – measured at fair value	-	-
Adjustment to measure inventory at fair value, otherwise held	-	-
INREV NAV	2,280	2,423
	2013	2012
Net Asset Value (NAV) per participation right in €		
Basic and diluted NAV	92.76	96.46
Adjusted (INREV) NAV	92.76	96.46

15. INVESTMENT PROPERTY

The investment property is made up as follows:

	2013	2012
Investment property as at 1 January	3,768	4,045
Held for sale at 1 January	202	220
Investment property as at 1 January	3,970	4,265
Capital expenditure on owned property	13	16
Transfer from property under construction	10	42
Disposals	186-	153-
Revaluation (fair value adjustment)	152-	200-
Investment property as at 31 December	3,655	3,970
Less: classified as held for sale	-	202-
Investment property as at 31 December	3,655	3,768

The fair value of completed investment property has been determined on a market value basis in accordance with International Valuation Standards (IVS), as set out by the IVSC. The valuation is prepared on an aggregated ungeared basis. As set out in Note 4, in arriving at their estimates of market values, the appraisers have used their market knowledge and professional judgement rather than relying exclusively on comparable historical transaction data.

Vesteda continuously seeks to optimize its portfolio of investment properties, which includes the sale of investment properties if this is considered the most optimal strategy; however it appeared not possible under current market conditions to identify those investment properties meet the 'held-for-sale' definition. Consequently, no investment properties are presented as held-for-sale as per 31 December 2013. In December 2013 Vesteda signed a Letter of Intent for the sale for one property for a price that is in line with its fair value of € 18 million.

The valuations were performed by accredited independent appraisers with a recognised and relevant professional qualification and with recent experience in the location and category of the investment property being appraised.

The fair value of the assets is driven by the net cash flows generated by the assets, which are taken into account by the market, in combination with the discount rate development. The generated cash flow is the net rental income plus the net sales revenues from selling individual units. The discount rate is a derivative of the cost of capital, the availability of capital, the risk perception of the assets and the supply and demand in the market for residential investments.

The following main inputs have been used in the valuation of the investment property:

	2013	2012
Discount rate (%)	7.3	7.4
Sales rate (%)	4.1	6.2
Exit yield (%)	7.1	6.6
Inflation (%)	2.1	2.0

These inputs are considered to be the most important drivers in the valuation of investment property.

Sensitivity analysis

The table below presents the sensitivity of the valuation to changes in the most significant assumption, being the discount rate, underlying the valuation of completed investment property.

	-100 bps discount rate	Fair value	+100 bps discount rate
01-jan-13	4,207	3,970	3,752
31-dec-13	3,877	3,655	3,423

16. INVESTMENT PROPERTY UNDER CONSTRUCTION

	2013	2012
As at 1 January	10-	6
Capital expenditure on property under construction	16	40
Transfer to investment property	10-	42-
Fair value adjustment	1	14-
Projects cancelled	-	2
Disposals	-	2-
As at 31 December	3-	10-

	2013	2012
Positive balance	11	10
Negative balance	14-	20-
Total projects under construction	3-	10-

The fair value of investment property under construction has been determined on a market value basis. The valuation is prepared internally on an aggregated ungeared basis. As set out in Note 4, in arriving at their estimates of market values, the appraisers used their market knowledge and professional judgment, rather than relying exclusively on comparable historical transaction data.

The fair value of the assets under construction is driven by the net future cash flow generated by the assets, in combination with the discount rate development. The generated cash flow, the net rental income plus the net sales revenues from selling off individual homes. The discount rate is a derivative of the cost of capital, the availability of capital, the risk perception of the assets and the demand and supply in the market for residential investments.

For the main inputs for the fair value of investment property under construction, we refer to Note 15.

17. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Others	Total
As at 1 January 2012	6	3	9
Depreciations	–	1	1
Revaluation	1-	–	1-
As at 31 December 2012	5	2	7
Revaluation	1-	–	1-
As at 31 December 2013	4	2	6

The office building is valued at fair value by an independent valuer for an amount of € 4 million (2012: € 5 million), which results in a fair value adjustment in the current period of € -1 million (2012: € -1 million). For the determination of the fair value we refer to the explanation provided in Note 15. The value of the office building based on the historical cost model amounts to € 5 million (2012: € 5 million). The economic life of the office building is set at thirty years, and the accumulated depreciation amounts to nil.

18. FINANCIAL ASSETS

The financial assets are made up as follows:

	Loans	Bonds	Total
As at 1 January 2012	12	1	13
Investments	1	–	1
Disposals	–	1	1
As at 31 December 2012	13	–	13
Investments	4	–	4
Disposals	10	–	10
As at 31 December 2013	7	–	7

19. INVENTORY PROPERTY

Inventory properties are made up as follows:

	2013	2012
As at 1 January	15	10
Investments	–	8
Transfer from Projects in progress	3	–
Reclassification from Investment property	2	–
Fair value adjustment	2-	3-
Disposals	2-	–
As at 31 December 2013	16	15

Inventory properties are residential properties to be sold directly by Vesteda Project Development BV to third parties. All individual inventory properties are valued at lower net realisable value.

20. PROJECTS IN PROGRESS

The projects in progress are made up as follows:

	2013	2012
Costs incurred	54	21
Recognised profits	2	1
Recognised losses	5-	6-
Progress billing	41-	9-
Total	10	7

The positive balance on projects in progress represents all the projects in progress where the incurred costs plus the capitalised profit less the recognised losses are in excess of the progress billings. The negative balance on projects in progress represents all the projects in progress on the instructions of third parties where the incurred costs plus the capitalised profit less the recognised losses are less than the progress billings. Projects in Progress includes 100% of the Project Markchoek which is a co-development between Vesteda (60%), which acts as secretary, and Synchroon (40%).

This results in the following presentation:

	2013	2012
Positive balance	10	9
Negative balance	–	2-
Total projects in progress	10	7

Projects in progress for an amount of € 8 million will be completed in 2014 (final value at completion € 60 million) and for an amount of € 2 million will be completed in 2015 (final value at completion € 11 million).

21. TRADE AND OTHER RECEIVABLES

The trade and other receivables are made up as follows:

	2013	2012
Loans receivable	4	7
Trade receivables	6	7
Other receivables	4	7
Total	14	21

Loans receivable relate to overdue for an amount of € 17 million (2012: € 17 million), for which a provision for doubtfulness is recorded for an amount of € 13 million (2012: € 10 million). The trade receivables include a provision for doubtfulness of € 2 million, for overdue amount € 1.5 million for other € 0.5 million (2012: € 2 million). Other receivables do not contain overdues, which are not impaired.

22. CASH AND CASH EQUIVALENTS

The cash and short-term deposits are made up as follows:

	2013	2012
Cash at bank and on hand	33	17
Short-term deposits	30	96
Total	63	113

With the exception of € 2 million (2012: € 5 million), cash and cash equivalents are at the free disposal of the company.

23. GROUP EQUITY

The participation rights issued can be specified as follows:

	2013	2012
As at 1 January	25,119,737	26,637,603
Redeemed in the year	538,967-	517,866-
As at 31 December	24,580,770	25,119,737

The participation rights carry a nominal value of € 1, all participation rights are fully paid. There are no restrictions relating to dividend and capital distribution. For further information on movements reference is made to the consolidated statement of changes in equity. An amount of € 50 million was paid for the 538,967 participation rights redeemed at year-end.

Vesteda Residential Fund FGR is a mutual fund, which is not classified as a legal entity under Dutch law. Vested Residential Fund FGR does therefore not have legal requirements relating to reserves. However the fund has decided to present its statement of changes in equity as recorded on page 90 as if the fund were subject to the rules for the determination of revaluation reserves.

Property reserve is the difference between the market value and historical book value. Revaluation of property is accounted for in case of positive revaluations. Negative revaluation is deducted from this reserve as long as the reserve is positive on an individual basis.

Derivatives reserve contains the value fluctuations of derivatives by applying hedge accounting. The cash flow hedge reserve may be reclassified to profit or loss should the underlying hedged item not be kept until its expected maturity. Currently Vesteda expects that this will not occur in the future.

24. FINANCIAL LIABILITIES

The financial liabilities are made up as follows:

	Term facilities	Mortgage	Total
As at 1 January 2012	1,550	99	1,649
Financing costs	8-	-	8-
Value net of financing costs	1,542	99	1,641
Drawn	625	-	625
Repayments	750-	1-	751-
Additions	5-	-	5-
Amortisation	4	-	4
As at 31 December 2012	1,416	98	1,514
Drawn	555	50	605
Repayments	775-	3-	778-
Additions	6-	1-	7-
Amortisation	9	-	9
As at 31 December 2013	1,199	144	1,343

As at 31 December 2013 the amount classified as current liability amounts to € 395 million (2012: € 822 million). Financing costs amount up to € 7 million as at 31 December 2013; from which € 6 million is related to Term facilities and € 1 million to Mortgages.

Debt funding

The information below is provided for explanatory purposes with regard to the Vesteda Companies' long-term funding.

The Vesteda Companies obtain their debt funding through various sources:

- 1) A loan agreement based on CMBS funding with Vesteda Residential Funding II BV
- 2) Direct sourcing of secured mortgage loans
- 3) Unsecured bank funding via Vesteda Finance BV

1) CMBS Funding - Vesteda Residential Funding II BV

Vesteda Residential Funding II BV is a company specifically incorporated to manage the financing for the entities Custodian Vesteda Fund I to IV BV (these entities are consolidated into the fund's consolidated financial statements) under agreements between these parties, Vesteda Investment Management BV and the Security Trustee. Vesteda Residential Funding II BV also has the duty to provide security in connection with the financing. All the shares in Vesteda Residential Funding II BV are owned by Stichting Vesteda Residential Funding II. This Stichting and its subsidiary, Vesteda Residential Funding II BV are not consolidated by the fund. The manager of the Stichting is Inter-trust Management BV.

As at 31 December 2013, Vesteda Residential Funding II BV has issued a total of € 650 million of variable-rate bonds consisting of:

- € 300 million class A4 secured floating rate notes (2005);
- € 350 million class A7 secured floating rate notes (2010);

In 2013 two variable-rate bonds were repaid and Custodian Vesteda Fund I BV and Custodian Vesteda Fund II BV were released from the funding structure:

- € 150 million class A6 secured floating rate notes (2008);
- € 625 million class A8 secured floating rate notes (2012).

The Term A notes are listed on the Euronext Amsterdam Stock Exchange. The legal term when issued was twelve years for the Term A4 bonds and seven years for the Term A7 bonds. If the intended term is exceeded, there are sanctions relating in particular to distributions to those entitled to the results of the Vesteda Companies. Early repayment is permitted.

The proceeds of the issue by Vesteda Residential Funding II BV have been lent on to Custodian Vesteda Fund III BV and Custodian Vesteda Fund IV BV, as borrowers in their capacity as custodians of Vesteda Residential Fund FGR. As a result of the above activities, the Vesteda Companies had the following facilities provided by Vesteda Residential Funding II BV as at the reporting date:

- Term A4 Facility of € 300 million with an intended remaining term to maturity of 1.55 years;
- Term A7 Facility of € 350 million with an intended remaining term to maturity of 0.55 years;

The borrowers have made the funds available to Vesteda Residential Fund FGR. Interest is due quarterly and is based on the 3-month Euribor rate plus a mark-up which is different for each type.

The mark-ups for the Term A4 and Term A7 notes are 0.28 and 1.63 percentage points respectively.

2) Mortgage funding

In 2013, Vesteda Residential Fund FGR continued mortgage borrowing under its existing financing arrangements and contracted a new financing arrangement. Mortgage loans of € 145.1 million were outstanding at year-end. The mortgage is secured on company owned property.

Custodian Vesteda Fund V BV has three mortgage loans in place with lender FGH Bank:

- € 47.5 million 5-year H1 tranche on 3-Months Euribor, with a margin of 2.10% and intended remaining term to maturity of 0.92 years;
- € 22.2 million 5-year H2 tranche on 3-Months Euribor, with a margin of 2.50% and intended remaining term to maturity of 4.0 years;
- € 25.4 million 5-year H3 tranche on 3-Months Euribor, with a margin of 2.50% and intended remaining term to maturity of 4.0 years.

In July 2013 Custodian Vesteda Fund II BV entered into a new mortgage loan financing arrangement with Berlin Hyp AG:

- € 50.0 million mortgage loan facility, with a margin of 1.80% and intended remaining term to maturity of 4.55 years;

3) Corporate unsecured funding

In July 2013 Vesteda Finance BV drew € 625 million under its committed Forward Start Facility and used the proceeds to refinance the loan under the Class A8 secured floating rate notes. The Forward Start Facility was subsequently refinanced in November 2013 with a new € 600 million corporate credit facility provided by the lenders ABN Amro, Rabobank and BNP Paribas. Vesteda Finance BV is the Borrower of the corporate credit facility and lends proceeds to Custodian Vesteda Fund I BV. The facility comprises the following tranches:

- € 300 million 3-year term loan tranche on 3-Months Euribor, with an initial margin of 1.25% and intended remaining term to maturity of 2.85 years;
- € 300 million 5-year revolving loan tranche on 3-Months Euribor, with an initial margin of 1.55% and intended remaining term to maturity of 4.85 years.

A total amount of € 255 million is outstanding under the revolving loan at year-end 2013.

25. PROVISIONS

The non-current provisions are made up as follows:

	2013	2012
As at 1 January	40	23
Additions	7	17
As at 31 December	47	40

A provision has been recognised for contractual obligations for the development of investment property under construction but not yet started. The provision is calculated as the difference between the estimated market value of the investment property and the contracted purchase price.

The development will take place in the period up to and including 2018, under uncertain market conditions. The provision is related to the contingencies and commitments as referred to in Note 34 for an amount of € 74 million.

The current provisions are made up as follows:

	2013	2012
As at 1 January	6	11
Additions	1	–
Used	3-	5-
As at 31 December	4	6

This provision related to the severance payments, relocation compensations, and other costs directly related to the restructuring. End of 2014 the remaining provision will be almost nil.

26. DERIVATIVE FINANCIAL INSTRUMENTS

The derivatives financial instruments are made up as follows:

	2013	2012
As at 1 January	85	55
Fair value gain	41-	–
Fair value loss	–	30
As at 31 December	44	85

Derivatives
(amounts in € million)

2013						
Ref.	Instrument type	Notional amount	Fixed rate	Effective date	Termination date	Fair value 2013
1)	IRS	300	3.895%	20.04.2009	20.07.2015	17-
1)	IRS	350	1.735%	20.01.2012	20.07.2014	3-
2)	IRS	17	3.125%	15.12.2009	01.12.2014	–
2)	IRC	17	3.125%	15.12.2009	01.12.2014	–
3)	IRS	625	1.999%	22.07.2013	20.07.2020	24-
		1,309				44-

1) Hedging of CMBS loans

Interest rate swaps (IRS) were taken out on the CMBS loans issued in July 2005 and July 2010 with the same term as the loans.

- IRS (A4) with notional of € 300 million with a remaining term of 1.55 years;
- IRS (A7) with notional of € 350 million with a remaining term of 0.55 years;

2) Hedging of H1 Mortgage Loan

The interest risk on the H1 mortgage loan tranche is hedged by a designated interest rate swap and a designated interest rate cap:

- IRS (H1) with notional of € 16.625 million with a remaining term of 0.90 years;
- CAP (H1) with notional of € 16.625 million with a remaining term of 0.90 years.

3) Hedging of Remaining Loan Portfolio

Vesteda Finance BV holds a long-term interest rate swap contract with Rabobank at a rate of 1.99% with a notional amount of € 625 million, decreasing in 2017 to € 500 million, to hedge interest rate exposure on the remaining loan portfolio of VRF, comprising the corporate credit facility and mortgage loans. The Vesteda Finance IRS has a weighted remaining term of 6.55 years.

According to the VRF Terms and Conditions, Vesteda is required to hedge a minimum of 70% of existing interest rate exposure. At 31 December 2013 97% of the floating interest rate risk was hedged.

As a result of a slight increase of Euribor Interest rates and a steepening of the interest curve in 2013, fair value of financial instruments increased by € 41.1 million to € 43.9 million negative.

27. TRADE AND OTHER PAYABLES

The trade and other payables are made up as follows:

	2013	2012
Trade payables	7	6
Amounts received in advance	13	16
Interest	9	10
VAT integration levy	11	21
Holiday days and holiday pay	1	1
Tax and social security contributions	2	2
Other	7	12
Total	50	68

28. TRANSACTIONS WITH RELATED PARTIES

Vesteda has a pension plan with ABP. This counterparty is also a participant in the Fund. All transactions are at arm's length.

The Managing Board and the Supervisory Committee are identified as key management personnel in accordance with IAS 24. The remuneration of these managers is explained in Note 31 and 32.

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Vesteda's principal financial liabilities, other than derivatives, are loans and borrowings. The main purpose of Vesteda's loans and borrowings is to finance the Vesteda Companies property portfolio. As part of its business strategy, Vesteda uses debt financing to optimise its equity return by utilising a conservative level of debt leverage.

The Vesteda Companies also have trade and other receivables, trade and other payables and cash and short-term deposits that arise directly from their operations.

Vesteda Residential Fund is exposed to market risk, interest rate risk, credit risk and liquidity risk.

Vesteda fully incorporates risk management in its strategic and operational processes. The risk management framework addresses all levels and lines of business in order to assure 'in control' performance.

The Vesteda Managing Board assesses its proper functioning on a regular basis and continues to pursue further improvement and optimisation of the internal risk management and control procedures.

In addition to the risk management framework, Vesteda also actively manages market risk, interest rate risk, credit risk and liquidity risk as part of its treasury policy.

1) Market risk

Market risk is the risk that the fair value of financial instruments will fluctuate because of changes in market prices. The financial instruments held by Vesteda Residential Fund that are affected by market risk are principally the derivative financial instruments that are used for hedging interest risk on its loan portfolio.

2) Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Vesteda's exposure to the risk of changes in market interest rates relates primarily to the Vesteda's long-term debt obligations with floating interest rates.

According to the VRF Terms and Conditions, Vesteda is required to hedge a minimum of 70% of existing interest rate exposure.

To manage its interest rate risk, Vesteda Residential Fund enters into interest rate swaps and interest rate caps. With respect to the interest rate swaps, Vesteda agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. These swaps are designated as hedges of underlying debt obligations. At 31 December 2013, after taking into account the effect of interest rate swaps, 97% of Vesteda's borrowings are hedged (2012: 98%).

Sensitivity analyses of market and interest rate risk

Vesteda used an immediate increase by one percentage point in the interest rate curve as at 31 December 2013 for an interest rate risk sensitivity scenario. The analysis has been prepared on the basis that the amount of net debt, the ratio of fixed-to-floating interest rates of the debt and derivatives are all constant and using the hedge designations in place as at the reporting date.

- The sensitivity of the income statement is the effect of the assumed changes in interest rates on the net interest income for one year, based on the floating rate financial liabilities held at the reporting date, including the effect of hedging instruments.
- The sensitivity of equity is calculated by revaluing swaps designated as cash flow hedges, for the effects of the assumed changes in interest rates.

An immediate increase of one percentage point in the interest rates as at 31 December 2013 would increase the theoretical annual interest expense by € 0.5 million, assuming that the composition of the financing is unchanged.

An immediate increase of one percentage point in the interest rates as at 31 December 2013 would have an impact on the fair value of derivative financial instruments used in interest hedge relationships. As a result, the amount in the hedge reserve would increase by € 38.6 million.

In terms of value hierarchy all of Vesteda's derivatives can be qualified as Level 2. The value of these derivatives is determined based on inputs other than quoted prices. All inputs that have significant effect on the recorded fair value are observable, either directly or indirectly.

3) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. Vesteda is exposed to credit risk from its leasing activities and its financing activities, including deposits with banks and financial institutions and derivatives.

Tenant receivables

Credit risk is managed by requiring tenants to pay rent in advance. The credit quality of tenants is assessed using an extensive credit rating scorecard at the time of entering into a lease agreement. Vesteda regularly monitors outstanding tenants' receivables. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of financial asset.

Credit risk related to financial instruments and cash deposits

Vesteda's treasury department manages credit risk from balances with banks and financial institutions. As part of its treasury policy, Vesteda maintains a formal counterparty policy in respect of those organisations from which it may borrow or with whom it may enter into other financing or investment arrangements. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty.

Vesteda's Managing Board reviews counterparty credit limits at least on an annual basis, and may update these at any time in the year should market conditions require any changes to the counterparty credit limits. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through potential counterparty failure.

As part of its treasury policy Vesteda strives for adequate diversity in Vesteda's counterparties and limit concentration risk.

4) Liquidity risk

Liquidity risk is the risk that (1) Vesteda will not be able to refinance maturing debt funding, or (2) if debt is refinanced, the maturity and interest rate of the financing will have a significant unplanned adverse effect on Vesteda's cash flow and liquidity position. Vesteda limits this risk by conservative use of loan capital.

Vesteda's objective is to maintain a balance between continuity of funding and flexibility through the use of bank deposits and loans.

Liquidity risk is managed by the treasury department with the objective of ensuring that Vesteda has sufficient funds available to meet its financial obligations. As part of its treasury policy, Vesteda aims to have adequate though not excessive cash resources, borrowing arrangements and overdraft or standby facilities to enable it at all times to have the level of funds available necessary for the achievement of its business objectives.

The table on page 119 summarises the maturity profile of the Vesteda's financial liabilities based on contractual undiscounted payments.

Liquidity risk

(amounts in € million)

Year ended 31 December 2013	On demand	< 3 months	3-12 months	1-5 years	Total
Interest-bearing loans and borrowings	–	55	398	897	1,350
Interest	–	13	38	183	234
Deposits from tenants	7	–	–	–	7
Finance leases	–	–	–	–	–
Financial derivatives	–	–	3	41	44
Trade and other payables	14	22	–	–	36
	21	90	439	1,121	1,671

Year ended 31 December 2012	On demand	< 3 months	3-12 months	1-5 years	Total
Interest-bearing loans and borrowings	–	–	826	697	1,523
Interest	–	15	44	193	252
Deposits from tenants	7	–	–	–	7
Finance leases	–	–	–	–	–
Financial derivatives	–	–	13	72	85
Trade and other payables	23	29	4	1	57
	30	44	887	963	1,924

The disclosed amounts for financial derivatives in the above table are the net undiscounted cash flows.

Fair value of financial instruments

This section describes the comparison between the carrying amounts of Vesteda companies' financial instruments and their estimated fair values. Trade and other receivables and Trade and other payables are carried at amortised cost, but given their short duration, the fair value does not significantly deviate from the carrying amount (level 3 valuation). Cash and cash equivalents are recognised at fair value. With respect to financial assets, management concluded that the carrying amount is an appropriate estimate of the fair value. The derivatives are carried at their fair values (level 2 valuation). With respect to the financial liabilities (both short term and long term), these are carrying a variable interest based on EURIBOR plus a mark-up, which does also take into account the perceived credit risk of the Vesteda Companies. As a result, their carrying amount approximates the fair value.

30. CAPITAL MANAGEMENT

The primary objective of the Vesteda Companies capital management is to ensure that the company remains within its quantitative banking covenants and maintains a strong credit rating. The Vesteda Companies monitor capital primarily using a loan to value (LTV) ratio, which is calculated as the amount of outstanding debt divided by the valuation of the investment property portfolio.

The banking covenants related to Vesteda's CMBS programme require that the loan to value ratio does not exceed 40% on CMBS borrower level. The other loan facilities have LTV covenants of 45% on borrower level (mortgage loans) and 50% on VRF level (corporate credit facility) respectively.

In the year under review the Vesteda Companies did not breach any of their loan covenants, nor did they default on any other of their obligations under their loan agreements.

Capital management
(amounts in € million)

	2013	2012
Carrying amount of interest-bearing loans and borrowings	1,343	1,514
Unamortised issuing costs	7	9
Principal amount of interest-bearing loans and borrowings	1,350	1,523
External valuation of completed investment property	3,655	3,768
Internal valuation of investment property under construction	3-	10-
External valuation of properties held for sale	-	202
Total valuation of investment property	3,652	3,960
Loan to value ratio	37.0%	38.5%

Vesteda has performed a sensitivity stress test with regard to changes in required yield in relation to the loan to value. An increase of the required yield of 4.6% would lower the value of the investment property to such extent that a LTV of 50% would be reached.

31. MANAGING BOARD REMUNERATION

In 2013 the company paid € 887,000 (2012: € 1,013,000) for the remuneration of the Managing Board and nil (2012: € 100,000) for the remuneration of the former Managing Board. In addition social security charges and pension contributions were € 120,000 (2012: € 165,000) for the Managing Board and nil (2012: € 19,000) for the former Managing Board. In addition a social security charge 'Crisisheffing' of € 92,000 (2012: € 60,000) was charged in 2013.

Up to 2012 the Managing Board remuneration enclosed the amounts that were included in the profit and loss account for the relevant year. To improve understanding from 2013 on this note points out the amounts paid in the year 2013; the 2012 figures are adjusted in accordance with the above mentioned.

After approval of the annual accounts 2013, the Supervisory Committee will grant the target rewards for the Managing Board for the year 2013.

32. SUPERVISORY COMMITTEE REMUNERATION

The remuneration for the five (2012: five) Supervisory Committee members in 2013 was € 211,000 (2012 € 194,000).

33. SERVICE FEES PAID TO EXTERNAL AUDITORS

Management expenses include the following amounts recognised as fees to Ernst & Young Accountants LLP: € 308,000 (2012: € 252,000) for audit services, € 64,000 (2012: € 46,000) for audit-related services and € 47,000 (2012: € 154,000) for other services.

Ernst & Young Accountants LLP did not charge fees for tax advice in either year.

34. CONTINGENCIES AND COMMITMENTS

The total liabilities for obligations entered into for construction contracts, rental and lease instalments are some € 152 million (2012: € 201 million). Vesteda has not provided security for these liabilities. The liabilities are made up as follows:

	Construction contracts	Property leases	Car leases
Due:			
within 1 year	56	1	1
between 1 and 5 years	90	3	1
	146	4	2

35. OTHER INFORMATION

Proposals to investors

Proposed appropriation of result for 2013

The Managing Board proposes that the loss for the year of € 59,470,084 be charged to equity. This proposal has been incorporated in the annual report.

Proposed distribution to participants

The Managing Board proposes a distribution to participants of € 100 million for the year 2013. The annual accounts will be presented for adoption at the General Meeting of Participants on 1 April 2014.

Independent auditor's report

To the participants of Vesteda Residential Fund FGR

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

We have audited the accompanying consolidated financial statements 2013 which are part of the annual report of Vesteda Residential Fund FGR, Amsterdam, and comprise the consolidated statement of financial position as at December 31, 2013, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended and notes, comprising a summary of the significant accounting policies and other explanatory information.

Management's responsibility

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. Furthermore management is responsible for such internal control as it determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion with respect to the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Vesteda Residential Fund FGR as at December 31, 2013 its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

REPORT ON MANAGING BOARD REPORT

Furthermore we have established, to the extent of our competence, that the report of the managing board is consistent with the financial statements.

Amsterdam, 10 March 2014

Ernst & Young Accountants LLP
signed by J.M. Heijster

Annex 1: Key figures past 10 years

	2004	2005	2006	2007	2008	2009	2010	2011	2011	2012	2013
	DG	DG	DG	DG	DG	DG	DG	DG	IFRS	IFRS	IFRS
Balance sheet > page 89											
year-end, amounts in € million											
Total assets	4,323	4,356	4,630	5,077	5,107	4,932	4,707	4,513	4,497	4,158	3,782
Equity	2,902	2,956	3,169	3,288	3,264	2,941	2,793	2,671	2,670	2,423	2,280
loan capital	1,300	1,300	1,300	1,650	1,725	1,758	1,695	1,649	1,649	1,523	1,350
leverage (%)	30	30	28	32	34	36	36	37	37	37	36

Portfolio value > page 54											
year-end, amounts in € million											
development portfolio	256	196	176	135	279	254	163	76	24	12	23
letting portfolio	3,850	4,034	4,306	4,799	4,699	4,484	4,402	4,248	4,265	3,970	3,655
total portfolio	4,106	4,230	4,482	4,934	4,978	4,738	4,565	4,324	4,289	3,982	3,678

Units > page 52											
year-end											
number of residential units	31,122	29,276	27,990	28,334	27,624	27,243	26,732	25,828	25,828	25,100	23,791
number of commercial m ²	40,791	36,098	41,725	39,789	43,179	51,663	57,515	55,410	55,410	50,491	36,640
number of parking/garage spaces	7,146	7,203	8,185	8,984	9,457	9,699	10,177	10,427	10,427	10,217	9,527

Occupancy rate > page 53											
year-end											
letting portfolio (%)	97.4	96.4	96.8	97.2	97.1	95.3	95.2	95.7	95.7	95.6	96.1

Net rental income > page 88											
amounts in € million											
letting portfolio, at start of year	3,838	3,850	4,034	4,306	4,799	4,699	4,484	4,402	4,402	4,265	3,970
net rental income	173	162	159	168	176	180	175	173	173	177	180
net rental income (%)	4.5	4.2	3.9	3.8	3.6	3.8	3.9	3.9	3.9	4.2	4.5

Customer satisfaction > page 143											
rating (out of 10)											
letting portfolio	7.1	7.0	7.1	7.1	7.0	7.0	6.9	7.0	7.0	7.0	6.9

Operating income > page 48											
amounts in € million											
realised income from letting	199	192	147	137	110	109	110	89	88	98	104
realised income from project development	-2	-4	2	-4	-3	-	-27	-13	-4	-1	-1
unrealised income	138	206	285	178	-119	-372	-177	-123	-138	-234	-163
total operating income	335	394	434	311	-12	-263	-94	-47	-49	-137	-60

Operating return > page 48											
as % of opening equity											
realised return from letting	6.8	6.6	4.9	4.3	3.3	3.4	3.7	3.2	3.1	3.6	4.3
realised return from project development	0.1	-0.1	0.1	-0.1	-0.1	-	-0.9	-0.5	-0.1	-	-0.1
unrealised return	4.8	7.1	9.7	5.6	-3.6	-11.4	-6.0	-4.4	-4.9	-8.7	-6.7
total operating return	11.7	13.6	14.7	9.8	-0.4	-8.0	-3.2	-1.7	-1.9	-5.1	-2.5

Employees > page 67											
year-end											
FTE	286	298	322	318	337	346	332	305	305	253	227

	2004	2005	2006	2007	2008	2009	2010	2011	2011	2012	2013
	DG	DG	DG	DG	DG	DG	DG	DG	IFRS	IFRS	IFRS
Income > page 48											
amounts in € million											
total operating income	335	394	434	311	-12	-263	-94	-47	-49	-137	-60
revaluation of derivatives	-	-	11	18	-92	-35	21	11	11	-30	41
total income	335	394	445	329	-104	-298	-73	-36	-38	-167	-19

Return > page 48											
as % of opening equity											
total operating return	11.7	13.6	14.7	9.8	-0.4	-8.0	-3.2	-1.7	-1.9	-5.1	-2.5
revaluation of derivatives	-	-	0.3	0.6	-2.7	-1.1	0.7	0.4	0.4	-1.1	1.7
total return	11.7	13.6	15.0	10.4	-3.1	-9.1	-2.5	-1.3	-1.5	-6.2	-0.8

Distribution to investors > page 50											
amounts in € million											
opening equity	2,877	2,902	2,956	3,169	3,368	3,264	2,941	2,793	2,799	2,670	2,423
distribution to investors	310	340	232	210	121	109	109	100	100	94	100
distribution to investors (%)	10.8	11.7	7.8	6.6	3.6	3.3	3.7	3.6	3.6	3.5	4.1

Distribution to investors > page 6, 7											
amounts in € participation											
opening equity	115.08	116.08	118.23	126.74	131.52	127.49	114.87	109.06	109.29	104.15	96.47
distribution to investors	12.40	13.60	9.28	8.40	4.72	4.26	4.26	3.90	3.90	3.67	3.98
distribution to investors (%)	10.8	11.7	7.8	6.6	3.6	3.3	3.7	3.6	3.6	3.5	4.1

³⁸ The decrease in commercial space to 36,640 m² ultimo 2013 from 50,491 m² ultimo 2012 can be largely explained by a relabeling of care related properties in the portfolio. They now are registered as residential instead of commercial property.

Annex 2: Composition of the property portfolio

The list below sets out the properties in the letting portfolio. In line with the IPD definition, all properties are allocated to the residential properties sector, as the residential share of the gross market rental value is greater than 50%. The units and values given for properties are fully owned.

Key:

Project: City, Street, Name of investment property, Province (GR=Groningen, FR=Friesland, DR=Drenthe, OV=Overijssel, GD=Gelderland, UT=Utrecht, FL=Flevoland, NH=Noord-Holland, ZH=Zuid-Holland, NB = Noord-Brabant, ZL=Zeeland, LB=Limburg), Construction year (the year before the First year of full letting)

land: Percentage owned (versus leased)

rs: Rental segment

r: Region

u: Number of residential properties (units)

fh: Number of single-unit residential properties; family houses (units)

mo: Number of multiple-residency properties; apartments (units)

ua: Useable area of the residential properties (m² x 1,000)

COG: Commercial space (m²)

park: Parking and garage spaces (units)

rent: Theoretical gross annual rent (as at 31 December, thousands of euros)

Project City, Street, Name, Province, Construction year	land	rs	r	u	fh	mo	ua	COG	park	rent
Aalsmeer, Edisonstraat, Proosdij, NH, 1983	100%	mid	primary	17	17	0	19	0	0	176
Abcoude, Fluitekruid, Fluitekruid, UT, 1989	100%	regulated	primary	23	0	23	18	0	0	174
Abcoude, Ereprijs, Fluitekruid, UT, 1989	100%	regulated	primary	25	0	25	20	0	0	199
Abcoude, Fluitekruid, Fluitekruid, UT, 1989	100%	mid	primary	31	31	0	34	0	0	339
Abcoude, Ereprijs, Fluitekruid, UT, 1989	100%	mid	primary	50	50	0	48	0	0	520
Almere, Harderwijkoever, Boulevardflat, FL, 1984	100%	regulated	secondary	253	0	253	213	0	253	2,006
Almere, Slagbaai, Waterwijk, FL, 1983	100%	regulated	secondary	30	30	0	32	0	0	231
Almere, Marktmeesterstraat, Centrum, FL, 1988	100%	regulated	secondary	100	0	100	91	0	0	729
Almere, Messiaenplantsoen, Muziekwijk, FL, 1990	100%	regulated	secondary	108	0	108	89	0	0	824
Almere, Marktmeesterstraat, splitsing van c689: Centrum 2A4F I, FL, 1989	100%	regulated	secondary	36	0	36	31	0	0	264
Almere, Marktmeesterstraat, splitsing van c689: Centrum 2A4F II, FL, 1989	100%	regulated	secondary	104	0	104	92	0	83	826
Almere, Dek, Noorderplassen, FL, 2004	100%	mid	secondary	31	31	0	49	180	0	345
Almere, Koetsierbaan, Side by Side, FL, 2007	100%	mid	secondary	82	0	82	83	82	84	988
Almere, Havenhoofd, Havenhoofd, FL, 1986	100%	mid	secondary	62	0	62	60	0	0	559
Almere, Raaigrasstraat, Kruidenwijk, FL, 1988	Leasehold	mid	secondary	84	84	0	98	0	0	734
Almere, Lotusbloemweg, Bloemenbuurt, FL, 1990	100%	mid	secondary	59	59	0	67	0	0	559
Almere, Rondostaat, Muziekwijk, FL, 1992	100%	mid	secondary	35	35	0	48	146	0	366
Almere, Preludeweg, Muziekwijk, FL, 1994	100%	mid	secondary	115	115	0	145	0	0	1,120
Almere, Gleditsiastraat, Parkwijk, FL, 1995	100%	mid	secondary	62	62	0	85	0	0	573
Almere, Jacques Tatilaan, Filmwijk, FL, 1998	100%	mid	secondary	90	90	0	114	0	0	831
Almere, Jarenweg, Seizoenenbuurt, FL, 1999	100%	mid	secondary	40	40	0	45	0	0	341
Almere, Simon Vestdijkstraat, Literatuurwijk, FL, 1998	100%	mid	secondary	38	38	0	47	0	0	341
Almere, Vrije Zeestraat, Oostvaardersbuurt, FL, 2001	100%	mid	secondary	42	42	0	55	0	0	379
Almere, Nova Zemblastraat, Eilandenbuurt, FL, 2003	100%	mid	secondary	43	43	0	49	0	0	419
Almere, Fellinilaan, Filmwijk, FL, 1998	100%	mid	secondary	42	0	42	43	0	0	434
Almere, Koetsierbaan, Side by Side, FL, 2007	100%	mid	secondary	42	0	42	50	0	41	673
Almere-Stad, Quickstepstraat, Danswijk, FL, 1999	100%	mid	secondary	47	47	0	52	0	0	428
Amersfoort, Parelvisserpad, Schuilenburg, UT, 1969	100%	mid	primary	116	116	0	142	0	50	1,188
Amersfoort, Blekerssingel, Willem III, UT, 1988	100%	mid	primary	18	0	18	15	0	0	164
Amersfoort, Bombardonstraat, Zielhorst M, UT, 1990	100%	mid	primary	25	25	0	25	0	0	236
Amersfoort, Bombardonstraat, Zielhorst H, UT, 1990	100%	mid	primary	36	0	36	29	0	0	304
Amersfoort, Kasteel, Kattenbroek, UT, 1991	100%	mid	primary	79	79	0	106	0	0	878
Amersfoort, Groote Kreek, Kattenbroek Eiland, UT, 1993	100%	mid	primary	101	101	0	139	0	0	1,196
Amersfoort, Grote Koppel, Zeven Provinciën, UT, 2004	100%	mid	primary	58	0	58	66	0	0	846
Amersfoort, Zeeuwsestraat, Puntenburg, UT, 2010	100%	mid	primary	59	0	59	57	0	59	686
Amersfoort, Blekerssingel, Willem III, UT, 1988	100%	mid	primary	14	0	14	12	0	0	124
Amersfoort, Bruggensingel-Zuid, Kattenbroek, UT, 1991	100%	mid	primary	55	0	55	53	0	0	471
Amersfoort, Amsterdamseweg, Puntenburg fase II, UT, 2011	100%	mid	primary	50	0	50	60	175	55	747
Amstelveen, Westelijk Halfrond, Groenelaan, NH, 1974	100%	regulated	primary	200	0	200	165	0	25	1,513
Amstelveen, Groenhof, Groenhof, NH, 1972	100%	mid	primary	95	0	95	80	0	14	805
Amsterdam, Veemkade, Detroit, NH, 2004	Leasehold	higher	primary	81	0	81	132	2,457	0	2,243
Amsterdam, IJburglaan, Blok 4, NH, 2003	Leasehold	higher	primary	26	0	26	34	0	26	408
Amsterdam, Purperhoedenvoer, Boston, NH, 2006	Leasehold	higher	primary	90	0	90	95	0	0	1,570
Amsterdam, Jean Desmetstraat, IJburg blok 7, NH, 2008	Leasehold	higher	primary	12	12	0	14	0	12	186
Amsterdam, Bert Haanstrakade, IJburg blok 8, NH, 2009	Leasehold	higher	primary	120	0	120	162	1,261	129	2,173
Amsterdam, Overhoeksparklaan, Overhoeks Fase 1, NH, 2011	Leasehold	higher	primary	65	0	65	76	0	95	1,431
Amsterdam, Ceramiquelaan, Overhoeks Fase 1 - blok A12, NH, 2012	100%	higher	primary	13	0	13	14	0	20	286
Amsterdam, Brigantijnkade, Steigereiland Noordbuurt blok A, NH, 2010	Leasehold	higher	primary	26	0	26	39	672	46	541
Amsterdam, IJburglaan, Blok 4, NH, 2003	Leasehold	higher	primary	11	0	11	24	0	11	235
Amsterdam, Leusdenhof, Nellestein, NH, 1980	Leasehold	regulated	primary	237	0	237	215	280	283	1,934
Amsterdam, Wolbrantskerkweg, Wolbrantskerkweg, NH, 2005	Leasehold	regulated	primary	108	0	108	76	0	82	739
Amsterdam, Snelleveldstraat, Reigersbos, NH, 1984	Leasehold	mid	primary	153	153	0	144	51	0	1,495
Amsterdam, Mijndenhof, Mijndenhof, NH, 1984	Leasehold	mid	primary	109	109	0	102	0	0	1,061

Annex 3: INREV, IVBN and IPD

Project City, Street, Name, Province, Construction year	land	rs	r	u	fh	mo	ua	COG	park	rent
Schiedam, Chopinplein, splitsing 1 van c185 Groenord, ZH, 1971	100%	regulated	secondary	116	0	116	104	0	7	851
Schiedam, Chopinplein, splitsing 2 van c185 Groenord, ZH, 1971	100%	regulated	secondary	128	0	128	114	35	11	940
Schiedam, Huis Te Merwestraat, Woudhoek, ZH, 1984	Leasehold	mid	secondary	184	184	0	195	0	0	1,882
Sittard, Blijdestein garage, Kollenbergerhof I, LB, 1986	100%	regulated	Other	62	0	62	44	0	20	470
Sittard, Rutenlaan, Kollenbergerhof II, LB, 1987	100%	regulated	Other	52	0	52	38	0	78	400
Sittard, Kollenberg, Kollenbergerhof III, LB, 1988	100%	mid	other	32	32	0	36	0	0	292
Sittard, Odasingel, Dominicaan, LB, 2012	100%	mid	other	28	0	28	32	0	29	393
Stiens, St, Vitusplein, Sint Vitusplein, FR, 1999	100%	regulated	Other	30	0	30	21	0	0	185
Susteren, Raadhuispln, Middelveld, LB, 1983	100%	regulated	Other	10	10	0	9	0	0	93
Tilburg, Anna Paulownahof, Anna Paulonahof, NB, 1989	100%	regulated	primary	217	0	217	153	0	54	1,612
Tilburg, Schoolstraat, Elegance, NB, 1989	100%	regulated	primary	174	0	174	140	0	45	1,415
Tilburg, Hillegomlaan, Reeshof, NB, 1990	100%	mid	primary	56	56	0	73	0	0	492
Tilburg, Buxusplaats, Holland-terrein, NB, 2007	100%	mid	primary	99	0	99	114	0	107	1,260
Vaals, Bloemendalstraat, Bloemendal, LB, 1998	100%	mid	other	37	0	37	33	0	34	355
Valkenburg a/d Geul, Cauberg, Caubergklooster, LB, 2007	100%	higher	Other	41	0	41	27	0	0	784
Valkenburg a/d Geul, Oranje Nassau, Nassauflat, LB, 1982	100%	regulated	Other	88	0	88	59	0	87	629
Valkenburg a/d Geul, Spoorlaan, De Valk/Spoorlaan, LB, 1994	100%	mid	other	27	0	27	27	0	20	257
Velsen, Maanbastion, Maanbastion, NH, 1990	100%	mid	secondary	121	0	121	88	0	42	1,077
Velsen, Sterbastion, Sterbastion, NH, 2001	100%	mid	secondary	67	0	67	63	0	0	618
Venlo, Klingerbergsingel, Klingerberg, LB, 1984	100%	regulated	Other	33	33	0	38	0	0	263
Venlo, Gruttostraat, Centrum-Zuid, LB, 1997	100%	regulated	Other	28	0	28	26	0	41	218
Venlo, Harry Meijerstraat, Groeneveld II, LB, 1991	100%	regulated	Other	72	0	72	66	0	0	542
Venlo, Gebroeders Daelstraat, Groeneveld II, LB, 1991	100%	mid	other	13	13	0	15	0	0	107
Venlo, Harry Hollastraat, Groeneveld IV, LB, 1993	100%	mid	other	27	27	0	33	0	0	290
Venlo, Gruttostraat, Centrum-Zuid, LB, 1995	100%	mid	other	32	32	0	43	0	0	316
Venlo, Morion, Centrum-Zuid, LB, 2000	100%	mid	other	31	31	0	36	0	0	276
Vleuten-De Meern, Ridderhoflaan, Secr,Versteeglaan, UT, 1969	100%	mid	primary	139	139	0	166	0	7	1,491
Vleuten-De Meern, Molenpolder, Meiborg, UT, 2003	100%	mid	primary	28	0	28	43	0	42	410
Vleuten-De Meern, Molenpolder, Weideborg, UT, 2003	100%	mid	primary	32	0	32	34	152	31	365
Voorburg, Populierendreef, Populierenlaan, ZH, 1975	100%	regulated	primary	121	0	121	85	0	167	856
Voorburg, Rodelaan, Rodelaan, ZH, 1976	100%	regulated	primary	146	0	146	104	0	78	1,077
Voorburg, Distelweide, Distelweide, ZH, 1974	100%	mid	primary	40	40	0	45	0	14	548
Voorburg, Kersengarde, Kersengarde, ZH, 1976	100%	mid	primary	118	118	0	141	0	0	1,490
Voorburg, Appelgaarde, Kersengarde, ZH, 1976	100%	mid	primary	103	103	0	124	0	0	1,355
Voorhout, Zwanebloemstraat, Bloemenschans, ZH, 1985	100%	mid	primary	49	49	0	56	0	0	484
Wageningen, Elstar, Park Haagsteeg, GD, 2010	100%	higher	secondary	28	0	28	35	0	28	430
Wageningen, Morfelden-Walldorfpolein, Nobelpark, GD, 2011	100%	mid	secondary	28	0	28	30	0	28	356
Wassenaar, van Wassenaer Obdamlaan, Zijlwatering, ZH, 1992	100%	higher	primary	32	32	0	43	0	0	545
Wassenaar, Van Polanenpark, Zijlwatering, ZH, 1972	100%	mid	primary	70	70	0	98	0	26	892
Weert, Ceres, Beekpoort, LB, 2009	100%	mid	other	40	0	40	41	0	40	479
Wijchen, Abersland, Abersland, GD, 1987	100%	mid	secondary	70	70	0	71	0	0	624
Wijchen, Abersland, Abersland, GD, 1988	100%	mid	secondary	36	36	0	40	0	0	302
Woerden, Hoge Rijndijk, Heeren van Woerden, UT, 2010	100%	mid	primary	46	0	46	37	0	70	534
Zoetermeer, Dunantstraat, Molenwijk, ZH, 1973	100%	regulated	secondary	158	0	158	146	805	205	1,185
Zoetermeer, Elia Kazanstrook, splitsing van c318: Buyten Leyens C, ZH, 1980	100%	regulated	secondary	48	0	48	51	172	9	405
Zoetermeer, Zilverberg, Meerzicht, ZH, 1975	100%	mid	secondary	60	60	0	72	0	101	641
Zoetermeer, Bunuelstrook, Buytenwegh De Leyens, ZH, 1979	100%	mid	secondary	338	338	0	394	0	0	3,061
Zoetermeer, Gaardedreef, Seghwaert, ZH, 1978	100%	mid	secondary	22	22	0	25	0	0	215
Zoetermeer, Heijermanshove, Buytenwegh De Leyens, ZH, 1979	100%	mid	secondary	106	39	67	96	0	0	860
Zoetermeer, Bordeauxstraat, Frankrijklaan, ZH, 1987	100%	mid	secondary	41	41	0	42	0	0	404
Zoetermeer, Reimsstraat, Reimsstraat, ZH, 1987	100%	mid	secondary	108	0	108	82	0	108	1,012
Zutphen, Verdstraat, Gerard Doustraat, GD, 2007	100%	mid	other	34	0	34	43	0	34	491
Zwolle, Schie, AA Landen, OV, 1969	100%	mid	secondary	126	126	0	153	0	74	1,251
Zwolle, Van bosseware, Ittersumerlanden, OV, 1984	100%	mid	secondary	128	128	0	152	0	0	1,083
Zwolle, Tak van poortvlietware, Ittersumerlanden, OV, 1987	100%	mid	secondary	39	39	0	40	0	5	324
Zwolle, Stadhouderlaan, Oldenelerlanden, OV, 1988	100%	mid	secondary	90	90	0	104	0	0	817
Zwolle, Zaan, splitsing van c166: AA Landen, OV, 1970	100%	mid	secondary	84	84	0	103	0	48	820

INREV STYLE CLASSIFICATION

INREV has an unlisted style sheet: a summary of the key features of unlisted property funds relating to yield and risk. The aim of the INREV Style Classification is to have a 'workable, robust and enduring' style classification for the non-listed real estate fund industry. The INREV Style Classification is based on three fund risk factors: an income indicator and development exposure (operational variables) and leverage. The table shows the unlisted style sheet and Vesteda's fund characteristics. Vesteda is a residential property investment fund with its own asset management, project development and property management activities. According to the INREV classification, Vesteda can be regarded as a 'core fund' from a risk perspective, with a 'loan to value' loan capital of no more than 40%.

	INREV target	Vesteda LT target	Vesteda realisation 2013
Operational variables			
Non-income producing investments			
as a percentage of fund gross asset value	≤ 15% (Core)	≤ 7.5%	0.2%
Return derived from income distribution	≥ 60%	≥ 60%	69%
(re)Development exposure as a percentage			
of fund gross asset value	≤ 5% (Core)	≤ 2.5%	1.0%
Leverage			
Maximum permitted loan-to-value as a			
percentage of fund gross asset value	≤ 40% (Core)	≤ 30%	36%

IVBN TRANSPARENCY GUIDELINES

The Association of Institutional Property Investors in the Netherlands (IVBN) has drawn up a large number of practical recommendations for annual reporting, with the aim of considerably enhancing transparency in annual reports in the property industry. The recommendations were published in the 'Recommendations for Annual Reporting' report (Aanbevelingen voor de Jaarverslaglegging) in January 2005 and have applied since the financial year 2005 to IVBN members which are responsible for at least one specific, independent property fund with more than one investor and/or which publish an annual report on a property fund.

Application of IVBN guidelines

Definition IVBN portfolio	level	Definition Vesteda
Letting portfolio	Portfolio sub portfolio	Portfolio apartments and family houses residential properties
Pipeline portfolio	Portfolio	Development portfolio/transfer and construction phases

If it is decided to follow the IVBN recommendations and this has been stated, the annual report has to note any departures from them. Vesteda is following all the recommendations in the report and the addendum.

IPD

Relative performance as residential property investment

In 2013, Vesteda outperformed the IPD Netherlands 'All Residentials, All Investments' benchmark, both on the direct return (+0.4%) and indirect return (+0.2%).

Vesteda compares its return with the IPD Netherlands 'All Residentials' annual benchmark that expresses the average return of Dutch residential property investments over various periods. The index gives the market average of actual results of all participants (including Vesteda), allowing for sales, purchases and redevelopments in addition to the standing investments.

Vesteda Residential Fund versus IPD-benchmark

Percentages, IPD Netherlands 'All Residentials', computed using IPD definitions. Totals may not add up because of rounding.

	Annual average					Average of past	
	2009	2010	2011	2012	2013	3yrs	5yrs
Direct return							
Vesteda Residential Fund	4.0	4.0	4.1	4.5	4.9	4.5	4.3
IPD-benchmark	3.7	4.0	4.1	4.2	4.4	4.2	4.1
Outperformance	0.3	0.1	0.0	0.2	0.4	0.2	0.2
Indirect return							
Vesteda Residential Fund	-6.3	-2.7	-3.4	-5.1	-3.8	-4.1	-4.3
IPD-benchmark	-6.4	-1.4	-2.2	-3.7	-4.0	-3.3	-3.6
Outperformance	0.1	-1.3	-1.2	-1.4	0.2	-0.8	-0.7
Total return							
Vesteda Residential Fund	-2.6	1.3	0.6	-0.8	0.9	0.2	-0.1
IPD-benchmark	-2.9	2.5	1.8	0.3	0.2	0.8	0.3
Outperformance	0.4	-1.2	-1.2	-1.2	0.6	-0.6	-0.5

Annex 4: Reporting Principles

Target audience

Vesteda has identified issues and targets which it believes are of importance for Vesteda and its stakeholders. The key points of the current stakeholder dialogues are summarised in the CSR paragraph. In 2014, Vesteda will continue its stakeholder dialogue through interviews, questionnaires and discussion groups with the aim to get a better view on the subjects that are most important to its stakeholders. This will be the input for a more focused CSR policy.

Reporting process

In the summer of 2013, Vesteda has performed an Assurance-readiness assessment on the information related to CSR in the Vesteda Annual Report 2012. The results and feedback gave a framework for Vesteda to gather reliable data for the underlying report. As CSR is an integrated part of the operating activities, the data is obtained from all departments and other stakeholders. Vesteda used the definitions and guidelines of EPRA Best Practice Recommendations (BPR), the INREV Sustainable Guidelines and the GRI to determine the sustainable data. This report presents both quantitative and qualitative data for the calendar year 2013. This means that in some cases not all the data could be assembled. Data like energy, waste and water usage in the portfolio and of the Vesteda offices, are not yet fully available at the moment of reporting. Regarding the calculation on CO₂ emissions, Vesteda used different conversion factors in 2013 compared to 2012, due to the availability of more reliable data. The data of 2011 and 2012 in this annual report have been adjusted using the new conversion factors.

GRI 3.1 Application level B+

This report has been compiled in accordance with G3.1 Guidelines of the Global Reporting Initiative (GRI). It complies with the G3.1 B+ application level, including the Construction and Real Estate Sector Supplement (CRESS). This annex includes an overview of the GRI 3.1 and CRESS principles and the economic, environmental, and social performance indicators covered by this report. Certain indicators are reported qualitatively rather than quantitatively.

Annex 5: GRI Notes and References

Profile Disclosure	Description	Level of reporting	Page number	Comment
1. Strategy and Analysis				
1.1	Statement from the most senior decision-maker of the organisation.	100%	38-39, 88-122 57-66	Introduction by the Managing Board, presentation of the annual report and financial statements, CSR.
1.2	Description of key impacts, risks, and opportunities.	100%	57-66, 80-83	CSR, Risk management.
2. Organisational Profile				
2.1	Name of the organisation.	100%	12-13, 16-17	Profile of the Fund Manager and Fund. Vesteda operates exclusively in the Netherlands.
2.2	Primary brands, products, and/or services.	100%	12-13,16-17	Profile of the Fund Manager and Fund. Vesteda operates exclusively in the Netherlands.
2.3	Operational structure of the organisation, including main divisions, operating companies, subsidiaries, and joint ventures.	100%	12-13,16-17, 67-69, 76	Profile of the Fund Manager and Fund, Human Resources, Legal and tax structure.
2.4	Location of organisation's headquarters.	100%		Headquarters are located at: Claude Debussylaan 15, 1082 MD Amsterdam.
2.5	Number of countries where the organisation operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	100%	12-13,16-17	Profile of the Fund Manager and Fund. Vesteda operates exclusively in the Netherlands.
2.6	Nature of ownership and legal form.	100%	76	Legal and tax structure.
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).	100%	12-13, 16-17	Profile of the Fund Manager and Fund, The Dutch economy and housing market.
2.8	Scale of the reporting organisation.	100%	12-13, 16-17, 67-69	Profile of the Fund Manager and Fund, Human Resources, Key figures.
2.9	Significant changes during the reporting period regarding size, structure, or ownership.	100%	12-13, 16-17, 30,76	Profile of the Fund Manager and Fund, Performance indicators, Legal and tax structure.
2.10	Awards received in the reporting period.	100%		There were no awards received.
3. Report Parameters				
3.1	Reporting period (e.g., fiscal/calendar year) for information provided.	100%		Front page Annual report 2013.
3.2	Date of most recent previous report (if any).	100%		Annual report 2012.
3.3	Reporting cycle (annual, biennial, etc.)	100%		Annual.
3.4	Contact point for questions.	100%		Colophon.
3.5	Process for defining report content.	100%	135	Reporting Principles.
3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers). See GRI Boundary Protocol for further guidance.	100%	12-13	Profile of the fund.
3.7	State any specific limitations on the scope or boundary of the report (see completeness Principle for explanation of scope).	100%		No limitations on scope.
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organisations.	100%	135, 76	Reporting Principles, Legal and tax structure.
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report.	100%	67-69 57-66	CSR, Human Resources.
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/acquisitions, change of base years/periods, nature of business, measurement methods).	100%		There were no re-statements.

Profile Disclosure	Description	Level of reporting	Page number	Comment
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	100%		There were no significant changes.
3.12	Table identifying the location of the Standard Disclosures in the report.	100%	136	GRI index.
3.13	Policy and current practice with regard to seeking external assurance for the report.	100%	85, 122	Independent auditor's report.
4. Governance, Commitments, and Engagement				
4.1	Governance structure of the organisation, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organisational oversight.	100%	20-24, 34-39	Supervisory Committee, Managing Board.
4.2	Indicate whether the Chair of the highest governance body is also an executive officer.	100%	20-24, 34-39	Supervisory Committee, Managing Board.
4.3	For organisations that have a unitary board structure, state the number and gender of members of the highest governance body that are independent and/or non-executive members.	100%	20-24, 34-39	Supervisory Committee, Managing Board.
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	100%	69	Works Council, Terms and Conditions Vesteda Residential Fund.
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives.	100%	57-66, 67-69, 77-79	CSR, Human Resources, Corporate governance.
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	100%	77-79	Corporate governance.
4.7	Process for determining the composition, qualifications and expertise of the members of the highest governance body and its committees, including any consideration of gender and other indicators of diversity.	100%	77-79	Corporate governance.
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.	100%	77-79, 57-66	Corporate governance, CSR.
4.9	Procedures of the highest governance body for overseeing the organisation's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.	100%	57-66, 80-83, 84	CSR, Risk management, 'In control' statement.
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.	100%	77-79	Corporate governance.
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organisation.	100%	80-83	Risk Management.
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organisation subscribes or endorses.	100%	12-13, 16-17, 57-66	Profile of the Fund Manager and Fund, CSR.
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organisations.	100%	12-13, 16-17	Profile of the Fund Manager and Fund.
4.14	List of stakeholder groups engaged by the organisation.	100%	57-66, 135	CSR, Reporting Principles.
4.15	Basis for identification and selection of stakeholders with whom to engage.	100%	57-66, 135	CSR, Reporting Principles.
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	100%	57-66, 143-144, 135	CSR, Tenant survey, Reporting Principles.
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded to those key topics and concerns, including through its reporting.	100%	57-66, 143-144, 135	CSR, Customer survey, Reporting Principles.

Standard disclosures part III: performance indicators

Profile Disclosure	Description	Level of reporting	Page number	Comment
DMA EC Disclosure on Management Approach EC				
Aspects	Economic Performance		87-122	Vesteda Residential Fund FGR financial Statements.
	Market presence			Vesteda has no policy on market presence.
	Indirect Economic Impacts			The Dutch economy and housing market.
Economic				
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	100%	06, 87-122	Key figures, Vesteda Residential Fund FGR financial statements.
EC2	Financial implications and other risks and opportunities for the organisation's activities due to climate change and other sustainability issues.	100%	80-83	This is part of risk management. The financial implication is not included in this annual report.
EC3	Coverage of the organisation's defined benefit plan obligations.	100%		Vesteda Residential Fund FGR financial statements 2013.
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts.	100%	40-47	The Dutch housing market.
DMA EN Disclosure on Management Approach EN				
Aspects	Materials		57-66, 142	CSR, Annex 6.
	Energy		57-66, 142	CSR, Annex 6.
	Water		57-66	Vesteda does not have targets on water usage in its CSR policy. Since 2013 Vesteda does measure the usage in the common area.
	Biodiversity			Vesteda did not incorporate biodiversity in its CSR policy because it does not develop in rural areas.
	Emissions, effluents and waste		57-66	Vesteda does not have targets on waste and emissions in its CSR policy. Since 2013, Vesteda measures the usage in the common area.
	Land Degradation, Contamination and Remediation			Vesteda has not incorporated Land Degradation, Contamination and Remediation in its CSR policy because Vesteda did not develop new properties.
	Products and Services		57-66, 142	CSR, Annex 6.
	Compliance		142	Vesteda does not have incorporated compliance with environment in its CSR policy. Vesteda applies Dutch law.
	Transport		57-66	CSR.
	Overall		142	Vesteda has a CSR policy in place. The progress made is shown in Annex 6.

Profile Disclosure	Description	Level of reporting	Page number	Comment
Environmental				
EN3	Direct energy consumption by primary energy source.	100%	57-66	CSR.
EN4	Indirect energy consumption by primary source.	100%	57-66	CSR.
CRE1	Building energy intensity.	100%	57-66	CSR.
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.	100%	57-66	CSR.
EN7	Initiatives to reduce indirect energy consumption and reductions achieved.	100%	57-66	CSR.
EN8	Total water withdrawal by source.	100%	57-66	CSR.
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	100%		No land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.
EN16	Total direct and indirect greenhouse gas emissions by weight.	100%	57-66	CSR.
EN22	Total weight of waste by type and disposal method.	100%	57-66	CSR.
EN26	Initiatives to enhance efficiency and mitigate environmental impacts of products and services, and extent of impact mitigation.	50%	57-66	Green energy certification, CSR.
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	100%		No non-monetary and monetary sanctions.
DMA LA Disclosure on Management Approach LA				
Aspects	Employment		67-69, 77-79	Human Resources, Corporate governance.
	Labour/management relations		67-69	Human Resources.
	Occupational Health and Safety		67-69	Human Resources.
	Training and Education		67-69	Human Resources.
	Diversity and equal opportunity		67-69	Vesteda has no policy on the subject diversity; The ratio of men/women is almost equal.
	Equal remuneration for women and men			Vesteda makes no distinction between men and women.
Social: Labor Practices and Decent Work				
LA1	Total workforce by employment type, employment contract, and region broken down by gender.	100%	67-69	Human Resources, Vesteda does not report on region.
LA2	Total number and rate of new employee hires and employee turnover by age group, gender, and region.	100%	67-69	Human Resources, Vesteda does not report on region.
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.	100%		Vesteda provides equal statement.
LA15	Return to work and retention rates after parental leave, by gender.	50%	67-69	Human Resources.
LA4	Percentage of employees covered by collective bargaining agreements.	100%		No collective bargaining agreed.
LA5	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements.	100%	67-69	Human Resources; Dutch law is applicable.
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region and gender.	100%	67-69	Human Resources.
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	100%	67-69, 70-72	Human Resources.
LA12	Percentage of employees receiving regular performance and career development reviews by gender.	100%		All employees receive regular performance and career development reviews.

Profile	Description	Level of reporting	Page number	Comment
LA14	Ratio of basic salary of men to women by employee category.	100%		Vesteda makes no distinction between men and women.
DMA HR Disclosure on Management Approach HR				
Aspects	Investment and procurement practices			Vesteda does not have a policy regarding human rights when making investments and procurements.
	Non-discrimination		77-79	Corporate governance.
	Freedom of association and collective bargaining		67-69	Human Resources.
	Child labour			Not applicable, Vesteda is exclusively situated in the Netherlands; Child labour is not permitted under Dutch law.
	Prevention of forced and compulsory labour			Not applicable, Vesteda is exclusively situated in the Netherlands where Dutch law is applicable.
	Security Practices			Not applicable, Vesteda is exclusively situated in the Netherlands where Dutch law is applicable.
	Indigenous rights			Not applicable, Vesteda is exclusively situated in the Netherlands where Dutch law is applicable.
	Assessment			In 2013, Vesteda did not have any assessments.
	Remediation			Not applicable, Vesteda is exclusively situated in the Netherlands where Dutch law is applicable.
Social: Human Rights				
HR4	Total number of incidents of discrimination and corrective actions taken.	100%	77-79, 80-83	Corporate governance, Risk management.
DMA SO Disclosure on Management Approach SO				
Aspects	Local communities			Vesteda does not have a policy on the impact on local communities.
	Corruption		77-79	Corporate governance.
	Public policy			Vesteda does not have a policy on public policy.
	Anti-competitive behavior			Vesteda does not have a policy on anti-competitive behavior.
	Compliance		77-79, 80-83	Corporate governance, Risk management.
Social: Society				
CRE7	Number of persons voluntarily and involuntarily displaced and/or resettled by development, broken down by project.	100%		No involuntarily displacements.
SO2	Percentage and total number of business units analyzed for risks related to corruption.	100%	77-79, 80-83	Corporate governance, Risk management.
SO3	Percentage of employees trained in organisation's anti-corruption policies and procedures.	100%	77-79, 80-83	Corporate governance, Risk management.
SO4	Actions taken in response to incidents of corruption.	100%		Corporate governance, Risk management.

Profile	Description	Level of reporting	Page number	Comment
DMA PR Disclosure on Management Approach PR				
Aspects	Customer health and safety		77-79, 57-66	Corporate governance.
	Product and service labelling			CSR.
	Marketing communications			Part of the operation, and IR and Corporate Communications.
	Customer privacy			Vesteda applies Dutch Law.
	Compliance		77-79, 80-83	Corporate governance, Risk management.
Social: Product responsibility				
CRE8	Type and number of sustainability certification, rating and labeling schemes for new construction, management, occupation and redevelopment.	100%	57-66	CSR.
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	100%	143-144	Tenants survey.
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes.	100%		No incidents.
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	100%		No complaints.
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	100%		There are no instances of non-compliance registered.

Annex 6: Progress made in CSR policy

Living	period	2012	2013
<i>Vesteda defines the CSR category of 'living' as activities that affect society and Vesteda's communications with stakeholders. Communication with stakeholders is an essential part of achieving Vesteda's CSR policy. The accent in deploying the policy is on transparency, credibility and, especially, inspiration.</i>			
E Start of active communication with tenants in 2010 with information on Vesteda's targets and at the same time encouraging tenants to use less energy and water.		continuing	continuing
E Give employees sufficient information to contribute to CSR targets.		continuing	continuing
S Contribute to areas where Vesteda has an involvement (engagement).		continuing	continuing
S Ensure transparent and active communication of the CSR policy.		continuing	continuing
G Active contribution to various CSR initiatives.		continuing	continuing
G Report on GRI G4.	start in 2014		new
G Score GRESB top 3 in the Netherlands and top 10 Global.	2014-2018		new

Housing	period	2012	2013
<i>Vesteda includes all activities relating to customer satisfaction and making its portfolio more sustainable in the CSR category of 'housing'. The overall aim is to manage the portfolio by simultaneously balancing the highest possible quality with the smallest environmental footprint and enhancing rental and property values.</i>			
E In 2015, Vesteda must have a 'letting' portfolio of buildings with on average a C energy classification. This target must be achieved without affecting yields.	2010-2015	●	●
E In 2018, Vesteda must have a 'letting' portfolio of buildings without houses with a E, F or G energy classification and a Energy Index lower than 1.50.	2014-2018		new
E Between 2010 and 2015, cutting electricity consumption in communal spaces in all complexes by 20% compared with 2009. This target must be achieved without affecting yields.	2010-2015	◐	◐
E Introduce Energy Management Systems (EMS) in 2012.	2013	◐	●
E From 2014, all energy used in communal spaces will be bought from green sources. The interim target is 50% by the end of 2012.	2012	◐	●
E Aim for the following GPR ambitions when developing and acquiring projects: Energy 6.5, Environment 7.5, Health 8.0, Quality in use 8.0 and Future value 8.0. Level 6 is sufficient for building permits. All projects in the development pipeline must have been analysed by the end of 2012.	2010-2014		●
E All timber used in new builds must be from sustainable sources.		continuing	continuing
E Sustainability must always be a criterion in the selection of contractors.		continuing	continuing
S Maintain customer satisfaction and focus (rating at least 7).		continuing	continuing
G Making the portfolio sustainable must contribute to value maximisation.		continuing	continuing

Working	period	2012	2013
<i>Vesteda defines the CSR category of 'working' as the social function of the organisation as a whole. Examples are the measures we take in our organisation's operations. Vesteda's operations can make a contribution to minimising the burden on the environment through its operations.</i>			
E A 15% reduction in energy consumption at our offices by 2015 compared with the end of 2009.	2009-2015	◐	◐
E All new premises close to a public transport hub with a minimum burden on the environment from the building's shell and fixtures.	2012	●	●
E Introduce a new company car policy in 2012 based on "green" leasing.	2012	●	●
E Attention to "new style" working.		continuing	continuing
E Active deployment of a sustainable ICT policy.		continuing	continuing
E Sustainability must always be part of the purchasing policy.		continuing	continuing
S Include the CSR policy in the employees' performance cycle from 2013.	2013	○	◐
S Measure employee satisfaction from 2013 through a cyclical survey.	2013	○	○
G Maintain attention to solid corporate governance.		continuing	continuing

● achieved ◐ partly achieved ○ not achieved

Annex 7: Tenant survey

Rating (out of 10)	2009	2010	2011	2012	2013
Home	7.1	7.1	7.2	7.2	7.2
Surroundings	7.1	7.1	7.2	7.2	7.1
Service	6.6	6.5	6.5	6.6	6.3
Total	7.0	6.9	7.0	7.0	6.9

* Since the second survey in 2012, the questions for Service have been adjusted.

Tenants

The overall tenant satisfaction rating for homes, surroundings and service came in at 6.9 in 2013. The slight drop from 7.0 rating recorded in 2012 was due to a fall in service satisfaction to 6.3 in 2013, from 6.6 in 2012. Tenants' perception of local surroundings were rated at 7.1, a decrease on the 2012 result, and homes were rated 7.2, in line with 2012.

The home-related improvement points sitting tenants cited most frequently were improved insulation, the bathroom and the kitchen. With respect to service levels provided by property managers, tenants most frequently cited maintenance (checks) and improvements to homes as the main potential improvements. The impact of the income-related rent increases was reflected in the satisfaction with services and in responses to the survey's open questions. Sitting tenants see the rent increases as unjustified, as they are not in exchange for extra investments in home improvements.

Vesteda will devote extra attention this year to its service levels, including the design and construction of a client-friendly tenant's portal, and will increase its focus on online client servicing.

Former tenants

In 2013, we saw a particularly strong rise in the number of over-55s leaving Vesteda homes, as they accounted for 45% of departing tenants in 2013, up from 31% in 2012. The proportion of middle-income tenants and families in departing tenants also increased last year. The main reason (42%) departing tenants gave for relocation was accommodation costs. This does seem to indicate that the income-related rent increases were a factor in decisions to relocate. Compared with previous years, fewer departing tenants moved to an owner-occupied home (40% in 2013 compared with 46% in 2012) and they moved more frequently to an apartment (33% in 2013 compared with 28% in 2012). Departing tenants rated overall service related to the lease termination 6.4. Year-on-year, 2013 saw a higher proportion of the tenants who relocated to another Vesteda home citing the quality of the home and the neighbourhood they wanted to live in as the reasons for the relocation. A lower proportion cited the size of the home, the price-quality ratio and short-term availability. When choosing a new Vesteda home, tenants were more concerned about the location and the quality of the home than with the size and price of the home.

New tenants

New tenants gave their newly-occupied homes an average rating of 7.6, unchanged from the previous year. The maintenance of the homes was given a rating of 6.9, down slightly from the 7.0 recorded in 2012. Tenants gave the look and feel of the homes, plus accessibility and the safety of the public areas a rating of 7.6 in 2013, up from 7.5 in 2012. New tenants rated the immediate surroundings 7.8 in 2013, compared with a 7.7 in 2012.

In 2013, 52% of the new tenants were from the same municipality, compared with 60% the previous year. The sharpest increase was seen in the proportion of new tenants from other provinces, which rose to 21% from 13% in 2012. As in the year before, the previous home was less frequently an owner-occupied home. This is the result of the lower turnover of homes in the owner-occupied residential segment. In 2013, 58% of new tenants came from another rental home, compared with 46% the previous year.

The biggest climber in terms of reasons for relocating cited by new tenants was a new job or a move closer to work. This reason was given by 16% of new tenants in 2013, up from 10% of new tenants in 2012. The number of new tenants citing the sale of a home as the reason for relocating was considerably lower in 2013. Another striking fall was in the number of homes viewed before tenants accepted a new home, which dipped to 3.4 viewings in 2013, from 7.6 viewings in 2012. The location of the home was seen as the deciding factor in the choice of a home by 61% of new tenants.

New tenants gave the intake procedure and the process related to the acceptance of a new home a rating of 7.3, and rated the transfer of the home 7.4. These were both slightly lower than the rating of 7.5 for both of these items in 2012.

Vesteda would like express its heartfelt gratitude to all its tenants for their invaluable cooperation in this survey in 2013!

Annex 8: External appraisers

Appraisal process

The purpose of the appraisal is to gain an accurate and independent valuation of the assets. The valuation of the residential properties in the investment portfolio meets the relevant legislation and regulations (AIFM Directive, IFRS and Dutch legislation and regulations).

The appraisal is conducted in accordance with the prevailing recommendations for appraisals and appraisal reports of the Appraisers and Accountants Platform, PTA, the prevailing valuation guidelines and valuation models as laid down by the Dutch property index, IPD, and the RICS Appraisal and Valuation Standards, or the Red Book (including the International Valuation Standards, IVS). The valuations of the residential properties are conducted using the Dream/TMS valuation module.

Qualified appraisers conduct the valuations of the properties on a quarterly basis. In 2013, the valuations of the properties in the portfolio were conducted by: CBRE Valuation Advisory, DTZ Taxaties, Dynamis Taxaties, MVGM Vastgoedtaxaties, Troostwijk Taxaties. Vesteda regularly changes the appraisers it uses to guarantee their independence. In 2013, Vesteda added CBRE to the appraisers, while it terminated the contract with DTZ.

For the purpose of the valuations, Vesteda divides the portfolio properties into four equal sub-portfolios, each with its own appraiser. Once a property has been valued by the same appraiser for three years, it is assigned a different appraiser, to guarantee the objectivity of the appraisal. The appraisers value the properties Vesteda assigns them at least once a year. For this valuation, the appraiser visits the property in question and incorporates, substantiates and records all the factors relevant to the value of the property in the appraisal. In the remaining quarters, the valuation is an update of the previously conducted (full) appraisal. For this update, the appraiser need not visit the property and will update data and references and adjust the value on the basis of market developments relevant to the property.

Annex 9: Definitions

Asset Management The part of the organisation responsible for translating the portfolio strategy to property level and so for optimising the portfolio yield.

BREEAM Building Research Establishment Environmental Assessment Method is a way to calculate a building's sustainability performance. BREEAM sets a standard for a sustainable building and then indicates the level of performance of the building assessed. The aim is to subject buildings to an assessment and obtain a sustainability label (i.e. pass, good, very good, excellent and outstanding).

CSR Corporate Social Responsibility.

Development portfolio All properties in which Vesteda has decided to invest, or is or will be preparing an investment decision, but which are not fully available for letting or handed over.

DGBC The Dutch Green Building Council (DGBC) was founded in 2008 in the Netherlands as a market initiative. The aim is to make sustainability in the building industry measurable by developing a sustainability label allowing for the uniform rating of buildings throughout the Netherlands.

Direct yield (IPD) Yield from letting (net rental) of a property divided by the average capital outstanding during a year.

EPRA European Public Real Estate Association.

EPRA & INREV sustainable guidelines The INREV Sustainability Reporting Recommendations are designed to set out the relevant sustainability information that INREV believes should be included in non-listed funds' annual reports to investors. In addition, the information is presented in a format suitable for public disclosure if fund managers desire to make it available more widely. They rely heavily on and closely track the sustainability reporting best practice recommendations released by EPRA in 2011 and also align with the Green Property Alliance, a UK focused real estate industry initiative.

ESG Environmental, Social and Corporate Governance.

Fund Management The part of the organisation responsible for the processes focused on the investors and the providers of loan capital. In addition, Fund Management handles risk management at Vesteda, the control function and the financial administration.

Financial vacancy rate Loss of rent in percentage of theoretical gross rent.

GBC-Z Green Business Club Zuidas.

GPR building scan Green performance of Real estate.

GRESB The Global Real Estate Sustainability Benchmark (GRESB) is an industry-driven organisation committed to assessing the sustainability performance of real estate portfolios (public, private and direct) around the globe. The dynamic benchmark is used by institutional investors to engage with their investments with the aim to improve the sustainability performance of their investment portfolio, and the global property sector at large.

GRI CRESS 3.1 The Global Reporting Initiative (GRI) with the Construction & Real Estate Sector Supplement (CRESS). The Global Reporting Initiative (GRI) drives sustainability reporting by all organisations. GRI produces a comprehensive Sustainability Reporting Framework that is widely used around the world, to enable greater organisational transparency. The Framework, including the Reporting Guidelines, sets out the Principles and Indicators organisations can use to measure and report their economic, environmental, and social performance.

Gross initial yield Theoretical gross rent (on a given reference date) from a complex divided by the total investment in that complex.

Higher rental sector Sector of the residential property market for rental properties with a net monthly rent of over € 1,200, excluding service charges.

INREV INREV is the European Association for Investors in Non-Listed Real Estate Vehicles. They are Europe's leading platform for the sharing of knowledge on the non-listed real estate industry. Their goal is to improve transparency, professionalism and best practices across the sector, making the asset class more accessible and attractive to investors.

Investor (or Participant) Holder of a direct interest in Vesteda Residential Fund.

IVBN The Association of Institutional Property Investors in the Netherlands (IVBN) was established in 1995 to promote the interests of its members, to provide a platform for institutional property investors and to further professionalism in the sector. To this end IVBN focuses on direct and indirect investment in property, concentrating on the actual bricks and mortar.

Letting portfolio All fully-completed and let properties owned by Vesteda entities.

Leverage Loan capital/total assets.

Loan capital Loan capital drawn by Vesteda to fund its activities.

Management expenses Expenses which are incurred by the Vesteda Investment Management BV and Vesteda Project Development BV management organisation for VRF and not allocated to the letting or project results.

Mid rental sector Sector of the residential property market for rental properties with a net monthly rent from the non-regulated level to € 1,200, excluding service costs.

Net initial yield Net letting result in the first year (for a full year) divided by the total investment.

Non-regulated sector Residential properties with rents above the deregulation limit (€ 681.02 in 2013 and € 699.48 in 2014). These properties are in the mid and higher rental sectors.

NRP Nationaal Renovatie Platform.

Occupancy rate The number of residential properties actually generating rental income as a percentage of the number of properties that could generate rental income.

Participant (or Investor) Holder of a direct interest in Vesteda Residential Fund.

Portfolio Management The part of the organisation responsible for drawing up the portfolio strategy in line with the risk-yield profile of the fund.

Property Management Local commercial, administrative and technical management of properties and the related central back-office, customer contact centre and sales support.

Real growth in value The growth in value after inflation.

SWK Stichting Waarborgfonds Koopwoningen.

Total portfolio The development portfolio and the letting portfolio.

Vacant value ratio The price that property investors are willing to pay for clusters of let residential properties, in relation to the individual market prices of those properties when vacant.

Vesteda Residential Fund The Vesteda mutual fund.

Vesteda Investment Management BV See the section on the Legal structure on page 76.

Vesteda Project Development BV See the section on the legal structure on page 76.

Vesteda Finance BV See the section on the legal structure on page 76.

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