Affine

Financial Report

Consolidated Financial Statements

Financial year ended December 31, 2006

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ASSETS *(In thousands of euros)*	**Note**	**31/12/2006**	**31/12/2005 restated**	**31/12/2005 published**
SAVINGS BANK, CENTRAL BANK, POST OFFICE ACCOUNTS		**14**	**11**	**11**
FINANCIAL ASSETS AT FAIR VALUE VIA INCOME		**10,370**	**7,231**	**7,231**
Bonds and other fixed income securities		-	-	-
Shares and other variable income securities	[6.1]	8,902	7,191	7,191
Derivatives	[6.2]	1,468	40	40
HEDGING DERIVATIVES		**-**	**-**	**-**
FINANCIAL ASSETS AVAILABLE FOR SALE	[6.3]	**36,446**	**26,486**	**26,486**
LOANS AND RECEIVABLES VIS-À-VIS FINANCIAL INSTITUTIONS	[6.4]	**11,604**	**36,311**	**36,310**
Ordinary debit balances		11,437	36,198	36,198
Long-term loans and accounts		140	-	-
Related receivables		27	48	47
Finance leases and related receivables	[6.6]	-	65	65
TRADE LOANS AND RECEIVABLES	[6.5]	**166,106**	**171,508**	**171,509**
Other trade credit		4,527	6,611	6,611
Ordinary debit balances		2,182	2,994	2,994
Related receivables on investment property		5,967	3,061	3,350
Trade receivables (services rendered)		21,675	20,586	20,298
Finance leases and related receivables	[6.6]	131,754	138,256	138,256
REVALUATION SURPLUS ON INTEREST RATE HEDGED PORTFOLIOS		**-**	**-**	**-**
FINANCIAL ASSETS HELD TO MATURITY		**-**	**-**	**-**
CURRENT TAX ASSETS		**3,928**	**26**	**25**
DEFERRED TAX ASSETS	[6.7]	**1,038**	**7**	**327**
ACCRUALS AND OTHER ASSETS	[6.8]	**82,191**	**30,072**	**30,072**
Interim dividends paid out during the financial year		4,949	3,098	3,098
Other accruals and miscellaneous assets		77,242	26,974	26,974
NON-CURRENT ASSETS HELD FOR SALE	[6.9]	**-**	**-**	**1,143**
INTERESTS IN COMPANIES ACCOUNTED FOR UNDER THE EQUITY METHOD	[6.10]	**25,093**	**22**	**22**
INVESTMENT PROPERTY	[6.11]	**668,858**	**397,354**	**336,640**
Leased property		668,233	394,844	334,803
Temporarily unleased property		625	2,510	1,837
PROPERTY, PLANT AND EQUIPMENT	[6.12]	**48,078**	**601**	**166**
INTANGIBLE ASSETS	[6.12]	**2,834**	**526**	**464**
GOODWILL	[6.13]	**6,942**	**4,871**	**4,871**
TOTAL ASSETS		**1,063,503**	**675,026**	**615,277**

LIABILITIES *(In thousands of euros)*	**Note**	**31/12/2006**	**31/12/2005 restated**	**31/12/2005 published**
CENTRAL BANK, POST OFFICE ACCOUNTS		**-**	**-**	**-**
FINANCIAL LIABILITIES AT FAIR VALUE VIA INCOME	[11]	**833**	**-**	**-**
HEDGING DERIVATIVES		**-**	**-**	**-**
DEBTS VIS-À-VIS FINANCIAL INSTITUTIONS	[7.1]	**562,512**	**336,185**	**338,600**
Ordinary credit balances		9,273	8,455	13,058
Long-term loans and accounts		553,238	327,730	325,542
TRADE PAYABLES	[7.2]	**10,220**	**9,324**	**8,654**
Ordinary credit balances		1,042	3,288	2,618
Other sums due		15	-	-
Long-term loans and accounts		9,163	6,036	6,036
DEBT SECURITIES		**-**	**-**	**-**
REVALUATION LOSS ON INTEREST RATE HEDGED PORTFOLIOS		**-**	**-**	**-**
CURRENT TAX LIABILITIES		**8,423**	**9,581**	**9,581**
DEFERRED TAX LIABILITIES	[7.3]	**21,549**	**8,871**	**8,176**
ACCRUALS AND OTHER LIABILITIES	[7.4]	**101,063**	**46,687**	**46,686**
DEBTS STEMMING FROM NON-CURRENT ASSETS HELD FOR SALE		**-**	**-**	**-**
PROVISIONS FOR LIABILITIES AND CHARGES	[7.5]	**6,209**	**236**	**236**
SUBORDINATED DEBT	[7.6]	**1,029**	**801**	**801**
EQUITY	[7.7]	**351,666**	**263,341**	**202,543**
EQUITY – GROUP SHARE		**316,022**	**262,241**	**201,507**
SHARE CAPITAL AND RELATED RESERVES		**100,605**	**99,047**	**99,047**
Share capital		47,600	47,305	47,305
Premiums		23,439	22,119	22,119
Equity component of hybrid instruments (convertible debt)		30,009	30,009	30,009
Treasury stock		(444)	(386)	(386)
CONSOLIDATED RESERVES		**144,287**	**102,490**	**78,405**
UNREALISED OR DEFERRED GAINS OR LOSSES		**13,566**	**7,185**	**7,185**
Unrealised gains or losses on derivatives		-	-	-
Unrealised gains or losses on assets available for sale		13,566	7,185	7,185
EARNINGS FOR THE PERIOD		**57,565**	**53,519**	**16,870**
MINORITY INTERESTS		**35,644**	**1,100**	**1,036**
Minority share of consolidated reserves		30,948	691	657
Minority share of consolidated earnings		4,695	409	379
TOTAL LIABILITIES		**1,063,503**	**675,026**	**615,277**

INCOME STATEMENT *(In thousands of euros)*	**Note**	**31/12/2006**	**31/12/2005 restated**	**31/12/2005 published**
INTEREST AND RELATED INCOME		**8,253**	**8,240**	**8,240**
On fixed income securities available for sale		-	-	-
On loans and receivables vis-à-vis financial institutions	[8.1]	538	399	399
On trade loans and receivables	[8.2]	130	181	181
On financial assets held to maturity		-	-	-
On hedging derivatives		-	-	-
On finance leases	[8.3]	7,585	7,660	7,660
On impaired receivables		-	-	-
INTEREST AND RELATED EXPENSES		**23,943**	**15,695**	**16,752**
On debts vis-à-vis financial institutions	[8.4]	22,494	14,677	14,677
On trade payables	[8.5]	579	393	393
On debt securities		-	-	-
On subordinated debt	[8.6]	869	625	1,682
On finance leases		-	-	-
On loans and receivables		-	-	-
COMMISSION (INCOME)		**-**	**-**	**-**
COMMISSION (EXPENSES)		**1,141**	**938**	**938**
NET GAINS OR LOSSES ON FINANCIAL INSTRUMENTS AT FAIR VALUE VIA INCOME	[8.7]	**1,301**	**305**	**305**
NET GAINS OR LOSSES ON FINANCIAL ASSETS AVAILABLE FOR SALE	[8.8]	**624**	**1,468**	**1,468**
INCOME FROM OTHER ACTIVITIES	[8.9]	**273,769**	**125,754**	**95,835**
Income from finance leases		46,199	23,314	23,355
Income from real estate transactions		90,103	21,853	21,853
Income from investment property		130,624	77,895	49,076
Other miscellaneous operating income		6,844	2,692	1,551
EXPENSES FROM OTHER ACTIVITIES	[8.9]	**167,240**	**53,967**	**60,788**
Expenses from finance leases		43,779	19,981	19,981
Expenses from real estate transactions		79,377	19,312	19,312
Expenses from investment property		39,562	14,261	21,192
Other miscellaneous operating expenses		4,522	413	303
NET INTEREST INCOME		**91,623**	**65,166**	**27,370**
GENERAL OPERATING EXPENSES	[8.10]	**24,862**	**13,778**	**13,777**
DEPRECIATION AND AMORTISATION AND PROVISIONS FOR PP&E AND INTANGIBLE ASSETS	[8.11]	**539**	**223**	**171**
GROSS OPERATING INCOME		**66,222**	**51,166**	**13,422**
RISK COST	[8.12]	**(710)**	**(172)**	**(172)**
NET OPERATING INCOME		**65,512**	**50,994**	**13,250**
SHARE IN COMPANIES ACCOUNTED FOR UNDER THE EQUITY METHOD	[6.10]	**1,241**	**-**	**-**
NET GAINS OR LOSSES ON OTHER ASSETS	[8.13]	**323**	**682**	**682**
CHANGE IN GOODWILL	[8.14]	**42**	**2,737**	**2,737**
PRE-TAX PROFIT		**67,117**	**54,413**	**16,669**
INCOME TAX CHARGE	[8.15]	**(4,857)**	**(511)**	**580**
PROFIT AFTER TAX OF DISCONTINUED OPERATIONS OR THOSE HELD FOR SALE	[8.16]	**-**	**26**	**-**
EARNINGS		**62,260**	**53,928**	**17,249**
MINORITY INTERESTS		**4,695**	**409**	**379**
EARNINGS - GROUP SHARE		**57,565**	**53,519**	**16,870**
Earnings per share (in euros)	[8.17]	**21.40**	**21.24**	**6.81**
Diluted earnings per share (in euros)	[8.17]	**18.02**	**17.98**	**6.23**

Statement of changes in equity

	Share capital and related reserves			Consolidated reserves	
(In thousands of euros)	Share capital	Reserves related to share capital	Treasury stock	Consolidated reserves	Subtotal to carry forward (1)
Equity as of 31/12/2004	**41,012**	**26,074**	**(97)**	**83,557**	**150,546**
Impact of application of IAS/IFRS	-	-	-	-	-
Fair value of investment property				24,986	24,986
Earnings allocation	-	-	-	9,190	9,190
Equity as of 01/01/2005	**41,012**	**26,074**	**(97)**	**117,733**	**184,722**
Share capital increase	6,293	16,045	-	(1,820)	20,518
Elimination of treasury stock	-	-	(289)	97	(192)
Preference share issue	-	-	-	-	-
Equity component of hybrid instruments	-	10,009		-	10,009
Transactions involving share-based payments	-	-	-	-	-
Dividend distribution	-	-	-	(9,311)	(9,311)
Subtotal of shareholder-related transactions	**6,293**	**26,054**	**(289)**	**(11,034)**	**21,024**
Changes in value of financial instruments and fixed assets affecting equity	-	-	-	-	-
Changes in value of financial instruments and fixed assets recognised in income	-	-	-	-	-
2005 earnings	-	-	-	-	-
Subtotal	**-**	**-**	**-**	**-**	**-**
Impact of acquisitions and disposals on minority interests	-	-	-	(34)	(34)
Changes in accounting policies	-	-	-	-	-
Share in changes in equity of companies accounted for under the equity method	-	-	-	-	-
Other changes	-	-	-	(3,274)	(3,274)
Equity as of 31/12/2005	**47,305**	**52,129**	**(386)**	**103,391**	**202,438**
2005 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	-	-	-	-	-
Transactions involving share-based payments	-	-	-	-	-
Dividend distribution	-	-	-	(10,883)	(10,883)
Subtotal of shareholder-related transactions	**295**	**1,320**	**(58)**	**(10,853)**	**(9,296)**
Changes in value of financial instruments and fixed assets affecting equity	-	-	-	-	-
Changes in value of financial instruments and fixed assets recognised in income	-	-	-	-	-
2006 earnings	-	-	-	-	-
Subtotal	**-**	**-**	**-**	**-**	**-**
Impact of acquisitions and disposals on minority interests	-	-	-	-	-
Changes in accounting policies	-	-	-	-	-
Share in changes in equity of companies accounted for under the equity method	-	-	-	-	-
Other changes	-	-	-	(868)	(868)
Equity as of 31/12/2006	**47,600**	**53,449**	**(444)**	**144,287**	**244,892**

Statement of changes in equity (continued)

(In thousands of euros)	Unrealised or deferred gains or losses (net of income tax)				
	Relating to translation adjustments	Relating to revaluation	Changes in value of assets available for sale	Changes in value of hedging derivatives	Subtotal to carry forward (2)
Equity as of 31/12/2004	**-**	**-**	**-**	**-**	**-**
Impact of application of IAS/IFRS	-	-	-	-	-
Earnings allocation	-	-	-	-	-
Equity as of 01/01/2005	**-**	**-**	**-**	**-**	**-**
Share capital increase	-	-	-	-	-
Elimination of treasury stock	-	-	-	-	-
Preference share issue	-	-	-	-	-
Equity component of hybrid instruments	-	-	-	-	-
Transactions involving share-based payments	-	-	-	-	-
Dividend distribution	-	-	-	-	-
Subtotal of shareholder-related transactions	**-**	**-**	**-**	**-**	**-**
Changes in value of financial instruments and fixed assets affecting equity	-	-	-	7,185	7,185
Changes in value of financial instruments and fixed assets recognised in income	-	-	-	-	-
2005 earnings	-	-	-	-	-
Subtotal	**-**	**-**	**-**	**7,185**	**7,185**
Impact of acquisitions and disposals on minority interests	-	-	-	-	-
Changes in accounting policies	-	-	-	-	-
Share in changes in equity of companies accounted for under the equity method	-	-	-	-	-
Other changes	-	-	-	-	-
Equity as of 31/12/2005	-	-	-	7,185	7,185
2005 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	-	-	-	-	-
Subtotal of shareholder-related transactions	**-**	**-**	**-**	**-**	**-**
Changes in value of financial instruments and fixed assets affecting equity	-	-	-	6,381	6,381
Changes in value of financial instruments and fixed assets recognised in income	-	-	-	-	-
2006 earnings	-	-	-	-	-
Subtotal	**-**	**-**	**-**	**6,381**	**6,381**
Impact of acquisitions and disposals on minority interests	-	-	-	-	-
Changes in accounting policies	-	-	-	-	-
Share in changes in equity of companies accounted for under the equity method	-	-	-	-	-
Other changes	-	-	-	-	-
Equity as of 31/12/2006	**-**	**-**	**-**	**13,566**	**13,566**

Statement of changes in equity (continued)

(In thousands of euros)	Subtotals carried forward (1) + (2)	Earnings – Group share	**Equity – Group share**	**Equity – Minority interests**	**Total consolidated equity**
Equity as of 31/12/2004	**150,546**	**9,190**	**159,736**	**728**	**160,464**
Impact of application of IAS/IFRS	-	-	-	-	-
Fair value of investment property	24,986		24,986		24,986
Earnings allocation	9,190	(9,190)	-	-	-
Equity as of 01/01/2005	**184,722**	**-**	**184,722**	**728**	**185,450**
Share capital increase	20,518	-	20,518	-	20,518
Elimination of treasury stock	(192)	-	(192)	-	(192)
Preference share issue	-	-	-	-	-
Equity component of hybrid instruments	10,009	-	10,009	-	10,009
Transactions involving share-based payments	-	-	-	-	-
Dividend distribution	(9,311)	-	(9,311)	(220)	(9,531)
Subtotal of shareholder-related transactions	**21,024**	**-**	**21,024**	**(220)**	**20,804**
Changes in value of financial instruments and fixed assets affecting equity	7,185	-	7,185	-	7,185
Changes in value of financial instruments and fixed assets recognised in income	-	-	-	-	-
2005 earnings	0	52,618	52,618	409	53,027
Subtotal	**7,185**	**52,618**	**59,803**	**409**	**60,212**
impact of acquisitions and disposals on minority interests	(34)	-	(34)	174	141
Changes in accounting policies	-	-	-	-	-
Share in changes in equity of companies accounted for under the equity method	-	-	-	-	-
Other changes	(3,274)	-	(3,274)	9	(3,265)
Equity as of 31/12/2005	209,623	52,618	262,241	1,100	263,341
2005 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	-	-	-	-	-
Transactions involving share-based payments	-	-	-	-	-
Dividend distribution	(10,883)	-	(10,883)	(1,744)	(12,627)
Subtotal of shareholder-related transactions	**(9,296)**	**-**	**(9,296)**	**(1,721)**	**(11,017)**
Changes in value of financial instruments and fixed assets affecting equity	6,381	-	6,381	(4)	6,377
Changes in value of financial instruments and fixed assets recognised in income	-	-	-	-	-
2006 earnings	-	57,565	57,565	4,695	62,260
Subtotal	**6,381**	**57,565**	**63,946**	**4,691**	**68,637**
Impact of acquisitions and disposals on minority interests	-	-	-	31,572	31,572
Changes in accounting policies	-	-	-	-	-
Share in changes in equity of companies accounted for under the equity method	-	-	-	-	-
Other changes	(145)	-	(145)	-	(145)
Equity as of 31/12/2006	**258,457**	**57,565**	**316,022**	**35,644**	**351,666**

Cash flow statement

		31/12/2006	2005 restated
Cash flows from finance leases		31,503	32,679
Cash flows from real estate developments		15,182	(15,847)
Cash flows from investment property		42,127	27,456
Cash flows from financial assets and investments		776	2,087
Cash flows from financing activities		(19,174)	(12,855)
Other operating cash flows		(25,349)	(10,404)
Taxes paid	[9.2]	(10,795)	(2,944)
Net cash flows from operating activities	[9.1]	**34,270**	**20,172**
Cash flows from finance leases		(12,355)	12,867
Cash flows from investment property		29,405	10,753
Cash flows from financial assets and investments	[9.3]	(104,450)	(34,223)
Cash flows from operating fixed assets		620	(487)
Net cash flows from investing activities		**(86,779)**	**(11,229)**
Cash flows relating to equity	[9.4]	(14,914)	18,891
Net cash flows from financing transactions	[9.5]	43,690	(2,341)
Net cash flows from financing activities		**28,776**	**16,550**
Impact of change in exchange rates on cash and cash equivalents		**(1)**	**(10)**
Change in net cash and cash equivalents		**(23,735)**	**25,622**
Opening cash position		35,715	10,093
Closing cash position	[9.6]	11,981	35,715
Change in net cash and cash equivalents		**(23,735)**	**25,622**

APPENDICES

1. Corporate information

On February 14, 2007, the Board of Directors of Affine SA approved the financial statements for the financial year ended December 31, 2006 and authorised their publication. Affine is a PLC listed on Euronext's Eurolist; it is included in the SBF 250 (CAC Small90) index and is part of the Next Prime segment. Affine was also included on the EPRA (FTSE EPRA Global Real Estate) 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 companies (REIC) 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 period are set out in the management report, which should be consulted.

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

2. Accounting principles and policies

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 measurement and the fair value of derivatives. Actual amounts may differ from these estimates.

Accounting basis and presentation of financial statements

In line 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 summary documents follow recommendation no. 2004-R.03 issued by the French National Accounting Committee (CNC) on October 27, 2004 with regard to companies falling within the ambit of the Banking and Financial Regulations Committee (CRBF) under the international accounting basis.

The financial reporting accounting principles are in line with the presentation, recognition and measurement rules set out in IAS 1.

The business activities of companies within the scope of consolidation are not seasonal.

The financial statements are presented in thousands of euros.

Change in accounting policy

Fair value recognition of investment property (IAS 40)

The Affine Group elected to apply, as of January 1, 2006, the preferred method in IAS 40, namely to recognise investment property at its fair value via income.
The comparative column in the financial statements as of December 31, 2005 has been restated accordingly.
The equity impact as of January 1, 2005 of recognising investment property at its fair value was €25,099,000.
The impact in income relates to income and expenses in respect of investment property (adjustments to allowances/reversals for amortisation and impairment, gains / losses on disposals, inclusion of unrealised capital gains), and deferred taxes for assets not eligible for the listed REIC sector.
As of December 31, 2005, these changes were, respectively, €36,714,000 and (€935,000), for a gain in income of €35,779,000, earnings (including minority interests) rising from €17,249,000 to €53,027,000.

In thousands of euros	2005
Earnings from investment property historical value option (published)	**27,884**
Reclassification in other income and expenses	(1,004)
Income impact of adopting fair value	**36,754**
Cancellation of allowances for amortisation and depreciation and provisions	10,057
Adjustment of net capital gains on disposals	(5,396)
Net unrealised capital gains	32,093
Earnings from investment property fair value option	**63,634**

Finance leases

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

The lessor recognises a receivable in its balance sheet for an amount equivalent to the net investment in the lease. This method is used for Affine's financial accounting. The difference between the amount outstanding in consolidated accounting and the net carrying amount of real estate in corporate accounting gives rise to the recognition of an unrealised reserve. When accounting annual amortisation exceeds financial annual amortisation, the difference is added to the unrealised reserve. When the opposite occurs, the unrealised reserve is reduced accordingly.

The impact on the consolidated financial statements is as follows:

- The unrealised reserve in the opening balance sheet is recognised in the consolidated reserves at its value net of deferred tax;
- The amount outstanding on finance lease transactions (financial accounts, including the gross unrealised reserve) replaces outstanding fixed capital (corporate financial statements);
- The difference between corporate earnings and financial earnings is included in consolidated earnings.

This restatement is carried out by adjusting the amortisation allowances in line with applicable regulations.
When a lease is renegotiated, the difference between the new financial base and the one previously recognised is directly input in income in the unrealised reserve or an increase in provision, as the case may be. The same applies to rental property that is transferred to leases.

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 stemming from the negotiation and putting in place of leases must be included in the initial investment amount and reduce the finance income over the term of the lease. Furthermore, IAS 18 also requires commission received to be deferred.

The lessor's earnings from the transaction relate to the loan interest amount. This interest corresponds to the amount of the lease payments less an allowance for financial amortisation calculated using the effective interest rate (TIE) method. The effective interest rate is the rate that balances the discounted value of future flows generated by the lease and the fair value recognised in assets. The periodic rate applied to calculate the finance income is constant, in line with IAS 17.

The interest for each period is always identical under French GAAP and IAS, as are the outstanding balance sheet items for repayment schedules calculated using the TIE or TEA (interest paid at maturity) method. For repayment schedules calculated using the IPA method (interest paid up front), the outstanding balance sheet items can be balanced by reclassifying the prepaid income from finance lease transactions to consolidated balance sheet assets.

Unguaranteed residual values are regularly reviewed to calculate the gross investment. In the event of a significant decrease, the manner in which income is deferred over the term of the lease is reviewed and an adjustment made to the finance income previously recognised in income for the period (change in estimate).

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, and not as financial instruments as defined by the IASB. As such, they are not discounted.

Investment property leases

Leases whereby the lessor retains substantially all the risks and benefits inherent in the ownership of an asset are classified as property investment leases. None of these leases in the corporate financial statements have been reclassified as finance leases.

IAS 17 provides for the financial consequences of all the provisions of the lease to be deferred over the fixed term of the lease. This rental income straight-line method results in income receivable 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, and not as financial instruments as defined by the IASB. As such, they are not discounted.

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 at the same rate as 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 in order to earn rental income or see capital appreciation or both, rather than to use them in production or to provide goods and services, such as business centre services, for administrative purposes or to sell them in the ordinary course of business.

However, property under construction or "major" renovation remain subject to IAS 16, the measurement methods for which are set out in the "property, plant and equipment” section.

The Affine Group has opted for the fair value method provided for under IAS 40 and any changes in investment property values affect income (see "Property measurement 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).

Furthermore, IAS 18 requires commission received to be deferred in proportion to time over the fixed term of the lease.

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

The restatement methods applied are as follows:

- Asset recognised as investment property in the balance sheet, for the remaining amount outstanding;
- At the same time, a loan equal to the asset’s initial cost is recognised under liabilities;
- The fee included in operating expenses in the individual financial statements is cancelled in the consolidated financial statements offset by a finance expense and the gradual repayment of the loan.

When a finance lease is legally terminated, the underlying property is transferred to investment property under the “Temporary Unleased Buildings (TUB)” category even where the lessee still occupies the premises and pays an occupancy indemnity.

The property is subsequently subject to IAS 40.

Article 64 or 57 provisions relating to this property are immediately reversed and the property is recognised at its fair value.

Property, plant and equipment

The IAS 16 measurement methods, applicable to property, plant and equipment, are as follows:

- Initial recognition at acquisition cost corresponds to the fair value of the price paid and includes costs resulting directly from the acquisition and start-up costs (transfer taxes, various fees, etc.);
- Subsequent measurement is based on the historic cost, less depreciation and impairment losses.

The Affine Group's property includes four buildings that come under IAS 16:
- One part of a building used by BFI for its business centre services,
- Three buildings currently undergoing "major renovation".

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 always deferred, generally 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 are measured by independent appraisers every year, apart from:
- Buildings acquired during that year,
- Buildings subject to purchase offers or sales commitments,
- A few buildings, the value of which is not material.

The method generally applied by the appraisers is capitalisation of net income, confirmed by the comparative method.

As of December 31, 2006, the Affine Group ordered an external review of 79 of its 99 investment properties, i.e. 82% of the fair value of its leased property.
Of the 20 buildings that were not appraised externally:
- 10 were acquired during the year,
- 3 were subject to a purchase offer,
- 7 were appraised internally.

In thousands of euros	31.12.06	31.12.05	Change
Change in fair value via income	36,186	32,093	4,093

Marketing costs for buildings subject to a sale commitment at the balance sheet date are deducted from the value of those buildings.

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 lays down the following treatment:
- Recognition in a specific balance sheet line, the "Non-current assets held for sale" line,
- Valuation at the lower of the net carrying amount and the fair value (selling price) net of sales costs (discounted where applicable)
- The property is no longer amortised.

IFRS 5 does not, however, apply to investment properties recognised at fair value. Unlike at December 31, 2005, no investment properties are now included under this item.

Inventories

Inventories are valued at the lower of the historic cost of construction expenses and net realisable value. The net realisable value is the estimated selling price during the course of normal business, less the estimated costs of completion and the estimated costs necessary to realise the sale. In practice, depreciation is entered when the realisable value is found to be lower than the historic cost.

Sales force costs are not included as a component of inventories. However, when a loan is specifically allocated to the operation, Affine recognises finance costs in inventory, in line with the option provided for in IAS 23.

Recognised construction costs are debited during the year from inventory accounts without passing through class 6 accounts. This method is designed to keep the inventory accounts as permanent inventory by incorporating cost accounting into general accounting, on the basis of the matching principle. Changes in inventories are recognised in the income statement at each balance sheet date, in line with the methods set out below.

Affine applies the method of recognising earnings based on the stage of completion for all long-term contracts, in line with the provisions of IAS 11. Accordingly, the margin and sales for property transactions are now recognised on the basis of stage of completion.
The recognition methods 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 accruals,
- 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 accruals (prepaid income), an accrual entry recognising the income as sales and allowing, after the deduction of expenses incurred in the performance of the contract, the recognition of the portion of income 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 accruals or the recognition of invoices to be issued.

The profit or loss upon completion is taken from the projected margin set out in the operating 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 ratio of the cost of work and services carried out on the balance sheet date and the anticipated total contract costs, or the certificate of progress issued by a professional.

In the individual financial statements subject to French GAAP, all of the income from the sale of property not yet completed (VEFA) is recognised when the agreement is signed, offset by a trade receivable. The progress of construction work is reflected in the recognition of prepaid income. In the consolidated financial statements, prepaid income is reconciled with the corresponding trade receivable and VAT accounts, to represent the amount payable.

Business combinations – Goodwill

Business combinations are recognised using the purchase method (fair value).

The purchase method consists of:

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

An excess in the cost of the business combination over the purchaser's interest, namely goodwill, represents a payment made on the basis of future economic benefits generated by assets that cannot be specifically identified and recognised separately. Goodwill is initially recognised 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 recognised in income.

Doubtful receivables

Regardless of the business sector, once a receivable has been overdue for over six months at the end of the financial year, all the receivables due from this client are 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 amounts 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 amounts restructured at 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 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. When recognising an impairment loss for an amortisable asset, the depreciation allowance must be adjusted for future years, so that the revised carrying amount of the asset, less its residual value, can be systematically deferred over the remainder of its useful life. The carrying amount 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 amortisation) had no impairment loss been recognised for this asset over previous financial years.

Impairment of finance leases

Finance leases are measured on the basis of their value in use. When a lessee is deemed to be at risk (e.g. very bleak financial position, emergence of unpaid debts, receivership), an impairment loss is determined as the difference between the estimated value of the property excluding fees (value of the underlying guarantee) and the net carrying amount if this is higher. No lease is currently affected.

Impairment of inventories

At each balance sheet date, the forecast cost price is compared to the expected selling price, net of marketing and other costs recognised as expenses. If the selling price is lower than the cost price, 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, 2006, the amount of provisions for inventories was €947,000.

Impairment of goodwill

Goodwill is subject to an impairment test at least once a year. The recoverable value is calculated by discounting the future flows generated by the subsidiary.

Writing off of doubtful receivables

Invoices classified as doubtful receivables are systematically 100% written off for their amount excluding tax, less any guarantees received.
For free lease financing operations, the portion of the receivables not yet due thereby impaired (which is included in the "Other trade credit" line item) is also subject to a provision calculated in the same manner.

Financial instruments

The measurement and recognition of financial instruments and the required disclosures are set out by IAS 39 and 32. These require the classification of financial instruments, their measurement at the balance sheet date in line with the category selected and the inclusion of derivatives in the balance sheet, including embedded derivatives.

The standards define 4 categories of financial assets:

- Trading assets, valued at fair value via income;
- Assets available for sale, valued at fair value via equity;
- Assets held to maturity, recognised at depreciated cost;
- Loans and receivables, recognised at depreciated cost;

And 2 categories of financial liabilities:

- Trading liabilities, measured at fair value via income;
- Other liabilities, recognised at depreciated cost.

The financial assets held by AFFINE are recognised as follows:
- Investment securities as trading assets,
- Unconsolidated investments as "assets available for sale".

Affine only uses derivatives as part of its debt interest rate hedging policy. These instruments, which are presented as off-balance sheet items at their par value under French GAAP, represent financial assets and liabilities under IFRS and must be presented in the balance sheet at their fair value.
Changes in value are recognised directly in income, except in 2 situations where they are recognised in equity:
- 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 and prospective and retrospective effectiveness tests be carried out….

Affine 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 have made 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 have been 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 measured having regard to market pricing;
- Investments are measured on the basis of either their market price (listed instruments) or on the basis of their net asset value or discounted future income where the line item is sufficiently material;
- Derivatives are measured 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.

Issuing costs for loans, including convertible bonds, are recorded, under French GAAP, as expenses to be deferred over the loan's amortisation period. Under IFRS, they are deducted from the par value of the loan and recognised by being incorporated into the calculation of the effective interest rate.

IFRS require all sums subject to deferred payment or collection not in line with current practice to be discounted. These debts or receivables are discounted and a finance expense or income item recognised in income for the payment deferral period. Exit tax is accordingly subject to discounting in the Group's accounts.

Recognition of convertible bonds

- **Description of convertible bonds issued**

1st issue: 2,000 convertible bonds with a par value of €10,000 issued on October 15, 2003, for a period of 20 years, ultimately redeemable at the exchange ratio (200 shares per convertible bond, initially, adjusted by a factor taking into account the possible dilutive effects of a financial transaction on the share capital); following a bonus distribution of 4% to shareholders on November 23, 2005, this ratio rose to 208 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 €1.55 per share on November 15 each year,
- The remainder on the day the dividend is paid out.

Early redemption at the company's discretion

At any time from 15/10/2008, the company may convert all or some of the convertible bonds where the average share closing price over 40 trading sessions exceeds the issue price.
At any time from 15/10/2013, 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 par value of the convertible bond.

Early redemption at the holder's discretion

As of 15/10/2013, 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 208 shares for 1 convertible bond with a par value of €10,000.

2nd issue: 600 convertible bonds with a par value of €16,682, issued on June 29, 2005 for a period of 20 years, ultimately redeemable at the exchange ratio (200 shares per convertible bond, initially, adjusted by a factor taking into account the possible dilutive effects of a financial transaction on the share capital); after a bonus distribution of 4% to shareholders on November 23, 2005, this ratio rose to 208 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 €1.2 per share on November 15 each year,
- The remainder on the day the dividend is paid out.

Early redemption at the company's discretion

The company may convert the convertible bonds into ordinary shares at any time from the 5th anniversary following the issue date, i.e. 29/06/2010, provided that the average share price over 40 consecutive business days exceeds the issue price divided by 208.

At any time from 29/06/2010, if the average of 40 closing share prices exceeds the issue price, the company may redeem all or some of the convertible bonds, with prior notice of ten business days, at a price guaranteeing the investor a gross annual return of 11%.

Early redemption at the holder's discretion

At any time from 29/06/2010, holders may also exercise early conversion into shares.

- **Recognition method**

IAS 32 sets out the terms and conditions for classifying in equity instruments classified as subordinated debt under French GAAP.

Given that Affine has no obligation to redeem the convertible bonds in cash, that the number of shares to be issued is fixed in advance and that the early redemption option is at the company's discretion, convertible bonds are classified as equity instruments under IFRS.

Accordingly, coupons allocated in payment of these convertible bonds are recognised in equity at their amount net of the interim payment made on November 15 each year. The impact on 2006 consolidated earnings was €1,272,000 after tax, compared to €901,000 on adjusted 2005 earnings.

Furthermore, the aforementioned interim payment requires the recognition of a debt at the discounted amount at the beginning of the year.

As the company is free to exercise the early redemption option as it sees fit, its value is zero.

Provisions

Provisions are recognised where the Group has a current obligation (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 obligation and where the amount of the obligation can be reliably measured.

Where the Group expects the provision to be redeemed, for example under an insurance policy, the redemption is recognised as a separate asset but only where redemption 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 a finance expense.

Treasury stock

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

Capital gains or losses on disposals are eliminated from income, offset in equity.

Tax

The consolidated tax expense includes deferred taxes.

Deferred tax stems from the existence of temporary deductible or taxable differences. A temporary difference arises when, as a result of transaction already recognised in the consolidated financial statements, positive or negative differences are liable to arise in the future between the company's taxable income and the accounting income.

Deferred liabilities must thus be calculated for the following:

- Specific consolidation and restatements entries input,
- A time lag between the recognition in the financial statements of an income or expense item and its inclusion in the taxable profits for a subsequent year,
- Tax loss carry forwards of companies within the scope of consolidation in so far as they are likely to be offset against future taxable profits.

Deferred taxes are determined using the liability method.

The rates applied in 2006 were:

Affine SA (taxed sector) and Concerto Développement	34.43%
French companies excluding listed REIC	33.33%
German companies	26.37%
Belgian companies	33.99%
Spanish companies	32.50%

In line with the standard:
- Deferred taxes cannot be discounted,
- Deferred tax assets and liabilities are offset by entities.

Employee benefits

IAS 19 requires all staff benefits to be recognised in the balance sheet. This applies primarily to pensions and other post-employment benefits. The cost of employee benefits must be taken into account for the period over which rights vest.

Affine’s employees come under the National Collective Bargaining Agreement governing Financial Companies of 22/11/1968. This Agreement does not provide for any retirement allowance other than the one provided by the general system.
In accordance with Appendix III of the National Agreement (corresponding to Article L 122-14-13 of the French Labour 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 Labour Code.

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

	Voluntary retirement	Pensioning off
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 and 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. The Group uses the intrinsic value accounting method to measure bonus share grant schemes: the measurement is based on the value of the share on the date of the initial grant. The expense is deferred over the vesting period and adjusted at each year-end on the basis of the likelihood of the bonus shares actually being issued; the final charge recognised is based on the number of shares actually issued.

3. Scope of consolidation

	Consolidation method	% control 31.12.06	% interest 31.12.06	% interest 31.12.05
AFFINE SA (parent company)				
AFFINE DEVELOPPEMENT 1 SAS	FC	100%	100.00%	-
AFFINE DEVELOPPEMENT 2 SAS	FC	100%	100.00%	-
BERCY PARKINGS SCI	FC	100%	100.00%	100.00%
CAPUCINES I SCI	FC	100%	100.00%	-
CAPUCINES II SCI	FC	100%	100.00%	-
CAPUCINES III SCI	FC	100%	100.00%	-
AFFINVESTOR Gmbh	FC	94%	94.00%	94.00%
BRETIGNY SCI	FC	100%	100.00%	100.00%
COUR CAPUCINES SA	FC	100%	99.70%	99.60%
LOGISIIC SA	FC	100%	99.84%	99.76%
SIPEC SAS	FC	100%	100.00%	100.00%
LES MERCIERES SAS	FC	100%	100.00%	-
MARIE GALANTE SCI	FC	100%	100.00%	-
TARGET REAL ESTATE SAS	FC	100%	100.00%	-
DORIANVEST SARL	FC	100%	100.00%	-
BERCYIMMO SARL	FC	100%	100.00%	-
TRANSAFFINE SNC	FC	100%	100.00%	100.00%
LUMIERE SAS	FC	68%	67.91%	67.91%
WEGALAAN SAS	FC	100%	100.00%	-
ANJOU SC (formerly ATIT SC)	FC	100%	99.39%	99.39%
ANJOU SC	-	-	-	99.39%
ATIME SAS	-	-	-	33.54%
2/4 BLD HAUSSMANN SAS	PC	50%	49.69%	49.69%
GP BETA HOLDING COMPANY SA [1] [2]	FC	69%	68.90%	-
LES JARDINS DES QUAIS SNC	FC	100%	84.45%	50.00%
MONTEA SCA[1]	EM	25%	20.63%	-
CONCERTO Développement SAS	FC	70%	69.28%	66.99%
COCHETS PROJECT SCI	FC	99%	68.58%	66.32%
AULNES Développement SAS	FC	50%	34.64%	33.50%
CONCERTO Développement Iberica SL	FC	75%	51.96%	50.24%
MGP SUN SARL [1] [3]	EM	10%	6.92%	-
ABCD SAS	FC	51%	51.00%	-
ABCD Deutschland Gmbh	FC	100%	51.00%	-
ABCD Iberica SL	FC	100%	51.00%	-
PROMAFFINE SAS	FC	70%	70.00%	70.00%
LUCE CARRE D'OR SCI	FC	100%	70.03%	-
29 COPERNIC SCI	PC	50%	35.00%	35.00%
DOLE SARL	PC	50%	35.00%	35.00%
RENNES CHANTEPIE SCI	PC	50%	35.00%	-
BFI SAS (formerly EDOUARD VII Facilité SAS)	FC	71%	70.69%	80.00%
CASF SARL	FC	100%	70.69%	52.80%
LEMACO SAS	FC	100%	70.69%	-
BFI SARL	-	-	-	80.00%
OS'UP SARL	-	-	-	80.00%

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

The main events affecting Affine's scope of consolidation since the balance sheet date at December 31, 2005 were as follows:

- Affine:

  ➯ Acquired, on February 28, 2006, 74.9% (reduced to 68.9% on August 6) of the Luxembourg-based company GP Beta Holding, which directly owns all of the share capital of Belgian real estate company Banimmo Real Estate SA/NV and indirectly the share capital of the subgroup's French subsidiaries. GP Beta Holding's remaining share capital is owned by this Group's managers. As Banimmo Real Estate France is a joint partner in Jardins des Quais SNC with Affine SAS, the latter is now wholly owned and accordingly consolidated in full;

➩ Acquired Les Mercières SAS and Marie Galante SCI, as well as Target SAS and its subsidiaries, which hold property leases;

➩ Set-up, as of January 20, 2006, Affine building construction & design SAS (Abcd) dedicated to turnkey construction engineering, with 49% of the share capital owned by the new entity's executives. Abcd has also set-up 2 subsidiaries, in Spain and Germany, with a view to future operations in these countries;

➩Directly acquired 10.24% of Montéa SICAFI (status granted on October 1, 2006) and 15.08% indirectly via the BANIMMO subgroup; namely a total of 25.31%.

- Concerto Développement set up a joint venture, trading as Logiffine, with the Macquarie Europe Fund II L.P. and MGP Europe Parallel Fund II investment funds, the purpose of which is to develop a series of logistics warehouses across France. Very much a player in investment choices, Concerto Développement is also responsible for developments in Lille and Valence. Furthermore, Logiffine's asset owning subsidiaries are chaired by the directors of Concerto Développement. This significant influence has led the Affine Group to consolidate this subgroup, of which it owns 10%, by means of the equity method.

- Promaffine has set up two new subsidiaries for the purposes of real estate partnerships involving residential accommodation.

- Edouard VII Facility:

➩ Invested in new business centres by purchasing BFI Net and Lemaco,

➩ Simplified its organisational structure by absorbing its subsidiaries BFI Sarl, BFI Net and OS'UP,

➩ Changed company name to Business Facility International (BFI).

- The GP Beta Holding Group:

➩ Disposed of all its shares in Evere Real Estate on November 30, 2006,

➩ Acquired all the shares in Rhône Arts on December 4, 2006,

➩ Disposed of its shares in Brouckere Tower Invest. on December 13, 2006; on December 31, only the 40% of the price not yet paid was outstanding.

Information on business combinations

In thousands of euros	GP Beta Holding	Jardin des Quais (*)	Les Mercières SAS	Marie Galante SCI	Lemaco SAS	Target SAS	Montéa
Description	Belgian real estate company	Company with a shopping centre in Bordeaux under a finance lease	Owns property under a property lease	Owns property under a property lease	Manages two business centres	Owns two properties, one of which under a property lease	Belgian SICAFI
Acquisition date	28/02/2006	28/02/2006	04/12/2006	21/12/2006	25/07/2006	07/12/2006	25/09/2006
Percentage of voting rights acquired	74.90%	50%	100%	100%	100%	100%	25.31%
Share of fair value held	75,728	15	203	283	881	1,797	19,415
Acquisition price of securities	76,293	3,436	1,772	2,959	1,700	8,752	21,843

(*) Company initially purchased by Affine and GP Beta Holding, 50% each, on October 1, 2005

Goodwill generated by the acquisition of GP Beta Holding, Jardins des Quais, Les Mercières, Marie Galante and Target was allocated to a valuation surplus on the basis of the valuation of investment properties held by these entities.

All companies within the scope of consolidation share the balance sheet date of December 31.

Exceptionally, the 1st financial year of certain recently incorporated companies don't run for 12 months:

- Affine Développement 1 and 2: October 13, 2006 to December 31, 2006,
- 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,

Joint ventures (companies consolidated proportionately)

The joint venturers in real-estate developments carried out by the Promaffine Group are:

- For Copernic, Ogic SA and Fermir Sarl,
- For Dole, Patrimofi,
- For Rennes Chantepie, Unimo from the Crédit Agricole Group.

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

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

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

5. 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, 2006 and December 31, 2005.

Financial year ended 31-12-2006 (*In thousands of euros*)	***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 profits						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 asset disposals						323
Change in goodwill	-	85	4	(47)	-	42
Pre-tax profit						**67,055**
Income tax						(4,794)
Minority interests						(4,695)
Earnings						**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.

5. Segment reporting (continued)

Financial year ended 31-12-2005 (*In thousands of euros*)	***Finance lease***	***Investment property***	***Property development***	***Business centres***	***Eliminations***	***Total***
SEGMENT INCOME						
External segment income	30,974	77,895	21,853	1,168	-	131,890,
Inter-segment income						-
Total segment income	**30,974**	**79,063**	**21,853**	**-**	**-**	**131,890**
PROFIT						
Segment profit	5,531	61,514	(67)	(1,331)	-	65,647
Unallocated expenses						465
Net profit from businesses being discontinued						
Operating profit						**66,112**
Allocated finance expenses	(4,763)	(10,012)	(115)	(4)	-	(14,894)
Net unallocated expenses				-	-	(286)
Allocated finance income	19	18	26	-	-	63
Net operating income						**50,995**
Share in profits of companies accounted for under the equity method						
Gains or losses on other assets						681
Difference in goodwill		2,737				2,737
Pre-tax profit						**54,413**
Income tax						(511)
Other						26
Minority interests						(409)
Earnings						**53,519**
OTHER INFORMATION						
Segment assets	138,321	435,370	23,980	1,661	-	599,310
Investments in companies accounted for under the equity method	-	-	22	-	-	22
Unallocated assets						77,438
Total consolidated assets						**675,026**
Segment liabilities	101,400	243,463	27,316	918	-	373,097
Unallocated liabilities *						301,929
Total consolidated liabilities						**675,026**
Investment expenses	4,620	136,182	-	706	-	141,508
Amortisation expense		,		51		51
Other non-disbursed expenses	562	36	172	8	-	1,110

* Unallocated liabilities include equity.

5. 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, 2006 and December 31, 2005.

Financial year ended 31-12-2006 (*In thousands of euros*)	***Paris***	***Paris region***	***Other regions***	***Abroad***	***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

Financial year ended 31-12-2005 (*In thousands of euros*)	***Paris***	***Paris region***	***Other regions***	***Abroad***	***Eliminations***	***Total***
SEGMENT INCOME						
External segment income	41,777	16,322	7,318	5,511	-	70,928
Inter-segment income						-
Total segment income	**41,777**	**16,322**	**7,318**	**5,511**	**-**	**70,928**
OTHER INFORMATION						
Segment assets	58,908	234,744	233,043	19,785	-	546,480
Unallocated assets						128,546
Total consolidated assets						**675,026**
Investment expenses	16,655	34,014	72,225	19,328	-	142,222

6. Notes on balance sheet assets

Note 6.1 – Shares and other variable income securities

In thousands of euros	31/12/2006	31/12/2005
Investment securities	8,900	7,191
Related receivables	2	-
Total	**8,902**	**7,191**

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 6.2 – Derivatives

The fair value of derivatives was €1,468,000. The extent of the change stems from the integration of the Banimmo Group (see § 11. Financial assets measured at fair value).

Note 6.3 – Financial assets available for sale

Financial assets available for sale are comprised of investments and other long-term securities. The issuing companies are excluded from the scope of consolidation as a result of their lack of trading activity, or the absence of control resulting from the low level interest held by Affine.

In thousands of euros	%	2006	2005
AFFINE			
Altaréa	3.09%	36,057	26,312
Sofaris	NA	7	7
Besinning Schiedam [1]	-	-	5
ANJOU			
MDR Verandah	12.41%	156	156
USF FUND	10.34%		
Atémi MBCR [1]	-	-	6
GP BETA			
Cine Partners Belgium Two	NA	210	-
BFI			
PME net	NA	-	-
PROMAFFINE			
Paris-Breguet	10%	NS	-
Related receivables		16	-
Total		**36,446**	**26,486**

[1] No longer belongs to the Group

Change in impairment of financial assets available for sale

In thousands of euros	31/12/2006	31/12/2005
Start of year	**3**	**-**
Changes in scope	-	15
Transfers between line items	-	-
Allowances	-	3
Disposals and reversals	-	(15)
Total	**3**	**3**

Note 6.4 – Loans and receivables vis-à-vis financial institutions (excluding finance leases)

In thousands of euros	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 31/12/06	**11,604**	**11,464**	**140**	**-**	**-**
Total as of 31/12/05	**36,245**	**36,245**	**-**	**-**	**-**

Note 6.5 – Trade loans and receivables (excluding finance leases)

The "Other trade credit" line item includes the financing of property operations in the form of traditional loans, as well as advance accounts representing the cumulative discrepancy between the amount of rents invoiced and capital calls under the terms of non-SICOMI (professional leasing company) finance leases. Cash advances made to Group companies are included in the "Ordinary debit balances" line item.

In thousands of euros	Balance sheet items	0 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years
Other net trade credit	**4,527**	**586**	**591**	**1,991**	**1,360**
Loans	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 31/12/06	**34,352**	**30,410**	**591**	**1,991**	**1,360**
Total as of 31/12/05	**33,253**	**31,119**	**204**	**1,058**	**871**

Breakdown of related net receivables (investment property)

In thousands of euros	31/12/2006	31/12/2005
Ordinary receivables incl. tax	5,217	2,501
Doubtful receivables incl. tax excl. termination charges	3,197	1,881
Doubtful receivables on termination charges incl. tax	-	-
Provision for doubtful receivables excl. termination charges	(2,446)	(1,321)
Provision for doubtful receivables on termination charges	-	-
Total	**5,967**	**3,061**

Change in impairment of doubtful receivables (investment properties)

In thousands of euros	31/12/2006	31/12/2005
Start of year	**1,321**	**1,321**
Changes in scope	385	109
Allowances	1,190	268
Disposals and reversals	(449)	(377)
End of year	**2,446**	**1,321**

Breakdown of trade receivables (services rendered)

In thousands of euros	31/12/2006	31/12/2005
Ordinary receivables	19,178	15,762
Invoices to be issued	2,372	4,754
Doubtful receivables	701	428
Impairment of doubtful receivables	(577)	(358)
Total	**21,675**	**20,586**

Change in impairment of doubtful receivables (services rendered)

In thousands of euros	31/12/2006	31/12/2005
Start of year	**358**	**200**
Changes in scope	80	81
Transfers between line items	8	-
Allowances	148	173
Disposals and reversals	(16)	(96)
End of year	**577**	**358**

Note 6.6 – Financial leasing and related receivables

Terms of amounts outstanding

In thousands of euros	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 31/12/06	**128,386**	**5,646**	**16,161**	**69,249**	**37,330**
Total as of 31/12/05	**137,181**	**6,700**	**17,807**	**79,535**	**33,139**

Breakdown of receivables

In thousands of euros	31/12/2006	31/12/2005
Amounts outstanding	128,386	137,180
Ordinary receivables incl. tax	3,203	1,997
Non-performing receivables incl. tax excl. termination charges	2,082	2,374
Non-performing receivables incl. tax on termination charges	2,691	2,715
Provisions for non-performing receivables excl. termination charges	(1,396)	(1,701)
Provisions for non-performing receivables on termination charges	(986)	(2,334)
Prepaid income	(2,225)	(1,911)
Total	**131,754**	**138,321**

Change in impairment of doubtful receivables (finance leases)

In thousands of euros	31/12/2006	31/12/2005
Start of year	**4,035**	**3,694**
Changes in scope	-	-
Allowances	39	662
Disposals and reversals	(1,692)	(321)
End of year	**2,382**	**4,035**

Change in gross investments

In thousands of euros	In progress	Leased	Total
Start of year	**4,200**	**361,295**	**365,495**
Increases	**-**	**23,560**	**23,560**
Acquisitions during the year	-	23,560	23,560
Reversals on adjustments in value	-	-	-
Decreases	**-**	**(98,257)**	**(98,257)**
Disposals	-	(98,257)	(98,257)
Adjustments in value (impairment)	-	-	-
Changes in scope	**-**	**-**	**-**
Transfers between line items	**-**	**-**	**-**
Transfers	**(4,200)**	**4,200**	**-**
End of year	**-**	**290,798**	**290,798**

Change in financial amortisation

In thousands of euros	Leased	Total
Start of year	**228,314**	**228,314**
Changes in scope	-	-
Transfers between line items	(364)	(364)
Allowances	25,770	25,770
Disposals and reversals	(91,308)	(91,308)
End of year	**162,412**	**162,412**

Note 6.7 – Deferred tax assets

In thousands of euros	31/12/2006	31/12/2005
Cancellation of capital gains on internal disposals	960	-
Restatements for consistency purposes	73	7
Securities at fair value via equity	5	-
Total	**1,038**	**7**

Deferred taxes relating to BFI Group's tax losses, not capitalised out of prudence, amount to €1,187,000.

Note 6.8 – Accruals and other assets

In thousands of euros	31/12/2006	31/12/2005
Subscribed share capital but not paid up	**14**	**-**
Other assets	**58,795**	**23,768**
Government - Tax and social security receivables	9,822	4,230
Deposits paid	3,596	1,927
Interim dividend	4,949	3,098
Supplier debit balances	1,110	115
Other miscellaneous receivables	16,536	1,568
Gross inventories (property development)	22,579	12,313
Finance expense inventories (property development)	227	64
Impairment of inventories	(947)	(339)
Miscellaneous	923	792
Accruals	**23,382**	**6,304**
Prepaid expenses	3,150	430
Unearned income	20,232	5,874
Total	**82,191**	**30,072**

The "Other receivables" line item mainly includes a receivable of €9.4 million for the Group's sale of the Brouckere building.

Change in impairment of inventories

In thousands of euros	31/12/2006	31/12/2005
Start of year	**339**	**339**
Changes in scope	-	-
Allowances	609	-
Disposals and reversals	-	-
End of year	**947**	**339**

The provision for inventories concerns expenses incurred by Lumière for the transaction of the same name and incurred by the A.b.c.d Group for transactions yet to be signed, as well as the impairment of land owned by Banimmo.

Note 6.9 – Non-current assets held for sale

None

Note 6.10 – Investments in companies accounted for under the equity method

In thousands of euros	%	Value as of 31/12/2006	Value on 31/12/2005	Contribution to Group reserves	Contribution to Group earnings	Balance sheet total	Debts	Income	Expenses
SAS Atime	-	-	22	-	-	-	-	-	-
Montea	21%	20,037	-	-	535	118,068	38,784	3,723	1,131
Logiffine	7%	83	-	-	57	12,775	11,941	830	8
GP BETA subsid. EM									
JM Consulting	34%	158	-	51	52	491	269	409	186
Devimo Consult	22%	2,655	-	321	429	9,341	6,701	9,382	7,637
Eudip Three	34%	51	-	-	-	111	9	3	3
Immocert Tserclaes	34%	163	-	50	9	1,646	1,319	33	13
P.D.S.M.	17%	969	-	(574)	(25)	1,387	18	-	3
Schoonmeers	17%	977	-	(571)	(24)	1,473	14	21	17
Total		**25,093**	**22**	**(723)**	**1,033(*)**				

(*) Group share = €1,033,000 / Overall = €1,241,000

The stock market capitalisation of the share of Montea SCA owned by the Affine Group amounted to €20.4 million as of December 31, 2006.

Note 6.11 – Investment properties

In thousands of euros	leasings	in progress	TUB	Total
Start of year	**393,106**	**1,479**	**2,510**	**397,095**
Increases	**67,701**	**3,676**	**-**	**71,377**
Acquisitions during the year	67,701	3,676	-	71,377
Decreases	**(127,077)**	**(4,953)**	**-**	**(148,453)**
Write-offs	-	-	-	-
Sales	(127,077)	-	-	(127,077)
Changes in scope	**291,085**	**-**	**-**	**291,085**
Changes in fair value	**36,301**	**-**	**(115)**	**36,186**
Transfers between line items	**6,723**	**(4,953)**	**(1,770)**	**-**
Sector transfers	**-**	**-**	**-**	**-**
End of year	**667,839**	**202**	**625**	**668,666**

* Excluding impact of capitalised initial direct costs (€191,000 in 2006 versus €260,000 in 2005).

Just one building was still classified under Temporarily Unleased Buildings as of December 31, 2006. Its fair value has been determined based on an external property valuation in 2004, updated to December 31,2006.

Note 6.12 – Property, plant and equipment and intangible assets

Changes in property, plant and equipment

In thousands of euros	Operating PP&E	Buildings under construction	Total
Start of year	**1,452**	**-**	**1,452**
Increases	**804**	**39,146**	**39,950**
Acquisitions during the year	804	39,146	39,950
Decreases	**(71)**	**-**	**(71)**
Write-offs	-	-	-
Disposals	(71)	-	(71)
Changes in scope	**1,462**	**7,508**	**8,970**
Transfers between line items	**-**	**-**	**-**
Transfers	**-**	**-**	**-**
End of year	**3,647**	**46,654**	**50,301**

Changes in intangible assets

In thousands of euros	Operating intangible assets	Business assets	Total
Start of year	**754**	**-**	**754**
Increases	**11,450**	**7,652**	**19,102**
Acquisitions during the year	11,450	7,652	19,102
Decreases	**(14,645)**	**(5,832)**	**(20,477)**
Write-offs	-	-	-
Sales	(14,645)	(5,832)	(20,477)
Changes in scope	**394**	**-**	**394**
Transfers	**3,469**	**-**	**3,469**
End of year	**1,422**	**1,820**	**3,242**

The business assets replace goodwill for companies taken over by BFI (formerly Edouard VII).

Changes in amortisation and provisions

In thousands of euros	intangible	PP&E	Total
Start of year	**227**	**853**	**1,080**
Changes in scope	74	1,005	1,079
Allowances	132	407	539
Write-offs	-	-	-
Disposals and reversals	(26)	(42)	(68)
End of year	**408**	**2,223**	**2,631**

Note 6.13 – Goodwill

In thousands of euros	**31/12/2006**	**31/12/2005**
On BFI sarl securities	-	540
On CASF securities	35	43
On Concerto Développement securities	3,661	3,565
On OS'UP securities	-	723
On Lemaco securities	819	-
On Montéa securities	2,428	-
Total	**6,943**	**4,871**

7. Notes on balance sheet liabilities

Note 7.1 – Debts vis-à-vis financial institutions

In thousands of euros	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 31/12/06	**562,512**	**129,288**	**31,039**	**219,119**	**183,065**
Total as of 31/12/05	**336,185**	**18,549**	**33,114**	**123,919**	**160,603**

The bulk of the increase in loans stems from the financing of the acquisition of the Banimmo property company (€60 million reduced to €47 million).

The remaining amount corresponds to:

- €18 million to exercise the Saint-Cyr-en-Val (Loiret) warehouse lease option,
- €8.7 million to exercise the Vatry (Marne) warehouse lease option,
- €8.4 million to exercise the Issy-les-Moulineaux (Paris area) warehouse lease option,
- €5.4 million to refinance a building under lease at St Michel-sur-Orge (Paris area),
- €10.5 million to refinance a building under lease at Marolles en Hurepoix (Paris area),
- €14 million to purchase a building in Trappes (Paris area),
- €7.0 million to purchase a building in Leers (Northern France),
- €5.8 million to purchase a building in Lille (Northern France),
- €36 million related to restatements for new buildings for which the Group is the lessee.

A loan of €7.5 million was also taken out by Jardins des Quais SNC to refinance the current accounts of associates.

Note 7.2 – Trade debts

In thousands of euros	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 31/12/06	**10,220**	**1,437**	**227**	**6,407**	**2,149**
Total as of 31/12/05	**9,324**	**3,437**	**234**	**3,030**	**2,623**

Note 7.3 – Deferred tax liabilities

In thousands of euros	31/12/2006	31/12/2005
Financial assets at fair value	7,073	3,638
Investment properties at FV of subsidiaries that are not listed REICs	2,822	793
Restatement of leases (lessee)	596	333
Valuation surplus	4,627	2,459
Unrealised reserve	1,240	1,626
Deferment of borrowing costs	(68)	61
Restatements for consistency purposes	135	148
Corporate deferred tax	5,416	-
Capitalisation of tax losses	(183)	(100)
Other IFRS restatements	(109)	(87)
Total	**21,549**	**8,871**

Note 7.4 – Accruals and other liabilities

In thousands of euros	**31/12/2006**	**31/12/2005**
Other liabilities	**56,853**	**24,939**
Government (Income tax, VAT, Exit Tax, etc.) *	7,777	8,056
Other tax and social security liabilities	1,899	665
Staff	113	30
Deposits received	9,459	8,357
Trade payables	33,971	5,895
Finance lease lessee loans	-	-
Balances to be disbursed on investments	1,603	667
Payments received under warranty claims	379	379
Dividends to pay	-	-
Remaining payments on securities	14	-
Interest to pay on deposits	-	-
Other miscellaneous payables	1,637	890
Accruals	**44,210**	**21,748**
Interest to pay on swaps	2,275	1,138
Other accruals	14,928	656
Deferred revenue	19,023	17,137
Investment grants	49	78
Other	7,935	2,739
Total	**101,063**	**46,687**

*Exit tax amounted to €4,517,000 as of December 31, 2006, compared to €7,799,000 as of 31/12/2005.

The "Trade payables" line item includes the balance outstanding on the acquisition of a building in Lyon under a VEFA arrangement (purchase of property not yet complete) (see § 6.12).

Note 7.5 – Provisions for liabilities and charges

In thousands of euros	**Opening balance**	**Allowance for the year**	**Reversal for the year used**	**Reversal for the year not used**	**Change in scope**	**Closing balance**
Provision for various client disputes	5	98	-	(324)	268	48
Provision for tax risk	35	-	-	(3)	-	32
Provision for pension costs	19	56	-	(6)	-	69
Provision for miscellaneous expenses	177	3,981	(354)	(764)	3,020	6,061
Total	**236**	**4,135**	**(354)**	**(1,097)**	**3,289**	**6,209**

Expected redemption under assets: None

The main provisions for liabilities and charges amounted to:

- €1,232,000 for liability guarantees,
- €1,139,000 for commercial disputes,
- €2,527,000 for building clean-up costs.

Unused provision reversals mainly relate to the maturing of liability guarantees or lease guarantees given.

Note 7.6 – Subordinated debt

The €1,029,000 recognised under this line item relates to the advance payment for convertible bond coupons (€1,151,000), subject to the deduction of issue expenses deferred at the Effective Interest Rate (€122,000).

Note 7.7 – Equity

Shares authorised, issues and paid up

	At opening	**Distribution of share dividends**	**Incorporation of reserves**	**At close**
Number of shares	2,684,719	15,280		2,699,999
Share capital in euros	47,305,000	269,235	25,765	47,600,000

Treasury stock

In thousands of euros	31/12/2005	Acquisitions	Sales	31/12/2006
Affine	386	58	-	444

Breakdown of consolidated reserves

In thousands of euros	31/12/2006	31/12/2005
Legal reserve	4,775	4,227
Statutory reserves	-	-
Regulated reserves	8	4
Revaluation surpluses	58,147	59,992
Consolidated reserves	80,700	6,930
Carry forwards	31,605	32,028
Total*	**175,235**	**103,181**

* Including minority interests

The impact of deferred tax on equity amounted to (€6.5) million, of which (€3.3) million for the "Unrealised gains on assets available for sale" item and (€3.4) million for scope entries.

Unrealised reserve

In thousands of euros	31/12/2005	Changes in scope	Changes in income	31/12/2006
AFFINE	6,657	-	(2,108)	4,549
Total	**6,657**	**-**	**(2,108)**	**4,549**

The unrealised reserve is included in consolidated equity; its impact on the consolidated reserves corresponds to its amount at the start of the financial year, and its impact on income, to its change over the course of the year. In offset, the amount of the unrealised reserve at the close of the year is included in outstanding financial leasing amounts.

Statement of changes in revaluation surpluses

In thousands of euros	Revaluation surplus generated as of 1/1/2003	Correction	Revaluation surplus generated as of 1/1/2005	Portion transferred to a distributable reserve account: Pertaining to fixed assets disposed of	Portion transferred to a distributable reserve account: Pertaining to amortisation of revalued portion	Revaluation surplus as of 31/12/2006
LYON BRON	1,262					1,262
ISTRES	48			(48)		-
RUE ALBERT CAMUS - AGEN	106	(105)				1
ST QUENTIN FALLAVIER	995				(18)	978
NANTES LOT NO 8	97					97
EVRY	319					319
BUC	254	(254)				-
NANTES LOT NO 9	112				(1)	111
ECULLY	(35)	35				-
DAGNEUX	435				(28)	407
ARNAGE	(2)			2		-
BRETIGNY SUR ORGE	214					214
VITROLLES	(19)	19				-
TRAPPES	1,218	(606)			(22)	589
ANTONY	386	(349)		(37)		-
AIX EN PROVENCE	502				(1)	501
QUINCY SOUS SENART	1,045	(1,038)				7
LANNEMEZAN	(0)	(0)				-
ANGERS	98			(98)		-
ORLEANS	(48)	48				-
ST-OUEN L'AUMONE	583	(134)			(25)	424
BRIANCON	144			(144)		-
VITROLLES	(21)	21				-
AIX EN PROVENCE	75					75
SAINT OUEN	349				(12)	338
NANTES	54			(54)		-
LE LARDIN ST LAZARE	20			(20)		-
FRONTIGNON	(6)	6				-
BIARRITZ	143					143
MARSEILLE 16th	170					170
VENISSIEUX	222				(12)	210
MALAKOFF	467					467
ORLEANS	134					134
TOLBIAC MASSENA PARIS	2,939			(2,939)		-
VILLENEUVE D'ASCQ	18			(18)		-
SATOLAS-ET-BONCE	332			(332)		-
BAILLY	428					428
SOPHIA ANTIPOLIS	291					291
SOPHIA ANTIPOLIS (MINERVE)	165					165
SOPHIA ANTOPOLIS - OREADES	(91)	91				-
TOLBIAC	5,390			(5,390)		-
AIX-EN-PROVENCE	1,183				(20)	1,163
BELLERIVE-SUR-ALLIER	848			(848)		-
SAINT MICHEL SUR ORGE	542	(214)		(328)		-
AULNAY-SOUS-BOIS	160			(160)		-
CORBAS ST-PRIEST	123			(119)	(4)	-
L'ISLE D'ABEAU	477				(13)	465
CERGY PONTOISE	135			(68)		68
BRIGNAIS	182			(182)		-
RUEIL Passage St-Antoine	2,704				(58)	2,645
CALUIRE	40			(40)		-
VERT ST DENIS	1,381	(32)			(75)	1,273
TRONCHET 2nd	1,356	(47)			(14)	1,295
RUE CASTEJA	1,431	(1,098)		(333)		-
LE RHODANIEN	622	(271)				351
Carried forward	**29,979**	**(3,928)**		**(11,156)**	**(304)**	**14,591**

Statement of changes in revaluation surpluses (continued)

	Revaluation surplus generated as of 1/1/2003	Correction	Revaluation surplus generated as of 1/1/2005	Portion transferred to a distributable reserve account: Pertaining to fixed assets disposed of	Portion transferred to a distributable reserve account: Pertaining to amortisation of revalued portion	Revaluation surplus as of 31/12/2006
Brought forward	**29,979**	**(3,928)**		**(11,156)**	**(304)**	**14,591**
LOGELBACH	75			(75)		-
PANTIN - "TOUR ESSOR"	575	44				619
BAGNOLET	1,495					1,495
REAUMUR	3,060	(1,027)				2,033
PALAISEAU	801	(475)			(4)	322
LE SARI	(55)			55		-
NOISY PARK	(6)			6		-
NOISY PARK	(9)			9		-
SCEAUX ILOT CHARAIRE	50	(17)		(33)		-
COUDRAY MONCEAU	87			(87)		-
SOPHIA ANTIPOLIS (valbonne rose)	1,257					1,257
SOPHIA ANTIPOLIS (valbonne rose)	74				(9)	65
IMMEUBLE A CHAMPLAN	137				(72)	65
VILLEURBANNE	149	(37)		(112)		-
BONDY	94			(94)		-
BONSAI RENNES	57			(57)		-
BONSAI HOUSSEN	100			(100)		-
CLERMONT 2	41			(41)		-
CLERMONT 1	189			(189)		-
AVIGNON	69					69
SOPHIA ANTIPOLIS 2	126					126
SAVIGNY LE TEMPLE (DECATHLON)	2,988	(1,367)		(1,621)		-
VITROLLES	578	(185)				393
LOGNES	1,264	(321)				943
ST GERMAIN LES ARPAJON	1,536	(535)				1,001
MARSEILLE GRAND ECRAN	(218)	218				-
VILLEURBANNE	(323)	323				-
VITROLLES 1	11			(11)		-
VITROLLES 2	72	(72)				-
RILLIEUX	526	(79)			(19)	427
AVIGNON	443			(443)		-
TREMBLAY EN France	134					134
SEVRES	232				(2)	230
TOUR BERCY	17,572				(179)	17,393
SIPEC - ST CLOUD			16,983			16,983
Subtotal investment properties	**63,162**	**(7,459)**	**16,983**	**(13,950)**	**(590)**	**58,147**
Haussmann 2/4 securities	541	(541)				-
Subtotal long-term investments	**541**	**(541)**		**-**	**-**	**-**
Total revaluation surpluses	**63,703**	**(8,000)**	**16,983**	**(13,950)**	**(590)**	**58,147**

Unrealised or deferred gains or losses

Unrealised gains are mainly comprised of unrealised capital gains after tax on the Altaréa securities held by Affine, amounting to €13,575,000 as of December 31, 2006.

8. Notes on the income statement

Note 8.1 – Interest income from financial institutions

In thousands of euros	2006	2005	Change
Interest on ordinary debit balances	527	388	140
Interest on spot loans and accounts	-	-	-
Interest on on-maturity loans and accounts	10	12	(1)
Miscellaneous interest income	-	-	-
Total	**538**	**399**	**139**

Note 8.2 – Interest income from clients

In thousands of euros	2006	2005	Change
Interest on other trade credit	(9)	130	(138)
Interest on adv. acc/def. int. from finance leases	14	19	(5)
Interest on ordinary debit balances	122	14	108
Miscellaneous interest income	2	18	(15)
Total	**130**	**181**	**(51)**

Note 8.3 - Interest income from finance lease transactions

Breakdown of finance lease interest

In thousands of euros	2006	2005	Change
Rent and similar	30,325	35,514	(5,189)
Allowances for tax amortisation	(14,362)	(16,140)	1,778
Allowances for Article 64 or 57 provisions	(6,270)	(9,044)	2,774
Change in unrealised reserve	(2,108)	(2,670)	562
Total	**7,585**	**7,660**	**(75)**

Contingent rents included in income for the year: None

Note 8.4 – Interest charges from financial institutions

In thousands of euros	2006	2005	Change
Interest on ordinary credit balances	367	156	211
Interest on spot loans and accounts	-	-	-
Interest on on-maturity loans and accounts	21,904	14,478	7,426
Miscellaneous interest charges	140	(3)	143
Charges on financing commitments	40	45	(5)
Charges on guarantee commitments	42	-	42
Total	**22,494**	**14,677**	**7,817**

Note 8.5 – Interest charges from clients

In thousands of euros	2006	2005	Change
Interest on on-maturity loans - financial clients	6	-	6
Interest on ordinary credit balances	-	-	-
Interest on finance lease commitment hedge accounts	364	313	51
Interest on other on-maturity credit balances	-	-	-
Interest on lessee loans and lease deposits	71	80	(8)
Other miscellaneous interest charges	137	-	137
Total	**579**	**393**	**186**

Note 8.6 – Interest charges on subordinate loans

In thousands of euros	31/12/2006	31/12/2005	Change
Instalments accrued on convertible bond coupons	869	625	244
Total	**869**	**625**	**244**

Note 8.7 – Net gains or losses on financial instruments at fair value via income

In thousands of euros	2006	2005	Change
Interest on fixed income securities	**-**	**-**	**-**
Bonds	-	-	-
Investment securities	-	-	-
Dividends and other income from variable income securities	**9**	**-**	**-**
Trading securities	-	-	-
Investment securities	9	-	9
Changes in fair value of financial assets or liabilities	**-**	**-**	**-**
Bonds	-	-	-
Trading securities	-	-	-
Investment securities	-	-	-
Debit securities	-	-	-
Capital gains or losses on sales	**65**	**393**	**(328)**
Bonds	-	-	-
Trading securities	-	303	(303)
Investment securities	65	91	(25)
Derivatives (trading)	**1 228**	**(78)**	**1,306**
Interest income	139	0	139
Interest charges	2	(39)	42
Changes in fair value	1,086	(39)	1,125
Capital gains on disposals	-	-	-
Capital losses on disposals	-	-	-
Net foreign exchange transactions	**(1)**	**(10)**	**9**
Foreign exchange gains	-	-	-
Foreign exchange losses	(1)	(10)	9
Total	**1,301**	**305**	**987**

Note 8.8 – Gains or losses on financial assets available for sale

In thousands of euros	2006	2005	Change
Dividends received	562	1,282	(720)
Capital gains on disposals	61	295	(233)
Capital losses on disposals	1	(121)	121
Reversal of impairment losses	-	15	(15)
Impairment losses	-	(3)	3
Total	**624**	**1,468**	**(845)**

Note 8.9 – Gross margin on other activities

Gross margin on finance lease transactions

In thousands of euros	2006	2005	Change
Termination charges	1,348	0	1,348
Re-invoiced charges	5,532	6,076	(544)
Capital gains on disposals	550	5,588	(5,038)
Reversal of Article 64 or 57 provisions	38,099	11,072	27,027
Miscellaneous income	212	664	(452)
Impairment/reversals on properties	-	(87)	87
Impairment/reversals on doubtful receivables	315	130	186
Impairment/reversals on unearned income	3	(3)	6
Recovery of written off receivables	140	-	139
Bad debts	-	(127)	127
Subtotal	**46,199**	**23,314**	**22,885**
Depreciation allowance - unleased finance leases	-	-	-
Capital losses on disposals	(38,065)	(10,111)	(27,954)
Re-invoicable charges	(5,532)	(6,076)	544
Non re-invoicable charges	(180)	(3,786)	3,606
Miscellaneous charges	(2)	(7)	5
Subtotal	**(43,779)**	**(19,981)**	**(23,798)**
Total	**2,420**	**3,333**	**(913)**

Gross margin on real estate transactions

In thousands of euros	2006	2005	Change
Proceeds from disposals	80,684	6,362	74,322
Changes in inventories	2,329	8,088	(5,760)
Income from property development deals	6 197	6,520	(323)
Project management fees	886	884	2
Joint property development deals	8	-	8
Subtotal	**90,103**	**21,853**	**68,249**
Charges on development deals	(78,205)	(17,580)	(60,625)
Development contract work	-	-	-
Retrocession of fees	(300)	(1,225)	925
Tax	(872)	(507)	(365)
Subtotal	**(79,377)**	**(19,313)**	**(60,064)**
Total	**10,726**	**2,541**	**8,185**

Gross margin on investment property

In thousands of euros	2006	2005	Change
Rent and similar	52,399	31,023	21,376
Income from real estate companies	-	-	-
Termination charges	64	38	26
Re-invoicing income	9,443	5,422	4,021
Capital gains on disposals	17,686	4,050	11,391
Unrealised capital gains at fair value	50,052	36,048	16,248
Miscellaneous income	1,862	1,288	574
Recovery of written off receivables	1	223	(221)
Bad debts	(191)	(225)	33
Impairment/reversals on properties	-	-	-
Impairment/reversals on doubtful receivables	(693)	10	(703)
Provisions for unearned income on TUB	1	17	(15)
Termination charges on TUB	-	-	-
Subtotal	**130,624**	**77,895**	**52,730**
Losses from real estate companies	-	-	-
Marketing fees	(1,047)	(170)	(878)
Re-invoicable charges	(9,798)	(5,410)	(4,389)
Non re-invoicable charges	(9,476)	(4,726)	(4,452)
Capital losses on disposals	(5,374)	-	(5,374)
Unrealised capital losses at fair value	(13,867)	(3,955)	(9,912)
Subtotal	**(39,562)**	**(14,261)**	**25,302**
Total	**91,062**	**63,634**	**27,428**

Contingent rents included in income: €585,000 as of December 31, 2006 compared to €591,000 as of December 31, 2005.

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

In thousands of euros	2006	2005	Change
Re-invoiced charges	94	222	(128)
Reversal of provisions for liabilities and charges	1,074	463	611
Transfer of expenses	775	553	221
Other miscellaneous bank operating income	972	287	685
Income from movable property leases	3,967	1,004	2,963
Other miscellaneous BC income	172	164	7
Recovery of BC bad debts	-	-	-
Reversals on BC doubtful receivables	18	74	(57)
BC bad debts	(18)	(73)	55
Provisions for BC receivables	(210)	(2)	(208)
Subtotal	**6,844**	**2,692**	**4,149**
Provisions for liabilities and charges	(4,014)	(179)	(3,835)
Expenses to be deferred	-	-	-
Other miscellaneous bank operating expenses	(18)	(123)	105
Other non re-invoicable BC expenses	(490)	(111)	(379)
Subtotal	**(4,522)**	**(413)**	**(4,109)**
Total	**2,321**	**2,279**	**40**

BC = Business centre

Note 8.10 – General operating expenses

In thousands of euros	2006	2005	Change
Staff costs	**10,247**	**5,871**	**4,376**
Salaries and wages	6,967	3,801	3,166
Social security costs	2,831	1,839	992
Pension costs	-	3	(3)
Profit sharing	448	228	220
Other administrative costs	**14,615**	**7,907**	**6,708**
Tax	642	1,032	(390)
External services	13,973	6,875	7,098
Total	**24,862**	**13,778**	**11,084**

Note 8.11 – Amortisation allowances and provisions for property, plant and equipment and intangible assets

In thousands of euros	2006	2005	Change
Amortisation allowance for intangible assets	131	17	114
Amortisation allowance for property, plant and equipment	408	206	202
Total	**539**	**223**	**316**

Note 8.12 – Risk cost

In thousands of euros	2006	2005	Change
Net impairment on fixed income securities	-	-	-
Net impairment on trade receivables	(60)	37	(97)
Gains or losses on trade receivables	(130)	(39)	(91)
Net impairment on trade receivables (services)	88	(169)	258
Gains or losses on trade receivables (services)	-	-	-
Net impairment of inventories	(609)	-	(609)
Net impairment of other assets	-	-	-
Total	**(710)**	**(172)**	**(539)**

Note 8.13 – Net gains or losses on other assets

In thousands of euros	2006	2005	Change
Net operating asset disposals	**1**	**(5)**	**6**
Capital gains on disposals	17	2	15
Capital losses on disposals	(39)	(6)	(33)
Reversal of provisions	23	-	23
Provisions	-	-	-
Net consolidated security transactions	**322**	**686**	**(364)**
Capital gains on disposals	596	688	(93)
Capital losses on disposals	(274)	(3)	(272)
Reversal of provisions	-	-	-
Provision allowances	-	-	-
Total	**323**	**681**	**(358)**

Note 8.14 – Changes in goodwill

This line item is mainly comprised of the €60,000 negative goodwill resulting from the change in percentage interest in the Jardins des Quais SNC following the acquisition of the Banimmo real estate company.

Note 8.15 – Income tax

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

In thousands of euros	2006	2005	Change
Tax due	6,249	7,554	(1,305)
Change in deferred tax	(1,392)	(7,043)	5,651
Total	**4,857**	**511**	**4,346**

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	**67.12**	**22.37**
Earnings from exempt sectors	(9.09)	(3.03)
Add-backs-deductions	(57.61)	(19.20)
Theoretical tax after add-backs/deductions	**0.42**	**0.14**
Of which companies making a tax loss	(4.18)	(1.39)
Of which companies making a tax profit	4.60	1.53
Use of tax losses		
Consolidated tax after allocation of losses	**4.60**	**1.53**
Annual flat-rate tax and tax adjustments		0.37
Tax on long-term capital gains at 19%		-
Tax on unrealised capital gains at 16.50%		2.24
Tax due abroad		0.74
Additional contribution 1.5%		(0.02)
Social security contribution 3.3%		-
Total		**4.86**

Note 8.16 – Profit after tax of discontinued operations or those held for sale

None

Note 8.17 – Earnings per share

Net consolidated earnings (Group share) amounted to €57,565,036 for a weighted average 2,690,026 shares in circulation during 2006, representing earnings per share of €21.40. 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, 2006 was 2,699,999.

Diluted earnings per share is calculated in line with the provisions of IAS 33. Earnings per share must be adjusted for the maximum impact of the conversion of dilutive instruments into ordinary shares (convertible bonds or share warrants). The convertible bonds issued by Affine on October 15, 2003 and June 29, 2005 represent dilutive instruments.

In the numerator, earnings (Group share) are increased by the savings in finance expenses generated in the event of conversion, net of tax. The expense for convertible bonds net of tax is €653,262, taking consolidated earnings (Group share) to €58,218,297 after dilution.

In the denominator, the weighted average of securities in circulation is adjusted by the maximum number of

shares likely to be issued. The dilution for the year of issue is calculated in proportion to time on the basis of the issue date of the new instrument. For the 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 3,230,826 taking into account an average of 540,800 new shares stemming from the conversion of convertible bonds.
Taking account of the restatements set out above, diluted earnings per share were €18.02 in 2006 compared to €17.98 in 2005 (taking into account the fair value valuation of assets subject to IAS 40).

Note 8.18 – Transfer from company profit to consolidated earnings

In thousands of euros	2006	2005	Change
Company earnings	**15,113**	**10,998**	**4,115**
Company earnings of subsidiaries	15,919	5,249	10,670
Restatement of lessee's finance lease	2,211	1,516	(695)
Provision for pensions	4	(2)	6
Change in gross unrealised reserve	(2,108)	(2,670)	562
Elimination of internal dividends	(8,734)	(5,731)	(3,003)
Gains (losses) from disposals and liquidation	(2,760)	1,277	(4,037)
Margin on inventories	450	(450)	900
Cancellation of impairment on securities and internal current accounts	115	(1,289)	1,404
Change in deferred taxes	174	7,953	(7,779)
Valuation surpluses	(6,594)	(1,105)	(5,489)
Net goodwill/ negative goodwill	42	2,735	(2,693)
Other IFRS restatements	377	(2,364)	2,641
Change in net unrealised CG/CL	36,186	32,093	4,093
Cancellation of DAP	7,357	10,057	(2,700)
Difference in consolidation/company CG/CL on sales	3,020	(5,396)	8,416
Convertible bond coupons classified in equity	1,488	1,057	431
Consolidated earnings	**62,260**	**53,928**	**8,332**

9. Notes on the cash flow statement

Note 9.1 – Net flows from operating activities: operating cash flow and changes in working capital requirement

In thousands of euros	31/12/2006	31/12/2005
Finance leases	30,095	31,875
Investment property	42,543	27,788
Property development	10,488	2,541
Overheads including investment research costs	(20,347)	(17,009)
Operating cash flow net of borrowing costs	**62,779**	**45,195**
Finance leases	1,408	804
Investment property	(417)	(332)
Property development	4,694	(18,388)
Overheads including investment research costs	(5,002)	6,605
Change in total working capital requirement	**683**	**(11,311)**
Dividends received	776	1,282
Interest received	1,230	1,147
Interest paid	(20,403)	(13,197)
Tax	(10,795)	(2,944)
Net cash flows from operating activities	**34,270**	**20,172**

Note 9.2 – Net tax flows

In thousands of euros	31/12/2006	31/12/2005
Current tax	(6,074)	1,090
Exit tax	(4,720)	(4,134)
Net tax flows	**(10,794)**	**(2,944)**

Note 9.3 – Net flows related to acquisition and disposal of subsidiaries

In thousands of euros	31/12/2006	31/12/2005
Acquisition price of investments	(107,208)	(38,172)
Acquired funds	2,817	1,200
Acquisitions net of acquired funds	**(104,391)**	**(36,972)**
Disposal price of investments	-	1,141
Funds disposed of	-	1,608
Disposals net of disposed funds	**-**	**2,749**

In thousands of euros	31/12/2006	31/12/2005
Acquired assets	(293,726)	(7,996)
Acquired equity	104,601	(186)
Acquired liability provisions	3,032	402
Acquired debts	188,910	8,980
Acquired funds	**2,817**	**1,200**
Assets disposed of	-	1,588
Debts disposed of	-	
Equity disposed of	-	20
Funds disposed of	**-**	**1,608**

Companies acquired	Loan financing	Payment method	Comments
GP Beta Holding	€60 million	Payment in cash	
OS'UP		Payment in cash	Price supplement
Lemaco		Payment in cash	
Marie Galante		Payment in cash	
Les Mercières		Payment in cash	
Target		Payment in cash	

Note 9.4 – Net flows relating to equity

In thousands of euros	31/12/2006	31/12/2005
Dividends paid in cash	(12,863)	(8,216)
Share capital increase in cash (including premium)	99	18,916
Treasury stock (purchase/sale)	104	(139)
Convertible bonds (subscription and redemption)	-	10,009
Convertible bond coupons paid	(2,254)	(1,679)
Net flows	**(14,914)**	**18,891**

Note 9.5 – Net flows from financing transactions

In thousands of euros	31/12/2006	31/12/2005
Borrowings	52,860	2,676
Joint venturer or minority current accounts	(9,170)	(5,017)
Net flows	**43,690**	**(2,341)**

Note 9.6 – Cash and cash equivalents

In thousands of euros	31/12/2006	31/12/2005
Cash	8	5
Liquid bank assets	12,339	36,967
Investment securities	8,900	7,190
Bank overdrafts	(9,266)	(8,447)
Total	**11,981**	**35,715**

10. Commitments and contingencies

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

(N.B.: finance leases are restated to show a net carrying amount 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	7,654	5,593
1 to 5 years	28,428	23,502
Over 5 years	16,517	14,977
Total minimum lease payments	52,599	
Amounts representing financing charges	(8,527)	
Discounted value of minimum lease payments	44,072	44,072

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	26,077	19,158
1 to 5 years	68,314	52,656
Over 5 years	33,631	28,622
Total minimum lease payments	128,022	
Amounts representing financing charges	(27,586)	
Discounted value of minimum lease payments	100,436	100,436

Non-guaranteed residual values for the lessor: €12,770,000

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	44,102	39,870
1 to 5 years	84,413	77,319
Over 5 years	41,259	36,789
Total minimum lease payments	169,774	
Amounts representing financing charges	(15,796)	
Discounted value of minimum lease payments	153,978	153,978

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	4,352	4,010
1 to 5 years	16,940	15,669
Over 5 years	18,503	12,980
Total minimum lease payments	39,795	
Amounts representing financing charges	(7,136)	
Discounted value of minimum lease payments	32,659	32,659

Commitments given

In thousands of euros	**As of 31/12/2006**	**As of 31/12/2005**
FINANCING COMMITMENTS	**-**	**1,894**
Commitments to financial institutions	-	-
Commitments to clients	-	1,894
GUARANTEE COMMITMENTS	**50,740**	**51,656**
Commitments to financial institutions	-	-
Commitments to clients	50,740	51,656
GUARANTEE SECURITIES	**365,735**	**270,076**
Pledge of securities	80,250	29,500
Unnotified Dailly Act assignments and mortgages	255,638	198,569
Mortgages and rent assignment agreements	2,516	2,721
Dailly Act assignment and mortgage agreements	22,920	28,238
Unnotified Dailly Act assignments	-	1,429
Rent assignment agreements	4,411	9,619

Commitments received

In thousands of euros	**As of 31/12/2006**	**As of 31/12/2005**
FINANCING COMMITMENTS	**168,450**	**48,910**
Commitments received from financial institutions	168,450	48,910
Commitments received from clients	-	-
GUARANTEE COMMITMENTS	**66,338**	**55,603**
Commitments received from financial institutions	27,777	7,942
Commitments received from clients	38,561	47,661

Investment commitments

In 2005, Affine signed a contract for the acquisition of a new central IT system. The outstanding balance as of December 31, 2006 was €448,000.

Disputes and litigation

Following a commercial dispute, the A.b.c.d. Group entered into a draft agreement for a maximum sum of €100,000.
Provisions for the BANIMMO Group’s commercial disputes amounted to €1,139,000.

11. Financial instruments

Risk management policy and hedging

In addition to liquidity and cash flow risks managed via confirmed credit lines, the company systematically hedges its interest-rate risk via market transactions (swaps and caps) with leading banking institutions.

Interest rate risk

Three new Affine loans gave rise to hedging using two floating-rate versus fixed rate swaps, for an overall of notional amount of €46.5 million.

Credit risk

The credit risk has improved since, in terms of finance leases, no Group or Group company risk exceeds the declaration threshold of 10% of equity in terms of outstanding amounts.

Financial assets valued at fair value via income

In thousands of euros	Instruments held for trading	Instruments voluntarily allocated to this line item	**Total**
Shares and other variable income securities	8,902		8,902
Derivatives		1,468	1,468
Total as of 31/12/06	**8,902**	**1,468**	**10,370**
Total as of 31/12/05	**7,191**	**40**	**7,231**

The significant change in derivatives stems from the entry into the scope of consolidation of the Banimmo real estate company.

Fair value

			Change in fair value over period in		
In thousands of euros	**Initial cost**	**Total change in fair value as of 31/12/2005**	**equity**	**income**	**Fair value as of 31/12/2006**
Financial assets at fair value via income					
Derivatives	1,104	40		324	1,468
Financial assets available for sale					
Investments	15,763	10,958	9,725		36,446
Financial liabilities at fair value via income					
Derivatives	(1,595)			762	(833)
Total	**15,272**	**10,998**	**9,725**	**1,086**	**37,081**

12. Workforce

Average weighted workforce during the financial year

The average workforce was 124 people and breaks down as follows:

- Executives: 4
- Management: 48
- Employees: 72

13. 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 at €503,000.

The provision for retirement allowances is established in line with the provisions of IAS 19. This provision is already recognised under French GAAP. The amount (€49,000) is not material for the Group.

Individual training rights

Group employees have accumulated rights to 1,780 training hours.

Employee profit sharing scheme

The decision by the Board of Directors on December 19, 2005 to grant bonus shares, acting on the authorisation of the extraordinary and ordinary general shareholders' meeting of November 9, 2005, was finalised at the Board Meeting of December 18, 2006, bringing the number of bonus shares granted to specific employees to 5,900.

The expense for FY 2006, calculated in line with IFRS 2, was €81,000.

14. Related party disclosures

Compensation of management and administration bodies

Gross compensation paid to the officers of Group companies amounted to €1,353,000 in FY 2006.

Other assorted benefits provided to the Group's executives are:
- GSC contributions (unemployment benefits for company heads and directors: one for €22,000 in 2006;
- Company car: one representing an expense of €4,000 in 2006;
- Severance pay: a clause providing for the payment of an amount equal to one year's total compensation paid by all Group companies;
- Contributions to pension funds over the year: €102,000

Directors' fees paid by Group companies in 2006 amounted to €110,000.

Directors' profit sharing scheme

The decision by the Board of Directors on December 19, 2005 to grant bonus shares, acting on the authorisation of the extraordinary and ordinary general shareholders' meeting of November 9, 2005, was finalised at the Board Meeting of December 18, 2006, bringing the number of bonus shares granted to specific officers to 10,600.

The expense for FY 2006, calculated in line with IFRS 2, was €169,000.

Related party transactions and operating balances

MAB-Finances, in its capacity as Affine's management holding company, signed an agreement with Affine for the provision of administrative, financial and operational development services, for which an expense of €279,000 is included in the financial statements for 2006 (partial amount taking account of the portion incorporated in management compensation).

15. Events after the balance sheet date

None

16. PRO FORMA INCOME STATEMENT AS OF DECEMBER 31, 2005 INCLUDING THE BANIMMO GROUP

INCOME STATEMENT *(In thousands of euros)*	**31/12/2005 at fair value with GP BETA Holding**	**31/12/2006 at fair value with GP BETA Holding**	**Change at constant scope**
INTEREST AND RELATED INCOME	**8,343**	**8,253**	**(90)**
For fixed revenue securities available for sale	-	-	-
For loans and receivables vis-à-vis financial institutions	469	538	69
For trade loans and receivables	214	130	(84)
For financial assets held to maturity	-	-	-
For finance leases	7,660	7,585	(75)
For impaired receivables	-	-	-
INTEREST AND RELATED EXPENSES	**20,769**	**23,943**	**3,173**
For debts vis-à-vis financial institutions	19,748	22,494	2,746
For trade debts	396	579	183
For debt securities	-	-	-
For subordinated debt	625	869	244
For finance leases	-	-	-
For loans and debts	-	-	-
COMMISSION (INCOME)	**-**	**-**	**-**
COMMISSION (EXPENSES)	**958**	**1,141**	**183**
NET GAINS OR LOSSES ON FINANCIAL INSTRUMENTS AT FAIR VALUE VIA INCOME	**192**	**1,301**	**1,109**
NET GAINS OR LOSSES ON FINANCIAL ASSETS AVAILABLE FOR SALE	**1,468**	**624**	**(844)**
INCOME FROM OTHER ACTIVITIES	**154,917**	**273,769**	**118,853**
Income from finance leases	23,314	46,199	22,885
Income from real estate transactions	23,819	90,103	66,284
Income from investment properties	104,399	130,624	26,225
Other operating income	3,385	6,844	3,459
EXPENSES FOR OTHER ACTIVITIES	**62,038**	**167,240**	**105,202**
Expenses for finance leases	19,981	43,779	23,798
Expenses for real estate transactions	19,348	79,377	60,029
Expenses for investment property	22,295	39,562	17,257
Other miscellaneous operating expenses	414	4,522	4 108
NET BANKING INCOME	**81,155**	**91,623**	**10,468**
GENERAL OPERATING EXPENSES	**19,948**	**24,862**	**4,914**
DEPRECIATION ALLOWANCES AND PROVISIONS FOR PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS	**279**	**539**	**260**
GROSS OPERATING PROFIT	**60,928**	**66,222**	**5,294**
RISK COST	**(242)**	**(710)**	**(468)**
NET OPERATING INCOME	**60,686**	**65,512**	**4,826**
SHARE IN COMPANIES ACCOUNTED FOR UNDER THE EQUITY METHOD	**898**	**1,241**	**343**
NET GAINS OR LOSSES ON OTHER ASSETS	**1,791**	**323**	**(1,468)**
CHANGE IN GOODWILL	**2,737**	**42**	**(2,695)**
PRE-TAX PROFIT	**66,112**	**67,117**	**1,006**
INCOME TAX	**(2,619)**	**(4,857)**	**(2,238)**
EARNINGS AFTER TAX FROM DISCONTINUED OPERATIONS OR THOSE HELD FOR SALE	**26**	**-**	**(26)**
EARNINGS	**63,519**	**62,260**	**(1,258)**
MINORITY INTERESTS	**2,816**	**4,695**	**1,879**
EARNINGS - GROUP SHARE	**60,702**	**57,565**	**(3,137)**