

2006 Reference Document




MAISONS
FRANCE
CONFORT
depuis 1919

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This reference document was filed with the l'Autorité des marchés financiers on May 11 2007 in accordance with article 212-13 of the AMF's general regulations. It can be used to support a financial operation if it is supplemented by an operation note signed by the AMF.

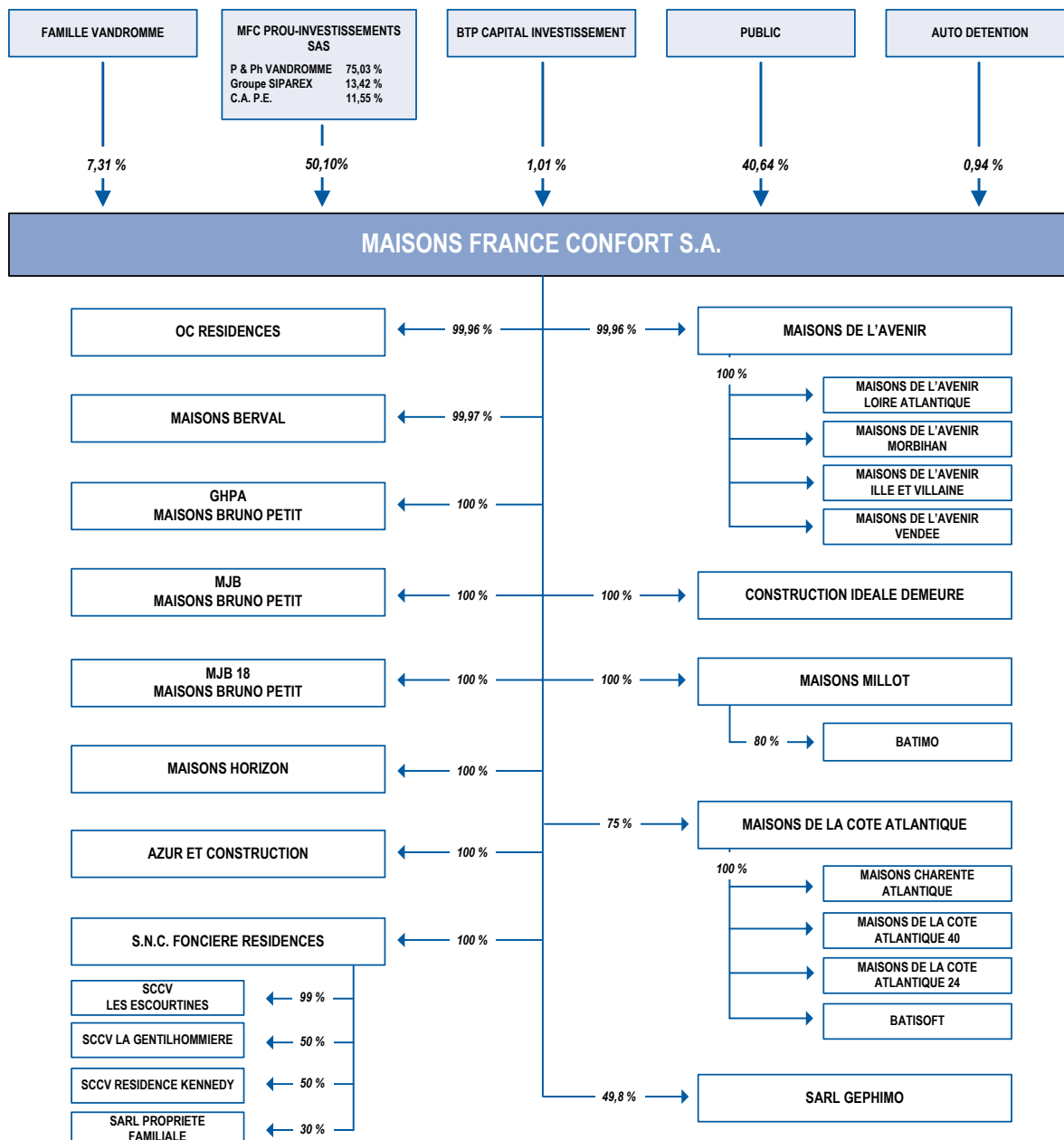
In accordance with Article 28 of the European regulation n° 809/2004 of April 29 2004, the reader is referred to the previous information reference document concerning certain information :

1. The consolidated financial statements for the fiscal year closed on December 31 2004 and the Statutory Auditors' report relating to it, appearing on pages 40 to 57 of the reference document filed with the Autorité des Marchés Financiers on May 24 2005 under the number D04-0566.
2. The consolidated financial statements for the fiscal year closed on December 31, 2005 and the Statutory Auditors' report relating to it, appearing on pages 50 to 80 of the reference document filed with the Autorité des Marchés Financiers on May 22 2006 under the number D06-0428.

INFORMATION ON THE GROUP

1. PRESENTATION OF THE GROUP

1.1. Management chart as of February 28 2007



1.2. Table of subsidiaries

Data in €K

Company	Activity	Acquisition	Turnover *		Net income *	
			2005	2006	2005	2006
Foncière Résidences (Group)	Real estate agent		10,143	9,918	337	317
Maisons de l'Avenir (Group)	Construction	01/01/00	58,550	60,755	3,491	3,423
OC Résidences	Construction	11/07/00	30,886	32,083	2,152	2,466
Maisons Berval	Construction	01/05/01	10,086	10,389	1,050	888
GHPA Maisons B. Petit	Construction	01/07/02	11,720	13,822	571	707
MJB Maisons B. Petit (Group)	Construction	01/07/03	14,445	16,402	1,208	1,548
Maisons Horizon	Construction	01/10/04	11,030	15,739	478	1,068
Azur & Construction	Construction	01/04/05	7,240	11,919	716	863
Constructions Idéale Demeure	Construction	03/10/05	2,956	11,479	328	778
Maisons Côte Atlantique (Group)	Construction	01/01/06		39,025		2,799
Millot (Group)	Construction	01/10/06		3,333		220

* Figures corresponding to the consolidation period in the MAISONS FRANCE CONFORT Group's consolidated accounts

1.3. History

The MAISONS FRANCE CONFORT Group was founded in 1919 and is one of France's most important builders of single family detached homes, and the second national developer (source: 2003 survey of homebuilders carried out by Caron Marketing).

The restructuring in the trade and the crisis in the early 1990s, navigated by the Company without pecuniary losses, have rationalised the market. Furthermore, the tightening regulation has enabled surviving mid-size players like MAISONS FRANCE CONFORT to take advantage of the situation. Since then, Maisons FRANCE CONFORT has constantly increased its turnover, consolidating its position as a natural leader in the trade due to the company's age, the continuity of family management, and its role in trade and industry associations.

1.4. Our Trade

MAISONS FRANCE CONFORT sells and builds built-to-order detached family homes (with the land being purchased separately by the customer).

The houses are presented in a catalogue and then, contrary to the housing estate or subdivision development sector ("villages" in which the land is sold as part of the development, together with the house on it, whose main features are standard), the plans are adapted and personalised for each customer by means of powerful CAD (Computer Assisted Design) applications enabling a great degree of product flexibility. The catalogues are designed around a centralised concept, but include regional variants in order to take local architectural constraints and styles into account.

SNC FONCIERE RESIDENCES, a subsidiary of MAISONS FRANCE CONFORT is in charge of managing small operations (2 to 20 houses) under the VEFA (*Ventes en l'État Futur d'Achèvement*, Sale of property for future completion) classification.

Its business volume is marginal (€9.9 million turnover in 2005) but complementary to that of the custom or built-to-order sector, particularly in suburban areas where residential building land is scarce.

The national brand names are :

- MAISONS FRANCE CONFORT
- MAISONS BALENCY
- MAISONS DE MANON

The regional brand names are :

- BENOIST CONSTRUCTION
- JFR
- MAISONS DE L'AVENIR
- OC RÉSIDENCES
- MAISONS BERAL
- MAISONS BRUNO PETIT
- MAISONS HORIZON
- AZUR & CONSTRUCTION
- CONSTRUCTIONS IDEALE DEMEURE
- MAISONS COTE ATLANTIQUE
- MAISONS MARCEL MILLOT

The national and regional brand names owned by the Group are registered at the I.N.P.I., the French intellectual property registry.

The Group's policy is to concentrate its sales and promotion efforts on the national brands, apart from specific regional opportunities. This differentiation, has a dual benefit :

- on the competitive level,
- as regards the product itself, as Balency has a higher class connotation and enjoys strong popularity.

Only 2 brands acquired in takeovers in the early 1990's will disappear, but only gradually because the Group, although preferring to emphasise the national brands, nonetheless does not wish to waste sales opportunities. The other brands which have been integrated into the Group since 2000, will retain their identities given their strong popularity as regional leader.

The retail prices, excluding the land, of the Group's houses vary between €60K and €450K including taxes, with the average selling price being €115K including taxes for an average living area of 100 m².

For the end consumer, a transaction in the Île-de-France region around Paris, or in the Provence Alpes Côte d'Azur region, including the plot of land, generally costs between €250/300K (with an average plot of 550 m² [0.14 acres]) and, in the provinces, between €140 and 200K (average plot of 850 m² [0.21 acres])

1.5. The Group's internal organization and resources

1.5.1. The Parent Company's role

The parent company is a service company. Each subsidiary is independent in the Group's organisation and the services provided for subsidiaries are not paid for, apart from a partial centralisation of cash flow, stipulated in agreements, nor invoicing of head office costs which are paid for by the parent company in full.

1.5.2. Marketing

• Sales force

MAISONS FRANCE CONFORT is represented in the Normandy, Île-de-France, Centre, Burgundy, Franche-Comté, Rhône-Alpes, PACA, Languedoc-Roussillon and Midi-Pyrénées regions. Group employees are responsible for 60% of sales, with 40% being contributed by independent exclusive commission based sales agents. The advantage of this organisational structure is a certain degree of flexibility if an economic slowdown occurs. In addition, the independent exclusive sales agents are particularly highly motivated. Finally, MAISONS FRANCE CONFORT organises sales training seminars on technical and regulatory changes.

The whole of MAISONS FRANCE CONFORT's sales force is broken down as follows :

- Employees : around 107 sales persons.
- Sales agents : around 85 sales persons.

Company	Sites	Sales force
Maisons de l'Avenir	Bretagne / Vendée	90 % employees
OC Résidences	Midi-Pyrénées / Languedoc	100 % employees
Maisons Berval	Ile de France	100 % employees
GHPA Maisons B. Petit	Sud Ouest	100 % employees
MJB Maisons B. Petit	Centre	100 % employees
Maisons Horizon	Lorraine	100 % employees
Azur & Construction	PACA	90 % employees
Constructions Idéale Demeure (CID)	Centre	100 % employees
Maisons de la Côte Atlantique (MCA)	Aquitaine	80 % employees
Millot	Limousin / Creuse / Corrèze	90 % employees

In all, the MAISONS FRANCE CONFORT group employed 1,041 employees on 31/12/06 including 230 salaried sales agents.

• Values

The sales staff at the heart of the customer relationship

More than just sellers, the sales staff have become real advisers for customers who need to be assisted in their decisions and actions. They find land for the customers and help them arrange financing.

The very strict legislative environment governing the individual home construction business means that the sales teams must be abreast of the latest technical, regulatory and environmental developments in order to reassure potential owners.

Continual training for teams

Specific training has therefore been set up for sales people to enhance quality and enable MAISONS FRANCE CONFORT's indisputable assets in terms of innovation, quality / price ratio to be emphasized

The trade is changing and adopting a more professional structure. It is important that this change is orchestrated by setting up management courses for sales managers.

The fight for quality and customer satisfaction for a lasting relationship

The relationship with the customer lasts from the first contact by Internet, at trade fairs, show homes or simply by telephone, up until the customer's house is delivered, i.e. 18 months in addition to the 10 year construction guarantee. MAISONS FRANCE CONFORT must be as close as possible during this time, assist them in their actions, and share the great joy of achieving their life project: build their own home which will house and protect their family.

'When you are searching for perfection, you discover that it is a moving target' (Fisher, George), this is one of MAISONS FRANCE CONFORT's mottos in satisfying its customers, which is assessed by surveys to evaluate and improve this action.

• Marketing tools

Design / costing software

MAISONS FRANCE CONFORT has developed an automatic costing application for houses internally. It is therefore possible to compile a costing of a house from a pre-plan very quickly, without risk of error.

This very user-friendly software, which has been developed very pragmatically with sales persons and sales controllers, has improved the company's professionalism. Each project is costed to the closest euro, and is very reassuring for customers who see the costing of the project change instantaneous according to their requirements.

Internally, this software tool has increased time saving for sales people and sales controllers, the reliability of the costing, and professionalism.

Pre-planning software

Pre-planning design software has been deployed in the sales agencies, coupled with this costing software, which enables the plans to be drawn in 3D and to virtually site the customer's project on the plot.

A growing reputation with an ideal Internet referencing

The www.maisons-france-confort.fr web site which is systematically amongst the first sites for 'Individual Homes Builder' (out of more than 3 million pages found) in search engines, combined with strong communication, enables almost 60,000 separate visitors per month obtain information and advice on having a house built by the Group, and over 3,000 visitors per month leave use their full names, addresses and contact numbers for information requests, i.e. more than 100 a day.

• International

International sales people to open our borders

MAISONS FRANCE CONFORT positioned on the buoyant foreign investment niche in 2005. There has been a big craze amongst British people and North European people in general for France for 2 years now. Real estate investment is one of the factors besides the culture, weather and gastronomy, which are attractive for Europeans. The sharp rise in house prices has enabled mortgages to be increased; the price of houses doubled in Great Britain between 1993 and 2003, increasing to €174K on average. The owners have been able to benefit from this increase to increase their mortgages, and realize gains without having to sell their property

The average price of houses in Ireland has increased to €250 K. For this price, a house in the Dublin suburbs transforms into MAISONS FRANCE CONFORT villas with swimming pool in certain parts of the Luberon. The initial attraction for British people were the famous 'old buildings', which are now becoming increasingly difficult to find, and therefore more expensive. The price of new houses is competitive by 30 to 40% compared to old houses in some sectors.

Welcome to France...Confort »

MAISONS FRANCE CONFORT has set up a packaged offer dedicated to non-residents 'MFC Welcome Pack' which comprises a team of 7 sales representatives dedicated to the favoured geographical sectors: Normandy, Brittany, the Dordogne, the Gers and the whole of the 'French Riviera', from Collioure to Menton. This offer goes from the land search to mounting the operation with banking partners such as the HSBC. The contracts and the descriptions are naturally translated into English.

Since, MAISONS FRANCE CONFORT has been present at all of the major housing exhibitions devoted to housing in France: London, Birmingham, Harrogate and soon Brussels, as well as in the main media: 'French Property News', 'Living France'. 100 contracts were signed through this offer in 2006. The cosmopolitan teams comprising 1 English person, 1 Dutch person, 1 Norwegian, 1 Canadian 1 Spaniard, and 2 bilingual French people, means that new prospectations can be envisaged.

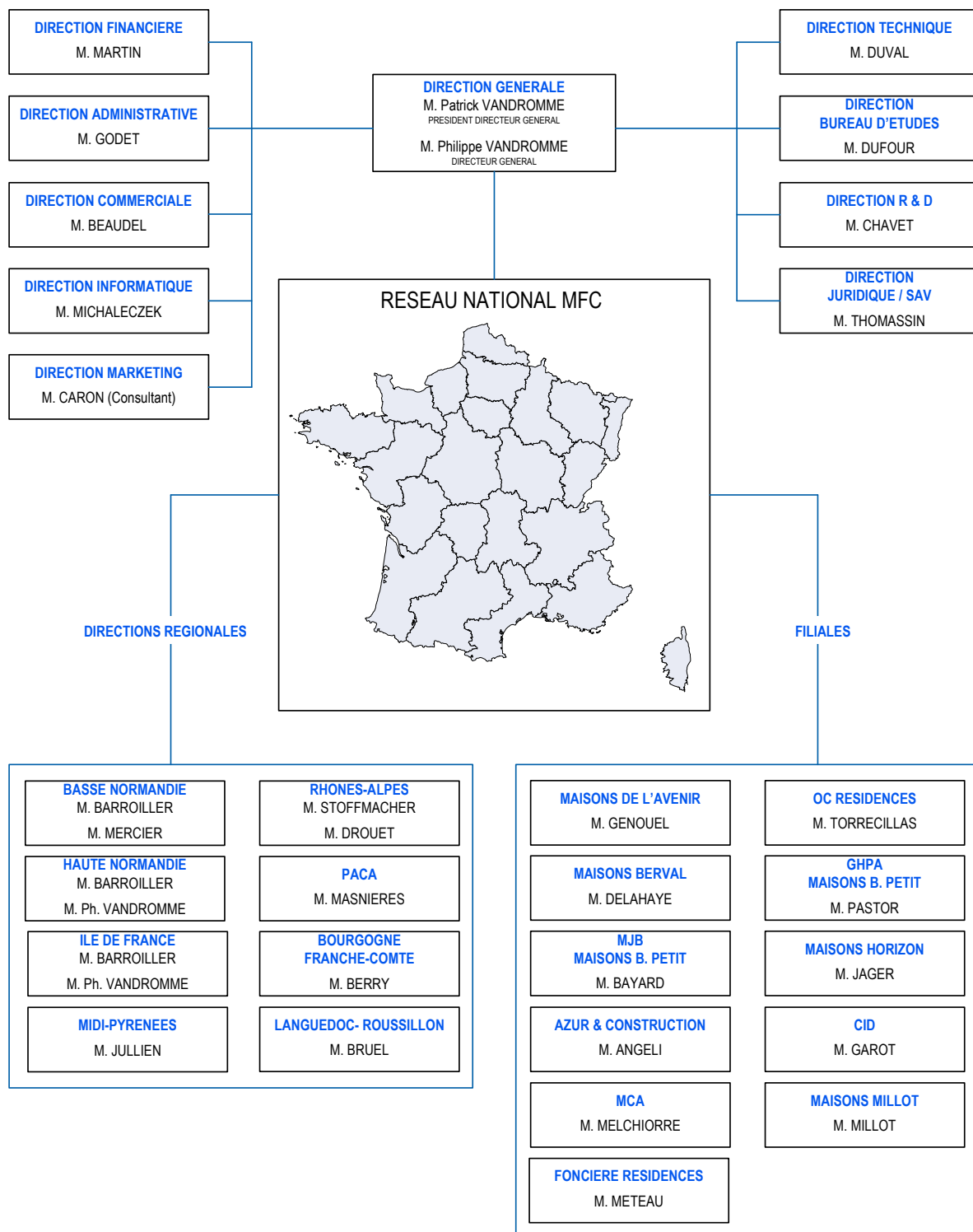
1.5.3. Implantations

Property belonging to the Group on December 31 2006.

The property belonging to the Group represents around 100,000 m² of land, including 17,500 m² of buildings.

The sales offices and technical centres (excluding show homes) are rented and accounted as operating expenses. These premises do not belong either to the VANDROMME family, or to the MAISONS FRANCE CONFORT Group.

1.6. Operational Diagram



2 . BUSINESS ACTIVITY

2.1. Significant data

Changes in key indicators

(Quantitative data)	2004	2005	2006
Changes in orders	4,220	5,133	6,145
Changes in openings	3,251	3,538	4,793
Changes in ongoing building sites	2,311	2,573	3,525

Financial data

Concise profitability table	2005	2006
(Figures in € millions, IFRS standards)		
Turnover	326.9	425.0
Operating result	22.5	30.9
Financial result	0.5	0.8
Net income	15.1	20.9
Of which minority interests	-	0.7

Sustained level of business :

The Group continued its intense growth policy during 2006 in 2 areas:

◆ **External :**

The Group purchased 75% of the shares comprising the capital of MAISONS DE LA COTE ATLANTIQUE located in Aquitaine and Charentes on January 1st 2006.

The Group purchased all of the shares comprising the capital of MILLOT, in the Limousin region, on October 1st 2006.

◆ **Internal:**

The SNC FONCIERE RESIDENCES acquired 30% of the shares of SARL "PROPRIETE FAMILIALE" as part of the development of its sale for future completion activity.

The 'LES MAISONS DE L'AVENIR' subsidiary continued its networking in Brittany by creating three new companies MAISONS DE L'AVENIR 35 and MAISONS DE L'AVENIR 56, and MAISONS DE L'AVENIR 85.

Net turnover increased globally by 30%. Its growth on a like for like basis works out at 14%.

The Group's business activity was realised exclusively on the French territory mainly in the following regions ; Provence-Alpes Côte d'Azur, Rhône-Alpes, Brittany, Pays de la Loire, Ile-de-France, Centre, Normandy, Midi-Pyrénées, Languedoc, Bourgogne, Franche-Comté, Lorraine, Aquitaine, Charentes and Limousin.

The Group's profitability

The Group's operating income totals €30.9 M December 31, 2006 compared to €22.5 M the previous year, i.e. an increase of 37.4%.

Financial income

The Group's financial income works out at €0.8M on 31/12/2006, compared to € 0.5M the previous year. Good management of surplus cash flow and the reduced cost of financing acquisitions explain this change.

Net income

Net income before tax totals €20.9M compared to €15.1M in 2005, i.e. an increase of + 38.4 %.

Summarizing table of the equity capital, cash flow, and indebtedness

In €M : IFRS standards	2005	2006
Shareholders' equity	43.6	60.1
Investments and cash	51.4	69.4
Financial liabilities	10.7	18.9
Net indebtedness	-40.7	-50.5
Gearing	-93%	-84%

Available cash of €69.4M and a net cash position of € 50.5M will enable the Group to continue its internal or external growth.

2.2. Investment policy

The investments, excluding acquisitions, made by the Group, mainly through self financing, are broken down as follows:

Items in €K	2005	2006
Computer software	139	202
Trademarks, business assets and lease right	-	109
Land, buildings and show homes	265	576
Other fixed assets (including fixed assets in progress)	1,537	2,961
Total	1,941	3,848

Main investments in 2006

Purchase of the "Bruno Petit" trademark in December 2006,
Continuation of the construction of the new show homes (Bourges, Lannion, Beaucaire...),
Completion of the extension works to Maisons France Confort's head office,
Fitting out and installations of Maisons de l'Avenir's new head quarters,
Fitting out and installations for opening the Group's new sales outlets,
Continuing to renew the IT park and deploying new network.

2.3. Research and development activity

IT

The new ADSL/SDSL (IP/VPN MPLS technology) finished being deployed during the first six months of 2006 with a high speed connection between each sales office and head quarter.

The graphic interface and content of the www.maisons-france-confort.com website, the Maisons France Confort Group's portal was modified at the start of 2007, and new functionalities were added: a portfolio of developments using a virtual catalogue, glossary explaining them in building terms...

Two new satellite sites for our "Maisons Balency" and "Maisons de Manon" trademarks were brought on line during the first six months of 2007, together with a site dedicated to our "performance house" offer.

SISCA started to be developed internally which is a new software management package for customer files, intended to replace the one which is currently used. 3 computer engineers are working on developing it at the current time. The first technical module will be available in each technical centre during 2006. This will enable :

- The building site's schedule to be managed
- The quantity surveys generated by the design offices to be recovered
- The quantity surveys to be exploited and the allocated budgets to be estimated
- Orders to be placed for materials
- Subcontracting agreements to be drawn up
- Orders to be reconciled with invoices received
- Changes in the building site's margin and its profitability to be followed up in real time

The analysis and the development of the other SISCAs modules (following up prospects, administrative follow-up of the file, etc) are in progress and will continue in 2007.

CAD

With over twenty years' experience in the computer-assisted design field, and automatic printouts of quantity surveys and disbursements, MAISONS FRANCE CONFORT has had a strategy of siting new software for its sales force, since 2005. All the catalogue plans are now available on computer file format.

The Graphic publisher permits adjustments, and changes made to plans to be quickly visualised. In parallel, the design offices have been equipped with powerful Internet communication tools to encourage exchanges with our growing European clientele. These tools permit plans to be transmitted, projects to be visualized in three D and speed up the final design of the plans.

The optimization of our constructions' adaptation to the ground as well as a complete control of costs generated is now possible thanks to the deployment of "Digital Ground Modelisation" during 2006. It enables all the lasting modifications necessary for siting a project to be visualized and quantified.

Quality

Quality inside the MAISONS FRANCE CONFORT Group is reflected by the management's and its team's determination to mobilize and catalyse commitment so that the quality initiative forms part of each action performed by the company. The management and its team lead by example through internal and external actions. In addition, they reward the efforts and quality successes of individuals and teams by setting up challenges and remuneration based on the quality indicators.

The Group's strategy systematically integrates a Quality policy by deploying these objectives in all the Group's functions. These individualized and evaluated objectives enable us to define the strategy and the action plans which are necessary for increasing our quality criteria.

The staff is kept regularly informed of the Group's strategy, its quality initiative and its results, through our internal newsletters, the circulation of quality indicators and awareness and information meetings.

Internal procedures have been established from the sale to the delivery of a house. Self-control documents and a computer chain have been developed to control the quality of the company's products and services. As an example, a specific internal procedure details a list of over 400 control points included in technical works follow-up specifications (a document developed by MAISONS FRANCE CONFORT) for internal use only. These controls are of several kinds. They verify that the works have been performed properly in accordance with good professional practices, or perform a dimensional control to ensure concordance with the construction drawings, or check that the quality of fitting equipment accords with our instruction sheets.

A satisfaction questionnaire is also systematically sent to each customer with a prepaid envelope. The results of the customer satisfaction assessments are analysed to identify new areas where progress can be made. In addition, every year, IPSOS is instructed to contact the customers who have not returned the customer survey.

3 . MARKET AND COMPETITION

3.1. The Market

General points

For a more detailed quantitative analysis the reader may refer to the study carried out by the ANIL (Agence Nationale pour l'Information Logements, French National Housing Information Agency) in "Habitat Actualités" from which the figures mentioned in the following paragraphs are extracted, except where other sources are mentioned. The reader may also consult the statistics of the French Ministry of Infrastructure (Ministère de l'Équipement) (quick info DAEI-SES.SITADEL).

The single-family detached home construction sector consists of the following business lines:

- Construction of turnkey single family detached homes under contracts corresponding to the **custom or built-to-order sector**.
- Construction of turnkey single family detached homes in a subdivision development setting corresponding to the **housing estate sector** (similar to the Kaufman & Broad "villages").

Summary of housing construction in France (homes for which a Notice of Construction Start had been submitted)

In thousands of dwellings	True S/F detached	Mkt Share	S/F Estate	Mkt share	Collective	Mkt share	Total
1995	113.0 0.5%	39.9%	30.3 -6.5%	10.7%	140.1 -8.1%	49.4%	283.4 -4.6%
1996	123.2 9.0%	45.2%	26.4 -12.9%	9.7%	122.7 -12.4%	45.1%	272.3 -4.0%
1997	126.9 3.0%	47.0%	27.8 5.3%	10.3%	115.4 -6.0%	42.7%	270.1 -0.8%
1998	134.8 6.2%	48.0%	31.0 11.5%	11.0%	115.3 0.0%	41.0%	281.1 4.1%
1999	152.7 13.3%	48.1%	35.1 13.2%	11.1%	129.7 12.5%	40.8%	317.5 12.8%
2000	167.0 9.6%	55.1%	32.0 -9.8%	10.6%	104.0 -15.2%	34.3%	303.0 -2.0%
2001	157.2 -5.9%	53.7%	33.6 5.0%	11.5%	102.0 -2.0%	34.8%	292.8 -3.5%
2002	157.3 0.1%	53.5%	34.5 2.8%	11.7%	102.3 0.6%	34.8%	294.1 0.6%
2003	157.8 0.3%	51.7%	34.9 0.4%	11.4%	112.4 10.5%	36.8%	305.1 3.7%
2004	173.2 9.8%	49.8%	41.8 19.8%	12.0%	132.8 18.1%	38.2%	347.8 14.0%
2005	179.8 3.8%	45.8%	49.1 14.8%	12.5%	163.5 22.5%	41.7%	392.4 12.2%
2006	181.4 1.0%	45.1%	49.2 0.1%	12.3%	171.3 4.6%	42.6%	401.9 2.4%

Source : Bulletin DAEI-SES ; SITADEL/ Ministry of Infrastructure, Transport and Housing.

N.B : Usually, within public statistical approaches, a distinction is made between transactions that are:

- Authorised: Following issuance of a building permit
- Begun: Following declaration of opening of a construction site by the project owner at the local Town Hall

Only started operations reflect the actual market situation; it should also be noted that, unless the project is abandoned, generally between 7 and 9 months elapse between the start and end of construction. However, since 2003 we have recorded a strong increase in multi-family units, owing to the increase in social housing (HLMs, "moderate rental housing") and also to the effects of the ROBIEN Act for investment in rental properties, which fully benefited the "detached single family home estate" sector in 2004 and 2005, and stabilized in 2006.

The construction of turnkey single family detached homes is a sector that is undergoing structural development. Access to home ownership remains a major priority for the French population (82% of French people want to live in a house - CREDOC survey, June 2004). This traditional factor is reinforced by lack of safety and security and neighbourhood problems in large estates, and the rise in rents and ancillary costs, which are causing the French to turn towards a safe and secure single family habitat where the cost of access compares favourably to the cost of renting.

With an increase in the solvency of less affluent households and with easier access to credit (lower rates, longer repayment periods, zero rate loans and various governmental measures), housing starts for detached single family homes (custom built and estate sectors) have increased in recent years (+59% for pure detached single family homes, +62% for detached single family housing estates and +17% for multi-family units since 1995).

Structured detached single family homebuilders have become more than just builders of houses; they are now true **service businesses** offering a complete range of solutions to buyers, ranging from the choice of the plot (purchased directly by the client), to the customisation of the plans and their integration in the site, the planning application and filing procedures to financing options.

Finally, the leaders in the business also offer a comprehensive range of ancillary services (removals, insurance, alarms, inside and outside fitted units, etc.).

The custom or built-to-order single-family detached home sector enjoys a major advantage: **visibility**. A construction project develops as follows (timings given are average):

Order taking – Go ahead for work (i.e. building permit, financing and plot signed)	8.0 months
Go ahead for work – opening of building site	2.0 months
Duration of construction (all trades)	8.5 months
TOTAL	18.5 months

The financing plans implemented for private individuals means that there is very little financial, property or commercial risk, as construction is only started once all loans are granted and signed for.

Construction of a single family detached home is a momentous decision for a household. In fact, **the cost represents, on average, three or four years of earnings.**

The demand

(Source: DAEI-SES; SITADEL/ Ministry of Infrastructure, Transport and Housing Bulletin.)

The single family detached home market suffered the full brunt of the unprecedented property crisis in the early 1990s.

This crisis, caused by high interest rates (**subsidised loans** were at almost 10% and **free loans** reached 14%) and unreasonable speculation, reached its climax in 1993. Only 122,000 single family detached homes (custom + estate sector) were started during that year compared to 165,000 in 1987.

Since then, the market has recovered, **and since 1995, single family detached home starts have continued to increase and stabilised at around 190,000 single family detached homes per year between 1999 and 2003. However, this figure has continued to increase since 2004, reaching almost 230,000 in 2006** *(Source : Bulletin DAEI-SES ; SITADEL/ Ministry of Infrastructure, Transport and Housing).*

The market's dynamics are based on three fundamental trends:

1. A desire to leave city centres for peripheral areas

The feeling of existential insecurity intensifying in cities and suburbs is leading the French to reject collective housing and to search out the peace and quiet of periurban and rural communities (from 1995 to 2005, the share of individual houses built in the rural environment, i.e. villages of less than 5,000 inhabitants, increased from 47% to 60% - Source Caron Marketing).

Single family detached homes, the habitat of choice of the French, now more than ever fulfils these expectations. Over 82% of households prefer individual rather than collective housing.

2. Access to home ownership made possible

Thanks to sustained low interest rate levels and the extension of loan repayment periods to 25 and even 35 years, most households with monthly revenues of between €1,700 and €3,000 can, depending on the regions, afford to buy a house. In the provinces, the plot and house reimbursement expense is close to the cost of renting.

Conversely, the **scarcity of land and its high cost** have acted as a brake on the growth of the market in periurban areas, for some years.

However, this situation is counterbalanced by the recent fascination of the French for truly rural areas, and by an increase in the supply of "micro plots" for town houses, where the price of land is affordable.

3. Demography and household composition (source INSEE, the French National Statistics Office)

They have changed radically in recent years with an annual increase in the number of households of 1.2% per year since 1975, caused by the ageing population and divorces; the size of households decreased from 2.88 persons/ family in 1975 to 2.4 persons in 1999.

This basic trend will continue in future years with an annual growth in the number of households close to 250,000/year.

There will be about 24% additional households in France between 1999 and 2030, and consequently 24% extra housing, although the population will only have increased by 9%.

A recent survey (November 2006) by the University of Paris Dauphine / Crédit Foncier also indicates that the annual housing requirements will be 500,000 between 2005 and 2010 and 470,000 up to 2020.

Changes in the activity

Since 1996, the development of the business activity in the sector has been sustained by:

1. The fall in interest rates

The trend of low interest rates has had a strong impact on demand. A slight hike in interest rates would only have a small impact on the decision to purchase, as potential purchasers are more sensitive to the monthly instalment concept than interest rates. In addition, several banking groups now offer very long term loans (25 to 35 years) to their first time buyer customers (young families who are purchasing for the first time).

2. The Launch of the Zero Rate Loan (PTZ) (decree n°95-1064 of September 29, 1995)

This has played an important catalyzing role in the boom in the market, revealing a strong potential demand, which had not previously shown itself. After having their solvency curtailed by inadequate housing finance subsidies, families in the low-income brackets have returned to the market.

The "Urban Renewal Solidarity" Act includes a section on housing aid policy, which continues the policy of the zero rate loans in public subsidy schemes (the new article L 301-2 of the Construction and Dwelling Code). However, it must be noted that a study by Professor Michel Mouillart of the University in Paris (who is considered to be a specialist on housing financing in France) shows that the potential loss if the PTZ were cut, would only be around 10,000 dwellings per year, i.e. around 3.5 % of the market.

The Government has recently stressed its wish for everyone to become homeowners with a new zero percent loan law which came into force on February 1, 2005, the main aspects of which are as follows :

- The geographical zones were redefined in accordance with the Robien Act for a better fit with the market.
- The resource ceilings were re-evaluated.
- Increase in the amounts of the New 0 % interest Loan (compared to the previous law) according to the make up of the family and the project's geographical area.
- The prolongation of certain loan periods (partially differed New 0 % Loan increased from 20 to 21 years and from 16.5 to 17 years) to encourage families on the lowest incomes.
- Opening a 0 % loan for old properties.

3. The incessant price increases in "old properties" and rents

which has mainly been seen in the large conurbations and which, particularly for old properties (+ 98 % in 10 years and + 60 % for new properties according to Le Moniteur on 11/11/2005), now makes it impossible for the majority of families to acquire their home, and is creating a strong demand for rented accommodation and an increase in rents.

4. The rise in insecurity in France

which is encouraging families to choose detached houses, away from the large conurbations and suburbs.

5. The Social Cohesion Act : a house for €100,000

The purpose of this Act is to enable families on the lowest incomes to become homeowners. This house must have a minimum living area of 85 m² and must have very good energetic performances. The price of € 100,000 is only for the house with connections and green spaces. The land is rented for a nominal peppercorn rent from the local council for the period of the principal loan on the house, and then sold to the owner at the end of this period.

6. The "National Housing Commitment" bill

In order to combat the shortage of land and encourage home ownership, the State should (for individual houses):

- Release building land
- Encourage local councils to build homes
- Create a Robien type provision for investment in popular housing
- Facilitate the parting of loans for senior citizens.

The supply

In 2006 (source SITADEL of the Housing Ministry), almost 230,700 single family detached homes had started to be built (228,900 in 2005).

The large groups specialised in the public sector construction area are in principle not well suited to a market whose regional peculiarities, particularly architectural, are significant, unless they set up subsidiaries and/or regionalise for this business line.

In actual fact, the large groups tend, rather, to try to implement global supply strategies. However, these strategies do not answer the criteria of single-family demand. As a consequence, the sector remains in the hands of small and medium sized enterprises and industries that are better equipped to satisfy the demand. On the other hand, they are usually local companies without the resources to develop further.

The market rationalised considerably after the crisis of the early 1990s. Firstly, between 1992/1993 Vivendi (formerly CGE) took over numerous medium-sized market players, and secondly the legislation was greatly strengthened, favouring structured builders of a certain financial size : the obligation to provide technical insurance policies (works damage), down payment reimbursement and performance guarantees (guarantee of delivery at the agreed price and deadline), changes in technical regulations (thermal, acoustic, air) and the complexity involved in obtaining building permits (landscaping aspects, integration into the site), and the new obligation to guarantee payment for sub-contractors (since 01/11/04).

Currently there are some 3,000 companies specializing in the construction of single-family detached homes in France. The preponderance of SMEs is very clear in the sector trade. This is due to the fact that the markets are essentially regional. The sector is characterised by strong fragmentation (see table below)

The custom built single family detached home market – Changes in the supply structure

	1996	1998	2000	2002	2004	2005
Number of builders	3,689	4,220	3,921	3,388	3,120	3,000
Large builders > 100						
Number	87	105	145	157	164	192
Market share	32%	36%	41%	45%	47%	50%
Average sized builders						
Number	690	820	830	805	850	890
Market share	36%	35%	33%	31%	35%	33%
Small builders < 20						
Number	2,912	3,295	2,946	2,426	2,106	1,918
Market share	32%	29%	26%	24%	18%	17%

Data source: Annual census of single family detached homebuilders carried out by Caron Marketing. Builders are defined by the use of the 1990 Contract, also known as CCMI, as opposed to other sectors, such as: Site management, Construction markets, Owner construction, Architects.

Market fragmentation has strongly declined over the last ten years: the market share of structured builders producing more than 100 homes per year has increased from 32% to 50%, and the number of small builders (less than 20 homes per year) has fallen from 2,912 to 1,918, now making up only 17% of the market, and technical, commercial and financial changes are accelerating these concentrations.

The SMEs building fewer than 20 homes/year represent 64% of companies (68% in 2004), but only account for 17% of the single family detached home market.

30% of companies build between 20 and 100 homes per year and account for 33% of the single family detached home market (27% in 2004).

192 structured builders build more than 100 homes/ year and represent 6% of all building companies, but account for 50%, or half of the single family detached home market.

Only this last group has prospects for growth in view of the increasing complexity both of the techniques used and of the administrative (building permits), commercial (sales force, marketing techniques) and technical (new materials, new regulations) aspects. Thus these companies are tending to merge or form alliances, corresponding to the wishes of the trade's large peripheral players, such as materials, energy and credit suppliers, who prefer partnerships with nationwide entities.

This phenomenon of concentration has been accentuated by the obligation since November 1st 2004 for builders to provide their subcontractors with a payment guarantee.

The industry has undergone some interesting changes, including the fact that the number of structured builders producing more than 100 homes per year has increased from 87 to 192 and from 32% to 50% in terms of market share in the past ten years.

MAISONS FRANCE CONFORT's market positioning

MAISONS FRANCE CONFORT is the currently the 2nd largest national builder of custom or built-to-order single family detached houses.

Changes in the French market

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Opening of building sites											
Built to order sector (in '000's)	123.2	126.9	134.8	152.7	167.0	157.2	157.3	157.8	173.4	179.8	181.4
Growth (%)	9.0	3.0	6.2	13.3	9.6	(5.9)	0.1	0.3	10.1	3.8	1.0
MFC Group (in units)	649	817	981	1 300	2 046	2 170	2 590	2 719	3 251	3 538	4 793
Growth (%)	43.6	25.9	20.1	32.5	58.2	6.1	19.4	5.0	19.6	8.8	35.5
MFC market share (in %)	0.53	0.64	0.73	0.85	1.23	1.38	1.65	1.76	1.87	1.97	2.64

(Sources: "Siclone" and "Sitadel", periodic statistics of the Ministry of Infrastructure, Transport and Housing, 2002)

* Single family detached homes in the custom or built-to-order sector.

With 4,793 construction sites opened under the custom or built-to-order option in 2006, MAISONS FRANCE CONFORT is continuing to win market share, but only represents 2.64% of the overall national market. Of the 64 French Départements where the Group is currently represented, market share of sales is 4.9% on average with peak in certain Départements reaching 25% in Indre, and 19% in the Aude.

Construction sites opened by FONCIERE RESIDENCES under the housing estate contract type were marginal and not representative in 2006 (49 VEFA (for future completion) sites delivered).

3.2. Trade Regulation

The single-family detached house building activity is defined in the Act of December 19, 1990 which is codified under articles L 231-1 and following of the French Construction and Housing Code (CCH).

It automatically applies, without any contractual exception possible, to any person who builds structures to be used as dwellings or mixed professional and housing use, and involving no more than two dwellings homes for the same project owner.

The system is as follows: the customer who in this case is a non professional project owner, owns the land and instructs the builder to build his/her single detached house on the land.

In this system, the builder does not sell the land although the builder can of course assist the search for the land. This is the "built to order detached home" system.

MAISONS FRANCE CONFORT can also act as the seller and not the builder if it purchases the land, builds and sells land and houses for future completion. This is what is currently called an estate development operation where the seller controls the programme it is marketing.

When performing its activity, MAISONS FRANCE CONFORT is obliged to comply with numerous laws whether as a builder for a private project owner or a developer, i.e. a professional project owner.

MAISONS FRANCE CONFORT must comply with the applicable town planning regulations, set out in the local development plans drawn up by the local authorities (land use plan, mixed development zone). These rules notably concern the height of buildings, and the distance between each building.

The principles for positioning buildings on building plots, the possible exceptions to these rules and principles, the external appearance of the buildings, the insertion in the site and compliance with the ABF's directives (Architecte des Bâtiments de France).

MAISONS FRANCE CONFORT must also comply with the applicable environmental legislation, and heat, acoustic, and individual sewage regulations in particular.

As a seller and builder of housing products, MAISONS FRANCE CONFORT is subject to ordinary sales law, building contracts legislation and consumer law. Thus, the Act of 31st December 1989 (the Neiertz Act) grants non professional purchasers a right to withdraw within seven days of receiving the final contract or the preliminary contract if one exists, by recorded delivery letter with acknowledgement of receipt, the contract only becoming final after this period has expired (article L.271.1. of the CCH).

The legislation on sales in future state of completion contains a certain number of public policy provisions to protect purchasers. The main provisions are the obligation to conclude a final contract including conditions precedent connected to the customer's assessment that the project and the reserved plot conform with the provisions of the deed of sale, the obligation to keep the reserving party's deposit in an escrow account, the obligation to conclude the contract of sale in notarized form, the obligation to provide a completion guarantee (usually a bank guarantee), and the obligation to respect the framework schedule for drawdown of funds. MAISONS FRANCE CONFORT has never been faced with termination in the past due to the project not complying with the provisions of the final contract of sale.

When selling single custom or built to order detached houses, MAISONS FRANCE CONFORT is obliged, under the Act of December 19, 1990 which lays down the obligations in the building contract, to provide its customers with a deposit repayment guarantee and a guarantee of delivery at the agreed price and deadlines, issued by an insurer approved to this end who provides a performance bond for each building site.

In addition, MAISONS FRANCE CONFORT is subject to the rules relating to the liability affecting any person involved in construction (two-year and ten-year building guarantees).

The legislation has established a principle of presumption of liability weighing on any builder for damage, even which results from a defect in the soil, which threatens the solidity of the structure or which affects one of its constituent parts or one of its equipment elements, making it unfit for its purpose. This ten-year building guarantee is compulsorily covered by insurance for all builders. Purchasers also benefit from a two-year guarantee for items of equipment which are separate from the building. They can make their claim for repair directly to MAISONS FRANCE CONFORT which will itself turn against the party responsible for the construction defect.

This guarantee provision is supplemented by a compulsory loss insurance which was instituted by the Act n° 78-12 of January 4, 1978, the "construction work damages" insurance. The customer, or the builder on its behalf, must take out this insurance before the building site's works start. It guarantees the payment of repair works for damage coming under the ten-year guarantee mandatorily taken out by builders, regardless of liability issues. This prefinancing insurance therefore enables a project owner to be indemnified very rapidly.

This insurance covers the costs of repair, including demolition works, earth removal, any taking down or dismantling works, which may be required after an appraisal. After this indemnification, the insurers generally turn to the building companies responsible or their insurers in order to recover the sums paid.

MAISONS FRANCE CONFORT is therefore covered by a ten-yearly constructor's liability insurance for homes built by its subcontractors called "CNR" insurance (for "constructeurs non réalisateurs" or indirect builders) .

This insurance covers the payment of the repair works for the construction which the Group, in its capacity as the indirect builder, has contributed to, if it is held liable under the presumption set out in articles 1792 and following of the Civil Code concerning building works and within the limits of this liability.

Since November 1, 2004, the builders of individual houses governed by the Act of December 19, 1990, must either deliver a payment guarantee or a payment delegation accepted by the project owner to their subcontractor.

One specificity :
The impact of the public decision on financing

The Government has long been involved in assisting people to become homeowners.

This action is reflected in two ways: setting up of an assisted sector and an administrative financing system which supplements the private sector. In addition, a statute called the "ROBIEN" Act which was amended in 2003 assists the building of rented accommodation.

3.3. Financial assistance

Housing subsidies - The 0% rate interest loan

These subsidies help buyers obtain loans at below market rates. This helps the financing process by reducing the financial burden for the borrower. These subsidies are entirely funded by the French government.

As from 1 October 1995, the state-subsidised loans known as PAP loans have been replaced by a new very advantageous system of loans granted at a 0% interest rate and with long repayment periods, including, in some cases, capital repayment deferred for up to 15 years and 6 months.

Contrary to PAP loans, these loans are available from all lenders and are referred to as PTZ, the French acronym for "prêt à taux zéro", "zero per cent interest rate loan".

These loans (with an average amount of €16,500) have injected new life into the single family detached home sector for a number of years now, despite a drop in beneficiaries for this type of loan in 2004 but which rose in 2005.

A new zero rate loan was brought in on February 1st 2005. Although one of the leading objectives is to extend it to old property, the Government has made other changes with the 'new property market' in mind, in order to dynamise the market, make buying a principal residence easier, encourage families to purchase their first home, enlarge the beneficiaries targeted, and keep abreast of developments in the market. (See paragraph 2 of the sector's position in the economy).

The maximum amount of the zero rate loan was increased by a further €15,000 in 2007, for beneficiary households building or acquiring a new home, which come within the social house resource ceilings and receive a property purchase subsidy from the local authority covering their home.

Personal subsidies

These means of assistance are available only after the property has been purchased. Households receive a subsidy to help reduce the burden of rent or mortgage repayments.

The system is intended to (mainly) provide support to young households in particular during the years when their resources are in theory lower when the family is growing.

These personal subsidies are financed by the social security and welfare system, state budgets and a contribution from businesses.

Managed financing

In addition to the subsidies it provides, the French government also intervenes on the market by regulating part of it, thus creating an intermediary channel between the private and social sector markets.

One of the main objectives of the French authorities is to channel housing financing through the banking sector.

The Housing saving account developed from 1965 with this goal in mind, with the aim of channelling the savings of households towards the purchase of their principal residence.

This formula has been supplemented by loans that do not benefit from property-linked subsidies but which are regulated in the sense that their rate may not exceed a ceiling regularly set by the State on the basis of rates prevailing on the bond market.

When subsidised loans are not available, borrowers still have recourse to standard property purchase loans, also known as "free (private) market (sector)" loans.

These loans are based on monthly reimbursements over periods of between 2 and 20 years, or even 35 years for young first time buyers. When the borrower is having a home built, he or she can generally take advantage of deferred capital reimbursement for a certain period of time.

The 'ROBIEN' provisions

This tax instrument to assist the construction of rented housing instituted by Act No. 98-1266 of 30 December 1998 created a new status of "approved lessor" on 1 January 1999, replacing the Périissol amortisation system with which it overlapped until 31 August 1999. This status (which is permanent) concerns not only the owners of new rental properties benefiting from an accelerated amortisation system, but also the owners of older housing property, who are granted a higher lump sum deduction on revenues derived from real estate property.

Significant improvements have been made to the system (now called the ROBIEN system) which came into effect on April 3 2003, involving, in particular, the removal of the ceiling placed on resources and the increase in ceilings imposed on rents.

The effect of these taxation measures has been particularly significant for the collective housing and estate sectors, which have benefited from them.

The custom or built-to-order detached single family home sector (MAISONS FRANCE CONFORT'S sector) has not been significantly impacted by this market to date.

However, new single family detached rental homes is a market that is likely to grow over the next few years if the system continues, and MAISONS FRANCE CONFORT intends to develop this market niche and at the end of 2002, proposed a Rented Home offer in the Midi-Pyrénées region, which has gradually extended to other regions (Brittany, Normandy, Rhône-Alpes). 8.5% of the orders taken in 2006 were rental investments.

UPDATED TABLE OF THE SYSTEM

Effective date	Applicable under the vote of the DDUHC (Divers dispositions relatives à l'urbanisme, à l'habitat et à la construction, Miscellaneous Town Planning, Housing and Construction Provisions) Act, with retroactive effect from 3 April 2003, in particular for certain regulatory measures.
Beneficiaries	Physical persons investing directly in rental property or through tax-exempt companies ([Société Civile Immobilière, Real Estate Partnership], SCPI [Société Civile de Placement Immobilier, Real Estate Investment Partnership etc)
Housing covered	New or old, subject to certain renovation conditions, located in France, rented unfurnished as principal residence. Possibility of renting to parents or grand parents or children or grand children
Minimum rental period	9 years for a new home
Tenant's resources	No rental ceilings
Rent	Rent ceilings set at 90% of market rent in new housing in difficult areas experiencing a scarcity of rental housing
Zoning for the application of rental ceilings	3 zones : Zone A = Greater Paris conurbation, Côte d'Azur, the area around Geneva (€19.89/m ²) Zone B = Île de France outside zone A, conurbations of +50 000 inhab. and some coastal and border areas (€13.82/m ²) Zone C = Remainder of the French territory (€9.94/m ²)
Taxation method	Amortisation of the purchase price at 8% for the first five years and then at 2.5% for the next four years. At the end of 9 years and up to 15 years, option to continue amortisation at 2.5% per year. Lump sum deduction rate for rents : 6% Charging financial deficits against global income limited to €10,700/year.

ROBIEN 2006

New changes to the system have reduced the amortisation to 9 years, with a new distribution of 6% over the first seven years and the 4% over the last 2 years. In all, the amortisation totals 50% over the 9 years. The rental ceilings have been divided onto four zones (Zone A = €19.89/m², Zone B1 = €13.82/m², Zone B2 = €11.30/m² and Zone C = €8.28/m²) from 01/09/2006. Lastly, the lump sum relief on rental income has been replaced by the total deductibility of the real costs.

The BORL00 provisions

In order to fight against rising rents and the shortage of accommodation, this provision takes over from the ROBIEN with the following differences:

- Amortisation of 6% over 7 years, then 4% for 2 years and 2.5% for six years i.e. 65% over 15 years.
- Obligation to rent the property for a minimum of 9 years to a tenant, as their main residence.
- The rent cannot exceed 70% of the market price and a resources ceiling for tenants has been set up in accordance with intermediary rental loans (PLI). In return, the owner benefits from a lump sum tax deduction of 40%.

According to the Minister, profitability ranges between 5.7 and 9% if the investment is made with a social rental loan (PLS) over 15 years.

The PASS FONCIER

This mechanism which came into force on January 1, 2007 between the State, the 1% Accommodation and the Caisse des Dépôts et Consignations (CDC), enables a purchaser to purchase a residence in two phases, by separating the purchase of the house from the purchase of the land. The purchaser can repay the house first (over a maximum of twenty-five years) before starting to repay the land. If problems arise, the purchase can become the tenant of the land for fifteen years. 20,000 households a year should benefit from the Pass-Foncier between 2007 and 2010 (Source www.borloo-de-robien.com).

3.4. The competition

As collective, estate and single family detached housing are highly compartmentalised market segments that are quite disparate especially from the point of view of economic risk, the nature of the customers, the structure and financing, any comparison between these three sectors is necessarily a highly delicate matter.

Builders of single family detached homes

The GEOXIA group (ex MI SA), a former subsidiary of CGIS, Vivendi's real estate division, and the first company in the sector, was underwent a management buyout in 1999 and 2003, and the management's interest in the capital was strengthened in 2006. The Group sold 9,571 houses in 2006 realizing turnover of €661 million. The Group's main brands are Maison Phénix, Maison Familiale, Maison Catherine Mamet, Maison Castor and Demeures de la Côte d'Argent, Maisons Clairlande, Rouquié Constructions, Maison Minor and Bati Conseil.

The C.G.I.E. network groups some thirty completely independent builders with brands such as Demeures de Province and Maisons Challenger, and built approximately 1970 homes in 2006.

The Maisons d'en France network belongs to the various French Caisses du Crédit Immobilier [similar to Building Societies], and groups some 30 companies under the MAISONS D'EN FRANCE brand that are completely independent and, together, build approximately 3,571 homes per year.

The MIKIT network with around 100 franchisees, all independent, building approximately 3,000 homes per year (in 2005) on the basis of a specific product, the "ready-to-finish" home, where the customer is responsible for the installation of partitions and non-load bearing walls, tiling, and management of finishing sub-contractors.

Maisons Pierre, a builder in Ile de France, the West region and recently in Midi-Pyrénées (Toulouse), sold over 1,800 houses in 2006.

Other house builders

Nexity is a major player on the housing market, and realizes 80% of its turnover as a developer of detached houses and flats. The Group has been listed on the Premier Marché of the Paris stock market since 22/10/2004.

Kaufman & Broad, a listed company in the United-States, listed its French subsidiary on the Premier Marché of the Paris stock market in February 2000. It is a large developer which is only involved in a custom-built sector.

Opéra Construction which realizes 100% of its turnover in Alsace and Lorraine is a listed constructor which does not operate on the same niche as MAISONS FRANCE CONFORT, and which is developing a property development business.

AST Construction, a listed company, is a Lyon based developer but also a builder of individual custom-built houses and housing estates.

4 . RISK FACTORS

4.1. Risks inherent in the business activity

Cyclical nature of the activity

The construction world is generally subject to a low seasonal production during the winter period (January/ February) due to weather conditions and year-end holidays, and also during summer (Holidays in August).

Although less sensitive than the collective housing construction sector, which is exposed to the risk of finished product inventories, and estate sector development, which at the very least is subject to the risk of carrying the value of the land, the construction of single family detached homes tends to encounter annual fluctuations correlating primarily with changes in purchasing power and the confidence of households, their expectations in connection with employment, and changes in interest rates.

However, several factors act as shock absorbers, limiting the amplitude of variances, in particular the longer mortgage loan reimbursement periods and the government subsidies, which show a trend towards permanence.

In addition, the order book is a very important bellwether which, in view of the period of time required for completion of a contract (18.5 months on average) provides a reliable outlook on changes in the economic environment.

MAISONS FRANCE CONFORT has organised its business in a way that enables it to navigate economic lows without major difficulties, by marketing through independent agents (1/3 of its sales realized by independent agents, and outsourcing over 90% of services).

In addition, the Company would have ample opportunity to recover order books or building sites in progress from defaulting builders, if there was a downturn in the market.

As well as its financial resources, Maisons FRANCE CONFORT has good experience in this area (having taken over MAISONS JFR, MAISONS BALENCY and MAISONS BENOIST CONSTRUCTION in 1993 and 1994).

Competitive risks

The single-family detached home construction business is highly competitive as the technical costs of entry into the market are low. Competition occurs when purchasing land, setting the sale prices, and hiring subcontractors. The competition comes from French regional and local builders.

However, because of strong communication and the confidence they naturally inspire, builders developing a national brand are in a better commercial position than the small players. They have gradually improved their market share over the last ten years (see table on page 16).

Regulatory risks

MAISONS FRANCE CONFORT is also obliged to comply with numerous regulations when carrying out its business, which are tending to become more complex, especially thermal regulations. Thus, tighter regulations involving environmental construction standards and the delivery of building permits could negatively impact the profitability of single-family detached homebuilders and their operating results.

Nonetheless, larger builders such as MAISONS FRANCE CONFORT are more adaptable and have recourse to significant technical and financial resources enabling them to be much more reactive than the small independent operators.

Similarly, the changes in tax regulations, and more particularly the elimination of certain tax advantages, can have important consequences on the real estate market, and therefore an impact on the financial position of the operators active in that market.

However, MAISONS FRANCE CONFORT is currently only marginally affected by such measures, which apply primarily to the rental property sector, which represents 8.5% of its production.

In addition, the risk of an increase in long term interest rates or of contingencies related to the application of zero rate loans, which would reduce the number of potential buyers, is diminished, firstly by the recent increase in repayment periods, which can spread over 25 and 30 years (thus reducing monthly repayments) and, secondly by variable rate loans which become more attractive when the level of fixed rates is higher. Nevertheless, a big increase in long-term rates would lead to a downturn in the market.

The risks of a land shortage

The scarcity of building land in recent years has increased land prices. This increase has been particularly felt around the large conurbations, but to a lesser extent in the provinces and around medium-sized cities and villages, where a large part of MAISONS FRANCE CONFORT's building activity occurs.

The public authorities have been aware of this problem, which is linked more to regulation and the difficulties of implementing the SRU [Solidarité et Renouvellement Urbain, Urban Solidarity and Renewal] Act than to land availability (France is one of the countries with the lowest habitation density in Europe), and have stated their intention to release land reserves. The main difficulty encountered is connected to the decline in the number of plots of land available for housing estates, which has fortunately been mitigated by the number of individual plots sold directly by their owners.

In the last two years, first-time buyers have been moving towards the small peripheral agglomerations around large cities. Today 64% of single detached family houses are built in towns of less than 5,000 inhabitants, and 13% in towns with populations of between 5,000 and 20,000 inhabitants (source: building development study June 2004).

Technical risks

MAISONS FRANCE CONFORT usually investigates the quality of the land through its surveying division, to determine the risks linked to the nature of the soil. Nevertheless, the Group could encounter soil quality problems during or after construction work, which can involve additional costs.

This risk is covered by civil liability insurance for design or layout errors (with a limit of €586 K per year.) Only the deductible is payable by the Company.

A specialised firm systematically performs a soil survey for all VEFA (Ventes en l'État Futur d'Achèvement, Sale of property for future completion), with, if necessary, a special foundations study, which releases the Group from all direct liability.

Provisions for technical risks are constituted each year depending on the number of claims in process.

Pollution risks

This risk is entirely marginal in our industry, as the land belongs to the customers.

Risks connected with suppliers and subcontractors

MAISONS FRANCE CONFORT's business is based on a multitude of subcontractors (over 3,000) and suppliers, none of whom is linked to the Company by an exclusive contract. However, MAISONS FRANCE CONFORT's large size and its reputation shields the Company relatively well from the risk of labour scarcity or supplies at peak economic periods.

The obligation for builders to supply a payment guarantee to subcontractors since November 1, 2004 is also an additional trump card for MAISONS FRANCE CONFORT.

Customer risk

MAISONS FRANCE CONFORT's customers are essentially private individuals whose construction financing must mandatorily be confirmed (letter of commitment for loan and borrower's notarised signature) before the project site is opened. No construction begins before proof of 100% financing (including the deposit or downpayment, which must be attested by a bank) is provided.

This, and the fact that all payments are made by cheque or by bank wire transfer, means that the risk of payment default is practically non-existent. Annual Bad Debt Provisions are around €150K, or approximately 0.05% of turnover.

Risks connected to archaeological discoveries

These risks do not affect builders of single detached houses, as they do not own the land. They mainly apply to developers during renovation or building construction works in city centres.

4.2. The risks specific to the Group

Interest rate risks

Fluctuations in the interest rates have little impact on the Group's financial results, as the whole of its indebtedness is at a fixed rate.

Foreign-exchange risks

MAISONS FRANCE CONFORT performs its activity exclusively in France. There are no assets or monetary liabilities denominated in foreign currency on the closing date. There is therefore no foreign-exchange risk.

Credit and counterparty risks

The bank loans contracted by MAISONS FRANCE CONFORT Group do not include a financial ratio clause or any advance maturity clause connected to rating.

With regards to its placements, MAISONS FRANCE CONFORT Group contracts with first rate counterparties in order to limit the counterparty risk.

Share risks €K

(Amount in €K)	Own shares	Liquidity contract	Total
Assets position	243	248	491
Actual price : Rate on 29.12.06 (€56.75)	2,968	261	3 229

Liquidity risks

Loans are contracted at a fixed rate.

As the business generates surplus financing, the Group invests surplus cash the major part of the year.

Risk of order cancellations

The cancellation rate remained stable in 2006. The cancellations did not impact the MAISONS FRANCE CONFORT Group's profit and loss statement, as the expenses activated in the IRFS referential are recoverable if orders are cancelled.

4.3. Insurance and Cover of risks

Description of insurance policies purchased by the MFC Group

As of 1 January 2006, the insurance policies purchased by the Group were as follows:

- Deposit/downpayment reimbursement guarantee : Unlimited with the main guarantor; ceiling of between €1 and €2.3 million for other guarantors
- Delivery guarantee : Unlimited with the main guarantor; ceiling of between €17 and €46 million for other guarantors
- Project damage insurance : Reconstruction value, no ceiling
- Construction site all risks insurance : Ceiling €134K for each event of loss
- 10-year liability insurance : €288K for each event of loss
- Civil liability insurance : €8,600K ceiling for each event of loss
- Vehicle fleet : All risks with excess or deductible €0.2K
- Goods transport insurance : €15K for each event of loss
- IT all risks insurance : €1,450K for each event of loss
- Professional multi-risk insurance, in particular industrial risks : Ceiling €12,265K for the Alençon site

The abovementioned figures refer to MAISONS FRANCE CONFORT, each subsidiary negotiates its own contracts on overall identical criteria.

The global amount of premiums paid by the Group in 2006 was €4,721 K.

Description of the level of cover

As the Company's and the Group's business mainly consists of individual work sites, all of which are covered by the Construction Site All Risks, 10-year liability and civil liability policies, the only potential loss that could be envisaged relates to the potential amount of excess or deductible payments MAISONS FRANCE CONFORT would have to bear in the event of absence of recourse against subcontractors. In the event of a serious event of loss, MAISONS FRANCE CONFORT would only be exposed to the cost of an excess or deductible payment of ten times the base excess or deductible.

These guarantees exist in substantial amounts adapted to risks incurred and the ability of the insurance market to provide cover therefore.

4.4. Litigation and extraordinary events

To date there have been no extraordinary events or litigation that may have had, in the recent past, or may in the future have a significant impact on the Company's or the Group's business, financial position, earnings, net worth or prospects.

4.5. Intellectual Property

MAISONS FRANCE CONFORT owns its brand names, and there is no dependency regarding this. The BRUNO PETIT brand was acquired by MAISONS FRANCE CONFORT in December 2006.

5. RECENT TRENDS AND OUTLOOK

5.1. Development Strategy

Internal growth strategy

MAISONS FRANCE CONFORT believes it has true potential for internal growth by reinforcing its presence in the regions where it is already represented, and especially in those where it has established itself most recently, in order to complete its regional network.

MAISONS FRANCE CONFORT also intends to expand its activities, by capillarity, from its current locations into neighbouring Départements, a mode of development which does not require heavy investment in technical structures which will be provided by neighbouring centres in a first instance.

This internal growth strategy will enable Maisons FRANCE CONFORT to increase its relatively small market share, which averages out at 4.9% for each Département where it operates. MAISONS FRANCE CONFORT's market share is 8% in 17 Départements, between 5 and 7.5% in 14 departments and less than 4.9% in 33 Départements. The market shares are calculated on the number of 2006 sales realized with a detached houses construction contract (Source Caron Marketing - SISAM).

External growth strategy

The Company was created in 1919 and has been under family management for four generations, with the last 2 generations dedicated exclusively to single family detached home construction.

This experience and involvement in the industry, with a permanent presence on the Professional Committee of the UNCFI (the Union Nationale des Constructeurs de Maisons Individuelles, or National Association of Single Family Detached Home Builders) have provided MAISONS FRANCE CONFORT and its management with a certain name recognition and prestige that enable the Company to implement a unifying approach in its relationships with the best performers in the sector.

Therefore, beside its internal expansion, MAISONS FRANCE CONFORT is hoping to complete its presence in promising regions in the market from regional developments and migratory flows in the coming years, through external growth, thus favouring economies of scale.

10 important acquisitions have already been made in the last 7 years.

The search for complimentary products for the Company's existing range

In periurban areas in which demand is critical, it is becoming increasingly difficult to build custom-built homes due to the shortage of land and the authorities' preference for subdivision development operations.

To respond to this demand without losing market share on developing markets, the MAISONS FRANCE CONFORT Group is carrying out small operations (2 to 20 homes) under the VEFA (sales for future completion) system through its subsidiary FONCIERE RESIDENCES, thus limiting the asset portfolio risk and spinning off the land commitment (as such plots are always located in strong demand areas).

FONCIERE RÉSIDENCES' turnover was €9.9 million in 2006, compared to €10.1 million in 2005.

This expansion in the Company's range of products will mean that the Company can reach other segments, besides first time buyers, such as the growing senior citizen and rental investment clientele.

Creation of a department dedicated to taking over the projects of defaulting builders

This department was created at the end of 2001 to complete the building sites of defaulting builders with the participation of the Guarantors who deliver performance and completion guarantees within the scope of the 1990 Act governing construction contracts.

This department is currently in abeyance due to the sector's good performance and the lack of significant defaults by companies.

5.2. Prospects for growth

The prospects for growth of the first-time buyers segment for lower income bracket households with the current product range is limited: the 'core target' will reduce and its 'action rate' cannot grow ad infinitum. This generates two needs, namely to broaden the potential customer base to include additional target groups and to prepare the product range for a change in market conditions

The need to seek out new 'niche' markets

- the "Senior Home"

They will represent the main part of the increase in the number of households: + 130 000/year.

The period of retirement is getting longer and uncertainties over pensions are encouraging cautious behaviour, at 50 years, 40% of households are still tenants or housed free of charge.

A second catalogue and communication devoted to this customer base were launched in March 2005. A specific catalogue was created for the South of France in 2006. In 2006, Senior Homes accounted for 15.5% of the MFC Group's sales. Functional and evolutinal, the Senior Home was awarded the 2006 UNCFMI Gold Medal for innovative homes.

- the "rental home"

At present, 75% of the new rental property supply is based on collective housing, although 75% of the demand would be more favourable to single family detached homes ! The annual deficit in the offer is around 20,000 homes.

This type of product can also be integrated into the Seniors' target group, who will invest in a rental property to be used as a primary residence later. The rental home represents 8.5% of the Group's sales in 2006. The rental house product will continue to be developed in 2007.

- the "Working Home"

We are entering the post-industrial era in which salaried employment will gradually give way to self-employed work (telecommuting will increase the magnitude of this phenomenon). The separation between work and home will no longer exist, but it is necessary to invent a new kind of structure that will allow for this combination of activities.

- the "top-of-the-range home"

This market is currently in full expansion due to the rarity of this type of dwelling amongst older properties and the clientele refocusing on the top-of-the-range for second purchases after making a big capital gain on the sale of their first property, permitting a bigger second investment.

- the "loft style' home

The 'starter plus' offer was launched in the Midi-Pyrénées in January 2005 and is aimed at younger executives (26 -35 years) who have not necessarily found what they are looking for amongst more 'traditional' homes and who want a 'loft style' home on small plots close to their place of work.

The catalogue was launched on CD ROM at the beginning of 2005 in order to satisfy this young clientele, and will be proposed in regions or towns with strong economic growth.

- the "bioclimatic house"

This range, which was launched in the Midi-Pyrénées region in 2005, encourages the design of a detached house which satisfies ecological constraints whilst emphasizing comfort, modernity and elegance. The MAISONS FRANCE CONFORT Group has therefore positioned itself as a Designer of Lasting Comfort. This product has received a number of awards:

- The gold medal in the Project/Innovation category for the EDF's 2005 Vivrelec trophies and the Public prize awarded by the constructors of detached houses, industrialists and journalists,
- The UNCFMI's Gold house in the Nature G category ('2005 innovative house' challenge).

- the "Performance house"

This house presents 3 kinds of challenges: attacking a new mass-market, anticipating legislative changes and improving productivity by reducing building times, without increasing our building site structures. The first-time buyer market for individual houses has experienced a 38% increase in the global project cost (land + house) in the last 10 years (source Moniteur of 11/11/2005) resulting in a slow erosion of the lower income bracket segment, which has fallen from a 34% to a 28% market share in 7 years. Our challenge is therefore to offer an alternative solution to the greatest number by rethinking the technicalities of the house product. The first objective in meeting these challenges is to market the 'performance' house at a sale price of -15% compared to our traditional offer, in order to reach households with average monthly revenues of around €1,700. 46% of the French population have monthly incomes of around €1,700 today. Out of this population, only 2 households in 1000 a year become property owners, representing 14% of the housing market (Source: Caron Marketing). The positioning of the price of this 'performance house', **which is a house ready to live in**, will create a market of 36,000 houses a year, by being affordable for households with monthly incomes of €1,700.

The 'performance' house is a project which the Group has been developing for almost 2 years with a pool of partners comprising Arcelor, Knauf, EDF and Isover. A third prototype was built at the end of 2005 to test the technical choices and to confirm building time. Building time of 4 months was confirmed, i.e. a gain of 53% compared to the same house in concrete blocks, an improvement in thermal performances with a gain of 30% compared to the 2005 Thermal Regulations, and finally conformity with the parasismic regulations.

The 2006 objectives were:

- Optimising the plans and the architectural definition dedicated to this performance house;
- The creation of marketing tools: catalogue, communication;
- The concept of a specific financing offer with the Crédit Foncier;

The 2007 objectives were as followed

- The creation of specific Web site;
- Building a show village comprising the houses in this range;
- Marketing this offer in a pilot region in the next 12 months.

The "performance" house is an innovative concept with an exceptional technique/quality ratio. This range will therefore complete MAISONS FRANCE CONFORT's offer with a positioning at the lower end of the market.

- the Open range

Maisons France Confort showed its innovative spirit again by launching a personalized housing concept over the whole of the South of France on January 31, 2007. With the Open range, the new owner can choose the architecture of his/her façade (Provençale, Design, Élégance), decide between a single story or two-story house and select the internal layout using a package of additional services included in the basic price (High Tech, Balnéo, Déco). The living area can also be customized (additional bedroom, second bathroom, parental suite...). The slogan for the launch reflects the need covered "With Open, become the owner of a house which resembles you for less than €100,000". With this new range, Maisons France Confort is positioning itself on an under-exploited segment of first-time buyers, and taking new environmental requirements into account whilst increasing productivity.

- the EEC house

An offer called "Welcome Pack" was launched at the end of 2005 and really took off in 2006. It is intended for foreigners who wish to move to France either in a second home or for retirement. This offer is provided by team of eight bilingual sales people whose aim is to offer a global service to English speaking households: the search for land, financing (notably with HSBC). The Group attends the main housing exhibitions in Great-Britain. In 2006, the EEC houses represented 1.5% of the Group's sales.

The necessity of offering complimentary services to purchasers through the "CUSTOMER SERVICE PACK" OFFER

The sales offer at the services level is only partial at the present time and is essentially based on the ONE SHOT.

The goal is therefore to widen this offer but also to make it recurrent by creating customer loyalty and by enhancing the customer file. The aim is to use services engineering to create a set of packaged offers broken down into four large families:

- Installation,
- Internal fitting and layout,
- External fitting and layout,
- Subscriptions.

This services engineering enables an attractive winner / winner offer to be created by negotiating a commercial advantage for customers by favouring partners' offers, whilst receiving remuneration as a business contributor.

The tools for this relational marketing are now ready and a first range of partners' offers has already been proposed: insurance with AXA, kitchens with Mobalpa, above ground swimming pools with Exoitiqu'eau, closed-circuit television systems with EPS, chimneys by René Brisach, blinds by Store Roche, home automation from Somfy and Delta Dore. These services packs are enriched as the negotiations progress, and are therefore a commercial offer by proposing complimentary offers.

The need to requalify the product range in its functional aspects :

Needs also evolve on a qualitative basis, which implies a functional development of the product range. For the years to come, we forecast 6 important directions for this development.

1. "Reassurance"

The safety and security motivation is a growing factor, regardless of age and social category of the households; physical security and safety for assets and people, but also an economic safety net, and, above all, an existential "reassurance" that goes hand in hand with the cocooning mentality.

2. Savings

The search for savings is being replaced by concepts of savings in use: ease and time saving in using and cleaning.

3. Health

Health, environmental and sustainable development notions will become more important in people's motivation systems.

4. Flexibility

The layout of the living area, the comfort criteria change with age and family composition. Once the basic qualitative needs are taken care of, the demand will focus on the product's capability to adapt to the needs of the moment.

5. Productivity

For the supply side, the reduction in the working week and of the inconvenience created by a building site are essential elements compared to the inflexibility of the professional labour component. A development of the fitting component seems inescapable.

6. Town Planning

Single-family detached homes are developed under the demand for individual household demand. However, the social and political environment seeks to counter these effects. The intervention of public authorities in issues such as redensification or architectural quality will inevitably result in changes to the product.

Supply strategy

The current supply system involving thousands of local companies working on an artisan business model will not be able to adapt to future changes with concentrating around a few nationwide leaders, capable of:

- Investing in product studies in niche growth areas,
- Developing substantial economies of scale in the procurement of materials and new industrialised construction methods,
- Making additional services such as insurance, alarms with video surveillance, telephony, satellite packages, etc...available to their customers
- Initiating a "major media" communication effort,
- Specializing the sales forces to reach widely differing customer bases (notably seniors, investors).

It can already be observed that in the course of the last few years builders' growth has been very proportionate to their size, for example, over 10 years (1994/2004): >+80% for the largest builders, -5% for mid-size builders and -51% for small builders and craftsmen (Source: Caron Marketing). Finally, the real estate leadership MAISONS FRANCE CONFORT hopes to develop will enable the company to answer to the needs of the City Homes, Senior Homes and Rental Homes markets, directly linked to the location of building land.

Only builders with a sufficient organisational structure will be able to provide a coherent response to these new requirements.

5.3. 2007 Targets

Reminder of the targets:

MAISONS FRANCE CONFORT is currently the number 2 national builder of built to order detached family homes in France (source UNCFMI - Caron Marketing).

The Group will continue to grow through internal and external growth and will offer new products for new market niches :

- The Senior house
- The Rental house
- The Working house
- The "loft style" house
- The bioclimatic house
- The EEC house
- The OPEN range (in 2007)
- The Performance house (in 2007)

Whilst developing a wide range of services to its clients (closed circuit TV, removals, external fittings and decoration, internal decoration and fittings, subscriptions, etc.).

Order Book :

Orders taken by the Group in 2006

(€M)	2005 ORDERS *	2006 ORDERS*	CHANGE
Quantity	5,133	6,145	19.7%
Value net of VAT	464.9	569.8	22.6%

* orders recorded before cancellation

Building sites in progress

(€M)	2005	2006	VARIATION
Quantity	2,573	3,525	19.7%

The Group is therefore anticipating two figure growth for 2007, continuing on from 2006, with consolidated turnover of more than €475 million, and maintaining an excellent level of profitability.

FINANCIAL INFORMATION

1 . THE BOARD OF DIRECTORS REPORT TO THE COMBINED ORDINARY AND EXTRAORDINARY GENERAL MEETING OF MAY 15 2007

Dear Shareholders,

- We have convened you to this combined Ordinary and Extraordinary General Meeting in accordance with the law and the provisions of our Memorandum and Articles of Association to ask you to rule on the accounts for the fiscal year closed on December 31, 2006.
- The convocations to this meeting were properly performed and the documents stipulated by the legislation in force were sent to you or made available to you within the deadlines fixed.
- This document were sent to the Works Council.

1.1. The report on ordinary matters

The purpose of the report is to present our Company's position and our Group's position to you.

1.1.1. The Group's business activity

The activity of the Group as a whole during the past fiscal year

The Group whose business activity we are describing to you comprises the following companies :

Company name	Business activity	Consolidation date
Maisons France Confort S.A.	Construction	Parent Company
Maisons de L'avenir	Construction	01/01/2000
Maisons de l'Avenir Loire Atlantique	Construction	27/12/2002
Maisons de l'Avenir Ille et Vilaine	Construction	09/12/2005
Maisons de l'Avenir Morbihan	Construction	20/12/2005
Maisons de l'Avenir Vendée	Construction	04/10/2006
OC Résidences	Construction	11/07/2000
Maisons BERVAL	Construction	11/05/2001
GHPA (Bruno Petit)	Construction	11/07/2002
MJB (Bruno Petit)	Construction	11/07/2003
MJB 18 (Bruno Petit)	Construction	06/09/2004
Maisons Horizon	Construction	01/10/2004
Azur et construction	Construction	01/04/2005
Constructions Idéale Demeure	Construction	01/10/2005
Maisons de la Côte Atlantique	Construction	01/01/2006
Maisons Charentes Atlantique	Construction	01/01/2006
Maisons Côte Atlantique 40	Construction	24/10/2006
Bati Soft Aquitaine	Construction	01/01/2006
Maisons MILLOT SAS	Construction	01/10/2006
Batimo	Construction	01/10/2006
Foncière Résidences	Real estate development/ Estate agent	02/04/2001
SCCV Le Jardin des Escourtines	Real estate development	01/10/2003
SCCV La Gentilhommière	Real estate development	19/09/2005
SCCV Résidence KENNEDY	Real estate development	13/04/2004
S.A.R.L. Propriété Familiale	Real estate development	01/06/2006
S.A.R.L. GEPHIMO	Real estate development	01/01/2005

Significant information shown by the accounts

Our simplified consolidated profit and loss statement is summarized as follows :

(amounts in €K)	31/12/2006	31/12/2005	Change	
			€K	%
Turn over	424,982	326,889	98,093	30.0%
Operating income	30,932	22,516	8,416	37.4%
Financial Income	792	502	290	57.8%
Profit	20,903	15,106	5,797	38.4%
<i>Group share</i>	<i>20,205</i>	<i>15,103</i>	<i>5,102</i>	<i>33.8%</i>
<i>Minority share</i>	<i>698</i>	<i>3</i>	<i>695</i>	<i>> 100 %</i>

Our business in 2006 again grew sharply, with the Group's consolidated accounts showing turnover of €424,982K, an increase of 30.0%. Business is increased by 13.7% on a like for like basis.

Our Group increased its profitability in 2006 continuing its previous performances by improving its gross margin and a good control of its overheads.

The operational margin climbs 0.4 points reaching €30,932K, i.e. an increase of 38.0% compared to 2005.

This change is accentuated at the net income level, reaching a record level of €20,903K, an increase of 39% on 2005.

The acquisition of Maisons de la Côte Atlantique and Millot S.A.S. contributed to the overall improvement of profitability in the 2006 fiscal year.

We will ask you to approve these accounts.

Changes in financial elements

Our simplified balance sheet is summarized as follows:

(Amounts in €K)	31/12/2006	31/12/2005*
Non current assets	30,613	19,088
Inventories	7,952	3,999
Customer receivables and other receivables	126,995	97,969
Cash flow	69,374	51,439
Total assets	234,934	172,495
Shareholders' equity	58,294	43,627
Minority interests	1,763	5
Provisions	4,417	3,697
Differed tax liabilities	74	126
Non current financial debts	11,417	4,989
Current financial debts	7,477	5,724
Operating debts	151,492	114,327
Total liabilities	234,934	172,495

* The works to set up the methods and tools for processing transactions using IFRS standards were refined during the first six months of 2006, even more so as the universal transfer of the assets base of FC PROMOTION and FC PACARA changed the Group's marketing organization from January 1, 2006. All these works resulted in modifying the opening balance sheet on January 1, 2004 in conformity with IAS 11 standard concerning construction contracts which reduced consolidated shareholders' equity on January 1, 2005 by 1.4 million euros. These modifications did not significantly impact the 2005 result (€66K net).

Non current assets total €30,613K, an increase of 60%; the increase of this item mainly comes from:

- The change in the "Good Will" item following the acquisition of Maisons de la Côte Atlantique and Millot S.A.S.,
- Our investments in 2006.

The €3,953K increase in the inventories item is connected with the acquisition of land (mainly due to the activity of our estate promotion subsidiary: FONCIERE RESIDENCES).

Receivables total €126,995K an increase of 29.63%. This increase comes from the changes in the activity and the scope of consolidation during the fiscal year.

Net cash flow (active cash flow / current bank accommodation) is positive at the close of the fiscal year by €67,545K compared to €50,047K in 2005.

Non current liabilities are €11,558K, a change of €6,384K, totally connected to financing the new acquisitions in the fiscal year.

Current liabilities total €163,319K an increase of 32%.

The Group's global activity during the past fiscal year

Highlights

The Group continued its policy of acquisition in 2006 by:

- Acquiring MAISONS DE LA COTE ATLANTIQUE on January 1, 2006 which operates mainly in Gironde, Charente Maritime, Dordogne and Landes Départements,
- Taking over MILLOT S.A.S. in October last year which mainly operates in the Limousin Region.

We also continued our organic growth with new sites and opening sales outlets in the Regions.

Progress made and difficulties encountered

The approved fiscal year enabled a net improvement in our margin to be recorded for the whole group, as we had anticipated.

We also benefited from a change in the BP 01 index (which our contracts are indexed to) which increased 3.86% in 2006 (to the end of 11/2006).

Research and development activities

MAISONS FRANCE CONFORT SA's Research and Development Department is continuing to:

- promote the development of a new "industrialised" product which is being finalised today,
- develop a quality initiative to improve customer satisfaction, shortening building site dead lines and increasing the margins,
- developing the offer of products and in particular:
 - Our 'open house' range
 - The 'performance' house
 - The "customers' service pack",
 - The "senior" home,
 - The rental home,
 - The "loft style" home,
 - The Bioclimatic home

Important events since the close

MAISONS DE LA COTE ATLANTIQUE 24 was created to strengthen our presence in the Département of the Dordogne. This subsidiary is held 100% by MAISONS DE LA COTE ATLANTIQUE.

Developments and prospects for the future

The prospects for dynamic growth and increased results was sustained in 2007 due to the excellent level of order taking, which provides excellent visibility for the activity over 18 months, supplemented by the policy of acquisitions

The Group took 6,145 orders for houses in 2006 (+19.7%) with a value of €569.8M, i.e. an increase of +22.6%.

The Maisons France Confort Group is planning to realize more than €475M turnover in 2007 by maintaining excellent profitability.

Our subsidiaries' business activity

As in the past, the Parent company pays all of the Group's costs.

All our subsidiaries are consolidated for tax purposes apart from the MCA sub-group which MAISONS FRANCE CONFORT only holds 75% of (the option for CID and MILLOT will take effect for the first time for the fiscal year starting January 1, 2007).

Our subsidiaries' activity is summarized in the following table:

Table summarizing the business activity of MAISONS FRANCE CONFORT Group

(Amounts given in €K)

Name	Form	Holding %	Connection	2006 Turnover	2006 Current Result	2006 Net result	Note			
MAISONS DE L'AVENIR	S.A.S.	99.97%	Direct	17,032	-66.9%	1,797	-50.6%	1,317	-45.8%	(1)
MAISONS DE L'AVENIR LOIRE ATLANTIQUE	S.A.S.	99.97%	Indirect (100 % Maisons de l'Avenir)	10,229	22.9%	1,363	92.5%	901	91.5%	(1)
MAISONS DE L'AVENIR ILLE ET VILLAINE	S.A.S.	99.97%	Indirect (100 % Maisons de l'Avenir)	20,838		1,595		1,036		(1)
MAISONS DE L'AVENIR MORBIHAN	S.A.S.	99.97%	Indirect (100 % Maisons de l'Avenir)	12,732		973		652		(1)
MAISONS DE L'AVENIR VENDEE	S.A.S.	99.97%	Indirect (100 % Maisons de l'Avenir)	84		-24		-24		(1)
OC RESIDENCES	S.A.S.	99.96%	Direct	32,083	3.9%	3,732	13.3%	2,465	13.3%	
MAISONS BERVAL	S.A.S.	99.97%	Direct	10,389	3.0%	1,458	2.5%	1,014	10.7%	
GHPA	S.A.S.	100.00%	Direct	13,822	17.9%	1,056	22.4%	702	23.4%	
MJB	S.A.S.	100.00%	Direct	12,007	7.7%	1,719	18.1%	1,160	19.9%	
MJB 18	S.A.S.	100.00%	Direct	4,418	32.8%	584	38.2%	388	62.9%	
MAISONS HORIZON	S.A.S.	100.00%	Direct	15,739	42.7%	1,591	118.3%	1,65	123.1%	
AZUR & CONSTRUCTION	S.A.S.	100.00%	Direct	11,919	53.6%	1,254	25.3%	861	21.0%	(2)
CID	S.A.S.	100.00%	Direct	11,479	107.3%	1,184	184.1%	798	189.8%	(3)
FONCIERE RESIDENCES	S.N.C.	100.00%	Direct (99 %) Indirect (1 % MJB)	8,804	19.3%	181	37.9%	180	37.9%	
LE JARDIN DES ESCOURTINES	S.C.C.V.	99.00%	Indirect (99 % Foncière Résidences)	140	< 100.0%	-69	< 100.0%	-69	< 100.0%	(4)
RESIDENCE KENNEDY	S.C.C.V.	50.00%	Indirect (50 % FONCIERE RESIDENCES)			147	-31.2%	147	-31.2%	(4)
LA GENTILHOMMIERE	S.C.C.V.	50.00%	Indirect (50 % Foncière Résidences)	2,071	160.4%	203	94.3%	203	94.3%	
GEPHIMO	S.A.R.L.	49.80%	Direct	1,035	-28.8%	117	-24.2%	60	-40.7%	
M.C.A.	S.A.S.	75.00%	Direct	38,652		4,09		2,916		(5)
MAISONS CHARENTE ATLANTIQUE	S.A.S.	75.00%	Indirect (100 % MCA)	705		-374		0		(6)
MAISONS DE LA COTE ATLANTIQUE 40	S.A.S.	75.00%	Indirect (100 % MCA)	0		-156		-97		(6)
BATISOFT	S.A.R.L.	75.00%	Indirect (100 % MCA)	3,855		3		21		(5)
MILLOT SAS	S.A.S.	100.00%	Direct	5,273		426		271		(7)
BATIMO	S.A.R.L.	80.00%	Indirect (80 % Millot SAS)	1,423		2		1		(7)
PROPRIETE FAMILIALE	S.A.R.L.	29.95%	Indirect (29.95 % Foncière Résidences)							(8)

SAS = Simplified joint stock company ; SARL = Limited company ; SNC = Partnership ; SCCV = Construction-sale company

- (1) Reorganisation of the MAISONS DE L'AVENIR sub-group from January 1 2006 by creating a sub-subsidiary per Département which takes over the activity of MAISONS DE L'AVENIR concerned.
- (2) 9 month accounting period incorporating the change in method connected to consolidation in the Group.
- (3) 3 month accounting period incorporating the change in method connected to consolidation in the Group.
- (4) Non trading real estate company specifically created for a project which was completed during the fiscal year.
- (5) Interest from January 1 2006. No comparable data for M.C.A., as the accounts closed to December 31 2005 are for 3 months, and incorporate the change connected with consolidation in the Group.
- (6) Companies created during the fiscal year.
- (7) Interest from October 1 2006. No comparable data for MILLOT SAS, as the accounts closed to December 31 2006 were established over 6 months.
- (8) Company with no business activity during 2006.

MAISONS FRANCE CONFORT S.A.'s own business activity

The main financial data for the fiscal year summarizes as follows:

(Amount in €K)	31/12/2006	31/12/2005	Change	
			€K	%
Turnover	200,716	181,307	19,409	10.7%
Operating result	6,749	-1,454	8,203	
Financial result	8,937	12,572	-3,635	-28.9%
Result before tax	15,686	11,118	4,569	41.1%
Net result	11,417	11,231	186	1.7%

MAISONS FRANCE CONFORT whose results we are asking you to approve, realized turnover of €200,716K, an increase of 10.7%, with net income of €11,417K, an increase of 1.7%.

Our two marketing subsidiaries merged with Maisons France Confort through a universal transfer of the assets base which is effective from 31/12/2005, as part of the Group's internal restructuring.

These companies were sales agents for Maisons France Confort. They invoiced our company commission on each sale concluded. A merger dividend of €2,742 K was realized on these two universal transfers of asset bases on 31/12/2005 which was recognized as financial income.

The works for setting up the methods and tools for processing transactions in accordance with the CRC 2004-06 regulation (of November 23, 2004), for defining, recognizing and valuing assets were refined during the first six months of 2006, especially as the merger with FC PROMOTION and FC PACARA changed the Group's sales organization after January 1, 2006.

All these works led to a provision for doubtful invoices being recorded which reduced the net income for the 2006 fiscal year by €1.4M.

Pro-forma accounts were drawn up presenting Maisons France Confort 2005 and 2006 accounts to ensure good visibility for the financial information. These accounts appear in note 61.

The adjustments made for drawing up the pro-forma accounts are as follows:

2005

Application of the Accounting Regulation Committee's regulation 2004-06 on defining, recognizing and valuing assets as if MAISONS FRANCE CONFORT had always applied the method,

Consolidation of FC Promotion and FC Pacara's accounts with Maisons France Confort's accounts as if these three entities had been merged since January 1, 2005.

2006

Restating the residual impacts connected to applying the provisions of the Accounting Regulation Committee's regulation 2004-06 on defining, recognizing and valuing assets.

These pro-forma accounts can be summarized as follows:

(Amounts in €K)	31/12/2006	31/12/2005	Change	
			€K	%
Turnover	200,716	170,079	30,637	18.0%
Operating result	8,773	6,644	2,129	32.0%
Financial result	8,937	9,834	-897	-9.1%
Result before tax	17,711	16,478	1,233	7.5%
Net income	12,744	13,776	-1,032	-7.5%

The pro-forma accounts show an increase of 18.0% in turnover.

The operating result has increased 32 % in parallel to this change, and this is due to :

- A marked improvement in our gross margin,
- greater dilution of our overheads due to the growth in our business,
- the adjustment of our after-sales provision in 2005 which impacted the accounts by around € 487 K.

The fall seen in the financial income comes from the lack of dividend feedback from our marketing subsidiaries merged last year.

Finally it must be stressed that the net income incorporates the recognition of a provision for employee profit sharing of € 892 K. No profit sharing was recognized in 2005 fiscal year due to the impact from applying the provisions of the Accounting Regulation Committee's regulation 2004-06 on defining, recognizing and valuing assets, on our 2005 tax result.

The main balance sheet data for MAISONS FRANCE CONFORT S.A. are summarized as follows :

(amounts in €K)	31/12/2006	31/12/2005
Capitalized assets	44,375	30,973
Inventories	750	347
Accounts receivables and other receivables	159,961	129,430
Cash flow	23,129	16,749
Total assets	228,214	177,500
Shareholders' equity	45,548	40,114
Provisions	2,830	2,510
Loans and financial debts	17,303	9,927
Down payments received on orders	90,553	69,902
Operating debts	71,981	55,047
Total liabilities	228,214	177,500

The change in capitalized assets mainly comes from the purchase of shares in MAISONS DE LA COTE ATLANTIQUE and MILLOT S.AS.

The change in receivables comes from the development of the business correlated to the change in down payments received on orders in progress.

Active cash remains largely positive at €23,129K. The change in financial indebtedness comes from new loans contracted to finance the new acquisitions during the fiscal year.

Our balance sheet structure continues to be healthy with shareholders' equity at the end of the fiscal year totalling €45.5M compared to €40.1M on 31/12/2005.

Changes and future prospects

Prospects for dynamic growth and an increase in results continued in 2007 basically thanks to maintaining an excellent level of order taking, which provides very good visibility for the business over the next 18 months.

Interest taken during the fiscal year

Purchase of Maisons de la Côte Atlantique

Maisons France Confort purchased 75% of Maisons de la Côte Atlantique, located in the Aquitaine region, on January 1, 2006. This company possesses 100% of the shares in S.A.R.L. BATISOFT, a Construction company which works exclusively with MAISONS DE LA COTE ATLANTIQUE.

Acquisition of Millot S.A.S.

Maisons France Confort acquired all 500 shares in Millot S.A.S.'s capital, which is located in Limousin, on October 1, 2006. This company possesses 80% of the shares in S.A.R.L. BATIMO, a Construction company which works exclusively with MAISONS MILLOT.

Miscellaneous information on the Group's business activity

- The company considers that there is no specific risk weighing on its business activity apart from the risks which could result from an unfavourable change in interest rates for housing loans to private individuals and those resulting from an increase in the prices of land which is likely to slow down the favourable trend in the market for building single detached homes.
- Risks incurred due to a change in interest rates, the exchange rates or the stock market price.
 - As the company does not have any international commitments or activities, there is no interest rate risk to be taken into account. Its financial commitments are low and contracted at a fixed rate, so that the interest rate exposure is nil. The stock market price has been marked by a high level of stability during 2006 and the company possesses 52,305 treasury shares on today's date.
 - The liquidity contract signed with the CIC group in which our company now possesses 100% of the interests, concerns 4,598 shares on December 31, 2005.
 - The favourable development in the stock market price during 2006, the low number of the shares and the average acquisition price do not create any risks for the company.
- The company's negative indebtedness continues to be very favourable.

Financial debts of more than one year represent around 22 % of consolidated shareholders' equity, and is always contracted over a short term of 5 years maximum, and is used exclusively to finance external growth operations.

Off-balance sheet commitments

The off-balance sheet commitments are indicated in the notes to the accounts.

The employment consequences of the business activity

This information is dealt with in the notes to this report.

The business's environmental consequences

This information is dealt with in the notes to this report.

1.1.2 Results

We are asking you to approve the Company's consolidated accounts which close with a profit (Group share) of €20,205K and the company accounts which close with a profit of €11,417K.

Appropriation of the profit

- The appropriation of your company's profit we are proposing to you conforms with the law and to our Memorandum and Articles of Association.
- We propose that you appropriate the profit for the fiscal year which totals €11,416,734.84 as follows:

Origin:

- Profit for the fiscal year	€ 11,416,734.84
- Retained earnings	€ 452,645.17

Appropriation:

- To shareholders, as dividends	€ 8,116,983.81	
- To the ordinary reserve	€ 2,000,000.00	
- To the retained earnings	€ 1,752,396.20	
TOTALS	€ 11,869,380.01	€ 11,869,380.01

The dividend paid for each share is fixed at € 1.17.

The whole of the amount distributed is eligible for the 40% allowance referred to article 158-3-2° of the General Tax Code for people who satisfy the conditions stipulated in the said article.

Payment of dividends

- This dividend will be distributed for payment by June 30, 2007 at the latest.
- In addition, if the company holds some of its own shares when the dividend is distributed for payment, the sums corresponding to the unpaid dividends on these shares will be entered in the "Retained Earnings account"

Previous distributions of dividends

In accordance with article 243 bis of the General Tax Code, we are informing you that the following dividends were distributed per share during the last three fiscal years (with the tax credit these dividends for these dividends at the time) :

FISCAL YEAR	DIVIDEND	TAX CREDIT	REAL EARNINGS
2003 (2,312,531 actions)	1.0	0.5	1.5

The whole amount distributed for 2004 and 2005 is eligible for the 40% allowance stipulated in article 158-3-2° of the General Tax Code, for people who satisfy the conditions of the said code.

For the year	Dividends eligible for the allowance for eligible persons		Income not eligible for the allowance
	Dividends	Other income distributed	
2004	€4,046,929.25 (€1.75 per share)	None	None
2005	€6,035,705.91 (€0.87 per share)	None	None

Non tax deductible charges (CGI 39-4)

Please approve the global amount of the expenses and charges referred to by articles 39-4 of the General Tax Code, i.e. the sum of € 379 and the corresponding tax, i.e. € 126.

1.1.3. The Company's share capital

The Company's share holding

The share capital is now divided into 6,937,593 shares.

We are informing you of the identity of people who directly or indirectly hold more than 5 % ; 10 %, 15 %, 20 %, 25 %, 33.33 %, 50 %, 66.66 %, 90 % and 95 % of the share capital or the voting rights at General Meetings:

MFC PROU-INVESTISSEMENT

> 50 %

Factors likely to have an impact in the event of a public offering (L. 225-100-3)

Under article L. 225-100-3, we point out the following factors likely to have an impact in the event of a public offering :

- There is no restriction in the articles of association on voting rights.
- To the company's knowledge, there are no agreements or other commitments signed between shareholders.
- There are no securities including special rights of control.
- There are no control mechanisms stipulated in any staff shareholding system with rights of control which are not exercised by this system.
- The rules of appointing and dismissing members of the Board of Directors are the statutory rules and the rules in the articles of association stipulated in article 13, described in paragraph 7.
- Current delegations of the Board of Directors' powers are described in paragraph 12 of this report (share buy-back programme) and in the capital increase delegations table in appendix 3.
- Our company's articles of association are modified in accordance with the statutory and regulatory provisions.
- There are no special agreements providing for indemnities if members of the Board of Directors cease exercising their functions.

Treasury shares

None of the Group's companies possess any shares in MAISONS FRANCE CONFORT.

Treasury shares in a share buyback plan

The Company did not realize any sales on the stock market between May 22, 2006 and February 28, 2007 (last information known on today's date) under the authorization granted and the objectives laid down by the General Meeting of May 23, 2006.

On February 28, 2007 the number of shares in the company's balance sheet assets is 52,305 with a value of €243K at an average purchase price of €4.65. These shares, with a global nominal value of €9.4 K, represents 0.75 % of the capital.

In addition, 121,642 shares were purchased on the stock market between March 1, 2006 and February 28, 2007 at an average price of €53.78 for a total amount of € 6,541.7 K excluding negotiation costs, and 115,799 shares were sold on the stock market for an average price of € 37.21 for a total sum of € 6,176.1 excluding negotiation costs, within the framework of the liquidity contract signed with CIC SECURITIES, which the company now holds 100% of the rights to.

On February 28, 2007 the company possesses 12,843 shares under the liquidity contract, valued at €690.6K, at the average stock market price. These shares, with a global nominal value of €1.3 K, represents 0.19 % of the capital in February 2007.

1.1.4. Board of directors and company agents

List of the mandates and duties performed by the agents

Name of agent	Mandate in the company	Date of appointment or renewal	Date of end of mandate	Other functions in the company	Mandates and/or functions in another company (inside and outside group)
Patrick VANDROMME	Chairman and CEO	28/05/2002	AGO 2008	NONE	<ul style="list-style-type: none"> - CEO MAISONS DE L'AVENIR - CEO OC RESIDENCES - CEO MAISONS BERVAL - CEO GHPA - CEO MJB - CEO MJB 18 - CEO MAISONS HORIZON - CEO AZUR et CONSTRUCTION - CEO MILLOT SAS - Chairman MFC PROU-INVESTISSEMENTS
Philippe VANDROMME	Director and Executive Vice-President	18/05/2004	AGO 2010	NONE	<ul style="list-style-type: none"> - Chairman of the Directorate of NATIXIS GARANTIES - Chairman and CEO of Compagnie Européenne de GARANTIES Immobilières (CEGI) - Chairman and CEO of Financière CEGI (the company merged with CEGI on 31.12.2006) - Manager CEGI Vertriebsgesellschaft GmbH (Germany) - Manager CEGI Courtage SNC - Chairman of the Board of SACCEF
Christian LOUIS VICTOR	Director	18/05/2001	AGO 2007	NONE	<ul style="list-style-type: none"> - Director of SOCAMAB Assurances - Manager of CLV Développement - Director of CIFA (Compagnie Immobilière et Financière d'Aquitaine) - Director of Maisons C.L.I.O. - Director of Financière Quarre SA - Director of A.C. Métal - Director of SURASSUR S.A., Luxemburg based reinsurance company (Groupe Caisse Nationale des Caisses d'Epargne) - Member of the Supervisory Board of G.C.E. Immobilier (Caisse d'Epargne)
Willi MUSSMANN	Director	23/05/2006	AGO 2012	NONE	<ul style="list-style-type: none"> - Partner in a firm specializing in advising and managing companies
Gilberte DUC	Director	28/05/2002	AGO 2008	NONE	

Appointments, renewals

Please renew Mr Christian LOUIS VICTOR's term of office for a period of six years which will expire in 2013 during the General Meeting which rules on the accounts for the past fiscal year.

Directors' fees

The amount of the attendance fees will be maintained at their current level in subsequent fiscal years, unless a decision is made to the contrary.

The individual amount of fees allocated to directors is shown in the table below.

The main part of the attendance fees are awarded to Mrs DUC as the oldest member, and the balance is distributed to the other members of the board.

Directors' remuneration

Company agents (whatever the duration of the mandate during the fiscal year)	In the company			In controlled companies	
	Remuneration		Benefits in kind	Remuneration	Benefits in kind
	For the mandate	Other remuneration			
Mr. Patrick VANDROMME Chairman and CEO	2006 Salary €120.8 k 2005 profit-sharing paid in 2006 €454.3 k	Directors' fees €915	NONE	NONE	NONE
Mr. Philippe VANDROMME Executive Vice-President	2006 salary €102.5 k	Directors' fees €915	NONE	NONE	NONE
Mrs. Gilberte DUC Director	NONE	Directors' fees €12,500	NONE	NONE	NONE
Mr. Christian LOUIS VICTOR Director	NONE	Directors' fees €1,982	NONE	NONE	NONE
Mr. Willi MUSSMANN Director	NONE	Directors' fees €1,982	NONE	NONE	NONE

The values given are gross values.

The Chairman of the Board of Directors receives fixed and bonus remuneration.

The company has not made any special undertakings concerning payments which could be owed to company agents for ceasing or changing their functions.

1.1.5 The corporate governance policy

Method of General Management

We remind you that the Board of Directors entrusted the General management to the Chairman of the Board of Directors, Mr. Patrick VANDROMME, at its meeting of May 28, 2002.

Mr Philippe VANDROMME was appointed as Executive vice-president.

Description of the company's corporate governance policy

The size of the company and its very family-based capitalistic structure have resulted in a limited application of the recommended rules for corporate government.

Independent directors :

Two independent directors sit on the Board of Directors who together represent 40 % of its members and who have no dealings of any kind whatsoever with the company, its group or its management which could compromise its freedom or judgement.

The number of shares which must be held by a director :

At the present time the number of shares which must be held by the directors is stipulated in the Memorandum and Articles of Association.

The number of directors elected by the employees :

There are no directors elected by the employees.

The Board's internal rules :

The Board adopted internal rules during its proceedings on MARCH 27, 2003, which compel the directors to refrain from competing with the company, obliges them to disclose any conflict of interest, to obtain documentation, prevent insider trading, and give precise details on how the Board operates.

The activities of the committees during the past fiscal year :

The Company's size and structure and the small number of directors means that the Board has not created any committees.

Securities transactions

Directors have not performed any securities transactions.

1.1.6. Authorisation to attribute stock and/or share purchase options

The combined Ordinary and Extraordinary General Meeting which met on May 26, 2002 authorized the Board of Directors to allocate stock and/or share purchase options.

This authorization was not used during the approved fiscal year.

1.1.7. Employees

The employees do not have any interest in the capital as defined in article 225-102 of the Commercial Code at the close of the fiscal year.

1.1.8. Statutory auditors

None of the terms of office of your statutory auditors expire at this meeting.

1.1.9. Regulated agreements

We are asking you to approve the agreements referred to in article L 225- 38 of the Commercial Code which have been regularly properly approved by the Board of Directors.

Your statutory auditors are presenting them to you and will provide all the relevant information on them in their special report which will be read to you in a few moments.

No new agreements have been authorized since the close of fiscal year.

To conclude, we ask you to totally discharge your Board of Directors from its management for the fiscal year closed on December 31, 2006 as well as to your Statutory Auditors for performing their mission as they describe in their general report.

1.1.10. Miscellaneous points : Authorization for a share buy-back programme by the company

We are proposing that you grant the Board of Directors the necessary powers for eighteen months to buy back up to 3.9 % of the shares comprising the share capital on one or several occasions at times which they will define.

This authorisation terminates the authorisation which the Ordinary General Meeting of May 26, 2005 gave the Board of Directors.

Acquisitions can be made to:

- Co-ordinate the secondary market or the liquidity of the MAISONS FRANCE CONFORT share through a liquidity contract with an investment service provider in accordance with the AFEI's Code of Conduct Charter recognised by the AMF,
- Conserve the shares purchased and subsequently exchange them, use them as payment for possible external growth operations. However, the shares acquired for this purpose cannot exceed 5 % of the company's capital,
- Provide coverage for the stock option plans and other ways of allotting shares to the Group's employees and/or agents under the terms and in accordance with the conditions stipulated by law, notably regarding sharing the company's results in a company saving scheme or by the free allotment of shares,
- Provide coverage for securities giving an entitlement to the allotment of company's shares within the scope of the current legislation,
- Possibly cancel the acquired shares subject to the authorisation to be granted by this present shareholders General Meeting in its seventh extraordinary resolution.

These share buybacks can be performed by any means, including by acquiring blocks of shares, at the times the Board of Directors will decide, including during a takeover bid within the limits of the stock market regulation. However, the company does not intend using derivate products

The maximum purchase price is fixed at €120 per share.

The maximum amount of the operation is therefore fixed at € 32,467,920.

1.2. Report on the extraordinary agenda

1.2.1 Authorisation to reduce the capital

We are asking you to rule extraordinarily to authorise your Board of Directors to cancel up to 3.9% of the shares which the company holds or will hold following the share buybacks performed within the scope of article L 225 - 209 of the Commercial Code i.e. 270,566 shares, on one or several operations, and to reduce the share capital by this amount under the provisions and regulations in force.

1.2.2 Authorisations to increase the capital

The authorisations given to your Board of Directors to increase the share capital and maintain or cancel the preferential subscription right by the General Meeting of May 23 2006 are valid until July 23 2008.

1.2.3 Increase in the share capital reserved for members of a Company Saving Scheme

The authorisation conferred on our Board of Directors to increase capital, by applying the provisions of article L.225-129 VII and L125-138 of the Commercial Code and the article L.443-5 of the Employment Code, was renewed in 2005 for 26 months expiring on July 26, 2007.

We therefore propose that you renew this authorisation of a new 26-month period expiring on July 15 2009.

1.2.4 Authorisation to grant options

Similarly, the authorisation granted to the Board of Directors to grant options within the scope of the provisions of articles L.225-177 to L.225-185 of the Commercial Code was renewed in 2005 for a period of 38 months expiring on July 26, 2009.

1.2.5 Authorisation to increase the share capital to remunerate contributions in kind (renewal)

As the authorisation given to the Board of Directors in 2005 for 26 months expires on July 26, 2007, we are proposing that you renew it for 26 months expiring on July 15 2009.

1.2.6 Authorisation to grant free shares to staff members (and/or certain company agents) (in progress)

The authorisation to the Board of Directors to allocate free shares staff members and/or certain company agents granted in 2005 expires on July 26, 2009, and need not be renewed.



Your Board asks you to vote for the resolutions put to you and thanks you for your confidence in it.

THE BOARD OF DIRECTORS

NOTE 1

ON THE EMPLOYMENT DATA CONCERNING THE BUSINESS ACTIVITY

Data concerning MAISONS FRANCE CONFORT SA

1. The Company's staff on 31 December 2006 : 549 divided between
15 Fixed-term contracts and 534 permanent contracts.
2. As of 1 January 2004, the work week was set at 35 hours further to agreement with staff representatives.
3. Remunerations amounted to €16,297K compared to €9,366K, i.e. + 74%, and the corresponding social security charges amounted to €9,251 K compared to €6,560K. This significant change is connected to the universal transfers of the two marketing subsidiaries FC PROMOTION and FC PACARA on 31.12.2005.
4. **Training:** Training expenses amounted to €426 K, much higher than 2005 (€170K).
5. **Disabled workers:** The Company complies with all relevant provisions regarding the employment of disabled workers.
6. **Social and welfare services:** €93K was paid to the Works Council in 2006, compared to €58K in 2005.
7. Subcontracting totalled €100.3 million representing 50% of turnover.

The subcontracting works are the subject of subcontracting contracts, which include the international Labour Organisation's fundamental provisions.

Data for MAISONS FRANCE CONFORT Group

1. The Group's total workforce on December 31 2005: 1,041 divided between:
21 fixed term and 1,020 permanent contracts
2. The remuneration totalled €35,089 K compared to €25,8657 K, i.e. + 35.6% (this remuneration includes the profit-sharing provision in the 2006 accounts of €892K). The corresponding social security charges totalled €18,473 K compared to €13,631 K.
3. Subcontracting totalled €202.5 M, representing 47.7% of the turnover. The subcontracting works are the subject of subcontracting contracts which include the international Labour Organisation's fundamental provisions.

NOTE 2
ON THE ENVIRONMENTAL EFFECTS
OF THE COMPANY'S ACTIVITIES

The Environmental effects of the Company's activities

The Company's activities are not in principle affected by environmental risk, as the land belongs to the customers.

Nonetheless, in our activity we believe that our Company contributes to the quality of the environment by adapting our models to the relevant regional architecture.

We ensure that the use of construction materials, both by the Group's companies and by subcontractors, strictly complies with the relevant regulations. Furthermore we consider that the quality of the materials used in building our homes contributes to 'sustainable' development

Lastly we have started to promote new energies and clean energies' (solar panels, collection of rainwater etc) with the Bioclimatic range of houses.

We perform a thermal optimisation study for each building

NOTE 3

TABLE OF DELEGATIONS OF AUTHORITY TO INCREASE CAPITAL WHICH ARE STILL VALID

In €	Date of the EGM	Period of validity (months)	Date of expiration of the delegation	Authorised amount	Increases in previous years	Increases during period	Residual amount on date of table
Authorisation to increase the capital maintaining the Preferential subscription right (PSR)	23/05/06	26	23/7/08	€312,500	0	0	€312,500
Authorisation to increase the capital suppressing the PSR	23/05/06	26	23/7/08	€312,000	0	0	€312,500
Authorisation to increase the capital suppressing the PSR for up to 10% of the capital and setting the subscription price	NO	0	0/1/00	0	0	0	0
Authorisation to increase the capital suppressing the PSR in favour of members of a company savings scheme	26/05/05	26	29/7/07	€37,500	0	0	€37,500
Authorisation to increase the capital with suppressing the PSR in favour of... (A category of people)	NO		0/1/00	0	0	0	0
Authorisation to increase the capital to pay for a share contribution	26/05/05	26	26/7/07	€125,000	0	0	€125,000
Authorisation to issue stock options	26/05/05	38	26/7/09	-	-	-	-
Authorisation to allot free shares to be issued	26/05/05	38	26/7/09	€37,500	0	0	€37,500
Authorization to increase the capital to pay for the VMDACC contributions in kind	26/05/05	26	26/7/07	€37,500	0	0	€37,500

MAISONS FRANCE CONFORT S.A.'s results for the last five fiscal years

NATURE OF DATA	2002 FISCAL YEAR	2003 FISCAL YEAR	2004 FISCAL YEAR	2005 FISCAL YEAR	2006 FISCAL YEAR
I - Capital at the end of the fiscal year					
Capital	1,250,000	1,250,000	1,250,000	1,250,000	1,250,000
Number of existing ordinary shares	2,312,531	2,312,531	2,312,531	6,937,593	6,937,593
Number of existing non-voting preferred dividend shares					
Maximum number of future shares to be created:					
- By conversion of bonds					
- By exercise of subscription rights					
II. Operations and results of the fiscal year					
Turnover before taxes	124,380,068	138,351,830	153,684,394	181,306,556	200,715,854
Profit/(Loss) before taxes and employee profit sharing and allocation to depreciation, amortisation and provisions	6,914,472	8,438,475	13,697,577	10,069,641	16,603,868
Tax on profits	1,200,750	1,322,101	1,788,432	-177,244	3,152,200
Employee profit sharing due for the fiscal year	293,791	298,820	367,467	0	891,939
Profit/(Loss) before taxes and employee profit sharing and allocation to depreciation, amortisation and provisions	4,598,203	6,073,717	10,250,550	11,230,507	11,416,735
Profit distributed	1,641,897	2,312,531	4,046,929	6,035,706	8,116,984
III. Earnings per share					
Profit/(Loss) after taxes and employee profit sharing but before allocation to depreciation, amortisation and provisions	€2.34	€2.94	€4.99	€1.48	€1.81
Profit/(Loss) after taxes employee profit sharing and allocation to depreciation, amortisation and provisions	€1.99	€2.62	€4.43	€1.62	€1.65
Dividend per share (a)	€0.71	€1.00	€1.75	€0.87	€1.17
IV. Staff					
Average headcount for the fiscal year	318	344	355	442	525
Total payroll expense for the fiscal year	6,971,858	7,894,674	8,308,574	9,365,861	16,296,540
Amounts paid in connection with social benefits for the reporting year (social security, welfare benefits, etc.)	4,266,657	4,865,834	5,273,221	6,560,140	9,250,549

The Statutory Auditors' special report on the regulated agreements

Fiscal year closed on December 31 2006

Dear Ladies and Gentlemen,

As your company's statutory auditors, we are obliged to present a report to you on the regulated agreements we have been informed of.

1 Agreements authorised during the fiscal year

We are not responsible for searching for the existence of agreements but for explaining, on the basis of information given to us, the characteristics and principal terms of the agreements we have been informed of, although we are not required to pronounce on their utility or merits. Under the terms of Article R.225-31 of the Commercial Code, you are responsible for evaluating the benefit from concluding these agreements, before deciding whether to approve them.

We have not been informed of any agreement referred to in article L. 225-38, and L.225-42-1 of the Commercial Code.

2 Agreements approved during previous fiscal years, which continued during the past fiscal year

In addition, under the application of the Commercial Code, we were informed that the following agreements which were approved in previous fiscal years, continued to be performed during the last fiscal year.

- Nature and purpose:
Life annuity in return for a prior real estate acquisition.
- Terms and conditions:
Your company paid Mrs. DUC, director, €9,147 during the past fiscal year.

We performed our work in accordance with the professional standards applicable in France. The standards require that we implement actions to verify whether information given to us concords with the basic documents it comes from.

Alençon and Caen, April 30 2007
The Statutory Auditors

KPMG Audit
Department of KPMG S.A.

Thierry LEFEVRE
Partner

Yves GOUHIR
Partner

Socogec Inextenso

Alain MUELLE
Partner

Eric PIOU
Partner

2 . CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31 2006

BALANCE SHEET

ASSETS (in €K)	<i>Note</i>	31/12/2006	31/12/2005
		Net	Net
Intangible assets	<i>2.4 & 4.1</i>	1,851	1,635
Goodwill	<i>2.5 & 4.2</i>	17,314	9,634
Tangible fixed assets	<i>2.6 & 4.3</i>	9,585	6,328
Holdings in affiliated companies	<i>4.4</i>	466	71
Other financial assets	<i>2.3, 2.9 & 4.5</i>	631	496
Deferred taxes	<i>2.15 & 4.6</i>	766	923
NON CURRENT ASSETS		30,613	19,088
Inventory and work in progress	<i>2.7 & 4.7</i>	7,952	3,999
Accounts receivable	<i>2.8, 2.9 & 4.8</i>	82,504	58,238
Other accounts receivable	<i>4.9</i>	44,492	37,989
Current tax assets	<i>2.15</i>	0	1,742
Cash and cash equivalents	<i>2.3 & 4.10</i>	69,374	51,439
TOTAL CURRENT ASSETS		204,321	153,407
TOTAL ASSETS		234,934	172,494
LIABILITIES (in €K)	<i>Note</i>	31/12/2006	31/12/2005
		Net	Net
Share capital	<i>2.10 & 4.11</i>	1,250	1,250
Premiums and reserves	<i>2.10 & 4.11</i>	36,839	27,341
Consolidated profit for the fiscal year	<i>2.10 & 4.11</i>	20,205	15,036
Total shareholders' equity Group share		58,294	43,627
Outside Group interests in the reserves	<i>2.10 & 4.11</i>	1,065	2
Outside Group interests in the income	<i>2.10 & 4.11</i>	698	3
Minority interests' share of shareholders' equity		1,763	5
TOTAL SHAREHOLDERS' EQUITY		60,057	43,632
Deferred tax liabilities	<i>2.15 & 4.12</i>	74	126
Financial debts - share of more than 1 year	<i>4.13</i>	11,417	4,989
Non current provisions	<i>2.11 & 4.14</i>	67	59
TOTAL NON CURRENT LIABILITIES		11,558	5,174
Current provisions	<i>2.11 & 4.15</i>	4,350	3,638
Short-term financial debts	<i>4.13</i>	7,477	5,724
Debts on contracts in progress	<i>2.12 & 4.16</i>	9,872	7,894
Trade payables	<i>4.17</i>	80,063	62,147
Current tax liabilities	<i>2.15</i>	5,510	0
Other tax and social security debts	<i>4.18</i>	54,824	42,384
Other current creditors	<i>4.19</i>	1,222	1,902
TOTAL CURRENT LIABILITIES		163,319	123,689
TOTAL LIABILITIES		234,934	172,494

PROFIT AND LOSS STATEMENT

(€K)	Note	31/12/2006		31/12/2005		CHANGE	
		€K	% TO	€K	% TO	€K	%
TURNOVER	2.12 & 5.1	424,982	100.00%	32,889	100.00%	98,093	30.00%
Other revenue from activities		128	0.00%	150	0.00%	-22	-14.50%
Purchases consumed	5.2	-334,785	-78.80%	-260,913	-79.80%	-73,72	28.30%
Staff costs	5.3	-53,562	-12.60%	-39,95	-12.10%	-14,067	35.60%
Taxes and charges	5.4	-3,564	-0.80%	-2,204	-0.70%	-1,360	61.70%
Depreciation expenses		-1,289	-0.30%	-871	-0.30%	-417	47.90%
Net provision expenses		-821	-0.20%	-1 141	-0.30%	320	-28.10%
Other operating revenues and charges		-157	0.00%	103	0.00%	-260	-252.50%
OPERATING RESULT		30,932	7.30%	22,516	6.90%	8,416	37.40%
Cost of financial indebtedness	2.14	-731	-0.20%	-412	-0.10%	-319	77.30%
Income from cash and cash equivalents		1,523	0.40%	914	0.30%	609	66.60%
FINANCIAL RESULT		792	0.20%	502	0.20%	290	57.90%
Tax charge	2.15 & 5.5	-10,852	-2.60%	-7,963	-2.40%	-2,889	36.30%
NET RESULT OF CONSOLIDATED COMPANIES		20,873	4.90%	15,055	4.60%	5,818	38.60%
Percentage of result from companies accounted by the equity method		30		51		-21	-40.70%
PROFIT		20,903	4.90%	15,106	4.60%	5,797	38.40%
Group profit		20,205		15,103		5,102	33.80%
Non Group profit		698		3		695	
Earnings per share (in €)	2.16						
- Net earnings per share		2.94		2.2		0.74	33.80%
- Net diluted earnings per share		2.94		2.2		0.74	33.80%

CASH FLOWS TABLE

(In €K)	Fiscal year 2006	Fiscal year 2005
Net consolidated income (including minority interests)	20,903	15,106
+/- Net depreciation and provision expenses (including those connected to current interests)	1,727	1,861
+/- Deferred gains and losses connected to changes in fair value		
+/- Calculated expenses and revenues linked to stock, options and similar		
+/- Other calculated revenues and expenses		
+/- Capital gains or losses on sales	2	-33
+/- Profits and losses on dilution		
+/- Percentage of income connected to companies accounted by the equity method	-30	-51
- Dividends (non consolidated shares)		
Cash flows from operations before costs of net financial indebtedness and tax	22,602	16,882
+ Net cost of financial indebtedness	-792	-502
+/- Tax charges (including deferred taxes)	10,852	7,928
Cash flows from operations before costs of net financial indebtedness and tax (A)	32,662	24,309
- Taxes paid (B)	-11,467	-5,821
+/- Change in working capital requirement connected to the business (C)	4,872	-3,704
CASH FLOW GENERATED BY THE BUSINESS (D) = (A + B + C)	26,066	14,784
- Outflows connected to purchases of tangible and intangible assets	-3,848	-1,941
+ Encashment connected to sales of tangible and intangible assets	110	78
- Outflows connected to purchase of financial assets	-134	-86
+ Encashment connected to sales of financial assets	956	25
+/- Impact of changes in the scope of consolidation	-8,133	-108
+ Dividends received		
+/- Changes in loans and advances granted		
+ Investment subsidies received		
+/- Other flows connected to investment operations		
NET CASH FLOWS CONNECTED TO INVESTMENT OPERATIONS (E)	-11,049	-2,031
+ Sums received from the shareholders during increases of capital		
- paid by the parent company's shareholders		
- paid by the minority interests of consolidated companies		
+ Sums received when stock options were exercised		
+/- Buybacks and resales of treasury shares	444	-299
- Dividends distributed for payment during the fiscal year		
- Dividends paid to the parent company's shareholders	-5,983	-4,013
- Dividends paid to the minority interests of consolidated companies	-2	-2
+ Encashment connected to new loans	11,464	3,615
- Loan redemption (including lease financing contract)	-4,236	-2,876
- Net financial interest paid (including financing lease contracts)	792	502
+/- Other flows connected to financing operations		
NET CASH FLOWS CONNECTED TO FINANCING OPERATIONS (F)	2,481	3,074
+/- Impact of the changes in the foreign currency rates (G)		
CHANGE IN NET CASH FLOW (D + E + F + G)	17,498	9,679
CASH POSITION AT THE START OF THE YEAR	50,047	40,368
+/- Change in the cash flow	17,498	9,679
CASH FLOW AT THE CLOSE OF THE FISCAL YEAR	67,545	50,047
<i>Of which active cash flow</i>	<i>69,374</i>	<i>51,439</i>
<i>Of which passive cash flow</i>	<i>-1,829</i>	<i>-1,392</i>

TABLE OF CHANGES IN SHAREHOLDERS' EQUITY

(In €K)	Capital	Reserves connected to the share capital	Treasury shares	Reserves and consolidated income	Income recorded directly in shareholders' equity	Total group share	Minority interests	Total
Shareholders' equity as of 31/12/2004	1,250	7,021	-472	26,413	-	34,212	3	34,215
Treasury share operations			-299			-299		-299
Dividends				-4,013		-4,013	-1	-4,014
2005 result of the consolidated group				15,102		15,102	2	15,105
Changes in the scope of consolidation				18		18		18
Other movements (1)				-1,393		-1,393		-1,393
Shareholders' equity on 31/12/2005	1,250	7,021	-771	36,127	-	43,627	5	43,632
Treasury share operations								
Share based payments								
Treasury share operations			444			444		444
Dividends				-5,983		-5,983	-2	-5,984
2006 result of the consolidated group				20,205		20,205	698	20,903
Changes in the scope of consolidation							1,062	1,062
Shareholders' equity on 31/12/2006	1,250	7,021	-326	50,350	-	58,294	1,763	60,057

(1) Error correction concerning the transition to the I.F.R.S. standards mentioned in note 4.11

NOTES TO THE CONSOLIDATED ACCOUNTS

1 DECLARATION OF CONFORMITY AND BASIS FOR PREPARING THE FINANCIAL STATEMENTS

1.1 Entity presenting the financial statements

MAISONS FRANCE CONFORT S.A. is a company domiciled in France. Its registered office is at 2, route d'Ancinnes – 61000 ALENCON. The Company's consolidated financial statements for the fiscal year closed as of December 31, 2006 include the Company and its subsidiaries (the whole called "the Group") and the Company's share in affiliated or jointly controlled companies.

The Group's activity mainly involves building detached houses.

1.2 Declaration of conformity

The consolidated financial statements were established in accordance with the IFRS as adopted in the European Union.

They are identical to the ones used and described in the financial statements to December 31, 2005, and supplemented by the standards and interpretations which are obligatory for the first time for the 2006 fiscal year. These cover :

- Review of the IAS 19 standard concerning benefits to personnel and actuarial variations as well as Group systems,
- Review of the IAS 39 standard concerning financial instruments and the coverage of cash flows for future intra-group transactions as well as the conditions for using the fair value option,
- Reviews of the IAS 39 standard concerning financial instruments and the IFRS 4 standard for insurance contracts and covering financial guarantee contracts,
- amendment to the IAS 21 standard concerning net investment in a foreign entity,
- IFRIC 4 interpretation concerning conditions for determining whether an agreement involves a lease,
- the IFRIC 6 interpretation concerning the unit costs borne to eliminate household electronic and electrical equipment waste (electrical waste) more commonly called "visible fee" or "eco-contribution".

The application of these new provisions did not have a significant impact on the period.

MFC Group does not apply the optional standards, interpretations and amendments for the fiscal year : see note 2.18.

The financial statements were closed by the Board of Directors' meeting of March 28, 2007 and will put to the Ordinary General Meeting of May 15, 2007 for its approval.

1.3 Basis for preparing the financial statements

The consolidated financial statements are presented in euro which is the Company's operational currency. All the financial data in euro are rounded up to the closest thousands of euros.

They are prepared in accordance with the historical cost convention apart from certain financial assets and liabilities which are valued at their fair value (mainly investment securities). The methods used to evaluate fair values are examined in note 2.3.

Preparing the financial statements in accordance with the IFRS requires the management exercising judgement to make the estimations and the assumptions which have an impact on the application of the accounting methods and on the amounts of the assets and liabilities, the revenues and expenses. The real values can differ from the estimated values

The underlying estimates and assumptions are re-examined continuously.

The impact of changes in the accounting estimate is accounted during the period of the change and all subsequent periods affected.

More specifically, the information on the main sources of uncertainty concerning estimates and judgements to apply the accounting methods, which have a more significant impact on the amounts accounted in the financial statements, are described in the following notes :

- the evaluation of work in progress for construction contracts (note 2.12),
- loss and contingency provisions (note 2.11),
- impairment tests for goodwill and other intangible elements (note 4.1 & 4.2).

2 ACCOUNTING PRINCIPLES AND METHODS

The accounting methods described below were applied permanently to all the periods presented in the consolidated financial statements, uniformly for all the Group's entities.

2.1 Consolidation method

Subsidiaries

The companies over which MAISONS FRANCE CONFORT exercises exclusive control are consolidated by the global consolidation method. Control is presumed to exist when the parent company directly or indirectly holds the power to direct the financial and operational policies of a company in order to benefit from its activities. The subsidiaries are included in the consolidation scope from the date on which the control is effectively transferred to the Group and sold subsidiaries are excluded from the consolidation scope from the date of the loss of control.

The Group accounts interests over which it exercises exclusive control using the global consolidation method : the subsidiary's assets, liabilities, revenues and expenses are consolidated 100 % and the portion of the shareholders' equity and the net income attributable to minority shareholders is shown separately in the consolidated balance sheet and profit and loss statement in minority interests.

Joint ventures

Joint ventures are interests belonging to MAISONS FRANCE CONFORT where the power to direct the financial and operational policies is contractually shared with one or several parties, none of whom exercises exclusive control. The Group accounts its interests in controlled entities jointly in accordance with the proportional consolidation method: the consolidated financial statements include the Group's percentage interest in the assets, liabilities, revenues and charges the Group line by line, with similar items in its financial statements, from the date on which joint control is obtained up to the date it finishes.

Affiliated companies

The associated companies are interests which the Group exercises a notable influence over, i.e. has the power to participate in the company's financial and operational policies without controlling it. Notable influence is presumed when the parent company directly or indirectly holds an interest which is at least equal to 20 % of the entity's voting rights. The Group accounts its investments in associated companies in accordance with the equity method : the Group's interest in the affiliated company is accounted in the balance sheet and the profit and loss statement for the

amount which reflects the Group's percentage in the net assets and in the affiliated company's income, from the date on which notable influence is exercised up until the date it ends.

Transactions eliminated in the consolidated financial statements

The balance sheet balances, losses and deferred gains, the revenues and expenses resulting from intragroup transactions are eliminated when the consolidated financial statements have been prepared.

The deferred gains resulting from transactions with affiliated companies and jointly controlled companies are eliminated for the value of the Group's interests in the entity.

Unrealised losses are eliminated the same way as unrealised profits, providing they do not represent a loss of value.

2.2 Foreign currency

Transactions in foreign currency

Transactions in foreign currency are recorded by applying the exchange rate in force on the date of the transaction.

There are no monetary assets or liabilities denominated in foreign currency on the date of the close.

Financial statements of activities abroad

The Group does not have any activity abroad.

2.3 Financial instruments

Non derivative financial instruments

Non derivative financial instruments include placements in equity securities and loans, receivables and other debts, cash and cash equivalents, loans and borrowings, and suppliers and other creditors.

Non derivative financial instruments are recognized at fair value, increased by directly attributable transaction cost for instruments which are not at fair value through profit and loss. Non derivative financial instruments are valued as described below, after initial accounting.

A financial instrument is accounted if the Group becomes a party to the instrument's contractual provisions. Financial assets are derecognized if the Group's contractual rights to receive the cash flows connected to the financial assets expire or if the Group transfers the financial asset to another party without keeping control on most of the risks and advantages of it.

The “normalized” purchases and sales of financial assets are accounted on the transaction date, i.e. the date on which the Group undertakes to purchase or sell the asset. Financial liabilities are derecognized if the Group’s obligations specified in the contract expire or have been extinguished or cancelled.

Cash and cash equivalents include cash and demand deposits. Bank overdrafts repayable on demand which form an integral part of the Group’s cash management are a component of cash and cash equivalents for the requirements of the cash flow table.

The accounting of financial income and expenses is analyzed in note 2.19.

Held-to-maturity investments

If the Group intends and has the capacity to hold the securities until maturity, they are classified as held-to-maturity investments. After initial recognition, the held to maturity investments are evaluated at the depreciated cost in accordance with the effective rate method reduced by any impairment losses.

Available-for-sale financial assets

The Group’s equity security investments and certain security investments are classified as available-for-sale assets. After their initial recognition, they are valued at fair value and any variation is accounted directly in shareholders’ equity, apart from impairment losses and translation differences for available for sale monetary elements. If these assets are derecognized, the total profits or losses accounted in shareholders’ equity are transferred to the result.

Financial assets at fair value through profit or loss

An instrument is classified as an asset at fair value through profit and loss if it is held for trading or designated as such when it is first recognized. Financial instruments are designated at fair value through profit or loss if the Group manages these assets and takes purchase and sale decisions based on their fair value. On initial recognition, the directly attributable transaction costs are accounted in the result when they are incurred. Financial instruments at fair value through profit or loss are valued at fair value, and any variation resulting from this is recognized in the result.

Others

Other non derivative financial instruments are valued at the depreciated cost in accordance with the effective rate method, reduced by impairment losses. Transactions in foreign currency are recorded by applying the exchange rate in force on the date of the transaction.

Derivative financial instruments

The Group does not use any derivative financial instruments as it does not have any foreign exchange or rate exposure.

Composite financial instruments

The Group does not use any composite financial instruments.

Capital

The Group does not use any composite financial instrument.

Common shares

The incidental costs directly attributable to issuing common shares or stock options are recognized as a reduction from shareholders’ equity.

Preference shares

All the shares in the company share capital are common shares.

Buyback of equity securities

If the Group buys back its equity securities, the amount of the consideration paid, including directly attributable costs, is recognized as a reduction of shareholders’ equity. The bought back securities are classified as treasury shares and deducted from shareholders’ equity.

2.4 Intangible assets

The intangible fixed assets acquired by the Group are valued at their acquisition cost, reduced by the running total of the amortization and possible impairments in value.

They basically include trademarks and assimilated rights, lease renewal rights as well as computer software programmes.

They are amortized in accordance with the straight-line method over their useful life span, apart from certain trademarks with indefinite life span held by the Group, which are not depreciated.

2.5 Goodwill

Goodwill (including negative goodwill) results from the acquisition of subsidiaries, joint ventures and affiliated companies.

Acquisitions before January 1, 2004

During its transition to IFRS, the Group chose to only restate corporate Groupings which occurred from January 1, 2004. The goodwill for acquisitions before January 1, 2004 is the net amount recognized in accordance with the Group's previous accounting reference.

Acquisitions after January 1, 2004

The goodwill for corporate acquisitions after January 1, 2004 represents the difference between the acquisition cost and the Group's interest in the net fair value of assets, liabilities and possibly identifiable acquired assets. If a negative goodwill results from this, it is immediately recognized in the result.

Acquisitions of minority interests

The goodwill resulting from the acquisition of a subsidiary's minority interest is the difference between the additional investment cost and the book value of the net assets acquired on the exchange date. The goodwill relating to minority interests is recognized in the Group's consolidated accounts when it can be estimated with sufficient accuracy.

Subsequent valuation

Goodwill is valued at cost, reduced by total impairment losses. The book value for goodwill for companies accounted for by the equity method is included in the interest book value.

2.6 Tangible fixed assets

Accounting and valuation

A tangible asset is valued at cost reduced by the total depreciation (see below) and the total impairment losses (see accounting method described in 2.9). The cost of intangible assets on January 1, 2004, date of transition to IFRS was determined with reference to their net book value on this date. There was no revaluation of real estate.

The cost includes the expenses directly attributable to acquiring the assets. The cost of an asset produced by the Group for itself includes the cost of raw materials, direct labour, initial estimation, and if necessary the costs of dismantling and moving the fixed asset and repairing the site where it was located, and an appropriate percentage of general production costs.

When the components of tangible assets have different useful lives, they are recognized as separate tangible assets (major components).

Rented assets

The contracts for renting tangible fixed assets which transfer almost all the benefits and risks inherent in owning the assets to the Group are recognised in the balance sheet, if the rental contract begins at the rented assets' fair value or at the discounted value of the minimum payments for each rental if this is lower.

The rental payments are broken down between the financial expense and the amortization of the debt. Financial expenses are recorded in the "Cost of net financial indebtedness" item in the profit and loss statement

Subsequent costs

The cost of replacing a component of a tangible asset is recognized at this asset's book value if it is probable that the future economic benefits associated with this asset will go to the Group and its cost can be valued reliably. The costs of daily cleaning and maintenance are recognized in expenses at the time they are incurred.

Depreciation

Depreciation is recognized in expenses in accordance with the straight-line method over the useful life span estimated for each component of a tangible asset.

Rented assets are depreciated over the length of the lease contract or their useful life span, whichever is insured. Land is not depreciated. The estimated useful lives for the period in progress and the comparative period are as follows :

Type of asset	Method	Duration
Constructions on own land	Straight-line	40 years
Constructions on land belonging to another	Straight-line	Term of lease
Equipment and tooling	Straight-line	5 to 8 years
General installations	Straight-line	5 to 10 years
Transport equipment	Straight-line	3 to 4 years
Office equipment	Straight-line	3 to 5 years
Office furniture	Straight-line	8 to 10 years

The depreciation methods, useful life spans and the residual values are revised at each closing.

2.7 Inventories and work in progress

Inventories are valued at their production cost or the net realization value if this is lower. The net realization value is the estimated sale price in the normal course of business reduced by the estimated completion costs and the estimated costs for realizing the sale.

Inventories are mainly constituted of land as well as the inventory for the Alençon joinery workshop.

2.8 Construction contracts in progress

Construction contracts in progress are accounted in accordance with the method explained in paragraph 2.12. These contracts appear :

- in the assets if the balance of the contract is debit (theoretical invoicing in advance higher than the calls for funds),

- in the liabilities if the balance of the contract is credit (theoretical invoicing on advancement below draw downs of funds).

2.9 Impairment

Financial assets

The Group considers that a financial asset is impaired if there are objective indications that one or more events have had a negative impact on the estimated future cash flows for the asset.

The impairment loss for a financial asset valued at the depreciated cost corresponds to the difference between its carrying value and the value of estimated future cash flows discounted at the original effective rate for the financial assets. The impairment loss of an available-for-sale financial asset is calculated with reference to its current fair value.

An impairment test is performed on an individual basis, for each significant financial asset. The other assets are tested in Groups with similar credit risk characteristics.

Impairment losses are recognized in the results. All cumulated losses for available-for-sale assets which were previously accounted in shareholders' equity is transferred to the result.

The impairment loss is recovered if the recovery can be objectively connected to an event arising after the impairment is recognized. The recovery is accounted in the result for financial assets value at the depreciated cost and available for sale assets represented by debt security. The recovery for available for sale assets represented by equity securities is accounted directly in shareholders' equity.

Non financial assets

The book values of the Group's assets, inventories (see accounting method described in note 2.9) and the deferred tax debit (see accounting method described in note 2.8) are examined on each closing date in order to assess whether there is any indication at an asset has suffered an impairment in value. If such an indicator exists, the recoverable value of the asset is estimated (see accounting method described below).

The recoverable value for goodwill, intangible fixed assets with indefinite useful lives or intangible fixed assets which are not yet ready to be put into service, are estimated on each closing date.

An impairment in value is accounted if the book value of an asset or its cash generating unit is more than its recoverable value. Impairments in value are accounted in the profit and loss statement.

An impairment in value which is recognized for a cash generating unit is firstly earmarked to reduce the book value of any goodwill allocated to the cash generating unit (to the group of units), then to reducing the book value of other assets of the unit (of the group of units) prorata to the book value of each asset the unit possesses (of the group of units).

An impairment test on goodwill and intangible fixed assets with indefinite useful lives was performed on January 1, 2004, the transition date to IFRS, even if there was nothing to indicate that these assets had suffered an impairment in value.

Calculating the recoverable value

The recoverable value of an asset or a cost generating unit is the higher of its going concern value and the fair value reduced by selling costs. In order to assess the going concern value, future estimated cash flows are discounted at the rate, before tax, which reflects the market's current assessment of the time value of money and the asset's specific risks.

Recovering the impairment loss

An impairment loss recognized in goodwill cannot be recovered. For other assets, the Company assesses at each closing date whether there is an indication that the impairment losses recognized during prior periods have reduced or no longer exist. An impairment loss is recovered if there is a change in the estimation used to determine the recoverable value. The recoverable value of an asset, increased by recovering a loss in value must not be higher than the book value which would have been calculated net of depreciation, if no impairment in value had been recognised.

2.10 Consolidated shareholders' equity

If the Group purchases its own shareholders' equity instruments, the amount of the counterpart paid including the directly attributable costs is accounted as a variation of shareholders' equity. The purchased shares are categorized as treasury shares and deducted from the shareholders' equity.

2.11 Provisions

A provision is accounted in the balance sheet if the Group has a current legal or implicit obligation resulting from a past event where it is likely that an outflow of resources representing economic benefits will be required to extinguish the obligation.

If the time value effect is significant, the provision is calculated by discounting the expected future cash flows at a rate, before tax, reflecting the market's current valuation of the time value of the money and if appropriate, the specific risks of this liability.

The Group does not recognize provisions :

For guarantees (10 year and 30 year)

Under the terms of the construction contract (article 4-4), the Group is insured against the financial consequences of its professional liability which it could incur under the application of articles 1792 and following and 2270 of the Civil Code.

The all-risks contracts taken out provide :

- A ten-year liability cover as defined by articles 1792 and 1792.2 of the Civil Code for building works which the Group performs, either in the capacity as structure lessor or as subcontractor,
- The civil liability cover for the civil liability which the Group may incur due to losses caused to a third party before or after acceptance of the works or following an error in siting the structure which it performs in his capacity as developer,
- Cover before acceptance of the works against structure's collapsing, attacks, storms, natural disasters.

We are only responsible for paying the deductibles per loss under these contracts. Any deductibles which may be owed are recorded in the contingency account.

Our Group has never been implicated or the subject of a judgment concerning thirty-year civil liability.

For termination losses

Termination losses are almost nonexistent. In addition, the average construction time (9 months) and the uniformity of the contracts restrict such a risk.

For default by subcontractors

The Group uses subcontractors to build almost all its houses.

The conclusion of a subcontracting contract is subject to the Group's internal procedures requiring the supply of a ten-year insurance certificate.

If a loss arises, the subcontractor's liability is systematically implicated by our insurance, which explains the lack of provisions.

An explanation note concerning each type of provision accounted is detailed under the note which provides details of the change in this item.

2.12 Revenues : recognition of turnover

The major part of the Group's turnover comprises the revenue from selling single detached houses resulting from a building contract.

Building contracts

When the result of a building contract can be reliably estimated, the revenue and the contract cost are accounted in the profit and loss statement in accordance with the contract's degree of advancement.

The results are realized in accordance with the proportional performance method from the date of the building site's programming (financing certificate, ownership of land and building permit obtained).

The percentage of advancement is determined on the basis of the actual costs incurred compared to the total budgeted costs which are periodically discounted, including the costs which are directly attributable to building sites. These costs include :

- The sales costs connected with the contracts for agents and employed representatives
- The technical costs connected with obtaining building permits
- Subcontracting
- Materials
- Insurance for the building site
- The direct production labour.

The turnover which is calculated for each building site is compared to the instalments and down payments received from customers in order to calculate a debit or credit balance for each building site which will be accounted for the balance sheet assets or liabilities.

Complete provisions are entered before any losses on termination, calculated on the basis of global cost in the fiscal year in which they are recorded. It must be remembered that such an eventuality is extremely rare.

2.13 Payments for ordinary rental contracts

Payments for ordinary rental contracts

The payments for ordinary rental contracts are accounted as expenses on a straight-line basis over the duration of the rental contract.

The benefits received form an integral part of the total net of rental expenses and are accounted in the result in accordance with the same rule.

The minimum payments for a lease-financing contract are broken down into financial expense and paying the debt.

The financial expense is allocated to each period covered by the leasing contract in order to obtain a constant periodical interest rate to apply to the balance of the outstanding debt.

Conditional payments are recognized by modifying the minimum payments over the period remaining to run on the contract if the adjustment of the amount of the rent is confirmed.

2.14 Financial income and expenses

The net financial result corresponds to the cost of gross financial indebtedness reduced by cash income, cash equivalents and cash management assets.

The cost of gross financial indebtedness comprises :

- the gross interest charges relating to the current and non current financial debt,
- amortization of financial assets or liabilities valued at the amortized cost,
- the results from hedging rates,
- the revenue and expenses which may be connected with accounting financial loans and debts at their fair value,

Cash income, cash equivalents and financial assets from cash management comprise :

- the interest income and expenses on cash, cash equivalents and financial assets from cash management,
- the income from cash equivalents and financial assets from cash management,
- the income and expenses on sales and variations in the fair value of cash equivalents and financial assets from cash management.

Cash discounts are deducted from the corresponding purchases and are therefore accounted in operating income.

Interest expenses are accounted in expenses for the fiscal year during which they are incurred.

2.15 Corporation tax

The corporation tax (expense or revenue) comprises the tax due expense (revenue) and the deferred tax expense (revenue). The tax is accounted in the result unless it is connected to elements which are directly accounted in shareholders' equity, in which case it is accounted as shareholders' equity.

The tax payable is :

- the estimated amount of the tax due for the taxable profit for a period, calculated by using the tax rates which are adopted or almost adopted on the closing date,
- any adjustment of the amount of payable tax for previous periods.

The deferred tax is calculated according to the balance sheet approach of the liability method of tax allocation for all the timing differences between the book value of the assets and liabilities and their tax basis.

Deferred tax is not recorded for the following elements :

- non tax deductible goodwill,
- the initial accounting of an asset or liability in a transaction which is not a grouping of companies and which does not affect the accounting profit or the taxable profit.
- the timing differences connected to interests in subsidiaries insofar as they will not invert in the foreseeable future.

The evaluation of deferred tax debits and credits is based on the way that the Group is expecting to recover or to settle the book value of assets and liabilities, by using the tax rates which are adopted or almost adopted on the closing date.

A deferred tax debit is only accounted if it is likely that the group will have future taxable profits which this asset can be attributed to.

Deferred tax credits are reduced if it is no longer likely that there will be sufficient taxable profit available. Additional tax which results from the distribution of dividends is accounted when the dividends are accounted in the liabilities.

2.16 Net earnings per share

The Group presents earnings for its basic ordinary shares and diluted shares.

The earnings per basic share are calculated by dividing the attributable results to the Company's ordinary shareholders by the weighted average number of ordinary shares in circulation during the period.

The diluted earnings per share is calculated by adjusting the result attributable to ordinary shareholders and the average weighted number of ordinary shares in circulation by the effects of all potential dilutive ordinary shares, which includes convertible bonds and stock-options awarded to the company's personnel.

2.17 Industrial sector information

A sector is a separate component of the Group which is involved in either supplying connected products or services (business sector), or in supplying products or services in a specific economic environment (geographical sector) and which is exposed to profitability risks which differ from those in other sectors.

Our Group's business activity is limited to real estate development, the sales and results of which are related in note 5.1.

Our Group's business activity is exclusively restricted to France in Départements which are not exposed to different risks or profitability and therefore it is unnecessary to provide information for each business sector.

2.18 New standards and interpretations not yet in force

New standards, amendments to standards and interpretations are not yet in force for the periods ending on December 31, 2006, and were not used to prepare the consolidated financial statements :

- IFRS 7 "Financial instruments : disclosures " and the amendment to IAS 1 " Presentation of financial statements : information to be supplied on capital" requires broader information to be supplied on the significance of financial instruments on an entity's financial position and performance and qualitative and quantitative information on the nature and the extent of the risks. IFRS 7 and IAS 1 as amended, whose application will be obligatory for the Group's 2007 financial statements, will result in more extensive additional information on the Group's financial instruments and capital.
- IFRIC 7 "Applying the restatement approach under IAS 29, Financial reporting on hyperinflationary economies" concerns the application of IAS 29 if an economy becomes hyperinflationist for the first time and in particular for recognizing deferred tax. IFRIC 7, which will be compulsorily applied in the Group's 2007 financial statements, should not impact the consolidated financial statements.
- IFRIC 8 "Scope of IFRS 2. Share-based payments " concerns accounting share-based payment transactions, where all or some of the property or services received have not been specifically identified. It will be obligatory to apply IFRIC 8 in the Group's 2007 financial statements retrospectively. The Group has not yet determined the potential impact of this interpretation.

- IFRIC 9 "Reassessment of embedded derivatives" requires an entity to re-examine whether an embedded derivative should be separated from the underlined host contract only if the contract is modified. The application of IFRIC 9 will be compulsory for the Group's 2007 financial statements but should not impact them.
- IFRIC 10 "Interim financial reporting and impairment" prohibits the use of an impairment loss recognized during a previous interim period for goodwill, an investment in an equity security instrument, or a financial asset valued at cost. IFRIC 10 must be compulsorily applied for the Group's 2007 financial statements and will apply to goodwill, investments in equity security instruments, and financial assets valued at cost prospectively from the date on which the Group applied the IAS 36 and IAS 39 evaluation criteria for the first time (i.e. from January 1, 2004). The application of IFRIC 10 should not impact the consolidated financial results.
- IFRIC 11 "IFRS 2 Group and treasury share transactions" notably concerns transactions where an entity gives members of its staff rights over the entity's own equity capital instruments.

3 INFORMATION ON THE SCOPE OF CONSOLIDATION

3.1 List of consolidated companies as of December 31 2006

Company name	Activity	Registered Office	ID n°	% Interest	Conso Method
Maisons France Confort	Construction	2, rte d'Ancinnes - 61000 ALENCON	095 720 314 00012	100.00	Parent
Maisons de L'avenir	Construction	19, rue Jean Jaures - 29000 QUIMPER	329 626 261 00021	99.97	GC
Maisons de l'Avenir Loire Atlantique	Construction	Chemin des Martinets - 44000 ORVAULT	444 593 172 00018	99.97	GC
Maisons de l'Avenir Ile et Vilaine	Construction	32b, rue de Rennes - 35510 CESSON SEVIGNE	487 606 626 00017	99.97	GC
Maisons de l'Avenir Morbihan	Construction	36, rue Jean Oberlé - 56000 VANNES	487 421 349 00019	99.97	GC
Maisons de l'Avenir Vendée	Construction	14, rue Claude Chappe - 85000 LA ROCHE SUR YON	492 101 720 00018	99.97	GC
OC Résidences	Construction	160, av Ch. de Gaule - 81100 CASTRES	328 252 671 00024	99.96	GC
Maisons BERVAL	Construction	La Haute Borne - 77100 MAREUIL LES MEAUX	348 279 381 00019	99.97	GC
GHPA (M. Bruno Petit)	Construction	Route de Lourdes - 65290 JUILLAN	349 124 693 00012	100.00	GC
MJB (Bruno Petit)	Construction	360 avenue de la Châtre - 36000 CHATEAURoux	404 481 491 00029	100.00	GC
MJB 18 (Bruno Petit)	Construction	56, rue Marcel Haegelen - 18000 BOURGES	451 406 854 00021	100.00	GC
Maisons Horizon	Construction	3bis, rue du Canal - 57950 MONTIGNY LES METZ	379 434 459 00044	100.00	GC
Azur et construction	Construction	rue Charles Dullin - 13500 MARTIGUES	395 037 187 00030	100.00	GC
Constructions Idéale Demeure	Construction	305, rue Giraudeau - 37000 TOURS	390 836 112 00024	100.00	GC
Maisons de la Côte Atlantique	Construction	110, av. du Peyrou - 33370 ARTIGUES PRES BORDEAUX	335 185 146 00024	75.00	GC
Maisons Charentes Atlantique	Construction	5, rue Pierre et Marie Curie - 17100 SAINTES	451 406 912 00027	75.00	GC
Maisons Côte Atlantique 40	Construction	816, av. du Marechal Foch - 40000 MONT DE MARSAN	492 440 409 00026	75.00	GC
Bati Soft Aquitaine	Construction	110, av. du Peyrou - 33370 ARTIGUES PRES BORDEAUX	480 081 140 00018	75.00	GC
Maisons MILLOT SAS	Construction	Arrenes - 23210 BENEVENT L'ABBAYE	329 693 279 00054	100.00	GC
Batimo	Construction	Arrenes - 23210 BENEVENT L'ABBAYE	424 328 037 00017	80.00	GC
Foncière Résidences	Real estate agent	2, rte d'Ancinnes - 61000 ALENCON	421 221 987 00017	100.00	GC
SCCV Le Jardin des Escourtines	Property development	2, bvd de Strasbourg - 94130 NOGENT SUR MARNE	450 280 896 00017	99.00	GC
SCCV La Gentilhommière	Property development	2, bvd de Strasbourg - 94130 NOGENT SUR MARNE	484 199 146 00016	50.00	PC
SCCV Résidence KENNEDY	Property development	29, rue des Montées - 45100 ORLEANS	453 009 532 00012	50.00	PC
S.A.R.L. Propriété Familiale	Property development	3, rue des Archers - 91150 ETAMPES	308 277 789 00035	29.95	EM
S.A.R.L. GEPHIMO	Property development	28, av. de Chanzy - 95130 FRANCONVILLE	408 494 870 00012	49.80	EM

GC = Global consolidation PC = Proportional consolidation EM = Equity Method

3.2 New acquisitions during the 2006 fiscal year

The changes in the consolidation period during the 2006 fiscal year, described below, do not significantly affect the comparability of MAISONS FRANCE CONFORT Group's consolidated financial statements. The table below summarizes the acquisitions made during the fiscal year :

Company name	Activity	Date of acquisition	% acquired	Note
F.M.I.	Holding company	01/01/2006	75	3.2.1
Maisons de la Côte Atlantique	Construction	01/01/2006	75	3.2.1
Bati Soft Aquitaine	Construction	01/01/2006	75	3.2.1
S.A.R.L. Propriété Familiale	Real estate development	01/06/2006	29.95	3.2.2
Maisons MILLOT SAS	Construction	01/10/2006	100	3.2.3
Batimo	Construction	01/10/2006	80	3.2.3

3.2.1 Acquisition of the MAISONS DE LA COTE ATLANTIQUE group

Maisons France Confort acquired 75 % of the capital in Maisons de la Côte Atlantique, located in the Aquitaine region on January 1, 2006. This acquisition was made as follows :

- By acquiring 70.57 % of the "FMI" holding company which held 84.96 % of MCA on this date,
- By directly acquiring 15.04 % of MCA.

"FMI" possessed 100 % of S.A.R.L. BATISOFT' s shares, a Construction company who works exclusively with MAISONS DE LA COTE ATLANTIQUE.

During the 2nd six months of 2006, FMI and MCA were retroactively merged on January 1, 2006 without impact in the Group's consolidated accounts so that MAISONS FRANCE CONFORT Group directly held 75 % of MAISONS DE LA COTE ATLANTIQUE on December 31, 2006.

The key figures concerning this subsidiary during the 2006 fiscal year are as follows (€K) :

Turnover ·	: € 39,025 K
Operating result ·	: € 4,862 K
Net result ·	: € 2,799 K

· data of the subgroup comprising MCA / MCA 17 / MCA 40 and BATISOFT.

3.2.2 Acquisition of 29.95 % of SARL Propriété Familiale

Foncière Résidences acquired 29.95 % of the SARL Propriété Familiale on June 1, 2006 in performance a real estate development programme in partnership with the sector's professionals. This company which did not record any business activity over the fiscal year is accounted for by the equity method.

3.2.3 Acquisition of 100 % of Maisons MILLOT

Maisons France Confort acquired 100 % of the shares in "MAISONS MILLOT" on October 1, 2006. This company is implanted in the Limousin region mainly in the Creuse and Haute-Vienne Départements and recently in Corrèze. This company owns 80% of S.A.R.L. BATIMO's shares, which is a Construction company who does business exclusively with MAISONS MILLOT.

The key figures for 2006 fiscal year for this subsidiary are as follows (€K) :

Turnover ·	: €3,333 K
Operating result ·	: €306 K
Net result ·	: €220 K

· data for the subgroup comprising MILLOT / BATIMO for the period October 1, 2006 to December 31, 2006

Cash flows on acquired assets and liabilities

The table below shows the impact of these acquisitions on the Group's cash flow.

EFFECT OF FINANCED INVESTMENTS ON CASH FLOWS

(in thousands of euros)	TOTAL
Cash and equivalents	4,530
Other assets	22,082
Other liabilities	(20,910)
Net acquired assets (A)	5,702
Goodwill (B)	7,680
Disbursement (A) + (B) *	13,382
Acquired cash	(5,250)
Net disbursement	8,132

* Part financed by loan : € 11,000 K

3.3 Other changes in the scope of consolidation which do not affect the consolidated accounts

Merger of ITC and CID

Maisons France Confort acquired Société Constructions Idéale Demeure, located in Indre et Loire through its holding company, Investissement Tours Constructions, on October 3, 2005. These two companies were retroactively merged to January 1, 2006 without any impact on the Group's consolidated accounts.

Creation of new structures

Three new structures were created within the scope of our internal development in order to reinforce our presence in Départements where the Group is not yet present :

- "MAISONS DE L'AVENIR VENDEE" in the Département of the Vendée,
- "MAISONS CHARENTE ATLANTIQUE" in the Département of Charente-Maritime,
- "MAISONS DE LA COTE ATLANTIQUE 40" in the Département of Landes.

4 NOTES ON THE CONSOLIDATED BALANCE SHEET

4.1 Intangible fixed assets

Gross	Development costs	Licenses, patents and similar rights	Other intangible assets	Total
01/01/2005	-	677	1,535	2,213
Changes in the scope of consolidation	-	21	23	44
Investments and other increases	-	139	-	139
Sales and misc reductions	-	(52)	-	(52)
31/12/2005	-	785	1,558	2,344
2006 flows				
Changes in the scope of consolidation	-	60	32	92
Investments and other increases	-	202	109	311
Sales and misc reductions	-	(14)	(10)	(25)
31/12/2006	-	1,033	1,689	2,722
Amortization, depreciation, and impairment in value	Development costs	Licenses, patents and similar rights	Other intangible assets	Total
01/01/2005	-	620	34	653
Changes in the scope of consolidation	-	9	-	9
Sales and misc reductions	-	(52)	-	(52)
Expenses and write backs	-	69	30	98
31/12/2005	-	645	63	709
2006 flows				
Changes in the scope of consolidation	-	48	-	48
Sales and misc reductions	-	(9)	-	(9)
Expenses and write backs	-	109	14	123
31/12/2006	-	794	77	871
Net	Development costs	Licenses, patents and similar rights	Other intangible assets	Total
31/12/2005	-	140	1,495	1,635
31/12/2006	-	239	1,612	1,851

The trademarks and lease rights, which are not used, were totally depreciated for their acquisition value

The value recognised in the balance sheet for intangible assets, which continued to be exploited by the group, is established by :

- Sales during the fiscal year of trademarks and businesses,
- The sites for the lease rights.

4.2 Goodwill

Change in the line item's net value on 31/12/2006

Gross	Gross Value	Depreciation	Net value
01/01/2005	5,994	-	5,994
Changes in scope of consolidation	3,640	-	3,640
Impairment in value (expense)	-	-	-
31/12/2005	9,634	-	9,634
2006 flows			
Changes in scope of consolidation	7,680	-	7,680
Impairment in value (expense)	-	-	-
31/12/2006	17,314	-	17,314

Distribution of the Goodwill per cash generating unit (CGU)

Goodwill Net	31/12/2006	31/12/2005
Maisons de l'avenir	1,347	1,347
OC Résidences	1,000	1,000
Maisons BERVAL	731	731
GHPA	601	601
MJB	1,104	1,104
Maisons Horizon	1,211	1,211
Azur & Construction	1,572	1,572
Constructions Idéale Demeure	2,068	2,068
Maisons de la Côte Atlantique	5,841	-
Maisons MILLOT	1,839	-
TOTAL	17,314	9,634

To date, all the MAISONS FRANCE CONFORT Group's subsidiaries have been acquired at a firm and final price. and although acquisitions stipulated a liabilities guarantee, no liabilities guarantee has been activated to date.

The outstanding 25% to be acquired for Maisons de la Côte Atlantique were acquired in a unilateral purchase (and sale agreement by the initial shareholder) to be performed between April 30 and June 30, 2011. The final price has not yet been fixed, as the method for valuing the remaining 25 % is conditional on the company's future results, and the distribution of dividends resulting from this, and therefore the sale price cannot be calculated on today's date with a reasonable degree of reliability. Consequently, the Group considers that it is not able to determine the future debt for this acquisition.

Goodwill of €5,841K was recorded for this interest, 75% of which was acquired. This company was consolidated for the first time during the 2006 fiscal year, at a rate of 75 %. This interest contribution's to the Group's consolidated income totals €2,799K, which the minority income of €698K must be subtracted from.

The valuation of this future debt will of course be reconsidered during each subsequent fiscal year between now and 2010, the date preceding the buy-back of the minorities' interest.

No value impairment was revealed by the depreciation tests performed on this goodwill to December 31 2006 in accordance with note 2.9.

The method of calculating the recoverable value of the CGU from which the goodwill was appropriated, the balance sheet values of which are significant, is set out below.

The recoverable value of the CGUs listed above was calculated by calculating the utility value using the discounted cash flow method (DCF) in accordance with the following principles:

- The cash flows come from the management's operating forecasts for the forthcoming fiscal year with growth projections for the following two years. These projections directly correlate with the order books of the different entities.
- The discounting rate used. This rate is the Government Bond Average Rate increased by a risk coefficient rate depending on the order book's visibility (18 month). This rate reflects the market's current valuations and transactions and the specific risks of these assets
- A terminal value.

4.3 Tangible assets

The movements in the gross value of tangible fixed assets and corresponding depreciation during the fiscal year can be summarised as follows :

Gross	Land and buildings	Plant property and equipment	Other tangible assets	Fixed assets in progress	Total
01/01/2005	6,183	465	4,036	13	10,697
Transfers between items and others	(11)	-	11	-	-
Changes in the scope of consolidation	-	1	228	-	229
Investments and other increases	265	192	956	389	1,802
Sales and masc. reductions	(34)	(101)	(361)	-	(496)
31/12/2005	6,404	558	4,868	402	12,232
Including lease financing	-	-	169	-	169
2006 flows					
Changes in the scope of consolidation	164	185	961	312	1,622
Investments and other increases	576	54	1,865	1,042	3,537
Sales and masc. reductions	-	(8)	(681)	-	(689)
31/12/2006	7,648	716	7,086	1,252	16,702
Including lease financing	-	-	169	-	169
Amortization, depreciation, and value impairment	Land and buildings	Plant property and equipment	Other tangible assets	Fixed assets in progress	Total
01/01/2005	2,352	357	2,701	-	5 410
Transfers between items and others	(5)	-	5	-	-
Changes in the scope of consolidation	-	1	140	-	141
Investments and other increases	(30)	(101)	(320)	-	(451)
Sales and masc. reductions	140	78	585	-	804
31/12/2005	2,457	336	3,111	-	5,904
Including lease financing	-	-	169	-	169
2006 flows					
Changes in the scope of consolidation	103	59	469	-	631
Sales and masc. reductions	-	(6)	(599)	-	(605)
Expenses and write backs	157	93	937	-	1,187
31/12/2006	2,716	482	3,919	-	7,117
Including lease financing	-	-	169	-	169
Net	Land and buildings	Plant property and equipment	Other tangible assets	Fixed assets in progress	Total
31/12/2005	3,948	222	1,757	402	6,328
Including lease financing	-	-	-	-	-
31/12/2006	4,932	234	3,167	1,252	9,585
Including lease financing	-	-	-	-	-

4.4 Interests in affiliated companies

The 'shares accounted for by the equity method' item in the balance sheet is broken down as follows:

(thousands of Euros)	GEPHIMO	Family owned	TOTAL
01/01/2005	-	-	-
Changes in the scope of consolidation	71	-	71
Percentage of the income	-	-	-
31/12/2005	71	-	71
Changes in the scope of consolidation	365	-	365
Percentage of the income	-	30	30
31/12/2006	436	30	466

The table below summarises the financial information relating to the investments in the affiliated companies:

(thousands of Euros)	GEPHIMO	Family owned
Non current assets	6	8
Current assets	2,410	1,702
TOTAL ASSETS	2,416	1,710
Shareholders' equity	203	1,219
Non current liabilities	1,553	-
Current liabilities	660	491
TOTAL LIABILITIES	2,416	1,710
Turnover	1,035	-
Operating income	161	-

4.5 Other financial assets

Gross	Non consolidated interests	Loans	Other financial assets	Total
01/01/2005	8	145	257	409
Changes in the scope of consolidation	-	-	29	29
Investments and other increases	-	9	76	86
Sales and misc reductions	(3)	(22)	(3)	(28)
31/12/2005	5	132	359	496
2006 flows				
Transfers between items	(5)	-	-	(5)
Changes in the scope of consolidation	183	769	70	1,021
Investments and other increases	-	26	108	134
Sales and misc reductions	(183)	(777)	(47)	(1,007)
31/12/2006	0	150	489	640
Amortization, depreciation, impairment	Non consolidated interests	Loans	Other financial assets	Total
31/12/2005	-	-	-	-
2006 flows				
Changes in the scope of consolidation	8	35	-	43
Investments and other increases	-	-	9	9
Sales and misc reductions	(8)	(35)	-	(43)
31/12/2006	-	-	9	9
Net	Non consolidated interests	Loans	Other financial assets	Total
31/12/2005	5	132	359	496
31/12/2006	0	150	481	631

The impairment tests performed on the equity interests did not disclose any deferred capital losses

4.6 Non current tax assets

Deferred tax debits	31/12/2006	31/12/2005
Non deductible provisions	235	214
Employee profit-sharing	307	-
Error correction (cf. note 4.11)	-	697
Loss activation	33	-
Security purchase costs	157	-
Others	34	12
TOTAL	766	923

4.7 Inventories and work in progress

The inventories to December 31, 2006 as well as the change in their gross value compared to the previous year is as follows:

Inventories	31/12/2006			31/12/2005		
	Gross	Loss in value	Net	Gross	Loss in value	Net
Land	7,608	(77)	7,531	3,611	(77)	3,534
Raw material joinery workshop	421	-	421	289	-	289
Work in progress	-	-	-	177	-	177
TOTAL	8,030	(77)	7,952	4,077	(77)	3,999

4.8 Accounts receivable

Customer	31/12/2006			31/12/2005		
	Gross	Loss in value	Net	Gross	Loss in value	Net
Customer receivables on contracts in progress (net)	71,121	-	71,121	49,724	-	49,724
Down payments received	12,840	(1,457)	11,383	9,677	(1,163)	8,514
TOTAL	83,961	(1,457)	82,504	59,401	(1,163)	58,238

Breakdown of receivables on contracts in progress	31/12/2006	31/12/2005	Change
Customer receivables on contracts in progress	235,978	172,522	63,456
Down payments received	(170,180)	(126,293)	(43,887)
Balance	65,799	46,229	19,570
Debit balances (assets)	71,121	49,724	21,397
Credit balances (liabilities)	(5,322)	(3,495)	(1,827)

4.9 Miscellaneous debts

The 'miscellaneous debts' item to December 31, 2006 and its change compared to the previous fiscal year is shown as follows

(K€)	31/12/2006	31/12/2005	Change	Of which changed scope of consolidation
State – VAT debts	35,557	29,721	+ 5,836	+ 2,608
State – Other receivables	95	153	- 58	+ 6
Agents/sales reps instalments on portfolio sales	5,976	5,698	+ 278	+ 1 036
Other creditors	2,864	2,417	+ 447	+ 251
TOTAL MISC DEBTS	44,492	37,989	+ 6,503	+ 3,901

4.10 Cash and cash equivalents

This item is broken down as follows :

(K€)	31/12/2006	31/12/2005	Change
Investment securities	50,777	39,392	+ 11,385
Cash	18,597	12,047	+ 6,550
TOTAL CASH	69,374	51,439	+ 17,935

4.11 Consolidated shareholder's equity

MAISONS FRANCE CONFORT SA's share capital as of December 31 2006 was comprised of 6,937,593 ordinary shares, fully paid up with a nominal value of €0.18.

(K€)	31/12/2006	31/12/2005
Share capital	1,250	1,250
Premium	7,021	7,021
Legal reserve	125	125
Regulatory reserve		
Group reserves	29,240	19,491
Retained earnings	453	705
Group profit	20,206	15,036
TOTAL SHAREHOLDERS' EQUITY	58,294	43,627

The changes in this item were detailed in the 'changes in shareholders equity' table

Correction of error

The works to set up methods and tools using IFRS standards were refined during the first six months of 2006, especially as the universal transfer of the assets base of FC PROMOTION and FC PACARA changed the Group's marketing organization from January 1 2006. All these works resulted in modifying the opening balance sheet on January 1 2004 in accordance with the IAS 11 standards for construction contracts which reduced consolidated shareholders' equity on January 1 2005 by 1.4 million euros.

These modifications do not have a significant impact on the 2005 result (€66K net). The balance sheet as of 31/12/2005 takes this correction into account, and the table below summarizes the impacts on the 31/12/2004 and 31/12/2005 balance sheets.

(€K)	31/12/2004			31/12/2005		
	Before correction	After correction	IMPACT	Before correction	After correction	IMPACT
ASSET						
Deferred tax asset	226	958	732	226	923	697
Various receivables	37,452	37,880	428	37,452	37,989	537
TOTAL IMPACT ON ASSET			1,159			1,234
LIABILITIES						
Shareholders' equity	44,959	43,566	-1,393	44,959	43,632	-1,327
Tax and social security debts	42,165	42,366	201	42,165	42,384	219
Suppliers	59,805	62,157	2,352	59,805	62,147	2,342
TOTAL IMPACT ON LIABILITIES			1,159			1,234

Changes in shareholders' equity not transiting through the profit and loss statement

(€K)	31/12/2006	31/12/2005	Variation
Treasury shares (1)	326	771	(445)
Financial instruments for hedging cash flows	-	-	-
Conversion reserve	-	-	-
Share payments	-	-	-
TOTAL	326	771	(445)

(1) The reserve of treasury shares includes the cost of the company shares held by the Group. The variations seen during the fiscal year come from:

- Purchase and sale movements to coordinate the sale price,
- An expense provision accounted in MAISONS FRANCE CONFORT' s accounts, neutralized in the consolidated shareholders' equity, aiming to cover the company' s cost in 2008 for allocating 11,879 free shares to the company' s employees following the Board of Directors' decisions dated July 3, 2006.

MAISONS FRANCE CONFORT held 56,903 treasury shares valued at €491K on 31/12/2006.

Dividends

The amount of dividends paid by the parent company is as follows:

	Fiscal year 2006	Fiscal year 2005	Fiscal year 2004
Dividend paid (€K)	5,982.6	4,013.0	2,298.7
I.e. by ordinary shares (Euros)	0.87	0.58	0.33

The amount of the dividend which will be proposed to the General Meeting which approves the accounts for the fiscal year closed on December 31, 2006 will total €1.17 per share.

4.12 Deferred tax credits

Deferred tax credits	31/12/2006	31/12/2005
Approach by component	67	89
Others	7	37
TOTAL	74	126

4.13 Net financial debt

The concept of net financial debt, as defined by the Group can be detailed as follows

Net financial debt	31/12/2006	31/12/2005
Cash and cash equivalents	69,374	51,439
Cash management financial assets	-	-
Active cash flow (A)	69,374	51,439
Non current financial debts	11,417	4,989
Current financial debts	7,477	5,724
Gross indebtedness (B)	18,894	10,713
Net indebtedness (B)-(A)	(50,480)	(40,726)

The Group's net financial debt is distributed as follows per category and due day on December 31, 2006 :

(€K)	Balance 31/12/2006	Share - 1 year	From 1 to 5 years	+ 5 years
Loans with financial institutions	15,359	4,550	10,556	253
Bank accommodation	1,829	1,829		
Profit-sharing funds	793	185	608	
Accrued interest	57	57		
Other loans and financial debts	856	856		
TOTAL FINANCIAL LIABILITIES	18,894	7,477	11,164	253

All the loans were contracted in € (no foreign exchange risk exposure)

All the loans were contracted at a fixed interest rate

4.14 Non current provisions

Concurrent provisions are constituted by the provisions for retirement payments for employees. The change in this item is broken down as follows:

(€K)	Staff benefits
01/01/2005	14
Changes in consolidation	-
Allowances	45
31/12/2005	59
	-
2006 flow	-
Changes in consolidation	82
Write backs used	(74)
Write backs not used	-
31/12/2006	67

The Group outsources the management of its retirement payments to an insurance company. This outsourced management does not exonerate the Group from its legal or implicit obligation to pay. The commitments made were evaluated on 31/12/2006 in accordance with the retrospective method for the credit units planned with the end of career salary (in accordance with the IAS 19 standard) the characteristics of which are as follows:

Annual salary increase rate	: 2%
Mortality table used	: INSEE 2003 (French national Statistics Office)
Discounting rate applied	: 4.60 %
Departure assumption applied	: Voluntary departure at average age of 63
Turnover rate used	: Slow turnover
Employer's charges rate used	: 42 % (Clerks/Managers) - 30 % (Sales reps)

The calculation of the commitment at 31/12/2006 totals €1,222 K. The valuation of the dedicated fund managed by an outside organization totals €1,163 K on 31/12/2006.

4.15 Current provisions

(€K)	Disputes, litigation (1)	After sales	Other provisions	Total
01/01/2005	1,542	748	203	2,493
Conversion differences	-	-	-	-
Transfers between captions and others	18	-	(18)	-
Changes in the Scope of consolidation	107	125	-	232
Expenses	895	837	-	1,732
Write backs used	(605)	(73)	(43)	(721)
Write backs not used	(28)	(15)	(55)	(98)
31/12/2005	1,929	1,622	87	3,638
2006 flows				
Conversion differences	-	-	-	-
Transfers between captions and others	-	-	-	-
Changes in the Scope of consolidation	80	128	-	208
Expenses	1,269	1,344	6	2,620
Write backs used	(1,062)	(967)	(87)	(2,116)
Write backs not used	-	-	-	-
31/12/2006	2,216	2,127	6	4,350

(1) including :

- Building site provisions	2,156
- Industrial dispute provisions	40
- Other dispute provisions	20

These provisions were not the subject of any financial discounting due to their short-term nature (insignificant nature).

No possibly significant liabilities (disputes likely to result in an outflow of resources) had been identified on the date the accounts closed.

The current provisions notably include:

Provisions for disputes

These are evaluated for the probable outflows of resources caused by ongoing trials or disputes whose causative event existed on the date of the close. Provisions for disputes and litigation include the estimated disbursements for the disputes, litigation and claims by third parties. They also include the charges for disputes of a social or tax nature.

The “After-Sales Service” provisions

These provisions are intended to cover the additional costs to the Group for a period of around 3 to 4 years after receipt of the building site.

This provision is based on the turnover multiplied by a statistical rate established on the basis of the after-sales service expenses recorded in previous fiscal years.

This statistical rate is calculated each year from the after-sales service reference information specific to each company in the Group.

4.16 Debts on contracts in progress

(€K)	31/12/2006	31/12/2005	Variation
Customer down payments in work in progress	5,322	3,495	+ 1,827
Customer down payments on work in progress	4,550	4,399	+ 151
TOTAL DEBTS ON CONTRACTS IN PROGRESS	9,872	7,894	+ 1,978

4.17 Trade payables and associated accounts

(€K)	31/12/2006	31/12/2005	Change	Of which change in the scope of consolidation
Suppliers' accounts	63,546	46,929	+ 16,617	+ 4,328
Notes payable	16,517	15,218	+ 1,299	+ 422
TOTAL	80,063	62,147	+ 17,916	+ 4,750

4.18 Tax and social security debts

(€K)	31/12/2006	31/12/2005	Change	Of which change in the scope of consolidation
State - VAT accounts	40,925	32,551	+ 8,374	+ 4,232
State – other debts	7,574	1,432	+ 6,142	+ 1,314
Employees and social security	11,836	8,401	+ 3,435	+ 842
TOTAL TAX AND SOCIAL SECURITY DEBTS	60,335	42,384	+ 17,951	+ 6,388

The tax and social security debts are mainly composed of the VAT on future invoices for work in progress (cannot be set off against the VAT on down payments received). The change in this item is therefore directly connected to the business activity.

4.19 Other creditor accounts

(€K)	31/12/2006	31/12/2005	Change	change in scope of consolidation
Insurance	998	1,516	- 518	
Other creditors	224	386	- 162	+ 1
TOTAL	1,222	1,902	- 680	+ 1

4.20 Receivables and debts maturity dates

(€K)	1 YEAR AT MOST	MORE THAN 1 YEAR	TOTAL
Customers and other debtors	126,996	-	126,996
Suppliers and other creditors	151,492	-	151,492

5 NOTES ON THE CONSOLIDATED PROFIT AND LOSS STATEMENT

5.1 Breakdown of the turnover

(K€)	31/12/2006	31/12/2005
Sales of houses	422,415	323,688
Services	2,567	3,202
TOTAL TURNOVER	424,982	326,889

The Group's real estate development activity is marginal. The turnover in the fiscal year for this activity totals €9,918 K. The 2006 income for this activity is €317K.

5.2 Consumed purchases

(K€)	31/12/2006	31/12/2005
Raw materials	89,209	64,228
Other purchases and external charges	245,576	196,787
TOTAL PURCHASES CONSUMED	334,785	261,014

5.3 Staff charges

(K€)	31/12/2006	31/12/2005
Salaries and pay	35,089	25,865
Social security charges	18,473	13,631
TOTAL STAFF CHARGES	53,562	39,495

5.4. Taxes and charges

The tax and charges burden appearing in this item principally involves the business tax and the solidarity contribution tax (Organic tax).

5.5 Corporation tax

Breakdown of the tax charge	31/12/2006	31/12/2005
Current tax charge	11,467	5,757
Deferred tax	(616)	2,171
Total tax charge	10,852	7,928

The deferred tax rate for the fiscal, year closed on December 31 2006 is 34.43% (ordinary tax rate).

RATIONALISATION OF THE TAX RATE

	31/12/2006	31/12/2005
Net income group share	20,205	5,036
Restatements		
Corporation tax	10,852	7,928
Equity method result	(30)	(51)
Minority interests	698	3
Net result before tax on the income and minority interest	31,725	22,917
Legal taxation rate in France	34,4%	34,9%
Non deductible expenses	0.1%	0.1%
Franchise not subject to social security (3.30 %)	-0.1%	-0.1%
Other net differences	-0.2%	-0.3%
Actual tax rate	34.2%	34.6%

6 OTHER INFORMATION

6.1 Off balance sheet

Commitments given	Payments owed by period			TOTAL
	-1 year	From 1 to 5 years	+ 5 years	
Guarantees and sureties			390	390
Other commitments		2,568		2,568
TOTAL		2,568	390	2,958

Commitments received	Payments owed by period			TOTAL
	-1 year	From 1 to 5 years	+ 5 years	
Guarantees and sureties	42,380	0	0	42,380
Other commitments	146	1,349	0	1,495
TOTAL	42,526	1,349	0	43,875

The commitments received are mainly constituted by the payment guarantees for subcontractors granted by a pool of banks in return for an annual payment calculated in accordance with the Group's subcontractor's liability.

6.2 The Group's average workforce

	31/12/2006	31/12/2005
Managers	92	65
Sales representatives	230	171
White / blue collar workers	719	584
AVERAGE WORKFORCE	1,041	820
Men	740	580
Woman	301	240

6.2 Market risks

Interest rate exposure

The Group's financial result is little affected by changes in interest rates as the whole of the indebtedness is at a fixed rate.

Foreign exchange risk

MAISONS FRANCE CONFORT Group performs its activity exclusively in France. There are no assets or monetary liabilities denominated in foreign currency on the date of the close, therefore there is no foreign exchange risk.

Credit and counterparty risk

The bank loan contracted by MAISONS FRANCE CONFORT Group does not include any financial ratio clause or anticipated maturity connected with rating.

MAISONS FRANCE CONFORT Group only contracts investments with first rate counterparties in order to limit the counterparty risk.

6.3 Information on related parties

Remuneration of senior corporate executives

The remuneration paid to the two senior corporate executives (2 company agents) in the 2006 fiscal year totals €680K which is broken down as follows :

Remuneration	: €678K
Benefits in kind	: NONE
Attendance fees	: €2K

In addition, the outsourced share of this sum connected to the end of year severance pay obligations for these senior corporate executives' totals €107 K.

Transactions with other related parties

The only transaction with the other related parties concerns the bookkeeping costs invoiced to the 'MFC PROU-INVESTISSEMENTS' family holding company by MAISONS FRANCE CONFORT for an annual amount of 1,000 Euros.

6.4 Events after the closure of the accounts

Creation of MAISONS DE LA COTE ATLANTIQUE 24

MAISONS DE LA COTE ATLANTIQUE 24 was created as part of our internal development to strengthen our presence in the Département of the Dordogne. This subsidiary is held 100% by MAISONS DE LA COTE ATLANTIQUE.

3. STATUTORY AUDITOR'S REPORT ON THE CONSOLIDATED ACCOUNTS

Dear Ladies and Gentlemen the shareholders,

We have audited the consolidated accounts of Maisons France Confort S.A. for the fiscal year closed on December 31, 2006 as appended to this report, in performance of the assignment which was entrusted to us by your General Meeting.

Your Board of Directors drew up the consolidated accounts. We are responsible for giving an opinion on these accounts based on our audit.

1. Opinion on the consolidated accounts

We performed our audit in accordance with professional standards applicable in France. These standards require that we can perform the necessary actions to obtain the reasonable assurance that the consolidated accounts are free of any significant misstatements. The audit involves examining the probative elements justifying the data contained in these accounts, by sampling. It also involves evaluating the accounting principles followed and the significant estimates made to draw up the accounts and assessing the overall presentation. We consider that our controls provide a reasonable basis for the opinion expressed below.

We hereby certify that the consolidated accounts for the fiscal year, with respect to the IFRS referential as has been adopted in the European Union, are regular and honest, and portray a true picture of the assets and liabilities, the financial position as well as the result of the Group which is constituted by the persons and entities included in the consolidation.

Without calling the opinion expressed above into question, we draw your attention to note 4.11 of the notes on "consolidated shareholders' equity", which mentions a correction of an error, following the application of the IAS 11 standards concerning construction contracts, and its estimated impact on the consolidated shareholders' equity to January 1 2005, and on the result for the 2005 fiscal year

2. Justification for the evaluations

Under the application of the provisions of article L.823-9 of the Commercial Code concerning the justification for our evaluations we are informing you of the following information :

- Note 4.11 to the consolidated accounts shows the error correction which resulted in a modification to the opening balance sheet as of January 1, 2005 in accordance with the IAS 11 standard concerning construction contracts.

We had to assess the merits of this error correction when assessing the accounting principles used by your company. We checked the value of the adjustments caused by this correction and the consolidation processing to account it. We examined the information given concerning this note 4.11 of the consolidated accounts.

- Your company recognizes income and the costs relating to construction contracts in accordance with the terms described in note 2.12 of the consolidated accounts. The result recorded in accordance with the degree of progress of the contracts depends on the termination result estimates for building sites in progress.

On the basis of the information disclosed to us, our work involved assessing the data and the assumptions on which the evaluations of the results on termination of these contracts are based, checking the calculations made by the company, comparing the evaluation of the results on termination with previous periods with corresponding production, and examining the procedures by the management for approving these estimates.

- The company systematically performs an impairment of value test on goodwill and intangible assets with an indefinite life and also evaluates the impairment of value index, if one exists, on long-term assets, using the methods described in notes 2.9, and 4.2 of the financial statements. We examined the way this impairment value test is applied and the cash flow forecasts and the assumptions used and we checked that the above notes provide appropriate information.
- Notes 2.16 and 4.15 to the financial statements mention the judgements and significant estimates, which the management uses for provisions. We examined the procedures used in Maisons France Confort, which enables them to be identified, value and translated into the accounts.

We evaluated the approach used by the Group, on the basis of the information available today and performed tests sampling to check the application of these methods.

Our assessments enabled us to ascertain the reasonable nature of these estimates.

These assessments form part of our audit of the consolidated accounts as a whole and therefore contributed to forming our opinion which is expressed in the first part of this report.

3. Specific verification

In addition, we also checked the information given in the Group's management report, in accordance with the professional standards applicable in France. We have no comments to make on their accuracy or their concordance with the consolidated accounts.

Alençon and Caen, April 30 2007

The Statutory Auditors

KPMG Audit
Department of KPMG S.A.

Socogec Inextenso

Thierry LEFEVRE
Partner

Yves GOUHIR
Partner

Alain MUELLE
Partner

Eric PIOU
Partner

LEGAL AND STOCK MARKET INFORMATION

1. GENERAL INFORMATION ON THE COMPANY AND ITS SHARE CAPITAL

Company name (article 2 of the memorandum and articles of association)

MAISONS FRANCE CONFORT (MFC)
(formerly M. F.C. Prout Frères SA)

Registered office

2, route d'Ancinnes - 61000 Alençon

Legal form

A Public Limited Company under French law, with a Board of Directors, governed by articles L210-1 to L248 -1 of the Commercial Code and the decree of March 23 1967.
The Company, first founded in 1919 as a general partnership, was transformed into a Limited Liability Company on 2 January 1950, and later into a Public Limited Company on 1 May 1979.

Nationality

French

Date of the constitution and the duration of the Company

The Company was constituted for a period of 99 years counting from its registration at the Commercial and Companies Registry of Alençon.
MAISONS FRANCE CONFORT shall come to the end of its life on 1 May 2078, except for extension or early dissolution resolved by the Extraordinary General Meeting.

Corporate objects (article 3 of the Memorandum and Articles of Association)

The Company's objects are :

- To trade in any and all construction materials;
- The design, marketing, manufacture and execution by means of employing all trades, coordination, and project management for custom or built-to-order single family detached homes, the development or sale of property for future completion, the above applying to all buildings in general;
- The purchase, fitting out or landscaping, renovation and resale of all types of land and buildings,
- The provision of information technology and consulting services, the operation of networked sites linked to the abovementioned activities;
- and, generally, all commercial, industrial and financial, real and personal property transactions relating directly or indirectly to the abovementioned object and likely to contribute to its development, all to the extent permitted by legislation in effect from time to time.

Trade and Companies' register

RCS Alençon B 095 720 314

NAF business activity code

452 A

Repositories of documentation and information on the Company

The Memorandum, Articles of Association and By-laws, Financial Statements and Annual Reports and Minutes of General Meetings may be consulted at the registered head office and headquarters of MAISONS FRANCE CONFORT.

Fiscal year (article 17 of the Memorandum and Articles of Association)

The Company's fiscal year begins on 1 January and ends on 31 December.

Thresholds and limits

Except for the legal thresholds and limits defined by Article L 233-7 of the French Commercial Code, the Company has not set up legal limitations that are subject to reporting.

Distribution of profits according to the Company's Memorandum and Articles of Association

(Article 18 of the Memorandum and Articles of Association)

The difference between the income and the expenses recorded in the fiscal year after deduction of amortisation, depreciation and provisions constitutes the profit or loss for the fiscal year.

Five per cent of the profit, reduced, if applicable, by prior losses carried forward, is retained to constitute the legal reserve fund. This retention is no longer mandatory once the reserve fund reaches a sum equal to one tenth of the Company's share capital. It is reinstated whenever, for any reason whatsoever, the reserve drops below the one-tenth level.

The profit to be distributed consists of the profit for the fiscal year reduced by prior period losses and the abovementioned allocation to legal reserves, and increased by prior period profits carried forward.

This profit is placed at the disposal of the General Meeting which, acting upon a proposal from the Board of Directors, may carry it forward, allocate it to special or general reserve funds or distribute it to the shareholders as a dividend.

In addition, the Meeting may decide the allocation to distribution of amounts withdrawn from reserves at its disposal; in this case, the resolution must explicitly indicate the reserve accounts from which the withdrawals are made.

However, the dividend is preferably created from the distributable profits for the fiscal year.

Gains or losses on revaluation are not available for distribution, but may be capitalised in whole or in part.

The Meeting is empowered to grant each shareholder, for all or part of the dividend or for payments on account of dividends for distribution, an option between payment in currency or in shares for the dividends or payments on account of dividends.

Identifiable bearer shares *(Article 9 of the Memorandum and Articles of Association)*

Pursuant to Articles L 228-2 and L 228-3 of the French Commercial Code, the Company is entitled to request at any time from the SICOVAM (Société Interprofessionnelle pour la Compensation des Valeurs Mobilières, Interprofessional Securities Compensation Company) the name, in the case of natural persons, or, in the case of a legal person, the denomination, nationality and address of the holder of such bearer shares granting immediate or future voting rights in the Company's Meetings of Shareholders, as well as the number of shares held by each such person, and, if applicable, the restrictions potentially applying to such shares in return for payment.

General Meetings

Shareholder Meetings are called and deliberate subject to the conditions stipulated by law and the Company's by-laws.

They take place at the Company's registered office, headquarters, or at any other place located in the same French Département.

Every shareholder is entitled to participate in General Meetings, or to appoint a proxy to represent him or her, regardless of the number of shares held, provided that such shares are fully paid up and registered in his or her name at least five days before the date of the Meeting. The Board of Directors may reduce this period by means of a general measure applicable to all shareholders.

Any shareholder owning shares of any given category may participate in the Special Shareholder Meetings concerning that category, in accordance with the conditions set out below.

Votes are cast either by raising of hands or by roll-call. Secret ballots can be held, in accordance with a method to be determined by the Meeting, only at the request of members representing, the majority required to vote on the resolution in question either on their own name or in their capacity as proxies.

Each member of the Meeting is entitled to as many votes as the number of shares he or she owns or represents, without limitation, subject to the provisions of company statute or legal stipulations potentially restricting the exercise of such right.

Whenever a certain number of shares are required to exercise a given right, it shall be the responsibility of shareholders not owning the required number of shares to make for the necessary grouping arrangements.

Double voting rights

Every shareholder is entitled to as many votes as he or she owns or represents shares, without limitation, subject to the restrictions provided by law. The Memorandum and Articles of Association do not stipulate entitlement to double voting rights.

Share capital

The Company's share capital is €1,250,000 divided into 6,937,593 ordinary, fully paid up shares. The total number of voting rights as of 31/12/2003 is 3,697,196 excepting treasury shares.

Potential rights over the share capital

There are no potential rights over the capital.

Authorised unissued capital

Stock issuance resolutions

The Combined General Meeting of May 28 2005 authorised the Board of Directors, with a power of delegation to the Chairman, to issue shares granting immediate or future access to the Company's capital over a period of 26 months, in France or on foreign markets, in French Francs or in Euros or the exchange value of such amounts in other currencies or currency units, granting immediate or future access to the Company's capital. Such issuances may be made with or without preferential subscription rights and may not result in a capital increase of more than €312,500, apart from adjustments connected in particular, with the incorporation profits, reserves or premiums, into the Company's capital, reserving the rights of holders of stocks or bonds.

Stock options

Not applicable.

Other securities granting access to the Company's capital

There are no other securities granting access to the Company's capital

Table of the changes in capital since MAISONS FRANCE CONFORT was transformed into a Public Company (S.A.)

Date	Nature of the operation	Nominal value	Increase in capital	Issue premium and contribution	Number of shares issued	Total amount of share capital	Number of shares
Amount in Francs							
27/11/78	Transformation of the company	250				900,000	3,600
08/04/81	Incorporation	250	600,000		2,400	1,500,000	6,000
08/04/81	Cash increase in capital	250	1,000,000		4,000	2,500,000	10,000
07/11/94	Incorporation	250	2,500,000		10,000	5,000,000	20,000
07/11/94	Cash increase in capital	250	666,750	333,375	2,667	5,666,750	22,667
07/12/98	Conversion of convertible bonds *		500,000	500,000	2,000	6 166,750	24,667
21/04/00	Increase in capital through the issue premium		392,820	-392,820		6,559,570	24,667
Amount in Euros							
21/04/00	Conversion in Euros (deletion of the reference to the nominal value)				1,825,358	1,000,000	1 850,025
21/04/00	Increase in capital (Stock market listing)		250,000	7,381 349	462,506	1,250, 000	2, 312 531
15/07/05	Division of the nominal share clue by 3				4, 625, 062	1, 250 000	6,937 593

* Convertible bonds subscribed by BTP Capital Investissement when it entered the capital in 1994, and sold to the MFC PROUGESTION family holding company in 1998.

2. SHAREHOLDING / STOCK MARKET

2.1. Distribution of the capital and voting rights as of February 28 2007

MAISONS FRANCE CONFORT's is to the company's knowledge, distributed as follows on February 20 2007 :

Shareholders	Shares		Vote	
	Number	%	Number	%
MFC PROU-INVESTISSEMENTS***	3,475,800	50.10	3,475,800	50.58
Patrick VANDROMME	111,504	1.61	111,504	1.62
Pascal VANDROMME	147,806 (BO)*	2.13	147,806 (BO)	2.15
Aline VANDROMME	245,327 (BO)	3.54	245,327 (BO)	3.57
Jean VANDROMME	393,133 (TFL)**		393,133 (TFL)	
BTP CAPITAL INVESTISSEMENT****	70,000	1.01	70,000	1.02
Public & divers	2,822,008	40.68	2,822,008	41.06
Treasury shares	65,148	0.94		0.00
TOTAL (excl. life tenancy)	6,937,593	100.00	6,872,445	100.00

*BO = Bare Owner

** TFL = Tenant for Life

*** MFC PROU-INVESTISSEMENTS = Holding management company for the VANDROMME family

**** BTP CAPITAL INVESTISSEMENT = Venture capital company (Groupe Crédit Coopératif) entered MFC's capital in 1994

To the company's knowledge, no shareholders other than those mentioned in the table hold more than 5% of the capital and voting rights and no shareholders agreement exists.

- Option plans: The company has not implemented option plans.
- Shareholders agreement: None.
- Potential capital security: None.

	% shares	% voting rights
Management bodies	1.61	1.62
Company employees	Less than 1%	Less than 1%

Approximate number of shareholders : more than 4,000.

2.2. Percentage changes in the shareholding over 3 years

Shareholders	31/12/2004		31/12/2005		31/12/2006	
	Shares	Voting rights	Shares	Voting rights	Shares	Voting rights
MFC PROU-INVESTISSEMENTS	50.10%	50.58%	50.10%	50.53%	50.10%	50.58%
Patrick VANDROMME	1.61%	1.63%	1.61%	1.62%	1.61%	1.62%
Pascal VANDROMME	2.74% (NP)*	2.76% (NP)*	2.04% (NP)*	2.06% (NP)*	2.13% (NP)*	2.15% (NP)*
Aline VANDROMME	3.82% (NP)	3.86% (NP)	3.82% (NP)	3.85% (NP)	3.54% (NP)	3.57% (NP)
Jean VANDROMME	6.56% (US)**	6.62% (US)**	5.86% (US)**	5.91% (US)**	5.67% (US)**	5.72% (US)**
BTP CAPITAL INVESTISSEMENT	1.73%	1.75%	1.21%	1.22%	1.01%	1.02%
Public & misc	39.05%	39.42%	40.36%	40.72%	40.68%	41.06%
Treasury shares	0.95%	0.00%	0.86%	0.00%	0.94%	0.00%
TOTAL (excluding life tenancy)	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

* BO = bare ownership

** TFL = Tenant for life

2.3. Shareholders' agreements and accords

As far as the company is aware, there are no agreements relating to the shares or the company's voting rights, which the Autorité des Marchés Financiers (Stock Market regulator) should have been informed of in accordance with article L.233-11 of the Commercial Code.

2.4. The market for the share

The share has been listed on the Second Marché of Euronext since May 30 2000. Listing procedure: €16.5 . Listing of 693,759 shares including new 462,506 shares and 231,253 old ones. OPF on 20% of the shares available for the market. Guaranteed placement of 80 % of the shares available for the market. The nominal value of the share was divided by 3 on July 15 2005.

	Number of shares exchanged	Price (€)		Capital exchanged
		Highest	Lowest	
Years				
2000	217,647	5.50	3.86	1,055,575
2001	525,627	5.80	3.60	2,588,222
2002	972,747	7.33	4.17	5,577,995
2003	1,150,704	11.76	4.50	9,710,222
2004	3,063,141	23.26	9.95	48,917,433
2005	2,839,369	47.25	22.40	96,734,060
2006	2,261,867	63.00	42.50	117,851,594
Month				
01 - 2006	249,444	51.90	42.50	11,921,069
02 - 2006	147,373	55.30	50.30	7,816,170
03 - 2006	170,717	58.85	52.65	9,400,894
04 - 2006	147,707	63.00	56.40	8,861,403
05 - 2006	206,901	62.40	46.00	11,700,995
06 - 2006	278,414	55.90	42.87	13,020,918
07 - 2006	143,107	51.00	45.25	6,996,755
08 - 2006	203,118	49.95	45.59	9,715,909
09 - 2006	93,132	52.00	48.51	4,649,315
10 - 2006	281,447	57.00	49.00	15,175,494
11 - 2006	218,764	55.85	49.10	11,998,088
12 - 2006	121,743	57.00	49.00	6,594,584
01 - 2007	138,885	59.80	55.35	8,085,030
02 - 2007	360,557	67.45	58.45	23,076,800
03 - 2007	252,860	64.85	55.60	14,813,015

2.5. Dividends over 5 years

Fiscal year closed on	Total net amount distributed (€)	Net dividend	Tax credit
December 31 2006	8,116,983.81 ⁽¹⁾	1.17	
December 31 2005	6,035,705.91	0.87	
December 31 2004	4,046,929.25	1.75	0.88
December 31 2003	2,312,531.00	1.00	0.50
December 31 2002	1,641,897.01	0.71	0.36

(1) Dividend proposed to the General Meeting of May 15 2007

In accordance with the statutory provisions, the dividends and interim dividends are time barred after a period of 5 years, and go to the State.

3. CORPORATE GOVERNANCE

3.1. Board of Directors

Chairman and Chief Executive

Patrick VANDROMME

Renewed on May 28 2002, for a term of office which expires at the end of the General Meeting which rules on the accounts for the fiscal year closed on December 31 December 2007.

Other functions in the Group :

- CEO of MAISONS DE L'AVENIR
- CEO of OC RESIDENCES
- CEO of MAISONS BERVAL
- CEO of GHPA (MAISONS BRUNO PETIT)
- CEO of MJB (MAISONS BRUNO PETIT)
- CEO of MJB18
- CEO of MAISONS HORIZON
- CEO of AZUR & CONSTRUCTION
- CEO of MILLOT SAS
- Chairman of SAS MFC PROU-INVESTISSEMENTS

Executive Vice-president

Philippe VANDROMME

Appointed Executive vice-president for an indefinite period.

Appointed director on May 18 2004 for a term of office which expires at the end of the General meeting, which rules on the accounts for the fiscal year closed on December 31 2009.

Directors

Christian LOUIS-VICTOR

Renewed on May 18 2001 for a term of office, which expires at the end of the General Meeting, which rules on the accounts for the fiscal year closed on December 31 2006.

- Chairman of the Directorate of NATIXIS GARANTIES
- Chairman and Chief executive officer of Compagnie Européenne de Garanties Immobilières (CEGI)
- Chairman and Chief executive officer Financière CEGI (which merged with CEGI on 31.12.2006)
- Manager CEGI Vertriebsgesellschaft GmbH (Germany)
- Manager CEGI Courtage SNC
- Chairman of the Board of Directors of SACCEF
- Director of SOCAMAB Assurances
- Manager CLV Développement
- Director of MAISONS FRANCE CONFORT S.A.
- Director CIFA (Compagnie Immobilière et Foncière d'Aquitaine)
- Director Maisons C.L.I.O. (Montpellier)
- Director Financière Quarre SA
- Director A.C. Métal
- Director SURASSUR (SA) - Sté Luxembourgeoise de Réassurance (Groupe Caisse Nationale des Caisses d'Epargne)
- Member of the Supervisory Board of G.C.E. Immobilier

Gilberte DUC

Renewed on May 28 2002 for a term of office, which expires at the end of the General Meeting, which rules on the accounts for the fiscal year closed on December 31 2007.

Willi MUSSMANN

Appointed as a director on May 23 2006, for a term of office, which expires at the end of the General Meeting, which rules on the accounts for the fiscal year closed on December 31 2012.

(Partner in a company, which specialises in advising and managing companies)

3.2. The operation of the Board

Meetings

The Board of Directors met six times during 2006.

Special provisions

Internal rules were adopted by the Board meeting on March 27, 2003 which in particular compel the directors to refrain from competing with the company, allows them to obtain documentation, requires them to reveal any conflict of interest, prohibits insider trading and gives precise details of the Board's operations.

Committees

No committees have been created because of the company's size and structure and the small number of directors.

Remuneration

The global amount of remuneration received by the Executive Committee for 2005 totals €495K – excluding travelling.

The global amount of attendance fees awarded to the Board of Directors in 2005 totals €18,294.

Regulated agreements

They appear in the Statutory Auditors' Special report. No agreement has been concluded since the close.

Loans granted

No loan has been granted nor any guarantee agreed.

Pledges, guarantees and sureties

These guarantees appear in the Notes to the Consolidated Accounts page 77.

Options

There is no stock option or share subscription plan in favour of directors.

Staff

- Gain sharing : none
- Profit sharing : legal system - profit-sharing agreement of December 19 1996
- Amount of the sums earmarked in the last 5 years in €K :

2006	892
2005	0
2004	367
2003	299
2002	294

Off balance sheet commitments

See details in the notes to the Consolidated Accounts page 77.

4. THE CHAIRMAN'S REPORT TO THE ORDINARY AND EXTRAORDINARY GENERAL MEETING OF SHAREHOLDERS OF MAY 15 2007

Dear shareholders,

As required by law, I am reporting to you on the conditions for preparing and organizing the Board of Directors' works as well as the internal control procedures set up in your company.

I have notably consulted with the Administrative and Financial Directors and with the Statutory Auditors in order to prepare this task.

1. Preparation and organization of the Board of Directors' works:

I remind you that the Board is comprised of five members:

- Mr. Patrick VANDROMME is the Chairman and Chief Executive Officer, and he does not perform any other professional activities apart from his responsibilities on professional bodies governing the construction of single detached Houses.
- Mr. Philippe VANDROMME who is the Executive Vice-President. He is also the Technical Director for the Normandy and the Ile-de-France Regions.
- Mrs. Gilberte DUC, member of the founding family.
- Mr. Willi MUSSMANN, an independent director who is also a management consultant to companies.
- Mr. Christian LOUIS VICTOR, an independent director who also holds positions as the Director of insurance and reinsurance companies and financial companies.

The small number of directors notably due to the essentially family nature of the company, has resulted in the Board of Directors foregoing the creation of committees.

The independent directors are chosen in view of their knowledge of the professional environment of the company's business and their personal expertise in managing companies.

The two works' council representatives are convened to all the Board's meetings, and they regularly attend.

The Statutory Auditors are convened to all the Board of Directors' meetings and participate on it. Generally at least one of the two statutory auditors attends the meeting and in the majority of cases the two auditors are present.

Convening letters are sent at least eight days in advance, apart from exceptions, and the directors are previously informed of the forecasted timetable for Board meetings at the start of the year.

Meetings are generally held at the registered office, however a meeting is held in PARIS at least once a year in order to facilitate the attendance of participants, Parisian directors and managing directors of subsidiaries who are asked to present their company's activities at the meeting which is held to close the parent company's accounts.

The Board met SIX times during 2006.

The physical presence of the members is desired at meetings and this is effective as the Board's internal rules do not allow for use of videoconference means.

The Board members have been very assiduous in attending Board's meetings and there has been no notable absenteeism.

No meeting was held at the request of the directors

The Chairman forwards the necessary information or documents to the members of the Board to prepare meetings.

The Chairman will communicate all additional information and documents, which a member of the Board may require if requested.

2. Internal control procedures

2.1. The objectives

MAISONS FRANCE CONFORT Group has an internal control system to guarantee and encourage :

- Quality financial information
- Protection and safeguard of assets
- Improvement of results
- Compliance with the laws and regulations in force.

Like any control system, the existing system in the company cannot provide an absolute guarantee that the risks of errors and fraud are totally eliminated.

2.2. The general organization of the Internal Control

2.2.1 Responsibility for the system :

The Chairman, M. Patrick VANDROMME, has a predominant role in defining the areas of internal control and for supervising the setting up of the different elements comprising it. This responsibility is delegated to the managing directors of each subsidiary.

From an operational point of view the following persons are responsible for setting up the procedures and controlling them :

Technical management : at the head office : Mr Claude DUVAL ; in the regions : Regional Directors and branch directors

Financial management : Mr. Michel MARTIN

Administrative management : Mr. Jean Christophe GODET

Management control : Mr. Joël COMMAIN

IT management : Mr. Boris MICHALECZEK

Research and Development management : Mr. Herve CHAVET

After-sales and litigation management : Mr. Alain THOMASSIN

Sales management : Mr. Steve BEAUDEL.

who report directly to the Chairman.

The company does not have a department dedicated to internal control at the present time which is responsible for performing checks on its behalf inside the company as well as the subsidiaries.

Each subsidiary has independent control over its sales, employment and financial management in compliance with the rules laid down by the group.

The personnel dedicated to internal control were reinforced by the recruitment of two people : In 2005, Mr. Jean Christophe GODET is responsible for performing the numerous controls of the subsidiaries and ensuring that the new IFRS standards which apply to the Group have been correctly implemented, and Mr. Eric VANDROMME in 2006 and Mr Frédéric BONVILLAIN in 2007.

2.2.2 Delegation of authorities :

The Chairmen of the subsidiary companies have the widest powers to act in the company's interest, within the scope of their corporate mandate.

Mr. Philippe VANDROMME performs the Executive Vice President's functions inside MAISONS FRANCE CONFORT.

2.3.3 Charter and procedures :

The Group has started drawing up an internal procedures manual.

The Group's accounting principles, consolidation procedures and reporting tools for subsidiaries are the subject of a manual for subsidiaries and the consolidation department.

An IT charter was drawn up during the 2nd six months of 2006, and is in the process of being examined by our Works Council.

2.3. Financial reporting controls and procedures

The heart of the Group's internal control is based on the procedures which are intended to verify the reliability of the accounts and the other financial information used by the management and communicated to investors.

2.3.1. Budgetary procedure

The budgetary procedure is an essential tool for making our Regional directors and the Chairmen of our subsidiaries accountable.

Each region and subsidiary draws up a budget each year under the responsibility of our management control service/departments which is presented to the Board of Directors at the start of the year.

2.3.2 Reporting

Business data

The business data from our regions and our subsidiaries are centralized in our management chart each month (orders, openings, acceptances, etc.).

This information is analysed by the "Management control" department before it is communicated to the administrative and financial management.

The directors and chairmen of subsidiaries are questioned on the changes found if this is necessary.

Accounting positions

An accounting position for each entity comprising the MAISONS FRANCE CONFORT's Group is established quarterly.

These reportings enable the performance of the subsidiaries and regions and the profit centres to be measured and to identify any problems in order to deal with them during the year.

Information and authorizations

The cash position is permanently monitored, independently of the monthly reporting system, which enables the assessment of operational results to be fed back.

Investments in equipment and human resources are systematically subject to an authorization procedure and are reconciled with the information planned in the budget.

Audits by Statutory Auditors

Finally our Statutory Auditors regularly carry out audits inside each of the subsidiaries and the Regional Management.

These audits are the subject of a written report to the General Management.

2.4. Other significant controls and procedures

The aim of the procedures which are in force inside the Group is also to protect the company's key processes : the sale and the construction of single detached houses as defined under the terms of the act of December 19, 1990, codified under articles L231 - 1 and following of the Construction and Housing Code (CCH).

It includes :

- The validation of construction contracts by the branch manager : control of the financial terms of the sale and recording a contract, taking out guarantees.
- Controlling the technical and legal quality of the subcontractors, their financial terms for intervening and their insurance cover.
- Technically following up the building site to ensure that it is performed properly enabling drawdowns of funds to be issued in accordance with the contract.
- Managing customer accounts in liaison with the financing organizations.
- Monitoring construction costs and margins during and at the end of the work.
- The terms and conditions for final acceptance of a building : acceptance report, settling possible disputes, final invoicing.

The risks connected to MAISONS FRANCE CONFORT group's professional liability are covered by a "construction company all risks" insurance policy taken out with the AXA company.

The risks covered by an insurance policy are described more fully in the "Risk factors" note in the Reference Document.

2.5. Future outlook for internal control

Within the framework of prolonging the process for identifying the areas of progress, which can be made in internal control, we have set up a procedure for inspections performed by the head office staff on the building sites in all of the Group's companies.

A report is drawn up of these surprise inspections which is sent to the Regional Management or to the Management of the subsidiary concerned.

These inspections are part of the QUALITY initiative which we have initiated for building sites.

The purpose of this quality initiative is to :

- Improve building site construction times,
- Comply with and improve forecasted margins,
- Raise reserves on acceptance,
- Keep debit balances to a minimum,
- Shorten encashment times,
- Customer satisfaction.

The internal control environment is constantly changing.

2.6. Compiling consolidated accounts

A consolidation is performed at each half-year.

The consolidated accounts are audited by the company's auditors before they are disclosed.

A manual of new accounting procedures was drawn up for the transition to the new IFRS referential which is intended for MAISONS FRANCE CONFORT and its subsidiaries.

3. Limits on the Chief executive's powers

The Board of Directors has not limited the powers of the Chief Executive or the Executive Vice President.

The Chairman of the Board of Directors,
Patrick VANDROMME.

Statutory Auditor's report on the accounts drawn up in accordance with article L. 225-235 of the Commercial Code, on the report of the Chairman of the Board of Maisons France Confort S.A., on the internal control procedures when compiling and processing accounting and financial data

Fiscal year closed on December 31 2006

In our capacity as the Statutory Auditors of Maison France Confort SA and under the application of the provisions of the last subparagraph of article L.225-235 of the Commercial Code, we are presenting our report to you on your Chairman's report, in accordance with article L.225-37 of the Commercial Code for the fiscal year closed on December 31, 2006.

The Chairman is responsible for reporting on the conditions for preparing and organising the Board of Directors works and the internal control procedures set up inside the company, in his report.

We must inform you of any observations we may have on the information given in the Chairman's report on the control procedures for validating and processing accounting and financial information.

We performed our works in accordance with professional practices applicable in France. They require that we implement actions to assess the accuracy of the information in the Chairman's report on the internal control procedures for compiling and processing accounting and financial information. This action notably involves :

- Examining the objectives and the general organisation of the internal control and the internal control procedures for validating and processing the accounting and financial information presented in the chairman's report;
- Examining the works underlying the information presented in the report.

Based on these works, we have no comments to make all information given concerning the company's internal control procedures for compiling and processing accounting and financial information contained in the Chairman of the Board of Directors' report, established under the application of the last sub paragraph of article L.225-37 of the Commercial Code

Alençon and Caen, April 30 2007

The Statutory Auditors

KPMG Audit
Department of KPMG S.A.

Thierry LEFEVRE
Partner

Yves GOUHIR
Partner

Socogec Inextenso

Alain MUELLE
Partner

Eric PIOU
Partner

5. RESOLUTIONS PUT TO THE ORDINARY AND EXTRAORDINARY GENERAL MEETING OF MAY 15 2007

ORDINARY RESOLUTIONS

FIRST RESOLUTION - APPROVAL OF THE ACCOUNTS

The General Meeting, after reading the Board of Directors and Statutory Auditors' report on the fiscal year closed on December 31, 2006, approves the annual accounts closed on this date showing a profit of € 11,416,734.84 as presented to it.

In particular, the General Meeting approves the global amount of the expenses and costs referred to in 4 of article 39 of the General Tax Code, of 379 Euros, as well as the corresponding tax.

SECOND RESOLUTION - APPROVAL OF THE CONSOLIDATED ACCOUNTS

The General Meeting, after considering the Board of Directors and Statutory Auditors' report on the consolidated accounts to December 31, 2006, approves these accounts which show a profit of €20,903,251, as presented to it.

THIRD RESOLUTION - APPROVAL OF THE AGREEMENTS

Ruling on the special report which was presented to it on the agreements of articles L.225-38 and following of the Commercial Code, the General Meeting approves the agreements which are mentioned in it.

FOURTH RESOLUTION - APPROPRIATION OF THE RESULT

The General Meeting decides on the Board of Directors' proposal to appropriate the profit as follows :

Origin :

- Profit for the fiscal year	€11,416,734.84
- Retained earnings	€452,645.17

Appropriation :

- to the shareholder, as dividends	€8,116,983.81
- to the ordinary reserve	€2,000,000.00
- to the retained earnings	€1,752,396.20

TOTALS	€11,869 380.01	€11,869,380.01
---------------	-----------------------	-----------------------

The dividend paid for each share is fixed at €1.17.

The whole of the amount distributed is eligible for the 40 % allowance referred to article 158-3-2° of the General Tax Code for people who satisfy the conditions stipulated in the said article.

It will be distributed for payment by June 30, 2007 at the latest.

In addition, the General Meeting specifies that if the company holds some of its own shares when the dividend is distributed, the sums corresponding to the dividends which are not paid for the shares will be entered into the 'Retained Earnings account'.

Lastly, the General Meeting acknowledges that it has been informed that the dividends distributed for each share together with the corresponding tax credit over the last three years total :

FISCAL YEAR	DISTRIBUTED DIVIDEND	TAX CREDIT	REAL EARNINGS
2003 (2,312,531 shares)	1.0	0.5	1.5

For the fiscal year	Income eligible for the allowance for qualified persons		Other income ineligible for the allowance
	Dividends	Other income distributed	
2004	€4,046,929.25 (€1.75 per share)	None	None
2005	6,035,705.91 (€0.87 per share)	None	None

FIFTH RESOLUTION – RENEWING MR CHRISTIAN LOUIS VICTOR'S TERM OF OFFICE.

The General Meeting, on the proposal of the Board of Directors, decides to renew the term of office of Mr. Christian LOUIS VICTOR, residing at 5, Villa Houssay, 92200 NEUILLY SUR SEINE, for six years, i.e. up until the end of the Ordinary General meeting held during 2013, which rules on the accounts for 2011.

SIXTH RESOLUTION - SHARE BUYBACK PROGRAM

The General Meeting, after considering the Board of Directors' report, authorises the Board of Directors to buy back up to 3.9 % of the shares comprising the company's share capital on the basis of the current capital of 270,566 shares, over a ten month period, on one or several occasions at such times it determines, in accordance with article L.225-209 and following of the Commercial Code.

This authorisation terminates the one given to the Board of Directors by the Ordinary General Meeting of May 23 2006.

Acquisitions can be made in order to :

- Co-ordinate the secondary market or the liquidity of the MAISONS France CONFORT share through an investment service provider in a liquidity contract in accordance with the AFEI's code of conduct charter recognised by the AMF,
- Conserve the shares purchased and subsequently exchange them, use them as payment in possible external growth operations. However, the shares acquired for this purpose cannot exceed 5 % of the company's capital,
- Provide coverage for the stock option plans and other ways of allotting shares to employees and/or the Group's company agents under the terms stipulated by law, notably sharing the company's results within the scope of a company saving scheme or by the free allotment of shares,
- Provide coverage for the investment securities giving an entitlement to the allotment of company's shares within the scope of the current legislation,
- Possibly cancel the acquired shares subject to the authorisation to be granted by this present shareholders General Meeting in its seventh extraordinary resolution.

These buy backs of shares can be performed by any means, including by acquiring blocks of shares, at the times the Board of Directors will decide, including during a takeover bid within the limits of the stock market regulation. However, the company does not intend having recourse to derivative products.

The maximum purchase price is fixed at €120 per share. In the event of an operation on the capital involving the division or the regroupment of shares or the allocation of free shares, the above-mentioned amount will be adjusted in the same proportions (multiplication coefficient equal to the ratio between the number of shares comprising the capital before the operation and the number of actions after the operation).

The maximum amount of the operation is fixed at € 32,467,920.

The General Meeting grants full powers to the Board of Directors in order to carry out these operations, to draw up the terms and conditions for them, and to conclude all contracts and to carry out all formalities.

EXTRAORDINARY RESOLUTIONS

SEVENTH RESOLUTION - DELEGATION TO REDUCE THE SHARE CAPITAL WITHIN THE SCOPE OF A SHARE BUYBACK PROGRAM

The General Meeting, after considering the report of the Board of Directors and the report of the Statutory Auditors :

- 1/ Authorises the Board of Directors to cancel, at its sole decision, on one or several occasions, up to 3.9 % of the shares in the share capital, i.e. 270,566 shares which the company holds or could hold following the buy back realised within the scope of article L.225-209 of the Commercial Code in order to reduce the share capital by this amount in accordance with the statutory and regulatory provisions in force,
- 2/ Fixes the duration of this authorisation for 24 months from the date of this meeting, i.e. up until May 23, 2008.
- 3/ Gives full powers to the Board of Directors to perform the operations which are necessary for such cancellations and the corresponding reductions in the share capital and to consequently modify the company's articles of association and to carry out all required formalities.

EIGHTH RESOLUTION – INCREASE IN CAPITAL RESERVED FOR MEMBERS OF A COMPANY SAVINGS SCHEME

The General Meeting, after considering the report of the Board of Directors and the Statutory Auditors' special report and in accordance with the provisions of the Commercial Code and in particular, article L.225-129-2, and L225-138-1 of the Commercial Code and L.443-5 of the Employment Code:

- 1/ Authorizes the Board of Directors if it considers it expedient, on its decision alone, to increase the share capital one or several times by issuing ordinary cash shares and if necessary, by allocating free ordinary shares or other securities giving access to the capital, reserved to the company's employees and managers (and the companies which are bound to it within the meaning of article L. 225-180 of the Commercial Code) members of a company saving scheme.
- 2/ Cancels the preferential subscription right for shares which may be issued under this authorization to these people,
- 3/ Fixes the period of validity of this authorization at twenty-six months from this meeting,
- 4/ Limits the maximum nominal amount of the increases which may be made using this authorization to 3% of the amount of the share capital attained when the Board of Directors takes decision to make this increase,
- 5/ Decides that the price of the shares to be issued under 1/ of this delegation, cannot be less than 20%, or 30%, if the period of unavailability stipulated in the plan under the application of article L. 443-6 is more or equal to ten years, of the average of the first prices quoted for the share during the 20 stock market days prior to the Board of Directors' decision to increase the capital and to issue the corresponding shares, or higher than this average,
- 6/ Grants full powers to the Board of Directors to implement this authorization, take all measures and to carry out all necessary formalities.

NINTH RESOLUTION – AUTHORIZATION GIVEN TO THE BOARD OF DIRECTORS TO INCREASE THE SHARE CAPITAL BY UP TO 10% TO PAY FOR CONTRIBUTIONS IN KIND

The General Meeting, after considering the Board of Directors' report and in accordance with article L 225-147 of the Commercial Code:

- 1/ Authorizes the Board of Directors to increase the capital, after considering the contribution commissioner's report, in order to remunerate the contributions in kind granted to the company and constituted of capital shares or investment securities giving access to the capital under the provisions of article L 225-148 of the Commercial Code are no longer applicable,

- 2/ Fixes the period of validity of this delegation at twenty-six months from the date of this meeting,
- 3/ Decides that the global nominal amount of the ordinary shares which can be issued under this delegation cannot exceed 10% of the share capital. This limit is independent of the whole of the ceiling stipulated in the other resolutions of this General Meeting,
- 4/ Delegates full powers to the Board of Directors in order to approve the valuation of the contributions, to decide the resulting capital increase, to record its performance, to if necessary, charge all the costs and fees caused by the increase in capital against the contribution premium, to deduct sums required to increase the statutory reserves to one tenth of the new capital after each increase, from the contribution premium, and to carry out the corresponding modification to the articles of association and to do the necessary in similar matters.

TENTH RESOLUTION - FORMALITIES

The General Meeting gives full powers to a holder of a copy, an extract of these minutes to perform all the filing and advertising formalities required by Law.

The meeting comprises all the shareholders, how many shares they possess.

The right to attend general meetings is established by an accounting entry that the shares are recorded in the shareholder's or the proxy's name in his account at midnight, Paris time, at least three working days before the meeting is held, :

- either in the registered shares accounts held by the company,
- Or in the bearer share accounts held by the authorized intermediary.

The account registration or recording of the bearer shares is established by a certificate of interest issued by the authorized representative. To be able to attend the meeting, this certificate of interest must be sent to CIC, c/o CM – CIC TITRES – 4 Rue des Chauffours – 95014 CERGY PONTOISE CEDEX to obtain an admission card or presented on the day of the meeting by the shareholder who has not received his/her admission card.

If the shareholders do not attend the meeting personally, they can decide between one of the following three methods of representation :

- a) Give a proxy to their spouse or to another shareholder ;
- b) Send a proxy to the company without indicating mandate ;
- c) Postal voting.

A single form for voting by correspondence or by proxy and its appendices, will be sent to the registered shareholders.

Bearer shareholders must ask the CIC, c/o CM – CIC TITRES – 4 Rue des Chauffours – 95014 CERGY PONTOISE CEDEX, to send them a single form for voting by post or by proxy by recorded delivery letter with acknowledgment of receipt. Demands received will be acted on six days at the latest before the date of the meeting.

This form must be returned, accompanied by the certificate of their interest for bearer shareholders, so that the Caisse nationale de crédit agricole receive it at least three days before the meeting was held.

Requests by shareholders to register draft resolutions on the agenda must be sent to the head office by recorded delivery letter with acknowledgment of receipt at least twenty-five days before the general meeting is held.

This notice will be a valid convocation notice providing that no modification is made to the meeting's agenda.

PERSONS RESPONSIBLE FOR THE REFERENCE DOCUMENT AND FOR AUDITING THE FINANCIAL STATEMENTS

1. THE PERSON RESPONSIBLE FOR THE REFERENCE DOCUMENT

Mr. Patrick VANDROMME

Chairman of the Board of Directors and Chief Executive of MAISONS FRANCE CONFORT

2. ATTESTATION BY THE PERSON RESPONSIBLE FOR THE REFERENCE DOCUMENT

I certify, after having taken all reasonable measures to this end, that to my knowledge, the information contained in this reference document conforms to the true position and do not include any omission which is likely to alter its range.

I have obtained an end of work letter from the statutory auditors KPMG Audit and SOCOGEC, in which they indicate that they have verified the information on the financial position and the accounts given in this reference document and that they have read the whole of this reference document, in accordance with the practices and the professional standards applicable in France.

Patrick VANDROMME
Chairman of the Board of Directors and Chief Executive Officer

3. PERSON RESPONSIBLE FOR AUDITING THE ACCOUNTS AND CERTIFICATE FROM THE STATUTORY AUDITORS

Statutory Auditors

KPMG Audit

Company represented by Mr. Thierry LEFEVRE & M. Yves GOUHIR
4, rue Alfred Kastler – 14053 CAEN CEDEX

Appointed on July 13 1999 and renewed for the last time by the Ordinary and Extraordinary General meeting of May 26 2005 for six fiscal years expiring at the end of the Ordinary General Meeting ruling on the accounts closed on December 31 2010.

SOCOGE

Company represented by Mr. MUELLE & Mr. Eric PIOU
BP 321 – 61000 ALENCON CEDEX

Appointed on July 13 1999 and renewed for the last time by the Ordinary and Extraordinary General meeting of May 28 2002 for six fiscal years expiring at the end of the Ordinary General Meeting ruling on the accounts closed on December 31 2007.

Deputy Statutory Auditors

Eric THOUVENEL

1, rue Claude Bloch – BP 5093 – 14078 CAEN CEDEX

Appointed on May 26 2005 for 6 fiscal years expiring at end of the Ordinary General Meeting which rules on the accounts closed on December 31 2010.

Dominique FILOCHE

BP 321 – 61000 ALENCON CEDEX

Appointed on July 13 1999 and renewed for the last time by the Ordinary and Extraordinary General Meeting of May 28 2002 for six fiscal years expiring at the end of the Ordinary General Meeting which rules on the accounts closed on December 31 2007.

Fees of the statutory auditors and members of their networks paid by the Group in 2006

	2006				2005			
	KPMG Audit		SOCOGE		KPMG Audit		SOCOGE	
	€K	%	€K	%	€K	%	€K	%
Statutory Auditors, certifications, audit or individual and consolidated accounts	135	92.5%	131	92.9%	128	91.4%	127	91.4%
Extra assignments *	11	7.5%	10	7.1%	12	8.6%	12	8.6%
TOTAL	146	100.0%	141	100.0%	140	100.0%	139	100.0%

* Assignments connected with purchasing companies

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12	Information on trends	31 & 35	
13	Profit forecasts or estimates	NA	
14	Administration, management and supervisory bodies, general management		
14.1	Administration and management bodies	86	
14.2	Conflict of interests at the administration, and management bodies level	NA	
15	Remuneration and benefits		
15.1	Amount of the remuneration, paid and benefits in kind	43	
15.2	Total amount of the sums entered as provisions or recorded for the purpose of paying pensions or other benefits	78	
16	Functioning of administration and management bodies		
16.1	Expiration date of current mandates	42	
16.2	Service contracts binding members of the administrative bodies	51	
16.3	Information on the Audit Committee and the Remuneration Committee	NA	
16.4	Corporate governance	86	
17	Employees		
17.1	Number of employees	47 & 77	
17.2	Interests and stock options	87	
17.3	Agreement stipulating an interest	87	
18	Main shareholders		
18.1	Shareholders holding more than 5 % of the share capital	84	
18.2	Existence of different voting rights	83	
18.3	Control of the issuer	3 & 84	
18.4	Agreement known by the issuer, the implementation of which could lead to a change of control later	NA	
19	Operations with affiliates	78	
20	Financial information on the assets, and liabilities, the financial position and the issuer's results		
20.1	Historical financial information	NA	
20.2	Pro forma financial information	NA	
20.3	Financial statements	52 to 78	
20.4	Verification of historical annual information	NA	
20.5	Date of the last financial information	NA	
20.6	Intermediate and other financial information	NA	
20.7	Dividend distribution policy	85	
20.8	Judicial and arbitration procedures	74	
20.9	Significant change in the commercial or financial position	NA	
21	Supplementary information		
21.1	Share capital	83	
21.2	Incorporating deed and status	81 to 83	
22	Important contracts	NA	
23	Information from third parties, declarations by experts and declarations of interests	NA	
24	Documents accessible to the public	81	
25	Information on interests	3,32,64	