EUROCOMMERCIAL
SHOPPING CENTRES

Annual Report 30 June 2010

Profile

Eurocommercial Properties N.V. (Eurocommercial) was established in 1991 and is an NYSE Euronext quoted public company with zero tax status. The Company invests solely in the retail property sector and has a record of steady dividend growth since inception.

Results summary 2010

Direct investment result

Rental income	€140.9m
Net rental income	€120.5m
Net interest expense	€41.9m
Company expenses	€8.6m
Direct investment result	€70.0m

Balance sheet

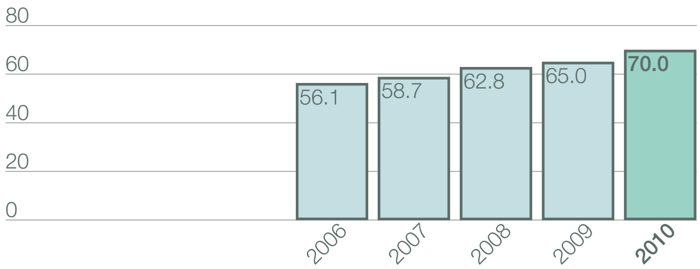
Total assets	€2.5bn
Shareholders' adjusted net equity	€1.4bn
Borrowings	€1.1bn
Net debt to adjusted net equity	70%
Net loan to property value	41%
Interest cover	2.7x

Dividend per share (€)

€1.82

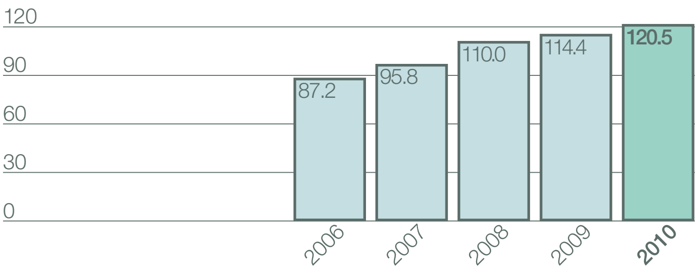
Direct investment result* (€m)

€70.0m



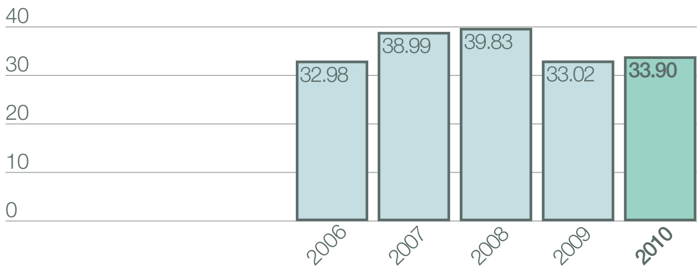
Net rental income (€m)

€120.5m



Adjusted net asset value per share (€)

€33.90



*See page 63 for explanation regarding restatement of the direct investment result.

An experienced shopping centre specialist

Focused on stable Western European markets

Strategy

Eurocommercial has chosen to invest solely in retail properties, predominantly shopping centres, because, in countries where shop sales turnover is disclosed, the sector offers clarity in asset performance. Base rents augmented by turnover and inflation linked top-ups are also less volatile than under other systems, reducing conflict between lessor and lessee.

The retail property sector, above all others, requires a deep knowledge of local culture, spending patterns and demographics. Eurocommercial has therefore deliberately restricted the number of countries in which it invests so that it can benefit from its considerable local experience and good reputation amongst retailers.

Eurocommercial has selected France, Northern Italy and Sweden because they are the core European markets where turnover rents, and therefore monthly turnover disclosure, are most widespread.

SWEDEN

Göteborg, Karlskrona, Karlstad, Laholm, Malmö, Norrköping, Skövde, Södertälje, Västerås, Växjö

Value: €561 million

FRANCE

Amiens, Bourges, Buchelay, Chasse-sur-Rhône, Cormeilles, Grenoble, Hyères, Moisselles, Paris (4th, 9th, 16th), Taverny, Tours

Value: €863 million

NORTHERN ITALY

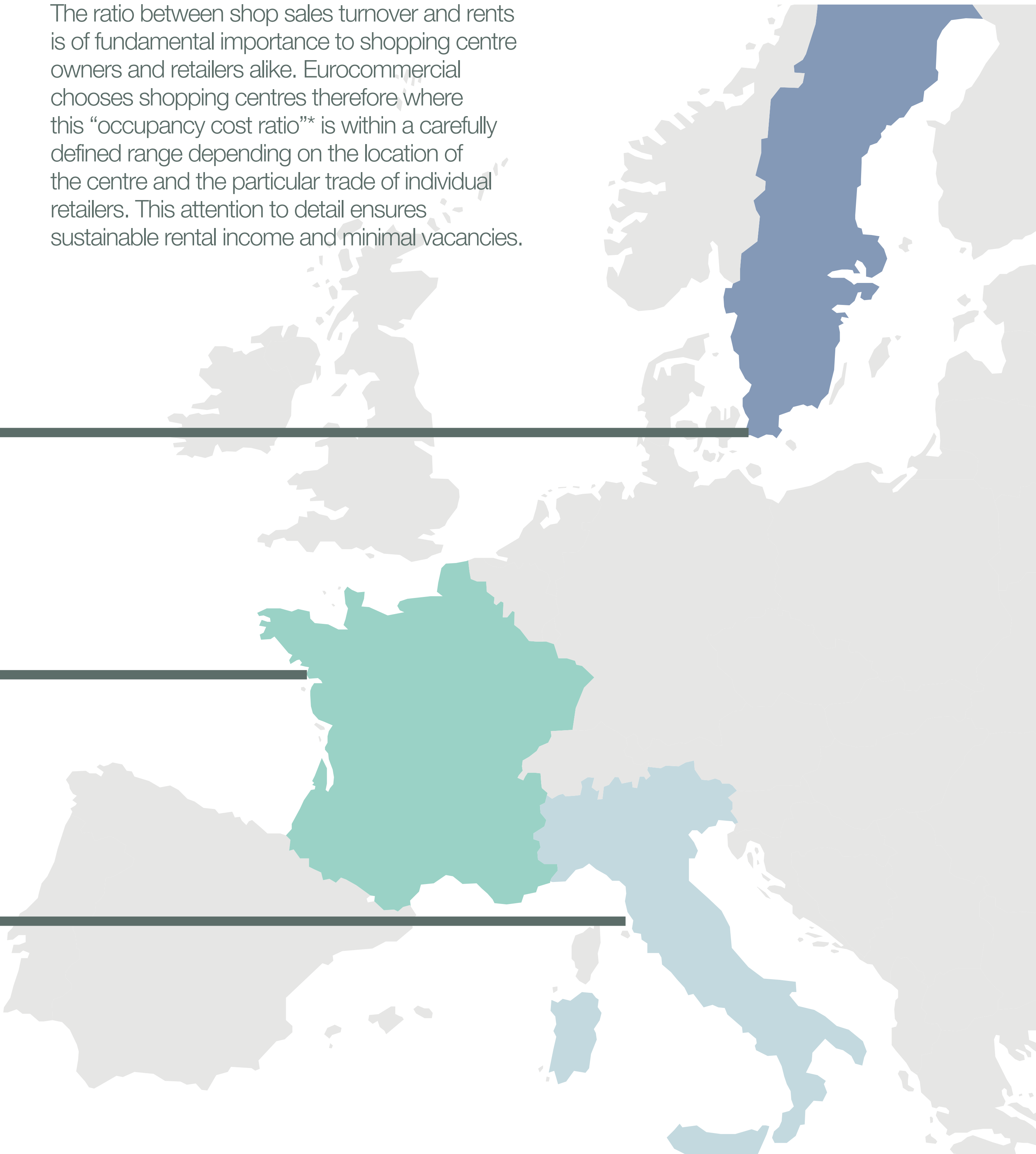
Bergamo, Bologna, Ferrara, Firenze, Imola, Mantova, Milano, Modena, Sarzana

Value: €935 million

*Rent plus marketing contributions, service charges and property taxes as a proportion of turnover including VAT.

Properties chosen for sustainable income and expansion potential

The ratio between shop sales turnover and rents is of fundamental importance to shopping centre owners and retailers alike. Eurocommercial chooses shopping centres therefore where this “occupancy cost ratio”* is within a carefully defined range depending on the location of the centre and the particular trade of individual retailers. This attention to detail ensures sustainable rental income and minimal vacancies.

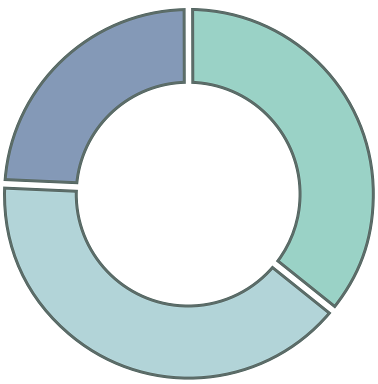


Property summary

Retail analysis

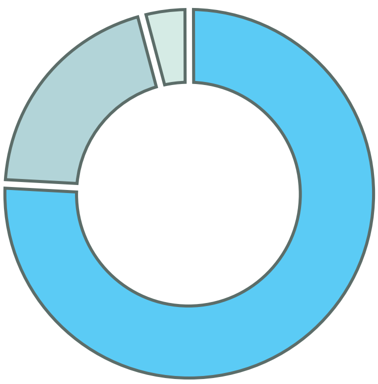
	2010	2009
Property values (€m)	**2,360**	2,137
Gross lettable area (m^2)	**589,000**	570,000
Number of properties	**32**	30
Number of shops	**1,297**	1,144
Number of visitors (m)	**119**	114
Sales turnover growth	**0.0%**	–1.1%
Boutiques <300m^2 turnover/m^2 (€)	**6,780**	6,615
Like for like rental growth	**1.3%**	4.7%
Boutiques <300m^2 rent/m^2 (€)	**558**	560

Geographic spread



France	36%
Northern Italy	40%
Sweden	24%

Property type



Shopping centres	76%
City centre shops/galleries	20%
Retail parks	4%

Renewals and relettings

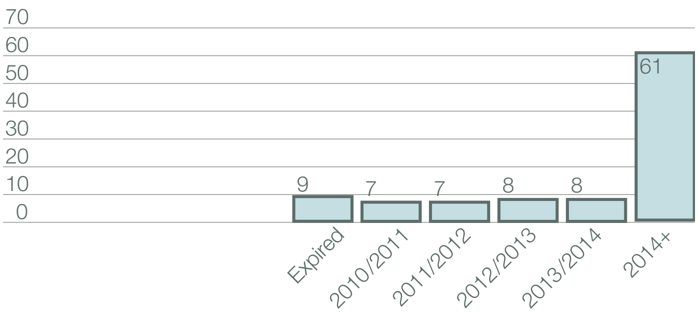
Total estimated reversionary value: 5.4%

	2009/2010			2008/2009		
	% of total leases renewed/relet	% of total MGR renewed/relet	Average rental uplift achieved	% of total leases renewed/relet	% of total MGR renewed/relet	Average rental uplift achieved
France	**6%**	**5%**	**68%***	9%	4%	18%
Italy	**17%**	**10%**	**23%**	17%	11%	29%
Sweden	**10%**	**5%**	**12%**	8%	4%	16%
Overall	**12%**	**7%**	**32%**	13%	7%	25%

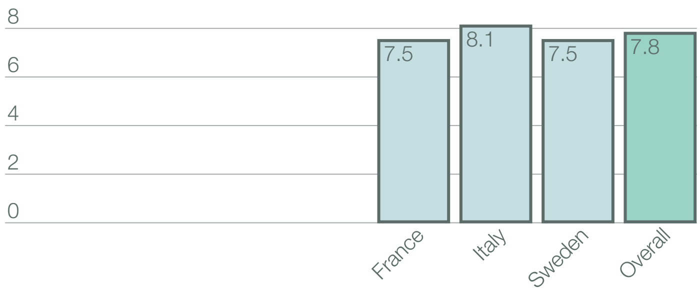
*Includes 550% increase at Rue de Rivoli, Paris.

Lease renewal profile (% of rental income)

Average lease length: 6.4 years



Occupancy cost ratios (excluding hypermarkets) (%)



Top ten tenants

	% of income
ICA Sverige AB	4.3
Coin SpA	4.2
Carrefour	4.0
H&M	3.8
Inditex	3.4
Groupe Casino	3.3
MediaMarkt	3.2
Fnac	3.1
Vis Pathé	1.5
COOP Sverige AB	1.3
Total	**32.1**



Management report

This has been a positive year for Eurocommercial. Rental income and property values are up and interest rates are down so that a higher dividend can be paid despite the number of shares on issue increasing 12.5% over the year.

Rental growth

Rental income for the financial year ended 30 June 2010 was €140.9 million compared with €134.2 million for the previous financial year, an increase of 4.9% due to property acquisitions, the strengthening of the Swedish krona, the positive impact of shopping centre extensions and rent reviews. When net service charges and direct and indirect property expenses (branch overheads) are deducted, net property income rose by 5.3% to €120.5 million at 30 June 2010 from €114.4 million in the previous year.

Like for like (same floor area) rental growth was 1.3% for the year to 30 June 2010. Growth in the French retail properties was the highest at 2.5%, boosted by the restructuring of the Company's Rue de Rivoli property. Rental growth in Italy was 1.9% but rents fell by 1.1% in Sweden due to the impact of negative indexation. All rental growth figures compare tenancy schedules at the relevant dates and include indexation and turnover rents.

In France 26 relettings and renewals were concluded during the year which produced an average uplift in base rent of 68%, a figure benefiting significantly from the 550% increase at Rue de Rivoli. In Italy 104 relettings and renewals resulted in a 23% increase in base rent. Finally, in Sweden the average increase from 27 relettings and renewals was 12%.

Eurocommercial expects inflation in 2011 to be higher than 2010, although still limited. However, 126 leases will be subject to market rent reviews during the 2010/2011 financial year which are again expected to be positive.

Rental growth 2009/2010 (%) (like for like)

1.3%

From left to right
Jeremy Lewis, Chief Executive
Evert Jan van Garderen, Finance Director
Peter Mills, Director
Tom Newton, Director
Tim Santini, Director

Turnover growth

Like for like turnover growth in Eurocommercial's shopping centres for the six months to 30 June 2010 compared to the previous corresponding period was 1.4%. For the 12 months to 30 June 2010 turnovers were stable.

Turnover growth (%) (like for like)

0.0%

Vacancy levels and rent arrears

Despite unfavourable economic conditions, overall vacancies and rental arrears of more than 90 days both remain under 1% of rental income.

Property values

Like for like values of Eurocommercial's investment properties at June 2010 increased by 1.8% over June 2009 and by 2.9% over December 2009. Full details of the independent valuations of the Company's properties are set out on pages 10 and 11 of this report.

Property acquisitions and sales

Two properties were acquired during the year for a total consideration of €99.1 million whilst one was sold for €3.375 million. The two shopping centres which were purchased are located at Moisselles in the Paris region and at Modena in Emilia Romagna. They were acquired in December 2009 using the proceeds of the share placement in November which raised a total of €98.8 million. The centres showed an initial net yield of 6.5% for Moisselles and 6.4% for Modena. Full details are set out in the relevant country sections of this report.

During the period the Company completed its transition to a pure retail property company by selling its last remaining warehouse in The Netherlands. The 7,170m² property in Veenendaal was sold for €3.375 million in May 2010. The building was purchased in 1991 for a price of €2.7 million and was last valued in December 2009 at €3.64 million. The Company has no further properties remaining in The Netherlands.

Shopping centre extensions and refurbishments

The final phase of the major refurbishment and extension at Carosello in Carugate, Milano was completed in October 2009 with the opening of the nine restaurant food court. The entire project produced a net return on cost of 7%.

During the financial year the decision was taken to proceed with the €40 million redevelopment of the Company's retail property in Växjö into an 18,400m² full service shopping centre. Construction began in December 2009 and the first phase opened in August 2010. The fully completed centre is expected to open in May 2011 and to deliver a net return on cost of around 8%. Further details on this extension are set out on page 43 of this report.

Funding

During the financial year Eurocommercial issued 3,593,000 new depositary receipts (9.9% of capital) at €27.50 to fund two property acquisitions. A further 868,557 new depositary receipts were also issued at €30.26 for shareholders who opted for the stock dividend. These two issues increased the equity capital of the Company by €125 million.

A total of €140 million of long term funding was added to the Company's loan portfolio during the period at an average margin of around 80bps. In September and October 2009 two new long term loans, each of €40 million with terms of ten and 12 years respectively, were concluded. Another new ten year loan (two plus eight years) for €60 million was also entered into in June 2010.

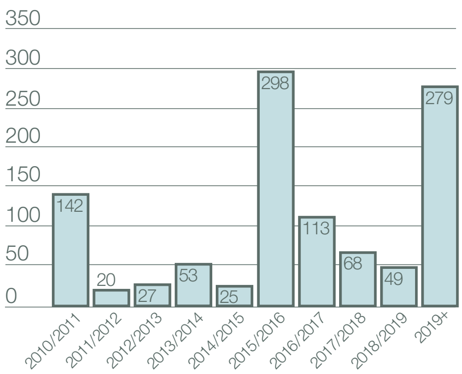
At 30 June 2010 total borrowings amounted to €1,072 million, equating to 70% of adjusted net equity of €1,366 million after netting off the €116 million of cash resources. All debt to equity covenants in loan agreements allow for a maximum of

Management report continued

100% net debt to adjusted net equity, so theoretically Eurocommercial has potential spending capacity of approximately €400 million. The overall loan to property value ratio after netting off the cash resources is 41% and interest cover is 2.7x.

All debt funding by Eurocommercial is in the form of direct borrowings from major banks, usually secured by mortgages. The Company has used swaps to fix 82% (2009: 92%) of its interest costs for an average term of almost nine years (2009: almost nine years) so that the overall interest rate, including margins averaging 59bps, is 3.99% (2009: 4.6%) per annum.

Loan maturity schedule (€m)



Market commentary

The markets for good shopping centres in France, Italy and Sweden showed remarkable stability during the financial crisis with values, in the case of Eurocommercial, falling only around 11% from the peak of the market in December 2007 to the bottom in December 2009. The recovery since then has been solid but unspectacular, not surprisingly, as there was relatively little ground to be made up compared to some other markets where losses were far greater.

The greatest market demand for retail property is in the €30 to €80 million bracket because there are quite a number of funds for whom this is a price range that will not distort their portfolio balances unduly. Larger assets – above €100 to €150 million – come to the market more rarely but if they are of high quality and well priced, are selling well. Whilst there are relatively fewer buyers at these levels, there are enough large insurance companies, sovereign funds and, of course, specialist quoted companies to ensure more than adequate demand and stability in the markets. Competition was intense for the largest transaction this year, Cap 3000 in Nice, an exceptional property which was sold at a price of €450 million and an initial yield of 4.65%, reflecting its considerable reversionary and development potential.

Outlook

We think that the outlook for our markets is sound but property yields may not reduce much further because, although economic growth is improving, it is relatively modest. The average economic growth expectation for France and Italy in 2011 is 1.3% and in these circumstances consumer spending, and thus turnover growth, is unlikely to rise strongly. The Swedish economic outlook is much better at 2.8% for 2011 and unemployment has started to stabilise. In France unemployment is slightly better at just under 9.5% but has increased to 6.4% in Northern Italy.

Interest rates in these economic conditions are unlikely to rise markedly, although the Riksbank of Sweden has started a gentle hardening process. Generally though, government bond yields have stayed much lower than many expected, including ourselves, taking their cue from a benign inflationary outlook. It is also clearly not in the interest of governments for interest rates to rise because it would be even more difficult to fund their considerable deficits. The problem they face is that if economic recovery does at some point regenerate inflation, rates will have to rise to combat it. There is, however, probably enough slack in economies for this to be avoided for a year or two and indeed if some of the gloomier economic forecasts are valid, maybe much longer.

All of this may affect property yields which have always shown a margin above the so-called “risk free” government bond yields. Ten year government bonds are now, however, trading at exceptionally low yields – the average for our markets currently being around 3% compared with the average yield of Eurocommercial properties of almost twice that level at 5.7%. This is a much higher differential than has existed for many, many years, especially as property yields in our countries reflect some expectation of income growth which is not the case for un-indexed bonds. Whether property yields will fall or bond yields rise remains to be seen.

Investment strategy

We will continue to seek good retail property in the markets we know best – France, Northern Italy and Sweden – and, as in the past, will fund them with a mixture of equity and debt so that new acquisitions will be earnings accretive from their first full year of operation, as indeed was the case with our last two purchases in Moisselles and Modena.

We will aim in the medium term to keep our country mix roughly as it is today with a theoretical target of 35-40% in each of France and Italy and 20-25% in Sweden. We have been quietly keeping an eye on the Spanish market but so far have not seen any properties of high enough quality that would give us a yield sufficient to outweigh the risks of 20% unemployment and an economy which has yet to demonstrate an ability to diversify meaningfully away from construction and tourism.

We will continue to focus most on the basics of our business, ensuring that our centres are attractive to our customers so that turnover levels justify sustainable and, if possible, rising rents. We have achieved that aim this year by concentrating on ensuring an appropriate tenant mix in our centres together with high quality amenities and good marketing. This is greatly helped by our flat management structure, which ensures rapid cross fertilisation of market intelligence and a good relationship with international and local retailers with whom we are, in a real sense, in partnership.

Our goal for our shareholders remains, as always, to provide steadily rising dividends based on sound earnings growth. We are committed to continually improving the quality of useful and relevant information in our reports so that investors can make informed judgements on the progress of their investments.

Valuations

All of the Company's properties were independently valued, as usual, at 30 June 2010 by major international firms according to the standards set out in the "Red Book" of The Royal Institution of Chartered Surveyors. This requires the valuers to provide a figure at which they would expect the property to be sold in the open market on the day of valuation. The valuation fees are fixed and are not in any way dependent on the outcome of the valuation. Valuers of properties are typically rotated every three years. This year,19 of the 32 properties were assessed by a new valuer.

The following firms conducted the valuations at 30 June 2010:

– France: Cushman & Wakefield, Knight Frank, Retail Consulting Group

– Italy: CB Richard Ellis, Cushman & Wakefield, Jones Lang LaSalle, Savills

– Sweden: Cushman & Wakefield, DTZ

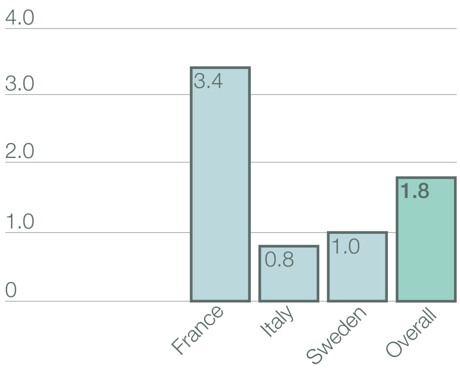
The net yield figures provided in the table opposite are the result of dividing the Company's expected net income for the coming year by the valuation figure, to which has been added the relevant standardised market allowance for deemed purchaser's costs (usually notional transfer taxes) in the particular country. The objective is to replicate the calculations of a professional institutional investor. For details see note 12 of the financial statements.

Investment property values increased by 2.9% over December 2009 and by 1.8% over June 2009. The values of Eurocommercial's investment properties in France increased by 3.4% over the year to June 2010, in Italy by 0.8% and in Sweden by 1% (in krona). The uplifts since December 2009 were 5.1% in France, 1.5% in Italy and 1.9% (in krona) in Sweden.

The average net initial income yield for all properties at 30 June 2010 was 5.7% overall (2009: 5.6%), 5.5% for France (2009: 5.7%), 5.9% for Italy (2009: 5.6%) and 5.8% for Sweden (2009: 5.8%), excluding the project at Växjö.

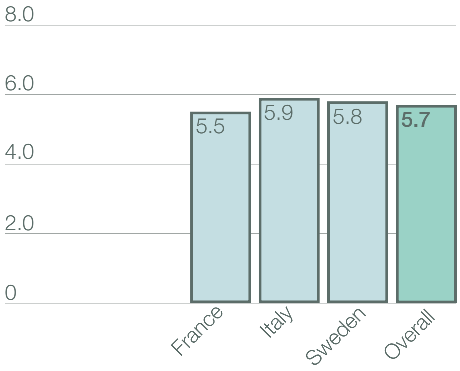
Value change 2009/2010 (%)

1.8%



Net yields June 2010 (%)

5.7%





	Net value 2010	Net value 2009	Change June 2010/ June 2009	Net yield including purchase costs	Cost to date	Year of acquisition
France (€ million)						
Amiens Glisy, Amiens[2]	**41.90**	39.50	6.1%	5.9%	15.99	1995
Saint Doulchard, Bourges[5]	**37.80**	38.60	–2.1%	5.7%	42.81	2007
Buchelay Retail Park, Buchelay[2]	**6.10**	6.80	–10.3%	7.5%	6.76	2006
Chasse Sud, Chasse-sur-Rhône[5]	**29.30**	29.70	–1.3%	6.0%	30.33	2007
Les Allées de Cormeilles, Cormeilles[2]	**35.20**	36.30	–3.0%	6.6%	44.92	2007
Les Trois Dauphins, Grenoble[6]	**33.50**	33.05	1.4%	5.8%	24.60	2003
Centr'Azur, Hyères[5]	**42.00**	41.30	1.7%	5.6%	17.01	1993
Plaine de France, Moisselles[5]	**64.10**	–	–	6.3%	59.17	2009
Passage du Havre, Paris[2]	**249.60**	243.40	2.5%	5.1%	165.46	2000
Passy Plaza, Paris[2]	**118.50**	116.90	1.4%	5.5%	72.51	1999
74 rue de Rivoli, Paris[6]	**43.20**	35.60	21.3%	4.3%	20.91	1998
Les Portes de Taverny, Taverny[6]	**50.30**	47.74	5.4%	5.7%	24.60	1995
Les Atlantes, Tours[2]	**111.40**	110.80	0.5%	5.5%	47.84	1992
Italy (€ million)						
Curno, Bergamo[4]	**98.10**	97.12	1.0%	5.9%	34.30	1994
Centro Lame, Bologna[7]	**39.90**	38.93	2.5%	6.1%	29.18	2003
Il Castello, Ferrara[7]	**99.90**	101.02	–1.1%	6.0%	77.23	2001
I Gigli, Firenze[1]	**241.90**	224.80	7.6%	5.7%	189.08	1999
Centro Leonardo, Imola[1]	**71.90**	69.08	4.1%	6.0%	63.61	1998
La Favorita, Mantova[2]	**45.50**	49.20	–7.5%	6.7%	33.80	1997
Carosello, Carugate, Milano[4]	**270.70**	265.00	2.2%	5.7%	173.50	1997
I Portali, Modena[2]	**41.60**	–	–	6.0%	41.32	2009
Centroluna, Sarzana[7]	**25.90**	25.45	1.8%	6.1%	13.15	1998
Sweden (SEK million)						
421, Göteborg[2]	**733.00**	721.78	1.6%	5.6%	821.14	2007
Kronan, Karlskrona[2]	**162.00**	149.91	8.1%	5.7%	135.31	2007
Bergvik, Karlstad[3]	**535.00**	511.94	4.5%	5.8%	342.93	2005
Mellby Center, Laholm[2]	**153.00**	151.95	0.7%	5.8%	120.50	2003
Burlöv Center, Malmö[3]	**1,062.00**	1,080.20	–1.7%	5.6%	695.78	2001
Ingelsta Shopping, Norrköping[2]	**872.00**	849.50	2.6%	5.9%	831.58	2003
Elins Esplanad, Skövde[2]	**628.00**	608.82	3.2%	5.9%	539.56	2003
Moraberg, Södertälje[3]	**391.50**	379.21	3.2%	6.0%	360.03	2006
Hälla Shopping, Västerås[2]	**295.00**	291.88	1.1%	5.8%	194.51	2002
Grand Samarkand, Växjö*[2]	**515.00**	347.75	48.1%	–	445.92	2003

* Extension project.
Valuations by: [1] CB Richard Ellis, [2] Cushman & Wakefield, [3] DTZ, [4] Jones Lang LaSalle, [5] Knight Frank, [6] Retail Consulting Group, [7] Savills.

France

Rental growth
+2.5%
Turnover growth
–1.6%
Valuation change
+3.4%

1. Paris **Passage du Havre**
City centre gallery

2. Paris **Passy Plaza**
City centre gallery

3. Paris **Rue de Rivoli**
City centre shops

4. Tours (Indre-et-Loire)
Les Atlantes
Shopping centre

5. Moisselles (Val d'Oise)
Plaine de France
Shopping centre

6. Taverny (Val d'Oise)
Les Portes de Taverny
Shopping centre

7. Hyères (Var)
Centr'Azur
Shopping centre

8. Amiens (Somme)
Amiens Glisy
Shopping centre

9. Chasse-sur-Rhône (Isère)
Chasse Sud
Shopping centre

10. Bourges (Cher)
Saint Doulchard
Shopping centre

11. Grenoble (Isère)
Les Trois Dauphins
City centre shops

12. Cormeilles (Val d'Oise)
Les Allées de Cormeilles
Retail park

13. Buchelay (Yvelines)
Buchelay Retail Park
Retail park

Overview France

Economy

The French economy suffered less than many others in Europe during the financial crisis but the recovery is relatively modest with expected GDP growth in 2011 of 1.5%. Export-led growth is less important for France than the smaller economies given its large domestic market. The unemployment rate has peaked and is now just below 9.5%. The main task facing the French government is to reduce its fiscal deficit (7.9% in 2009). Austerity measures have yet to be approved and this remains the greatest uncertainty looking forward.

Rental growth

Shopping centres have shown great resilience over the year compared to other property sectors, and the French portfolio has produced rental growth of 2.5% in spite of negative indexation and a reduction in turnover rent. Much of the rental growth, though, is due to the remerchandising of the Rue de Rivoli property.

With the exception of the recently acquired centre in Moisselles, almost 70% of tenants have switched onto the new ILC index which increased rents by 0.84% in 2010, in comparison to the old ICC index which reduced them by 4%.

It has become tougher to achieve rental growth from renewals, with anchor tenants in particular digging in and requiring some astute asset management from landlords to realise higher rents. Ultimately it is sales growth that delivers rental growth and an average uplift of 9% during the year on lease renewals alone is testimony to the overall quality of the portfolio.

Turnover growth

There has been a marked difference in performance over the two halves of the year with the second half looking much better, although weak June figures diminished optimism.

Twelve month sales turnover was down 1.6% (electrical anchors –2.3%) year on year whereas for the first half of 2010 sales were stable (electrical anchors –1.3%). Thus the trend appears to be improving with health and beauty once again showing the strongest performance, up 4.8% over the 12 months. July turnovers were strongly up for the month, reflecting the late start of the sales this year.

Property market

Deal flow picked up considerably in the second half of the financial year. One much publicised sale of a large centre in the south of France overshadowed a number of less glamorous transactions which are perhaps more representative of the market as a whole. New entrants to the market include large European insurance companies and German funds. The latter have been searching for a while to gain exposure and have agreed four acquisitions in quick succession. The market looks to be very strongly underpinned as hypermarket groups are also buyers of galleries and yields have generally hardened.

Valuations

Property values in Eurocommercial's French portfolio are up 3.4% compared to June 2009 with a downward yield shift of 20 basis points over the past 12 months. The overall net initial valuation yield is 5.5%. City centre properties are valued at 5.2% while provincial hypermarket-anchored centres are valued at 5.8% and Ile de France (Paris region) retails parks are valued at 6.7%.

Pascal Le Goueff
Property Director, France

Acquisitions, extensions and refurbishments

The highlights of the year were the acquisition of a new centre in the Paris region and the reconfiguration of 74 rue de Rivoli.

Eurocommercial acquired the shopping centre Plaine de France at Moisselles in December 2009 for a total cost of €59.1 million representing a net initial yield of 6.5%. The centre is anchored by a very successful 11,300m² Leclerc hypermarket and the gallery, acquired by Eurocommercial, has a GLA of 10,500m² with 1,600 car spaces. There is considerable frontage to the N1 Route Nationale running south to Paris and north to Chantilly and the catchment area is predominantly pleasant middle income housing on the outer fringes of Paris. The centre is let to a good array of national brands and there is potential for a small extension short term and a larger extension long term.

The Rue de Rivoli project involved buying out four former tenants and obtaining planning permission from the (many) Paris authorities before six months of building works to lower the first floor and reconfigure 900m² of accommodation. Two Inditex Group brands, Stradivarius and Oysho, were handed the keys in February 2010 and opened their doors in May. The new rent is over five times the previous levels.

In an operating environment characterised by increasing competition and demanding consumers, it is important for shopping centres to refresh their formats and attract new brands but also to embrace innovative marketing. Three centres have therefore been identified for imminent refurbishment; Les Atlantes, Passage du Havre and Centr'Azur are all likely to be improved in 2011. Plans to extend the centres at Chasse-sur-Rhône and Bourges are also underway.

Outlook

There are important changes underway to the planning regime. The background to these changes is a political climate which has moved away from protecting producers and small shopkeepers towards more focus on free competition and pricing together with consumer protection.

Since the Loi Royer was passed in 1973, the creation of retail property has been subject to development controls via a twin track planning system, with CDAC consent or equivalent needed for the retail licence, in addition to the building permit. Now it seems that the current approach could be abandoned in favour of a unitary planning system where environmental considerations and town planning ambitions will take centre stage.

The draft legislation revolving around "SCOT's", or regional zoning plans, will take time to introduce and will involve much further discussion. Reform will not therefore happen overnight.

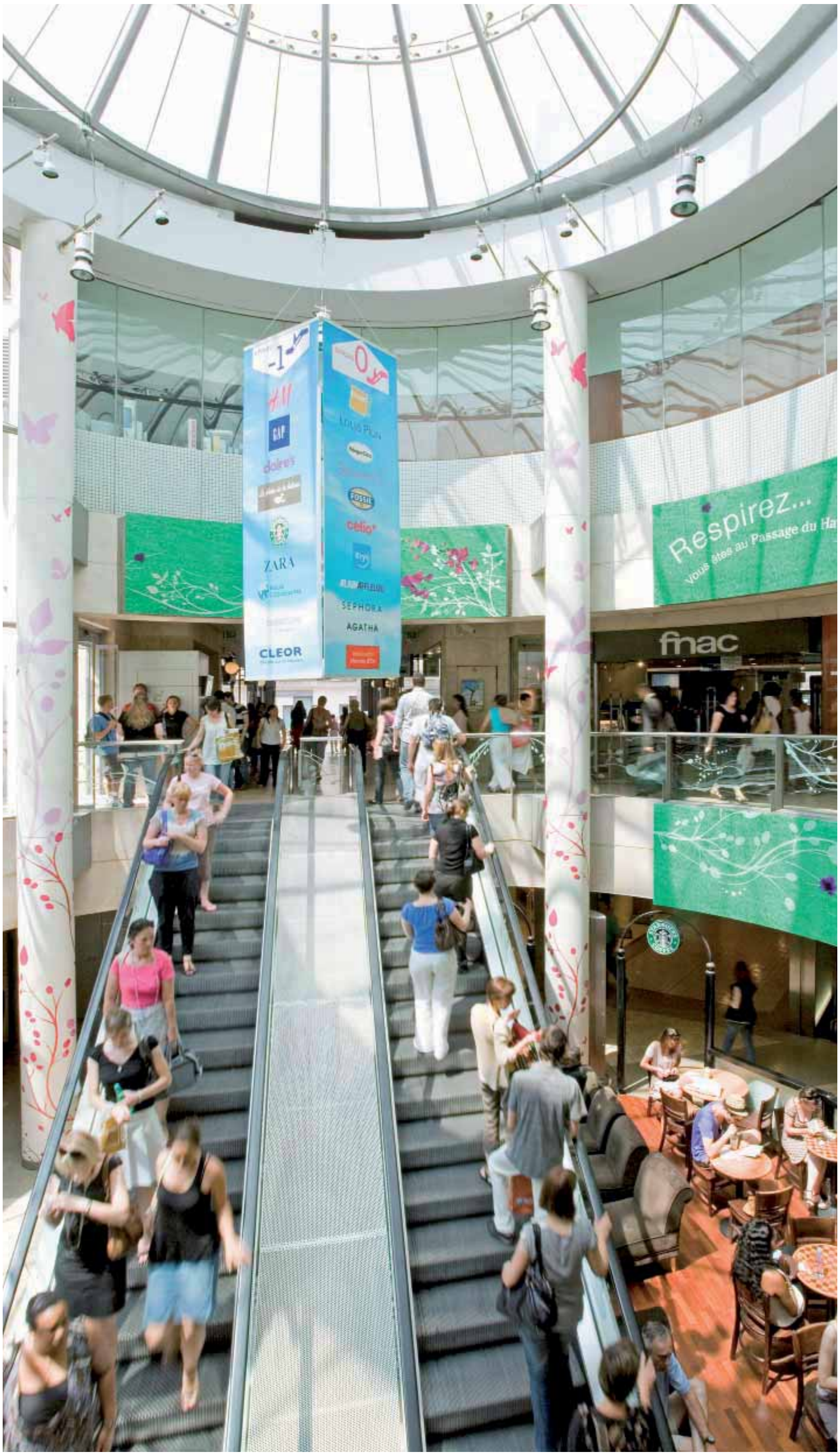
France: 1

Passage du Havre

Paris

Located in central Paris above a major rail interchange, Passage du Havre attracts 14 million visitors a year who come almost exclusively by foot or public transport.

A major refurbishment of the Passage is currently being planned to ensure that it retains its strong position in a competitive environment.



Property facts

Total lettable area	20,751m²	Rental income (€ million)	14.54
Retail/Gallery	13,839m²	Rental growth	–0.94%
Residential	2,337m²	Boutiques <300m² turnover/m² (€)	13,770
Office	4,575m²	Turnover growth	–1.40%
ECP Ownership	20,751m²	Occupancy cost ratio	5.60%
Value (€ million)	249.60	Visitors 2009/10	13.67m
Occupancy	100%	Major tenants	Fnac, Nature et Découvertes, Zara, Sephora
Renewal profile 2010–2012	32%		

France: 2

Passy Plaza

Paris

The renovation of Passy Plaza has boosted its position as the local centre for the wealthy residents of Passy in the 16th arrondissement.

The Inno supermarket, which anchors the centre, is focused on high end necessities and serves a loyal but demanding clientele.

Property facts

Total lettable area	Rental growth
8,077m²	–0.66%
ECP Ownership	Boutiques <300m² turnover/m² (€)
8,077m²	7,310
Value (€ million)	Turnover growth
118.50	–1.30%
Occupancy	Occupancy cost ratio
100%	13.40%
Renewal profile 2010–2012	Visitors 2009/10
42%	5.25m
Rental income (€ million)	Major tenants
7.20	Inno, H&M, La Grande Récré

France: 3

Rue de Rivoli

Paris

Stradivarius and Oysho opened their new stores on Rue de Rivoli in May 2010 following a major restructuring of the property. Oysho in particular has focused on the store's "green" features by minimising energy consumption, using materials from renewable sources and recycling all waste.

Property facts

Total lettable area	2,965m²
Retail	995m²
Residential	1,970m²
ECP Ownership	2,965m²
Value (€ million)	43.20
Occupancy	100%
Renewal profile 2010–2012	0%
Rental income (€ million)	2.00
Rental growth	207.53%
Major tenants	Stradivarius, Oysho

France: 4

Les Atlantes

Tours (Indre-et-Loire)

Les Atlantes is situated in the municipality of St. Pierre des Corps, next to the city of Tours which is now only around 50 minutes from central Paris by TGV.

A major refurbishment of Les Atlantes is being undertaken with a theme echoing the colours of the Loire River which runs alongside the municipality. The artist's impression below shows the planned improvements.

Property facts

Total lettable area	39,347m²
Retail/Gallery	22,747m²
Hyper (Carrefour)	16,600m²
ECP Ownership	22,747m²
Value (€ million)	111.40
Occupancy	100%
Renewal profile 2010–2012	12%
Rental income (€ million)	6.59
Rental growth	0%
Boutiques <300m² turnover/m² (€)	6,730
Turnover growth	–4.40%
Occupancy cost ratio	8.40%
Visitors 2009/10	6.29m
Major tenants	Go Sport, Flunch, Saturn, H&M, Toys R Us

France: 5

Plaine de France

Moisselles (Val d'Oise)

Plaine de France is Eurocommercial's most recent French acquisition. The name was chosen by the developer to reflect the group of suburban and semi-rural communes that form an outer commuter belt of Paris served both by rail and La Francilienne, the outer Paris ring road. The shopping centre is partner to many local associations and festivals including the Domont Circus Festival.

Property facts

Total lettable area	25,000m²
Retail/Gallery	10,501m²
Hyper (Leclerc)	15,000m²
ECP Ownership	10,501m²
Value (€ million)	64.10
Occupancy	99%
Renewal profile 2010–2012	9%
Rental income (€ million)	4.27
Boutiques <300m² turnover/m² (€)	6,600
Major tenants	Gemo, Camaieu, Mango

France: 6

Les Portes de Taverny

Taverny (Val d'Oise)

Les Portes de Taverny has enjoyed a strong performance due to the wealthy catchment population which is growing faster than the French average. Good marketing and the recent arrival of H&M have also boosted turnover.

A major refurbishment was completed in 2005 and many minor improvements have been completed since then, including new covered bike racks which are being installed outside both entrances in September.

Property facts

Total lettable area	30,476m²	Rental income (€ million)	3.08
Retail/Gallery	5,604m²	Rental growth	0.74%
Hyper (Auchan)	16,200m²	Boutiques <300m² turnover/m² (€)	8,880
Other	8,672m²	Turnover growth	3.50%
ECP Ownership	5,604m²	Occupancy cost ratio	8.70%
Value (€ million)	50.30	Visitors 2009/10	3.36m
Occupancy	100%	Major tenants	H&M, Paul, Armand Thierry
Renewal profile 2010–2012	36%		

France: 7

Centr’Azur

Hyères (Var)

The centre is about to be the subject of a programme of modernisation and refurbishment. As part of this project almost 12,000m² of photovoltaic panels will be installed on the roof of the centre. These panels will not only generate electricity but also in effect provide a new roof covering.

Property facts

Total lettable area	Rental income (€ million)
17,043m²	2.57
Retail/Gallery	Rental growth
6,243m²	1.33%
Hyper (Géant)	Boutiques <300m² turnover/m² (€)
10,800m²	7,530
ECP Ownership	Turnover growth
6,243m²	–1.70%
Value (€ million)	Occupancy cost ratio
42.00	7.90%
Occupancy	Visitors 2009/10
100%	3.17m
Renewal profile 2010–2012	Major tenants
25%	Okaidi, Promod, Générale d’Optique

France: 8

Amiens Glisy

Amiens (Somme)

Historically the city of Amiens owed its wealth to the wool trade and Amiens cathedral is one of the finest masterpieces of French gothic architecture. Today the city has a broad spread of industries and fulfils a major administrative role for the region.

Amiens Glisy has maintained its solid performance and the centre continues to benefit from a young customer base, first class road infrastructure and a strong array of secondary anchors in the retail zone around the centre.

Property facts

Total lettable area	22,769m²	Rental income (€ million)	2.65
Retail/Gallery	6,279m²	Rental growth	1.48%
Hyper (Géant)	16,000m²	Boutiques <300m² turnover/m² (€)	6,275
Other	490m²	Turnover growth	–1.60%
ECP Ownership	6,279m²	Occupancy cost ratio	9.30%
Value (€ million)	41.90	Visitors 2009/10	3.54m
Occupancy	100%	Major tenants	Flunch, Camaieu, Nocibé
Renewal profile 2010–2012	30%		

France: 9

Chasse Sud

Chasse-sur-Rhône (Isère)

Situated on the east bank of the river Rhône the town is inextricably linked to the great river that gives it its name. Chasse-sur-Rhône runs an annual nautical "jousting" festival against Givors, the town which sits on the opposite side of the river!

The external Conforama unit has recently been successfully extended and plans are now taking shape to develop a major extension to the existing shopping centre. Initial consent has been obtained and pre-marketing to retailers is progressing well.

Property facts

Total lettable area	24,100m²
Retail/Gallery	1,500m²
Hyper (Géant)	14,000m²
Retail boxes	8,600m²
ECP Ownership	24,100m²
Value (€ million)	29.30
Occupancy	100%
Renewal profile 2010–2012	78%
Rental income (€ million)	1.91
Rental growth	–3.08%
Visitors 2009/10	1.73m
Major tenants	Géant, Conforama

France: 10

Saint Doulchard

Bourges (Cher)

Saint Doulchard was a 6th century ascetic monk from Orléans who led a contemplative existence outside the city of Bourges and gave his name to the commune. More recent arrivals in Saint Doulchard include Decathlon and Boulanger and the retail zone is the strongest in Bourges. A planning application is to be submitted shortly to upgrade and increase the size of the centre by 1,000m².

Property facts

Total lettable area	19,448m²
Retail/Gallery	3,668m²
Hyper (Géant)	15,780m²
ECP Ownership	19,448m²
Value (€ million)	37.80
Occupancy	100%
Renewal profile 2010–2012	77%
Rental income (€ million)	2.32
Rental growth	–2.52%
Visitors 2009/10	2.49m
Major tenants	Géant, Flunch

France: 11

Les Trois Dauphins

Grenoble (Isère)

Les Trois Dauphins is an historic and very well-known building in the centre of Grenoble which houses not only prime retail space but also 50 apartments, an IBIS (Groupe Accor) hotel and some office accommodation.

A complete overhaul of the sprinkler installations is underway and studies are being finalised concerning a possible extension of the hotel.

Property facts

Total lettable area	16,845m²
Retail/Gallery	8,600m²
Residential	4,700m²
Hotel/Office	3,545m²
ECP Ownership	16,845m²
Value (€ million)	33.50
Occupancy	100%
Renewal profile 2010–2012	41%
Rental income (€ million)	2.41
Rental growth	–3.48%
Major tenants	Fnac, C&A, Group Accor

France: 12

Les Allées de Cormeilles

Cormeilles (Val d'Oise)

Les Allées de Cormeilles was developed in 2008 to provide shops for a new residential housing area with 6,000 inhabitants.

The park was built to HQE specification with features including 2,000m² of photovoltaic roof panels, extensive use of recycled "vegecol" rubber-based paving material, a geothermal heating system for the Castorama building and rainwater recycling for irrigation.

Property facts

Total lettable area	Rental income (€ million)
20,313m²	2.38
ECP Ownership	Rental growth
20,313m²	6.78%
Value (€ million)	Occupancy cost ratio
35.20	3.60%
Occupancy	Major tenants
99%	Castorama, Lidl, Kiabi, Casa
Renewal profile 2010–2012	
0%	

France: 13

Buchelay Retail Park

Buchelay (Yvelines)

La Grande Récré has now come into the retail park on a new six year firm lease.

Property facts

Total lettable area	Rental income (€ million)
3,800m²	0.47
ECP Ownership	Rental growth
3,800m²	–3.44%
Value (€ million)	Major tenants
6.10	Tati, La Grande Récré, MIM
Occupancy	
100%	
Renewal profile 2010–2012	
0%	

Italy

Rental growth
+1.9%
Turnover growth
+0.2%
Valuation change
+0.8%

1. Bergamo (Lombardia)
Curno
Shopping centre

2. Bologna (Emilia Romagna)
Centro Lame
Shopping centre

3. Carugate, Milano (Lombardia)
Carosello
Shopping centre

4. Ferrara (Emilia Romagna)
Il Castello
Shopping centre

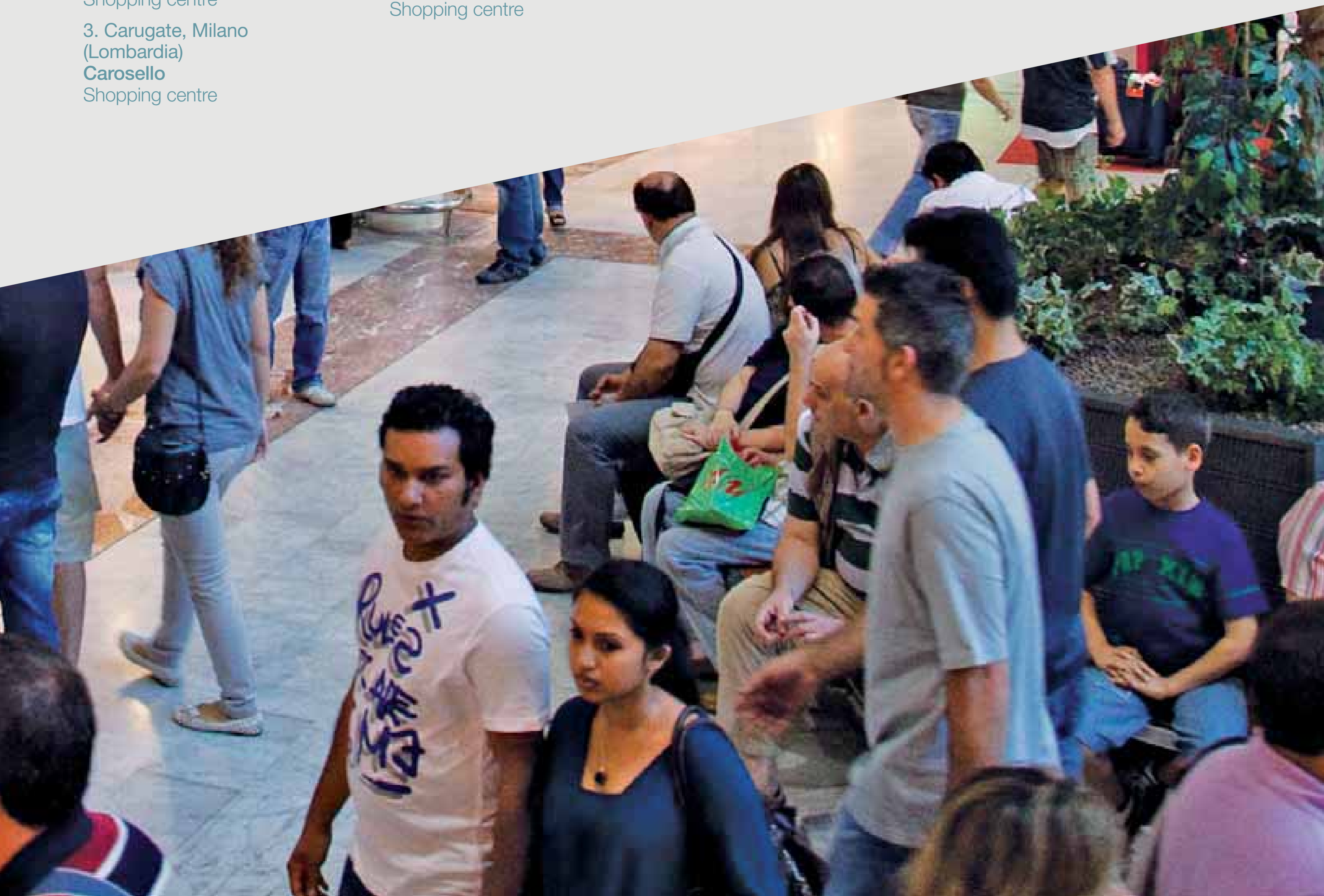
5. Firenze (Toscana)
I Gigli
Shopping centre

6. Imola (Emilia Romagna)
Centro Leonardo
Shopping centre

7. Modena (Emilia Romagna)
I Portali
Shopping centre

8. Mantova (Lombardia)
La Favorita
Shopping centre and retail park

9. Sarzana (Liguria)
Centroluna
Shopping centre





Overview Italy

Economy

The recession in Italy ended in mid 2009, although the economy only returned to growth in the first quarter of 2010, thanks to a rebound in investment and exports. The use of the “Cassa Integrazione” (part-time employment system) has helped to limit unemployment, which is expected to continue to rise slowly into 2011 and currently stands at 6.4% in the North of the country. The government kept its budget deficit at 5.2% of GDP in line with expectations in 2009, thus generating confidence in the bond market and a relatively low risk premium. The Italian senate approved in July 2010 a budgetary correction which should lower the public deficit below the 3% Maastricht limit. Most of the adjustment will fall on public spending which should limit the damage to consumer income and confidence. Consensus forecasts expect GDP growth of 1% and 1.1% in 2010 and 2011 respectively, not far from the euro area average.

Rental growth

Rents grew by 1.9% over the year and, as in recent years, most of this growth came from uplifts upon renewal rather than indexation. Turnover rent declined slightly. There was no discernable trend correlating size to performance, with the best growth coming from Curno and Lame.

Increasingly the main driver of rental growth is active management of the galleries, in particular merging or splitting units to accommodate the stronger retailers who are demanding more precise store sizes. Unusually this year, a higher level of rental growth was achieved from relocating or renewing leases to existing tenants rather than from new brands. It has been a busy year with 104 new leases signed producing a rental uplift of 23%.

Turnover growth

Overall turnover growth for the Italian portfolio for the year was 0.2%, or 0.9% for the galleries only. Anchor stores (+1.2%) slightly outperformed the smaller shops (+0.7%) driven by a turnaround in the electrical sector (+3.8%) which saw a calming in price deflation and a little help from World Cup related sales.

Carosello continues to see strong growth in both footfall and turnover since the opening of the extension in October 2008. Gallery turnover for the six months to June 2010 was up 16%. Twelve month data is still not available as the extension has not yet been open for two full years.

The four centres located in the Emilia Romagna region recorded a drop in turnover as the export-led economy was affected by the downturn. There are now signs that this is improving.

Property market

The value of shopping centre transactions in the last year was approximately €1 billion, a decrease of 30% on the preceding 12 months.

Demand is mainly focused on the smaller lot sizes (less than €50 million) which are particularly attractive to property funds which cannot overweight single assets and at this size funding is easier to secure. The German open ended funds have been less active in the market so far in 2010, however this situation will probably change once the impact of new German legislation on these vehicles is fully understood.

The investment market is constrained by a lack of supply of prime stock although there is no shortage of secondary properties. The supply of retail parks is increasing slowly as new specialist operators begin to emerge for this format and rents drop to more sensible levels, showing a discount to shopping centre rents where footfall is usually much higher.

Speculative development has slowed significantly owing to the lack of finance and a reduction in investors’ appetite for risk, reflecting the retailers’ own preference for proven trading locations over new projects.

Valeria Di Nisio
Property Director, Italy

Valuations

Values of the investment properties in the Italian portfolio were up 0.8% over the year to 30 June 2010 with an upward yield shift of 30 basis points to 5.9%.

Acquisitions, extensions and refurbishments

The main change to the portfolio during the year was the acquisition in December 2009 of the I Portali centre in Modena, an important city of 185,000 inhabitants in the Emilia Romagna region where Eurocommercial already owns three centres. The attraction of this property is its location between the city centre and the ring road with visibility from the latter, a 14,500m^2 Ipercoop hypermarket and a strong track record since opening in 1988. The purchase price of €40 million showed a net initial yield of 6.4%. A refurbishment is planned to upgrade the common areas and the possibility of an extension is being explored.

A refurbishment is underway in Ferrara which will include new entrances, lighting, piazzas, toilets and a children's play area. At I Gigli a refurbishment of the mall will begin in 2011 to coincide with the development of the land adjacent to the centre, where planning consent was obtained in April. Whilst consent was granted for 6,200m^2, the intention is to build significantly less so as to also provide 550 new car spaces for the centre.

Outlook

More than ever before it has been a time to own prime properties with a good track record. The economic slowdown, increased competition and the emergence (albeit at an embryonic level) of online shopping in Italy has meant retailers are thinking more carefully about how to interact with customers. Surveys of six of Eurocommercial's Italian centres in 2010 revealed that less than 20% of visitors had made a purchase online in the preceding three months. Moreover, what seems to be emerging is a continued strong preference for established destinations where footfall is strong, usually driven by the essential nature of the visit to the food store which anchors all of Eurocommercial's Italian centres. The focus therefore has been, and will remain, to offer visitors a very attractive shopping environment with a service and retail mix that maintains this footfall.

The Company's portfolio is, overall, well placed, being located in wealthier regions and having long trading histories. However, rental growth in the future will come increasingly from active management and from continually upgrading the retail offer where possible to best-in-class retailers. In so doing the rental growth should remain sustainable.

Italy: 1

Curno

Bergamo (Lombardia)

Centro Commerciale Curno was the Company's first acquisition in Italy in 1994 and is located on the western edge of the city of Bergamo in the northern Lombardia region. The centre continues to be one of the Company's best performing properties, despite increasing competition, due to its strategic position in a wealthy catchment area. The centre was the subject of a major refurbishment in 2004.

Property facts

Total lettable area	36,235m²
Retail/Gallery	15,540m²
Hyper (Auchan)	18,195m²
Other	2,500m²
ECP Ownership	18,040m²
Value (€ million)	98.10
Occupancy	100%
Renewal profile 2010–2012	4%
Rental income (€ million)	6.30
Rental growth	8.16%
Boutiques <300m² turnover/m² (€)	8,150
Turnover growth	0.60%
Occupancy cost ratio	6.50%
Visitors 2009/10	6.68m
Major tenants	Media World, Passatempo, Cisalfa, Brek

Italy: 2

Centro Lame

Bologna (Emilia Romagna)

Centro Lame is located in the wealthy city of Bologna, which is the capital of the Emilia Romagna region with over 370,000 inhabitants. The city is famous for its “portici” (covered walkways) in the historic city centre, its ancient university and its food.

The centre plans to install photovoltaic panels on the roof of the hypermarket and the new centre signage is being converted to work with LED lighting to significantly reduce energy consumption.

Property facts

Total lettable area	16,278m²	Rental income (€ million)	2.59
Retail/Gallery	5,242m²	Rental growth	6.83%
Hyper (Ipercoop)	11,036m²	Boutiques <300m² turnover/m² (€)	5,700
ECP Ownership	5,242m²	Turnover growth	–3.20%
Value (€ million)	39.90	Occupancy cost ratio	12.10%
Occupancy	100%	Visitors 2009/10	3.72m
Renewal profile 2010–2012	23%	Major tenants	Bata, Camst, Benetton

Italy: 3

Carosello

Carugate, Milano (Lombardia)

The centre, which opened in 1972, has been transformed over the years into a regional shopping destination serving the north and east of Milan. The latest upgrade was completed in October 2009 with the opening of the new foodcourt, following the major extension a year earlier which is housed under a 16,000m² sloping grass covered roof. This collects and recycles rainwater and its thermal mass reduces heating and cooling costs.

Property facts

Total lettable area	52,622m²
Retail/Gallery	23,715m²
Hyper (Carrefour)	27,618m²
Other	1,289m²
ECP Ownership	52,622m²
Value (€ million)	270.70
Occupancy	100%
Renewal profile 2010–2012	0%
Rental income (€ million)	16.37
Rental growth*	2.18%
Boutiques <300m² turnover/m² (€)	7,210
Gallery turnover growth	3.00%
Visitors 2009/10	7.54m
Major tenants	Carrefour, Saturn, Oviesse, H&M, Zara, Apple

*excluding foodcourt

Italy: 4

Il Castello

Ferrara (Emilia Romagna)

In 1995 the city centre of Ferrara was assigned Unesco world heritage status owing to its well preserved city centre which is renowned as a prime example of medieval and renaissance urban planning.

Eurocommercial is sponsoring the restoration of one of the towers of the Castello Estense in the city centre in the same year that the Il Castello shopping centre is itself being refurbished. The refurbishment will include an upgrade of most of the heating and cooling systems in line with the latest best practices.

Property facts

Total lettable area	38,504m²
Retail/Gallery	18,267m²
Hyper (Ipercoop)	17,837m²
Other	2,400m²
ECP Ownership	20,667m²
Value (€ million)	99.90
Occupancy	100%
Renewal profile 2010–2012	15%
Rental income (€ million)	6.41
Rental growth	2.61%
Boutiques <300m² turnover/m² (€)	6,420
Turnover growth	–1.40%
Occupancy cost ratio	8.80%
Visitors 2009/10	5.41m
Major tenants	Euronics, Oviesse, Cisalfa, H&M

Italy: 5

I Gigli

Firenze (Toscana)

I Gigli is the Company's largest shopping centre and one of the most important in Italy. The centre's name and logo are derived from the lillies on the heraldic shield of the city of Florence.

I Gigli is by far the most important shopping centre in Tuscany and serves a catchment of 1,035,000 people. The centre takes environmental and sustainability issues seriously with rubbish collected separately for recycling. A bike sharing scheme is in operation and there are electric car charge points in the car park.

Property facts

Total lettable area	Rental income (€ million)
77,809m²	14.17
Retail/Gallery	Rental growth
53,904m²	0.70%
Hyper (Panorama)	Boutiques <300m² turnover/m² (€)
12,765m²	7,550
Cinema	Turnover growth
11,140m²	3.30%
ECP Ownership	Occupancy cost ratio
56,118m²	7.40%
Value (€ million)	Visitors 2009/10
241.90	13.75m
Occupancy	Major tenants
98%	Leroy Merlin, Media World, Coin, Zara, Vis Pathé
Renewal profile 2010–2012	
18%	

Italy: 6

Centro Leonardo

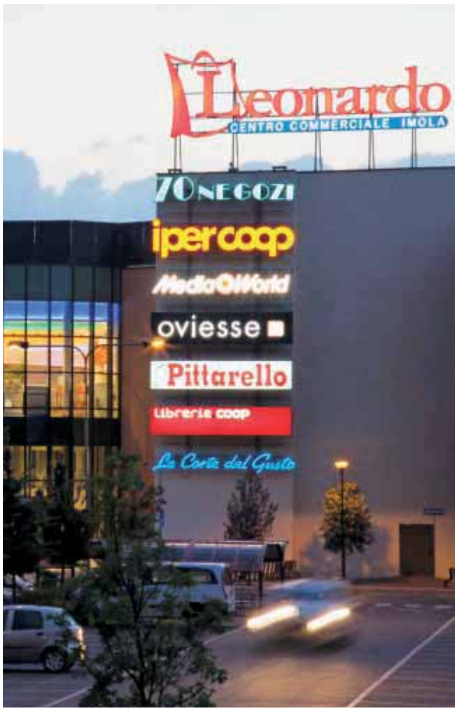
Imola (Emilia Romagna)

Centro Leonardo owes its name to Leonardo Da Vinci who in 1502 drew up a new masterplan for the city and the defences of the castle for Cesare Borgia. The city is also famous for its motor circuit, named after Enzo Ferrari, which until recently hosted the San Marino Grand Prix.

Today Centro Leonardo is the only shopping centre in the city with a catchment population of 142,000. Following the significant extension in 2006, the air-conditioning systems have recently been further upgraded, significantly reducing energy consumption.

Property facts

Total lettable area	33,018m²
Retail/Gallery	15,244m²
Hyper (Ipercoop)	17,774m²
ECP Ownership	15,244m²
Value (€ million)	71.90
Occupancy	95%
Renewal profile 2010–2012	19%
Rental income (€ million)	4.30
Rental growth	–5.30%
Boutiques <300m² turnover/m² (€)	5,760
Turnover growth	–2.20%
Occupancy cost ratio	9.20%
Visitors 2009/10	4.41m
Major tenants	Media World, Oviesse, Pittarello



Italy: 7

I Portali

Modena (Emilia Romagna)

I Portali is the latest addition to the portfolio and is located in the city of Modena, in the industrial and exporting heartland of Emilia Romagna, perhaps most famous for its automotive sector (Ferrari, Maserati, Lamborghini and Ducati all have headquarters in the region), the food sector, ceramic industry and of course Luciano Pavarotti!

The roof of the hypermarket houses a photovoltaic panel installation and the centre has recently replaced its air-handling systems with a more modern and energy efficient version.

Property facts

Total lettable area	24,810m²
Retail/Gallery	7,821m²
Hyper (Ipercoop)	16,989m²
ECP Ownership	7,821m²
Value (€ million)	41.60
Occupancy	100%
Renewal profile 2010–2012	38%
Rental income (€ million)	2.55
Boutiques <300m² turnover/m² (€)	6,260
Turnover growth	–1.50%
Occupancy cost ratio	8.60%
Major tenants	Oviesse, Bata, Cisalfa

Italy: 8

La Favorita

Mantova (Lombardia)

One of Italy's most beautiful cities and recognised in 2008 as a UNESCO cultural heritage site including architectural masterpieces by Leon Battista Alberti and Giulio Romano, Mantova is a small city but came to European prominence through the Gonzaga family's influence in the 15th and 16th centuries.

Eurocommercial bought La Favorita, which is named after a nearby Gonzaga villa, in 1998 and the neighbouring retail park in 2003. This is the main retail pole of the city which also houses a multi-use events venue.

Property facts

Total lettable area	29,262m²	Renewal profile 2010–2012	6%
Retail/Gallery	6,783m²	Rental income (€ million)	3.37
Retail park	6,279m²	Rental growth	1.49%
Hyper (Ipercoop)	11,000m²	Boutiques <300m² turnover/m² (€)	5,680
Brico	2,700m²	Turnover growth	2.60%
Cinema	2,500m²	Occupancy cost ratio	8.10%
ECP Ownership	13,062m²	Visitors 2009/10	2.58m
Value (€ million)	45.50	Major tenants	Media World, UPIM, Piazza Italia, Scarpe & Scarpe, Bernardi
Occupancy	98%		

Italy: 9

Centroluna

Sarzana (Liguria)

Eurocommercial's smallest Italian gallery, Centroluna derives its name from Luna, a Roman colony, which settled in this area in the 2nd century B.C. and was connected to Rome via the newly built via Aurelia. An extension of the via Aurelia still passes the centre today.

The centre sponsors an important annual cultural event entitled "Festival della Mente" (Festival of the Mind). In 2009 some 40,000 visitors came from Italy and across Europe to the event.

Property facts

Total lettable area	15,176m²	Rental income (€ million)	1.72
Retail/Gallery	3,596m²	Rental growth	–0.24%
Hyper (Ipercoop)	11,580m²	Boutiques <300m² turnover/m² (€)	5,915
ECP Ownership	3,596m²	Turnover growth	–1.80%
Value (€ million)	25.90	Occupancy cost ratio	10.20%
Occupancy	99%	Visitors 2009/10	3.51m
Renewal profile 2010–2012	60%	Major tenants	Piazza Italia, Benetton

Sweden

Rental growth
–1.1%
Turnover growth
+1.6%
Valuation change
+1.0%

1. Malmö (Skåne)
Burlöv Center
Shopping centre

2. Karlstad (Värmland)
Bergvik
Shopping centre

3. Norrköping (Östergötland)
Ingelsta Shopping
Shopping centre

4. Skövde (Västergötland)
Elins Esplanad
Shopping centre

5. Växjö (Småland)
Grand Samarkand
Shopping centre

6. Göteborg (Västergötland)
421
Shopping centre

7. Västerås (Västmanland)
Hälla Shopping
Shopping centre

8. Laholm (Halland)
Mellby Center
Shopping centre

9. Karlskrona (Blekinge)
Kronan
City centre gallery

10. Södertälje (Södermanland)
Moraberg
Retail park

Overview Sweden

Economy

The Swedish economy recovered well in the first half of 2010 due to an improvement in investment and exports supported by expansionary fiscal and monetary policies. Domestic consumption remains strong and the labour market is stabilising with employment growing strongly from the end of 2009, although the unemployment rate remains high by Swedish standards at 9.5%. As a result of buoyant economic fundamentals, the Swedish krona has been appreciating against the euro and the Riksbank has started raising the very low interest rates. Public finances are in good shape with a current budget deficit of 1.1% of GDP. Consensus forecasts expect GDP growth of 3% and 2.8% in 2010 and 2011 respectively, well ahead of the euro area average.

Rental growth

Like for like rents reduced by 1.1% over the year, having been affected by negative rental indexation in Sweden for 2010. The situation was improved by 27 lease renewals or relettings completed during the period showing an average uplift in base rent of 12%. Rental indexation is expected to be positive again in 2011.

Leasing operations have recently been taken completely in house which has strengthened tenant relationships and will allow tenant mix to be adjusted more effectively when opportunities arise. A recent example of this was at Burlöv Center, where 1,000m² was taken back from the COOP hypermarket, reletting it to Clas Ohlson, one of Sweden's major anchor stores, at a 37% higher rent.

Turnover growth

Retail sales have generally held up well across most sectors as the economy continues its steady recovery. Over the last year turnover growth was 1.6%, with the hypermarkets at 1.2% and the galleries at 1.9%. Over the last six months, turnovers in the galleries have been particularly strong at 2.7%, with Elins Esplanad, Skövde up 7.8%, 421, Göteborg up 7.2% and Bergvik, Karlstad up 3.6%.

It has also been pleasing to note the strong early performance of Ingelsta Shopping, Norrköping, voted Sweden's Shopping Centre of the Year for 2010 following the recent 9,000m² extension and refurbishment. Yearly turnover was up 94% on the extended gallery (therefore not like for like) and visitor numbers have increased by 34%.

Property market

As predicted in last year's annual report, very little prime retail property has come to the market over the last 12 months although it has been encouraging that a few provincial city centre galleries recently sold to local investors at yields understood to be in the region of 6%.

Valuations

The value of Eurocommercial's Swedish properties has increased by 1% over the last 12 months and by 1.9% since the last reported external valuation in December 2009. The average net yield on the portfolio currently stands at around 5.8%, the same level as last year, excluding projects.
The yield range is between 5.6% and 6%.

Martin Bjöörn
Property Director, Sweden

Extensions and refurbishments

At the end of 2009 the decision was taken to proceed with the €40 million redevelopment of Samarkand, Växjö following exceptionally strong tenant demand for what will be Växjö's only external shopping centre serving a catchment of almost 200,000 people. The 18,400m² shopping centre is now 94% pre-let and will open in phases before its completion in May 2011. Major tenants include H&M, KappAhl, New Yorker, Gina Tricot, Lindex, Esprit, Stadium and Deichmann. Target rental levels have been achieved and average SEK 2,120/m² overall. The project is currently on time and budget and is expected to show a net yield on cost of around 8%.

Another future project under consideration is at Bergvik, outside Karlstad. This regional centre with over eight million annual visitors has a catchment and tenant demand that could support a much larger gallery than the existing 13,750m². A masterplan for an extension of around 10,000m² is currently under consideration but will need the prior agreement of the adjoining ICA and COOP hypermarkets before the scheme is presented to the municipality.

A light refurbishment (less than €2 million) at Mellby Center, south of Halmstad on Sweden's popular west coast, is potentially more imminent following the agreement, in principle, to improved lease terms with the main anchors ICA, Lindex and KappAhl.

Outlook

With a steadily improving economy and increasing turnover, the outlook is for positive rental growth over the next 12 months. This realistic expectation is supported by very low existing rent to turnover ratios in Eurocommercial's centres which helped keep vacancies and arrears to an absolute minimum during the recession and now present a sound basis for some positive, albeit initially modest, rental growth going forward.

We will continue to focus on profitable extensions and refurbishments of the existing portfolio but will also selectively investigate new investment opportunities, particularly those where income and tenant mix can be improved and where the team's project skills can be utilised.

Sweden: 1

Burlöv Center

Malmö (Skåne)

Burlöv is located in the Skåne region which has close ties to Denmark, even being part of the country at certain periods in history. The bond between the two countries remains strong, particularly with the new Öresund bridge linking Malmö with Copenhagen.

The centre is currently implementing a 7-step programme for improving energy efficiency in the common areas.

Property facts

Total lettable area	41,909m²
Retail/Gallery	28,046m²
Hyper (COOP Forum)	13,863m²
ECP Ownership	41,909m²
Value (€ million)	111.49
Occupancy	99%
Renewal profile 2010–2012	27%
Rental income (€ million)	7.14
Rental growth	–0.82%
Boutiques <300m² turnover/m² (€)	5,770
Turnover growth	–4.80%
Gallery occupancy cost ratio	8.60%
Visitors 2009/10	3.68m
Major tenants	COOP Forum, H&M, KappAhl, Lindex, Stadium, Systembolaget, Clas Ohlson, Plantagen

Sweden: 2

Bergvik

Karlstad (Värmland)

Located close to the Norwegian border, Bergvik attracts many customers from that country. The centre continues to be one of the best performing in Eurocommercial's portfolio and plans are underway for a major extension.

Bergvik uses a ground source heating system to power the climate control system, making it extremely energy efficient.

Property facts

Total lettable area	48,382m^2	Rental income (€ million)	3.65
Retail/Gallery	13,754m^2	Rental growth	0.98%
Hypers (ICA, COOP)	30,000m^2	Boutiques <300m^2 turnover/m^2 (€)	6,540
Retail boxes	4,400m^2	Turnover growth	2.70%
Offices	228m^2	Gallery occupancy cost ratio	7.40%
ECP Ownership	13,982m^2	Visitors 2009/10	8.63m
Value (€ million)	56.16	Major tenants	H&M, Stadium, Intersport, Lindex, KappAhl, JC
Occupancy	100%		
Renewal profile 2010–2012	34%		

Sweden: 3

Ingelsta Shopping

Norrköping (Östergötland)

The market-leading sports chain Stadium was founded in Norrköping and is still headquartered there. The recent major extension and refurbishment of the centre has been very successful with turnover in the gallery up by 94%.

As part of the redevelopment, Ingelsta Shopping, together with the municipality, co-operated on improving traffic, planted oak trees along the motorway and also upgraded the municipal road "Koppargatan".

Property facts

Total lettable area	39,126m²	Rental income (€ million)	5.87
Retail/Gallery	15,454m²	Rental growth	–2.30%
Retail park	14,091m²	Boutiques <300m² turnover/m² (€)	4,050
Hyper (ICA Maxi)	9,581m²	Gallery occupancy cost ratio	7.60%
ECP Ownership	39,126m²	Visitors 2009/10	2.61m
Value (€ million)	91.54	Major tenants	ICA Maxi, H&M, KappAhl, Stadium, Lindex, Intersport, Gina Tricot
Occupancy	100%		
Renewal profile 2010–2012	13%		

Sweden: 4

Elins Esplanad

Skövde (Västergötland)

The centre takes its name from Skövde's patron saint, Elin. The main employer in Skövde is Volvo. Skövde is also home to one of Sweden's most important military bases.

The 10,000m² extension completed in 2008 has significantly increased the centre's penetration with total turnover in the gallery up 31% year on year.

Property facts

Total lettable area	28,783m²
Retail/Gallery	17,994m²
Hyper (ICA Maxi)	10,039m²
Offices	750m²
ECP Ownership	28,783m²
Value (€ million)	65.93
Occupancy	100%
Renewal profile 2010–2012	7%
Rental income (€ million)	4.27
Rental growth	–1.64%
Boutiques <300m² turnover/m² (€)	4,820
Gallery occupancy cost ratio	7.90%
Visitors 2009/10	3.66m
Major tenants	ICA Maxi, KappAhl, Lindex, Siba, El Giganten, Clas Ohlson, H&M

Sweden: 5

Grand Samarkand

Växjö (Småland)

The new 18,400m² shopping centre Eurocommercial is building will be extremely energy efficient with district heating and, more unusually, environmentally friendly district cooling. Växjö has been named The Greenest City of Europe and has a very ambitious sustainability policy.

The new centre will play its part in this and will open in May 2011. Construction is currently on schedule and on budget and is expected to deliver a net return on cost of 8%. The centre is already 94% pre-let and the first phase of the project opened in August 2010.

Property facts

Total lettable area	Offices
33,973m²	1,327m²
Retail/Gallery	ECP Ownership
18,400m²	23,341m²
Retail park	Value (€ million)
3,614m²	54.06
Hyper (ICA Maxi)	Major tenants
10,632m²	H&M, KappAhl, New Yorker, Gina Tricot, Lindex, Esprit, Stadium, Deichmann

Sweden: 6

421

Göteborg (Västergötland)

Göteborg is home to Volvo and SKF. The Högsbo/Sisjön area, where 421 is located, is not only a very strong retail destination but also the largest employment area in Sweden. 421 is the postal code of the area.

The centre is an unusual but highly successful mix of retail park and shopping centre with one of the best performing ICA hypermarkets and the best performing electrical unit in Sweden. 421 sponsors the local hockey club and the goalkeeper sports the number 421 on his back.

Property facts

Total lettable area	33,372m²
Retail/Gallery	18,472m²
Hyper (ICA Maxi)	11,783m²
Offices	3,117m²
ECP Ownership	33,372m²
Value (€ million)	76.95
Occupancy	97%
Renewal profile 2010–2012	18%
Rental income (€ million)	4.54
Rental growth	–2.42%
Turnover growth	7.10%
Gallery occupancy cost ratio	10.10%
Visitors 2009/10	4.00m
Major tenants	ICA Maxi, MediaMarkt, H&M, KappAhl, Lindex, Dressmann, Intersport, Hemtex

Sweden: 7

Hälla Shopping

Västerås (Västmanland)

Västerås is the fifth largest city in Sweden with a major lake harbour, making it an important city for trade. Major retailers ICA and H&M were both founded in Västerås. The centre is part of a regional retail complex and adjoins a large ICA hypermarket.

Hälla was the first commercial building in Sweden to be approved for and to receive the latest type of energy performance certificate. The centre has two charging stations for electric cars in the car park.

Property facts

Total lettable area	20,152m²
Retail/Gallery	8,152m²
Hyper (ICA Maxi)	10,000m²
Other retail	2,000m²
ECP Ownership	10,152m²
Value (€ million)	30.97
Occupancy	100%
Renewal profile 2010–2012	21%
Rental income (€ million)	1.88
Rental growth	–1.13%
Boutiques <300m² turnover/m² (€)	6,340
Turnover growth	0.70%
Gallery occupancy cost ratio	7.50%
Visitors 2009/10	5.43m
Major tenants	H&M, Stadium, KappAhl, Lindex, Team Sportia, JC, OnOff

Sweden: 8

Mellby Center

Laholm (Halland)

Mellby has the longest beach in Sweden and the city's population doubles during the summer due to its attraction as a holiday resort.

A small extension and refurbishment of the centre is currently being planned, an artist's impression of which can be seen below.

Property facts

Total lettable area	11,284m²
Retail/Gallery	3,049m²
Hyper (ICA Maxi)	8,235m²
ECP Ownership	11,284m²
Value (€ million)	16.06
Occupancy	99%
Renewal profile 2010–2012	6%
Rental income (€ million)	1.19
Rental growth	–2.10%
Boutiques <300m² turnover/m² (€)	4,730
Turnover growth	–1.10%
Gallery occupancy cost ratio	5.60%
Visitors 2009/10	1.00m
Major tenants	ICA Maxi, KappAhl, Lindex, Dressmann

Sweden: 9

Kronan

Karlskrona (Blekinge)

Karlskrona is often called “mini Stockholm” as the city is located on a peninsula and spread over several small islands. It has a major port with an important naval presence and the city centre is a UNESCO world heritage site, with its elegant 17th century Italianate palaces and churches.

Kronan is a city centre gallery where changes to the tenant mix since purchase by Eurocommercial have significantly increased turnover and rents. Kronan provides a comprehensive recycling station for all tenants where everything from cardboard to batteries can be deposited.

Property facts

Total lettable area	7,089m²
Retail/Gallery	5,915m²
Offices	1,174m²
ECP Ownership	7,089m²
Value (€ million)	17.01
Occupancy	100%
Renewal profile 2010–2012	61%
Rental income (€ million)	1.35
Rental growth	2.13%
Boutiques <300m² turnover/m² (€)	4,490
Turnover growth	1.60%
Gallery occupancy cost ratio	7.70%
Visitors 2009/10	1.68m
Major tenants	Stadium, KappAhl, Gina Tricot, MQ, Brothers, Sisters, Jack & Jones, Esprit

Sweden: 10

Moraberg

Södertälje (Södermanland)

Södertälje, the wealthiest of Eurocommercial Sweden's catchment areas, is home to the headquarters of Scania trucks and the pharmaceutical company AstraZeneca. It is also the birthplace of the world famous tennis player Björn Borg.

The retail park is one of the most prominent in Sweden, being situated alongside the country's busiest motorway (E4/E20) south of Stockholm.

Property facts

Total lettable area	19,043m²	Rental income (€ million)	2.63
ECP Ownership	19,043m²	Rental growth	0.29%
Value (€ million)	41.10	Visitors 2009/10	1.50m
Occupancy	100%	Major tenants	OnOff, Siba, El Giganten, Rusta, Jysk, Plantagen, Intersport, Jula
Renewal profile 2010–2012	48%		

Corporate governance

In accordance with the Dutch Corporate Governance Code, a broad outline of the corporate governance structure of the Company is presented in this section including any departures from the Code's best practices. A detailed list of these best practice provisions can be found on the Company's website.

General Meeting of Shareholders

The General Meeting of Shareholders has core overriding powers on such matters as statutory changes, adoption of the annual accounts and profit appropriation. It has powers regarding the appointment, suspension, dismissal and remuneration of members of the Board of Management and the Supervisory Board.

The General Meeting of Shareholders is usually held in the first week of November each year. Holders of depositary receipts are entitled to attend and to vote at the meeting. Upon written request by shareholders and holders of depositary receipts who solely or jointly represent 10% of the issued capital, the Board of Management and the Supervisory Board shall be required to convene a General Meeting of Shareholders, the notice calling that meeting to specify the items to be considered. The secretary appointed for the meeting will take minutes of the proceedings at the meeting. The minutes will be signed by the Chairman of the meeting and by the secretary. In principle, the minutes will be published on the Company's website within three months after the meeting and copies of such minutes are available free of charge on request.

Supervisory Board

The Supervisory Board's primary task is to supervise the activities of the Company and to provide advice and guidance to the Board of Management. In pursuing these responsibilities, the Supervisory Board takes the interests of all stakeholders into account. Supervision focuses on the achievement of corporate goals and strategy. In addition, the Supervisory Board supervises the proper management of internal risk and execution of control structures, the property and financial reporting process, and legal and regulatory compliance. Finally, the Supervisory Board is involved in drawing up the remuneration policy of the Company and ratifies the individual remuneration of the Board of Management members according to the policy and remuneration proposals approved by the General Meeting of Shareholders.

The members of the Supervisory Board are appointed by the General Meeting of Shareholders from a binding nomination to be drawn up by the Meeting of Holders of Priority Shares. The General Meeting of Shareholders determines the remuneration of members of the Supervisory Board. The members of the Supervisory Board are independent of one another, the Board of Management and any particular interest. Pursuant to the Articles of Association, the Supervisory Directors retire under a rotation scheme. In view of the current size of the Supervisory Board (five members), each appointment will be made for a maximum period of four years. Any proposal for appointment or reappointment to the General Meeting of Shareholders shall be properly explained. In the case of a reappointment, account will be taken of the candidate's performance and functioning as a Supervisory Director. The rules and regulations of the Supervisory Board as from 2004 stipulate that the maximum term of office is 12 years, unless there are weighty reasons (for which explanations must be expressly given) to justify a longer term. A resolution by the General Meeting of Shareholders to dismiss or suspend a Supervisory Director can be passed with a simple majority of the votes cast, representing more than half of the issued capital.

The Supervisory Board has decided also to function as a whole as the Audit Committee, the Remuneration Committee and the Selection and Appointment Committee due to the size of the Company and the nature of its organisation and activities.

The Supervisory Board meets according to a fixed schedule of meetings and at least four times a year. Furthermore, there is a special meeting dedicated to a discussion – without the Board of Management being present – of the Supervisory Board's own functioning, the relationship to the Board of Management and the composition, assessment and remuneration of the Board of Management. The Supervisory Board profile with which the members of the Supervisory Board are expected to comply will be evaluated annually and, where necessary, revised.

In the year under review no business transactions took place in which conflicts of interest could have played a role. Any business transactions between the Company and the members of the Boards will be published in the Annual Report. The profile, rules and regulations of the Supervisory Board and the resignation rota for members of the Supervisory Board are published on the Company's website and are available free of charge on request.

Board of Management

The Board of Management is responsible for managing the Company and its subsidiaries. It is accountable for the pursuit and achievement of corporate goals and objectives of the Company and its subsidiaries, its strategy and policies. In addition to determining strategy and its implementation, the Board of Management should optimise risk management and control, financing and ensuring the Company and its subsidiaries comply with legal and other applicable regulatory requirements.

The members of the Board of Management are appointed by the General Meeting of Shareholders, from a binding nomination to be drawn up by the Meeting of Holders of Priority Shares. Managing Directors are appointed for a maximum renewable period of four years. The Board of Management's remuneration is determined in line with the policy set out in the remuneration report. The remuneration of the Board of Management will be submitted to the General Meeting of Shareholders for approval. In 2004 the Supervisory Board drew up a remuneration report, which is updated annually. The report is posted on the Company's website. A resolution by the General Meeting of Shareholders to dismiss or suspend a Managing Director can be passed with a simple majority of the votes cast, representing more than half of the issued capital. The amount of compensation that a member of the Board of Management may receive on termination of his employment may not exceed one year's salary.

Jeremy Lewis Chief Executive
The founding Director of the Company in 1991, Mr Lewis (65), by profession a Chartered Surveyor, has had more than 30 years international experience in the running of quoted property investment vehicles.

Evert Jan van Garderen Finance Director
Evert Jan van Garderen (48), a Netherlands national and graduate of Erasmus University Rotterdam, joined the Company in 1994. He is a qualified lawyer and chartered accountant.

Country heads

In addition to their general responsibilities, Peter Mills, Tom Newton and Tim Santini also oversee Eurocommercial's operations in France, Italy and Sweden on a day-to-day basis.

Peter Mills Director
Peter Mills (51) joined Eurocommercial in 1993 and is the Director responsible for the Company's property investment in Sweden. Prior to joining the Company, he worked for major international property consultants covering the UK and European retail markets in France and Italy. Peter Mills is a Chartered Surveyor having previously read Land Economy at Cambridge University.

Tom Newton Director
Having acquired experience in the property markets of UK, Australia and France, Tom Newton (52) joined Eurocommercial in 1992. Since then he has been involved in the acquisition programme in France and Italy and now has responsibility for the portfolio in France. Tom Newton has a degree in modern languages from Durham University and is a Chartered Surveyor.

Tim Santini Director
Tim Santini (44) joined Eurocommercial in 1994 and is the Director responsible for the Italian activities of the Company. Prior to joining Eurocommercial he was with the retail team of a major international property consultant in London working on projects in the United Kingdom and continental Europe. Tim Santini speaks French and Italian and is a Chartered Surveyor.

Hostile takeover defence

The mechanism for protecting the Company against hostile takeovers comprises the hundred priority shares which have been issued and are held by the Stichting Prioriteitsaandelen Eurocommercial Properties. The Board of Trustees of this foundation (stichting) currently comprises the Chairman of the Board of Management and an independent member. The determination of the number of Managing Directors and Supervisory Directors of the Company and the drawing up of a binding nomination for their appointment and the approval of the appropriation of income of the Company are the principal rights attached to the priority shares. The priority shares are in all other respects identical to the registered ordinary shares.

Under powers granted to it by the General Meeting of Shareholders for the period to 30 November 2012, the Meeting of Holders of Priority Shares is empowered to authorise the issue of new shares and the terms of issue, including the power to limit or exclude the pre-emptive rights of existing shareholders. *Mutatis mutandis* the same applies to the granting of rights to subscribe for shares.

External auditor

The external auditor is appointed by the General Meeting of Shareholders. The external auditor attends the meeting of the Supervisory Board and the Board of Management at which the annual and half year figures are discussed and adopted. The quarterly, half year and annual figures presented in press releases are discussed with the external auditor prior to publication. The annual accounts are audited by the external auditor and the half year accounts are subject to a limited review by the external auditor.

The General Meeting of Shareholders may question the external auditor about his report on the fairness of the annual accounts. The external auditor may address the meeting in respect of this matter.

Corporate governance best practice

After the publication of the Dutch Corporate Governance Code in December 2003 the Supervisory Board and the Board of Management discussed in detail the effect of the Code on the corporate governance structure of the Company. Various codes, rules and regulations for the Company and its subsidiaries were prepared and adopted.

The Company complied with all but four best practices of the Code and has amended its Articles of Association and Conditions of Administration to bring the corporate governance structure further in compliance with the Code. These amendments were tabled and approved at the Annual General Meeting of Shareholders held on 2 November 2004. All introduced or amended codes, rules and regulations have been posted on the Company's website.

On 10 December 2008 the Monitoring Committee Corporate Governance Code published its report including amendments to the Dutch Corporate Governance Code. The Company has obtained external advice about the implications of this amended Code on the corporate governance structure of the Company. This advice has been discussed in a dedicated extraordinary meeting with the Supervisory Board and the Board of Management held in April 2009. Following the advice and the meeting, various changes and additions have been made to the Company's codes, rules and regulations in order to comply with the amended Code. These documents have been posted on the Company's website.

The only principles and best practice provisions of the amended Code with which the Company does not fully comply or which require an explanation are:

Principle II.2 of the Code

The Netherlands Civil Code and the Articles of Association of the Company provide that the remuneration of the individual members of the Board of Management is determined and adopted by the General Meeting of Shareholders.

Provision II.2.3 of the Code

The remuneration of the Board of Management is not determined by reference to non-financial indicators due to the nature of the Company's business. The key indicator for remuneration is based on aligning the Board of Management with the interests of shareholders.

Provision IV.1.1 of the Code

The Netherlands Civil Code provides for the possibility to set aside binding nominations for the appointment of Directors by a shareholders' resolution passed by two-thirds of the votes cast representing more than half of the issued capital. The Company will maintain this system so that a substantial majority of shareholders and holders of depositary receipts decides these issues.

Provision IV.1.7 of the Code

The Netherlands Civil Code has been amended requiring the Company to use a record date for the exercise of voting rights. The Articles of Association of the Company will be amended accordingly.

Provision IV.3.1 of the Code

The Company conducts regular analyst conference calls at the time of results announcements, but does not consider it necessary to provide webcasts of its shareholders' meetings, which are already well attended.

Corporate governance continued

Provision IV.3.13 of the Code

The Company will take further advice on whether and how to implement an outline policy on one-to-one contact with its shareholders and will monitor how this best practice rule is applied by the sector in the near future. The Company is of the opinion that the current applicable law is clear and provides sufficient guidance about what is and what is not allowed in respect of price sensitive information.

Provision V.3.1 of the Code

Due to its size the Company will not appoint an internal auditor.

Corporate social responsibility

Shopping centres play a major role within the local community as places for people not only to shop in, but also to relax and interact with each other. The Company therefore strives to integrate itself as much as possible into its surrounding environment. The Company holds events in its centres to educate and entertain its visitors to enhance their enjoyment of the shopping centre facilities. The events are often held in conjunction with a local government body, charity or corporate sponsor to align it with a particular cause. Many of the Company's shopping centres also support local sports teams through sponsorship agreements. Further information regarding the CSR activities at each of the Company's properties can be found in the Property Portfolio sections of this report.

The Company is committed at both the corporate and operational level to minimising the impact of its business activities on the environment. Renewable energies (bio-gas, water, wind and geothermal) are used to a greater or lesser extent in all of the Swedish centres while in France and Italy photovoltaic panels are being considered for installation on a number of properties as part of ongoing maintenance and upgrade works. Several centres now have facilities to collect rainwater to use for irrigation and waste facilities. The newly extended Carosello centre in Italy has a 16,000m^2 grass roof which not only insulates the gallery and regulates the mall temperature thus reducing the need for air-conditioning, but also adds to the biodiversity of the area.

Recycling is carried out in all of the Company's retail properties, and in many instances customers can also bring their residential refuse to the shopping centres to be recycled. As the properties continue to be upgraded and extended, the Company's aim is to introduce more environmentally friendly materials and mechanisms to increase energy efficiency and minimise waste.

At the corporate level, the Company has installed a video conferencing system to reduce travel between its European offices which has proved very successful. In addition, the majority of offices now have recycling programmes in place.

The Company understands that its employees are its most important asset. The Company prides itself on being a good employer, which is epitomised in the lengthy average tenure of employment and very low personnel turnover.

Organisation and risk

Organisation

Eurocommercial has had offices in Amsterdam and London since inception, but the Company's focus on France, Italy and Sweden has necessitated the opening of offices in Paris, Milan and Stockholm.

The three senior Directors responsible for property have a regional management role as well as contributing their expertise to collective major investment decisions. Tom Newton is responsible for France, Tim Santini for Italy and Peter Mills for Sweden.

The Management Board and regional Directors keep the Supervisory Board of the Company fully informed of operations through formal managing reports and informal discussions as necessary.

Remuneration

The remuneration policy for Supervisory Directors and Managing Directors which has been applicable in previous years, has been continued. Supervisory Directors receive a fixed fee. Managing Directors may be entitled to cash bonuses in addition to their base salaries. These bonuses, like those of the senior managers, are entirely and directly linked to the annual growth in the Company's net asset value and dividend per share. This growth percentage, if any, is used to calculate the variable income as a percentage of base salary. Since 2000 a stock option plan has been in place for Managing Directors, regional Directors and certain staff of the Company. Under this scheme options may be granted from time to time, but these can only be exercised after three years have lapsed since the date of granting. The remuneration policy is set out in the remuneration report posted on the Company's website. A summary of the remuneration report is included in the report of the Board of Supervisory Board on page 60.

Internal risk management and control systems

The Company has clearly identified its risks comprising strategic risks, operational risks, financial risks, reporting risks and compliance risks.

The strategic risks mainly concern the property sector and country allocation as well as timing of investments and divestments and the leverage used. Operational risks include asset and tenant selection, performance by suppliers, third parties and the Company's organisation and systems but also the technical condition of the properties and risks related to taxation. Financial risks comprise interest rate and currency risk as well as refinancing risk. The Company operates a comprehensive insurance programme for those risks which can be effectively and efficiently insured.

The Company has appropriate internal risk management and control systems. Key elements of the internal control systems are a management structure designed to enable effective and collegiate decision-making, monthly review of important indicators, such as turnovers in shopping centres, rent collection, vacancy, arrears and doubtful debtors and weekly meetings between the Board of Management and area directors to review each country's performance against budgets and long term financial plans. Detailed procedures and responsibilities for the various country teams as well as for the segregation of duties and authorisation structures have been implemented and maintained. Strict procedures are also observed for the periodic drawing up of monthly, quarterly and annual figures on the basis of the adopted policies. The internal management reporting system is designed to directly identify developments in the value of investments and in income and expenses. For this purpose use is made of electronic data processing within automated, integrated central information systems. There is a back up and recovery plan in place, so that data can be restored.

Due to its size the Company has no internal audit department. The Supervisory Board discusses the external auditors' findings on the Company's internal control environment with the Board of Management and the external auditors. The Supervisory Board supervises the internal control frame work and procedures and the assessment of risks facing the Company and its subsidiaries.

Risk management policies

The Company has a long term investment horizon and carefully monitors its exposure to risks deriving from its investment policies. Established controls are in place covering the implementation of its policies and the monitoring of the related results and implications. Policies, guidelines, reporting systems and segregation of duties have been issued and are currently in place to enable the above mentioned controls.

The Company's management structure and corporate strategy is designed to maximise shareholder value while minimising risk.

All major property decisions are discussed and reviewed at regular meetings of the Property Committee attended by the Chief Executive, the heads of the French, Italian and Swedish businesses, their deputies and the Group Economist. The Committee reviews the item – be it an acquisition, renovation project, property management, leasing, extension/refurbishment or divestment – against a number of key criteria including financial implications, strategic fit and impact it will have on the rest of the Company. The Board of Management will normally act upon the recommendations of the Property Committee.

Additional controls have been put in place to identify and minimise risk through assigning responsibilities to certain individuals and regularly reviewing procedures.

Strategic risk

Country and sector weighting of assets

The Company invests in a relatively predictable real estate sector (retail) and relatively wealthy and stable economies (France, northern Italy and Sweden) to minimise economic and political risk. By limiting the number and types of sectors and countries in which the Company operates, management can maintain a high level of understanding and insight into how the assets perform, which in turn reduces risk. However, the diversification achieved by investing in these countries, both in provincial and major cities, reduces risk further, as well as the spread among a large number of tenants, with a relatively small exposure to any one single tenant (largest exposure to one single tenant is 4.3% of total portfolio rent).

Timing of investments and divestments

Timing is of fundamental importance in all investments and management will take into account the broadest possible parameters, whether economic, political or fiscal.

The Group Economist maintains a detailed database on the regions in which the Company is invested or those areas in which it is considering making an investment. Every effort is made to research the demographics and economics of these areas to evaluate suitable timings for an acquisition, extension or divestment. The management structure is such that timely and efficient decisions can be made on the basis of information provided. The Company's property experts' detailed knowledge of relevant international property markets in which they have operated for many years also provides experience to help avoid serious errors. Data such as monthly turnovers of retailers, vacancies, arrears and doubtful debtors are also regularly reviewed to assist in decision-making.

Operational risk

Asset selection

The Company seeks to minimise risks by investing in properties where rents can survive a downturn in consumer spending and at a yield that provides an adequate return in light of financing costs. Management conducts thorough due diligence on assets before an acquisition is made, assisted by external parties including property consultants, lawyers, surveyors, tax advisers and accountants.

Tenant selection and credit risk

The creditworthiness of tenants is researched thoroughly, and bank guarantees or deposits are always required in France and Italy but not in Sweden where this is not market practice. Property performance is reviewed by analysing monthly turnover numbers, vacancies and arrears. Such information allows the management team to make prompt judgements about how a tenant is performing and its impact on the performance of the rest of the centre. The credit risk associated with lease debtors is determined through a detailed analysis of the tenant's outstanding debt. The credit risk has also been reduced by investing in mature markets and by choosing major tenants on the basis of their financial strength.

Technical condition of properties

A technical director in each country, in conjunction with local centre managers, is responsible for the regular review and maintenance of the technical conditions of individual properties. Maintenance is carried out on a regular basis and the Company is insured against property damage and consequent loss of income that may arise from such events. Checks are regularly made to review security, fire, health and safety issues within each property.

Property extension/redevelopment risk

Extensions and redevelopments will only proceed if planning consent has been received, the financing is arranged, the majority of the project is pre-let and other commitments have been received from anchor tenants. The Company is always guided and advised by an external project team but also employs in-house specialists. The building works are outsourced to a contractor with a sound reputation. During the works the Company takes out additional property and liability insurance policies.

Financial risk

Credit risk

The Company minimises the risks related to the possible defaults of its counterparties by dealing with about 20 major financial institutions for all its borrowings, interest rate swaps, foreign exchange contracts and deposits. The counterparty risk associated with these transactions is limited to the cost of replacing these agreements at the current market rate should an event of default occur. The Company, however, considers the risk of incurring losses as a result of default remote.

Organisation and risk continued

Interest rate risk

As the Company's policy is to have long term investments, the borrowings used for funding them are also long term (preferably for ten years or more). The Company uses interest rate swaps and other financial instruments to manage its interest rate risk. It is Company policy to operate a defensive interest rate hedging policy to protect the Company against increases in interest rates. The Company is hedged at an average interest rate of 4% and only 18% of the existing loans are at a floating rate. An increase in interest rates of 1% would therefore only have a limited negative impact of an additional annual interest expense of €1.96 million, or 2.80% of reported direct investment result.

Liquidity risk

In order to reduce liquidity risk the Company has adopted a strategy of spreading the debt maturity profile of its borrowings and the relative repayment dates. Moreover, the Company has at its disposal flexible long term borrowings (which allow no penalty repayments and re-drawing of funds up to agreed amounts) and short term committed and uncommitted lines.

An analysis of the risk related to the fluctuation of the fair value of future cash flows of financial instruments because of changes in market prices is provided in note 18 (derivative financial instruments) of the consolidated financial statements.

Currency risk

The only significant foreign currency exposure for the Company is its exposure to the Swedish property markets. However, due to SEK loan facilities with major banks and currency swaps *(if applicable)*, a hedging of the foreign currency is achieved up to 47%. The remaining exposure is relatively limited compared to the total size of the portfolio and will in principle not be hedged. Net SEK income may also be hedged from time to time by using defensive currency derivatives. A weakening of this currency by 5% would result, for example, in a decrease of shareholders' equity of only 1.2% of reported net asset value and in a decrease of only 1.2% of reported direct investment result.

Reporting risk

The Company draws up an annual budget by country and individual asset, which is compared on a monthly basis with actual results. Furthermore, budgets for capital expenditure and liquidity forecasts are prepared. Quarterly figures are discussed with the external auditor prior to publication and then published to the market in the form of a press release. The annual accounts are audited by the external auditor and the half year accounts are subject to a limited review by the external auditor.

Compliance risk

At the corporate level the Company complies with the Netherlands Corporate Governance Code and the Netherlands Act on Financial Supervision. All employees are made aware of the regulations and procedures are put in place to ensure that employees comply with the rules. The Company has an internal code of conduct and a whistleblower's code which all employees are required to read, understand and adhere to. The country directors are also responsible for complying with local laws and regulations.

In control statement

Pursuant to the Netherlands Act on Financial Supervision (Wet financieel toezicht) and the Decree on the supervision of the conduct of financial undertakings (Besluit gedragstoezicht financiële ondernemingen) the Company states that it has a description of the organisation of its business operations (Administrative Organisation and Internal Control) which meets the specifications as laid down in the Act and the Decree. During the financial year 2009/2010 the Company has evaluated various aspects of the Company's Administrative Organisation and Internal Control and found nothing to indicate that the description of the structure of the Company's Administrative Organisation and Internal Control does not meet the requirements as included in the Decree and related legislation. Also, there have been no indications during the financial year 2009/2010 that the Company's Administrative Organisation and Internal Control were ineffective and did not function in accordance with the description. The Company therefore states with a reasonable level of assurance that the organisation of its business operations functioned effectively and in accordance with the description. It is not expected that during the current financial year a major change will be made to the design of the Company's Administrative Organisation and Internal Control.

Given the nature and size of the Company and its operations, inherent internal control limitations exist including limited possibilities to segregate duties, disproportionate control costs versus benefits, catastrophe and collusion risk, etc. Absolute assurance cannot be provided as a result of these inherent limitations.

The Board of Management believes that the design of the internal controls for financial reporting provide a reasonable level of assurance (i) to prevent material inaccuracies in the financial statements of the Company for the financial year 2009/2010, as included in this Annual Report, and (ii) that the risk management and control systems as described above worked properly in the financial year 2009/2010 and there are no indications that this will not continue to be so in the current financial year.

Insurance

The Company is fully insured against property damage and liability and consequent loss of income for the period during which the property is rebuilt and relet. Terrorism, flooding and earthquake cover is limited by current market conditions, but the Company believes it has achieved a reasonable balance of risk cover and premium costs. On an annual basis its insurance programme has been benchmarked against its peer groups.

Permit

The Company has been granted a permit under the Netherlands Act on Financial Supervision by the Netherlands Authority for the Financial Markets on 7 July 2006.

Taxation

As a tax exempt quoted Netherlands-based investment institution, all investment income, whatever its source, is tax free at the corporate level if it is distributed to shareholders. The Company is also tax exempt in France as a SIIC (société d'investissements immobiliers cotée). In Italy and Sweden the Company takes appropriate steps to minimise the amount of tax paid.

International Financial Reporting Standards (IFRS)

In accordance with the European and national rules and regulations the Company has drawn up its financial statements for the financial year ending 30 June 2010 based on IFRS.

The IFRS result after taxation (total investment result) for the financial year ended 30 June 2010 increased to a positive amount of €93.7 million compared with a negative amount of €180.7 million for the financial year ended 30 June 2009. The IFRS result after taxation includes contributions from unrealised movements in property values as well as contingent nominal capital gains taxes and also includes fair value movements in derivatives. The IFRS result before taxation for the financial year ended 30 June 2010 amounted to €50.8 million, but due to a significant movement in the deferred tax liabilities for an amount of €42.9 million, the after tax result increased to €93.7 million.

However, the Company has also chosen to continue presenting next to the IFRS result, the direct investment result and the indirect investment result, which it believes is an important distinction as the direct investment result represents in the view of the Board the continuing underlying earnings better than the IFRS result figure, which includes unrealised "capital" movements.

The IFRS net asset value is net of contingent nominal capital gains taxes and the fair value of derivatives. The IFRS net asset value at 30 June 2010 was €30.13 per depositary receipt compared with €28.82 at 30 June 2009. The Board regards as unrealistic the IFRS requirement to deduct the entire theoretical contingent capital gains tax (CGT) liability of €48 million, when calculating net asset value. Under current circumstances in the only two markets where CGT would be payable by the Company, Italy and Sweden, the majority of larger property transactions are made through the sale of the owning corporate entity and purchasers accept a major part of the potential CGT liability.

Amsterdam, 25 August 2010

Board of Management
J.P. Lewis, Chairman
E.J. van Garderen

Responsibility statement

With reference to the EU Transparency Directive and the Act on Financial Supervision we hereby state to the best of our knowledge that the financial statements for the financial year ended 30 June 2010, give a true and fair view of the assets, liabilities, financial position and results of the Group, and that the management report of the Board of Management includes a fair review of the development and performance of the business during the financial year and the position of the Group at the balance sheet date, together with a description of the principal risks associated with the Group.

Amsterdam, 25 August 2010

Board of Management
J.P. Lewis, Chairman
E.J. van Garderen

Board of Supervisory Directors
W.G. van Hassel, Chairman
H.W. Bolland
P.W. Haasbroek
J.C. Pollock
A.E. Teeuw

Report of the Board of Supervisory Directors

To the General Meeting of Shareholders

Financial statements

We are pleased to present the Annual Report of Eurocommercial Properties N.V. for the financial year ending 30 June 2010, as drawn up by the Board of Management. The auditors, Ernst & Young, have examined the financial statements and will issue an unqualified report thereon. We recommend that you adopt the financial statements.

Dividend proposal

We support the proposal of the Board of Management to distribute a cash dividend of €1.82 per depositary receipt (ten ordinary shares) for the financial year ending 30 June 2010. We also support the offer, at the option of the holders of depositary receipts, of a scrip issue to be charged to the share premium reserve as an alternative to the cash dividend.

Activities

During the year under review there were four meetings of the Supervisory Board which were also attended by the members of the Board of Management. In addition to those meetings there was regular contact between the Supervisory Board members and the members of the Board of Management. During the year the Chairman of the Supervisory Board attended several meetings of the Property Committee to observe the in-depth detailed property management and investment discussions. In November 2009 Mr J.C. Pollock was reappointed as a member of the Supervisory Board at the Annual General Meeting.

Amongst the topics discussed were strategy and risk, property and financial markets, management and financial accounts, funding, currency and dividend policy, the system of internal controls, remuneration levels and systems and corporate governance. In particular the changes in property markets, valuations and rents, but also the Company's bank loans and bank covenants were discussed in great detail and monitored during the year. The Supervisory Board fully supported the investment and funding policy of the Board of Management, in particular the equity raising in November 2009. Furthermore, the contents of press releases, the annual report, the interim report and the quarterly reports were discussed. In May 2010 a meeting was held in the Milan office, which meeting was combined with a visit of the extended shopping centre Carosello, one of the largest investments of the Company in Italy.

The Supervisory Board is kept informed of activities and financial performance through monthly management accounts with detailed analysis of rental income, company expenses and investment developments. The Supervisory Board also met in the absence of the Board of Management to discuss its own functioning and that of the Board of Management. In addition, the profile of members of the Supervisory Board was discussed and no changes were made. None of the members of the Supervisory Board was frequently absent. There have been no matters of conflict of interests.

Corporate governance

In accordance with the recommendations of the Dutch Corporate Governance Committee, a broad outline of the corporate governance structure of the Company is presented in the Report of the Board of Management. In this report the Company reviews various corporate governance items in compliance with the Committee's recommendations.

The Supervisory Board as a whole also functions as the Audit Committee and had two meetings with the auditors of the Company as well as one meeting with the auditors of the Company in the absence of the Board of Management. The Audit Committee reviewed the need for an internal audit function and concluded again that this is not necessary due to the size of the Company. The Supervisory Board as a whole also functions as the Remuneration Committee. Remuneration was discussed in two meetings on the basis of an updated external benchmark report and the draft updated remuneration report. The final 2009/2010 remuneration report will be posted on the website of the Company when the Annual Report is published. The Supervisory Board as a whole also functions as the Selection and Appointment Committee, which discussed the proposed reappointment of two members of the Supervisory Board in the Annual General Meeting to be held in November 2010.

Summary remuneration report

The purpose of our remuneration policy is to attract, motivate and retain qualified executives and staff who will contribute to the success of the Company. The remuneration policy aims to reward management and key staff for their contribution to the performance of the Company and its subsidiaries. The Supervisory Board proposes the remuneration policy, and any material adjustments to it, to the Annual General Meeting of Shareholders based on recommendations of the Board of Management. The Supervisory Board recommends decisions on all aspects of the remuneration of the members of the Board of Management, within the scope of the remuneration policy, to the Annual General Meeting of Shareholders. The Annual General Meeting of Shareholders is invited to approve both the remuneration policy and the remuneration of the members of the Board of Management.

At the end of each financial year, the Supervisory Board reviews and discusses the remuneration of the members of the Board of Management. The level of remuneration for the members of the Board of Management reflects the differences in responsibilities of the Board members as well as their individual performance. The benchmark for remuneration of the Board of Management is based on an independent survey of the remuneration for Directors of international real estate companies with comparable positions, determined by the size and complexity of the organisation and the responsibilities of the Board members.

The Company's remuneration package for employees and members of the Board of Management comprises the following elements:

- base salary – total annual gross fixed income including holiday allowance;
- short term variable annual performance-related gross cash bonuses;
- long term incentives through a stock option plan;
- pension and other benefits.

Variable cash bonuses may be granted each year in addition to the base salary. Variable cash bonuses for executives and members of the Board of Management are entirely and directly linked to the annual growth in the Company's net asset value and dividend per share. There is no minimum guaranteed bonus and variable cash bonuses are capped. There are also claw back possibilities for the Company. Only one member of the Board of Management has joined a pension scheme. This scheme is a defined contribution scheme with current annual premiums being capped.

Supervisory Directors only receive a fixed fee.

The remuneration policy for Supervisory Directors and Managing Directors has been continued during the year under review. Following a benchmark study it is proposed for the next financial year to increase the remuneration of the Supervisory Directors by €2,000 to €30,000 for each member and to €40,000 for the Chairman and to increase the base salaries of the members of the Board of Management by 5 per cent after having been left unchanged for the past two years. The Annual General Meeting of Shareholders is invited to approve the proposed remuneration of the members of the Supervisory Board and the members of the Board of Management.

Profile and composition of the Supervisory Board

All members of the Supervisory Board are independent. The profile, role and responsibilities of the Supervisory Board are laid down in specific rules and regulations which are available for inspection at the Company's office and placed on the Company's website.

At 30 June 2010 the Supervisory Board was composed as follows:

1. Mr W.G. van Hassel (63), Chairman, of Dutch nationality, member of the Supervisory Board since 1997, was reappointed in 2006 for a period of four years. He is a former partner and chairman of a major Dutch law firm and former Dean of The Dutch Bar Association. He is a member of the following supervisory boards:

Aan de Stegge Verenigde Bedrijven B.V. (Chairman)
Box Consultants B.V. (Chairman)
Stichting HW Wonen (Chairman)

2. Mr H.W. Bolland (64), of British nationality, member of the Supervisory Board since 1998, was reappointed in 2008 for a period of four years. He was Vice Chairman of Schroder Investment Management Limited of London. He is a member of the following boards:

Alliance Trust plc
Fidelity Asian Values plc
JP Morgan Indian Investment Trust plc

3. Mr P.W. Haasbroek (62), of Dutch nationality, was appointed as a member of the Supervisory Board in 2008 for a period of four years. He is a former Director Real Estate Europe of PGGM, the manager of the Dutch pension fund for the healthcare sector. He worked for more than 25 years in the international property investment markets until he retired in 2007. He is a member of the following board:

Foncière Paris France S.A.

4. Mr J.C. Pollock (70), of British nationality, member of the Supervisory Board since 2005, was reappointed in 2009 for a period of four years. He is a former partner of Ernst & Young and worked for many years as a certified public accountant in the international practice. He was the auditor of the Company until 1999.

5. Mr A.E. Teeuw (64), of Dutch nationality, was appointed as a member of the Supervisory Board in 2006 for a period of four years. He is a former Chief Executive Officer of the listed financial institution Binck Bank N.V. of Amsterdam and a former Managing Director of Barclays Bank plc. Mr Teeuw worked for more than 30 years as an international banker until he retired at the end of 2005. He is a member of the following supervisory boards:

RDC Group B.V. (Chairman)
HiQ Invest B.V.

At the Annual General Meeting of Shareholders held on 3 November 2009, Mr J.C. Pollock was reappointed for a period of four years.

At the forthcoming Annual General Meeting of Shareholders to be held on 2 November 2010, Mr W.G. van Hassel and Mr A.E. Teeuw are proposed for reappointment for a period of four years.

Rotation scheme

Under a rota devised by the Supervisory Board, each Director will retire by rotation every four years. This rotation scheme for the next few years is as follows:

2012: Mr H.W. Bolland, Mr P.W. Haasbroek

Members of the Supervisory Board will resign in the Annual General Meeting of Shareholders held after the end of the financial year in which they reach the age of 75.

Staff

We would like to take this opportunity to express our gratitude to the Board of Management and all staff for their efforts during the year.

Amsterdam, 25 August 2010

Board of Supervisory Directors

W.G. van Hassel, Chairman
H.W. Bolland
P.W. Haasbroek
J.C. Pollock
A.E. Teeuw

1


2


3


4


5


Ten year financial summary

Key financial information (consolidated)

For the financial year ended	30/06/2001 €'000	30/06/2002 €'000	30/06/2003 €'000	30/06/2004 €'000	30/06/2005 €'000	30/06/2006 €'000	30/06/2007 €'000	30/06/2008 €'000	30/06/2009 €'000	30/06/2010 €'000
	Neth GAAP	Neth GAAP	Neth GAAP	Neth GAAP	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
Profit and loss account										
Net property income	56,775	65,882	66,341	76,527	80,784	87,215	95,830	110,033	114,380	120,472
Net financing expenses	(19,227)	(23,986)	(20,519)	(23,154)	(24,631)	(23,477)	(28,944)	(38,117)	(40,822)	(41,862)
Company expenses	(6,247)	(6,961)	(5,940)	(6,986)	(6,738)	(7,671)	(8,243)	(9,114)	(8,510)	(8,611)
Direct investment result	31,284	34,542	39,563	44,872	49,340	56,087	58,653	62,802	65,048	69,999
Indirect investment result	26,576	40,162	13,704	17,666	64,613	177,840	200,819	47,484	(245,753)	23,741
Result after taxation	57,860	74,704	53,267	62,538	113,953	233,927	259,472	110,286	(180,705)	93,740
Balance sheet										
Total assets	1,060,959	1,216,662	1,254,015	1,416,811	1,597,042	1,891,430	2,267,934	2,528,936	2,172,037	2,505,718
Property investments	1,013,753	1,041,545	1,110,356	1,306,304	1,498,081	1,782,338	2,197,070	2,446,615	2,136,750	2,359,574
Cash and deposits	22,016	156,628	122,293	84,070	73,011	76,581	18,044	13,796	7,827	116,218
Borrowings	463,729	512,004	507,567	590,367	566,191	643,537	798,302	970,249	913,186	1,017,841
Shareholders' equity	533,088	631,277	659,224	707,424	828,144	1,037,679	1,242,118	1,300,981	1,033,080	1,214,323
Number of depositary receipts representing shares in issue after deduction of depositary receipts bought back, if any, at balance sheet date	25,544,853	28,572,841	29,263,103	30,540,500	34,462,476	35,277,619	35,277,619	35,727,332	35,840,442	40,304,266
Average number of depositary receipts representing shares in issue	24,943,097	26,073,611	28,977,543	29,937,616	31,589,214	34,938,162	35,277,619	35,554,261	35,797,301	38,543,725
Per depositary receipt (€)										
Net asset value	20.87	22.09	22.53	23.16	24.03	29.41	35.21	36.41	28.82	30.13
Direct investment result	1.25	1.32	1.37	1.50	1.56	1.61	1.66	1.77	1.82	1.82
Indirect investment result	1.07	1.54	0.47	0.59	2.05	5.09	5.69	1.34	(6.87)	0.61
Dividend	1.33	1.40	1.43	1.50	1.55	1.60	1.67	1.75	1.78	1.82
Property information										
Sector spread (%)										
Retail	77	84	85	88	90	91	92	93	100	100
Office	19	12	11	9	7	7	6	5	0	0
Warehouse	4	4	4	3	3	2	2	2	0	0
	100	100	100	100	100	100	100	100	100	100
Stock market prices										
Last sale at the end of June on NYSE Euronext Amsterdam (€; depositary receipts)	18.85	19.10	21.55	24.95	30.10	29.96	38.32	30.27	21.95	26.25

Note

The Company's shares are listed in the form of bearer depositary receipts on NYSE Euronext Amsterdam (the Amsterdam Stock Exchange) and NYSE Euronext Paris (the Paris Stock Exchange). One bearer depositary receipt represents ten ordinary registered shares.

The calculation of the direct and indirect investment results per depositary receipt is based on the weighted average of the number of depositary receipts representing the ordinary shares in issue over the year. This allows for the fact that, although payment for newly issued shares was made during the respective financial year, they ranked for dividend from the start of the respective financial year.

Consolidated direct, indirect and total investment result*

	Note	2009/2010 €'000	2008/2009 €'000
Rental income	4	140,855	134,235
Service charges income	4	22,229	21,108
Service charges expenses		(25,233)	(24,236)
Property expenses	5	(17,379)	(16,727)
Net property income	2	120,472	114,380
Interest income	7	57	405
Interest expenses	7	(41,919)	(41,227)
Net financing expenses	7	(41,862)	(40,822)
Company expenses**	8	(8,611)	(8,510)
Direct investment result before taxation		69,999	65,048
Corporate income tax	11	0	0
Direct investment result		69,999	65,048
Disposal of investment properties		(320)	(314)
Investment revaluation	6	26,624	(208,062)
Fair value movement derivative financial instruments	7	(42,874)	(86,686)
Investment and company expenses**	8/10	(2,644)	(1,206)
Indirect investment result before taxation		(19,214)	(296,268)
Deferred tax	11	42,955	50,515
Indirect investment result		23,741	(245,753)
Total investment result		93,740	(180,705)
Per depositary receipt (€)			
Direct investment result		1.82	1.82
Indirect investment result		0.61	(6.87)
Total investment result		2.43	(5.05)

* This statement contains additional information which is not part of the primary statements and not obligatory under IFRS.

**The unrealised movement in the provision of pensions €762,000 negative (2008/2009: €52,000 positive) is restated for the financial year ended 30 June 2010 as part of the indirect investment result. The comparative figures have been amended accordingly.

Consolidated profit and loss account

	Note	2009/2010 €'000	2008/2009 €'000
Rental income	4	140,855	134,235
Service charges income	4	22,229	21,108
Service charges expenses		(25,233)	(24,236)
Property expenses	5	(17,379)	(16,727)
Net property income	2	120,472	114,380
Disposal of investment properties		(320)	(314)
Investment revaluation	6	26,624	(208,062)
Interest income	7	57	405
Interest expenses	7	(41,919)	(41,227)
Fair value movement derivative financial instruments	7	(42,874)	(86,686)
Net financing cost	7	(84,736)	(127,508)
Company expenses	8	(9,373)	(8,458)
Investment expenses	10	(1,882)	(1,258)
Result before taxation		50,785	(231,220)
Corporate income tax	11	0	0
Deferred tax	11	42,955	50,515
Result after taxation		93,740	(180,705)
Per depositary receipt (€)			
Result after taxation	24	2.43	(5.05)
Diluted result after taxation	24	2.38	(5.05)

Consolidated balance sheet

	Note	30/06/10 €'000	30/06/09 €'000
Property investments	12	2,356,074	2,125,050
Property investments under development	12	3,500	11,700
Tangible fixed assets	13	1,364	1,568
Receivables	14	1,113	1,448
Derivative financial instruments	18	1,479	1,043
Total non-current assets		2,363,530	2,140,809
Receivables	14	25,970	23,401
Cash and deposits	15	116,218	7,827
Total current assets		142,188	31,228
Total assets		2,505,718	2,172,037
Creditors	16	54,222	63,742
Borrowings	17	142,190	55,845
Total current liabilities		196,412	119,587
Creditors	16	10,721	10,042
Borrowings	17	929,651	857,341
Derivative financial instruments	18	105,156	60,647
Deferred tax liabilities	19	48,229	90,895
Provision for pensions	20	1,226	445
Total non-current liabilities		1,094,983	1,019,370
Total liabilities		1,291,395	1,138,957
Net assets		1,214,323	1,033,080
Equity Eurocommercial Properties shareholders			
Issued share capital	21	202,167	179,859
Share premium reserve	22	399,905	324,782
Other reserves	23	518,511	709,144
Undistributed income		93,740	(180,705)
Net assets		1,214,323	1,033,080
Number of depositary receipts representing shares in issue after deduction of depositary receipts bought back		40,304,266	35,840,442
Net asset value – € per depositary receipt		30.13	28.82

Consolidated cash flow statement

	Note	2009/2010 €'000	2008/2009 €'000
Cash flow from operating activities			
Result after taxation		93,740	(180,705)
Adjustments:			
Increase/decrease in receivables		(2,159)	11,817
Decrease in creditors		(1,300)	(5,055)
Interest income	7	(57)	(405)
Interest expenses	7	41,919	41,227
Movement stock options	22	885	977
Investment revaluation	6	(29,366)	209,828
Property sale result		320	314
Derivative financial instruments	7/18	42,874	86,686
Deferred tax	11	(42,955)	(50,515)
Other movements		1,316	84
Cash flow from operations		105,217	114,253
Capital gains tax	11	(5,201)	(8,106)
Derivative financial instruments	7	(92)	7
Borrowing costs		(822)	234
Interest paid		(42,969)	(42,953)
Interest received	7	57	405
		56,190	63,840
Cash flow from investing activities			
Property acquisitions	12	(98,934)	(14,960)
Capital expenditure	12	(42,658)	(100,646)
Property sale		3,320	134,239
Additions to tangible fixed assets	13	(428)	(751)
		(138,700)	17,882
Cash flow from financing activities			
Proceeds issued shares	21/22	96,545	0
Borrowings added	17	240,671	203,062
Repayment of borrowings	17	(110,739)	(230,350)
Dividends paid	22/23	(37,534)	(59,016)
Stock options exercised	23	55	489
Decrease/increase in non-current creditors		966	(674)
		189,964	(86,489)
Net cash flow		107,454	(4,767)
Currency differences on cash and deposits		937	(1,202)
Increase/decrease in cash and deposits	15	108,391	(5,969)
Cash and deposits at beginning of year	15	7,827	13,796
Cash and deposits at end of year	15	116,218	7,827

Consolidated statement of comprehensive income

	30/06/10 €'000	30/06/09 €'000
Result after taxation	93,740	(180,705)
Foreign currency translation differences	27,492	(29,646)
Total other comprehensive income	27,492	(29,646)
Total comprehensive income	121,232	(210,351)

Consolidated statement of changes in shareholders' equity

The movements in shareholders' equity in the financial year ended 30 June 2010 and in the previous financial year were:

	Issued share capital 2010 €'000	Issued share capital 2009 €'000	Share premium reserve 2010 €'000	Share premium reserve 2009 €'000	Other reserves 2010 €'000	Other reserves 2009 €'000	Undis-tributed income 2010 €'000	Undis-tributed income 2009 €'000	Total 2010 €'000	Total 2009 €'000
30/06/09 30/06/08	179,859	179,394	324,782	324,278	709,144	687,023	(180,705)	110,286	1,033,080	1,300,981
Result after taxation							93,740	(180,705)	93,740	(180,705)
Other comprehensive income					27,492	(29,646)			27,492	(29,646)
Total comprehensive income					27,492	(29,646)	93,740	(180,705)	121,232	(210,351)
Issued shares	22,308	465	74,297	(465)					96,605	0
Result previous financial year					(180,705)	51,278	180,705	(51,278)	0	0
Dividends paid			(59)	(8)	(37,475)			(59,008)	(37,534)	(59,016)
Stock options exercised					55	489			55	489
Stock options granted			885	977					885	977
30/06/10 30/06/09	202,167	179,859	399,905	324,782	518,511	709,144	93,740	(180,705)	1,214,323	1,033,080

Notes to the consolidated financial statements

1. Principal accounting policies

General

Eurocommercial Properties N.V. (the Company) domiciled in Amsterdam, The Netherlands, is a closed end property investment company. The consolidated financial statements of the Company for the financial year starting 1 July 2009 and ending 30 June 2010 comprise the Company and its subsidiaries (together referred to as the "Group").

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS) as per 30 June 2010.

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 July 2010 or later. The Group has decided not to adopt immediately such standards, amendments and interpretations. Standards that are mandatory for the Group's accounting periods beginning on or after 1 July 2009 are adopted as such by the Group. Additional disclosure on new standards, amendments and interpretations and the relating effect on the financial statements, if significant and applicable to the Company, have been disclosed in note 1.

(b) Basis of preparation

The financial statements are presented in euros, rounded to the nearest thousand euros unless stated otherwise. They are prepared on the historical cost basis except for the following assets and liabilities which are stated at fair value: property investments, property investments under development, derivative financial instruments and non-current creditors. Borrowings are stated at amortised costs.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimates are revised if the revisions affect only that period, or in the year of the revisions and future periods if the revisions affect both current and future periods.

The profit and loss account included in the Company financial statements is presented in abbreviated form in accordance with Article 2:402 of the Netherlands Civil Code.

(c) Change in accounting policies and reclassifications

As from 1 July 2009 the Company and its subsidiaries adopted IFRS 8 "Operating Segments" and the amended or revised IAS 1 "Presentation of Financial Statements", IAS 23 "Borrowing Costs", IAS 40 "Investment Property" and IFRS 7 "Financial Instruments".

IFRS 8: This new standard follows the "management approach" for defining operating segments. This new segmentation is the same as the business segments previously identified and therefore has no impact on the financial statements.

IAS 1: Under the revised standard the Company and its subsidiaries selected the option to continue to present the traditional income statement and a complementary income statement, the consolidated statement of comprehensive income.

IAS 23: The revised IAS 23 requires capitalisation of borrowing costs that are directly attributable to the property investments under development of a qualifying asset. The Company and its subsidiaries' previous policy was to capitalise borrowing costs on qualifying assets. As such the revised standard has no impact on the financial statements.

IAS 40: Property investments under development are now within the scope of this amended policy and are valued at fair value. The impact of this policy relates to only one property in the portfolio and the result of the measurement change (previous financial year at cost or lower market value) to fair value has been reported in the financial statements and is minimal.

IFRS 7: The amendment to the standard requires an entity to provide a quantitative and qualitative analysis of those instruments recognised at fair value based on a three-level measurement hierarchy. The standard amends the previous liquidity risk disclosures as required under IFRS 7 for non-derivative and derivative financial liabilities.

A reclassification of the interest income and interest expenses was made in the consolidated cash flow statement. The items are shown separately from the creditors in the adjustments of the cash flow from operating activities. In the cash flow from investing activities the capital expenditure includes the accrued expenditure for the previous financial year. Comparative figures for previous financial years have been amended accordingly. In addition the presentation of the consolidated direct, indirect and total investment result and the consolidated cash flow statement has been amended.

In the consolidated direct, indirect and total investment result the unrealised movement in the provision for pensions has been transferred from direct investment result to indirect investment result. Comparative figures for previous financial years have been amended accordingly.

1. Principal accounting policies (continued)

(d) Basis of consolidation

(i) Subsidiaries

Subsidiaries are those entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are presently exercisable are taken into account.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The consolidated financial statements include those of the holding company and its wholly-owned subsidiaries:

Holgura B.V., Amsterdam	ECP Högsbo AB, Stockholm
Sentinel Holdings B.V., Amsterdam	ECP Karlskrona AB, Stockholm
Eurocommercial Properties Ltd., London	ECP Moraberg Holding AB, Stockholm
Eurocommercial Properties Caumartin S.N.C., Paris	ECP Moraberg KB, Stockholm
Eurocommercial Properties France S.A.S., Paris	Eurocommercial Properties Sweden AB, Stockholm
Eurocommercial Properties Taverny S.N.C., Paris	Hälla Shopping Fastighets AB, Stockholm
Eurocommercial Properties Italia S.r.l., Milan	KB Degeln 1, Stockholm
Pitagora S.r.l., Milan	Kronan Fastigheter i Karlskrona AB, Stockholm
Aktiebolaget Laholm Mellby 2:219, Stockholm	Lagergatan i Växjö, AB, Stockholm
Aktiebolaget Norrköping Silvret 1, Stockholm	Premi Fastighets AB, Stockholm
Aktiebolaget Skövde K-mannen 2, Stockholm	Samarkandfastigheter AB, Stockholm
Bergvik Köpet 3 KB, Stockholm	Sar Degeln AB, Stockholm
Burlöv Centre Fastighets AB, Stockholm	Ugglum Fastigheter AB, Stockholm
ECP Hälla Köpmannen 4 AB, Stockholm	

(ii) Transactions eliminated on consolidation

Intragroup balances and any unrealised gains and losses arising from intragroup transactions are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Foreign currency translations

The consolidated financial statements are presented in euros, which is the Company's functional and presentation currency. Assets and liabilities denominated in foreign currencies are translated into euros at the rate of exchange ruling at the balance sheet date. Transactions denominated in foreign currencies are translated at the average monthly exchange rate. Foreign exchange differences arising on translation are recognised in the profit and loss account.

The functional currency of the Swedish and UK subsidiaries are SEK and GBP respectively. As at the reporting date, the assets and liabilities of these Swedish and UK subsidiaries are translated into the presentation currency of the Company at the rate of exchange ruling at the balance sheet date and their profit and loss accounts are translated at the average monthly exchange rates for the period. The exchange differences arising on the retranslation are taken directly to a separate component of equity (currency translation reserve). On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation shall be recognised in the profit and loss account.

Property investments and property investments under development

Property investments and property investments under development are stated at fair value. It is the Company's policy that all property investments and property investments under development be revalued semi-annually by qualified independent experts. These experts are instructed to appraise in accordance with the Appraisal and Valuation Standards published by the Royal Institute of Chartered Surveyors (RICS) and the International Valuation Standards published by the International Valuation Standards Committee (IVSC). Both documents contain mandatory rules, best practice guidance and related commentary for all RICS members and appraisers undertaking property valuations. These revaluations represent the price, net of normal purchaser's costs, at which the property could be sold in the open market on the date of revaluation. At the balance sheet date the fair value of each property investment is based on comprehensive valuation reports from the independent experts. At 31 December the independent experts draw up an update of the previous comprehensive valuation report. At 30 September and 31 March the fair value is based on an internal review of the experts' valuations to take into account any material change to the property.

If an existing property investment is renovated and/or extended for continued future use as a property investment, it is also measured at fair value. Property investments held under finance leases and leased to tenants under operational leases are stated at fair value.

Notes to the consolidated financial statements continued

1. Principal accounting policies (continued)

Movements in the fair value of property investments and property investments under development are recognised in the profit and loss account in the period in which they occur. Any realised gains or losses from the sale of a property investment or a property investment under development are recognised in the period in which the sale takes place as the balance between the net sale proceeds and the latest published fair value. Depreciation is not provided on property investments and property investments under development since these are stated at fair value in accordance with IAS 40.

Property investments and property investments under development are initially brought to account at their full acquisition cost, including registration duties, legal and other consultants' fees until the first reporting date, when the fair value is presented. Any subsequent capital expenditure including the aforesaid duties and fees and any directly attributable costs to bring the asset to working order for its intended use, is added to the cost of the property investment or the cost of the property investment under development respectively. The cost of financing the renovation or extension of property investments or the development of property investments under development is capitalised as part of the cost of the investment, which cost amount will be published in the notes in addition to the fair value.

Property investments held for sale

Property investments held for sale are expected to be sold shortly and classified as current assets valued at the expected net sale proceeds.

Fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and impairment losses. They are depreciated over the expected useful lives of the assets concerned varying from two to five years using the straight-line method taking into account the residual value of the respective assets. The carrying value of tangible fixed assets is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Share capital

Depositary receipts, each representing ten ordinary shares in the capital of the Company, are classified as equity. External costs directly attributable to the issue of new depositary receipts are shown as a deduction, net of tax, in equity from the proceeds. When depositary receipts recognised as equity are repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a change in equity. Repurchased depositary receipts are classified as treasury depositary receipts and presented as a deduction from equity. Dividends are recognised as a liability in the period in which they are declared.

Borrowings

All borrowings, except for one loan, are at a floating interest rate, rolled over for a period of generally three months. Interest rate risk is managed by using interest rate swaps and other derivative financial instruments. Therefore, the fair value of borrowings is considered to be reflected by the nominal value. Borrowings are recognised initially at fair value, less attributable transaction costs. Subsequent to initial recognition, borrowings are stated at amortised costs with any difference between cost and redemption value being recognised in the profit and loss account over the period of the borrowings on an effective interest basis.

Non-current creditors

Non-current creditors are stated at present value.

Derivative financial instruments

The Company and its subsidiaries use derivative financial instruments to hedge (part of) their exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities. Derivative financial instruments will not be held or issued for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments. Under IFRS, derivatives must be shown on the balance sheet at their fair value and the value changes are recognised immediately in the profit and loss account, unless hedge accounting applies, in which case the value changes are accounted for directly in the equity. The Company does not apply hedge accounting as it implements its derivative hedging at a consolidated corporate level. The detailed requirements of a formal hedge accounting procedure are not applied.

Derivative financial instruments are recognised initially at trade date at cost (fair value). Subsequent to initial recognition, derivative financial instruments are stated at their fair value. The gain or loss on remeasurement to fair value is recognised in profit or loss. The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparties. Derivative financial instruments concern mostly derivative interest rate swap contracts and some currency swaps. A valuation technique is used to determine the fair value of the derivatives with inputs that are directly or indirectly observable market data. The fair value of the derivatives are estimated by discounting expected future cash flows using current market interest rates and the yield curve over the remaining term of the instrument. The fair value of the interest rate swaps and the currency swaps correspond without significant discrepancies to the official confirmations received from the counterparties. In connection with the non-current borrowings the derivative financial instruments are presented as non-current assets and non-current liabilities.

1. Principal accounting policies (continued)

Deferred tax liabilities

Deferred tax liabilities represent the nominal value of contingent liabilities to taxation arising from differences between the property appraisals and book values for tax purposes and other taxable temporary differences, taking into account recoverable tax losses of which it is probable that these can be utilised, provided there is a legal enforceable right to offset, settlement dates are similar and tax is levied by the same tax authority on the same taxable entity.

Provisions

A provision is recognised in the balance sheet when a legal or actual obligation would exist, as a result of a past event and when it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The Company has various defined contribution pension plans and only one defined benefit pension plan for a limited number of employees. The net receivable or liability in respect of the defined benefit plan is calculated by estimating the amount of future benefit that employees have earned for their service in the current and prior periods. That benefit is discounted to determine its present value and the fair value of the plan assets is deducted. The defined benefit obligation is calculated annually by independent external actuaries using the projected unit credit method. Actuarial gains and losses arising from experience adjustments or changes in assumptions are recognised in the profit and loss account. The majority of the Company's employees are members of a defined contribution scheme for which the annual premiums are an expense of the period.

Other assets and liabilities

Unless stated otherwise, assets and liabilities are shown at the amounts at which they were acquired or incurred. A provision for bad debts is deducted under receivables, if appropriate.

Rental income

Rental income from property investments leased under operational leases is recognised in the profit and loss account on a straight-line basis over the term of the lease. Rent-free periods, rent discounts and other lease incentives are recognised over the term of the lease or over the period until the first break option if shorter, on a straight-line basis as a reduction of rental income. This applies mutatis mutandis for entry fees as an increase of rental income.

Service charges income and service charges expenses

Service charges for which the Company acts as a principal are presented in the profit and loss account. Therefore, for those property investments for which the Company is in full control of the service charges, the service charges invoiced to tenants and the corresponding expenses are shown separately on an accrual basis. In addition, service charges expenses also include charges related to vacant units and/or other irrecoverable service charges due to contractual limits or insolvent tenants.

Direct and indirect property expenses

These expenses include costs directly related to the leasing of investment property, such as maintenance, insurance, management, property tax, etc. and are expensed as incurred. These expenses at a property level are referred to as direct property expenses. Letting fees, relocation expenses and other outgoings when a lease is concluded, are recognised over the term of the lease on a straight-line basis as indirect property expenses. Property expenses also include expenses associated with non-Netherlands property holding companies and its staff and offices and some local taxes, accounting, audit and advisory fees, which are charged to the relevant buildings rather than the general expense pool. These expenses at a corporate level are referred to as indirect property expenses.

Net financing income/cost

Net financing income/cost comprise interest payable on borrowings calculated using the effective interest rate method net of interest capitalised, interest income and fair value movements of derivative financial instruments that are recognised in the profit and loss account. Interest income is recognised in the profit and loss account as it accrues.

Company expenses and investment expenses

Company expenses comprise general overhead such as advisory fees, office expenses, personnel costs and Directors' fees. Expenses relating to the investigation of potential property investments and the valuation of property investments including that part of staff bonuses linked to property value performance are recognised as investment expenses.

Stock options granted to employees

Since 2000 a stock option plan has been in place for Managing Directors and certain staff of the Company. The cost of stock options granted under this plan is measured by reference to the fair value at the date on which they are granted. The fair value is determined by an external valuer using a binomial model. The cost is recognised, together with a corresponding increase in shareholders' equity, over the period in which the performance and service conditions are fulfilled ending on the vesting date.

Notes to the consolidated financial statements continued

1. Principal accounting policies (continued)

Corporate income tax and deferred tax

As an Investment Institution under Netherlands tax law (fiscale beleggingsinstelling) the Company is subject to a nil rate of Netherlands corporate income tax, provided it meets certain conditions, notably the distribution of all taxable income (after permitted deductions) to shareholders within eight months of the end of each financial year. As of 1 July 2005 the Company has opted for the French tax regime applicable to “Sociétés d’investissements immobiliers cotées” (SIIC). As from that date the revenues and capital gains from the French portfolio of the Company are tax-exempt, provided it meets certain conditions, notably a listing at a stock exchange in an EU-country and the distribution of at least 85 per cent of French tax-exempt income and of at least 50 per cent of tax-exempt capital gains to shareholders.

However, corporate income tax may be payable on the fiscal results of Netherlands and foreign subsidiaries, which do not have the aforesaid tax-exempt status. This tax on taxable income for the year is recognised in the profit and loss account.

Income tax on profit and loss for a year comprises corporate income tax and deferred tax and is calculated on results before taxes, taking into account any tax-exempt components of profit and non-deductible costs.

Corporate income tax is the expected tax payable or receivable on the taxable income or loss for the period using tax rates prevailing at the balance sheet date and any adjustment to taxation in respect of previous years. Tax receivable is only taken into account if it is reasonably expected that losses will be compensated.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the book value of assets and liabilities and their fiscal book value for tax purposes, taking into account the applicable taxation rate, any fiscal facilities available and recoverable tax losses which can probably be utilised. Deferred tax recognised in the profit and loss account is the movement in deferred tax liabilities and deferred tax assets, if any, during the period.

Direct investment result and indirect investment result

Alongside the consolidated profit and loss account, the Company presents results as direct and indirect investment results, enabling a better understanding of results. The direct investment result consists of net property income, net financing expenses, company expenses and corporate income tax. The indirect investment result consists of the investment revaluation, the fair value movement of derivative financial instruments, investment expenses, the unrealised movement in the provision for pensions and deferred tax. This presentation is not obligatory under IFRS.

Cash flow statement

The cash flow statement is prepared according to the indirect method. Cash flows in foreign currencies are translated at average exchange rates. Exchange differences affecting cash items are shown separately in the cash flow statement. Cash and deposits include bank overdrafts that are repayable on demand and form an integral part of the Group’s cash management.

Segment information

Segment information is primarily presented by country (France, Italy, Sweden and The Netherlands). The segmented information in the financial statements are in line with the segments used for internal reporting.

Future accounting policies

There are no new and amended standards and new interpretations issued with expected significant effect to the Group that are effective subsequent to year end June 2010.

2. Segment information

	France		Italy		Sweden		The Netherlands		Total	
	09/10 €'000	08/09 €'000	09/10 €'000	08/09 €'000	09/10 €'000	08/09 €'000	09/10 €'000	08/09 €'000	09/10 €'000	08/09 €'000
Rental income	50,275	46,962	58,435	52,458	31,834	29,472	311	5,343	140,855	134,235
Service charge income	5,903	6,039	5,494	5,260	10,832	9,498	0	311	22,229	21,108
Service charge expenses	(7,360)	(7,485)	(5,494)	(5,260)	(12,379)	(11,180)	0	(311)	(25,233)	(24,236)
Property expenses	(4,651)	(4,759)	(8,511)	(7,417)	(4,205)	(3.742)	(12)	(809)	(17,379)	(16,727)
Net property income	44,167	40,757	49,924	45,041	26,082	24,048	299	4,534	120,472	114,380
Disposal of investment properties	0	(146)	0	0	0	0	(320)	(168)	(320)	(314)
Investment revaluation	27,996	(81,081)	(4,357)	(84,479)	4,942	(39,044)	(1,957)	(3,458)	26,624	(208,062)
Segment result	72,163	(40,470)	45,567	(39,438)	31,024	(14,996)	(1,978)	908	146,776	(93,996)
Net financing cost									(84,736)	(127,508)
Company expenses									(9,373)	(8,458)
Investment expenses									(1,882)	(1,258)
Result before taxation									50,785	(231,220)
Corporate income tax									0	0
Deferred tax									42,955	50,515
Result after taxation									93,740	(180,705)
Property investments	862,900	779,690	931,900	870,595	561,274	471,045	0	3,720	2,356,074	2,125,050
Property investments under development	0	0	3,500	11,700	0	0	0	0	3,500	11,700
Tangible fixed assets	251	227	98	256	57	57	958	1,028	1,364	1,568
Receivables	17,173	15,760	4,312	4,600	4,525	3,333	1,073	1,156	27,083	24,849
Derivative financial instruments	0	0	1,365	895	0	38	114	110	1,479	1,043
Cash and deposits	2,352	1,030	648	245	10,375	4,370	102,843	2,182	116,218	7,827
Total assets	882,676	796,707	941,823	888,291	576,231	478,843	104,988	8,196	2,505,718	2,172,037
Creditors	19,376	25,992	13,768	20,062	18,105	14,529	2,973	3,159	54,222	63,742
Non-current creditors	8,006	7,082	2,714	2,959	1	1	0	0	10,721	10,042
Borrowings	285,953	247,784	522,476	449,660	263,412	215,742	0	0	1,071,841	913,186
Derivative financial instruments	26,148	17,900	64,486	33,638	14,522	9,109	0	0	105,156	60,647
Deferred tax liabilities	0	0	0	49,596	48,229	41,299	0	0	48,229	90,895
Provision for pensions	0	0	0	0	0	0	1,226	445	1,226	445
Total liabilities	339,483	298,758	603,444	555,915	344,269	280,680	4,199	3,604	1,291,395	1,138,957
Acquisitions, divestments and capital expenditure (including capitalised interest)	55,319	12,830	57,812	49,364	20,649	40,621	0	0	133,780	102,815

Notes to the consolidated financial statements continued

3. Exchange rates

It is generally the Company's policy for non-euro investments to use debt denominated in the currency of investment to provide a (partial) hedge against currency movements. Exceptionally forward contracts may be entered into from time to time when debt instruments are inappropriate for cost or other reasons. The only non-euro investment assets and liabilities of the Company are in Sweden and to a very small extent in the United Kingdom as the Company has an office in London. As at 30 June 2010 SEK 10 was €1.0498 (30 June 2009: €0.92485) and GBP 1 was €1.22332 (30 June 2009: €1.17357).

4. Rental income and service charges income

Rental income in the current financial year comprised:

	30-06-10 €'000	30-06-09 €'000
Gross lease payments collected/accrued	139,589	132,900
Amortisation of capitalised entry fees	1,266	1,335
	140,855	134,235

The Group leases out its property investments under operating leases of various expiry terms. The leases specify the space, the rent, the other rights and obligations of the landlord and the tenant, including notice periods, renewal options as well as service charge arrangements. In general the rent is indexed during the term of the lease. Furthermore, most retail leases have turnover rent clauses, which imply that if the agreed percentage of turnover from the shop exceeds the indexed base rent, the tenant will pay the difference to the landlord.

The future aggregate minimum rent (turnover rent not included) receivable under non-cancellable operating leases amounts approximately to:

	30-06-10 €'000	30-06-09 €'000
– less than one year	112,472	101,163
– one to five years	369,796	336,125
– five years or more	37,558	34,210
	519,826	471,498

Approximately 1.0 per cent of the rental income for the year ended 30 June 2010 is turnover rent (2008/2009: 1.4 per cent).

Service charges income of €22.2 million (2008/2009: €21.1 million) represents income receivable from tenants for the services of utilities, caretakers, etc. when the Group acts as principal.

5. Property expenses

Property expenses in the current financial year were:

	30-06-10 €'000	30-06-09 €'000
Direct property expenses		
Bad debts	542	314
Centre marketing expenses	1,974	1,300
Insurance premiums	568	668
Managing agent fees	1,439	1,351
Property taxes	1,194	1,330
Repair and maintenance	1,191	1,373
Shortfall service charges	376	400
	7,284	6,736
Indirect property expenses		
Accounting fees	446	425
Audit fees	236	224
Depreciation fixed assets	218	218
Dispossession indemnities	154	155
Italian local tax (IRAP)	1,043	1,026
Legal and other advisory fees	1,211	1,201
Letting fees and relocation expenses	1,505	1,890
Local office and accommodation expenses	933	886
Pension contributions	43	37
Salaries, wages and bonuses	2,347	2,142
Social security charges	923	866
Stock options granted (IFRS 2)	131	150
Travelling expenses	262	300
Other local taxes	443	282
Other expenses	200	189
	10,095	9,991
	17,379	16,727

Indirect property expenses include the expenses of the Milan office, the Paris office and the Stockholm office. Local office and accommodation expenses include rent paid under operating leases for the Company's group offices in Milan and Stockholm. These leases are standard lease contracts with no contingent rents and sublease payments and expire in May 2016 and September 2012 respectively. The depreciation amount is €181,000 (2008/2009: €179,000) for the Milan office, €20,000 (2008/2009: €25,000) for the Paris office and €17,000 (2008/2009: €14,000) for the Stockholm office.

Notes to the consolidated financial statements continued

6. Investment revaluation

Realised and unrealised value movements on investments in the current financial year were:

	30-06-10 €'000	30-06-09 €'000
Revaluation of property investments	40,685	(188,730)
Revaluation of property investments under development	(11,319)	(18,558)
Revaluation of property investments held for sale	0	(2,540)
Elimination of capitalised letting fees	(874)	(280)
Movement non-current creditors	189	(139)
Other movements	(2,057)	2,185
	26,624	(208,062)

Other movements relate to valuation adjustments of other assets and liabilities. The negative movement of €2,057,000 (2008/2009: €2,185,000) includes a negative realised amount of €919,000 (2008/2009: €1,307,000 negative) and a negative unrealised amount of €1,138,000 (2008/2009: €3,492,000).

7. Net financing costs

Net financing costs in the current financial year comprised:

	30-06-10 €'000	30-06-09 €'000
Interest income	57	405
Gross interest expense	(43,814)	(44,659)
Capitalised interest	1,895	3,432
Unrealised fair value movement interest rate swaps	(42,782)	(86,693)
Realised fair value movement interest rate swaps	(92)	7
	(84,736)	(127,508)

Gross interest expense consists of interest payable on loans calculated using the effective interest rate method. The interest payable to finance the extension/acquisition of an asset is capitalised until completion/acquisition date and is reported as capitalised interest. The interest rate used for capitalised interest during this financial year was 4.8 per cent (2008/2009: 4.8 per cent).

8. Company expenses

Company expenses in the current financial year comprised:

	30-06-10 €'000	30-06-09 €'000
Audit fees	228	205
Depreciation fixed assets	418	362
Directors' fees	1,157	1,116
Legal and other advisory fees	638	821
Marketing expenses	295	273
Office and accommodation expenses	1,143	1,096
Pension – unrealised movement in the provision for pensions*	762	(52)
Pension contributions	390	315
Salaries, wages and bonuses	2,494	2,300
Social security charges	345	312
Statutory costs	360	457
Stock options granted (IFRS 2)	312	339
Travelling expenses	470	543
Other expenses	361	371
	9,373	8,458

* This item is part of the indirect investment result.

Office and accommodation expenses include the expenses of the Amsterdam office and the London office and include rent paid under operating leases for the Company's head office at Herengracht 469, Amsterdam and the Group office at 4 Carlton Gardens, London. These leases are standard lease contracts with no contingent rents and sublease payments and expire in September 2013 and March 2018 respectively. The depreciation amount is €379,000 (2008/2009: €315,000) for the Amsterdam office and €39,000 (2008/2009: €47,000) for the London office.

9. Personnel costs

Total personnel costs in the current financial year comprised:

	30-06-10 €'000	30-06-09 €'000
Salaries and wages	5,142	4,778
Social security charges and taxes	1,440	1,250
Pension – unrealised movement in the provision for pensions	762	(52)
Pension contributions	470	390
Bonuses	1,461	528
	9,275	6,894

Total personnel costs are partly presented under indirect property expenses (€3,313,000 (2008/2009: €3,045,000), partly under company expenses (remuneration of the members of the Board of Management inclusive) (€4,998,000 (2008/2009: €3,850,000) and partly under investment expenses (€964,000 (2008/2009: €nil). The bonuses paid to senior executives are entirely and directly linked to the annual growth in the Company's net asset value and dividend per share. The Group employed an average of 50 full-time equivalent persons during the financial year (2008/2009: 48) of which 37 work outside the Netherlands. The Group staff (holdings of the members of the Board of Management excluded) holds 17,965 depositary receipts and 278,610 ordinary registered shares, in total representing 0.1 per cent of the issued share capital of the Company.

10. Investment expenses

Investment expenses in the current financial year comprised:

	30-06-10 €'000	30-06-09 €'000
Aborted acquisition costs	56	305
Bonuses linked to NAV growth	863	0
Social security charges and taxes	101	0
Stock options granted (IFRS 2)	443	488
Property valuation fees	419	465
	1,882	1,258

11. Taxation

The positive deferred tax of €43.0 million mainly relates to a release of the provision for deferred tax in Italy (see note 19 Deferred tax liabilities).

	30-06-10 €'000	30-06-09 €'000
Corporate income tax	0	0
Effect of release from deferred tax provision due to step up fiscal book values Italian property	(48,737)	0
Italian capital gains tax paid	(5,201)	0
Effect of unrealised value movements investment property Italy	0	(18,898)
Effect of unrealised value movements investment property Sweden	4,345	(13,629)
Effect of unrealised value movements derivative financial instruments	7,916	(18,670)
Benefit of tax losses recognised	(1,278)	682
Total taxation amount recognised in the profit and loss account	(42,955)	(50,515)

Reconciliation of the relationship between tax expense (income) and accounting profit:

	30-06-10 €'000	30-06-09 €'000
Profit before tax	50,785	231,220
Tax exempt income (incl. effect of FBI and SIIC)	(55,677)	(61,097)
Profit before tax attributable to Swedish tax rate of 26.3%	(6,047)	(55,701)
Profit before tax attributable to Italian tax rate of 27.5%	10,939	(114,422)

The difference between the taxation amount recognised in the profit and loss account and the taxation amounts for the subsidiaries in Italy and Sweden based upon the applicable tax rates is explained by the items listed in the above table resulting in the deferred tax amount of €43.0 million.

Notes to the consolidated financial statements continued

11. Taxation (continued)

As an Investment Institution under Netherlands tax law (fiscale beleggingsinstelling) the Company is subject to a nil rate of Netherlands corporate income tax and as a "Société d'investissements immobiliers cotée" (SIIC) the revenues and capital gains from the French portfolio of the Company are tax exempt.

In Italy and Sweden the properties are held by taxable entities. In Italy the nominal tax rate is 31.40 per cent or 27.50 per cent depending on the type of property and in Sweden the nominal tax rate is 26.3 per cent.

12. Property investments and property investments under development

Property investments and property investments under development are stated at fair value. It is the Company's policy that all property investments and property investments under development be revalued semi-annually by qualified independent experts. The independent valuation figures for the Company's properties represent the net price expected to be received by the Company from a notional purchaser who would deduct any purchaser's costs including registration tax. The total purchaser's costs including registration tax this year amounted to €94 million (2008/2009: €86.3 million) or approximately 3.8 per cent of gross valuations (5.6 per cent in France, 4 per cent in Italy, 1 per cent in Sweden). All properties in the Group are freehold. All properties were revalued at 30 June 2010. The yields described in the Board of Management report reflect market practice and are derived by dividing property net rent by the gross valuation (net valuation figure plus purchaser's costs including transfer duties) expressed as a percentage. The valuation standards used by the external independent valuers require that valuers draw the attention to uncertain circumstances, if these could have a material effect on the valuation, indicating the cause of the uncertainty and the degree to which this is reflected in the reported valuation. In Sweden, due to the limited number of property transactions, one valuer has included an uncertainty paragraph in its valuation reports as at 30 June 2010 setting out these circumstances.

The current property portfolio is:

	30-06-10 Book value €'000	30-06-09 Book value €'000	30-06-10 Costs to date €'000	30-06-09 Costs to date €'000
France				
Amiens Glisy, Amiens*	41,900	39,500	15,995	15,961
Saint Doulchard, Bourges*	37,800	38,600	42,810	46,936
Buchelay Retail Park*	6,100	6,800	6,756	6,746
Chasse Sud, Chasse-sur-Rhône*	29,300	29,700	30,335	33,305
Les Allées de Cormeilles, Cormeilles*	35,200	36,300	44,925	45,023
Les Trois Dauphins, Grenoble*	33,500	33,050	24,601	24,520
Centr'Azur, Hyères*	42,000	41,300	17,008	16,956
Plaine de France, Moisselles	64,100	0	59,166	0
Passage du Havre, Paris*	249,600	243,400	165,463	165,323
Passy Plaza, Paris*	118,500	116,900	72,513	72,494
74 rue de Rivoli, 1-3 rue de Renard, Paris*	43,200	35,600	20,912	18,241
Les Portes de Taverny, Taverny*	50,300	47,740	24,603	24,528
Les Atlantes, Tours*	111,400	110,800	47,836	47,570
	862,900	779,690	572,923	517,603
Italy				
Curno, Bergamo*	98,100	97,115	34,298	33,924
Centro Lame, Bologna*	39,900	38,930	29,176	29,036
Il Castello, Ferrara*	99,900	101,020	77,235	77,150
I Gigli, Firenze*	238,400	224,800	155,700	154,783
I Gigli Extension Land, Firenze*	3,500	11,700	33,378	30,166
Centro Leonardo, Imola*	71,900	69,080	63,615	63,586
La Favorita, Mantova*	45,500	49,200	33,802	33,428
Carosello, Carugate, Milano*	270,700	265,000	173,497	162,409
I Portali, Modena	41,600	0	41,322	0
Centroluna, Sarzana*	25,900	25,450	13,148	12,877
	935,400	882,295	655,171	597,359

12. Property investments and property investments under development (continued)

	30-06-10 Book value €'000	30-06-09 Book value €'000	30-06-10 Costs to date €'000	30-06-09 Costs to date €'000
Sweden				
421, Göteborg*	76,950	66,758	87,946	87,722
Kronan, Karlskrona*	17,007	13,865	14,540	14,429
Bergvik, Karlstad*	56,164	47,349	37,381	37,325
Mellby Center, Laholm*	16,062	14,054	13,354	13,294
Burlöv Center, Malmö*	111,489	99,908	75,757	74,809
Ingelsta Shopping, Norrköping*	91,543	78,568	86,880	84,809
Elins Esplanad, Skövde*	65,927	56,310	57,869	57,433
Moraberg, Södertälje*	41,100	35,073	38,271	38,200
Hälla Shopping, Västerås*	30,969	26,996	21,259	21,270
Grand Samarkand, Växjö	54,063	32,164	47,601	30,914
	561,274	471,045	480,858	460,205
	2,359,574	2,133,030	1,708,952	1,575,167
The Netherlands				
Standaardruiter 8, Veenendaal	0	3,720	0	2,908
	0	3,720	0	2,908
	2,359,574	2,136,750	1,708,952	1,578,075

* These properties carry mortgage debt up to €963 million at 30 June 2010 (30 June 2009: €873 million).

Changes in property investments for the financial year ended 30 June 2010 were as follows:

	30-06-10 €'000	30-06-09 €'000
Book value at beginning of year	2,125,050	2,417,456
Acquisitions	98,934	14,960
Capital expenditure*	30,114	84,143
Capitalised interest	739	2,333
Capitalised letting fees	874	280
Elimination of capitalised letting fees	(874)	(280)
Revaluation of property investments	40,685	(188,730)
Revaluation of property investments held for sale	0	(2,540)
Book value divestment property	(3,640)	(133,280)
Exchange rate movement	64,192	(69,292)
Book value at end of year	2,356,074	2,125,050

Changes in property investments under development for the financial year ended 30 June 2010 were as follows:

	30-06-10 €'000	30-06-09 €'000
Book value at beginning of year	11,700	29,159
Capital expenditure	1,963	0
Capitalised interest	1,156	1,099
Revaluation property investments under development	(11,319)	(18,558)
Book value at end of year	3,500	11,700

* The capital expenditure of €30,114,000 includes general capital expenditure of €4,003,000, extensions and refurbishment expenditure of €31,690,000, capitalised expenditure acquisitions of €1,538,000 and a reverse of the accrual for acquisition cost for Saint Doulchard and Chasse Sud in France of €7,117,000.

Notes to the consolidated financial statements continued

13. Tangible fixed assets

Tangible fixed assets represent office equipment and inventory for the Company's head office at Herengracht 469, Amsterdam and the Group offices at 4 Carlton Gardens, London, Via del Vecchio Politecnico 3, Milan, 107, rue Saint Lazare, Paris and Norrlandsgatan 22, Stockholm. These costs are depreciated over the expected useful lives of the assets concerned varying from two to five years.
The movements in the current and the previous financial year were:

	30-06-10 €'000	30-06-09 €'000
Book value at beginning of year	1,568	1,400
Additions	436	748
Depreciation	(636)	(580)
Disposals	(4)	0
Book value at end of year	1,364	1,568
Cost at end of year	3,972	3,540
Accumulated depreciation	(2,608)	(1,972)
Book value at end of year	1,364	1,568

14. Receivables

	30-06-10 €'000	30-06-09 €'000
Funds held by managing agents	754	1,300
Provision for bad debts	(1,069)	(1,373)
Rents receivable	18,921	17,383
Trademark license	1,072	1,338
VAT receivable	4,061	3,108
Other receivables and prepayments	3,344	3,093
	27,083	24,849

Receivables at 30 June 2010 include an amount of €1.1 million (30 June 2009: €1.4 million) which is due after one year.

15. Cash and deposits

Cash and deposits consist primarily of time deposits, with small amounts held as bank balances and other liquid assets. All bank balances and deposits are freely available, with the exception of an amount of €60 million, being pledged to the bank.

	30-06-10 €'000	30-06-09 €'000
Bank balances	13,718	7,827
Deposits	102,500	0
	116,218	7,827

16. Creditors

	30-06-10 €'000	30-06-09 €'000
(i) Current liabilities		
Interest payable	7,922	7,270
Local and property tax payable	854	1,697
Payable on purchased property	11,415	21,996
Rent received in advance	19,044	14,798
VAT payable	3,113	2,822
Other creditors and accruals	11,874	15,159
	54,222	63,742
(ii) Non-current liabilities		
Tenant rental deposits	8,859	7,789
Entry fees	1,862	2,253
	10,721	10,042

17. Borrowings

	30-06-10 €'000	30-06-09 €'000
Book value at beginning of year	913,186	970,249
Drawdown of funds	240,671	203,062
Repayments	(110,739)	(230,350)
Exchange rate movement	29,208	(29,853)
Movement prepaid borrowing costs	(485)	78
Book value at end of year	1,071,841	913,186

	30-06-10				30-06-09
Borrowings maturity profile	Secured €'000	Unsecured €'000	Total borrowings €'000	Average interest rate during the year in %	Total borrowings €'000
Current borrowings	86,743	55,447	142,190	1.3	55,845
Non-current borrowings					
One to two years	20,438		20,438		77,376
Two to five years	105,516		105,516		90,338
Five to ten years	576,517		576,517		485,961
More than ten years	230,000		230,000		206,000
Total non-current borrowings	932,471		932,471	4.8	859,675
Borrowing costs	(2,820)		(2,820)		(2,334)
Total borrowings	1,016,394	55,447	1,071,841	4.5	913,186

Notes to the consolidated financial statements continued

17. Borrowings (continued)

Currency and interest rate profile	Fixed rate borrowings €'000*	Floating rate borrowings €'000**	Total borrowings €'000	Average interest rate in % at 30 June	Interest maturity in years	Average maturity of borrowings in years
2009/2010						
Euro	710,613	100,636	811,249	4.1	9.0	8.1
Swedish krona	167,758	95,654	263,412	3.5	7.6	4.5
Borrowing costs	(2,820)	0	(2,820)			
	875,551	196,290	1,071,841	4.0	8.7	7.2
2008/2009						
Euro	699,778	0	699,778	4.7	5.9	9.4
Swedish krona	149,847	65,895	215,742	4.4	5.5	5.8
Borrowing costs	(2,334)	0	(2,334)			
	847,291	65,895	913,186	4.6	5.8	8.6

* Fixed rate borrowings consist of one fixed rate loan and external floating interest rate financing for which fixed interest rate swaps are in place with a remaining term of more than one year.

** Floating rate borrowings consist of all external financing with a remaining interest period of less than one year taking into account the effect of interest rate swaps.

The borrowings are all directly from major banks with average committed unexpired terms of more than seven years. Borrowings of €963 million are secured on property (30 June 2009: €873 million). The average interest rate during the financial year ended 30 June 2010 on non-current borrowings including hedges was 4.8 per cent (2008/2009: 4.8 per cent). The average interest rate is calculated as the weighted average interest rate over the remaining principals until the respective interest maturity dates. There have been no defaults during the financial year in respect of any of the borrowings at 30 June 2010.

At 30 June 2010 the Company has at its disposal undrawn borrowing facilities for a total amount of €26 million (30 June 2009: €24 million). These amounts are committed and immediately available to the Company and are eventually subject to reimbursement schemes.

18. Financial instruments

Financial risks

In the normal course of business the Group is exposed to credit risks, liquidity risks, interest rate risks and foreign currency risks. The overall risk management policy focuses on the unpredictable nature of the financial markets with the emphasis on minimising any negative impacts on the financial performance of the business. The Group closely monitors its financial risk linked to its activities and the financial instruments it uses. However, as the Company is a long term property investor, it believes that the funding of its investments should also be planned on a long term basis reflecting the overall risk profile of the business.

Credit risk

The credit risk is defined as the unforeseen losses on assets if counterparties should default. The risk related to the possible defaults of the Group's counterparties is minimised by dealing directly with a number of reputable banks for all its borrowings, interest rate swaps, foreign exchange contracts and deposits. These banks have a credit rating of A– (6 per cent), A (17 per cent), A+ (27 per cent) and AA– (50 per cent) according to Fitch; and A2 (6 per cent), A1 (12 per cent), Aa3 (37 per cent) and Aa2 (45 per cent) according to Moody's. The credit risk associated with lease debtors is determined through a detailed analysis of the outstanding debt and mitigated by requiring deposits, upfront payments or bank guarantees from tenants to cover rents for a limited period. The risk is further reduced by investing in mature markets and by choosing major tenants also on the base of their financial strength.

The carrying amounts of the financial assets represent the maximum credit risk. The combined carrying amount on the reporting date was made up as follows:

Carrying amount of financial assets	Note	30-06-10 €'000	30-06-09 €'000
Receivables	14	27,083	24,849
Derivative financial instruments		1,479	1,043
Cash and deposits	15	116,218	7,827
		144,780	33,719

18. Financial instruments (continued)

The ageing analysis of the rents receivable on the balance sheet date was as follows:

Rents receivable	30-06-10 €'000	30-06-09 €'000
Overdue by 0–90 days	17,618	15,763
Overdue by more than 90 days	1,303	1,620
	18,921	17,383

Movements in the provision for bad debts in the current financial year were:

Provision for bad debts	30-06-10 €'000	30-06-09 €'000
Book value at beginning of year	1,373	1,573
Added	542	314
Released	(846)	(514)
Book value at end of year	1,069	1,373

With respect to the rents receivable, the Group holds rental deposits from its tenants totalling €8.9 million (2009: €7.8 million) in addition to bank guarantees.

Liquidity risk

In order to reduce liquidity risk the repayment dates of borrowings are well spread over time and almost 87 per cent of borrowings are long term with almost 75 per cent of borrowings with a remaining term of more than five years. The Group aims to enter into long term loans, preferably ten years or longer. At the balance sheet date the average maturity of the borrowings was more than seven years. Group borrowing will not exceed the adjusted net equity of the Company, so that the debt to equity ratio is less than one, which further mitigates risk. The ratios to which the Group has committed itself are monitored at regular intervals. Apart from these obligations and commitments, The Netherlands fiscal investment institution status of the Company imposes financial limits.

The following table shows the undiscounted cash flows required to pay its financial liabilities:

Undiscounted cash flows	Total cash flows €'000	Less than 1 year €'000	1–5 years €'000	More than 5 years €'000
Non-current borrowings*	932,471	0	125,954	806,517
Current borrowings	142,190	142,190	0	0
Interest derivative financial instruments	263,127	29,847	122,123	111,157
Interest expenses borrowings	94,324	13,015	42,922	38,387
Tenant rental deposits	10,161	1,927	2,855	5,379
Creditors	35,178	35,178	0	0
	1,477,451	222,157	293,854	961,440

* Non-current borrowings including amortisation.

Foreign currency risk

Due to the Swedish property investments the Group is exposed to the Swedish krona, the only significant foreign currency exposure for the Group. However, due to SEK loan facilities with major banks this exposure is partly hedged.

SEK borrowings amount to €263.4 million (30 June 2009: €215.7 million). The total property investments in Sweden are €561.3 million (30 June 2009: €471 million) so 47 per cent of this SEK exposure is hedged through these borrowings at 30 June 2010 (30 June 2009: 46 per cent) and 0 per cent is hedged by currency swaps. The remaining exposure is relatively limited compared to the total size of the portfolio and will, in principle, not be hedged. A weakening of this currency by 5 per cent would result, for example, in a decrease of shareholders' equity of only 1.2 per cent of reported net asset value and in a decrease of only 1.2 per cent of reported direct investment result.

Notes to the consolidated financial statements continued

18. Financial instruments (continued)

Interest rate risk

It is the policy of the Company to operate a defensive interest rate hedging policy by using derivates to protect the Company against increases in interest rates. The Company intends to hedge the majority of its loans outstanding for the medium to long term (five to fifteen years). The fair value (mark to market) of the current interest rate hedge instruments as at 30 June 2010 is a negative value of €103.8 million (30 June 2009: negative €59.6 million).

The interest rate hedge instruments as at 30 June 2010 have a weighted average maturity of almost nine years and the Company is hedged at an average interest rate of 4.0 per cent (30 June 2009: 4.7 per cent). Only 18 per cent (30 June 2009: 8 per cent) of the total borrowings is at a floating rate. An increase in interest rates of 1 per cent would therefore only have a limited negative impact of an additional annual interest expense of €1.96 million (30 June 2009: €0.66 million) or 2.80 per cent (30 June 2009: 1.01 per cent) of reported direct investment result.

If at 30 June 2010 the euro interest curve and the Swedish krona curve were 50 basis points higher, the fair value movement for derivative financial instruments would have increased the shareholder's equity by €36.5 million. If the interest curves were 50 basis points lower, the fair value movement for derivative financial instruments would have decreased the shareholder's equity by €24 million. Both calculations assume that all other variables were held constant.

Maturity profile Derivative financial instruments	30-06-10 Notional amount €'000	30-06-10 Fair value €'000	30-06-09 Notional amount €'000	30-06-09 Fair value €'000
Up to one year	10,249	(604)	823	(1,658)
From one year to two years	0	(3,002)	5,283	(3,844)
From two years to five years	213,067	(37,826)	298,742	(27,498)
From five years to ten years	560,055	(54,263)	487,443	(26,431)
Over ten years	95,000	(8,096)	55,000	(283)
	878,371	(103,791)	847,291	(59,714)
FX forward contracts	979	114	1,408	110
	879,350	(103,677)	848,699	(59,604)

Derivative financial instruments comprise the fair value of interest rate swap contracts entered into to hedge the Group's interest rate exposure and FX forward contracts to partly hedge the Company's exposure to the UK pound for the costs related to the Company's office in London.

The Company accounts for the purchase/sale of an interest rate swap at its transaction date.

Derivative financial instruments	30-06-10 €'000	30-06-09 €'000
Book value at beginning of year	(59,604)	27,854
Unrealised fair value movement interest rate swaps	(42,786)	(86,686)
Unrealised fair value movement FX forward contracts	4	110
Exchange rate movement	(1,291)	(882)
Book value at end of year	(103,677)	(59,604)

Effective interest rate

The following table shows the effective interest rate (variable rate is based on Euribor/Stibor as at 30 June 2010) on financial assets on which interest is receivable and liabilities on which interest is payable as at the balance sheet date, together with an ageing analysis according to interest rate revision dates.

	30-06-10				30-06-09		
	Borrowings floating rate	Borrowings fixed rate	Swaps fixed rate paid	Swaps floating rate received	Borrowings floating rate	Swaps fixed rate paid	Swaps floating rate received
Effective interest rate (%)	1.21	4.60	4.02	0.63	1.48	4.24	1.00
Up to one year (€'000)	141,565	625	10,249	10,249	55,845	823	823
From one year to two years (€'000)	19,784	654	0	0	77,376	5,283	5,283
From two years to five years (€'000)	103,366	2,150	213,067	213,067	90,338	298,742	298,742
From five years to ten years (€'000)	540,333	36,184	560,055	560,055	485,961	487,443	487,443
Over ten years (€'000)	230,000		95,000	95,000	206,000	55,000	55,000
	1,035,048	39,613	878,371	878,371	915,520	847,291	847,291

Financials

18. Financial instruments (continued)

The following table shows the periods in which the interest cash flows (variable interest is based on Euribor/Stibor as at 30 June 2010) on both borrowings and derivatives are expected to occur on the basis of the loan and interest rate swap agreements entered into by the Group, as per the balance sheet date:

Interest cash flows	Borrowings floating rate €'000	Borrowings fixed rate €'000	Swaps fixed rate €'000	Swaps floating rate €'000	Total €'000
Up to one year	11,297	1,718	35,346	(5,499)	42,862
From one year to two years	9,536	1,691	36,945	(5,760)	42,412
From two years to five years	30,005	1,690	107,735	(16,797)	122,633
From five years to ten years	26,133	1,625	101,728	(15,752)	113,734
Over ten years	10,480	149	29,979	(4,798)	35,810
	87,451	6,873	311,733	(48,606)	357,451

Fair value of financial instruments

The financial statements have been prepared on an historical cost basis, except for property investments, property investments under development and some of the financial instruments, which are carried at fair value. The categories of financial instruments in accordance with IAS 39 are: A. Assets and liabilities at fair value through profit or loss, B. Loans and receivables, C. Available-for-sale financial assets, D. Cash and cash equivalents and E. Financial liabilities measured at amortised cost.

The carrying amounts of the financial instruments and their fair values were as follows:

			30-06-10 €'000		30-06-09 €'000	
	Note	Categories in accordance with IAS 39	Carrying amount	Fair value	Carrying amount	Fair value
Receivables	14	B	27,083	27,083	24,849	24,849
Derivative financial instruments (assets)		A	1,479	1,479	1,043	1,043
Cash and deposits	15	D	116,218	116,218	7,827	7,827
			144,780	144,780	33,719	33,719
Creditors	16	E	64,943	64,943	73,784	73,784
Borrowings	17	E	1,071,841	1,071,841	913,186	913,186
Derivative financial instruments (liabilities)		A	105,156	105,156	60,647	60,647
			1,241,940	1,241,940	1,047,617	1,047,617

All other balance sheet items are short term and are therefore not adjusted to their fair value.

Fair value hierarchy

The following table shows an analysis of the fair value of derivative financial instruments recognised in the balance sheet by level of the fair value hierarchy:

	Level 1 30-06-10 €'000	Level 1 30-06-09 €'000	Level 2 30-06-10 €'000	Level 2 30-06-09 €'000	Level 3 30-06-10 €'000	Level 3 30-06-09 €'000	Total fair value 30-06-10 €'000	Total fair value 30-06-09 €'000
Derivative financial instruments	0	0	(103,677)	(59,604)	0	0	(103,677)	(59,604)

All derivative financial instruments are at level 2: the counterparty uses a model to determine the fair value with inputs that are directly or indirectly observable market data.

19. Deferred tax liabilities

Deferred tax liabilities are attributable to the following items:

	30-06-09 €'000	Recognised in profit and loss account €'000	Capital gains tax paid* €'000	Exchange rate movement €'000	30-06-10 €'000
Investment property	107,728	(49,593)	(5,201)	5,830	58,764
Derivative financial instruments	(11,390)	7,916	0	(340)	(3,814)
Tax value of loss carry-forwards recognised	(5,443)	(1,278)	0	0	(6,721)
	90,895	(42,955)	(5,201)	5,490	48,229

Notes to the consolidated financial statements continued

19. Deferred tax liabilities (continued)

Deferred tax liabilities are attributable to the following items in the previous year:

	30-06-08 €'000	Recognised in profit and loss account €'000	Capital gains tax paid €'000	Exchange rate movement €'000	30-06-09 €'000
Investment property	147,044	(31,163)	0	(8,153)	107,728
Derivative financial instruments	7,499	(18,670)	0	(219)	(11,390)
Tax value of loss carry-forwards recognised	(4,761)	(682)	0		(5,443)
	149,782	(50,515)	0	(8,372)	90,895

* The capital gains tax paid of €5.2 million relates to the payment of Italian capital gains tax at the concessionary reduced rate of 1.5 per cent for land and 3.0 per cent for buildings. As a result of this concession the tax book values of the Italian property portfolio have been stepped up to market value as per 30 June 2009. Should properties be sold before 1 July 2015, the tax currently paid will constitute an advance on the normal capital gains tax calculated on the basis of the book values without considering the fiscal step up.

As at 30 June 2010 the total amount of deferred tax liabilities of €48.2 million is only related to Sweden (30 June 2009: €49.6 million for Italy and €41.3 million for Sweden).

20. Provision for pensions

Movements in the provision were as follows:

	30-06-10 €'000	30-06-09 €'000
Book value at beginning of year	445	534
Current service costs	203	209
Contributions paid by the employer	(352)	(235)
Past service costs	0	0
Interest income	(181)	(147)
Expected return on assets	170	161
Actuarial loss/(gain)	922	(40)
Exchange rate movement	19	(37)
Book value at end of year	1,226	445

Amounts recognised under company expenses in the profit and loss account in respect of the defined benefit plan were as follows:

	30-06-10 €'000	30-06-09 €'000
Current service costs	203	209
Past service costs	0	0
Interest income	(181)	(147)
Expected return on assets	170	161
Actuarial loss/(gain)	922	(40)
	1,114	183

Major assumptions used by the actuary:

	30-06-10 %	30-06-09 %
Pensionable salary growth	4.9	4.7
Earnings cap growth	3.4	3.2
Pension revaluation	3.4	3.2
Pension escalation	3.4	3.2
Discount rate	5.3	6.3
Inflation assumption	3.4	3.2

20. Provision for pensions (continued)

Assets and expected rate of return:

	Expected rate of return 2010/2011 %	Value at 30-06-10 €'000	Expected rate of return 2009/2010 %	Value at 30-06-09 €'000
Equities	8.0	2,283	8.0	1,633
Bonds	5.5	371	5.5	283
Property	7.0	11	7.0	0
Cash	3.5	232	4.0	107
Total market value of assets		2,897		2,023
Present value scheme liabilities		(4,123)		(2,468)
Deficit in the scheme		(1,226)		(445)

Pension benefit obligations and the related effects on operations are calculated using pension benefit obligations and the related effects on operations are calculated using actuarial models. As the scheme's assets are valued at fair (i.e. market) value, the financial assumptions are based on market expectations at the end of the accounting period. Although there is always a margin of discretion in the interpretation of market expectations, this margin is rather limited and at the time of publication the Company is not aware of any reason why the true figures could differ significantly from the enclosed projections. The discount rate used for determining the fair value of the scheme's assets is based on long term (over 15 years) AA corporate bond yield. The calculations have been performed by a qualified and independent actuary.
It is expected that the contributions to be paid by the employer under the Company's defined benefit plan for the next financial year will be at slightly higher levels than the financial year 2009/2010.

21. Issued share capital

Share capital comprises:

- 999,999,900 authorised ordinary shares of €0.50 par value, of which 404,334,508 shares are issued and fully paid as at 30 June 2010 and of which 1,291,950 were bought back as at 30 June 2010.
- 100 authorised priority shares of €0.50 par value, which are entirely issued and fully paid.

The weighted average of the number of shares in issue in the current financial year is 385,437,250.

The shareholders are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings of the Company. The holders of depositary receipts are entitled to receive dividends as declared from time to time and are entitled to ten votes per depositary receipt at shareholders meetings of the Company.

	30-06-10 €'000	30-06-09 €'000
Book value at beginning of year	179,859	179,394
Issued shares	17,965	0
Issued bonus shares	4,343	465
Book value at end of year	202,167	179,859

The number of shares on issue increased on 20 November 2009 as a result of the issue of 3,593,000 new depositary receipts. On 30 November a further 868,557 bonus depositary receipts were issued under the stock dividend plan. Holders of depositary receipts representing 41 per cent of the issued share capital (last year 5.7 per cent) opted for the bonus depositary receipts at an issue price of €30.26 from the Company's share premium reserve, instead of a cash dividend of €1.78 per depositary receipt for the financial year ended 30 June 2009.

As at 30 June 2009, 847,462 staff stock options were outstanding, which number reduced during the year as 2,267 options were exercised at a weighted average price of €29.31 and 25,000 options forfeited. There were no options which were granted or which expired during the year.

As at 30 June 2010, 820,195 staff stock options were outstanding, representing 2.0 per cent of the current issued share capital.
129,195 options each confer the right to one depositary receipt representing ten ordinary shares of €0.50 par value and were all granted on 8 November 2004 at an exercise price of €24.82. These options vested on 8 November 2007 and can be exercised during a period of seven years after the vesting date and are settled in equity. Having regard to the market prices of depositary receipts, the exercise price of €24.82 and the first possible date for exercise, the value of these 129,195 outstanding options at the date of granting was assessed at €202,000, using the appropriate formula to calculate options values, resulting in an average fair value of €1.56 per option. The Company has bought back the same number of depositary receipts to cover future possible exercises of these options. 691,000 options each confer the right to one depositary receipt representing ten ordinary shares of €0.50 par value and were all granted on 12 November 2007 at an exercise price

Notes to the consolidated financial statements continued

21. Issued share capital (continued)

of €37.28. These options will vest on 12 November 2010 and can thereafter be exercised during a period of seven years after the vesting date and are settled in equity. Vesting is subject to performance targets linked to a minimal growth of the dividend per share and the net asset value per share during a three year period ending 30 June 2010 and subject to employment at the vesting date. Having regard to the market prices of depositary receipts, the exercise price of €37.28 and the first possible date for exercise, the value of these 691,000 outstanding options at the date of granting was assessed at €2,833,000, using the appropriate formula to calculate options values, resulting in an average fair value of €4.10 per option. The Company has not bought back depositary receipts to cover future possible exercises of the options granted to staff on 12 November 2007. It is the intention to issue new depositary receipts if and when options are exercised in the future or to buy back depositary receipts in the future, depending on the circumstances.

22. Share premium reserve

	30-06-10 €'000	30-06-09 €'000
Book value at beginning of year	324,782	324,278
Issued shares	80,843	0
Issue cost	(2,203)	0
Stock options granted	885	977
Release for issued bonus shares	(4,343)	(465)
Cost for dividends paid	(59)	(8)
Book value at end of year	399,905	324,782

For Dutch tax purposes the share premium reserve is also regarded as paid-up capital.

23. Other reserves

	30-06-10 €'000	30-06-09 €'000
Book value at beginning of year	709,144	687,023
Result previous financial year	(180,705)	51,278
Dividends paid	(37,475)	0
Stock options exercised	55	489
Foreign currency translation differences	27,492	(29,646)
Book value at end of year	518,511	709,144

24. Earnings per depositary receipt

Basic earnings per depositary receipt

The calculation of basic earnings per depositary receipt of €2.43 at 30 June 2010 was based on the result attributable to holders of depositary receipts of €93.7 million (30 June 2009: negative €180.7 million) and a weighted average number of depositary receipts outstanding during the year ended 30 June 2010 of 38,543,725 (30 June 2009: 35,797,301), calculated below.

Result attributable to holders of depositary receipts:

	30-06-10 €'000	30-06-09 €'000
Result for the year	93,740	(180,705)

	30-06-10	30-06-09
Issued depositary receipts at beginning of year	35,840,442	35,727,332
Effect of depositary receipts issued (share placement)	2,195,175	0
Effect of depositary receipts issued (stock dividend)	506,857	54,846
Effect of depositary receipts issued (staff options exercised)	1,251	15,123
Weighted average number of depositary receipts	38,543,725	35,797,301

Diluted earnings per depositary receipt

The calculation of diluted earnings per depositary receipt of €2.38 at 30 June 2010 was based on the result attributable to holders of depositary receipts of €93.7 million (30 June 2009: negative €180.7 million) and a weighted average number of depositary receipts (diluted) outstanding during the year ended 30 June 2010 of 39,383,951 (30 June 2009: 36,649,639), as calculated on the following page.

24. Earnings per depositary receipt (continued)

Result attributable to holders of depositary receipts (diluted):

	30-06-10 €'000	30-06-09 €'000
Result for the year	93,740	(180,705)

	30-06-10	30-06-09
Weighted average number of depositary receipts	38,543,725	35,797,301
Effect of issued options on depositary receipts	840,226	852,338
Weighted average number of depositary receipts (diluted)	39,383,951	36,649,639

25. Commitments not included in the balance sheet

As at 30 June 2010 bank guarantees have been issued for a total amount of €2.5 million. Interest rate swap agreements have been entered into to hedge the exposure to interest rate movements for a total notional amount of €878 million (see also note 18 to the consolidated financial statements and note 12 to the Company financial statements).

As at 30 June 2010 the Group has no off balance sheet investment commitments.

The expected commitments under the operating leases entered into for the Company's Group offices in Amsterdam, London, Milan and Stockholm amount to approximately €372,000 for the financial year 2010/2011 and approximately €1.3 million for the four year period thereafter, and €0.6 million for the period longer than five years.

26. Capital management

The primary objective of the Company's capital management is to ensure that capital is available for the long term. No changes have been made to these objectives, policies or processes during the year ended 30 June 2010. The Company monitors capital primarily using a loan to value ratio and a debt to equity ratio. The loan to value ratio is calculated as the amount of outstanding (net) borrowings divided by the latest market value of the property investments and the property investments under development. The debt to equity ratio is defined as the (net) borrowings divided by the shareholders' equity. Equity means the adjusted net equity calculated as the sum of the net equity increased by the book values of the deferred tax liabilities and the derivative financial instruments.

Banking covenants vary according to each loan agreement, but typically require that the loan to value does not exceed 50 per cent to 75 per cent and a maximum debt to equity ratio of 1:1.

During the period the Company complied with its banking covenants.

Loan to value	30-06-10 €'000	30-06-09 €'000
Borrowings	1,071,841	913,186
Cash and deposits	116,218	7,827
Net borrowings	955,623	905,359
Property investments	2,359,574	2,136,750
Loan to value	41%	42%
Debt to equity ratio		
Net borrowings	955,623	905,359
Shareholders' equity	1,214,323	1,033,080
Derivative financial instruments	103,677	59,604
Deferred tax liabilities	48,229	90,895
Adjusted net equity	1,366,229	1,183,579
Debt to equity ratio	0.70	0.76

27. Related parties

Introduction

Under Netherlands law subsidiaries of the Company and members of its Supervisory Board and Board of Management could be considered to be related parties. No transactions have been entered into with them other than those disclosed in this report.

Notes to the consolidated financial statements continued

27. Related parties (continued)

Remuneration

The Directors' fees recognised in the Company expenses include an amount of €150,000 (2008/2009: €140,700) in respect of gross remuneration paid to the members of the Supervisory Board to be specified as follows:

	30-06-10 €'000	30-06-09 €'000
W.G. van Hassel	38.0	38.0
H.W. Bolland	28.0	28.0
P.W. Haasbroek*	28.0	18.7
J.C. Pollock	28.0	28.0
A.E. Teeuw	28.0	28.0

* As from 4 November 2008.

The Directors' fees also include an amount of €1,253,000 (2008/2009: €975,000) in respect of gross remuneration, including social security charges, for the members of the Board of Management to be specified as follows:

	J.P. Lewis		E.J. van Garderen	
	30-06-10 €'000	30-06-09 €'000	30-06-10 €'000	30-06-09 €'000
Salary	451	451	334	334
Bonus	200	46	143	34
Pension premiums	0	0	37	37
Social security charges	80	63	8	10

The bonuses paid to members of the Board of Management are entirely and directly linked to the annual growth in the Company's net asset value and dividend per share.

Stock options

The movements in options granted under the existing Stock Option Plan to the members of the Board of Management are set out in the table below:

	J.P. Lewis	E.J. van Garderen	Total
Number of options at beginning of year	100,000	120,000	220,000
Exercised	0	0	0
Granted	0	0	0
Number of options at end of year	100,000	120,000	220,000

The outstanding 220,000 options held by the Board of Management represent 0.54 per cent of the current issued share capital of the Company.

26 per cent (€232,000) of the amount charged to the profit and loss account (€886,000) as stock options granted (IFRS 2) is related to the stock options granted to the members of the Board of Management.

Shareholdings

Mr J.P. Lewis and entities associated with him hold 862,222 depositary receipts in total, representing 2.13 per cent of the issued share capital of the Company. Mr E.J. van Garderen holds 20,000 depositary receipts in total, representing 0.049 per cent of the issued share capital of the Company. Mr W.G. van Hassel indirectly holds 3,027 depositary receipts representing 0.0075 per cent of the issued share capital of the Company. Mr A.E. Teeuw holds 7,000 depositary receipts representing 0.017 per cent of the issued share capital of the Company. None of the other members of the Board of Supervisory Directors has any holdings in the Company.

Loans

There are no loans granted to members of the Supervisory Board or members of the Board of Management.

28. Accounting estimates and judgements

The Board of Management discussed with the Supervisory Board the development, selection and disclosure of the Group's critical accounting policies and estimates and the application of these policies and estimates.

Critical accounting estimates and assumptions

Accounting estimates and assumptions discussed in this section are considered to be the most critical to an understanding of the financial statements because they inherently involve significant judgements and uncertainties. For all of these estimates, management cautions that future events may not develop exactly as forecast, and the best estimates routinely require adjustment.

Critical accounting judgements in applying the Group's accounting policies

The critical accounting judgements in applying the Group's accounting policies have been described in the investment property accounting policy notes (see note 1). Most important is that all property investments and property investments under development are revalued every six months by qualified independent valuation experts. The Group uses a rotation scheme when instructing valuers. The fair value of the property portfolio is based upon the opinions of the external experts and not internal valuations made by the Company.

Company balance sheet

(before income appropriation)

	Note	30-06-10 €'000	30-06-09 €'000
Property investments	3	0	3,720
Investments in subsidiaries	4	769,310	690,985
Due from subsidiaries	5	364,903	345,383
Tangible fixed assets	6	1,072	1,145
Derivative financial instruments		114	110
Total non-current assets		1,135,399	1,041,343
Receivables		415	316
Cash and deposits	7	102,946	1,942
Total current assets		103,361	2,258
Total assets		1,238,760	1,043,601
Creditors		3,010	2,878
Due to subsidiaries		274	7,198
Borrowings	8	19,927	0
Total current liabilities		23,211	10,076
Provision for pensions		1,226	445
Total liabilities		24,437	10,521
Net assets		1,214,323	1,033,080
Shareholders' equity	9		
Issued share capital		202,167	179,859
Share premium reserve		399,905	324,782
Legal revaluation reserve		504,075	427,712
Currency translation reserve		1,197	(20,761)
Retained profit reserve		13,239	302,193
Undistributed income		93,740	(180,705)
		1,214,323	1,033,080

Company profit and loss account

	2009/2010 €'000	2008/2009 €'000
Company profit after taxation	15,457	24,994
Result from subsidiaries after taxation	78,283	(205,699)
Result after taxation	93,740	(180,705)

Notes to the Company financial statements

As at 30 June 2010

1. General

The description of the Company's activities and structure, as included in the notes to the consolidated financial statements, also apply to the Company financial statements. The corporate accounts have been prepared in accordance with the financial reporting requirements of Part 9, Book 2 of the Netherlands Civil Code. In order to harmonise the accounting principles of the corporate accounts with the consolidated accounts, the Board of Management has decided, from 1 July 2005 onward, to adopt the provisions of Article 2:362 paragraph 8 of the Netherlands Civil Code, whereby the accounting principles applied in the consolidated accounts also apply to the Company financial statements of the Company. The consolidated accounts have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS) as per 30 June 2010.

When preparing its financial statements the Company also applied the rules for the contents of the financial statements of investment institutions pursuant to the Netherlands Act on Financial Supervision.

2. Principal accounting policies

The accounting principles as described in the notes to the consolidated financial statements also apply to the Company financial statements unless indicated otherwise.

Investments in subsidiaries

In accordance with Article 2:362 paragraph 8 of the Netherlands Civil Code, all subsidiaries are accounted for on a net asset value basis. For determining the net asset value all assets, liabilities and profits and losses are subject to the accounting principles as applied to the consolidated financial statements.

3. Property investments

Changes in property investments for the financial year ended 30 June 2010 were as follows:

	30-06-10 €'000	30-06-09 €'000
Book value at beginning of year	3,720	102,630
Revaluation of property investments	(80)	(250)
Revaluation of property investments held for sale	0	(2,540)
Book value divestment property	(3,640)	(96,120)
Book value at end of year	0	3,720

4. Investments in subsidiaries

Movements in investments in subsidiaries for the financial year ended 30 June 2010 were as follows:

	30-06-10 €'000	30-06-09 €'000
Book value at beginning of year	690,985	909,515
Investments	1,150	0
Dividends received	(6,800)	0
Foreign currency translation differences	5,692	(12,831)
Result from subsidiaries	78,283	(205,699)
Book value at end of year	769,310	690,985
Cost at end of year	265,235	264,085
Foreign currency translation differences	(9,753)	(15,445)
Cumulative result from subsidiaries	513,828	442,345
Book value at end of year	769,310	690,985

Notes to the Company financial statements continued

5. Due from subsidiaries

The balance at 30 June 2010 principally represents funds advanced to Eurocommercial Properties Caumartin S.N.C., Eurocommercial Properties France S.A.S., Aktiebolaget Norrköping Silvret 1, Aktiebolaget Skövde Köpmannen 2, KB Degeln 1, ECP Högsbo AB, ECP Karlskrona AB, ECP Moraberg Holding AB, ECP Moraberg KB, Eurocommercial Properties Sweden AB, Hälla Shopping Fastighets AB and Samarkandfastigheter AB.

Most of these advances of €364.9 million were made under long term loan facilities and the average interest rate of these advances is 5.6 per cent.

6. Tangible fixed assets

Tangible fixed assets represent office equipment and inventory for the Company's head office in Amsterdam, the Paris office and partly the London office. These costs are depreciated over the expected useful lives of the assets concerned varying from two to five years. The movements in the current financial year were:

	30-06-10 €'000	30-06-09 €'000
Book value at beginning of year	1,145	805
Additions	343	706
Depreciation	(416)	(366)
Book value at end of year	1,072	1,145
Cost at end of year	2,643	2,300
Accumulated depreciation	(1,571)	(1,155)
Book value at end of year	1,072	1,145

During the financial year ended 30 June 2010 no tangible fixed assets (30 June 2009: €0) were disposed of.

7. Cash and deposits

Cash and deposits of €102.9 million consist primarily of time deposits, with small amounts held as bank balances and other liquid assets. These are all freely available to the Company with the exception of an amount of €60 million being pledged to the bank.

8. Borrowings

	30-06-10 €'000	30-06-09 €'000
Book value at beginning of year	0	46,264
Drawdown of funds	19,810	135,180
Repayments	0	(182,411)
Exchange rate movements	136	942
Movement borrowing costs	(19)	25
Book value at end of year	19,927	0

9. Shareholders' equity

The movements in shareholders' equity in the current financial year were:

	Issued share capital €'000	Share premium reserve €'000	Legal revaluation reserve €'000	Currency translation reserve €'000	Retained profit reserve €'000	Undistributed income €'000	Total €'000
30-06-2009	179,859	324,782	427,712	(20,761)	302,193	(180,705)	1,033,080
Issued shares	22,308	74,297					96,605
Result previous financial year					(180,705)	180,705	0
Profit for the year						93,740	93,740
Dividends paid		(59)			(37,475)		(37,534)
Stock options exercised					55		55
Stock options granted		885					885
Foreign currency translation differences				21,958	5,534		27,492
Addition to legal reserve			76,363		(76,363)		0
30-06-2010	202,167	399,905	504,075	1,197	13,239	93,740	1,214,323

The movements in shareholders' equity in the previous financial year were:

	Issued share capital €'000	Share premium reserve €'000	Legal revaluation reserve €'000	Currency translation reserve €'000	Retained profit reserve €'000	Undistributed income €'000	Total €'000
30-06-2008	179,394	324,278	651,047	(4,126)	40,102	110,286	1,300,981
Issued shares	465	(465)					0
Profit previous financial year					51,278	(51,278)	0
Result for the year						(180,705)	(180,705)
Dividends paid		(8)				(59,008)	(59,016)
Stock options exercised					489		489
Stock options granted		977					977
Foreign currency translation differences				(16,635)	(13,011)		(29,646)
Release from legal reserve			(223,335)		223,335		0
30-06-2009	179,859	324,782	427,712	(20,761)	302,193	(180,705)	1,033,080

Reference is also made to the consolidated financial statements and the notes thereto for movements in the components of shareholders' equity.

Under the Netherlands Civil Code the Company has to maintain legal reserves, which comprise of the revaluation reserve and the currency translation reserve. The currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations with a functional currency other than that of the Company, as well as from the translation of liabilities (including quasi equity loans) that hedge the Company's net investment in a foreign subsidiary. The amounts recognised by these reserves amount to €505 million and are not freely distributable. For dividend distribution however, both the retained profit reserve, share premium reserve and the undistributed income are available.

Holders of depositary receipts representing 41 per cent of the issued share capital (last year 5.7 per cent) opted for 868,557 bonus depositary receipts at an issue price of €30.26 from the Company's share premium reserve, instead of a cash dividend of €1.78 per depositary receipt for the financial year ended 30 June 2009. Accordingly, an amount of €37,475 million of the retained profit reserve was taken to fund the cash dividend paid on 30 November 2009.

10. Audit fee

The fee for professional audit services and other services rendered by Ernst & Young accountants LLP of Amsterdam, The Netherlands for the financial year ended 30 June 2010 is €200,000 (2008/2009: €175,000). The services rendered by the external audit firm during 2009/2010 and 2008/2009 are only related to the audit of the financial statements.

Notes to the Company financial statements continued

11. Expense ratio

Pursuant to the Netherlands Act on Financial Supervision it is required to report the expense ratio of the Company. This ratio is calculated as the total costs, which include property expenses, net service charge expenses, company expenses, investment expenses and corporate income tax, divided by the weighted average net asset value of the last five quarters. Over the financial year 2009/2010 this expense ratio amounted to 2.83 per cent (2008/2009: 2.33 per cent).

12. Commitments not included in the balance sheet

The Company has entered into guarantees in favour of IntesaSanpaolo S.p.A. for debts incurred by Eurocommercial Properties Italia S.r.l. to an amount of €192.4 million and for guarantees issued for Eurocommercial Properties Italia S.r.l. to an amount of €2.0 million.

The Company has entered into guarantees in favour of UniCredit Banca d' Impresa S.p.A. for debts incurred by Eurocommercial Properties Italia S.r.l. to an amount of €58.9 million and for guarantees issued for Eurocommercial Properties Italia S.r.l. to an amount of €0.03 million.

The Company has entered into a guarantee in favour of Monte Dei Paschi Di Siena S.p.A. for debts incurred by Eurocommercial Properties Italia S.r.l. to an amount of €28 million.

The Company has entered into a guarantee in favour of Banca di Imola S.p.A. for debts incurred by Eurocommercial Properties Italia S.r.l. to an amount of €6 million.

The Company has entered into a guarantee in favour of CentroBanca S.p.A. for debts incurred by Eurocommercial Properties Italia S.r.l. to an amount of €68.3 million.

The Company has entered into a guarantee in favour of Royal Bank of Scotland N.V. for debts incurred by Eurocommercial Properties Italia S.r.l. to an amount of €30 million.

The Company has entered into a guarantee in favour of ABN AMRO Bank N.V. for debts incurred by Eurocommercial Properties Italia S.r.l. to an amount of €60 million.

The Company has entered into guarantees in favour of ING Bank N.V., Milan Branch, for debts incurred by Eurocommercial Properties Italia S.r.l. to an amount of €80 million.

The Company has entered into a guarantee in favour of ING Bank N.V., Real Estate Finance for debts incurred by Eurocommercial Properties Caumartin S.N.C. and Eurocommercial Properties France S.A.S. to an amount of €150 million.

The Company has entered into guarantees in favour of Deutsche Hypothekenbank AG for debts incurred by Eurocommercial Properties Taverny S.N.C. and Eurocommercial Properties France S.A.S. to an amount of €40 million.

The Company has entered into guarantees in favour of Nordea AB for debts incurred by Aktiebolaget Laholm Mellby 2:129, Aktiebolaget Norrköping Silvret 1, Aktiebolaget Skövde K-mannen 2, Hälla Shopping Fastighets AB, Burlöv Centre Fastighets AB, Bergvik Köpet 3 KB and ECP Moraberg KB to an amount of SEK 1,869 million.

The Company has entered into a guarantee in favour of Skandinaviska Enskilda Banken AB for debts incurred by KB Degeln 1 and Kronan Fastigheter i Karlskrona AB to an amount of SEK 450 million.

The Company has entered into a guarantee in favour of Svenska Handelsbanken AB, French Branch, for debts incurred by Eurocommercial Properties France S.A.S. to an amount of €98 million.

The Company has entered into guarantees in favour of credit institutions for interest rate swap contracts hedging the exposure of subsidiaries to interest rate movements over a total notional amount of €878 million (see also notes 18 and 25 to the consolidated financial statements).

Amsterdam, 25 August 2010

Board of Management

J.P. Lewis, Chairman
E.J. van Garderen

Board of Supervisory Directors

W.G. van Hassel, Chairman
H.W. Bolland
P.W. Haasbroek
J.C. Pollock
A.E. Teeuw

Other information

Priority shares

All issued priority shares are held by Stichting Prioriteitsaandelen Eurocommercial Properties.

The holders of the priority shares are entitled to determine the number of members of the Company's Supervisory and Management Boards, to nominate the persons to be submitted to the vote of all shareholders for election to the Board of Management and the Supervisory Board and to approve the appropriation of income of the Company.

For the period to 30 November 2012, they are empowered to authorise the issue of new shares and the terms of issue, including a power to limit or exclude the pre-emptive rights of existing shareholders. Mutatis mutandis the same applies to the granting of rights to subscribe for shares. The priority shares are in all other respects identical to the registered ordinary shares.

The Board of Stichting Prioriteitsaandelen Eurocommercial Properties at 30 June 2010 comprised:

J.P. Lewis
N.R.L. Mijnssen

Provisions in the Articles of Association concerning the appropriation of income

The appropriation of income is subject to the Provisions of Article 44 of the Articles of Association of the Company of which the major provisions are as follows:

(a) Out of the profit as evidenced by the adopted annual accounts and after deduction of all taxes due by the Company, such amount may be reserved as the Board of Management shall determine which reserve shall be at the exclusive disposal of the Board of Management.

(b) The remainder of the profit shall be at the disposal of the General Meeting of Shareholders for distribution of dividend, either in cash or in shares in the capital of the Company, or a combination of both, on the priority shares and ordinary shares, or for reserves or such other purposes covered by the objects of the Company, as the General Meeting of Shareholders shall decide after prior approval of the meeting of holders of priority shares. If it is decided to distribute dividends in full or in part, the distributable part of the profit shall be distributed amongst holders of priority shares and holders of ordinary shares pro rata to the nominal value of their shares.

(c) The distribution of profit shall take place after the adoption of the annual accounts showing that such distribution is permitted. (Interim) dividends may be distributed in cash or in shares in the capital of the Company or a combination thereof.

Dividend distribution

The Board of Management proposes to the Annual General Meeting of Shareholders to be held at the Amstel Inter Continental Hotel, Prof. Tulpplein 1, Amsterdam on 2 November 2010 at 11.00 hours to distribute a cash dividend of €1.82 per depositary receipt (ten ordinary shares) for the financial year ended 30 June 2010 (30 June 2009: €1.78 per depositary receipt). Subject to its fiscal and other limitations, the Company will offer holders of depositary receipts the option of taking new depositary receipts from the Company's share premium reserve, instead of a cash dividend. The percentage of such scrip issue will be announced on 29 October 2010. The distribution will be payable as from 30 November 2010. In the case of the scrip issue, the depositary receipts would be issued from the share premium reserve and will therefore not be subject to Netherlands dividend withholding tax which is charged at the rate of 15 per cent for The Netherlands and certain overseas holders respectively. The depositary receipts will rank pari passu with the existing depositary receipts of the Company in respect of the financial year 2010/2011. Holders of depositary receipts are given the opportunity to make their choice known up to and including 18 November 2010. If notification is not received by that date a cash dividend only will be payable. The part of the profit not distributed in cash will be added to shareholders' equity.

Financial calendar

29 October 2010	Announcement of scrip issue price
2 November 2010	Annual General Meeting of Shareholders
4 November 2010	Ex-dividend date
5 November 2010	Announcement of first quarter results 2010/2011
30 November 2010	Dividend payment date
11 February 2011	Announcement of half year results 2010/2011
13 May 2011	Announcement of third quarter results 2010/2011
26 August 2011	Announcement of annual results 2010/2011
1 November 2011	Annual General Meeting of Shareholders

Other information continued

Statements pursuant to the Netherlands Act on Financial Supervision

The Netherlands Authority for the Financial Markets granted a permit to the Company on 7 July 2006, a copy of which is available at the Company's office and is also available at the Company's website: www.eurocommercialproperties.com.

The members of the Board of Supervisory Directors and the members of the Board of Management of Eurocommercial Properties N.V. have no personal interest in investments made by Eurocommercial Properties N.V. now nor at any time in the past year. The Company has no knowledge of property transactions taking place in the year under review with persons or institutions which can be considered to stand in a direct relationship to the Company.

Holders of depositary receipts/ordinary shares with a holding of 5 per cent or more

Under the Netherlands Act on Financial Supervision, the Netherlands Authority for the Financial Markets has received notification from two holders of depositary receipts/ordinary shares with interests greater than 5 per cent in the Company. According to the latest notifications these interests were as follows:

Stichting Administratiekantoor Eurocommercial Properties (99.84 per cent) and the Government of Singapore (12.75 per cent).

The dates of the aforesaid notifications were 1 November 2006.

Stock market prices and turnover 2009/2010

The Company is listed on NYSE Euronext Amsterdam (the Amsterdam Stock Exchange) and on NYSE Euronext Paris (the Paris Stock Exchange) and is admitted to the Euronext 150 index and the Amsterdam Midkap (AMX) index.

		High	Low	Average
Closing price 30 June 2010 (€; depositary receipts)	26.25	30.15	21.82	27.44
Average daily turnover (in depositary receipts)	104,422			
Average daily turnover (€'000,000)	2.7			
Total turnover over the past 12 months (€'000,000)	774.0			
Market capitalisation (€'000,000)	1,058.0			
Total turnover divided by market capitalisation	73%			

Liquidity provider: RBS N.V.
Amsterdams Effectenkantoor B.V.

Depositary receipts listed on NYSE Euronext Amsterdam are registered with Centrum voor Fondsenadministratie B.V. under code: 28887

ISIN – Code: NL 0000288876

Stock market prices are followed by:

Bloomberg: ECMPA NA
Datastream: 307406 or H:SIPF
Reuters: SIPFc.AS

Valuers

The following independent firms have valued the Company's properties at 30 June 2010

France Cushman & Wakefield, Knight Frank, Retail Consulting Group
Italy CB Richard Ellis, Cushman & Wakefield, Jones Lang LaSalle, Savills
Sweden Cushman & Wakefield, DTZ

Other information continued

Report of the Auditors

To the shareholders and the holders of depositary receipts of Eurocommercial Properties N.V.

Auditor's report

Report on the financial statements

We have audited the financial statements of Eurocommercial Properties N.V., Amsterdam, for the financial year ended 30 June 2010 (as set out on pages 63 to 96). The financial statements consist of the consolidated financial statements and the Company financial statements. The consolidated financial statements comprise the consolidated profit and loss account and the consolidated direct, indirect and total investment results for the financial year ended 30 June 2010, the consolidated balance sheet as at 30 June 2010, the consolidated cash flow statement, the consolidated statement of comprehensive income and the consolidated statement of changes in shareholders' equity for the financial year ended 30 June 2010, and a summary of significant accounting policies and other explanatory notes. The Company financial statements comprise the Company balance sheet as at 30 June 2010, the Company profit and loss account for the year then ended and the notes.

Management's responsibility

Management of the Company is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code and the Act on Financial Supervision, and for the preparation of the report of the Board of Management in accordance with Part 9 of Book 2 of the Netherlands Civil Code and the Act on Financial Supervision. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the 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 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 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 Eurocommercial Properties N.V. as at 30 June 2010, and of its result and its cash flows for the financial year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code and the Act on Financial Supervision.

Opinion with respect to the Company financial statements

In our opinion, the Company financial statements give a true and fair view of the financial position of Eurocommercial Properties N.V. as at 30 June 2010, and of its result for the financial year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code and the Act on Financial Supervision.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under 2:393 sub 5 part f of the Netherlands Civil Code, we report, to the extent of our competence, that the Report of the Board of Management is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Amsterdam, 16 September 2010

Ernst & Young Accountants LLP

Signed by M.A. van Loo

Directory

Supervisory Board

W.G. van Hassel, Chairman
H.W. Bolland
P.W. Haasbroek
J.C. Pollock
A.E. Teeuw

Management Board

J.P. Lewis, Chairman
E.J. van Garderen

Country Heads

J.P.C. Mills, Director
T.R. Newton, Director
T.G.M. Santini, Director

Property Directors

M. Bjöörn
V. Di Nisio
P.H. Le Goueff

M.V. Alvares, Group Systems
J.M. Camacho-Cabiscol, Group Economist
R. Fraticelli, Company Secretary
K.E. Goode, Investor Relations
J.M. Veldhuis, Group Controller

Board of Stichting Prioriteitsaandelen Eurocommercial Properties

J.P. Lewis, Chairman
N.R.L. Mijnssen

Board of Stichting Administratiekantoor Eurocommercial Properties

A. Plomp
B.T.M. Steins Bisschop

Head Office

Eurocommercial Properties N.V.
Herengracht 469
1017 BS Amsterdam
The Netherlands
Tel: 31 (0)20 530 6030
Fax: 31 (0)20 530 6040
Email: info@eurocommercialproperties.com
Website: www.eurocommercialproperties.com

Eurocommercial Properties N.V. is registered with
the Amsterdam Trade Register under number: 33230134

Group Offices

4 Carlton Gardens
London SW1Y 5AB
United Kingdom
Tel: 44 (0)20 7925 7860
Fax: 44 (0)20 7925 7888

107, rue Saint Lazare
75009 Paris
France
Tel: 33 (0)1 48 78 06 66
Fax: 33 (0)1 48 78 79 22

Via del Vecchio Politecnico 3
20121 Milan
Italy
Tel: 39 02 76 07 591
Fax: 39 02 76 01 61 80

Norrlandsgatan 22, 2 tr
111 34 Stockholm
Sweden
Tel: 46 (0)8 678 5360
Fax: 46 (0)8 678 5370

In the unlikely event that discrepancies appear between the English, Dutch and French versions of this report,
the English report takes precedence.

Designed and produced
by Radley Yeldar. www.ry.com

Eurocommercial Properties N.V.
Herengracht 469
1017 BS Amsterdam
The Netherlands
T: 31(0)20 530 60 30
F: 31(0)20 530 60 40
E: info@eurocommercialproperties.com

www.eurocommercialproperties.com