Affine

2007 Management Report

Part 2: Financial Reports

A. Consolidated Financial Statements
Financial year ended December 31, 2007

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ASSETS *(€000)*	**Note**	**31/12/2007**	**31/12/2006 restated**
SAVINGS BANK, CENTRAL BANK, POST OFFICE		**129**	**14**
FINANCIAL ASSETS AT FAIR VALUE VIA INCOME		**12,763**	**10,370**
Bonds and other fixed income securities		3,413	-
Equities and other variable income securities	[7.1]	5,834	8,902
Derivatives	[7.2]	3,516	1,468
HEDGING DERIVATIVES		**-**	**-**
FINANCIAL ASSETS AVAILABLE FOR SALE	[7.3]	**57,713**	**36,446**
LOANS AND RECEIVABLES DUE FROM FINANCIAL INSTITUTIONS	[7.4]	**41,974**	**11,604**
Ordinary debit balances		41,870	11,437
Long-term loans and accounts		-	140
Related receivables		104	27
Finance leases and related receivables		-	-
TRADE LOANS AND RECEIVABLES	[7.5]	**172,552**	**166,106**
Other trade credit		13,088	4,527
Ordinary debit balances		2,124	2,182
Related receivables on investment property		14,329	5,967
Trade receivables (services rendered)		34,445	21,675
Finance leases and related receivables	[7.6]	108,567	131,754
REVALUATION SURPLUS ON INTEREST RATE HEDGED PORTFOLIOS		**-**	**-**
FINANCIAL ASSETS HELD TO MATURITY		**-**	**-**
CURRENT TAX ASSETS		**1,801**	**3,928**
DEFERRED TAX ASSETS	[7.7]	**1,477**	**1,038**
OTHER ASSETS	[7.8]	**83,260**	**82,191**
Interim dividends paid out during the financial year		3,649	4,949
Other assets		79,611	77,242
NON-CURRENT ASSETS HELD FOR SALE	[7.9]	**38,256**	**2,890,**
INTERESTS IN COMPANIES ACCOUNTED FOR UNDER THE EQUITY METHOD	[7.10]	**28,614**	**25,093**
INVESTMENT PROPERTY	[7.11]	**912,591**	**665,968**
Leased property		912,591	665,343
Temporarily unleased property		-	625
PROPERTY, PLANT AND EQUIPMENT	[7.12]	**3,643**	**48,078**
INTANGIBLE ASSETS	[7.12]	**1,383**	**2,834**
GOODWILL	[7.13]	**6,907**	**6,942**
TOTAL ASSETS		**1,363,065**	**1,063,503**

LIABILITIES *(€000)*	**Note**	**31/12/2007**	**31/12/2006 restated**
CENTRAL BANK, POST OFFICE		**-**	**-**
FINANCIAL LIABILITIES AT FAIR VALUE VIA INCOME		**1,152**	**833**
HEDGING DERIVATIVES		**-**	**-**
PAYABLES DUE TO FINANCIAL INSTITUTIONS	[8.1]	**588,045**	**562,512**
Ordinary credit balances		5,260	9,273
Long-term loans and accounts		582,785	553,238
TRADE PAYABLES	[8.2]	**12,242**	**10,220**
Ordinary credit balances		1,133	1,042
Other payables		-	15
Long-term loans and accounts		11,109	9,163
DEBT SECURITIES	[8.3]	**24,919**	**-**
REVALUATION LOSS ON INTEREST RATE HEDGED PORTFOLIOS		**-**	**-**
CURRENT TAX LIABILITIES		**8,686**	**8,423**
DEFERRED TAX LIABILITIES	[8.4]	**25,689**	**21,351**
OTHER LIABILITIES	[8.5]	**126,645**	**101,063**
PAYABLES ON NON-CURRENT ASSETS HELD FOR SALE		**-**	**-**
PROVISIONS FOR LIABILITIES AND CHARGES	[8.6]	**5,706**	**5,050**
EQUITY	[8.7]	**569,982**	**354,051**
EQUITY - GROUP SHARE		**469,244**	**317,986**
SHARE CAPITAL AND RELATED RESERVES		**171,495**	**101,633**
Share capital		47,700	47,600
Premiums		23,787	23,439
Equity component of hybrid instruments		105,406	31,038
Treasury stock		(5,399)	(444)
OTHER RESERVES		**184,247**	**143,820**
UNREALISED OR DEFERRED GAINS OR LOSSES		**35,344**	**13,566**
Unrealised gains or losses on derivatives		-	-
Unrealised gains or losses on assets available for sale		35,344	13,566
NET PROFIT FOR THE YEAR		**78,159**	**58,966**
MINORITY INTERESTS		**100,738**	**36,065**
Minority share of consolidated reserves		87,290	31,075
Minority share of consolidated earnings		13,448	4,990
TOTAL LIABILITIES		**1,363,065**	**1,063,503**

INCOME STATEMENT (€000)	**Note**	**31/12/2007**	**31/12/2006 restated**
INTEREST AND RELATED INCOME		**9,430**	**8,253**
On fixed income securities available for sale		91	-
On loans and receivables due from financial institutions	[9.1]	1,681	538
On trade loans and receivables	[9.2]	211	130
On financial assets held to maturity		-	-
On hedging derivatives		-	-
On finance leases	[9.3]	7,446	7,585
On impaired receivables		-	-
INTEREST AND RELATED EXPENSES		**35,063**	**23,074**
On payables due to financial institutions	[9.4]	34,369	22,494
On trade payables	[9.5]	640	579
On debt securities		-	-
On subordinated debt	[9.6]	54	-
On finance leases			-
On loans and receivables		-	-
COMMISSIONS (INCOME)		**-**	**-**
COMMISSIONS (EXPENSES)		**3,218**	**1,141**
NET GAINS OR LOSSES ON FINANCIAL INSTRUMENTS AT FAIR VALUE VIA INCOME	[9.7]	**2,264**	**1,301**
NET GAINS OR LOSSES ON FINANCIAL ASSETS AVAILABLE FOR SALE	[9.8]	**4,297**	**624**
INCOME FROM OTHER ACTIVITIES	[9.9]	**355,427**	**274,730**
Income on finance leases		16,145	46,199
Income from real estate transactions		171,824	90,103
Income on investment property		154,503	130,624
Other miscellaneous operating income		12,955	7,805
EXPENSES FROM OTHER ACTIVITIES	[9.9]	**221,528**	**167,240**
Expenses on finance leases		13,397	43,779
Expenses on real estate transactions		161,201	79,377
Expenses on investment property		42,681	39,562
Other miscellaneous operating expenses		4,248	4,522
NET BANKING INCOME		**111,609**	**93,453**
GENERAL OPERATING EXPENSES	[9.10]	**33,739**	**24,862**
DEPRECIATION, AMORTISATION AND PROVISIONS FOR PP&E AND INTANGIBLE ASSETS	[9.11]	**2,614**	**539**
GROSS OPERATING INCOME		**75,256**	**68,052**
COST OF RISK	[9.12]	**(1,564)**	**(920)**
NET OPERATING INCOME		**73,691**	**67,132**
EARNINGS OF COMPANIES ACCOUNTED FOR UNDER THE EQUITY METHOD		**2,426**	**1,241**
NET GAINS OR LOSSES ON OTHER ASSETS	[9.13]	**12,706**	**323**
CHANGE IN GOODWILL	[9.14]	**(1,365)**	**42**
PRE-TAX PROFIT		**87,458**	**68,737**
INCOME TAX CHARGE	[9.15]	**4,090**	**(4,781)**
PROFIT AFTER TAX ON DISCONTINUED OPERATIONS OR THOSE HELD FOR SALE	[9.16]	**59**	**-**
NET PROFIT		**91,607**	**63,956**
MINORITY INTERESTS		**13,448**	**4,990**
NET PROFIT - GROUP SHARE		**78,159**	**58,966**
Earnings per share (€)	[9.17]	**9.76**	**21.92**
Diluted earnings per share (€)	[9.17]	**8.11**	**18.45**

Statement of changes in equity

	Share capital and capital reserves			Other reserves	
(€000)	Share capital	Reserves related to share capital	Treasury stock	Consolidated reserves	Sub-total carried forward (1)
Equity as of 31/12/2005	**47,305**	**52,129**	**(386)**	**103,391**	**202,438**
Impact of application of IAS/IFRS	-	-	-	-	-
Fair value of investment property				-	-
Earnings allocation	-	-	-	52,618	52,618
Equity as of 01/01/2006	**47,305**	**52,129**	**(386)**	**156,009**	**255,056**
Share capital increase	295	1,320	-	30	1,645
Elimination of treasury stock	-	-	(58)	-	(58)
Preference share issue	-	-	-	-	-
Equity component of hybrid instruments	-	1,029-	-	-	1,029
Transactions involving share-based payments	-	-	-	-	-
Dividend distribution	-	-	-	(10,883)	(10,883)
Sub-total of shareholder-related transactions	**295**	**2,349**	**(58)**	**(10,853)**	**(8,267)**
Changes in value of financial instruments and fixed assets posted to equity	-	-	-	-	-
Changes in value of financial instruments and fixed assets posted to income	-	-	-	-	-
2006 net profit	-	-	-	-	-
Sub-total	**-**	**-**	**-**	**-**	**-**
Impact of acquisitions and disposals on minority interests	-	-	-	-	-
Changes in accounting policies	-	-	-	-	-
Share of change in equity in companies accounted for under the equity method	-	-	-	-	-
Other changes	-	-	-	**(1,335)	(1,335)
Equity as of 31/12/2006	**47,600**	**54,477**	**(444)**	**143,821**	**245,454**
2006 net profit allocation	-	-	-	58,966	58,966
Equity as of 01/01/2007	**47,600**	**54,477**	**(444)**	**202,787**	**304,420**
Share capital increase	100	348	-	(49)	398
Elimination of treasury stock	-	-	(4,955)	-	(4,955)
Preference share issue	-	-	-	-	-
Equity component of hybrid instruments	-	74,368	-	-	74,368
Transactions involving share-based payments	-	-	-	-	-
Dividend distribution	-	-	-	(12,150)	(12,150)
Sub-total of shareholder-related transactions	**100**	**74,716**	**(4,955)**	**(12,199)**	**57,661**
Changes in value of financial instruments and fixed assets posted to equity	-	-	-	-	-
Changes in value of financial instruments and fixed assets posted to income	-	-	-	-	-
2007 net profit	-	-	-	-	-
Sub-total	**-**	**-**	**-**	**-**	**-**
Impact of acquisitions and disposals on minority interests	-	-	-	236	236
Changes in accounting policies	-	-	-	-	-
Share of change in equity of companies accounted for under the equity method	-	-	-	-	-
Other changes	-	-	-	*(6,577)	(6,577)
Equity as of 31/12/2007	**47,700**	**129,194**	**(5,399)**	**184,247**	**355,742**

* Including (4,935) from ORA (convertible bonds) and TSDI, (perpetual subordinated loan notes) (3,999) earnings allocation, (2,493) IPO costs, 1,357 correction of 2006 net profit on Banimmo, 584 BFI capital reduction

** Including (1,489) from ORA, 80 on BFI share capital increase.

Statement of changes in equity (continued)

(€000)	Unrealised or deferred post-tax gains/losses (net of income tax) Translation adjustments	Revaluation reserves	Changes in value of assets available for sale	Changes in value of hedging derivatives	Sub-total carried forward (2)
Equity as of 31/12/2005	**-**	**-**	**7,185**	**-**	**7,185**
Impact of application of IAS/IFRS	-	-	-	-	-
Earnings allocation	-	-	-	-	-
Equity as of 01/01/2006	**-**	**-**	**7,185**	**-**	**7,185**
Share capital increase	-	-	-	-	-
Elimination of treasury stock	-	-	-	-	-
Preference share issue	-	-	-	-	-
Equity component of hybrid instruments	-	-	-	-	-
Transactions involving share-based payments	-	-	-	-	-
Dividend distribution	-	-	-	-	-
Sub-total of shareholder-related transactions	**-**	**-**	**-**	**-**	**-**
Changes in value of financial instruments and fixed assets posted to equity	-	-	6,381	-	6,381
Changes in value of financial instruments and fixed assets posted to income	-	-	-	-	-
2006 net profit	-	-	-	-	-
Sub-total	**-**	**-**	**6,381**	**-**	**6,381**
Impact of acquisitions and disposals on minority interests	-	-	-	-	-
Changes in accounting policies	-	-	-	-	-
Share of change in equity of companies accounted for under the equity method	-	-	-	-	-
Other changes	-	-	-	-	-
Equity as of 31/12/2006	-	-	13,566	-	13,566
2006 net profit allocation	-	-	-	-	-
Equity as of 01/01/2007	**-**	**-**	**13,566**	**-**	**13,566**
Share capital increase	-	-	-	-	-
Elimination of treasury stock	-	-	-	-	-
Preference share issue	-	-	-	-	-
Equity component of hybrid instruments	-	-	-	-	-
Transactions involving share-based payments	-	-	-	-	-
Dividend distribution	-	-	-	-	-
Sub-total of shareholder-related transactions	**-**	**-**	**-**	**-**	**-**
Changes in value of financial instruments and fixed assets posted to equity	-	-	21,778	-	21,778
Changes in value of financial instruments and fixed assets posted to income	-	-	-	-	-
2007 net profit	-	-	-	-	-
Sub-total	**-**	**-**	**21,778**	**-**	**21,778**
Impact of acquisitions and disposals on minority interests	-	-	-	-	-
Changes in accounting policies	-	-	-	-	-
Share of change in equity of companies accounted for under the equity method	-	-	-	-	-
Other changes	-	-	-	-	-
Equity as of 31/12/2007	**-**	**-**	**35,344**	**-**	**35,344**

Statement of changes in equity (continued)

(€000)	Sub-totals brought forward (1) + (2)	Net profit Group share	**Equity – Group share**	**Equity – minority interests**	**Total consolidated equity**
Equity as of 31/12/2005	**209,623**	**52,618**	**262,241**	**1,100**	**263,341**
Impact of application of IAS/IFRS		-			
Fair value of investment property	-	-	-	-	-
Earnings allocation	52,618	(52,618)	-	-	-
Equity as of 01/01/2006	**262,241**	**-**	**262,241**	**1,100**	**263,341**
Share capital increase	1,645	-	1,645	23	1,668
Elimination of treasury stock	(58)	-	(58)	-	(58)
Preference share issue	-	-	-	-	-
Equity component of hybrid instruments	1,029	-	1,029	-	1,029
Transactions involving share-based payments	-	-	-	-	-
Dividend distribution	(10,883)	-	(10,883)	(1,744)	(12,627)
Sub-total of shareholder-related transactions	**(8,267)**	**-**	**(8,267)**	**(1,721)**	**(9,988)**
Changes in value of financial instruments and fixed assets posted to equity	6,381	-	6,381	(4)	6,377
Changes in value of financial instruments and fixed assets posted to income	-	-	-	-	-
2006 net profit	-	58,966	58,966	4,990	63,956
Sub-total	**6,381**	**58,966**	**65,347**	**4,986**	**70,333**
Impact of acquisitions and disposals on minority interests	-	-	-	31,572	31,572
Changes in accounting policies	-	-	-	-	-
Share of change in equity of companies accounted for under the equity method	-	-	-	-	-
Other changes	(1,335)		(1,335)	128	(1,207)
Equity as of 31/12/2006	259,020	58,966	317,986	36,065	354,051
2006 net profit allocation	58,966	(58,966)	-	-	-
Equity as of 01/01/2007	**317,986**	**-**	**317,986**	**36,065**	**354,051**
Share capital increase	398	-	398	56,705	57,103
Elimination of treasury stock	(4,955)	-	(4,955)	-	(4,955)
Preference share issue	-	-	-	-	-
Equity component of hybrid instruments	74,368	-	74,368	-	74,368
Transactions involving share-based payments	-	-	-	-	-
Dividend distribution	(12,150)	-	(12,150)	(9,818)	(21,968)
Sub-total of shareholder-related transactions	**57,661**	**-**	**57,661**	**46,887**	**104,548**
Changes in value of financial instruments and fixed assets posted to equity	21,778	-	21,778	-	21,778
Changes in value of financial instruments and fixed assets posted to income	-	-	-	-	-
2007 net profit	-	78,159	78,159	13,448	91,607
Sub-total	**21,778**	**78,159**	**99,937**	**13,448**	**113,385**
Impact of acquisitions and disposals on minority interests	236	-	236	8,067	8,303
Changes in accounting policies	-	-	-	-	-
Share of change in equity of companies accounted for under the equity method	-	-	-	-	-
Other changes	(6,577)	-	(6,577)	(3,729)	(10,306)
Equity as of 31/12/2007	**391,086**	**78,159**	**469,244**	**100,738**	**569,982**

Cash flow statement

		31/12/2007	31/12/2006
Cash flows from finance leases		32,590	31,503
Cash flows from real estate development transactions		4,738	15,182
Cash flows from investment property		44,070	42,127
Cash flows from financial assets and investments		5,062	776
Cash flows from financing activities		(35,357)	(19,174)
Other operating cash flows		(30,506)	(25,349)
Tax paid	[10.2]	(10,366)	(10,795)
Net cash flows from operating activities	[10.1]	**10,231**	**34,270**
Cash flows from finance leases		2,959	(12,355)
Cash flows from investment property		(9,722)	29,405
Cash flows from financial assets and investments	[10.3]	(42,077)	(104,450)
Cash flows from operating fixed assets		(1,161)	620
Net cash flows from investing activities		**(50,001)**	**(86,779)**
Cash flows relating to equity	[10.4]	107,849	(14,914)
Net cash flows from financing transactions	[10.5]	(37,381)	43,690
Net cash flows from financing activities		**70,468**	**28,776**
Impact of change in exchange rates on cash and cash equivalents		**(12)**	**(1)**
Change in cash and cash equivalents		**30,686**	**(23,735)**
Opening cash position		11,981	35,715
Closing cash position	[10.6]	42,667	11,981
Change in net cash and cash equivalents		**30,686**	**(23,735)**

NOTES

1. Corporate information

On February 20, 2008, the Board of Directors of Affine SA approved the financial statements for the year ended December 31, 2007 and authorised their publication. Affine is a société anonyme (public limited company) listed on Compartment B of Euronext Paris; it is included in the SBF 250 (CAC Small90) Index. Affine was also included in the EPRA Index on June 19, 2006.

Affine is a financial institution authorised to market finance leases. It has also adopted, together with some of its subsidiaries, the listed real-estate investment trust ('SIIC') tax regime for its rental property business. Its registered office is at 4 square Edouard VII, Paris 9.

The Group's main business activities are set out in the "Segment reporting" note below. The main events during the year are described and can be consulted in the separate management report.

The financial statements of the Affine Group are fully consolidated by the finance company MAB Finances SAS.

2. Accounting principles and policies

Accounting basis and presentation of the financial statements

In accordance with EC regulation No. 1606/2002 of July 19, 2002, the Affine Group's financial statements are drawn up pursuant to the IAS/IFRS applicable on the balance sheet date, as adopted by the European Union.

The accounting principles are in line with the presentation, accounting and valuation policies set out in IAS 1.

IFRS 8 and IAS 23 revised are applicable with effect from January 1, 2009. The Group has decided not to implement these standards in advance. They are not expected to have an impact on equity or income.

The business activities of the consolidated companies are not seasonal.

The financial statements are presented in thousands of euros (€000).

Comparability of the financial statements

The financial statements for the year ended December 31, 2006 have been restated following adjustments for:
- Banimmo's IPO,
- The convertible bonds.

The impact on consolidated net profit for the year ended December 31, 2006 is a gain of €1,697,000.
The following items were restated:

(€000)	Note	31/12/2006 restated	31/12/2006 published	Variation
Assets				
Assets available for sale	[7.9]	2,890	-	2,890
Investment property	[7.11]	665,343	668,233	(2,890)
Liabilities				
Deferred tax liabilities	[8.4]	21,351	21,549	(198)
Provisions for liabilities and charges	[8.6]	5,050	6,209	(1,159)
Subordinated debt (impact of convertible bonds)		-	1,029	(1,029)
Share capital and related reserves		101,633	100,605	1,029
Other reserves		143,820	144,287	(467)
Earnings for the period		58,966	57,565	1,401
Minority share of reserves		31,075	30,948	127
Minority share of earnings		4,990	4,695	295

Use of estimates and assumptions

Preparing the consolidated financial statements requires the use of estimates and assumptions that may affect the amounts set out in the financial statements and the accompanying notes. These particularly relate to real estate valuations and the fair value of derivatives. Amounts confirmed during the disposal of assets may differ from these estimates.

Finance leases

IAS 17 requires a lease to be classified as a finance lease where it transfers to the lessee almost all the risks and benefits of ownership of an asset. All other leases are classified as investment property leases. All property leases in the Affine portfolio are finance leases as defined by IAS 17.

The lessor recognises a receivable in its balance sheet for an amount equivalent to the present value of estimated future cash flows based on the original effective interest rate of the liability as stated in the lease contract.

When a lease is renegotiated, the difference between the new financial base and the previously recorded book value is directly posted to the income statement.

Property under construction is still subject to IAS 16, in the same way as property, plant and equipment (see the appropriate chapter).

IAS 17 specifies that initial direct costs incurred in negotiating leases must be included in the initial investment amount and deducted from the finance income over the term of the lease.

The lessor’s earnings from the transaction relate to the loan interest amount, which is calculated based on the effective interest rate method. The effective interest rate is the rate that balances the cumulative present value of minimum lease payments and the unguaranteed residual value. The periodic interest rate used to calculate financial income is constant pursuant to IAS 17.

Deposits paid by lessees are treated by Affine as part of the rights and obligations arising from leases and are thus subject to IAS 17.

When a finance lease is legally terminated, the underlying property is transferred to investment property under the temporary unleased buildings (“ITNL”) category even where the lessee still occupies the premises and pays a rent. The property is then subject to IAS 40 in view of Affine’s preference for operating leases.

Investment property leases

Investment property leases comprise operating leases in respect of property owned by the Group or leased by the Group under a finance lease.

Leases whereby the lessor retains almost all the risks and benefits inherent in the ownership of the asset are classified as investment property leases.

IAS 17 provides for the financial consequences of all the provisions of the lease to be amortised over the fixed term of the lease. This straight-line amortisation of the rent results in accrued income being recognised over an exemption period, or the early years of the lease in the case of gradual or staged rental payments.

All the benefits agreed upon when negotiating or renewing an investment property lease are recognised as part of the consideration accepted for the use of the leased asset, regardless of the nature, form and payment date of these benefits (SIC 15). The total amount of these benefits is deducted from rental income over the term of the lease on a straight-line basis, unless another systematic method is representative of the way in which the benefit pertaining to the leased asset is consumed over time.

Deposits paid by lessees are treated by Affine as part of the rights and obligations arising from leases and are thus subject to IAS 17.

Compensation for eviction is expensed during the year, even in the case of renovation works or the reconstruction of a building (IAS 17).

The treatment of admission fees depends on a substantive analysis of the payment (IAS 17):

- Where the payment is in consideration for the enjoyment of the property (on top of the rent) it is recognised with rental income over the term of the lease;
- Where the payment is in return for a service rendered other than the right to use the asset, it is recognised on a basis that reflects the nature of the services rendered and the timeframe over which they are provided.

Investment property

IFRS draw a distinction between investment properties (governed by IAS 40) and other property, plant and equipment (governed by IAS 16).

Investment properties are real estate (land or buildings) held by the owner to earn rental income or appreciate in value or both, rather than to use them in production or to provide goods and services, for administrative purposes or to sell them in the ordinary course of business.

If repairs are carried out on investment properties, they remain in the category of investment property under construction.

Affine Group has opted for the fair value method provided for under IAS 40 and any changes in investment property values are posted to income (see "Property valuation method" below).

The initial direct costs of negotiating and putting in place leases (e.g. legal fees and commission) are included in the amount of the leased asset and amortised over the fixed term of the lease (IAS 17).

Properties held under finance leases must be capitalised and are subject to IAS 40 for the lessee.

Minimum lease rental payments are broken down between interest costs and repayment of the liability.

Property, plant and equipment

Property, plant and equipment consist of:

- ❖ Operating buildings

Only properties that have never before been leased fall under the scope of IAS 16.

In accordance with IAS 16, operating buildings are:

- Recorded at cost corresponding to the fair value of the price paid including directly related costs of acquisition and renovation to market standards (transfer duties, fees, other costs etc);
- Valued at cost less cumulative depreciation calculated per component and impairment, if their fair value cannot be reliably determined.

Once a building under construction is completed, it is recorded as an investment property under IAS 40 and stated at fair value; changes in value are taken to the income statement as value adjustments.

Of the Affine Group's investment properties, only part of one building used by BFI for its business centre services comes under IAS 16.

- ❖ Operating property, plant and equipment

Depreciation is calculated on the straight line method based on the planned useful life:

Depreciation periods are as follows:

- Office equipment: 3 to 5 years
- IT equipment: 3 years
- Fixtures and fittings: 5 to 10 years
- Vehicles: 4 to 5 years
- Furniture: 4 to 10 years

Intangible assets

Intangible assets are governed by IAS 38.

An intangible asset is recognised in the balance sheet where and only where it is likely that the future economic benefits attributable to the asset will flow to the company, where it has control over the asset and where the cost of the asset can be reliably measured. Assets that do not satisfy these criteria are expensed or included in goodwill in the case of business combinations.

The amortisable amount of an intangible fixed asset is amortised using a straight-line model, over the best estimate of its useful life, which cannot normally exceed twenty years.

Generally speaking, the residual value, the amortisation period and the amortisation method are reviewed on a regular basis. Any change is recognised prospectively as an adjustment to future amortisation.

Property valuation method

All buildings in the portfolio are valued by independent appraisers every year. For the December 31, 2007 financial statements, the appraisers used were as follows:

- Ad Valorem,
- Cushman & Wakefield,
- Atis Réal,
- Michel Marx Expertises,
- De Crombrugghe & Partners.

The first three appraisal firms valued the properties of Affine and its subsidiaries; Michel Marx Expertises valued the AffiParis Group properties and De Crombrugghe & Partners valued the properties held by Banimmo Group.

The method generally applied by the appraisal firms is capitalisation of net income, confirmed by the comparative method. A company valuation is carried out internally for buildings whose value is not material as at the balance sheet date.
In respect of Affine, 69 of its 73 properties under operating leases, representing 99.6% of the gross value of the company's total leased properties, underwent an independent valuation as at December 31, 2007 performed by the three appraisal firms. The four remaining properties were valued internally; where applicable, the valuation was the price stated in a property sale commitment, as was the case for two properties. In respect of AffiParis, the values were based either on the independent appraisals as at December 31, 2007 for 77.6% of the gross value of the properties, or on the value specified in a sales mandate for 22.4% of the gross value of the properties held for sale. In respect of Banimmo, 100% of the 18 properties were valued by independent appraisal firms.

Properties purchased during the year and those subject to a purchase offer or sales commitment are stated at market value. Properties for which a sale procedure has begun are shown on a separate line in the balance sheet. The gain or loss on sale of an investment property is calculated in relation to the most recent fair value recorded in the balance sheet of the preceding financial year.

€000	12.31.2006	12.31.2007	Change
Change in fair value via income	36,186	27,823	8,363
Change in fair value via equity		-	

Non-current assets held for sale

Where the carrying amount of a non-current asset is to be recovered through disposal rather than through continued use, IFRS 5 requires the asset to be posted to a specific balance sheet account, namely “non-current assets held for sale”.

At December 31, 2007, there were 19 non-current assets held for sale (2 Affine assets representing one apartment of the Sipec property and 17 AffiParis assets). These properties are stated at fair value (i.e. expected sales price per the sales commitment, or based on a sales mandate).

Inventories and construction contracts

- Inventories

Inventories and work in progress are recorded initially at purchase or production cost. At each balance sheet date, they are valued at the lower of cost of construction and net realisable value. The net realisable value is the estimated selling price during the course of normal business, less any estimated costs of sale. In practice, the value is written off when the realisable value is found to be lower than the historic cost.
Inventories largely consist of land, property reserves and property promotion costs incurred.

- Construction contracts and *Ventes en l'Etat Futur d'Achèvement* (sales of property not yet completed – "VEFA")

Affine Group applies the method of recognising earnings based on the stage of completion for all construction contracts, in accordance with the provisions of IAS 11. Accordingly, the margin and sales for property transactions are now recognised on the basis of the stage of completion.

Costs of construction and VEFA contracts are costs directly attributable to the contract, and sales force costs are not taken to inventories. However, when a loan is specifically allocated to a project, Affine Group recognises interest costs in inventory, in line with the option provided for in IAS 23.

Marketing and management fees are recorded as expenses.

When it is probable that the total cost of a contract will exceed total income, the group records a loss on termination as an expense for the period.

The accounting procedures at each balance sheet date are as follows:

- Expenses that do not correspond to the stage of completion and that therefore pertain to a future activity are recognised in inventories, work in progress or other assets or other liabilities,
- Costs incurred as part of the performance of the contract and corresponding to the stage of completion at the balance sheet date are recognised in income,
- Contractual income is recognised:
  a) Either as Other liabilities (deferred income), an accrual entry recognising the income as sales and, after deduction of expenses incurred in the performance of the contract, recognising the portion of profit upon completion corresponding to the percentage of completion,
  b) Or at the end of the contract or at progressive milestones, the adjustment being made via other assets and liabilities or via receivables/payables.

The profit or loss upon completion is taken from the projected margin set out in the project budget.
The percentage of completion is determined using the method that most reliably measures the work or services carried out and accepted, depending on their nature. The method used is either the proportion of the cost of work and services carried out as at the balance sheet date in relation to the anticipated total contract costs, or a certificate of progress issued by a professional.

Business combinations – Goodwill

- Business combinations

Business combinations are recognised using the acquisition method at fair value.

The acquisition method consists of:

- Identifying the purchaser,
- Determining the acquisition date,
- Measuring the acquisition cost,
- Allocating the cost of the business combination to identifiable assets and liabilities at their fair value.

An excess of the cost of the business combination over the purchaser's interest, namely goodwill, represents a payment for future economic benefits generated by assets that cannot be specifically identified and recognised separately. Goodwill is initially recognised as an asset at cost; it cannot be amortised but may be subject to impairment.

An excess in the purchaser's interest over the cost of the business combination (negative goodwill) is taken to income.

- Acquisitions of individual assets

Such assets are recorded under the acquisition method and stated at fair value.

Doubtful receivables

Regardless of the business sector, once a receivable has been overdue for over six months at the end of the financial year, it is transferred to the "doubtful receivables" account. The same applies when a counterparty's situation leads to the conclusion that there is a risk (receivership, major financial difficulties, etc.).

Outstanding receivables are included in "non-performing receivables" when they have been classified as doubtful for at least one year, or in the event of the expiry or termination of a finance lease.
Outstanding receivables restructured based on non-market terms are identified under performing receivables in a specific sub-category until their ultimate maturity. No outstanding amounts have been identified as falling into this category.

Impairment of property, plant and equipment and intangible assets

- Investment property

When recognising an impairment loss for an amortisable asset, the charge must be adjusted for future years, so that the revised book value of the asset, less its residual value, can be depreciated over the remainder of its useful life. The book value of an asset that has risen as a result of the reversal of an impairment loss must not exceed the carrying amount that would have been determined (after depreciation) had no impairment loss been recognised for this asset over previous financial years.

- Other property, plant and equipment and intangible assets

At each balance sheet date, the company must assess the possible existence of indicators demonstrating that an asset may have been impaired. If such an indicator exists, the recoverable value of the asset should be estimated (impairment test). An impairment loss is the amount by which the carrying amount of an asset exceeds its recoverable value. This is equal to the higher of the selling price net of disposal costs and its value in use.

Any impairment loss is recognised in income, as is any reversal.

Impairment of finance leases

Impairment of finance leases is posted to "Trade loans and receivables" (see Note 6.6 to the consolidated balance sheet).

Finance leases are stated at their value in use. When a lessee is deemed to be at risk (e.g. very bleak financial position, growing unpaid debts, receivership), an impairment loss is determined as the difference between the book value of the receivable and the present value of future estimated cash flows discounted at the original effective interest rate if this is higher. No lease is currently affected.

Impairment of inventories

At each balance sheet date, the forecast cost is compared to the expected selling price, net of selling costs. If the sales price is lower than the cost, an impairment loss is recognised for the portion relating to work in progress (the loss corresponding to work to be completed is recognised as a provision for liabilities). As of December 31, 2007, the amount of provisions for inventories was €823,000.

Impairment of goodwill

Goodwill is recorded in the balance sheet at cost. At least once a year and as soon as an indication of a loss in value appears, goodwill is reviewed by the Group and subject to an impairment test. At the date of acquisition, the goodwill is allocated to one or more cash generating units that are forecast to derive economic benefits from the acquisition; consequently, the legal entity is the equivalent of a cash-flow–generating unit. Any impairment of this goodwill is based on the recoverable value of the relevant cash generating units. The recoverable value of a cash generating unit is calculated based on the most appropriate method.

If the recoverable value is less than its book value, it is irreversibly written off in the consolidated results for the year.

In 2007, the Group applied several methods as follows:
- for Montéa: the stock market price;
- for Concerto Développement: historical payments of dividends;
- for BFI: EBIT multiple and future Discounted Cash Flows.

Impairment of doubtful receivables

Invoices classified as doubtful receivables are systematically fully written off for their amount excluding tax, less any deposits or guarantees received.
For free lease financing transactions, the non-matured portion of the receivable thus written off – which is included under "other trade credit" – is also fully written off.

Financial instruments

The valuation and recognition of financial instruments and the required disclosures are set out under IAS 39 and 32 and IFRS 7.

The financial assets held by Affine Group are accounted for as follows:
- Investment securities are recorded as trading assets,
- Unconsolidated investments are recorded as "assets available for sale".

Affine Group only uses derivatives as part of its debt interest rate hedging policy. These instruments, which are presented as off-balance sheet items at their nominal value under French GAAP, represent financial assets and liabilities under IFRS and must be presented in the balance sheet at fair value.
Changes in value are recognised directly in income, except in 2 situations where they are recognised in equity as follows:
- When the derivative is classified as a cash flow hedge,
- When the derivative is classified as a net investment hedge

Classification as a hedge is strictly defined and must be documented from the outset; prospective and retrospective effectiveness tests must be carried out.

Affine Group has developed a macro-hedging strategy for its debt based on swaps and caps. However, given the problem of demonstrating the effectiveness of this hedging and its maintenance over time, it has not sought to implement the option provided under IAS 39, which would make it possible to recognise changes in the fair value of derivatives via equity, except for the non-effective portion of the hedge, which would still be recognised in income. Consequently, Affine classifies derivatives as trading assets.

The main methods and assumptions applied to calculate the fair value of financial assets are as follows:

- Investment securities are stated at market value;
- Investments are valued on the basis of either their market price (listed instruments) or on the basis of their net asset value or discounted future cash flows;
- Derivatives are valued by discounting future flows estimated on the basis of an interest rate curve at the balance sheet date.

All financial liabilities are recognised in the balance sheet at depreciated cost except for derivatives that are recognised at fair value.

Issuing costs for loans, including convertible bonds (ORA) and TSDI, are recorded as a deduction from the nominal value of the loan and recognised by being incorporated into the calculation of the effective interest rate.

These payables or receivables are discounted and interest expense or income is taken to the income statement over the loan repayment period. Accordingly, exit charges owed pursuant to the SIIC bylaws are subject to discounting in the Group's financial statements.

Financial assets at fair value via the income statement

The main methods and assumptions to calculate the fair value of financial assets are as follows:

- Investment securities are stated at market value;
- Investments are valued on the basis of either their market price (listed instruments) or on the basis of their net asset value or discounted future cash flows if material;
- Derivatives are valued by discounting future flows estimated on the basis of an interest rate curve at the balance sheet date, as communicated by the various banking counterparties with which these transactions are conducted.

- Financial liabilities at fair value via the income statement

Such liabilities relate to liabilities from derivatives and are valued by discounting the company's future committed cash flows to the banks offering the hedges.

Recognition of convertible bonds (ORA) and perpetual subordinated loan notes (TSDI)

- **Convertible Bonds (ORA)**

1st issue: 2,000 convertible bonds with a nominal value of €10,000 issued on October 15, 2003, for a period of 20 years, redeemable on maturity at the original issue price of €50 per share (200 shares per convertible bond), adjusted for the possible dilutive effects of financial transactions on the share capital).
Following a bonus issue of 4% to shareholders on November 23, 2005, this ratio rose to 208 shares per convertible bond.
The Affine general meeting held on April 26, 2007, decided to multiply the number of Affine shares by three through the issue of three new shares for every old share with effect from July 2, 2007. Accordingly, the exchange ratio has been raised to 624 shares per convertible bond.

Annual interest

The coupon, based on the amount of the dividend distributed by the company, is paid out as follows:

- An interim payment of €323.23 per bond (which corresponds to a fixed interim payment of €0.518 per underlying share),
- The remainder on the day the dividend is paid out.

Early redemption at the company's discretion

From October 15, 2008, the company may convert all or some of the convertible bonds if the average share closing price over 40 trading sessions exceeds the adjusted issue price. From October 15, 2013, the company may redeem all or some of the convertible bonds in cash with prior notice of 30 calendar days, at a price guaranteeing the initial subscriber, on the effective redemption date, after taking into account coupons paid out over previous years and the interest payable for the period between the last interest payment date before the early redemption date and the effective redemption date, a gross annual return of 11%. Under no circumstances may this price be lower than the nominal value of the convertible bond.

Early redemption at the holder's discretion

With effect from October 15, 2013, convertible bond holders shall be entitled to request, at any time, excluding the period from November 15 to December 31 inclusive in any year, the redemption of all or some of their convertible bonds at a rate of 624 shares (after adjustment) per convertible bond.

2nd issue: 600 convertible bonds with a nominal value of €16,682, issued on June 29, 2005 for a period of 20 years, redeemable on maturity at the original issue price of €83.41 per share (200 shares per convertible bond, adjusted for the possible dilutive effects of financial transactions on the share capital).
After a bonus issue of 4% to shareholders on November 23, 2005, this ratio rose to 208 shares per convertible bond.
The Affine general meeting held on April 26, 2007, decided to divide the Affine share into three through the contribution of three new shares for every old share starting July 2, 2007, Accordingly, the exchange ratio has been raised to 624 shares per convertible bond.

Annual interest

The coupon, based on the amount of the dividend distributed by the company, is paid out as follows:

- An interim payment of €280.80 per bond (which corresponds to a fixed interim payment of €0.45 per underlying share),
- The remainder on the day the dividend is paid out.

Early redemption at the company's discretion

Starting June 29, 2010, the company may convert all or part of the convertible bonds into ordinary shares, provided that the average share price over 40 consecutive trading days exceeds the issue price, as adjusted.

From December 29, 2010, the company may redeem in cash all or some of the convertible bonds, with prior notice of ten business days, at a price guaranteeing the original subscriber, on the date of effective redemption, after taking into account the coupons paid in previous years and interest to be paid for the period from the most recent interest payment date before the early redemption to the date of effective redemption, a gross annual return of 11%.

Early redemption at the holder's discretion

From June 29, 2010, holders of convertible bonds will have the right to demand redemption at any time of all or part of their convertible bonds at a rate of 624 shares (after adjustment) per bond.

Holders may also exercise early conversion into shares.

Following a review of the terms and conditions of the convertible bonds issued by Affine Group, we conclude that, insofar as,

- under no circumstances can the Affine Group be obliged to redeem all or part of the convertible bonds for cash, and
- payment of interest and interim dividends is conditional on there being an interim dividend distribution to shareholders,

The correct accounting treatment is to post the entire value of the issues to equity from the outset.

Consequently, given that these are equity instruments, the post-tax amount of all interest and distributions paid for the convertible bonds, including interim dividends, are posted to equity. Accordingly, there is no charge against income.

Therefore, after the payment of an interim dividend on November 15 of a given year becomes certain, at the date of the general meeting approving the financial statements of the previous year, the company should post an amount corresponding to the present value of this interim dividend to liabilities and equity. As such, the only impact on income is the cancellation of the discounting effect for six months on the interim dividend, which is not material.

- **Perpetual subordinated loan notes (TSDI)**

On July 13, 2007, Affine issued €75.0 million of perpetual subordinated loan notes (TSDI) represented by 1,500 TSDI each with a €50,000 nominal value. The issue was placed with foreign investors, and the notes are listed on the *Marché Réglementé* (regulated market) of the Luxembourg stock exchange.

Term of the TSDI

TSDI are issued for an unlimited term.

Redemption procedures

The TSDI may be fully redeemed (and not in part) at the discretion of the Issuer, at any interest payment date with effect from July 13, 2017, at their nominal value plus unpaid accrued interest (including deferred interest) subject to the prior approval of the General Secretariat of the Banking Commission.

Form of the TSDI

No paper document justifying ownership of the TSDI has been issued. The TSDI are bearer securities and are recorded in the books of Euroclear France which will credit the accounts of the account holders.

Ranking of the TSDI

The TSDI and related interest represent ordinary subordinated bonds, which are direct, unconditional, unsecured and issued for an unlimited term by Affine. They have the same ranking, without priority between them or vis-à-vis other existing or future ordinary subordinated bonds. They rank above all equity securities issued by Affine, participating loans granted by Affine and lowest ranking subordinated bonds and they rank below existing or future unsubordinated bonds. In the event of Affine's liquidation, the TSDI will be redeemed at their nominal value after all priority or unsecured creditors have been repaid, but before redeeming the lowest ranking subordinated bonds, equity securities and participating loans issued by Affine.

Annual interest

Each TSDI will bear interest with effect from the date of issue based on its nominal value and a variable quarterly interest rate of 3-month Euribor plus a margin of 2.80% p.a., payable quarterly in arrears on July 13, October 13, January 13 and April 13 every year and for the first time on October 13, 2007. The margin is 2.80% p.a. with effect from July 13, 2007 inclusive until the first early redemption date (exclusive) and thereafter 3.80% p.a.

If an ordinary general meeting:

- establishes, before an interest payment date, that there are no distributable earnings.
- or establishes that there are distributable earnings, but has not made or approved in any form a payment in respect of any share class with the exception of a dividend required by a law applying to Affine in view of its status as a listed real estate investment trust ("SIIC").

Affine may defer the payment of interest, and the interest thus deferred will accrue interest on the next date on which interest is paid.

Since Affine is not obliged to pay coupons or to redeem the TSDI, whether or not an event outside its control occurs, under IAS 32 all the TSDI must be classified as equity instruments. Distributions in respect of these TSDI instruments, net of any tax, will be treated as dividend distributions.

Provisions

Provisions are recognised where the Group has a current liability (whether legal or implicit) stemming from a past event, where it is likely that an outflow of resources representing financial benefits will be required to settle the liability and where the amount of the liability can be reliably valued.

Where the Group expects compensation for the provision, for example under an insurance policy, the compensation is recorded as a separate asset provided the compensation is almost certain.

If there is a significant time-value impact, provisions are determined by discounting expected future cash flows at a pre-tax discount rate that reflects the current market assessment of the time-value of money and, if applicable, the risks specific to the liability. Where the provision is discounted, the increase in provision relating to the passage of time is recognised as an interest expense.

Treasury stock

These are deducted from equity pursuant to IFRS 32 § 33.

Capital gains or losses on disposal are reversed from income and posted to equity.

Tax

The consolidated tax expense includes deferred taxes.

- **Current tax**

Group companies which have opted for the special tax treatment applicable to listed real estate investment trusts (SIIC) are exempt from tax on underlying earnings and on capital gains.

Affine is subject to a specific tax treatment as follows:
- An SIIC exempt of tax on underlying earnings, capital gains and dividends;
- A former SICOMI exempt of tax on current earnings, which is applicable to leasing agreements prior to 1993;
- An SIIC exempt of tax applying to ‘free’ leases (“CBL”) signed with effect from January 1, 1993 and to ‘general’ leases (“CBG”) signed prior to January 1, 1996;
- Other business is taxable.

- **Deferred tax**

Pursuant to IAS 12, deferred tax arises on timing differences between the book values of assets and liabilities and their tax values.

Under the liability method, deferred tax is calculated based on the expected tax rate in the year when the assets will be realised or the liabilities paid.

The effect of changes in tax rates from one year to another are taken to earnings for the year in which the change is established.

Deferred tax relating to assets and liabilities posted directly to equity is also posted to equity.

The rates applicable to the year ended December 31, 2007 are as follows:

Affine (taxed sector) and Concerto Développement	34.43%
French companies excluding SIIC	33.33%
German companies	15.83%
Belgian companies	33.33%
Spanish companies	32.50%

In accordance with the standard:
- Deferred taxes cannot be discounted,
- Deferred tax assets and liabilities are offset by entities subject to the same tax authority.

Employee benefits

The group recognises all staff benefits on the balance sheet. These benefits largely relate to pensions and other post-employment benefits. The cost of employee benefits is accounted for in the year when the rights are vested.

Affine’s employees come under the National Collective Bargaining Agreement governing financial companies dated November 22, 1968. This Agreement does not provide for any retirement allowance other than the one provided by the general system. The pension plan is a defined contribution scheme.
In accordance with Appendix III of the National Agreement (corresponding to Article L 122-14-13 of the French Employment Code), any employee being pensioned off by the employer must receive an allowance equal to:

(1) Either the allowance provided for in Article 5 of the Agreement appended to Act No. 78-49 of January 19, 1978 regarding monthly payments and the contractual procedure where the employee satisfies the required conditions;

(2) Or the minimum redundancy allowance provided for in Article 122-9 of the French Employment Code.

The assumptions used in the calculation of the provision are as follows:

- Discount rate: 4.11%
- Staff turnover: 15%
- Voluntary retirement age: 65 years
- Wage rise: 1.8%
- Mortality table INSEE TD-TV 02-04

The average staff turnover within Affine over 5 years is 14.86%

2006	17.50%
2005	13.15%
2004	17.94%
2003	8.10%
2002	17.64%

The calculation of the provision for retirement allowance was performed by ADP, an independent firm. The provision takes account of social security charges and is not affected by the new rules of the French 2008 Social Security Finance Act.

The allowances referred to in this section are subject to the same fiscal and social system as redundancy allowances:

	Voluntary retirement	Forced retirement
Over 10 years' employment	½ month	1/10th of the monthly salary for the first 10 years and 1/15th beyond the 10th year
Over 15 years' employment	1 month	
Over 20 years' employment	1.5 months	
Over 30 years' employment	2 months	

The applicable base is one twelfth of the gross pay over the final twelve months preceding redundancy or, if more beneficial, one third of the final three months.

With regard to employee share ownership schemes, IFRS 2 provides for systematic expensing, for both shares to be issued and existing shares, and regardless of the hedging strategy.

Affine uses the intrinsic value accounting method to value bonus share schemes: the valuation is based on the share price on the date of the initial grant. No assumed probability of future employment is factored into the calculation during the vesting period.
The expense is amortised over the 3-year vesting period, with no discounting. The decision to grant bonus shares is taken by general management on the recommendation of the Remuneration Committee.

3. Consolidation methods and scope

Companies included in the consolidation

The consolidation includes the Group's parent company as well as all other companies over which it directly and indirectly exercises:

- Exclusive control,
- Joint control,
- Significant influence.

Exclusive control automatically exists when the parent company holds over 50% of the voting rights, and is presumed when the parent company holds 40% to 50%. In the latter case, control is justified if the parent company has the power to appoint or dismiss the majority of the members of the management or executive bodies or if it has most of the voting rights in the management or executive bodies.

Contractual exclusive control exists when the parent company exercises a dominant influence over the company by virtue of a contract or clauses in the articles of association, which comply with national law, even if the dominating company is not a shareholder or partner in this company.

Joint control exists when control of a joint venture is operated by a limited number of shareholders or partners, without any one of them having the power to exercises exclusive control.

Significant influence automatically exists when the parent company holds over 20% of the voting rights; below this limit, significant influence may be shown by representation on the executive board or participation in strategic decisions.

Method of consolidation

Companies under exclusive control are fully consolidated and those under significant influence are consolidated under the equity method.
Companies under joint control may be either proportionately consolidated or consolidated under the equity method pursuant to IAS 31 §25 and 31)

Scope of consolidation at the balance sheet date

	Consolidation method	% control 12.31.07	% interest 12.31.07	% interest 12.31.06
AFFINE SA (parent company)				
AFFINE DEVELOPPEMENT 1 SAS	FC	100.00%	100.00%	100.00%
AFFINE DEVELOPPEMENT 2 SAS	FC	100.00%	100.00%	100.00%
BERCY PARKINGS SCI	FC	100.00%	100.00%	100.00%
CAPUCINES I SCI	FC	100.00%	100.00%	100.00%
CAPUCINES II SCI	FC	100.00%	100.00%	100.00%
CAPUCINES III SCI	FC	100.00%	100.00%	100.00%
AFFINVESTOR Gmbh	FC	94.00%	94.00%	94.00%
BRETIGNY SCI	FC	100.00%	100.00%	100.00%
COUR CAPUCINES SA	FC	100.00%	99.70%	99.70%
SIPEC SAS	FC	100.00%	100.00%	100.00%
LES MERCIERES SAS	FC	100.00%	100.00%	100.00%
MARIE GALANTE SCI	FC	100.00%	100.00%	100.00%
TARGET REAL ESTATE SAS	FC	100.00%	100.00%	100.00%
DORIANVEST SARL	FC	100.00%	100.00%	100.00%
BERCYIMMO SARL	FC	100.00%	100.00%	100.00%
TRANSAFFINE SNC	FC	100.00%	100.00%	100.00%
LUMIERE SAS	FC	67.91%	67.91%	67.91%
WEGALAAN SAS	FC	100.00%	100.00%	100.00%
ANJOU SC (formerly ATIT SC)	FC	100.00%	99.39%	99.39%
2/4 BLD HAUSSMANN SAS	PC	50.00%	49.69%	49.69%
CARDEV	FC	100.00%	99.99%	-
ST ETIENNE - MOLINA SAS	FC	95.00%	95.00%	-
BANIMMO SA [1] [2]	FC	50.00%	50.00%	68.90%
LES JARDINS DES QUAIS SNC	FC	100.00%	75.00%	84.45%
MONTEA SCA[1]	EM	25.31%	17.76%	20.63%
CAPUCINES INVESTISSEMENTS SA	FC	95.00%	95.00%	99.84%
LES VALLIERS SCI	FC	100.00%	95.00%	-
CONCERTO Développement SAS	FC	70.29%	69.28%	69.28%
COCHETS PROJECT SCI	FC			68.58%
AULNES Développement SAS	FC	50.00%	34.64%	34.64%
CONCERTO Développement Iberica SL	FC	70.00%	48.49%	51.96%
CONCERTO BALKANS SRL	FC	100.00%	69.28%	-
MGP SUN SARL [1] [3]	EM	10.00%	6.92%	6.92%
ABCD SAS	FC	51.00%	51.00%	51.00%
ABCD Deutschland Gmbh	FC	100.00%	51.00%	51.00%
ABCD Iberica SL	FC	100.00%	51.00%	51.00%
PROMAFFINE SAS	FC	70.00%	70.00%	70.00%
LUCE CARRE D'OR SCI	FC	100.00%	70.03%	70.03%
29 COPERNIC SCI	PC	50.00%	35.00%	35.00%
DOLE SARL	PC	50.00%	35.00%	35.00%
RENNES CHANTEPIE SCI	PC			35.00%
BOURGTHEROULDE - L'EGLISE	FC	100.00%	70.03%	-
NANTERRE TERRASSES 12 SCI	PC	50.00%	35.00%	-
MARSEILLE - 220 LA TIMONE SCI	FC	100.00%	70.03%	-
SOISSONS - GOURAND SCI	FC	100.00%	70.03%	-
BFI SAS (formerly EDOUARD VII Facilité SAS)	FC	71.00%	70.69%	70.69%
CASF SARL	FC			70.69%
LEMACO SAS	FC			70.69%
AFFIPARIS SA	FC	61.64%	61.64%	-

SCI NUMERO 1	FC	100.00%	61.64%	-
SCI NUMERO 2	FC	100.00%	61.64%	-
SCI PM MURS	FC	100.00%	61.64%	-
SCI 36	FC	100.00%	61.64%	-
HOLDIMMO SC	FC	98.06%	60.44%	-
SCI DU BEFFROI	FC	100.00%	60.44%	-
SARL COSMO	FC	100.00%	60.38%	-
SCI 28-32 PLACE DE GAULLE	FC	100.00%	60.44%	-
SC GOUSSINVEST	FC	97.59%	58.98%	-
SCI GOUSSIMO 1	FC	100.00%	58.98%	-
SCI COSMO LILLE	FC	100.00%	60.44%	-
SCI COSMO MARSEILLE	FC	100.00%	60.44%	-
SCI COSMO MONTPELLIER	FC	100.00%	60.44%	-
SCI COSMO NANCY	FC	100.00%	60.44%	-
SCI COSMO NANTES	FC	100.00%	60.44%	-
SCI COSMO SAINT ETIENNE	FC	100.00%	60.44%	-
SCI COSMO TOULOUSE	FC	100.00%	60.44%	-
SCI COSMO VALBONNE	FC	100.00%	60.44%	-

(1) Sub-consolidation
(2) Banimmo Group
(3) Trade name Logiffine

The main events affecting the Affine Group consolidation since December 31, 2006 were as follows:

- Affine:

  - On February 19, 2007 Affine purchased Compagnie Foncière Fidéimur (now renamed AffiParis), which opted for the status of SIIC from April 1, 2007; at December 31, 2007, Affine held 61.63% of AffiParis;
  - Affine sold a 3.90% equity stake in Banimmo to its directors;
  - Affine recorded a dilution of equity of 15.1% at the time of Banimmo's IPO, which was accompanied by a €55 million share issue that was entirely subscribed. Affine Group re-established its 50% stake in Banimmo and its consolidated earnings were boosted by €12.5 million following this dilution;
  - Affine founded SAS St Etienne Molina as part of a buy-to-let investment relating to a warehouse purchased in the form of a property not yet complete ("VEFA"); this acquisition was granted under conditions subsequent stipulated to be in the exclusive interest of the buyer, i.e., Affine, which will be the only party entitled to take advantage or waive these conditions.

- Concerto Développement founded a new subsidiary Concerto Balkans in September 2007.

- Promaffine founded five new subsidiaries (SCI Soissons – Gourand, SCI Marseille – 220 La Timone, SCI Nanterre Terrasses 12, Bourgtheroulde l'Eglise et Paris IXEME 46 Provence), each of which will be a partner in a real estate transaction relating to residential property, including one that was sold at the end of 2007. The subsidiary Rennes Chantepie was liquidated on October 1, 2007.

- BFI (formerly Edouard VII Facilité) completed the simplification of its organisational structure by merging with its subsidiaries Lemaco and Casf on January 2, 2007.

- On December 4, 2007, Logisiic SA became Capucines Investissements SAS; this company is an investment vehicle specialising in stores located in city centres and inner suburbs with the status of an SIIC. It made its first acquisition when it bought SCI les Valliers which owns two warehouse buildings.

Business combinations for the year ended December 31, 2007

€000	AffiParis (formerly Compagnie Financière Fidéimur)
Description	SIIC (listed French real estate investment trust)
Date of acquisition	Feb 19, 2007
Consolidated equity as of March 31, 2007 (group share)	50,050

Percentage of voting rights acquired	51.18%
Group share of fair value	25,615
Purchase price of investment	28,332
Negative goodwill resulting from the acquisition	(2,717)

The negative goodwill resulting from the acquisition of AffParis Group was recorded directly in earnings in the absence of additional identifiable unrealized capital gains.

- Impact of the acquisition of AffiParis group on Affine accounts

Since AffiParis group closed its financial statements on March 31, 2007, Affine consolidated its share of earnings with effect from April 1, 2007.

Impact of the acquisition of AffiParis group on Affine accounts:

€000	Over 9 months (a)	Over 12 months (b)
Total balance sheet:	179.55	196.42
Total investment properties:	129.57	129.57
Total properties held for sale	37.40	37.40
Impact on net earnings group share:	8.18	13.39

(a) the AffiParis 2007 financial year began on April 1, 2007.
(b) accounting principles used to determine the accounts over 12 months are identical to those used on the date of acquisition.

No pro forma accounts were produced including the acquisition of AffiParis from April 1 because we are below the three key thresholds for a variation in scope of 25%:
- total balance sheet: 13.17%
- total earnings: 13.04%
- total assets: 17.56%

All consolidated companies have a financial year end of December 31.

Exceptionally, the first financial year of certain recently formed companies lasts for a period other than 12 months:
- Capucines I: October 5, 2006 to December 31, 2007,
- Capucines II and III: October 9, 2006 to December 31, 2007,
- Montea: October 1, 2006 to December 31, 2007.
- AffiParis: April 1, 2007 to December 31, 2007.
- Marseille - Timone: November 22, 2007 to December 31, 2008.
- Nanterre - Terrasses: October 11, 2007 to December 31, 2008.
- Soissons - Gouraud: November 12, 2007 to December 31, 2008.
- St Etienne - Molina: October 24, 2007 to December 31, 2008.

Joint ventures (companies consolidated proportionately)

The joint venture partners in real-estate developments conducted by the Promaffine Group are companies recognized for their competence and strong situation.

The Company is not aware of any liabilities not included in the balance sheet for these companies, for which Affine Group would be jointly liable with the joint venture partner.

Associates (companies accounted for under the equity method)

The Company is not aware of any liabilities for which the Affine Group would be jointly liable with the other investors.

4. Operations being discontinued

Affine Group does not envisage disposing of any of its businesses in the short-term.

5. Management of financial risk

Impact of financial instruments on financial position and performance

Affine Group:
- has not used the fair value per option for any financial asset or liability,
- has no compound collateral and instruments issued with multiple derivatives,
- has not experienced any default or failed performance with respect to its loans.

No asset was reclassified or written off during the financial year.

Nature and scope of risks related to financial instruments:

Credit risk

In 2007, the Affine Group maintained a selective policy in terms of the financial strength of its clients, the industry areas in which they operate, their geographic location and the quality of buildings.

The business activity essentially deals with the creation or extension of:

- logistics platforms and business sites
- offices,
- retail areas (including shopping centres),

In accordance with regulatory requirements (CRB No. 93-05), the company limits its lease commitments to a client or group to 25% of its shareholders' equity (i.e. on December 31, 2007 to €130.6m, cf declaration 4003i on control of material risks and of gross risks on a consolidated base).
This internal limit is reviewed annually, but is not necessarily adjusted. An additional rule limits the sum of the risks with an individual amount higher than 10% of equity to eight times the amount of equity.
Affine also sets a minimum margin of 1.5% for variable rate cases as well as for fixed rate cases.

A group of clients means clients who exercise direct or indirect control over one another, and persons who are bound by cross-guarantee agreements or who have a preponderant business relationship with one another notably when they are bound by subcontracting or franchising agreements.
Currently, no group of clients exceeds the threshold of 10% in equity in terms of net risk.

Properties reported as of potential concern to the Group undergo an annual expert appraisal.

Overdue financial assets are always less than 180 days old. Beyond that period, the loan due is 100% written off after deduction of any deposits or guarantees.

Market risk

- Liquidity risk

Affine Group always has sufficient cash to meet its payments and has confirmed unused lines of credit of up to €180.07m at December 31, 2007. It monitors its risk using two tools:

a) a daily cash statement prepared by the finance department and sent to general management after viewing all bank accounts,

b) a 10-year monthly cash situation forecast provided by the management controller to general management; at this time actual monthly cash and forecasted cash are reconciled and discrepancies analysed, The group's good liquidity situation is reflected in the liquidity ratio which is one of the regulatory ratios communicated quarterly to the Commission Bancaire (Banking Commission) for which Affine Group exceeds the threshold:

Liquidity ratio	Threshold	12.31.2007 On a corporate basis
. For the month of January	100%	1,205%
- 1st ratio (February/March 2008)	100%	964%
- 2nd ratio (2nd quarter 2008)	100%	971%
- 3rd ratio (2nd half 2008)	100%	942%

The schedule of debt vis-à-vis financial institutions is set out in Note 8.1.

- Interest rate risk

Apart from the liquidity and cash risk, the group systematically hedges its interest rate risk through market transactions (swaps and caps) with leading banking institutions.

Market risk is assessed using the value-at-risk approach, i.e. by estimating the net maximum loss our portfolio of financial instruments could suffer in normal market conditions. Interest rates constitute the risk variable both for financial lease contracts (the principal financial assets), and for bank loans (the principal financial liabilities).

Sensitivity to increases and decreases in variable rates of Affine's earnings

	2008	2009	2010	2011	2012
2% increase in rates	- 3,053	- 4,044	- 3,854	- 3,624	- 3,033
1% increase in rates	- 1,910	- 2,214	- 2,004	- 1,821	- 1,506
2% decrease in rates	+ 3,749	+ 4,236	+ 3,786	+ 3,595	+ 3,076
1% decrease in rates	+ 1,855	+ 2,089	+ 1,856	+ 1,789	+ 1,548

Financial instruments have been recorded at their fair value in the consolidated statements since 2006 pursuant to IFRS standards.

- Exchange rate risk

Since Affine Group does not carry out foreign exchange transactions, this procedure does not apply. The investments made by Affine Group outside France have been in the euro zone.

- Counterparty risk

AFFINE GROUP is committed to investing its cash and taking out derivatives only with reputable banking institutions with a high rating. It also ensures that its resources are diversified so that it is not overly reliant on a single lender.

	Refinancing outstanding at 31/12/2007 €000	%
HSH Nordbank	88,648	16.9%
Crédit Foncier	77,051	14.7%
Aaréal bank	60,027	11.5%
HVB	49,662	9.5%
Natixis	44,837	8.6%
Fortis	35,622	6.8%
Crédit Agricole	24,956	4.8%
AHRI	18,782	3.6%
Saarl Bank	17,067	3.3%
Eurohypo	17,073	3.3%
Appelas Funfte	14,939	2.9%
HSBC	13,400	2.6%
Société Générale	20,492	3.9%
Allegemeine	10,331	2.0%
Others	30,675	5.6%
	523,562	100.0%

Management of capital

Affine group's objectives with respect to shareholders' equity are:

- to operate at a high level of solvency.
- to foster harmonious internal and external growth.

The quantitative objective is to maintain a solvency ratio greater than 20%, through the combination of margins on real estate assets, the management of dividend payout and gearing levels, and calling on the market both for capital and financial instruments included in equity (such as convertible bonds and perpetual subordinated loan notes).
As at December 31, 2007, this ratio was 39.84%; it was 32.15% at December 31, 2006.

6. Segment reporting

IFRS (IAS 14) require segment reporting to be presented in the two forms most relevant to the company's business activities, the first level showing a breakdown of all income or expenses to be allocated, and the second showing at least the values of assets and revenues.

The following tables show, for each business sector, information on income from ordinary activities, profit and information regarding assets and liabilities for the financial years ended December 31, 2007 and December 31, 2006.

Financial year ended 12-31-2007 *(€000)*	***Finance lease***	***Investment property***	***Property development***	***Business centres***	***Eliminations***	***Total***
SEGMENT INCOME						
External segment income	23,592	154,789	171,755	7,188	-	357,325
Inter-segment income						
Total segment income	**23,592**	**154,789**	**171,755**	**7,188**	-	**357,325**
PROFIT						
Segment profit	4,102	100,619	3,036	(2,177)	-	105,580
Unallocated profits						1,194
Net profit from businesses being discontinued						
Operating profit						**106,774**
Allocated finance expenses	(6,474)	(27,351)	(267)	(17)	-	(34,110)
Net unallocated expenses						(953)
Allocated finance income	409	1,353	219	-	-	1,981
Net operating income						**73,692**
Share in profits of companies accounted for under the equity method	-	2,598	(172)	-		2,426
Gains or losses on asset disposals						12,705
Change in goodwill	-	-	-	-	-	(1,365)
Pre-tax profit						**87,458**
Income tax						4,090
Net tax gain/(loss) from businesses being discontinued						59
Minority interests						(13,448)
Net profit						**78,159**
OTHER INFORMATION						
Segment assets	108,777	1,039,559	37,447	3,300		1,189,077
Investments in companies accounted for under the equity method	-	28,701	(88)	-		28,613
Unallocated assets						145,375
Total consolidated assets						**1,363,065**
Segment liabilities	79,176	538,913	74,838	2,477		695,403
Unallocated liabilities *						667,662
Total consolidated liabilities						**1,363,065**
Investment expenses	-	239,532	-	625		240,158
Amortisation expense						209
Other non-disbursed expenses	21	1,404	171	893		2,489

* Unallocated liabilities include equity.

<u>Reconciliation between the income statement and segment reporting for 2007</u>:

Net banking income	**111,609**
Neutralisation of interest and similar costs	35,063
Neutralisation of interest and similar revenues	(1,981)
General operating expenses	(33,739)
Allowances	(2,614)
Cost of risk	(1,564)

	Operating profit	**106,774**

6. Segment reporting (continued)

Financial year ended 12-31-2006 *(€000)*	***Finance lease***	***Investment property***	***Property development***	***Business centres***	***Eliminations***	***Total***
SEGMENT INCOME						
External segment income	53,784	128,527	90,103	4,021	-	276,435
Inter-segment income						
Total segment income	**53,784**	**128,527**	**90,103**	**4,021**	**-**	**276,435**
PROFIT						
Segment profit	4,083	80,332	5,490	(1,526)	-	88,379
Unallocated expenses						500
Net profit from businesses being discontinued						
Operating profit						**88,879**
Allocated finance expenses	(6,578)	(17,079)	(247)	(27)	-	(23,932)
Net unallocated expenses						(10)
Allocated finance income	290	321	57	-	-	668
Net operating income						**65,605**
Share in profits of companies accounted for under the equity method	-	1,003	82	-		1,085
Gains or losses on other assets						323
Change in goodwill	-	85	4	(47)	-	42
Pre-tax profit						**67,055**
Income tax						(4,794)
Minority interests						(4,695)
Net profit						**57,565**
OTHER INFORMATION						
Segment assets	131,952	763,733	24,953	2,816		923,454
Investments in companies accounted for under the equity method		25,010	83			25,093
Unallocated assets						114,956
Total consolidated assets						**1,063,503**
Segment liabilities	102,040	496,857	49,863	2,127		650,887
Unallocated liabilities *						412,616
Total consolidated liabilities						**1,063,503**
Investment expenses	24,965	174,976	178	2,614		202,733
Amortisation expense						245
Other non-disbursed expenses	24	1,142	609	270		2,045

* Unallocated liabilities include equity.

6. Segment reporting (continued)

The following tables show, for each geographic sector, information on income from ordinary activities, investments and information on assets for the financial years ended December 31, 2007 and December 31, 2006.

Financial year ended 12-31-2007 ***(€000)***	***Paris***	***Paris region***	***Other regions***	***Outside France***	***Eliminations***	***Total***
SEGMENT INCOME						
External segment income	33,884	57,550	165,055	100,836	-	357,325
Inter-segment income					-	-
Total segment income	**33,884**	**57,550**	**165,055**	**100,836**	**-**	**357,325**
OTHER INFORMATION						
Segment assets	189,943	340,461	359,315	192,434	-	1,082,154
Unallocated assets						280,911
Total consolidated assets						**1,363,065**
Investment expenses	127,766	17,885	64,014	30,493	-	240,158

Financial year ended 12-31-2006 ***(€000)***	***Paris***	***Paris region***	***Other regions***	***Outside France***	***Eliminations***	***Total***
SEGMENT INCOME						
External segment income	13,705	98,309	100,490	63,930	-	276,435
Inter-segment income					-	-
Total segment income	**13,705**	**98,903**	**100,490**	**63,930**	**-**	**276,435**
OTHER INFORMATION						
Segment assets	66,097	308,668	279,463	211,337	-	865,565
Unallocated assets						197,937
Total consolidated assets						**1,063,503**
Investment expenses	5,933	61,600	66,636	68,564	-	202,733

7. Notes on balance sheet assets

Note 7.1 – Equities and other variable income securities

€000	31/12/2007	31/12/2006 restated
Investment securities	5,766	8,900
Related receivables	-	2
Total	**5,766**	**8,902**

Investment securities are exclusively comprised of money market mutual funds (SICAV).
As a result they are shown as cash equivalents in the cash flow statement.

Note 7.2 – Derivatives

The fair value of derivatives was €3,516,000. The extent of the change is due to the integration of the Banimmo Group (see Financial assets valued at fair value).

Note 7.3 – Financial assets available for sale

Financial assets available for sale are comprised of equity investments and other long-term securities. The issuing companies are excluded from the scope of consolidation due to their lack of trading activity, or the low level of interest that Affine holds.

€000	%	2007	2006
AFFINE			
Altaréa	3.09%	57,694	36,057
Sofaris	NS	7	7
Habitat et Urbanisme	NS	12	
ANJOU			
MDR Verandah	12.41%	-	156
BANIMMO			
Cine Partners Belgium Two	NS	-	210
PROMAFFINE			
Paris-Breguet	10%	NS	NS
Related receivables		-	16
Total		**57,713**	**36,446**

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Change in impairment of financial assets available for sale

€000	31/12/2007	31/12/2006 Restated
Start of year	**3**	**3**
Changes in consolidation	-	-
Allowances	-	-
Disposals and reversals	-	-
Total	**3**	**3**

Note 7.4 – Loans and receivables vis-à-vis financial institutions (excluding finance leases)

€000	Balance sheet items	0 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years
On demand	**41,974**	**41,974**	**-**	**-**	**-**
Accounts	41,870	41,870	-	-	-
Related receivables	104	104	-	-	-
On maturity	**-**	**-**	**-**	**-**	**-**
Loans	-	-	-	-	-
Related receivables	-	-	-	-	-
Total as of 31/12/2007	**41,974**	**41,974**	**-**	**-**	**-**

€000	Balance sheet items	0 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years
On demand	**11,464**	**11,464**	**-**	**-**	**-**
Accounts	11,437	11,437	-	-	-
Related receivables	27	27	-	-	-
On maturity	**140**	**-**	**140**	**-**	**-**
Loans	140	-	140	-	-
Related receivables	-	-	-	-	-
Total as of 31/12/2006	**11,604**	**11,464**	**140**	**-**	**-**

Note 7.5 – Trade loans and receivables (excluding finance leases)

This line item includes prepayments representing the cumulative discrepancy between the amount of rents invoiced and cash calls under the terms of non-SICOMI (professional leasing company) finance leases and cash prepayments made to Group companies.

€000	Balance sheet items	0 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years
Other trade credit net	**13,088**	**609**	**108**	**74**	**12,297**
Loans to related companies	13,084	605	108	74	12,297
Related receivables	4	4	-	-	-
Ordinary debit balances	**2,124**	**2,124**	**-**	**-**	**-**
Loans	1,563	1,563	-	-	-
Related receivables	561	561	-	-	-
Related receivables for investment property	**14,329**	**12,548**	**335**	**1,447**	**-**
Trade receivables (services rendered)	**34,445**	**34,445**	**-**	**-**	**-**
Total as of 31/12/2007	**63,986**	**49,726**	**442**	**1,521**	**12,297**

€000	Balance sheet items	0 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years
Other trade credit net	**4,527**	**586**	**591**	**1,991**	**1,360**
Loans to related companies	4,515	586	578	1,991	1,360
Related receivables	12	-	12	-	-
Ordinary debit balances	**2,182**	**2,182**	**-**	**-**	**-**
Loans	2,165	2,165	-	-	-
Related receivables	17	17	-	-	-
Related receivables for investment property	**5,967**	**5,967**	**-**	**-**	**-**
Trade receivables (services rendered)	**21,675**	**21,675**	**-**	**-**	**-**
Total as of 31/12/2006	**34,352**	**30,410**	**591**	**1,991**	**1,360**

Breakdown of net related receivables (investment property)

€000	31/12/2007	31/12/2006 Restated
Ordinary receivables incl. tax	10,877	5,217
Doubtful receivables incl. tax excl. termination charges	6,440	2,812
Doubtful receivables on termination charges incl. tax	-	-
Provisions for doubtful receivables excl. termination charges	(2,988)	(2,062)
Provisions for doubtful receivables on termination charges	-	-
Total	**14,329**	**5,967**

Change in impairment of doubtful receivables (Investment property)

€000	31/12/2007	31/12/2006 Restated

Start of year	**2,062**	**1,321**
Transfers between line items	42	-
Allowances	1,404	1,190
Disposals and reversals	(520)	(449)
End of year	**2,988**	**2,062**

2007 changes in consolidation were reclassified into different items in the previous table

Breakdown of trade receivables (services rendered)

€000	31/12/2007	31/12/2006 Restated
Ordinary receivables	21,459	19,178
Invoices to be issued	12,839	2,372
Doubtful receivables	499	621
Impairment of doubtful receivables	(354)	(498)
Total	**34,445**	**21,675**

Change in impairment of doubtful receivables (services rendered)

€000	31/12/2007	31/12/2006 Restated
Start of year	**498**	**358**
Transfers between line items	-	8
Allowances	142	148
Disposals and reversals	(286)	(16)
Transfers	**-**	**-**
End of year	**354**	**498**

2007 changes in consolidation were reclassified into different items in the previous table

Note 7.6 – Financial leasing and related receivables

Maturity of amounts outstanding (excluding related receivables)

€000	Balance sheet items	0 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years
Leasing transactions	106,589	4,947	15,647	50,832	35,163
Transactions in progress	-	-	-	-	-
Total as of 31/12/2007	**106,589**	**4,947**	**15,647**	**50,832**	**35,163**

€000	Balance sheet items	0 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years
Leasing transactions	128,386	5,646	16,161	69,249	37,330
Transactions in progress	-	-	-	-	-
Total as of 31/12/2006	**128,386**	**5,646**	**16,161**	**69,249**	**37,330**

Breakdown of receivables

€000	31/12/2007	31/12/2006 Restated
Amounts outstanding	106,589	128,386
Ordinary receivables incl. tax	1,912	3,203
Non-performing receivables incl. tax excl. termination charges	2,131	2,082
Non-performing receivables incl. tax on termination charges	2,184	2,691
Provisions for non-performing receivables excl. termination charges	(1,398)	(1,396)
Provisions for non-performing receivables on termination charges	(935)	(986)
Prepaid income	(1,916)	(2,225)
Total	**108,567**	**131,754**

Change in impairment of doubtful receivables (finance leases)

€000	31/12/2007	31/12/2006 Restated
Start of year	**2,382**	**4,035**
Transfers between line items	-	-
Allowances	21	39
Disposals and reversals	(70)	(1,692)
Transfers	**-**	**-**
End of year	**2,333**	**2,382**

Change in gross investments

€000	In progress	Leased	Total
Start of year	**-**	**290,798**	**290,798**
Increases	**-**	**17,911**	**17,911**
Acquisitions during the year	-	17,911	17,911
Reversals on adjustments in value	-	-	-
Decreases	**-**	**(41,110)**	**(41,110)**
Disposals	-	(41,110)	(41,110)
Adjustments in value (impairment)	-	-	-
Change in consolidation	**-**	**89**	**89**
Transfers between line items	**-**	**-**	**-**
Transfers	**-**	**-**	**-**
End of year	**-**	**267,688**	**267,688**

Change in financial amortisation

€000	Leased	Total
Start of year	**162,412**	**162,412**
Transfers between line items	-	-
Allowances	28,859	28,859
Disposals and reversals	(30,171)	(30,171)
Transfers	**-**	**-**
End of year	**161,100**	**161,100**

Note 7.7 – Deferred tax assets

€000	31/12/2007	31/12/2006 Restated
Investment property	1,393	960
Securities at fair value via equity	4	5
Other items	79	73
Total	**1,477**	**1,038**

Note 7.8 – Other assets

€000	31/12/2007	31/12/2006 Restated
Subscribed share capital not paid up	14	14
Government – Tax and social security receivables	19,899	9,822
Deposits paid	8,930	3,596
Interim dividend	3,649	4,949
Supplier debit balances	1,930	1,110
Other miscellaneous receivables	8,619	16,536
Gross inventories (property development)	26,314	22,579
Finance expense inventories (property development)	161	227
Impairment of inventories	(823)	(947)
Miscellaneous	237	923
Prepaid expenses	2,444	3,150
Accruals	11,887	20,232
Miscellaneous	-	-
Total	**83,260**	**82,191**

Change in impairment of inventories

€000	31/12/2007	31/12/2006 Restated
Start of year	**947**	**339**
Transfers between line items	(228)	-
Allowances	891	609
Disposals and reversals	(787)	0
Transfers	**-**	**-**
End of year	**823**	**947**

For the companies ABCD, ABCD Iberica, Concerto Développement and Promaffine, certain transactions are fully written off in view of their low probability of completion.

Note 7.9 – Non current assets held for sale

€000	31/12/2007	31/12/2006 Restated
Non current assets held for sale	38,256	2,890
Total	**38,256**	**2,890**

As of December 31, 2007, two Affine buildings, an apartment block belonging to Sipec currently being commercialized, and seventeen buildings from different AffiParis subsidiaries, were reclassified into this category.

Note 7.10 – Investments in companies accounted for under the equity method

€000	%	Value on 31/12/2007	Value on 31/12/2006
Montea	18%	22,089	20,037
MGP Sun Sarl	7%	(88)	83
<u>BANIMMO subsidiaries</u>			
JM Consulting	24%	182	158
Devimo Consult	16%	2,756	2,655
Eudip Three	25%	51	51
Immocert Tserclaes	25%	162	163
P.D.S.M.	25%	906	969
Schoonmeers	25%	944	977
Eudip One	24%	1,597	-
PPF Britanny sca		10	-
PPF Britanny GP sarl		4	-
Total		**28,614**	**25,093**

Note 7.11 – Investment properties

€000	Leases *	In progress	TUB	Total
Start of year	**667,839**	**252**	**625**	**668,716**
Increases	**81,291**	**27,089**	**-**	**108,380**
Acquisitions during the year	81,291	27,089	-	108,380
Decreases	**(22,930)**	**(12)**	**(345)**	**(23,287)**
Write-offs	-	-	-	-
Disposals	(22,930)	(12)	(345)	(23,287)
Change in consolidation	**158,526**	**7,312**	**-**	**165,838**
Change in fair value	**25,889**	**-**	**(280)**	**25,609**
Transfers between line items	**(33,535)**	**-**	**-**	**(33,535)**
Sector transfers	**15,984**	**(15,984)**	**-**	**-**
End of year	**893,064**	**18,657**	**-**	**911,721**

* Excluding impact of capitalised initial direct costs (€870,000 in 2007 versus €191,000 in 2006).

No buildings are classified under Temporarily Unleased Buildings (TUB) as of December 31, 2007. The line item "Changes in consolidation" corresponds to business combinations (IFRS 3) while the line items "Increases" and "Decreases" reflect transactions on assets (IAS 40). Accordingly, within the framework of a new consolidated company, the underlying assets are included in the column, "Changes in consolidation."

Note 7.12 – Property, plant and equipment and intangible assets

Changes in property, plant and equipment

€000	Operating	Buildings under construction	Total
Start of year	**3,647**	**46,654**	**50,301**
Increases	**795**	**-**	**795**
Acquisitions during the year	795	-	795
Decreases	**(88)**	**(39,855)**	**(39,944)**
Write-offs	-	-	-
Disposals	(88)	(39,855)	(39,944)
Transfers between line items	**(320)**	**(4,854)**	**(5,174)**
Transfers	**-**	**-**	**-**
End of year	**4,034**	**1,945**	**5,979**

"In progress" items in the table in Note 7.11 correspond to work performed in investment properties, while "buildings under construction" in the table above corresponds to assets which are not, and are not intended to become, investment properties such as land, conference centres, hotels and assets used by the Affine Group.

Changes in intangible assets

€000	Operating	Business assets	Total
Start of year	**1,422**	**1,820**	**3,242**
Increases	**486**	**-**	**486**
Acquisitions during the year	486	-	486
Decreases	**(818)**	**-**	**(818)**
Write-off	-	-	-
Disposals	(818)	-	(818)
Transfers between line items	**1,060**	**(511)**	**549**
Transfers	**-**	**817**	**817**
End of year	**2,150**	**2,126**	**4,276**

Changes in amortisation and provisions

€000	Intangible assets	PP&E	Total
Start of year	**408**	**2,223**	**2,631**
Transfers between line items	-	(264)	(264)
Allowances	(1) 2,491	406	2,897
Write-offs	-	-	-
Disposals and reversals	(6)	(29)	(35)
Transfers	**-**	**-**	**-**
End of year	**2,893**	**2,336**	**5,229**

(1) of which €1.820 million of goodwill amortisation on BFI Sarl, BFI Net, OS'UP.

Note 7.13 – Goodwill

€000	31/12/2007	31/12/2006 Restated
On CASF securities	-	35
On Concerto Développement securities	3,661	3,661
On Lemaco securities	819	819
On Montéa securities	2,428	2,428
Total	**6,908**	**6,942**

8. Notes on balance sheet liabilities

Note 8.1 – Debts vis-à-vis financial institutions

€000	Balance sheet items	0 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years
On demand	**5,260**	**5,260**	**-**	**-**	**-**
Accounts	5,258	5,258	-	-	-
Related debts	2	2	-	-	-
On maturity	**582,785**	**51,718**	**80,154**	**232,691**	**218,222**
Loans	580,516	49,449	80,154	232,691	218,222
Related debts	2,269	2,269	-	-	-
Total as of 31/12/2007	**588,045**	**56,978**	**80,154**	**232,691**	**218,222**

€000	Balance sheet items	0 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years
On demand	**9,273**	**9,273**	**-**	**-**	**-**
Accounts	9,266	9,266	-	-	-
Related debts	7	7	-	-	-
On maturity	**553,238**	**120,015**	**31,039**	**219,119**	**183,065**
Loans	550,773	117,555	31,039	219,113	183,065
Related debts	2,465	2,460	-	5	-
Total as of 31/12/2006	**562,512**	**129,288**	**31,039**	**219,119**	**183,065**

Note 8.2 – Trade debts

€000	Balance sheet items	0 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years
Other on-demand debts	**1,133**	**1,133**	**-**	**-**	**-**
Ordinary accounts	942	942	-	-	-
Other amounts owed	-	-	-	-	-
Related debts	191	191	-	-	-
Other on-maturity debts	**11,109**	**228**	**687**	**7,568**	**2,626**
On-maturity accounts & borrowings	11,109	228	687	7,568	2,626
Related debts	-	-	-	-	-
Total as of 31/12/2007	**12,242**	**1,361**	**687**	**7,568**	**2,626**

€000	Balance sheet items	0 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years
Other on-demand debts	**1,057**	**1,057**	**-**	**-**	**-**
Ordinary accounts	1,025	1,025	-	-	-
Other amounts owed	15	15	-	-	-
Related debts	17	17	-	-	-
Other on-maturity debts	**9,163**	**381**	**227**	**6,407**	**2,149**
On-maturity accounts & borrowings	9,163	381	227	6,407	2,149
Related debts	-	-	-	-	-
Total as of 31/12/2006	**10,220**	**1,437**	**227**	**6,406**	**2,149**

Note 8.3 – Debts represented by securities

€000	Balance sheet items	0 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years
Commercial paper	25,165	25,165	-	-	-
Related debts	(246)	(246)	-	-	-
Total as of 31/12/2007	**24,919**	**24,919**	**-**	**-**	**-**

Note 8.4 – Deferred tax liabilities

€000	31/12/2007	31/12/2006 Restated
Financial assets available for sale	6,986	7,128
Financial assets at fair value	301	(55)
Investment properties at FV of non-SIIC subsidiaries	7,355	5,761
Lease contracts (lessee)	2,482	596
Goodwill assigned to buildings	6,142	4,627
Lease contracts (lessor)	876	1,240
Derivatives	183	282
Deferment of borrowing costs	2	46
Tax deficits carried forward	(183)	(183)
Other items	1,545	1,909
Total	**25,689**	**21,351**

Note 8.5 – Other liabilities

€000	31/12/2007	31/12/2006 Restated
Government (VAT, Taxes, etc)	17,036	7,777
Other tax and social security liabilities	2,312	1,899
Staff	364	113
Deposits received	12,655	9,459
Trade payables	45,806	33,971
Finance lease lessee loans	-	-
Balances to be disbursed on investments	32	1,603
Payments received for guarantee deposits	823	379
Dividends to pay	-	-
Remaining payments on securities	14	14
Other miscellaneous payables	4,111	1,637
Interest to pay on swaps	-	2,275
Other expenses payable	30,386	14,928
Prepaid income	8,274	19,023
Investment subsidies	3,018	49
Miscellaneous	1,812	7,935
Total	**126,645**	**101,063**

Note 8.6 – Provisions

€000	Opening balance	Allowance for the year	Reversal for the year used	Reversal for the year not used	Change in consolidation	Closing balance
Provision for various client dispute risks	48	206	-	-	(48)	206
Provision for tax risk	32	401	-	-	-	433
Provision for pension costs	69	31	-	(54)	-	46
Provision for miscellaneous expenses	4,901	459	-	(1,330)	991	5,021
Total	**5,050**	**1,097**	**-**	**(1,384)**	**(943)**	**5,706**

Note 8.7 – Equity

Shares authorised, issued and paid up

	At opening	Distribution of share dividends	Incorporation of reserves	Three-way share split	At close
Number of shares	2,699,999	2,866		5,405,730	8,108,595
Share capital in euros	47,600,000	50,527	49,473		47,700,000

Treasury stock

€000	31/12/2006	Acquisitions	Sales	31/12/2007
Affine	444	8,428	(3,473)	5,399

Breakdown of other reserves

€000	31/12/2007	31/12/2006
Legal reserve	4,984	4,775
Statutory reserve	-	-
Regulated reserves	3	8
Revaluation surpluses	41,976	58,147
Other reserves	190,055	81,108
Carry forwards	34,519	31,605
Total*	**271,537**	**175,235**

* Minority interests included

The impact of deferred tax on equity amounted to (€7.7m), including (€4.4m) for the unrealised gains on assets for sale item and (€19m) for consolidation entries offset by a reversal of €16.2m due to AffiParis's (formerly Compagnie Foncière Fidéimur) change to SIIC status on April 1, 2007.

The increase in the item "Other reserves" comes primarily from the issue of €75.0 million in TSDIs by Affine.

9. Notes on the income statement

Note 9.1 – Interest income from financial institutions

€000	31/12/2007	31/12/2006 Restated	Change
Interest on ordinary debit balances	1,057	527	529
Interest on spot loans and accounts	-	-	-
Interest on on-term loans and accounts	7	10	(3)
Miscellaneous interest income	74	-	74
Financing commitments	544	-	544
Total	**1,682**	**538**	**1,144**

Note 9.2 – Interest income from clients

€000	31/12/2007	31/12/2006 Restated	Change
Interest on other trade credit	60	(9)	69
Interest on prepayments/def.int. from finance leases	11	14	(4)
Interest on ordinary debit balances	134	122	11
Miscellaneous interest income	6	2	4
Total	**211**	**130**	**81**

Note 9.3 – Interest income from finance lease transactions

€000	31/12/2007	31/12/2006 Restated	Change
Rent and similar	26,539	30,325	(3,786)
Allowances for tax amortisation	(12,473)	(14,362)	1,889
Provisions	(5,146)	(6,270)	1,124
Other	(1,473)	(2,108)	635
Total	**7,446**	**7,585**	**(139)**

Contingent rents included in income for the year: None

Note 9.4 – Interest charges from financial institutions

€000	31/12/2007	31/12/2006 Restated	Change
Interest on ordinary credit balances	386	367	19
Interest on spot loans and accounts	797	-	797
Interest on term loans and accounts	32,783	21,904	10,878
Miscellaneous interest charges	39	140	(101)
Charges on financing commitments	293	40	253
Charges on guarantee commitments	71	42	28
Total	**34,369**	**22,494**	**11,875**

Note 9.5 – Interest charges from clients

€000	31/12/2007	31/12/2006 Restated	Change
Interest on term loans – financial clients	3	6	(3)
Interest on ordinary credit balances	38	-	38
Interest on finance lease commitment hedge accounts	433	364	68
Interest on other term credit balances	-	-	-
Interest on lessee loans and financial lease deposit guarantees	166	71	94
Other miscellaneous interest charges	1	137	(136)
Total	**640**	**579**	**61**

Note 9.7 – Net gains or losses on financial instruments at fair value via income

€000	31/12/2007	31/12/2006 Restated	Change
Interest on fixed-income securities	**-**	**-**	**-**
Bonds	-	-	-
Investment securities	-	-	-
Dividends and other income from variable income securities	**98**	**9**	**89**
Trading securities	97	-	97
Investment securities	1	9	(8)
Changes in fair value of financial assets or liabilities	**38**	**-**	**38**
Bonds	-	-	-
Trading securities	-	-	-
Investment securities	26	-	26
Debt securities	13	-	12
Capital gains or losses on sales	**639**	**65**	**574**
Bonds	-	-	-
Trading securities	(12)	-	(12)
Investment securities	651	65	586
Derivatives (trading)	**1,501**	**1,228**	**273**
Interest income	(334)	139	(474)
Interest charges	(9)	2	(11)
Changes in fair value	1,844	1,086	758
Capital gains on disposals	-	-	-
Capital losses on disposals	-	-	-
Net foreign exchange transactions	**(12)**	**(1)**	**(11)**
Foreign exchange gains	5	-	5
Foreign exchange losses	(17)	(1)	(16)
Total	**2,264**	**1,301**	**963**

Note 9.8 – Gains or losses on financial assets available for sale

€000	31/12/2007	31/12/2006 Restated	Change
Dividends received	4,313	562	3,751
Capital gains on disposals	2	61	(60)
Capital losses on disposals	(65)	1	(66)
Reversal of impairment losses	48	-	48
Impairment losses	-	-	-
Total	**4,297**	**624**	**3,674**

Note 9.9 – Gross margin on other activities

Gross margin on finance lease transactions

€000	31/12/2007	31/12/2006 Restated	Change
Termination charges	50	1,348	(1,298)
Re-invoiced charges	4,750	5,532	(782)
Capital gains on disposals	1,331	550	782
Reversals of provisions	8,868	38,099	(29,231)
Miscellaneous income	853	212	641
Impairment/reversals on properties	-	-	-
Impairment/reversals on doubtful receivables	(2)	315	(317)
Impairment/reversals on accruals	-	3	(3)
Recovery of written-off receivables	295	140	155
Bad debts	(1)	-	(1)
Subtotal	**16,145**	**46,199**	**(30,054)**
Depreciation charge - unleased properties	-	-	-
Capital losses on disposals	(8,437)	(38,065)	29,627
Re-invoiceable charges	(4,750)	(5,532)	782
Non re-invoiceable charges	(205)	(180)	(25)
Miscellaneous charges	(4)	(2)	(2)
Subtotal	**(13,397)**	**(43,779)**	**30,382**
Total	**2,748**	**2,420**	**328**

Gross margin on real estate transactions

€000	31/12/2007	31/12/2006 Restated	Change
Proceeds from disposals	126,072	80,684	45,388
Changes in inventories	33,291	2,329	30,962
Income from property development contracts	(908)	6,197	(7,105)
Project management fees	13,369	886	12,483
Joint property development deals	-	8	(8)
Subtotal	**171,824**	**90,103**	**81,722**
Charges on development contracts	(160,849)	(78,205)	(82,644)
Development contract work	-	-	-
Retrocession of fees	(255)	(300)	45
Tax	(97)	(872)	775
Subtotal	**(161,201)**	**(79,377)**	**(81,824)**
Total	**10,623**	**10,726**	**(103)**

Gross margin on investment property

€000	31/12/2007	31/12/2006 Restated	Change
Rent and similar	63,270	52,399	10,871
Income from real estate investment trusts	-	-	-
Termination charges	171	64	107
Re-invoicing income	9,679	9,443	237
Capital gains on disposals	31,573	17,686	13,887
Unrealised capital gains at fair value	45,729	50,052	(4,323)
Miscellaneous income	5,023	1,862	3,161
Recovery of written-off receivables	111	1	109
Bad debts	(170)	(191)	21
Impairment/reversals on properties	-	-	-
Impairment/reversals on doubtful receivables	(883)	(693)	(190)
Provisions for accruals on TUB	-	1	(1)
Termination charges on TUB	-	-	-
Subtotal	**154,503**	**130,624**	**23,879**
Losses from real estate investment trusts	-	-	-
Marketing fees	(2,198)	(1,047)	(1,151)
Re-invoiceable charges	(9,383)	(9,798)	415
Non re-invoiceable charges	(8,618)	(9,476)	858
Capital losses on disposals	(4,576)	(5,374)	798
Unrealised capital losses at fair value	(17,906)	(13,867)	(4,039)
Subtotal	**(42,681)**	**(39,562)**	**(3,119)**
Total	**111,822**	**91,062**	**20,760**

Total amount of minimum income generated by non-cancellable sub-letting: None.

Sub-letting rents included in expenses for the year: None.

Contingent rents included in expenses for the year: None.

Gross margin on other activities

€000	31/12/2007	31/12/2006 Restated	Change
Re-invoiced charges	809	94	715
Reversal of provisions for liabilities and charges	1,070	1,825	(755)
Transfers of charges	2,563	775	1,788
Other miscellaneous bank operating income	1,476	972	503
Income from movable property leases	5,535	3,967	1,568
Other miscellaneous BC income	1,503	172	1,331
Subtotal	**12,955**	**7,805**	**5,150**
Provisions for liabilities and charges	(635)	(4,014)	3,379
Expenses to be deferred	-	-	-
Other miscellaneous bank operating expenses	(141)	(18)	(123)
Other non re-invoiceable BC expenses	(3,473)	(490)	(2,983)
Subtotal	**(4,249)**	**(4,522)**	**273**
Total	**8,706**	**3,283**	**5,423**

Note 9.10 – General operating expenses

€000	31/12/2007	31/12/2006 Restated	Change
Staff costs	**13,343**	**10,247**	**3,096**
Salaries and wages	8,770	6,967	1,803
Social security costs	3,716	2,831	885
Pension costs	-	-	-
Profit sharing	857	448	408
Other administrative costs	**20,397**	**14,615**	**5,782**
Tax	1,161	642	519
External services	19,236	13,973	5,263
Total	**33,739**	**24,862**	**8,877**

Note 9.11 – Amortisation allowances and provisions for property, plant and equipment and intangible assets

€000	31/12/2007	31/12/2006 Restated	Change
Amortisation allowance for intangible assets	2,208	131	2,077
Amortisation allowance for property, plant and equipment	406	408	(2)
Total	**2,614**	**539**	**2,075**

Note 9.12 – Risk cost

€000	31/12/2007	31/12/2006 Restated	Change
Net impairment on fixed income securities	(635)	-	(635)
Net impairment on trade receivables	(57)	(60)	3
Gains or losses on trade receivables	(205)	(130)	(75)
Net impairment on trade receivables (services)	233	88	145
Gains or losses on trade receivables (services)	(235)	-	(235)
Net impairment on trade receivables BC	(89)	(210)	121
Gains or losses on trade receivables BC	(13)		
Net impairment of inventories	(104)	(609)	505
Net impairment of other assets	(459)	-	(459)
Total	**(1,564)**	**(920)**	**(630)**

Note 9.13 – Net gains or losses on other assets

€000	31/12/2007	31/12/2006 Restated	Change
Net operating asset disposals	**94**	**1**	**93**
Capital gains on disposals	165	17	148
Capital losses on disposals	(71)	(39)	(32)
Reversals of provisions	-	23	(23)
Provisions	-	-	-
Net consolidated securities transactions	**12,612**	**322**	**12,290**
Capital gains	12,612	596	12,017
Capital losses	(1)	(274)	273
Reversals of provisions	-	-	-
Provision allowances	-	-	-
Total	**12,706**	**323**	**12,383**

Note 9.14 – Changes in goodwill

€000	31/12/2007	31/12/2006 Restated	Change
Jardin des Quais	-	60	(60)
Valliers	266	-	266
Aulnes	-	6	(6)
Cochets	-	(2)	2
BFI	-	(47)	47
Wegalaan	-	25	(25)
Concerto Iberica	15	-	15
Capucines Investissements	(22)	-	(22)
Affiparis	(1,624)	-	(1,624)
Total	**(1,365)**	**42**	**(1,407)**

This line item is made up mainly of unassigned goodwill of (€1.6)m resulting from the acquisition of AffiParis (formerly Compagnie Foncière Fidéimur). The amortisation of goodwill is due to the absence of identifiable additional unrealised gains.

Note 9.15 – Income tax

Reconciliation of the consolidated tax charge and the tax due in company financial statements

€000	31/12/2007	31/12/2006 Restated	Change
Tax due	12,017	6,249	5,768
Change in deferred tax	(16,107)	(1,392)	(14,715)
Total	**(4,090)**	**4,857**	**(8,947)**

Reconciliation of the theoretical tax charge and the recognised tax charge

In millions of euros	Base	Theoretical tax at 33 1/3%
Theoretical tax before add-backs/deductions	**87.46**	**29.15**
Add-back – deductions	(80.57)	(26.86)
Theoretical tax after add-backs/deductions	**6.89**	**2.29**
– of which companies making a tax loss	(5.02)	(1.67)
– of which companies making a tax profit	11.90	3.96
Use of tax losses		
Consolidated tax after allocation of losses	**11.90**	**3.96**
Annual flat-rate tax and tax adjustments		0.12
Tax on long-term capital gains at 19%		-
Tax on unrealised capital gains at 16.50%		(8.59)
Tax due outside France		0.35
Social security contribution 3.3 %		0.07
Total		**(4.09)**

Note 9.16 – Profit after tax of discontinued operations or those held for sale

None

Note 9.17 – Earnings per share

Net consolidated earnings (Group share) amounted to €78,158,865 for a weighted average 8,011,992 shares in circulation during 2007, representing earnings per share of €9.76. Treasury stock, deducted from equity in consolidation, is excluded from the average number of shares. The number of shares in circulation as of December 31, 2007 was 8,108,595.

Diluted earnings per share are calculated pursuant to IAS 33. Earnings per share must be adjusted for the maximum impact of the conversion of dilutive instruments into ordinary shares (convertible bonds or equity warrants). The convertible bonds (ORA) issued by Affine on October 15, 2003 and June 29, 2005 are classified as dilutive instruments.
In the numerator, net profit (Group share) is increased by the savings in finance expenses generated in the event of conversion, net of tax, if any.
In the denominator, the weighted average of securities in circulation is adjusted by the maximum number of shares that could be issued. The dilution for the year of issue is calculated on a time-proportional basis according to the issue date of the new instrument. For subsequent years, the conversion is deemed to have taken place on

the first day of the financial year. The weighted average number of shares rose to 9,634,392 taking into account an average of 1,622,400 new shares resulting from conversion of the convertible bonds.
Taking account of the restatements set out above, diluted earnings per share plunged to €8.11 in 2007 from €18.45 in 2006, given that the number of shares tripled over the periodsignificantly reduced earnings per share.

10. Notes on the cash flow statement

Note 10.1 – Net flows from operating activities: operating cash flows and changes in working capital requirement

€000	31/12/2007	31/12/2006 (Restated)
Finance leases	26,915	30,095
Investment property	55,271	42,543
Property development	11,121	10,488
Overheads including investment research costs.	(27,573)	(20,347)
Operating cash flow before borrowing costs net of tax	**65,734**	**62,779**
Finance leases	5,675	1,408
Investment property	(11,201)	(417)
Property development	(6,383)	4,694
Overheads including investment research costs.	(2,933)	(5,002)
Change in total working capital requirement	**(14,842)**	**683**
Dividends received	5,062	776
Interest received	1,832	1,230
Interest paid	(37,190)	(20,403)
Tax	(10,366)	(10,795)
Net cash flows from operating activities	**10,230**	**34,270**

Note 10.2 – Net tax cash flows

€000	31/12/2007	31/12/2006 (Restated)
Current tax	(4,131)	(6,075)
Exit tax	(6,235)	(4,720)
Net tax flows	**(10,366)**	**(10,795)**

Note 10.3 – Net cash flows related to acquisition and disposal of subsidiaries

€000	31/12/2007	31/12/2006 (Restated)
Acquisition price of investments	(43,714)	(107,208)
Acquired funds	1,503	2,817
Acquisitions net of acquired funds	**(42,211)**	**(104,391)**
Disposal price of investments	441	-
Funds disposed of	(110)	-
Disposals net of disposed funds	**332**	**-**

€000	31/12/2007	31/12/2006 (Restated)
Acquired assets	(110,423)	(293,726)
Acquired equity	16,078	104,601
Acquired liability provisions		3,032
Acquired debts	95,849	188,910
Acquired funds	**1,504**	**2,817**
Assets disposed of	-	-
Debts disposed of	(11)	-
Equity disposed of	(99)	-
Funds disposed of	**(110)**	**-**

Companies acquired	Loan financing	Payment method	Comments
AFFIPARIS	€18.3m	Payment in cash	

Note 10.4 – Cash flows relating to equity

€000	31/12/2007	31/12/2006 (Restated)
Dividends paid in cash	(13,832)	(12,863)
Share capital increase in cash (including premium)	57,290	99
Treasury stock (purchase/sale)	(5,207)	104
ORA convertible bonds (subscription and redemption)	-	-
ORA convertible bond coupons paid	(5,402)	(2,254)
TSDI perpetual subordinated loan notes	75,000	
Net flows	**107,849**	**(14,914)**

Note 10.5 – Net cash flows from financing transactions

€000	31/12/2007	31/12/2006 (Restated)
New bank borrowings and bonds	69,951	120,122
Reimbursed bank borrowings and bonds	(90,277)	(67,262)
Other financing	(17,055)	(9,170)
Net flows	**(37,381)**	**43,690**

Note 10.6 – Cash and cash equivalents

€000	31/12/2007	31/12/2006 (Restated)
Cash	12	8
Liquid bank assets	42,213	12,339
Investment securities	5,727	8,900
Bank overdrafts	(5,285)	(9,266)
Total	**42,667**	**11,981**

11. Commitments and contingencies

Commitments relating to finance leases for which the Group is the lessee

(N.B. finance leases are restated to show the net carrying amount of properties in assets and a loan in liabilities)

Reconciliation of total minimum payments and present value:

	Minimum payments	Present value of minimum payments
Less than 1 year	15,810	12,855
1 to 5 years	33,434	26,068
Over 5 years	25,867	24,143
Total minimum lease payments	75,111	
Amounts representing financing charges	(12,045)	
Discounted value of minimum lease payments	63,066	63,066

Finance lease contracts, where Affine is lessee, relate to contracts without specific provisions.
The average remaining term on the agreements for which the group is the lessee is 7.5 years.

Commitments relating to finance leases for which the Group is the lessor

(N.B. finance leases are restated to show a receivable equal to the lease's remaining outstanding amount)

Reconciliation of total minimum payments and present value:

	Minimum payments	Present value of minimum payments
Less than 1 year	35,971	16,890
1 to 5 years	103,353	41,662
Over 5 years	69,363	26,538
Total minimum lease payments	208,687	
Amounts representing financing charges	(123,597)	
Discounted value of minimum lease payments	85,090	85,090

Non-guaranteed residual values for the lessor: €3,111,000.

Finance lease contracts, where Affine is lessee, relate to contracts without specific provisions. Three types of agreements exist within the Group:

- ex-Sicomi contracts, signed prior to 1993 for some and 1996 for others: the average term of these leases is 15 years;
- so-called free leases (CBL) signed from 1993 onward, which have an average term of 15 years;
- general leases (CBG) signed from 1996 onward, which have an average term of 12 years

Future minimum payments for subleasings receivable, for non-cancellable subleasing contracts, are included in operating lease commitments as lessor, in the same way as other operating lease contracts.
The remaining average term on the operating leases is 11 years.

Commitments relating to operating leases for which the Group is the lessor

Reconciliation of total minimum payments and present value:

	Minimum payments	Present value of minimum payments
Less than 1 year	64,523	47,760
1 to 5 years	208,663	147,997
Over 5 years	116,283	70,528
Total minimum lease payments	389,469	
Amounts representing financing charges	(123,184)	
Discounted value of minimum lease payments	266,285	266,285

All Affine Group assets and liabilities are located in France and Europe. Operating lease contracts, where Affine is lessor, generally relate to 3/6/9-year commercial leases; Only the lessee can terminate the lease at the end of each three-year period with six months' notice (as local use dictates) given by registered letter with return receipt. However, the parties may contractually agree to waive this three-year termination clause.
Rent is normally paid on a quarterly basis for the upcoming period and is indexed annually and exclusively on the INSEE construction cost index. Rent may be progressive or constant and may include exemptions or ceilings; these must, however be determined when the lease is signed and last for its entire term. The lessee generally bears all charges, real estate taxes, and office taxes.
In some cases, Affine applies a variable share in its rents, but this is marginal.

Commitments relating to operating leases for which the Group is the lessee

Reconciliation of total minimum payments and present value:

	Minimum payments	Present value of minimum payments
Less than 1 year	4,118	3,750
1 to 5 years	16,296	14,639
Over 5 years	17,637	12,032
Total minimum lease payments	38,051	
Amounts representing financing charges	(7,630)	
Discounted value of minimum lease payments	30,421	30,421

Operating lease contracts (lessee position), relate mainly to rents from the head offices of Affine, Abcd, Banimmo and BFI.

Commitments given

€000	**31/12/2007**	**31/12/2006**
FINANCING COMMITMENTS	**-**	**-**
Commitments to financial institutions	-	-
Commitments to clients	-	-
GUARANTEE COMMITMENTS	**81,715**	**50,740**
Commitments to financial institutions	-	-
Commitments to clients	81,715	50,740
SECURITIES GIVEN AS GUARANTEE	**363,617**	**365,735**
Pledge of securities	93,829	80,250
Unnotified Dailly Law assignments and mortgages	249,808	255,638
Mortgages and rent assignment agreements	2,303	2,516
Dailly Law assignment and mortgage agreements	12,145	22,920
Unnotified Dailly Law assignments	-	-
Rent assignment agreements	3,255	4,411

Commitments received

€000	**31/12/2007**	**31/12/2006**
FINANCING COMMITMENTS	**192,852**	**168,450**
Commitments received from financial institutions	192,852	168,450
Commitments received from clients	-	-
GUARANTEE COMMITMENTS	**43,531**	**66,338**
Commitments to financial institutions	13,346	27,777
Commitments to clients	30,185	38,561

12. Financial instruments

Financial assets valued at fair value as income

€000	Instruments held for trading	Instruments specifically allocated to this item	**Total**
Bonds and other fixed income securities	3,413		3,413
Equities and other variable-income securities	5,834		5,834
Derivatives		3,516	3,516
Total 31/12/2007	**9,247**	**3,516**	**12,763**
Total 31/12/2006	**8,902**	**1,468**	**10,370**

13. Workforce

Average weighted workforce during the financial year

The average workforce was 155 people and breaks down as follows:

- Executives: 5
- Management : 78
- Employees : 72

14. Employee benefits

Pensions and other post-employment benefits

Pensions payable through various mandatory pension schemes are managed by specialist external organisations. Contributions due for the financial year were recognised in income for the period in the amount of €599,000.

The provision for retirement allowances is established in line with the provisions of IAS 19. The amount (€46,000) is not material for the Group.

Individual training rights

Group employees have accumulated rights to 2,665 training hours.

Bonus shares

The decision by the Board of Directors on December 19, 2005 to grant bonus shares, acting on the authorisation of the ordinary and extraordinary general shareholders' meeting of November 9, 2005, was enacted at the Board Meeting of December 18, 2006, and by the Board Meeting of December 10, 2007 bringing the number of bonus shares granted to specific employees to 23,350.

The expense for FY 2007, calculated in line with IFRS 2, was €211,000.

	2005	2006	2007	Total
Employees	7,500	10,200	7,650	23,350

(The number of shares posted has been multiplied by three for financial years 2005 and 2006 in order to ensure that figures are comparable to 2007.)

15. Related party disclosures

Remuneration of management and administration bodies

Gross remuneration paid to the officers and executives of Group companies amounted to €2,030,000 in FY 2007.

Other assorted benefits provided to the Group's officers and executives are:

- GSC contributions (unemployment benefits for company heads and directors: one for €23,000 in 2007);
- Company car: one representing an expense of €4,000 in 2007;
- Severance pay: a clause providing for the payment of an amount equal to one year's total remuneration paid by all Group companies;
- Contributions to pension funds over the year: €168,000

Directors' fees paid by Group companies in 2007 amounted to €165,000.

Bonus shares

The decision by the Board of Directors on December 19, 2005 to grant bonus shares, acting on the authorisation of the ordinary and extraordinary general shareholders' meeting of November 9, 2005, was enacted at the Board Meeting of December 18, 2006, and the Board meeting of December 10, 2007 bringing the number of bonus shares granted to specific officers to 49,350.

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The expense for FY 2007, calculated in line with IFRS 2, was €370,000.

	2005	2006	2007	Total
Officers	15,900	15,900	17,550	49,350

(The number of shares posted has been multiplied by three for financial years 2005 and 2006 in order to ensure that figures are comparable to 2007.)

Purchases of goods and services

In 2006, Banimmo booked Brouckère Tower Invest SA fee income and management commissions of €136,000 (invoice issued in 2007).

In 2007, Banimmo invoiced fees and management commissions to Brouckère Tower Invest SA of €267,000 and Dolce la Hulpe and Dolce Chantilly in the amount of €2,325,000.
These services were provided under arms-length terms.

Closing balances related to purchases of goods and services

A receivable owed by Brouckère Tower Invest SA of €281,000 remained unpaid as of December 31, 2007; the receivables are not secured and do not bear interest. No provision for bad debts was booked.

Loans granted to related parties

€000	2007
MGP SUN SARL	930
Coferinvest SA	12,250
Pdsm	47
Total loans granted to related parties	**13,227**
MGP SUN SARL	42
Coferinvest SA	-
Pdsm	2
Total interest income on loans granted	**44**

Loans to related companies have no maturity and bear interest at the following rates:

- to MGP SUN SARL, at EONIA rates plus a margin of 0.50%.
- to Coferinvest SA, subordinated loan at 6-month EURIBOR plus a margin of 1.75% payable under certain suspensive conditions: the rate applied in 2007 was 0%.
- to PDSM SCARL, at a rate of 5%

No guarantee has been received.

€000	2007
Interest charges on debt granted	
Eudip Three SA	3
Total interest charges on debt granted	**3**

Related party transactions and operating balances

MAB-Finances, in its capacity as Affine's management holding company, has signed an agreement with Affine for the provision of administrative, financial and operational development services, for which an expense of €364,000 is included in the financial statements for 2007 (partial amount taking account of the portion incorporated in management remuneration).

16. Post balance sheet events

The 51% stake held by Affine in Abcd company was sold on February 28, 2008.