EUROCOMMERCIAL
SHOPPING CENTRES

Annual Report
30 June 2011

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Geographic focus

Governance

Financials

Cover photograph: Grand Samarkand, Växjö

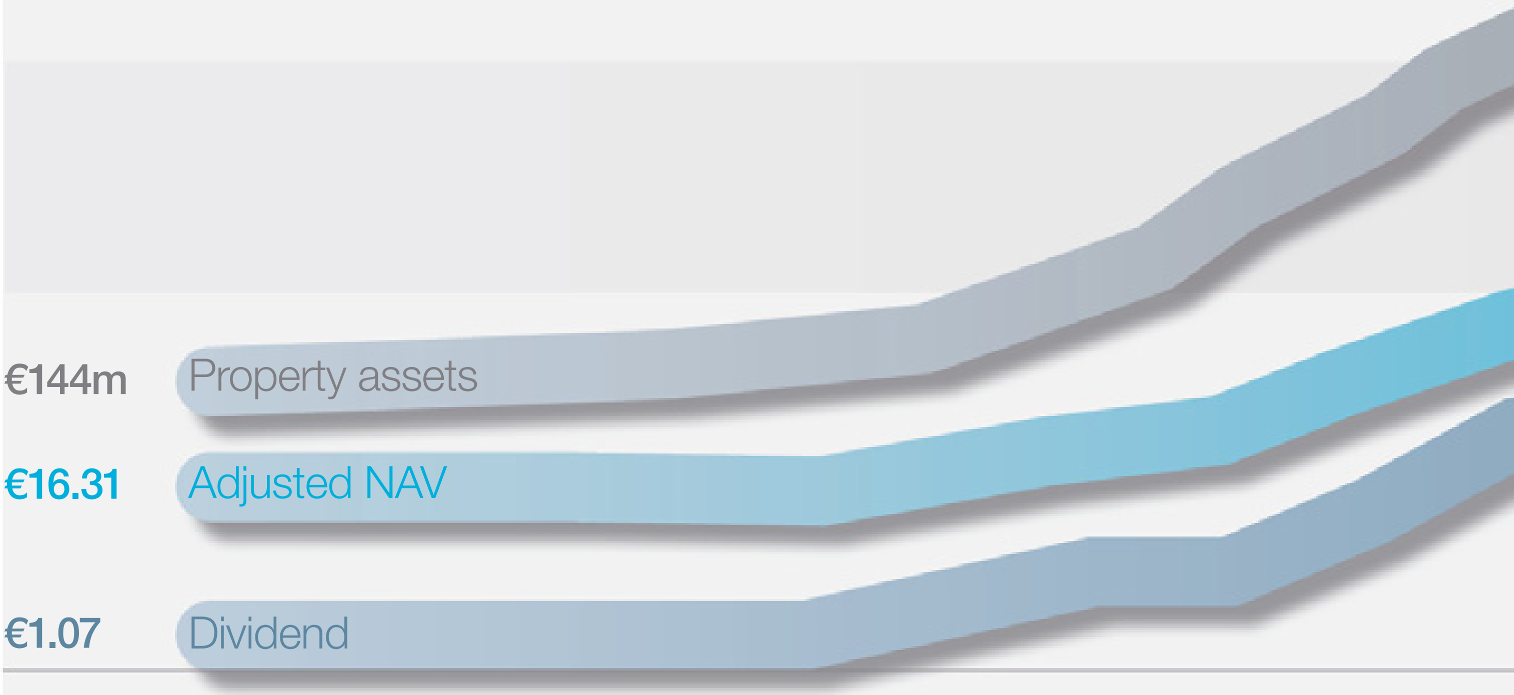
In the 20 years since it was founded, Eurocommercial has provided investors with steadily rising dividends and capital values so that shareholders have achieved a total return* to June 2011 of almost 15% per annum over the period.

In the year to 30 June 2011, the long term upward trend continued with the dividend per share increasing to €1.88, the direct investment result rising to €76.8 million and the adjusted net asset value per share growing to €36.35.

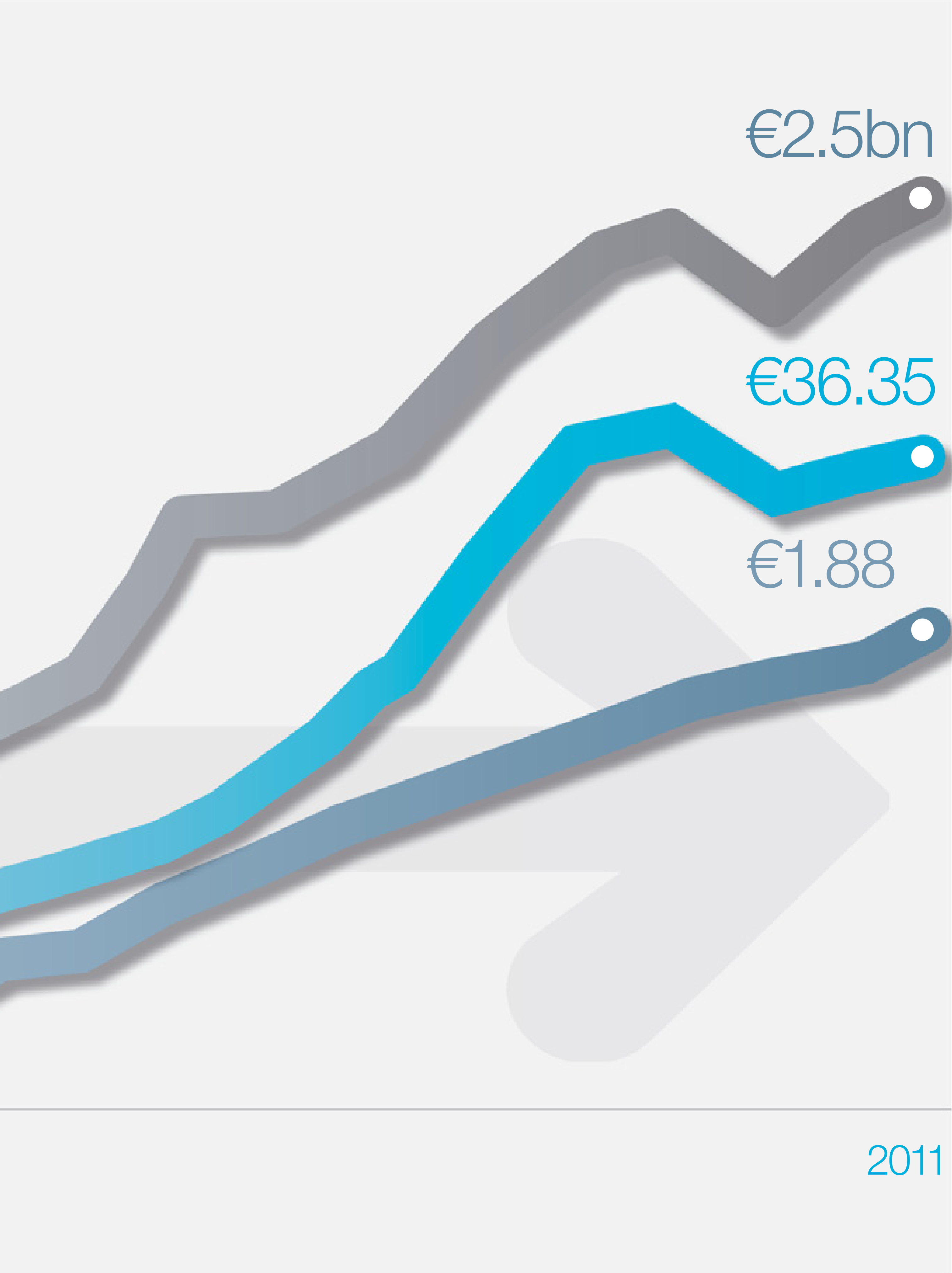
*Assumes reinvestment of dividends.

Timeline

20 years of growth



1991


€2.5bn
€36.35
€1.88
2011

Consistent management

Eurocommercial's management has a record of effective teamwork over the long term.

From left to right

Jeremy Lewis
Chief Executive

The founding Chief Executive of the Company, Jeremy Lewis (66), a Chartered Surveyor, has more than 45 years international experience in commercial property and the running of quoted property investment vehicles.

Tom Newton
Director

Having acquired experience in the property markets of the UK, Australia and Europe, Tom Newton (53) joined Eurocommercial in 1992. Since then he has been involved in the acquisition programme in France and Italy and has responsibility for all French operations. Tom has a degree in modern languages from Durham University and is a Chartered Surveyor.

Tim Santini
Director

Tim Santini (45) joined Eurocommercial in 1994 and is responsible for the Italian activities of the Company. Prior to joining Eurocommercial he was with a major international property consultant in London working on projects in the UK and continental Europe. Tim read modern languages at UEA and is a Chartered Surveyor.

Peter Mills
Director

Peter Mills (52) joined Eurocommercial in 1993 and is responsible for the Company's operations in Sweden. Prior to joining the Company, he worked for major international property consultants covering the UK and European retail markets. Peter is a Chartered Surveyor and read Land Economy at Cambridge University.

Evert Jan van Garderen
Finance Director

Evert Jan van Garderen (49), a graduate of Erasmus University Rotterdam, joined the Company in 1994 after experience in a major law firm and an international investment group. He is both a Chartered Accountant and a qualified lawyer.

The five Directors – Jeremy Lewis, Evert Jan van Garderen, Peter Mills, Tom Newton and Tim Santini – supported by their country deputies, the Group Economist and Investor Relations Director, meet, either in person or via video link, on a weekly basis to discuss all major property and corporate matters. The system ensures that senior management is kept abreast of, and involved in, events in all the Company's markets and a variety of points of view are shared on important issues. Decisions are thus team ones, drawing upon the latest international investment and retail trends.

There are a total of only 55 full time employees at Eurocommercial and the same uncluttered and straightforward approach of the management team applies throughout the Group at its offices in Amsterdam, London, Milan, Paris and Stockholm. The ratio of employees to assets or income is the lowest among the Company's international peers. This efficiency is only possible because of the extremely high level of professional skill exhibited by all staff who feel themselves, rightly, to be responsible and respected members of a close-knit team, rather than mere employees.

Management report
2011 – A good year and a satisfying anniversary

It is of course pleasing to be able to look back over the 20 years since the foundation of our Company in 1991 with its record of steadily rising dividends, values and a total shareholder return to June 2011 of almost 15% per annum*.

It is more interesting though, we think, to look forward and plan for the next 20 years. Some challenges will be similar, some very different. The internet, for example, will have an increasing influence on retail sales patterns for good as well as ill.

Shopping centres, though, will continue to play a pivotal role in the communities they serve because human beings are gregarious creatures and a well-run centre provides a pleasant environment in which to meet friends and family, use community services and, of course, to shop for both sustenance and pleasure.

Eurocommercial's properties have had a good year – sales turnover has increased, rents have risen and capital values grown. Vacancies and arrears of rent both remain under 1% of income.

Financially Eurocommercial has kept its costs under control with the largest expense by far – interest on bank debt – fixed for almost nine years at a current average cost, including margins, of 4.5%. Employment costs have been contained and all senior salaries have been benchmarked against 28 of our international peers. Overall we have one of the lowest ratios of staff costs to both assets and income. This close attention to all operating costs helps us, once again, to show increased net earnings and pay a higher dividend.

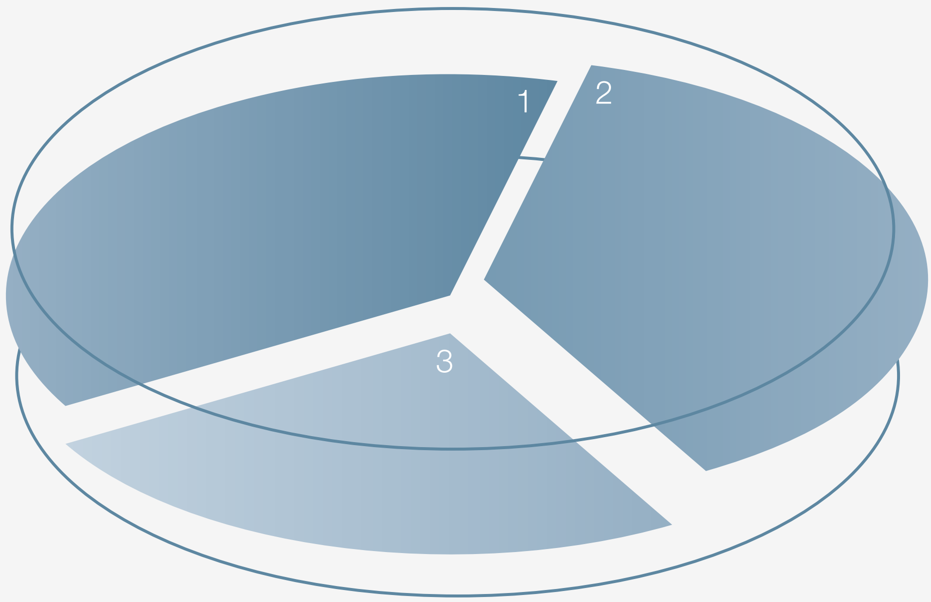
Since the financial year ended, Eurocommercial has acquired the largest shopping centre in Cremona, Lombardy, anchored by a Coop hypermarket, for a total cost of €82.5 million, representing a net yield of 6.75% from January 2012. This acquisition marks Eurocommercial's fourth shopping centre purchase in the wealthy region of Lombardy and its tenth in Northern Italy as a whole. Further information on the centre can be found on page 35 of this report.

The yield available from Cremona, which is an area Eurocommercial knows well, is significantly higher than that offered by the centre in Spain which the Company investigated earlier during the year. Notwithstanding Cremona's wealthy catchment and considerably lower unemployment level, Eurocommercial believes that Spanish yields need to be higher to justify investment there.

*Assumes reinvestment of dividends.

Geographic spread at 30 June 2011

€2.5bn



1 France	37% (€920m)
2 Northern Italy	38% (€969m)
3 Sweden	25% (€633m)

Economic and political background

The last year has not been an easy one economically. With the notable exception of Sweden, the recovery in Europe has been anaemic but governments have, with varying success, made serious efforts to bring their deficits under control, notwithstanding the possible adverse effect on business activity and personal consumption. The massive budget deficits in Greece, Portugal and Ireland have made funding for these countries almost impossible without IMF, EU and ECB help, and speculative attacks on Spanish and Italian bonds have increased tensions. To put matters in perspective though, the eurozone total deficit of 6% of GDP compares favourably with the US at 10.6%. Total debt is also lower in the eurozone at 85% of GDP rather than 93% for the US. France had the largest government deficit at the end of 2010 at 7% followed by Italy at 4.6%. Sweden had no government deficit.

Personal debt levels have remained under control, particularly in Italy where, at 65% of household disposable income, they are significantly lower than in France and Sweden at 79% and 140% respectively. Unemployment has come down somewhat in all countries and currently stands at 9.2% in France, 5.7% in Northern Italy and 7.5% in Sweden. The economic outlook is mixed, with expected GDP growth in 2011 of 4.4% in Sweden but only 1.9% and 0.8% respectively in France and Italy. As far as inflation is concerned we expect 3% in Sweden, 2% in France and 2.7% in Italy.

Property markets

Worries over eurozone debt and the possibility of default have created equity and bond market nervousness. However, this has not affected property markets in France and Sweden where yields have started to come down again.

In Italy yields have not reduced, mostly we think because of unwarranted concerns over "contagion" from so-called peripheral countries, even though the 2011 Italian government deficit is expected to be only 4% of GDP. The bringing forward of fiscal measures to achieve a balanced budget by 2013 rather than 2014, together with assistance from the ECB, have helped reduce market pressures on Italian bond yields and their domestic interest rates. Obviously, though, the continuing total debt level of 120% of GDP is too high, as it has been since the mid-1990s.

The major change in property investment markets in France and Sweden has been the sheer weight of money chasing the very few available good properties and we do not expect the situation to change this financial year. The best French and Swedish centres are now owned by a limited number of specialist investors

Results summary

	2010/2011	2009/2010
Rental income (€m)	153.5	140.9
Net rental income (€m)	131.1	120.5
Direct investment result (€m)	76.8	70.0
Net debt to adjusted net equity	67%	70%
Net loan to property value	39%	41%
Average interest cost, including margins	4.5%	3.99%
Interest cover	2.7x	2.7x

Property summary

	2011	2010
Property values (€m)	2,522	2,360
Gross lettable area (m^2)	591,000	589,000
Number of properties	31	32
Number of shops	1,325	1,297
Number of visitors (m)	129	119
Sales turnover growth	1.9%	0.0%
Boutiques <300m^2 turnover/m^2 (€)	7,240	6,780
Like for like rental growth	3.8%	1.3%
Boutiques <300m^2 rent/m^2 (€)	570	558

Management report continued

and large retailers who are well financed and have no need, or desire, to sell, severely limiting the availability of good centres that can be purchased, increasing upward pressure on prices.

In Italy, though, there are opportunities, we believe, to acquire shopping centres every bit as good as their equivalents in France or Sweden, but which can be bought at yields at least 100 basis points higher, as confirmed by our purchase in Cremona, Lombardy in September 2011. If we add to this head start the lower density of shopping centres in Italy compared with most other Western European countries, we believe that sound rental growth will continue and total returns of well over 10% per annum should be achievable.

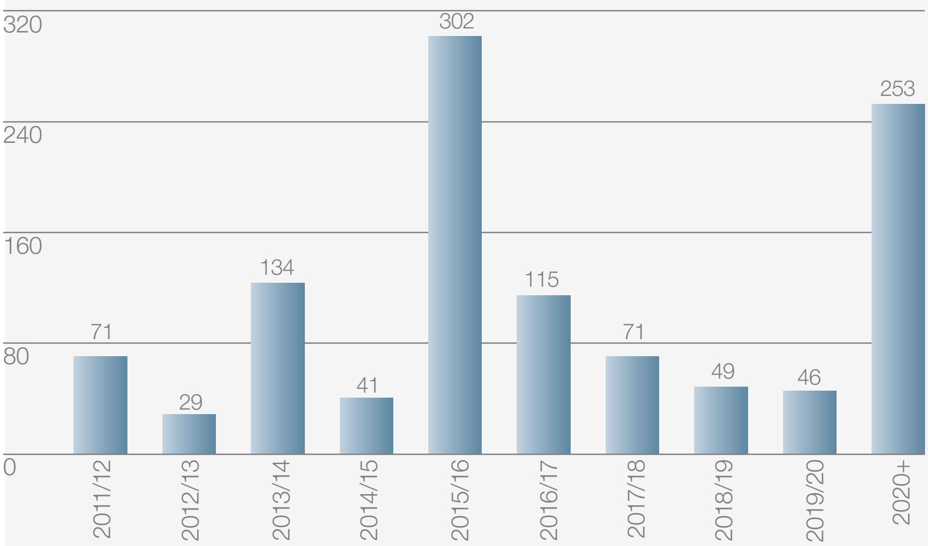
Tenant demand

Retailers have been growing their number of outlets this year after biding their time immediately after the financial crisis. The American brands Gap, Hollister and Apple have been particularly active, looking for new opportunities outside their own, overcrowded market and all are now represented in some of Eurocommercial's centres in France and Italy. The major European chains have also been expanding with the largest – Inditex – opening their Bershka, Pull & Bear, Stradivarius and Oysho brands in smaller centres and Zara in larger ones. H&M are still growing in Europe and C&A are also expanding aggressively in Italy.

An interesting new entrant into France and Italy is the Danish Bestseller group, already important throughout Scandinavia. German retailers including Deichmann and New Yorker are also expanding into these markets with the Italian retailer Geox, on the other hand, going north, as are Gruppo Miroglio and Kiko, the new cosmetic chain. Altogether a fascinating and dynamic market with no sign whatsoever of the chains giving up in the face of the internet.

The "click and collect" system of ordering food on the internet and collecting from "drive" points in France will, we think, benefit our shopping centres if we can attract customers on their way to collection points at the hypermarkets anchoring our centres.

Loan maturity schedule
(€m)



The hypermarkets themselves are re-examining their space needs with the majority now settling for a sales area of between 8,000m² and 10,000m² so that the ratio of food to non-food has increased. Many of the items previously sold in the non-food areas can now be bought as cheaply, and often with better service, in the large specialist outlets. Indeed, we are trying to persuade some of our hypermarket friends to give up leased space or sell us owned space so we can install just such specialists.

Funding

We have taken the firm view that as much as we seek to ensure stability of income from our centres, it is even more important to provide a stable funding base from which our operations can produce consistent profits and, therefore, dividends.

Over the last few years we have therefore lengthened our loan book in terms of both maturities and interest periods so that we can look forward to several years of interest expense at around the 4.5% level including margins. This enables us to buy properties in most markets that can become earnings enhancing almost immediately. We have unused credit lines of over €130 million.

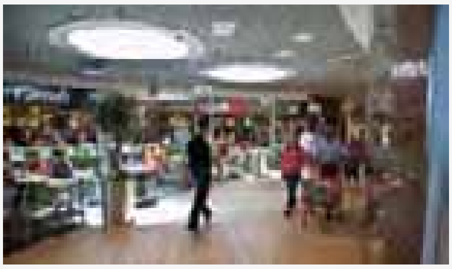
It is interesting to note that the ten year euro interest swap rates have actually reduced slightly during the so called euro crisis, notwithstanding speculative rises in Spanish and Italian bond yields. Margins have not increased markedly either so Eurocommercial does not anticipate that its debt funding will become significantly more difficult or expensive.

Outlook

We expect that the demand for good shopping centres will remain strong in our markets for the rest of the year. Yields will likely stay firm in France and Sweden but could reduce for the best properties in Italy when the current speculative bond yield increases have subsided.

We see no evidence to suggest that our vacancy levels will increase markedly and current inflation predictions indicate that overall rental growth should be between 2% and 3% in the year ahead. We have already been pleasantly surprised at the increasing amount of turnover rent received, particularly in Italy.

We face the next year confident that despite limited economic growth we can continue to show increased rental income without being forced to carry out risky developments merely to enhance earnings. We will of course buy where we can see good long term value and undertake extensions that meet consumer demand and improve our centres, as we have done over the last 20 years, enabling us to continue producing solid returns for shareholders.



Performance measures
Rental growth

The most important component of long term growth for a property investment company is that derived from rental income. Investment yields, and therefore capital values, can rise and fall with interest rates or market trends but rental levels are the true test of the value placed upon a property by its users. Eurocommercial's annual like for like rental growth has averaged more than 4% over the past ten years, thereby underlining the quality of its shopping centres.

In the year to June 2011 182 leases were relet or renewed, resulting in an average uplift in rents of 18%, which contributed to an overall rental increase for Eurocommercial of 3.8% on a like for like basis.

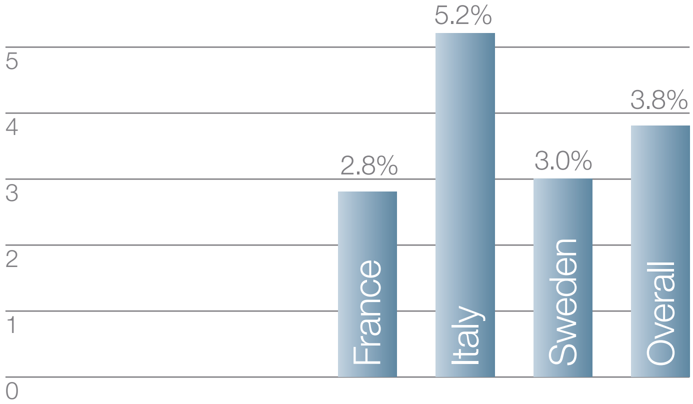
Indexation

Eurocommercial leases consist of a base rent which is indexed annually and topped up by a proportion of turnover. In France, indexation is based on the ILC index – a combination of building costs, retail sales and CPI – although some leases are still linked to the ICC cost of construction index which was previously the standard for all retail leases. In Italy and Sweden indexation is linked to the consumer price index.

Rent indexation in 2011 was 0.8% in France, 1.9% in Italy and 1.5% in Sweden. For the coming year Eurocommercial currently estimates that indexation will be approximately 1.5% in France, 2% in Italy and 2.75% in Sweden.

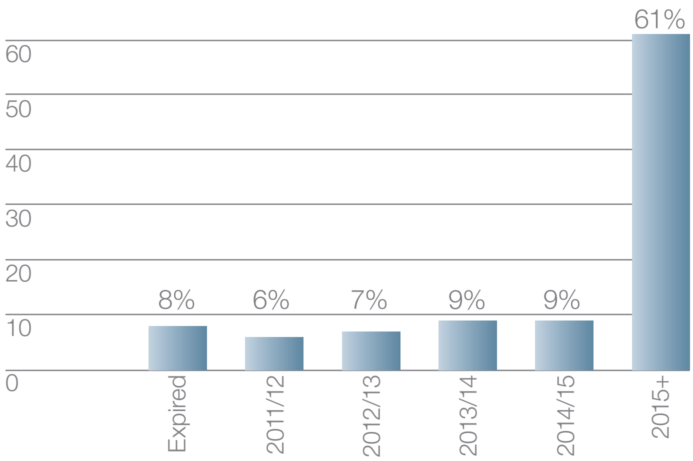
Like for like rental growth 2011/2010

3.8%



Lease renewal profile (as % of rental income)

Average lease length: 6.2 years



Renewals and relettings

	2010/2011			2009/2010		
	% 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	**4%**	**9%**	**37%**	6%	5%	68%*
Italy	**14%**	**12%**	**19%**	17%	10%	23%
Sweden	**26%**	**17%**	**6%**	10%	5%	12%
Overall	**14%**	**12%**	**18%**	12%	7%	32%*

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

Performance measures
Turnover growth

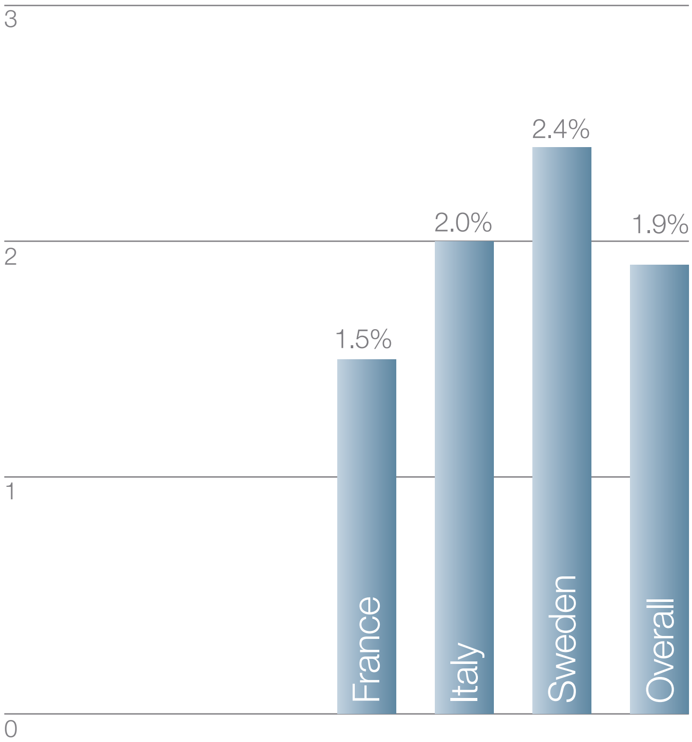
Eurocommercial invests in France, Northern Italy and Sweden because of the transparency that their retail leases provide. It is standard market practice in these countries to include turnover clauses in retail leases which require a tenant to declare their turnover to the landlord on a monthly basis. Eurocommercial considers this to be a fundamental tool for managing shopping centres.

Tenants pay an indexed minimum guaranteed rent (MGR). If, at the end of the year, a retailer's pre-agreed percentage of turnover exceeds the indexed base rent, then the tenant will pay the difference to the landlord. Turnover rent contributes 1.4% to Eurocommercial's total rental income.

Gallery like for like turnover growth by country*

12 months to 30 June 2011

1.9%



Gallery like for like turnover growth by sector*

	12 months to 30 June 2011
Fashion	3.2%
Shoes	6.7%
Gifts and jewellery	4.9%
Health and beauty	5.7%
Food/restaurants	1.2%
Home goods	4.4%
Electricals	–2.4%

*Excluding extensions and hypermarkets.

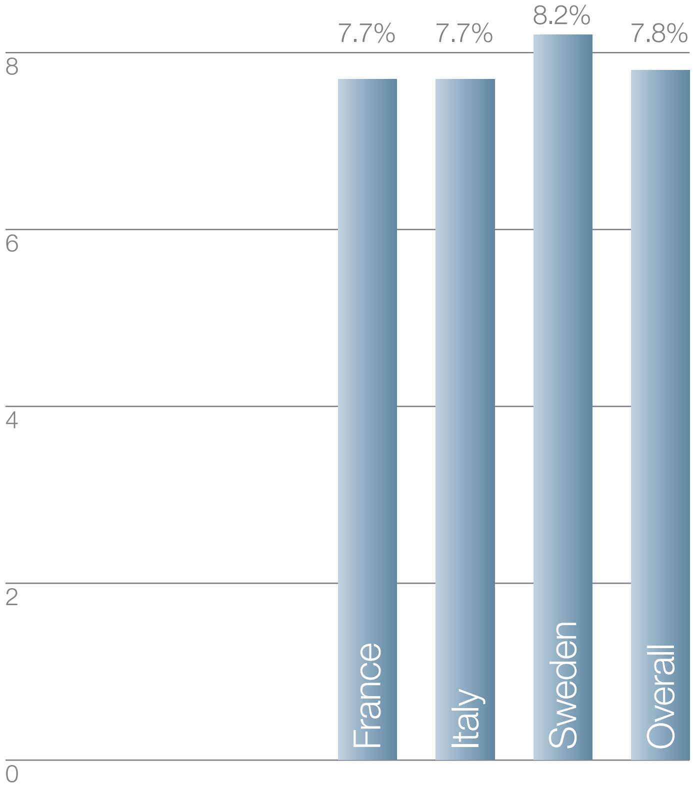
Performance measures
Occupancy cost ratios, arrears and vacancies

Occupancy cost ratios (OCR) represent the relationship between a retailer's rent (plus marketing contributions, service charges and property taxes) and its gross turnover and are a reliable measure of the success of a retailer and, therefore, a shopping centre. By regularly analysing OCRs Eurocommercial keeps a close eye on its tenants and can react quickly should any issues arise. With over 1,300 tenants, the Company is well aware of industry norms across the various sectors and can therefore readily identify and respond to anomalies.

Eurocommercial's low average OCR of 7.8% indicates that its rents are affordable to tenants, which is clearly evident in the minimal (<1%) vacancies and arrears in the Company's shopping centres. It is apparent, therefore, that the retailers can run successful businesses and that rents are sustainable even if economic conditions deteriorate. In light of its low OCR the Company can also expect continued high tenant demand and consistent rental growth in its centres.

Occupancy cost ratios*

7.8%



*Excluding hypermarkets.

Arrears

<1%

Vacancies

<1%

Tenant mix

Top ten tenants
% of income

1 ICA Sverige AB	3.7%
2 Carrefour	3.3%
3 H&M	3.3%
4 Inditex	2.9%
5 Groupe Casino	2.8%
6 Media Markt	2.8%
7 Fnac	2.2%
8 Coin SpA	1.8%
9 UCI	1.3%
10 COOP Sverige AB	1.2%
Total	25.3%

Merchandising mix
Gallery floor area
(excluding hypermarkets)

1 Fashion	34.0%
2 Home goods	16.0%
3 Electricals	13.4%
4 Food/restaurants	7.6%
5 Sport	6.7%
6 Services	5.5%
7 Health and beauty	4.8%
8 Shoes	4.8%
9 Books and toys	3.6%
10 Gifts and jewellery	2.1%
11 Other	1.5%

Valuations

All of the Company's properties were independently valued, as usual, at 30 June 2011 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. Total valuation fees for 2010/2011 were €396,000. Valuers of properties are typically rotated every three years.

The following firms conducted the valuations at 30 June 2011:

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

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

– Sweden: Cushman & Wakefield, DTZ

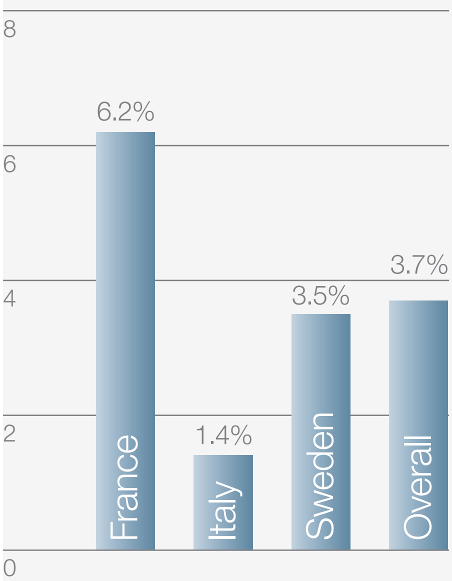
The net yield figures provided in the table opposite are the result of dividing the Company's expected net income for the coming year by the valuation figure, to which has been added the relevant standardised market allowance for deemed purchaser's costs (usually notional transfer taxes) in the particular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

Property values increased by 3.7% over June 2010 and by 1.6% over December 2010. The values of Eurocommercial's properties in France increased by 6.2% over the year to June 2011, in Italy by 1.4% and in Sweden by 3.5%. The uplifts since December 2010 were 1.6% in France, 1.3% in Italy and 2.1% in Sweden.

The average net initial income yield for all properties at 30 June 2011 was 5.6% overall (2010: 5.7%), 5.2% for France (2010: 5.5%), 5.9% for Italy (2010: 5.9%) and 5.7% for Sweden (2010: 5.8%).

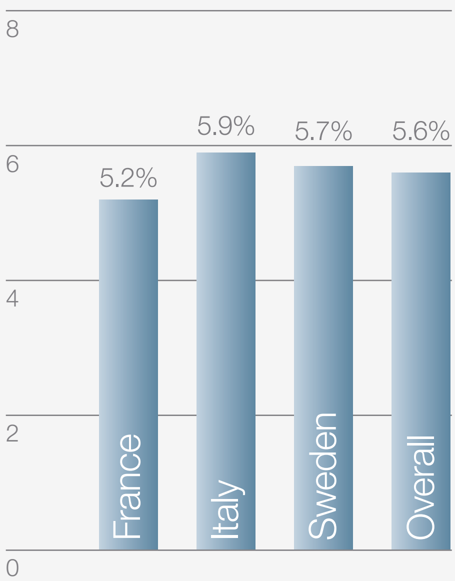
Value change 2011/2010

3.7%



Net yields June 2011

5.6%



Valuations by property

	Net value June 2011	Net value June 2010	Change June 2011/ June 2010	Net yield including purchase costs	Cost to date	Year of acquisition
France (€ million)						
Amiens Glisy, Amiens[2]	43.80	41.90	4.5%	5.5%	16.05	1995
Saint Doulchard, Bourges[6]	36.70	37.80	–2.9%	5.8%	42.87	2007
Chasse Sud, Chasse-sur-Rhône[6]	29.90	29.30	2.0%	6.0%	32.03	2007
Les Allées de Cormeilles, Cormeilles[2]	40.20	35.20	14.2%	5.8%	44.90	2007
Les Trois Dauphins, Grenoble[6]	34.80	33.50	3.9%	5.6%	24.65	2003
Centr'Azur, Hyères[5]	45.90	42.00	9.3%	5.5%	17.85	1993
Plaine de France, Moisselles[5]	70.00	64.10	9.2%	5.5%	60.32	2009
Passage du Havre, Paris[2]	270.50	249.60	8.4%	4.8%	166.40	2000
Passy Plaza, Paris[2]	127.70	118.50	7.8%	5.2%	73.70	1999
74 rue de Rivoli, Paris[6]	50.00	43.20	15.7%	4.1%	21.03	1998
Les Portes de Taverny, Taverny[6]	53.70	50.30	6.8%	5.4%	24.51	1995
Les Atlantes, Tours[2]	117.00	111.40	5.0%	5.1%	52.56	1992
Italy (€ million)						
Curno, Bergamo[4]	100.50	98.10	2.4%	5.9%	34.20	1994
Centro Lame, Bologna[7]	41.00	39.90	2.8%	5.9%	29.59	2003
Il Castello, Ferrara[7]	105.00	99.90	5.1%	5.9%	82.09	2001
I Gigli, Firenze[1]	248.80	241.90	2.9%	5.7%	195.44	1999
Centro Leonardo, Imola[1]	74.20	71.90	3.2%	6.0%	64.69	1998
La Favorita, Mantova[2]	48.50	45.50	6.6%	6.4%	33.85	1997
Carosello, Carugate, Milano[4]	279.50	270.70	3.3%	5.8%	180.24	1997
I Portali, Modena[2]	44.90	41.60	7.9%	5.8%	41.40	2009
Centroluna, Sarzana[7]	26.60	25.90	2.7%	6.1%	13.57	1998
Sweden (SEK million)						
421, Göteborg[3]	733.00	733.00	0.0%	5.6%	822.08	2007
Kronan, Karlskrona[2]	166.00	162.00	2.5%	5.8%	136.46	2007
Bergvik, Karlstad[2]	602.00	535.00	12.5%	5.6%	342.29	2005
Mellby Center, Laholm[2]	165.00	153.00	7.8%	5.7%	135.00	2003
Burlöv Center, Malmö[3]	1,134.00	1,062.00	6.8%	5.5%	698.61	2001
Ingelsta Shopping, Norrköping[2]	889.00	872.00	1.9%	5.8%	833.89	2003
Elins Esplanad, Skövde[2]	658.00	628.00	4.8%	5.7%	539.93	2003
Moraberg, Södertälje[3]	421.00	391.50	7.5%	5.8%	360.39	2006
Hälla Shopping, Västerås[3]	*271.00	295.00	–	6.0%	193.41	2002
Grand Samarkand, Växjö[2]	767.00	515.00	48.9%	5.7%	699.22	2003

*Small external unit sold during the period for SEK 7.0 million.

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

L’équipe Française

Pictured (from left to right)
Damien Malherbe, Cécile Limousin, Tom Newton, Vinciane Brandy, Emilie Rizzotti, Pascal Le Goueff, Caroline Bonaldi, Ambroise Leroy, Gisèle Sesboüé, Lucile Ducrocq, Eric Compain, Jeanne Martinelli, Nathalie Revel, Christine Marest, Nicolas Bourimoff, Benjamin Frois

Overview France

Economy

The French economy has recovered modestly since the crisis and is growing around the eurozone average. The main casualty has been the labour market with the unemployment rate decreasing only slowly to 9.2% in the first quarter of 2011 compared to a peak of 9.6% in the last quarter of 2009. Flat disposable income and stable household saving rates means there is some pressure on the consumer sector. The government's fiscal position is still a cause of concern, although the fiscal consolidation trajectory is appropriate. The fiscal deficit was 7% in 2010, down from 7.5% in 2009 but still high by European standards. Activity is expected to pick up slowly with real GDP growth projected at 1.9% and 1.7% in 2011 and 2012 respectively, in line with the eurozone average.

Rental growth

Like for like rental growth over the year was 2.8%. This was largely driven by 18 relettings and renewals which resulted in 37% rental growth, the majority of which derives from activity in the Passage du Havre in Paris and Centr'Azur in Hyères.

Turnover rent was flat but indexation was positive as almost 40% of tenants remain on the old ICC index which once again benefited from rising commodity prices. Vacancy levels, though up slightly, remain very low and are the result of strategic remerchandising. Leasing is now carried out in-house and this has created a new dynamic which, it is hoped, will enhance performance further.

Turnover growth

Even if the French consumer remains somewhat hesitant, turnover growth of just 1.5% masks a healthier increase of 3.3% when two large electrical retailers are excluded. These retailers account for only 8% of rents but 25% of turnover.

Strong performances have come from the boutiques at Passy, Passage du Havre, Plaine de France and the retail park at Cormeilles, all of which have progressed by more than 5%. The arrival of Massimo Dutti at Passy Plaza later this year is expected to produce a further boost to sales. The laggards have been Les Atlantes in Tours and Amiens Glisy with the former affected by refurbishment works and also a change in control of the electrical anchor from Saturn to Boulanger. The electric anchor at the Passage du Havre also remains in negative territory.

Valuations

Investor demand remains as strong as ever and with good quality centres remaining very tightly held, values have been driven higher. Part of the explanation for lower yields may lie in the fact that France is perceived as a refuge from the EU periphery. The defensive qualities of Propriété Commercial and the income security it generates are also perhaps a factor.

The strongest valuation increases have been achieved in Central Paris where supply is most limited but good uplifts have also been achieved at Hyères, on the Côte d'Azur, and on the retail park at Cormeilles. Net yields for Paris intra muros properties are 4.8% whereas for shopping centres outside Paris the average net yields are 5.5%. In the provinces valuation changes have been more varied but recent transactions outside Paris are testimony to the strength of the market and serve to underpin values.

Property market

New legislation aimed at reforming the town planning regime has many hurdles to cross but the fundamental test of retail densities which used to prevail has now been replaced by more forgiving environmental criteria. There is a suspicion that increases in floorspace are running ahead of sales growth. "Proximity" retailing is now viewed positively by politicians but some new centres have had disappointing results upon opening and some high profile store closures have resulted.

This is not really surprising as there are very few regions in France which are lacking shops and retailers, understandably, favour well located centres with established track records, most of which continue to be anchored by either hyper- or supermarkets.

The winners in this sector, who include Leclerc, have remained loyal to the "everyday low pricing" formula whereas the losers now find themselves with surplus floorspace.

The most dynamic food retailers are also embracing the "drive" concept which is proving particularly attractive to busy professional customers who click at home and collect at sales depots which Eurocommercial is now installing on the car parks in its shopping centres.

Refurbishments and divestments

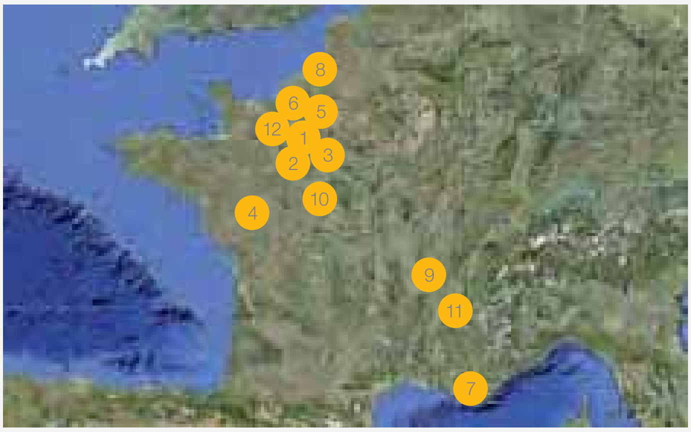
There can be no question that the shopping centre environment is becoming increasingly competitive and Eurocommercial has therefore increased its attention to marketing and has instigated a programme of centre refurbishments. The interior of Les Atlantes has been comprehensively renovated and plans to improve the exterior are progressing. Major refurbishments are also commencing within the next year at both Centr'Azur in Hyères and the Passage du Havre in Paris. The extension of Saint Doulchard will be accompanied by a refurbishment and upgrade of the existing centre.

Eurocommercial has taken advantage of the strong market by selling the Buchelay retail park. This small asset was sold for €7.6 million which represents a net yield of 6%, an improvement of 150 bps over last year's valuation.

Outlook

Whilst there is plenty of talk of government debt burdens and fuel price inflation, French consumers remain in relatively good shape, cushioned by high savings rates and a generous state. Retailers – both national and international – are expanding again and there is good sustained demand for well managed, well established centres. Equally, they remain focused on location and extremely vigilant on occupancy costs.

Unemployment looks to be moving in the right direction and even with a Presidential election pending, consumption – the traditional driver of the French economy – looks to be resilient. The propensity to save does, however, remain deeply embedded and sales growth is likely to remain moderate.



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

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

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

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

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

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

7. **Centr'Azur**
Hyères (Var)
Shopping centre

8. **Amiens Glisy**
Amiens (Somme)
Shopping centre

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

10. **Saint Doulchard**
Bourges (Cher)
Shopping centre

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

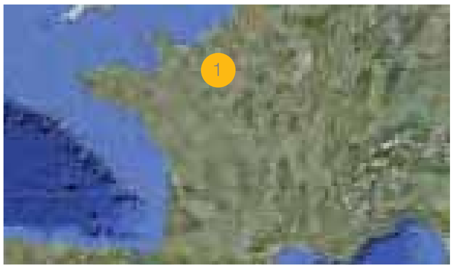
12. **Les Allées de Cormeilles**
Cormeilles (Val d'Oise)
Retail park

France: 1

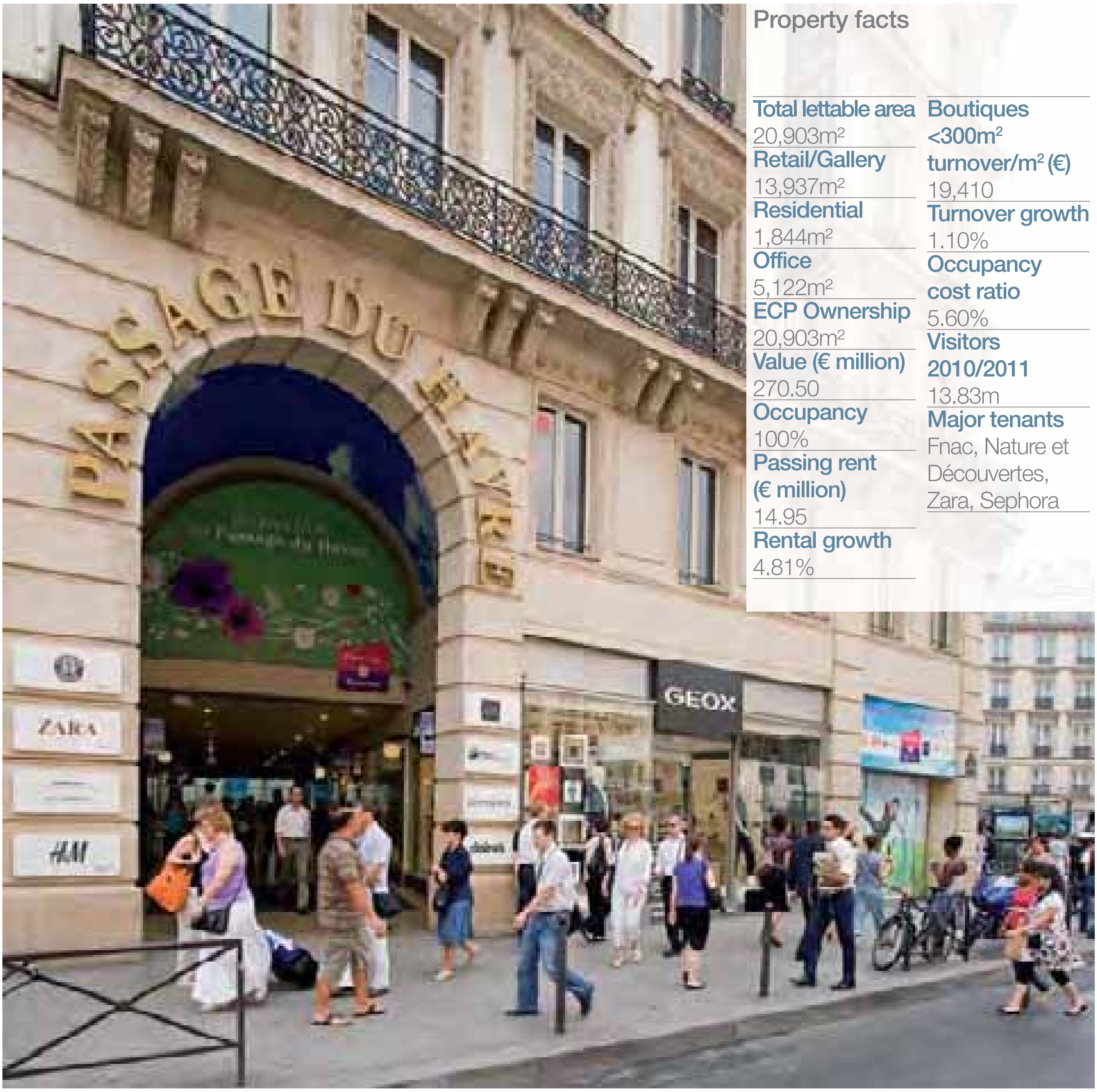
Paris
Passage du Havre

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.

An active year for merchandising has seen the arrival of Kiko, Levi's and Roy and this dynamic will be maintained with a major refurbishment and upgrade of internal finishes which will take place over the next six months.



Boulevard Haussmann, Paris



Property facts

Total lettable area
20,903m²

Retail/Gallery
13,937m²

Residential
1,844m²

Office
5,122m²

ECP Ownership
20,903m²

Value (€ million)
270.50

Occupancy
100%

Passing rent (€ million)
14.95

Rental growth
4.81%

Boutiques <300m² turnover/m² (€)
19,410

Turnover growth
1.10%

Occupancy cost ratio
5.60%

Visitors 2010/2011
13.83m

Major tenants
Fnac, Nature et Découvertes, Zara, Sephora

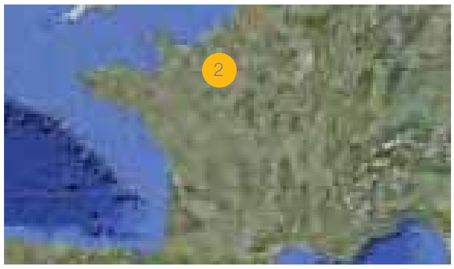
France: 2

Paris
Passy Plaza

Passy Plaza is located in the wealthy 16th arrondissement and is close to the Bois de Boulogne and also the Eiffel Tower.

Sales continue to progress and luxurious washrooms with décor inspired by 100 years of haute couture have recently been installed to appeal to the discerning customer base.

Massimo Dutti will enter the centre later this year.



Tour Eiffel

Property facts

Total lettable area
8,133m²

ECP Ownership
8,133m²

Value (€ million)
127.70

Occupancy
100%

Passing rent (€ million)
7.21

Rental growth
–0.11%

Boutiques <300m² turnover/m² (€)
7,935

Turnover growth
2.70%

Occupancy cost ratio
13.10%

Visitors 2010/2011
5.07m

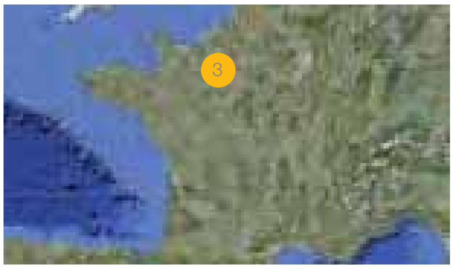
Major tenants
Inno, H&M, La Grande Récré

France: 3

Paris
Rue de Rivoli

The building is located in front of the Hotel de Ville, close to Notre Dame. Tourists account for a large proportion of sales.

Part of the very healthy increase in value can be ascribed to the continuing strength of the Paris residential market.



Hotel de Ville, Paris

Property facts

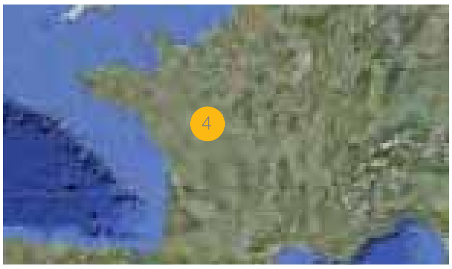
Total lettable area	2,965m²
Retail	995m²
Residential	1,970m²
ECP Ownership	2,965m²
Value (€ million)	50.00
Occupancy	100%
Passing rent (€ million)	2.22
Rental growth	48.35%
Major tenants	Stradivarius, Oysho

France: 4

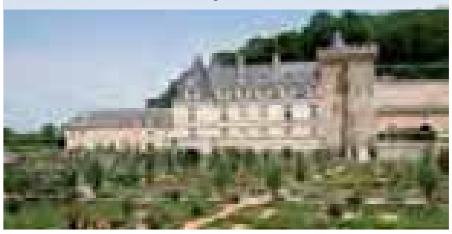
Tours (Indre-et-Loire)
Les Atlantes

Les Atlantes is situated alongside the A10 Autoroute outside the city of Tours.

The centre, which opened in 1992, has been comprehensively refurbished and updated around a theme of the banks of the Loire. Modernisation will continue with an upgrade of the façade and entrances.



Château de Villandry

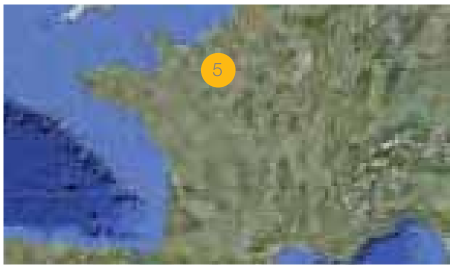


Property facts

Total lettable area	39,290m²
Retail/Gallery	22,690m²
Hyper (Carrefour)	16,600m²
ECP Ownership	22,690m²
Value (€ million)	117.00
Occupancy	100%
Passing rent (€ million)	6.54
Rental growth	–0.65%
Boutiques <300m² turnover/m² (€)	7,390
Turnover growth	–3.20%
Occupancy cost ratio	8.60%
Visitors 2010/2011	6.22m
Major tenants	Go Sport, Flunch, Boulanger, H&M, Toys R Us

France: 5

Moisselles (Val d'Oise)
Plaine de France



Château de Chantilly

Plaine de France is located in the Val d'Oise to the north of Paris and close to Charles de Gaulle airport.

Sales growth has been maintained this year both in the gallery and in the very successful Leclerc hypermarket which anchors the centre.

Property facts

Total lettable area	25,071m²
Retail/Gallery	10,071m²
Hyper (Leclerc)	15,000m²
ECP Ownership	10,071m²
Value (€ million)	70.00
Occupancy	97%
Passing rent (€ million)	4.25
Rental growth	–0.58%
Boutiques <300m² turnover/m² (€)	6,560
Turnover growth	5.40%
Occupancy cost ratio	10.90%
Visitors 2010/2011	4.55m
Major tenants	Gemo, Camaieu, Mango

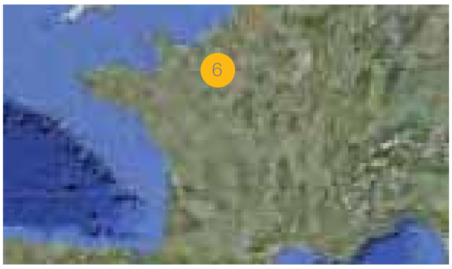
France: 6

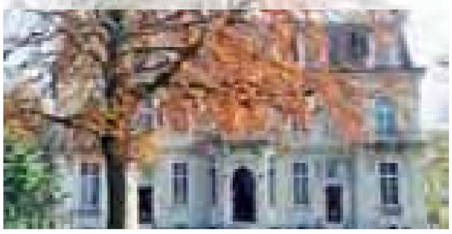
Taverny (Val d'Oise)

Les Portes de Taverny

The centre is situated alongside the A115 Autoroute in Taverny, an attractive and growing municipality in suburban Paris.

The Auchan hypermarket expects to install a "drive" pick-up point in the car park and significant access improvements are scheduled for 2013.





Château du Haut-Tertre

Property facts

Total lettable area	30,532m²
Retail/Gallery	5,660m²
Hyper (Auchan)	16,200m²
Other	8,672m²
ECP Ownership	5,660m²
Value (€ million)	53.70
Occupancy	98%
Passing rent (€ million)	3.12
Rental growth	1.28%
Boutiques <300m² turnover/m² (€)	9,410
Turnover growth	2.10%
Occupancy cost ratio	8.80%
Visitors 2010/2011	3.23m
Major tenants	H&M, Paul, Armand Thierry

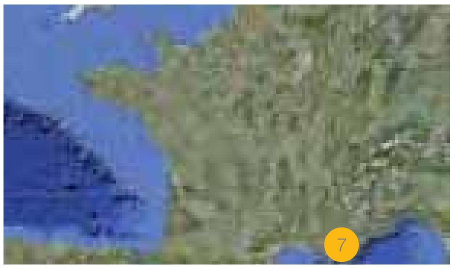
France: 7

Hyères (Var)

Centr'Azur

Centr'Azur is on the coast road to the west of the town of Hyères in the south of France where population growth continues to be very strong.

The centre, which is to be refurbished next year, has had a major lift this year with the arrival of both Sephora and Jack & Jones who will appeal to the retired ladies who live in the town and also the large tourist influx during the summer.



Côte d'Azur

Property facts

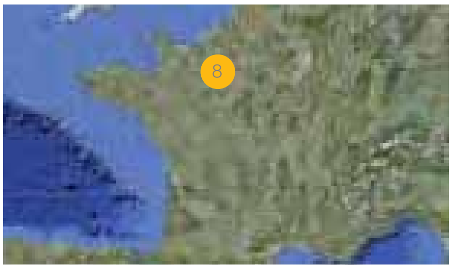
Total lettable area	17,035m²
Retail/Gallery	6,235m²
Hyper (Géant)	10,800m²
ECP Ownership	6,235m²
Value (€ million)	45.90
Occupancy	100%
Passing rent (€ million)	2.76
Rental growth	7.35%
Boutiques <300m² turnover/m² (€)	7,655
Turnover growth	0.80%
Occupancy cost ratio	8.60%
Visitors 2010/2011	3.13m
Major tenants	Okaidi, Promod, Sephora, Jack & Jones

France: 8

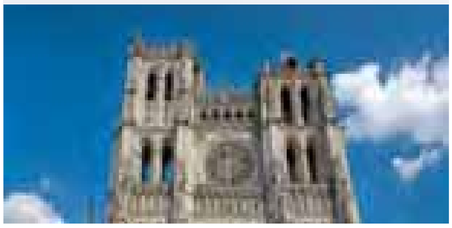
Amiens (Somme)
Amiens Glisy

The centre is located alongside the Amiens ring road to the east of the city.

Negative sales this year can be ascribed to lower hypermarket footfall but also perhaps to a décor which is showing its age. A refurbishment is therefore being prepared.



La Cathédrale Notre-Dame d'Amiens



Property facts

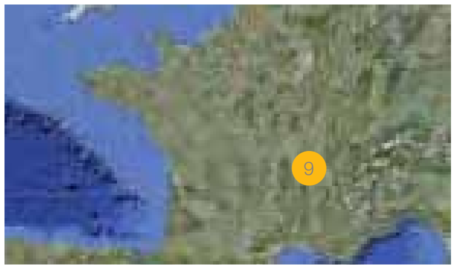
Total lettable area	22,769m²
Retail/Gallery	6,279m²
Hyper (Géant)	16,000m²
Other	490m²
ECP Ownership	6,279m²
Value (€ million)	43.80
Occupancy	98%
Passing rent (€ million)	2.59
Rental growth	–2.27%
Boutiques <300m² turnover/m² (€)	6,395
Turnover growth	–1.60%
Occupancy cost ratio	9.80%
Visitors 2010/2011	3.49m
Major tenants	Flunch, Camaieu, Nocibé

France: 9

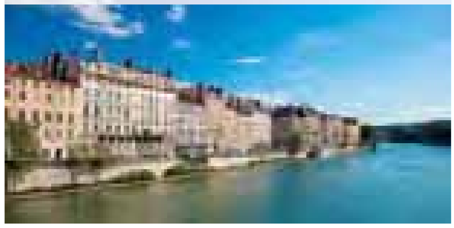
Chasse-sur-Rhône (Isère)
Chasse Sud

The centre is located on the banks of the Rhône, south of Lyon, and alongside the Autoroute du Soleil.

Eurocommercial has consolidated its ownership this year by buying in some long leasehold property interests and plans for an extension are progressing.



Le Rhône



Property facts

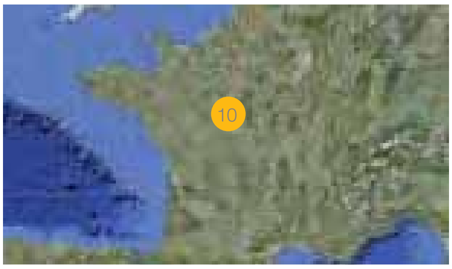
Total lettable area	28,349m^2	Occupancy	100%
Retail/Gallery	1,529m^2	Passing rent (€ million)	2.00
Hyper (Géant)	14,050m^2	Rental growth	0.96%
Retail boxes	12,770m^2	Visitors 2010/2011	1.73m
ECP Ownership	28,349m^2	Major tenants	Géant, Conforama
Value (€ million)	29.90		

France: 10

Bourges (Cher)
Saint Doulchard

Saint Doulchard is a strong retail zone to the north of Bourges where major retailers include Decathlon, Boulanger and Leroy Merlin.

Planning permission has been granted to create a small extension of six extra shops which have been preleased to national brands including Camaieu. Building works are expected to start in 2012.



Cathédrale Saint-Étienne de Bourges

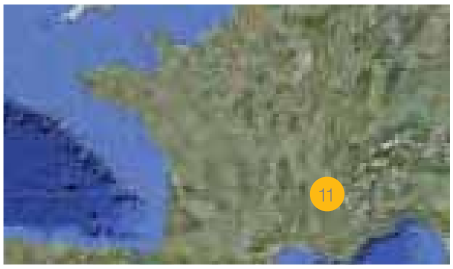
Property facts

Total lettable area 20,644m²	**Occupancy** 100%
Retail/Gallery 2,867m²	**Passing rent (€ million)** 2.34
Hyper (Géant) 15,819m²	**Rental growth** 1.18%
Retail boxes 1,958m²	**Visitors 2010/2011** 2.43m
ECP Ownership 20,644m²	**Major tenants** Géant, Flunch
Value (€ million) 36.70	

France: 11

Grenoble (Isère)
Les Trois Dauphins

Grenoble is the administrative centre of the Isère Departement within the Rhône Alpes region. The city has a strong industrial history and now has a thriving electronics sector. This city centre property is located in the heart of Grenoble, next to Galeries Lafayette. The largest tenants are Fnac and C&A and income continues to track indexation.



Les Alpes

Property facts

Total lettable area	16,845m²
Retail/Gallery	8,600m²
Residential	4,700m²
Hotel/Office	3,545m²
ECP Ownership	16,845m²
Value (€ million)	34.80
Occupancy	100%
Passing rent (€ million)	2.41
Rental growth	0.65%
Major tenants	Fnac, C&A, Groupe Accor

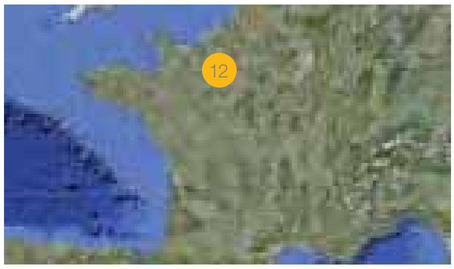
France: 12

Cormeilles (Val d'Oise)

Les Allées de Cormeilles

Situated near to La Défense in a rapidly expanding residential area, Les Allées de Cormeilles has maintained its strong sales growth.

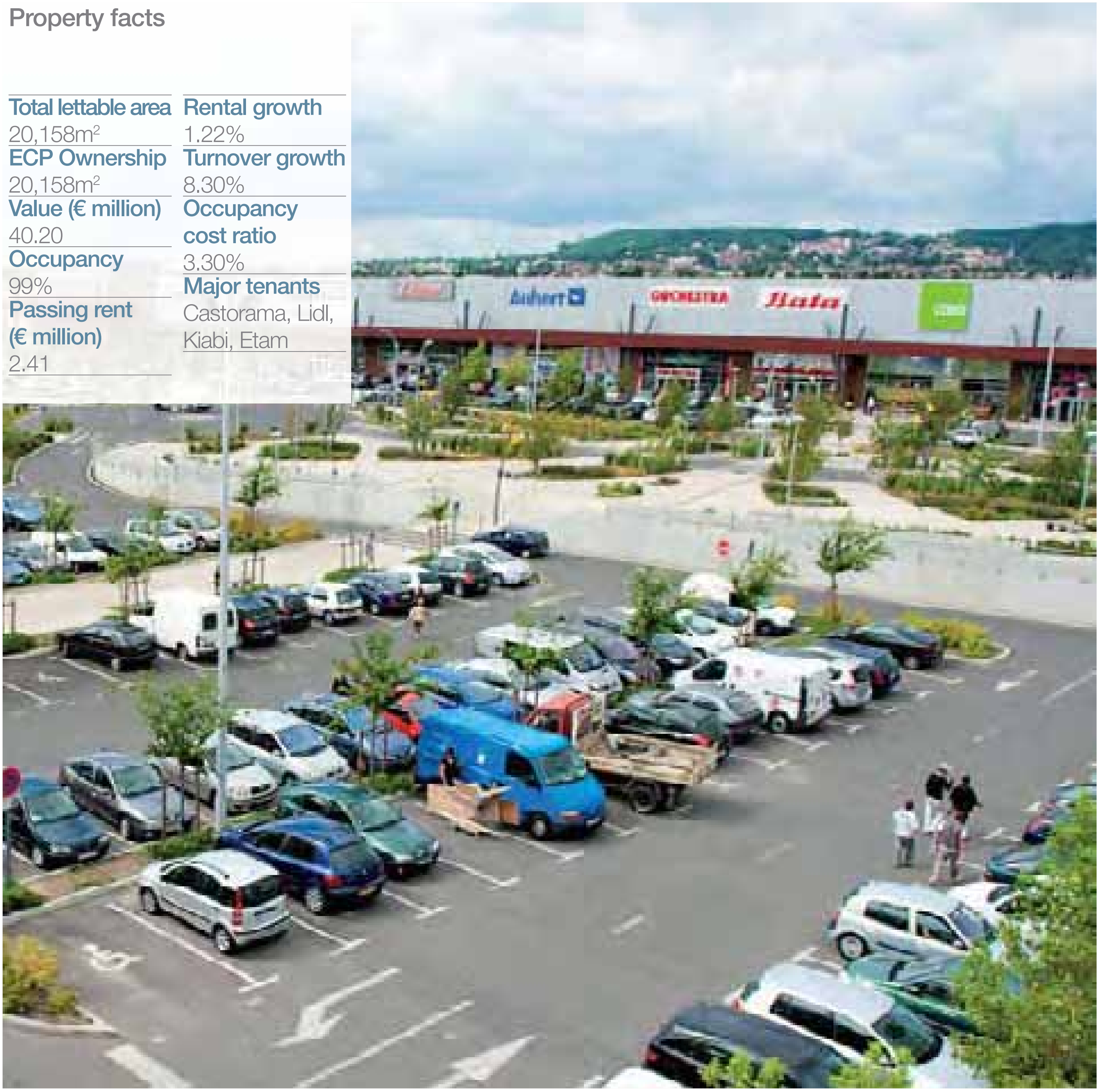
A new Jacqueline Riu fashion store will open shortly. Production of electricity from photovoltaic roof panels is progressing well.



Cormeilles-en-Parisis

Property facts

Total lettable area 20,158m²	**Rental growth** 1.22%
ECP Ownership 20,158m²	**Turnover growth** 8.30%
Value (€ million) 40.20	**Occupancy cost ratio** 3.30%
Occupancy 99%	**Major tenants** Castorama, Lidl, Kiabi, Etam
Passing rent (€ million) 2.41	



Italy

La Squadra Italiana

Pictured (from left to right)
Elisabetta Gasparini, Marco Garibaldi, Massimo Marchesi, Tim Santini, Monica Oppini, Valeria Di Nisio, Fabrizio Da Rin, Rossella Parisi, Simona Gelain, Sergio Olgiati, Fabrizio Aquilina, Eleonora Nicoletti, Stefano De Robertis, Sara Cirilli

Overview Italy

Economy

Italy's slow economic recovery is expected to continue with growth improving somewhat in the next couple of years but remaining below the eurozone average. Consumer sector fundamentals remain sound as Italy has one of the lowest household debt and unemployment rates in the eurozone, providing a safe cushion for spending. Over the summer Italy faced a surge in government bond yields. This was not due to a deterioration in economic fundamentals, but rather because of the increasingly uncertain political outlook and the implications of the government's commitment to fiscal consolidation and structural reforms. The government reacted quickly and the parliament approved an austerity plan in record time with the objective to bring the fiscal deficit close to balance in 2013. Consensus forecasts expect GDP growth of 0.8% both in 2011 and 2012.

Rental growth

Like for like rental growth for the Italian properties was 5.2% which, with the exception of one quarter in 2009, is the highest annual figure since 2000. In an uninspiring economic environment, this performance reflects the quality of the Company's centres and the strong level of demand for prime space, particularly from international retailers.

Interestingly, the split of this rental growth was indexation 28%, relettings and renewals 58% and turnover rent 14%, underlining the importance of an active approach to tenant selection in driving performance in periods of low inflation. Major tenant changes this year included introducing Apple into I Gigli, Hollister into Carosello, Zara into Centro Leonardo and Oviesse into La Favorita. Given the high portfolio occupancy level of over 99.5%, these changes sometimes require a significant reshuffling of tenants. For example, to create space for Apple at I Gigli five tenants were relocated. There were 83 relettings over the year and these produced a rental uplift of 19%.

Turnover growth

Turnover across the Italian portfolio increased by 2% in the year, with two of the smaller centres producing the highest growth. Over the year, six out of nine centres showed positive growth with smaller shops (+3.1%) outperforming the anchor stores (+0.8%). This outperformance was most notable in the first six months of calendar 2011 where the large electrical stores struggled to match performance in 2010 which was boosted both by the football World Cup and incentives to encourage the switchover from analogue to digital televisions.

Property market

The volume of investment transactions has been very low during the year with under €400 million being transacted in the Italian shopping centre market in the 12 months

to June 2011. In addition to this, however, was the sale in March of La Rinascente's flagship department store in Milan for €472 million at a net yield of around 4.5%. This deal confirms the continuing appetite for prime investments.

The investment slowdown is partly the result of the perceived "country risk". Speculative development remains at a low level and this is generating upward pressure on rental levels for units in prime centres. Interestingly the retail sector attracts by far the most international interest, with particular appetite for mid sized centres.

Valuations

The Italian portfolio grew in value by 1.4% over the year and 1.3% since December 2010, reflecting the quiet investment market. The net initial yield at June 2011 was 5.9%, just 10 bps higher than December 2010 but unchanged since June 2010. The strong rental growth was largely anticipated in the December valuation. However the significant upgrading of the retail mix, which gave rise to this rental growth, should be the continued driver for value growth.

Acquisitions and refurbishments

After the end of the financial year, Eurocommercial acquired the largest shopping centre in Cremona, Lombardy, for a total cost of €82.5 million, representing a net yield of 6.75% from January 2012.

This is an excellent example of the opportunity that exists to buy high quality shopping centres in Northern Italy at a yield at least 100 bps higher than for similar properties in France and Sweden. This acquisition marks Eurocommercial's fourth shopping centre purchase in the wealthy region of Lombardy and its tenth in Northern Italy as a whole.

The centre, known as Cremona Po, has a total lettable area of approximately 35,000m² comprising an Ipercoop hypermarket (not included in the purchase) and a 20,500m² gallery, in addition to 5,900m² of external units which are also being purchased by Eurocommercial. The gallery has 64 units fully-let to a range of major international and national retailers including H&M, Oviesse, Expert, Sport Specialist, Pull & Bear and Stradivarius, as well as a seven-screen cinema. The centre provides potential for the creation of further value through extending the gallery, enhancing the tenant mix and improving access to the centre.

The refurbishment of Il Castello in Ferrara is almost complete at a cost of €6 million. The project included upgrading the mall, lighting, floor, piazzas and entrances. At I Gigli in Firenze, construction of the 4,000m² retail park has begun on the site adjacent to the shopping centre, which will itself be refurbished in 2012. The shoe retailer, Scarpe & Scarpe, has signed a 15 year lease in the park, with the four remaining tenants to be confirmed shortly.

Pre-leasing is underway for the Centroluna extension in Sarzana and the Company will make a decision later this year as to whether it will proceed with the project. Finally, architects have been instructed to submit a refurbishment proposal for the I Portali centre in Modena.

Outlook

Retailing is always evolving, however the pace of change accelerated more recently with the rise of the internet. Retailers are embracing this platform in different ways and to different degrees although Italy still lags the rest of Europe in terms of broadband take-up and e-commerce. Indeed today only one national food retailer offers a meaningful online shopping service.

However, what is clear is that the consumer has more choice than ever before, namely from whom or where to make a purchase. The former means that Eurocommercial has to make wise choices with the tenant mix (which is facilitated by landlord friendly leases in Italy) and the latter means the Company must continue to make its shopping centres places where people want to be. The rolling programme of refurbishments and upgrades in Italy will therefore continue, as will the use of social media and the internet to market to customers.

1. **Carosello** Carugate, Milano (Lombardia)
Shopping centre

2. **Curno** Bergamo (Lombardia)
Shopping centre

3. **Il Castello** Ferrara (Emilia Romagna)
Shopping centre

4. **I Gigli** Firenze (Toscana)
Shopping centre

5. **Centro Leonardo** Imola (Emilia Romagna)
Shopping centre

6. **I Portali** Modena (Emilia Romagna)
Shopping centre

7. **Centro Lame** Bologna (Emilia Romagna)
Shopping centre

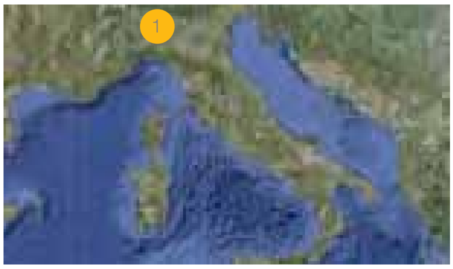
8. **La Favorita** Mantova (Lombardia)
Shopping centre and retail park

9. **Centroluna** Sarzana (Liguria)
Shopping centre

Italy: 1

Carugate, Milano (Lombardia)

Carosello



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.

The tenant mix was boosted by the arrival of Hollister in November 2010, making Carosello one of the few centres in Italy to house both an Apple and Hollister.

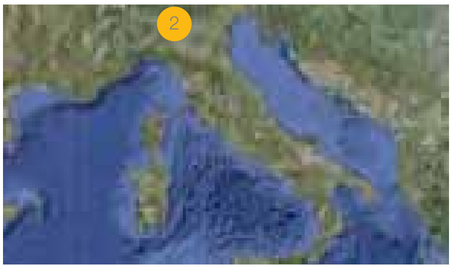
Il Duomo di Milano

Property facts

Total lettable area	52,842m²
Retail/Gallery	23,810m²
Hyper (Carrefour)	27,743m²
Other	1,289m²
ECP Ownership	52,842m²
Value (€ million)	279.50
Occupancy	100%
Passing rent (€ million)	17.12
Rental growth	4.61%
Boutiques <300m² turnover/m² (€)	8,250
Turnover growth	4.90%
Occupancy cost ratio	6.50%
Visitors 2010/2011	8.20m
Major tenants	Carrefour, Saturn, Oviesse, H&M, Zara, Apple

Italy: 2

Bergamo (Lombardia)
Curno



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 and negotiations are underway with the local municipality for extra building rights, an essential prerequisite for an extension.

Città Alta, Bergamo

Property facts

Total lettable area	36,292m²
Retail/Gallery	15,597m²
Hyper (Auchan)	18,195m²
Other	2,500m²
ECP Ownership	18,097m²
Value (€ million)	100.50
Occupancy	100%
Passing rent (€ million)	6.60
Rental growth	4.63%
Boutiques <300m² turnover/m² (€)	8,480
Turnover growth	–3.20%
Occupancy cost ratio	7.00%
Visitors 2010/2011	7.16m
Major tenants	Media World, Passatempo, Cisalfa, Brek

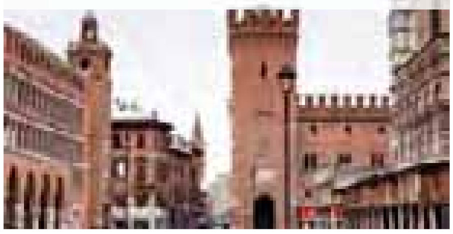
Italy: 3

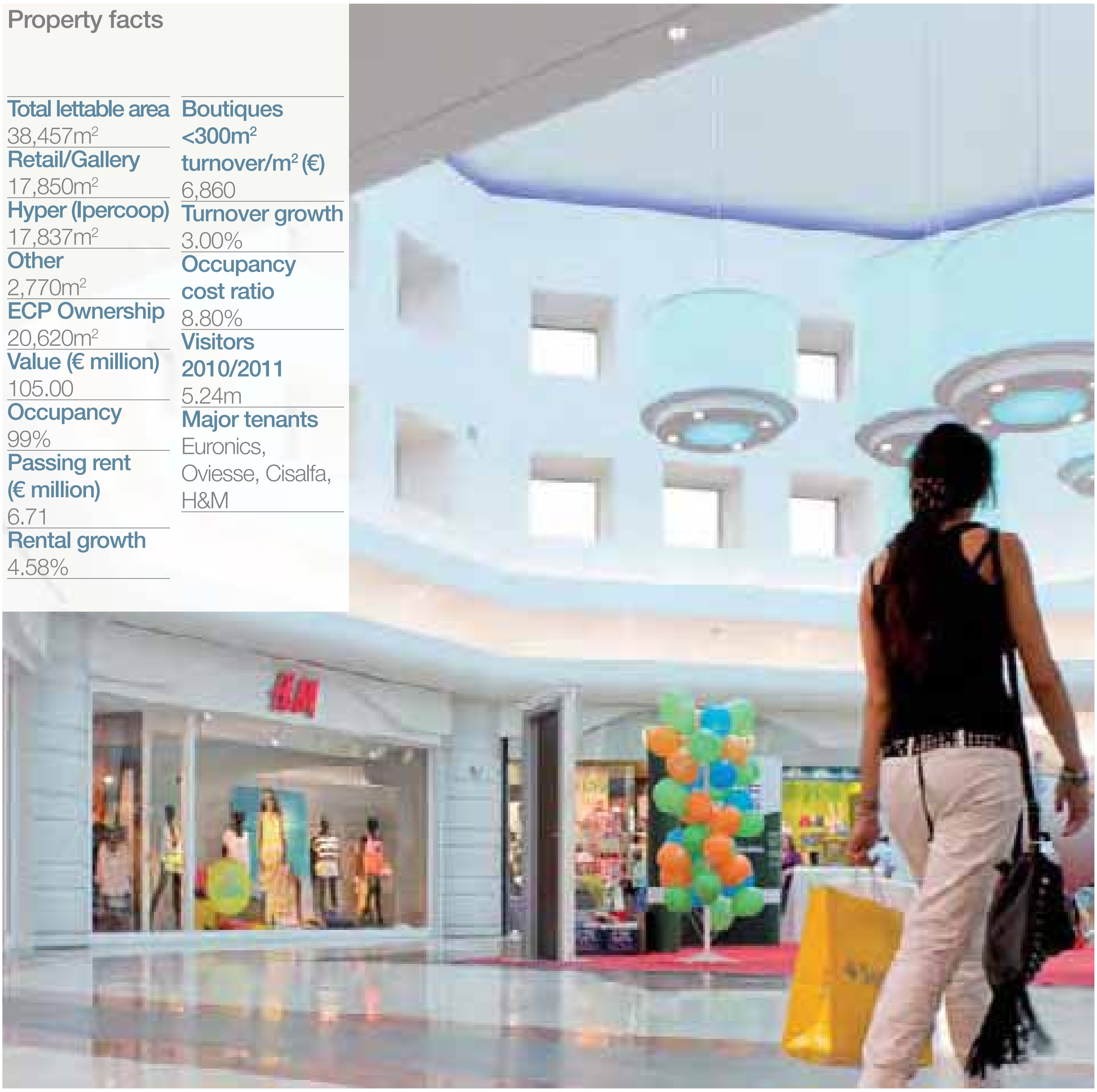
Ferrara (Emilia Romagna)
Il Castello

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.

A refurbishment of the centre was completed during the year and includes an upgrade of the mall, entrances, lighting and toilets.

Il Castello Estense di Ferrara





Property facts

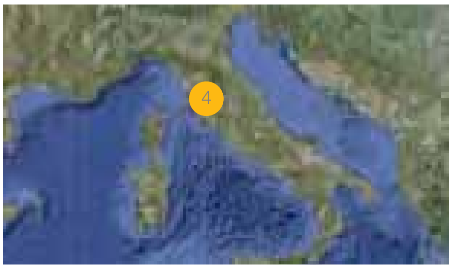
Total lettable area 38,457m²	**Boutiques <300m² turnover/m² (€)** 6,860
Retail/Gallery 17,850m²	**Turnover growth** 3.00%
Hyper (Ipercoop) 17,837m²	**Occupancy cost ratio** 8.80%
Other 2,770m²	**Visitors 2010/2011** 5.24m
ECP Ownership 20,620m²	**Major tenants** Euronics, Oviesse, Cisalfa, H&M
Value (€ million) 105.00	
Occupancy 99%	
Passing rent (€ million) 6.71	
Rental growth 4.58%	

Italy: 4

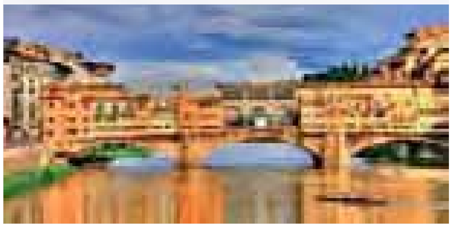
Firenze (Toscana)
I Gigli

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 lilies 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. Visitor numbers in the last 12 months were 13.7 million and the tenant mix was boosted by the opening in August 2011 of Apple's only store in Tuscany.



Ponte Vecchio



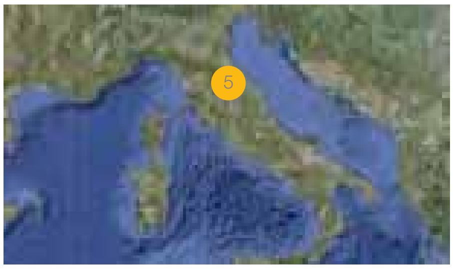
Property facts

Total lettable area	77,809m²
Retail/Gallery	53,904m²
Hyper (Panorama)	12,765m²
Cinema	11,140m²
ECP Ownership	56,118m²
Value (€ million)	248.80
Occupancy	100%
Passing rent (€ million)	15.20
Rental growth	7.21%
Boutiques <300m² turnover/m² (€)	8,400
Turnover growth	1.70%
Occupancy cost ratio	7.10%
Visitors 2010/2011	13.71m
Major tenants	Leroy Merlin, Media World, Coin, Zara, Apple

Italy: 5

Imola (Emilia Romagna)

Centro Leonardo



Il Castello di Imola

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 located between Bologna and Rimini and the centre has a catchment population of 142,000.

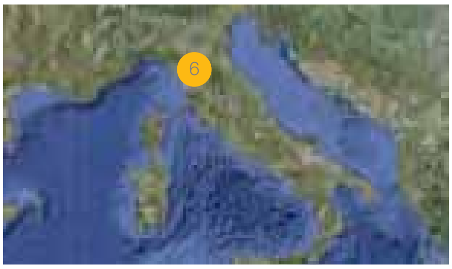
Today Centro Leonardo is the only shopping centre in the city with retail anchors worthy of a much bigger centre, namely Ipercoop, Media World, Oviesse and more recently, Zara, in a new two level store.

Property facts

Total lettable area	33,725m²
Retail/Gallery	15,951m²
Hyper (Ipercoop)	17,774m²
ECP Ownership	15,951m²
Value (€ million)	74.20
Occupancy	100%
Passing rent (€ million)	4.69
Rental growth	9.69%
Boutiques <300m² turnover/m² (€)	6,195
Turnover growth	6.30%
Occupancy cost ratio	9.50%
Visitors 2010/2011	4.65m
Major tenants	Media World, Oviesse, Pittarello, Zara

Italy: 6

Modena (Emilia Romagna)
I Portali



I Portali was acquired in December 2009 and is located to the east of the city centre 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 and ceramic industry.

Following an architectural bidding process, designers have been appointed to prepare a refurbishment plan for the gallery. The mall, piazzas and lighting will be a main part of the project.

Il Duomo di Modena

Property facts

Total lettable area
24,810m²

Retail/Gallery
7,940m²

Hyper (Ipercoop)
16,989m²

ECP Ownership
7,940m²

Value (€ million)
44.90

Occupancy
100%

Passing rent (€ million)
2.66

Rental growth
2.53%

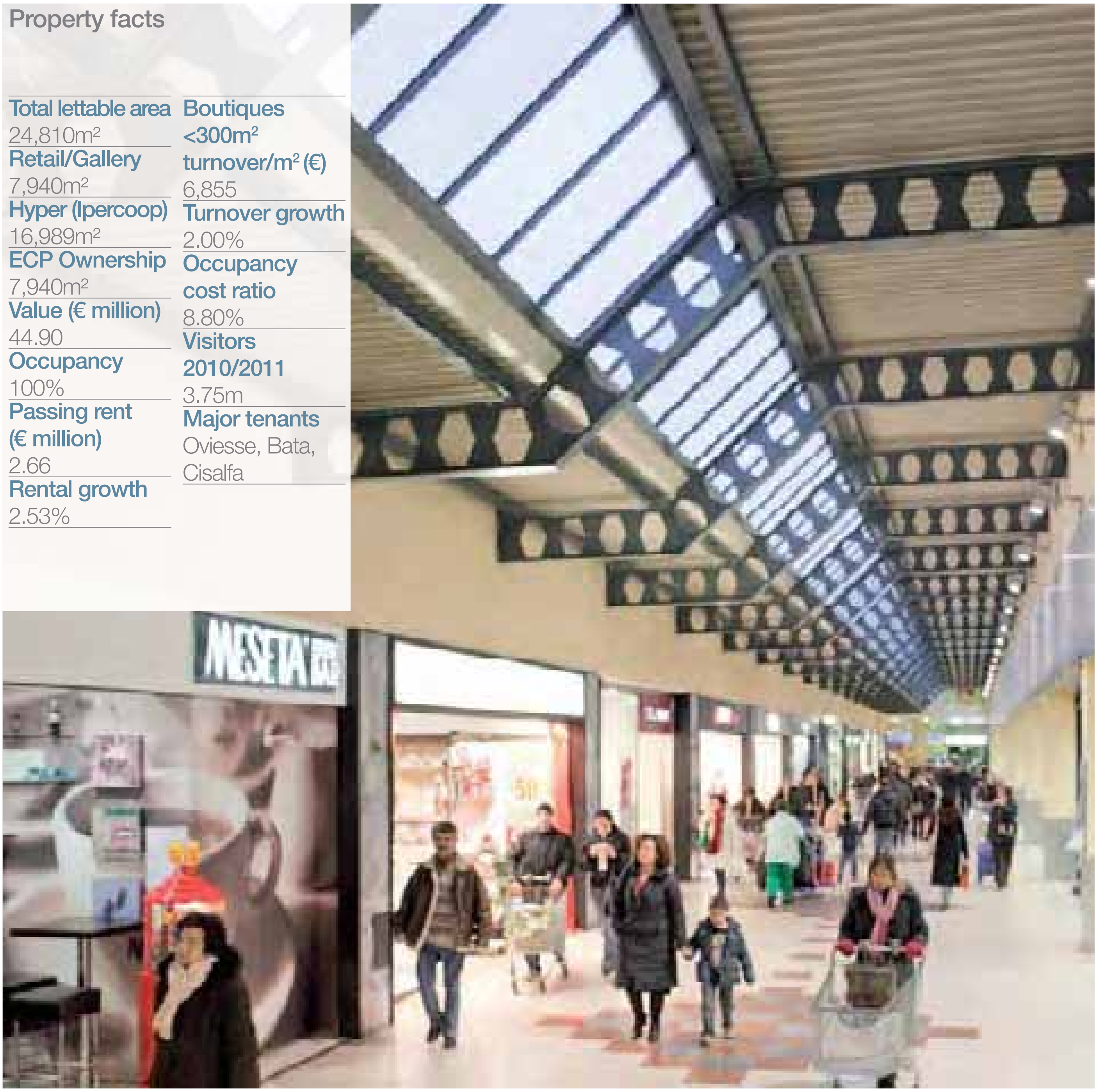
Boutiques <300m² turnover/m² (€)
6,855

Turnover growth
2.00%

Occupancy cost ratio
8.80%

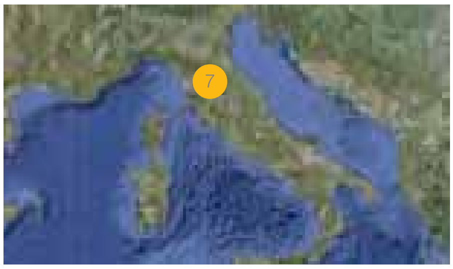
Visitors 2010/2011
3.75m

Major tenants
Oviesse, Bata, Cisalfa



Italy: 7

Bologna (Emilia Romagna)
Centro Lame



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 now has new signage on the building, completing the rebranding of the centre which incorporates as its emblem two of Bologna’s historic towers. The re-modelling of the foodcourt is complete and all units are leased and trading.

Le Due Torri di Bologna

Property facts

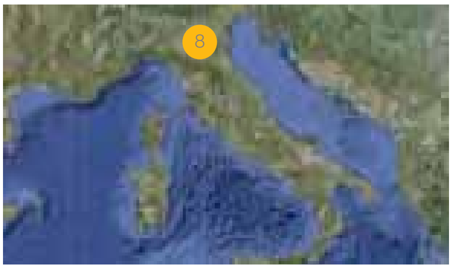
Total lettable area	16,610m²
Retail/Gallery	5,574m²
Hyper (Ipercoop)	11,036m²
ECP Ownership	5,574m²
Value (€ million)	41.00
Occupancy	99%
Passing rent (€ million)	2.60
Rental growth	0.61%
Boutiques <300m² turnover/m² (€)	5,800
Turnover growth	–0.60%
Occupancy cost ratio	12.60%
Visitors 2010/2011	3.65m
Major tenants	Camaieu, Camst, Benetton

Italy: 8

Mantova (Lombardia)
La Favorita

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 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. Turnover growth was particularly strong in the last year, buoyed by the arrival of Oviesse who took over the Upim chain in Italy.



Basilica Sant'Andrea di Mantova

Property facts

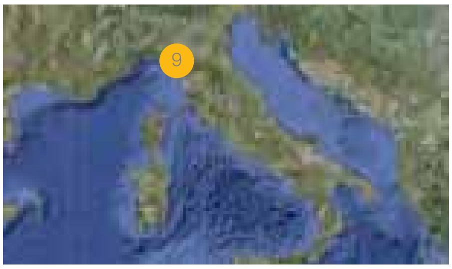
Total lettable area 29,879m²
Retail/Gallery 7,400m²
Retail park 6,279m²
Hyper (Ipercoop) 11,000m²
Brico 2,700m²
Cinema 2,500m²
ECP Ownership 13,679m²
Value (€ million) 48.50
Occupancy 100%
Passing rent (€ million) 3.47
Rental growth 2.81%
Boutiques <300m² turnover/m² 5,955
Turnover growth 4.80%
Occupancy cost ratio 8.00%
Visitors 2010/11 2.73m
Major tenants Media World, Oviesse, Piazza Italia, Scarpe & Scarpe, Bernardi

Italy: 9

Sarzana (Liguria)
Centroluna

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.

The Company is in the middle of the planning process to convert this centre into one with a full retail offer, introducing large electrical and fashion anchors for the first time. Pre-leasing of the gallery extension has begun and if an acceptable return on cost can be achieved an extension will begin, possibly in 2012.



Fortezza di Sarzanello

Property facts

Total lettable area 15,128m²
Retail/Gallery 3,548m²
Hyper (Ipercoop) 11,580m²
ECP Ownership 3,548m²
Value (€ million) 26.60
Occupancy 100%
Passing rent (€ million) 1.79
Rental growth 3.98%
Boutiques <300m² turnover/m² 5,940
Turnover growth –0.50%
Occupancy cost ratio 10.60%
Visitors 2010/11 3.35m
Major tenants Piazza Italia, Benetton

Sweden

Svenska Teamet

Pictured (from left to right)
Jenny Hägglöf, Jonas Gustavsson, Fredrik Forsling, Danne Kullerstrand, Maria Guttman, Peter Mills, Camilla Holmberg, Martin Bjöörn, Patrik Sörnell


ESPRESSO HOUSE

Overview Sweden

Economy

The Swedish economy has fully recovered since the economic crisis. Real GDP grew very strongly in 2010 and the first two quarters of 2011. The recovery is broad-based with private consumption and exports the main drivers. This has produced significant employment growth and a decline in the unemployment rate which has helped to underpin retail sales. The Riksbank have raised interest rates by 125 bps since July 2010 and is now expected to be less aggressive with their monetary policy. Public finances are in good shape with the fiscal deficit close to zero and public debt at around 40% of GDP. The economy is expected to outperform the eurozone average in the foreseeable future and consumer sector fundamentals should support spending. Consensus forecasts expect GDP growth of 4.4% and 2.6% in 2011 and 2012, respectively, almost double the eurozone average.

Rental growth

Like for like rental growth was 3% over the year assisted by the return of positive rental indexation and the completion of 81 lease renewals and relettings during the period producing an average rental uplift of around 6%.

These negotiations were all carried out by Eurocommercial Sweden's in-house leasing team who have also ensured that vacancies and arrears remain negligible (0.2%) and that the tenant mix in all the centres is continually reviewed and adapted where appropriate. Recent examples of this have been the introduction of Cassels, Esprit and Skopunkten to Burlöv Center, strengthening the fashion and shoe sectors at the expense of electrical and household, and new units for Sweden's number one sports retailer, Stadium, at Elins Esplanad and Moraberg.

Rental growth for the next 12 months looks promising with indexation for 2012 currently estimated to be at least 2.75% and a further 39 lease renewals to be completed during the period on which the Company is currently estimating an uplift of 7%.

Turnover growth

Retail sales growth in the galleries has been encouraging overall at 2.4%, reflecting a sound economy and falling unemployment. However, the first six months of the financial year were much stronger than the second, indicating perhaps that higher interest rates and rising energy prices are starting to bite.

The strongest like for like turnover growth was at Ingelsta Shopping (8.7%), followed by Elins Esplanad (5.7%) and Burlöv Center (3.4%) – centres which are all still enjoying the benefits of relatively recent refurbishments and extensions. The only centres with negative turnover were Hälla Shopping, Västerås and Kronan, Karlskrona which have both suffered from increased external competition but where the occupancy cost ratios are still not too demanding for its tenants.

The four ICA Maxi hypermarkets in the portfolio performed in line with national food sales with marginal growth. The Company's remaining hypermarket, the Coop at Burlöv, had significant negative sales growth and at 13,500m^2 remains too large, particularly in non-food at a time of increasing hypermarket competition around Malmö. This may present another opportunity to take some hypermarket space back and introduce a further anchor as was done in 2010 with Clas Ohlson.

Property market

The retail investment market has been much more active over the last 12 months with several notable transactions completed in the shopping centre and retail box sectors. The buyers have predominantly been foreign based, some of whom have raised new retail funds with a particular emphasis on the Nordics.

The most relevant transactions were parts of Unibail Rodamco's portfolio acquired by ING and Grosvenor including the municipal centres at Tyresö and Väsby outside Stockholm. Tyresö Centrum has been analysed by local agents at a net yield of 5.6%, but perhaps even more comparable to Eurocommercial's provincial portfolio was Alecta's sale of Tuna Park, Eskilstuna to Warburg-Henderson. This is a modern shopping centre of 16,000m^2 which shows a net initial yield at a shade below 5.5%. By comparison, Eurocommercial's five most comparable centres are valued at an average net yield of a shade above 5.6%.

Valuations

The value of Eurocommercial's Swedish properties has increased by 3.5% over the last 12 months and by 2.1% since the last reported external valuation in December 2010. The average net yield on the portfolio currently stands at 5.7%, a reduction of 10 bps over the 12 months. The yield range is between 5.5% and 6%.

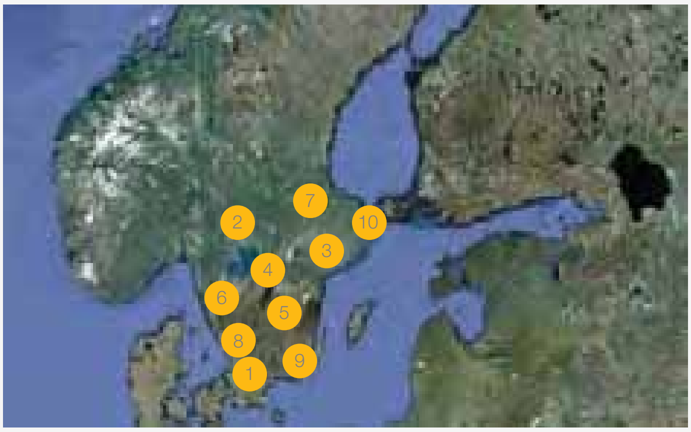
Extensions and refurbishments

The successful completion and opening of Grand Samarkand took place in April 2011. Tenants in the 18,400m^2 centre include H&M, KappAhl, New Yorker, Gina Tricot, Lindex, Esprit, Stadium and Deichmann. Early trading has been most encouraging.

The internal refurbishment of Mellby Center, south of Halmstad, was completed in time for the summer trade. The ICA Maxi hypermarket is now carrying out an internal refurbishment and the project will be completed when the external façade and new entrance are finished during the autumn.

Outlook

The outlook for further rental growth over the next 12 months looks encouraging although retail spending has been stalling in recent months. International buying pressure will mean that there will continue to be strong demand for any prime retail property coming to the market, achieving yields that strongly underpin the current valuations. In this extremely competitive market Eurocommercial is more likely to focus on extracting further value from the existing portfolio, including Bergvik outside Karlstad where investigations continue for a 10,000m^2 extension with the municipality and the adjoining property owners. The Company will also consider acquiring higher yielding retail properties that present profitable development opportunities but where risk can be minimised by using the team's project and leasing skills attained from the completion of five extensions and refurbishments since 2006.



1. **Burlöv Center** Malmö (Skåne)
Shopping centre

2. **Bergvik** Karlstad (Värmland)
Shopping centre

3. **Ingelsta Shopping** Norrköping (Östergötland)
Shopping centre

4. **Elins Esplanad** Skövde (Västergötland)
Shopping centre

5. **Grand Samarkand** Växjö (Småland)
Shopping centre

6. **421** Göteborg (Västergötland)
Shopping centre

7. **Hälla Shopping** Västerås (Västmanland)
Shopping centre

8. **Mellby Center** Laholm (Halland)
Shopping centre

9. **Kronan** Karlskrona (Blekinge)
City centre gallery

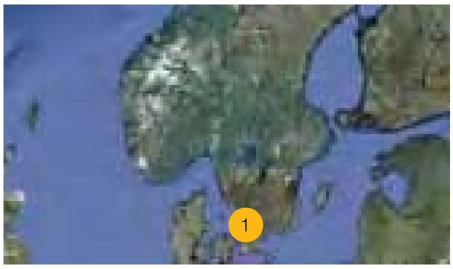
10. **Moraberg** Södertälje (Södermanland)
Retail park

Sweden: 1

Malmö (Skåne)
Burlöv Center

Burlöv is located at the junction of the busy E6 and E22 motorways between Malmö and Lund with an estimated 40,000 cars passing daily.

Tenant mix has improved considerably over the last 18 months with the introduction of Plantagen, Clas Ohlson, Cassels, Esprit and Skopunkten. The atmosphere in the malls has noticeably improved during the year due to new furniture, signage and a second café in the main square.



Öresund Bridge

Property facts

Total lettable area
42,121m²

Retail/Gallery
28,258m²

Hyper (Coop Forum)
13,863m²

ECP Ownership
42,121m²

Value (€ million)
123.61

Occupancy
100%

Passing rent (€ million)
7.53

Rental growth
2.40%

Boutiques <300m² turnover/m² (€)
5,170

Turnover growth
3.40%

Occupancy cost ratio
8.50%

Visitors 2010/11
3.80m

Major tenants
Coop Forum, H&M, KappAhl, Lindex, Stadium, Systembolaget, Clas Ohlson, Plantagen, Cassels

Sweden: 2

Karlstad (Värmland)

Bergvik

Located along the E18 motorway, west of Karlstad, the centre is close to the Norwegian border attracting plenty of additional customers from that country, particularly during the summer months.

The centre again had some of the highest rental growth in the portfolio with the renewal of some of the leases occurring for the second time since the centre opened in 2003 at average uplifts of around 20%. The highest rent in the portfolio of SEK 4,950/m² was achieved during the year. Investigations continue alongside the three other co-owners, including the ICA and Coop hypermarkets, together with the municipality, to produce a significant extension of the gallery for which there is considerable tenant demand.

Lake Vänern

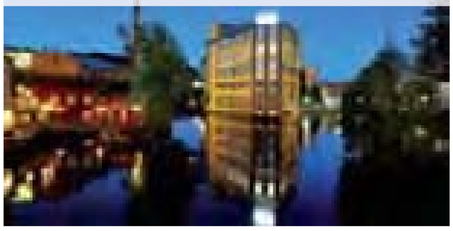
Property facts

Total lettable area	48,382m²
Retail/Gallery	13,754m²
Hypers (ICA, Coop)	30,000m²
Retail boxes	4,400m²
Offices	228m²
ECP Ownership	13,982m²
Value (€ million)	65.62
Occupancy	100%
Passing rent (€ million)	4.01
Rental growth	5.82%
Boutiques <300m² turnover/m² (€)	7,340
Turnover growth	1.60%
Occupancy cost ratio	7.50%
Visitors 2010/11	8.50m
Major tenants	H&M, Stadium, Intersport, Lindex, KappAhl, JC

Sweden: 3

Norrköping (Östergötland)
Ingelsta Shopping

The Museum of Work



Located at the northern entrance to this important industrial city and with a prominent frontage to the E4 motorway.

The centre continues to trade very well despite new competition to the south of the city. Tenant mix will improve with the imminent arrival of Gallerix and the centre's first optician, Synoptik. The adjoining owned retail park will shortly see a 1,500m² extension for El Giganten who have signed a 15 year lease on their 4,500m² unit.

Property facts

Total lettable area	39,189m²
Retail/Gallery	15,517m²
Retail park	14,091m²
Hyper (ICA Maxi)	9,581m²
ECP Ownership	39,189m²
Value (€ million)	96.90
Occupancy	99%
Passing rent (€ million)	6.04
Rental growth	3.38%
Boutiques <300m² turnover/m² (€)	4,380
Turnover growth	8.70%
Occupancy cost ratio	7.80%
Visitors 2010/11	3.00m
Major tenants	ICA Maxi, H&M, KappAhl, Stadium, Lindex, Intersport, Gina Tricot, El Giganten, K-rauta

Sweden: 4

Skövde (Västergötland)

Elins Esplanad

Located in the city's only external retail area, a short distance from the city and surrounded by complementary retail boxes and a Coop hypermarket.

Following the extension and refurbishment completed in 2008 the centre has significantly increased its catchment, turnover and footfall. Stadium has recently signed a lease and will replace a weaker sports retailer.

St. Elin of Skövde

Property facts

Total lettable area	28,783m²
Retail/Gallery	17,994m²
Hyper (ICA Maxi)	10,039m²
Office	750m²
ECP Ownership	28,783m²
Value (€ million)	71.72
Occupancy	100%
Passing rent (€ million)	4.50
Rental growth	1.59%
Boutiques <300m² turnover/m² (€)	5,800
Turnover growth	5.70%
Occupancy cost ratio	7.60%
Visitors 2010/11	3.74m
Major tenants	ICA Maxi, KappAhl, Lindex, Siba, El Giganten, Clas Ohlson, H&M, Stadium

Sweden: 5

Växjö (Småland)
Grand Samarkand

Växjö is the capital city of Småland and has a population of around 80,000 serving a catchment of some 200,000.

This new 18,400m² shopping centre was rebuilt and opened in phases with completion in April 2011. Early trading has been most encouraging. The new masterplan incorporating a second main entrance with supporting car park has proved to be very popular with local customers and the link to the adjoining ICA hypermarket (not owned) is also functioning well.


Växjö Cathedral

Property facts

Total lettable area 33,973m²	**Passing rent (€ million)** 5.00
Retail/Gallery 18,400m²	**Major tenants** H&M, Stadium, New Yorker, Lindex, KappAhl, Gina Tricot, Esprit, Deichmann, Systembolaget
Retail park 3,614m²	
Hyper (ICA Maxi) 10,632m²	
Offices 1,327m²	
ECP Ownership 23,341m²	
Value (€ million) 83.60	
Occupancy 100%	

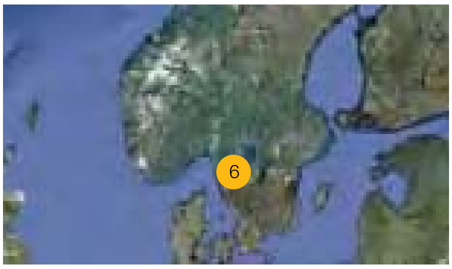
Sweden: 6

Göteborg (Västergötland)

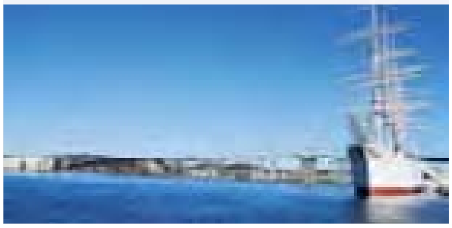
421

Göteborg is Sweden's second largest city and 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 a strong ICA hypermarket and one of the best performing electrical units (Media Markt) in Sweden.



Göteborg Harbour



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)
79.90

Occupancy
100%

Passing rent (€ million)
4.86

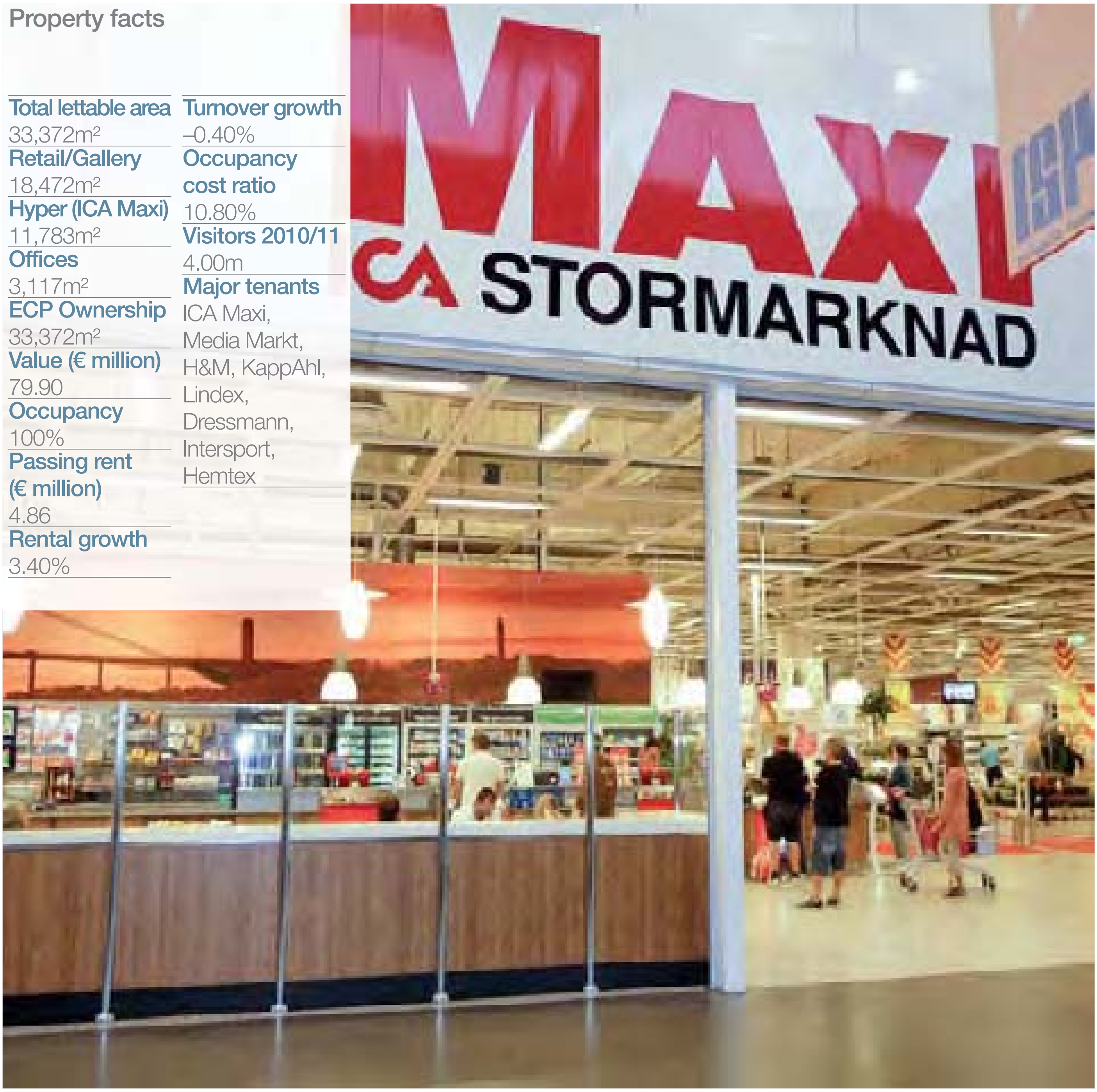
Rental growth
3.40%

Turnover growth
–0.40%

Occupancy cost ratio
10.80%

Visitors 2010/11
4.00m

Major tenants
ICA Maxi, Media Markt, H&M, KappAhl, Lindex, Dressmann, Intersport, Hemtex



Sweden: 7

Västerås (Västmanland)

Hälla Shopping

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 zone located at the entrance to the city from Stockholm on the E18 motorway and adjoins a large ICA hypermarket. IKEA recently vacated Hälla, moving to the western side of Västerås, and are planning to redevelop and let their former store for boxes that will complement the overall retail offer.

Västerås Harbour

Property facts

Total lettable area 20,152m²	**Rental growth** –1.50%
Retail/Gallery 8,152m²	**Boutiques <300m² turnover/m² (€)** 6,850
Hyper (ICA Maxi) 10,000m²	**Turnover growth** –5.50%
Other retail 2,000m²	**Occupancy cost ratio** 8.20%
ECP Ownership 10,152m²	**Visitors 2010/11** 5.43m
Value (€ million) 29.54*	**Major tenants** H&M, Stadium, KappAhl, Lindex, JC
Occupancy 100%	
Passing rent (€ million) 1.91	

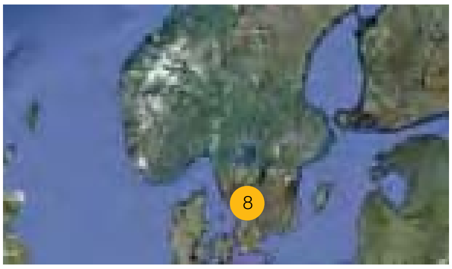
*Small external unit sold during the period for €0.8 million.

Sweden: 8

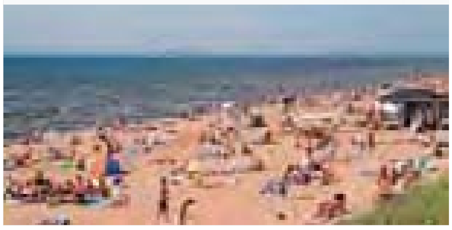
Laholm (Halland)
Mellby Center

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

A small extension and internal refurbishment of the centre has recently been completed.



Mellby Beach



Property facts

Total lettable area
11,517m²

Retail/Gallery
3,282m²

Hyper (ICA Maxi)
8,235m²

ECP Ownership
11,517m²

Value (€ million)
17.99

Occupancy
100%

Passing rent (€ million)
1.33

Rental growth
7.79%

Boutiques <300m² turnover/m² (€)
3,965

Turnover growth
–1.10%

Occupancy cost ratio
6.80%

Visitors 2010/11
1.00m

Major tenants
ICA Maxi, KappAhl, Lindex, Dressmann

Sweden: 9

Karlskrona (Blekinge)
Kronan

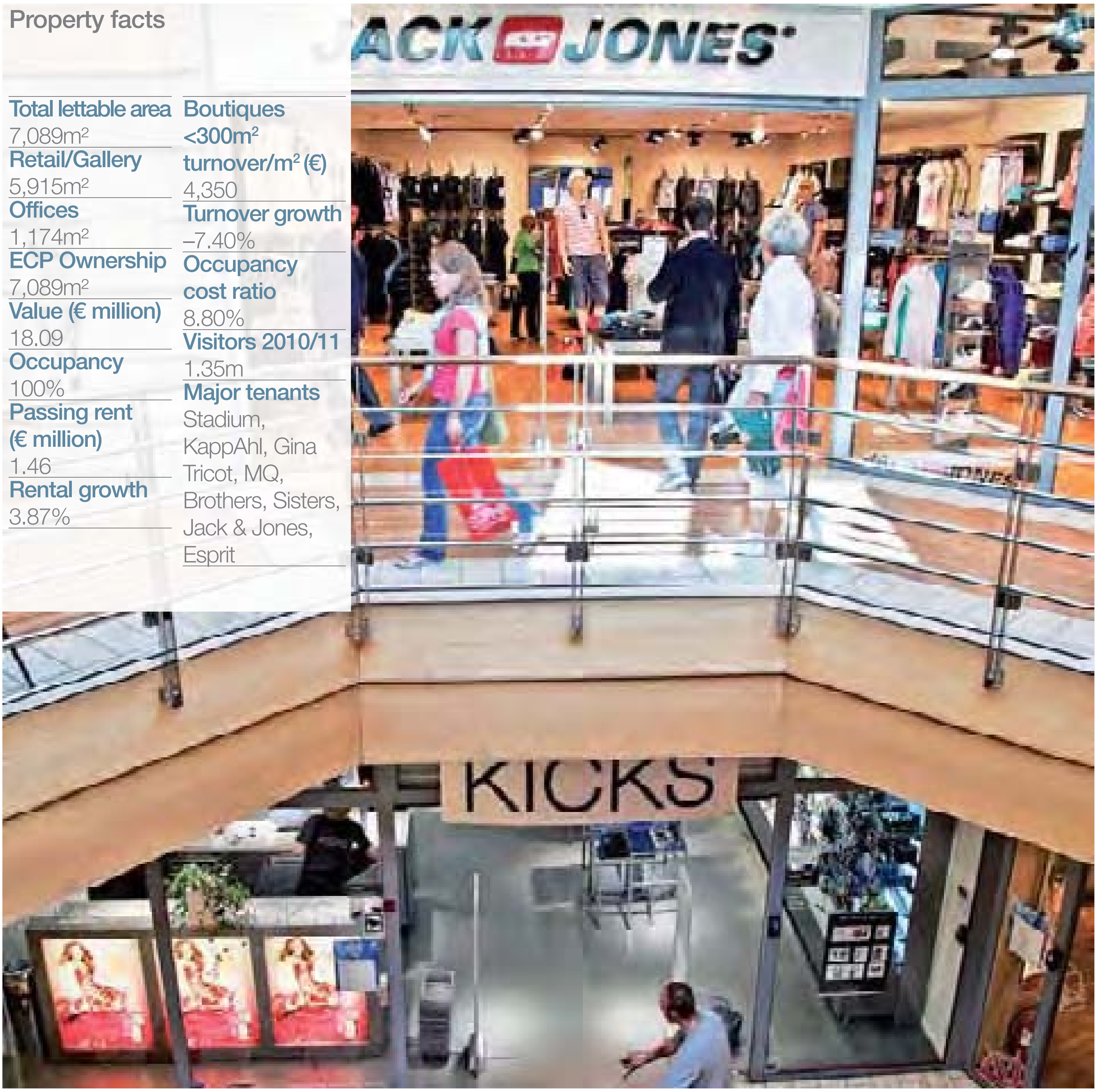
Karlskrona is often called “mini Stockholm” as the city is located on a peninsula and spread over several small islands. It has a major port with an important naval presence and the city centre is a UNESCO world heritage site, with its elegant 17th century Italianate palaces and churches.

Kronan is a city centre gallery where changes to the tenant mix since purchase by Eurocommercial have significantly increased net rental income. A refurbishment is currently under consideration.

Karlskrona

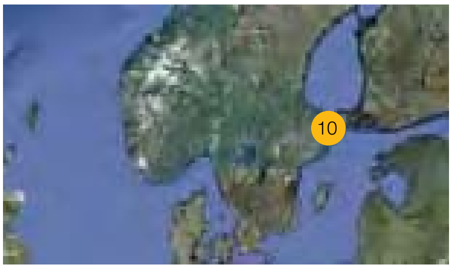
Property facts

- **Total lettable area** 7,089m²
- **Retail/Gallery** 5,915m²
- **Offices** 1,174m²
- **ECP Ownership** 7,089m²
- **Value (€ million)** 18.09
- **Occupancy** 100%
- **Passing rent (€ million)** 1.46
- **Rental growth** 3.87%
- **Boutiques <300m² turnover/m² (€)** 4,350
- **Turnover growth** –7.40%
- **Occupancy cost ratio** 8.80%
- **Visitors 2010/11** 1.35m
- **Major tenants** Stadium, KappAhl, Gina Tricot, MQ, Brothers, Sisters, Jack & Jones, Esprit



Sweden: 10

Södertälje (Södermanland)
Moraberg



Södertälje, the wealthiest of Eurocommercial Sweden's catchment areas, is home to the headquarters of Scania trucks and the pharmaceutical company AstraZeneca.

The retail park is one of the most prominent in Sweden, being situated alongside the country's busiest motorway (E4/E20) south of Stockholm. Stadium have recently signed for a new unit of 1,600m², replacing Siba (electrical), and with several recent renewals, the park is now let on long term leases which have enhanced its value considerably.

Scania Headquarters

Property facts

Total lettable area
19,043m²

ECP Ownership
19,043m²

Value (€ million)
45.89

Occupancy
100%

Passing rent (€ million)
2.77

Rental growth
1.48%

Visitors 2010/11
1.60m

Major tenants
El Giganten, Rusta, Jysk, Plantagen, Intersport, Jula, Stadium, Expert

Challenges and opportunities of the internet

The rise of e-commerce has generated a host of challenges and opportunities for retailers and shopping centre owners alike. Sales turnovers in Eurocommercial centres continue to grow but the Company recognises that it is more important than ever to optimise the merchandising mix and create a premium shopping experience for its customers to combat the threat of the internet.

Retailers are increasingly offering internet shopping as a complementary tool to support their retail activity and, likewise, many consumers use both channels interchangeably – browsing and comparing online and purchasing in-store or vice versa. Ultimately many people still want to touch and feel a product before they buy it so the best retailers know that they need to combine the two worlds. Eurocommercial has noticed that it is the retailers who have the strongest e-commerce sites that are also expanding most with their physical store openings. Indeed, some of the new leases Eurocommercial signed over the year were to major tenants such as Apple, Hollister and Zara who also have advanced online shopping portals.

Grand Samarkand blog

During the 18 month redevelopment of Grand Samarkand into a full-service shopping centre, a blog was created to keep customers and retailers up to date on the progress, including photos of the building works and updates on new lettings.

To find out more visit
blogg.grandsamarkand.se

Passage du Havre Facebook page

Passage du Havre has a very active Facebook page which is used to promote marketing campaigns, generate buzz about the centre and inform followers about upcoming events and promotions.

To find out more visit
www.facebook.com/passageduhavre

Based on Eurocommercial's research of its tenants (excluding restaurants and services), 73% could potentially sell their products online, yet only 32% of these retailers currently do. France is the most advanced with 45% of the retailers having an active website, followed by Sweden at 40% and Italy at just 18.5%.

As retailers evolve to offer their products through multi channels, so Eurocommercial is working alongside them to support them with these changes. Key to this is helping to facilitate the inclusion of "click and collect" services within the centre. By enticing online customers into the shopping centre to collect their products, they are more likely to make additional purchases once there.

Eurocommercial considers customer service as an integral part of a trip to one of its shopping centres. The Company is progressively adding new features, such as children's play areas, free wi-fi, loyalty/gift cards, parking indicators and service desks into its centres to attract and retain shoppers for greater periods of time, make their stay more enjoyable and differentiate the centre from the competition.

Marketing

Another major change brought about by the internet is the additional marketing opportunities that it offers. Eurocommercial's marketing teams are increasingly using social media to create two-way dialogues with the customers and to stimulate discussion *between* customers, thereby creating advocates for the shopping centres.

Although marketing is considered by Eurocommercial to be a role best undertaken by the local shopping centre teams who have significant knowledge of their markets, marketing managers across the Group communicate regularly with each other to share experiences and ideas and to generate new campaigns. Almost every centre has a website and several centres now also have their own mobile apps – with more being launched over the next few months – while others have Facebook pages and are on Twitter. Free wi-fi is offered in many centres, with specialised messaging services proving an effective way to alert shoppers of special offers taking place in the centre on that day. Social media is not replacing traditional marketing techniques, but it is proving to be an interesting and cost effective addition to the mix.

I Gigli mobile app

The I Gigli app provides plenty of information for customers to access either before they come to the centre or during their visit.

To find out more visit
www.igigli.it

Corporate responsibility

Community involvement

Successful shopping centres provide a commercial and service focus for a community. The majority of Eurocommercial's centres are situated in the newer residential suburbs of major cities where the populations have expanded massively since the Second World War. The responsible municipalities have decided that the best form of community centre for these new areas is a modern, enclosed shopping centre rather than, as previously, a large strip of shops either side of a busy main road with all the risks and inconveniences that entails. Indeed, successful shopping centres are just that – centres of communities – and Eurocommercial does all it can to reinforce that responsibility and amenity.

Eurocommercial supports its local communities in numerous ways, whether through sponsoring a local sports team or contributing to the renovation of historical monuments. During the year the Company's shopping centres were used by their communities in a variety of ways, including as a polling centre during local elections, an education centre for raising awareness on a number of issues such as recycling, and as a flu vaccination centre. By combining the right mix of shops and services in the gallery with additional practical functions, the shopping centres become invaluable meeting places. Services offered in Eurocommercial's centres include medical centres, banks, child-minding services, post offices, etc.

Grass roof at Carosello, Milano

Environmental considerations

Eurocommercial is committed to minimising the negative impact of its business activities on the environment where it can. Renewable energies (bio-gas, water, wind and geothermal) are used to a greater or lesser extent in all the Swedish centres while in France and Italy a growing number of centres are now using, or considering installing, photovoltaic panels. The grass roof at Carosello in Milano is a prime example of using "green" technology to reduce the building's energy consumption while also creating an aesthetically pleasing design.

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 part of its extension and refurbishment programme, Eurocommercial is continually upgrading its plant and machinery to improve energy efficiency, as well as seeking ways to integrate the centres more sympathetically into their environments. The recently completed redevelopment of Grand Samarkand in Växjö uses environmentally friendly district heating and, more unusually, district cooling as well. A free charging station has also been installed in the car park for electric cars.

Two upcoming projects in France will include additional landscaping to enhance the local habitat and rainwater collected on site will be used for irrigation. The refurbishment of Passage du Havre in Paris is focused on creating a green, peaceful sanctum in the middle of a busy city by creating enclosed outside spaces within the Passage where visitors can relax, eat and enjoy their surroundings.

Photovoltaic panels at Les Allées de Cormeilles, Cormeilles

Rugby Club I Cavalieri Prato sponsored by I Gigli, Firenze

Electric car charging station at Elins Esplanad, Skövde

Restoration of Il Castello di Ferrara sponsored by Il Castello, Ferrara

Corporate governance

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 (Jeremy Lewis and Evert Jan van Garderen) 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.

Hostile takeover defence

The mechanism for protecting the Company against hostile takeovers comprises the 100 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 June 2012, the Meeting of Holders of Priority Shares is empowered to authorise the issue of new shares up to a maximum of 50% of the issued share capital 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 III.3.5 of the Code
The Chairman of the Supervisory Board, appointed in 1997, was reappointed by the General Meeting of Shareholders in November 2010 for another four-year term expiring in November 2014. Although his term exceeds the maximum term of 12 years under the Code, the General Meeting of Shareholders was in favour of another four-year term and to appoint a suitable successor in 2014.

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.

Corporate governance continued

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.

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.

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

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, provided certain targets are met. 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 69.

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 regional 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 corporate, property and financial decisions are discussed and reviewed at regular meetings of the Board of Management together with the Property Committee attended by the Chief Executive, Finance Director and finance team, the heads of the French, Italian and Swedish businesses, their deputies, the Group Economist and Investor Relations Director. The team reviews the item – be it an acquisition, renovation project, property management, leasing, extension/ refurbishment, divestment, fundraising or financing issue – 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 this meeting.

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 3.7% of total portfolio rent).

Corporate governance continued

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.

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 3.9% excluding margins and only 9% 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 €1.02 million, or 1.3% 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 in some cases 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 44%. 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 1.3% 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 (Wet op het financieel toezicht). 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 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 2010/2011 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 2010/2011 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 2010/2011, as included in this Annual Report, and (ii) that the risk management and control systems as described above worked properly in the financial year 2010/2011 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.

Corporate governance continued

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 2011 based on IFRS.

The IFRS profit after taxation (total investment result) for the financial year ended 30 June 2011 increased to an amount of €201.3 million compared with an amount of €93.7 million for the financial year ended 30 June 2010. The IFRS profit 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.

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. These results are included in a statement which does not form part of the IFRS statements.

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 2011 was €33.57 per depositary receipt compared with €30.13 at 30 June 2010. The Board regards as unrealistic the IFRS requirement to deduct the entire theoretical contingent capital gains tax (CGT) liability of €59 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.

As at 30 June 2011 the CGT is mostly related to the Swedish property portfolio and only a very small part related to the Italian property portfolio.

Amsterdam, 24 August 2011

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 2011 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, 24 August 2011

Board of Management

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

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 2011, 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 €1.88 per depositary receipt (ten ordinary shares) for the financial year ending 30 June 2011. 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. All five Supervisory Directors attended each meeting. 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 2010 Mr W.G. van Hassel and Mr A.E. Teeuw were reappointed as members 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, 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 entering into new bank loans for an amount of around €275 million and entering into various (forward starting) interest rate swaps for hedging purposes. Furthermore, the contents of press releases, the annual report, the interim report and the quarterly reports were discussed. In May 2011 a meeting was held in Växjö, Sweden, which was combined with a visit to the redeveloped shopping centre Grand Samarkand and other Swedish shopping centres.

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 2010/2011 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 in two meetings the future composition of the Supervisory Board. At the forthcoming Annual General Meeting to be held in November 2011, no reappointments are on the agenda.

Summary remuneration report

The purpose of the remuneration policy is to attract, motivate and retain qualified executives and staff who will contribute to the success of the Company.

Report of the Board of Supervisory Directors continued

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 €32,000 for each member and to €42,000 for the Chairman and to increase the base salaries of the members of the Board of Management to €500,000 for Mr J.P. Lewis and to €369,000 for Mr E.J. van Garderen. 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 2011 the Supervisory Board was composed as follows:

1. Mr W.G. van Hassel (64), Chairman, of Dutch nationality, member of the Supervisory Board since 1997, was reappointed in 2010 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 (65), 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
JPMorgan Indian Investment Trust plc

3. Mr P.W. Haasbroek (63), 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 (71), 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 (65), of Dutch nationality, member of the Supervisory Board since 2006, was reappointed in 2010 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 2010, Mr W.G. van Hassel and Mr A.E. Teeuw were reappointed for a period of four years. At the forthcoming Annual General Meeting of Shareholders to be held on 1 November 2011, no reappointments are on the agenda.

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 and
Mr. P.W. Haasbroek

2013: Mr J.C. Pollock

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, 24 August 2011

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


Financials

Financials

Het Nederlandse Team

Pictured (from left to right)
Jaco Veldhuis, Silvia Baldi, Marc Alvares, Karen van Os, Luca Fabbrini, Danette Albers, Nicolas Desoeuvre, Qauthar Saleh, Evert Jan van Garderen, Roberto Fraticelli, Kate Goode, Catherine van Niel-Mangel, Josepha Vlietstra-Passer, Josep Camacho-Cabiscol (not pictured: Silvia Aimoni and Tycho Klitsee)

Ten year financial summary

Key financial information (consolidated)

For the financial year ended	30-06-02 €'000	30-06-03 €'000	30-06-04 €'000	30-06-05 €'000	30-06-06 €'000	30-06-07 €'000	30-06-08 €'000	30-06-09 €'000	30-06-10 €'000	30-06-11 €'000
	Neth GAAP	Neth GAAP	Neth GAAP	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
Profit and loss account										
Net property income	65,882	66,341	76,527	80,784	87,215	95,830	110,033	114,380	120,472	131,116
Net financing expenses	(23,986)	(20,519)	(23,154)	(24,631)	(23,477)	(28,944)	(38,117)	(40,822)	(41,862)	(44,501)
Company expenses	(6,961)	(5,940)	(6,986)	(6,738)	(7,671)	(8,243)	(9,114)	(8,510)	(8,611)	(9,789)
Direct investment result	34,542	39,563	44,872	49,340	56,087	58,653	62,802	65,048	69,999	76,826
Indirect investment result	40,162	13,704	17,666	64,613	177,840	200,819	47,484	(245,753)	23,741	124,451
Result after taxation	74,704	53,267	62,538	113,953	233,927	259,472	110,286	(180,705)	93,740	201,277
Balance sheet										
Total assets	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	2,671,251
Property investments	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	2,522,054
Cash and deposits	156,628	122,293	84,070	73,011	76,581	18,044	13,796	7,827	116,218	112,976
Borrowings	512,004	507,567	590,367	566,191	643,537	798,302	970,249	913,186	1,017,841	1,107,964
Shareholders' equity	631,277	659,224	707,424	828,144	1,037,679	1,242,118	1,300,981	1,033,080	1,214,323	1,370,150
Number of depositary receipts representing shares in issue after deduction of depositary receipts bought back, if any, at balance sheet date	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	40,813,650
Average number of depositary receipts representing shares in issue	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	40,602,632
Per depositary receipt (€)										
Net asset value	22.09	22.53	23.16	24.03	29.41	35.21	36.41	28.82	30.13	33.57
Direct investment result	1.32	1.37	1.50	1.56	1.61	1.66	1.77	1.82	1.82	1.89
Indirect investment result	1.54	0.47	0.59	2.05	5.09	5.69	1.34	(6.87)	0.61	3.07
Dividend	1.40	1.43	1.50	1.55	1.60	1.67	1.75	1.78	1.82	1.88
Property information										
Sector spread (%)										
Retail	84	85	88	90	91	92	93	100	100	100
Office	12	11	9	7	7	6	5	0	0	0
Warehouse	4	4	3	3	2	2	2	0	0	0
	100	100	100	100	100	100	100	100	100	100
Stock market										
Closing price at the end of June on NYSE Euronext Amsterdam (€: depositary receipts)	19.10	21.55	24.95	30.10	29.96	38.32	30.27	21.95	26.25	34.30
Market cap	545,741	630,620	761,985	1,037,321	1,056,917	1,351,838	1,081,466	786,698	1,057,987	1,399,908

Note

The Company's shares are listed in the form of bearer depositary receipts on NYSE Euronext Amsterdam (the Amsterdam 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.

Statement of consolidated direct, indirect and total investment result*

	Note	2010/2011 €'000	2009/2010 €'000
Rental income	4	153,513	140,855
Service charges income	4	26,115	22,229
Service charges expenses		(29,273)	(25,233)
Property expenses	5	(19,239)	(17,379)
Net property income	2	131,116	120,472
Interest income	7	426	57
Interest expenses	7	(44,927)	(41,919)
Net financing expenses	7	(44,501)	(41,862)
Company expenses	8	(9,789)	(8,611)
Direct investment result before taxation		76,826	69,999
Corporate income tax	11	0	0
Direct investment result		76,826	69,999
Disposal of investment properties		1,709	(320)
Investment revaluation	6	86,002	26,624
Fair value movement derivative financial instruments	7	49,495	(42,874)
Investment and company expenses	8/10	(3,662)	(2,644)
Indirect investment result before taxation		133,544	(19,214)
Deferred tax	11	(9,093)	42,955
Indirect investment result		124,451	23,741
Total investment result		201,277	93,740
Per depositary receipt (€)**			
Direct investment result		1.89	1.82
Indirect investment result		3.07	0.61
Total investment result		4.96	2.43

Statement of adjusted net equity*

	30-06-11 €'000	30-06-10 €'000
IFRS net equity per balance sheet	1,370,150	1,214,323
Deferred tax liabilities	59,035	48,229
Derivative financial instruments	54,443	103,677
Adjusted net equity	1,483,628	1,366,229
Number of depositary receipts representing shares in issue after deduction of depositary receipts bought back	40,813,650	40,304,266
Net asset value – € per depositary receipt (IFRS)	33.57	30.13
Adjusted net asset value – € per depositary receipt	36.35	33.90
Stock market prices – € per depositary receipt	34.30	26.25

*These statements contain additional information which is not part of the IFRS financial statements.

**The average number of depositary receipts on issue over the year was 40,602,632 compared with 38,543,725 for the previous financial year.

Consolidated profit and loss account

	Note	2010/2011 €'000	2009/2010 €'000
Rental income	4	153,513	140,855
Service charges income	4	26,115	22,229
Service charges expenses		(29,273)	(25,233)
Property expenses	5	(19,239)	(17,379)
Net property income	2	131,116	120,472
Disposal of investment properties		1,709	(320)
Investment revaluation	6	86,002	26,624
Interest income	7	426	57
Interest expenses	7	(44,927)	(41,919)
Fair value movement derivative financial instruments	7	49,495	(42,874)
Net financing cost	7	4,994	(84,736)
Company expenses	8	(9,493)	(9,373)
Investment expenses	10	(3,958)	(1,882)
Profit before taxation		210,370	50,785
Corporate income tax	11	0	0
Deferred tax	11	(9,093)	42,955
Profit after taxation		201,277	93,740
Per depositary receipt (€)			
Profit after taxation	24	4.96	2.43
Diluted profit after taxation	24	4.81	2.38

Consolidated balance sheet

	Note	30-06-11 €'000	30-06-10 €'000
Property investments	12	2,515,854	2,356,074
Property investments under development	12	6,200	3,500
Tangible fixed assets	13	1,194	1,364
Receivables	14	897	1,113
Derivative financial instruments	18	5,933	1,479
Total non-current assets		2,530,078	2,363,530
Receivables	14	28,197	25,970
Cash and deposits	15	112,976	116,218
Total current assets		141,173	142,188
Total assets		2,671,251	2,505,718
Creditors	16	62,514	54,222
Borrowings	17	71,724	142,190
Total current liabilities		134,238	196,412
Creditors	16	10,398	10,721
Borrowings	17	1,036,240	929,651
Derivative financial instruments	18	60,376	105,156
Deferred tax liabilities	19	59,035	48,229
Provision for pensions	20	814	1,226
Total non-current liabilities		1,166,863	1,094,983
Total liabilities		1,301,101	1,291,395
Net assets		1,370,150	1,214,323
Equity Eurocommercial Properties shareholders			
Issued share capital	21	204,283	202,167
Share premium reserve	22	395,990	399,905
Other reserves	23	568,600	518,511
Undistributed income		201,277	93,740
Net assets		1,370,150	1,214,323
Number of depositary receipts representing shares in issue after deduction of depositary receipts bought back		40,813,650	40,304,266
Net asset value – € per depositary receipt		33.57	30.13

Consolidated cash flow statement

	Note	2010/2011 €'000	2009/2010 €'000
Cash flow from operating activities			
Profit after taxation		201,277	93,740
Adjustments:			
Increase in receivables		(163)	(2,159)
Increase/decrease in creditors		11,792	(1,300)
Interest income		(426)	(57)
Interest expenses		44,927	41,919
Movement stock options	22	873	885
Investment revaluation	6	(88,514)	(29,366)
Property sale result		(1,709)	320
Derivative financial instruments		(49,495)	42,874
Deferred tax	11	9,093	(42,955)
Other movements		(1,618)	1,316
		126,037	105,217
Cash flow from operations			
Capital gains tax	11	0	(5,201)
Derivative financial instruments		(572)	(92)
Borrowing costs		(952)	(822)
Interest paid		(45,717)	(42,969)
Interest received		285	57
		79,081	56,190
Cash flow from investing activities			
Property acquisitions	12	0	(98,934)
Capital expenditure	12	(62,957)	(42,658)
Property sale		8,368	3,320
Additions to tangible fixed assets	13	(338)	(428)
		(54,927)	(138,700)
Cash flow from financing activities			
Proceeds issued shares	21/22	0	96,545
Borrowings added	17	154,910	240,671
Repayment of borrowings	17	(127,840)	(110,739)
Dividends paid	22/23	(58,006)	(37,534)
Stock options exercised	23	2,136	55
Decrease/increase in non-current creditors		693	966
		(28,107)	189,964
Net cash flow		(3,953)	107,454
Currency differences on cash and deposits		711	937
Increase/decrease in cash and deposits		(3,242)	108,391
Cash and deposits at beginning of year		116,218	7,827
Cash and deposits at end of year		112,976	116,218

Consolidated statement of comprehensive income

	30-06-11 €'000	30-06-10 €'000
Profit after taxation	201,277	93,740
Foreign currency translation differences	9,547	27,492
Total other comprehensive income	9,547	27,492
Total comprehensive income	210,824	121,232

Consolidated statement of changes in shareholders' equity

The movements in shareholders' equity in the financial year ended 30 June 2011 and in the previous financial year were:

	Issued share capital €'000	Issued share capital €'000	Share premium reserve €'000	Share premium reserve €'000	Other reserves €'000	Other reserves €'000	Undistributed income €'000	Undistributed income €'000	Total €'000	Total €'000
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
Profit after taxation							201,277	93,740	201,277	93,740
Other comprehensive income					9,547	27,492			9,547	27,492
Total comprehensive income					9,547	27,492	201,277	93,740	210,824	121,232
Issued shares	2,116	22,308	(2,116)	74,297					0	96,605
Result previous financial year					35,751	(180,705)	(35,751)	180,705	0	0
Dividends paid			(17)	(59)		(37,475)	(57,989)		(58,006)	(37,534)
Stock options exercised					2,136	55			2,136	55
Stock options granted			873	885					873	885
Stock options not vested			(2,655)		2,655				0	0
30-06-11 30-06-10	204,283	202,167	395,990	399,905	568,600	518,511	201,277	93,740	1,370,150	1,214,323

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 2010 and ending 30 June 2011 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 2011.

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 2011. The Group has decided not to immediately adopt such standards, amendments and interpretations. Standards that are mandatory for the Group's accounting periods beginning on or after 1 July 2010 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.

In the unlikely event that discrepancies appear between the English and Dutch versions of the financial statements in this report, the English version takes precedence.

(c) Change in accounting policies and reclassifications

Standards/interpretations issued or revised that became effective and were adopted for the financial year beginning 1 July 2010:

- IFRIC 19: "Extinguishing financial liabilities with equity instruments" (effective as of 1 July 2010).
- IFRS 1 (amendment): "First time adoption of International Financial Reporting Standards – Limited exemption from comparative IFRS 7 disclosures for first time adopters" (effective as of July 1, 2010).
- IFRS 3 (revised): "Business combinations" (effective as of July 1, 2010).
- IAS 27 (revised): "Consolidated and separate financial statements" (effective as of 1 July 2010).

None of these standards are expected to have a material effect on equity or result in future reporting periods.

Standards/interpretations issued or revised that are not adopted early by the Company and will be applicable to the financial year beginning 1 July 2011:

- IFRS 1 (amendment): "First-time adoption of International Financial Reporting Standards, severe hyperinflation and removal of fixed dates for first-time adopters" (effective as of 1 July 2011).
- IFRS 1 (revised): "First-time adoption of International Financial Reporting Standards" (effective as of 1 January 2011).
- IAS 1 (amendment): "Presentation of financial statements". The revised standard clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements The revised standard is effective as of 1 January 2011 and is applied retrospectively.
- IFRS 7 (amendment): "Financial instruments". Additional qualitative and quantitative disclosures relating to transfers of financial assets (effective as of 1 July 2011).
- IFRS 7 (revised): "Financial instruments". Emphasises the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with financial instruments. IFRS 7 (revised) is effective as of 1 January 2011 and is applied retrospectively.
- IAS 24 (revised): "Related party disclosures", issued in November 2009. It supersedes IAS 24, "Related party disclosures", issued in 2003. IAS 24 (revised) is mandatory for periods beginning on or after 1 January 2011.
- IFRIC 13 (amendment): "Customer loyalty programmes" (effective as of 1 January 2011).
- IFRIC 14 (amendment): "Prepayments of a minimum funding requirement" (effective as of 1 January 2011).

None of these standards are expected to have a material effect on equity or result in future reporting periods.

1. Principal accounting policies (continued)

New standards, amendments and interpretations that will be effective subsequent to financial year 2011/2012: IAS 1 (amendment): "Presentation of financial statements". Changes to the grouping of items in the presentation of the Other Comprehensive Income. The amendments are effective for annual periods beginning on or after 1 July 2012.

IAS 12 (amendment): "Deferred taxes: recovery of underlying assets". The IAS 12 amendment introduces a rebuttable presumption that deferred tax on investment property measured at fair value will be recognised on a sale basis, unless an entity has a business model that would indicate the investment property will be consumed in the business. If consumed, a use basis should be adopted. The standard is not applicable until 1 January 2012.

IFRS 9: "Financial instruments – classification and measurement", issued in November 2009. This standard is the first step in the process to replace IAS 39, "Financial instruments: recognition and measurement". IFRS 9 introduces new requirements for classifying and measuring financial assets as well as changes to treatment of liabilities measured using the fair value option. The standard is not applicable until 1 January 2013 and is currently subject to adoption by the European Union.

IAS 19 (amendment): "Employee benefits". The IAS 19 amendments comprise fundamental changes like removing the corridor mechanism and concept of expected returns on plan assets and other relatively simple clarifications and re-wording. The amendments to IAS 19 are effective for annual periods beginning on or after 1 January 2013.

IFRS 10: "Consolidated Financial Statements" establishes a single control model that applies to all entities which replaces the portion of IAS 27 "Consolidated and Separate Financial Statements" that addresses the accounting for consolidated financial statements and SIC-12 "Consolidated – Special Purpose Entities". IFRS 10 is effective for annual periods beginning on or after 1 January 2013.

IFRS 11: "Joint arrangements" describes the accounting for joint arrangements with joint control and replaces IAS 31 "Interest in joint ventures" and SIC-13 "Jointly-controlled entities – Non-monetary contributions by ventures". IFRS 11 is effective for annual periods beginning on or after 1 January 2013.

IFRS 12: "Disclosure of interests in other entities" describes the disclosure requirements for an entity's interest in subsidiaries, joint arrangements, associates and structured entities and replaces disclosures previously included in IAS 27 "Consolidated and separate financial statements", IAS 31 "Interests in joint ventures" and IAS 28 "Investment in associates". IFRS 12 is effective for annual periods beginning on or after 1 January 2013.

IFRS 13: "Fair value measurement" describes the requirements on how to measure fair value under IFRS. IFRS 13 is effective for annual periods beginning on or after 1 January 2013.

In June 2011, the IASB issued an omnibus of amendments to IFRS 1 "First-time adoption of IFRS", IAS 1 "Presentation of financial statements", IAS 16 "Property, plant and equipment", IAS 32 "Interim financial reporting", primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard.

The Company is currently analysing the impact of the new standards and amendments on its financial position or performance.

(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.

Notes to the consolidated financial statements continued

1. Principal accounting policies (continued)

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. Valuations are prepared based on current prices for comparable investment properties in an active market. If, however, such information is not available, property valuations are prepared based on standard valuation techniques such as the capitalisation method and discounted cash flow method. The capitalisation method assesses the value of the property based on its income flow capitalised by yield (capitalisation rate). The discounted cash flow method determines the fair value of the property by discounting estimated future cash flows. At 31 December the independent experts draw up an update of the previous comprehensive valuation report. In arriving at their estimates of market valuations the independent experts have used their market knowledge and professional judgement as well as historical transactional comparables. 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.

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.

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.

1. Principal accounting policies (continued)

Borrowings

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 fair value (cost price). 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.

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 an independent external actuary 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.

Notes to the consolidated financial statements
continued

1. Principal accounting policies (continued)

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 Group 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.

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.

2. Segment information – Retail

	France		Italy		Sweden		The Netherlands		Total	
	10/11 €'000	09/10 €'000	10/11 €'000	09/10 €'000	10/11 €'000	09/10 €'000	10/11 €'000	09/10 €'000	10/11 €'000	09/10 €'000
Rental income	53,712	50,275	62,243	58,435	37,558	31,834	0	311	153,513	140,855
Service charges income	6,582	5,903	5,711	5,494	13,822	10,832	0	0	26,115	22,229
Service charges expenses	(7,896)	(7,360)	(5,711)	(5,494)	(15,666)	(12,379)	0	0	(29,273)	(25,233)
Property expenses	(5,525)	(4,651)	(8,958)	(8,511)	(4,756)	(4,205)	0	(12)	(19,239)	(17,379)
Net property income	46,873	44,167	53,285	49,924	30,958	26,082	0	299	131,116	120,472
Disposal of investment properties	1,041	0	0	0	668	0	0	(320)	1,709	(320)
Investment revaluation	52,726	27,996	13,914	(4,357)	19,213	4,942	149	(1,957)	86,002	26,624
Segment result	100,640	72,163	67,199	45,567	50,839	31,024	149	(1,978)	218,827	146,776
Net financing cost									4,994	(84,736)
Company expenses									(9,493)	(9,373)
Investment expenses									(3,958)	(1,882)
Profit before taxation									210,370	50,785
Corporate income tax									0	0
Deferred tax									(9,093)	42,955
Profit after taxation									201,277	93,740
Property investments	920,200	862,900	962,800	931,900	632,854	561,274	0	0	2,515,854	2,356,074
Property investments under development	0	0	6,200	3,500	0	0	0	0	6,200	3,500
Tangible fixed assets	276	251	93	98	42	57	783	958	1,194	1,364
Receivables	20,406	17,173	5,077	4,312	2,987	4,525	624	1,073	29,094	27,083
Derivative financial instruments	0	0	5,698	1,365	232	0	3	114	5,933	1,479
Cash and deposits	2,224	2,352	1,620	648	13,463	10,375	95,669	102,843	112,976	116,218
Total assets	943,106	882,676	981,488	941,823	649,578	576,231	97,079	104,988	2,671,251	2,505,718
Creditors	24,538	19,376	14,214	13,768	20,114	18,105	3,648	2,973	62,514	54,222
Non-current creditors	7,877	8,006	2,515	2,714	6	1	0	0	10,398	10,721
Borrowings	309,365	285,953	518,744	522,476	279,855	263,412	0	0	1,107,964	1,071,841
Derivative financial instruments	16,135	26,148	36,706	64,486	0	14,522	7,535	0	60,376	105,156
Deferred tax liabilities	0	0	638	0	58,397	48,229	0	0	59,035	48,229
Provision for pensions	0	0	0	0	0	0	814	1,226	814	1,226
Total liabilities	357,915	339,483	572,817	603,444	358,372	344,269	11,997	4,199	1,301,101	1,291,395
Acquisitions, divestments and capital expenditure (including capitalised interest)	4,572	55,319	19,894	57,812	29,969	20,649	0	0	54,435	133,780

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 2011 SEK 10 was €1.0900 (30 June 2010: €1.0498) and GBP 1 was €1.10797 (30 June 2010: €1.22332).

4. Rental income and service charges income

Rental income in the current financial year comprised:

	30-06-11 €'000	30-06-10 €'000
Gross lease payments collected/accrued	152,430	139,589
Amortisation of capitalised entry fees	1,083	1,266
	153,513	140,855

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:

	30-06-11 €'000	30-06-10 €'000
– less than one year	122,911	112,472
– one to five years	308,815	369,796
– five years or more	124,140	37,558
	555,866	519,826

Approximately 1.4 per cent of the rental income for the year ended 30 June 2011 is turnover rent (2009/2010: 1.0 per cent).

Service charges income of €26.1 million (2009/2010: €22.2 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:

	30-06-11 €'000	30-06-10 €'000
Direct property expenses		
Bad debts	405	542
Centre marketing expenses	1,874	1,974
Insurance premiums	475	568
Managing agent fees	1,614	1,439
Property taxes	1,246	1,194
Repair and maintenance	1,222	1,191
Shortfall service charges	347	376
	7,183	7,284
Indirect property expenses		
Accounting fees	476	446
Audit fees	233	236
Depreciation fixed assets	103	218
Dispossession indemnities	460	154
Italian local tax (IRAP)	1,235	1,043
Legal and other advisory fees	1,297	1,211
Letting fees and relocation expenses	1,750	1,505
Local office and accommodation expenses	885	933
Pension contributions	70	43
Salaries, wages and bonuses	2,690	2,347
Social security charges	1,121	923
Stock options granted (IFRS 2)	127	131
Travelling expenses	475	262
Other local taxes	487	443
Other expenses	647	200
	12,056	10,095
	19,239	17,379

Indirect property expenses include the expenses of the Milan, Paris and Stockholm offices. 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 €58,000 (2009/2010: €181,000) for the Milan office, €23,000 (2009/2010: €20,000) for the Paris office and €22,000 (2009/2010: €17,000) 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:

	30-06-11 €'000	30-06-10 €'000
Revaluation of property investments	89,521	40,685
Revaluation of property investments under development	(1,007)	(11,319)
Revaluation of letting fees	(1,668)	(874)
Fair value movement long term creditors	(57)	189
Other movements	(787)	(2,057)
	86,002	26,624

Other movements relate to valuation adjustments of other assets and liabilities. The negative movement of €787,000 (2009/2010: €2,057,000 negative) includes a negative realised amount of €572,000 (2009/2010: €919,000 negative) and a negative unrealised amount of €215,000 (2009/2010: €1,138,000 negative).

7. Net financing costs

Net financing costs in the current financial year comprised:

	30-06-11 €'000	30-06-10 €'000
Interest income	426	57
Gross interest expense	(46,975)	(43,814)
Capitalised interest	2,048	1,895
Unrealised fair value movement derivative financial instruments	49,895	(42,782)
Realised fair value movement interest rate swaps	(400)	(92)
	4,994	(84,736)

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 4.5 per cent in Sweden and 4.8 per cent in Italy (2009/2010: 4.8 per cent).

8. Company expenses

Company expenses in the current financial year comprised:

	30-06-11 €'000	30-06-10 €'000
Audit fees	203	228
Depreciation fixed assets	427	418
Directors' fees	1,260	1,157
Legal and other advisory fees	913	638
Marketing expenses	316	295
Office and accommodation expenses	1,309	1,143
Pension – unrealised movement in the provision for pensions*	(296)	762
Pension contributions	459	390
Salaries, wages and bonuses	2,787	2,494
Social security charges	372	345
Statutory costs	596	360
Stock options granted (IFRS 2)	309	312
Travelling expenses	449	470
Other expenses	389	361
	9,493	9,373

* This item is part of the indirect investment result.

8. Company expenses (continued)

Office and accommodation expenses include the expenses of the Amsterdam and London offices 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 €372,000 (2009/2010: €379,000) for the Amsterdam office and €54,000 (2009/2010: €39,000) for the London office.

9. Personnel costs

Total personnel costs in the current financial year comprised:

	30-06-11 €'000	30-06-10 €'000
Salaries and wages	5,603	5,142
Social security charges and taxes	1,796	1,440
Pension – unrealised movement in the provision for pensions	(296)	762
Pension contributions	567	470
Bonuses	3,046	1,461
	10,716	9,275

Total personnel costs are partly presented under indirect property expenses (€3,881,000 (2009/2010: €3,313,000), partly under company expenses (remuneration of the members of the Board of Management inclusive) (€4,422,000 (2009/2010: €4,998,000) and partly under investment expenses (€2,413,000 (2009/2010: €964,000). 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 55 full-time equivalent persons during the financial year (2009/2010: 50) of which 14 are based in the Netherlands, 10 in the UK, 14 in France, 11 in Italy and six in Sweden. 54 per cent of employees are male and 46 per cent are female. Of the total workforce, seven are under the age of 30, 43 are between the ages of 30 and 50 and five are over the age of 50. The Group staff (members of the Board of Management excluded) holds 13,616 depositary receipts and 292,537 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:

	30-06-11 €'000	30-06-10 €'000
Aborted acquisition costs	739	56
Bonuses linked to NAV growth	2,177	863
Social security charges and taxes	236	101
Stock options granted (IFRS 2)	437	443
Property valuation fees	369	419
	3,958	1,882

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11. Taxation

	30-06-11 €'000	30-06-10 €'000
Corporate income tax	0	0
Effect of release from deferred tax provision due to step up fiscal book values Italian property	0	(48,737)
Italian capital gains tax paid	0	(5,201)
Effect of unrealised value movements investment property Italy	8,624	0
Effect of unrealised value movements investment property Sweden	8,265	4,345
Effect of unrealised value movements derivative financial instruments	(6,415)	7,916
Benefit of tax losses recognised	(1,381)	(1,278)
Total taxation amount recognised in the profit and loss account	9,093	(42,955)

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

	30-06-11 €'000	30-06-10 €'000
Profit before tax	210,370	50,785
Tax exempt income (including effect of FBI and SIIC)	(109,119)	(55,677)
Profit before tax attributable to Swedish tax rate of 26.3%	(30,428)	(6,047)
Profit before tax attributable to Italian tax rate of 27.5%/31.4%	(70,823)	10,939

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 €9.1 million.

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 26.30 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 purchasers' costs including registration tax this year amounted to €99 million (2009/2010: €94 million) or approximately 3.8 per cent of gross valuations (5.6 per cent in France, 4 per cent in Italy and 1 per cent in Sweden). All properties in the Group are freehold. All properties were revalued at 30 June 2011.

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 purchasers' costs including transfer duties) expressed as a percentage. The net yield overall was 5.6 per cent as per 30 June. The net yield figure for France was 5.2 per cent, for Italy 5.9 per cent and for Sweden 5.7 per cent. The yields calculated and/or used by the external independent valuers are dependent upon the particulars of the individual property valued and the valuation methodology used, whether more based on the capitalisation approach or more based on discounted cash flow, and ranged between 4.1 per cent to 6.0 per cent for France, 5.7 per cent to 6.4 per cent for Italy and 5.6 per cent to 6.0 per cent for Sweden. Comparable transactions in the market were also taken into account by valuers. The aggregate of the individual yields of the properties, money weighted, will be in the range of the net yields described in the Board of Management report.

If the yields used for the valuation of the investment properties as per 30 June 2011 were to increase by 25 bps, the value of the property investments would decrease by 3.6 per cent. If the yields decreased by 25 bps, the value of the property investments would increase by 3.8 per cent. This property sensitivity analysis is based upon the sensitivity analysis per individual property provided by the appointed external independent valuers.

The valuation standards used by the external independent valuers require that valuers draw 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. This year, no such uncertainty clauses were required.

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

The current property portfolio is:

	30-06-11 Book value €'000	30-06-10 Book value €'000	30-06-11 Costs to date €'000	30-06-10 Costs to date €'000
France				
Amiens Glisy, Amiens*	43,800	41,900	16,050	15,995
Saint Doulchard, Bourges*	36,700	37,800	42,873	42,810
Buchelay Retail Park*	0	6,100	0	6,756
Chasse Sud, Chasse-sur-Rhône*	29,900	29,300	32,027	30,335
Les Allées de Cormeilles, Cormeilles*	40,200	35,200	44,896	44,925
Les Trois Dauphins, Grenoble*	34,800	33,500	24,654	24,601
Centr'Azur, Hyères*	45,900	42,000	17,846	17,008
Plaine de France, Moisselles*	70,000	64,100	60,319	59,166
Passage du Havre, Paris*	270,500	249,600	166,398	165,463
Passy Plaza, Paris*	127,700	118,500	73,696	72,513
74 rue de Rivoli, Paris	50,000	43,200	21,025	20,912
Les Portes de Taverny, Taverny*	53,700	50,300	24,513	24,603
Les Atlantes, Tours*	117,000	111,400	52,561	47,836
	920,200	862,900	576,858	572,923
Italy				
Curno, Bergamo*	100,500	98,100	34,199	34,298
Centro Lame, Bologna*	41,000	39,900	29,585	29,176
Il Castello, Ferrara*	105,000	99,900	82,094	77,235
I Gigli, Firenze*	242,600	238,400	158,356	155,700
I Gigli Retail Park, Firenze*	6,200	3,500	37,085	33,378
Centro Leonardo, Imola*	74,200	71,900	64,689	63,615
La Favorita, Mantova*	48,500	45,500	33,850	33,802
Carosello, Carugate, Milano*	279,500	270,700	180,235	173,497
I Portali, Modena	44,900	41,600	41,398	41,322
Centroluna, Sarzana*	26,600	25,900	13,574	13,148
	969,000	935,400	675,065	655,171
Sweden				
421, Göteborg*	79,897	76,950	88,048	87,946
Kronan, Karlskrona*	18,094	17,007	14,667	14,540
Bergvik, Karlstad*	65,618	56,164	37,310	37,381
Mellby Center, Laholm*	17,985	16,062	14,964	13,354
Burlöv Center, Malmö*	123,606	111,489	76,082	75,757
Ingelsta Shopping, Norrköping*	96,901	91,543	87,133	86,880
Elins Esplanad, Skövde*	71,722	65,927	57,911	57,869
Moraberg, Södertälje*	45,889	41,100	38,306	38,271
Hälla Shopping, Västerås*	29,539	30,969	21,139	21,259
Grand Samarkand, Växjö	83,603	54,063	75,267	47,601
	632,854	561,274	510,827	480,858
	2,522,054	2,359,574	1,762,750	1,708,952

*These properties carry mortgage debt up to €1,058 million at 30 June 2011 (30 June 2010: €1,016 million).

Notes to the consolidated financial statements continued

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

Changes in property investments for the financial year ended 30 June 2011 were as follows:

	30-06-11 €'000	30-06-10 €'000
Book value at beginning of year	2,356,074	2,125,050
Acquisitions	0	98,934
Capital expenditure*	54,556	30,114
Capitalised interest	704	739
Capitalised letting fees	1,668	874
Elimination of capitalised letting fees	(1,668)	(874)
Revaluation of property investments	89,521	40,685
Book value divestment property	(6,200)	(3,640)
Exchange rate movement	21,199	64,192
Book value at end of year	2,515,854	2,356,074

*The capital expenditure of €54,556,000 includes general capital expenditure of €5,986,000 and extension and refurbishment expenditure of €48,570,000.

Changes in property investments under development for the financial year ended 30 June 2011 were as follows:

	30-06-11 €'000	30-06-10 €'000
Book value at beginning of year	3,500	11,700
Capital expenditure	2,363	1,963
Capitalised interest	1,344	1,156
Revaluation property investments under development	(1,007)	(11,319)
Book value at end of year	6,200	3,500

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:

	30-06-11 €'000	30-06-10 €'000
Book value at beginning of year	1,364	1,568
Additions	368	436
Depreciation	(530)	(636)
Disposals	(8)	(4)
Book value at end of year	1,194	1,364
Cost at end of year	3,280	3,972
Accumulated depreciation	(2,086)	(2,608)
Book value at end of year	1,194	1,364

During the financial year ended 30 June 2011 tangible fixed assets with a total cost price of €1,060,000 were disposed of or out of use (30 June 2010: no disposals).

14. Receivables

	30-06-11 €'000	30-06-10 €'000
Funds held by managing agents	1,484	754
Prepayments on purchased property/extensions	2,079	0
Provision for bad debts	(1,026)	(1,069)
Rents receivable	18,636	18,921
Trademark licence	881	1,072
VAT receivable	2,513	4,061
Other receivables and prepayments	4,527	3,344
	29,094	27,083

Receivables at 30 June 2011 include an amount of €0.9 million (30 June 2010: €1.1 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.

	30-06-11 €'000	30-06-10 €'000
Bank balances	19,366	13,718
Deposits	93,610	102,500
	112,976	116,218

16. Creditors

	30-06-11 €'000	30-06-10 €'000
(i) Current liabilities		
Interest payable	8,496	7,922
Local and property tax payable	2,651	854
Payable on purchased property/extensions	7,456	11,415
Rent received in advance	21,342	19,044
VAT payable	1,485	3,113
Other creditors and accruals	21,084	11,874
	62,514	54,222
(ii) Non-current liabilities		
Tenant rental deposits	8,611	8,859
Entry fees	1,787	1,862
	10,398	10,721

Notes to the consolidated financial statements
continued

17. Borrowings

	30-06-11 €'000	30-06-10 €'000
Book value at beginning of year	1,071,841	913,186
Drawdown of funds	154,910	240,671
Repayments	(127,840)	(110,739)
Exchange rate movement	9,398	29,208
Movement prepaid borrowing costs	(345)	(485)
Book value at end of year	1,107,964	1,071,841

Ninety-four per cent of the borrowings are at a floating interest rate, rolled over for a period of generally three months. The interest rate risk is managed by using interest rate swaps and other derivatives. Six per cent of the borrowings are at a fixed interest rate and the interest rate risk is managed by fixing the interest to maturity at the drawdown date.

	Borrowings €'000	Borrowing cost €'000	30-06-11 €'000	30-06-11 %	30-06-10 €'000	30-06-10 %
Borrowings with floating interest rate	1,046,816	(2,320)	1,044,496	94	1,032,765	96
Borrowings with fixed interest rate	64,313	(845)	63,468	6	39,076	4
Total borrowings	1,111,129	(3,165)	1,107,964	100	1,071,841	100

	30-06-11				30-06-10
Borrowings maturity profile	Secured €'000	Unsecured €'000	Total borrowings €'000	Average interest rate during the year in %	Total borrowings €'000
Current borrowings	21,756	49,968	71,724	2.1	142,190
Non-current borrowings					
One to two years	29,314		29,314		20,438
Two to five years	475,857		475,857		105,516
Five to ten years	365,567		365,567		576,517
More than ten years	168,667		168,667		230,000
Total non-current borrowings	1,039,405		1,039,405	4.7	932,471
Borrowing costs	(3,165)		(3,165)		(2,820)
Total borrowings	1,057,996	49,968	1,107,964	4.4	1,071,841

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
2010/2011						
Euro	786,313	44,961	831,274	4.3	9.4	7.9
Swedish krona	223,232	56,623	279,855	4.6	5.4	4.6
Borrowing costs	(3,165)	0	(3,165)			
	1,006,380	101,584	1,107,964	4.4	8.5	7.0
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

*Fixed rate borrowings consist of two fixed rate loans 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 €1,058 million are secured on property (30 June 2010: €1,016 million). The average interest rate during the financial year ended 30 June 2011 on non-current borrowings including hedges was 4.7 per cent (2009/2010: 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 2011.

At 30 June 2011 the Group has at its disposal undrawn borrowing facilities for a total amount of €30 million (30 June 2010: €26 million). These amounts are committed and immediately available to the Company and are eventually subject to reimbursement schemes.

Further information about borrowings and bank covenants can be found in note 26.

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 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– (1 per cent), A (25 per cent), A+ (21 per cent) and AA– (53 per cent) according to Fitch; and A2 (3 per cent), A1 (7 per cent), Aa3 (65 per cent) and Aa2 (25 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	30-06-11 €'000	30-06-10 €'000
Receivables	14	29,094	27,083
Derivative financial instruments		5,933	1,479
Cash and deposits	15	112,976	116,218
		148,003	144,780

Notes to the consolidated financial statements
continued

18. Financial instruments (continued)

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

Rents receivable	30-06-11 €'000	30-06-10 €'000
Overdue by 0–90 days	17,019	17,618
Overdue by more than 90 days	1,617	1,303
	18,636	18,921

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

Provision for bad debts	30-06-11 €'000	30-06-10 €'000
Book value at beginning of year	1,069	1,373
Added	484	542
Released	(527)	(846)
Book value at end of year	1,026	1,069

With respect to the rents receivable, the Group holds rental deposits from its tenants totalling €8.6 million (2010: €8.9 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 94 per cent of borrowings are long term with 48 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:

				30-06-11				30-06-10
Undiscounted cash flows	Total cash flows €'000	Less than 1 year €'000	1–5 years €'000	More than 5 years €'000	Total cash flows €'000	Less than 1 year €'000	1–5 years €'000	More than 5 years €'000
Non-current borrowings*	1,039,405	0	505,171	534,234	932,471	0	125,954	806,517
Current borrowings	71,724	71,724	0	0	142,190	142,190	0	0
Interest derivative financial instruments	196,613	22,944	90,533	83,136	263,127	29,847	122,123	111,157
Interest expenses borrowings	163,827	25,774	87,037	51,016	94,324	13,015	42,922	38,387
Tenant rental deposits	9,846	2,329	2,658	4,859	10,161	1,927	2,855	5,379
Other creditors	55,805	54,018	1,787	0	35,178	35,178	0	0
	1,537,220	176,789	687,186	673,245	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 €279.9 million (30 June 2010: €263.4 million). The total property investments in Sweden are €632.8 million (30 June 2010: €561.3 million) so 44 per cent of this SEK exposure is hedged through these borrowings at 30 June 2011 (30 June 2010: 47 per cent). 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 1.3 per cent of reported direct investment result.

18. Financial instruments (continued)

Interest rate risk

It is the policy of the Company to operate a defensive interest rate hedging policy by using derivatives 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 15 years). The fair value (mark to market) of the current interest rate hedge instruments as at 30 June 2011 is a negative value of €54.4 million (30 June 2010: negative €103.8 million).

The interest rate hedge instruments as at 30 June 2011 have a weighted average maturity of almost nine years and the Company is hedged at an average interest rate of 3.9 per cent excluding margins (30 June 2010: 4.0 per cent). Only 9 per cent (30 June 2010: 18 per cent) of the total borrowings is at a floating rate without interest hedge. An increase in interest rates of 1 per cent would therefore only have a limited negative impact of an additional annual interest expense of €1.02 million (30 June 2010: €1.96 million) or 1.32 per cent (30 June 2010: 2.80 per cent) of reported direct investment result.

If at 30 June 2011 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 €23.5 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 €27.4 million. Both calculations assume that all other variables were held constant.

Maturity profile Derivative financial instruments	30-06-11 Notional amount €'000	30-06-11 Fair value €'000	30-06-10 Notional amount €'000	30-06-10 Fair value €'000
Up to one year	0	(884)	10,249	(604)
From one year to two years	42,700	(3,169)	0	(3,002)
From two years to five years	149,000	(18,723)	213,067	(37,826)
From five years to ten years	727,845	(33,979)	560,055	(54,263)
Over ten years	90,000	2,309	95,000	(8,096)
	1,009,545	(54,446)	878,371	(103,791)
FX forward contracts	886	3	979	114
	1,010,431	(54,443)	879,350	(103,677)

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	30-06-11 €'000	30-06-10 €'000
Book value at beginning of year	(103,677)	(59,604)
Unrealised fair value movement interest rate swaps	49,988	(42,786)
Unrealised fair value movement FX forward contracts	(93)	4
Exchange rate movement	(833)	(1,291)
Prepayments on instruments	172	0
Book value at end of year	(54,443)	(103,677)

Effective interest rate

The following table shows the effective interest rate (variable rate is based on Euribor/Stibor as at 30 June 2011) 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.

				30-06-11				30-06-10
	Borrowings floating rate	Borrowings fixed rate	Swaps fixed rate paid	Swaps floating rate received	Borrowings floating rate	Borrowings fixed rate	Swaps fixed rate paid	Swaps floating rate received
Effective interest rate (%)	2.32	4.3	3.85	1.58	1.21	4.60	4.02	0.63
Up to one year (€'000)	70,437	1,286	0	0	141,565	625	10,249	10,249
From one year to two years (€'000)	27,989	1,325	42,700	42,700	19,784	654	0	0
From two years to five years (€'000)	471,523	4,334	149,000	149,000	103,366	2,150	213,067	213,067
From five years to ten years (€'000)	308,200	57,368	727,845	727,845	540,333	36,184	560,055	560,055
Over ten years (€'000)	168,667	0	90,000	90,000	230,000	0	95,000	95,000
	1,046,816	64,313	1,009,545	1,009,545	1,035,048	39,613	878,371	878,371

Notes to the consolidated financial statements
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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 2011) 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	23,036	2,738	38,894	(15,950)	48,718
From one year to two years	21,672	2,682	39,433	(16,136)	47,651
From two years to five years	54,997	7,686	112,933	(45,697)	129,919
From five years to ten years	29,645	8,353	100,829	(41,387)	97,440
Over ten years	13,018	0	36,215	(12,521)	36,712
	142,368	21,459	328,304	(131,691)	360,440

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:

				30-06-11 €'000		30-06-10 €'000
	Note	Categories in accordance with IAS 39	Carrying amount	Fair value	Carrying amount	Fair value
Receivables	14	B	29,094	29,094	27,083	27,083
Derivative financial instruments (assets)		A	5,933	5,933	1,479	1,479
Cash and deposits	15	D	112,976	112,976	116,218	116,218
			148,003	148,003	144,780	144,780
Creditors	16	E	72,912	72,912	64,943	64,943
Borrowings	17	E	1,107,964	1,107,964	1,071,841	1,071,841
Derivative financial instruments (liabilities)		A	60,376	60,376	105,156	105,156
			1,241,252	1,241,252	1,241,940	1,241,940

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 30-06-11 €'000	Level 1 30-06-10 €'000	Level 2 30-06-11 €'000	Level 2 30-06-10 €'000	Level 3 30-06-11 €'000	Level 3 30-06-10 €'000	Total fair value 30-06-11 €'000	Total fair value 30-06-10 €'000
Derivative financial instruments	0	0	(54,443)	(103,677)	0	0	(54,443)	(103,677)

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:

	30-06-10 €'000	Recognised in profit and loss account €'000	Capital gains tax paid €'000	Exchange rate movement €'000	30-06-11 €'000
Investment property	58,764	16,889	0	1,933	77,586
Derivative financial instruments	(3,814)	(6,415)	0	(220)	(10,449)
Tax value of loss carry-forwards recognised	(6,721)	(1,381)	0	0	(8,102)
	48,229	9,093	0	1,713	59,035

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

	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

*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 2010. 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 2011 the total amount of deferred tax liabilities of €59 million is related to Italy for an amount of €0.6 million and to Sweden for an amount of €58.4 million (30 June 2010: €48.2 million for Sweden).

20. Provision for pensions

The provision for pensions is related to one defined benefit plan in the United Kingdom. The plan has only four active members and no new members have entered the scheme since 2001. The scheme is based on a final salary plan with a pensionable salary cap and the Company expects no new members in the scheme in the near future.

Movements in the fair value of assets were as follows:

	30-06-11 €'000	30-06-10 €'000
Fair value of assets at beginning of year	2,896	2,023
Expected return on assets	204	170
Actuarial gain/(loss)	340	265
Contributions paid by employer	324	361
Benefits paid	(4)	(9)
Exchange rate movement	(273)	87
Fair value of assets at end of year	3,487	2,897

Movements in the present value of the defined benefit obligation were as follows:

	30-06-11 €'000	30-06-10 €'000
Defined benefit obligation at beginning of year	4,123	2,468
Current service costs	252	203
Interest costs	205	181
Actuarial loss/(gain)	114	1,188
Benefits paid	(4)	(9)
Exchange rate movement	(389)	92
Defined benefit obligation at end of year	4,301	4,123

Notes to the consolidated financial statements
continued

20. Provision for pensions (continued)

Defined benefit obligation – amounts recognised in the balance sheet:

	30-06-11 €'000	30-06-10 €'000
Present value of the defined benefit obligation	(4,301)	(4,123)
Fair value of plan assets	3,487	2,897
Surplus/(deficit)	(814)	(1,226)

Amounts recognised in the profit and loss account:

	30-06-11 €'000	30-06-10 €'000
Current service cost	252	203
Interest costs	205	181
Expected return on assets	(204)	(170)
	253	214

Major assumptions used by the actuary:

	30-06-11 %	30-06-10 %
Pensionable salary growth	5.2	4.9
Earnings cap growth	3.7	3.4
Pension revaluation	3.2	3.4
Pension escalation	3.7	3.4
Discount rate	5.5	5.3
Inflation assumption	3.7	3.4

Assets and expected rate of return:

	Expected rate of return 2010/2011 %	Value at 30-06-11 €'000	Expected rate of return 2009/2010 %	Value at 30-06-10 €'000
Equities	8.0	2,748	8.0	2,283
Bonds	5.0	446	5.5	371
Property	6.5	14	7.0	11
Cash	3.5	279	3.5	232
Total market value of assets		3,487		2,897

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 to calculate the future benefit payments is based on long term (over 15 years) AA corporate bond yields. The calculations have been performed by a qualified and independent actuary. The total expense for the defined contributions plan for the current financial year is €324,000. 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 in line with the current financial year.

21. Issued share capital

Share capital comprises:

– 999,999,900 authorised ordinary shares of €0.50 par value, of which 408,566,398 shares are issued and fully paid as at 30 June 2011 and of which 430,000 were bought back as at 30 June 2011.

– 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 406,026,322.

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.

	30-06-11 €'000	30-06-10 €'000
Book value at beginning of year	202,167	179,859
Issued shares	0	17,965
Issued bonus shares	2,116	4,343
Book value at end of year	204,283	202,167

The number of shares on issue increased on 30 November 2010 as a result of the issue of 423,189 bonus depositary receipts under the stock dividend plan. Holders of depositary receipts representing 21 per cent of the issued share capital (last year 41 per cent) opted for the bonus depositary receipts at an issue price of €36.40 from the Company's share premium reserve, instead of a cash dividend of €1.82 per depositary receipt for the financial year ended 30 June 2010.

	2010/2011		2009/2010	
	No. of depositary receipts	No. of shares	No. of depositary receipts	No. of shares
Number of shares (DRs) on issue at beginning of year	40,433,451	404,334,508	35,971,894	359,718,938
Shares (DRs) issued	0	0	3,593,000	35,930,000
Shares issued (DRs) under the stock dividend plan	423,189	4,231,890	868,557	8,685,570
Number of shares (DRs) on issue at end of year	40,856,640	408,566,398	40,433,451	404,334,508
Priority shares	10	100	10	100
Treasury shares (DRs)	(43,000)	(430,000)	(129,195)	(1,291,950)
Number of shares (DRs) after deduction of shares (DRs) bought back	40,813,650	408,136,498	40,304,266	403,042,658

Since 2000 the Company has operated a long term incentive scheme for (some) Group employees and members of the Board of Management through its Stock Option Plan (SOP).

Each option under the SOP confers to the right to one depositary receipt representing ten ordinary shares of €0.50 par value. The vesting date of the options is three years after the grant date and options can only be exercised up to seven years after the vesting date. Vesting is subject to performance targets linked to a minimal growth of the dividend per share and the net asset value per share over the three year period between grant date and vesting date. Vesting is also subject to employment at the vesting date. The method of settlement of the options is in equity.

The model for determining the fair value of the SOP granted this financial year (SOP 2010) was based on a share price volatility of 26 per cent per annum, a dividend yield of 5.46 per cent per annum and a risk free interest rate of 2.73 per cent per annum. The expected volatility is based on the annualised volatility of the daily share price movements over the ten years prior to the grant date.

On 12 November 2010 647,795 stock options of the SOP 2007 vested out of the 716,000 stock options granted in 2007.

Notes to the consolidated financial statements continued

21. Issued share capital (continued)

The Company has bought back the 43,000 depositary receipts to cover future possible exercises of the stock options granted under the SOP 2004. The Company has not bought back depositary receipts to cover future possible exercises of the options granted to staff under the SOP 2007 and SOP 2010.

Stock option plan (SOP)	SOP 2004	SOP 2007	SOP 2010	Total
Grant date	08-11-04	12-11-07	08-11-10	
Vesting date	08-11-07	12-11-10	08-11-13	
Expiry date	08-11-14	12-11-17	08-11-20	
Exercise price	€24.82	€37.28	€32.45	
Fair value per option	€1.56	€4.10	€4.01	
Options granted	676,000	716,000	825,000	
Options vested	676,000	647,795	0	
Options exercised	(633,000)	0	0	
Exercisable options at end of year	43,000	647,795	0	690,795
Outstanding options at end of year	43,000	647,795	825,000	1,515,795

Movements in the number of options during the year	SOP 2004	SOP 2007	SOP 2010	Total
Options at beginning of year	129,195	691,000	0	820,195
Options exercised*	(86,195)	0	0	(86,195)
Options forfeited	0	(43,205)	0	(43,205)
Options granted	0	0	825,000	825,000
Options at end of year	43,000	647,795	825,000	1,515,795

*Weighted average sale price €32.75 per depositary receipt.

As at 30 June 2011 the outstanding options represent 3.7 per cent of the issued share capital (30 June 2010: 2.0 per cent).

22. Share premium reserve

	30-06-11 €'000	30-06-10 €'000
Book value at beginning of year	399,905	324,782
Issued shares	0	80,843
Issue cost	0	(2,203)
Stock options granted	(1,782)	885
Release for issued bonus shares	(2,116)	(4,343)
Cost for dividends paid	(17)	(59)
Book value at end of year	395,990	399,905

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

23. Other reserves

	30-06-11 €'000	30-06-10 €'000
Book value at beginning of year	518,511	709,144
Result previous financial year	93,740	(180,705)
Dividends paid	(57,989)	(37,475)
Stock options exercised	4,791	55
Foreign currency translation differences	9,547	27,492
Book value at end of year	568,600	518,511

24. Earnings per depositary receipt

Basic earnings per depositary receipt

The calculation of basic earnings per depositary receipt of €4.96 at 30 June 2011 was based on the profit attributable to holders of depositary receipts of €201.3 million (30 June 2010: €93.7 million) and a weighted average number of depositary receipts outstanding during the year ended 30 June 2011 of 40,602,632 (30 June 2010: 38,543,725), as calculated below.

Profit attributable to holders of depositary receipts:

	30-06-11 €'000	30-06-10 €'000
Profit for the year	201,277	93,740

	30-06-11	30-06-10
Issued depositary receipts at beginning of year	40,304,266	35,840,442
Effect of depositary receipts issued (share placement)	0	2,195,175
Effect of depositary receipts issued (stock dividend)	246,957	506,857
Effect of depositary receipts issued (staff options exercised)	51,409	1,251
Weighted average number of depositary receipts	40,602,632	38,543,725

Diluted earnings per depositary receipt

The calculation of diluted earnings per depositary receipt of €4.81 at 30 June 2011 was based on the profit attributable to holders of depositary receipts of €201.3 million (30 June 2010: €93.7 million) and a weighted average number of depositary receipts (diluted) outstanding during the year ended 30 June 2011 of 41,875,239 (30 June 2010: 39,383,951), as calculated below.

Profit attributable to holders of depositary receipts (diluted):

	30-06-11 €'000	30-06-10 €'000
Profit for the year	201,277	93,740

	30-06-11	30-06-10
Weighted average number of depositary receipts	40,602,632	38,543,725
Effect of issued options on depositary receipts	1,272,607	840,226
Weighted average number of depositary receipts (diluted)	41,875,239	39,383,951

25. Commitments not included in the balance sheet

As at 30 June 2011 bank guarantees have been issued for a total amount of €0.3 million. As at 30 June 2011 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 €0.4 million for the financial year 2011/2012, approximately €1.2 million for the four year period thereafter and €0.4 million for the period longer than five years.

Notes to the consolidated financial statements
continued

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 2011. 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.

All bank covenants are monitored at regular intervals. The most frequent covenant ratios used in the loan agreements are:

- Loan to value: The maximum loan to property value can range between 50 per cent and 75 per cent.
- Net debt to adjusted equity ratio: The net debt will not exceed adjusted equity.
- Interest coverage ratio (ICR): The minimum ICR can range between 1.5x and 2.0x. The current ICR is 2.7x.

During the period the Company complied with its banking covenants.

	30-06-11	30-06-10
Loan to value	€'000	€'000
Borrowings	1,107,964	1,071,841
Cash and deposits	112,976	116,218
Net borrowings	994,988	955,623
Property investments	2,522,054	2,359,574
Loan to value	39%	41%
Debt to equity ratio		
Net borrowings	994,988	955,623
Shareholders' equity	1,370,150	1,214,323
Derivative financial instruments	54,443	103,677
Deferred tax liabilities	59,035	48,229
Adjusted net equity	1,483,628	1,366,229
Debt to equity ratio	0.67	0.70

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.

Remuneration

The Directors' fees recognised in the Company expenses include an amount of €160,000 (2009/2010: €150,000) in respect of gross remuneration paid to the members of the Supervisory Board to be specified as follows:

	30-06-11	30-06-10
	€'000	€'000
W.G. van Hassel	40.0	38.0
H.W. Bolland	30.0	28.0
P.W. Haasbroek	30.0	28.0
J.C. Pollock	30.0	28.0
A.E. Teeuw	30.0	28.0

27. Related parties (continued)

The Directors' fees also include an amount of €1,724,000 (2009/2010: €1,253,000) 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	
	30-06-11 €'000	30-06-10 €'000	30-06-11 €'000	30-06-10 €'000
Salary	467	451	351	334
Bonus	464	200	326	143
Pension premiums	0	0	37	37
Social security charges	74	80	5	8

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 the number of options granted to the Board of Management under the Stock Option Plans were as follows:

	J.P. Lewis	E.J. van Garderen	Total
Options at beginning of year	100,000	120,000	220,000
Options exercised*	0	(50,000)	(50,000)
Options forfeited	(6,250)	(4,375)	(10,625)
Options granted	105,000	75,000	180,000
Number of options at end of year	198,750	140,625	339,375

*Weighted average exercise price €32.79.

As at 30 June 2011 the outstanding options held by the Board of Management represent 0.83 per cent of the issued share capital (30 June 2010: 0.54 per cent).

For more information about the Stock Option Plan, see note 21.

23 per cent (€194,000) of the amount charged to the profit and loss account (€873,000) 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 905,333 depositary receipts in total, representing 2.22 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 3,179 depositary receipts representing 0.0078 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	30-06-11 €'000	30-06-10 €'000
Investments in subsidiaries	3	951,804	769,310
Due from subsidiaries	4	325,736	364,903
Tangible fixed assets	5	898	1,072
Derivative financial instruments		3	114
Total non-current assets		1,278,441	1,135,399
Receivables		712	415
Cash and deposits	6	96,510	102,946
Total current assets		97,222	103,361
Total assets		1,375,663	1,238,760
Creditors		4,699	3,010
Due to subsidiaries		0	274
Borrowings	7	0	19,927
Total current liabilities		4,699	23,211
Provision for pensions		814	1,226
Total liabilities		5,513	24,437
Net assets		1,370,150	1,214,323
Shareholders' equity	8		
Issued share capital		204,283	202,167
Share premium reserve		395,990	399,905
Legal revaluation reserve		686,569	504,075
Currency translation reserve		6,840	1,197
Retained profit reserve		(124,809)	13,239
Undistributed income		201,277	93,740
		1,370,150	1,214,323

Company profit and loss account

	2010/2011 €'000	2009/2010 €'000
Company profit after taxation	22,872	15,457
Profit from subsidiaries after taxation	178,405	78,283
Profit after taxation	201,277	93,740

Notes to the Company financial statements

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. The consolidated accounts have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS) as per 30 June 2011.

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. Investments in subsidiaries

Movements in investments in subsidiaries for the financial year ended 30 June 2011 were as follows:

	30-06-11 €'000	30-06-10 €'000
Book value at beginning of year	769,310	690,985
Investments	0	1,150
Dividends received	0	(6,800)
Exchange rate movement	4,089	5,692
Result from subsidiaries	178,405	78,283
Book value at end of year	951,804	769,310
Cost at end of year	265,235	265,235
Exchange rate movement	(5,664)	(9,753)
Cumulative result from subsidiaries	692,233	513,828
Book value at end of year	951,804	769,310

4. Due from subsidiaries

The balance at 30 June 2011 principally represents funds advanced to Eurocommercial Properties Caumartin S.N.C., Eurocommercial Properties France S.A.S., Aktiebolaget Norrköping Silvret 1, Premi Fastighets AB, KB Degeln 1, ECP Högsbo AB, ECP Karlskrona AB, ECP Moraberg KB, Eurocommercial Properties Sweden AB, Hälla Shopping Fastighets AB, Samarkandfastigheter AB and Lagergatan i Växjö AB.

Most of these advances of €325.7 million were made under long term loan facilities and the average interest rate of these advances is 5.5 per cent.

5. 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:

	30-06-11 €'000	30-06-10 €'000
Book value at beginning of year	1,072	1,145
Additions	228	343
Depreciation	(402)	(416)
Book value at end of year	898	1,072
Cost at end of year	2,257	2,643
Accumulated depreciation	(1,359)	(1,571)
Book value at end of year	898	1,072

During the financial year ended 30 June 2011 tangible fixed assets with a total cost price of €614,000 were disposed of or out of use (30 June 2010: no disposals).

6. Cash and deposits

Cash and deposits of €96.5 million consist primarily of time deposits, with small amounts held as bank balances and other liquid assets.

7. Borrowings

	30-06-11 €'000	30-06-10 €'000
Book value at beginning of year	19,927	0
Drawdown of funds	0	19,810
Repayments	(20,664)	0
Exchange rate movement	718	136
Movement borrowing costs	19	(19)
Book value at end of year	0	19,927

Notes to the Company financial statements
continued

8. 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
30-06-2010	202,167	399,905	504,075	1,197	13,239	93,740	1,214,323
Issued shares	2,116	(2,116)					0
Profit previous financial year					35,751	(35,751)	0
Profit for the year						201,277	201,277
Dividends paid		(17)				(57,989)	(58,006)
Stock options exercised					2,136		2,136
Stock options granted		873					873
Stock options not vested		(2,655)			2,655		0
Foreign currency translation differences				5,643	3,904		9,547
Addition to legal reserve			182,494		(182,494)		0
30-06-2011	204,283	395,990	686,569	6,840	(124,809)	201,277	1,370,150

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
30-06-2009	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

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 €693 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 21 per cent of the issued share capital (last year 41 per cent) opted for 423,189 bonus depositary receipts at an issue price of €36.40 from the Company's share premium reserve, instead of a cash dividend of €1.82 per depositary receipt for the financial year ended 30 June 2010. Accordingly, an amount of €58 million of the undistributed income was taken to fund the cash dividend paid on 30 November 2010.

9. 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 2011 is €200,000 (2009/2010: €200,000). The services rendered by the external audit firm during 2010/2011 and 2009/2010 are only related to the audit of the financial statements.

10. 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 2010/2011 this expense ratio amounted to 2.76 per cent (2009/2010: 2.83 per cent).

11. 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 €200.8 million and for guarantees issued for Eurocommercial Properties Italia S.r.l. to an amount of €0.2 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 €136.7 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 €28.6 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 €63.1 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 €95 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 €64.3 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 €97 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, ECP Moraberg KB and ECP Högsbo AB to an amount of SEK 2,118 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 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 €1,009.5 million (see also notes 18 and 25 to the consolidated financial statements).

Amsterdam, 24 August 2011

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

Post balance sheet events

In July 2011 the Group signed a building contract for €4.5 million for the redevelopment of the retail park at Ingelsta Shopping in Norrköping, Sweden.

In August the Group committed to acquire a shopping centre in Cremona, Italy for a total cost of €82.5 million.

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 June 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 2011 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 1 November 2011 at 14.00 hours to distribute a cash dividend of €1.88 per depositary receipt (ten ordinary shares) for the financial year ended 30 June 2011 (30 June 2010: €1.82 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 28 October 2011. The distribution will be payable as from 30 November 2011. 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 2011/2012. Holders of depositary receipts are given the opportunity to make their choice known up to and including 17 November 2011. 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

28 October 2011	Announcement of scrip issue price
1 November 2011	Annual General Meeting of Shareholders
3 November 2011	Ex-dividend date
4 November 2011	Announcement of first quarter results 2011/2012
30 November 2011	Dividend payment date
10 February 2012	Announcement of half year results 2011/2012
11 May 2012	Announcement of third quarter results 2011/2012
24 August 2012	Announcement of annual results 2011/2012
6 November 2012	Annual General Meeting of Shareholders

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 five 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), the Government of Singapore (12.75 per cent), Morgan Stanley Asset Management Limited (5.02 per cent), Norges Bank (5.15 per cent) and Dexia S.A. (5.12 per cent).

The dates of the aforesaid notifications were 1 November 2006, 1 November 2006, 30 November 2010, 3 May 2011 and 11 July 2011.

Stock market prices and turnover 2010/2011

The Company is listed on NYSE Euronext Amsterdam (the Amsterdam Stock Exchange) and is admitted to the Euronext 150 index and the Amsterdam Midkap (AMX) index. Eurocommercial delisted from NYSE Euronext Paris on 31 January 2011 because a secondary listing on the French exchange is no longer required under the French SIIC regime.

		High	Low	Average
Closing price 30 June 2011 (€; depositary receipts)	34.30	36.55	25.92	33.11
Average daily turnover (in depositary receipts)	94,622			
Average daily turnover (€'000,000)	3.1			
Total turnover over the past 12 months (€'000,000)	810.7			
Market capitalisation (€'000,000)	1,399.9			
Total turnover divided by market capitalisation	58%			

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 2011

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

EPRA performance measures

In accordance with EPRA best practice recommendations, the EPRA performance measures can be found below:

	30-06-11 €'000	30-06-10 €'000
EPRA earnings	76,826	69,999
EPRA NAV	1,483,628	1,366,229
EPRA NNNAV	1,445,255	1,334,880

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 2011 (as set out on pages 76 to 111). 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 for the financial year ended 30 June 2011, the consolidated balance sheet as at 30 June 2011, 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 2011, and a summary of significant accounting policies and other explanatory notes. The Company financial statements comprise the Company balance sheet as at 30 June 2011, 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. Furthermore, management is responsible for such internal control as it determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Netherlands law including the Netherlands Standard on Auditing. This 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 2011, 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 2011, 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 Section 2:393 sub 5 at e and f of the Netherlands Civil Code, we have no deficiencies to report as a result of our examination whether the Report of the Board of Management, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2:392 sub 1 at b-h has been annexed. Further we report that the Report of the Board of Management, to the extent we can assess, is consistent with the consolidated financial statements as required by Section 2:391 sub 4 of the Netherlands Civil Code.

Amsterdam, 14 September 2011

Ernst & Young Accountants LLP

Signed by M.A. van Loo

Glossary

Adjusted net asset value:	IFRS shareholders' equity excluding the carrying amount of contingent capital gains tax liabilities and the fair value of financial derivatives (interest rate swaps) divided by the number of depositary receipts outstanding at the balance sheet date.
Boutique:	Retail unit less than 300m^2.
CPI:	Consumer price index.
Depositary receipt (DR):	Stock certificate, representing ten ordinary registered shares, traded on NYSE Euronext Amsterdam.
Direct investment result:	Net rental income less net interest expenses and company expenses after taxation.
Entry premium:	One-off payment by a tenant, in addition to the MGR, to secure a lease on a particularly desirable retail unit.
EPRA:	European Public Real Estate Association.
ERV:	The estimated rental value of the whole portfolio if all space was let at current market levels at the balance sheet date.
FBI:	Fiscale Beleggingsinstelling (Dutch fiscal investment institution). As a result of being an FBI all of Eurocommercial's income, whatever its source, is tax free at the corporate level if it is distributed to shareholders in the form of a dividend.
Gallery:	All units in a shopping centre excluding the hypermarket.
Gross/Total lettable area (GLA):	Total area of a property that can be leased to a tenant, including storage area.
ICC:	Indice du Coût de la Construction. Cost of construction index still used for some French retail leases although the majority have adopted the new ILC index.
ILC:	Indice des Loyers Commerciaux. Index used for French retail leases derived 50% from the consumer price index, 25% from the cost of construction index and 25% from the retail sales index.
Interest cover:	Net rental income less company expenses divided by interest expenses.
Like for like:	Compares the gross rental income and/or the gross sales turnover of units which existed for the whole of the current and prior year period, i.e. excluding acquisitions, divestments and extensions. Entry premiums are not included in the like for like rental growth figures.
Minimum guaranteed rent (MGR):	Contracted annual rent paid by a tenant, excluding indexation, turnover rent and entry premiums. Also referred to as base rent.
MS:	Medium Surface/Moyenne Surface/Media Superficie. A major unit occupying a large space within a shopping centre or retail park which serves as a draw to other retailers and customers. The total lettable area is usually greater than 600m^2.
Net debt to adjusted net equity:	Total borrowings net of cash expressed as a percentage of adjusted net equity. This is the definition used in debt covenants.
Net (initial) yield:	Expected rental income for the coming year including expected indexation and reversions, less non-recoverable property operating expenses, as a percentage of the valuation of the property including estimated purchaser's costs.
Net loan to value:	Total borrowings net of cash expressed as a percentage of the total value of property investments and property investments under development.
Net return on cost:	Net rental income generated by a new development as a proportion of the total cost of the development including financing costs.
Net rental income:	Gross rental income for the period less service charge expenses and other non-recoverable property operating expenses such as insurance, real estate taxes, marketing and real estate management costs and other vacant property costs.
Occupancy cost ratio (OCR):	Rent plus marketing contributions, service charges and property taxes as a proportion of turnover including VAT.

Glossary
continued

Passing rent:	The annualised rental income at 30 June 2011 including 2010 turnover rent.
Pre-let:	A lease signed with a tenant prior to completion of a development.
Rental arrears:	Rent which is unpaid 90 days after the due date, expressed as a percentage of the total rent due.
Sales area:	Gross/total lettable area excluding storage area.
Sales turnover:	Sales income, including VAT, of tenants.
Scrip dividend:	Dividend received in the form of shares.
SIIC:	Société d'investissements immobiliers cotée. French tax-exempt regime available to listed property companies with assets in France.
Turnover rent:	Any element of rent received or to be received related to a tenant's sales turnover.
Vacancy:	The ERV of vacant space expressed as a percentage of the ERV of the whole portfolio.

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. Björn
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

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