EUROCOMMERCIAL

25 Years

Annual Report 30 June 2016

Overview

Eurocommercial is one of Europe's most experienced property investors, with a retail property portfolio in France, Italy and Sweden valued at €3.5 billion.

Our focused strategy of acquiring retail property in prime locations and continuously improving them, combined with our excellent tenant relationships, has resulted in the highest occupancy rates in the industry, generating consistently rising dividends over the last 25 years.

Eurocommercial celebrates the 25th anniversary of its listing on the Amsterdam Stock Exchange

Contents

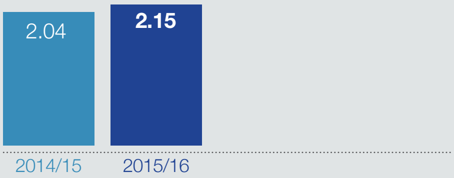
2015/16 results highlights

A year of growth

The 2015/16 financial year has been one of the best in Eurocommercial's 25 year history. A number of acquisitions, which boosted rental income, and a reduction in interest expenses increased the total direct investment result by 17.6% and the direct investment result per depositary receipt by 5.4% to €2.15. Adjusted NAV rose by 9.6% to €43.00 as a result of higher property valuations.

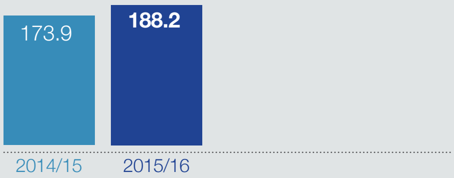
Direct investment result per depositary receipt (€)

+5.4%



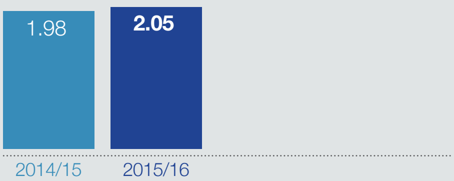
Rental income (€m)

+8.2%



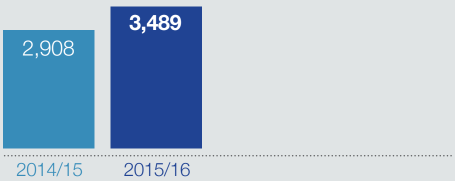
Dividend per depositary receipt (€)

+3.5%



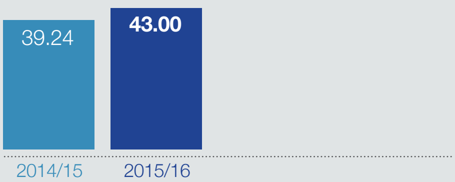
Property assets (€m)

+20.0%



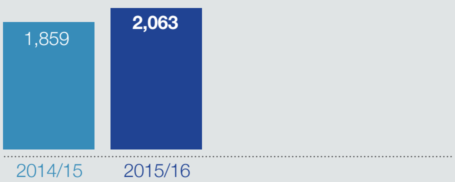
Net asset value per depositary receipt* (€)

+9.6%



Adjusted net equity (€m)

+11.0%



* Adjusted net asset value excluding contingent capital gains tax liabilities and fair value of financial derivatives.

1991 - 2016

Celebrating 25 years of Eurocommercial

1991 Company founded and listed on Amsterdam Stock Exchange

1992

First shopping centre acquisition in France – Les Atlantes

1994

First shopping centre acquisition in Italy – Curno

1995 Four centres now owned in France – Les Atlantes, Centr'Azur, Amiens Glisy and Les Portes de Taverny

1997 Acquisition of Carosello

1998 Last remaining German and UK properties sold

1999 Acquisitions of Passy Plaza and I Gigli

2000 Acquisition of Passage du Havre

2001

First shopping centre acquisition in Sweden – Burlöv Center

2001 Last remaining Belgian properties sold

2003 Portfolio of four shopping centres acquired in Sweden – Ingelsta Shopping, Elins Esplanad, Grand Samarkand and Mellby Center

2006 Company's first ever extension completed at Burlöv Center

2008 12,000m² extension of Carosello completed
French warehouses sold

2008 2011

Three major extension projects completed in Sweden – Elins Esplanad, Ingelsta Shopping and Grand Samarkand

2009 Last remaining office building and warehouse sold in the Netherlands; Eurocommercial becomes 100% retail

2013 Passy Plaza sold, having realised an IRR of 15% p.a. since purchase, and proceeds reinvested in Val Thoiry

2015

Refurbishments of Les Portes de Taverny, Val Thoiry, Cremona Po, I Portali and Bergvik

25 Years

2015

October

Acquisition of 50% of Fiordaliso

Eurocommercial Sweden voted Landlord of the Year for the second time in the last three years

November

Acquisition of adjoining hypermarket and gallery at Bergvik

December

Acquisition of Collestrada

16,000m² extension of Halmstad shopping centre commences

2016

April

Acquisition of hypermarket and shops not already owned at I Gigli, bringing Eurocommercial's ownership to 100%

Reorganisations underway at Carosello and I Gigli to allow for arrival of major new anchor stores, including Primark, Zara, Coin and Scarpe & Scarpe

June

5,500m² extension of Chasse Sud retail park opens fully let

Eurocommercial celebrates the 25th anniversary of its listing on the Amsterdam Stock Exchange

Eurocommercial

At a glance

We own and manage retail property in France, Italy and Sweden valued at €3.5 billion, which attracted over 149 million visitors last year.

France

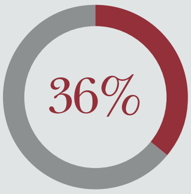
Property value

€1,262m

Number of properties

13

% of portfolio

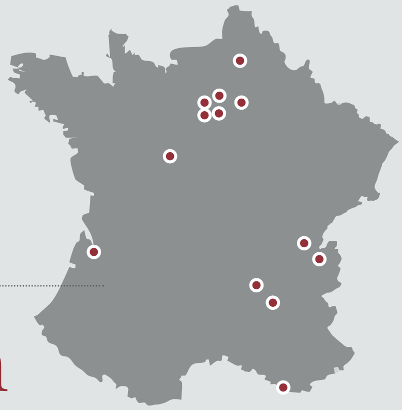


Properties
Passage du Havre, Paris
Les Atlantes, Tours
Val Thoiry, Greater Geneva
Chasse Sud, Chasse-sur-Rhône
Plaine de France, Moisselles
Rue de Rivoli, Paris
Les Portes de Taverny, Taverny
Amiens Glisy, Amiens
Centr'Azur, Hyères
Shopping Etrembières, Greater Geneva
Les Allées de Cormeilles, Cormeilles
Les Trois Dauphins, Grenoble
Les Grands Hommes, Bordeaux

Top 5 retail tenants*	
Fnac	2.3%
Inditex	1.8%
H&M	1.6%
Groupe Vivarte	1.3%
Castorama	0.8%

Visitors

47.2m



Italy

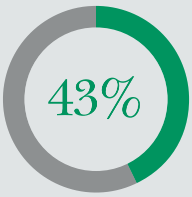
Property value

€1,500m

Number of properties

12

% of portfolio



Properties
I Gigli, Florence
Carosello, Carugate, Milan
Fiordaliso, Rozzano, Milan
Il Castello, Ferrara
Curno, Bergamo
Collestrada, Perugia
Cremona Po, Cremona
Centro Leonardo, Imola
I Portali, Modena
La Favorita, Mantova
Centro Lame, Bologna
Centroluna, Sarzana

Top 5 retail tenants*	
Inditex	3.0%
Media Markt	2.8%
Gruppo Coin	2.7%
Carrefour	2.5%
H&M	1.8%

Visitors

76.1m

Sweden

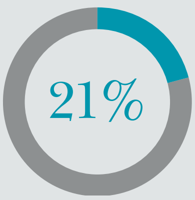
Property value

€727m

Number of properties

9

% of portfolio

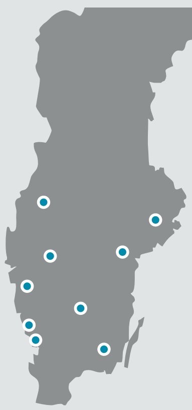


Properties
Bergvik, Karlstad
Ingelsta Shopping, Norrköping
Grand Samarkand, Växjö
Elins Esplanad, Skövde
421, Göteborg
Eurostop, Halmstad
Moraberg, Södertälje
Kronan, Karlskrona
Mellby Center, Laholm

Top 5 retail tenants*	
ICA Maxi	4.0%
Varnergruppen	1.1%
Coop	1.0%
H&M	0.9%
Stadium	0.9%

Visitors

25.7m



* As percentage of Eurocommercial rental income.

Val Thoiry, Greater Geneva

Les Atlantes, Tours

Passage du Havre, Paris

I Gigli, Florence

Fiordaliso, Rozzano, Milan

Carosello, Carugate, Milan

Bergvik, Karlstad

Grand Samarkand, Växjö

Ingelsta Shopping, Norrköping

Chief Executive's overview

The year in review

This year we celebrated 25 years since Eurocommercial's quotation on the Amsterdam Stock Exchange in June 1991.

The Company has grown from one with property assets of approximately €140 million, to €3.5 billion today, including joint ventures. Dividends have risen steadily and our shop occupancy levels at 99% have consistently been the best in the industry.

Our senior management team has been extraordinarily committed and loyal with senior directors serving an average of around 20 years. They in turn have passed on their spirit of dedication to their teams in Amsterdam, Milan, Paris and Stockholm.

We think that there really is a family feeling within Eurocommercial and, like all good families, we are doing our best to encourage the younger members to learn the business and develop professionally so they can ensure that the Company continues to thrive in the future.

The challenges for a property company like ours constantly change but certain fundamental criteria remain; the most important being the location of the properties, the suitability of the buildings for their purposes and a profound understanding of the needs of our tenants and their customers. The internet is one of the more recent challenges but seems to have resulted in demand for larger, not smaller, shops from the successful, omni-channel retailers, helping to maintain our low vacancy levels.

In the end, our job is to provide our shareholders with predictable, steadily rising dividends and a solid, growing asset base, which we have achieved over the last 25 years through our considered investment strategy and our highly professional teams, with their open and collegial culture.

Review of the year

Appropriately for our 25th anniversary, 2015/16 has been one of our best years. Our asset values, income and earnings have all grown strongly and exciting expansion and improvement projects are progressing in all our countries.

The lack of inflation has held back our annually indexed rents but average retail sales growth in our centres over the year to 30 June of 2.7% is encouraging.

Property values have benefitted from strong investor demand pushing down yields so that our portfolio is worth 5.4% more than it was a year ago on a like-for-like basis.

Acquisitions

We have been busy with property acquisitions in Italy and Sweden totalling almost €400 million and our extensions and redevelopments are on schedule.

In Italy we purchased 50% of Fiordaliso shopping centre for €121 million in October 2015 with the retail park at €14 million following in April 2016.

In April 2016 we also bought the hypermarket and the balance of the gallery we did not already own at I Gigli and are on schedule with the creation of new shops for Primark and a much larger Zara. The total cost of this project, including the purchase of the new space, will be in the order of €100 million and the centre, already the most visited in Italy, is expected to increase significantly its annual footfall beyond its current 19 million visitors.

Collestrada shopping centre in Perugia, Umbria, together with its Coop hypermarket, was purchased in December 2015 and plans are already advancing for an extension of the centre to include a major new anchor store.

We acquired the adjoining mall and hypermarket at Bergvik centre in Karlstad in Sweden at a cost of €64.6 million in November 2015, taking our ownership of this centre to 32,750m² and confirming its position as the dominant shopping centre for the region.

Extensions and developments

Our redevelopment and extension of the gallery, hypermarket and retail park at Chasse-sur-Rhône just outside Lyon is now complete and fully leased, taking the total value of this investment to over €86 million.

Planning applications are progressing for extensions at a number of other properties across the three countries. The major refurbishment of Val Thoiry has been completed, as has the acquisition of an adjoining site to allow for the extension in due course.

The major extension, more than doubling the size of the gallery of our Halmstad shopping centre, is progressing on schedule and is now 90% leased, over a year in advance of its completion. Studies and discussions are progressing for possible further extensions of three of our other Swedish centres where there is clear demand from retailers for extra space.

Market commentary

Commercial property markets have been strong in France, Italy and Sweden with prices rising as yields reduce, reflecting the extreme shortage of good investments. This situation is unlikely to change for the foreseeable future as long as interest rates remain so low. Relatively low GDP growth in France and Italy is balanced in our portfolio by very strong growth in Sweden.

The Italian economy is recovering slowly with around 1% GDP growth but consumer spending is robust, reflecting the sound financial situation of most Italian families.

The exit of Britain from the European Union is unlikely to have a significant effect on our markets because very little has been directly invested in European property by British organisations, although many major international investors currently operate from London. Whether they will continue to do so remains to be seen.

Our investment strategy remains one of cautious expansion in our existing markets, focussing, as ever, on the sustainability of rental income.

Jeremy Lewis
Chief Executive

Property results

Property performance

Solid retail sales growth

A key driver of rental and capital value growth in any shopping centre is the volume and growth of retail sales by the tenants. Eurocommercial only invests in properties where retail tenants disclose their sales every month. If tenants prosper, so will the centre.

Retail sales were particularly strong in Italy and Sweden during the year but were hampered in France by strikes, adverse weather and terrorism.

Like-for-like retail sales growth

2.7%

High occupancy rates

Eurocommercial has the highest occupancy rate in the listed property sector, with vacancies in its shopping centres consistently below 1%. We have achieved this level of success by very careful tenant selection, rents that allow tenants to be profitable and centre management teams with vast experience and dedication.

At 30 June 2016, vacancies remain once again below 1%.

Occupancy rates

99%

Sustainable occupancy cost ratios

Shop rents are carefully matched to retail sales so that an appropriate and sustainable occupancy cost ratio (OCR) of gross rent to sales turnover can be achieved. This not only helps the retailer make a reliable profit but also assists us in judging the shop mix and adapting it as necessary.

At 30 June 2016 occupancy cost ratios across the Company averaged 8.2%.

Occupancy cost ratio

8.2%

Property values increased

All of our properties are valued every six months by independent appraisers and firms are rotated every three years. The valuations reflect investor demand but, equally importantly, they reflect the very low vacancies, security of income and retail sales in our centres.

Investors continued to favour the French market this year, with transaction levels remaining high resulting in an 8.0% increase in values over the 12 months. In Italy and Sweden there was less market evidence, leaving the valuers to take a more cautious approach. Nonetheless, values increased by 3.0% and 6.2% respectively.

Increase in property values

5.4%

Rental growth

All our shop rents are indexed annually to inflation and are subject to periodic market rent reviews when the leases expire. Inflation has been non-existent this year so annual base rent increases have been negligible. Rent increases for lease renewals or new leases, however, have averaged 10%.

Like-for-like rental growth

1.0%

Increase in relettings and renewals

10%

Like-for-like retail sales growth*

	12 months to 30 June 2016
Overall	2.7%
France	-0.5%
Italy	3.7%
Sweden	5.4%

* Excluding extensions, hypermarkets and Systembolaget.

Like-for-like retail sales growth by sector**

	12 months to 30 June 2016
Fashion	3.3%
Shoes	-1.5%
Gifts & jewellery	8.7%
Health & beauty	3.3%
Sport	1.8%

** Excluding extensions.

	12 months to 30 June 2016
Restaurants	2.3%
Home goods	8.0%
Electricals	-0.2%
Hyper/supermarkets	2.5%

Vacancies

	ERV* of vacant units as % of total ERV at 30 June 2016
Overall	0.8%
France	1.2%
Italy	0.6%
Sweden	0.5%

* Estimated rental value.

Occupancy cost ratios (excl. hypermarkets)

Turnover incl. VAT

	At 30 June 2016
Overall	8.2%
France	8.7%
Italy	8.1%
Sweden	7.8%

Value growth

	12 months to 30 June 2016
Overall	5.4%
France	8.0%
Italy	3.0%
Sweden	6.2%

Value growth

	6 months to 30 June 2016
Overall	2.4%
France	3.6%
Italy	0.8%
Sweden	3.6%

Net yields

	At 30 June 2016
Overall	5.1%
France	4.4%
Italy	5.7%
Sweden	5.0%

Like-for-like rental growth

	2015/16
Overall	1.0%
France	0.5%
Italy	0.8%
Sweden	2.7%

Renewals and relettings

	No. of renewals and relettings	% of total leases renewed/relet	Average rental uplift achieved
Overall	193	12%	10%
France	39	8%	11%
Italy	92	10%	13%
Sweden	62	26%	7%

Our strategy

Eurocommercial's business model and strategy

We buy, manage and develop well-located retail properties in mature and prosperous markets, working in partnership with our retailer tenants to maximise the centres' values and attraction to their customers.

Our business model

1 Collegiate management style

- Unencumbered, flat management structure
- Acquisition and operational responsibilities combined
- Weekly international management meetings allow for free exchange of information

2 Low-risk operational strategy

- Acquisitions are made following considerable research and with a long-term investment horizon
- Focus on extensions and refurbishments of existing assets where tenant demand is already proven
- Emphasis on sustainability of income stream through low occupancy cost ratios and minimal vacancies

3 Financial discipline

- All debt is structured as mortgages secured against properties with full recourse to the parent company
- Maximum loan to value of 50%; net debt to not exceed adjusted net equity
- High proportion of fixed rate funding to match long-term property holding period

Our strategy

Well-researched purchases

p12

Active asset improvement

p14

Understanding retailers' needs

p16

Customer satisfaction

p18

Over the following pages are some examples of our strategy in action

Our strategy in action

Well-researched purchases

We employ a rigorous, research-led approach to property acquisitions. Only after exhaustive research on catchments, wealth and demographics, as well as retail densities and tenants' occupancy cost ratios, do we make an investment decision.

The position of the property should be the best possible in its catchment – easily accessible by its customers with a good road network and high visibility. Parking must be free and plentiful with a clear internal road network.

Collestrada, Perugia

Eurocommercial acquired the Collestrada shopping centre, including the hypermarket, in Perugia at the end of 2015. It is the leading shopping centre in the Umbria region and offers considerable scope for growth due to the tenants' high turnovers per square metre and low occupancy cost ratios.

6.0%
occupancy cost ratio

€5,800
turnover per square metre

Fiordaliso, Milan

We acquired a 50% interest from Gruppo Finiper of the gallery and adjoining retail park at Centro Commerciale Fiordaliso in Milan for a total price of €135 million with a blended yield of 5.8%. Plans are progressing to refurbish the centre and improve access and signage.

I Gigli, Florence

In April 2016 we completed the purchase of the hypermarket and remaining part of the gallery at I Gigli which we did not already own for €82 million. Work is already underway to convert part of the hypermarket space into new shop units which have been pre-let to market-leading fashion retailers, Primark and Zara. The new stores are due to open in mid-2017.

Bergvik, Karlstad

In November 2015 we acquired the Coop hypermarket and 8,000m² of shops adjoining our existing gallery at Bergvik in Karlstad for SEK 600 million (€64.6 million) at a net initial yield of 5.3%, giving us greater exposure to one of the top 10 Swedish shopping centres by turnover. The combined property is now Eurocommercial's largest asset in Sweden.

Our strategy in action

Active asset improvement

We continually work to ensure that our centres are fresh and modern through regular refurbishments and extensions that are designed to increase footfall and add further value to the property.

This commitment to maintaining high quality and well-run shopping centres means that our properties consistently attract the best retailers for the catchment, resulting in minimal vacancies and good turnover growth.

Bergvik, Karlstad

A major refurbishment of the original part of the centre, which Eurocommercial has owned since 2005, was completed to coincide with the redevelopment of the adjoining hypermarket and gallery. As a part of the project, units were taken back from underperforming tenants and re-let to Clas Ohlson and Cubus.

The ceilings were raised, new floors were installed and considerable improvements were made to the centre's façade, all helping to cement the centre's leading position in the region. The logo was also updated to communicate the internal charges to the customers.

70
retailers

47,150m²
total area

5.6m
annual visitors

Chasse Sud, Chasse-sur-Rhône

The retail park was extended by 5,500m² and opened in June 2016 to a warm reception. The performance of the new retailers has already exceeded their expectations and existing tenants are also strongly benefitting from the improvements made.

Val Thoiry, Greater Geneva

We have recently completed a transformational refurbishment of Val Thoiry, which is located on the outskirts of Geneva, including the installation of a large glass roof, raised shop fronts, new floors and significantly improved toilets, as well as a new entrance.

Our strategy in action

Understanding retailers' needs

Our leasing and management teams are in constant dialogue with the major international and local retail groups, monitoring emerging trends and often providing advice to new market entrants. By working together, we are able to create successful shopping centres and better experiences for our customers.

We regularly survey our tenants to gauge their opinions of the centres and our management teams, using the resulting data to improve our offer.

Il Castello, Ferrara

Following the success of fashion retailer Pull & Bear at Il Castello in Ferrara, which opened in 2013, we are in advanced negotiations to bring Zara and other Inditex brands to the centre once appropriate units can be created for them.

Levi's at Grand Samarkand

Six new brands have been added to the Swedish portfolio during the year, including openings of Levi's, Twilfit and Feet First at Grand Samarkand and Bergvik.

Primark at I Gigli

Primark is opening its third store in Italy, and its first in Tuscany, at I Gigli in the middle of 2017. The 6,800m² shop will sit alongside a 3,340m² Zara and both fashion retailers are expected to further boost the attraction of I Gigli, which is already the most visited shopping centre in Italy.

Chasse Sud, Chasse-sur-Rhône

To coincide with the completion of the extension of the retail park, a new children's play area was opened in June 2016. In its first few months it has attracted a large number of visitors and animated the shopping zone.

14%
increase in retail sales in existing retail park since opening

Our strategy in action

Customer satisfaction

It is becoming increasingly important for shopping centres to provide more than just a selection of good shops – customers expect an attractive environment with a varied food offer and good service. Just some of the amenities we provide include free Wi-Fi, crèches, welcome desks, mobile phone charging points, click and collect lockers, parking spaces for expectant mothers and loyalty cards.

We regularly survey our customers who provide us with valuable insight into how we are perceived as owners and managers and, most importantly, let us know what we can do to improve.

Cremona Po, Cremona

A popular service offered at Cremona Po is the 'boobaloo' – a shopping trolley with a toy car attached so that a small child can 'drive' the parent around the centre to do its shopping.

Grand Samarkand, Växjö

The gift card at Grand Samarkand goes from strength to strength, with sales increasing by almost 70% over the last two years to reach over €1.2 million.

2015/16 financial review

A period of strong growth

Management team

Jeremy Lewis
Chief Executive

Evert Jan van Garderen
Finance Director

Roberto Fraticelli
Director

Peter Mills
Director

Tom Newton
Director

Results summary*

	2015/16	2014/15
Rental income (€m)	**188.2**	173.9
Net rental income (€m)	**155.4**	145.5
Direct investment result (€m)	**102.8**	87.4
Direct investment result per depositary receipt (€)	**2.15**	2.04
Dividend per depositary receipt (€)	**2.05**	1.98
IFRS profit after taxation (€m)	**207.4**	167.8
Adjusted net asset value per depositary receipt (€)	**43.00**	39.24
IFRS net asset value per depositary receipt (€)	**37.34**	34.99
Net debt to adjusted net equity	**66%**	53%
Net debt to property value	**39%**	34%
Average interest cost, including margins	**2.7%**	3.6%

* Includes joint ventures.

The 12 months to 30 June 2016 was a period of growth for Eurocommercial. Following the €164.5 million equity raising at the end of the last financial year, the Company used the proceeds to help fund a total of four property acquisitions during the course of the year– three in Italy and one in Sweden. Consequently, net property income rose by 6.8% over the 12 month period, on the basis of proportional consolidation. Further supported by lower interest expenses, the direct investment result increased by 17.6% to €102.8 million and the direct investment result per depositary receipt climbed 5.4% to €2.15, accounting for the larger average number of depositary receipts outstanding.

Retail sales turnovers averaged 2.7% for the year to June. Retail sales growth was particularly strong in both Italy and Sweden, increasing 3.7% and 5.4% respectively. French retail sales fell by 0.5% over the 12 months, impacted by strikes, adverse weather and terrorism.

Excluding the Paris city centre properties, which were particularly badly affected by these factors, French turnover would have been up 1.3%. The strong turnover performance in Sweden resulted in almost 20% of Swedish tenants paying turnover rent, contributing to the healthy 2.7% rental growth in the country. Like-for-like rental growth across the Company averaged 1.0%.

In its jubilee year, Eurocommercial is pleased to propose a dividend of €2.05 per depositary receipt (10 ordinary shares), a 3.5% increase over last year and the 25th successive year of maintaining or improving the dividend payment since the Company's inception. Approximately €4.4 million of the direct investment result will be added to the retained profit reserve, in part to cover the expected temporary loss of income during the rebuilding and extensions at Amiens, Carosello, I Gigli and Halmstad during the 2016/17 financial year.

Property valuations and net asset values (NAV)

All properties were independently valued at June 2016, resulting in a 5.4% like-for-like uplift in property values over the year. This supported an increase in the adjusted net asset value figure at 30 June 2016 to €43.00 per depositary receipt, a 9.6% increase compared with €39.24 at 30 June 2015 and 6.2% compared with €40.49 at 31 December 2015. Adjusted net asset values do not take into account contingent capital gains tax liabilities if all the properties were to be sold simultaneously, nor do they take into account the fair value of financial derivatives (interest rate swaps) which are used to stabilise interest costs.

The IFRS NAV at 30 June 2016 was €37.34 per depositary receipt, compared with €34.99 at 30 June 2015 and €35.64 at 31 December 2015. These figures include contingent capital gains tax liabilities and the fair value of financial derivatives.

Dividend per depositary receipt

€2.05

Bergvik, Karlstad

Fiordaliso, Milan

2015/16 financial review

Reduction in interest expenses

15.7%

International Financial Reporting Standards (IFRS)

The total investment result (IFRS profit after taxation) for the year rose to €207.4 million from €167.8 million for the previous financial year, mainly due to an increase in the figure 'investment revaluation and disposal of investment properties' from €129.8 million for the 12 months ended 30 June 2015 to €173.7 million for the 12 months to 30 June 2016 caused by higher property valuations and lower interest expenses of €38.9 million (previous financial year €46.2 million). These items offset the adverse impact of the more negative fair value movement of the derivative financial instruments (interest rate swap contracts) of €43.2 million caused by lower interest rates (previous financial year €1.4 million).

It is the view of the Board that the total investment result, as it includes unrealised 'capital' movements, does not properly represent continuing underlying earnings which are better defined by the direct investment result, the standard representation of operational profit for Dutch property companies.

Val Thoiry, Greater Geneva

Funding

During the course of the financial year, Eurocommercial completed a total of €500 million new or refinanced loans, representing approximately one third of the total loan book. Some of the major transactions included the Company's Italian joint venture entering into a new five year loan for €160 million with the Milan branches of ING Bank and BNP Paribas. The funds were partially utilised by the joint venture to repay its loan to Eurocommercial.

In April 2016 a new five-year loan was entered into for an amount of €179 million through Unicredit to refinance existing loans on the I Gigli shopping centre and to purchase the hypermarket and remainder of the gallery not already owned. Shortly before the year end a new SEK 500 million (c. €53 million) four-year loan was signed on a Swedish property at a total fixed rate of 1.5% which replaced an existing loan maturing in April 2017. In August 2016, a SEK 690 million (c. €73 million) bullet loan with a term of seven years was agreed with Allianz Real Estate on the Bergvik shopping centre at a fixed rate lower than the current average interest rate in the loan portfolio. Both financings will have a positive impact on the maturity profile and overall interest rate of the loan portfolio. The Company is also making further progress to renegotiate loans maturing in 2017 and beyond.

As a result of agreeing these new loans under very favourable terms, the Company was able to reduce its interest expense for the financial year by 15.7% to €38.9 million compared to the previous financial year. The average length of the loan portfolio is around five years and, at the end of the financial year, 72% of interest costs were fixed for an average of seven years.

Chasse Sud, Chasse-sur-Rhône

Collestrada, Perugia

On the basis of proportional consolidation, the net debt to adjusted net equity ratio at year end was 66% (30 June 2015: 53%) and the net loan to property value was 39% (30 June 2015: 34%). The average overall interest rate for the total loan portfolio decreased slightly over the quarter to 2.7%, including margins averaging 103 bps (30 June 2015: 91 bps), from 2.8% at 31 March 2016 (30 June 2015: 3.6%).

10,498 performance shares (depositary receipts), which were awarded to employees in 2012, vested in November 2015. A further 577,188 depositary receipts were issued that month to shareholders who opted to take up the stock dividend. Therefore at 30 June 2016, 47,978,844 depositary receipts were outstanding, excluding the 279,418 depositary receipts held in treasury, compared with 47,388,471 at 30 June 2015.

Outlook

Eurocommercial's investment strategy remains one of cautious expansion in its existing markets, focussing, as ever, on the sustainability of rental income.

EPRA performance measures

Eurocommercial is an active member of the European Public Real Estate Association (EPRA), a body which aims to promote, develop and represent the listed real estate sector. The Company has adopted the EPRA performance measures to assist in improving the transparency, comparability and relevance of the published results of listed real estate companies. Further information on the calculation of these metrics can be found on pages 77 and 78.

	2015/16	2014/15	Definition
EPRA earnings per depositary receipt	**€2.06**	€1.94*	Earnings from operational activities.
EPRA NAV per depositary receipt	**€42.66**	€38.95	Net asset value adjusted to include properties and other investment interests at fair value and to exclude certain items not expected to crystallise in a long-term investment property business model.
EPRA NNNAV per depositary receipt	**€37.68**	€35.24	EPRA NAV adjusted to include the fair values of (i) financial instruments; (ii) debt; and (iii) deferred taxes.
EPRA net initial yield (NIY)	**5.1%**	5.4%	Annualised rental income based on the cash rents passing at the balance sheet date, less non-recoverable property operating expenses, divided by the market value of the property, increased with (estimated) purchasers' costs.
EPRA 'topped-up' NIY	**5.2%**	5.4%	This measure incorporates an adjustment to the EPRA NIY in respect of the expiration of rent-free periods (or other unexpired lease incentives such as discounted rent periods and step rents).
EPRA vacancy rate	**0.8%**	0.4%	Estimated market rental value (ERV) of vacant space divided by ERV of the whole portfolio.
EPRA cost ratio (including costs of direct vacancy)	**26.5%**	25.7%	Administrative and operating costs divided by gross rental income.

* Restated to include investment expenses.

Extensions and refurbishments

Upgrading and improving properties

11 successful expansion projects completed over the past 10 years
Eurocommercial completed its first extension of one of its shopping centres in 2006, when it expanded Burlöv Center in Malmö by 6,000m^2, generating a net return on cost of 8%. Since then, we have carried out a further 10 extensions in France, Italy and Sweden, adding a total of almost 115,000m^2 of gross lettable area with returns averaging over 7%.

As yields have been driven ever lower in this low interest rate environment, extensions have enabled us to generate optimal returns while also improving the shopping centres' competitive positions in their catchments and upgrading the offer for our tenants and customers. Experienced development teams have been established in each of the local offices, allowing us to manage these projects in-house.

Following their expansions, Ingelsta Shopping and Grand Samarkand each won Sweden's 'Shopping Centre of the Year' award in 2010 and 2013 respectively.

Shopping centre	Project	Date completed
Burlöv Center, Malmö	6,000m^2 extension and refurbishment	June 2006
Centro Leonardo, Imola	9,000m^2 extension and refurbishment	November 2006
Les Allées de Cormeilles, Cormeilles	20,300m^2 retail park	May 2007
Carosello, Carugate, Milan	12,000m^2 extension and refurbishment	October 2008
Elins Esplanad, Skövde	10,000m^2 extension and refurbishment	November 2008
Ingelsta Shopping, Norrköping	9,000m^2 extension and refurbishment	May 2009
Grand Samarkand, Växjö	18,000m^2 extension/redevelopment	April 2011
I Gigli Retail Park, Florence	4,660m^2 retail park	June 2012
Saint Doulchard, Bourges	1,000m^2 extension and refurbishment	July 2013
Chasse Sud, Chasse-sur-Rhône	18,000m^2 retail park	August 2013
Chasse Sud, Chasse-sur-Rhône	5,500m^2 retail park extension	June 2016

Chasse Sud, Chasse-sur-Rhône

At Chasse Sud, where we recently completed an extension of the retail park, the buildings have been effectively designed to visually reflect the vineyards situated on the hills behind. The addition of an external children's play area has also added to the attraction of the site, not just as a retail zone but also as a leisure destination for families.

Eurostop, Halmstad

Once the important aspects of designing the layout and accommodating tenants' requirements are agreed, our focus turns to creating attractive spaces in which our customers can spend time. For the 16,000m^2 extension in Halmstad, which is due to be completed at the end of 2017, particular attention has been paid to the restaurants. These will be located in a glazed atrium on the side of the main building which will be visible from the outside to draw visitors into these more vibrant areas, as well as providing natural light for the diners inside.

Projects in progress

Five extension and refurbishment projects are currently underway or due to begin before the end of 2016. Just over half of the total expected cost of €200 million has already been incurred.

Shopping centre	Project	Expected cost (€m)	Cost to date (€m)	Expected net return on cost	Expected completion
I Gigli, Florence	Hypermarket and gallery acquisition, restructuring and refurbishment	100	84.3	5.5%	Mid 2017
Amiens Glisy, Amiens	5,000m² extension	19	7.3	6.5%	End 2017
Plaine de France, Moisselles	Refurbishment	3.5	1	–	End 2017
Eurostop, Halmstad	16,000m² extension and refurbishment	75	15	7%	End 2017
Fiordaliso, Rozzano, Milan	Refurbishment	4	0.2	–	End 2017
Total		€201.5m	€107.8m		

Future pipeline

In addition to the committed projects, we are working towards enhancements of a number of other properties, although they have yet to receive the required authorisations to proceed.

Shopping centre	Proposed project
Les Atlantes, Tours	15,000m² extension and refurbishment
Val Thoiry, Greater Geneva	25,000m² extension and refurbishment
Shopping Etrembières, Greater Geneva	5,000m² extension and refurbishment
Les Grands Hommes, Bordeaux	Reorganisation and refurbishment
Carosello, Carugate, Milan	23,000m² extension
Curno, Bergamo	3,500m² new restaurants
Collestrada, Perugia	8,000m² extension and refurbishment
I Portali, Modena	13,000m² extension and refurbishment
Ingelsta Shopping, Norrköping	8,000m² extension
Grand Samarkand, Växjö	10,000m² extension
Elins Esplanad, Skövde	5,000m² extension

Carosello, Carugate, Milan

The planned extension at Carosello includes a second large green roof to complement the one built over the 2008 extension, but this time people will be able to access this green area, using it as a space to cycle or walk around, with cafés to enliven the area and provide refreshments.

Retailer and customer relationships

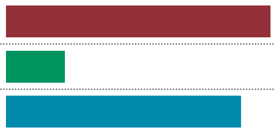
The evolving retail market

Valeria Di Nisio
Group Leasing Director

The retail sector continues to evolve, adapting to the changing demands of customers and an increasingly crowded marketplace. Customers have more choice than ever before and shopping centres therefore need to be more than places where people simply shop; they need to provide what the internet cannot – attractive locations where people can meet, eat and be entertained.

The arrival of online shopping has changed the way people shop, **but with over 90% of total retail sales still made in physical stores in western Europe**, it certainly has not led to the demise of shopping centres as some once forecasted. Physical and digital are no longer seen as competing retail channels, but rather complementary to each other. The most successful players are those that are able to create truly global, omni-channel retail platforms by increasing their online reach while also expanding their physical presence.

Online retail sales as % of total sales



France	9%
Italy	2%
Sweden	8%

Source: Forrester Research Limited

Eurocommercial's focus on food-anchored suburban shopping centres and retail parks in France, Italy and Sweden has left it relatively sheltered from the rise in internet sales. Online food sales represent a very small portion (less than 3%) of all food sales in our markets, so hypermarkets are, and should continue to be, a major attraction for shoppers, particularly as very few food operators offer home delivery. Where online grocery shopping is available, most operators, particularly in France, only provide customers with the option to pick up their shopping at a store or dedicated pick-up point. As food and non-food retailers alike are increasingly promoting click and collect services rather than costly home delivery, we expect shopping centres to continue to provide an important interaction point for retailers and customers.

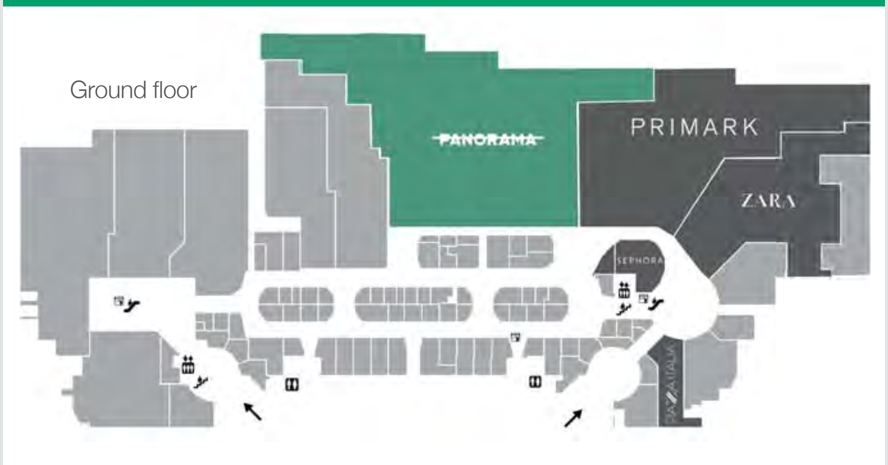
Fulfilling customers' needs

Managing a successful shopping centre is about knowing your customer, which is why we continually undertake research on our catchment areas and survey customers and tenants to better understand their requirements. We ensure that the gallery retail mix is appropriate for the catchment, increase the volume and variety of the food offer where needed, ensure our Wi-Fi is fast and free, and are creative in attracting customers to our centres, whether through the addition of community services such as doctor and dentist surgeries, hosting unique events or simply making sure our centres are clean and easily accessible.

We continue to focus on attracting families with children by creating play areas, crèches and improving baby-changing facilities to make our centres more convenient and appealing places to spend periods of time.

I Gigli, Florence, before tenant moves

I Gigli, Florence, after tenant moves



Retailing trends

A recent trend has been the preference of retailers to take larger stores in order to offer their complete product range to customers in a single location. With a portfolio that is almost fully let, it can take time for Eurocommercial to find the right solution for tenants. However, as some hypermarkets continue to downsize their non-food offer, we have been able to utilise this space to accommodate other retailers. One such example is at I Gigli where the PAM hypermarket has reduced their GLA by almost 6,000m^2 which has enabled us to create a 6,800m^2 unit for Primark – one of the first in Italy – which will sit alongside a new 3,340m^2 unit for Zara, which previously occupied a smaller store in the centre. Similar projects are underway at Carosello where a Coin department store and shoe retailer Scarpe & Scarpe will open shops in space previously occupied by Carrefour. At Amiens a project will begin shortly to expand the gallery and install a 2,000m^2 H&M, utilising some of the former hypermarket space from Géant.

The evolution at I Gigli can be seen in the adjoining plans and will result in more than 50% uplift in rent on those new units when they open in mid-2017.

Retailer and customer relationships

Customer service

The day-to-day management of a shopping centre, including the interaction with tenants and customers, the maintenance of the property and the overall atmosphere within the centre are all key to the success of a shopping centre. In Sweden, Eurocommercial is particularly pleased to have been voted by retailers as the Landlord of the Year for the second time in the past three years – a sign of the amount of time and effort we put into managing our centres and forging good relationships with our tenants. Eurocommercial once again won major marketing awards in Italy during the year. We have now received more marketing awards than any other shopping centre owner over the past five years.

Eurocommercial hosts training courses on sales motivation and customer service for the staff who work in our centres' shops as the performance of the store manager is a key factor in determining the success of a shop. These courses are highly appreciated by those who participate.

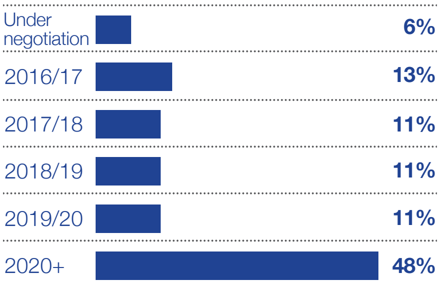
Relationships with retailers

Eurocommercial acquired four properties during the year, all of which were bought from retailers. Over our 25 years, numerous other properties have also been acquired from retailers, particularly hypermarket owners. This is testament to the close relationships Eurocommercial maintains with local businesses over its long and established presence in its three countries of operation, as well as its reputation among retailers as a high-quality owner and manager of shopping centres.

Our in-house leasing teams meet with existing and potential tenants on a daily basis. In addition to the continuous meetings held throughout the year, we host a variety of events to keep in close touch with key decision makers and to share contacts across our different markets. At MAPIC, the major retail real estate trade fair which takes place in Cannes each year, our retailers' dinner is considered one of the best attended events during the conference. We are also present at other retailer conferences across Europe, including MIPIM, ICSC Retail Connections, MAPIC Italy and SIEC in Paris.

IPER La grande → fiordaliso
KONSUM VÄRMLAND → Bergvik
coop Centro Italia → Collestrada Cuore commerciale dell' Umbria
PANORAMA → GIGLI Il luogo non comune.

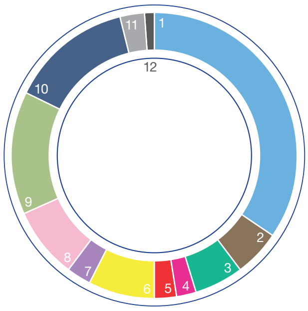
Lease renewal profile
As % of rental income



Average lease length: 5.7 years

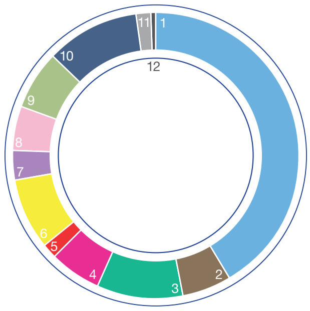
Merchandising mix
(excluding hypermarkets)

Floor area %



1.	Fashion	34.7%
2.	Shoes	5.3%
3.	Health & beauty	5.3%
4.	Gifts & jewellery	2.4%
5.	Books & toys	2.4%
6.	Food & restaurants	7.6%
7.	Services	2.8%
8.	Sport	8.0%
9.	Home goods	14.0%
10.	Telecom & electrical	13.7%
11.	Cinema	2.9%
12.	Other	0.9%

Minimum guaranteed rent %



1.	Fashion	41.6%
2.	Shoes	5.4%
3.	Health & beauty	9.8%
4.	Gifts & jewellery	5.7%
5.	Books & toys	1.7%
6.	Food & restaurants	8.1%
7.	Services	3.3%
8.	Sport	5.1%
9.	Home goods	6.7%
10.	Telecom & electrical	10.6%
11.	Cinema	1.5%
12.	Other	0.5%

Top ten retail tenants

% of total Eurocommercial income

INDITEX	H&M	MAXI ICA STORMARKNAD	MediaMarkt	GRUPPOCOIN
4.8%	4.3%	4.0%	3.3%	2.7%
Carrefour	**fnac**	**LEROY MERLIN**	**coop Centro Italia**	**vivarte**
2.5%	2.3%	1.4%	1.4%	1.3%

Year in review: Eurocommercial France

France

Chasse Sud, Chasse-sur-Rhône

Pascal Le Goueff
Property Director, Eurocommercial France

Overview

Property value

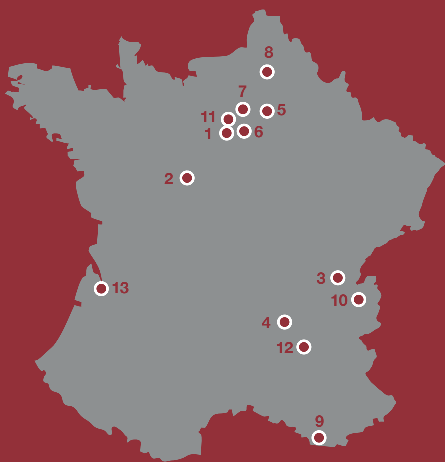
€1,262m
36%

1. **Passage du Havre**
   Paris
2. **Les Atlantes**
   Tours (Indre-et-Loire)
3. **Val Thoiry**
   Greater Geneva (Ain)
4. **Chasse Sud**
   Chasse-sur-Rhône (Isère)
5. **Plaine de France**
   Moisselles (Val d'Oise)
6. **Rue de Rivoli**
   Paris
7. **Les Portes de Taverny**
   Taverny (Val d'Oise)
8. **Amiens Glisy**
   Amiens (Somme)
9. **Centr'Azur**
   Hyères (Var)
10. **Shopping Etrembières**
    Greater Geneva (Haute-Savoie)
11. **Les Allées de Cormeilles**
    Cormeilles (Val d'Oise)
12. **Les Trois Dauphins**
    Grenoble (Isère)
13. **Les Grands Hommes**
    Bordeaux (Gironde)

Valuation change	Number of properties
+8.0%	13
Net rental income	**Number of shops**
€53.6m	500
Relettings and renewals	**Number of visitors**
+11%	47.2m
Like-for-like rental growth	**Gross lettable area**
+0.5%	210,000m²
Like-for-like retail sales growth	**Occupancy cost ratio**
-0.5%	8.7%

Top 5 retail tenants

fnac
INDITEX
H&M
vivarte
castorama



Year in review: Eurocommercial France

> Demand for quality retail property with secure income streams remains high in France, supporting our strong valuation uplift of 8% over the year.
>
> Pascal Le Goueff
> Property Director, Eurocommercial France

Economy

France will hold Presidential elections in May 2017 and the key question is whether strong and credible candidates will emerge on either the centre left or centre right. President Hollande's recent drift to the centre has antagonised much of his party and it seems unlikely that he will be elected to serve a second term.

Labour market reforms should assist an improving economy, supported by resilient private consumption and government expenditure. GDP growth is expected to accelerate somewhat to an average annual rate of 1.5% in both 2016 and 2017.

Rental growth

Like-for-like rental growth, excluding extensions, was 0.5% and mirrors the figure achieved last year. Indexation has been flat and positive contributions from turnover rent as well as relettings and renewals have been offset by an increase in vacancy. Val Thoiry, which underwent a major refurbishment during the year, generated most of the turnover rent increase but also most of the vacancy as a large unit had been kept vacant to facilitate the arrival of Decathlon, a major new anchor tenant.

Val Thoiry, Greater Geneva
Proposed extension

The increased velocity of deals during the year has been particularly gratifying with 39 relettings and renewals, which produced an average uplift in rent of 11%.

Retail sales

Retail sales turnover fell by 0.5% over the 12 months to June 2016, impacted by strikes, weather (floods) and terrorism. Excluding the Paris city centre properties, which were particularly badly affected by these factors, turnover would have been up 1.3%.

The bright spot has been our two retail parks at Cormeilles and Chasse Sud, both of which were up 6.5% for the year.

Property market

Paris continues to attract a wide array of domestic and international investment capital and it is striking that the downward shift in yields has continued unabated in spite of negative sales figures dampened by the terrorist attacks and public sector strikes.

Beyond Paris, local life insurance companies and open-ended funds have continued in their enthusiastic quest for income security and yield. Polarisation between weak and strong centres is however increasing, and some properties on the market have not sold.

Valuations

12 months ago we noted that property markets have never been stronger but valuations were up once again this year, this time by 8.0% over the past 12 months, driven largely by our properties in central Paris, Passage du Havre and Rue de Rivoli, both of which increased in value by approximately 10%. However, the star performance came from the new retail park at Chasse Sud where a shift in yield produced a like-for-like value uplift of over 20%, reflecting the completed coherent development.

Our suburban and provincial centres have increased in value by 6% and are now valued at an average yield of 4.9%.

Independent valuations by property

(€ million)	Net value June 2016	Net value June 2015	Net yield including purchase costs	Cost to date	Year of acquisition
Passage du Havre, Paris[3]	**405.40**	366.50	3.7%	189.42	2000
Les Atlantes, Tours[2]	**146.70**	139.30	4.7%	65.00	1992
Val Thoiry, Greater Geneva[2]	**135.80**	122.80	4.7%	136.76	2013
Chasse Sud, Chasse-sur-Rhône[2]	***86.50**	65.90	5.1%	72.03	2007
Plaine de France, Moisselles[3]	**81.90**	76.10	5.2%	63.70	2009
74 rue de Rivoli, Paris[3]	**70.80**	64.50	3.4%	20.72	1998
Les Portes de Taverny, Taverny[2]	**65.40**	62.60	4.8%	25.92	1995
Amiens Glisy, Amiens[2]	****60.40**	48.90	5.2%	23.08	1995
Centr'Azur, Hyères[3]	**55.40**	53.70	4.9%	21.64	1993
Shopping Etrembières, Greater Geneva[1]	**49.40**	46.80	5.0%	51.67	2015
Les Allées de Cormeilles, Cormeilles[2]	**46.10**	43.50	5.2%	44.74	2007
Les Trois Dauphins, Grenoble[2]	**40.10**	39.70	5.1%	26.78	2003
Les Grands Hommes, Bordeaux[2]	**18.20**	18.00	3.8%	18.27	2012
Total	**1,262.10**	1,148.30	**4.4%**	759.73	

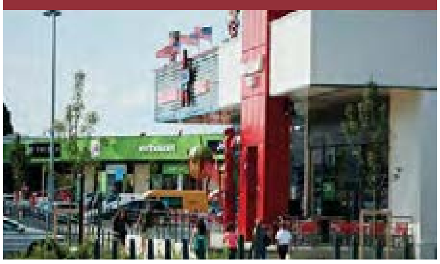
Valuations by: [1]Cushman & Wakefield, [2]JLL, [3]Knight Frank

* This property has been subject to building works during the period.

** Including acquisition of portion of hypermarket.

Les Allées de Cormeilles, Cormeilles

Chasse Sud, Chasse-sur-Rhône



Extensions and disposals

We continue to plan for extensions of centres where we believe we can enhance the customer experience by offering a greater range of retailers and an improved restaurant offer.

The 5,500m² extension of Chasse Sud opened in June 2016, fully let. It complements the successful retail park of 18,000m² which opened in 2013. This new development consists of fifteen individual units, situated between the Géant hypermarket and the existing retail park, which trade onto the car park. Retailers include Marie Blachère, Beaumanoir and Picard Surgelés, as well as two new restaurant operators, Buffalo Grill and Memphis Coffee. During the first two months of trade from the new extension, sales in the existing retail park increased by 14%. The total cost of the extension was €10.2 million which generated a net return on total cost of 8%.

On 1 March 2016, we completed the sale of Saint Doulchard in Bourges for €42.2 million, 5.5% above its December 2015 valuation. The proceeds will be used for the pipeline of extensions and refurbishments in France.

All necessary planning consents have been obtained for a 5,000m² extension of Amiens Glisy. Construction will begin shortly and is expected to be completed by the end of 2017. The total cost, including land, is estimated at €19 million with an expected net return on cost of 6.5%.

We expect to submit planning applications later in the year for major extensions of Val Thoiry (c. 25,000m²) and Les Atlantes (c. 15,000m²). A decision is also expected to be made shortly by the mayor of Bordeaux regarding the reorganisation and refurbishment of Les Grands Hommes.

Outlook

Retailers continue to be drawn to hypermarket-anchored centres simply because they tend to be in the best positions and offer sustained footfall. However, the trend in France is for retailers to position themselves both in shopping centres and retail parks. The retail park formats have progressed significantly over recent years and are now well-laid out, attractive retail zones which enjoy their own critical mass. Our new retail park at Chasse Sud is such an example.

The challenge for the hypermarket galleries is therefore to retain their attraction amongst the increased overall volume of floor space, hence our taking advantage where possible of hypermarkets wishing to downsize their non-food offer, so that we can attract appealing new operators.

Year in review: Eurocommercial France

France portfolio

Property	Overview	Property summary

1. Passage du Havre
Paris

Value (€m)

405.40

The Passage du Havre has endured a difficult 12 months with footfall down due to terrorism and transport strikes. Tourist traffic has also decreased as a result of the attacks. Notwithstanding these issues, a lease was signed with Body Shop shortly after the year end, at a rental uplift of almost 30%.

Passing rent (€m)	Boutiques <300m² turnover/m² (€)	Occupancy cost ratio
16.96	15,820	7.3%
Rental growth	Turnover growth	Occupancy
0.1%	-4.1%	100%

Visitors 2015/16	12.7m
Total lettable area	23,385m²
Retail/Gallery	14,894m²
Residential	2,374m²
Office	6,117m²
ECP ownership	23,385m²

2. Les Atlantes
Tours (Indre-et-Loire)

Value (€m)

146.70

Following detailed consultations we have obtained the support of the city authorities for a 15,000m² extension and we expect to submit a planning application by the end of the year. Five lease renewals have been signed in the gallery at an average uplift of 10% and this bodes well for strong interest from retailers in the extension.

Passing rent (€m)	Boutiques <300m² turnover/m² (€)	Occupancy cost ratio
7.14	7,925	9.4%
Rental growth	Turnover growth	Occupancy
0.6%	-0.5%	100%

Visitors 2015/16	5.5m
Total lettable area	39,290m²
Retail/Gallery	22,690m²
Hyper (Carrefour)	16,600m²
ECP ownership	22,690m²

3. Val Thoiry
Greater Geneva (Ain)

Value (€m)

135.80

Refurbishment of the interior has been completed together with the new entrances and façade. Notwithstanding the disruption and the vacancy of a large unit, sales are up strongly for the year. We have signed a contract with Decathlon to take this vacant unit. The centre continues to flourish and we continue our positive discussions with the regional planning authorities with a view to an extension of approximately 25,000m².

Passing rent (€m)	Boutiques <300m² turnover/m² (€)	Occupancy cost ratio
6.53	6,750	7.2%
Rental growth	Turnover growth	Occupancy
1.6%	3.7%	96%

Visitors 2015/16	3.3m
Total lettable area	33,416m²
Retail/Gallery	14,826m²
Retail boxes	8,590m²
Hyper (Migros)	10,000m²
ECP ownership	23,416m²

Services	Major tenants
Free Wi-Fi	fnac
Website	Nature & Découvertes
Facebook	ZARA
	SEPHORA
	H&M

Free Wi-Fi	Go Sport
Website	flunch
Facebook	Boulanger
Gift card	Toys"R"Us
Loyalty card	SEPHORA
	H&M

Services	Major tenants
Free Wi-Fi	H&M
Website	Go Sport
Facebook	SEPHORA
Mobile app	Leroy Merlin

Year in review: Eurocommercial France

France portfolio

Property	Overview	Property summary

4. Chasse Sud
Chasse-sur-Rhône (Isère)

Value (€m)

86.50

The 5,500m² extension of the retail park was completed in June 2016 and initial trading has been very strong in the new units, as well as providing a considerable boost to the existing retailers. New entrants to the zone include Marie Blachère, Beaumanoir, Picard Surgelés, Buffalo Grill and Memphis Coffee. A children's play area has also increased the property's attraction.

Passing rent (€m)	Occupancy cost ratio	Rental growth
4.31	4.8%	1.6%
Turnover growth	**Occupancy**	
6.5%	100%	

Visitors 2015/16	3.2m
Total lettable area	54,772m²
Retail park/boxes	35,093m²
Hyper (Géant)	14,079m²
Logistics warehouse	5,600m²
ECP ownership	54,772m²

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

Value (€m)

81.90

Refurbishment works will commence at La Rentrée to coincide with some notable enhancements to merchandising. We are improving the restaurant offering and have also signed with Zannier Kids and Chausport to refresh the fashion offer.

Passing rent (€m)	Boutiques <300m² turnover/m² (€)	Occupancy cost ratio
4.57	5,870	12.4%
Rental growth	**Turnover growth**	**Occupancy**
0.1%	-1.6%	97%

Visitors 2015/16	4.6m
Total lettable area	25,980m²
Retail/Gallery	10,980m²
Hyper (Leclerc)	15,000m²
ECP ownership	10,980m²

6. Rue de Rivoli
Paris

Value (€m)

70.80

Although turnovers have been negatively impacted by terrorism and strikes, this prime Paris building continues to increase in value due to its excellent position on an important shopping street.

Passing rent (€m)	Occupancy
2.64	100%
Rental growth	**Turnover growth**
0%	-5.6%

Total lettable area	3,035m²
Retail	1,065m²
Residential	1,970m²
ECP ownership	3,035m²

Services

Major tenants

Website

Facebook

Géant

DECATHLON

boulanger

Conforama

C&A

GÉMO

BRICO MARCHÉ

Free Wi-Fi

Website

Facebook

Gift card

Loyalty card

H&M

Bonobo

ZARA

MANGO

Stradivarius

OYSHO

Year in review: Eurocommercial France

France portfolio

Property	Overview	Property summary

7. Les Portes de Taverny
Taverny (Val d'Oise)

Value (€m)

65.40

A dynamic programme of lease renewals has seen ten deals signed during the course of the financial year at an average uplift in rent of 8% as retail sales have picked up again after a competing centre opened last year. We are in discussions to acquire land adjacent to the centre to facilitate an extension.

Passing rent (€m)	Boutiques <300m² turnover/m² (€)	Occupancy cost ratio
3.45	9,150	10.1%
Rental growth	**Turnover growth**	**Occupancy**
1.5%	0.3%	100%

Visitors 2015/16	3.3m
Total lettable area	30,532m²
Retail/Gallery	5,660m²
Hyper (Auchan)	16,200m²
Other	8,672m²
ECP ownership	5,660m²

8. Amiens Glisy
Amiens (Somme)

Value (€m)

60.40

The centre, which opened in 1994, has increased retail sales considerably over the past 12 months. Visitor numbers are also up strongly and we are now proceeding with a mall extension of around 5,000m². Works will commence in September 2016 and the extension will be anchored by a new H&M store of around 2,000m². We will also be refurbishing and rebranding the existing centre.

Passing rent (€m)	Boutiques <300m² turnover/m² (€)	Occupancy cost ratio
2.96	7,105	9.5%
Rental growth	**Turnover growth**	**Occupancy**
1.8%	3.4%	99%

Visitors 2015/16	3.4m
Total lettable area	23,355m²
Retail/Gallery	6,279m²
Hyper (Géant)	11,842m²
Under development	4,744m²
Other	490m²
ECP ownership	11,023m²

9. Centr'Azur
Hyères (Var)

Value (€m)

55.40

A major new competitor has recently opened in suburban Toulon and our fashion offer at Centr'Azur has consequently been affected. We expect retail sales growth to revert to a positive trend once our faithful primary catchment returns. Merchandising efforts are focussed on improving the restaurant offer.

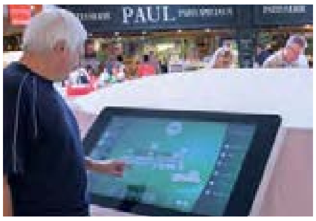
Passing rent (€m)	Boutiques <300m² turnover/m² (€)	Occupancy cost ratio
2.95	7,265	9.2%
Rental growth	**Turnover growth**	**Occupancy**
-0.4%	-2.4%	98%

Visitors 2015/16	3.3m
Total lettable area	17,035m²
Retail/Gallery	6,235m²
Hyper (Géant)	10,800m²
ECP ownership	6,235m²

Services | Major tenants

Free Wi-Fi
Website
Facebook
Gift card
Loyalty card

H&M
KIKO MILANO
promod



Free Wi-Fi
Website
Facebook

flunch
CAMAIEU
NOCIBÉ

Free Wi-Fi
Website
Facebook
Loyalty card

SEPHORA
IKKS
JACK & JONES

Year in review: Eurocommercial France

France portfolio

Property	Overview	Property summary

10. Shopping Etrembières
Greater Geneva (Haute-Savoie)

Value (€m)*

49.40

We have completed the acquisition of a highly strategic plot of land in front of the centre. Discussions are being held with our co-owners to extend the centre and to open up public access to the river Arve which runs alongside the property.

Passing rent (€m)*	Boutiques <300m² turnover/m² (€)	Occupancy cost ratio
2.38	8,535	11.3%
Rental growth	Turnover growth	Occupancy
1.5%	2.7%	99%

Visitors 2015/16	2.3m
Total lettable area	19,655m²
Retail/Gallery	8,906m²
Hyper (Migros)	9,780m²
ECP ownership	8,906m²

* Represent Eurocommercial's 50% interest in this property.

11. Les Allées de Cormeilles
Cormeilles (Val d'Oise)

Value (€m)

46.10

Turnover has grown for the sixth consecutive year, in line with considerable population growth in the primary catchment.

Passing rent (€m)	Occupancy cost ratio	Rental growth
2.63	7.5%	0.4%
Turnover growth	Occupancy	
6.5%	100%	

Visitors 2015/16	2.9m
Total lettable area	20,294m²
ECP ownership	20,294m²

12. Les Trois Dauphins
Grenoble (Isère)

Value (€m)

40.10

The property continues to enjoy full occupancy across all sectors from retail to residential thanks to excellent on-site management.

Passing rent (€m)	Occupancy	Rental growth
2.51	100%	-0.3%

Total lettable area	16,845m²
Retail/Gallery	8,600m²
Residential	4,700m²
Hotel/Office	3,545m²
ECP ownership	16,845m²

13. Les Grands Hommes
Bordeaux (Gironde)

Value (€m)

18.20

A constructive dialogue has been established with the City of Bordeaux regarding our request to make significant changes to the property. We hope the works will be able to begin shortly. Rental growth and turnover growth have been impacted by strategic vacancies.

Passing rent (€m)	Boutiques <300m² turnover/m² (€)	Occupancy cost ratio
0.84	7,120	11.6%
Rental growth	Turnover growth	Occupancy
-8.0%	-9.4%	88%

Visitors 2015/16	2.7m
Total lettable area	4,660m²
ECP ownership	2,662m²

Services	Major tenants
Free Wi-Fi Website Facebook Mobile app	H&M GO SPORT



Services	Major tenants
Website	castorama LIDL KIABI la mode à petits prix celio*

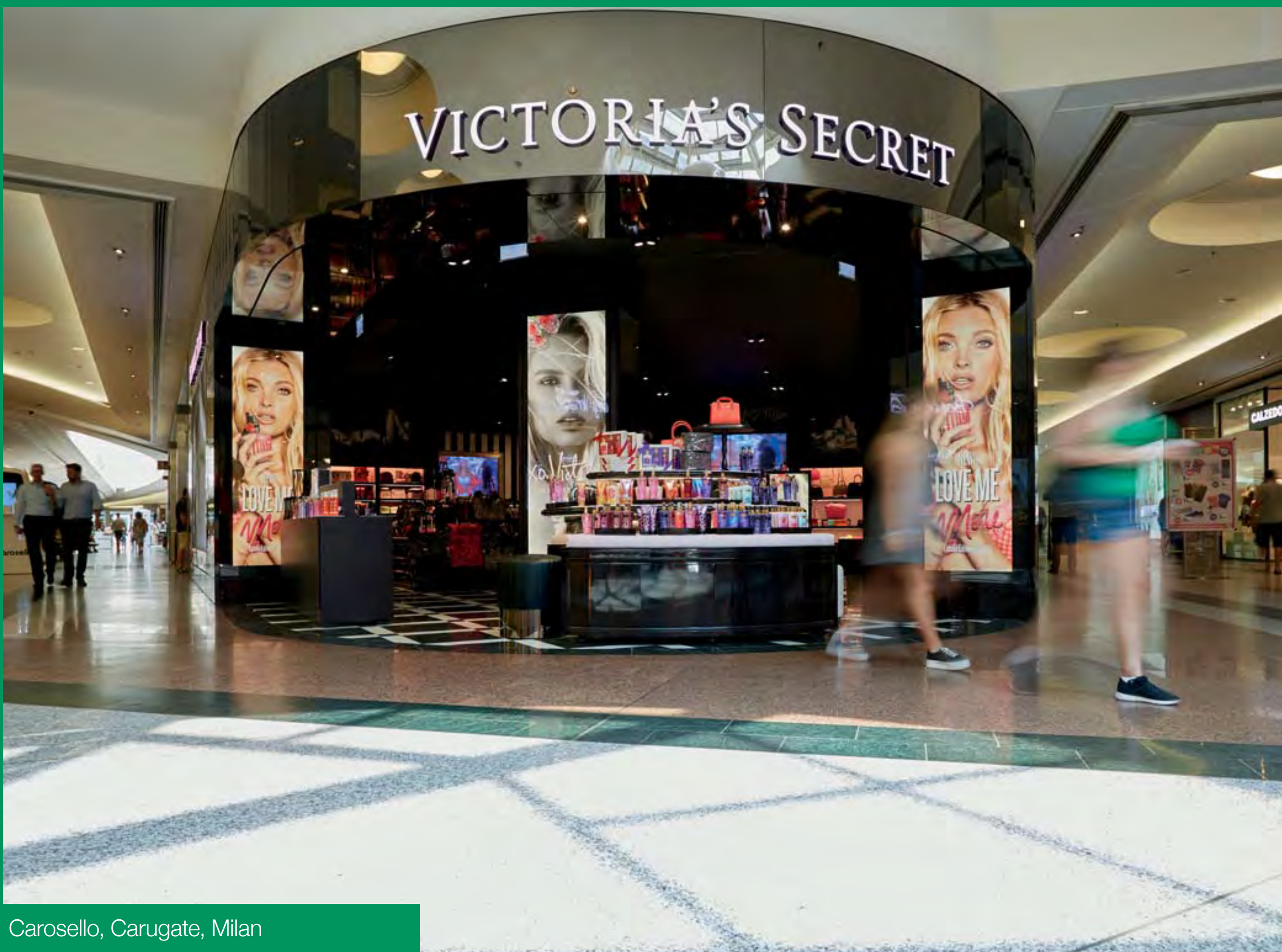

Services	Major tenants
	fnac C&A ACCORHOTELS



Services	Major tenants
Free Wi-Fi Website Facebook	Villeroy & Boch JONAK PARIS


Year in review: Eurocommercial Italy

Italy



Carosello, Carugate, Milan

Carlo Romagnoli
Property Director, Eurocommercial Italy

Overview

Property value

€1,500m
43%

1. **I Gigli**
   Florence, (Toscana)
2. **Carosello**
   Carugate, Milan (Lombardia)
3. **Fiordaliso**
   Rozzano, Milan (Lombardia)
4. **Il Castello**
   Ferrara (Emilia Romagna)
5. **Curno**
   Bergamo (Lombardia)
6. **Collestrada**
   Perugia (Umbria)
7. **Cremona Po**
   Cremona (Lombardia)
8. **Centro Leonardo**
   Imola (Emilia Romagna)
9. **I Portali**
   Modena (Emilia Romagna)
10. **La Favorita**
    Mantova (Lombardia)
11. **Centro Lame**
    Bologna (Emilia Romagna)
12. **Centroluna**
    Sarzana (Liguria)

Valuation change
+3.0%

Net rental income
€71.7m

Reletting and renewals
+13%

Like-for-like rental growth
+0.8%

Like-for-like retail sales growth
+3.7%

Number of properties
12

Number of shops
895

Number of visitors
76.1m

Gross lettable area
334,000m²

Occupancy cost ratio
8.1%

Top 5 retail tenants

INDITEX
MediaMarkt
GRUPPOCOIN
Carrefour
H&M

Year in review: Eurocommercial Italy

Continued interest from retailers in our Italian centres has resulted in healthy uplifts on rent renewals and relettings during the year.

Carlo Romagnoli
Property Director, Eurocommercial Italy

Fiordaliso, Rozzano, Milan

Collestrada, Perugia

Economy

In 2015 Italy emerged from recession after three consecutive years of contraction. Looking ahead, Italian real GDP is expected to expand by 1.1% in 2016 and 1.2% in 2017, driven largely by private consumption and increased investment.

Household consumption in 2016 will be sustained by low oil prices and increased employment. The outlook for the Italian consumer is therefore perceived to be quite positive and should support retail sales growth in the coming months.

Rental growth

Like-for-like rental growth for the 12 months to June 2016 was 0.8%. Headline inflation averaged 0.1% in 2015 and is expected to remain stable in 2016. The main contributor to rental growth therefore came from the 92 renewals and relettings which generated an average rental uplift of around 13%. The best overall results came from Cremona Po, Fiordaliso and Curno.

Retail sales

Retail sales turnover growth continued to be strong, averaging 3.7% for the 12 months to June 2016. The best performers were Fiordaliso (8.3%), Collestrada (5.2%), Carosello (4.7%) and Cremona Po (4.5%), reflecting strength across the portfolio, regardless of the size of the shopping centre. The occupancy cost ratio was kept at a healthy and sustainable 8.1%.

Property market

Almost €900 million of transactions were completed in the Italian retail real estate sector in the first half of 2016, although both the volume and number of transactions slowed in the second quarter due to a general lack of product. The general appetite for retail remains strong, however, which has led to a further decline in prime net yields.

Valuations

June 2016 valuations showed an increase of 3.0% compared to June 2015, and an increase of 0.8% compared to December 2015 to take the total value of the Italian investment portfolio above €1.5 billion. This annual increase is reflected in the average net initial yield which, at 5.7%, has fallen around 30 bps over the past 12 months.

Acquisitions and refurbishments

In October 2015 the Company acquired 50% of the Fiordaliso shopping centre in Milan and, in March 2016, the adjoining retail park for a total purchase price of €135 million with a net initial blended yield of around 5.8%. The shopping centre has more than 125 shops, as well as a hypermarket with a sales area of 11,800m^2 which was not part of the transaction. Eurocommercial is responsible for the management and leasing of both the shopping centre and the retail park. Works are starting shortly to refurbish parts of the gallery.

In December 2015 Eurocommercial also acquired the Collestrada shopping centre in Perugia, a wealthy town of 166,000 inhabitants located in the centre of the country, halfway between Florence and Rome. The total GLA of the centre is 28,000m^2, including an 11,045m^2 hypermarket let to Ipercoop. The gallery is composed of 50 shops, including Zara, H&M, Media World, Bershka and McDonald's, and is the dominant shopping centre in the area. The gallery has already undergone a light refurbishment this year and plans are being evaluated for a further refurbishment to coincide with a possible extension.

In April 2016 the Company bought the 15,800m^2 hypermarket and 9,000m^2 of gallery shops in I Gigli it did not own, bringing Eurocommercial's total ownership of the shopping centre to 100%. The hypermarket has subsequently been reduced to around 10,000m^2 and leased back to PAM. Work is progressing on schedule to restructure the former hypermarket space and part of the existing gallery into a new mall and large premises for Primark (one of the first in Italy) and an enlarged Zara. The new units are expected to open in mid-2017.

Independent valuations by property

(€ million)	**Net value June 2016**	Net value June 2015	Net yield including purchase costs	Cost to date	Year of acquisition
I Gigli, Florence[2] (includes retail park and cinema)	***383.50**	280.20	5.8%	304.35	1999
Carosello, Carugate, Milan[3]	**320.80**	302.30	5.3%	202.27	1997
Fiordaliso, Rozzano, Milan[3] (includes retail park)	**144.40**	–	5.5%	140.80	2015
Il Castello, Ferrara[3]	**113.90**	106.90	5.8%	84.92	2001
Curno, Bergamo[1]	**112.20**	103.30	5.7%	35.60	1994
Collestrada, Perugia[2]	**110.40**	–	5.6%	114.03	2015
Cremona Po, Cremona[1]	**83.90**	83.10	6.3%	87.21	2011
Centro Leonardo, Imola[1]	**70.50**	67.90	6.0%	64.97	1998
I Portali, Modena[1]	**48.50**	47.50	5.8%	47.24	2009
La Favorita, Mantova[2] (includes retail park)	**46.60**	44.60	6.2%	34.21	1997
Centro Lame, Bologna[1]	**39.80**	38.60	6.1%	30.00	2003
Centroluna, Sarzana[2]	**25.80**	24.70	6.2%	14.89	1998
Total	**1,500.30**	1,099.10	**5.7%**	1,160.49	

Valuations by: [1]CBRE, [2]Cushman & Wakefield, [3]JLL

* Including acquisition of hypermarket and additional gallery.

During the financial year an agreement was signed with Carrefour at Carosello to reduce their hypermarket from a gross lettable area of 28,000m^2 to 21,000m^2. The space is currently being converted into new gallery shops, to include major Italian department store, Coin, and shoe retailer, Scarpe & Scarpe. All units are due to open by autumn 2016.

Outlook

While Italy, and Prime Minister Renzi in particular, face some key political challenges in the year ahead, consumer confidence remains high and we will continue to capitalise on this by making our centres as attractive as possible to retailers and customers alike. Our immediate focus is on pursuing planning permission for extensions at a number of our properties, as well as completing the reorganisations at Carosello and I Gigli to accommodate major new anchor tenants.

I Gigli, Florence

Year in review: Eurocommercial Italy

Italy portfolio

Property	Overview	Property summary

1. I Gigli
Florence (Toscana)

Value (€m)

383.50

With almost 19 million annual visitors I Gigli is the most visited shopping centre in Italy. The centre will be further strengthened in 2017 when a new Primark and an enlarged Zara will open, taking space formerly occupied by part of the PAM hypermarket.

A preliminary agreement has been signed with Mercato Centrale – a market place for artisanal food operators – to take a 1,400m² unit. The intended opening for mid-2017 will coincide with a refurbishment of the entire food court and will revitalise this popular area of the shopping centre.

Passing rent (€m)	Boutiques <300m² turnover/m² (€)	Occupancy cost ratio
21.91	10,660	6.8%
Rental growth	**Turnover growth**	**Occupancy**
1.3%	2.1%	99%

Visitors 2015/16	18.9m
Total lettable area	95,241m²
Retail/Gallery	69,194m²
Hyper (Panorama)	10,244m²
Retail park	4,663m²
Cinema	11,140m²
ECP ownership	95,241m²

2. Carosello
Carugate, Milan (Lombardia)

Value (€m)

320.80

Carrefour downsized its store at the end of 2015 allowing us to install two new major anchors in Carosello. A 2,900m² Coin department store and 1,400m² shoe retailer, Scarpe & Scarpe, will open shortly, boosting the already strong tenant line-up at the centre. Plans also continue for a further possible extension of the shopping centre.

Passing rent (€m)	Boutiques <300m² turnover/m² (€)	Occupancy cost ratio
16.90	9,185	6.5%
Rental growth	**Turnover growth**	**Occupancy**
1.7%	4.7%	100%

Visitors 2015/16	8.5m
Total lettable area	52,793m²
Retail/Gallery	30,571m²
Hyper (Carrefour)	20,933m²
Other	1,289m²
ECP ownership	52,793m²

3. Fiordaliso
Rozzano, Milan (Lombardia)

Value (€m)*

144.40

Fiordaliso is located to the south of Milan and is one of the dominant shopping centres in the city. Eurocommercial co-owns the centre with food retailing group, Finiper. Works are due to begin shortly to refurbish part of the gallery and initial work is being undertaken to persue a possible extension to accommodate the considerable demand from retailers that wish to take a position in this centre.

Passing rent (€m)*	Boutiques <300m² turnover/m² (€)	Occupancy cost ratio
8.20	8,065	10.1%
Turnover growth	**Occupancy**	
8.3%	100%	

Visitors 2015/16	8.7m
Total lettable area	63,740m²
Retail/Gallery	32,414m²
Hyper (Ipercoop)	18,895m²
Retail park	12,431m²
ECP ownership	44,845m²

* Represent Eurocommercial's 50% interest in this property.

Services	Major tenants
Free Wi-Fi Website Facebook Gift card Loyalty card Mobile app	Leroy Merlin MediaWorld coin ZARA Hollister OVS Universosport

Services	Major tenants
Free Wi-Fi Website Facebook Gift card Mobile app	Carrefour MediaWorld OVS coin Scarpe&Scarpe H&M ZARA Hollister

Services	Major tenants
Free Wi-Fi Website Facebook Gift card Mobile app	MediaWorld Scarpe&Scarpe H&M Leroy Merlin OVS ZARA

Year in review: Eurocommercial Italy

Italy portfolio

Property	Overview	Property summary

4.
Il Castello
Ferrara (Emilia Romagna)

Value (€m)

113.90

Il Castello is the leading shopping centre in the province of Ferrara and continues to perform well. Following the highly successful arrival of Pull & Bear in 2013, negotiations are at an advanced stage to bring Zara and other Inditex brands to the centre.

Passing rent (€m)	Boutiques <300m² turnover/m² (€)	Occupancy cost ratio
7.17	6,885	9.3%
Rental growth	**Turnover growth**	**Occupancy**
-1.8%	3.3%	97%

Visitors 2015/16	5.2m
Total lettable area	38,457m²
Retail/Gallery	17,850m²
Hyper (Ipercoop)	17,837m²
Other	2,770m²
ECP ownership	20,620m²

5.
Curno
Bergamo (Lombardia)

Value (€m)

112.20

Curno continues to be one of the leading centres in Lombardy, strengthened by the recent arrival of Bershka, Stradivarius and Terranova. Plans are progressing for a small extension of the centre to accommodate a number of restaurants and children's play area, as well as improve the access to the centre.

Passing rent (€m)	Boutiques <300m² turnover/m² (€)	Occupancy cost ratio
7.27	8,270	8.3%
Rental growth	**Turnover growth**	**Occupancy**
3.1%	1.8%	100%

Visitors 2015/16	6.9m
Total lettable area	36,292m²
Retail/Gallery	15,597m²
Hyper (Auchan)	18,195m²
Other	2,500m²
ECP ownership	18,097m²

6.
Collestrada
Perugia (Umbria)

Value (€m)

110.40

Collestrada is the leading shopping centre in the Umbria region, located just south-east of Perugia, a wealthy town with 160,000 inhabitants and attracting almost five million visitors every year. The gallery has already undergone a light refurbishment this year and efforts are ongoing to obtain planning permission for a possible extension.

Passing rent (€m)	Boutiques <300m² turnover/m² (€)	Occupancy cost ratio
6.89	10,400	6.0%
Turnover growth	**Occupancy**	
5.2%	100%	

Visitors 2015/16	4.6m
Total lettable area	27,545m²
Retail/Gallery	16,500m²
Hyper (Ipercoop)	11,045m²
ECP ownership	27,545m²

Services

Free Wi-Fi
Website
Facebook
Gift card

Major tenants

EURONICS
OVS
H&M
cisalfa
PULL&BEAR
Bata


Free Wi-Fi
Website
Facebook
Gift card

MediaWorld
carnevali
Terranova
Bershka
Stradivarius
cisalfa
BREK



Free Wi-Fi
Website
Facebook
Gift card

IPER
ZARA
H&M
MediaWorld
Bershka



Year in review: Eurocommercial Italy

Italy portfolio

Property	Overview	Property summary

7. Cremona Po

Cremona (Lombardia)

Value (€m)

83.90

Cremona Po continues to deliver strong turnover growth, supported by many recent improvements which have been made to the tenant line-up, access, parking and customer services. Plans are underway to increase the number of screens at the cinema which should have a further positive impact on visitor numbers.

Passing rent (€m)	Boutiques <300m² turnover/m² (€)	Occupancy cost ratio
6.39	6,070	10.1%
Rental growth	**Turnover growth**	**Occupancy**
1.1%	4.5%	100%

Visitors 2015/16	4.8m
Total lettable area	42,938m²
Retail/Gallery	20,626m²
Hyper (Ipercoop)	14,500m²
Retail park	5,674m²
Other	2,138m²
ECP ownership	28,438m²

8. Centro Leonardo

Imola (Emilia Romagna)

Value (€m)

70.50

As Imola's only shopping centre, Centro Leonardo continues to fare well. Three new tenants opened in the centre this year, producing an uplift in rent of 29% on those units.

Passing rent (€m)	Boutiques <300m² turnover/m² (€)	Occupancy cost ratio
4.74	7,050	9.5%
Rental growth	**Turnover growth**	**Occupancy**
0.9%	0.5%	99%

Visitors 2015/16	4.8m
Total lettable area	33,026m²
Retail/Gallery	15,252m²
Hyper (Ipercoop)	17,774m²
ECP ownership	15,252m²

9. I Portali

Modena (Emilia Romagna)

Value (€m)

48.50

The shopping centre was fully refurbished last year and discussions are at an early stage with the municipality of Modena regarding a possible extension.

Passing rent (€m)	Boutiques <300m² turnover/m² (€)	Occupancy cost ratio
3.04	7,410	9.7%
Rental growth	**Turnover growth**	**Occupancy**
1.5%	0.4%	100%

Visitors 2015/16	4.0m
Total lettable area	24,929m²
Retail/Gallery	7,940m²
Hyper (Ipercoop)	16,989m²
ECP ownership	7,940m²

Services	Major tenants
Free Wi-Fi	H&M
Website	OVS
Facebook	unieuro
	Sport Specialist
	PULL&BEAR
	Stradivarius

Services	Major tenants
Free Wi-Fi	MediaWorld
Website	OVS
Facebook	PITTARELLO
	ZARA

Services	Major tenants
Free Wi-Fi	OVS
Website	Bata
Facebook	McDonald's

Year in review: Eurocommercial Italy

Italy portfolio

Property	Overview	Property summary

10.
La Favorita
Mantova (Lombardia)

Value (€m)

46.60

La Favorita is showing signs of great improvement. The centre is now fully let and has reconfirmed itself to be the main shopping destination in the town with visitor numbers up 5% year-on-year.

Passing rent (€m)	Boutiques <300m² turnover/m² (€)	Occupancy cost ratio
3.45	5,170	8.1%
Rental growth	**Turnover growth**	**Occupancy**
-0.6%	2.6%	100%

Visitors 2015/16	3.0m
Total lettable area	32,334m²
Retail/Gallery	7,400m²
Retail park	8,734m²
Hyper (Ipercoop)	11,000m²
Brico	2,700m²
Cinema	2,500m²
ECP ownership	13,679m²

11.
Centro Lame
Bologna (Emilia Romagna)

Value (€m)

39.80

The hypermarket at Centro Lame is the top performer in Coop Adriatica's portfolio and continues to be a main draw for this urban centre.

Passing rent (€m)	Boutiques <300m² turnover/m² (€)	Occupancy cost ratio
2.68	4,880	13.4%
Rental growth	**Turnover growth**	**Occupancy**
-0.7%	0.6%	100%

Visitors 2015/16	3.8m
Total lettable area	16,610m²
Retail/Gallery	5,574m²
Hyper (Ipercoop)	11,036m²
ECP ownership	5,574m²

12.
Centroluna
Sarzana (Liguria)

Value (€m)

25.80

One large unit was vacant at 30 June 2016, accounting for the 94% occupancy rate, but this has since been divided into two shops and re-let, bringing the occupancy back up to 100% as at the date of this report.

Passing rent (€m)	Boutiques <300m² turnover/m² (€)	Occupancy cost ratio
1.71	6,115	11.4%
Rental growth	**Turnover growth**	**Occupancy**
-7.1%	1.2%	94%

Visitors 2015/16	2.9m
Total lettable area	15,128m²
Retail/Gallery	3,548m²
Hyper (Ipercoop)	11,580m²
ECP ownership	3,548m²

Services

Major tenants

Free Wi-Fi
Website
Facebook
Gift card
Mobile app

MediaWorld
OVS
PIAZZA ITALIA
Terranova
SCARPE&SCARPE
upim

Free Wi-Fi
Website
Facebook

CAMAÏEU
CAMST
UNITED COLORS OF BENETTON.

Free Wi-Fi
Website
Facebook

PIAZZA ITALIA
UNITED COLORS OF BENETTON.
CAMAÏEU

Year in review: Eurocommercial Sweden

Sweden

Eurostop, Halmstad

Martin Björn
Property Director, Eurocommercial Sweden

Overview

Property value

€727m
21%

1. **Bergvik**
   Karlstad (Värmland)
2. **Ingelsta Shopping**
   Norrköping (Östergötland)
3. **Grand Samarkand**
   Växjö (Småland)
4. **Elins Esplanad**
   Skövde (Västergötland)
5. **421**
   Göteborg (Västergötland)
6. **Eurostop**
   Halmstad (Halland)
7. **Moraberg**
   Södertälje (Södermanland)
8. **Kronan**
   Karlskrona (Blekinge)
9. **Mellby Center**
   Laholm (Halland)

Valuation change	Number of properties
+6.2%	9
Net rental income	**Number of shops**
€30.0m	362
Relettings and renewals	**Number of visitors**
+7%	25.7m
Like for like rental growth	**Gross lettable area**
+2.7%	238,000m²
Like for like retail sales growth	**Occupancy cost ratio**
+5.4%	7.8%

Top 5 retail tenants

Maxi ICA Stormarknad
Varner
Coop
H&M
Stadium

Year in review: Eurocommercial Sweden

> All centres increased their turnover during the year, resulting in almost 20% of our tenants now paying turnover rent.
>
> Martin Bjöörn
> Property Director, Eurocommercial Sweden

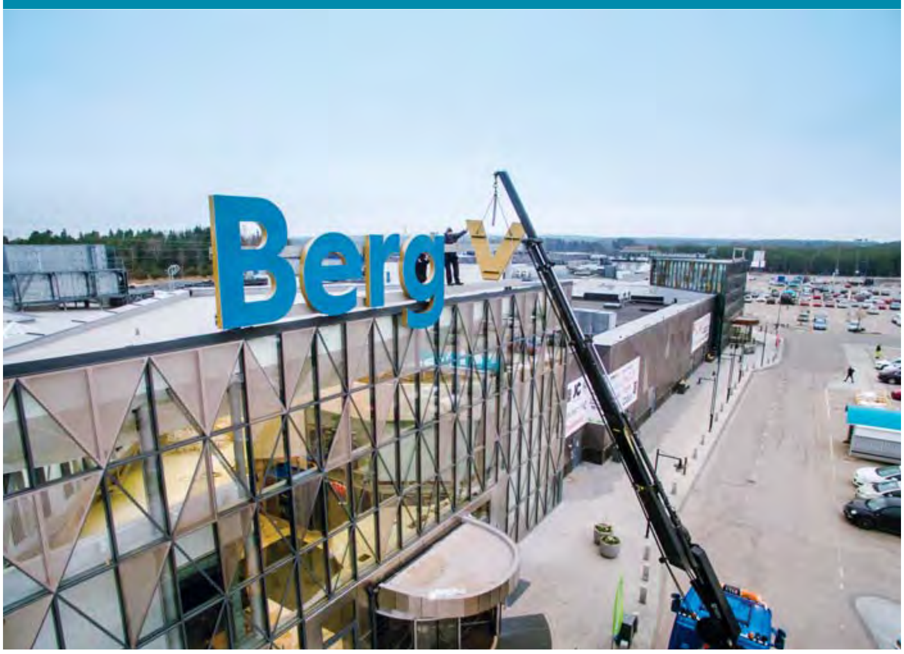
Economy

Private consumption has been the main driver behind strong Swedish GDP growth supported by rising employment, real wage growth and lower commodity prices. HUI, the Swedish retail organisation, are forecasting retail sales growth of 4% for 2016 and 3.5% for 2017, reflecting the strong sentiment amongst both consumers and retailers.

Rental growth

Rental growth has been steadily increasing and was 2.7%, up from 1.5% last year. With no rental indexation again during 2016, rental growth has come from a combination of leasing and higher turnover rent. Over the year, the in-house leasing team carried out 62 lease renewals and relettings, capturing an overall 7% increase in rent on those transactions. The standout performance was the lease renewal programme completed at Grand Samarkand where 21 deals produced an average uplift approaching 12%. The same property was also an important contributor to the 50% increase in turnover rent, which is now being paid by 46 tenants (almost 20% of the tenant base).

Bergvik, Karlstad



Retail sales

Sales growth in the galleries has been consistently strong all year across every property and all sectors. Overall, gallery turnover growth was up 5.4% on the year. The best performance came from four of the largest assets at Ingelsta Shopping (8.7%), 421 (8.4%), Bergvik (7.1%) and Grand Samarkand (6.4%). The hypermarkets also had a very solid year increasing sales by 2.5%. This positive retail climate has led to strong tenant demand for representation in the shopping centres, resulting in just two vacant units and no rental arrears.

Property market

While the investment market remains very strong with much unsatisfied demand, there has been relatively little evidence at the prime end of the market since the transactions completed over a year ago at Skärholmen and Tyresö in southern Stockholm, both at yields of under 5%. The most recent provincial shopping centre transaction since Henderson's acquisition of Nova Lund (5.25%) was our own acquisition of the 19,000m² hypermarket-anchored gallery at Bergvik adjoining our existing gallery, which was acquired in November 2015 for €64.6 million at a yield of 5.3%. While international investors remain prominent, it has been encouraging to see local institutional investors active, particularly in the provincial retail market, most notably Skandia and the national pension fund AP3, which recently acquired a portfolio of six hypermarket-anchored retail parks for around €327 million.

Valuations

Strong property fundamentals came through in the valuation of the Swedish assets which increased by 6.2% over the year and by 3.6% since December 2015 when the properties were last independently valued. The average net yield of the portfolio currently stands at 5.0%, a decrease of 40 bps over the 12 months.

Extensions and refurbishments

The main activity has been the 16,000m² extension at Halmstad, where construction is well underway and where the project will be completed in phases, with an opening at the end of 2017. As part of the project, the existing 13,500m² gallery will

Independent valuations by property

(SEK million)*	**Net value June 2016**	Net value June 2015	Net yield including purchase costs	Cost to date	Year of acquisition
Bergvik, Karlstad[1]	**1,426.00	689.00	4.8%	1,003.84	2005
Ingelsta Shopping, Norrköping[2]	**1,147.00**	1,044.00	5.1%	891.73	2003
Grand Samarkand, Växjö[1]	**1,104.00**	996.00	4.5%	739.21	2003
Elins Esplanad, Skövde[1]	**800.00**	758.00	4.9%	550.61	2003
421, Göteborg[2]	**785.00**	762.00	5.0%	837.31	2007
Eurostop, Halmstad[2]	***762.00	666.00	–	711.64	2012
Moraberg, Södertälje[2]	**458.00**	440.00	5.4%	365.70	2006
Kronan, Karlskrona[1]	**185.00**	186.00	5.8%	165.90	2007
Mellby Center, Laholm[1]	**184.00**	178.00	5.4%	141.70	2003
Total	**6,851.00**	5,719.00	**5.0%**	5,407.64	

Valuations by: [1]Cushman & Wakefield, [2]JLL

* €1 = 9.4242 SEK

** Including acquisition of adjoining hypermarket and gallery.

*** This property has been subject to building works during the period.

also be fully refurbished where tenants include H&M, KappAhl, Lindex and Systembolaget.

90% of the extension is already pre-let to tenants including Stadium, Coop, Nilson Group (Feet First), Jack and Jones, Vero Moda, Gina Tricot, Cubus, Volt, BikBok, Carlings, MQ and Cassels. On completion, the centre will have around 90 tenants and will be a dominant shopping centre for this west coastal region serving a catchment of 200,000 people.

With pre-lettings achieving their target rents and with the construction costs on or below budget, an overall investment return of 7% on the €75 million project should be achieved.

Grand Samarkand, Växjö

We also continue to progress our investigations concerning a further round of extensions at Ingelsta Shopping, Grand Samarkand and Elins Esplanad which together could provide an additional 25,000m² of new retail space for which there is strong tenant demand.

Acquisitions and disposals

The major acquisition during the year was the off-market purchase of the 19,000m² hypermarket-anchored gallery at Bergvik on the E18 motorway outside Karlstad which adjoins and links with our existing and recently refurbished 13,750m² gallery which was acquired in 2005 and is let to tenants including H&M, Lindex, Stadium and Clas Ohlson.

The new property was acquired in November 2015 from Konsum Värmland (the regional Coop). The property comprises a Coop hypermarket of 11,000m², let on a 15 year lease, together with 8,000m² of retail units and a new food court. The combined shopping centre has 32,750m² of retail floor space and 70 shops. With neighbours including IKEA and ICA Maxi, Bergvik will remain the dominant centre in the region and provide plenty of scope for further rental growth which has averaged over 5% per annum over our 10 years of ownership.

In July 2016 we signed an agreement for the sale of Kronan based on a property price of SEK 185 million (€19.6 million), in line with its latest valuation and representing a net initial yield of 5.8%. Since we acquired Kronan in 2007, we have carried out a major refurbishment and significant tenant rotation. The sale is expected to complete at the end of September 2016.

Outlook

With further strong national sales growth of 3.5% expected during 2017 and with the first signs of the return of some inflation, the prospect for further rental growth looks reasonable, particularly with strong demand for retail space in our shopping centres and with existing occupancy cost ratios at a very healthy level of only 7.8%. Meanwhile, there is still significant depth to the investment market which should be sufficient to at least maintain yields at their current levels.

Year in review: Eurocommercial Sweden

Sweden portfolio

Property	Overview	Property summary

1. Bergvik
Karlstad (Värmland)

Value (€m)

151.31

With the recent acquisition from Konsum Värmland of their hypermarket and 8,000m² gallery, Bergvik now provides a total of 32,750m² of fully refurbished retail space for 70 retailers and remains the dominant regional shopping centre serving a catchment of 270,000 people.

Passing rent (€m)	Boutiques <300m² turnover/m² (€)	Occupancy cost ratio
7.68	6,000	8.8%
Rental growth	**Turnover growth**	**Occupancy**
2.9%	7.1%	98%

Visitors 2015/16	5.6m
Total lettable area	47,154m²
Retail/Gallery	21,754m²
Hyper (ICA, Coop)	21,000m²
Retail boxes	4,400m²
ECP ownership	32,754m²

2. Ingelsta Shopping
Norrköping (Östergötland)

Value (€m)

121.71

Ingelsta Shopping is located in the main external retail area of Norrköping at the city's northern entrance from the E4 motorway which runs down from Stockholm.

Retail sales have increased strongly and were up almost 9% over the year as Ingelsta Shopping continues to gain market share from its competitors. Planning has been submitted for an 8,000m² extension with a decision expected in 2018.

Passing rent (€m)	Boutiques <300m² turnover/m² (€)	Occupancy cost ratio
6.63	5,550	8.1%
Rental growth	**Turnover growth**	**Occupancy**
2.6%	8.7%	100%

Visitors 2015/16	3.4m
Total lettable area	36,727m²
Retail/Gallery	15,626m²
Retail park	11,520m²
Hyper (ICA Maxi)	9,581m²
ECP ownership	36,727m²

3. Grand Samarkand
Växjö (Småland)

Value (€m)

117.15

Grand Samarkand is Småland's main regional shopping centre and has enjoyed another outstanding year in terms of both turnover growth and rental growth, with 24 tenants now paying turnover rent. With strong demand from new tenants to lease retail space, investigations are ongoing for an extension of up to 10,000m².

Passing rent (€m)	Boutiques <300m² turnover/m² (€)	Occupancy cost ratio
5.73	6,540	8.1%
Rental growth	**Turnover growth**	**Occupancy**
5.9%	6.4%	100%

Visitors 2015/16	4.9m
Total lettable area	34,820m²
Retail/Gallery	18,579m²
Retail park	3,954m²
Hyper (ICA Maxi)	10,632m²
Offices	1,655m²
ECP ownership	24,188m²

Services | Major tenants

- Free Wi-Fi
- Website
- Facebook
- Gift card
- Mobile app

H&M
Stadium
Lindex
KappAhl
Clas Ohlson
Indiska
Cubus

- Free Wi-Fi
- Website
- Facebook
- Gift card

Maxi ICA Stormarknad
H&M
KappAhl
Stadium
Lindex
Intersport
Ginatricot
Elgiganten
K-Rauta

- Free Wi-Fi
- Website
- Facebook
- Gift card

H&M
Stadium
New Yorker
Lindex
KappAhl
Ginatricot
Clas Ohlson
Systembolaget

Year in review: Eurocommercial Sweden

Sweden portfolio

Property	Overview	Property summary

4. Elins Esplanad
Skövde (Västergötland)

Value (€m)

84.89

Elins Esplanad is located in the suburbs of Skövde and is the only external shopping centre in its catchment, now approaching 200,000 people.

With only 30 existing retail tenants and significant demand for space, particularly from missing fashion retailers, serious consideration is being given to a further extension of up to 5,000m².

Passing rent (€m)	Boutiques <300m² turnover/m² (€)	Occupancy cost ratio
4.63	8,850	7.3%
Rental growth	**Turnover growth**	**Occupancy**
3.2%	0.5%	100%

Visitors 2015/16	3.8m
Total lettable area	26,383m²
Retail/Gallery	16,344m²
Hyper (ICA Maxi)	10,039m²
ECP ownership	26,383m²

5. 421
Göteborg (Västergötland)

Value (€m)

83.30

421 forms an integral part of Sisjön Högsbo, Göteborg's main southern external retail zone. The centre has enjoyed strong sales growth of 8.4% in non-food, where its major fashion retailers have been prominent, and 4% in food (ICA Maxi hypermarket). A light refurbishment was completed last year and MediaMarkt recently signed a new lease on their 5,500m² unit, still one of their most important stores in Sweden.

Passing rent (€m)	Occupancy cost ratio	Rental growth
4.74	9.0%	-2.3%
Turnover growth	**Occupancy**	
8.4%	98%	

Visitors 2015/16	4.0m
Total lettable area	33,422m²
Retail/Gallery	18,522m²
Offices	3,117m²
Hyper (ICA Maxi)	11,783m²
ECP ownership	33,422m²

6. Eurostop
Halmstad (Halland)

Value (€m)

80.86

Eurostop is located outside Halmstad on the E6 motorway linking Göteborg to Malmö. Construction of the 16,000m² extension is well underway and 90% of the new floor space has already been pre-let to tenants mainly in the food, fashion, sport and household sectors. On completion, the shopping centre will have a total of 90 retail tenants together with a refurbished hotel.

Total lettable area	43,013m²
Retail/Gallery	26,165m²
Supermarket (Coop)	4,235m²
Retail Boxes	6,918m²
Hotel	3,900m²
Offices/Other	1,795m²
ECP ownership	43,013m²

Services	Major tenants
Free Wi-Fi	Maxi ICA Stormarknad
Website	Stadium
Facebook	KappAhl
Gift card	Lindex
	Cassels
	Clas Ohlson
	H&M
	Cubus

Services	Major tenants
Website	Maxi ICA Stormarknad
Facebook	Media Markt
	H&M
	KappAhl
	Lindex
	Dressmann
	Intersport
	Hemtex

Services	Major tenants
Website	H&M
Facebook	KappAhl
Gift card	Lindex
	Systembolaget

Year in review: Eurocommercial Sweden

Sweden portfolio

Property	Overview	Property summary

7. Moraberg
Södertälje (Södermanland)

Value (€m)

48.60

Moraberg is a modern retail park located on the E20/E4 motorway outside Södertälje, a city of 90,000 people located just to the south of Stockholm. Tenants include Sweden's most important box retailers in the electrical, sport, DIY and household sectors. Discussions are ongoing with the municipality concerning a possible extension of up to 4,000m² with improved road access.

Passing rent (€m)	Occupancy cost ratio	Rental growth
2.77	5.8%	-0.5%
Turnover growth	**Occupancy**	
3.0%	100%	

Visitors 2015/16	1.7m
Total lettable area	19,043m²
ECP ownership	19,043m²

8. Kronan
Karlskrona (Blekinge)

Value (€m)

19.63

A binding contract has been entered into for the sale of Kronan, with completion expected at the end of September 2016. Since the Company acquired the property in 2007, it has carried out a number of asset management initiatives to improve the tenant mix and increase net operating income.

Passing rent (€m)	Boutiques <300m² turnover/m² (€)	Occupancy cost ratio
1.40	4,050	8.9%
Rental growth	**Turnover growth**	**Occupancy**
8.3%	6.8%	100%

Visitors 2015/16	1.3m
Total lettable area	7,052m²
Retail/Gallery	5,878m²
Offices	1,174m²
ECP ownership	7,052m²

9. Mellby Center
Laholm (Halland)

Value (€m)

19.52

Mellby Center is a small shopping centre located on the E6 motorway on Sweden's popular west coast and enjoys strong seasonal trade. The property was refurbished four years ago and is anchored by an ICA Maxi hypermarket.

Passing rent (€m)	Boutiques <300m² turnover/m² (€)	Occupancy cost ratio
1.39	3,435	7.5%
Rental growth	**Turnover growth**	**Occupancy**
1.5%	0.9%	100%

Visitors 2015/16	1.0m
Total lettable area	11,550m²
Retail/Gallery	3,315m²
Hyper (ICA Maxi)	8,235m²
ECP ownership	11,550m²

Services

Major tenants

ELGIGANTEN
RUSTA
JYSK
PLANTAGEN.
JULA
stadium
INTERSPORT

Website

Facebook

stadium
ginatricot
MQ
Cassels
SCORETT

Services

Website

Facebook

MAXI
ICA STORMARKNAD
KappAhl
LINDEX
Dressmann

Corporate social responsibility (CSR)

Eurocommercial is committed to reducing energy consumption in its shopping centres and making the properties more efficient. Throughout the year upgrades to machinery, replacement of lighting and the installation of new automated systems all helped in this quest.

2015 was a period marked by improvements in electricity consumption (-2% on a like-for-like basis). However, climatic changes in all three markets had an unfavourable impact on the evolution of fuel consumption and district heating and cooling.

The portfolio of properties being analysed has evolved considerably for 2015, due to the inclusion of data for our retail park and city centre properties in France, as well as the two new acquisitions made in Italy (Fiordaliso and Collestrada).

We are investigating the possibility of achieving BREEAM certification at several properties across the portfolio. External consultants have been appointed to ensure that extensions adhere to the BREEAM criteria to achieve a minimum of a 'Good' rating.

For the third year in a row, we were awarded a Gold rating from EPRA for our energy disclosure and we will continue to follow their recommendations on best practice reporting. We also took part in the Dutch Transparency Benchmark and completed the GRESB survey for the second year running.

Equivalent training days per employee

2

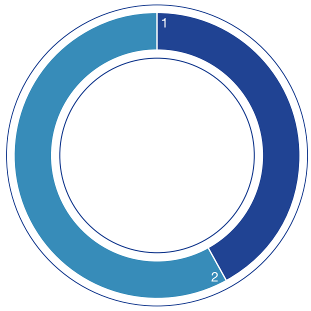
In France, green leases have been introduced as standard, and environmental annexes are now included on all new lease contracts. It is hoped that this will improve engagement with our tenants on CSR issues and lead to a reduction in waste production as well as energy and water usage.

The extension of Chasse Sud in Chasse-sur-Rhône in June 2016 created 120 new jobs for the local community. Eurocommercial hosted a jobs fair prior to the opening of the retail park to help the tenants advertise roles and meet potential candidates. The event was considered a great success and was well attended.

Our sympathies

Eurocommercial extends its sympathy to all those affected by the recent earthquake in and around Amatrice in Umbria, about 120km from Perugia. We have sent clothing, blankets, torches and other vital supplies to the affected area and will continue to offer our support during the rebuilding process. Fortunately, our centre in Perugia was unaffected.

Employee gender split



1. Men	42%
2. Women	58%

Employees

Eurocommercial prides itself on its commitment to its employees and their long-standing tenure. Staff are motivated by feeling part of a team and encouraged to share ideas for the improvement of the business. The relatively small size of the Company, with its flat reporting structure, is highly appreciated by staff and is often cited as a key contributor to their job satisfaction. All employees are part of an annual bonus scheme and also receive performance shares to promote long-term ownership of the Company's shares. Annual reviews enable two-way discussions between managers and employees to give and receive feedback on their performance and guidance for further progression.

Eurocommercial staff congregated at its head office in Amsterdam in June 2016 to celebrate the Company's 25th anniversary. All teams had the opportunity to present to the group and the event provided an excellent opportunity for staff to better acquaint themselves with their counterparts in other countries and share ideas.

EPRA sustainability performance measures

Impact area		Units of measurement	Absolute Total 2015	France 2014	France 2015	Italy 2014	Italy 2015	Sweden 2014	Sweden 2015	Total 2014	Total 2015
			Absolute	Like-for-like comparison							
Energy	For landlord-shared services	MWh	**60,397**	6,971	**6,899**	19,478	**19,729**	31,077	**29,483**	57,526	**56,111**
	(sub)metered exclusively to tenants		**5,303**			5,317	**5,303**			5,317	**5,303**
	Total landlord-obtained electricity GRI G4-EN4		**65,700**	6,971	**6,899**	24,795	**25,032**	31,077	**29,483**	62,843	**61,414**
	Total landlord-obtained district heating and cooling consumption GRI G4-EN4		**10,371**	1,810	**1,468**	934	**1,303**	5,955	**6,073**	8,698	**8,844**
	Total landlord-obtained fuel consumption GRI G4-EN4		**12,734**	3,168	**3,942**	7,035	**8,366**			10,203	**12,308**
Greenhouse gas emissions	Total direct GHG emissions GRI G4-EN15 – GHG Protocol Scope 1	tonnes CO_2e	**2,349**	586	**728**	1,301	**1,543**			1,887	**2,271**
	Total indirect GHG emissions GRI G4-EN16 – GHG Protocol Scope 2		**11,180**	817	**733**	8,032	**8,163**	1,819	**1,845**	10,668	**10,741**
	Total indirect GHG emissions GRI G4-EN17 – GHG Protocol Scope 3		**6,086**	50	**52**	6,870	**5,893**	113	**113**	7,033	**6,058**
	Proportion of energy and associated GHG estimated		**0%**	0%	**0%**	0%	**0%**	0%	**0%**	0%	**0%**
Water	Total landlord-obtained water consumption GRI G4-EN8	cubic metres (m^3)	**537,471**	23,130	**22,863**	396,829	**416,529**	47,524	**46,012**	467,483	**485,404**
	Proportion of water disclosure estimated		**0%**	0%	**1%**	0%	**0%**	0%	**0%**	0%	**0%**
Waste (landlord-handled)	Total weight of waste GRI: G4-EN23	metric tonnes	**8,624**	2,321	**2,240**	2,812	**2,446**	880	**912**	6,013	**5,598**
	Composting/anaerobic digestion	proportion by weight (%)	**3%**	0%	**0%**	8%	**11%**	0%	**0%**	4%	**5%**
	Recycled		**43%**	41%	**37%**	29%	**20%**	100%	**100%**	44%	**40%**
	Off-site materials recovery facility		**36%**	31%	**31%**	42%	**53%**	0%	**0%**	31%	**35%**
	Incineration with energy recovery		**11%**	21%	**22%**	0%	**0%**	0%	**0%**	8%	**9%**
	Reused		**2%**	0%	**0%**	7%	**8%**	0%	**0%**	3%	**3%**
	Hazardous waste treatment facility		**0%**	0%	**0%**	0%	**0%**	0%	**0%**	0%	**0%**
	Landfill		**5%**	8%	**9%**	15%	**9%**	0%	**0%**	10%	**7%**
	Proportion of waste disclosure estimated		**0%**	0%	**0%**	0%	**0%**	0%	**0%**	0%	**0%**

EPRA sustainability intensity measures

Impact area		Units of measurement	2014	2015
Energy	Building energy intensity GRI-CRESS: CRE1	kWh/m^2/year	256	**273**
Greenhouse gas emissions	Greenhouse gas intensity from building energy GRI-CRESS: CRE3	kg CO_2e/m^2/year	60	**63**
Water	Building water intensity GRI-CRESS: CRE2	m^3/m^2/year	1.4	**1.5**

Percentage figures may not add up to 100% due to rounding.

Jones Lang LaSalle assisted Eurocommercial in preparing this data in line with the EPRA reporting guidelines and undertook an independent verification of the energy and water data.

The information provided is for the calendar years 2015 and 2014. For 2015 the absolute coverage data disclosed for all energy and greenhouse gas performance measures, for which the landlord has control, is for 34 out of 34 properties. The data disclosed for water is for 33 out of 33 properties and for waste it refers to 23 out of 24 properties. For the like-for-like figures, 28 properties are included for the energy and greenhouse gas data, 27 for water and 17 for waste. The reported data contains the total landlord-obtained energy and water consumed in the Company's properties.

In 2015, 2014 data was made available for two city centre and two retail park properties in France and these have now been included in the like-for-like data set but not the intensity measures as the common part areas have not been verified. A further two properties have been excluded from the like-for-like and intensity measures in 2014 and 2015 due to major development works being undertaken in 2015. Intensities for the Swedish portfolio have been restated due to the inclusion of more detailed meter coverage information.

'Shared services' refer to landlord-obtained consumption for common parts and any services provided to tenant areas that have not been sub-metered. Where tenant consumption is sub-metered, this is excluded from 'shared services'. For French and Italian properties, energy and emissions intensities are reported using 'shared services' as the numerator and 'common parts areas' as the denominator. For Swedish properties 'shared services' is the numerator and a combination of 'common parts areas' and 'gross internal areas' are used as the denominator depending on the area served by the landlord procured utilities. Eurocommercial acknowledges, as recommended in the EPRA sustainability best practice recommendations, that the intensity indicator may be affected due to a mismatch between numerator and denominator.

The emission factors are based upon the Department for Environment, Food and Rural Affairs (DEFRA) guidance and are reported using the Greenhouse Gas Protocol and EPRA Sustainability Best Practices. Natural gas and diesel emissions use the DEFRA emissions factors based on UK natural gas calculations, as the greenhouse gas content of natural gas and diesel varies only marginally over time and between regions.

Scope 3 emissions are for landlord-obtained consumption that is sub-metered to tenants and tenant-obtained energy.

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 (www.eurocommercialproperties.com/about/governance).

Compared to the Corporate Governance report provided in the previous annual report for the year ending 30 June 2015, no significant changes have occurred in the definitions and measurement methods of the corporate responsibility information.

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 shall 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. With the exception of one member, all 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 (six 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 stipulate that the maximum term of office is 12 years. 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.

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

The Supervisory Board meets according to a fixed schedule of meetings and at least four times a year, although in the year under review the Supervisory Board met eight times. 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 are 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.

Corporate governance

Jeremy Lewis, Chief Executive
The founding Chief Executive of the Company, Jeremy Lewis (71), a Chartered Surveyor, has almost 50 years of international experience in commercial property and the running of quoted property investment vehicles.

Evert Jan van Garderen, Finance Director
Evert Jan van Garderen (54), 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.

Country heads

Peter Mills, Director
Peter Mills (57) 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.

Tom Newton, Director
Having acquired experience in the property markets of the UK, Australia and Europe, Tom Newton (58) 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.

Roberto Fraticelli, Director
Roberto Fraticelli (45) joined Eurocommercial in 1998 and is responsible for the Italian activities of the Company. Roberto has degrees in Economics (LUISS University, Rome) and Political Sciences (Amsterdam University) as well as an Executive MBA (Rotterdam School of Management). He is also a Chartered Surveyor.

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, 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 2017, the Meeting of Holders of Priority Shares is empowered to authorise the issue of new shares up to a maximum of 20% 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 Supervisory Board also met the external auditor without the presence of the Board of Management. 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 their report on the fairness of the annual accounts. The external auditor may address the meeting in respect of this matter.

KPMG were appointed as the Company's new auditors by the General Meeting of Shareholders in November 2015.

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.

Corporate governance

Provision II.2.3 of the Code
The remuneration of the Board of Management is not determined by reference to non-financial indicators due to the nature of the Company's business. The key indicator for remuneration is based on aligning the Board of Management with the interests of shareholders.

Provision IV.1.1 of the Code
The Netherlands Civil Code provides for the possibility to set aside binding nominations for the appointment of Directors by a shareholders' resolution passed by two-thirds of the votes cast representing more than half of the issued capital. The Company will maintain this system so that a substantial majority of shareholders and holders of depositary receipts decides these issues.

Provision IV.3.13 of the Code
The Company has not implemented an outline policy on one-to-one contact with its shareholders. 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 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. The Company discloses its energy and water consumption, waste production and greenhouse gas emissions on an annual basis. This information can be found on page 65.

Consumption information related to properties acquired during the reporting period is included in the Absolute data from the date the acquisition completed but does not appear in the like for like comparisons until the properties have been owned for a full two years. Information related to properties disposed of during the reporting period is included in the Absolute data up until the date the sale is completed but is excluded from the like for like comparisons.

The reported energy and greenhouse gas performance measures relate to all Company-obtained energy and water consumed in the Company's properties. Consumption data at each property is collected from utility invoices and entered into a centralised database. Data was not estimated. Jones Lang LaSalle assisted the Company in preparing the data in line with the EPRA reporting guidelines. Jones Lang LaSalle also consolidated and verified the data.

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 have been, and will continue to be, installed on its 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 Carosello centre in Italy has a 16,000m² 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. The planned extension at Amiens Glisy will also have a green roof.

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 uses a video conferencing system to lower internal travel costs. In addition, the offices have recycling programmes in place.

The Company employed an average of 82 full-time equivalent persons during the financial year, of which 15 are based in The Netherlands, 10 in the UK, 21 in France, 28 in Italy and eight in Sweden. 58% of employees are female and 42% are male. Of the workforce, 14 are under the age of 30, 57 are between the ages of 30 and 50 and 11 are over the age of 50.

The Company understands that its employees are its most important asset. To this end it actively encourages and supports employees to further their professional training and development, where appropriate. 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 necessitated the opening of offices in Paris, Milan and Stockholm. The French, Italian and Swedish teams have been expanding during recent years as various property functions such as leasing and rent collection have been brought in-house.

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, Roberto Fraticelli 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 management 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 directly linked to the annual growth in the Company's net asset value, dividend per share and the annual relative performance as per 30 June of the listed depositary receipts of the Company compared to a peer group of ten listed retail property companies. This growth percentage, if any, is used to calculate the variable income as a percentage of base salary. Since 2012 a performance share plan has been in place for Managing Directors, regional Directors and permanent staff of the Company. Under this scheme conditional performance depositary receipts may be granted from time to time, but these only vest after three years have lapsed since the date of granting, provided certain targets are met. After vesting these depositary receipts are blocked for another two years. 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 Directors on page 72.

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 framework 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 senior management comprising the Chief Executive, the Finance Director and the finance team, the heads of the French, Italian and Swedish businesses, their deputies, the research department and the 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 the 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.

During the year the revised risk management policies were reviewed, discussed and approved by the Board of Management and the Supervisory Board.

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, Italy and Sweden) to minimise economic and political risk. By limiting the number and types of sectors and countries in which the Company operates, management can maintain a high level of understanding and insight into how the assets perform, which in turn reduces risk. However, the diversification achieved by investing in these countries, both in provincial and major cities, reduces risk further, as well as the spread among a large number of tenants, with a relatively small exposure to any one single tenant (largest exposure to one single tenant is 4.8% of total portfolio rent).

Corporate governance

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 internal research teams maintain 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 retail sales 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 retail sales and visitor 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 and environmental 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.

Taxation

The Company is tax-exempt in The Netherlands and France, and subject to corporate income tax in Italy and Sweden. It is difficult to assess whether the Company will have to pay more taxes in the future due to changes made to the tax systems in the countries where the Company operates, but it cannot be excluded. A clear example was the increase of property tax in Italy in 2012, which resulted in an extra tax burden for the Company.

Financial risk

Credit risk

The Company minimises the risks related to the possible defaults of its counterparties by dealing with 17 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 (five years but 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 2.7% excluding margins and only 28% 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 €4.15 million, or 4.0%, of the 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, in some cases the Company has at its disposal flexible long-term borrowings (which allow no penalty repayments and re-drawing of funds up to agreed amounts) and short-term committed and uncommitted lines.

An analysis of the liquidity risk related to future cash flows due to interest payments, repayment of borrowings, rental deposits and payments to other creditors is provided in note 19 (financial instruments) of the consolidated financial statements.

Corporate governance

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 35%. 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 1.0% and in a decrease of only 1.1% 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) as it is listed on Euronext Amsterdam. All employees are made aware of the regulations, and procedures are 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 Corporate Governance Code, the Board of Management states that it has a description of the organisation of its business operations (Administrative Organisation and Internal Control). During the financial year 2015/2016 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 Netherlands Corporate Governance Code. Also, there have been no indications during the financial year 2015/2016 that the Company's Administrative Organisation and Internal Control were ineffective and did not function in accordance with the description. The Board of Management 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 2015/2016, as included in this Annual Report, and (ii) that the risk management and control systems as described above worked properly in the financial year 2015/2016.

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 re-let. 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. The insurance programme is benchmarked against its peer groups on an annual basis.

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 is currently not in a corporate income tax payable position.

Amsterdam, 16 September 2016

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 2016 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, 16 September 2016

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

Report of the Board of Supervisory Directors 2015/16

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 2016, as drawn up by the Board of Management. The Auditors, KPMG Accountants N.V., have audited 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 €2.05 per depositary receipt (ten ordinary shares) for the financial year ending 30 June 2016. 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 eight meetings of the Supervisory Board which were also attended by the members of the Board of Management. All Supervisory Directors attended each meeting with the exception of two meetings where one member was unable to attend. In addition to those meetings there was regular contact between the Supervisory Board members and the members of the Board of Management. Furthermore, the Supervisory Board is kept informed of activities and financial performance through monthly management accounts which contain detailed analysis of rental income, interest, Company expenses and investment developments. During the year the Chairman of the Supervisory Board attended several meetings of the senior management team to observe the detailed property management, investment and funding discussions.

Amongst the topics discussed in the Board meetings 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, the impact of the internet and marketing in the various countries, but also the Company's bank loans and bank covenants, were discussed in great detail and monitored during the year. The Supervisory Board was fully informed of the investment and funding policy of the Board of Management. The Board was also informed about the continuation of the current strategy of the Company. Furthermore, the contents of press releases, the Annual Report, the Interim Report and the quarterly reports were discussed.

In the August 2015 meetings held at the local Paris office, in addition to the approval of the annual results and other usual items, such as the agenda for the Annual General Meeting, a property tour was conducted of Passage du Havre in central Paris. This enabled the Board members to discuss with the centre managers the latest plans for the centre and changes to the tenant mix, but also to visit competing retail locations.

In the November 2015 meetings the Board focused in particular on the new auditors of the Company, KPMG Accountants, who attended this meeting, in which the dividend policy and the financial report were discussed, as observers. The meeting included the preparation for the AGM.

The February 2016 meetings were held in Milan and Cremona to allow for visits of the Fiordaliso and Cremona Po shopping centres and to meet the local centre management teams. The Board discussed the Company's strategy and its acquisition policies, in addition to the standard items.

The May 2016 meetings took place in Karlstad, Sweden, and gave the Board the opportunity to visit the Bergvik shopping centre, which is now the largest shopping centre in the Company's Swedish portfolio after the acquisition of the hypermarket and additional part of the gallery, to review the retail competition in that area and also meet local management. In this meeting particular focus was given to the funding and debt strategy of the Company, as well as the equity position of the Company and the remuneration policy for the Group. Referencing external benchmark studies and international practice, the fixed and variable remuneration of senior executives and management was, also discussed.

The August 2016 meetings were held in Lyon to allow for a visit to Chasse Sud which has been recently extended. The Board discussed the annual results together with the auditors of the Company. The results of the new joint ventures and the extension and renewal of the loan book were also discussed. Furthermore, the Board had a separate meeting with the auditors in the absence of management to discuss the internal processes and controls of the organisation and the risk management. The Supervisory Board also took the opportunity to meet in the absence of the Board of Management to discuss its own functioning and that of the Board of Management.

Supervisory Directors also attended some of the weekly management team meetings, property team meetings at the local offices and closing meetings with the local auditors. The Chairman and one other Supervisory Director also attended the property tour in Milan in April 2016 which was held for investors and analysts of the Company.

There have been no conflicts of interest.

Professional training

During the year Supervisory Directors participated in seminars and courses provided by the big four audit firms and major law firms. The Chairman attended the International Directors Programme of the Business School INSEAD at Fontainebleau in France.

Diversity

Although there is currently no legal requirement, there is a bill providing for rules on diversity, implying that 30% of the members of the Supervisory Board and of the Board of Management should be male or female and, if not, that the Company should explain in its Annual Report why it does not comply. The current profile of the Supervisory Board provides for a target over time that each gender is represented, but does not require a particular minimum percentage to ensure the best candidates can be selected. In the Annual General Meeting held on 4 November 2014, three new members of the Supervisory Board were proposed: Ms Carrière, a French national, Mr Foulkes, a British national and Mr Steins Bisschop, a Dutch national. These new appointments were in line with the profile of the Supervisory Board and resulted in more diversity.

Report of the Board of Supervisory Directors 2015/16

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. During those meetings the Audit Committee discussed the report of the auditors, as well as the Annual Report and the Interim Report. 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 2015/2016 Remuneration Report will be posted on the website of the Company when this Annual Report is published.

The Supervisory Board as a whole also functions as the Selection and Appointment Committee, which discussed in the meeting of May 2016 the future composition of the Supervisory Board. At the forthcoming Annual General Meeting to be held on 1 November 2016, there will be proposals on the agenda to reappoint Mr. P.W. Haasbroek and to reappoint the members of the Board of Management for another four years. These proposals have the unanimous support of all members of the Board.

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. 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, at 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 performance shares plan; and
- 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 directly linked to the annual growth in the Company's net asset value, dividend per share and the annual relative performance as per 30 June of the listed depositary receipts of the Company compared to a peer group of ten listed retail property companies. There is no minimum guaranteed bonus and variable cash bonuses are capped at one year's base salary. 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 using a maximum pensionable salary.

Supervisory Directors receive a fixed fee only. The remuneration policy for Supervisory Directors and Managing Directors has been continued during the year under review. Following a benchmarking exercise, it is proposed for the next financial year to increase the remuneration of the Supervisory Directors to €45,000 for each member and to €59,000 for the Chairman and to maintain the base salary at £515,000 for Mr J.P. Lewis and the base salary at €435,000 for Mr E.J. van Garderen. The Annual General Meeting of Shareholders to be held on 1 November 2016 is invited to approve the proposed remuneration of the members of the Supervisory Board and the members of the Board of Management.

Report of the Board of Supervisory Directors 2015/16

Composition of the Supervisory Board

All members of the Supervisory Board are independent. Only Mr C. Croff is considered to be dependent as his firm also acts as the Italian legal counsel to the Company. 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 2016 the Supervisory Board was composed as follows:

1. Bas Steins Bisschop (67), Chairman, of Dutch nationality, was appointed as member of the Supervisory Board in 2014 for a period of four years. He is a professor of Corporate Law and Corporate Governance at Maastricht University and Nyenrode Business University. He is also an attorney at law in The Hague. He began practising law in 1975.

2. Brigitte Carrière (70), of French nationality, was appointed as member of the Supervisory Board in 2014 for a period of four years. She was formerly an asset manager and real estate financial analyst at Amundi, the asset management arm of Crédit Agricole, a major French bank, until her recent retirement.

3. Carlo Croff (61), of Italian nationality, was appointed as a member of the Supervisory Board in 2013 for a period of four years. He is a senior partner of the leading law firm Chiomenti Studio Legale in Milan, Italy which he joined in 1984. Following his additional degrees at Cambridge and Harvard Universities, Mr Croff has had extensive experience advising Italian and international clients on legal matters related to banking and real estate.

4. Richard Foulkes (70), of British nationality, was appointed as member of the Supervisory Board in 2014 for a period of four years. Formerly he was Vice Chairman of Schroder Investment Management Limited in London. He graduated from Queens' College, Cambridge, UK, and was made a Fellow-Commoner there in 2006. He worked at Schroders in senior investment management positions until he retired in 2005 and is a member of the investment committees of Queens' College and the Royal Opera House pension fund.

5. Pieter Haasbroek (68), of Dutch nationality and member of the Supervisory Board since 2008, was reappointed in 2012 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.

6. Jan-Åke Persson (66), of Swedish nationality, was appointed as a member of the Supervisory Board in 2013 for a period of four years. He was a former senior partner of Ernst & Young AB in Malmö, Sweden, until he retired in 2008. Mr Persson has had an extensive professional career advising major international and Swedish groups.

At the Annual General Meeting of Shareholders held on 3 November 2015 no appointments or reappointments were proposed.

At the forthcoming Annual General Meeting of Shareholders to be held on 1 November 2016, Mr P.W. Haasbroek is proposed to be reappointed as member of the Supervisory Board.

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:

2017: Mr C. Croff and Mr J.-Å. Persson

2018: Ms. B. Carrière, Mr. R.R. Foulkes and Mr. B.T.M. Steins Bisschop

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, 16 September 2016

Board of Supervisory Directors

B.T.M. Steins Bisschop, Chairman
B. Carrière
C. Croff
R.R. Foulkes
P.W. Haasbroek
J.-Å. Persson


1


2


3


4


5


6

Ten year financial summary*

Key financial information consolidated

For the financial year ended	30-06-07 €'000	30-06-08 €'000	30-06-09 €'000	30-06-10 €'000	30-06-11 €'000	30-06-12 €'000	30-06-13 €'000	30-06-14 €'000	30-06-15 €'000	**30-06-16 €'000**
Profit or loss account										
Net property income**	95,830	110,033	114,380	120,472	131,116	139,353	144,368	146,978	145,528	**155,370**
Net interest expenses	(28,944)	(38,117)	(40,822)	(41,862)	(44,501)	(48,900)	(51,769)	(52,674)	(45,780)	**(37,320)**
Company expenses	(8,243)	(9,114)	(8,510)	(8,611)	(9,789)	(10,707)	(10,576)	(11,206)	(12,297)	**(14,645)**
Total direct investment result	58,653	62,802	65,048	69,999	76,826	79,515	81,518	82,870	87,400	**102,785**
Total indirect investment result	200,819	47,484	(245,753)	23,741	124,451	(91,633)	41,790	16,920	80,374	**104,614**
Result after taxation	259,472	110,286	(180,705)	93,740	201,277	(12,118)	123,308	99,790	167,774	**207,399**
Balance sheet										
Total assets**	2,267,934	2,528,936	2,172,037	2,505,718	2,671,251	2,842,953	2,889,027	2,807,083	3,112,410	**3,656,361**
Property investments**	2,197,070	2,446,615	2,136,750	2,359,574	2,522,054	2,690,467	2,806,023	2,688,603	2,907,726	**3,489,358**
Cash and deposits**	18,044	13,796	7,827	116,218	112,976	120,954	51,422	85,372	170,249	**131,541**
Borrowings**	798,302	970,249	913,186	1,017,841	1,107,964	1,252,744	1,286,923	1,173,236	1,160,222	**1,496,210**
Shareholders' equity	1,242,118	1,300,981	1,033,080	1,214,323	1,370,150	1,300,147	1,366,064	1,386,632	1,658,245	**1,791,670**
Number of depositary receipts representing shares in issue after deduction of depositary receipts bought back, if any, at balance sheet date	35,277,619	35,727,332	35,840,442	40,304,266	40,813,650	40,953,515	41,740,054	42,319,567	47,388,471	**47,978,844**
Average number of depositary receipts representing shares in issue	35,277,619	35,554,261	35,797,301	38,543,725	40,602,632	40,895,429	41,410,071	42,311,667	42,916,246	**47,729,745**
Per depositary receipt (€)										
Net asset value (IFRS)	35.21	36.41	28.82	30.13	33.57	31.75	32.73	32.77	34.99	**37.34**
Adjusted net asset value	39.52	40.63	33.02	33.90	36.35	36.92	36.47	36.74	39.24	**43.00**
Direct investment result	1.66	1.77	1.82	1.82	1.89	1.94	1.97	1.96	2.04	**2.15**
Indirect investment result	5.69	1.34	(6.87)	0.61	3.07	(2.24)	1.01	0.40	1.87	**2.19**
Dividend	1.67	1.75	1.78	1.82	1.88	1.92	1.92	1.94	1.98	**2.05**
Property information										
Sector spread (%)										
Retail	92	93	100	100	100	100	100	100	100	**100**
Office	6	5	0	0	0	0	0	0	0	**0**
Warehouse	2	2	0	0	0	0	0	0	0	**0**
	100	100	100	100	100	100	100	100	100	**100**
Stock market										
Closing price at the end of June on Euronext Amsterdam (€: depositary receipts)	38.32	30.27	21.95	26.25	34.30	27.25	28.20	36.02	37.41	**38.45**
Market cap	1,351,838	1,081,466	786,698	1,057,987	1,399,908	1,115,983	1,176,928	1,540,754	1,783,118	**1,855,530**

* This statement contains additional information which is not part of the IFRS financial statements.

** The items net property income, total assets, property investments, cash and deposits and borrowings are presented including the Group's share of the joint ventures (proportional consolidation).

Note

The Company's shares are listed in the form of bearer depositary receipts on Euronext Amsterdam. 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	2015/2016 €'000	2014/2015 €'000
Rental income	4	**179,383**	172,753
Service charge income	4	**26,566**	25,520
Service charge expenses	4	**(29,763)**	(28,168)
Property expenses	5	**(29,029)**	(25,697)
Interest income	7	**1,626**	420
Interest expenses	7	**(38,946)**	(46,200)
Company expenses**	8	**(14,645)**	(12,297)
Other income	11	**2,034**	0
Current tax	12	**(145)**	(51)
Direct investment result properties 100% owned		**97,081**	86,280
Direct investment result joint ventures	14	**5,704**	1,120
Total direct investment result		**102,785**	87,400
Investment revaluation and disposal of investment properties	6	**173,707**	129,835
Fair value movement derivative financial instruments	7	**(43,211)**	(1,448)
Debt extinguishment	7	**0**	(8,721)
Investment expenses	8/10	**(4,351)**	(3,982)
Deferred tax	12	**(22,514)**	(33,459)
Indirect investment result properties 100% owned		**103,631**	82,225
Indirect investment result joint ventures	14	**983**	(1,851)
Total indirect investment result		**104,614**	80,374
Total investment result		**207,399**	167,774
Per depositary receipt (€)* **			
Total direct investment result		**2.15**	2.04
Total indirect investment result		**2.19**	1.87
Total investment result		**4.34**	3.91

Statement of adjusted net equity*

	30-06-16 €'000	30-06-15 €'000
IFRS net equity per consolidated statement of financial position	**1,791,670**	1,658,245
Derivative financial instruments	**175,456**	131,723
Deferred tax liabilities	**90,569**	69,369
Derivative financial instruments and deferred tax liabilities joint ventures	**5,287**	0
Adjusted net equity	**2,062,982**	1,859,337
Number of depositary receipts representing shares in issue after deduction of depositary receipts bought back	**47,978,844**	47,388,471
Net asset value – € per depositary receipt (IFRS)	**37.34**	34.99
Adjusted net asset value – € per depositary receipt	**43.00**	39.24
Stock market prices – € per depositary receipt	**38.45**	37.41

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

** The company expenses in this statement differ slightly from the amount of company expenses in the consolidated profit or loss account due to a different accounting policy for pension costs.

*** The average number of depositary receipts on issue over the year was 47,729,745 compared with 42,916,246 for the previous financial year.

Alongside the consolidated profit or loss account, the Company presents its direct and indirect investment results, enabling a better understanding of performance. The direct investment result consists of net property income, net financing expenses, company expenses, other income and current tax. The indirect investment result consists of the investment revaluation and disposal of investment properties, the fair value movement of derivative financial instruments, debt extinguishment, investment expenses and deferred tax.

EPRA performance measures*

The European Public Real Estate Association (EPRA) is an organisation which promotes, develops and represents the European public real estate sector. EPRA sets out best practice reporting guidelines on a number of financial and operational performance indicators relevant to the real estate sector.

	Total (€'000)		Per depositary receipt (€)	
	30-06-16	30-06-15	**30-06-16**	30-06-15
EPRA earnings**	**98,434**	83,418	**2.06**	1.94
EPRA NAV	**2,062,982**	1,859,337	**42.66**	38.95
EPRA NNNAV	**1,822,133**	1,682,177	**37.68**	35.24

	France		Italy		Sweden		Total	
	2015/2016 %	2014/2015 %	**2015/2016 %**	2014/2015 %	**2015/2016 %**	2014/2015 %	**2015/2016 %**	2014/2015 %
EPRA net initial yield	**4.4**	4.8	**5.7**	6.1	**5.1**	5.4	**5.1**	5.4
EPRA topped up yield	**4.5**	4.8	**5.8**	6.1	**5.1**	5.5	**5.2**	5.4
EPRA vacancy rate	**1.2**	0.6	**0.6**	0.2	**0.5**	0.4	**0.8**	0.4

Reconciliation NAV, EPRA NAV and EPRA NNNAV:

	Total (€'000)		Per depositary receipt (€)	
	30-06-16	30-06-15	**30-06-16**	30-06-15
Equity as per consolidated statement of financial position	**1,791,670**	1,658,245	**37.34**	34.99
Derivative financial instruments	**175,456**	131,723		
Deferred tax liabilities	**90,569**	69,369		
Derivative financial instruments and deferred tax liabilities joint ventures	**5,287**	0		
EPRA NAV***	**2,062,982**	1,859,337	**42.66**	38.95
Derivative financial instruments	**(175,456)**	(131,723)		
Deferred tax liabilities****	**(47,071)**	(34,608)		
Derivative financial instruments and deferred tax liabilities joint ventures	**(5,287)**	0		
Fair value borrowings*****	**(13,035)**	(10,829)		
EPRA NNNAV***	**1,822,133**	1,682,177	**37.68**	35.24

Reconciliation EPRA net initial yield and EPRA topped up yield:

	France		Italy		Sweden		Total	
	2015/2016 (€'000)	2014/2015 (€'000)	**2015/2016 (€'000)**	2014/2015 (€'000)	**2015/2016 (€'000)**	2014/2015 (€'000)	**2015/2016 (€'000)**	2014/2015 (€'000)
Property investments	**1,217,700**	1,101,500	**1,355,900**	1,099,100	**707,328**	620,626	**3,280,928**	2,821,226
Land held for development	**(23,400)**	(10,700)	**0**	0	**(80,856)**	0	**(104,256)**	(10,700)
Investments in joint ventures	**44,400**	42,000	**144,400**	0	**0**	0	**188,800**	42,000
Property investments held for sale	**0**	39,700	**0**	0	**19,630**	0	**19,630**	39,700
Property investments completed	**1,238,700**	1,172,500	**1,500,300**	1,099,100	**646,102**	620,626	**3,385,102**	2,892,226
Purchasers' costs	**86,363**	75,854	**59,915**	43,993	**6,461**	6,170	**152,739**	126,017
Gross value property investments completed	**1,325,063**	1,248,354	**1,560,215**	1,143,093	**652,563**	626,796	**3,537,841**	3,018,243
Annualised net rents (EPRA NIY)	**58,585**	59,585	**89,678**	69,708	**33,303**	33,887	**181,565**	163,180
Lease incentives (incl. rent free periods)	**401**	54	**72**	9	**212**	380	**685**	443
Annualised rents (EPRA topped up yield)	**58,986**	59,639	**89,750**	69,717	**33,515**	34,267	**182,251**	163,623

* 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 47,729,745 compared with 42,916,246 for the previous financial year. EPRA earnings have been restated for the previous financial year to include the investment expenses.

*** EPRA NAV and EPRA NNNAV per depositary receipt are based on the diluted number of depositary receipts. The diluted number of depositary receipts on issue at 30 June 2016 was 48,359,535 compared with 47,736,256 at 30 June 2015.

**** The calculation of the deferred tax liabilities takes into account the likelihood that the Company can recover the deferred tax in the case of a possible sale.

***** The fair value of the borrowings with a fixed interest rate from drawdown date to maturity is based on the confirmations received from the bank.

EPRA performance measures*

Reconciliation EPRA cost ratio:

	2015/2016 €'000	2014/2015 €'000
Net service charge	3,197	2,648
Property expenses	29,029	25,697
Company expenses	14,008	11,918
Investment expenses	4,988	4,361
Net expenses joint ventures	(1,418)	64
EPRA costs (including direct vacancy costs)	49,804	44,688
Vacancy costs	(520)	(360)
EPRA costs (excluding direct vacancy costs)	49,284	44,328
Rental income	179,383	172,753
Share of joint venture rental income	8,819	1,183
Gross rental income	188,202	173,936
EPRA cost ratio (including direct vacancy costs)	26.5%	25.7%
EPRA cost ratio (excluding direct vacancy costs)	26.2%	25.5%

* This statement contains additional information which is not part of the IFRS financial statements.

Eurocommercial does not have a policy of capitalising any property, company or investment expenses.

The EPRA cost ratio is not directly comparable between companies due to costs associated with different countries of operation, business models and accounting treatments.

Consolidated financial statements

Consolidated statement of profit or loss

	Note	2015/2016 €'000	2014/2015 €'000
Rental income	4	**179,383**	172,753
Service charge income	4	**26,566**	25,520
Total revenue		**205,949**	198,273
Service charge expenses	4	**(29,763)**	(28,168)
Property expenses	5	**(29,029)**	(25,697)
Net property income	2	**147,157**	144,408
Share of result of joint ventures	14	**6,687**	(731)
Investment revaluation and disposal of investment properties	6	**173,707**	129,835
Company expenses	8	**(14,008)**	(11,918)
Investment expenses	10	**(4,988)**	(4,361)
Other income	11	**2,034**	0
Operating result		**310,589**	257,233
Interest income	7	**1,626**	420
Interest expenses	7	**(38,946)**	(46,200)
Fair value movement derivative financial instruments	7	**(43,211)**	(1,448)
Debt extinguishment	7	**0**	(8,721)
Net financing cost	7	**(80,531)**	(55,949)
Profit before taxation		**230,058**	201,284
Current tax	12	**(145)**	(51)
Deferred tax	12	**(22,514)**	(33,459)
Total tax	12	**(22,659)**	(33,510)
Profit after taxation		**207,399**	167,774
Per depositary receipt (€)*			
Profit after taxation	26	**4.34**	3.91
Diluted profit after taxation	26	**4.31**	3.83

Consolidated statement of comprehensive income

	30-06-16 €'000	30-06-15 €'000
Profit after taxation	**207,399**	167,774
Foreign currency translation differences (to be recycled through profit or loss)	**(8,132)**	(1,603)
Actuarial result on pension scheme (not to be recycled through profit or loss)	**2,126**	(1,045)
Other comprehensive income	**(6,006)**	(2,648)
Total comprehensive income	**201,393**	165,126
Per depositary receipt (€)*		
Total comprehensive income	**4.22**	3.85
Diluted total comprehensive income	**4.19**	3.78

* The Company's shares are listed in the form of bearer depositary receipts on Euronext Amsterdam. One bearer depositary receipt represents ten ordinary registered shares.

Consolidated statement of financial position

	Note	30-06-16 €'000	30-06-15 €'000
Property investments	13	**3,275,928**	2,821,226
Property investments under development	13	**5,000**	4,800
Investments in joint ventures	14	**90,596**	42,598
Tangible fixed assets	15	**1,899**	1,865
Receivables	16	**247**	237
Derivative financial instruments	20	**0**	353
Total non-current assets		**3,373,670**	2,871,079
Receivables	16	**32,874**	31,875
Cash and deposits	17	**124,452**	169,133
Total current assets		**157,326**	201,008
Property investments held for sale	13	**19,630**	39,700
Total assets		**3,550,626**	3,111,787
Creditors	18	**78,136**	78,712
Borrowings	19	**183,586**	58,162
Total current liabilities		**261,722**	136,874
Creditors	18	**10,106**	10,312
Borrowings	19	**1,221,103**	1,102,060
Derivative financial instruments	20	**175,456**	132,076
Deferred tax liabilities	21	**90,569**	69,369
Provision for pensions	22	**0**	2,851
Total non-current liabilities		**1,497,234**	1,316,668
Total liabilities		**1,758,956**	1,453,542
Net assets		**1,791,670**	1,658,245
Equity Eurocommercial Properties shareholders			
Issued share capital	23	**241,291**	238,353
Share premium reserve	24	**522,063**	524,098
Other reserves	25	**820,917**	728,020
Undistributed income		**207,399**	167,774
Total equity		**1,791,670**	1,658,245

Consolidated financial statements

Consolidated statement of cash flows

	Note	2015/2016 €'000	2014/2015 €'000
Cash flow from operating activities			
Profit after taxation		**207,399**	167,774
Adjustments:			
Increase in receivables		**(659)**	(1,980)
Increase in creditors		**6,475**	1,471
Interest income	7	**(1,626)**	(420)
Interest expenses	7	**38,946**	46,200
Movement performance shares granted	24	**749**	459
Investment revaluation and disposal of investment properties	6	**(174,828)**	(129,825)
Derivative financial instruments	7	**43,211**	1,448
Debt extinguishment	7	**0**	8,721
Deferred tax	12	**22,514**	33,459
Current tax	12	**145**	51
Other movements		**(82)**	717
Share of result of joint ventures	14	**(6,687)**	731
		135,557	128,806
Cash flow from operations			
Dividends received from joint ventures		**1,978**	0
Current tax paid		**(1,129)**	(232)
Derivative financial instruments settled	7	**(9,407)**	(2,036)
Borrowing costs		**(2,458)**	(1,833)
Interest paid		**(39,142)**	(46,286)
Interest received		**1,678**	738
		(48,480)	(49,649)
Total cash flow from operating activities		**87,077**	79,157
Cash flow from investing activities			
Acquisitions	13	**(265,649)**	(25,576)
Capital expenditure		**(56,665)**	(23,850)
Property sale		**42,204**	12,902
Investments in joint ventures	14	**(33,049)**	(43,329)
Additions to tangible fixed assets	15	**(870)**	(719)
		(314,029)	(80,572)
Cash flow from financing activities			
Net proceeds issued shares	23	**0**	162,299
Borrowings added	19	**618,563**	291,830
Repayment of borrowings	19	**(367,657)**	(303,546)
Stock options exercised	25	**100**	30,925
Debt extinguishment	7	**0**	(8,721)
Performance shares settled – shares issued		**(111)**	0
Depositary receipts bought back	25	**0**	(26,766)
Dividends paid	24/25	**(68,706)**	(60,429)
Decrease in non-current creditors		**(69)**	(418)
		182,120	85,174
Net cash flow		**(44,832)**	83,759
Currency differences on cash and deposits		**151**	2
Decrease/increase in cash and deposits		**(44,681)**	83,761
Cash and deposits at beginning of year		**169,133**	85,372
Cash and deposits at end of year	17	**124,452**	169,133

Consolidated financial statements

Consolidated statement of changes in shareholders' equity

The movements in shareholders' equity in the financial year ended 30 June 2016 were:

	Issued share capital €'000	Share premium reserve €'000	Other reserves €'000	Undistributed income €'000	Total €'000
30-06-2015	**238,353**	**524,098**	**728,020**	**167,774**	**1,658,245**
Profit after taxation				207,399	207,399
Other comprehensive income			(6,006)		(6,006)
Total comprehensive income	0	0	(6,006)	207,399	201,393
Profit previous financial year			99,087	(99,087)	0
Issued shares	2,886	(2,886)			0
Dividends paid		(19)		(68,687)	(68,706)
Performance shares granted		749			749
Performance shares settled – shares issued	52	363	(526)		(111)
Performance shares vested		(242)	242		0
Stock options exercised			100		100
30-06-2016	**241,291**	**522,063**	**820,917**	**207,399**	**1,791,670**

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

	Issued share capital €'000	Share premium reserve €'000	Other reserves €'000	Undistributed income €'000	Total €'000
30-06-2014	213,875	385,838	687,129	99,790	1,386,632
Profit after taxation				167,774	167,774
Other comprehensive income			(2,648)		(2,648)
Total comprehensive income	0	0	(2,648)	167,774	165,126
Profit previous financial year			39,380	(39,380)	0
Issued shares	24,478	137,820			162,298
Depositary receipts bought back			(26,766)		(26,766)
Dividends paid		(19)		(60,410)	(60,429)
Performance shares granted		459			459
Stock options exercised			30,925		30,925
30-06-2015	238,353	524,098	728,020	167,774	1,658,245

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 2015 and ending 30 June 2016 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 1 July 2015 and Part 9 of Book 2 of the Netherlands Civil Code.

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 2016. 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 1 July 2015 are adopted as such by the Group. Additional information on new standards, amendments and interpretations and the relating effect on the financial statements, if significant and applicable to the Company, has been disclosed in note 1(c).

(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, property investments held for sale and derivative financial instruments. Borrowings and non-current creditors are stated at amortised costs.

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

The financial statements are prepared on a going concern basis and have been authorised for issue on 16 September 2016.

c) Change in accounting policies and reclassifications

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

– IFRS 11 Accounting for Acquisitions of Interests in Joint Operations – Amendments to IFRS 11, effective 1 January 2016. The amendments require an entity acquiring an interest in a joint operation, in which the activity of the joint operation constitutes a business, to apply, to the extent of its share, all of the principles in IFRS 3 and other IFRSs that do not conflict with the requirements of IFRS 11 Joint Arrangements. Furthermore, entities are required to disclose the information required by IFRS 3 and other IFRSs for business combinations. The amendments to IFRS 11 increase the scope of transactions that would need to be assessed to determine whether they represent the acquisition of a business or of an asset, which would require judgement. Entities need to consider the definition of a business carefully and select the appropriate accounting method based on the specific facts and circumstances of the transaction, and risks associated with, the entity's rate regulation and the effects of that rate regulation on its financial statements. The standard will not affect the Group's financial position or performance.

– IAS 1 Disclosure Initiative – Amendments to IAS 1, effective 1 January 2016. The amendments to IAS 1 clarify, rather than significantly change, the existing IAS 1 requirements. The amendments clarify the materiality requirements in IAS 1; that specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated; that entities have flexibility as to the order in which they present the notes to financial statements; that the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss. Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI. The standard will not affect the Group's financial position or performance.

– The IASB issued the 2012-2014 cycle improvements to its standards and interpretations, primarily with a view to removing inconsistencies and clarifying wording. These improvements cover the following standards and subjects. The improvements become effective for financial years beginning on or after 1 January 2016. IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations - Changes in methods of disposal: Assets (or disposal groups) are generally disposed of either through sale or distribution to owners. IFRS 7 Financial Instruments: These improvements are applied retrospectively and clarify disclosures about servicing contracts and disclosures about applicability of the amendments to IFRS 7 to condensed interim financial statements. IAS 19 Employee Benefits - Regional market issue: This improvement is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated. IAS 34 Interim Financial Reporting - Disclosure of information "elsewhere in the interim financial report". This improvement is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report. The standard will not affect the Group's financial position or performance.

Notes to the consolidated financial statements

1. Principal accounting policies continued

- IAS 7 Disclosure Initiative – Amendments to IAS 7, effective 1 January 2017. The amendments to IAS 7 Statement of Cash Flows are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendments are intended to provide information to help investors better understand changes in a company's debt.
- IFRS 2 Classification and Measurement of Share-based Payment Transactions – Amendments to IFRS 2, effective 1 January 2018. The IASB issued amendments to IFRS 2 in relation to the classification and measurement of share-based payment transactions. The amendments address three main areas: The effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled.
- IFRS 9 Financial Instruments, effective 1 January 2018. IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model, which means that a loss event will no longer need to occur before an impairment allowance is recognised. The standard aims to address concerns about 'too little, too late' provisioning for loan losses, and will accelerate recognition of losses. The new model will apply to financial assets that are debt instruments recognised on-balance sheet, such as loans or bonds; and classified as measured at amortised cost or at FVOCI. It will also apply to certain loan commitments and financial guarantees.
- IFRS 15 Revenue from Contracts with Customers, effective 1 January 2018. IFRS 15 replaces all existing revenue requirements in IFRS and applies to all revenue arising from contracts with customers, unless the contracts are in the scope of other standards. Its requirements also provide a model for the recognition and measurement of gains and losses on disposal of certain non-financial assets, including property, plant and equipment and intangible assets. IFRS 15 is more prescriptive than the current IFRS requirements for revenue recognition and provides more application guidance. The disclosure requirements are also more extensive.
- IFRS 16 Leases, effective 1 January 2019. IFRS 16 requires lessees to account for all leases under a single on-balance sheet model. The standard includes two recognition exemptions for lessees – leases of, 'low-value' assets (e.g., personal computers) and short-term leases (i.e. leases with a lease term of 12 months or less). Lessor accounting is substantially unchanged from today's accounting.

The Group is currently assessing the impact of these new standards and improvements.

(d) Critical accounting estimates and assumptions
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.

(e) 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 property investment and financial instruments (accounting policy) notes. 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. The fair value of the derivative financial instruments is determined using a valuation model.

(f) Basis of consolidation
(i) Subsidiaries
Subsidiaries are those entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, the exposure, or rights, to variable returns from its involvement and the ability to use its power to affect the amount of the returns of the entities. In assessing control, potential voting rights that are presently exercisable are taken into account. Some entities are classified as joint ventures when there is joint control in these entities.

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

Notes to the consolidated financial statements

1. Principal accounting policies continued

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

Holgura B.V., Amsterdam	ECP Fastighet Köpet 1 KB, Stockholm
Sentinel Holdings B.V., Amsterdam	ECP Högsbo AB, Stockholm
Eurocommercial Properties Ltd., London	ECP Karlskrona AB, Stockholm
Eurocommercial Properties Caumartin S.N.C., Paris	ECP Moraberg Holding AB, Stockholm
Eurocommercial Properties France S.A.S., Paris	ECP Moraberg KB, Stockholm
Eurocommercial Properties Taverny S.N.C., Paris	Eurocommercial Properties Sweden AB, Stockholm
SCI Chasse Distribution, Paris	Fastighetsbolaget ES Örebro AB, Stockholm
Eurocommercial Gallerie Commerciali S.r.l., Milan	KB Degeln 1, Stockholm
Eurocommercial Management Italia S.r.l., Milan	Kronan Fastigheter i Karlskrona AB, Stockholm
Eurocommercial Properties Italia S.r.l., Milan	Lagergatan i Växjö, AB, Stockholm
Immobiliare 2011 S.r.l., Milan	Premi Fastighets AB, Stockholm
Aktiebolaget Laholm Mellby 2:129, Stockholm	Samarkandfastigheter AB, Stockholm
Aktiebolaget Norrköping Silvret 1, Stockholm	Sar Degeln AB, Stockholm
Aktiebolaget Skövde K-mannen 2, Stockholm	Ugglum Fastigheter AB, Stockholm
Bergvik Köpet 3 KB, Stockholm	

Furthermore, the consolidated financial statements include the joint ventures of SCI Val Commerces in Paris and SCI Winter in Paris, France and Galleria Verde S.r.l. in Milan, Italy.

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

Foreign currency translations

The consolidated financial statements are presented in euros, which is the Company's functional and presentation currency. Assets and liabilities denominated in foreign currencies are translated into euros at the rate of exchange ruling at the balance sheet date. Transactions denominated in foreign currencies are translated at the average monthly exchange rate. Foreign exchange differences arising on translation are recognised in the profit or 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 or loss accounts are translated at the average monthly exchange rates for the period. The exchange differences arising on the retranslation are taken through the other comprehensive income to equity (currency translation reserve). On disposal of a foreign entity, the deferred cumulative amount recognised in other comprehensive income relating to that particular foreign operation will be recognised in the profit or 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 valued semi-annually by qualified independent experts. Each property will be valued by a new appointed independent valuation firm after a period of three years. 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 updated version of the previous June 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.

The qualified independent experts will rotate after three years, so that the expert will not value the same property investment more than three years in a row.

Movements in the fair value of property investments and property investments under development are recognised in the profit or loss account in the period in which they occur.

Notes to the consolidated financial statements

1. Principal accounting policies continued

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 building of property investments under development is capitalised as part of the cost of the investment, the cost amount of which will be published in the notes in addition to the fair value.

Where property is acquired, via corporate acquisitions or otherwise, management considers the substance of the assets and activities of the acquired entity in determining whether the acquisition represents the acquisition of a business. Where such acquisitions are not judged to be an acquisition of a business, they are not treated as business combinations. Rather the cost to acquire the corporate entity is allocated between the identifiable assets and liabilities of the entity based on their relative fair values at the acquisition date. Accordingly, no goodwill or additional deferred taxation arises. Otherwise, acquisitions are accounted for as business combinations.

A sensitivity analysis is carried out by the valuer with particular focus on the most important drivers, which are changes in the rental value and net initial yield, and their effect on the property investment valuation.

Property investments held for sale

Investment property is transferred to property investments held for sale when it is expected that the carrying amount will be recovered principally through sale rather than from continuing use. For this to be the case, the property must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such property and its sale must be highly probable. On re-classification, investment property that is measured at fair value continues to be so measured.

Investments in joint ventures

The Group's investments in joint ventures are accounted for using the equity method. Under the equity method, the investments in joint ventures are initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the joint venture since the acquisition date, measured in accordance with the Group's accounting policies. Goodwill relating to the joint venture is included in the carrying amount of the investment and is not tested for impairment individually. After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its joint venture. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value, and then recognises the difference in the profit or loss account. Upon loss of joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the joint venture upon loss of joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Tangible 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.

Receivables

Receivables are recognised initially at fair value and subsequently at amortised cost, less provision for doubtful debts.

Share capital

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

Borrowings

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 or loss account over the period of the borrowings on an effective interest basis.

Creditors

Creditors are recognised initially at fair value and, for non-current creditors, subsequently at amortised cost basis using the effective interest method.

Notes to the consolidated financial statements

1. Principal accounting policies continued

Derivative financial instruments

The Company and its subsidiaries use derivative financial instruments to hedge (part of) their exposure to foreign exchange (if any instruments at year end date) 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. Derivatives are on the balance sheet at their fair value and the value changes are recognised immediately in the profit or loss account. The Company does not apply hedge accounting as it implements its derivative hedging at a consolidated corporate level.

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 measurement 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, the current creditworthiness of the swap counterparties and the Group's own creditworthiness. Derivative financial instruments concern only derivative interest rate swap contracts and a put option issued to the other partner in a joint venture. The fair value of the derivatives is estimated using a valuation technique and discounting expected future cash flows using current market interest rates and the yield curve over the remaining term of the instrument that are directly or indirectly observable market data. In connection with the non-current borrowings the derivative financial instruments are presented as non-current assets and non-current liabilities.

Provisions

A provision is recognised in the consolidated statement of financial position when a legal or constructive 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 semi-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 other comprehensive income. 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 or 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 charge income and service charge expenses

Service charges for which the Company acts as a principal are presented in the profit or 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 charge expenses also include charges related to vacant units and/or other irrecoverable service charges due to contractual limits or insolvent tenants.

Property expenses (direct and indirect)

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, certain dispossession indemnities 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.

Result in joint ventures

Result in joint ventures reflects the Group's share of the results of operations of the joint venture. Any change in other comprehensive income (OCI) of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint venture. The aggregate of the Group's share of the result of a joint venture is shown in the profit or loss account and represents result after tax and non-controlling interests in the subsidiaries of the joint venture.

The financial statements of the joint ventures are prepared for the same reporting period as the Group.

1. Principal accounting policies continued

Net financing income/cost

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

Company expenses and investment expenses

Company expenses comprise general overheads 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 the part of staff bonuses linked to property value performance, are recognised as investment expenses.

Performance shares granted to employees

Since the financial year 2011/2012 a performance share plan (PSP) has been in place for Managing Directors and certain staff of the Company. The cost of performance shares granted under these plans 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.

Current 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 or loss account.

Tax on profit or loss for a year comprises current tax and deferred tax.

Current 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 or loss account is the movement in deferred tax liabilities and deferred tax assets, if any, during the period. Deferred tax assets and liabilities are netted if 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.

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 rate 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 presented by country (France, Italy, Sweden and The Netherlands). The segmented information in the financial statements is in line with the segments used for internal reporting, however joint ventures are presented in the internal reporting using proportional consolidation. The Netherlands represents assets and liabilities of Eurocommercial Properties N.V. and its offices in Amsterdam and London.

Notes to the consolidated financial statements

2. Segment information

For the consolidated statement of financial position all items are allocated to the respective segments, whereas for the consolidated statement of profit or loss the items net financing cost, company expenses, investment expenses and taxation are not allocated to the respective segments.

2016

For the 12 months ended 30-06-16 €'000	France	Italy	Sweden	The Netherlands*	Total proportional consolidation	Adjustments joint ventures	Total IFRS
Rental income	63,145	87,560	37,497	0	188,202	(8,819)	179,383
Service charge income	8,211	9,867	10,868	0	28,946	(2,380)	26,566
Service charge expenses	(9,697)	(9,624)	(12,647)	0	(31,968)	2,205	(29,763)
Property expenses	(8,061)	(16,064)	(5,685)	0	(29,810)	781	(29,029)
Net property income	53,598	71,739	30,033	0	155,370	(8,213)	147,157
Share of result of joint venture	0	0	0	0	0	6,687	6,687
Investment revaluation and disposal of investment properties	95,761	43,187	41,174	(135)	179,987	(6,280)	173,707
Segment result	149,359	114,926	71,207	(135)	335,357	(7,806)	327,551
Net financing cost – net interest expense					(38,727)	1,407	(37,320)
Net financing cost – other movements					(44,728)	1,517	(43,211)
Company expenses					(14,008)	0	(14,008)
Other income					981	1,053	2,034
Investment expenses					(4,999)	11	(4,988)
Profit before taxation					233,876	(3,818)	230,058
Current tax					(194)	49	(145)
Deferred tax					(26,283)	3,769	(22,514)
Profit after taxation					207,399	0	207,399

As per 30-06-16 €'000	France	Italy	Sweden	The Netherlands*	Total proportional consolidation	Adjustments joint ventures	Total IFRS
Property investments	1,257,100	1,500,300	707,328	0	3,464,728	(188,800)	3,275,928
Property investments under development	5,000	0	0	0	5,000	0	5,000
Investments in joint ventures	0	0	0	0	0	90,596	90,596
Tangible fixed assets	709	747	59	384	1,899	0	1,899
Receivables	20,306	9,227	3,426	604	33,563	(442)	33,121
Cash and deposits	7,107	9,554	14,116	100,764	131,541	(7,089)	124,452
Property investments held for sale	0	0	19,630	0	19,630	0	19,630
Total assets	1,290,222	1,519,828	744,559	101,752	3,656,361	(105,735)	3,550,626
Creditors	32,108	28,301	20,176	5,907	86,492	(8,356)	78,136
Non-current creditors	9,053	1,600	25	0	10,678	(572)	10,106
Borrowings	392,061	850,499	253,650	0	1,496,210	(91,521)	1,404,689
Derivative financial instruments	13,637	148,420	14,916	0	176,973	(1,517)	175,456
Deferred tax liabilities	0	32,198	62,140	0	94,338	(3,769)	90,569
Provision for pensions	0	0	0	0	0	0	0
Total liabilities	446,859	1,061,018	350,907	5,907	1,864,691	(105,735)	1,758,956

For the 12 months ended 30-06-16 €'000	France	Italy	Sweden	The Netherlands*	Total proportional consolidation	Adjustments joint ventures	Total IFRS
Acquisitions, divestments and capital expenditure (including capitalised interest)	(19,857)	358,136	80,365	0	418,644	(140,915)	277,729

* The Netherlands represents assets and liabilities of Eurocommercial Properties N.V. and its offices in Amsterdam and London.

Notes to the consolidated financial statements

2. Segment information continued
2015

For the 12 months ended 30-06-15 €'000	France	Italy	Sweden	The Netherlands*	Total proportional consolidation	Adjustments joint ventures	Total IFRS
Rental income	62,062	75,253	36,621	0	173,936	(1,183)	172,753
Service charge income	7,240	8,003	10,609	0	25,852	(332)	25,520
Service charge expenses	(8,441)	(8,003)	(12,056)	0	(28,500)	332	(28,168)
Property expenses	(7,436)	(13,129)	(5,195)	0	(25,760)	63	(25,697)
Net property income	53,425	62,124	29,979	0	145,528	(1,120)	144,408
Share of result of joint venture	0	0	0	0	0	(731)	(731)
Investment revaluation and disposal of investment properties	57,791	46,667	23,909	(384)	127,983	1,852	129,835
Segment result	111,216	108,791	53,888	(384)	273,511	1	273,512
Net financing cost					(55,949)	0	(55,949)
Company expenses					(11,918)	0	(11,918)
Investment expenses					(4,360)	(1)	(4,361)
Profit before taxation					201,284	0	201,284
Current tax					(51)	0	(51)
Deferred tax					(33,459)	0	(33,459)
Profit after taxation					167,774	0	167,774

As per 30-06-15 €'000	France	Italy	Sweden	The Netherlands*	Total proportional consolidation	Adjustments joint ventures	Total IFRS
Property investments	1,143,500	1,099,100	620,626	0	2,863,226	(42,000)	2,821,226
Property investments under development	4,800	0	0	0	4,800	0	4,800
Investments in joint ventures	0	0	0	0	0	42,598	42,598
Tangible fixed assets	513	1,106	96	150	1,865	0	1,865
Receivables	23,224	5,229	3,045	719	32,217	(105)	32,112
Derivative financial instruments	307	0	46	0	353	0	353
Cash and deposits	3,414	11,225	17,343	138,267	170,249	(1,116)	169,133
Property investments held for sale	39,700	0	0	0	39,700	0	39,700
Total assets	1,215,458	1,116,660	641,156	139,136	3,112,410	(623)	3,111,787
Creditors	38,798	15,823	20,114	4,140	78,875	(163)	78,712
Non-current creditors	9,094	1,653	25	0	10,772	(460)	10,312
Borrowings	398,558	541,898	219,766	0	1,160,222	0	1,160,222
Derivative financial instruments	13,222	102,328	16,526	0	132,076	0	132,076
Deferred tax liabilities	0	19,710	49,659	0	69,369	0	69,369
Provision for pensions	0	0	0	2,851	2,851	0	2,851
Total liabilities	459,672	681,412	306,090	6,991	1,454,165	(623)	1,453,542

For the 12 months ended 30-06-15 €'000	France	Italy	Sweden	The Netherlands*	Total proportional consolidation	Adjustments joint ventures	Total IFRS
Acquisitions, divestments and capital expenditure (including capitalised interest)	86,460	11,541	(9,617)	0	88,384	(43,908)	44,476

* The Netherlands represents assets and liabilities of Eurocommercial Properties N.V. and its offices in Amsterdam and London.

Notes to the consolidated financial statements

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 2016 €1 was SEK 9.4242 (30 June 2015: SEK 9.2149) and €1 was GBP 0.826515 (30 June 2015: GBP 0.7114).

4. Rental income and service charge income and expenses

Rental income

Rental income in the current financial year comprised:

	2015/2016 €'000	2014/2015 €'000
Gross lease payments collected/accrued	178,594	171,599
Entry fees received/accrued	789	1,154
	179,383	172,753

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 and service charge arrangements. In general, the rent is indexed annually over 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.

Entry fees are defined as non-recurring amounts received from a new or existing tenant in connection with a new or renewed lease. Such proceeds must be straight-lined over the term of the lease. This term is defined as the period to the first possible date the tenant can terminate the lease.

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

	2015/2016 €'000	2014/2015 €'000
– less than one year	166,264	140,388
– one to five years	363,205	296,306
– five years or more	123,844	101,901
	653,313	538,595

Approximately 1.8 per cent of the rental income for the year ended 30 June 2016 is turnover rent (2014/2015: 1.1 per cent).

Service charge income and expenses

Service charge income of €26.6 million (2014/2015: €25.5 million) represents income receivable from tenants for the services of utilities, caretakers etc. when the Group acts as principal.

Service charge expenses of €29.7 million (2014/2015: €28.2 million) represent costs related to the services of utilities, caretakers etc. which are received from tenants. The service charge expenses can be higher than the service charge income as costs are not always fully recoverable from tenants.

Notes to the consolidated financial statements

5. Property expenses

Property expenses in the current financial year were:

	2015/2016 €'000	2014/2015 €'000
Direct property expenses		
Bad debts	**606**	406
Centre marketing expenses	**2,230**	2,108
Insurance premiums	**750**	662
Managing agent fees	**1,885**	1,911
Property taxes	**3,236**	2,794
Repair and maintenance	**1,847**	1,424
Shortfall service charges	**581**	392
	11,135	9,697
Indirect property expenses		
Accounting fees	**393**	384
Audit fees	**339**	286
Depreciation fixed assets	**639**	621
Dispossession indemnities	**327**	477
Italian local tax (IRAP)	**1,706**	1,269
Legal and other advisory fees	**1,639**	1,593
Letting fees and relocation expenses	**1,766**	1,710
Local office and accommodation expenses	**1,501**	1,480
Pension contributions	**164**	157
Salaries, wages and bonuses	**5,567**	4,589
Social security charges	**2,235**	1,847
Performance shares granted (IFRS 2)	**173**	102
Travelling expenses	**911**	668
Other local taxes	**334**	536
Other expenses	**200**	281
	17,894	16,000
	29,029	25,697

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 February 2018 and September 2017 respectively. The depreciation amount is €548,000 (2014/2015: €535,000) for the Milan office, €51,000 (2014/2015: €42,000) for the Paris office and €40,000 (2014/2015: €44,000) for the Stockholm office.

6. Investment revaluation and disposal of investment properties

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

	2015/2016 €'000	2014/2015 €'000
Revaluation of property investments	**175,530**	139,760
Revaluation of property investments under development	**(1,380)**	(1,265)
Revaluation of land held for development	**(900)**	(7,071)
Revaluation of property investments held for sale	**(361)**	516
Disinvestment movement property sold	**1,937**	(2,115)
Elimination of accrued entry fees	**(324)**	(521)
Elimination of capitalised letting fees	**(678)**	908
Movement long term creditors	**(64)**	7
Foreign currency results	**(53)**	(384)
	173,707	129,835

The movement of foreign currency results includes a realised amount of €398,000 negative (2014/2015: €42,000 negative) and an unrealised amount of €345,000 positive (2014/2015: €342,000 negative) and comprises foreign currency results on cash, receivables, creditors and other assets and liabilities.

Notes to the consolidated financial statements

7. Net financing costs

Net financing costs in the current financial year comprised:

	2015/2016 €'000	2014/2015 €'000
Interest income	**1,626**	421
Gross interest expense	**(39,974)**	(46,853)
Capitalised interest	**1,028**	652
Unrealised fair value movement derivative financial instruments	**(33,804)**	588
Realised fair value movement derivative financial instruments	**(9,407)**	(2,036)
Debt extinguishment	**0**	(8,721)
	(80,531)	(55,949)

Gross interest expense consists of interest payable on loans calculated using the effective interest rate method and on derivative financial instruments. 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 4.2 per cent (2014/2015: 4.4 per cent).

8. Company expenses

Company expenses in the current financial year comprised:

	2015/2016 €'000	2014/2015 €'000
Audit fees	**323**	247
Depreciation fixed assets	**211**	140
Directors' fees	**1,986**	1,615
Legal and other advisory fees	**1,153**	1,039
Marketing expenses	**599**	542
Office and accommodation expenses	**1,800**	1,569
Pension costs*	**616**	829
Salaries, wages and bonuses	**4,908**	3,688
Social security charges	**567**	568
Statutory costs	**510**	535
Performance shares granted (IFRS 2)	**162**	127
Travelling expenses	**600**	486
Other expenses	**573**	533
	14,008	11,918

* €1,252,000 of pension costs are allocated to the direct investment result and €637,000 to the indirect investment result.

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 2023 and March 2018 respectively. The depreciation amount is €210,000 (2014/2015: €134,000) for the Amsterdam office and €1,000 (2014/2015: €6,000) for the London office.

Notes to the consolidated financial statements

9. Personnel costs

Total personnel costs in the current financial year comprised:

	2015/2016 €'000	2014/2015 €'000
Salaries and wages	9,778	8,547
Social security charges and taxes	3,492	2,876
Pension costs	829	1,023
Bonuses	5,609	3,114
Performance shares granted (IFRS 2)	749	459
	20,457	16,019

Total personnel costs are partly presented under (indirect) property expenses (€8,139,000 (2014/2015: €6,695,000)), partly under company expenses (remuneration of the members of the Board of Management inclusive) (€7,974,000 (2014/2015: €6,595,000)) and partly under investment expenses (€4,344,000 (2014/2015: €2,729,000)).The pension costs consist of €1,465,000 of pension contributions (2014/2015: €1,402,000) and a negative amount of €637,000 of fair value movement defined benefit plan (2014/2015: negative amount of €379,000). The bonuses paid to senior executives are directly linked to the annual growth in the Company's net asset value, the dividend per depositary receipt and the annual relative performance as per 30 June of the listed depositary receipts of the Company compared to a peer group of ten listed retail property companies. For this financial year, the relative outperformance was 6.78% (in the previous financial year there was no relative performance). The Group employed an average of 82 full-time equivalent persons during the financial year (2014/2015: 72), of which 15 are based in The Netherlands, 10 in the UK, 21 in France, 28 in Italy and eight in Sweden. The Group staff (members of the Board of Management excluded) holds 40,540 depositary receipts, representing 0.08 per cent of the issued share capital of the Company.

10. Investment expenses

Investment expenses in the current financial year comprised:

	2015/2016 €'000	2014/2015 €'000
Aborted acquisition costs	181	1,219
Bonuses linked to NAV growth and relative outperformance	3,382	2,148
Social security charges and taxes related to bonuses linked to NAV growth and relative outperformance	548	351
Performance shares granted (IFRS 2)	414	230
Property valuation fees	463	413
	4,988	4,361

11. Other income

Other income in the current financial year was related to advisory compensation and guarantee fees received from joint ventures.

Notes to the consolidated financial statements

12. Taxation

Total tax in the current financial year comprised:

	2015/2016 €'000	2014/2015 €'000
Current tax Italy	**139**	33
Current tax United Kingdom	**6**	18
Current tax	**145**	51
Deferred tax on realised value movements disposal property Sweden	**0**	35
Deferred tax on unrealised value movements investment property Italy and Sweden	**24,021**	58,892
Deferred tax on unrealised value movements derivative financial instruments Italy and Sweden	**(4,073)**	(28,240)
Movement tax losses recognised Italy and Sweden	**2,566**	2,772
Deferred tax	**22,514**	33,459
Total tax	**22,659**	33,510

Reconciliation of total tax:

	2015/2016 €'000	2014/2015 €'000
Tax-exempt income (including effect of FBI and SIIC)	**144,528**	98,113
Profit before tax attributable to Swedish tax rate of 22%	**53,100**	32,653
Profit before tax attributable to Italian tax rate of 24%/27.9%	**32,366**	70,413
Profit before tax attributable to UK tax rate of 20%	**64**	105
Profit before taxation	**230,058**	201,284
Tax on profit before tax attributable to Italian taxable subsidiaries at a tax rate of 24%/27.9%	**11,497**	19,364
Tax on profit before tax attributable to Swedish taxable subsidiaries at a tax rate of 22%	**11,682**	7,184
Tax on profit before tax attributable to UK taxable subsidiary at a tax rate of 20%	**13**	24
Benefit due to tax rate	**(3,668)**	0
Usage of unrecognised tax losses Italy	**0**	(1,657)
Benefit of property sale Sweden	**0**	35
Non-taxable income/expense Italy, Sweden and UK	**3,135**	8,560
Total tax	**22,659**	33,510

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 24 per cent or 27.9 per cent depending on the type of property and in Sweden the nominal tax rate is 22 per cent. The nominal tax rate for the subsidiary in the United Kingdom is 20 per cent.

The books for the financial years 2009/2010 to 2012/2013 of the Italian subsidiary Eurocommercial Properties Italia S.r.l. have been audited by the Italian tax authorities. This led to the issue of notices by the Italian tax authorities on one item and for a non-material amount for the financial years 2009/2010 to 2011/2012. The Italian tax court of first instance rendered a decision in favour of the Company, but the tax authorities still have the possibility to appeal. The Company firmly believes it acted properly.

13. Property investments, property investments under development and property investments held for sale

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. All properties in the Group are freehold. The qualified independent valuers have prepared their appraisals 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). These standards require that valuers, amongst other activities, collect a variety of data, including general economic data, property specific data and market supply and demand data. Property specific data include passing rent and future rent, expenses, lease terms, lease incentives, vacancies etc. The data and valuation methodologies used are set out in the independent valuation reports. All properties were revalued at 30 June 2016.

On 2 November 2015, Eurocommercial completed the acquisition of 19,000m² of additional retail space at Bergvik in Karlstad for SEK 600 million (€64.6 million). At the end of December 2015, Eurocommercial acquired Centro Commerciale Collestrada in Perugia, Umbria for an amount of €113 million. The acquisition of the hypermarket and additional gallery at I Gigli shopping centre in Florence was completed on 28 April 2016, bringing the Company's ownership of the centre to 100%. The total cost of acquiring the additional space and undertaking the construction and improvement works is €100 million.

Property investments held for sale

The book value of property investments held for sale is stated at fair value and is entirely related to Kronan in Karlskrona. On 1 March 2016, Eurocommercial completed the sale of Saint Doulchard in Bourges to Casino Group for a price of €42.2 million.

Purchasers' costs

The total purchasers' costs including registration tax, which are excluded from the fair value of the property investments, property investments under development and property investments held for sale, for the financial year ended 30 June 2016 were as follows:

	30-06-16				30-06-15			
	France	**Italy**	**Sweden**	**Total**	France	Italy	Sweden	Total
Purchasers' costs (%)	**6.9**	**4.0**	**1.0**	**4.4**	6.4	4.0	1.0	4.3
Purchasers' costs (€'000)	**83,739**	**54,166**	**7,270**	**145,175**	73,239	43,993	6,170	123,402

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. There were no valuation reports for this financial year which contained an uncertainty paragraph setting out these circumstances.

Vacancies in the property portfolio represent 0.8 per cent of rental income (30 June 2015: 0.4 per cent).

Fair value hierarchy

All property investments, including property investments under development and property investments held for sale are at level 3.

Notes to the consolidated financial statements

13. Property investments, property investments under development and property investments held for sale continued

The current property portfolio is:

	30-06-16 Book value €'000	30-06-15 Book value €'000	30-06-16 Costs to date €'000	30-06-15 Costs to date €'000
France				
Amiens Glisy, Amiens* ****	**60,400**	48,900	**23,084**	16,174
Les Grands Hommes, Bordeaux	**18,200**	18,000	**18,270**	18,255
Saint Doulchard, Bourges	**0**	39,700	**0**	49,693
Chasse Sud, Chasse-sur-Rhône*	**86,500**	65,900	**72,034**	66,650
Les Allées de Cormeilles, Cormeilles*	**46,100**	43,500	**44,741**	44,679
Shopping Etrembières, Etrembières ***	**5,000**	4,800	**7,644**	6,065
Les Trois Dauphins, Grenoble*	**40,100**	39,700	**26,777**	26,621
Centr'Azur, Hyères*	**55,400**	53,700	**21,644**	21,686
Plaine de France, Moisselles*	**81,900**	76,100	**63,703**	63,291
Passage du Havre, Paris*	**405,400**	366,500	**189,428**	189,442
74 rue de Rivoli, Paris*	**70,800**	64,500	**20,725**	20,725
Les Portes de Taverny, Taverny*	**65,400**	62,600	**25,921**	25,784
Val Thoiry, Thoiry	**135,800**	122,800	**136,757**	131,592
Les Atlantes, Tours*	**146,700**	139,300	**65,002**	64,710
	1,217,700	1,146,000	**715,730**	745,367
Italy				
Curno, Bergamo*	**112,200**	103,300	**35,600**	34,782
Centro Lame, Bologna*	**39,800**	38,600	**29,998**	30,038
Cremona Po, Cremona*	**83,900**	83,100	**87,217**	86,253
Il Castello, Ferrara*	**113,900**	106,900	**84,922**	84,924
I Gigli, Florence* ****	**383,500**	280,200	**304,352**	215,892
Centro Leonardo, Imola*	**70,500**	67,900	**64,967**	64,968
La Favorita, Mantova*	**46,600**	44,600	**34,211**	34,222
Carosello, Carugate, Milan*	**320,800**	302,300	**202,268**	189,583
I Portali, Modena*	**48,500**	47,500	**47,242**	46,781
Collestrada, Perugia*	**110,400**	0	**114,031**	0
Centroluna, Sarzana*	**25,800**	24,700	**14,892**	14,915
	1,355,900	1,099,100	**1,019,700**	802,358
Sweden				
421, Göteborg*	**83,296**	82,692	**89,728**	89,117
Eurostop, Halmstad	**80,856**	72,274	**84,095**	73,814
Kronan, Karlskrona* **	**19,630**	20,185	**17,936**	17,540
Bergvik, Karlstad* ****	**151,313**	74,770	**108,322**	39,714
Mellby Center, Laholm*	**19,524**	19,317	**15,706**	15,671
Ingelsta Shopping, Norrköping*	**121,707**	113,295	**93,563**	93,490
Elins Esplanad, Skövde*	**84,888**	82,258	**59,091**	59,002
Moraberg, Södertälje	**48,599**	47,749	**38,915**	38,895
Grand Samarkand, Växjö*	**117,145**	108,086	**79,748**	79,497
	726,958	620,626	**587,104**	506,740
	3,300,558	2,865,726	**2,322,534**	2,054,465
Less: Property investments under development	**(5,000)**	(4,800)	**7,644**	(6,065)
Less: Property investments held for sale	**(19,630)**	(39,700)	**(17,936)**	(49,693)
Property investments	**3,275,928**	2,821,226	**2,312,242**	1,998,707

* These properties carry mortgage debt up to €1,340 million at 30 June 2016 (30 June 2015: €1,155 million).

** This property is transferred to property investments held for sale.

*** This parcel of land is next to Shopping Etrembières (partly owned via a joint venture) and is classified as property investments under development.

**** Including acquisitions.

Notes to the consolidated financial statements

13. Property investments, property investments under development and property investments held for sale continued

Assumptions and sensitivity analysis

The following assumptions were applied by the valuers as per 30 June 2016:

	30-06-16			30-06-15		
	France	Italy	Sweden	France	Italy	Sweden
Passing rent per m² (€; average)	**298**	**292**	**209**	272	321	185
Estimated rent value per m² (€; average)	**321**	**298**	**223**	296	322	185
Net initial yield (%; average)	**4.3**	**5.5**	**4.8**	4.7	6.0	5.3
Reversionary yield (%; average)	**4.9**	**6.1**	**5.8**	5.4	6.1	5.5
Inflation rate (%; min/max)*	**n.a**	**1.5/1.9**	**1.9/2.0**	n.a.	1.4/2.0	1.9/2.0
Long term growth in rental value (%; min/max)*	**n.a**	**1.5/1.9**	**n.a.**	n.a.	1.4/2.0	n.a.

* When DCF method is used.

A sensitivity analysis of the valuations is made by the valuers based on the assumptions of the two major items listed below. The amounts reflect the increase or decrease of the value of the respective property portfolio.

	30-06-16				30-06-15			
	France €'000	Italy €'000	Sweden €'000	Total €'000	France €'000	Italy €'000	Sweden €'000	Total €'000
Increase in the average net initial yield by 25 bps	**(67,170)**	**(57,790)**	**(34,240)**	**(159,200)**	(56,240)	(42,750)	(26,660)	(125,650)
Increase in the average net initial yield by 50 bps	**(123,090)**	**(110,290)**	**(66,180)**	**(299,560)**	(105,930)	(82,500)	(50,530)	(238,960)
Decrease in the average net initial yield by 25 bps	**72,770**	**63,170**	**40,510**	**176,450**	60,370	47,210	27,890	135,470
Decrease in the average net initial yield by 50 bps	**158,360**	**132,220**	**84,730**	**375,310**	129,900	98,210	59,110	287,220
Increase in the estimated rental value of 5 per cent	**52,350**	**43,750**	**33,750**	**129,850**	43,670	37,810	25,240	106,720
Increase in the estimated rental value of 10 per cent	**105,220**	**87,020**	**67,400**	**259,640**	81,900	75,430	52,210	209,540
Decrease in the estimated rental value of 5 per cent	**(53,300)**	**(42,500)**	**(33,750)**	**(129,550)**	(50,760)	(37,260)	(29,010)	(117,030)
Decrease in the estimated rental value of 10 per cent	**(106,380)**	**(85,380)**	**(67,610)**	**(259,370)**	(98,450)	(75,070)	(56,090)	(229,610)

Notes to the consolidated financial statements

13. Property investments, property investments under development and property investments held for sale continued

Changes in property investments and property investments held for sale for the financial year ended 30 June 2016 were as follows:

	30-06-16 €'000	30-06-15 €'000
Book value at beginning of year	**2,860,926**	2,688,603
Acquisitions	**265,649**	20,955
Capital expenditure – general	**8,391**	3,865
Capital expenditure – extensions and refurbishments	**40,489**	30,553
Capitalised interest	**1,027**	652
Capitalised letting fees	**678**	(908)
Elimination of capitalised letting fees	**(678)**	908
Revaluation of land held for development	**(900)**	(7,071)
Revaluation of property investments	**175,530**	139,760
Revaluation of property investments held for sale	**(361)**	516
Book value divestment property	**(40,086)**	(14,653)
Exchange rate movement	**(15,107)**	(2,254)
Book value at end of year	**3,295,558**	2,860,926

Changes in property investments under development for the financial year ended 30 June 2016 were as follows:

	30-06-16 €'000	30-06-15 €'000
Book value at beginning of year	**4,800**	0
Acquisitions	**0**	6,065
Capital expenditure	**1,580**	0
Revaluation property investments under development	**(1,380)**	(1,265)
Book value at end of year	**5,000**	4,800

Notes to the consolidated financial statements

14. Investments in joint ventures

The joint ventures reported in this statement have a calendar year end, unlike the Group which has a June year end. However, the figures reported for the joint ventures are for the same reporting period as the Group and are provided from the date of acquisition. There are no contingent liabilities or post balance sheet events in the joint ventures. There are no unrecognised losses and no restrictions on the joint ventures' cash dividends or on the repayment of loans and advances. During this financial year, dividends for a total amount of €1.98 million were paid by the joint ventures.

On 29 October 2015, Eurocommercial completed the purchase of a 50 per cent interest in the company Galleria Verde S.r.l. for the Fiordaliso shopping centre at a price of €121 million. At the end of March 2016, the Group completed the acquisition of 50 per cent of the adjoining retail park at Fiordaliso for €14 million also owned by Galleria Verde S.r.l. The investment is classified as a joint venture, as it is a strategic investment for the Group.

The French joint ventures are funded both by the Group and its partner. In February 2016, the Company's Italian joint venture Galleria Verde S.r.l. entered into a five year loan for €160 million with the Italian branches of ING Bank and BNP Paribas and an additional loan of €25 million with UBI S.p.A. also for five years. Both loans have an option to extend for another five years. The funds were utilised by the joint venture to repay its loan to Eurocommercial Italia S.r.l. The loans are hedged with interest rate swaps for a notional amount of €160 million with an average maturity date of seven years and an average interest rate of 0.21 per cent as per 30 June 2016.

Property	Etrembières	Etrembières	Fiordaliso	Total	Etrembières	Etrembières	Total
Country	France	France	Italy		France	France	
ECP ownership	50%	50%	50%		50%	50%	
Company name	SCI Val Commerces	SCI Winter	Galleria Verde S.r.l.		SCI Val Commerces	SCI Winter	
Summarised profit or loss account	2015/2016 €'000	2015/2016 €'000	2015/2016 €'000	2015/2016 €'000	2014/2015 €'000	2014/2015 €'000	2014/2015 €'000
Rental income	4,756	86	12,796	17,638	2,320	48	2,368
Property expenses	(302)	(6)	(1,254)	(1,562)	(122)	(4)	(126)
Service charge income	828	44	3,888	4,760	642	24	666
Service charge expenses	(1,060)	(36)	(3,314)	(4,410)	(650)	(16)	(666)
Investment revaluation	4,258	298	8,004	12,560	(3,552)	(148)	(3,700)
Net interest expenses	0	0	(2,816)	(2,816)	0	0	0
Net derivatives movements	0	0	(3,034)	(3,034)	0	0	0
Other expenses to Group companies	0	0	(2,106)	(2,106)	0	0	0
Financial and investment expenses	(4)	0	(16)	(20)	(4)	0	(4)
Deferred tax	0	0	(7,538)	(7,538)	0	0	0
Corporate income tax	0	0	(98)	(98)	0	0	0
Result after taxation	8,476	386	4,512	13,374	(1,366)	(96)	(1,462)
Other comprehensive income	0	0	0	0	0	0	0
Total comprehensive income	8,476	386	4,512	13,374	(1,366)	(96)	(1,462)
ECP share of total comprehensive income	4,238	193	2,256	6,687	(683)	(48)	(731)

Summarised statement of financial position	2015/2016 €'000	2015/2016 €'000	2015/2016 €'000	2015/2016 €'000	2014/2015 €'000	2014/2015 €'000	2014/2015 €'000
Property investments (non-current)	85,660	3,140	288,800	377,600	81,178	2,822	84,000
Cash and deposits (current)	2,700	140	11,338	14,178	2,168	64	2,232
Debtors (current)	242	6	636	884	210	2	212
Total assets	88,602	3,286	300,774	392,662	83,556	2,888	86,444
Creditors (current)	846	30	15,836	16,712	320	6	326
Borrowings (current)	0	0	3,200	3,200	0	0	0
Creditors (non-current)	908	6	230	1,144	918	4	922
Borrowings (non-current)	0	0	179,842	179,842	0	0	0
Derivatives financial instruments (non-current)	0	0	3,034	3,034	0	0	0
Deferred tax	0	0	7,538	7,538	0	0	0
Total liabilities	1,754	36	209,680	211,470	1,238	10	1,248
Net assets	86,848	3,250	91,094	181,192	82,318	2,878	85,196
ECP share of net assets in joint ventures	43,424	1,625	45,547	90,596	41,159	1,439	42,598

Notes to the consolidated financial statements

15. 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 della Moscova 3, Milan, 107, rue Saint Lazare, Paris and Kungsgatan 48, 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:

	30-06-16 €'000	30-06-15 €'000
Book value at beginning of year	**1,865**	1,906
Additions	**870**	719
Depreciation	**(850)**	(761)
Exchange rate movement	**14**	1
Book value at end of year	**1,899**	1,865
Cost at end of year	**6,041**	5,332
Accumulated depreciation	**(4,117)**	(3,428)
Accumulated exchange movements	**(25)**	(39)
Book value at end of year	**1,899**	1,865

During the financial year ended 30 June 2016 tangible fixed assets with a total cost price of €161,000 were disposed of or out of use (30 June 2015: disposals €355,000).

16. Receivables

	30-06-16 €'000	30-06-15 €'000
Funds held by managing agents	**1,436**	2,701
Rents receivable	**21,876**	21,475
Prepaid acquisition costs	**0**	233
Provision for bad debts	**(1,526)**	(1,233)
VAT receivable	**5,451**	3,523
Other receivables and prepayments	**5,884**	5,413
	33,121	32,112

Receivables at 30 June 2016 include an amount of €0.2 million (30 June 2015: €0.2 million) which is due after one year.

17. Cash and deposits

Cash and deposits consist of amounts held as bank balances and other liquid assets. All bank balances and deposits are freely available.

	30-06-16 €'000	30-06-15 €'000
Bank balances	**124,428**	131,004
Deposits	**24**	38,129
	124,452	169,133

18. Creditors

	30-06-16 €'000	30-06-15 €'000
(i) Current liabilities		
Interest payable	**7,246**	7,597
Local and property tax payable	**1,925**	416
Payable on purchased property/extensions	**17,667**	24,055
Rent received in advance	**23,150**	24,185
VAT payable	**1,568**	0
Other creditors and accruals	**26,580**	22,459
	78,136	78,712
(ii) Non-current liabilities		
Tenant rental deposits	**10,106**	10,312
	10,106	10,312

Notes to the consolidated financial statements

19. Borrowings

	30-06-16 €'000	30-06-15 €'000
Book value at beginning of year	**1,160,222**	1,173,236
Drawdown of funds	**618,563**	291,830
Repayments	**(367,657)**	(303,546)
Exchange rate movement	**(5,200)**	(262)
Movement prepaid borrowing costs	**(1,239)**	(1,036)
Book value at end of year	**1,404,689**	1,160,222

86 per cent of the borrowings are at a floating interest rate (30 June 2015: 88 per cent), rolled over for a period of generally three months. The interest rate risk is managed by using interest rate swaps and other derivatives. 13 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.

At 30 June 2016 the Group has at its disposal undrawn borrowing facilities for a total amount of €71 million (30 June 2015: €110 million). These amounts are committed and immediately available to the Company and are eventually subject to reimbursement schemes. At 30 June 2016 the Group has also at its disposal undrawn borrowing facilities, which are not committed, for a total amount of €59 million (30 June 2015: €135 million).

	Borrowings €'000	Borrowing cost €'000	30-06-16 €'000	Fair value €'000	30-06-16 %	30-06-15 €'000	Fair value €'000	30-06-15 %
Borrowings with floating interest rate	**1,221,828**	**(4,102)**	**1,217,726**	**1,221,828**	**86**	1,023,492	1,026,300	88
Borrowings with fixed interest rate	**188,346**	**(1,383)**	**186,963**	**201,381**	**14**	136,730	146,120	12
Total borrowings	**1,410,174**	**(5,485)**	**1,404,689**	**1,423,209**	**100**	1,160,222	1,172,420	100

The borrowings are all directly from major banks with average committed unexpired terms of almost five years. Borrowings of €1,340 million are secured on property (30 June 2015: €1,155 million). The average interest rate during the financial year ended 30 June 2016 on non-current borrowings including hedges was 3.5 per cent (2014/2015: 4.1 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 2016.

	30-06-16				30-06-15
Borrowings maturity profile	Secured €'000	Unsecured €'000	Total borrowings €'000	Average interest rate during the year in %	Total borrowings €'000
Current borrowings	**119,025**	**64,561**	**183,586**	**0.7**	58,162
Non-current borrowings:					
One to two years	**214,532**	**0**	**214,532**		127,483
Two to five years	**355,261**	**0**	**355,261**		342,714
Five to ten years	**525,046**	**0**	**525,046**		498,624
More than ten years	**131,749**	**0**	**131,749**		137,489
Total non-current borrowings	**1,226,588**	**0**	**1,226,588**	**3.5**	1,106,310
Borrowing costs	**(5,485)**	**0**	**(5,485)**		(4,250)
Total borrowings	**1,340,128**	**64,561**	**1,404,689**	**2.9**	1,160,222

Notes to the consolidated financial statements

19. Borrowings continued

Currency and interest rate profile	Fixed rate borrowings €'000*	Floating rate borrowings €'000**	Total borrowings €'000	Average interest rate at 30 June in %	Average interest maturity in years	Average maturity of borrowings in years
2015/2016						
Euro	**824,292**	**332,076**	**1,156,368**	**2.9**	**7.5**	**5.5**
Swedish krona	**170,731**	**83,075**	**253,806**	**3.2**	**3.0**	**2.0**
Borrowing costs	**(5,485)**	**0**	**(5,485)**			
	989,538	**415,151**	**1,404,689**	**2.9**	**6.9**	**4.8**
2014/2015						
Euro	797,172	147,339	944,511	3.6	9.1	6.8
Swedish krona	131,201	88,760	219,961	3.4	3.9	1.8
Borrowing costs	(4,250)	0	(4,250)			
	924,123	236,099	1,160,222	3.6	8.2	5.9

* Fixed rate borrowings consist of five 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.

In July 2015 the Company renewed its existing loan of €20 million for eight years with UBI-Banca Popolare Commercio e Industria. The acquisition of shopping centre Collestrada has been financed by a five year loan of €60 million with Monte dei Paschi di Siena. In April and June 2016, two five year loans were entered into for a total amount of €179 million through Unicredit to refinance existing loans on the I Gigli shopping centre and to purchase the hypermarket and the remainder of the gallery not already owned. The loans have an option to extend for another five years. In June 2016, a four year fixed rate loan was entered into for an amount of SEK 500 million (c. €53 million) to refinance a loan on Grand Samarkand in Sweden.

Further information about borrowings and bank covenants can be found in note 28.

20. 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 impact 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 Group 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 in their position as lenders have a credit rating of AA (8 per cent), AA- (15 per cent), A+ (22 per cent), A- (2 per cent), BBB+ (31 per cent), BBB (5 per cent), B- (8 per cent) and 9 per cent has no rating from Fitch; and Aa1 (9 per cent), Aa2 (9 per cent), Aa3 (16 per cent), A1 (22 per cent), Baa1 (35 per cent), Baa2 (1 per cent) and B3 (8 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 basis of their financial strength.

The carrying amounts of the financial assets represent the maximum credit risk and was made up as follows:

Carrying amount of financial assets	Note	30-06-16 €'000	30-06-15 €'000
Receivables	16	**33,121**	32,112
Derivative financial instruments		**0**	353
Cash and deposits	17	**124,452**	169,133
		157,573	201,598

Notes to the consolidated financial statements

20. Financial instruments continued

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

	30-06-16				30-06-15			
	Rents receivable €'000	Provision for bad debts €'000	Other receivables €'000	Receivables €'000	Rents receivable €'000	Provision for bad debts €'000	Other receivables €'000	Receivables €'000
Due	**15,902**	**0**	**0**	**15,902**	16,992	0	0	16,992
Overdue by 0-90 days	**3,898**	**(4)**	**12,771**	**16,665**	3,017	(165)	11,870	14,722
Overdue by 90-120 days	**(98)**	**(56)**	**0**	**(154)**	291	(14)	0	277
Overdue by more than 120 days	**2,174**	**(1,466)**	**0**	**708**	1,175	(1,054)	0	121
	21,876	**(1,526)**	**12,771**	**33,121**	21,475	(1,233)	11,870	32,112

With respect to the rents receivable, the Group holds rental deposits from its tenants totalling €10.1 million (2015: €10.3 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 87 per cent of borrowings are long-term, with 47 per cent of borrowings with a remaining term of almost 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 almost five years. Group borrowings will not exceed the adjusted net equity of the Company, so that the net 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. The net debt to adjusted net equity ratio at 30 June 2016 was 0.62 (30 June 2015: 0.53) under IFRS.

Apart from these obligations and commitments, the Netherlands fiscal investment institution status of the Company imposes financial limits and requires the Company to distribute its fiscal income as a cash dividend to the shareholders.

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

	30-06-16				30-06-15			
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	**1,226,587**	**0**	**569,793**	**656,794**	1,106,310	0	470,197	636,113
Current borrowings	**183,586**	**183,586**	**0**	**0**	58,162	58,162	0	0
Interest derivative financial instruments	**153,756**	**19,899**	**77,339**	**56,518**	210,670	29,244	85,563	95,863
Interest on borrowings	**78,858**	**13,511**	**41,965**	**23,382**	76,839	12,279	38,816	25,744
Tenant rental deposits	**11,521**	**4,558**	**3,994**	**2,969**	11,818	2,310	6,147	3,361
Other creditors	**70,890**	**70,890**	**0**	**0**	71,115	71,115	0	0
	1,725,198	**292,444**	**693,091**	**739,663**	1,534,914	173,110	600,723	761,081

Foreign currency risk

Individual subsidiaries primarily execute their operating activities in their respective functional currencies which primarily comprise the euro and the Swedish krona. As a result, the Company has only a rather limited foreign currency exposure related to its day-to-day operations in the various countries. Since the financial reporting currency of the Company is the euro, the financial statements of those non-euro operating subsidiaries are translated so that the financial results can be presented in the Company's consolidated financial statements.

Due to 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 €253.8 million (30 June 2015: €220.0 million). The total property investments in Sweden are €727 million (30 June 2015: €620.6 million) so 35 per cent of this SEK exposure is hedged through these borrowings at 30 June 2016 (30 June 2015: 35 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 five per cent would result, for example, in a decrease of shareholders' equity of only 1.0 per cent and a decrease of only 1.1 per cent of reported direct investment result.

The Group also has a small foreign currency exposure of approximately €8.8 million to the British pound as a result of company expenses relating to the London office and staff.

20. 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 2016 is a negative value of €163.9 million (30 June 2015: negative €131.7 million).

The interest rate hedge instruments as at 30 June 2016 have a weighted average maturity of almost seven years and the Company is hedged at an average interest rate of 2.8 per cent excluding margins (30 June 2015: 3.2 per cent). Only 29 per cent (30 June 2015: 20 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 €4.15 million (30 June 2015: €2.36 million) or 4.04 per cent (30 June 2015: 2.7 per cent) of reported direct investment result.

If at 30 June 2016 the euro interest curve and the Swedish krona interest curve were 50 basis points higher, the fair value movement for derivative financial instruments would have increased the result by €43.8 million. If the interest curves were 50 basis points lower, the fair value movement for derivative financial instruments would have decreased the result by €47.2 million. Both calculations assume that all other variables were held constant and do not take into account the impact of deferred tax.

Maturity profile derivative financial instruments	30-06-16 Notional amount €'000	30-06-16 Fair value €'000	30-06-15 Notional amount €'000	30-06-15 Fair value €'000
Up to one year	**0**	**0**	0	0
From one year to two years	**37,139**	**(8,849)**	0	0
From two years to five years	**359,537**	**(48,886)**	328,497	(50,786)
From five years to ten years	**295,000**	**(28,486)**	326,704	(33,621)
Over ten years	**115,000**	**(77,683)**	135,000	(47,316)
	806,676	**(163,904)**	790,201	(131,723)

Derivative financial instruments comprise the fair value of interest rate swap contracts entered into to hedge the Group's interest rate exposure.

In addition to the notional amounts of the derivative financial instruments presented in the previous table, the financial instruments portfolio as per the balance sheet date include forward starting interest rate swaps to extend existing interest rate swaps then maturing for a notional amount of €205 million (2015: €195 million), forward starting interest rate swaps for a notional amount of €66 million (2015: €32 million) and basis interest rate swaps swapping three months Euribor for one month Euribor for a notional amount of €80 million (2015: €80 million). Although the notional amounts of the aforesaid financial instruments are not included in the previous table, the fair value of these financial instruments is reported.

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

Derivative financial instruments	30-06-16 €'000	30-06-15 €'000
Book value at beginning of year	**(131,723)**	(132,379)
Unrealised fair value movement interest rate swaps	**(41,899)**	588
Realised fair value movement interest rate swap	**9,407**	0
Exchange rate movement	**311**	68
Fair value Galleria Verde put option	**(11,552)**	0
Book value at end of year	**(175,456)**	(131,723)

The Galleria Verde put option relates to the Company's joint venture partner, which has the option to put its 50 per cent interest in Galleria Verde to the Company at a 4 per cent premium to the latest market value. The put option matures on 29 October 2025.

Notes to the consolidated financial statements

20. Financial instruments continued

Effective interest rate and aging analysis

The following table shows the effective interest rate (variable rate is based on Euribor/Stibor as at 30 June 2016) on financial assets on which interest is receivable and liabilities on which interest is payable as at the balance sheet date. This table also includes an ageing analysis according to interest rate revision dates of these assets and liabilities.

	30-06-16				30-06-15			
	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 (%)	0.73	2.41	2.75	(0.28)	0.97	1.70	3.48	(0.03)
Up to one year (€'000)	180,624	2,962	0	0	55,281	2,880	0	0
From one year to two years (€'000)	211,486	3,047	37,139	37,139	124,521	2,962	0	0
From two years to five years (€'000)	292,535	62,726	359,537	359,537	333,312	9,403	328,497	328,497
From five years to ten years (€'000)	458,183	66,862	295,000	295,000	430,186	68,438	326,704	326,704
Over ten years (€'000)	79,000	52,749	115,000	115,000	83,000	54,489	135,000	135,000
	1,221,828	188,346	806,676	806,676	1,026,300	138,172	790,201	790,201

The following table shows the periods in which the interest cash flows (variable interest is based on Euribor/Stibor as at 30 June 2016) 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	8,976	4,535	22,145	(2,246)	33,410
From one year to two years	7,680	4,453	23,967	(2,425)	33,675
From two years to five years	16,987	12,845	61,799	(6,002)	85,629
From five years to ten years	6,503	10,169	37,499	(3,429)	50,742
Over ten years	1,178	5,533	24,707	(2,259)	29,159
	41,324	37,535	170,117	(16,361)	232,615

Fair value of financial instruments

The financial statements have been prepared on an historical cost basis, except for property investments, property investments under development, property investments held for sale 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. Financial liabilities measured at amortised cost.

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

			30-06-16 €'000		30-06-15 €'000	
	Note	Categories in accordance with IAS 39	Carrying amount	Fair value	Carrying amount	Fair value
Receivables	16	B	33,121	33,121	32,112	32,112
Derivative financial instruments		A	0	0	353	353
Cash and deposits	17	B	124,452	124,452	169,133	169,133
			157,573	157,573	201,598	201,598
Creditors		D	88,242	88,242	89,024	89,024
Borrowings	19	D	1,404,689	1,423,209	1,160,222	1,172,420
Derivative financial instruments (liabilities)		A	175,456	175,456	132,076	132,076
			1,668,387	1,686,907	1,381,322	1,393,520

The fair values of the financial instruments were determined as explained in the principal accounting policies (note 1) to the extent that for those borrowings with a fixed interest rate (carrying amount of €187,176,000), the fair value was based upon the relevant yield curves. The borrowings with a floating interest rate (carrying amount of €1,217,513,000), the carrying amount is deemed to approximate the fair value because the floating interest rate approximates the market interest rate and own credit risk is not deemed significant. Due to their short-term nature the carrying amount approximate fair value for the other balance sheet items.

Fair value hierarchy

All financial instruments are at level 2, except for the Galleria Verde put option. For the level 2 derivative financial instruments the Group uses a model to determine the fair value with inputs that are directly or indirectly observable market data. The Galleria Verde put option is based on the net market value obtained from an independent appraiser and therefore reported at level 3 for an amount of €11.6 million (2014/2015: nil).

Notes to the consolidated financial statements

21. Deferred tax liabilities

Deferred tax liabilities are attributable to the following items:

	30-06-15 €'000	Recognised in profit or loss €'000	Release to profit or loss due to property sale €'000	Reallocation €'000	Exchange rate movement €'000	30-06-16 €'000
Investment property	**(106,979)**	**(24,021)**	**0**	**0**	**1,400**	**(129,600)**
Derivative financial instruments	**31,766**	**4,073**	**0**	**0**	**(74)**	**35,765**
Tax value of loss carry-forwards recognised	**5,844**	**(2,566)**	**0**	**0**	**(12)**	**3,266**
Total deferred tax liabilities	**(69,369)**	**(22,514)**	**0**	**0**	**1,314**	**(90,569)**

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

	30-06-14 €'000	Recognised in profit or loss €'000	Release to profit or loss due to property sale €'000	Reallocation €'000	Exchange rate movement €'000	30-06-15 €'000
Investment property	(48,222)	(58,892)	(35)	0	170	(106,979)
Derivative financial instruments	3,535	28,240	0	0	(9)	31,766
Tax value of loss carry-forwards recognised	7,892	(3,478)	0	1,506	(76)	5,844
Total deferred tax liabilities	(36,795)	(34,130)	(35)	1,506	85	(69,369)
Deferred tax assets	800	706	0	(1,506)	0	0
	(35,995)	(33,424)	(35)	0	85	(69,369)

As at 30 June 2016 the total amount of deferred tax liabilities of €90.6 million is related to Italy for an amount of €28.4 million (30 June 2015: €19.7 million) and to Sweden for an amount of €62.2 million (30 June 2015: €49.7 million).

22. Provision for pensions

The provision for pensions is related to one defined benefit plan in the United Kingdom. The plan has no active members (30 June 2015: 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.

The major categories of plan assets are as follows:

	30-06-16 €'000	30-06-15 €'000
Investments quoted in active markets:	**0**	0
Unquoted investments:		
Investment funds – equities	**6,570**	6,915
Investment funds – bonds	**1,831**	1,591
Investment funds – property	**415**	350
Investment funds – cash	**122**	340
	8,938	9,196

Notes to the consolidated financial statements

22. Provision for pensions continued

Changes in the defined benefit obligation and fair value of plan assets in the current and previous financial year:

	Fair value of plan assets €'000	**Defined benefit obligation €'000**	**Benefit liability €'000**	Fair value of plan assets €'000	Defined benefit obligation €'000	Benefit liability €'000
Book value at beginning of year 30-06-15/30-06-14	**9,196**	**(12,047)**	**(2,851)**	6,676	(8,520)	(1,844)
Service cost	**0**	**(567)**	**(567)**	0	(545)	(545)
Interest income/(expenses)	**307**	**(391)**	**(84)**	334	(411)	(77)
Pension cost charged to profit or loss account	**307**	**(958)**	**(651)**	334	(956)	(621)
Return on plan assets	**(101)**	**0**	**(101)**	315	0	315
Actuarial changes arising from changes in assumptions	**0**	**2,614**	**2,614**	0	(1,391)	(1,391)
Experience adjustments	**0**	**0**	**0**	0	31	31
Adjustment obligation year end	**101**	**(488)**	**(387)**	0	0	0
Actuarial result on pension scheme charged to OCI	**0**	**2,126**	**2,126**	315	(1,360)	(1,045)
Past service costs (including curtailments)	**0**	**441**	**441**	0	0	0
Contributions by employer	**848**	**0**	**848**	1,000	0	1,000
Benefits paid	**(20)**	**20**	**0**	(21)	21	0
Exchange rate movement	**(1,307)**	**1,394**	**87**	891	(1,231)	(340)
Book value at end of year 30-06-16/30-06-15	**9,024**	**(9,024)**	**0**	9,196	(12,047)	(2,851)

The principal assumptions used in determining the pension obligations for the Group's plan are set out as follows for the period ended 30 June 2016. The discount rate is 3.2 per cent (30 June 2015: 3.6 per cent) and pension increase is 3.0 per cent (30 June 2015: 3.4 per cent). The life expectancy for pensioners at the age of 60 has decreased for both men and women to 27.4 years and 30.0 years respectively (30 June 2015: men 29.2 years and women 31.6 years).

A quantitative sensitivity analysis for significant assumptions as at 30 June 2016 is as shown below:

Year	**Sensitivity level**	**Discount rate: 0.5% decrease**	**Future salary increases: 0.5% increase**	**Rate of inflation: 0.5% increase**	**Life expectancy: 1 year increase**
30 June 2016	Impact on defined benefit obligation	Increase by 13%	n/a	Increase by 8%	Increase by 3%
30 June 2015	Impact on defined benefit obligation	Increase by 14%	Increase by 3%	Increase by 8%	Increase by 4%

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. The sensitivity of the defined benefit obligation to significant actuarial assumptions has been estimated based on the average age and the Normal Retirement Age of members and the duration of the liabilities of the Scheme. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period. The duration of the liabilities of the Scheme is approximately 21 years as at 30 June 2016 (30 June 2015: 27 years).

As all four active members of the Scheme opted out as per 1 June 2016 and based on an amended investment and funding strategy for the Scheme, it is expected that no contributions are to be paid by the employer under the Company's defined benefit plan for the next financial year (30 June 2015: €988,000).

Notes to the consolidated financial statements

23. Issued share capital

Share capital comprises:

- 999,999,900 authorised ordinary shares of €0.50 par value, of which 482,582,523 shares are issued and fully paid as at 30 June 2016 and of which 2,794,180 were bought back as at 30 June 2016.
- 100 authorised priority shares of €0.50 par value, which are entirely issued and fully paid. 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 2016, the Stichting is empowered by the shareholders 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 weighted average number of shares in issue in the current financial year is 477,297,446.

The number of shares in issue (after deduction of shares bought back) as per 30 June 2016 is 479,788,443.

The Company's shares are listed in the form of bearer depositary receipts on Euronext Amsterdam. One bearer depositary receipt represents ten ordinary registered shares. 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.

	30-06-16 €'000	30-06-15 €'000
Book value at beginning of year	**238,353**	213,875
Issued shares	**0**	21,650
Issued performance shares	**52**	0
Issued bonus shares	**2,886**	2,828
Book value at end of year	**241,291**	238,353

The number of shares on issue increased on 30 November 2015 as a result of the issue of 577,188 bonus depositary receipts under the stock dividend plan. Holders of depositary receipts representing 26.8 per cent of the issued share capital (last year 25.7 per cent) opted for the bonus depositary receipts at an issue price of €43.56 from the Company's share premium reserve, instead of a cash dividend of €1.98 per depositary receipt for the financial year ended 30 June 2015. On 30 November 2015 the number of shares increased by 10,498 new depositary receipts due to the vesting of depositary receipts under the 2012 Performance Share Plan.

	2015/2016		2014/2015	
	No. of depositary receipts	**No. of shares**	No. of depositary receipts	No. of shares
Number of shares (DRs) on issue at beginning of year	**47,670,566**	**476,705,663**	42,774,962	427,749,623
Shares (DRs) issued	**0**	**0**	4,330,000	43,300,000
Shares (DRs) issued under the Performance Share Plan	**10,498**	**104,980**	0	0
Shares (DRs) issued under the stock dividend plan	**577,188**	**5,771,880**	565,604	5,656,040
Number of shares (DRs) on issue at end of year	**48,258,252**	**482,582,523**	47,670,566	476,705,663
Priority shares	**10**	**100**	10	100
Shares (DRs) bought back	**(279,418)**	**(2,794,180)**	(282,105)	(2,821,050)
Number of shares (DRs) after deduction of shares (DRs) bought back	**47,978,844**	**479,788,443**	47,388,471	473,884,713

Net asset value per depositary receipt

The net asset value per depositary receipt is €37.34 at 30 June 2016 (30 June 2015: €34.99).

Stock options

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 Company has two outstanding option plans with expiry date November 2017 and an exercise price of €37.28 and an option plan with expiry date November 2020 and an exercise price of €32.45. The vesting dates of these plans were November 2010 and November 2013 and the outstanding options at the end of the year are 279,418 (30 June 2015: 282,105); 185,451 options for the plan expiring in November 2017 and 93,967 options for the plan expiring November 2020 (30 June 2015: 188,138 options November 2017 and 93,967 options November 2020). During the year 2,687 options were exercised with expiry date 2017 at an average price of €41.09.

Notes to the consolidated financial statements

23. Issued share capital continued

Stock options continued

In June 2014 a programme was initiated under which depositary receipts were bought back to cover future anticipated exercises of the options granted under the SOP 2007 and SOP 2010. After options were exercised during the financial year, the Company holds 279,418 depositary receipts as per 30 June 2016 (30 June 2015: 282,105 depositary receipts).

Performance shares

The SOP has been replaced with an annual grant of free long-term depositary receipts (Performance Shares) under the Performance Share Plan (PSP) for all employees and members of the Board of Management and is conditional upon the meeting of Company performance targets and that the employee remains with the Company for more than three years from the grant date of the performance shares and holds them from that vesting date for a further two years. All permanent employees and Directors of the Company are entitled to the scheme. The calculation is based on a Black, Sholes and Merton option valuation model. The fair value of the performance shares is based on the share price at grant date and a number of assumptions to be made relating the expected volatility, risk free interest rate, dividend yield and the remaining life of the instruments.

Performance Share Plan (PSP)	PSP 2012	PSP 2013	PSP 2014	PSP 2015	Total
Grant date	12-11-12	11-11-13	11-11-14	09-11-15	
Vesting date	12-11-15	11-11-16	11-11-17	09-11-18	
Share price at grant date	€28.20	€29.78	€33.80	€40.00	
Dividend yield	6.59%	6.25%	5.58%	4.83%	
Fair value per performance share	€23.14	€24.69	€28.59	€34.60	
Performance shares granted	14,841	22,828	30,079	58,267	126,015
Performance shares forfeited	(969)	(2,835)	(2,436)	(4,630)	(10,870)
Performance shares vested	(13,872)	0	0	0	(13,872)
Outstanding performance shares at end of year	0	19,993	27,643	53,637	101,273

Movements in the number of performance shares during the year	PSP 2012	PSP 2013	PSP 2014	PSP 2015	Total
Performance shares at beginning of year	13,872	21,729	30,079	0	65,680
Performance shares granted	0	0	0	58,267	58,267
Performance shares forfeited	0	(1,736)	(2,436)	(4,630)	(8,802)
Performance shares vested	(13,872)	0	0	0	(13,872)
Outstanding performance shares at end of year	0	19,993	27,643	53,637	101,273

The expenses for the performance shares granted (IFRS 2) are €749,000 (2014/2015: €459,000). The outstanding options and performance shares as per 30 June 2016 are 380,691 (30 June 2015: 347,785). As at 30 June 2016 the outstanding options and performance shares represent 0.8 per cent of the issued share capital (30 June 2015: 0.7 per cent).

24. Share premium reserve

	30-06-16 €'000	30-06-15 €'000
Book value at beginning of year	524,098	385,838
Issued shares	0	142,890
Issue cost	0	(2,242)
Performance shares granted (IFRS 2)	749	459
Release for issued bonus shares	(2,886)	(2,828)
Cost for dividends paid	(19)	(19)
Performance shares settled – shares issued	363	0
Performance shares vested	(242)	0
Book value at end of year	522,063	524,098

Notes to the consolidated financial statements

25. Other reserves

	30-06-16 €'000	30-06-15 €'000
Book value at beginning of year	**728,020**	687,129
Profit previous financial year	**99,087**	39,380
Depositary receipts bought back	**0**	(26,766)
Stock options exercised	**100**	30,925
Performance shares settled – shares issued	**(526)**	0
Performance shares vested	**242**	0
Actuarial result on pension scheme	**2,126**	(1,045)
Foreign currency translation differences	**(8,132)**	(1,603)
Book value at end of year	**820,917**	728,020

For more information of the other reserves, reference is made to note 11 of the Company financial statements.

26. Earnings per depositary receipt

Basic earnings per depositary receipt

The Company's shares are listed in the form of bearer depositary receipts on Euronext Amsterdam. One bearer depositary receipt represents ten ordinary registered shares.

The calculation of basic earnings per depositary receipt of €4.34 at 30 June 2016 was based on the profit attributable to holders of depositary receipts of €207.4 million (30 June 2015: €167.8 million) and a weighted average number of depositary receipts outstanding during the year ended 30 June 2016 of 47,729,745 (30 June 2015: 42,916,246), as calculated below.

Profit attributable to holders of depositary receipts:

	30-06-16 €'000	30-06-15 €'000
Profit for the year	**207,399**	167,774

Issued depositary receipts (after deduction of depositary receipts bought back) at beginning of year	**47,388,471**	42,319,567
Effect of depositary receipts issued (share placement)	**0**	486,384
Effect of depositary receipts issued (stock dividend)	**337,482**	333,164
Effect of depositary receipts issued (staff options exercised)	**780**	434,204
Effect of depositary receipts issued (share plan)	**3,012**	0
Effect of depositary receipts bought back	**0**	(657,073)
Weighted average number of depositary receipts	**47,729,745**	42,916,246

Diluted earnings per depositary receipt

The calculation of diluted earnings per depositary receipt of €4.31 at 30 June 2016 was based on the profit attributable to holders of depositary receipts of €207.4 million (30 June 2015: €167.8 million) and a weighted average number of depositary receipts (diluted) outstanding during the year ended 30 June 2016 of 48,106,287 (30 June 2015: 43,720,752), as calculated below.

Profit attributable to holders of depositary receipts (diluted):

	30-06-16 €'000	30-06-15 €'000
Profit for the year	**207,399**	167,774

Weighted average number of depositary receipts	**47,729,745**	42,916,246
Effect of issued performance shares on depositary receipts	**376,543**	804,506
Weighted average number of depositary receipts (diluted)	**48,106,288**	43,720,752

27. Commitments not included in the balance sheet

As at 30 June 2016 bank guarantees have been issued for a total amount of €3.1 million.

The expected commitments under the operating leases entered into for the Company's Group offices in Amsterdam, London, Milan and Stockholm amount to approximately €1.1 million for the financial year 2016/2017 and approximately €1.6 million for the four year period thereafter and €0.5 million for the period longer than five years.

The Company has signed a preliminary agreement with Coop to pay them €6.25 million to acquire the land adjoining Collestrada in Perugia in December 2016. If the regional law is changed to allow an extension, and when the Company receives full planning permission, the total purchase price will increase by €2 million.

The Company has signed a building contract for phases one and two of the extension project in Halmstad, Sweden. The outstanding commitment under this contract is SEK 210 million (c. €22 million) as per 30 June 2016.

The Company has signed an agreement to contribute €4 million to Galleria Verde S.r.l. to undertake a refurbishment of Fiordaliso.

28. 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 2016. The Company monitors capital primarily using a debt to equity ratio. The debt to equity ratio is defined as the (net) borrowings divided by the shareholders' equity calculated on a proportional consolidated basis. 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. The net debt will not exceed adjusted net equity.

The calculation of the debt to equity is as follows:

Debt to equity ratio (on a proportional consolidated basis)	30-06-16 €'000	30-06-15 €'000
Net borrowings (total borrowings less cash and deposits)	**1,364,669**	989,973
Shareholders' equity	**1,791,670**	1,658,246
Derivative financial instruments	**175,456**	131,723
Deferred tax liabilities	**90,569**	69,369
Derivative financial instruments and deferred tax liabilities joint ventures	**5,287**	0
Adjusted net equity	**2,062,982**	1,859,338
Debt to equity ratio	**0.66**	0.53

All bank covenants are monitored at regular intervals. During the period the Company complied with its banking covenants. The most frequent agreed covenants in the loan agreements are: net debt to adjusted equity, loan to value and interest cover ratio.

29. Related parties

Introduction

Subsidiaries and joint ventures of the Company and members of its Supervisory Board and Board of Management and the UK pension scheme are related parties. No transactions have been entered into with them other than those disclosed in this report.

The Directors' fees recognised in the Company expenses include an amount of €265,000 (2014/2015: €232,000) in respect of gross remuneration paid to the members of the Supervisory Board to be specified as follows:

	30-06-16 €'000	30-06-15 €'000
B.T.M. Steins Bisschop	**55**	33
W.G. van Hassel*	**0**	17
B. Carrière	**42**	26
C. Croff	**42**	39
R.R. Foulkes	**42**	26
P.W. Haasbroek	**42**	39
J.–Å. Persson	**42**	39
A.E. Teeuw*	**0**	13

* Retired at the Annual General Meeting of 4 November 2014.

The Directors' fees also include salaries, bonuses, pension premiums and social security charges for the members of the Board of Management.

Notes to the consolidated financial statements

29. Related parties continued

The total remuneration for the members of the Board of Management can be specified as follows:

	J.P. Lewis		E.J. van Garderen	
	30-06-16 €'000	30-06-15 €'000	30-06-16 €'000	30-06-15 €'000
Salary	689	677	435	415
Bonus	623	386	435	231
Pension premiums (defined contribution plan)	0	0	49	37
Social security charges	183	151	6	7
Performance shares granted (IFRS 2)	72	41	45	27
	1,567	1,255	970	717

The base salary for Mr J.P. Lewis for the financial year 2015/2016 compared to the financial year 2014/2015 remained unchanged in local currency. However, due to the appreciation of the pound sterling against the euro for most of the financial year, Mr. Lewis's salary has increased in euro terms.

The bonuses paid to members of the Board of Management are directly linked to the annual growth in the Company's net asset value, the dividend per depositary receipt and the annual relative performance as per 30 June of the listed depositary receipts of the Company compared to a peer group of ten listed retail property companies. For this financial year, the relative outperformance was 6.78% (in the previous financial year there was no relative performance). The total remuneration for the members of the Supervisory Board and the Board of Management is €2,802,000 (2014/2015: €2,204,000).

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.

Stock options and performance shares

During the year no options have been exercised by the Board of Management. The outstanding options for the Board of Management as per 30 June 2016 are 79,375 (30 June 2015: 79,375). At the end of the year Mr J.P. Lewis has 43,750 options and Mr E.J. van Garderen has 35,625 options. At 30 June 2016 the outstanding options held by the Board of Management represent 0.16 per cent of the issued share capital (30 June 2015: 0.17 per cent).

In November 2015 performance shares were granted to the Board of Management under the Performance Share Plan. 4,814 performance shares were granted to Mr J.P. Lewis and 2,893 performance shares were granted to Mr E.J. van Garderen. At 30 June 2016 the outstanding performance shares held by the Board of Management represent 0.035 per cent of the issued share capital. In November 2016 performance shares will be granted to the Board of Management with a value of 49.3 per cent of base salaries, subject to the approval of the shareholders meeting.

For more information about the Stock Option Plan and Performance Share Plan, see note 23.

16 per cent (€117,000) of the positive amount charged to the consolidated statement of profit or loss (€749,000) as performance shares granted (IFRS 2) is related to the performance shares granted to the members of the Board of Management.

Shareholdings

Mr J.P. Lewis and entities associated with him hold 985,866 depositary receipts in total, representing 2.04 per cent of the issued share capital of the Company. Mr E.J. van Garderen holds 25,745 depositary receipts in total, representing 0.05 per cent of the issued share capital of the Company. None of the 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.

30. Audit fee

The fee for professional audit services and other services rendered by KPMG for the financial year ended 30 June 2016 is €510,000 (2014/2015: €510,000). The services rendered by the external audit firm during 2015/2016 and 2014/2015 are only related to the audit of the financial statements of the Group and its subsidiaries.

31. Post balance sheet events

In July 2016 the Company signed a Share Purchase Agreement for the sale of Kronan based on an agreed property price of SEK 185 million (€19.6 million).

In August 2016, a SEK 690 million (c. €73 million) bullet loan with a term of seven years was agreed with Alliance Real Estate on the Bergvik shopping centre.

Company financial statements

Company balance sheet
(before income appropriation)

	Note	30-06-16 €'000	30-06-15 €'000
Investments in subsidiaries	3	**1,363,101**	1,176,825
Due from subsidiaries	4	**225,267**	202,861
Tangible fixed assets	5	**1,091**	658
Total non-current assets		**1,589,459**	1,380,344
Due from subsidiaries	4	**108,677**	147,376
Receivables	6	**948**	633
Cash and deposits	7	**100,963**	138,195
Total current assets		**210,588**	286,204
Total assets		**1,800,047**	1,666,548
Creditors	8	**8,377**	5,452
Borrowings	9	**0**	0
Total current liabilities		**8,377**	5,452
Total liabilities		**8,377**	5,452
Provision for pensions	10	**0**	2,851
Net assets		**1,791,670**	1,658,245
Shareholders' equity	11		
Issued share capital		**241,291**	238,353
Share premium reserve		**522,063**	524,098
Legal reserve subsidiaries		**740,673**	585,798
Currency translation reserve		**(7,720)**	(2,841)
Retained profit reserve		**87,964**	145,063
Undistributed income		**207,399**	167,774
		1,791,670	1,658,245

Company statement of profit or loss

	2015/2016 €'000	2014/2015 €'000
Company profit after taxation	17,959	14,651
Profit from subsidiaries after taxation	189,440	153,123
Profit after taxation	207,399	167,774

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 Company financial statements 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 Company financial statements with the consolidated financial statements, 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 financial statements also apply to the Company financial statements. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS) as per 1 July 2015 and Part 9 of Book 2 of The Netherlands Civil Code. The Company financial statements are prepared on a going concern basis.

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.

Shareholders equity
The Company recognises a legal reserve subsidiaries in its Company financial statements. This legal reserve subsidiaries is based on Article 389-6 of Book 2 of The Netherlands Civil Code.

3. Investments in subsidiaries
The subsidiaries of the Company are listed in note 1 Principal accounting policies in the consolidated financial statements.

Movements in investments in subsidiaries for the financial year ended 30 June 2016 were as follows:

	30-06-16 €'000	30-06-15 €'000
Book value at beginning of year	**1,176,825**	1,094,358
Dividends from subsidiaries	**(70)**	(70,000)
Investments	**0**	0
Result from subsidiaries via reserves	**(3,094)**	(656)
Profit from subsidiaries	**189,440**	153,123
Book value at end of year	**1,363,101**	1,176,825
Cost at end of year (less dividends received)	**196,260**	196,330
Cumulative result from subsidiaries via reserves	**(11,582)**	(8,488)
Cumulative profit from subsidiaries	**1,178,423**	988,983
Book value at end of year	**1,363,101**	1,176,825

4. Due from subsidiaries
The balance of €225.3 million at 30 June 2016 principally represents funds advanced to Eurocommercial Properties Sweden AB. These advances were made under long-term loan facilities with a maturity of less than three years and the average interest rate of these advances is 3.5 per cent (30 June 2015: 3.3 per cent).

The balance of €108.7 million at 30 June 2016 represents mainly funds advanced to Eurocommercial Properties France S.A.S. The average interest rate of these advances is 2.1 per cent (30 June 2015: 2.3 per cent).

Notes to the Company financial statements

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:

	30-06-16 €'000	30-06-15 €'000
Book value at beginning of year	**658**	480
Additions	**834**	414
Depreciation	**(261)**	(190)
Disposals	**(140)**	(46)
Book value at end of year	**1,091**	658
Cost at end of year	**3,012**	2,494
Accumulated depreciation	**(1,921)**	(1,836)
Book value at end of year	**1,091**	658

During the financial year ended 30 June 2016 tangible fixed assets with a total cost price of €140,000 were disposed of or out of use (30 June 2015: disposals €368,000).

6. Receivables

	30-06-16 €'000	30-06-15 €'000
Interest receivable from banks	**0**	53
Prepayments	**753**	580
VAT receivables	**195**	0
	948	633

7. Cash and deposits

Cash and deposits of €101 million consist of amounts held as bank balances. All bank balances are freely available.

8. Creditors

	30-06-16 €'000	30-06-15 €'000
Interest payable	**0**	7
Remuneration payable	**5,451**	2,762
VAT payable	**624**	357
Other creditors and accruals	**2,302**	2,326
	8,377	5,452

9. Borrowings

	30-06-16 €'000	30-06-15 €'000
Book value at beginning of year	**0**	20,000
Drawdown of funds	**10,000**	10,000
Repayments	**(10,000)**	(30,000)
Book value at end of year	**0**	0

10. Provisions for pensions

An analysis of the provisions for pensions is provided in note 22 of the consolidated financial statements.

Notes to the Company financial statements

11. Shareholders' equity

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

	Issued share capital €'000	Share premium reserve €'000	Legal reserve subsidiaries €'000	Legal currency translation reserve €'000	Retained profit reserve €'000	Undistributed income €'000	Total €'000
30-06-2015	**238,353**	**524,098**	**585,798**	**(2,841)**	**145,063**	**167,774**	**1,658,245**
Issued shares	2,886	(2,886)					0
Profit previous financial year					99,087	(99,087)	0
Profit for the year						207,399	207,399
Dividends paid		(19)				(68,687)	(68,706)
Stock options exercised					100		100
Performance shares granted		749					749
Performance shares issued – shares vested	52	363			(526)		(111)
Performance shares vested		(242)			242		0
Actuarial gain on pension scheme					2,126		2,126
Foreign currency translation differences				(4,879)	(3,253)		(8,132)
Addition to legal reserve			154,875		(154,875)		0
30-06-2016	**241,291**	**522,063**	**740,673**	**(7,720)**	**87,964**	**207,399**	**1,791,670**

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

	Issued share capital €'000	Share premium reserve €'000	Legal reserve subsidiaries €'000	Legal currency translation reserve €'000	Retained profit reserve €'000	Undistributed income €'000	Total €'000
30-06-2014	213,875	385,838	380,315	4,187	302,627	99,790	1,386,632
Issued shares	24,478	137,820					162,298
Adjustment currency translation				(5,425)	5,425		0
Profit previous financial year					39,380	(39,380)	0
Profit for the year						167,774	167,774
Dividends paid		(19)				(60,410)	(60,429)
Stock options exercised					30,925		30,925
Performance shares granted		459					459
Actuarial loss on pension scheme					(1,045)		(1,045)
Depositary receipts bought back					(26,766)		(26,766)
Foreign currency translation differences				(1,603)			(1,603)
Addition to legal reserve			205,483		(205,483)		0
30-06-2015	238,353	524,098	585,798	(2,841)	145,063	167,774	1,658,245

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 reserve subsidiaries 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 that hedge the Company's net investment in a foreign subsidiary.

The amounts recognised by these reserves amount to €741 million (30 June 2015: €583 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 26.8 per cent of the issued share capital (last year 25.7 per cent) opted for 577,188 bonus depositary receipts at an issue price of €43.56 from the Company's share premium reserve, instead of a cash dividend of €1.98 per depositary receipt for the financial year ended 30 June 2015. Accordingly, an amount of €68.7 million of the undistributed income was taken to fund the cash dividend paid on 30 November 2015.

An analysis of the Directors' fees is provided in note 29 of the consolidated financial statements.

Notes to the Company financial statements

12. Commitments not included in the balance sheet

The Company has entered into guarantees in favour of Intesa Sanpaolo S.p.A. for debts incurred by Eurocommercial Properties Italia S.r.l. to an amount of €167 million and for guarantees issued for Eurocommercial Properties Italia S.r.l. to an amount of €0.3 million.

The Company has entered into guarantees in favour of UniCredit S.p.A. for debts incurred by Eurocommercial Properties Italia S.r.l. to an amount of €228 million.

The Company has entered into guarantees in favour of Banca Nazionale Del Lavoro (part of BNP Paribas) for debts incurred by Eurocommercial Properties Italia S.r.l. to an amount of €5 million and for guarantees issued for Eurocommercial Properties Italia S.r.l. to an amount of €1.5 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 €73 million.

The Company has entered into a guarantee in favour of ABN Amro Bank N.V. for debts incurred by Eurocommercial Properties Italia S.r.l. to an amount of €135 million.

The Company has entered into a guarantee in favour of UBI S.p.A. for debts incurred by Eurocommercial Properties Italia S.r.l. to an amount of €66 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 €89 million.

The Company has entered into guarantees in favour if ING Bank N.V. and BNP Paribas S.A., for debts incurred by Galleria Verde S.r.l. to an amount of €159 million.

The Company has entered into guarantees in favour if UBI S.p.A., for debts incurred by Galleria Verde S.r.l. to an amount of €25 million.

The Company has entered into guarantees in favour if Unicredit S.p.A., for debts incurred by Immobiliare 2011 S.r.l. to an amount of €18 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 €170 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 €136 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 €89 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, Bergvik Köpet 3 KB, ECP Högsbo AB and Samarkandfastigheter AB to an amount of SEK 1,652 million.

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

The Company has entered into a guarantee in favour of Svenska Handelsbanken AB for debts incurred by Eurocommercial Sweden AB to an amount of SEK 290 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 €807 million (see also note 20 to the consolidated financial statements).

Amsterdam, 16 September 2016

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

Board of Supervisory Directors
B.T.M. Steins Bisschop, Chairman
B. Carrière
C. Croff
R.R. Foulkes
P.W. Haasbroek
J.-Å. Persson

Other information

Post balance sheet events
An analysis of the post balance sheet events is provided in note 31 of the consolidated financial statements.

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 2016, 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 2016 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 Hotel Schiphol A4, Rijksweg A4 nr. 3, Hoofddorp on 1 November 2016 at 09:00 hours to distribute a cash dividend of €2.05 per depositary receipt (ten ordinary shares) for the financial year ended 30 June 2016 (30 June 2015: €1.98 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 2016. The distribution will be payable as from 30 November 2016. 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. The depositary receipts will rank pari passu with the existing depositary receipts of the Company in respect of the financial year 2016/2017. Holders of depositary receipts are given the opportunity to make their choice known up to and including 17 November 2016. 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 2016	Announcement of scrip issue price
1 November 2016 at 09:00	Annual General Meeting of Shareholders
3 November 2016	Ex-dividend date
4 November 2016	Announcement of first quarter results 2016/2017
30 November 2016	Dividend payment date
10 February 2017	Announcement of half year results 2016/2017
12 May 2017	Announcement of third quarter results 2016/2017
25 August 2017	Announcement of annual results 2016/2017
7 November 2017	Annual General Meeting of Shareholders

Other information

Holders of depositary receipts/ordinary shares with a holding of 3 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 3 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), CBRE Clarion Securities, LLC (4.94 per cent), Henderson Group Plc (4.84 per cent) and BlackRock, Inc. (4.54 per cent).

The dates of the aforesaid notifications were 1 November 2006, 1 November 2006, 4 February 2014, 26 November 2015 and 8 September 2016.

Stock market prices and turnover 2015/2016

The Company is listed on Euronext Amsterdam and is admitted to the Next 150 index and the Amsterdam Midkap (AMX) index.

		High	Low	Average
Closing price 30 June 2016 (€; depositary receipts)	38.45	44.05	35.98	39.31
Average daily turnover (in depositary receipts)	72,097			
Average daily turnover (€'000,000)	2.9			
Total turnover over the past 12 months (€'000,000)	750.2			
Market capitalisation (€'000,000)	1,855.6			
Total turnover divided by market capitalisation	40%			

Source: Euronext, Global Property Research

Depositary receipts listed on 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 (including the properties held by joint ventures) at 30 June 2016:

France: Cushman & Wakefield, JLL, Knight Frank
Italy: CBRE, Cushman & Wakefield, JLL
Sweden: Cushman & Wakefield, JLL

Independent auditor's report

KPMG

Independent auditor's report

To: the General Meeting and the Supervisory Board of Eurocommercial Properties N.V.

Report on the audit of the annual financial statements 2015/2016

Opinion

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 2016, and of its result and its cash flows for the year ended 30 June 2016 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Netherlands Civil Code.
- the company financial statements give a true and fair view of the financial position of Eurocommercial Properties N.V. as at 30 June 2016, and of its result for the year ended 30 June 2016 in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

What we have audited

We have audited the financial statements 2015/2016 of Eurocommercial Properties N.V., based in Amsterdam. The financial statements include the consolidated financial statements and the company financial statements.

The consolidated financial statements comprise:

1 the consolidated statement of financial position as at 30 June 2016;

2 the following consolidated statements for the year ended 30 June 2016: the statement of profit or loss, the statements of comprehensive income, changes in shareholders' equity and cash flows; and

3 the notes comprising a summary of the significant accounting policies and other explanatory information.

The company financial statements comprise:

1 the company balance sheet as at 30 June 2016;

2 the company profit and loss account for the year ended 30 June 2016; and

3 the notes comprising a summary of the significant accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the financial statements' section of our report.

We are independent of Eurocommercial Properties N.V. in accordance with the Regulation regarding Independence of Accountants in the case of Assurance Engagements *(Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO))* and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the Regulation Code of Conduct and Professional Practice Accountants *(Verordening gedrags- en beroepsregels accountants (VGBA))*.

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

Independent auditor's report

KPMG

Audit approach

Summary

Materiality

Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

Based on our professional judgement we determined the materiality for the financial statements as a whole at €20 million. The materiality is determined with reference to the net assets (1.1%). We consider net assets as the most appropriate benchmark as investors consider this to be an important indicator of the company's value. In addition, we applied a materiality of €5 million for results from continuing operations before tax[1]. Results from continuing operations before tax is an important measure of the performance of the company's current portfolio, excluding the impact of changes in market value of investment property and derivatives and the result from disposal of investment property. We have also taken into account smaller misstatements and/or possible misstatements that in our opinion are material for qualitative reasons for the users of the financial statements.

We agreed with the Supervisory Board that misstatements in excess of €1 million, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the group audit

Eurocommercial Properties N.V. is head of a group of entities. The financial information of this group is included in the financial statements of Eurocommercial Properties N.V. The Group manages its investment property portfolio through its operating companies in France, Italy and Sweden. Each of these operations is significant in the context of the Group's financial statements and therefore we have used KPMG audit teams in each country to perform an audit of the financial information of the

[1] Results from continuing operations before tax comprise: Net property income, result from joint ventures, other income, interest income and expense, company expenses and investment expenses.

KPMG

operating companies in these countries. The audits performed in these countries covered the entire investment property portfolio and the related net property income.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for operating companies and issued audit instructions to local auditors. As group auditor we were involved in the full-scope audits performed by local auditors. Our involvement included participation in planning discussions with local auditors, site visits to each country to discuss the results of local audits, discussions on the local reporting with country management and discussions on the valuation of investment property with independent appraisers engaged by the company. We also reviewed the local audit files and verified that the audit work had been carried out in accordance with our instructions.

As operating companies prepare their financial information for consolidation purposes based on local accounting standards, the EU-IFRS adjustments are processed at group level. These adjustments relate mainly to:

- the valuation of investment property at fair value;
- the valuation of derivatives at fair value;
- accounting for share-based payments;
- deferred income taxes;
- equity accounting for the group's share in joint ventures.

At group level we have performed audit procedures on:

- the financial statements of the parent company;
- the EU-IFRS adjustments mentioned above;
- the consolidation process and the financial statements.

By performing the procedures mentioned above at group entities, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion about the financial statements.

Our key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the Supervisory Board. The key audit matters are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of investment property
Description Investment property amounts to €3.3 billion and represent 93% of the Group's total assets at 30 June 2016. Investment property is valued at fair value; therefore the Group has to make estimates and use assumptions to determine those fair values. The fair value is, as explained in notes 1 and 13 to the financial statements, based on appraisal reports by independent appraisers. For the valuations estimates are made with the support of independent appraisers of the expected future cash flows and related risks. Because the valuation of investment property is complex and highly dependent on estimates and assumptions (such as market rent levels, expected vacancies, interest rates, expected capital expenditure and maintenance) we consider the valuation of investment property as a key audit matter in our audit.

Independent auditor's report

KPMG

Valuation of investment property
Our response We have evaluated the objectivity, independence and expertise of the external appraisal firms. We have evaluated the appropriateness of the information and assumptions used in the valuations. This includes the estimates by the external appraisal firms (such as market rent levels, expected vacancy, interest rates and expected expenditure). We analysed the results of the valuation process and discussed the abovementioned factors that determine the valuations with management and the appraisal firms. In addition we used the expertise of our own internal property valuation experts. These specialists have supported us with our assessment of the assumptions, methods and developments in the valuations.
Our observation Overall we assess that the assumptions and methodologies used, and related estimates resulted in a balanced valuation of investment property and concur with the related disclosures in the financial statements.

Valuation of derivatives
Description The Group uses derivatives (mainly interest rate swaps) to protect itself against increases in interest rates on its borrowings used to finance investment property. As at 30 June 2016, the Group had entered into derivative contracts with a notional amount of €0.8 billion. These derivatives are included as a liability in the statement of financial position at fair value for an amount of €164 million. The Group has not opted for hedge accounting, therefore movements in the fair value of the derivatives are recognised in the statement of profit or loss (in 2015/2016 a loss of €42 million) and are not offset for accounting purposes. As explained in notes 1 and 20 to the financial statements, the fair value of derivatives is based on fair value quotes from counterparties which are compared to the results of the internal valuation model using market data obtained from an independent recognised market data agency. As these calculations are complex we consider the valuation of derivatives to be a key audit matter.
Our response We used KPMG valuation specialists to independently calculate the fair value of the derivatives and compared the outcome to the values calculated by the Group. We also considered the Group's assessment of the adjustment to the fair value for counterparty non-performance risk (or credit valuation adjustment / debit valuation adjustment – CVA/DVA).
Our observation Overall we assess that the assumptions used and related estimates resulted in a cautious valuation without significant variances. We concur with the disclosures on financial instruments in the financial statements.

Responsibilities of Management and the Supervisory Board for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and with Part 9 of Book 2 of the Netherlands Civil Code and for the preparation of the Management Board Report in accordance with Part 9 of Book 2 of the Netherlands Civil Code. Furthermore, Management is responsible for such internal control as Management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to errors or fraud.

As part of the preparation of the financial statements, Management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting framework mentioned, Management should prepare the financial statements using the going concern basis of accounting unless Management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. Management should disclose events and circumstances that may

KPMG

cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The Supervisory Board is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of financial statements
Our objective is to plan and perform the audit to obtain sufficient and appropriate audit evidence for our opinion. Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all errors and fraud. For a further description of our responsibilities in respect of an audit of financial statements we refer to the website of the professional body for accountants in the Netherlands (NBA) www.nba.nl/standardtexts-auditorsreport.

Report on other legal and regulatory requirements

Report on the Management Board Report and the other information
Pursuant to legal requirements of Part 9 of Book 2 of the Netherlands Civil Code (concerning our obligation to report about the Management Board Report and other information):

- We have no deficiencies to report as a result of our examination whether the Management Board Report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of the Netherlands Civil Code, and whether the information as required by Part 9 of Book 2 of the Netherlands Civil Code has been annexed.
- We report that the Management Board Report, to the extent we can assess, is consistent with the financial statements.

Engagement
We were engaged by the General Meeting as auditor of Eurocommercial Properties N.V. on 3 November 2015, for the audit for year 2015/2016 and have operated as statutory auditor since then.

Amstelveen, 16 September 2016

KPMG Accountants N.V.

H.D. Grönloh RA

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). Adjusted NAV per depositary receipt is calculated using the number of DRs (basic) outstanding at the balance sheet date.
Boutique:	Retail unit less than 300m².
CPI:	Consumer price index.
Depositary receipt (DR):	Stock certificate, representing ten ordinary registered shares, traded on Euronext Amsterdam.
Direct investment result:	Net property income less net interest expenses and company expenses after taxation. Direct investment result per depositary receipt is calculated using the weighted average number of DRs (basic) outstanding during the year.
Drive:	A drive-through collection point for hypermarket goods ordered online.
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.
EPRA cost ratios:	Administrative and operating costs (including and excluding costs of direct vacancy) including the share of joint venture overheads and operating expenses (net of any service fees) divided by rental income.
EPRA earnings:	Recurring earnings from core operational activities. EPRA earnings per depositary receipt is calculated using the weighted average number of DRs (basic) outstanding during the year. Equivalent to the direct investment result less investment expenses.
EPRA NAV:	IFRS shareholders' equity excluding the carrying amount of contingent capital gains tax liabilities and the fair value of financial derivatives (interest rate swaps). EPRA NAV per depositary receipt is calculated using the number of DRs (diluted) outstanding at the balance sheet date.
EPRA net initial yield:	Annualised rental income based on the cash rents passing at the balance sheet date, less non-recoverable property operating expenses, divided by the market value of the property, increased with (estimated) purchasers' costs. The following operating costs are not deducted in arriving at the EPRA NIY: letting and rent review fees, provision for doubtful debtors, marketing costs and eviction costs.
EPRA NNNAV:	EPRA NAV adjusted to include the fair values of financial instruments, debt and deferred taxes. EPRA NNNAV per depositary receipt is calculated using the number of DRs (diluted) outstanding at the balance sheet date.
EPRA topped up net initial yield:	The EPRA net initial yield adjusted in respect of the expiration of rent free periods (or other unexpired lease incentives such as discount rent periods and step rents).
EPRA vacancy:	The ERV of vacant retail space expressed as a percentage of the total retail ERV, excluding property investments under development.
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 retail units in a shopping centre excluding the hypermarket.
GRESB:	Global Real Estate Sustainability Benchmark.
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 ILC index.
ILC:	Indice des Loyers Commerciaux. Index used for French retail leases derived 50 per cent from the consumer price index, 25 per cent from the cost of construction index and 25 per cent from the retail sales index.

Glossary

Interest cover ratio (ICR):	Net property income less company expenses divided by interest expenses less interest income, calculated on a proportionally consolidated basis.
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.
Medium Surface/Moyenne Surface/Media Superficie (MS):	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 600m².
Net debt to adjusted net equity:	Total borrowings net of cash expressed as a percentage of adjusted net equity, calculated on a proportionally consolidated basis.
Net (initial) yield:	Expected rental income for the year ahead as provided by the external valuers, less non-recoverable property operating expenses, divided by the market value of the property, increased with (estimated) purchasers' costs. Excludes property investments under development.
(Net) loan to value:	Total borrowings net of cash expressed as a percentage of the total value of property investments, property investments under development, property investments in joint ventures and property investments held for sale, calculated on a proportionally consolidated basis. The total values are net of any (estimated) purchasers' costs.
Net return on cost:	Net rental income generated by an extension/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, calculated on a proportionally consolidated basis.
Occupancy cost ratio (OCR):	Rent plus marketing contributions, service charges and tenant property taxes as a proportion of turnover including VAT.
Passing rent:	The annualised rental income at 30 June 2016 including 2015 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.
Reversionary yield:	Estimated rental value (ERV) as calculated by the external valuers, less non-recoverable property operating expenses, divided by the market value of the property, increased with (estimated) purchasers' costs.
Sales area:	Gross/total lettable area excluding storage area.
Sales turnover:	Sales income, including VAT, of retail 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:	See EPRA vacancy.

Directory

Supervisory Board
B.T.M. Steins Bisschop, Chairman
B. Carrière
C. Croff
R.R. Foulkes
P.W. Haasbroek
J.-Å. Persson

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

Country Heads
R. Fraticelli, Director
J.P.C. Mills, Director
T.R. Newton, Director

Property Directors
M. Bjöörn
V. Di Nisio
P.H. Le Goueff
C. Romagnoli

Board of Stichting Prioriteitsaandelen Eurocommercial Properties
J.P. Lewis, Chairman
N.R.L. Mijnssen

Board of Stichting Administratiekantoor Eurocommercial Properties
A. Plomp
C.M. Slangen

Head Office
Eurocommercial Properties N.V.
Herengracht 469
1017 BS Amsterdam
The Netherlands
Tel: 31 (0)20 530 60 30
Fax: 31 (0)20 530 60 40

info@eurocommercialproperties.com
www.eurocommercialproperties.com

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

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

Italy
Via della Moscova, 3
20121 Milano
Italy
Tel: 39 02 760 759 1
Fax: 39 02 760 161 80

Sweden
Kungsgatan 48
111 35 Stockholm
Sweden
Tel: 46 (0)8 678 53 60
Fax: 46 (0)8 678 53 70

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

MIX
Paper from responsible sources
FSC® C022913
FSC
www.fsc.org

Designed and produced by Friend. www.friendstudio.com
Print: Pureprint Group

This report has been printed on Claro Silk which is FSC® certified and made from 100% Elemental Chlorine Free (ECF) pulp. The mill and the printer are both certified to ISO 14001 environmental management system and registered to EMAS the eco management Audit Scheme. The report was printed using vegetable based inks by a CarbonNeutral® printer.

www.eurocommercialproperties.com