Eurocommercial
Properties N.V.

Annual Report 30 June 2001

Cover: The Company's logo is based upon a real Roman coin, a denarius of about 30BC showing the temple of Divus Julius, the remains of which can still be seen in the Forum.

The year in brief

Net income increased by 17% to EUR 33 million

Shareholders' equity increased by 17% to EUR 534 million

Property investments increased by 32% to EUR 1,014 million

Dividend per share increased by 6% to EUR 1.33

Net asset value per share increased by 5% to EUR 20.92

Property sold EUR 69 million

Corporate Profile

Eurocommercial Properties N.V. ("the Company") is a quoted Netherlands company approved and supervised by The Central Bank of The Netherlands to act as an Investment Institution. It changed its name from Schroder European Property Fund N.V. in May 2001 to reflect the integration of its management team following the earlier termination of the portfolio management agreement with the Schroder Group. The Company invests in retail, office and warehouse properties exclusively in the European Union and, as it qualifies as a fiscal investment institution (fiscale beleggingsinstelling), it is subject to a nil rate of Dutch corporate income and capital gains tax, provided it meets certain conditions. The Company currently pays out 100% of its distributable profit which shareholders have the option of taking as a cash dividend or in the form of bonus shares from the share premium reserve. Cash dividend is subject to 25% Netherlands dividend withholding tax, which non resident shareholders may be able to reduce under the relevant tax treaty and/or any credit against their local tax liability. The issue of the bonus shares is not subject to Netherlands dividend withholding tax.

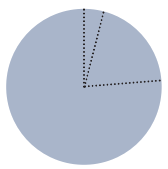
The Company is listed on the Euronext Stock Exchange (Amsterdam, Brussels and Paris) and its shares may be bought or sold through any stockbroker.

Investment Aims and Portfolio Spread

Eurocommercial Properties N.V. is a long term property investment company focussing on hypermarket anchored shopping centres and other prime European Union retail property in which it has accumulated considerable expertise, particularly in France and Italy. Retail assets now represent about 81%* of the portfolio with the balance invested in offices (15%)* and warehouses (4%)*.

The Company's shopping centre acquisition programme is continuing with further purchases planned in Italy. Scandinavia has also been targeted as the Company's third major retail market following the successful investments in Denmark and Sweden.

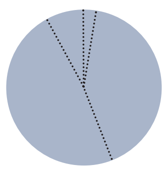
Sector spread*



Retail **81%**
Office **15%**
Warehouse **4%**

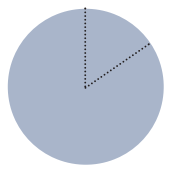
Country spread*

retail



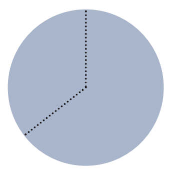
Denmark **2%**
France **41%**
Italy **51%**
Sweden **6%**

office



France **19%**
The Netherlands **81%**

warehouse



France **66%**
The Netherlands **34%**

*These figures include post balance date acquisitions and disposals referred to later in this report

Herengracht, Amsterdam. A view showing the Company's head office.

Key Financial Information (consolidated)

For the financial year ended	**30-6-2001**	30-06-00	30-06-99	30-06-98	30-06-97	30-06-96	30-06-95	30-06-94	30-06-93	30-06-92
Profit and Loss Account (X EUR '000)										
Net rental income	**56,775**	43,062	32,541	26,394	20,619	17,785	15,189	12,161	9,682	8,474
Net interest expense	**(19,227)**	(9,487)	(5,549)	(4,122)	(3,540)	(5,097)	(2,722)	(263)	2,498	3,404
Company expenses	**(4,643)**	(5,525)	(4,062)	(3,471)	(2,748)	(2,273)	(2,357)	(2,024)	(2,219)	(1,770)
Net income (direct investment result)	**32,888**	28,048	22,905	18,862	14,320	10,444	10,095	9,513	10,019	10,199
Balance Sheet - before income appropriation (X EUR '000)										
Total assets	**1,062,207**	786,574	533,566	463,502	357,336	267,343	236,693	249,531	226,675	254,042
Property investments	**1,013,753**	766,677	509,552	387,235	280,066	233,742	194,036	167,188	118,540	127,306
Cash and deposits	**22,016**	1,949	8,802	57,336	67,068	26,832	34,469	74,654	91,190	123,180
Borrowings	**463,729**	269,369	131,397	121,892	129,704	107,456	87,889	98,830	83,626	97,413
Shareholders' equity	**534,336**	458,462	372,418	323,589	211,429	143,438	136,647	143,684	140,091	154,052
Indirect investment result	**24,421**	44,637	35,106	34,495	8,902	39	(7,057)	4,152	(13,906)	(29,266)
Number of depositary receipts representing shares in issue	**25,544,853**	23,038,762	19,575,700	18,876,549	13,810,930	9,566,064	9,446,595	9,446,595	9,446,595	9,446,595
Per depositary receipt information* (EUR)										
Net asset value *(before income appropriation)*	**20.92**	19.90	19.02	17.14	15.31	14.99	14.47	15.21	14.83	16.31
Direct investment result	**1.32**	1.28	1.19	1.10	1.18	1.09	1.07	1.01	1.06	1.08
Indirect investment result	**0.98**	2.04	1.82	2.02	0.74	0.00	(0.75)	0.44	(0.15)	(0.31)
Dividend	**1.33**	1.26	1.19	1.13	1.11	1.09	1.07	1.07	1.07	1.07
Property information										
Sector spread (%)										
Retail	**77**	74	62	65	63	58	56	64	54	38
Office	**19**	23	34	30	30	36	41	34	44	60
Warehouse	**4**	3	4	5	7	6	3	2	2	2
	100	100	100	100	100	100	100	100	100	100
Stock market prices										
Last sale at the end of June on the Amsterdam Stock Exchange. (EUR; depositary receipts)	**18.85**	18.40	20.40	18.38	17.88	14.38	12.80	12.84	12.48	12.71

*** Note**

The Company's shares are listed in the form of bearer depositary receipts on the Euronext Stock Exchange (Euronext Amsterdam). 1 depositary represents 10 ordinary shares.

The calculation of the direct and indirect investment results is based on the weighted average of the number of depositary receipts representing the ordinary shares in issue over the year using the standard Netherlands formula. 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. The weighted average number of depositary receipts over the year is 24,943,097. The per depositary receipt information shown above for the previous financial years is the information taken from the relevant annual reports.

The dilutive effect of the outstanding stock options is minimal, because of the limited quantity of stock involved and the exercise price of EUR 18.00 which is close to the average market price for the period. Accordingly, no additional information on the diluted direct and indirect results is presented.

Report of the Board of Supervisory Directors

To the General Meeting of Shareholders

We are pleased to present the annual report of Eurocommercial Properties N.V. for the financial year ending 30 June 2001, as drawn up by the Board of Management. The auditors, Ernst & Young, have examined the financial statements and have issued an unqualified report thereon. We recommend that you adopt the financial statements.

We support the proposal of the Board of Management to distribute a cash dividend of EUR 1.33 per depositary receipt (10 ordinary shares) for the financial year ending 30 June 2001. 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.

During the year under review there were four meetings of the Supervisory Board which meetings were always attended by the members of the Board of Management. In addition to those meetings there was regular contact between the Supervisory Board members and the members of the Board of Management. Amongst the topics discussed were property and financial markets, management and financial accounts, funding, currency and dividend policy, the system of internal controls, the Euro and remunerations levels and systems. The name change to Eurocommercial Properties N.V. was also discussed and agreed upon unanimously.

At the Annual General Meeting of Shareholders held on 7 November 2000, Mr W.G van Hassel was reappointed as member of the Supervisory Board. At the Extraordinary General Meeting of Shareholders held on 3 April 2001 the Articles of Association of the Company were amended to include the new name and the redenomination of the share capital into Euros.

At the forthcoming Annual General Meeting of Shareholders to be held on 6 November 2001 Mr H.Th.M. Bevers and Mr. H.W. Bolland will retire by rotation. They, being eligible, are proposed for re-election. Under a rota devised by the Supervisory Board, each director will retire by rotation every three years.

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, 28 August 2001

Board of Supervisory Directors
W.G. van Hassel, Chairman
H.Th.M. Bevers
H.W. Bolland
J.H. Goris

Report of the Board of Management

ECONOMIC BACKGROUND AND MARKET REVIEW

FINANCIAL RESULTS

PROPERTY PERFORMANCE

PORTFOLIO CHANGES

OUTLOOK AND INVESTMENT PLANS FOR NEXT YEAR

Economic Background and Market Review

European consumers, like their US counterparts, have so far maintained spending levels, apparently unaffected by collapses of Technology, Media and Telecom companies. Clearly immediate personal stock market losses have not so far affected individual liquidity to any significant degree.

It would be wrong, though, in our view, to assume that the effect of high-tech corporate failures has now course. Far from it – the real impact on economic activity could be from a significant increase in the cost of capital, even to the most major companies, whether equity or debt.

Although short term interest rates have dropped and may drop further, banking margins have significantly increased and credit committees have become far more demanding on the quality of credit risks and the security they require. Bank liquidity ratios are coming under pressure. Equity raisings are now extremely difficult with lower stock prices making new issues uneconomic.

Companies are therefore capital constrained and many now, particularly in the high-tech sectors, cannot sell assets, which in some cases are worthless. Business closures and layoffs are thus increasing and although there will be a delay before all this filters through to consumer spending, whether on housing, durables or fashion, eventually it will.

The effect of these complex and contradictory trends on institutional property markets has been mixed.

Yields have been largely unaltered and any potential upward drift as a result of fears of lower or non-existent rental growth has been counteracted by greater interest in the property sector by investors attracted by its relative strength of income. Indeed it has become clear that weightings in property have increased, and not merely because other sectors, equities in particular, have declined in value.

The office sector of the property market has nevertheless already been affected through bankrupt high technology companies vacating space, or demanding less of it, especially as rents were previously driven strongly upwards through excessive demand from the same companies. Yields have generally softened slightly.

Warehouses, always the least volatile investment, seem to have continued on their quiet way with little evidence of great change, either from the high tech boom or the high tech bust. The sector is more likely to react to overall economic growth or lack of it. Yields have remained unchanged.

Retail sales turnover growth has generally kept pace with, or exceeded last year - the average turnover growth in the Company's French and Italian centres has averaged 8.5% this year compared with 6% in the year to June 2000 with a major contribution this year from Passage du Havre.

Retail rental growth has, overall, been good. It has at least kept pace with sales growth in France but has shown even stronger growth in Italy where demand for modern space continues to outstrip supply. Yields have hardened accordingly with talk of bids well under 6% for a recently offered large portfolio of centres. We think that in some cases the competitive instinct amongst bidders has overcome sound judgement but the result will not be clear, as always in property markets, for some years.

All in all, then, an intriguing year with both pitfalls and some pleasant surprises, particularly in the new found appreciation by some investors that property has, after all, in its lack of volatility, some extremely useful virtues.

Financial results

Shareholders' Equity

The Company increased its equity during the year benefitting from the increase in value of the Company's properties. Furthermore, a private placement of 2,000,000 depositary receipts at net asset value raised EUR 40.7 million gross. The issue of 506,092 bonus depositary receipts instead of a cash dividend also contributed to shareholders' funds so that net equity rose over the year by 17% to EUR 534 million before income appropriation.

Income

Net income for the year was EUR 32.9 million an increase of 17% when compared with EUR 28.0 million for 2000. The higher income results mainly from higher rents on existing properties and new properties purchased at yields higher than borrowing costs.

The increase in the number of shares in issue has been taken into account when calculating earnings per share of EUR 1.32 per depositary receipt (2000 EUR 1.28; an increase of 3%) to reflect the time weighting under the standard Netherlands formula for the issue of depositary receipts. Accordingly, an appropriate proportion of the dividend (approximately 2.4%) relating to the period before the respective issue proceeds were received will be paid from the retained profit reserve available for this purpose.

Dividend

The Board will recommend that a dividend for the year of EUR 1.33 be paid to depositary receipt holders. This represents an increase of 6% when compared with the dividend for 2000.

Depositary receipt holders will again be offered the option of taking new depositary receipts from the Company's share premium reserve, instead of a cash dividend, at a price to be announced prior to the Annual General Meeting of Shareholders. Our policy remains one of offering these depositary receipts at a price that ensures there is no dilution of the interests of the majority of shareholders who cannot use the tax advantages of these bonus receipts.

Net asset value

Net asset value per depositary receipt before income appropriation increased by 5% to EUR 20.92 at 30 June 2001 compared with EUR 19.90 in June 2000.

The majority of this increase results from an average 4.3% increase in property values, over all countries in which the Company has invested.

Property performance

Total return for the year to 30th June

The overall total return for the entire portfolio for the year was 10.7%, a figure that comprises a capital value increase of 4.3% and net income of 6.4%. These performance statistics can be broken down by property sector and country as follows:

Sector performance

Retail	10.8%
Office	10.8%
Warehouse	7.1%

Country performance

Belgium	19.4%*
Denmark	9.4%
France	7.3%
Italy	12.9%
Netherlands	9.9%
Sweden	4.5%**
United Kingdom	(6.4%)***

* Property held for 7 months only.
** Property held for 3 months only.
*** Property held for 11 months only.

Individual long term property performance figures are set out in the sections of this report relating to each property.

Portfolio changes

The acquisitions and disposals were:-

Acquisitions

Passage du Havre, Paris	Shopping centre	EUR 156.7m
Burlöv centre, Malmö	Shopping centre	EUR 45.5m
*Il Castello, Ferrara	Shopping centre	EUR 62.0m
Parisud, Sénart, Paris	Warehouse	EUR 11.6m
ZAC des Béthunes, Cergy Pontoise	Warehouse	EUR 17.4m
Total		EUR 293.2m

Sales

Rhosili Road, Brackmills Northampton	Warehouse	EUR 6.5m
*Corner Plaza, Maarssen	Offices	EUR 33.4m
*Planetenweg, Hoofddorp	Offices	EUR 7.2m
Avenue de Cortenberg, Brussels } Rue d'Arlon, Brussels	Offices	EUR 21.6m
Total		EUR 68.7m

* Post balance date

The three shopping centres purchased during and after the financial year are fully described later in this report.

The new shopping centre aquisitions are very much 'mid market' and anchored by mass consumer stores - hypermarkets out of town and fnac in Paris. This continues the Company's deliberate strategy to avoid the potential volatility of high fashion and to make our centres as recession proof as possible. Low rent to turnover ratios greatly increase our security of income.

The sales of office buildings, apart from locking in good capital gains, are designed to lighten further our exposure to a sector that can be vulnerable, not only to a recession but doubly, to over supply.

The warehouse in the UK was sold as the last remaining asset in a country where we intend to make no further investments for the time being

Occupancy levels

Occupancy levels remain high, exceeding 99% overall by area.

Outlook and investment plans for next year

Property markets have enjoyed a renaissance of interest as an antidote to the ills of the 'new economy' stocks.

The general slowing of economic growth however will have some effect on demand for space on all sectors – the key to investment success will be to select those properties that are in the shortest supply and most aptly meet the demands of a broad range of businesses. We believe that high quality hypermarket anchored shopping centres best match this profile.

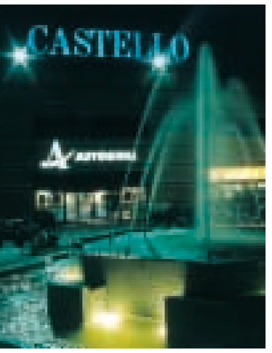
In an economic boom it takes little skill to keep buildings fully occupied with growing rents, but the downturn we are facing presents greater challenges particularly because property investment prices remain high with yields still reflecting boom conditions. Lower interest rates, if they occur, will help of course but the real key to success in harder times will be a professional knowledge of underlying tenant requirements particularly in the retail sector. This can only be achieved by careful focus, excellent relationships and genuine interest.

The Company has anticipated the need for focus and has reduced the number of countries in which it invests, concentrating on Italy, France, Scandinavia and the Netherlands. We think it is better to excel in a few core markets where we have an advantage than to be at the mercy of events outside our control in many scattered locations.

The Company is expanding its management team in Italy and intends to bring property management and leasing in house to the benefit of both costs and local knowledge. We believe that there is little point in chasing prices for ready made investments even higher – far better we think to use in depth market knowledge and relationships to be able to buy properties more cheaply at an earlier stage and use our expertise to merchandise them directly.

This has some risks of course but also two main advantages; we can optimise the tenant mix and achieve significantly higher yields. We will not become developers as we have no intention whatsoever in taking building and planning risks but we do believe that our excellent relationship with major retailers and developers will enable us to add real value to retail properties already under construction and with all necessary permits.

We intend to follow the acquisition of our seventh Italian shopping centre with at least two others over the next year, for which negotiations are already under way. Our steadily expanding and deepening relationships in that country will give us a regular pipeline of sensible investments so that we do not have



Outlook and investment plans for next year (continued)

to pay inflated prices for the few high profile portfolios that occasionally come on to the international market.

In France we will concentrate for the moment on the re-merchandising of our most recent investment there, Passage du Havre, where reletting negotiations are already justifying our expectations of solid rental growth. New investments may be made but only if they offer exceptional value or strategic benefits.

Scandinavia, really for us Sweden and Denmark, is an area in which we intend to expand, aiming to have up to six reasonably sized retail properties over the next three years or so. Our experience so far with the recently acquired Burlöv centre in Malmö suggests that sound leasing and management techniques can be rewarding.

We have sold four office buildings in the Netherlands at good gains over cost and valuation as well as the only two we owned in Belgium in order to fund our acquisitions and will consider further sales if the same circumstances occur.

In summary, over the next year we will be focussing hard on our core skills and interests, expanding in those markets where we have an advantage and avoiding those where we have none.

Amsterdam, 28 August 2001

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

Property Portfolio Retail

Sector Review

New acquisitions

Burlöv Centre, Malmö, Sweden
Il Castello, Ferrara, Italy

Properties

Italy

Centro Carosello, Carugate, Milan
I Gigli, Florence
Centro Commerciale Curno, Bergamo
Centro Leonardo, Imola
Centroluna, Sarzana
Centro Commerciale La Favorita, Mantova

France

Centre Commercial Amiens Glisy, Amiens
Centr’Azur, Hyères
Passage du Havre, Paris
Passy Plaza, Paris
Les Portes de Taverny, Paris
Centre Les Atlantes, Tours
74 rue de Rivoli, 1-3 rue du Renard, Paris

Denmark

Købmagergade 19, Copenhagen

Retail Sector Review

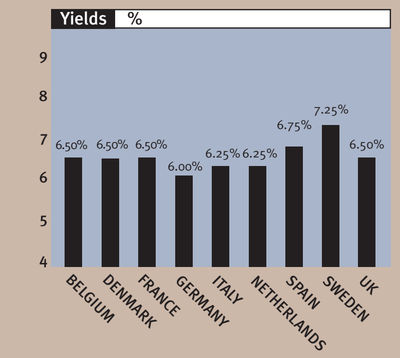
The retail market is sending out conflicting signals of strong institutional demand but potentially weaker occupational markets.

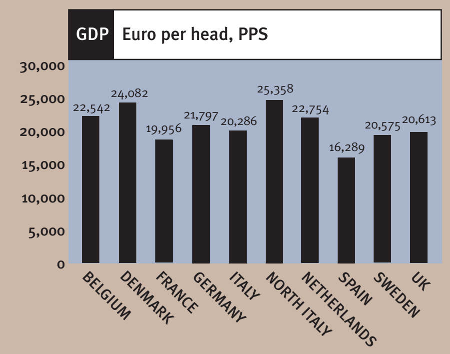
Faltering US and German economies do not yet appear to have had any impact on consumers in our core markets of Italy and France. Italian consumers are continuing to change their shopping patterns towards good quality out of town shopping centres and strong sales growth is perhaps therefore less directly linked to the immediate strength of the local economy. In the short term it seems unlikely that the Berlusconi government will have any immediate impact on spending or property markets which are attracting considerable foreign interest.

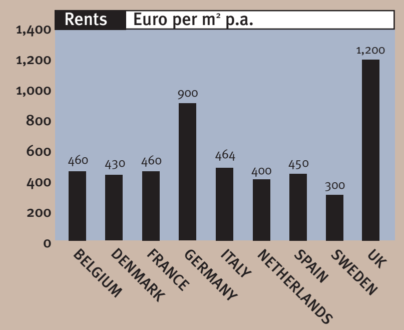
Internal consumption is currently one of the principal motors of the French economy and with elections pending next year the morale of consumers is likely to remain a key indicator for the next twelve months. Trading figures for late winter and early spring, not assisted by bad weather, were rather erratic and yet the summer sales season has been very satisfactory both in Paris and the provinces. The occupational market in Paris remains active but there is less focus on flagship stores and stronger demand for units of 200-300m².

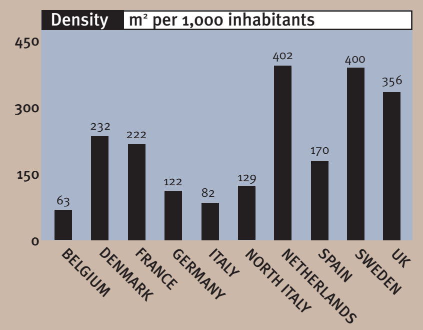
The investment market for European shopping centres remains in a state of effervescence underpinned not only by German and Dutch funds but also by domestic investors in the Italian market. It seems unlikely that yields will creep any lower as potentially lower funding rates may be matched by lower turnovers. In such a climate affordability of rents, demonstrated by low rent to turnover ratios, will be critical.

European shopping centre statistics

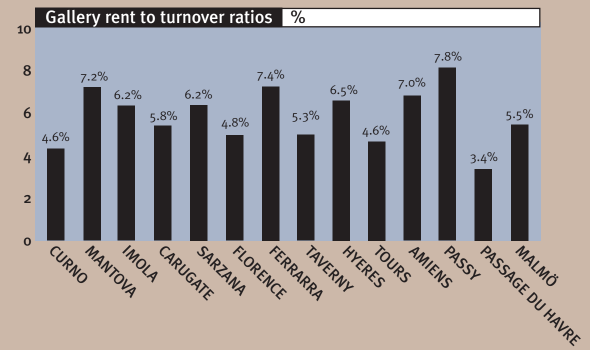


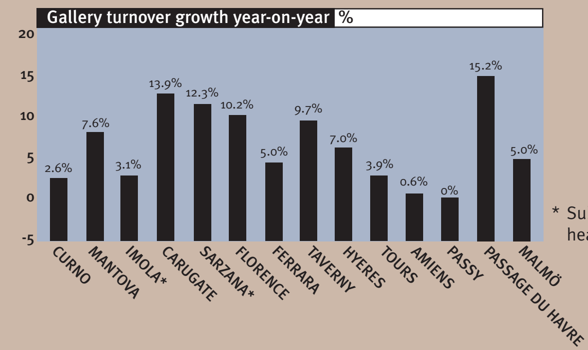






Eurocommercial Properties N.V. shopping centre statistics June 2001





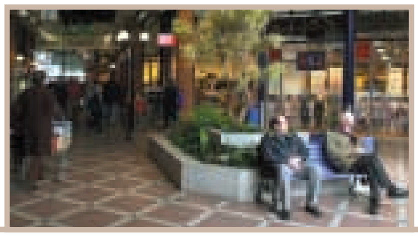
* Subject to a headlease

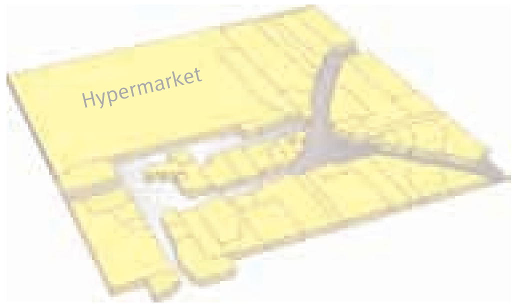
Burlöv Centre, Malmö, Sweden

Burlöv Centre is an established regional and municipal shopping centre positioned next to the E6, E20 and E22 motorways in the northern suburbs of Malmö, the city at the Swedish end of the Öresund bridge to Copenhagen in Denmark. The catchment is estimated to be approximately 280,000 people.

Originally opened in 1970, Burlöv Centre was refurbished and extended in 1989 and is anchored by a 20,900m² Obs! hypermarket together with a gallery of 14,250m² comprising 40 retailers including the major Swedish multiple chains H&M, Kapp-Ahl, Lindex, MQ, Stadium and Systembologet. Externally the site provides parking for 1,600 cars.

During 2000 visitor numbers were up 3% while the boutique turnover increased 8% and the three secondary fashion anchors increased 3.5% overall. The Company is currently investigating various merchandising improvements, particularly additional fashion and a wider selection of restaurants.





Lettable Areas
Gallery GLA: 14,250m²
Obs! Hypermarket GLA: 20,900m²
(approx 12,400m² sales)

Total
35,150m²

Car Spaces
1,600

Tenure
Freehold

Net valuation
EUR 49.9 million

Yield on cost
7.5%

Occupancy
100%

Major Tenants
Obs!, H&M, Kapp-Ahl, Lindex, MQ, Stadium, Systembologet, ON OFF, Siba

Lease Terms
3 or 5 year standard Swedish leases subject to annual indexation. In most leases additional turnover rental is payable once a tenant's turnover reaches a given threshold.

Current Net Income
EUR 3.47 million p.a.

Turnover Growth this year
Gallery 5%

Il Castello, Ferrara, Italy

Centro Commerciale Il Castello was purchased in July 2001 and is the dominant shopping centre for the province of Ferrara, in the wealthy northern Italian region of Emilia Romagna. The city of Ferrara has a population of around 132,000 and a wealth index 18% above the national average, while Greater Ferrara has a total population of about 350,000 people.

Il Castello was developed in two phases by Coop Estense, the operators of the hypermarket. The first part consisting of a Coop hypermarket and 30 shops opened in 1990 and an extension consisting of 50 shops and medie superfici opened in 1997. Il Castello now consists of an Ipercoop of 9,500m² sales area with a contiguous Brico store of 3,050m², both owned by Coop Estense and a gallery of 16,000m² which has been acquired by the Company.

Medie superfici operators in the gallery include Oviesse, Cisalfa Sport, Autogrill and an Eldo electrical store. The Company also owns the petrol station and Auto Centre which trade off the car park where there are 2,400 spaces including 500 underneath the shopping centre.

The property is predominantly let on affitti d'azienda contracts, approximately half of which are due for renewal over the next twelve months with significant increases in rents expected. The centre has a stable line-up of good quality national, regional and local retailers but there is clear scope to improve further the merchandising mix.

Lettable Areas
Gallery GLA: 16,000m²
Coop – Hypermarket (Sales): 9,500m²
Brico: 3,050m²

Total
28,550m²

Car Spaces
2,400

Tenure
Freehold in co-ownership

Net valuation
EUR 60.7 million

Yield on cost
6.75%

Occupancy
100%

Major Tenants
Oviesse, Autogrill, Cisalfa, Gruppo Eldo

Lease Terms
Business licences (affitti d'azienda) for terms of 4-7 years subject to annual indexation to ISTAT cost of living index. Additional turnover rental is payable once a tenant's turnover reaches a given threshold.

Renewal profile
2002: 42% Leases
2003: 4% Leases
2004: 7% Leases
2005: 24% Leases

Current Net Income
EUR 4.0 million p.a.

Turnover Growth this year
5%

Centro Carosello, Carugate, Milan, Italy

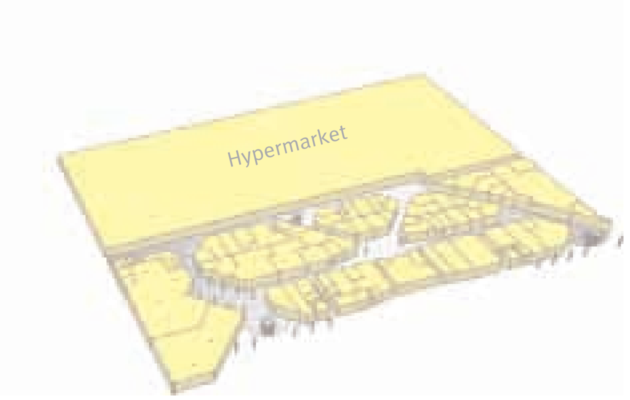
Carosello is a modern regional shopping centre situated in the important retail zone of Carugate, alongside the Milan tangenziale (ring-road). Carugate serves both central Milan and its eastern suburbs.

Carosello consists of a large Carrefour hypermarket of 15,000m^2 sales area with 70 shops including Oviesse (Gruppo Coin), Autogrill and Max & Co. There are 3,200 car spaces including 850 covered spaces.

Carosello has continued to show remarkable turnover growth achieving 13.9% in the gallery this year, and the hypermarket also continues to grow well. New lettings in the gallery have seen the arrival of Celio, Maxi Calzature, Paul and Shark. These transactions have produced an average rental increase of 23%.

As was provided for in the original purchase contract a turnover related top-up payment of EUR 4.4 million was paid to Carrefour in April 2001 who simultaneously entered into a new 25 year lease at a higher minimum guaranteed rent of EUR 4.23 million.

Negotiations are advancing with the relevant authorities and neighbouring owners to improve access to the centre and it is hoped that these will be finalised shortly. These improvements will help plans to extend the shopping centre.



Lettable Areas
Gallery GLA: 11,000m^2
Carrefour – Hypermarket (Sales): 15,000m^2
Warehouse: 15,000m^2

Total
41,000m^2

Car Spaces
3,200

Tenure
Freehold

Net valuation
EUR 136.6 million

Yield on gross value
6.1%

Occupancy
100%

Major Tenants
Carrefour, Oviesse, Autogrill, Benetton

Lease Terms
Hypermarket: 25 years from April 2001 to Carrefour with further options subject to annual indexation. Additional turnover rental is payable once the hypermarket turnover reaches a given threshold.
Gallery: 6 year leases subject to annual indexation automatically renewable for a further 6 year term. Additional turnover rental is payable once a tenant's turnover reaches a given threshold.

Renewal profile
Gallery leases are renewable in 2009

Current Net Income
EUR 8.44 million p.a.

Turnover Growth this year
Gallery: 13.9%
Hypermarket: 8.7%

Rental Growth this year
Gallery: 7.3%
Hypermarket: 8%

Total return since purchase in May 1997
28.3% per annum

I Gigli, Florence, Italy

I Gigli is one of the largest regional shopping centres in Italy and is about 12km north west of the centre of Florence, close to the A1 and A11 autostrade and has a potential catchment of about 1,000,000 people, of which 210,000 are in the primary zone.

Greater Florence has a disposable income factor 30% above the average of Italy as a whole.

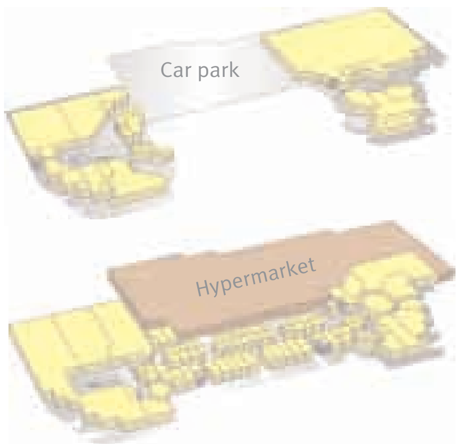
The centre has a total retail area of 56,300m² including a Panorama Hypermarket of 12,000m² sales area and a Leroy Merlin Brico store of 10,000m².

Management efforts to improve further the merchandising mix have been rewarded with the signing of a lease to Gruppo Coin, Italy's leading department store operator. The new Coin store is due to open in Autumn 2001 in an area of about 2,700m² adjoining the Oviesse store (also operated by Gruppo Coin). This is an important transaction as it is the first opening of a department store in a major modern Italian out of town shopping centre.

With the arrival of Coin, I Gigli will be unique in Italy in having large anchors in the hypermarket, department store, electrical and DIY sectors.

Turnover growth for the past twelve months has exceeded 10% and further changes to merchandising during the year have seen the arrival of Footlocker, Celio, Oltre and also a medical centre.

Preliminary negotiations are under way with neighbouring landowners to carry out further extensions of the shopping centre.



Lettable Areas
Gallery GLA: 44,300m²
Panorama – Hypermarket (Sales): 12,000m²

Total
56,300m²

Car Spaces
4,000

Tenure
Freehold in co-ownership

Net valuation
EUR 131.6 million

Yield on gross value
5.9%

Occupancy
100%

Major Tenants
Leroy Merlin, Media World, Coin

Lease Terms
Both leases and business licences (Affitti d'azienda) for terms of 4-10 years subject to annual indexation to ISTAT cost of living index. In each case, additional variable turnover rental is payable once tenant's turnover reaches a given threshold.

Renewal profile

Lease expiry	leases expiring
2002	3% leases
2003	41% leases
2004	7% leases
2005	8% leases
2006	6% leases

Current Net Income
EUR 7.9 million p.a.

Turnover Growth this year
10.2%

Rental Growth this year
5%

Total return since purchase in Nov 1999
16.5% per annum

Centro Commerciale Curno, Bergamo, Italy

Centro Commerciale Curno is to the west of the city of Bergamo, in the region of Lombardy. The centre consists of a hypermarket of 8,200m² sales area and a Brico, both operated by Auchan/La Rinascente together with a gallery of 15,334m² which includes a Media World of 3,400m², 57 boutiques and further secondary anchors.

Curno opened in 1991 and the twelve year leases are therefore due for renewal in 2003. Renewal discussions with the anchor stores have already started and are proceeding well. Passing rents in the shopping centre are low and are well underpinned both by turnovers which have risen slightly in the past year and by recent lettings in the centre to Pimkie and Conte of Florence.

Architectural studies for a light refurbishment to the shopping centre are well advanced.

Lettable Areas
Gallery GLA: 15,344m²
Città Mercato - Hypermarket (Sales): 8,200m²
Brico: 3,400m²

Total
26,944m²

Car Spaces
2,500

Tenure
Freehold in co-ownership

Net valuation
EUR 50.7 million

Yield on gross value
6.6%

Occupancy
100%

Major Tenants
Media World, Cisalfa, Piazza degli Affari

Lease Terms
6 year leases subject to annual indexation automatically renewable for a further 6 year term. Additional turnover rental is payable once a tenant's turnover reaches a given threshold.

Renewal profile
2003: 81% Leases

Current Net Income
EUR 3.4 million p.a.

Turnover Growth this year
2.6%

Rental Growth this year
6%

Total return since purchase in Jan 1994
21.2% per annum

Centro Leonardo, Imola, Italy

Centro Leonardo is situated on the Via Emilia just outside Imola in the wealthy region of Emilia Romagna.

Centro Leonardo opened in 1994 and is anchored by a Coop hypermarket of 8,000m². The gallery of 33 shops has an area of 6,380m² on ground and first floor levels.

An indexed gross income of EUR 1.173 million is guaranteed to the Company until September 2006 by Coop Adriatica under a head lease agreement. The underlying rental value is estimated to be over EUR 1.5 million.

Access to the centre has improved considerably following upgrading of the surrounding road network.

Lettable Areas
Gallery GLA: 6,380m²
Ipercoop - Hypermarket (Sales): 8,000m²

Total
14,380m²

Car Spaces
1,500

Tenure
Freehold in co-ownership

Net valuation
EUR 16.32 million

Yield on gross value
6.75%

Occupancy
100%

Major Tenants
Pittarello, Benetton, Douglas

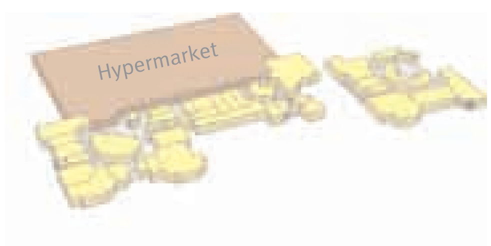
Lease Terms
Headlease to Coop Adriatica expires in 2006.

Current Net Income
EUR 1.12 million p.a.

Turnover Growth this year
3%

Rental Growth this year
1%

Total return since purchase in July 1998
10.7% per annum



Centroluna, Sarzana, Italy

Centroluna is situated at Sarzana, close to the Ligurian coast and serves a catchment area of approximately 80,000 people. There is excellent access to the centre, both from the town of Sarzana and from the A12 Genova-La Spezia Autostrada.

The centre consists of a Coop hypermarket of 6,000m^2 sales area and a gallery of 3,633m^2 of 35 shops with approximately 1,000 surface car spaces.

An indexed gross income of EUR 0.71 million is guaranteed to the company until December 2008 by Coop Liguria under a head lease agreement.

The underlying market rent level is estimated to be over EUR 1 million.

Lettable Areas
Gallery GLA: 3,633m^2
Ipercoop- Hypermarket (Sales): 6,000m^2

Total
9,633m^2

Car Spaces
1,000

Tenure
Freehold in co-ownership

Net valuation
EUR 9.86 million

Yield on gross value
7%

Occupancy
100%

Lease Terms
Head lease to Coop Liguria expiring 2008, subject to annual indexation

Current Net Income
EUR 0.7million p.a.

Turnover Growth this year
12.3%

Rental Growth this year
1%

Total return since purchase in July 1998
6.1% per annum

Centro Commerciale, La Favorita, Mantova, Italy

Centro Commerciale La Favorita is directly to the east of the ancient city of Mantova in the region of Lombardy. It is close to the Mantova Nord exit of the Verona-Bologna Autostrada.

Turnover growth at the centre has maintained its positive momentum assisted both by the completion of a new road system to the east of Mantova and by improved merchandising.

Plans for the creation of a retail park on land fronting the centre are progressing and preliminary discussions with potential occupiers complementary to La Favorita have been favourable.

Lettable Areas
Gallery GLA: 7,390m^2
Ipercoop – Hypermarket (Sales): 7,200m^2
Brico: 5,700m^2
Cinema: 2,700m^2

Total
14,590m^2

Car Spaces
1,600

Tenure
Freehold in co-ownership

Net valuation
EUR 23.14 million

Yield on gross value
6.6%

Occupancy
100%

Major Tenants
UPIM, Giacomelli Sport

Lease Terms
Business licences (Affitti d'azienda) for terms of 5-7 years subject to annual indexation to ISTAT cost of living index. In some cases additional turnover rental is payable once a tenant's turnover reaches a given threshold.

Renewal Profile
2002: 8% Leases
2003: 46% Leases
2004: 5% Leases

Current Net Income
EUR 1.56 million p.a.

Turnover Growth this year
7.5%

Rental Growth this year
1.5%

Total return since purchase in Dec 1997
17.7% per annum

Centre Commercial Amiens Glisy, Amiens, France

Centre Commercial Amiens Glisy is located to the east of Amiens (population 132,000) adjacent to the city ring-road. The catchment zone is composed of the eastern suburbs of Amiens and its rural hinterland.

The shopping centre opened in 1994 and consists of a Géant hypermarket of 10,000m² with a gallery of 6,769m² and 2,200 car spaces. Development of retail warehouses on land opposite the shopping centre has increased the attraction of the zone and BUT, Intersport and Lapeyre all trade out of large freestanding units.

The gallery shops have continued their steady upward turnover growth performance and relettings to Vision Originale, Okaïdi and Jacqueline Riu have resulted in a healthy rental uplift.

Lettable Areas
Gallery GLA: 6,279m^2
Géant - Hypermarket (Sales): 10,000m^2
Other occupiers: 490m^2

Total
16,769m^2

Car Spaces
2,200

Tenure
Freehold in co-propriété

Net valuation
EUR 23.13 million

Yield on gross value
6.95%

Occupancy
100%

Major Tenants
Flunch, Etam, Camaieu

Lease Terms
12 year leases providing for indexation to the INSEE cost of construction index. Additional variable turnover rental is payable once a tenant's turnover reaches a given threshold.

Renewal Profile
2006: 73% Leases

Current Net Income
EUR 1.7 million p.a.

Turnover Growth this year
1%

Rental Growth this year
5%

Total return since purchase in Jan 1995
17.0% per annum

Centr'Azur, Hyères, France

Centr'Azur is an attractive modern shopping centre situated on the A570 Autoroute just outside the town of Hyères which is close to the Côte d'Azur.

Population growth in the region remains very positive and turnovers in the centre have maintained the strong growth trend seen in recent years. The car park has been extended to provide a further 150 spaces and this will help to overcome bottlenecks in the summer months.

Lettable Areas
Gallery GLA: 6,243m^2
Géant – Hypermarket (Sales): 6,800m^2

Total
13,043m^2

Car Spaces
1,600

Tenure
Freehold in co-propriété

Net valuation
EUR 20.99 million

Yield on gross value
6.85%

Occupancy
100%

Major Tenants
Casino Cafétéria, Pier Import, Etam, Lynx Optique

Lease Terms
12 year leases providing for indexation to the INSEE cost of construction index. Additional variable turnover rental is payable once a tenant's turnover reaches a given threshold.

Renewal Profile
2005: 62% Leases

Current Net Income
EUR 1.52 million p.a.

Turnover Growth this year
7.0%

Rental Growth this year
2%

Total return since purchase in Dec 1993
9.8% per annum

Passage du Havre, Paris, France

The Passage du Havre occupies a prominent and strategic site which forms a pedestrian link between the Grands Magasins on boulevard Haussmann, the very best retailing destination in France, and the Gare St Lazare SNCF/RER/metro interchange.

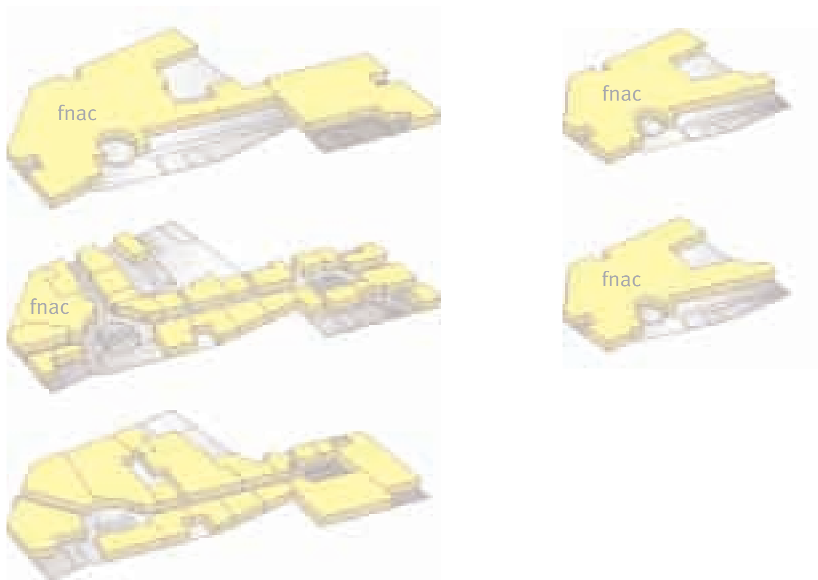
A Passage du Havre has stood on this site since the mid 19th century and the present complex, which has direct access to the rail networks below, opened in 1997 and provides 19,300m² of retail and office space together with thirty apartments.

The shopping centre consists of 13,472m² and is anchored by one of the largest fnac (media and electrical) stores in France. Secondary anchors in the fashion sector are Zara, Gap and H&M. The retail gallery trades off the lower ground and ground levels and fnac trades off the first, second and third floors.

The offices above have an area of 4,300m² and are leased to four tenants including Assicurazioni Generali at rents which are well below market levels.

The Passage du Havre was acquired in late 2000 and since then turnover growth has remained very positive at more than 15% for the past twelve months.

Plans to improve both the external and internal appearance and internal circulation within the centre are progressing.



Lettable Areas
Shopping Centre: 13,472m²
Offices: 4,271m²
Apartments: 1,541m²

Total
19,284m²

Car Spaces
179

Tenure
Freehold

Net valuation
EUR 158.5 million

Yield on gross value
5.7%

Occupancy
100%

Major Tenants
fnac, H&M, Generali, Sephora, Nature et Découverte

Lease Terms
Retail: 9-12 year leases providing for indexation to the INSEE cost of construction index. Additional variable turnover rental is payable once a tenant's turnover reaches a given threshold.

Offices: 9 year leases providing for indexation to the INSEE cost of construction index

Renewal Profile
2006: 77% Leases

Current Net Income
EUR 9.18 million p.a.

Turnover Growth this year
15.2%

Passy Plaza, Paris, France

Passy Plaza is situated on rue de Passy in the 16th arrondissement of Paris. Passy is one of the city's wealthiest residential neighbourhoods and is bounded by the commercial office district of the 8th arrondissement, the Bois de Boulogne and the Seine.

The shopping gallery forms a natural pedestrian link between rue de Passy and rue de l'Annonciation to the rear. Rue de Passy offers upmarket fashion shopping where national retailers are strongly represented and rue de l'Annonciation, which is partially pedestrianised, provides neighbourhood food shopping, cafés and restaurants.

Passy Plaza is a two level gallery which is anchored by a strong ground floor fashion offer of Gap, Zara and Hennes & Mauritz.

The well regarded "Inno" department store, which used to occupy the site of Passy Plaza, will return in name in September this year when the Casino group reopen an modern "Inno" food store on the lower level of Passy Plaza in place of the supermarket. The arrival of Inno will complement the reorganisation of the ground floor undertaken last year which has seen the arrival of H&M.

Turnover growth in the past 12 months has been flat due to fitting out voids for H&M and Loisirs & Créations but turnover from the small shops is progressing well.

Lettable Areas
8,077m²

Car Spaces
150

Tenure
Freehold volume

Net valuation
EUR 76.2 million

Yield on gross value
5.9%

Occupancy
100%

Major Tenants
GAP, Zara, Casino, H&M

Lease Terms
12 year leases providing for indexation to the INSEE cost of construction index. Additional variable turnover rental is payable once a tenant's turnover reaches a given threshold.

Renewal Profile
2005: 56% Leases

Current Net Income
EUR 4.74 million p.a.

Turnover Growth this year
0%

Rental Growth this year
2.5%

Total return since purchase in July 1999
9.0% per annum

Les Portes de Taverny, Paris, France

Taverny is a prosperous suburb to the north-west of Paris with good commuter links both to the capital and also to Roissy airport.

Located in a highly visible position alongside the A115 Autoroute, Les Portes de Taverny is anchored by an Auchan hypermarket and there are also good secondary anchors in Bricorama and Decathlon.

The shopping centre opened in 1990 and as a result of the twelve year lease structure renewal negotiations for 2002 are now under way and good progress is being made. The centre has continued to perform well with turnover growth of 9.5% this year. There are ongoing discussions with the relevant authorities for an extension.

Lettable Areas
Gallery GLA: 4,752m^2
Auchan- Hypermarket (Sales): 10,200m^2
Other ownership: 9,402m^2

Total
24,354m^2

Car Spaces
1,500

Tenure
Freehold in co-propriété

Net valuation
EUR 24.96 million

Yield on gross value
6.5%

Occupancy
100%

Principal Tenants
Paul, Histoire d'Or, Krys

Lease Terms
12 year leases providing for indexation to the INSEE cost of construction index. Additional variable turnover rental is payable once a tenant's turnover reaches a given threshold.

Renewal Profile
2002: 39% Leases
2003: 4% Leases

Current Net Income
EUR 1.71 million p.a.

Turnover Growth this year
9.5%

Rental Growth this year
1.5%

Total return since purchase in Aug 95
16.9% per annum

Centre Les Atlantes, Tours, France

Les Atlantes is close to the city centre of Tours and is located alongside the A10 Autoroute. Tours has a population of 130,000 and the total catchment is 330,000.

The centre consists of a Carrefour hypermarket of 10,600m² sales area and a gallery of 22,747m² comprising 75 shops including the secondary anchors Hypermedia, Go Sport and Toys R Us.

Lettable Areas
Gallery GLA: 22,747m^2
Carrefour- Hypermarket (Sales): 10,600m^2

Total
33,347m^2

Car Spaces
2,500

Tenure
Freehold in co-propriété

Net valuation
EUR 60.7 million

Yield on gross value
6.5%

Occupancy
100%

Major Tenants
Go Sport, Flunch, Hypermedia, Jennyfer

Lease Terms
12 year leases providing for indexation to the INSEE cost of construction index. Additional variable turnover rental is payable once a tenant's turnover reaches a given threshold.

Renewal Profile
2004: 75% Leases

Current Net Income
EUR 4.2 million p.a.

Turnover Growth this year
4%

Rental Growth this year
1%

Total return since purchase in June 1992
11.9% per annum

74 rue de Rivoli, 1-3 rue du Renard, Paris, France

74 rue de Rivoli occupies a prime corner position on the north side of the street at the junction with rue de Renard, close to the BHV department store. Rue de Rivoli is one of the principal retail arteries of Paris.

This mixed use property consists of four prime shops with a lettable area of 654m² and office and residential accommodation above.

During the past twelve months a comprehensive restoration of the façade to the building has been undertaken.

Lettable Areas
Retail: 654m²
Office: 466m²
Residential: 1,787m²

Tenure
Freehold

Net valuation
EUR 10.95 million

Yield on gross value
5.3%

Occupancy
100%

Principal Tenants
Natalys, Minelli

Lease Terms
Retail/office:-Nine years subject to three yearly tenant break clauses and indexation to the INSEE index.
Residential: Six years subject to annual indexation and three month tenant only break clauses.

Current Net Income
EUR 0.62 million p.a.

Total return since purchase in Mar 1998
7.5% per annum

Købmagergade 19, Copenhagen, Denmark

Købmagergade 19 is located in a prime pedestrianised retail pitch in the centre of Copenhagen approximately 40 metres from the street's junction with Strøget and opposite the Illum department store.

The ground and first floors of the property were completely refurbished in 1999 to provide two large retail units with a combined sales area of 1,500m² which are let to Benetton and Diesel. The upper parts provide four levels of offices totalling 2,500m² let at average rents of EUR 110m². 80% of the rental income is from the retail.

Lettable Areas
4,963m²

Tenure
Freehold

Net valuation
EUR 16.74 million

Yield on gross value
6.0%

Occupancy
100%

Major Tenants
Diesel, Benneton

Lease Terms
Standard Danish institutional leases

Current Net Income
EUR 1.01 million p.a.

Total return since purchase in Dec 1999
8.0% per annum

Property Portfolio Office

Sector Review

Properties

The Netherlands

Kingsfordweg 1, Sloterdijk, Amsterdam

Corner Plaza, Maarssen, Utrecht

Herengracht 459-483 and Reguliersdwarsstraat 12-40, Amsterdam

Planetenweg 83-99, Hoofddorp

Office Sector Review

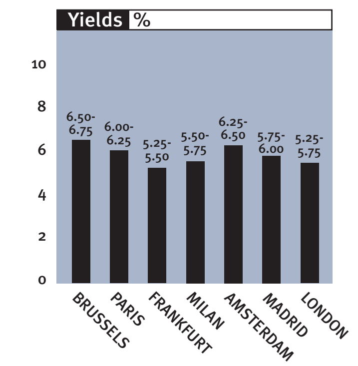
Although the office sector has performed well over the year as a whole, this masks much weaker demand and slower rental growth during the last six months following the marked reduction in TMT space requirements which has affected all markets but has been more pronounced in locations such as Madrid, Stockholm, parts of the Randstad and in the UK along the M4 corridor.

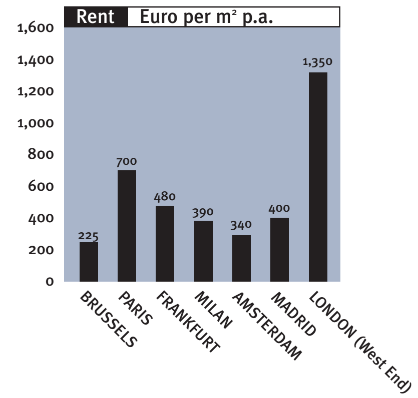
The downturn has come at a time of historically low vacancy rates and therefore the immediate impact has been limited. Most developments completing during 2001 have already been pre-let although some space may not be occupied by the original committed tenants as they attempt to sub-let space that has now become surplus as staffing levels reduce. More worrying signals lie ahead when accelerated development activity will bring speculative stock to the market in 2002/2003.

More diversified central financial and business districts with tighter planning controls such as those in central Paris, London, Milan and Amsterdam are unlikely to suffer as significantly. Yields, however, are already under upward pressure, as increasingly selective investors price in the expected slowdown in rental growth.

Anticipating these market trends the Company decided to sell its Dutch office buildings in Maarssen and Hoofddorp taking the view that these buildings were unlikely to see further significant short or medium term rental growth. In contrast, its two major office buildings in Amsterdam remain heavily under-rented with good prospects for further capital growth as reversions occur. The Company also sold its office buildings in Brussels as part of its longer term strategy to focus on its core retail markets.

Prime office yields and rents





Kingsfordweg 1, Sloterdijk, Amsterdam, The Netherlands

This landmark office building is located in the business area of Amsterdam West known as Teleport which has become an important office location for large public and private sector office users. The property itself is prominently positioned next to the Amsterdam (A10) Ring and within a short walking distance of the important Sloterdijk rail, train, metro and bus interchange providing rapid access to the city centre and Schiphol.

The property was built in 1994 and provides 39,475m² of highly specified office accommodation arranged on 19 floors and is let in its entirety to the Dutch Government until 2009. The property has an outstanding provision of car parking with its own garage for 650 cars (1:60m²) which is twice the level available on other buildings in the Teleport area. Rental levels in Teleport have continued to move forward to over EUR 180m².

Lettable Area
39,475m²

Car Spaces
650

Tenure
Perpetual ground lease

Net valuation
EUR 88.94 million

Yield on gross value
6.4%

Occupancy
100%

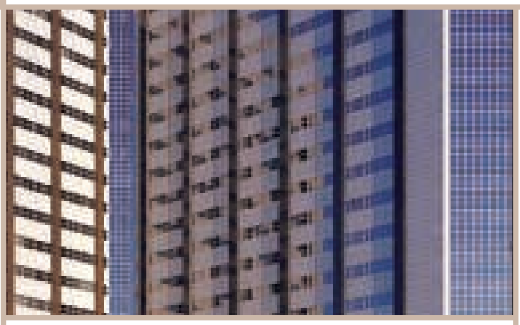
Tenant
Government of the Netherlands

Lease Terms
15 years from August 1994, subject to rent reviews in 2004 and 5 yearly thereafter

Current Net Income
EUR 5.76 million p.a.

Rental growth this year
2.5%

Total return since purchase in Oct 1998
8.6% per annum



Corner Plaza, Maarssen, Utrecht, The Netherlands

Corner Plaza is prominently situated on the Maarssenbroek business park alongside Utrecht's northern ring road which connects the nearby A2 Motorway with the A27.

The property comprises three individual office buildings of 18,755m² together with 460 car spaces (1:40m²), a ratio which greatly exceeds parking levels available on new developments around Utrecht.

During the year new lease terms were agreed with several tenants including Sybase and Ernst & Young which established rental levels of up to EUR 165m². Having secured these reversions and with increasing uncertainty about future TMT sector demand in the region, the Company decided to sell the entire property achieving net sale proceeds of EUR 33.35 million with delivery taking place on 1 October 2001. This price represents a gain on book cost of almost 30% since acquisition in 1997 and crystallises the growth achieved following the successful development and letting of Tower C to Elsevier Bedrijfsinformatie in 1999.

Towers A ,B and C

Lettable Area
18,755m²

Car Spaces
460

Tenure
Freehold

Net Sale Proceeds
EUR 33.35 million

Yield
6.5%

Occupancy
100%

Major Tenants
Ernst & Young, Ram Mobile Data, Sybase, Ballast Nedam, Elsevier Bedrijfsinformatie

Lease Terms
5 or 10 year leases subject to indexation

Current Net Income
EUR 2.31 million p.a.

Rental Growth this year
4.0%

Total return (Towers A,B,C) since purchase in Oct 1997
13.9%

Herengracht 459-483 and Reguliersdwarsstraat 12-40, Amsterdam, The Netherlands

The property, known as the "Gouden Bocht", is located on Amsterdam's most prestigious canal in the city's traditional financial district and comprises eight canal side office buildings, together with six restaurants and residential accommodation in Reguliersdwarsstraat. The estate covers 1.5 acres and includes extensive landscaped gardens together with its own underground car park with 37 spaces. The property, which is fully let, consists of 5,000m² of modern offices, 6,000m² of period offices and 4,650m² of restaurants, residential and storage.

The significant uplift in valuation reflects the property's reversionary potential and recent lease renewals with several major tenants in the building have achieved rents approaching EUR 365m² for the best period accommodation.

Lettable Area
15,650m²

Car Spaces
37

Tenure
Freehold

Net valuation
EUR 32.82 million

Yield on gross value
5.85%

Occupancy
100%

Major Tenants
Banque Nationale de Paris, Bank of America, Van der Hoop Effektenbank, Het Tuynhuis, Le Pêcheur, Dynasty

Lease Terms
Predominantly 5 years, subject to indexation

Current Net Income
EUR 2.05 million p.a. including notional rent on the Company's offices

Rental Growth this year
8.0%

Total return since purchase in June 1997
17.7% per annum

Planetenweg 83-99, Hoofddorp, The Netherlands

Planetenweg is located in the business park known as Beukenhorst, close to Schiphol airport and approximately 15km from Amsterdam.

The property dates from the mid 1980s and comprises two intercommunicating buildings together with 61 car spaces (1:62m²) and is situated close to the railway station.

The Company decided during the year to sell the property, taking the view that further short term rental growth potential would be limited resulting from the steady pipeline of new speculative development as additional land is released. A purchase contract has been completed and delivery will take place on or before 1 October 2001 producing net sale proceeds of EUR 7.2 million, over 30% above book cost since the property was acquired in 1996.

Lettable Area
3,779m²

Car Spaces
61

Tenure
Freehold

Net Sale Proceeds
EUR 7.2 million

Yield
6.9%

Occupancy
100%

Major Tenants
AHP Pharma,
Tektronix,
Alcatel Internetworking

Lease Terms
Predominantly 5 year leases subject to indexation

Current Net Income
EUR 0.53 p.a

Total return since purchase in May 1996
15.7% per annum

Property Portfolio Warehouse

Sector Review

New acquisitions

Parisud, Sénart, France

ZAC des Béthunes, Cergy Pontoise, France

Properties

The Netherlands

Horsterweg 20, Beek, Maastricht

Galvanibaan 5, Nieuwegein

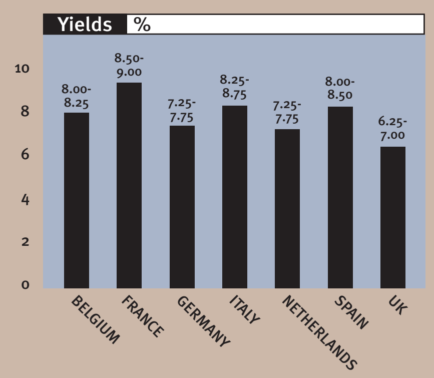
Standaardruiter 8, Veenendaal

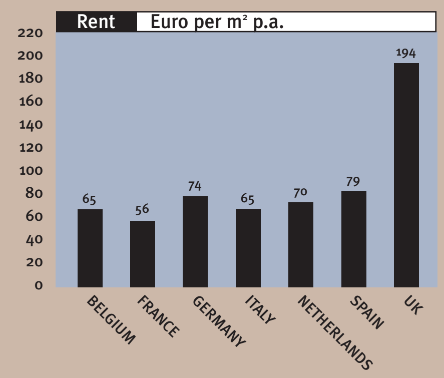
Koeweistraat 10, Waardenburg

Warehouse Sector Review

Vacancy rates for warehouse and industrial property have fallen across Europe although developers are responding slowly and speculative development is in short supply with land prices around major conurbations and transport termini often too high for viable development of this type. Rents have therefore continued to move forward as the gap between prime and secondary properties widens. Investment yields continue to look attractive for investors looking for a higher return and security of income from long lease contracts still achievable on large distribution units. The French market appears under-valued on a comparative basis with other major western European markets offering higher yields and rents that still leave scope for growth, particularly around the new Paris motorway system.

Prime warehouse yields and rents





Parisud, Sénart, France

The Parc d'Activités Parisud logistics zone is located about 35km to the south-east of Paris close to the new town of Melun Sénart. The property is located at the entrance for the zone directly alongside the N104 La Francilienne, the outer ring-road around Paris.

The building, which was developed in 1999 is about 10m high and provides about 19,335m² of top quality warehouse accommodation which is let to Geodis Logistics France, who are leaders in the French distribution industry.

Lettable Area
19,335m²

Site Area
42,000m²

Tenure
Freehold

Net valuation
EUR 11.33 million

Yield on gross value
8.8%

Tenant
Geodis Logistics France

Lease
Nine years from July 1999 with a tenant only break clause at July 2005.

Current Net Income
EUR 1.06 million p.a.

ZAC des Béthunes, Cergy Pontoise, France

Cergy Pontoise located to the north-west of Paris is one of five new towns that ring the capital. The property is located on the ZAC des Béthunes which is close to both the A15 which links Pontoise to Paris and the N104, La Francilienne, the outer Paris ring-road.

The property provides two contiguous top quality 10m high warehouses. Each building is approximately 14,000m² and both are let to well respected corporate occupiers, Bic SA and Lancel Sogedi, part of the Richemont group.

Lettable Area
BIC SA: 14,886m²
Lancel: 13,713m²

Total
28,599m²

Site Area
55,484m²

Tenure
Freehold

Net valuation
EUR 15.96 million

Yield on gross value
8.71%

Leases
Bic SA : 9 years from January 1999 subject to a tenant's only break after six years.

Lancel : 9 years from September 2000 subject to a tenant only break after six years.

Current Net Income
EUR 1.47 million p.a.

Horsterweg 20, Beek, Maastricht, The Netherlands

The property is prominently located on the Technoport Europe industrial estate in Beek, approximately 5km north of Maastricht and immediately adjoins Maastricht-Aachen airport alongside the A2, the main north-south motorway linking Eindhoven with Liège. The estate is dominated by both airport related users and national freight distribution companies including Frans Maas, DHL and Van Gend & Loos.

The building consists of a modern distribution warehouse with ancillary offices and is occupied by Boston Scientific, a US medical equipment company, as their European distribution centre.

Lettable Area
8,760m^2

Site Area
21,650m^2

Tenure
Freehold

Net valuation
EUR 4.73 million

Yield on gross value
7.9%

Occupancy
100%

Tenant
Boston Scientific International

Lease
10 year lease expiring in April 2006

Current Net Income
EUR 0.4 million p.a.

Total return since purchase in Nov 1996
15.7% per annum

Galvanibaan 5, Nieuwegein, The Netherlands

Nieuwegein is a new town of over 60,000 people forming part of the Utrecht conurbation and is situated between the A2, A12 and A27 motorways, providing excellent road communications to all parts of the Netherlands.

The property is located on the established Plettenburg industrial estate and provides production facilities and air-conditioned ancillary offices for the tenant, Royal Inventum, who have been in occupation since the property was built in 1994.

Lettable Area
5,446m^2

Site Area
9,056m^2

Tenure
Freehold

Net valuation
EUR 4.06 million

Yield on gross value
8%

Occupancy
100%

Tenant
Koninklijke Fabriek Inventum

Lease Terms
Lease expires in June 2009

Current Net Income
EUR 0.35 million p.a.

Total return since purchase in Nov 1994
13.0% per annum

Standaardruiter 8, Veenendaal, The Netherlands

Veenendaal is an excellent distribution location situated on the A12 motorway that links Rotterdam with Arnhem and onwards to Germany.

The property comprises a warehouse of 7,170m^2 including ancillary offices and is let to Snap-On Tools until 2004 at a rent equivalent to EUR 43m^2 overall.

Lettable Area
7,170m^2

Site Area
12,595m^2

Tenure
Freehold

Net valuation
EUR 3.09 million

Yield on gross value
8.4%

Occupancy
100%

Tenant
Snap-On Tools

Lease
5 year lease from February 1999

Current Net Income
EUR 0.28 million p.a.

Total return since purchase in Nov 1991
11.5% per annum

Koeweistraat 10, Waardenburg, The Netherlands

The property is situated on the Slimwei Industrial Estate between Utrecht and Den Bosch and has a highly visible frontage and immediate access from the A2 motorway.

Built in 1993, this warehouse and two storey office building has an area of 2,900m^2 and is let to Koninklijke Olland Groep until 2004.

Lettable Area
2,900m^2

Site Area
5,715m^2

Tenure
Freehold

Net valuation
EUR 1.98 million

Yield on gross value
7.6%

Occupancy
100%

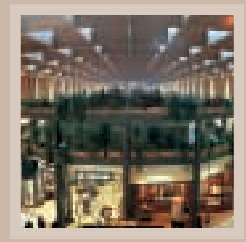
Tenant
Koninklijke Olland Groep

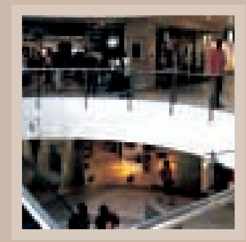
Lease
5 year lease expiring in February 2004

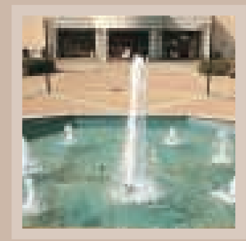
Current Net Income
EUR 0.16 million p.a.

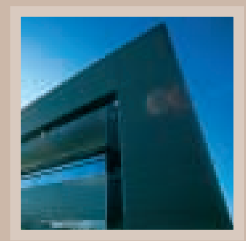
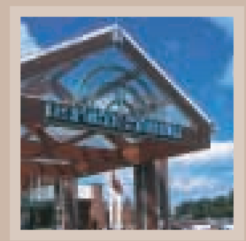
Total return since purchase in Sep 1995
12.4% per annum

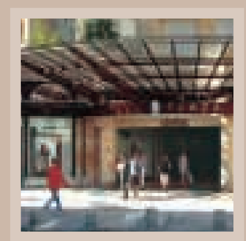
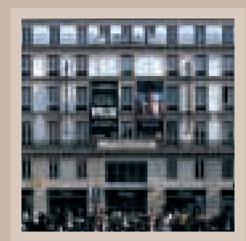
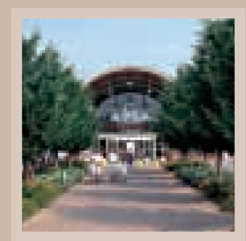
Financial Statements







Consolidated Balance Sheet as at 30 June 2001 (before income appropriation)

(EUR ‘000)	Note	30-06-01	30-06-00
Assets			
Investments			
Property investments	3	**1,013,753**	766,677
Cash and deposits	4	**22,016**	1,949
		1,035,769	768,626
Receivables	5	**25,055**	16,095
Other assets	6		
Intangible fixed assets		**1,248**	1,778
Tangible fixed assets		**135**	75
		1,383	1,853
Total assets		**1,062,207**	786,574
Liabilities			
Current liabilities			
Creditors	7	**25,441**	31,112
Borrowings	8	**141,528**	149,656
		166,969	180,768
Non current liabilities			
Creditors	7	**6,328**	4,604
Borrowings	8	**322,201**	119,713
		328,529	124,317
Provisions	9		
Provision for contingent tax liabilities		**32,373**	22,188
Other provisions		**-**	839
		32,336	23,027
Total liabilities		**527,871**	328,112
Net assets		**534,336**	458,462
Shareholders’ equity	15		
Issued share capital	10	**127,724**	104,545
Share premium reserve	11	**241,444**	226,948
Revaluation reserve	12	**101,563**	77,142
Statutory reserve	13	**1,248**	1,778
Retained profit reserve	14	**28,789**	19,665
Undistributed income		**33,568**	28,384
		534,336	458,462
Net asset value – EUR per depositary receipt		**20.92**	19.90

(EUR '000)	Note	2000/2001	1999/2000
Revenue			
Rental income	16	65,254	48,060
Property expenses	17	(8,479)	(4,998)
Net rental income		56,775	43,062
Interest income		881	270
Foreign currency gain/loss		(17)	(2)
Total revenue		57,639	43,330
Expenses			
Portfolio manager's fees	18	-	(3,613)
Depreciation fixed assets		(430)	(533)
Other company expenses	19	(4,213)	(1,379)
		(4,643)	(5,525)
Interest expense		(20,108)	(9,757)
Total expenses		(24,751)	(15,282)
Net income before taxation		32,888	28,048
Taxation		-	-
Net income after taxation (direct investment result)		32,888	28,048
Movement in the revaluation reserve		24,421	44,637

Consolidated Cash Flow Statement for the financial year ended 30 June 2001

(EUR '000)	2000/2001	1999/2000
Cash flow from investment activities		
Net income after taxation	32,888	28,048
Additions to intangible fixed assets	(21)	(1,018)
Depreciation intangible fixed assets	551	492
Additions to tangible fixed assets	(123)	(17)
Depreciation tangible fixed assets	63	41
Increase in receivables	(8,960)	(2,234)
Decrease / increase in creditors	(5,671)	20,455
Rental deposits received	1,724	1,682
Release from other provisions	(839)	–
Expenses charged to the revaluation reserve	(1,990)	(3,720)
Goodwill	(428)	(13,205)
Property investments	(239,791)	(202,004)
Property sales	27,031	–
Gain on property sales	1,164	–
Other movements	648	84
	(193,754)	(171,396)
Cash flow from finance activities		
Net proceeds share issue	40,195	35,646
Borrowing added	413,511	237,602
Repayment of borrowing	(218,661)	(99,630)
Dividends paid	(21,202)	(9,082)
	213,843	164,536
Net cash flow	20,089	(6,860)
Currency differences on working capital	(22)	7
Increase/decrease in cash and deposits	20,067	(6,853)
Cash and deposits at beginning of year	1,949	8,802
Cash and deposits at end of year	22,016	1,949

1. Summary of principal accounting policies

Balance sheet before income appropriation

As from this financial year the balance sheet is presented before income appropriation. The Company decided to change the presentation in view of the international accounting standards. The comparative figures were adjusted accordingly.

Principles of consolidation

The consolidated financial statements include those of the holding company and its subsidiaries as follows:

Boleto B.V., Amsterdam
Holgura B.V., Amsterdam
Kingsford Exploitatiemaatschappij I B.V., Amsterdam
Kingsford Onroerend Goed Financiering B.V., Amsterdam
Sentinel Holdings B.V., Amsterdam
SEPF Holding Belgium N.V., Brussels
SEPF Properties Belgium N.V., Brussels
Eurocommercial Properties Services Ltd, London
Schroder European Property Fund Caumartin SNC, Paris
S.C.I. les Portes de Taverny, Paris
SEPF Azur S.a.r.l, Paris
SEPF France S.A., Paris
SEPF Glisy S.a.r.l., Paris
SEPF Midi S.N.C., Paris
SEPF Normandie S.N.C., Paris
SEPF Passy S.a.r.l., Paris
SEPF Picardie S.N.C., Paris
SEPF Seine S.N.C., Paris
SEPF St. Germain S.N.C., Paris
SEPF Taverny S.a.r.l., Paris
SIPF Italia S.r.l., Milan
Burlövs Center Fastighets AB, Stockholm
Eurocommercial Properties Sweden AB, Stockholm
STBL Fastighets AB, Stockholm

In view of the fact that the Company's profit and loss account has been included in the consolidated financial statements and in accordance with article 2:402 of the Netherlands Civil Code, a summary profit and loss account of the Company is presented in the Company financial statements.

Foreign currency translations

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.

Gains or losses arising on the revaluation, translation or realisation of property, financial investments and associated loans and currency hedge instruments are treated as capital items and taken to the revaluation reserve. Possible contingent tax liabilities are taken into account. Foreign exchange gains or losses on all other items are taken to the profit and loss account.

Property investments

It is the Company's policy that all property investments be revalued annually by qualified independent experts. These revaluations represent the price, net of normal sale costs, at which the property could be sold in the open market on the date of revaluation. Property investments are initially brought to account at their full acquisition cost, including registration duties, legal and other consultants' fees.

The cost of financing the development or refurbishment of investments is capitalised as part of the cost of the investment.

1. Summary of principal accounting policies (continued)

Fixed assets

Intangible fixed assets are depreciated over a period of five years. Tangible fixed assets are depreciated over the expected useful lives of the assets concerned.

Depreciation

Depreciation is not provided on property investments in view of the annual revaluation of properties described above. This policy is common practice in The Netherlands for Investment Institutions.

Provisions

Provisions are created to meet possible future liabilities and/or risks. The provision for deferred contingent capital gains tax liabilities represents the discounted present value of contingent liabilities to taxation arising from differences between the property appraisals and bookvalues for tax purposes, taking into account recoverable tax losses.

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 if appropriate. Currency hedge instruments are presented at market value.

Net income

Net income is calculated on the accrual basis of accounting and includes all income derived from the Company's investments, after deducting the property expenses, the interest expenses and 70% of the company expenses and after allowing for associated foreign exchange translation variances. 30% of the company expenses are charged against the revaluation reserve as asset management expenses. The property expenses include expenses associated with non Netherlands property holding companies which are charged to the relevant buildings rather than the general expense pool. Expenses relating to the investigation of potential property investments are written off directly against the revaluation reserve.

Cash flow statement

The cash flow statement has been prepared according to the indirect method. Cash flows in foreign currencies have been translated at average exchange rates. Exchange differences affecting cash items are shown separately in the cash flow statement.

Corporate tax

As an Investment Institution under Dutch tax law, the Company is subject to a nil rate of Dutch corporate 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. Moreover, the balance of realised capital gains and capital losses on its investments may in principle be transferred to a fiscal reinvestment reserve. The Company will not be required to distribute that part of its taxable income which is reserved in this way.

Corporate tax may, however, be payable on the fiscal results of subsidiaries in The Netherlands which do not have the status of Investment Institutions under Dutch tax law.

The fiscal results of foreign subsidiaries, which are subject to corporate tax, are determined on the basis of the current tax regulations in the countries concerned.

Withholding tax

Dutch dividend withholding tax at a rate of 25% must be withheld from dividend distributions. A refund or a reduction of the Dutch dividend withholding tax may be obtained in respect of dividends paid to an investor resident in a country with which The Netherlands has concluded a treaty for the avoidance of double taxation. For Australian, Danish, French, German, New Zealand, Swedish, United Kingdom and United States of America resident investors the final dividend withholding tax rate specified in the relevant double tax treaties is 15%. There will generally be an allowance of a credit against the shareholders' local tax liability for the amount of the Dutch dividend withholding tax.

2. Exchange rates

The following exchange rates applied as at 30 June 2001:

	30-06-01 EUR	**30-06-01 NLG**	30-06-00 EUR	30-06-00 NLG
AUD 1	**0.59755**	**1.31680**	0.62917	1.38650
BEF 100	**2.47894**	**5.46285**	2.47894	5.46285
DKK 10	**1.34330**	**2.96020**	1.34030	2.95360
EUR 1	**-**	**2.20371**	–	2.20371
FRF 10	**1.52449**	**3.35953**	1.52449	3.35953
GBP 1	**1.65810**	**3.65400**	1.58150	3.48520
ITL 1,000	**0.51646**	**1.13812**	0.51646	1.13812
SEK 10	**1.08550**	**2.39210**	1.18750	2.61690

It is generally the Company's policy for non Euro investments to use debt denominated in the currency of investment to provide a 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.

3. Property investments

The book value of each property is its full cost of acquisition until revalued, and thereafter revaluation plus subsequent improvements or net proceeds in case of a sale.

All properties in the group are freehold with the exception of Kingsfordweg 1, Amsterdam (perpetual ground lease) and have been revalued at 30 June 2001.

The current property portfolio is:

	Book value (EUR '000)	Costs to date (EUR '000)
Retail		
Denmark		
Købmagergade 19, Copenhagen	**16,737**	16,240
France		
Centre Amiens Glisy, Amiens	**23,127**	15,771
Centr'Azur, Hyères	**20,992**	16,508
Centre les Portes de Taverny, Paris	**24,956**	16,875
*Passage du Havre, Paris	**130,150**	128,010
*Passy Plaza, Paris	**76,225**	70,493
*74 rue de Rivoli, 1-3 rue de Renard, Paris	**10,946**	10,098
*Centre les Atlantes, Tours	**60,690**	44,745
	347,086	302,500
Italy		
Centro Curno, Bergamo	**50,675**	27,344
*I Gigli, Florence	**131,645**	112,480
Centro Leonardo, Imola	**16,320**	14,923
*Centro La Favorita, Mantova	**23,137**	17,335
*Centro Carosello, Carugate, Milan	**136,551**	77,606
Centroluna, Sarzana	**9,864**	10,044
	368,192	259,732

3. Property investments (continued)

	Book value (EUR '000)	Costs to date (EUR '000)
Sweden		
Burlöv Centre, Malmö	49,868	45,509
	781,883	623,981
Office		
France		
*Passage du Havre, Paris	28,397	28,683
The Netherlands		
Herengracht 459-483, Reguliersdwarsstraat 12-38, Amsterdam	32,822	23,283
Kingsfordweg 1, Amsterdam	88,941	84,371
Planetenweg 83-99, Hoofddorp	7,202	5,388
Planetenbaan 20-99, Maarssen	33,353	26,528
	162,318	139,570
	190,715	168,253
Warehouse		
France		
Rue des Bethunes, Saint-Ouen L'Aumone	15,961	17,400
Parisud, Sénart	11,327	11,556
	27,288	28,956
The Netherlands		
Horsterweg 20, Beek	4,733	3,765
Galvanibaan 5, Nieuwegein	4,061	3,304
Standaardruiter 8, Veenendaal	3,090	2,774
Koeweistraat 10, Waardenburg	1,983	1,663
	13,867	11,506
	41,155	40,462
	1,013,753	832,696

* These properties carry mortgage debt up to EUR 323 million at 30 June 2001.

Changes in property investments for the financial year ended 30 June 2001 were as follows:

	30-06-01	30-06-00
Book value at beginning of year	766,677	509,552
Investments	239,791	202,004
Disposals	(27,031)	–
Revaluation	34,777	54,891
Exchange rate movement	(461)	230
Book value at end of year	1,013,753	766,677

4. Cash and deposits

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

5. Receivables

	30-06-01	30-06-00
Rents receivable	**10,961**	5,686
Staff loans	**665**	-
Funds held by managing agents	**280**	180
VAT receivable	**6,082**	6,057
Prepaid letting fees and relocation expenses	**2,936**	2,849
Other receivables and prepayments	**4,131**	1,323
	25,055	16,095

6. Other assets

Intangible fixed assets represent capital duty and legal and advisory fees and expenses in connection with share issues and incorporations of subsidiaries and are written off over a period of five years. The movements in the current and the previous financial year were:

	30-06-01	30-06-00
Book value at beginning of year	**1,778**	1,252
Additions	**21**	1,018
Depreciation	**(551)**	(492)
Book value at end of year	**1,248**	1,778
Cost at end of year	**3,025**	3,004
Accumulated depreciation	**(1,777)**	(1,226)
Book value at end of year	**1,248**	1,778

Tangible fixed assets represent office equipment and inventory for the Company's head office at Herengracht 469, Amsterdam and the group office at 4 Carlton Gardens, London. These costs are depreciated over the expected useful lives of the assets concerned varying from 2 to 5 years. The movements in the current and the previous financial year were:

	30-06-01	30-06-00
Book value at beginning of year	**75**	99
Additions	**123**	17
Depreciation	**(63)**	(41)
Book value at end of year	**135**	75
Cost at end of year	**286**	163
Accumulated depreciation	**(151)**	(88)
Book value at end of year	**135**	75

7. Creditors

(i) Current liabilities	30-06-01	30-06-00
Rent received in advance	5,650	5,130
Interest payable	3,082	905
Payable to portfolio manager	-	13,205
Payable purchased assets	4,710	5,144
Local and property tax payable	746	462
VAT payable	1,432	1,081
Other creditors and accruals	9,821	5,185
	25,441	31,112

(ii) Non current liabilities		
Tenant rental deposits	6,328	4,604

8. Borrowings

	30-06-01	30-06-00
Book value at beginning of year	269,369	131,397
Drawdown of funds	413,511	237,602
Repayments	(218,661)	(99,630)
Exchange rate movements	(490)	-
Book value at end of year	463,729	269,369

The maturity profile of the borrowings is as follows:

	30-06-01	30-06-00
- less than 1 year	141,528	149,656
- 1 to 2 years	5,165	32,857
- 2 to 5 years	16,527	-
- 5 years or more	300,509	86,856
	463,729	269,369

Borrowings of EUR 323 million are secured on property (30 June 2000: EUR 87 million).

The borrowings comprise mostly borrowings from banks. The average interest rate in the current financial year was 5.3% (1999/2000: 4.4%).

At 30 June 2001 23% of the Company's borrowings are at floating rate plus an appropriate commercial margin. At 30 June 2001 the Company has hedged its exposure to interest rate movements on 77% of its borrowings for an average term of five years.

The average interest rate on borrowings with remaining periods to maturity of more than one year including hedges is currently 5.3%. The average interest rate is calculated as the weighted average interest rate over the remaining principals until the respective interest maturity dates. (See also note 20 to the consolidated financial statements and note 9 to the Company financial statements).

It is the policy of the Company to operate a defensive interest rate hedging policy by using derivatives to protect the Company against increase of interest rates. The Company intends to hedge the majority of its loans outstanding for the medium to long term (5 to 15 years). The fair value of the current interest rate hedge instruments as at 30 June 2001 is a negative value of EUR 1.5 million.

9. Provisions

The significant upward revaluation of the Company's properties makes it prudent to increase the provision for potential future capital gains taxes, which may be payable if buildings are sold. The provision for deferred contingent capital gains tax liabilities has a face value of EUR 92 million and is considered to be of a long-term nature as there are no current plans to sell any of the relevant properties. The discounted present value of the potential tax has been calculated on the basis of a net interest rate of 7%. As the dispute between the sellers of Centr'Azur, Hyères and the Company, about the outstanding purchase price, has been settled the provision amount of EUR 0.8 million has been released.

	30-06-01	30-06-00
Book value at beginning of year	**23,027**	16,172
Additions from revaluation reserve	**10,185**	6,855
Release to revaluation reserve	**(839)**	-
Book value at end of year	**32,373**	23,027

10. Issued share capital

Share capital comprises:

- 999,999,900 authorised ordinary shares of EUR 0.50 par value, of which 255,448,434 shares are issued and fully paid as at 30 June 2001
- 100 authorised priority shares of EUR 0.50 par value, which are entirely issued and fully paid.

The weighted average of the number of shares in issue in the current financial year is 249,340,973.

As at 30 June 2001 385,500 staff stock options were outstanding, representing 1.5% of the current issued share capital. The options each confer the right to one depositary receipt representing ten ordinary shares of EUR 0.50 par value. 155,000 stock options were granted on 9 November 2000 and 230,500 on 23 February 2001. The options can only be exercised after three years have lapsed since the date of granting. Thereafter, the options can be exercised during a period of seven years. All outstanding options were granted in the current financial year at an exercise price of EUR 18.00. The members of the Board of Management hold the following stock options:

J.P. Lewis	100,000
E.J. van Garderen	80,000

11. Share premium reserve

	30-06-01	30-06-00
Book value at beginning of year	**226,948**	203,682
Issued shares	**28,599**	26,762
Release for issued bonus shares	**(2,296)**	(3,496)
Redenomination of share capital into Euros	**(11,807)**	-
Book value at end of year	**241,444**	226,948

For Dutch tax purposes the share premium reserve regarded as paid-up capital approximates at least EUR 235 million.

12. Revaluation reserve

	30-06-01	30-06-00
Book value at beginning of year	77,142	32,505
Asset management expenses	(1,990)	-
Portfolio manager's fees	-	(3,613)
Financial and investment expenses	-	(107)
Revaluation of property investments	34,777	54,891
Movement on provision for contingent tax liabilities	(10,185)	(6,855)
Exchange rate movement on property investments	(461)	230
Exchange rate movement on financial investments	(22)	7
Exchange rate movement on borrowings and rental deposits	490	-
Gain on sale Avenue de Cortenbergh 118-130 and Rue d'Arlon 50	2,218	-
Loss on sale Rhosili Road, Northampton	(1,054)	-
Other movements	648	84
Book value at end of year	101,563	77,142

13. Statutory reserve

As required under article 2:365 of the Netherlands Civil Code an amount of EUR 1.2 million is recorded as a statutory reserve in connection with the intangible fixed assets.

14. Retained profit reserve

	30-06-01	30-06-00
Book value at beginning of year	19,665	22,866
Net income previous financial year	9,884	14,213
Funding of dividends paid	(862)	(349)
Release from/funding of statutory reserve	530	(526)
Goodwill	(428)	(16,539)
Book value at end of year	28,789	19,665

Holders of depositary receipts holding 8,198,349 receipts opted for 506,092 bonus depositary receipts at an issue price of EUR 19.53 from the Company's share premium reserve, instead of a cash dividend of EUR 1.26 per depositary receipt for the financial year ended 30 June 2000. Accordingly, an amount of EUR 9.9 million of the 1999/2000 net income was taken to the retained profit reserve. As the proceeds of the bonus depositary receipts were received at the end of November 2000, an amount of EUR 0.8 million will be released from the retained profit reserve for funding the dividend for the year. The retained profit reserve increased due to a release from the statutory reserve.

15. Shareholders' equity reconciliation

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

	Issued share capital	Share premium reserve	Revaluation reserve	Statutory reserve	Retained profit reserve	Undistri-buted income	Total
30-06-00	104,545	226,948	77,142	1,778	19,665	28,384	458,462
Issued shares private placement	9,076	28,599				2,520	40,195
Issued bonus shares	2,296	(2,296)					0
Redenomination share capital	11,807	(11,807)					0
Net income previous financial year					9,884	(9,884)	0
Movement revaluation reserve			24,421				24,421
Movement statutory reserve				(530)	530		0
Goodwill					(428)		(428)
Net income for the period						32,888	32,888
Dividends paid					(862)	(20,340)	(21,202)
30-06-01	127,724	241,444	101,563	1,248	28,789	33,568	534,336

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

	Issued share capital	Share premium reserve	Revaluation reserve	Statutory reserve	Retained profit reserve	Undistri-buted income	Total
30-06-99	88,831	203,682	32,505	1,252	22,866	23,282	372,418
Issued shares	15,714	23,266					38,980
Net income previous financial year					14,213	(14,213)	0
Movement revaluation reserve			44,637				44,637
Movement statutory reserve				526	(526)		0
Goodwill					(16,539)		(16,539)
Net income for the period						28,048	28,048
Dividends paid					(349)	(8,733)	(9,082)
30-06-00	104,545	226,948	77,142	1,778	19,665	28,384	458,462

16. Net rental income

Net rental income comprised:

	Rental income 2000/2001	Rental income 1999/2000	**Property expenses 2000/2001**	Property expenses 1999/2000	**Net rental income 2000/2001**	Net rental income 1999/2000
Retail	**49,002**	34,117	**(6,996)**	(3,567)	**42,006**	30,550
Office	**13,609**	12,073	**(1,264)**	(1,313)	**12,345**	10,760
Warehouse	**2,643**	1,870	**(219)**	(118)	**2,424**	1,752
	65,254	48,060	**(8,479)**	(4,998)	**56,775**	43,062
Belgium	**854**	1,395	**(241)**	(346)	**613**	1,049
Denmark	**1,124**	593	**(100)**	(61)	**1,024**	532
France	**23,330**	13,841	**(3,259)**	(1,336)	**20,071**	12,505
Italy	**25,719**	19,682	**(3,568)**	(2,169)	**22,151**	17,513
Spain	**-**	-	**-**	(9)	**-**	(9)
Sweden	**960**	-	**(273)**	-	**687**	-
The Netherlands	**12,666**	11,932	**(1,018)**	(1,056)	**11,648**	10,876
United Kingdom	**601**	617	**(20)**	(21)	**581**	596
	65,254	48,060	**(8,479)**	(4,998)	**56,775**	43,062

17. Property expenses

Property expenses in the current financial year were:

	30-06-01	30-06-00
Accounting and advisory fees	**1,292**	956
Dispossession indemnities	**642**	-
Insurance premiums	**308**	325
Letting fees	**766**	433
Local and property taxes	**1,765**	1,261
Managing agent fees	**1,685**	1,109
Marketing expenses	**246**	-
Repair and maintenance	**929**	466
Services charges	**579**	262
Other expenses	**267**	186
	8,479	4,998

18. Portfolio manager's fees

The investment management agreement with the portfolio manager of the Company, Schroder European Property Advisers Limited has been terminated with effect as from 1 July 2000. There are, therefore, no longer portfolio manager's fees charged directly to the profit and loss account (50%) and charged directly against the revaluation reserve (50%). Had the management agreement remained in force at 30 June 2001 the fees would have been EUR 9.9 million (30 June 2000 EUR 7.2 million). The Company is now fully integrated and self-managed. All directors, managers, and staff previously employed by the portfolio manager have joined the Company's group and their costs including the Company's group office in London are recorded under the other company expenses. The Company's group now employs 21 people.

19. Other company expenses

Other company expenses in the current financial year comprise:

	30-06-01	30-06-00
Audit fees	74	103
Directors' fees	1,347	143
Legal and other advisory fees	495	250
Office and accommodation expenses	458	75
Personnel costs	2,575	265
Statutory costs	260	141
Other expenses	810	402
	6,019	1,379
Charged against revaluation reserve	(1,806)	(-)
Other company expenses	4,213	1,379

Following the integration of the Company's property management team and the cessation of the portfolio management fee, the Company has changed its previous policy of charging 50% of the fee to the revaluation reserve to charging 30% of its company expenses as asset management expenses against the revaluation reserve, following the usual practice of other similar Netherlands companies. Since 1 July 2000, the termination date of the investment management agreement, a total amount of EUR 2.0 million has been charged against the revaluation reserve as asset management expenses. Total expenses (the sum of property expenses, portfolio manager's fees, depreciation fixed assets, other company expenses and financial and investment expenses) for the current financial year amounted to EUR 15.5 million, compared to the amount for the previous financial year of 14.2 million. However, the reduction in overheads (excluding property expenses as the property portfolio has grown 32%) is 28% (2000: EUR 6.6 million compared to 1999: EUR 9.2 million).

Personnel costs in the current financial year were:

	30-06-01	30-06-00
Salaries	2,160	231
Social security charges	127	12
Pension contributions	288	22
	2,575	265

The Company employed an average of 20 persons during the financial year (30 June 2000: 6 persons).

The directors' fees include an amount of EUR 56,600 (1999/2000: EUR 43,100) in respect of remuneration paid to members of the Supervisory Board. The gross remuneration, including social security charges, of the members of the Board of Management was:

Salaries	Bonuses	Pension premiums	Social security charges
713	430	64	83

In the previous financial year almost all remuneration of the members of the Board of Management was born by the portfolio manager of the Company, so only an amount of EUR 99,800 was charged.

20. Commitments not included in the balance sheet

As at 30 June 2001 bank guarantees have been issued for a total amount of EUR 13.4 million. Interest rate swap agreements have been entered into to hedge the exposure to interest rate movements over a total notional amount of EUR 357.4 million (See also note 8 to the consolidated financial statements and note 9 to the Company financial statements).

(EUR '000)	Note	30-06-01	30-06-00
Assets			
Investments			
Property investments	2	87,234	81,598
Investments in subsidiaries	3	197,408	169,260
Due from subsidiaries	4	234,797	260,184
Cash and deposits	5	14,091	-
		533,530	511,042
Receivables		2,212	1,154
Other assets	6		
Intangible fixed assets		1,146	1,645
Tangible fixed assets		53	75
		1,199	1,720
Total assets		536,941	513,916
Liabilities			
Current liabilities			
Creditors		2,281	16,005
Borrowings	7	-	39,411
		2,281	55,416
Non current liabilities			
Due to subsidiaries		-	27
Creditors		14	11
		14	38
Total liabilities		2,295	55,454
Net assets		534,646	458,462
Shareholders' equity	8		
Issued share capital		127,724	104,545
Share premium reserve		241,444	226,948
Revaluation reserve		101,563	77,142
Statutory reserve		1,248	1,778
Retained profit reserve		28,789	19,665
Undistributed income		33,568	28,384
		534,646	458,462

Company Profit and Loss Account – for the financial year ended 30 June 2001

(EUR '000)	2000/2001	1999/2000
Company income after taxation	20,450	18,082
Result from subsidiaries after taxation	12,438	9,966
Net income (direct investment result)	32,888	28,048
Movement in the revaluation reserve	24,958	44,637

1. General

The valuation principles and the principles for determining the results are the same as those for the consolidated financial statements. Investments in subsidiaries are accounted for on an equity basis.

2. Property investments

Changes in property investments for the financial year ended 30 June 2001 were as follows:

	30-06-01	30-06-00
Book value at beginning of year	81,598	78,481
Investments	1,342	2,067
Revaluation	4,294	1,050
Book value at end of year	87,234	81,598

3. Investment in subsidiaries

Movements in investment in subsidiaries for the financial year ended 30 June 2001 were as follows:

	30-06-01	30-06-00
Book value at beginning of year	169,260	113,205
Investments	-	2
Result from subsidiaries	12,438	9,966
Revaluation	15,710	46,087
Book value at end of year	197,408	169,260
Cost at end of year	27,456	27,456
Cumulative result from subsidiaries	27,779	15,341
Cumulative revaluation	142,173	126,463
Book value at end of year	197,408	169,260

4. Due from subsidiaries

The balance at 30 June 2001 principally represents funds advanced to Boleto B.V., Kingsford Onroerend Goed Financiering B.V., Schroder European Property Fund Caumartin S.N.C., Sentinel Holdings B.V., SEPF Holding Belgium N.V., SEPF France S.A., SEPF Midi S.N.C., SEPF Normandie S.N.C., SEPF Picardie S.N.C., SEPF Seine S.N.C., SEPF St. Germain S.N.C., SEPF Taverny S.a.r.l. and S.C.I. les Portes de Taverny. Most of these advances were made under long term loan facilities.

5. Cash and deposits

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

6. Other assets

Intangible fixed assets represent capital duty and legal and advisory fees and expenses in connection with share issues and incorporations of subsidiaries and are written off over a period of five years. The movements in the current and the previous financial year were:

	30-06-01	30-06-00
Book value at beginning of year	1,645	1,199
Additions	16	896
Depreciation	(515)	(450)
Book value at end of year	1,146	1,645
Cost at end of year	2,836	2,820
Accumulated depreciation	(1,690)	(1,175)
Book value at end of year	1,146	1,645

Tangible fixed assets represent office equipment and inventory for the Company's head office at Herengracht 469, Amsterdam. These costs are depreciated over the expected useful lives of the assets concerned varying from 2 to 5 years. The movements in the current and the previous financial year were:

	30-06-01	30-06-00
Book value at beginning of year	75	99
Additions	20	17
Depreciation	(42)	(41)
Book value at end of year	53	75
Cost at end of year	183	163
Accumulated depreciation	(130)	(88)
Book value at end of year	53	75

7. Borrowings

	30-06-01	30-06-00
Book value at beginning of year	39,411	-
Draw down of funds	-	52,275
Repayments	39,411	(12,864)
Book value at end of year	-	39,411

8. Shareholders' equity

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

9. Commitments not included in the balance sheet

The Company has entered into guarantees in favour of Banca Commerciale Italiana S.p.A. for debts incurred by SIPF Italia S.r.l. to an amount of EUR 125 million.

The Company has entered into guarantees in favour of UniCredito Italiano S.p.A. for debts incurred by SIPF Italia S.r.l. to an amount of EUR 41.8 million and for guarantees issued for SIPF Italia S.r.l. to an amount of EUR 9.3 million.

The Company has entered into a guarantee in favour of Banca di Roma S.p.A. for debts incurred by SIPF Italia S.r.l. to an amount of EUR 67.1 million.

The Company has entered into guarantees in favour of ABN AMRO Bank N.V., Milan Branch, for guarantees issued for SIPF Italia S.r.l. to an amount of EUR 4.1 million.

The Company has entered into a guarantee in favour of ING Bank N.V. and ING Vastgoed Financiering N.V. for debts incurred by Schroder European Property Fund Caumartin S.N.C., SEPF France S.A., SEPF Normandie S.N.C. and SEPF Seine S.N.C. to an amount of EUR 150 million.

The Company has entered into a guarantee in favour of Westdeutsche ImmobilienBank for debts incurred by SEPF Midi S.N.C., SEPF Picardie S.N.C., SEPF Taverny S.a.r.l. and S.C.I. Les Portes de Taverny to an amount of EUR 40 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 EUR 357.4 million. (See also notes 8 and 20 to the consolidated financial statements).

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

Board of Supervisory Directors
W.G. van Hassel, Chairman
H.Th.M. Bevers
H.W. Bolland
J.H. Goris

Amsterdam, 28 August 2001

Post balance sheet events

In July 2001 the office building Corner Plaza, Planetenbaan 20-99, Maarssen was sold for a price of EUR 34.3 million followed by the sale of the office building at Planetenweg 83-99, Hoofddorp at a price of EUR 7.2million in August 2001. The Company purchased the shopping centre Il Castello at Ferrara, Italy in July 2001. The aquisition price was EUR 62.0 million.

Priority shares

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

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

For the period to 30 November 2003, 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.

On 1 February 2001 Mr J.C. Pollock was appointed as member of the Board of Stichting Prioriteitsaandelen Eurocommercial Properties. Prior to his appointment he retired as a partner from the audit firm Ernst & Young, Amsterdam. The Board at 30 June 2001 comprised:

J.P. Lewis, Chairman
H.J. van Lookeren Campagne
J.C. Pollock

Supervisory Board

W.G. van Hassel, Chairman, (54), of Dutch nationality, member of the Supervisory Board since 1997, was reappointed in 2000 for a period of three years. He is a former partner of the Dutch lawfirm Trenité van Doorne and former Dean of The Dutch Bar Association.

H.Th.M. Bevers, (68), of Dutch nationality, member of the Supervisory Board since 1996, was reappointed in 1998 for a period of three years. He is the former Agent of the Dutch Ministry of Finance (Director of the National Debt Management and Issuing Office).

J.H. Goris, (69), of Dutch nationality, member of the Supervisory Board since 1996, was reappointed in 1999 for a period of three years. He is a former member of the Executive Board of Philips N.V. and a former professor in corporate finance of the University of Tilburg, The Netherlands.

H.W. Bolland, (55), of British nationality, was appointed in 1998 for a period of three years. He was Vice Chairman of Schroder Investment Management Limited of London.

Provisions in the Articles of Association concerning the appropriation of income

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

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

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

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

Dividend distribution

The Board of Management proposes to the Annual General Meeting of Shareholders to be held at the Amstel Inter Continental Hotel, Prof. Tulpplein 1, Amsterdam on 6 November 2001 at 1100 hours to distribute a cash dividend of EUR 1.33 per depositary receipt (10 ordinary shares) for the financial year ended 30 June 2001 (30 June 2000: EUR 1.26 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 2 November 2001. The distribution will be payable as from 30 November 2001. 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 Dutch dividend withholding tax which is charged at the rate of 25% and 15% for the Dutch and certain overseas holders respectively. The depositary receipts will rank pari passu with the existing depositary receipts of the Company in respect of the financial year 2001/2002. Holders of depositary receipts are given the opportunity to make their choice known until and including 16 November 2001. 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.

Statement pursuant to the Listing Rules of Euronext Amsterdam N.V.

The members of the Board of Stichting Administratiekantoor Eurocommercial Properties and the Company are together of the opinion that Stichting Administratiekantoor Eurocommercial Properties is independent from the Company as referred to in Annex X of the Listing Rules of Euronext Amsterdam N.V.

The members of the Board of Stichting Prioriteitsaandelen Eurocommercial Properties and the Company are together of the opinion that Stichting Prioriteitsaandelen Eurocommercial Properties is independent from the Company as referred to in Annex X of the Listing Rules of Euronext Amsterdam N.V.

Statement pursuant to the Investment Institutions Supervision Act

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. Stichting Prioriteitsaandelen Eurocommercial Properties and Stichting Administratiekantoor Eurocommercial Properties qualify as substantial investors as defined in article 21, section 2, of the Decree on the Supervision of Investment Institutions. No transactions as referred to in article 21, section 2, sub c of the Decree have taken place during the reporting period.

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

Under the Act on the Disclosure of Major Holdings in Listed Companies, Eurocommercial Properties N.V. has received notification from four holders of depositary receipts/ordinary shares with interests greater than 5% in the Company. According to the latest notifications these interests were as follows:

Stichting Administratiekantoor Eurocommercial Properties (66.7%) and The Equitable Life Assurance Society (9.1%) and ING Groep N.V. (5.1%) and Stichting Pensioenfonds voor de Gezondheid, Geestelijke en Maatschappelijke Belangen (10.28%).

Directors' and staff interests

Mr Lewis holds 58,662 depositary receipts directly and holds 6,434,194 ordinary registered shares indirectly, which shares are blocked until 31 December 2005, in total representing 2.75% of the issued share capital of the Company. Mr van Garderen holds 1,726 blocked depositary receipts and 404,145 ordinary registered shares, which shares are blocked until 31 December 2005, in total representing 0.16% of the issued share capital of the Company. Mr van Hassel indirectly holds 1,277 depositary receipts representing 0.005% of the issued share capital of the Company. None of the other members of the Board of Supervisory Directors has any holdings in the Company. The group staff holds 1,873 blocked depositary receipts and 740,000 ordinary registered shares, which shares are blocked until 31 December 2005, in total representing 0.30% of the issued share capital of the Company. To enable staff to purchase blocked shares loans were granted for a total amount of EUR 0.7 million at an interest rate of 6%.

Stock market prices and turnover 2000/2001

		High	Low	Average
Closing price 30 June 2001 (EUR; depositary receipts)	18.85	20.20	17.50	18.99

Average daily turnover (in depositary receipts)	64,596
Average daily turnover (x EUR ’000,000)	1.2
Total turnover over the past twelve months (x EUR ’000,000)	310.3
Market capitalisation (x EUR ’000,000)	481.5
Total turnover divided by market capitalisation	64%

Valuers

The following independent firms have valued the Company's properties at 30 June 2001:

Denmark	Sadolin & Albaek
France	FPD Savills, Jones Lang LaSalle, Retail Consulting Group
Italy	CB Richard Ellis, Healey & Baker, Jones Lang LaSalle
Sweden	Healey & Baker
The Netherlands	Jones Lang LaSalle, Van Gool

Report of the Auditors

Introduction

We have audited the financial statements of Eurocommercial Properties N.V., Amsterdam, for the financial year ended 30 June 2001. These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audit.

Scope

We conducted our audit in accordance with auditing standards generally accepted in The Netherlands. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, these financial statements give a true and fair view of the financial position of the Company as of 30 June 2001 and of the result for the financial year then ended in accordance with accounting principles generally accepted in The Netherlands and comply with the financial reporting requirements included in Part 9, Book 2 of the Netherlands Civil Code and the Act on the Supervision of Investment Institutions.

Amsterdam, 28 August 2001
Ernst & Young Accountants

Supervisory Board
W.G. van Hassel, Chairman
H.Th.M. Bevers
H.W. Bolland
J.H. Goris

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

Directors
J.P.C. Mills
T.E. Minns
T.R. Newton
T.G.M. Santini

Managers
V. Di Nisio
P.H. Le Goueff
M. Schiavi, (Economist)

Administration
J.M. Veldhuis, Group Controller
D.R.d.L. Albers, Assistant Controller
Ph. Astruc, Assistant Controller France
J.F. Dortland, IT Manager/Controller
R. Fraticelli, Controller Italy
J. Lanzino, Assistant Controller Italy
C.M.A. van Niel-Mangel, Controller France

Board of Stichting Prioriteitsaandelen Eurocommercial Properties
J.P. Lewis, Chairman
H.J. van Lookeren Campagne
J.C. Pollock

Board of Stichting Administratiekantoor Eurocommercial Properties
J.P. Lewis, Chairman
A. Plomp
B.T.M. Steins Bisschop

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Registered with the Amsterdam Trade Registry under number: 33230134

Depositary receipts listed on the Amsterdam Stock Exchange (Euronext Amsterdam) are registered with Centrum voor Fondsenadministratie B.V. under code: 28887

ISIN - Code: NL 0000288876

Stock market prices are followed by:
Bloomberg: SCHIP NA
Datastream: 307406 or H:SIPF
Reuters: SIPFc.AS

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