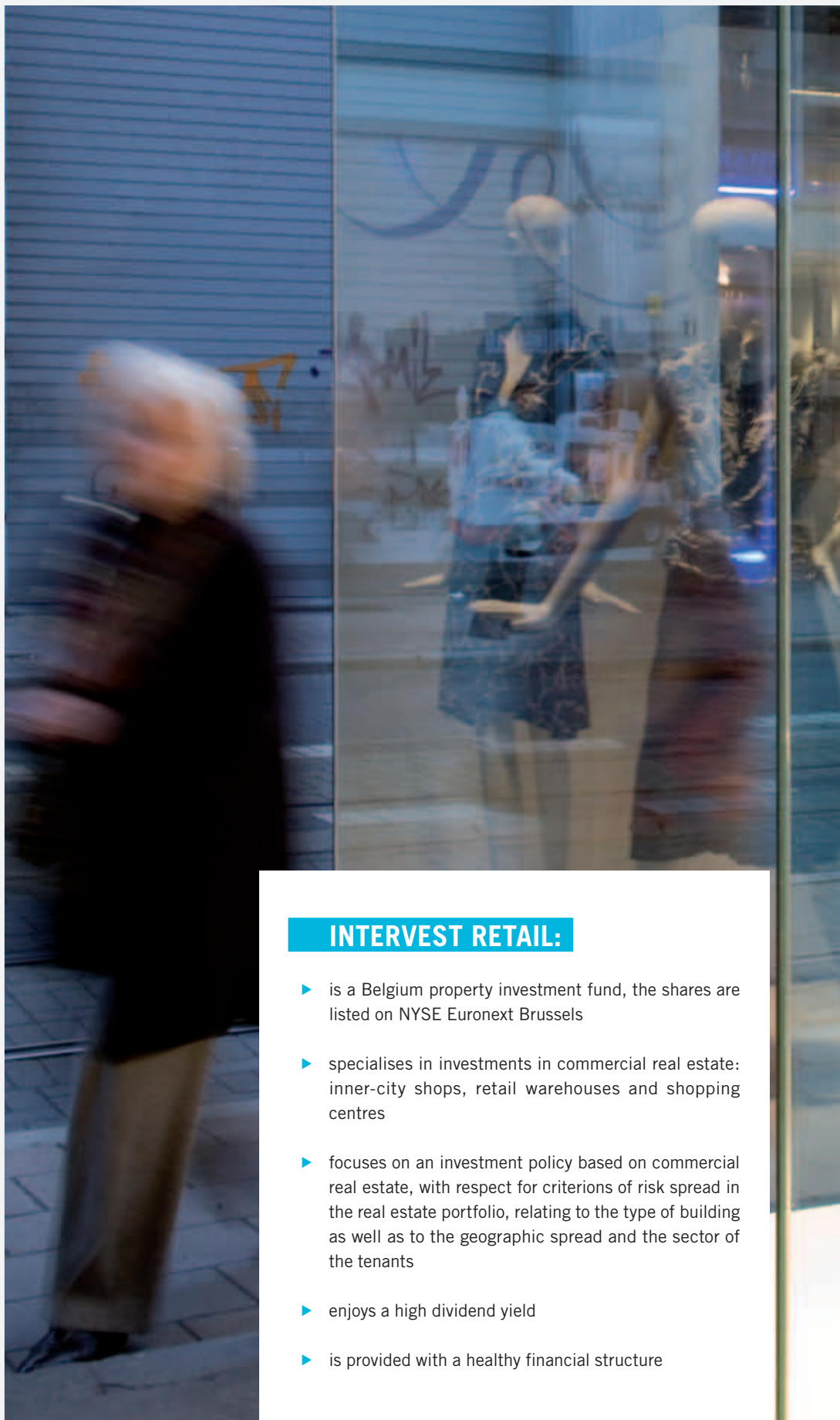


# ANNUAL REPORT 2010



INTERVEST  
RETAIL

# KEY FIGURES 2010



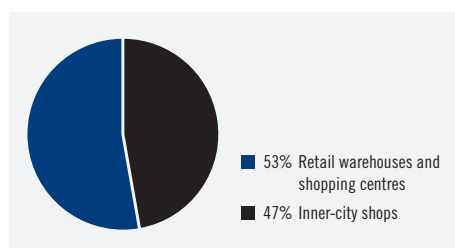
## INTERVEST RETAIL:

- ▶ is a Belgium property investment fund, the shares are listed on NYSE Euronext Brussels
- ▶ specialises in investments in commercial real estate: inner-city shops, retail warehouses and shopping centres
- ▶ focuses on an investment policy based on commercial real estate, with respect for criterions of risk spread in the real estate portfolio, relating to the type of building as well as to the geographic spread and the sector of the tenants
- ▶ enjoys a high dividend yield
- ▶ is provided with a healthy financial structure

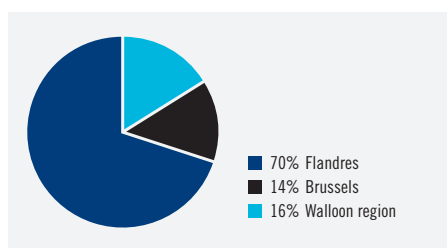
## RISK SPREAD OF THE REAL ESTATE PORTFOLIO

Real estate portfolio	31.12.2010	31.12.2009
Fair value of investment properties (€ 000)	329.142	324.338
Total leasable space (m <sup>2</sup> )	159.581	159.633

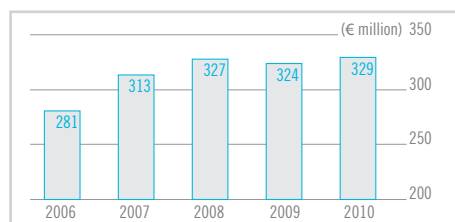
### TYPE OF COMMERCIAL BUILDING



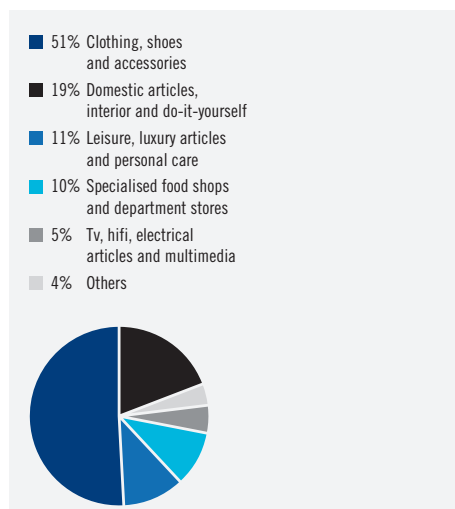
### GEOGRAPHIC SPREAD



### EVOLUTION OF FAIR VALUE OF REAL ESTATE PROPERTIES



### SECTOR OF TENANTS



## STRONG BALANCE SHEET: DEBT RATIO 37 %

Key figures	31.12.2010	31.12.2009
Shareholders' equity (€ 000)	205.206	199.588
Liabilities (€ 000)	128.050	137.629
Debt ratio (max. 65 %) (%)	37 %	39 %

Key figures per share	31.12.2010	31.12.2009
Number of shares	5.078.525	5.078.525
Net asset value (fair value) (€)	40,41	39,30
Net asset value (investment value) (€)	42,00	40,90
Share price on closing date (€)	43,00	37,60
Premium (+) /discount (-) to net asset value (fair value) (%)	6 %	- 4 %

## DIVIDEND YIELD



On 31 December 2010 the share price of the Intervest Retail-share is € 43,00, offering a gross dividend yield of 5,8 %.



## FINANCIAL CALENDAR

Announcement of annual results as at 31 December 2010	Tuesday 22 February 2011
General meeting of shareholders	Wednesday 6 April 2011 at 2.30 pm
Dividend payable:	
- Ex-date dividend 2010	Monday 18 April 2011
- Record date dividend 2010	Wednesday 20 April 2011
- Dividend payment 2010	as from Thursday 21 April 2011
Interim statement on the results as at 31 March 2011	Wednesday 27 April 2011
Half-yearly financial statement as at 30 June 2011	Tuesday 2 August 2011
Interim statement on the results as at 30 September 2011	Friday 28 October 2011



## POSITIVE RESULTS

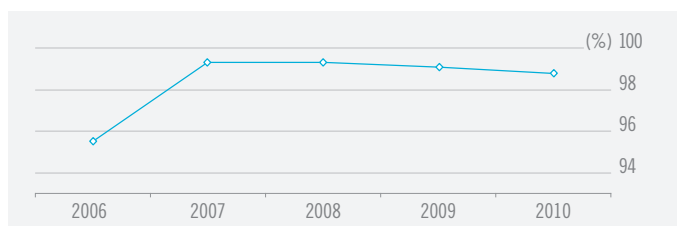
### DISTRIBUTION OF GROSS DIVIDEND: € 2,50 PER SHARE

Results (€ 000)	2010	2009
Rental income	21.050	20.847
Rental related charges	-50	-141
Property management costs and income	-14	-1
<b>Property result</b>	<b>20.986</b>	<b>20.705</b>
Property charges	-2.047	-2.182
General costs and other operating costs and income	-1.016	-1.056
<b>Operating result before result on portfolio</b>	<b>17.923</b>	<b>17.467</b>
Result on sales of investment properties and development projects	167	-1.199
Changes in fair value of investment properties and development projects	4.859	1.729
<b>Operating result</b>	<b>22.949</b>	<b>17.997</b>
Financial result (excl. changes in fair value - IAS 39)	-5.032	-5.019
Changes in fair value of financial assets and liabilities (ineffective hedges - IAS 39)	-126	-822
Taxes	-159	6
<b>Net result</b>	<b>17.632</b>	<b>12.162</b>
Operating distributable result	12.710	12.400
Result on portfolio	5.026	530
Changes in fair value of financial assets and liabilities (non-effective hedges - IAS 39) and other non-distributable elements	-104	-768
<b>Gross dividend per share (€)</b>	<b>2,50</b>	<b>2,44</b>
<b>Net dividend per share (€)</b>	<b>2,13</b>	<b>2,07</b>

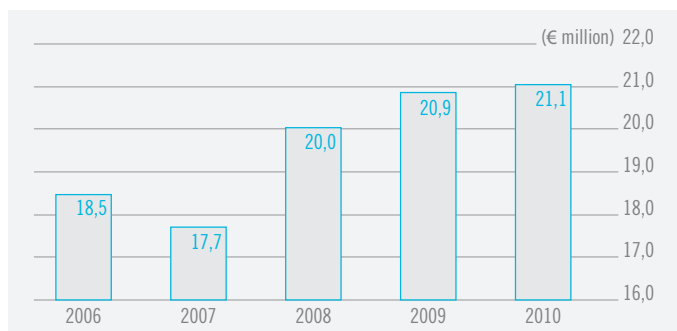


**COMPANY**  
Huidevetterstraat 12 - Antwerp  
Space / 791 m<sup>2</sup>

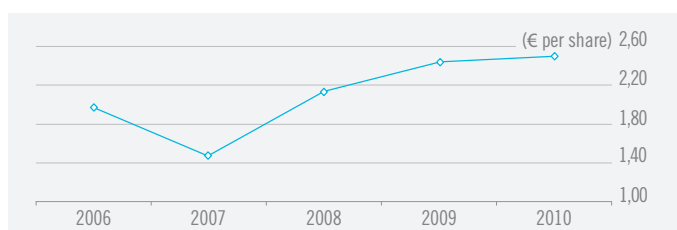
## OCCUPANCY RATE: 98,8 %



## RENTAL INCOME: € 21,1 MILLION



## DISTRIBUTION OF GROSS DIVIDEND: € 2,50



The gross dividend of Intervest Retail increases by 2,5 % in 2010 to € 2,50 per share.



**SLAETS** ▶  
Arme Duivelstraat 2 - Antwerp  
Space / 54 m<sup>2</sup>







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**Reinier van Gerrevink**  
Managing director



**Jean-Pierre Blumberg**  
Chairman of the board of  
directors



The dividend of Intervest Retail increases  
by 2,5 % in 2010 to € 2,50 per share.



In 2010 the fair value of the real estate portfolio  
increases by 1,5 % as a result of the demand of  
qualitative real estate on the investment market  
and lettings concluded at higher rents.



On 31 December 2010, the debt  
ratio reaches only 37 %.



## LETTER TO THE SHAREHOLDERS

Dear Shareholder,

The value of Belgian commercial real estate has recovered strongly in 2010. Private investors as well as professional investors consider qualitative commercial real estate as a limited-risk investment. On the one hand, this is good news as the fair value of the patrimony of Intervest Retail has hereby increased. The fair value of the real estate portfolio has increased in 2010 in total by 1,5 % and amounts on 31 December 2010 to € 329 million.

On the other hand, this strong demand and the limited offer reduce the possibilities for expansion of Intervest Retail in a small and mature market. In 2010, the property investment fund did not realise additional investments due to the lack of sufficiently qualitative opportunities compared to the existing real estate portfolio of the property investment fund.

Given the strong balance sheet position of the property investment fund, the limited debt ratio of 37 % and the easy availability of bank financings, the major objective for 2011 remains the acquisition of qualitative real estate properties.

In 2010, the property investment fund once more paid attention to an active asset management in order to realize rental renewals and to optimize the value of the real estate portfolio.

In the commercial centre Julianus Shopping in Tongres an extensive marketing campaign has been run and the branch mix has also been adapted. It is important to note that the commercial centre will welcome the third quarter of 2011 a supermarket (Smatch). Except for a few tenants (380 m<sup>2</sup>) who will leave the commercial centre in the middle of March 2011, the larger part of the commercial surface area (7.842 m<sup>2</sup>) remains occupied by existing or new tenants, however often with adapted rental conditions in favour of the tenants.

The other rental renewals concluded in 2010, have always been realized at better rental conditions. The occupancy rate of the real estate portfolio of Intervest Retail amounts to 98,8 % on 31 December 2010, which confirms the quality of the portfolio.

In 2010, the operating distributable result of Intervest Retail increases to € 12,7 million. Consequently, for the financial year 2010 the property investment fund can distribute to its shareholders a gross dividend of € 2,50 per share compared to € 2,44 per share for the financial year 2009, which represents an increase by 2,5 %. As a result, the gross dividend yield per share amounts to 5,8 % based on the share price on 31 December 2010.

Previous year sustainability has also been on the agenda of the property investment fund. These activities focused on a thorough analysis of the health and safety risks in the buildings of the property investment fund and more precisely on the inventory of asbestos and fire protection risks. The results of these analyses are satisfying and where necessary appropriate measures are taken for improvement.

In 2010, the basis has been laid for a number of redevelopment projects to be realised in 2011. A request for a building permit has been submitted for the redevelopment and upgrading of the retail park Roosevelt in Vilvorde as well as for the renovation of the premises located on the Bruul 42-44 in Malines.

In 2011, our ambitions are the growth of the fund within a cautious policy based on long-term rentability.

We would like to thank you once more for your trust and the personnel for their loyalty and efforts during previous year.



Reinier van Gerrevink  
Managing director



Jean-Pierre Blumberg  
Chairman of the board of directors







# Report of the board of directors



## BRUSSELS

### ZARA A+C+D

Chaussée d'Ixelles 41-43

Space / 2.424 m<sup>2</sup>

### MANGO B

Chaussée d'Ixelles 41-43

Space / 1.368 m<sup>2</sup>

A	B	C
D		

## PROFILE

Intervest Retail invests exclusively in Belgian commercial real estate, focusing primarily on inner-city locations in prime locations, retail warehouses and shopping centres.

At present the portfolio is made up of 270 leasable units, spread over 94 different locations.

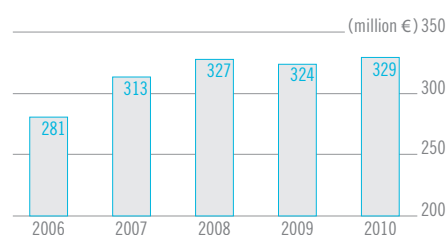
Intervest Retail has been registered as a property investment fund in the list of Belgian investment institutions since 22 December 1998. The shares of the company are listed on the regulated market on NYSE Euronext Brussels.



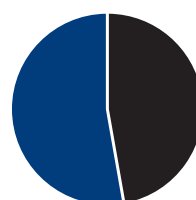
On 31 December 2010, the portfolio consists of 47 % of inner-city locations and 53 % of retail warehouses and shopping centres. The total fair value of the portfolio amounted to € 329 million at 31 December 2010.



## EVOLUTION OF THE FAIR VALUE OF THE REAL ESTATE PROPERTIES



## TYPE OF REAL ESTATE



- 53% Retail warehouses and shopping centres
- 47% Inner-city shops

## INVESTMENT POLICY

The property investment fund maintains an investment policy focused on high-quality commercial properties which are leased to first-class tenants. These properties do not require major repair work in the short term and are strategically situated on good locations.

The commercial properties consist of shops located in Belgium. These premises can be retail warehouses (located outside city centres), inner-city locations as well as shopping centres. In principle, the investment fund does not invest in residential properties, offices or logistic premises.

Intervest Retail's aim is to make its share more attractive by ensuring high liquidity, by expanding its property portfolio and by a better risk spread.



The investment policy is based on the principle of achieving a combination of a direct yield based on rental income and an indirect return based on the increase in the value of the real estate portfolio.



## INCREASE OF THE LIQUIDITY OF THE SHARE

Liquidity is determined by the extent to which the shares can be traded on the stock market. Companies with high liquidity are more likely to attract large investors, which improves growth opportunities.

Increased liquidity makes it easier to issue new shares (for increasing the capital, contributions in kind or mergers), which is also very important for growth.

To improve its liquidity, Intervest Retail has concluded a liquidity agreement with Bank Degroof. The liquidity of most Belgian property investment funds is relatively low. One major reason for this is that these funds are often too small - both in terms of market capitalisation and free float - to gain the attention of professional investors. In addition, shares in property investment funds are generally purchased as longer-term investments rather than on a speculative basis, which reduces the number of transactions.

In 2010, the free float of the share was unchanged at 27,62 %.

## EXPANSION OF THE PROPERTY PORTFOLIO

A large portfolio clearly offers a number of benefits:

- ▶ It helps to **spread the risk** for the shareholders. By investing in commercial property throughout Belgium, it is possible to cushion potential cyclical movements in the market. This also means that the company is not dependent on one or a small number of major tenants or projects.
- ▶ The achieved **economies of scale** make it possible to manage the portfolio more efficiently, with the result that a greater amount of operating profit can be paid out. This relates, for instance, to costs of maintenance and repair, the (long-term) renovation costs, consultancy fees, publicity costs, etc.
- ▶ With a larger total portfolio, management's **negotiating position** is improved when discussing new lease terms and offering new services, alternative locations, etc.
- ▶ It makes it possible for a specialised management team to use its knowledge of the market to pursue an innovative and creative policy, resulting in **increase in shareholder value**. This makes it possible to achieve growth, not only in terms of the rental income, but also in the value of the portfolio. This kind of active management can lead to the renovation and optimisation of the portfolio, negotiations on new terms of lease, an improvement in the quality of the tenants, offer of new services, etc.

Expansion of the property portfolio can be achieved through a dynamic approach of the market on the one hand, on an internal level through the growth potential of the current property portfolio, and through acquisitions on the other hand.

Intervest Retail is a very useful partner for investors who wish to contribute their retail properties against the issue of new shares with a view to spreading risk and cutting administrative activities. Retail chains that still own their own premises can also benefit from concluding sale-and-rent-back transactions with Intervest Retail.

## IMPROVEMENT OF RISK SPREAD

Intervest Retail tries to spread its risk in a variety of ways. For example, the tenants often operate in widely divergent sectors of the economy, such as clothes, food, do-it-yourself, home interior, etc. Besides, the property investment fund strives to maximize the geographic spread of its premises over entire Belgium.

The administration of the expiry dates and first interim expiry dates of the lease contracts are submitted to the restrictions by the legislation on commercial leases (act of 30 April 1951), allowing the tenants to terminate legally their tenancy agreement every three years.

## STATEMENT ON CORPORATE GOVERNANCE

### GENERAL

Intervest Retail uses the Belgian corporate governance code 2009 as its benchmark. The principles of corporate governance pursued by Intervest Retail have been formalised by the board of directors in a number of directives:

- ▶ The corporate governance charter
- ▶ The code of conduct
- ▶ Whistle-blowing rules
- ▶ The market abuse-prevention directive

The complete 'corporate governance charter' that sets out the important internal procedures for the management entities of Intervest Retail, as well as the other directives, are available for review on the company website ([www.intervestretail.be](http://www.intervestretail.be)).

The terms of the Belgian corporate governance code 2009 may only be deviated from when specific circumstances require it. If such an event occurs, the deviation is explained, in accordance with the 'comply or explain' principle, in the annual report. The board of directors of the property investment fund has judged that it is sometimes justified for the company not to follow certain terms of the corporate governance code 2009. According to the "comply or explain" principle it is indeed permitted to take into account the relatively small size and own characteristics of the company, particularly regarding the already rigid legislation relating to property investment funds.

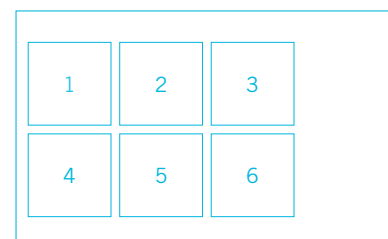
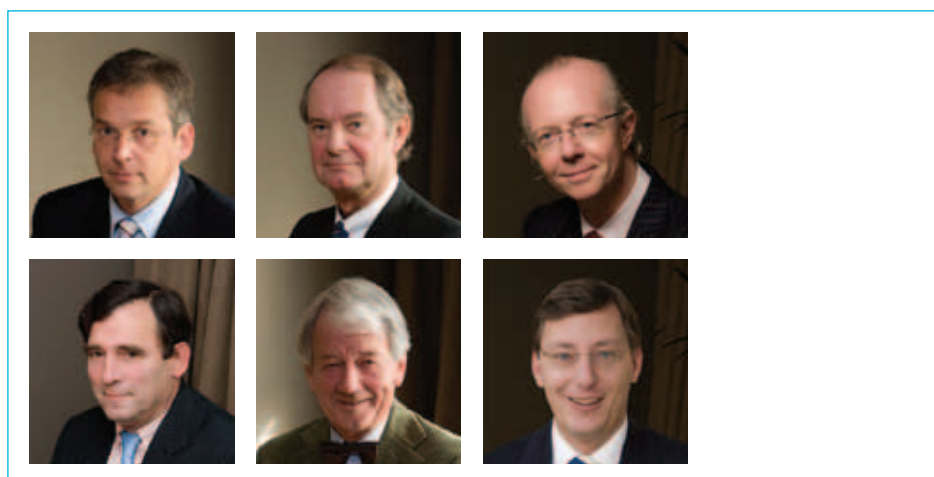




## MANAGEMENT ENTITIES

### BOARD OF DIRECTORS

#### Composition



**1** **Jean-Pierre Blumberg**  
Chairman, independent director  
Address: Plataandreef 7  
2900 Schoten  
Term: April 2013  
Function: Director of companies

**2** **Nick van Ommen**  
Independent director  
Address: Beethovenweg 50  
2202 AH Noordwijk aan Zee  
The Netherlands  
Term: April 2013  
Function: Director of companies

**3** **EMSO srl, permanently represented by Chris Peeters**  
Independent director  
Address: Jan Moorkensstraat 68  
2600 Berchem  
Term: April 2011  
Function: Transport economist,  
managing director Policy Research  
Corporation sa

**4** **Reinier van Gerrevink**  
Managing director  
Address: Bankastraat 123  
2585 EL 's-Gravenhage  
The Netherlands  
Term: April 2011  
Function: Chief executive officer VastNed Groep

**5** **Hubert Roovers**  
Managing director  
Address: Franklin Rooseveltlaan 38  
4835 AB Breda  
The Netherlands  
Term: April 2011  
Function: Managing director  
Intervest Offices sa

**6** **Tom de Witte**  
Director  
Address: Kamerlingh Onnesstraat 69  
2984 ED Ridderkerk  
The Netherlands  
Term: April 2012  
Function: Chief financial officer VastNed Groep

The board of directors comprises six members, three of whom are independent directors who all four fulfil the new conditions of article 526ter of the Belgian Company Code. The board of directors consists of two executive directors, namely the two managing directors, and four non-executive directors.

The directors are appointed for a period of three years, but their appointment can be revoked at any time by the general meeting.

### Activities

The board of directors met five times in 2010. In 2010, the most important agenda items during the meetings of the board of directors and with respect to which the board has taken decisions have been:

- ▶ Approval of the quarterly, half-yearly and annual figures
- ▶ Approval of the annual accounts and the statutory reports
- ▶ Approval of the budgets 2010 and the business plan 2011
- ▶ Discussion on the real estate portfolio (investments and disinvestments, tenancy issues, valuations, insurances, renovations, etc.)

All directors attended all meetings, except for Reinier van Gerrevink and EMSO sprl on 7 May 2010, Jean-Pierre Blumberg on 2 August 2010 and Reinier van Gerrevink and Nick van Ommen on 23 November 2010.

In 2010, Reinier van Gerrevink and Hubert Roovers have been charged with oversight of day-to-day management, pursuant to article 4 § 1 5° of the Royal Decree of 7 December 2010 relating to property investment funds. During the financial year 2010, Reinier van Gerrevink and Tom de Witte have represented the majority shareholder VastNed Retail sa.

## AUDIT COMMITTEE

### Composition

In 2010, the audit committee comprises three independent directors: Nick van Ommen (chairman), Jean-Pierre Blumberg and EMSO sprl, permanently represented by Chris Peeters. The term of their mandate in the audit committee is not specified.

In 2010, these independent directors fulfil all nine criteria of independence pursuant to article 526ter of the Belgian Companies Code.

The members of the audit committee are experts. The independent member of the committee is qualified individual in the area of accountancy and/or auditing. Besides, the audit committee as a whole is qualified. This on two levels: in the area of the activities of Intervest Retail and in the area of accountancy and auditing.

## Activities

In 2010, the audit committee met four times. The most important items on the agenda of the audit committee in 2010 have been:

- ▶ Discussion of the quarterly, half-yearly and annual figures
- ▶ Analysis of the annual accounts and statutory reports
- ▶ Discussion of the budgets
- ▶ Oversight of statutory audit of the (consolidated) annual accounts and analysis of the recommendations of the statutory auditor
- ▶ Analysis of the efficiency of the internal audit mechanism and risk-management of the company

All the members attended all meetings, except for EMSO sprl on 7 May 2010 and Jean-Pierre Blumberg on 2 August 2010.

The committee reports its conclusions and recommendations directly to the board of directors.

## THE MANAGEMENT COMMITTEE

In 2010, the management committee comprises:

- ▶ Sprl Jean-Paul Sols, represented by Jean-Paul Sols, chief executive officer, chairman of the management committee
- ▶ Sprl Rudi Taelemans, represented by Rudi Taelemans, chief operating officer
- ▶ Inge Tas, chief financial officer
- ▶ Reinier van Gerrevink, managing director

Pursuant to article 524bis of the Belgian Companies Code and article 15 of the company's articles of association, the board of directors has delegated specific management authority. The rules pertaining to the composition and operation of the management committee are described in more detail in the company's 'corporate governance charter' that is available for review on the website ([www.intervestretail.be](http://www.intervestretail.be)). The members of the management committee (except Rudi Taelemans sprl) are also effective leaders of the company pursuant to article 38 of the act of 20 July 2004 relating to certain forms of collective investment portfolio management company's.



### THE MANAGEMENT COMMITTEE

from left to right:  
Jean-Paul Sols,  
Inge Tas,  
Rudi Taelemans,  
Reinier van Gerrevink

## EVALUATION OF THE MANAGEMENT ENTITIES

Under the direction of the chairman, the board of directors periodically reviews its size, composition, working and efficiency. It carries out the same review with respect to the audit committee and the interaction with the management committee. For the purposes of such reviews, the board of directors can be assisted by external experts.

During this evaluation process:

- ▶ an assessment is made of the functioning and leadership of the board of directors
- ▶ the question of whether major subjects are prepared and discussed thoroughly
- ▶ an assessment is made of the actual contribution and involvement of each director in the discussions and decisions
- ▶ the composition of the board of directors is assessed with respect to the desired composition of the board
- ▶ the functioning and composition of the audit committee is discussed
- ▶ the collaboration and communication with the management committee is evaluated

If the above mentioned evaluation procedures show some weaknesses, the board of directors will have to offer appropriate solutions. This can lead to changes in the composition or the functioning of the board of directors or the audit committee.

## CONFLICTS OF INTEREST

As far as the prevention of conflicts of interest is concerned, the property investment fund is subject to legal rules (articles 523 and 524 of the Belgian Companies Code, the Act of 20 July 2004 and articles 17 to 19 of the Royal Decree of 7 December 2010) and to the rules defined in its articles of association and its corporate governance charter.

In this regard, article 17 of the articles of association of the property investment fund states the following: *“Directors, persons charged with the day-to-day management and authorised agents of the company shall respect the rules relating to conflicts of interest provided for in the Royal Decree of 10 April 1995 relating to property investment funds and in the Belgian Companies Code, as these may be amended, where appropriate.”*

### ▶ **Conflicting interests of a proprietary nature of directors and members of the management committee**

The board of directors, management committee and every member strictly undertake to exclude any possible conflict of interest, whether of a proprietary, professional or of any other nature, and intend to carefully comply with the legal rule defined in article 523 of the Belgian Companies Code regarding conflicts of interest between the property investment fund and a director.

If, for example, a director of the property investment fund, due to other director mandates held by him or for any other reason, has a proprietary interest that is in conflict with a decision or transaction falling under the authority of the board of directors, article 523 of the Belgian Companies Code shall be applicable and the concerned director shall be requested not to participate in the deliberations on decisions or transactions or in the voting (article 523, § 1 in fine).

If a director or member of the management committee, directly or indirectly, has a proprietary interest that is in conflict with a transaction or decision falling under the authority of the board of directors or the management committee, the concerned member must inform the chairman and the members of this in advance. In this case, the concerned member may not participate in the deliberations and voting on the transaction in question.

<sup>1</sup> An amendment to the articles of association will be submitted to the next general meeting on 6 April 2011, in order to bring these in line with the Royal Decree of 7 December 2010.



The statement as well as the justification for the conflict of interest shall be recorded in the minutes. With a view to its publication in the annual report, the Secretary shall describe the nature of the decision or transaction in the minutes and justifies the decision taken. The minutes also outline the property-related consequences for the company resulting from this decision. The report of the statutory auditor, to be drawn up pursuant to article 143 of the Belgian Companies Code, contains a separate description of the financial implications for the company.

► **Conflict of interest of a major shareholder**

In case of a potential conflict of interest with a major shareholder of the property investment fund, the procedure defined in article 524 of the Belgian Companies Code shall be applicable. Article 524 of the Belgian Companies Code requires that operations with related companies - with certain exceptions - must be submitted for advice to a committee of independent directors, assisted by an independent expert.

► **Conflict of interest of certain persons mentioned in article 18 of the Royal Decree of 7 December 2010**

Similarly, article 18 of the Royal Decree of 7 December 2010 states that the public property investment fund must inform the Banking, Finance and Insurance Commission in advance of any planned transactions to be carried out by the public property investment fund or by one of its subsidiaries if one or more of the following persons serve, directly or indirectly, as counterparty in these transactions or derive any pecuniary advantage from it: persons who exercise control over the public property investment fund or own a share of it; the promoter of the public property investment fund; other shareholders of all subsidiaries of the public property investment fund; and the directors, business managers, members of the management committee, persons responsible for the day-to-day management, actual managers or authorised agents; and persons associated with all these parties.

These planned transactions must represent an interest for the public property investment fund, be in line with its investment policy and must be executed under normal market conditions. These transactions must be promptly disclosed.

Pursuant to article 31, §2 of the Royal Decree of 7 December 2010, when a real estate transaction takes place with the above-mentioned persons, the company is bound by the valuation made by the property expert.

The procedure for avoiding conflicts of interest has not been invoked during financial year 2010.

## REMUNERATION REPORT

### Appointment and remuneration committee

Intervest Retail does not have an appointment and remuneration committee. The board of directors of the property investment fund is of the opinion that the relevant tasks of the appointment committee and remuneration committee should be regarded as tasks of the entire board of directors. With this, Intervest Retail derogates from the recommendations of the Belgian corporate governance code 2009 (also see paragraph on “Comply or Explain” principle), since the limited size of the board makes it possible to deliberate efficiently on these topics. On the other hand, the issue of appointments or remuneration in the property investment fund requires too little additional attention to have a separate committee for this and to justify the additional costs associated with this.

### Remuneration policy of the board of directors

The board of directors is responsible for the remuneration policy for its members and for the members of the management committee. The remuneration of the directors has to be proposed for approval to the general meeting.

This policy is based on the following principles:

- ▶ The remuneration policy for directors and members of management is in accordance with all the applicable regulations and in particular with those contained in the Royal Decree of 7 December 2010 relating to property investment funds
- ▶ The total remuneration level and structure should be such that qualified and competent persons can be recruited and retained
- ▶ The remuneration structure, in terms of fixed income and variable income, if any, is such that the interests of the company are promoted in the medium and long term
- ▶ The remuneration policy takes into account the responsibilities and time spent by directors and members of management.

Other things being equal, the remuneration policy shall remain applicable for the next two financial years.

### Basic remuneration 2010

#### ▶ Non-executive directors

In 2010, the annual fixed fee of independent non-executive directors amounts to € 14.000 per year for a member of the board of directors (€ 15.000 per year for the chairman of the board of directors). No additional fees are paid for serving as a member or as a chairman of a committee. The directors representing the majority shareholder perform their duties without remuneration.

No employment contract has been concluded with any of the directors and no termination compensation is applicable. Pursuant to article 16 §2 of the Royal Decree of 7 December 2010 relating to property investment funds, the directors' fees are not related, either directly or indirectly, to the transactions carried out by the property investment fund. The directors do not own shares of the property investment fund and nor have any options been granted to the directors on shares of the property investment fund.

#### ▶ Members of the management committee

The amount of the fixed fee granted as remuneration in 2010 to the members of the management committee, except the managing director, amounts to € 344.634, of which € 109.932 is for the chairman of the management committee. The managing director representing the majority shareholder performs his tasks without remuneration.

## Bonus for 2009, paid in 2010

The three members of the management committee, except the managing director, may be eligible for an annual combined bonus of maximum € 30.000. The amount of bonus to be granted is determined on the basis of measurable criteria linked to previously-agreed performance levels. In 2009, these criteria lay in the area of rental activity (including the rental of certain specifically identified objects), increase of net rental income, occupancy rate, rent collection and the project Olen. Based on targets achieved in 2009, a total bonus of € 25.600 was awarded in 2010.

Besides this regular bonus, a member of management may be eligible for an additional annual bonus, which may be granted for exceptional performance. No additional bonus has been paid for 2009.

## Basic remuneration for 2011 and bonus for 2010

The annual fixed fee of the independent non-executive directors remains unchanged with respect to the above-mentioned fees for 2010.

On 1 January each year, the annual fixed fee of the members of the management committee, except the managing director, is (i) indexed according to the normal index of consumer prices, where the basic index is that of the month preceding the month in which the agreement came into effect, and the new index of the month preceding the month in which the indexation takes place (ii) increased by 1 percent. This represents an increase of 3,1 % as on 1 January 2011.

Bonus criteria for 2010 are related to re-lettings, the occupancy rate, investments, sustainability, the commercialization of Julianus Shopping in Tongres and the refinancings of credit facilities by financial institutions. Based on the targets achieved in 2010, a total bonus of € 30.000 is being granted. No additional bonus has been paid for 2010.

## Duration and termination conditions

Members of the board of directors are appointed for a period of three years, but their appointment may be revoked at any time by the general shareholders meeting. No termination compensation is applicable.

The members of the management committee are appointed for an indefinite period and the termination compensation is equivalent to twelve to eighteen months' fixed fee (except for gross negligence or deliberate error, in which case no compensation will be payable).

## CONSORTIUM

Since, in 2010, the boards of directors of both Intervest Offices and Intervest Retail contain almost the same persons (the board of directors of Intervest Offices sa consists of seven members, among whom Paul Christiaens, Jean-Pierre Blumberg, Nick van Ommen and EMSO sprl, represented by its permanent representative Chris Peeters, are appointed as independent directors, and Reinier van Gerrevink, Hubert Roovers and Tom de Witte are appointed as representatives of the majority shareholder VastNed Offices/Industrial sa), it has been established that, pursuant to article 10 § 2, 2° of the Belgian Companies Code, Intervest Offices and Intervest Retail form a consortium. This despite the fact that there is no question of a centralised management since a property investment fund, pursuant to article 9 of the so-called CII Act of 20 July 2004 and article 9 of the Royal Decree of 7 December 2010 relating to property investment funds, must be managed in the sole interest of the shareholders and in such a way that the autonomous management of the property investment fund is ensured.

The preparation of a consolidated annual accounts statement for Intervest Offices sa and Intervest Retail sa, which together form a consortium, would give rise to the impression that the autonomous management of the property investment fund can be called into question, when this is not true. Moreover, the investment policy of Intervest Offices differs fundamentally from that of Intervest Retail. Intervest Offices invests in professional real estate. These can include offices as well as semi-industrial buildings. It does not normally invest in shops and shopping centres. Until today, there has not been any joint investment policy and the policies are kept strictly separate. Moreover, the majority shareholder of Intervest Retail, i.e. VastNed Retail, is a completely different legal entity from the majority shareholder of Intervest Offices, i.e. VastNed Offices/Industrial.

To address this situation, a proposal will be submitted to the general shareholders meeting of 6 April 2011 for changing the composition of the boards of directors of both Intervest Offices and Intervest Retail.



## MAJOR RISK FACTORS AND INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS

In 2010, the board of directors of Intervest Retail once again focuses attention on the risk factors with which Intervest Retail must contend.



The constant evolutions in the real estate and financial markets require a continuous monitoring of the strategic, operational and financial risks, as well as of the financial reporting and compliance risks in order to safeguard the results and the financial situation of Intervest Retail.



### STRATEGIC RISKS AND MANAGEMENT

These risks are determined in large measure by the strategic choices made by Intervest Retail to limit the vulnerability to external factors. The size of these risks is determined by the strategic choices with respect to investment policy, such as the choice of:

- ▶ **type of real estate:** Intervest Retail has mainly chosen to invest in (all types of) commercial properties, whereby is searched for a good balance between inner-city shops and retail warehouses and a good geographic spread in Belgium on good locations.

The real estate patrimony of Intervest Retail is valued on a quarterly basis by independent property experts. These property experts have the necessary qualifications and significant market experience. The fair value of the buildings, as estimated by them, is entered under the section “Investment properties” in the assets side of the statutory and consolidated balance sheet. Fluctuations in fair values are entered under the section “Changes in fair value of investment properties” in the consolidated and statutory income statements and these can have either a positive or negative effect on the net income. The values established by the experts represent the market value of the buildings. Consequently, fluctuations in the market value of the property are reflected in the net assets of Intervest Retail, as published on a quarterly basis. Intervest Retail is exposed to the fluctuation of the fair value of its portfolio, as estimated by the independent assessments.

On 31 December 2010, a 1 % hypothetical negative adjustment of the yield used by property experts the valuation of the real estate portfolio of the property investment fund (yield or capitalisation rate) would reduce the fair value of the real estate by € 45 million or 14 %. As a result, the debt ratio of the property investment fund would increase by 5 % to 42 % (in this regard, also see the “Sensitivity Analysis” in the Real Estate Report).

- ▶ **time of investment and divestment:** Based on the knowledge of economic and real estate cycles, one tries to anticipate as accurately as possible the downward and upward movements of the markets. The normally expected course of the economic cycles can be assessed to the best of one's ability based on economic indicators. The investment market and particularly, the rental market for commercial real estate respond with a certain amount of delay to the volatility of the economic climate. Clear periods of economic boom lead to higher market prices which may, at a later date, be subject to sharp negative adjustments. During this period of economic boom, Intervest Retail will pursue a fairly moderate policy on investments so as to reduce the risk of making ill-timed investments. In periods of economic recession, the value and occupancy rate of buildings usually decline. However, once the economy picks up again, a more active investment policy is followed in anticipation of the increasing value of buildings and a more active rental market. In this regard, due care is taken to prevent the debt ratio of the property investment fund from rising above the permitted levels.

## OPERATIONAL RISKS AND MANAGEMENT

These risks arise out of daily transactions and (external) events executed within the strategic framework, such as:

- ▶ **investment risks:** The main risks inherent in investing in real estate are related to future negative variations in fair value of investment properties caused primarily by increasing vacancy, unpaid rents, decline in rents when concluding new lease contracts or extending existing lease contracts, and soil contamination.

At Intervest Retail, internal control measures are taken to reduce the risk of making incorrect investment decisions. For example, the risk profile is always carefully assessed based on market research, an estimate of future yields, a screening of existing tenants, a study of environmental and permit requirements, an analysis of tax risks, etc.

Pursuant to article 31 of the Royal Decree of 7 December 2010 relating to property investment funds, an independent property expert values each acquisition or disposal of property. For each disposal, the assessment value determined by the independent property expert is an important guiding principle for the transaction value. Intervest Retail also carefully ensures that the guarantees offered during the transaction remain limited, in terms of both duration and value.

For each acquisition, Intervest Retail also carries out a technical, administrative, legal, accounting and tax “due diligence” based on continuous analysis procedures and usually with the assistance of external, specialised consultants.

- ▶ **rental risks:** These risks are related to the nature and location of the property, the extent to which it must compete with nearby buildings, the intended target audience and users, the quality of the property, the quality of the tenant and the lease contract. Intervest Retail continuously records the development of these factors. Based on the above criteria, a risk profile is allocated to each property, which is regularly evaluated (based on the fund’s own local knowledge and data from external parties and/or valuers). Depending on the risk profile, a certain yield must be realized over a certain period, which is compared to the expected yield according to the internal yield model. On the basis of this, an analysis is drawn up of the objects in which additional investments should be made, where the tenant mix must be adapted and which premises are eligible for sale. Vacancy and the vacancy risk are also analysed each month, for which the expiry dates of the lease contracts are taken into account. The fund strives to maintain a balanced distribution of the duration of the lease contracts in compliance with rules defined in the applicable leasing legislation. This allows future lease terminations and contract revisions to be anticipated in good time.
- ▶ **cost control risks:** There is a risk of the net yield on real estate being negatively influenced by high operating costs or investments. Within Intervest Retail, several internal control measures are implemented that reduce this risk, including regular comparison of maintenance budgets with the actual reality and approval procedures at the time of entering into maintenance and investment commitments. These approval procedures entail, depending on the amount, one or more offers being requested from various contractors. During this process, the technical department of Intervest Retail makes a comparison of the price, quality and timing of the works. Depending on the size of the amount quoted for the works to be carried out, there are various levels of approval within the property investment fund.

- ▶ **debtor's risks:** Intervest Retail follows clear procedures for screening tenants when new lease contracts are concluded. Deposits or bank guarantees are also always insisted upon when entering into lease contracts. A rental deposit or bank guarantee of six months' rent is provided for in the standard lease contract used by Intervest Retail for the rental of its premises. On 31 December 2010, the actual weighted average duration of the rental deposits and bank guarantees for offices is approximately 5 months (or about € 9 million).

In addition, there are internal control procedures in place to ensure timely recovery of lease receivables and adequate follow-up of rent arrears. Rents are payable in advance on a monthly or quarterly basis. The financial and real estate portfolio administration pays close attention to limiting rent arrears. On 31 December 2010, the number of days of outstanding customers' credit is only 6 days.

- ▶ **Legal and tax risks:**

- **Contracts and corporate reorganisations**

Before concluding contracts with third parties and depending on their complexity, these are reviewed by external consultants, to reduce the risk of financial loss and damage being caused to the fund's reputation due to inadequate contracts. Intervest Retail is insured against liability arising from its activities or its investments under a third party liability insurance policy covering bodily injury up to an amount of € 12,4 million and material damage (other than that caused by fire and explosion) of up to € 0,6 million. Furthermore, the directors and members of the management committee are insured for directors' liability, covering losses up to an amount of € 15 million.

Corporate reorganisations, in which Intervest Retail is involved (merger, demerger, partial demerger, contribution in kind, etc.), are always subject to "due diligence" activities, guided by external consultants to minimise the risk of legal and financial errors.

- **Insurance**

The risk of buildings being destroyed by fire or other disasters is insured by Intervest Retail for a total reconstruction value of € 159 million (€ 80 million for inner-city shops and € 79 million for retail warehouses and shopping centres), as compared to a fair value of investment properties of € 329 million on 31 December 2010 (€ 170 million for inner-city shops and € 159 million for retail warehouses and shopping centres). Cover is also provided for vacancy in the buildings due to these events for 36 months rent. The insurance policies also include additional guarantees for 20 % maximum of the insured value for costs for maintenance and cleaning up, claims of tenants and users and third party claims.

- **Taxation**

Taxation plays an important role in the area of property investments (VAT, registration fees, exit tax, split acquisitions, property tax, etc.). These tax risks are continuously assessed and where necessary, the assistance of external consultants is taken.

- **Risk relating to regulatory and administrative procedures**

The changes in regulations on urban planning and environmental protection can have an adverse effect on the long-term operation of a building by Intervest Retail. The strict enforcement and observance of urban planning regulations by municipal governments can negatively influence the attractiveness of the building. For example, a reduction in the dimensions of a building imposed as part of thorough renovation can also affect its fair value.

Finally, the introduction of new or more stringent standards for soil contamination or energy consumption can have a major impact on the costs required to continue operating the property.

## FINANCIAL RISKS AND MANAGEMENT

The major financial risks are the financing risk, the liquidity risk, the interest-rate risk and the risk associated with banking counterparties.

- ▶ **financing risk:** The real estate portfolio can be financed partly with shareholders' equity and partly with borrowed capital. A relative increase in borrowed capital with respect to shareholders' equity can result in a higher yield (known as "leverage"), but can also imply an increased risk. In case of disappointing yields from real estate and a decrease in fair value of investment properties, a high degree of leverage can give rise to the risk of no longer being able to meet interest rate and repayment obligations of borrowed capital and other payment obligations. In such a case, it is not possible to obtain financing with new borrowed capital or this can only be obtained under very unfavourable terms. To continue meeting payment obligations, real estate must then be sold, which entails the risk that this sale cannot be carried out under the most favourable conditions. The value development of the retail portfolio is largely determined by developments in the real estate market. For financing real estate, Intervest Retail always strives for a balance between shareholders' equity and borrowed capital.

Intervest Retail also strives to secure access to the capital market by providing transparent information and maintaining regular contacts with bankers and current or potential shareholders and by increasing the liquidity of the share.

Finally, with respect to long-term financing, it aims for a balanced spread of refinancing dates and a weighted average duration between 3,5 and 5,0 years. This may be temporarily derogated from if specific market conditions require this.

The bank credit agreements of Intervest Retail are subject to compliance with financial ratios, which are primarily related to the consolidated financial debt level of Intervest Retail or its financial interest charges. These ratios limit the amount that could still be borrowed by Intervest Retail. These ratios were respected as on 31 December 2010. If Intervest Retail were no longer to respect these ratios, the financing agreements of Intervest Retail can be cancelled, renegotiated, terminated or prematurely repaid.

Intervest Retail is limited in its borrowing capacity by the maximum debt ratio permitted by the regulations relating to property investment funds. Within the legally defined limits of the 65 % ratio, the theoretical additional debt capacity of Intervest Retail amounts to approximately € 272 million in case of an unchanged valuation of the existing real estate portfolio.

- ▶ **liquidity risk:** Intervest Retail must generate sufficient cash flows to meet its day-to-day payment obligations. On the one hand, this risk is limited by the measures mentioned under operational risks, which reduces the risk of loss of cash flows due to e.g. vacancy or bankruptcies of tenants. In addition, Intervest Retail has provided for a sufficient credit margin with its bankers to absorb fluctuations in liquidity requirements. In order to avail itself of this credit margin, the conditions of credit facilities must be complied with on a continuous basis.

On 31 December 2010, Intervest Retail has not-withdrawn credit lines of € 21 million available for its operations and dividend payments. The average remaining duration of the long-term credit agreements as on 31 December 2010 is 2,9 years.

- ▶ **interest rate risk:** As a result of financing with borrowed capital, the yield is also dependent on interest rate developments. In order to reduce this risk, when composing the loan portfolio, the fund aims for a ratio of one-third short-term borrowed capital (with a variable interest rate) and two-thirds long-term borrowed capital (with a fixed interest rate). Depending on the developments in interest rates, derogation from this may occur. Additionally, the company tries, with respect to the long-term borrowed capital, to achieve a balanced spread of the dates of review of the interest rates and duration of minimum 3 years.
- ▶ **risk associated with banking counterparties:** The conclusion of a financing contract or investment in a hedging instrument with a financial institution gives rise to a counterparty risk if this institution remains in default. In order to limit this counterparty risk, Intervest Retail takes the assistance of various reference banks in the market to ensure a certain diversification of its sources of financing and its interest rate hedges, with particular attention for the price-quality ratio of the services provided.

Intervest Retail maintains business relations with five banks:

- The banks providing financing are: ING Belgium sa, BNP-Paribas Fortis (Fortis Bank sa), Banque LBLux sa, Dexia Bank sa and KBC Bank sa.
- Banks which are counterparties for the interest rate hedges are: BNP-Paribas Fortis (Fortis Bank sa) and KBC Bank sa.

Intervest Retail regularly reviews the list of its banking relationships and the extent of its exposure to each of these. In the current context of the crisis in the banking sector, it is possible that one or more of the banking counterparties of Intervest Retail can remain in default. The financial model of Intervest Retail is based on a structural debt burden, which implies that its cash position at a financial institution is usually quite limited. On 31 December 2010, this cash position amounts to € 0,8 million.



## FINANCIAL REPORTING RISKS AND MANAGEMENT

Each quarter, a complete closing and consolidation of the accounts is prepared and published. To optimise the financial reporting process, the finance department always draws up a schedule with deadlines for all the tasks to be completed. Subsequently, the financial team prepares the quarterly figures and balance sheets. These quarterly figures are always analysed in detail and checked internally.

To reduce the risk of errors in the financial reporting, these figures are discussed within the management committee and their accuracy and completeness checked via analyses of rental incomes, operational costs, vacancy, rental activities, the evolution of the value of the buildings, outstanding debtors, etc. Comparisons with forecasts and budgets are discussed. After this, the management committee presents the financial statements to the audit committee each quarter, along with a comparison of annual figures, budget, and explanations for derogations. In addition, the half-yearly and annual figures are always checked by the external auditor.

## COMPLIANCE RISKS AND MANAGEMENT

This includes the risk of an inadequate level of compliance with relevant laws and regulations and the risk of employees not acting with integrity. Intervest Retail limits this risk by screening its employees at the time of recruitment, by creating awareness among them regarding this risk and by ensuring that they have sufficient knowledge of the changes in the relevant laws and regulations, assisted in this regard by external legal advisers. To ensure a corporate culture of integrity, Intervest Retail has in the past defined an internal code of conduct and whistleblowing rules.

## OTHER PARTIES

### STATUTORY AUDITOR

The statutory auditor, appointed by the general meeting of shareholders, is the cooperative partnership Deloitte Réviseurs d'Entreprises SC, which is represented by Kathleen De Brabander and Frank Verhaegen, auditors.

### PROPERTY EXPERTS

In 2010, the real estate portfolio is valued every quarter by three independent experts, de Crombrugghe & Partners, Cushman & Wakefield and CB Richard Ellis, each for a part of the portfolio, by rotation.

### COMPLIANCE OFFICER

Pursuant to clauses 3.7 and 6.8 as well as appendix B of the Belgian corporate governance code 2009, the company nominated Inge Tas, member of the management committee and cfo as "Compliance officer", charged with the supervision of compliance with the rules on market abuse. Those rules were imposed by the Act of 2 August 2002 concerning the supervision on the financial sector and the financial services and Directive 2003/6/EC concerning insider trade and market manipulation.

## "COMPLY OR EXPLAIN"-PRINCIPLE

In 2010, the company deviated from the following stipulations of the code (explain):

► **Clauses 5.3 and 5.4 on the operation of committees (incl. appendix D & E)**

The board of directors decided not to set up an appointment committee or a remuneration committee. It is the opinion of the board that tasks of these committees are tasks of the full board of directors. The limited size of the board makes an efficient debate on these subjects possible.

► **Clause 6.2 Executive management**

The management committee does not comprise all executive directors. This constitutes a deviation from clause 6.2 because of the specificity of the composition of the management committee (and article 4 §1 5° of the Royal Decree of 10 April 1995 on property investment funds, which expressly requires that two directors supervise the day-to-day management).

► **Clause 2.9 Company secretary**

The board of directors has not designated a company secretary, who advises the board of directors regarding all administrative matters and takes care of the communication within and between the management entities of the company, as provided for by clause 2.9. The limited size of the company and the board of directors make such a position superfluous.

## SUSTAINABLE ENTERPRISE



TONY MERTENS

Boomsesteenweg 666-672 - Wilrijk  
Space / 1.167 m<sup>2</sup>

Intervest Retail aims to organise its activities in a sustainable manner so as to limit the negative impact of its activities on the environment as much as possible. We are employing a sustainable method, in an economically responsible manner and in ever more progressive phases, with as our starting point the satisfaction of the tenant.

Intervest Retail has set itself the following sustainability objectives:

- ▶ Investment in buildings that can compete in the rental market in terms of sustainability
- ▶ Minimisation of the impact of Intervest Retail's activities on the environment
- ▶ Better than average performance against sustainability benchmarks

This is at all times subject to the following preconditions:

- ▶ Tenant and shareholder satisfaction with every sustainability initiative taken
- ▶ Achievement of an at least neutral effect on the anticipated overall, long-term return on our investment property

In 2010, Intervest Retail's main pointers and actions were in the area of health and safety, the greening of the energy sources and benchmarking.

## HEALTH AND SAFETY

For optimum management of the health and safety risks when running the buildings, a detailed audit was made of the asbestos and fire safety risks in the property investment fund's buildings.

### ASBESTOS

Inspections have been carried out in 185 of the units rented in the property investment fund's premises in order to ascertain the extent to which asbestos might be present in the buildings. The audits are always carried out by a specialist company and cover the building as a whole, even if only part of the premises is rented. As of 2001, Belgium imposed a total ban on asbestos, meaning that no asbestos audit is required for recently built or renovated units (including Tongres, Andenne, Wilrijk).

During the audits, a total of 20 samples of suspect materials have been taken. These have been analysed by an accredited laboratory. Four samples have tested positively for the presence of asbestos. A report has been sent to every tenant. When premises are to be vacated by the tenant or a thorough renovation is planned, any structural elements of the building which were not visible until then will be given a new asbestos inspection.

The audit yielded the following results:

#### A. Not asbestos-containing (171/185 units):

At most locations, no materials thought to contain asbestos have been found in the accessible and reachable rooms. This is because a considerable proportion of the property investment fund's buildings post-date the ban on the use of materials containing asbestos.

**B. Potentially asbestos-containing (11/185 units):**

The visible and accessible parts have been thoroughly inspected. It has been established in several cases that materials containing asbestos have been applied but that this does not constitute a hazard as long as the materials are not disturbed in any way. This asbestos is bonded.

In these buildings it will be important to remove the asbestos-containing applications when alterations are made or the building is partly or completely demolished.

For the cases above a management plan has been drawn up and sent to the tenants. This management plan involves an annual check of the asbestos-containing materials and draws the tenant's attention to the care and attention required during alterations to the building or when disturbing these materials.

**C. Asbestos-containing (3/185 units):**

In these three cases, it has been established that there are asbestos-containing materials which need to be removed immediately because they contain loose asbestos or bonded but damaged asbestos. We have consulted a specialist company and are taking the necessary measures to have these asbestos-containing materials removed as soon as possible.

**FIRE SAFETY**

The audit is designed to evaluate conformance with the prevailing fire safety regulations (RGPT/ARAB article 52 and annexes). A total of 244 units have been inspected. Apartments are inspected at random, empty units and open carwashes are not inspected.

The results of this analysis are satisfactory and, where necessary, appropriate improvement initiatives have been taken.

**GREENING OF THE ENERGY SOURCES**

Intervest Retail has gone in search of renewable energy sources for the electrical power it buys in for its tenants, on the one hand by investigating the purchasing conditions of the energy suppliers and on the other by investigating the possibilities of generating renewable energy on premises held in the Intervest Retail portfolio.

Intervest Retail has succeeded in concluding, at no extra cost to its tenants, an electricity supply contract based on electricity generated by hydropower.

As regards the generation of electricity on the premises, we have investigated the possibility of fitting solar panels on the roofs of a number of retail park stores. Despite the fact that Belgian grant schemes are few and far between, there is a possibility of setting up a project involving solar panels in 2011.

## BENCHMARKING

Sustainability in the retail market is marked by a number of complex correlations. For example, the type of retail activity carried out in a retail area has a major effect on the power that retail area consumes. Since the retail formula is the exclusive preserve of the shopkeeper, the owner of the retail area has only a limited influence when it comes to sustainability. Although this does not release the owner from the responsibility of introducing sustainability to his or her own retail premises, it does complicate the situation.

Also, ownership of most shopping centres in the retail market does not lie entirely in the same hands. The management of a shopping centre usually centres on a management organisation and this is where the primary responsibility for sustainability lies, but it only goes as far as the support offered by the shopping centre's different owners. Achieving objectivity through the use of benchmarks facilitates discussion between the various parties. The benchmarking of retail centres or individual retail areas is a good way to obtain an objective picture of how a retail centre or an individual retail area is performing in terms of sustainability and helps in the setting of goals in this area for particular store premises. In addition, benchmarking allows for a better understanding of how the retail portfolio of Intervest Retail is performing.

Benchmarking is still in its infancy and in 2010 we have seen the first serious initiatives actually get off the ground. Intervest Retail supports two significant initiatives in this area, namely the International Sustainability Alliance (ISA) and the sustainability certification of buildings through the BREEAM-In-Use international certificate. By supporting these initiatives, Intervest Retail helps ensure that benchmarking in the area of sustainability can freely develop and garners greater knowhow on the subject of sustainability with regard to its own portfolio.

The International Sustainability Alliance (ISA) consists of 18 "founding members", among them VastNed Retail, which is the reference shareholder in Intervest Retail, and 11 "founding associate members". This group represents more than 150 million m<sup>2</sup> of commercial property and, as such, is the leading initiative in the area of benchmarking at the present time. It is the ISA's aim to gather a database of quantitative data on buildings with a view to comparing the buildings in the database against each other in terms of performance. In October 2011, the first real publication of the benchmark is expected at EXPO Real in Germany. Through the ISA, Key Performance Indicators on the sustainability of buildings are held in a database. Intervest Retail assumes that in 2012 these Key Performance Indicators will play a part in implementing Intervest Retail's sustainability policy.

The quantitative data that originate from the ISA database can be augmented by a qualitative measurement of a building's sustainability characteristics, which must lead to the certification of buildings.



## APPROPRIATE LEGAL FRAMEWORK FOR

### PROPERTY INVESTMENT FUNDS

On 7 January 2011, the Royal Decree of 7 December 2010 relating to property investment funds (Royal Decree of 2010) came into effect. Since the introduction of the Royal Decree of 10 April 1995, regulations for collective investment institutions have undergone a fair amount of development in terms of legislation. A number of provisions of the Royal Decree of 10 April 1995 needed to be adjusted, either because their application entailed certain problems, or because an update became necessary due to the evolution of the financial markets. To help the property investment fund retain its attractive character and ensure the protection of investors, the current legal framework needed to be adjusted.

The main changes introduced by the Royal Decree of 2010 are as follows:

#### 1. Institutional property investment fund

The Royal Decree of 2010 offers public property investment funds the possibility of setting up subsidiaries in the form of an “institutional property investment fund”. This new option is designed to allow the use of an ad hoc vehicle that makes it possible for public property investment funds to realize specific projects with a third party (institutional or professional investor), but always to do so without going against the interests of the shareholders of the public property investment fund. Therefore, the interests of these shareholders will determine the limits for setting up an institutional property investment fund. For this reason, the Royal Decree of 2010 prescribes that an institutional property investment fund must be subject to the exclusive or joint control of a public property investment fund. Moreover, the Royal Decree of 2010 prohibits the arrangement in which an institutional property investment fund is subject to the joint control of two property investment funds, insofar as these two funds are not controlled by the same public property investment fund. Finally, a participating interest in an institutional property investment fund or in a real estate company is only considered as real estate if they (jointly or exclusively) exercise control over the company in question.

Institutional property investment funds fall under the supervision of the Banking, Finance and Insurance Commission. Except for a number of specific exceptions listed (with respect to the registration file, property experts, rules concerning capital increases, obligations as a public and listed company and the investment policy), all provisions applicable to the public property investment fund also apply to institutional property investment fund.

Based on tax considerations, there is a ban on so-called “mixed subsidiaries”. This means that the public property investment fund, which has control over one or more property investment funds, may not have a subsidiary (incorporated under Belgian law) which takes the form of a real estate company. The public property investment fund will, in other words, have to make a choice regarding the type of subsidiaries it wants to hold.

#### 2. Directors

The Royal Decree of 2010 requires that at least three independent directors, within the meaning of article 526ter of the Belgian Companies Code, serve on the board of directors of the public property investment fund and that the board of directors must be composed in such a way that the public property investment fund can be managed autonomously and solely in the interests of its shareholders. Once a certain de minimis threshold is exceeded, the property investment fund must still be represented by at least two directors for any act of disposal relating to the real estate properties.

### 3. Capital and securities

The Royal Decree of 2010 provides for the possibility of issuing securities other than shares. Only the issue of profit-sharing certificates (or other securities not representing the capital and comparable to profit-sharing certificates) is still prohibited.

The Royal Decree of 2010 introduces the possibility of implementing a capital increase with withdrawal of the pre-emptive right, subject to the granting of a priority allocation right to existing shareholders at the time of allocating new securities.

The rules for a capital increase through contributions in kind are worked out in further detail, including the minimum issue price which, from now on, can be based not only on the 30 days average share price (whether or not after deduction of undistributed gross dividends to which the new shares might not grant any rights) but also on the net asset value. The rules concerning contributions in kind shall henceforth also apply to mergers, demergers and similar transactions.

The distribution of an optional dividend is now explicitly permitted and regulated.

### 4. Property experts

New rules have been defined with regard to the property expert appointed by the property investment fund to value its real estate portfolio. The required independence of the expert is underlined more strongly and it is stipulated that his fee may in no way be related to the value of the real estate being assessed by him. At the same time, the property investment fund now has an obligation to ensure a rotation of the experts appointed by it. For example, the expert may only be appointed for a renewable term of three years. In addition, the expert may be entrusted with the valuation of a specific property only for a maximum period of three years, after which a “cooling-off period” of three years must be taken into consideration with respect to this same property. However, if the expert is a legal entity, this rotation system is only applicable with respect to the natural persons representing the legal entity.

### 5. Investment policy

Apart from the possibility of setting up institutional property investment funds, a number of points relating to obligations with respect to the investment policy have been modified.

For example, conditions have now been defined under which the public property investment fund and its subsidiaries may invest in securities that are not considered as property, as well as the conditions under which they may own unallocated cash and buy or sell hedging instruments (e.g. “interest rate swaps”).

The public property investment fund and its subsidiaries may, under certain conditions, conclude real estate leasing contracts as lessee and lease out immovable property. With a view to the required diversification of investments, an upper limit of 20 % is still applicable for an investment in a single “real estate entity”.

## 6. Debt ratio

The Royal Decree of 2010 limits, at both the statutory and the consolidated level, the debt ratio of the public property investment fund to 65 %. In order to ensure a proactive management of the debt ratio, the Royal Decree of 2010 now requires the public property investment fund to submit a financial plan as soon as its consolidated debt ratio exceeds 50 %. Institutional property investment funds are not required to maintain a maximum debt ratio at the statutory level.

## 7. Other

- ▶ The promoter of the public property investment fund has been assigned a larger role and more obligations with respect to the mandatory distribution among the public of at least 30 % of the shares of the public property investment fund. Henceforth, this obligation of means shall be of a permanent nature.
- ▶ Property investment funds are no longer obliged to appoint a depositary.
- ▶ The Royal Decree of 2010 no longer requires fees, commissions and expenses incurred by the property investment fund to be approved in advance by the Banking, Finance and Insurance Commission. On the other hand, there are certain required disclosure obligations with regard to the fees of the person entrusted with performing financial services as well as those of the experts and the statutory auditor.
- ▶ Moreover, the fixed fees of directors and the actual managers may not depend on the operations and transactions carried out by the public property investment fund or its subsidiaries: this therefore prohibits them being granted a fee based on the turnover. This rule also applies to the variable fee. If the variable fee is determined according to the result, only the consolidated net income may be used as basis for this.
- ▶ The scope of the rules for preventing conflicts of interest has been expanded and adapted to the introduction of the institutional property investment fund.
- ▶ The Royal Decree of 2010 imposes additional obligations with regard to the content, form and manner of disclosure and deadline for the annual and half-yearly financial reports and financial statements of the public property investment fund.
- ▶ Without prejudice to article 617 of the Belgian Companies Code, the property investment fund must continue to distribute at least 80 % of its operating profits annually among its shareholders. However, there are restrictions on this mandatory distribution in the light of the maximum debt ratio of 65 %.

### Entry into force and transitional regime

The Royal Decree of 2010 came into effect on 7 January 2011. This was accompanied by the withdrawal of the Royal Decree of 10 April 1995 and the Royal Decree of 21 June 2006 relating to the accounting, annual accounts and consolidated annual accounts of public property investment funds. However, the Royal Decree of 2010 contains a number of specific transitional provisions and grandfathering clauses. The current articles of association of the property investment fund must also be updated as a result of the Royal Decree of 2010 coming into effect and this must happen within a period of 18 months.









# 02

## Report of the management committee

### ANTWERP

#### A / PAIN DE SUCRE

Schuttershofstraat 30  
Space / 66 m<sup>2</sup>

#### B / COMPANY

Huidevetterstraat 12  
Space / 721 m<sup>2</sup>

#### C / MASSIMO DUTTI

Meir 99  
Space / 583 m<sup>2</sup>

#### D / BAKKER BART

Leyssstraat 17  
Space / 140 m<sup>2</sup>

A	B	C
D		



## THE RETAIL PROPERTY MARKET

A ROUND TABLE DISCUSSION AMONG INTERVEST RETAIL'S REAL ESTATE EXPERTS ON THE SUBJECT OF TRENDS IN THE INVESTMENT AND COMMERCIAL LEASE MARKET IN 2010, AND A LOOK AHEAD TO 2011.

**Intervest Retail invited its three real estate experts to come and discuss the current investment and commercial lease market. This discussion took place on 9 December 2010.**

Discussion partners: Jean-Paul Sols and Rudi Taelemans (Interinvest Retail), Kris Peetermans and Jef Van Doorslaer (Cushman & Wakefield), Pieter Paepen (CBRE) and Guibert de Crombrughe (de Crombrughe & Partners).

### RENTAL MARKET

Belgian retail property exhibits some characteristics atypical of the situation around the globe: stable rental prices despite the international economic crisis, a short supply of shopping centres, a plentiful supply of retail parks, relatively low rental prices in the inner city and relatively high rental prices in retail parks and shopping centres.

Contrary also to the situation in other countries, the commercial lease market has been extremely active in 2010 and there have been more rental transactions than in 2009. International market players are continuing to use Belgium as a test market, due in part to the low commercial lease prices. The most important newcomers are without doubt Abercrombie & Fitch (USA), Forever 21 (USA), River Island (UK) and the first Disney Store in the Benelux.

The rental prices for retail park units, city centre stores and shopping centre units have remained stable in 2010, a trend which is expected to continue in 2011.

### INVESTMENTS

The Belgian investment market also exhibits a few characteristics atypical of the other European countries: while yields have followed a positive trend since 2008, this has been to a much lesser extent than in other European countries; in the interim, yields have regained the level prior to the crisis. This decrease in yields combined with stable rental prices has led to a slight increase in real estate prices.

The top yields in the city centre are around 5% and they are around 6,5 % in the periphery. It is more difficult, due to the cramped market, to establish a top yield for shopping centres.

Given the stable nature of retail property, investors are choosing to keep or expand their existing portfolios. The number of investment transactions has slightly risen in 2010 against a historically low turnover in 2009.

There are many private investors in the market with an interest in investment objects of up to € 1,5 million to 2 million and they are prepared to offer keen returns for these. Private investors are also showing a keen interest in objects between € 2 million and 5 million. Supply in this market is varied but limited in quality and often characterised by planning issues, mixed projects, difficult ownership structures, etc.

A few large investment deals have been concluded in 2010, including the acquisition of five (re) development projects of ING Real Estate Development by Wereldhave Belgium and the sale of part of the real estate portfolio held by Group GL.

## PROJECTS

As ever, there are plenty of projects in the pipeline, both in the city centre and in the periphery. Most of these projects are located in Wallonia and in and around Brussels. However, the timing on many of these projects is highly uncertain.

Plenty of ideas are being launched around mixed projects, such as retail combined with sports facilities, offices or public transport, but here too, little is actually being brought to fruition for the time being.

Inner-city developments remain popular in the major cities (Galeries Toison d'Or in Brussels, K in Kortrijk) as well as the smaller cities (Julianus Shopping in Tongres). This trend will continue in 2011. It is above all the regional cities that are encouraging projects such as these.

The region that is the most popular at the moment among large project investors is the one located to the north of Brussels. Three large projects are under study in this area, namely NEO (100.000 m<sup>2</sup> retail and leisure), UPlace (55.000 m<sup>2</sup> retail and offices) and Just Under the Sky (31.000 m<sup>2</sup> retail). We will have to wait and see whether these projects have an influence on Brussels city centre. The shopping centres around Brussels will, however, feel the strain of competition.

In the meantime, uptown Brussels has had something of a revival with the recent opening of Galeries Toison d'Or and the plans for the Entre les Deux Portes project. This is a commercial area to complement the Rue Neuve/Nieuwstraat.

## TRENDS

E-commerce is growing year-on-year and will probably continue to do so exponentially. In fact, e-commerce does not constitute a threat to physical retail property and the two formats are complementary. Pure e-commerce even makes use of physical stores as a marketing tool (the e-Bay Store in New York).

However, the effect of e-commerce cannot be underestimated. Its arrival has proven extremely detrimental to the video shop, for example.



The real estate experts are of the opinion that the Belgian retail property market has withstood the economic crisis better than the other European property markets. Rental prices remained stable in 2010. Prices on the investment market have, in the interim, regained the level they enjoyed prior to the crisis. The supply of high-quality investment plans is exceptionally scarce at the present time due to the stability of retail property.



## IMPORTANT DEVELOPMENTS IN 2010

### ACTIVE ASSET MANAGEMENT

#### EVOLUTION OF THE RENTAL LEVELS OF THE REAL ESTATE PORTFOLIO

The start of several new lease contracts and rental renewals of retail warehouses and inner-city shops have contributed in 2010 to the increase in value of the real estate portfolio.

Despite market rental levels on the market remaining stable in 2010, there is sufficient potential to adjust the rental levels of Intervest Retail, which are in some cases below market rents, to market price levels. During the second semester of 2010, six lease contracts were signed with an average rental growth of 10 % (13 % for the entire year). One of these contracts has already started in the course of 2010 and five will take effect in 2011 or at the beginning of 2012.

An exception is Julianus Shopping in Tongres where rental levels and modalities of lease contracts have been lowered.

#### JULIANUS SHOPPING IN TONGRES

In 2010, a great deal of attention has been paid to the asset management of Julianus Shopping.



##### EVENT VTM K ZOOM SUMMERTOUR

Julianus Shopping  
Via Julianus - Tongres  
Space / 8.890 m<sup>2</sup>

Besides actions organised by the trading association, Intervest Retail has lead in close collaboration with manager SCMS an intensive marketing management.

In view of attracting additional visitors events have regularly been organised on the courtyard, such as the Flair Deals Day, the visit of Trinny and Susannah, street theatre, VTM K Zoom Summer tour, a cooking presentation by Piet Huysentruyt. Besides the monthly Sunday openings has been greeted favourably by the retailers.

Last year has also been important for Julianus Shopping as lease contracts are expiring in 2010 and 2011. In order to assure the continuity of lease contracts, rental conditions have to be renegotiated in most cases.

Only smaller units, a total of 380 m<sup>2</sup>, have been liberated and are currently commercialized again. On 31 December 2010, 2 units of the 23 units are available in the commercial centre. The occupancy rate amounts on 31 December 2010 to 92 %.

In the 4th quarter of 2010 a lease contract was signed with the Group Delfipar that wishes to open a supermarket under the 'Smatch'- concept in the commercial centre (surface area 850 m<sup>2</sup>) in the third quarter of 2011.

## INCREASE IN VALUE OF THE REAL ESTATE PORTFOLIO

The shortage on the investment market of commercial real estate results in 2010 in an increase in value of the real estate portfolio by 1,5 %. This value growth mainly comes from the lowering of yields but is also favourably influenced by the effect of different new lease contracts and rental renewals concluded at higher rents.

On 31 December 2010, the yield of the inner-city shops of Intervest Retail amounts to 5,8 % and the retail warehouses reach an average yield of 7,4 %. The top yield is reserved to a shop located on Meir 99 in Antwerp with 4,85 %.

In 2010, the value of the real estate portfolio went from € 324 million to € 329 million.

This evolution can be detailed as follows (in million €):

▶ Value of the portfolio at 1 January 2010	€ 324
▶ Investments in the existing portfolio	€ 0
▶ Acquisitions investment properties	€ 0
▶ Disposals of investment properties	-€ 0
▶ Unrealized capital gains	€ 10
▶ Unrealized capital losses	-€ 5
▶ Portfolio value at 31 December 2010	€ 329

The unrealized capital gains result mainly from the lowering of the yields of inner-city shops and rental renewals and indexations realised in 2010.

The unrealized capital losses result mainly from the decrease in value on the commercial centre Julianus Shopping in Tongres owing to the increase of the yield with 25 basis points and the downward yield adjustment.

## SALES OF REAL ESTATE PROPERTIES

The properties of Intervest Retail are constantly being valued on the basis of their future contribution to the return. That leads to properties being put up for sale regularly, for a variety of reasons:

- ▶ if they are not shops, but offices, warehouses or residential real estate
- ▶ if the property is situated in locations where no more growth is expected or that are less attractive
- ▶ if they are standalone properties that are isolated and which makes the administration too labour-intensive.

Within that framework, Intervest Retail sold last year an apartment, located Genkersteenweg in Hasselt.

## REDEVELOPMENT PROJECTS

In order to optimize the portfolio, some buildings are renovated or rebuild:

### ► **Retail park Roosevelt (Architects Tecro & Krea)**

This inner-city retail park located Mechelsesteenweg 30 in Vilvorde has a total leasable space of 7.936 m<sup>2</sup> and 108 parking spaces.

In the fourth quarter of 2010 Intervest Retail has submitted a request for a building permit for the renovation this retail park in view of the continuity and optimization of the rental income on the long range. In principle, the works will start in the spring of 2011. Besides, the building of 3 apartments located at the side of the Mechelsesteenweg, is planned. The building permit is expected at the beginning of 2011.

### ► **Bruul 42-44 in Malines (Low Architects)**

Intervest Retail owns an important building that extends from the Bruul and connects to the Match supermarket in the Borzestraat.

The commercial spaces of the complex, let to H&M and Coolcat, are spread over nearly all the ground floor and the first floor of the building. The project of Low Architects plans the building of 19 lofts on the upper floors with underground parking spaces. Each loft disposes of a large private terrace connected to the living room. Besides, the lofts on the third (partly) and fourth floor have a private sundeck or a roof garden which is accessible from the inside space. Through the scale, the architecture and the living quality, this building project is a unique project in the historical city centre of Malines.

Along the Borzestraat two new commercial spaces are realized.

The request for a building permit has been submitted in December 2010 and is expected in the spring of 2011.



## FINANCIAL RESULTS<sup>2</sup>

### INCOME STATEMENT



Rental renewals, indexations and lower property charges improve the operating results in 2010.



<i>in thousands €</i>	2010	2009
Rental income	21.050	20.847
Rental-related expenses	-50	-141
Property management costs and income	-14	-1
<b>Property result</b>	<b>20.986</b>	<b>20.705</b>
Property charges	-2.047	-2.182
General costs and other operating costs and income	-1.016	-1.056
<b>Operating result before result on the portfolio</b>	<b>17.923</b>	<b>17.467</b>
Result on sales of investment properties and development projects	167	-1.199
Changes in fair value of investment properties and development projects	4.859	1.729
<b>Operating result</b>	<b>22.949</b>	<b>17.997</b>
Financial result (excl. changes in fair value - IAS 39)	-5.032	-5.019
Changes in fair value of financial assets and liabilities (ineffective hedges - IAS 39)	-126	-822
Taxes	-159	6
<b>NET RESULT</b>	<b>17.632</b>	<b>12.162</b>
Operating distributable result <sup>3</sup>	12.710	12.400
Result on portfolio	5.026	530
Changes in fair value of financial assets and liabilities (ineffective hedges - IAS 39) and other non-distributable elements	-104	-768
<b>RESULT PER SHARE</b>	<b>2010</b>	<b>2009</b>
Number of shares entitled to dividend	5.078.525	5.078.525
Net result (€)	3,47	2,39
Gross dividend (€)	2,50	2,44
Net dividend (€)	2,13	2,07

<sup>2</sup> Comparative figures for the financial year 2009 between brackets.

<sup>3</sup> For the calculation of the operating distributable result: please see note 12 of the financial report.

“ The changes in fair value of the investment properties comprise 1,5 % compared to 0,5 % in 2009 as a result of the demand of qualitative real estate on the investment market and lettings concluded at higher rents. ”

The **property result** of Intervest Retail increases in 2010 by € 0,3 million to € 21,0 million (€ 20,7 million). This rise results from the increase of rental income through rental renewals and indexations in the existing real portfolio.

In 2010, the **property charges** of the property investment fund decrease to € 2,0 million (€ 2,2 million). The decrease by € 0,2 million results mainly from lower property management costs and lower commercial costs, partly compensated by higher technical costs arising from the inventory of asbestos and fire protection risks in the buildings of the property investment fund.

Through the decrease of the property charges and the increase of the property result, the **operating result before result on portfolio** increases in 2010 by € 0,4 million to € 17,9 million (€ 17,5 million).

During the financial year 2010, the positive **changes in fair value of the investments properties** amount to € 4,9 million (€ 1,7 million) or 1,5 % on the fair value of the real estate portfolio. This is due to the increase in fair value of the commercial portfolio as valued by the independent property experts. This increase in value is caused by a decrease in yields as a result of the growing demand for qualitative real estate on the investment market and the rent renewals and indexations in 2010.

The **financial result (excl. changes in fair value - IAS 39)** of the financial year 2010 amounts to - € 5,0 million (- € 5,0 million). The financial result remains at the same level as in 2009 through the currently low interest rates on the financial markets and the refinancings in 2010.

In 2010, the **changes in fair value of financial assets and liabilities (ineffective hedges - IAS 39)** comprise the change of the market value of the interest rate swaps which in accordance with IAS 39 cannot be classified as cash flow hedge instrument, for an amount of - € 0,1 million (- € 0,8 million).



For the financial year 2010, the average interest rate of the current credit facilities of the property investment fund amounts to 4,1 % including bank margins (3,9 %).



For the financial year 2010, the **net result** of Intervest Retail amounts to € 17,6 million (€ 12,2 million) and can be divided in:

- ▶ the **operating distributable result** of € 12,7 million compared to € 12,4 million in 2009. This increase by 2,5 % results mainly from the improvement of the operating result (before result on portfolio)
- ▶ the **result on portfolio** of € 5,0 million compared to € 0,5 million in prior year due to the positive change in fair value of the investments properties of the property investment fund
- ▶ the **changes in fair value of financial assets and liabilities (ineffective hedges - IAS 39) and other non-distributable elements** for an amount of - € 0,1 million (- € 0,8 million).

Hence, for the financial year 2010, the operating distributable result of Intervest Retail increases to € 12,7 million (€ 12,4 million). With the 5.078.525 shares having been issued, this represents a **gross dividend** of € 2,50 per share for the financial year 2010 compared to € 2,44 in 2009. This means an increase of the dividend by 2,5 % per share.

## BALANCE SHEET

<i>in thousands €</i>	31.12.2010	31.12.2009
<b>ASSETS</b>		
Non-current assets	329.341	324.574
Current assets	3.915	12.643
<b>Total assets</b>	<b>333.256</b>	<b>337.217</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>		
<b>Shareholders' equity</b>	<b>205.206</b>	<b>199.588</b>
Share capital	97.213	97.213
Share premium	4.183	4.183
Reserves	99.119	98.526
Net result of the financial year	17.632	12.162
Impact on fair value of estimated transaction rights and costs resulting from the hypothetical disposal of investment properties	-8.108	-8.108
Changes in fair value of financial assets and liabilities	-4.833	-4.388
<b>Non-current liabilities</b>	<b>75.544</b>	<b>88.477</b>
<b>Current liabilities</b>	<b>52.506</b>	<b>49.152</b>
<b>Total shareholders' equity and liabilities</b>	<b>333.256</b>	<b>337.217</b>

DATA PER SHARE	31.12.2010	31.12.2009
Number of shares entitled to dividend	5.078.525	5.078.525
Net asset value (fair value) (€)	40,41	39,30
Net asset value (investment value) (€)	42,00	40,90
Share price on closing date (€)	43,00	37,60
Premium (+)/discount (-) to net asset value (fair value) (%)	6 %	- 4 %
Debt ratio (max. 65 %) (%)	37 %	39 %

## ASSETS

In 2010, the **investment properties** increase by € 5 million as a result of the positive changes in fair value of the investment properties with € 5 million or 1,5 % on the fair value of the investment properties.

On 31 December 2010, the real estate properties are valued at € 337 million (investment value) by the independent property experts. The fair value (i.e. investment value minus the hypothetical transaction rights and costs that must be paid in the event of any future disposal) of the portfolio on 31 December 2010 amounts to € 329 million.

The **current assets** amount to € 4 million (€ 13 million) and consist mainly of € 2 million other receivables and of € 1 million in cash on bank accounts.



On 31 December 2010, the fair value of the real estate portfolio amounts to € 329 million.



Thanks to a strict credit control the number of days of outstanding customers' credit is only 6 days.



## LIABILITIES

The **shareholders' equity** of the property investment fund amounts to € 205 million (€ 200 million). The share capital of € 97 million remains unchanged. The share premium of € 4 million is unchanged from prior year. The reserves amount to € 99 million (€ 99 million).


In accordance with the Beama-interpretation of IAS 40 (publication of the Belgian Association of Asset Managers of 8 February 2006), the real estate portfolio is valued at fair value. The difference with the investment value is shown separately in the shareholders' equity. On 31 December 2010, this difference amounts to € 8 million.

The changes in fair value of financial fixed assets and liabilities in the amount of - € 5 million represent the market value of the cash flow hedge instruments (effective hedges on 31 December 2010 and ineffective hedges on 31 December 2009) that Intervest Retail concluded to hedge the variable interest rates on the long-term financial debts. The negative market value of these financial derivatives is the result of the low interest rates in 2010.


On 31 December 2010, the **net asset value** (fair value) of the share is € 40,41 (€ 39,30). Given that the share price on 31 December 2010 is € 43,00, the share is quoted at a premium of 6 % compared to this net asset value (fair value).

Compared to 2009, the **non-current liabilities** decrease to € 76 million (€ 88 million) and consist mainly of long term bank financings as well as the negative market value of the financial derivatives. This decrease is due to two long-term credit facilities expiring in the second half of 2011 as well as to a lower credit withdrawal resulting from the sale of Shopping Park Olen, on the one hand, and the refinancing of a current financial debt into a non-current credit facility on the other hand.

The **current liabilities** amount to € 53 million (€ 49 million) and consist of € 47 million in bank loans which expire within the year and have to be repaid or prolonged. Further, the current liabilities consist of € 4 million in trade debts and VAT to be regularized for the sale of Factory Shopping Messancy, of € 1 million in miscellaneous debts, and of € 1 million of accrued charges and deferred income.



A relatively low debt ratio of 37 % on 31 December 2010 (39 % on 31 December 2009) and well-spread interest rate risks offer Intervest Retail a stable balance-sheet position.



## FINANCIAL STRUCTURE

On 31 December 2010, Intervest Retail has a conservative financial structure allowing it to continue to carry out its activities in 2011.

The most important characteristics of the financial structure on 31 December 2010 are:

- ▶ Amount of financial debts: € 117 million (excluding market value of financial derivatives)
- ▶ 51 % long-term financings with an average remaining duration of 2,9 years
- ▶ Well-spread expiry dates of the credit facilities between 2011 and 2015
- ▶ Spread of credit facilities over 5 European financial institutions
- ▶ € 21 million of available non-withdrawn credit lines
- ▶ 69 % of the withdrawn credit facilities have a fixed interest rate, 31 % have a variable interest rate
- ▶ Fixed interest rates are fixed for a remaining period of 3,1 years in average
- ▶ Average interest rate for 2010: 4,1 % including bank margins (2009: 3,9 %)
- ▶ Value of financial derivatives: € 5 million in negative
- ▶ Limited debt ratio of 37 % (legal maximum: 65 %) (31 December 2009: 39 %)

## BALANCE BETWEEN LONG-TERM AND SHORT-TERM FINANCINGS

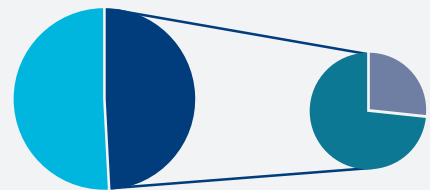
On 31 December 2010, 51 % of the credit lines of Intervest Retail are long-term financings. 49 % of the credit lines are short-term financings, with 13 % consisting of financing with an unlimited duration (progressing each time for 364 days) and 36 % of two credit facilities, expiring in the second semester of 2011 and which have to be renegotiated.



51 % of the credit lines are long-term financings with well spread expiry dates.



- 51% Longterm credit facilities
- 49% Shortterm credit facilities
- 13% With indefinite duration of 364 days
- 36% Credit facility expiring in 2011



## DURATION AND SPREAD OF THE EXPIRY DATE OF LONG-TERM FINANCINGS

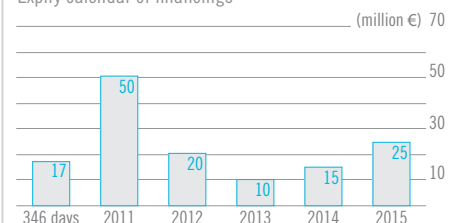
On 31 December 2010, the average duration of the long-term financings is 2,9 years. The strategy of Intervest Retail is to maintain this average duration between 3,5 and 5 years, but it is possible to deviate from that principle when specific market circumstances require it. Given the developments on the financing markets, there is a deviation for the refinancings concluded in 2008 and 2009, by using shorter durations, assuming that the margins on the financings will be normalized over the medium term. Moreover, the credit facilities portfolio of Intervest Retail is spread over 5 European financial institutions.



The weighted average remaining duration of the long-term credit facilities amounted to 2,9 year on 31 December 2010.



Expiry calendar of financings



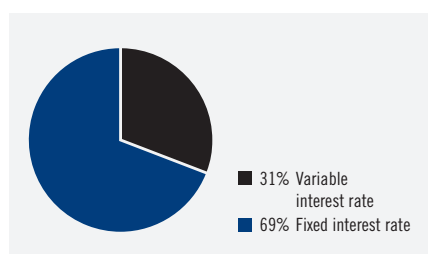


## AVAILABLE CREDIT LINES

On 31 December 2010, the property investment fund still has € 21 million (2009: € 13 million) of non-withdrawn credit facilities at its financial institutions to meet the fluctuations of liquidity needs, for financing future investments and for the payment of the dividend of the financial year 2010.

## PERCENTAGE CREDIT FACILITIES WITH FIXED AND VARIABLE INTEREST RATE

When composing the loan portfolio, the strategy of Intervest Retail consists of achieving a ratio of one-third borrowed capital with a variable interest rate and two-thirds borrowed capital with a fixed interest rate. On 31 December 2010, 69 % of the credit facilities withdrawals of the property investment fund consist of financing with a fixed interest or fixed by interest rate swaps (IRS). 31 % are credit facilities with a variable interest rate, which is beneficial due to the current low interest rate levels.



69 % of the withdrawn credit facilities have a fixed interest rate or are hedged by financial derivatives.

## DURATION OF THE FIXED INTEREST RATES

For credit facilities with a fixed interest rate on 31 December 2010, the interest rate is fixed for an average period of 3,1 years.

## AVERAGE INTEREST RATES

The interest rate policy of Intervest Retail always consists in concluding one-third of its credit facilities with a variable interest rate. In 2010, the total average interest rate of the financial debts of the property investment fund decreases by 4,1 %, including bank margins (2009: 3,9 %).

For 2010, the average interest rate for the non-current financial debts amounts to 4,6 % (2009: 4,4 %). For 2010, the average interest rate for the current financial debts amounts to 1,9 % (2009: 3,1 %).

## REFINANCING REALIZED IN 2010

During the financial year 2010 Intervest Retail has renegotiated with its bankers a credit facility expired on 31 March 2010 (for an amount of € 25 million). The new credit facility, also for an amount of € 25 million, has a duration of 5 years and is concluded at market rates.

## INTEREST RATE SENSITIVITY

For the financial year 2010 the effect on the operating distributable result of a (hypothetical) increase in interest rates by 1 % gave a negative result of approximately € 0,3 million (2009: € 0,4 million). If the interest rates on this date were to decrease by 1 %, the effect on the operating distributable result would give a positive result of € 0,3 million (2009: € 0,4 million). The calculations take the existing financial derivatives into account.

“  
The property  
investment fund  
has a limited debt  
ratio of 37%.  
”

## INTEREST COVER RATIO

The interest cover ratio is the ratio between the operating result before the result on portfolio and the financial result (excluding the revaluation of financial derivatives in accordance with IAS 39). For Intervest Retail, this ratio amounts to 3,6 for the financial year 2010 (3,5 for the financial year 2009), which is significantly better than the requirements agreed in the financing agreements of the property investment fund as a covenant.

## DEBT RATIO

On 31 December 2010, the debt ratio of the property investment fund amounts to 37 % and is unchanged compared to 31 December 2009 (39%).

## ALLOCATION OF PROFITS 2010

The board of directors proposes to distribute the result for the financial year 2010 of Intervest Retail sa as follows:

<i>in thousands €</i>	
<b>Net result for financial year 2010<sup>4</sup></b>	<b>17.643</b>
Transfer to the reserves of the amount of the changes in fair value of investments properties	-5.121
Withdrawal from the reserves of the impact on fair value of estimated transaction rights and costs resulting from the hypothetical disposal of investment properties	124
Withdrawal from the reserves of the changes in fair value of financial assets and liabilities (ineffective hedges - IAS 39)	126
Transfer to the reserves of the changes in fair value of financial fixed assets	-62
<b>Operating distributable result</b>	<b>12.710</b>
<b>Dividend proposed</b>	<b>12.696</b>

This represents a net dividend of € 2,13 after the deduction of 15 % withholding tax. Taking into account 5.078.525 shares that will share in the full result for the financial year, this means a distributable dividend of € 12.696.313.

The dividend is higher than the required minimum of 80 % of the operating distributable result as the property investment fund, in accordance with its policy, will also distribute 100 % of the operating distributable result for 2010.

The dividend will be payable as from 21 April 2011. As far as the bearer shares are concerned, this can be done by presentation of dividend certificate number 11.



A proposal to allocate a gross dividend of € 2,50 per share will be put to the general meeting of shareholders on 6 April 2011.



<sup>4</sup> As legally speaking only the operating distributable result of the statutory annual accounts can be distributed and not of the consolidated annual accounts, the present profit distribution is based on the statutory figures (see note 12 of the financial report).

## FORECAST FOR 2011

In 2011, Intervest Retail will continue to pay attention to the optimization of the existing real estate portfolio in view of the long-term return of the property investment fund.

The first generation of retail parks developed in the eighties, were mainly meant to be discount concepts, focussing essentially on an easy accessibility and large parking facilities. Since then, the sector of peripheral commercial real estate has undergone an important evolution and it is no longer the exclusive playground of discount concepts. The tenants, who are meanwhile much diversified, as well as the consumers expect that shopping takes place in a pleasant environment corresponding to the image of the brand. Not only the accessibility and easy parking facilities are important, but meanwhile also the quality of the building has become decisive.

In order to respond to this evolution and to guarantee the value of the buildings in the future, an upgrading of a number of retail parks in the real estate portfolio of Intervest Retail is taking place with regard to architecture, lay-out and management. These modifications take into account relevant sustainability aspects. For inner-city shops the optimization of the patrimony is aimed towards the use of the good filling-in of vacant floors. The planned renovation of the façades of the building and the creation of 19 lofts in the building located in Malines at Bruul 42-44, is one of these optimizations. Therefore the request for a building permit for the development and upgrading of the retail park Roosevelt in Vilvorde has been submitted.

Besides the optimization of the existing real estate portfolio, Intervest Retail tries to extend the fund in a scarce market and to realise additional acquisitions. Given the limited debt ratio and the relatively easy availability of bank credit facilities, there is sufficient room for additional investments. In this segment Intervest Retail focuses by preference on buildings or portfolios with a range of minimum € 5 million to maximum € 50 million.



**RETAILPARK ROOSEVELT  
REDEVELOPMENT PROJECT  
IN VILVORDE**

Mechelsesteenweg 30  
Vilvorde

Picture: Architecten Tecro & Krea









# 03

## Report on the share

### TONGRES

#### A+B+C+D JULIANUS SHOPPING

Via Julianus

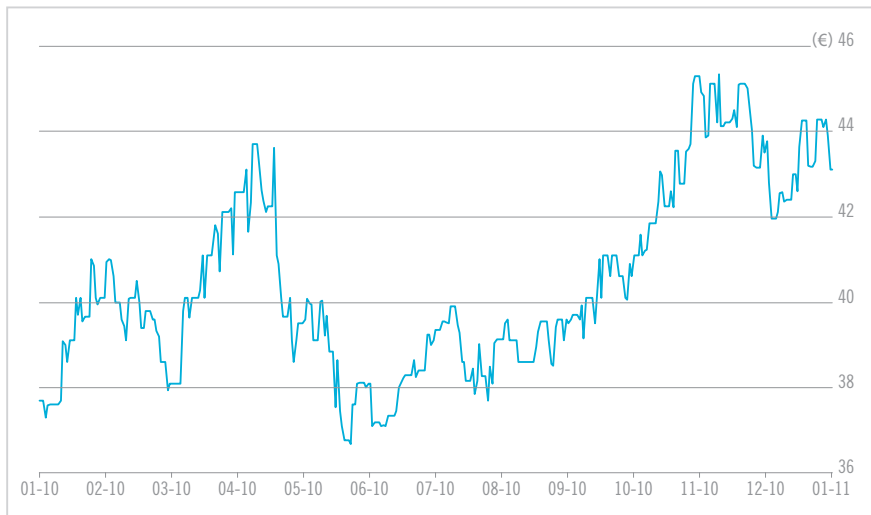
Space / 8.890 m<sup>2</sup>

A	B	C
D		

## STOCK MARKET INFORMATION



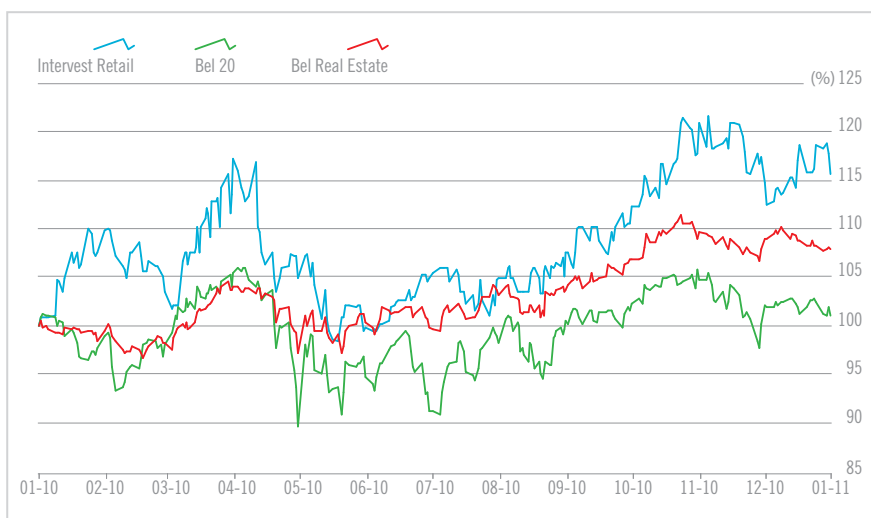
The share of Intervest Retail (INTV) is listed on NYSE Euronext Brussels and is included in the stock market indexes BEL Real Estate and also GPR 250 Europe.



### Evolution of the share price

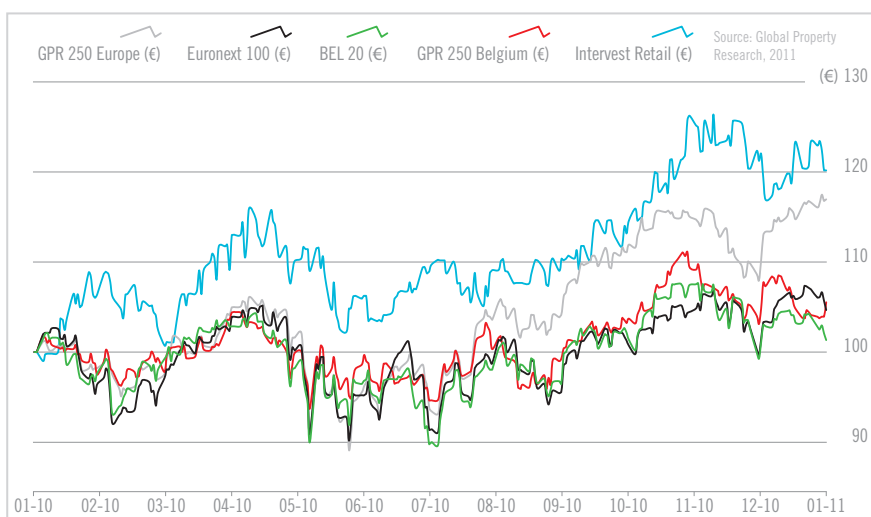
The share price of Intervest Retail increases from € 37,60 on 31 December 2009 to € 43,00 on 31 December 2010 or an increase by 14 %.

The lowest closing share price reaches € 36,60 (24 May 2010) and the highest closing share price € 45,24 (9 November 2010).



### Comparison of Intervest Retail with Bel Real Estate index and BEL 20 Close index

During the fourth quarter of 2010, the share of Intervest Retail has performed substantially better than the BEL 20 and the BEL Real Estate.

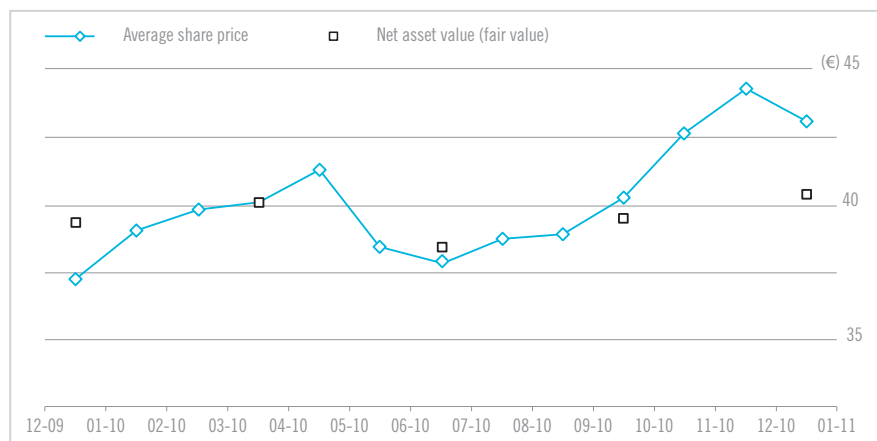


### Comparison of Intervest Retail with GPR indexes

This graph shows that in 2010 Intervest Retail in average has performed better than the GPR 250 Europe, the GPR 250 Belgium and the Euronext 100 index.

Additional information over the indexes can be obtained from Euronext Brussels for the Euronext 100 and Bel 20 and from Global Property Research ([www.property-shares.com](http://www.property-shares.com)) regarding the GPR 250 Europe and GPR 250 Belgium.



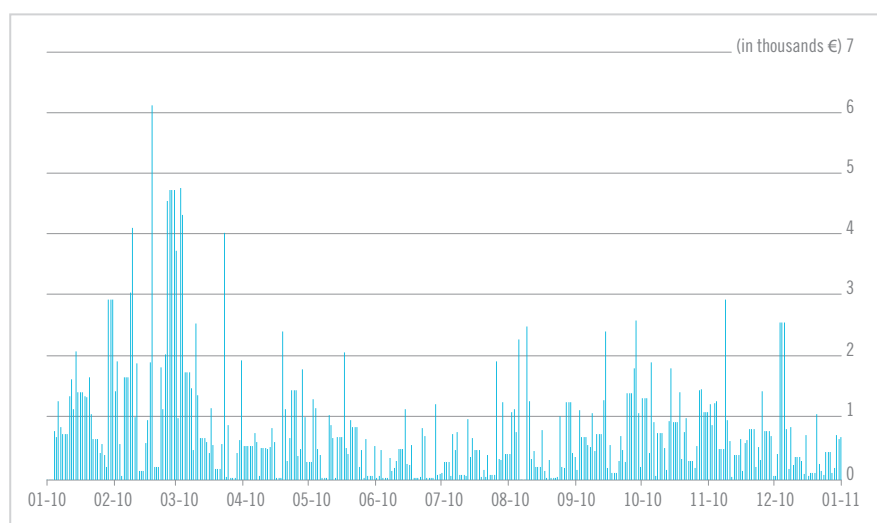


## Discount and premium Interest Retail

During 2010, the share of Interest Retail is quoted with a premium of 2 % in average compared to the net asset value (fair value).

During 2010, the share price of Interest Retail increases whereby the discount of 4 % end 2009 evolves into a premium of 6 % at the end of 2010.

The net asset value of Interest Retail includes the 2009 dividend up to the payment date on 23 April 2010.



## Traded volumes Interest Retail

The traded volumes, with an average of 855 shares per day, are higher than previous year (an average of 756 units a day).

A liquidity contract has been concluded with Bank Degroof to promote the negotiability of the shares. In practice this takes place through the regular submission of buy and sell orders within certain margins.

At the end of the year the free float amounts to 27,62 %. Efforts will continuously be made to increase this free float to a maximum of 30 % in order to improve the negotiability of the shares.



On 31 December 2010 the share price of the Intervest Retail-share is € 43,00, offering its shareholders a gross dividend yield of 5,8 %.



## DIVIDEND AND NUMBER OF SHARES

	31.12.2010
Number of shares at the end of the period	5.078.525
Number of shares entitled to dividend	5.078.525

Share price (€)	31.12.2010
Highest closing share price	45,24
Lowest closing share price	36,60
Share price on closing date	43,00
Premium to net asset value (fair value) (%)	6 %
Average share price	40,38

Data per share (€)	31.12.2010	31.12.2009	31.12.2008
Net asset value (fair value)	40,41	39,30	39,23
Net asset value (investment value)	42,00	40,90	40,85
Gross dividend	2,50	2,44	2,14
Net dividend	2,13	2,07	1,82
Closing price gross dividend yield (%)	5,8 %	6,5 %	7,5 %
Closing price net dividend yield (%)	4,9 %	5,5 %	6,4 %

**BLOKKER**  
**RETAIL PARK FLEMALLE**  
 Rue de la Fabrique 6  
 Flémalle  
 Space / 485 m<sup>2</sup>



## SHAREHOLDERS

On 31 December 2010, the following shareholders are known to the company:

<b>VastNed Retail sa</b> K.P. van der Mandelelaan 43A 3062 MB Rotterdam - The Netherlands	3.595.529 shares	70,80 %
<b>CFB Belgique sa</b> Uitbreidingstraat 18 2600 Berchem - Antwerp	80.431 shares	1,58 %
<b>Public</b>	1.402.565 shares	27,62 %
<b>Total</b>	<b>5.078.525 shares</b>	<b>100 %</b>

Pursuant to article 74 of the Public Takeover Act of 1 April 2007, VastNed Retail sa and CFB Belgique sa have informed the CBFA that they act jointly.

At the time of the flotation in December 1999, it was anticipated that at least 30% of the shares would be placed with the public. Half of these shares were not placed at that time, and the sellers subsequently undertook to offer these shares on a permanent basis. Under point 2.10. the prospectus stated as follows:

*“The seller of Intervest sa, i.e. Immocorp, undertakes to sell Shares on the stock exchange at the share price, and at least at the inventory value “deed in hand”, as stated in the most recently published half year report, annual report or the quarterly update of the report from the property expert, and this until the Offered Shares have been placed in full.”*

In the meantime, Immocorp sa has been liquidated, but its commitments have been taken over by VastNed Retail sa.



**A.S.ADVENTURE**  
Boomsesteenweg 666 - 672  
Wilrijk  
Space / 1.304 m<sup>2</sup>

## FINANCIAL CALENDAR

Announcement of annual results as at 31 December 2010	Tuesday 22 February 2011
General meeting of shareholders	Wednesday 6 April 2011 at 2.30 pm
Dividend payable:	
Ex-date dividend 2010	Monday 18 April 2011
Record date dividend 2010	Wednesday 20 April 2011
Dividend payment 2010	as from Thursday 21 April 2011
Interim statement on the results as at 31 March 2011	Wednesday 27 April 2011
Half-yearly financial statement as at 30 June 2011	Tuesday 2 August 2011
Interim statement on the results as at 30 September 2011	Friday 28 October 2011







# 04

## Property report

### GHENT

#### A+B+C+D G-STAR RAW

Volderstraat 15  
Space / 279 m<sup>2</sup>

A	B	C
D		

## COMPOSITION OF THE REAL ESTATE PORTFOLIO<sup>5</sup>

Intervest Retail invests exclusively in Belgian commercial real estate, focusing primarily on inner-city locations and retail warehouses. Shopping centres also represent possible investment opportunities.



### GEOGRAPHIC SPREAD ●○○

The stores are spread throughout Belgium, with a good repartition across the various regions.

### SECTOR OF TENANTS ○●○

The tenants are of a high quality and they are spread equally over the principal sectors of the retail trade.

### TYPE OF RETAIL PROPERTY ○○●

The retail premises consist of 47 % of inner-city shops, and of 53 % retail warehouses and shopping centres.

The category **inner-city locations** contains premises that are situated in a well-developed trading centre with a concentration of large retail organisations. Twenty towns and cities fall into this category. The inner-city locations are particularly desired assets for as well retailers as investors. The shortage of these objects supports in an important measure the development value of these buildings.

For **retail warehouses** it is primarily the location of the premises alongside major traffic routes as well as the large sales area (from 400 m<sup>2</sup>). This category includes both standalone buildings and retail parks. These are clusters of retail warehouses, often conceived as trading complexes with shared parking areas. Since a few years the retail warehouses undergo a quality development. Especially the retail warehouses form an attraction pool on their own and are not only attractive for discount formula. Since a few year there is an evolution whereby retailers are not only located in the inner-city but also in the periphery.

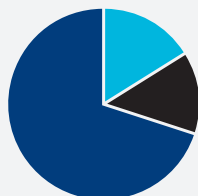
The costs which are at the expense of the lessor are rather limited to important maintenance costs to the structure of the building or important repairs or replacements of roofs. Rental expenses (such as property tax and costs for shared areas) are mostly paid by the tenant.

#### ▲ BANDOLERA

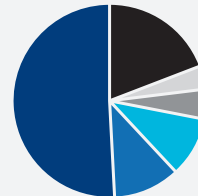
Korte Gasthuisstraat 27  
Antwerp  
Space / 145 m<sup>2</sup>

<sup>5</sup> The charts above do not take the development projects into account. They have been compiled on the basis of the annual rental income of 2010 and the value of the portfolio on 31 December 2010.

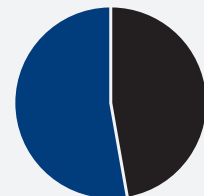
■ 70% Flandres  
■ 14% Brussels  
■ 16% Walloon region



■ 51% Clothing, shoes and accessories  
■ 19% Domestic articles, interior and do-it-yourself  
■ 11% Leisure, luxury articles and personal care  
■ 10% Specialised food shops and department stores  
■ 5% Tv, hifi, electrical articles and multimedia  
■ 4% Others



■ 53% Retail warehouses and shopping centres  
■ 47% Inner-city shops





## REGION OF ACTIVITY OF TENANTS<sup>6</sup>



The biggest share of tenants are international chains, which is beneficial to the stability and continuity of portfolio.

Most of the retail properties have been let on traditional lease contracts to users who are widely distributed across all sectors of the retail trade. Since most of these premises are in prime locations, the tenants are not inclined to relocate quickly. In many cases they have made a joint investment in the interior of the property, which is beneficial to the stability and continuity of the rental income.

All of these factors result in a high occupancy rate of the portfolio (98,8 %).

## RISK SPREAD ACCORDING TO BUILDINGS



Through the spread of tenants over a large number of buildings on different locations, the risk of retail centres evolving less favourably and its effect on changes in rental prices is extremely limited.

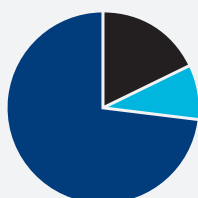
## RISK SPREAD ACCORDING TO TENANTS



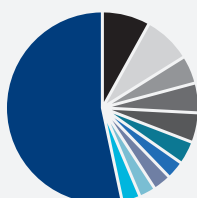
The rental income of Intervest Retail is spread over 147 different tenants, limiting the debtor's risk and improving the stability of the rental income. The ten most important tenants represent 44 % of the rental income and are always prominent companies in their sector and part of international groups.

The Top 10 of the tenants generates 44 % of the rental income.

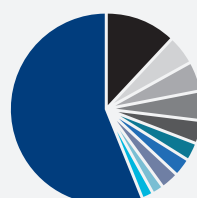
73% International  
18% National  
9% Local



8% Brussels - Chée d'Ixelles 41/43  
8% Tielt-Winge - Aarschotsesteenweg 1/6  
5% Bruges - Steenstraat 80  
5% Antwerp - Leysstraat 28/32  
5% Tongres - Shoppingcentrum Julianus  
4% Malines - Bruul 42/44  
3% Louvain - Bondgenotenlaan 69/73  
3% Ghent - Veldstraat 81  
3% Vilvorde - Mechelsesteenweg 30  
3% Antwerp - Meir 99  
53% Other buildings



12% Hennes & Mauritz  
5% Inditex  
5% Aldi  
5% Décor Heytens  
4% Euro Shoe Unie  
3% Charles Vögele Belgium  
3% Maxeda  
3% Blokker Group  
2% McIntosh Retail Group  
2% IC Companys A/S  
56% Other tenants



<sup>6</sup> A national chain has to have at least five points of sale, an international chain must have at least five points of sale in at least two countries.

## OVERVIEW OF THE REAL ESTATE PORTFOLIO

31 DECEMBER 2010

Region	Space (m <sup>2</sup> )	Annual rent (€ 000)	Investment value (€ 000)	Fair value (€ 000)	Weighin (%)
<b>Investment properties</b>					
Brussels	11.262	2.837	48.589	47.404	14 %
Flanders	113.617	15.168	236.183	230.422	70 %
Walloon region	34.702	3.651	52.599	51.316	16 %
<b>Total investment properties</b>	<b>159.581</b>	<b>21.656</b>	<b>337.371</b>	<b>329.142</b>	<b>100 %</b>

## EVOLUTION OF THE REAL ESTATE PORTFOLIO

	31.12.2010	31.12.2009
Investment value investment properties (€ 000)	337.371	332.446
Current rents (€ 000)	21.392	21.036
Yield (%)	6,3 %	6,3 %
Current rents, including estimated rental value on vacancy (€ 000)	21.656	21.221
Yield if fully let (%)	6,4 %	6,4 %
Total leasable space of the investment properties (m <sup>2</sup> )	159.581	159.633
Occupancy rate (%)	98,8 %	99,1 %

## SENSITIVITY ANALYSIS

In case of a hypothetical negative adjustment of the yield the property experts use for the valuation of the real estate portfolio of the property investment fund (yield or capitalisation rate) with 1 % (from 6,3 % to 7,3 % in average), the investment value of the real estate portfolio would decrease by € 45 million or 14 %. Herewith the debt ratio of the property investment fund would increase by 5 % to 42 %.

In the opposite case of a hypothetical positive adjustment of this yield with 1 % (from 6,3 % to 5,3 % in average), the investment value of the real estate would increase by € 62 million or 19 %. Herewith the debt ratio of the property investment fund would decrease by 6 % to 31 %.

### RETAILPARK TIELT-WINGE

Aarschotsesteenweg 1-6  
Gouden Kruispunt  
Tielt-Winge  
Space / 18.866 m<sup>2</sup>



## VALUATION OF THE PORTFOLIO BY PROPERTY EXPERTS

All the commercial properties of Intervest Retail are valued by Cushman & Wakefield or CB Richard Ellis. The commercial centre Julianus in Tongres is valued by de Crombrughe & Partners. The retail warehouses, which are owned by the 100 % subsidiary EuroInvest Retail Properties sa, are valued by CB Richard Ellis (Heytens portfolio).

### CUSHMAN & WAKEFIELD

The Cushman & Wakefield methodology is based on the ERV (Estimated Rental Value) or Estimated Rental Value with adjustments that take into account the current rent paid and/or any other element that influences the value, e.g. costs of vacancy.

They base their determination of the market rental value on their knowledge of the real estate market and on recent transactions concluded by the Retail department. The rental value is influenced, inter alia, by:

- ▶ Location
- ▶ Suitability of the site
- ▶ Qualities of the building
- ▶ Market circumstances

The allocated unit price is multiplied by the surface area of the commercial building in order to reach a total estimated rental value.

For the inner-city shops, the “zone A” principle is used. This methodology uses a three-step process to calculate the total estimated rental value.

The first step involves calculating the first 10 metres depth over the full façade width of the premises at 100% of the estimated rent/m<sup>2</sup>, the next 10 metres at 50 % and the rest at 25 %. Storeys are charged at 25% or at a fixed estimated amount depending on location and usability.

Next, the Adjusted ERV is calculated: this is 60 % of the difference between the current rent and the ERV. If the current rent is higher than the ERV, the Adjusted ERV is equal to the ERV and the 60 % rule doesn't apply.

A following step consists of determining a yield or capitalisation rate at which an investor would be prepared to buy the premises. The gross value before corrections is then obtained. Any adjustments (e.g. costs of vacancies) can be made at this point, after which the investment value (value deed in hand) is obtained.

In its report of 31 December 2010, Cushman & Wakefield states that the investment value of the retail portfolio amounts to € 147.011.681.



#### HEYTENS

Bergensesteenweg 458  
Sint-Pieters-Leeuw  
Space / 750 m<sup>2</sup>

## DE CROMBRUGGHE & PARTNERS

When determining the value, different paths of reasoning are followed which actors in the relevant market use for comparing certain sales results. The following analyses proved to be decisive for determining the value:

### *METHODE 1: CAPITALISATION METHOD OF THE RENTAL VALUE*

The market value, taking into account the lease contracts under consideration, is determined in this case by the economic market rental value of the leasable space, capitalised on the basis of a yield that is considered realistic in the present market circumstances. This yield is based on the judgment of the market, the location of the property, and is composed of the following factors:

#### **Market:**

- ▶ Supply and demand of tenants and buyers of comparable properties
- ▶ Yields trends
- ▶ Inflation expectations
- ▶ Current interest rates and interest rate expectations

#### **Location:**

- ▶ Local surroundings
- ▶ Availability of parking
- ▶ Infrastructure
- ▶ Accessibility by private and public transport
- ▶ Facilities such as public buildings, stores, hotels, restaurants, banks, schools
- ▶ Development (construction) of comparable real estate

#### **Real estate:**

- ▶ Operating and other charges
- ▶ Type of construction and level of quality
- ▶ State of maintenance
- ▶ Age
- ▶ Location and presentation
- ▶ Current and potential alternative use possibilities

In this method, the potential cash value of the difference of the current rental income and the valued market rental value are normally calculated on the basis of the remaining duration of the lease contracts.

The possible costs for vacancy, such as loss of rent, service charges borne by the landlord, rental costs, publicity and marketing costs related to the letting, as well as the costs for supervision, maintenance and modifications and/or incentives during the leasing process are taken into account.

### *METHOD 2: INCOME APPROACH ACCORDING TO DCF (DISCOUNTED CASH FLOW) MODEL*

This approach makes explicit and subjective assumptions or projections of future cash flow, referral fees, wear, renovations, redevelopments, management and transfer costs, taxes and financial charges. It can be used for calculation of the net current value of this future cash flow or for determining the internal interest rate of an investment at a given value.

Inasmuch as financing conditions are specific to the profile of each investor and its investment policy, in order to be coherent, they have not been taken into account. As usual in this scenario, cautious assumptions are made with respect to costs and vacancy. This makes it possible to make a real comparison that takes the unique aspects of each individual investment into account. It is therefore far from certain that these costs would have to actually be taken into account for the period indicated.

In its report of 31 December 2010, de Crombrugghe & Partners states that the fair value of the commercial properties amounts to € 14.935.041.

## CB RICHARD ELLIS

The methodology of CB Richard Ellis can be summarised as follows:

### *METHOD 1: VALUATION ON THE BASIS OF THE CAPITALISATION OF RENTAL INCOME*

For each let property, the estimated market rental value (ERV) is determined along with a market-level capitalisation rate (cap rate) based on recent points of comparison and taking into account the results of our inspections on the spot.

If the estimated market value exceeds the current rental value, it is assumed that a rental increase can be obtained at the next rental renewal, which is called 'adjusted ERV'. This adjusted ERV consists of the amount of the current rental income increased by 60 % of the difference between the ERV and the current rental income. After capitalisation of the adjusted ERV, the gross market value before adjustments of the property is obtained.

If the estimated market value is lower than the current rental income, the gross market value before corrections is obtained through capitalization of the estimated rental value (ERV).

The applied corrections on the gross market value consist of:

- ▶ Deduction from the net current value of the difference between the adjusted ERV and the current rental income for the rest of the current rental period if the estimated market rental value is higher than the current rental income
- ▶ Increase by the current net value of the difference between the current rental income and the estimated market value for the remaining period of current rents if the estimated market value is lower than the current rental income
- ▶ Deduction of the rental discount given
- ▶ Deduction for the necessary expenses to the property
- ▶ Deduction for the expected vacancy periods.

The capitalisation rate used for the calculations consists of a basic yield at 4 % (average return of European government bonds on 10 years) increased by a risk premium between 1,00 % and 5,00 %.

### *METHOD 2: VALUATION BASED ON THE ACTUALIZING OF THE INCOME*

This method consists of the calculation of the current value of the current rental income until the expiry date of the lease contract.

In its report of 31 December 2010, CB Richard Ellis declares that the fair value of the commercial properties amounts to € 167.195.437.









05

## Financial report



### ANDENNE

#### A+B+C+D ANDENNE RETAIL PARK

Avenue Roi Albert 137 - 139

Space / 4.701 m<sup>2</sup>

A	B	C
D		



H&M

Bontgenotenlaan 69-73  
Louvain  
Space / 1.495 m<sup>2</sup>

VANDEN BORRE  
RETAIL PARK WATERLOO

Chaussée de Bruxelles 284  
Waterloo  
Space / 1.198 m<sup>2</sup>



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## CONSOLIDATED INCOME STATEMENT

<i>in thousands €</i>	Note	2010	2009
Rental income	4	21.050	20.847
Rental-related expenses	4	-50	-141
<b>NET RENTAL INCOME</b>		<b>21.000</b>	<b>20.706</b>
Recovery of rental charges and taxes normally payable by tenants on let properties	4	1.339	1.284
Rental charges and taxes normally payable by tenants on let properties	4	-1.339	-1.284
Other rental-related income and expenses		-14	-1
<b>PROPERTY RESULT</b>		<b>20.986</b>	<b>20.705</b>
Technical costs	5	-620	-575
Commercial costs	5	-185	-247
Charges and taxes on unlet properties	5	-135	-129
Property management costs	5	-1.104	-1.226
Other property charges		-3	-5
<b>PROPERTY CHARGES</b>		<b>-2.047</b>	<b>-2.182</b>
<b>OPERATING PROPERTY RESULT</b>		<b>18.939</b>	<b>18.523</b>
General costs	6	-1.044	-1.107
Other operating income and costs		28	51
<b>OPERATING RESULT BEFORE RESULT ON PORTFOLIO</b>		<b>17.923</b>	<b>17.467</b>
Result on sales of investment properties and development projects	8	167	-1.199
Changes in fair value of investment properties and development projects	9	4.859	1.729
<b>OPERATING RESULT</b>		<b>22.949</b>	<b>17.997</b>
Financial income		10	23
Interest charges		-5.028	-5.013
Other financial charges		-14	-29
Changes in fair value of financial assets and liabilities (ineffective hedges - IAS 39)		-126	-822
<b>FINANCIAL RESULT</b>	10	<b>-5.158</b>	<b>-5.841</b>
<b>RESULT BEFORE TAXES</b>		<b>17.791</b>	<b>12.156</b>
Corporation tax		-159	6
<b>TAXES</b>	11	<b>-159</b>	<b>6</b>
<b>NET RESULT</b>		<b>17.632</b>	<b>12.162</b>

<i>in thousands €</i>	Note	2010	2009
<b>NET RESULT</b>		<b>17.632</b>	<b>12.162</b>
Note:			
Operating distributable result	12	12.710	12.400
Result on portfolio		5.026	530
Changes in fair value of financial assets and liabilities (ineffective hedges - IAS 39) and other non-distributable elements		-104	-768
Attributable to:			
Equity holders of the parent company		17.632	12.162
Minority interests		0	0

<b>RESULT PER SHARE</b>	Note	2010	2009
Number of shares entitled to dividend	12	5.078.525	5.078.525
Net result (€)	12	3,47	2,39
Diluted net result (€)	12	3,47	2,39
Operating distributable result (€)	12	2,50	2,44

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<i>in thousands €</i>	2010	2009
<b>NET RESULT</b>	<b>17.632</b>	<b>12.162</b>
Changes in fair value of financial assets and liabilities (effective hedges - IAS 39)	378	-952
<b>COMPREHENSIVE INCOME</b>	<b>18.010</b>	<b>11.210</b>
Attributable to:		
Equity holders of the parent company	18.010	11.210
Minority interests	0	0

## CONSOLIDATED BALANCE SHEET

<b>ASSETS</b> <i>in thousands €</i>	<b>Note</b>	<b>31.12.2010</b>	<b>31.12.2009</b>
<b>Non-current assets</b>		<b>329.341</b>	<b>324.574</b>
Intangible assets		16	27
Investment properties	13	329.142	324.338
Other tangible assets		165	191
Trade receivables and other non-current assets		18	18
<b>Current assets</b>		<b>3.915</b>	<b>12.643</b>
Assets held for sale	14	287	7.649
Trade receivables	14	376	357
Tax receivables and other current assets	14	2.249	3.403
Cash and cash equivalents		766	1.074
Deferred charges and accrued income		237	160
<b>TOTAL ASSETS</b>		<b>333.256</b>	<b>337.217</b>



<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b> <i>in thousands €</i>	Note	31.12.2010	31.12.2009
<b>Shareholders' equity</b>		<b>205.206</b>	<b>199.588</b>
<b>Shareholders' equity attributable to the shareholders of the parent company</b>		<b>205.206</b>	<b>199.588</b>
Share capital	15	97.213	97.213
Share premium	15	4.183	4.183
Reserves		99.119	98.526
Net result of the financial year		17.632	12.162
Impact on fair value of estimated transaction rights and costs resulting from the hypothetical disposal of investment properties	15	-8.108	-8.108
Changes in fair value of financial assets and liabilities		-4.833	-4.388
<b>Minority interests</b>	21	<b>0</b>	<b>0</b>
<b>Liabilities</b>		<b>128.050</b>	<b>137.629</b>
<b>Non-current liabilities</b>		<b>75.544</b>	<b>88.477</b>
Provisions	16	195	320
Non-current financial debts	18	75.193	88.010
<i>Credit institutions</i>		75.179	87.993
<i>Financial lease</i>		14	17
Other non-current liabilities		48	51
Deferred taxes - liabilities		108	96
<b>Current liabilities</b>		<b>52.506</b>	<b>49.152</b>
Provisions	18	56	0
Current financial debts	18	46.548	43.002
<i>Credit institutions</i>		46.545	42.999
<i>Financial lease</i>		3	3
Trade debts and other current debts	17	4.079	4.301
Other current liabilities	17	632	681
Accrued charges and deferred income	17	1.191	1.168
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>333.256</b>	<b>337.217</b>

<b>DEBT RATIO</b>	31.12.2010	31.12.2009
Debt ratio (max. 65 %) (%)	37 %	39 %

<b>NET ASSET VALUE PER SHARE</b> <i>in €</i>	31.12.2010	31.12.2009
Net asset value (fair value)	40,41	39,30
Net asset value (investment value)	42,00	40,90

## STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

<i>in thousands €</i>	Share capital	Share premium	Reserves
<b>Balance at 31 December 2008</b>	<b>97.213</b>	<b>4.183</b>	<b>87.484</b>
Comprehensive income 2009			
Transfers:			
Impact on fair value *			-77
Transfer of the result on portfolio to the reserves			11.502
Changes in fair value of financial assets and liabilities through the income statement			-461
Other mutations			77
Dividends financial year 2008			
<b>Balance at 31 December 2009<sup>7</sup></b>	<b>97.213</b>	<b>4.183</b>	<b>98.526</b>
Comprehensive income 2010			
Transfers:			
Transfer of the result on portfolio to the reserves 2009			530
Changes in fair value of financial assets and liabilities through the income statement 2009			
Other mutations			63
Dividends financial year 2009			
<b>Balance at 31 December 2010</b>	<b>97.213</b>	<b>4.183</b>	<b>99.119</b>

\* of estimated transaction rights and costs resulting from the hypothetical disposal of investment properties

<sup>7</sup> The transfer of "the impact on fair value of estimated transaction rights and costs resulting from the hypothetical disposal of investment properties" as well as of "the changes in fair value of financial assets and liabilities through the income statement" are no longer, as from the financial year 2010, recorded during the financial year but only after approval of the profit distribution by the general meeting of shareholders (in April of next financial year). As this concerns transfers within two items of shareholders' equity, it has no impact on the total shareholders' equity of the property investment fund.

Net result of the financial year	Impact on the fair value*	Changes in fair value of financial assets and liabilities	Minority interests	TOTAL SHAREHOLDERS' EQUITY
21.986	-8.185	-3.436	3	199.248
12.162		-952		11.210
	77			0
-11.502				0
461				0
-77			-3	-3
-10.868				-10.868
12.162	-8.108	-4.388	0	199.588
17.632		378		18.010
-530				0
823		-823		0
-63				0
-12.392				-12.392
17.632	-8.108	-4.833	0	205.206

## CONSOLIDATED CASH FLOW STATEMENT

<i>in thousands €</i>		2010	2009
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR</b>		<b>1.074</b>	<b>498</b>
<b>1. Cash flow from operating activities</b>		<b>13.740</b>	<b>11.972</b>
Operating result		22.949	17.997
Interests paid (exclusive capitalised interest expenses)		-4.936	-5.112
Other non-operating elements		-435	-844
Adjustment of the result for non-cash flow transactions:		-4.856	445
- Depreciations on intangible and other tangible assets		109	107
- Result on the disposal of investment properties and development projects	8	-167	1.199
- Spread of rental discounts and benefits granted to tenants	9	73	-26
- Changes in fair value of investment properties and development projects	9	-4.859	-1.729
- Changes in fair value of financial assets and liabilities (ineffective hedges - IAS 39)		126	822
- Other non-cash flow transactions		-138	73
Changes in working capital:		1.018	-515
<b>Movement of assets</b>			
- Trade receivables	14	-18	69
- Tax receivables and other current assets	14	1.154	1.339
- Deferred charges and accrued income		77	127
<b>Movement of liabilities</b>			
- Trade debts and other current debts	17	-222	399
- Other current liabilities	17	-49	-2.578
- Accrued charges and deferred income		76	131
<b>2. Cash flow from investment activities</b>		<b>7.367</b>	<b>-2.692</b>
Acquisition of intangible and other tangible assets		-78	-52
Investments in existing investment properties	13	-162	-3.645
Investments in development projects	13	0	-93
Investments in assets held for sale		-5	-467
Capitalised interest expenses	13	0	-14
Acquisition of assets with deferred payment		0	21
Proceeds of the disposal of investment properties and development projects	8	7.612	1.558
<b>3. Cash flow from financing activities</b>		<b>-21.415</b>	<b>-8.704</b>
Repayment of loans	18	-34.017	-10.176
Drawdown of loans	18	25.000	12.350
Repayment of financial lease liabilities		-3	-4
Receipts from non-current liabilities as guarantee		-3	-6
Dividend paid	12	-12.392	-10.868
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR</b>		<b>766</b>	<b>1.074</b>

## NOTES ON THE CONSOLIDATED ANNUAL ACCOUNTS

### NOTE 1. SCHEME FOR ANNUAL ACCOUNTS OF PROPERTY INVESTMENT FUNDS

As a listed property investment fund, Intervest Retail has prepared its consolidated annual accounts in accordance with the “International Financial Reporting Standards” (IFRS) as accepted by the European Union. A scheme for the annual accounts of property investment funds is contained in the Royal Decree of 21 June 2006.

The scheme principally means that the result on the portfolio is presented separately in the income statement. This result on the portfolio includes all movements in the real estate portfolio and consists of:

- ▶ Realised gains or losses on the disposal of investment properties
- ▶ Changes in fair value of investment properties as a result of the valuation by property experts, being non-realised increases and/or decreases in value.

The result on the portfolio is not distributed to the shareholders, but transferred to or from the reserves.

### NOTE 2. PRINCIPLES OF FINANCIAL REPORTING

#### STATEMENT OF CONFORMITY

Intervest Retail is a property investment company, having its registered offices in Belgium. The consolidated annual accounts of the company as per 31 December 2010 include the company and its subsidiaries (the “Group”). The annual accounts of Intervest Retail sa have been prepared and were released for publication by the board of directors on 21 February 2011 and will be submitted for approval to the general meeting of shareholders on 6 April 2011.

The consolidated financial statements have been prepared in compliance with the “International Financial Reporting Standards” (IFRS) as approved by the European Union and according to the Royal Decree of 21 June 2006. These standards comprise all new and revised standards and interpretations published by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC), as far as applicable to the activities of the Group and effective for financial years as from 1 January 2010.

#### NEW OR AMENDED STANDARDS AND INTERPRETATIONS EFFECTIVE IN 2010

The following standards and interpretations have become effective in 2010 and have affected either the presentation, disclosure or the financial results of the Group.

##### ▶ IFRS 3 - Business Combinations

The amended standard continues to apply the acquisition method for business combinations, but amongst others significantly changes the treatment of acquisition related costs, business combinations achieved in stages, acquired deferred tax assets, the measurement of non-controlling interests, the measurement of contingent payments. More guidance is given in relation to pre-existing relationships between the Group and the acquiree.

##### ▶ Amendment IAS 27 - Consolidated and Separate Financial Statements

Together with the publication of IFRS 3 - Business combinations, the IASB amended IAS 27 regarding changes in ownership interests in subsidiaries. More specifically all transactions with non-controlling shareholders are recognized in equity as long as there is no change in control.

The following published standards and interpretations has become effective for the current financial year, but do not affect the disclosure, notes or financial results of the Group: IFRS 5 and IFRS 7 due to the *Annual Improvements Project (May 2008)*, Amendments to IFRS 2, IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 18, IAS 36, IAS 38, IAS 39, IFRIC 9 and IFRIC 16 due to the *Annual Improvements Project (April 2009)*, Amendment of IAS 39 - *Eligible Hedged Items*, Amendment to IFRS 2 - *Group Cash Settled Transactions* and the incorporation of IFRIC 8 and IFRIC 11, IFRIC 12 - *Service Concession Arrangements*, IFRIC 15 - *Agreements for the Construction of Real Estate*, IFRIC 16 - *Hedges of a Net Investment in a Foreign Operation*, IFRIC 17 - *Distributions of Non-Cash Assets to Owners*, IFRIC 18 *Transfers of Assets from Customers*.



## NEW OR AMENDED STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE IN 2010

The amended standards mentioned below are considered as the most important for the Group:

Amendment to IAS 32 - *Classification of Rights Issues* (1/2/2010), IFRS 19 - *Extinguishing Financial Liabilities with Equity Instruments* (1/7/2010), Revision of IAS 24 - *Related Party Transactions* (1/1/2011) and Amendment of IFRIC 14 - *Prepayments of a Minimum Funding Requirement* (1/1/2011), improvements to IFRS (2009 -2010) (effective for the financial years as from 1 January 2011).

None of these new or amended standards and interpretations are expected to have an impact on the presentation, notes or financial results of the Group.

IFRS 9 - *Financial instruments: classification and measurement* (1/1/2013). The Group has to check the impact of this new standard, if applicable, on the classification and the valuation of the financial assets and liabilities, including derivatives and hedge accounting.

## PRESENTATION BASIS

The consolidated annual accounts are expressed in thousands of €, rounded to the nearest thousand.

The accounting principles are applied consistently and the consolidated accounts are presented before profit distribution.

## CONSOLIDATION PRINCIPLES

### a. Subsidiary companies

A subsidiary company is an entity over which another entity has control (exclusively or jointly). Control is the power to govern the financial and operating policies of an entity in order to obtain benefits from its activities. A subsidiary company's annual financial statement is recognised in the consolidated annual financial statement by means of the integrated consolidation methodology from the time that control arises until such time as it ceases. If necessary, the financial reporting principles of the subsidiaries have been changed in order to arrive at consistent principles within the Group. The reporting period of the subsidiary coincides with that of the parent company.

### b. Eliminated transactions

Any transactions between the Group companies, balances and unrealised profits and losses from transactions between Group companies will be eliminated when the consolidated annual accounts are prepared. The list of subsidiaries is given under note 21.

## BUSINESS COMBINATIONS AND GOODWILL

When the Group takes control of an integrated combination of activities and assets corresponding to the definition of business according to IFRS 3 - *Business combinations*, assets, liabilities and any contingent liabilities of the business acquired are recognised separately at fair value on the acquisition date. The goodwill represents the positive change between the sum of the acquisition value, the formerly interest in the entity which was not controlled (if applicable) and the recognised minority interest (if applicable) and on the other part the fair value of the acquired net assets. If the difference is negative ("negative goodwill"), it is immediately recognised in the results after confirmation of the values. All transaction costs are immediately charged and do not represent a part of the determination of the acquisition value.

In accordance with IFRS 3, the goodwill can be determined on a provisional basis at acquisition date and adjusted within the 12 following months.

After initial recognition, the goodwill is not amortised but submitted to an impairment test carried out at least every year for cash-generating units to which the goodwill was allocated. If the carrying amount of a cash-generating unit exceeds its value in use, the resulting impairment is recognised in the results and first allocated in reduction of the possible goodwill and then to the other assets of the unit, proportional to their carrying amount. An impairment loss recognised on goodwill is not reversed during a subsequent year.

In the event of the disposal of a cash-generating unit, the amount of goodwill that is allocated to this unit is included in the determination of the result of the disposal.

When the Group acquires an additional interest in a subsidiary company, formerly already controlled by the Group or when the Group sells a part of the interest in a subsidiary company without losing control, the goodwill, recognized at the moment of the acquisition of control, is not influenced. The transaction with minority interests has an influence on the transferred results of the Group.

## FOREIGN CURRENCIES

Foreign currency transactions are recognised at the exchange rate valid on the transaction date. Monetary assets and liabilities denominated in foreign currency are valued at the final rate in force on the balance-sheet date. Exchange rate differences deriving from currency transactions and from the conversion of monetary assets and liabilities denominated in foreign are recognised in the income statement in the period when they occur. Non-monetary assets and liabilities denominated in foreign currencies are converted at the exchange rate valid at the transaction date.

## PROPERTY RESULT

Income is valued at the fair value of the compensation received or to which title has been obtained. Income will only be recognised if it is probable that the economic benefits will fall to the entity and can be determined with sufficient certainty.

The rental income, the received operational lease payments and the other income and costs are recognised linearly in the income statement in the periods to which they refer. The rental discounts and incentives are spread over the period running from the start of the lease contract to the next possibility of terminating a contract.

The compensation paid by tenants for premature termination of lease contracts is apportioned by time, over the number of months of rent that the tenant pays as compensation for the time that the property concerned is not let. If the property concerned is re-let, compensation for termination of the lease contract is included in the profit/loss for the period in which it arises or, if it has not yet been completely apportioned by time on re-letting at some later juncture, as the part remaining at the time of re-letting.

## PROPERTY CHARGES AND GENERAL CHARGES

The costs are valued at the fair value of the compensation that has been paid or is due and are recognised in the income statement for the periods to which they refer.

## RESULT ON DISPOSAL AND CHANGE IN FAIR VALUE OF INVESTMENT PROPERTIES

The changes in fair value of investment properties are equal to the difference between the actual carrying amount and the previous fair value (as estimated by the independent property expert). A comparison is made at least four times a year for the entire portfolio of investment properties. Movements in fair value of the real estate properties are recognised in the income statement in the period in which they arise.

The result from the disposal of investment properties is equal to the difference between the selling price and the carrying amount (i.e. the fair value determined by the property expert at the end of the previous financial year) less the selling expenses.

## FINANCIAL RESULT

The financial result consists of interest charges on loans and additional financing costs, less the income from investments.

## TAXES

Taxes on the result of the financial year consist of the taxes due and recoverable for the reporting period and previous reporting periods, deferred taxes and the exit tax due. The tax expense is recognised in the income statement unless it relates to elements that are immediately recognised in equity. In the latter case, taxes are recognised as a charge against equity.

When calculating the taxation on the taxable profit for the year, the tax rates in force at the end of the period are used.

Withholding taxes on dividends are recognised in equity as part of the dividend until such time as payment is made.

The exit tax owed by companies that have been taken over by the real property investment trust, are deducted from the revaluation surplus at the moment of the merger and are recognised as a liability.

Tax claims and liabilities are valued at the tax rate used during the period to which they refer.

Deferred tax claims and liabilities are recognised on the basis of the debt method ('liability method') for all provisional differences between the taxable basis and the carrying amount for financial reporting purposes with respect to both assets and liabilities. Deferred tax claims are only recognised if it is probable that there will be taxable profit against which the deferred tax claim can be offset.

## ORDINARY AND DILUTED NET RESULT PER SHARE

The ordinary net result per share is calculated by dividing the net result as shown in the income statement by the weighted average of the number of outstanding ordinary shares (i.e. the total number of issued shares less own shares) during the financial year.

To calculate the diluted net result per share, the net result that is due to the ordinary shareholders and the weighted average of the number of outstanding shares is adapted for the effect of potential ordinary shares that may be diluted.

## INTANGIBLE ASSETS

Intangible assets are recognised at cost, less any accumulated depreciation and exceptional impairment losses, if it is likely that the expected economic benefits attributable to the asset will flow to the entity, and if the cost of the asset can be measured reliably. Intangible assets are amortised linearly over their expected useful life. The depreciation periods are reviewed at least at the end of every financial year.

## INVESTMENT PROPERTIES AND DEVELOPMENT PROJECTS

### a. Definition

Investment properties comprise all lands or buildings that are lettable and (wholly or in part) generate rental income, including the buildings where a limited part is kept for own use and buildings under an operating lease.

Development projects comprise lands and buildings under development as a result of which, for a particular time, they only require investments without generating income.

### b. Initial recognition and valuation

Initial recognition in the balance sheet takes place at the acquisition value including transaction costs such as professional fees, legal services, registration charges and other property transfer taxes. The exit tax due from companies absorbed by the property investment fund is also included in the acquisition value.

Commission fees paid for acquisitions of buildings must be considered as additional costs for these acquisitions and added to the acquisition value.

If the acquisition takes place through the acquisition of shares of a real estate company, through the non-monetary contribution of a building against the issue of new shares or by merger through takeover of a real estate company, the deed costs, audit and consultancy costs, reinvestment fees and costs of lifting disclaimant on the financing of the absorbed company and other costs of the merger are also capitalised.

### c. Subsequent costs

Expenses for works on investment properties and development projects are charged against the income statement of the reporting period if they have no positive effect on the expected future economic benefits and are capitalised if the expected economic benefits for the entity are thereby increased.

Four types of subsequent costs are distinguished in respect of investment properties and development projects:

**1. repairs and maintenance:** these are expenses that do not increase the expected future economic benefits of the building or project and are consequently charged in full against the income statement under the item "technical costs".

**2. refurbishment:** these are expenses arising from a tenant leaving. These expenses are charged in the income statement under "costs payable by tenant and borne by landlord for rental damage and refurbishment". The tenant will often have paid a fee to restore the property (partly) to its original condition. Indemnities received for refurbishment of a building are recorded in the accrued costs and deferred income of the liabilities on the balance sheet until the refurbishment works are completed or until the moment there is sufficient certainty about the cost price. At that moment, both the income of the indemnity and the costs of the refurbishment are entered into the result.

**3. renovations:** these are expenses resulting from ad hoc works that substantially increase the expected economic benefits from the building (for example: installation of air conditioning or creation of additional parking places). The directly attributable costs of these works, such as materials, building works, technical studies and architects' fees are consequently capitalised.

**4. rent incentives:** these are concessions by the owner to the tenant on moving-in costs in order to persuade the tenant to rent existing or additional space. For example, furnishing of retail premises, creation of additional social areas, etc. These costs are capitalised and then allocated over the period from the commencement of the lease contract up to the next time at which it is possible to terminate the contract and are deducted from the rental income.

### d. Valuation after initial recognition

After initial recognition, investment properties and development projects are valued by the independent property experts at investment value. For this purpose investment properties and development projects are valued quarterly on the basis of the cash value of market rents and/or effective rental income, after reduction of associated costs in line with the International Valuation Standards 2001, drawn up by the International Valuation Standards Committee.

Valuations are made by discounting the annual net rent received from the tenants, reduced by the related costs. Discounting uses a yield factor depending on the inherent risk of the relevant building.

In accordance with IAS 40, investment properties are recognised on the balance sheet at fair value. This value is equal to the amount for which a building might be exchanged between knowledgeable, willing parties in normal competitive conditions. From the perspective of the seller, it should be understood as being subject to the deduction of registration taxes.

The Belgian Association of Asset Managers (BEAMA) published a press release on 8 February 2006 with respect to the amounts of these registration fees (see also [www.beama.be](http://www.beama.be) - publications - press release: "First application of IFRS accounting rules").

A group of independent property experts, carrying out the periodical valuation of buildings of property investment funds, ruled that for transactions involving buildings in Belgium with an overall value of less than € 2,5 million, registration taxes of between 10,0 % and 12,5% should apply, depending on the region where the buildings are located.

For transactions concerning buildings with an overall value of more than € 2,5 million and considering the wide range of property transfer methods used in Belgium, the same experts - on the basis of a representative sample of 220 transactions that took place in the market from 2002 to 2005 and representing a grand total of € 6,0 billion - valued the weighted average of the taxes comes to 2,5 %.

This means that the fair value is equal to the investment value divided by 1,025 (for buildings with a value of more than € 2,5 million) or the investment value divided by 1,10/1,125 (for buildings with a value of less than € 2,5 million). As Intervest Retail in principle only offers collective portfolios of individual buildings for sale in the market, and these usually have a higher investment value than € 2,5 million, the fair value was calculated by dividing the investment value by 1,025.

The difference between the fair value of the property and the investment value of the property as determined by the independent property experts is recognised at the end of the period in the item “impact on the fair value of the estimated transaction rights and costs resulting from the hypothetical disposal of investment properties” in the shareholders’ equity.

Profits or losses deriving from the change of fair value of an investment property or development projects are recognised in the income statement in the period where they emerge and allocated to the reserves in the profit allocation.

Interest charges directly attributable to development projects are capitalised as part of the cost. With loans that are generally taken out to acquire assets, the financing cost eligible for recognition as part of the cost of the development projects, is determined by applying a capitalisation percentage to the cost of the assets. The capitalisation percentage is equal to the weighted average of the financing costs, excluding loans specially entered into. The amount of the financing costs capitalised during a period may not be greater than the amount of the financing costs incurred during the period. Capitalisation begins when the expenses for the asset are incurred, the financing costs are incurred and the activities needed to produce the asset are under way. Capitalisation is deferred during long periods of interruption. Every year information is provided in the explanatory notes on the methods employed for financing costs, the amount of the financing costs capitalised during the period and the capitalisation percentage used.

Government grants associated with these assets are a deduction from the cost. If the cost is greater than the realisable value, an impairment loss is recognised.

The buildings for own use are valued at fair value if only a limited part is occupied by the entity for its own use. In any other case the building will be classified in “other tangible assets”.

#### e. Disposal of an investment properties and development projects

The commission fees paid to real estate agents under a mandate to sell are charged against profit or loss made on the sale.

The profits or losses realized on the sale of investment properties and development projects are recorded in the income statement of the reporting period in ‘result on disposals of investment properties’ and are allocated to the reserves not available for distribution.

#### f. Assets held for sale

Assets held for sale refer to real estate properties whose the carrying amount will be realized during a sales transaction and not through continuing use. The buildings held for sale are valued in accordance with IAS 40 at fair value.

## OTHER TANGIBLE ASSETS

#### a. Definition

The fixed assets under the entity’s control that do not meet the definition of investment property are classified as “other tangible assets”.

#### b. Valuation

Other tangible assets are initially recognised at cost and thereafter valued (measured) according to the cost model.

Government grants are deducted from the cost price..Additional costs are only capitalised if the future economic benefits related to the tangible asset increase.

#### c. Depreciation and exceptional impairment losses

Other tangible assets are depreciated using the linear depreciation method. Depreciation begins at the moment the asset is ready for use as foreseen by the management. The following percentages apply on an annual basis:

▶ plant, machinery and equipment	20 %
▶ furniture and vehicles	25 %
▶ computer equipment	33 %
▶ real estate for own use:	
- land	0 %
- buildings	5 %
▶ other tangible assets	16 %

If there are indications that an asset may have suffered impairment loss, its carrying amount is compared to the realisable value. If the carrying amount is greater than the realisable value, an exceptional impairment loss is recognised.

#### d. Disposal and retirement

When tangible assets are sold or retired, their carrying amount ceases to be recognised on the balance sheet and the profit or loss is recognised on the income statement.

## IMPAIRMENT LOSSES

The carrying amount of the assets of the company is reviewed periodically to determine whether there is an indication of impairment. Special impairment losses are recognised in the income statement if the carrying amount of the asset exceeds the realisable value.

## FINANCIAL INSTRUMENTS

### a. Trade receivables

Trade receivables are recorded at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for impairment losses are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

### b. Investments

Investments are recognised and derecognised on a trade date basis when the purchase or sale of an investment is under a contract whose terms require delivery of the asset within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs.

Debt securities that the Group has the expressed intention and ability to hold to maturity (held-to-maturity debt securities) are valued at amortised cost using the effective interest rate method, less any impairment recognised to reflect irrecoverable amounts. An impairment loss is recognised in profit or loss when there is the objective evidence that an asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Special impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

### c. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

### d. Financial liabilities and equity

Financial liabilities and equity instruments issued by the Group are classified according to the economic certainty of the contractual arrangements and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The principles of financial reporting related to specific financial liabilities and equity instruments are set out below.

### e. Interest-bearing bank loans

Interest-bearing bank loans and credit overdrafts are initially valued at fair value and are subsequently valued at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with principles of financial reporting related to financing costs, applied by the Group.

### f. Trade debts

Trade debts are initially valued at fair value and are subsequently valued at amortised cost using the effective interest rate method.

### g. Equity instruments

Equity instruments issued by the company are recognised in the proceeds received (net of direct issue costs).

### h. Derivatives

The Group uses derivatives to hedge its exposure to interest rate risks arising from operational, financing and investment activities. The Group does not engage in speculative transactions nor does it issue or hold derivatives for trading purposes.



Derivatives are initially valued at cost price and are valued after initial recognition at fair value.

► **Derivatives that do not qualify for hedge accounting**

Certain derivatives do not qualify for hedge accounting. Changes in the fair value of each derivative that does not qualify for hedge accounting are recognised immediately in the income statement.

► **Hedge accounting**

The Group designates certain hedging instruments as fair value hedges and cash flow hedges.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the other comprehensive income. The ineffective portion is recognised in the income statement on the line “Changes in fair of financial asset and liabilities (ineffective hedges - IAS 39)”.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to the income statement when the hedged item is recognised in the income statement, in the same line as the recognised hedged item. When the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the profits or losses on the financial derivative previously accumulated in equity are recognised in the initial valuation of the asset or liability.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument is sold or terminated, or exercised, or no longer qualifies for hedge accounting. Any profit or loss accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in the income statement.

**i. Own shares**

When own shares are purchased, the amount paid, including attributable direct costs, is accounted for as a deduction of shareholders' equity.

## PROVISIONS

A provision is an obligation of uncertain size or with an uncertain time element. The amount that is recognised is the best estimate at balance sheet date of the expenditure required to settle the existing liability.

Provisions are only recognised when there is a present obligation (legal or constructive) as a result of a past event that probably will bring an outflow of resources whereby a reliable estimate of the amount of the obligation can be made.

## POST-EMPLOYMENT BENEFITS

Contributions to defined-contribution retirement benefit plans are recognised as an expense against the reporting period when employees have rendered services entitling them to the contributions.

## DIVIDEND DISTRIBUTION

Dividend distribution is recognised as transferred result until the annual shareholders' meeting approves the dividends. The dividends are therefore recorded as a liability in the annual accounts for the period in which the dividend distribution is approved by the annual general shareholders' meeting.

## EVENTS AFTER THE BALANCE SHEET DATE

Events after the balance sheet date are events, both favourable and unfavourable, that take place between the balance sheet date and the date the financial statements are authorised for issue. Events providing information of the actual situation on balance sheet date is recognised in the result of the income statement.

## NOTE 3. SEGMENTED INFORMATION

The reporting by segment is done within the Intervest Retail according to two segmentation bases:

1. **by business segment:** this segmentation basis is sub-divided into “retail warehouses & shopping centres” and “inner-city shops”.
2. **by geographic segment:** this segmentation basis represents the 3 geographical markets in Belgium in which the Group operates, namely Flanders, Brussels and the Walloon region.

### BY BUSINESS SEGMENT

The two business segments comprise the following activities:

- ▶ The category of “inner-city shops” includes those shops that are located in substantially developed commercial centres with a concentration of large-scale retail organisations. Twenty towns qualify for this.
- ▶ The category of “retail warehouses & shopping centres” relates, on the one hand, to single buildings or retail parks along the major traffic axes and mostly an important sales area (from 400 m<sup>2</sup>). Retail parks are clusters of retail warehouses, often conceived as trading complexes with shared parking areas. On the other hand, shopping centres also fall into this category. Shopping centres are complexes comprising different shops that are dependent commercially on each other and which have joint commercial and promotional aspects.

The category of “corporate” includes all non-segment allocated fixed costs borne at a Group level.

### INCOME STATEMENT BY SEGMENT

BUSINESS SEGMENT	Inner-city shops		Retail warehouses & shopping centres		Corporate		TOTAL	
<i>in thousands €</i>	2010	2009	2010	2009	2010	2009	2010	2009
Rental income	9.689	9.211	11.361	11.636			21.050	20.847
Rental-related expenses	0	-18	-50	-123			-50	-141
<b>Net rental result</b>	<b>9.689</b>	<b>9.193</b>	<b>11.311</b>	<b>11.513</b>			<b>21.000</b>	<b>20.706</b>
Rental-related costs and income	-1	0	-13	-1			-14	-1
<b>Property result</b>	<b>9.688</b>	<b>9.193</b>	<b>11.298</b>	<b>11.512</b>			<b>20.986</b>	<b>20.705</b>
<b>Operating result before result on portfolio</b>	<b>9.493</b>	<b>8.885</b>	<b>10.698</b>	<b>10.899</b>	<b>-2.268</b>	<b>-2.317</b>	<b>17.923</b>	<b>17.467</b>
Result on disposals of investment properties and development projects	0	0	167	-1.199			167	-1.199
Changes in fair value of investment properties and development projects	6.089	1.460	-1.230	269			4.859	1.729
<b>Operating result of the segment</b>	<b>15.582</b>	<b>10.345</b>	<b>9.635</b>	<b>9.969</b>	<b>-2.268</b>	<b>-2.317</b>	<b>22.949</b>	<b>17.997</b>
Financial result					-5.158	-5.841	-5.158	-5.841
Taxes					-159	6	-159	6
<b>NET RESULT</b>	<b>15.582</b>	<b>10.345</b>	<b>9.635</b>	<b>9.969</b>	<b>-7.585</b>	<b>-8.152</b>	<b>17.632</b>	<b>12.162</b>

## KEY FIGURES BY SEGMENT

BUSINESS SEGMENT	Inner-city shops		Retail warehouses & shopping centres		TOTAL	
<i>in thousands €</i>	2010	2009	2010	2009	2010	2009
Fair value of real estate properties	169.903	163.870	159.239	160.468	329.142	324.338
of which investments during the financial year (fair value)	31	765	131	3.015	162	3.780
Investment value of real estate properties	174.151	167.966	163.220	164.480	337.371	332.446
Accounting yield of the segment (%)	5,7 %	5,6 %	7,1 %	7,2 %	6,4 %	6,4 %
Total leasable space (m <sup>2</sup> )	32.147	32.147	127.433	127.486	159.581	159.633
Occupancy rate (%)	100 %	100 %	98 %	98 %	99 %	99 %
Divestments during the financial year (fair value)	0	0	-330	-9.857	-330	-9.857

## BY GEOGRAPHIC REGION

The activity of Intervest Retail is geographically subdivided into 3 regions namely Flanders, Brussels and the Walloon region.

GEOGRAPHICAL SEGMENT	Flanders		Walloon region		Brussels		TOTAL	
<i>in thousands €</i>	2010	2009	2010	2009	2010	2009	2010	2009
Rental income	14.628	14.889	3.585	3.471	2.837	2.487	21.050	20.847
Fair value of real estate properties	230.422	228.133	51.316	50.580	47.404	45.625	329.142	324.338
Investment value of real estate properties	236.183	233.837	52.599	51.843	48.589	46.766	337.371	332.446
Accounting yield of the segment (%)	6,4 %	6,5 %	7,0 %	6,9 %	6,0 %	5,5 %	6,4 %	6,4 %
(Dis)investments during the financial year (fair value)	-175	-8.916	7	2.839	0	0	-168	-6.077

## NOTE 4. PROPERTY RESULT

### RENTAL INCOME

<i>in thousands €</i>	2010	2009
Rents	21.429	21.096
Rental discounts	-403	-258
Compensation for early termination of lease contracts	24	9
<b>Total rental income</b>	<b>21.050</b>	<b>20.847</b>

The rental income comprises rents, income from operational lease agreements and directly associated revenues, such as rent securities granted by promoters and compensation for early terminated lease contracts minus any rental discounts and rental benefits (incentives) granted. The rental discounts and incentives are spread over the period running from the start of the lease contract to the next possibility of terminating a lease contract.

The rental income of Intervest Retail is spread over more than 147 different tenants, limiting the debtor's risk of Intervest Retail and improving the stability of the rental income. The ten most important tenants represent 44 % (44 % in 2009) of the rental income and are always prominent companies in their sector and part of international groups. The most important tenant represents 12 % of the rental income (12 % in 2009). In 2010, there are 4 tenants whose lease payments on an individual basis represents more than 5 % of the total rental income of Intervest Retail (4 tenants in 2009).

### OVERVIEW OF FUTURE MINIMUM RENTAL INCOME

The cash value of the future minimum rental income until the first expiry date of the non-cancellable lease contracts is subject to the following collection terms:

<i>in thousands €</i>	2010	2009
Receivables with a remaining duration of:		
Less than one year	20.535	20.324
Between one and five years	24.165	22.377
<b>Total of future minimum rental income</b>	<b>44.700</b>	<b>42.701</b>

## RENTAL-RELATED EXPENSES

<i>in thousands €</i>	2010	2009
Rent for leased assets and ground lease	-100	-100
Write-downs on trade receivables	-25	-102
Reversal of write-downs on trade receivables	75	61
<b>Total rental-related expenses</b>	<b>-50</b>	<b>-141</b>

The rental related expenses comprise mainly write-downs on trade receivables and are recognised in the income statement when the carrying amount is higher than the estimated realization value, as well as costs and income of the letting of buildings not belonging to former items.

## RECOVERY OF RENTAL CHARGES AND TAXES NORMALLY PAYABLE BY TENANTS ON LET PROPERTIES

<i>in thousands €</i>	2010	2009
Rebiling of rental charges borne by the landlord	45	80
Rebiling of advance levies and taxes on let properties	1.294	1.204
<b>Recovery of rental charges and taxes normally payable by tenants on let properties</b>	<b>1.339</b>	<b>1.284</b>
Rental charges borne by the landlord	-45	-80
Advance levies and taxes on let properties	-1.294	-1.204
<b>Rental charges and taxes normally payable by tenants on let properties</b>	<b>-1.339</b>	<b>-1.284</b>
<b>Total net amount of recovered rental charges and taxes</b>	<b>0</b>	<b>0</b>

Rental charges and taxes on let buildings and the recovery of these charges refer to costs that are, by law or custom, of the responsibility of the tenant. These costs comprise primarily the withholding taxes and rental charges. The owner is responsible for the management of the buildings or has it contracted out to external property managers. Depending on the contractual agreements with the tenants, the landlord may or may not charge the tenants for these services.

## NOTE 5. PROPERTY CHARGES

### TECHNICAL COSTS

<i>in thousands €</i>	2010	2009
<b>Recurrent technical costs</b>	<b>-117</b>	<b>-121</b>
<i>Insurance premiums</i>	<i>-117</i>	<i>-121</i>
<b>Non-recurrent technical costs</b>	<b>-503</b>	<b>-454</b>
<i>Maintenance</i>	<i>-501</i>	<i>-468</i>
<i>Claims</i>	<i>-2</i>	<i>14</i>
<b>Total technical costs</b>	<b>-620</b>	<b>-575</b>

Technical costs comprise, inter alia, maintenance costs and insurance premiums. Maintenance costs that can be seen as renovation of an existing building because they bring about an improvement of the return or the rent, are not recognised as costs but are capitalised.

### COMMERCIAL COSTS

<i>in thousands €</i>	2010	2009
Brokers' fees	-9	-44
Publicity	-108	-127
Lawyers' fees and legal costs	-68	-76
<b>Total commercial costs</b>	<b>-185</b>	<b>-247</b>

Commercial costs also include the brokers' fees. The brokers' fees paid to the brokers after a period of vacancy are capitalised as the property experts, after a period of vacancy, reduce the estimated fees from the estimated value of the real estate property. The brokers' fees paid after an immediate re-letting, without vacancy period, are not capitalised and are recognised in the result as the property experts do not take this fee into account at the time of the valuation.

### CHARGES AND TAXES ON UNLET PROPERTIES

<i>in thousands €</i>	2010	2009
Vacancy charges of the financial year	-67	-47
Property tax on vacant properties	-70	-113
Recuperation of property tax on vacant properties	2	31
<b>Total charges and taxes on unlet properties</b>	<b>-135</b>	<b>-129</b>

The vacancy costs are mainly related to Julianus Shopping in Tongres.



## PROPERTY MANAGEMENT COSTS

<i>in thousands €</i>	2010	2009
Internal property management fees	-1.104	-1.226
Property experts	-168	-172
Remuneration of employees	-647	-735
Other costs	-289	-319
<b>Total property management costs</b>	<b>-1.104</b>	<b>-1.226</b>

Property management costs are cost related to the management of the buildings. These include the personnel costs and the indirect costs with respect to the management committee and the staff (such as office costs, operating costs etc.) who manage the portfolio and lettings, and also depreciations and impairments on tangible assets used for such management and other business expenses related to the management of the property.

## NOTE 6. GENERAL COSTS

<i>in thousands €</i>	2010	2009
ICB tax	-160	-159
Custodian bank	-31	-29
Auditor's fee	-86	-84
Directors' remunerations	-31	-40
Liquidity provider	-14	-14
Financial services	-14	-17
Employee benefits	-448	-478
Other costs	-260	-286
<b>Total general costs</b>	<b>-1.044</b>	<b>-1.107</b>

General costs are all costs related to the management of the property investment fund and costs that cannot be allocated to property management. These operating costs include general administration costs, cost of personnel engaged in the management of the company as such, depreciations and impairments on tangible assets used for this management and other operating costs.

## NOTE 7. EMPLOYEE BENEFITS

<i>in thousands €</i>	2010			2009		
	Charges for the patrimony management	Charges linked to the management of the fund	TOTAL	Charges for the patrimony management	Charges linked to the management of the fund	TOTAL
<b>Remunerations of employees</b>	<b>406</b>	<b>318</b>	<b>724</b>	<b>499</b>	<b>352</b>	<b>851</b>
Salary and other benefits paid within 12 months	261	224	485	317	241	558
Pensions and post-employment benefits	10	7	17	12	7	19
Social security	85	53	138	94	58	152
Variable remunerations	25	17	42	33	19	52
Other charges	25	17	42	43	27	70
<b>Remuneration of the management committee</b>	<b>241</b>	<b>130</b>	<b>371</b>	<b>236</b>	<b>126</b>	<b>362</b>
Chairman of the management committee	58	58	116	57	57	114
<i>Fixed remuneration</i>	55	55	110	55	55	110
<i>Variable remuneration</i>	3	3	6	2	2	4
Other member of the management committee	183	72	255	179	69	248
<i>Fixed remuneration</i>	169	57	226	169	57	226
<i>Variable remuneration</i>	14	6	20	10	4	14
<i>Retirement obligations</i>	0	9	9	0	8	8
<b>Total employees benefits</b>	<b>647</b>	<b>448</b>	<b>1.095</b>	<b>735</b>	<b>478</b>	<b>1.213</b>

The number of employees at year-end 2010, expressed in FTE is 4 staff members and 2 members of the management committee for the internal management of the patrimony (2009: respectively 4 and 2) and 5 staff members and 1 member of the management for the management of the fund (2009: respectively 5 and 1). The management team comprises 4 persons, 1 of whom receives no remuneration.

Remuneration, supplementary benefits, compensation upon termination, redundancy and resignation compensation for personnel in permanent employment are regulated by the Act on the Labour Agreements of 4 July 1978, the Annual Holiday Act of 28 June 1971, the joint committee for the sector that the company falls under and the collective bargaining agreements that have been recognised in the income statement in the period to which they refer.

Pensions and compensations following the termination of the work comprise pensions, contributions for group insurance, life assurance and disability and hospitalisation insurance.

For permanent employees, Intervest Retail has taken out a group insurance policy - a "defined contribution plan" - with an external insurance company. The company pays contributions to company, which is independent of the company. A pension plan with a defined-contribution scheme is a plan involving fixed premiums paid by the company and without the company having legally enforceable or actual obligations to pay further contributions if the fund were to have insufficient assets. The contributions to the insurance plan are financed by the company. This group insurance contract complies with the Vandenbroucke act on pensions. The compulsory contributions are recognised in the income statement for the period that they relate to.

**NOTE 8.****RESULT ON SALES OF INVESTMENT PROPERTIES  
AND DEVELOPMENT PROJECTS**

<i>in thousands €</i>	<b>2010</b>	<b>2009</b>
Acquisition value	281	21.833
Accumulated capital gains and special impairment losses	49	-11.976
<b>Carrying amount (fair value)</b>	<b>330</b>	<b>9.857</b>
Sales price	394	9.632
Selling costs and income	103	-974
<b>Net result of the sale</b>	<b>497</b>	<b>8.658</b>
<b>Total result on sales of investment properties and development projects</b>	<b>167</b>	<b>-1.199</b>

In 2010, the result on sales of investment properties consists mainly of the sale of an apartment in Hasselt and an apartment in Vilvorde.

## NOTE 9.

## CHANGES IN FAIR VALUE OF

## INVESTMENT PROPERTIES AND DEVELOPMENT PROJECTS

<i>in thousands €</i>	2010	2009
Positive changes of investment properties	9.522	9.382
Negative changes of investment properties	-4.692	-7.532
<b>Subtotal changes of investment properties</b>	<b>4.830</b>	<b>1.850</b>
Negative changes of development projects	0	-93
<b>Subtotal changes of development projects</b>	<b>0</b>	<b>-93</b>
Spread of rental discounts and rent incentives	73	-26
Other changes	-44	-2
<b>Subtotal other changes related to fair value of investment properties</b>	<b>29</b>	<b>-28</b>
<b>Total changes in fair value of investment properties and development projects</b>	<b>4.859</b>	<b>1.729</b>

In 2010, the positive changes in fair value of € 4,9 million result mainly from the changes in fair value of the investment properties. They consist of value increases (€ 9,5 million) on the one hand and value decreases (- € 4,7 million) on the other hand.

## NOTE 10. FINANCIAL RESULT

<i>in thousands €</i>	2010	2009
Financial income	10	23
Interest charges with fixed interest rate	-4.483	-4.194
Interest charges with variable interest rate	-545	-819
Other financial costs	-14	-29
Changes in fair value of the financial assets and liabilities (ineffective hedges - IAS 39)	-126	-822
<b>Total financial result</b>	<b>-5.158</b>	<b>-5.841</b>

The financial result amounts to - € 5,2 million compared to - € 5,8 million previous year. The decrease of the financial result of the property investment fund comes from the change in market value of the interest rate swaps which in accordance with IAS 39 can not be classified as a cash flow hedge instrument, for an amount of - € 0,1 million (- € 0,8 million).

## INTEREST CHARGES CLASSIFIED BY THE EXPIRY DATE OF THE CREDIT LINE

<i>in thousands €</i>	2010	2009
Interest charges on non-current financial debts	-4.216	-3.525
Interest charges on current financial debts	-812	-1.488
<b>Total interest charges</b>	<b>-5.028</b>	<b>-5.013</b>

The average interest rate of the non-current financial debts for 2010 amounts to 4,6 % including bank margins (2009: 4,4 %).  
The average interest rate of the current financial debts for 2010 amounts to 1,9 % including bank margins (2009: 3,1 %).

For 2010, the (hypothetical) future cash outflow of the interest charges from the loans drawn on at 31 December 2010 at the fixed or variable interest rate of 31 December 2010 amounts to approximately € 4,7 million (2009: € 4,9 million).

## NOTE 11. TAXES

<i>in thousands €</i>	2010	2009
Corporate income tax	-159	6
<b>Total taxes</b>	<b>-159</b>	<b>6</b>

With the Royal Decree of 10 April 1995, the legislator gave a favourable tax status to property investment funds. If a company converts its status into that of a property investment fund, or if an (ordinary) company merges with a property investment fund, it must pay a one-off tax (exit tax). Thereafter, the property investment fund is only subject to taxes on very specific items, e.g. "disallowed expenditure". No corporate tax is therefore paid on the majority of the profit that comes from lettings and added value on disposals of investment properties.

In 2010, the corporate income tax comprises mainly a regularization on previous years following a tax control.

## NOTE 12. NUMBER OF SHARES AND RESULT PER SHARE

### MOVEMENT OF THE NUMBER OF SHARES

	2010	2009
Number of shares at the beginning of the financial year	5.078.525	5.078.525
Number of shares at the end of the financial year	5.078.525	5.078.525
Number of shares entitled to dividend	5.078.525	5.078.525
Adjustments for diluted result per share	0	0
Weighted average number of shares for diluted result per share	5.078.525	5.078.525

### DETERMINATION OF THE AMOUNT OF MANDATORY DIVIDEND DISTRIBUTION

The amount that is subject to distribution is determined pursuant to article 27 § 1 and Chapter 3 of the annex C of the Royal Decree of 7 December 2010.

<i>in thousands €</i>	2010	2009
Net result according to the statutory annual accounts	17.643	12.806
Adjustment for non-cash flow transactions included in the net result:		
Depreciations and withdrawals of depreciation and impairments	209	148
Changes in fair value of the financial assets and liabilities (ineffective hedges - IAS 39)	126	822
Changes in fair value of financial fixed assets	-62	-818
Other non-cash flow transactions	-40	-69
Result on sales of investment properties	-167	1.467
Changes in fair value of investment properties and development projects	-4.790	-1.808
<b>Corrected result for mandatory distribution</b>	<b>12.919</b>	<b>12.548</b>
<b>Mandatory distribution: 80 %</b>	<b>10.335</b>	<b>10.038</b>
Operating distributable result (statutory annual accounts)	12.710	12.400
Operating distributable result (consolidated annual accounts)	12.710	12.400

The distributable earnings per share, based on the statutory annual accounts of Intervest Retail sa, amounts to € 12,7 million in 2010 compared to € 12,4 million in 2009.

No further adjustments must be made on the corrected result for any non-exempted capital gain on sales of investment properties or debt reductions. Consequently, the corrected result is equal to the amount eligible for mandatory distribution of 80 %. Intervest Retail chooses to distribute 100 % of the statutory operating distributable result to its shareholders.

The consolidated operating distributable result is available for distribution pursuant to article 617 of the Belgian Companies Code, in accordance with the calculation method in Chapter 4 of Annex C of the Royal Decree of 7 December 2010.



## CALCULATION OF THE RESULT PER SHARE

<i>in €</i>	<b>2010</b>	<b>2009</b>
Ordinary net result per share	3,47	2,39
Diluted net result per share	3,47	2,39
Operating distributable result per share	2,50	2,44

The operating distributable result per share is, in a 100% distribution, rounded to € 2,50 per share.

## PROPOSED DIVIDEND PER SHARE

After the closing of the financial year, the dividend distribution shown below is proposed by the board of directors. This will be presented to the general meeting of shareholders on 6 April 2011. In accordance with IAS 10, the dividend distribution is not recognised as a liability and has no effect on the tax on profit.

	<b>2010</b>	<b>2009</b>
Dividend per share (in €)	2,50	2,44
Remuneration of the share capital (in thousands €)	12.696	12.392
Dividend as a percentage of the consolidated operating distributable result (%)	100 %	100 %

## NOTE 13. NON-CURRENT ASSETS - INVESTMENT PROPERTIES AND DEVELOPMENT PROJECTS

Investment and revaluation table	Investment properties		Development projects		TOTAL	
<i>in thousands €</i>	2010	2009	2010	2009	2010	2009
<b>Amount at the end of the preceding financial year</b>	<b>324.338</b>	<b>320.043</b>	<b>0</b>	<b>7.355</b>	<b>324.338</b>	<b>327.398</b>
Capitalised deferred expenses	162	3.645	0	93	162	3.738
Capitalised interest charges	0	14	0	0	0	14
Sales of investment properties	-188	-601	0	0	-188	-601
Transfers to development projects	0	-613	0	613	0	0
Transfers from (to) assets held for sale	0	0	0	-7.968	0	-7.968
Changes in fair value	4.830	1.850	0	-93	4.830	1.757
<b>Amount at the end of the financial year</b>	<b>329.142</b>	<b>324.338</b>	<b>0</b>	<b>0</b>	<b>329.142</b>	<b>324.338</b>
<b>OTHER INFORMATION</b>						
Investment value of investment properties	337.371	332.446	0	0	337.371	332.446

The development projects comprise at the end of 2009 Shopping Park Olen that was sold in January 2010.

For the sensitivity analysis of the valuation of the real estate properties, please see the description of the most important risk factors and internal control and risk management systems.

## NOTE 14. CURRENT ASSETS

### ASSETS HELD FOR SALE

<i>in thousands €</i>	2010	2009
Development project Shopping Park Olen	0	7.225
Vilvorde Leuvensestraat - apartments	287	424
<b>Total assets held for sale</b>	<b>287</b>	<b>7.649</b>

In 2010, the assets held for sale comprise the already incurred construction costs for the unsold apartments of the project in Vilvorde.

In January 2010, Intervest Retail signed the sale deed for the land and remaining buildings of Shopping Park Olen with the buyer, the developer Shopping Olen and the sales price is received.

## TRADE RECEIVABLES

<i>in thousands €</i>	2010	2009
Outstanding trade receivables	372	338
Invoices to issue and credit notes to be received	4	19
Doubtful debtors	171	367
Provision doubtful debtors	-171	-367
<b>Total trade receivables</b>	<b>376</b>	<b>357</b>

As a result of strict credit control the number of days of outstanding customers' credit at 31 December 2010 is only 6 days.

## AGING ANALYSIS OF TRADE ACCOUNTS RECEIVABLES

<i>in thousands €</i>	2010	2009
receivables < 30 days	20	124
receivables 30-90 days	143	3
receivables > 90 days	209	211
<b>Total outstanding trade receivables</b>	<b>372</b>	<b>338</b>

For the follow-up of the debtor's risk uses by Intervest Retail, please see the description of the most important risk factors and internal control and risk management systems.

## TAX RECEIVABLES AND OTHER CURRENT ASSETS

<i>in thousands €</i>	2010	2009
Recoverable VAT	45	113
Recoverable withholding tax	0	978
Receivable from insurance company	93	3
Recoverable VAT Factory Shopping Messancy (note 23)	2.111	2.111
Other receivables	0	198
<b>Total tax receivables and other current assets</b>	<b>2.249</b>	<b>3.403</b>

In 2010, the withholding tax on the liquidation bonus from the merger of Pegasus Vastgoedmaatschappij on 2 April 2008 is received.

## NOTE 15. SHAREHOLDERS' EQUITY

### EVOLUTION OF THE CAPITAL

<i>Date</i>	<i>Transaction</i>	<b>Share capital movement</b> <i>in thousands €</i>	<b>Total outstanding share capital after transaction</b> <i>in thousands €</i>	<b>Number of share issued</b> <i>in units</i>	<b>Total number of shares</b> <i>in units</i>
15.06.1987	Constitution	74	74	3	3
30.06.1996	Capital increase	3.607	3.682	146	149
30.06.1997	Absorption	62	3.744	8	156
31.07.1997	Capital increase	1.305	5.049	71	227
22.12.1997	Absorption	1.529	6.578	69	296
06.11.1998	Absorption	3.050	9.628	137	434
23.12.1998	Absorption	874	10.502	101	535
23.12.1998	Capital increase	23.675	34.178	1.073	1.608
23.12.1998	Capital increase	33.837	68.015	1.723	3.332
31.03.1999	Capital decrease	-3.345	64.670	0	3.332
01.11.1999	Merger GL Trust	13.758	78.428	645.778	3.977.626
01.11.1999	Capital increase (VastNed)	21.319	99.747	882.051	4.859.677
25.11.1999	Capital decrease (compensation of losses)	-7.018	92.729	0	4.859.677
29.02.2000	Capital increase (contribution in kind Mechelen Bruul)	2.263	94.992	90.829	4.950.506
30.06.2000	Capital increase (contribution in kind La Louvière)	544	95.536	21.834	4.972.340
30.06.2000	Capital increase (contribution in kind Louizalaan 7)	1.306	96.842	52.402	5.024.742
20.09.2000	Merger by absorption Immorent, Nieuwe Antwerpse Luxe Buildings, Zeven Zeven and News Of The World	79	96.921	14.004	5.038.746
20.09.2000	Conversion of share capital to euro	79	97.000	0	5.038.746
08.05.2002	Merger by absorption of the limited liability company Immobilière de l'Observatoire	3	97.003	7.273	5.046.019
30.12.2002	Merger by absorption of the limited liability companies GL Properties, Retail Development, Winvest, Immo 2000M, Avamij, Goorinvest, Tafar, Lemi, Framonia, Micol and Immo Shopping Tienen	209	97.212	26.701	5.072.720
30.12.2002	Merger by absorption of the limited liability company Immo GL	1	<b>97.213</b>	5.805	<b>5.078.525</b>

On 31 December 2010, the share capital amounts to € 97.213.233,32 and is divided among 5.078.525 fully paid-up shares with no statement of nominal value.

## AUTHORISED CAPITAL

The board of directors is expressly authorised to increase the nominal capital on one or more occasions by an amount of € 97.213.233,32 by monetary contribution or contribution in kind, if applicable, by incorporation of reserves or issue premiums, under regulations provided for by the Belgian Companies Code, these articles of association and article 13 of the Royal Decree of 7 December 2010 relating to property investment funds.

This authorisation is valid for a period of five years from the publication in the annexes to the Belgian Official Gazette and Decrees of the official report from the extraordinary general meeting dated 7 April 2010, i.e. from 28 April 2010 onwards. This authorisation is valid until 28 April 2015. The authorisation to use authorised capital as possible means of defence in the event of a takeover bid is, pursuant to article 607, second paragraph, of the Belgian Companies Code, only valid for three years and expires on 28 April 2013. This authorisation is renewable.

Whenever there is a capital increase, the board of directors shall set the price, any share issue premium and the conditions of issuance of the new shares, unless the general meeting is to decide on that itself. The capital increases may give rise to the issuance of shares with or without voting right.

If the capital increases decided upon by the board of directors pursuant to this authorisation include a share issue premium, the amount of this issue premium must be recorded in a special unavailable account, named “issue premiums”, which, like the capital, forms the guarantee for third parties and which cannot be reduced or abolished subject to a decision of the general meeting, meeting under the conditions of presence and majority, providing for a reduction in capital, subject to the conversion into capital as provided for above.

In 2010, the board of directors did not make use of the authorisation granted to use amounts from the permitted capital.

## PURCHASE OF OWN SHARES

Pursuant to article 9 of the articles of association, the board of directors can proceed to the purchase of own paid-up equity shares by buying or exchanging within the legally permitted limits, if the purchase is necessary to protect the company from a serious and threatening loss.

This permission is valid for three years from the publication of the minutes of the general meeting of 7 April 2010, i.e. from 28 April 2010. This permission is valid till 28 April 2013 and is renewable.

## CAPITAL INCREASE

All capital increases will be implemented pursuant to articles 581 to 607 of the Belgian Companies Code, subject to that stated hereafter with respect to the pre-emptive right.

Moreover, the company must comply with the provisions for the public issue of shares as defined in article 75 of the CII Act of 20 July 2004 and in articles 20 and the following of the Royal Decree of 7 December 2010 relating to property investment funds.

In case of a capital increase through a contribution in cash and without prejudice to articles 592 to 598 of the Belgian Companies Code, the pre-emptive right may only be limited or withdrawn if a priority allocation right is granted to the existing shareholders at the time of allocating new securities. This priority allocation right must satisfy the following conditions:

1. It is related to all newly issued securities;
2. It is granted to the shareholders in proportion to the part of the capital represented by their shares at the time of the transaction;
3. A maximum price per share is announced at the latest on the eve of the opening of the public subscription period; and
4. In such a case, the public subscription period must be at least three trading days.

Capital increases realized through contributions in kind are subject to the provisions of articles 601 and 602 of the Belgian Companies Code. Moreover, pursuant to article 13 §2 of the Royal Decree of 7 December 2010 relating to property investment funds, the following conditions must be met:

1. The identity of the contributor must be mentioned in the report referred to in article 602 of the Belgian Companies Code as well as in the notice of the general meeting convened with regard to the capital increase;
2. The issue price may not be less than the lowest value of (a) a net asset value dating from not more than four months before the date of the contribution agreement or, at the discretion of the company, before the date of the capital increase deed, and (b) the average closing price during the thirty calendar days prior to this same date.
3. Except if the issue price or exchange ratio and the related conditions are determined no later than on the working day following the conclusion of the contribution agreement and communicated to the public mentioning the time within which the capital increase will effectively be implemented, the capital increase deed shall be executed within a maximum period of four months; and
4. The report referred to under 1° must also explain the impact of the proposed contribution on the situation of former shareholders, particularly as far as their share of the profits, net asset value and capital is concerned, as well as the impact on the voting rights.

The above does not apply to the transfer of the right to dividends in the context of the distribution of an optional dividend, insofar as this is actually made available for payment to all shareholders.

## SHARE PREMIUM

<i>in thousands €</i>		2010	2009
<i>Date</i>	<i>Transaction</i>		
01.11.1999	Merger GL Trust	4.183	4.183
<b>Total share premium</b>		<b>4.183</b>	<b>4.183</b>

## IMPACT ON THE FAIR VALUE OF ESTIMATED TRANSACTION RIGHTS AND COSTS RESULTING FROM THE HYPOTHETICAL DISPOSAL OF INVESTMENT PROPERTIES

<i>in thousands €</i>	2010	2009
Amount at the end of the preceding financial year	-8.108	-8.185
Changes on the investment value of investment properties	0	-137
Impact of disposals of investment properties	0	214
<b>Total impact on the fair value of estimated transaction rights and costs resulting from the hypothetical disposal of investment properties</b>	<b>-8.108</b>	<b>-8.108</b>

The difference between the fair value of the property (in accordance with IAS 40) and the investment value of the property as determined by the independent property experts is included in this item.

The transfer of the impact on fair value of estimated transaction rights and costs resulting from the hypothetical disposal of investment properties are no longer, as from the financial year 2010, recorded during the financial year but only after approval of the profit distribution by the general meeting of shareholders (in April of next financial year). As this concerns a transfer within two items of shareholders' equity, it has no impact on the total shareholders' equity of the property investment fund.



**NOTE 16. PROVISIONS**

<i>in thousands €</i>	<b>2010</b>	<b>2009</b>
<b>Non-current provisions</b>	<b>195</b>	<b>320</b>
Provisions for legal disputes	195	195
Provisions for rental guarantees from the disposal of investment properties	0	125
<b>Current provisions</b>	<b>56</b>	<b>0</b>
Provisions for rental guarantees from the disposal of investment properties	56	0
<b>Total provisions</b>	<b>251</b>	<b>320</b>

The rental guarantees from the sale of the development project Shopping Park Olen are, because of the expired duration, classified under current provisions.

For the description of the Group's fiscal situation, please see note 23.

**NOTE 17. CURRENT LIABILITIES****TRADE DEBTS AND OTHER CURRENT DEBTS**

<i>in thousands €</i>	<b>2010</b>	<b>2009</b>
Trade debts	810	1.435
Advances received from tenants	500	489
Invoices to be received	424	98
Other current debts	2.345	2.279
<b>Total trade debts and other current debts</b>	<b>4.079</b>	<b>4.301</b>

The other current debts comprise a provision for the VAT-regularisation related to the sale of Factory Shopping Messancy as a result of the judgement of the Court of First Instance (see note 23).

## OTHER CURRENT LIABILITIES

<i>in thousands €</i>	2010	2009
Dividends payable	424	405
Advances received with regard to assets held for sale	117	117
Other current liabilities	91	159
<b>Total other current liabilities</b>	<b>632</b>	<b>681</b>

## ACCRUED CHARGES AND DEFERRED INCOME

<i>in thousands €</i>	2010	2009
Interest charges to accrue	553	580
Other charges to accrue and deferred income	638	588
<b>Total accrued charges and deferred income</b>	<b>1.191</b>	<b>1.168</b>

## NOTE 18. NON-CURRENT AND CURRENT FINANCIAL DEBTS

For the description of the financial structure of the property investment fund, please see the report of the management committee.

## CLASSIFICATION BY EXPIRY DATE OF THE WITHDRAWN CREDIT FACILITIES

<i>in thousands €</i>	2010				2009			
	Debts with a remaining duration of				Debts with a remaining duration of			
	< 1 year	> 1 year and < 5 year	> 5 year	Total	< 1 year	> 1 year en < 5 year	> 5 year	Total
Credit institutions (credits withdraw)	46.545	70.220	0	116.765	42.791	82.991	0	125.782
Market value financial derivatives	0	4.959	0	4.959	208	5.002	0	5.210
Financial lease	3	14	0	17	3	14	3	20
<b>TOTAL</b>	<b>46.548</b>	<b>75.193</b>	<b>0</b>	<b>121.741</b>	<b>43.002</b>	<b>88.007</b>	<b>3</b>	<b>131.012</b>
<b>Percentage</b>	<b>38 %</b>	<b>62 %</b>	<b>0 %</b>	<b>100 %</b>	<b>33 %</b>	<b>67 %</b>	<b>0 %</b>	<b>100 %</b>

## CLASSIFICATION BY EXPIRY DATE OF THE CREDIT LINES

<i>in thousands €</i>	2010				2009			
	Debts with a remaining duration of				Debts with a remaining duration of			
	< 1 year	> 1 year and < 5 year	> 5 year	Total	< 1 year	> 1 year and < 5 year	> 5 year	Total
Credit institutions (credits withdraw)	46.545	70.220	0	<b>116.765</b>	42.791	82.991	0	<b>125.782</b>
Not-withdrawn credit lines	21.270	0	0	<b>21.270</b>	0	12.650	0	<b>12.650</b>
<b>TOTAL</b>	<b>67.815</b>	<b>70.220</b>	<b>0</b>	<b>138.035</b>	<b>42.791</b>	<b>95.641</b>	<b>0</b>	<b>138.432</b>
<b>Percentage</b>	<b>49 %</b>	<b>51 %</b>	<b>0 %</b>	<b>100 %</b>	<b>31 %</b>	<b>69 %</b>	<b>0 %</b>	<b>100 %</b>

The above table “Classification by expiry date of the credit lines” comprises an amount of € 21 million of not-withdrawn credit lines (€ 13 million on 31 December 2009). These do not form at closing date an effective debt but are only a potential debt under the form of an available credit line. The part in terms of percentage is calculated as the relation of each component to the sum of the withdrawn and the not-withdrawn credit lines.

## CLASSIFICATION BY THE VARIABLE OR FIXED CHARACTER OF THE WITHDRAWN CREDIT FACILITIES BY THE FINANCIAL INSTITUTIONS

<i>in thousands €</i>	2010					2009				
	Debts with a remaining duration of					Debts with a remaining duration of				
	< 1 year	> 1 year and < 5 year	> 5 year	Total	Percentage	< 1 year	> 1 year and < 5 year	> 5 jaar	Totaal	Percentage
Variable	21.124	15.000	0	<b>36.124</b>	<b>31 %</b>	17.395	27.350	0	<b>44.745</b>	<b>36 %</b>
Fixed	25.424	55.234	0	<b>80.658</b>	<b>69 %</b>	25.400	55.655	3	<b>81.058</b>	<b>64 %</b>
<b>TOTAL</b>	<b>46.548</b>	<b>70.234</b>	<b>0</b>	<b>116.782</b>	<b>100 %</b>	<b>42.795</b>	<b>83.005</b>	<b>3</b>	<b>125.803</b>	<b>100 %</b>

In the above table “Classification by the variable or fixed character of the withdrawn credit facilities by the financial institutions” the part in terms of percentage is calculated as the relation of each component to the sum of the credit lines and the financial leasing.

## NOTE 19. FINANCIAL DERIVATIVES

Intervest Retail limits the interest rate risk on its long-term financial debts by means of interest rate swaps (IRS) in euro.

Intervest Retail classifies the interest rate swaps as cash flow hedges whereby it is shown whether these hedges are effective or not.

- ▶ The effective part of the changes in fair value of derivatives classified as cash flow hedges are recognised in the state of comprehensive income in the line "Changes in fair value of financial assets and liabilities (effective hedge - IAS 39). Fair value hedge accounting is therefore applied to these swaps, on which basis changes in value of these swaps are recognised directly in the shareholders' equity and not in the income statement.
- ▶ The ineffective part is recognised in the income statement in the line "Changes in the fair value of financial assets and liabilities (ineffective hedges - IAS 39)" in the financial result.

### FAIR VALUE OF FINANCIAL DERIVATIVES AT YEAR-END

On 31 December 2010, the company had following financial derivatives:

<i>in thousands €</i>	Start date	Expiry date	Interest rate	Contractual notional amount	Hedge accounting	Fair value <sup>8</sup>	
					Yes/No	2010	2009
1 IRS	20.12.2006	19.03.2010	4,12 %	25.000	Yes	0	-208
2 IRS callable from 15.04.09	12.05.2008	15.04.2013	3,93 %	10.000	No	-576	-697
3 IRS	06.10.2008	06.10.2013	4,43 %	25.000	No	-1.935	-2.211
4 IRS	15.12.2008	16.12.2013	4,105 %	20.000	Yes	-1.428	-1.393
5 IRS	01.10.2009	01.10.2014	3,02 %	25.000	Yes	-1.020	-701
<b>Total fair value financial derivative</b>						<b>-4.959</b>	<b>-5.210</b>
<b>Accounting process on 31 December:</b>							
In shareholders' equity: Changes in fair value of financial assets and liabilities						-4.833	-4.388
In the income statement: Changes in fair value of financial assets and liabilities (ineffective hedges - IAS 39)						-126	-822
<b>Total fair value financial derivatives</b>						<b>-4.959</b>	<b>-5.210</b>

On 31 December 2010, these interest rate swaps have a negative market value of - € 5 million (contractual nominal value € 80 million), which is determined on a quarterly basis by the issuing financial institute. The negative market value of these financial derivatives is due to low interest rates in 2010.

The fair value of the derivatives is exclusively determined by the information having an observable character for the derivative (directly or indirectly) but which is not a price listed on the active market and consequently the IRS contracts are belonging to level 2 of the hierarchy of the fair value as determined by IFRS 7.

On 31 December 2010, Intervest Retail classifies the interest rate swaps 4 to 5 as cash flow hedges, determining that the interest rate swaps are effective. The fluctuations in value of the interest rate swaps 2 to 3 are recognised directly in the income statement.

For the description of financial risks related to financial derivatives, please see the description of the major risk factors and internal control and risk management systems.

<sup>8</sup> The item "Changes in fair value of financial assets and liabilities" in shareholders' equity gives the change of fair value of financial derivatives which in accordance with IAS 39 can be considered as effective cash flow hedges (effective hedges on 31 December 2010 and ineffective hedges on 31 December 2009), compared to the initial acquisition value of these financial derivatives. As the initial acquisition value of these financial instruments is equal to zero, the item "Changes in fair value of financial assets and liabilities" in shareholders' equity also gives the market value (fair value) of these financial instruments on balance sheet date.

## FAIR VALUE OF BANK OBLIGATIONS AT YEAR-END

<i>in thousands €</i>	2010		2009	
	Nominal value	Fair value	Nominal value	Fair value
Financial debts	116.782	116.809	125.803	125.865

When calculating the fair value of the financial debts, the financial debts with a fixed interest rate are taken into consideration. Financial debts with a variable interest rate or covered by a financial derivative are not taken into consideration.

## NOTE 20. RELATED PARTIES

The company's related parties, are majority shareholder, its subsidiaries (see note 21) and its directors and members of the management committee.

## DIRECTORS AND MEMBERS OF THE MANAGEMENT COMMITTEE

The remuneration for the directors and the members of the management committee are classified in the items "property management costs" and "general costs" (see notes 5 and 6).

<i>in thousands €</i>	2010	2009
Directors	62	80
Members of the management committee	371	362
<b>Total</b>	<b>433</b>	<b>442</b>

The directors and members of the management committee do not receive additional benefits on the account of the company.

## NOTE 21. LIST OF CONSOLIDATED COMPANIES

Company name	Address	Company number	Capital share (in %)	Minority interests <i>in thousands €</i>	
				2010	2009
EuroInvest Retail Properties sa	Uitbreidingstraat 18, 2600 Berchem	BE 0479 506 731	100 %	0	0
<b>Total minority interests</b>				<b>0</b>	<b>0</b>

## NOTE 22. FEES OF THE STATUTORY AUDITOR AND ENTITIES

### AFFILIATED WITH THE STATUTORY AUDITOR

<i>in thousands €</i>	2010	2009
<i>Including non-deductible VAT</i>		
Fee statutory auditor for audit mandate	86	82
Fee for exceptional activities or special assignments within:		
- Other control assignments	0	2
- Tax consulting assignments	1	0
<b>Total fee of the statutory auditor and the entities affiliated with the statutory auditor</b>	<b>87</b>	<b>84</b>



## NOTE 23. OFF-BALANCE SHEET OBLIGATIONS

### 1. CONTROL BBI (VAT) - FACTORY SHOPPING MESSANCY

In 2006, the BBI of Ghent has started a VAT control regarding the examination of the VAT-deduction on construction costs incurred in 2003 for the project Factory Shopping Messancy. During 2007 all the construction costs of the shopping centres as from 2003 were controlled where after on 26 October 2007 a correction was sent to Intervest Retail. The basic agreements made on 31 January 2003 was ignored according to Intervest Retail, whereby an appeal was entered on 30 November 2007. A few days later Intervest Retail was summoned and on 18 December 2007 a notice was issued, ordering the payment of following amounts:

VAT in principal:	€ 1,8 million
Administrative fine:	€ 0,2 million
Moratory interests:	€ 0,1 million
Total:	€ 2,1 million

End 2007, Intervest Retail proceeded to the payment of the additional assessment without any prejudicial recognition and with reservation of all rights. Intervest Retail decided to introduce a request for the recovery of the VAT by the Court of First Instance because the point of view of the BBI was basically contested. In its judgement of 23 October 2009, the Court of First Instance judged that Intervest Retail could only refund of the VAT for an amount of € 24.694. As reaction Intervest Retail started end 2009 a legal procedure by the Court of Appeal of Antwerp. Currently this procedure is ongoing and pleas are planned on 28 February 2011.

In the framework of the sale of the outlet center Factory Shopping Messancy, the applied VAT deduction for construction costs has to be reviewed pro rata temporis. This provision is foreseen in the annual accounts. The potential use of this provision depends on the judgement of the Court of Appeal regarding the VAT deduction on construction costs of the outlet center.

### 2. GUARANTEES WITH REGARD TO FINANCING

No registrations of mortgage were taken, and no mortgage authorisations permitted. Most financial institutions do however demand that the investment fund continues to comply with the financial ratios as laid down by the Royal Decree on property investment funds. For the financing, the credit institutions generally require a coverage ratio of more than 2.

## NOTE 24. POST-BALANCE SHEET EVENTS

There are no significant events to be mentioned that occurred after the closing of the accounts as at 31 December 2010.

## STATUTORY AUDITOR'S REPORT

INTERVEST RETAIL NV,  
PUBLIC PROPERTY INVESTMENT FUND UNDER BELGIAN LAW

STATUTORY AUDITOR'S REPORT  
STATUTORY AUDITOR'S REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2010  
TO THE SHAREHOLDERS' MEETING

To the shareholders

As required by law and the company's articles of association, we are pleased to report to you on the audit assignment which you have entrusted to us. This report includes our opinion on the consolidated financial statements together with the required additional comment.

### **Unqualified audit opinion on the consolidated financial statements**

We have audited the accompanying consolidated financial statements of Intervest Retail NV, public property investment fund under Belgian law ("the company") and its subsidiaries (jointly "the Group"), prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium. Those consolidated financial statements comprise the consolidated balance sheet as at 31 December 2010, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, as well as the summary of significant accounting policies and other explanatory notes. The consolidated balance sheet shows total assets of 333.256 (000) EUR and the consolidated income statement shows a consolidated profit (Group share) for the year then ended of 17.632 (000) EUR.

The board of directors of the company is responsible for the preparation of the consolidated financial statements. This responsibility includes among other things: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with legal requirements and auditing standards applicable in Belgium, as issued by the "Institut des Réviseurs d'Entreprises/Instituut van de Bedrijfsrevisoren". Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

In accordance with these standards, we have performed procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we have considered internal control relevant to the Group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. We have assessed the basis of the accounting policies used, the reasonableness of accounting estimates made by the company and the presentation of the consolidated financial statements, taken as a whole.

Finally, the board of directors and responsible officers of the company have replied to all our requests for explanations and information. We believe that the audit evidence we have obtained provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the Group's financial position as of 31 December 2010, and of its results and its cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the EU and with the legal and regulatory requirements applicable in Belgium.

### Additional comment

The preparation and the assessment of the information that should be included in the directors' report on the consolidated financial statements are the responsibility of the board of directors.

Our responsibility is to include in our report the following additional comment which does not change the scope of our audit opinion on the consolidated financial statements:

- ▶ The directors' report on the consolidated financial statements includes the information required by law and is in agreement with the consolidated financial statements. However, we are unable to express an opinion on the description of the principal risks and uncertainties confronting the Group, or on the status, future evolution, or significant influence of certain factors on its future development. We can, nevertheless, confirm that the information given is not in obvious contradiction with any information obtained in the context of our appointment.

Antwerp, 22 February 2011

The statutory auditor,

DELOITTE Bedrijfsrevisoren  
BV o.v.v.e. CVBA  
Represented by



Frank Verhaegen



Kathleen De Brabander

## STATUTORY ANNUAL ACCOUNTS INTERVEST RETAIL SA

The statutory annual accounts of Intervest Retail are prepared according to the IRFS-standards and in accordance with the Royal Decree of 21 June 2006. The entire version of the statutory annual accounts of Intervest Retail, along with the annual report and the report of the statutory auditor, will be deposited within the legal time frame at the National Bank of Belgium and can be obtained for free through the website of the company ([www.intervestretail.be](http://www.intervestretail.be)) or on demand at the registered office.

The statutory auditor has issued an unqualified auditor's report for the statutory annual accounts of Intervest Retail sa.

### INCOME STATEMENT

<i>in thousands €</i>	2010	2009
Rental income	20.764	20.537
Rental-related expenses	-12	-104
<b>NET RENTAL INCOME</b>	<b>20.752</b>	<b>20.433</b>
Recovery of rental charges and taxes normally payable by tenants on let properties	1.317	1.267
Rental charges and taxes normally payable by tenants on let properties	-1.317	-1.267
Other rental-related income and expenses	-3	-2
<b>PROPERTY RESULT</b>	<b>20.749</b>	<b>20.431</b>
Technical costs	-619	-573
Commercial costs	-185	-247
Charges and taxes on unlet properties	-135	-128
Property management costs	-1.077	-1.202
Other property charges	-3	-5
<b>PROPERTY CHARGES</b>	<b>-2.019</b>	<b>-2.155</b>
<b>OPERATING PROPERTY RESULT</b>	<b>18.730</b>	<b>18.276</b>
General costs	-1.022	-1.086
Other operating income and costs	28	51
<b>OPERATING RESULT BEFORE RESULT ON PORTFOLIO</b>	<b>17.736</b>	<b>17.241</b>
Result on sales of investment properties and development projects	167	-1.467
Changes in fair value of investment properties and development projects	4.830	1.877
<b>OPERATING RESULT</b>	<b>22.733</b>	<b>17.651</b>
Financial income	175	201
Interest charges	-5.028	-5.013
Other financial charges	-14	-34
Changes in fair value of financial assets and liabilities (ineffective hedges - IAS 39)	-126	-822
Changes in fair value of financial fixed asset	62	818
<b>FINANCIAL RESULT</b>	<b>-4.931</b>	<b>-4.850</b>
<b>RESULT BEFORE TAXES</b>	<b>17.802</b>	<b>12.801</b>
<b>TAXES</b>	<b>-159</b>	<b>5</b>
<b>NET RESULT</b>	<b>17.643</b>	<b>12.806</b>

<i>in thousands €</i>	2010	2009
<b>NET RESULT</b>	<b>17.643</b>	<b>12.806</b>
Operating distributable result	12.710	12.400
Result on portfolio	4.997	410
Changes in fair value of financial assets and liabilities (ineffective hedges - IAS 39) and of financial fixed assets	-64	-4

<b>RESULT PER SHARE</b>	2010	2009
Number of shares entitled to dividend	5.078.525	5.078.525
Net result (€)	3,47	2,52
Diluted net result (€)	3,47	2,52
Operating distributable result (€)	2,50	2,44

## STATEMENT OF COMPREHENSIVE INCOME

<i>in thousands €</i>	2010	2009
<b>NET RESULT</b>	<b>17.643</b>	<b>12.806</b>
Changes in fair value of financial assets and liabilities (effective hedges - IAS 39)	378	-952
<b>COMPREHENSIVE INCOME</b>	<b>18.021</b>	<b>11.854</b>

## BALANCE SHEET

<b>ASSETS</b> <i>in thousands €</i>	31.12.2010	31.12.2009
<b>Non-current assets</b>	<b>327.984</b>	<b>323.195</b>
Intangible assets	16	27
Investment properties	326.331	321.567
Other tangible assets	165	191
Financial fixed assets	1.454	1.392
Trade receivables and other non-current assets	18	18
<b>Current assets</b>	<b>5.155</b>	<b>13.906</b>
Assets held for sale	287	7.649
Trade receivables	376	357
Tax receivables and other current assets	3.505	4.672
Cash and cash equivalents	750	1.069
Deferred charges and accrued income	237	159
<b>TOTAL ASSETS</b>	<b>333.139</b>	<b>337.101</b>

<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b> <i>in thousands €</i>	<b>31.12.2010</b>	<b>31.12.2009</b>
<b>Shareholders' equity</b>	<b>205.206</b>	<b>199.576</b>
Share capital	97.213	97.213
Share premium	4.183	4.183
Reserves	99.039	97.801
Net result of the financial year	17.643	12.806
Impact on fair value of estimated transaction rights and costs resulting from the hypothetical disposal of investment properties	-8.039	-8.039
Changes in fair value of financial assets and liabilities	-4.833	-4.388
<b>Liabilities</b>	<b>127.933</b>	<b>137.525</b>
<b>Non-current liabilities</b>	<b>75.436</b>	<b>88.381</b>
Provisions	195	320
Non-current financial debts	75.193	88.010
<i>Credit institutions</i>	75.179	87.993
<i>Financial lease</i>	14	17
Other non-current liabilities	48	51
<b>Current liabilities</b>	<b>52.497</b>	<b>49.144</b>
Provisions	56	0
Current financial debts	46.548	43.002
<i>Credit institutions</i>	46.545	42.999
<i>Financial lease</i>	3	3
Trade debts and other current debts	4.077	4.300
Other current liabilities	632	681
Accrued charges and deferred income	1.184	1.161
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>333.139</b>	<b>337.101</b>

<b>DEBT RATIO</b>	<b>31.12.2010</b>	<b>31.12.2009</b>
Debt ratio (max. 65 %) (%)	36 %	39 %

<b>NET ASSET VALUE PER SHARE</b> <i>in €</i>	<b>31.12.2010</b>	<b>31.12.2009</b>
Net asset value (fair value)	40,41	39,30
Net asset value (investment value)	41,99	40,88



#### ALDI - RETAIL PARK FLEMALLE

Rue de la Fabrique 6  
Flémalle  
Space / 1.015 m<sup>2</sup>



#### COMPANY

Huidevetterstraat 12  
Antwerp  
Space / 721 m<sup>2</sup>



#### MASSIMO DUTTI

Meir 99  
Antwerp  
Space / 583 m<sup>2</sup>







# 06

## General information



### HASSELT

#### A + B / BABY 2000

Genkersteenweg 215 - 219  
Space / 995 m<sup>2</sup>

#### C / ALDI

Genkersteenweg 76  
Space / 868 m<sup>2</sup>

#### D / EGGO KITCHEN HOUSE

Genkersteenweg 282  
Space / 1.000 m<sup>2</sup>

A	B	C
D		

## IDENTIFICATION

### NAME

Intervest Retail sa, Public Property Investment Fund with Fixed Capital under Belgian Law, or “sicafi” under Belgian Law.

### REGISTERED OFFICE

Uitbreidingstraat 18, 2600 Berchem - Antwerp.

### ENTERPRISE IDENTIFICATION NUMBER

The company is registered at the Central Enterprise Database under the enterprise identification number 0431.391.860.

### LEGAL FORM, FORMATION, PUBLICATION

The limited liability company is founded by deed, executed before the civil-law notary André van der Vorst, in Elsene, on 15 June 1987, as published in the appendices to the Belgian Official Gazette of Orders and Decrees of 9 July 1987 under no. 870709-272.

The articles of association have been amended on numerous occasions and they were last coordinated on 2 April 2008.

Since 22 December 1998, the company has been recognised as a “property investment fund with fixed capital under Belgian law”, or a “sicafi” under Belgian law for short, which is registered with the Banking, Finance and Insurance Commission.

It is subject to the statutory system for investment companies with fixed capital, as referred to in article 6, 2° of the ICB Act of 20 July 2004.

The company opted for the investment category specified in article 7, first subsection, 5° of the aforementioned ICB Act.

The company draws publicly on the savings system in the sense of article 438 of the Belgian Companies Code.

The articles of association were last amended on 2 April 2009, as published in the Appendices to the Belgian Official Gazette of 15 April 2008 under number 2008-04-24/0061996.

### DURATION

The company is founded for an indefinite period.

### FINANCIAL YEAR

The financial year starts on 1 January and ends on 31 December of each year.

## INSPECTION OF DOCUMENTS

- ▶ The articles of association of Intervest Retail sa are available for inspection at the Office of the Clerk of the Commercial Court in Antwerp, and at the company's registered office.
- ▶ The annual accounts are filed with the balance sheet centre of the National Bank of Belgium.
- ▶ The annual accounts and associated reports are sent annually to holders of registered shares and to any other person who requests them.
- ▶ The resolutions relating to the appointment and dismissal of the members of the company's bodies are published in the appendices to the Belgian Official Gazette.
- ▶ Financial announcements and notices convening the general meetings are published in the financial press.
- ▶ Important public company documents are available on the website: [www.intervestretail.be](http://www.intervestretail.be).

The other publicly accessible documents that are mentioned in the prospectus are available for inspection at the company's registered office.

## AIM OF THE COMPANY

### ARTICLE 4 OF THE ARTICLES OF ASSOCIATION

The sole aim of the company is collective investment in immovable property.

Its **main activity** therefore consists of investment in immovable property, that is, in immovable property as defined by articles 517 ff. of the Belgian Civil Code, in real rights over immovable property, in shares with voting rights issued by affiliated property companies, in option rights to immovable property, in rights on participating interests in other property investment institutions that are registered in the list referred to in article 31 or article 129 of the Act of 20 July 2004, in real estate certificates as referred to in article 106 of this act, in rights arising from contracts where one or more properties are placed under a leasing arrangement with the investment fund, as well as in all the other properties, shares or rights described in the aforementioned act or implementation decree as being immovable property, or in all other activities that would be permitted by the regulations that apply to the company.

As an **additional activity** the company may perform any activities and studies in relation to any of the immovable property mentioned above, and may undertake any actions connected with immovable property, such as purchasing, converting, furnishing, letting, subletting, managing, exchanging, selling, subdividing or placing under the system of joint ownership, or becoming involved within the permitted limits through mergers or otherwise with any companies that have an object that is similar to or complements its own, provided these actions are permitted by the regulations that apply to property investment funds, and, in general, may undertake any actions that are directly or indirectly connected with its object.

The company may only occasionally act as a property developer. The company may also place immovable property under leasing arrangements, with or without an option to purchase.

As a further **additional activity**, the company may also invest in securities that are not described above, and may possess liquid assets. These investments must be diversified in order to ensure that the risk is appropriately spread. They must also be made in accordance with the criteria specified by the Royal Decree of 4 March 1991 relating to certain institutions for collective investment. In the event that the company possesses such securities, this holding must correspond with the investment policy being pursued by the company over the short or medium term, and the securities must be included in the listing of a stock exchange of a member state of the European Union, the NYSE, the NASDAQ or a Swiss stock exchange.

The company may possess cash reserves in any currencies in the form of sight or time deposits or in the form of another easily negotiable monetary instrument. The company may lend securities in accordance with the conditions permitted by law.

## EXTRACT FROM THE ARTICLES OF ASSOCIATION<sup>9</sup>

### CAPITAL - SHARES

#### ARTICLE 8 - NATURE OF THE SHARES

The shares are bearer or registered shares or in dematerialised form. The shares already issued in the sense of articles 460, first paragraph of the company code, which are bearer shares and put on securities account, exist in dematerialised form.

The bearer shares are signed by two directors, whose signatures may be replaced by name stamps.

The bearer shares can be issued as single shares or collective shares. The collective shares represent several single shares in accordance with a form to be specified by the board of directors. They can be split into sub-shares at the sole discretion of the board of directors. If combined in sufficient number, even if their numbers correspond, these sub-shares offer the same rights as the single share.

Each holder of single shares can have his/her shares exchanged by the company for one or more bearer collective shares representing these single securities, as he/she sees fit; each holder of a collective share can have these securities exchanged by the company for the number of single shares that they represent. The holder will bear the costs of this exchange.

Each bearer security can be exchanged into registered securities or securities in dematerialised form and vice versa at the shareholder's expense. As long as the company has not decided to issue the dematerialisation securities, there can be no request for these to be exchanged for dematerialised securities.

A record of the registered shares, which each shareholder is entitled to inspect, is maintained at the company's registered office. Registered subscription certificates will be issued to the shareholders.

Any transfer between living persons or following death, as well as any exchange of securities, will be recorded in the aforementioned register.

### POSSESSION

#### ARTICLE 11 - TRANSPARENCY REGULATIONS

All natural persons or legal entities who acquire or surrender shares or other financial instruments with voting rights granted by the company, regardless of whether these represent the capital, are obliged to inform both the company and the Banking, Finance and Insurance Commission of the number of financial instruments in their possession, whenever the voting rights connected with these financial instruments reach five per cent (5%) or a multiple of five per cent of the total number of voting rights in existence at that time, or when circumstances that require such notification arise.

This declaration is also compulsory in the event of the transfer of shares, if as a result of this transfer the number of voting rights rises above or falls below the thresholds specified in the first or second paragraph.

<sup>9</sup> These articles are not the complete or the literal reproduction of the articles of association. The complete articles of association can be consulted on the company's registered office. An amendment to the articles of association will be submitted to the next general meeting on 6 April 2011, in order to bring these in line with the Royal Decree of 7 December 2010.



## ADMINISTRATION AND SUPERVISION

### ARTICLE 12 - COMPOSITION OF THE BOARD OF DIRECTORS

The company is managed by a board of directors consisting of at least three directors, who may or may not be shareholders. They will be appointed for a maximum of six years by the general meeting of shareholders, and their appointment may be revoked at any time by the latter.

In the event that one or more directors' positions become vacant, the remaining directors have the right to fill the vacancy on a provisional basis until the next general meeting, when a definitive appointment will be made.

Where a legal entity is elected as director or member of the management board, that legal entity shall designate from among its partners, business managers, directors or employees a permanent representative to be charged with the performance of that mandate on behalf of and for the account of the legal entity in question. That representative must satisfy the same conditions and is liable under civil law and responsible under criminal law as if he himself were performing the mandate in question on his own behalf and on his own account, without prejudice to the joint and several liability of the legal person whom he represents. That legal entity may not dismiss his representative without at the same time naming a successor.

All directors and their representatives must satisfy the requirements in terms of professional reliability, experience and autonomy, as specified by article 4 §1, 4° of the Royal Decree of 10 April 1995, and therefore be able to guarantee autonomous management. They must not fall under the application of the prohibitions referred to in article 19 of the law of 22 March 1993 relating to the statute for and supervision of credit institutions.

### ARTICLE 15 - DELEGATION OF AUTHORITY

In application of article 524bis of the Belgian Companies Code, the board of directors can put together an management committee, whose members are selected from inside or outside the board. The powers to be transferred to the management committee are all managerial powers with the exception of those managerial powers that might relate to the company's general policy, actions reserved to the board of directors on the basis of statutory provisions or actions and transactions that could give rise to the application of article 524 of the Belgian Companies Code. If an management committee is appointed, the board of directors is charged with the supervision of this committee.

The board of directors determines the conditions for the appointment of the members of the management committee, their dismissal, their remuneration, any severance pay, the term of their assignment and way of working.

If a management committee is appointed, it can only delegate day-to-day management of the company to a minimum of two persons, who must be directors. If no executive committee is appointed, the board of directors can only delegate day-to-day management of the company to a minimum of two persons, who must be directors.

The board of directors, the executive committee and the managing directors charged with the day-to-day management may also, within the context of this day-to-day management, assign specific powers to one or more persons of their choice, within their respective areas of competence.

The board can determine the remuneration of each mandatory to which special powers are assigned, all in accordance with the law of 20 July 2004 of the collective management of investment portfolios, and its implementation decrees.

## ARTICLE 17 - CONFLICTS OF INTEREST

The directors, the persons charged with day-to-day management and the authorised agents of the company will respect the rules relating to conflicts of interests, as provided for by the Royal Decree of 10 April 1995 relating to property investment funds, by the Belgian Companies Code as where appropriate they may be amended.

## ARTICLE 18 - AUDITING

The task of auditing the company's transactions will be assigned to one or more statutory auditors, appointed by the general meeting from the members of the Belgian Institute of Company Auditors for a renewable period of three years. The statutory auditor's remuneration will be determined at the time of his/her appointment by the general meeting.

The statutory auditor(s) also audits (audit) and certifies (certify) the accounting information contained in the company's annual accounts. At the request of the Banking, Finance and Insurance Commission, he (she) also confirms the accuracy of the information that the company has presented to the aforementioned Commission in application of article 80 of the law of 20 July 2004.

## GENERAL MEETINGS

### ARTICLE 19 - MEETING

The ordinary general meeting of shareholders, known as the annual meeting, must be convened every year on the first Wednesday of April at 2.30 p.m.

If this day is a public holiday, the meeting will be held on the next working day.

At any time an extraordinary general meeting can be convened to deliberate and decide on any matter belonging to its competence and which does not contain any modification of the articles of association.

At any time an extraordinary general meeting can be convened to deliberate and decide, before a notary.

The general meetings are held at the company's registered office or at another location in Belgium, as designated in the notice convening the meeting.



## ARTICLE 22 - DEPOSITING SHARES

In order to be admitted to the meeting, the holders of bearer shares must deposit their shares no later than three days before the date of the intended meeting, if the notice convening the meeting requires them to do so. The shares must be deposited at the company's registered office or at a financial institution designated in the notice convening the meeting.

Owners of dematerialised shares take care of the communication, at least three days before the intended meeting, of a certificate from an authorised institution or a clearing institution, attesting of unavailability of the dematerialised shares till the date of general meeting;

Holders of registered shares do this in an ordinary letter sent to the company's registered office, again at least three days in advance.

## ARTICLE 26 - VOTING RIGHTS

Each share gives the holder the right to one vote.

If one or more shares are jointly owned by different persons or by a legal entity with a representative body consisting of several members, the associated rights may only be exercised vis-à-vis the company by a single person who has been designated in writing by all the authorised persons. Until such a person is designated, all of the rights connected with these shares remain suspended.

If a share is encumbered with a usufruct, the voting rights connected with the share are exercised by the usufructuary, unless there is an objection from the bare owner.

# RESULT PROCESSING

## ARTICLE 29 - APPROPRIATION OF PROFIT

The company will distribute as dividend at least eighty percent (80%) of its net income, less the amounts that correspond to the net reduction of debt for the current financial year.

For the purposes of this article, net income is defined as the profit for the financial year, excluding downward value adjustments, reversals of downward value adjustments and added values realized on fixed assets, in so far as these are recorded in the income statement.

The decision on how the remaining twenty per cent will be appropriated will be taken by the general meeting on the proposal of the board of directors.

Added values on the realization of fixed assets, however, are excluded from net income, as specified in paragraph 1, to the extent that they will be reused within a period of four years, starting from the first day of the current financial year in which these added values will be realized.

The portion of the realized added values that has not been reused after the period of four years will be added to the net income, as defined, for the financial year following this period.

## STATUTORY AUDITOR

On 7 April 2010, Deloitte Réviseurs d'Entreprises sc under the form of a SCRL, which is represented by Kathleen De Brabander and Frank Verhaegen, Berkenlaan 8b - 1831 Diegem, has been reappointed as statutory auditor of Intervest Retail. The mandate of the statutory auditor will end immediately after the annual meeting to be held in 2013.

The remuneration of the statutory auditor amounts to € 66.000 (excl. VAT, incl. costs) a year from the financial year that started on 1st January 2010 for the auditing of the statutory and consolidated annual accounts.

## CUSTODIAN BANK

Since 1 September 2002, Bank Degroof has been designated as the custodian bank of Intervest Retail in the sense of articles 12 ff. of the Royal Decree of 10 April 1995 relating to property investment funds.

The annual remuneration (excl. VAT) amounts to 0,01 % per annum and is calculated on the total assets.

In accordance with the Royal Decree of 7 December 2010 the property investment fund are no longer bound to use a custodian bank.

## LIQUIDITY PROVIDER

Since December 2001, a liquidity contract has been concluded with Bank Degroof, rue de l'Industrie 44, B-1000 Brussels, to promote the negotiability of the shares.

In practice this takes place through the regular submission of buy and sell orders within certain margins.

The remuneration has been set at a fixed amount of € 1.000 a month.

## PROPERTY EXPERTS

The property experts designated by Intervest Retail are:

- ▶ Cushman & Wakefield, 1000 Brussels, avenue des Arts 56. The company is represented by Kris Peetermans.
- ▶ de Crombrugghe & Partners, 1160 Brussels, avenue G. Demey 72-74. The company is represented by Guibert de Crombrugghe.
- ▶ CB Richard Ellis, 1000 Brussels, avenue Lloyd George 7. The company is represented by Peter de Groot.

In accordance with the Royal Decree of 10 April 1995 and the Royal Decree of 7 December 2010, they value the portfolio four times a year. The fee of the property experts is calculated on the basis of an annual fixed amount per building.

## PROPERTY INVESTMENT FUND - LEGAL FRAMEWORK

The Investment Fund system was regulated in several Royal Decrees (Royal Decree of 10 April 1995, 10 June 2001, 21 June 2006 and 7 December 2010) to stimulate joint investments in property. The concept is very similar to that of the Real Estate Investment Trusts (REIT USA) and the Fiscal Investment Institutions (FBI Netherlands).

It is the legislator's intention that Investment Funds will guarantee optimum transparency with regard to the property investment and ensure the pay-out of maximum cash flow, while the investor enjoys a whole range of benefits.

The Investment Fund is monitored by the Banking, Finance and Insurance Commission and is subject to specific regulations, the most notable provisions of which are as follows:

- ▶ adopt the form of a limited liability company or a limited partnership with a share capital with a minimum capital of € 1.250.000
- ▶ a company with fixed capital and a fixed number of shares
- ▶ compulsory listing on the stock exchange
- ▶ limited possibility for concluding mortgages
- ▶ a debt ratio limited to 65 % of the total assets; if the consolidated debt ratio exceeds 50 %, a financial plan has to be drawn up
- ▶ financial charges resulting from the borrowed capital may under no circumstances exceed the threshold of 80 % (comprising only rental charges and no instalment payments) of the total operating and financial income of the property investment fund
- ▶ strict rules relating to conflicts of interests
- ▶ the portfolio must be recorded at market value without the possibility of depreciation
- ▶ a three-monthly estimate of the property assets by independent property experts
- ▶ spreading of the risk: a maximum of 20 % of capital in one building, except certain exceptions
- ▶ a property investment fund may not engage itself in "development activities"; this means that the property investment fund can not act as a building promoter aiming to erect buildings in order to sale them and to cash a developer's profit
- ▶ exemption from corporation tax provided that at least 80 % of the operating distributable result is distributed
- ▶ a deduction of a liberating withholding tax on dividend of 15 % when paying out dividends

The aim of these rules is to limit the risk for shareholders.

Companies that merge with a property investment fund are subject to a tax (exit tax) of 16,995% on deferred added values and tax-free reserves.

## STATEMENT TO THE ANNUAL REPORT

Pursuant to article 13 § 2 of the Royal Decree of 14 November 2007, Reinier van Gerrevink, managing director and member of the management committee and Hubert Roovers, managing director, declare that according to their knowledge:

- a) the annual accounts, prepared in accordance with the "International Financial Reporting Standards" (IFRS) as accepted by the European Union and in accordance with the Royal Decree of 21 June 2006, give a true and fair view of the equity, the financial position and the results of Intervest Retail and the companies included in the consolidation.
- b) the annual report gives a true statement of the development and results of Intervest Retail during the current year and of the position of the property investment fund and the companies included in the consolidation, as well as of the main risks and uncertainties where Intervest Retail is confronted with.

## TERMINOLOGY

### Acquisition value of an investment property

This term is used at the acquisition of a property. If transfer costs are paid, they are included in the acquisition value.

### Corporate governance

Corporate governance is an important instrument for constantly improving the management of the property investment fund and to protect the interest of the shareholders.

### Current rents

Annual rent on the basis of the rental situation on a certain moment in time.

### Debt ratio

The debt ratio is calculated as the liabilities (excluding provisions and accrued charges and deferred income and deferred taxes-liabilities) less the negative change in the fair value of the financial coverage instruments, compared to the total assets. The calculation method of the debt ratio is pursuant to article 27 § 1-2° of the Royal Decree of 7 December 2010. By means of this Royal Decree the debt ratio of the property investment funds is 65 %.

### Diluted net result

The diluted net result per share is the net result as published in the income statement, divided by the weighted average number of ordinary shares adapted to the effect of potential ordinary shares leading to dilution.

### Fair value of investment properties (in accordance with Beama interpretation of IAS 40)

This value is equal to the amount at which a building might be exchanged between knowledgeable, willing parties in normal competitive conditions. From the perspective of the seller, they should be understood as involving the deduction of registration fees.

In practice, this means that the fair value is equal to the investment value divided by 1,025 (for buildings with a value of more than € 2,5 million) or the investment value divided by 1,10/1,125 (for buildings with a value of less than € 2,5 million).

### Free float

Free float is the number of shares circulating freely on the stock exchange and therefore not in permanent ownership.

### Gross dividend

The gross dividend per share is the operating distributable result divided by the number of shares.

### Gross dividend yield

The gross dividend yield is the gross dividend divided by the share price on closing date.

### Investment value of an investment property

This is the value of a building estimated by an independent property expert, and including the transfer costs without deduction of the registration fee. This value corresponds to the formerly used term "value deed in hand".

### Liquidity of the share

The ratio between the number of shares traded daily and the number of capital shares.

### Net asset value (investment value)

Total shareholders' equity increased with the reserve for the impact on the fair value of estimated transaction rights and costs resulting from the hypothetical disposal of investment properties, divided by the number of shares.

### Net asset value (fair value)

Total shareholders' equity divided by the number of shares.

### Net dividend

The net dividend is equal to the gross dividend after deduction of withholding tax of 15 %.

### Occupancy rate

The occupancy rate is calculated as the ratio of the rental income to the same rental income plus the estimated rental value of the vacant locations for rent.

### Operating distributable result

The operating distributable result is the operating result before the result on portfolio less the financial result and taxes, and exclusive the change in fair value of financial derivatives (which are not considered as effective hedge in accordance with IAS 39) and other non-distributable elements on the basis of the statutory annual accounts of Intervest Retail sa.

### Ordinary earnings (loss) per share

The ordinary earnings per share is the net result as published in the income statement, divided by the weighted average number of ordinary shares (i.e. the total amount of issued shares less the own shares) during the financial year.

### Yield

The yield is calculated as the relation between the rental income (increased or not by the estimated rental value of vacant locations for rent) and the investment value of investment properties.

**INTERVEST RETAIL**

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**INTERVEST**  
RETAIL