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This reference document was filed with the l'Autorité des marchés financiers on May 22 2006 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 :

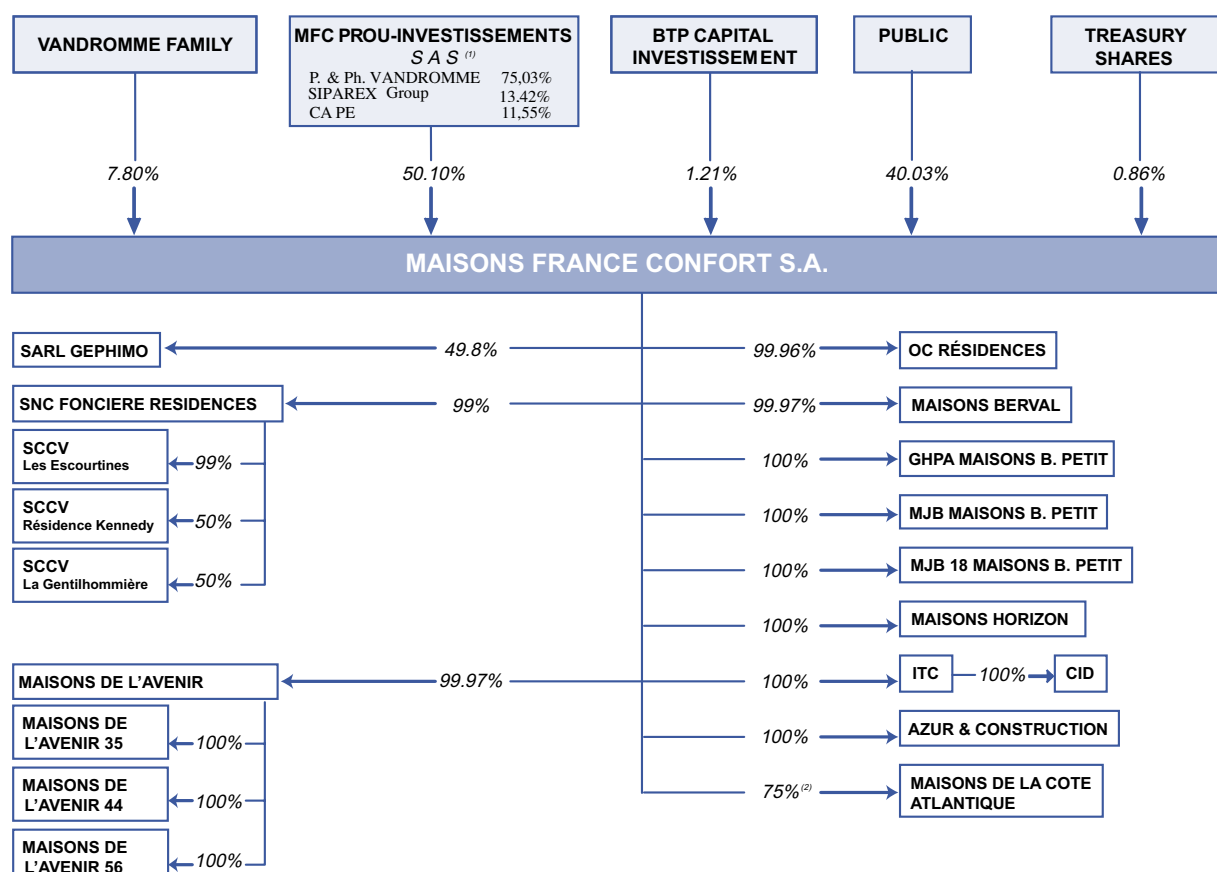
1. The consolidated financial statements for the fiscal year closed on December 31 2003 and the Statutory Auditors' report relating to it, appearing on pages 42 to 59 of the reference document filed with the Autorité des Marchés Financiers on April 23 2004 under the number D04-0566.

2. 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 D05-0763.'

INFORMATION ON THE GROUP'S BUSINESS ACTIVITY

1 - PRESENTATION OF THE GROUP

1-1. Organisation chart of January 31 2006



⁽¹⁾ Following an acquisition of shares on April 24 2006 by MFC Prou Investissements followed by a reduction in capital, P. and Ph. Vandromme increased their interest to 85.4%, the Siparex Group now holds 7.85% and the CA PE 6.75%.

⁽²⁾ The MFC Group holds 70.57% of Holding FMI which itself holds 84.96% of MCA and 100% of BATISOFT. In addition, MFC Group holds 15.04% of MCA. The percentage globally works out at 75% of MCA held.

1.2. Table of subsidiaries

Data in €K

Company	Business	Acquisition	Turnover *		Net Book Profit / Loss	
			2004	2005	2004	2005
Foncière Résidences (Groupe)	Estate agent		6,713	10,143	62	337
Maisons de l'Avenir (Groupe)	Construction	01/01/2000	43,156	58,550	2,809	3,491
OC Résidences	Construction	11/07/2000	28,208	30,886	1,622	2,152
Maisons Berval	Construction	01/05/2001	10,072	10,086	891	1,050
GHPA Maisons B. Petit	Construction	01/07/2002	10,551	11,720	410	571
MJB Maisons B. Petit (Groupe)	Construction	01/07/2003	12,341	14,445	1,296	1,208
Maisons Horizon	Construction	01/10/2004	3,066	11,030	188	478
Azur & Construction	Construction	01/04/2005		7,240		716
Constructions Idéale Demeure (CID)	Construction	03/10/2005		2,956		328

* Figures corresponding to the period of consolidation 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 largest builders of single family detached homes, and the second national developer after GEOXIA (ex MI SA), a former subsidiary of Vivendi which was the subject of a management buyout in 1999 (Source: 2003 survey of homebuilders carried out by Caron Marketing - 9, rue Danton, 92150 Suresnes, with the cooperation of the UNCFMI, the Professional Association of Single Family Home Builders, 3, avenue du Président Wilson, Paris 16th).

The restructuring in the trade and the crisis in the early 1990s, which the Company navigated without pecuniary losses, have rationalised the market. Furthermore, the tightening up of regulations has enabled surviving mid-size players like MAISONS FRANCE CONFORT to take advantage of the situation. Maisons FRANCE CONFORT has constantly increased its turnover since the early 1990's, 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 business

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 using 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 is a subsidiary of MAISONS FRANCE CONFORT and 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 (€10.1 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 BERVAL
- MAISONS BRUNO PETIT*
- MAISONS HORIZON
- AZUR & CONSTRUCTION
- CONSTRUCTIONS IDEALE DEMEURE
- MAISONS COTE ATLANTIQUE

* The Maisons Bruno Petit brand name is not held by the Group.

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.

The brands acquired in takeovers in the early 1990's will disappear in the future, 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 because of their strong popularity as regional leaders.

The retail prices, excluding the land, of the Group's houses vary between €60K and €406K including taxes, with the average selling price being €110K including taxes for an average living area of 97 m²

For the end consumer, a transaction in the Île-de-France region around Paris, including the plot of land, generally costs between €180 and €250K (with an average plot of 550 m² [0.14 acres]) and, in the provinces, between €135 and 170K (average plot of 850 m² [0.21 acres])

1.5. The Group's internal organisation 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 by agreement. Head office costs are not invoiced but 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 and Midi Pyrénées regions. The Group's 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 joint sales training seminars usually lasting one or two days for both staff and independent exclusive sales agents, in which experiences are compared and contrasted, providing an opportunity for mutual growth.

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

- Employees : around 118 sales persons.
- Sales agents : around 85 sales persons.

MAISONS DE L'AVENIR is present in Brittany and more recently in the Loire region, in Nantes, where 90% of the sales are made by the employees of the marketing subsidiary MAISONS DE L'AVENIR COMMERCIALISATION, which was retroactively merged on 01/01/2005.

OC RESIDENCES is present in Midi-Pyrénées and in Languedoc, and 100 % of sales are realised by employees.

MAISONS Berval is present in the Ile de France region and its salaried sales staff only sell 'high-end' homes.

GHPA MAISONS BRUNO PETIT is present in the southwest and its employees market its activities.

MJB MAISONS BRUNO PETIT is present in the Centre and its activities are marketed by its employees.

MAISONS HORIZON is implanted in Lorraine and its employees market its activities.

AZUR & CONSTRUCTION is present in the Provence-Alpes Côte d'Azur region and its employees market its activities

CONSTRUCTIONS IDÉALE DEMEURE is implanted in the Centre region and its own employees sell its activities.

• 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.

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, trade fair, show homes or simply by telephone, up until the delivery of the customer's house, in addition to the 10 years of the 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: building 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), is one of MAISONS FRANCE CONFORT's mottos for satisfying its customers, and customer satisfaction is assessed in surveys, leading to initiatives to improve customer satisfaction.

• Marketing tools

Design / costing software

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

This user-friendly software, which has been developed from a very pragmatic viewpoint 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 instantaneously 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, and enables the plans to be drawn in 3D and the customer's plans to be virtually sited 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 50 000 separate visitors per month to obtain information and advice on having a house built by the Group, and over 2 300 visitors per month leave their full names, addresses and contact numbers for information requests, i.e. more than 75 a day.

• International

International sales people to open our borders

MAISONS FRANCE CONFORT positioned themselves on the buoyant foreign investment niche in 2005. For 2 years now, there has been a big craze amongst British people and North European people in general for France. Real estate investment is one of the factors besides the culture, weather and gastronomy, which have an attraction 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 € 174 K on average. The owners have been able to benefit from this, by having bigger mortgages and therefore being able to 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 : the '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 January 2005, 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'. 70 contracts were signed through this offer in 2005. The cosmopolitan teams comprising 1 English person, 1 Dutch person, 1 Norwegian, 1 Canadian 1 Spaniard, and 2 French people, mean that new prospectations can be envisaged.

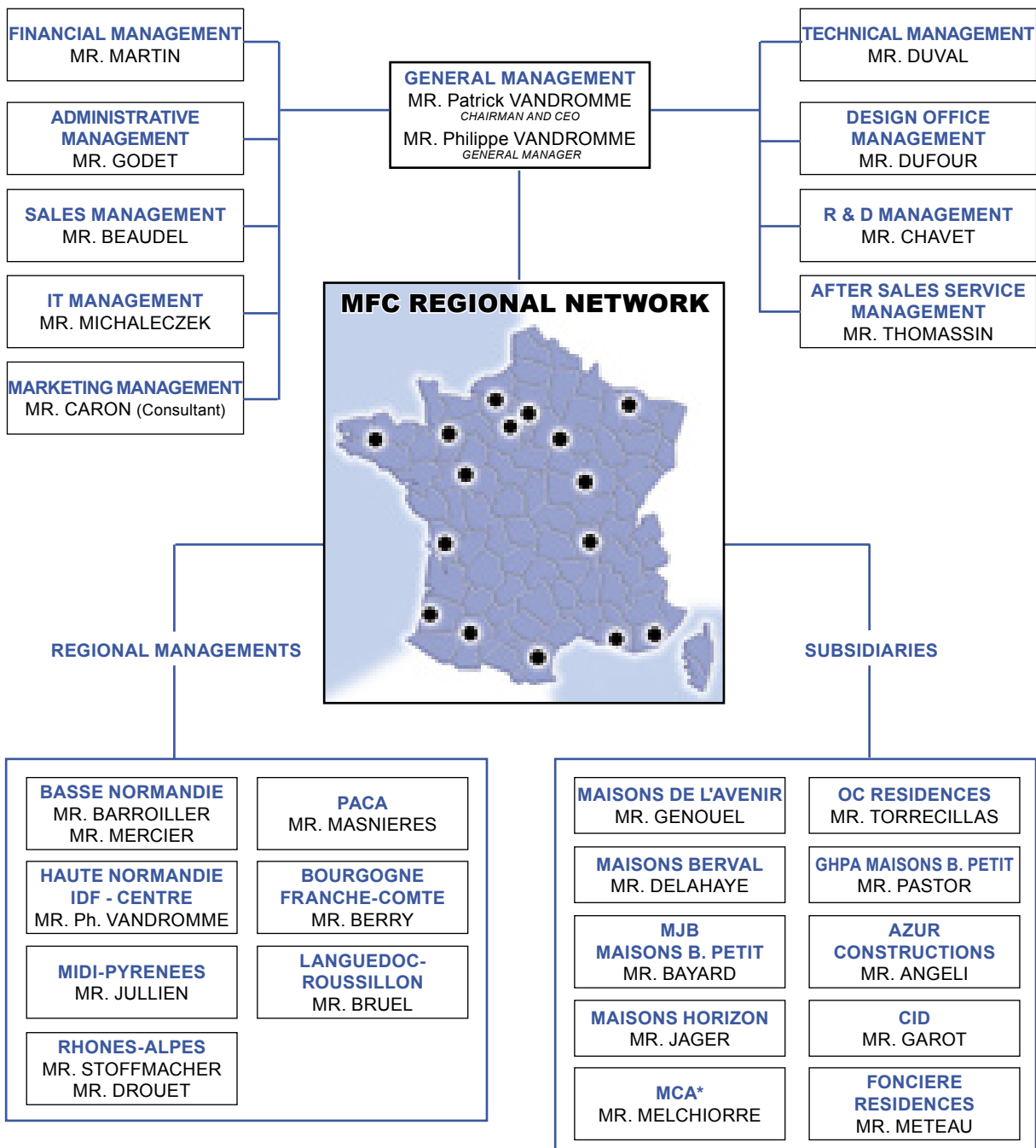
1.5.3. Sites

Property belonging to the Group on December 31 2005

The property belonging to the Group represents around 96,000 m2 of land, including 17,000 m2 of buildings with a net book value of € 3,948 K.

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. Functional chart



Apart from the Marketing Management, which is managed by Mr. Caron, a specialist consultant in individual homes, all the Management Departments are grouped at the headquarters in Alençon. Therefore 8 Directors constantly support the General Management chaired by Mr Patrick VANDROMME.

MAISONS FRANCE CONFORT Group's national network has solid foundations. Firstly with its regional network comprising 9 Directors flying the Group's colours. Secondly, by its 10 chairmen of subsidiaries, which have all kept their own brand name, thus strengthening MAISONS FRANCE CONFORT Group's presence in the regions.

* from 02/01/2006

2. BUSINESS ACTIVITY

2.1. Significant data

Changes in key indicators

(Quantitative data)	2003	2004	2005
Changes in orders	3,886	4,220	5,133
Changes in openings	2,719	3,251	3,538
Changes in ongoing building sites	1,943	2,311	2,573*

* including AZUR & CONSTRUCTION with 71 building sites and CID with 93 building sites

Financial data

Concise profitability table	2004	2005
(figures in € millions, IFRS standards)		
TURNOVER	268.4	326.9
Operating result	16.6	22.4
Financial result	0.0	0.5
Ordinary profit before tax	16.6	22.9
Net result	10.7	15.0

Sustained level of business:

The Group continued its intense growth policy during 2005 in 2 areas:

- **External :**
The Group purchased all of the 1200 shares comprising the capital of Azur & Construction, located in the Bouches du Rhône on April 1, 2005.

The Group purchased all of the 960 shares comprising the capital of Société Constructions Idéale Demeure, located in Indre et Loire through its holding company : Investissement Tours Constructions, on October 3, 2005.
- **Internal:**
The SNC FONCIERE RESIDENCES subsidiary created the SCCV La Gentilhommière as part of its development of its VEFA (sale of property for future completion) business.

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

Net turnover increased globally by 21.8%. Its growth at a constant perimeter works out at 15.30%.

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 and Aquitaine and Charente since January 2 2006.

The Group's profitability

The Group's operating result totals €22.4 M December 31, 2005 compared to €16.6 M the previous year, i.e. an increase of 34.9%.

Financial result

The Group's financial result works out at €0.5 M on 31/12/2005, compared to € 0 M the previous year. This change is explained by good surplus cash flow management and the reduced cost of financing acquisitions.'

Ordinary result before tax

The ordinary result is €22.9 M compared to €16.6 M in 2004.

Net result

The net result before tax totals €15.0 M compared to €10.7 M in 2004, i.e. an increase of + 40.7 %.

Summarising table of shareholders' equity from cash flow and indebtedness

In € million : IFRS standards	2004	2005
Shareholders' equity	34.2	45.0
Value of investment and cash	40.9	51.4
Financial liabilities + 1 year	5.0	5.0
Net cash	+ 32.9	+40.7
Gearing	- 96 %	-90 %

The available cash of €51.4 M and a net cash position of € 40.7 M will enable the Group to continue its internal or external growth but also to propose a higher dividend than in previous fiscal years to the General Meeting.

2.2. Investment policy

The investment, apart from external growth, realised by the Group mainly by self-financing, is broken as follows:

Items in € '000s	2004	2005
Software	35	139
Businesses and lease fees	1,000	-
Land, buildings and show homes	428	265
Other fixed assets (including constructions in progress)	810	1,537
Total	2,273	1,941

Main acquisitions in 2005

Software:

- Acquisition of the license for the 'STAR' CAD software,

Land and constructions:

- Start of the construction of two new show homes in the Gard, and a show home at Bourges.
- Completion of 90% of extension works to the headquarters at Alençon.

Other fixed assets:

- Modernisation of the framework and staircase workshop production tool,
- The continued renewal of the IT Park and the deployment of a new network.

2.3. Research and development activity

IT

A new broadband network was deployed in 2005, linking each technical centre to headquarters (IP/VPN MPLS technology). All MAISONS FRANCE CONFORT's sales agencies will be connected to the network by the end of the first six months of 2006.

The internal development of SISCA, a new client file management software system has started, which is intended to replace the current system 3 computer engineers are involved in developing it at the present 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 SISCA modules (following up prospects, administrative follow-up of the file, etc) will begin during the second six months of 2006.

CAD

With over twenty years' experience in the computer-assisted design field, and automatic printouts of quantity surveys and disbursements, MAISONS FRANCE CONFORT set up a strategy for siting new software for its sales force, during 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.

Quality

Quality inside of the MAISONS FRANCE CONFORT Group is firstly 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 are 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 in order 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. THE 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 '000s of housing units	True S/F detached (Custom)	Mkt share	S/F Estate	Mkt share	Multi-Family	Mkt share	Total
1995	113 +0.5%	39.9%	30.3 -6.5%	10.7%	140.1 -8.1%	49.4%	283.4 -4.6%
1996	123.2 +9%	45.2%	26.4 -12.9%	9.7%	122.7 -12.4%	45.1%	272.3 -4%
1997	126.9 +3%	47%	27.8 +5.3%	10.3%	115.4 -6%	42.7%	270.1 -0.8%
1998	134.8 +6.2%	48%	31 +11.5%	11%	115.3 0	41%	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 +9.6%	55.1%	32 -9.8%	10.6%	104 -15.2%	34.3%	303 -2%
2001	157.2 -5.9%	53.7%	33.6 +5%	11.5%	102 -2%	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%	132.8 +18.1%	38.2%	347.8 +14%
2005	179.8 +3.8%	45.8%	49.1 +14.8%	12.5%	163.5 +22.5%	41.7%	392.4 +12.2%

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

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.

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 – investigation June 2004). In addition, this traditional factor is at present reinforced by lack of safety and security and neighbourhood problems in large estates, as well as the rise in rents and ancillary costs, which are causing the French to turn towards a safe and secure single family habitat insofar as the cost of access compares favourably with 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 seen a positive development over the last several 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 (insurance, alarms, fitted kitchens, 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 taken – Go-ahead for work (i.e. building permit granted, financing and plot signed/closed)	8 months
- Go-ahead for work – opening of building site	2 months
- Duration of construction work	8.5 months
TOTAL	18.5 months

In view of the financing plans implemented for private individuals, this business generates 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.**

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 unreasonable speculation, reached its climax in 1993. Only 122,000 single family detached homes (custom + estate sector) were started during that year as 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 overall at around 190,000 single family detached homes per year between 1999 and 2003. This figure has continued to increase since 2004, reaching almost 230,000 in 2005** (Source Caron Marketing)

The market's dynamics are based on two 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, even 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, can afford to buy a house.

In the provinces, the expense of plot and house reimbursement is close to the cost of renting.

On the other hand, **the scarcity of land and therefore 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.

Development of the business 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 catalysing 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 prices 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 Monde 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 demographic and household composition (source INSEE, the French National Statistics Office)

which has 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 %.

6. 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.

7. 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 2005 (source SITADEL of the Housing Ministry), almost 228,900 single family detached homes had started to be built (216 000 in 2004).

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, except if they set up regional subsidiaries 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 most often local companies without the necessary means to develop further.

The market has rationalised considerably after the crisis of the early 1990s. Firstly, between 1992/1993 Vivendi (formerly CGE) took over numerous medium-sized market participants, and secondly the legislation was greatly strengthened, favouring structured builders of a certain financial size : the obligation to provide technical insurance policies (works damages), downpayment reimbursement and performance guarantees (guarantee of delivery at the price and deadline agreed upon), 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 3,100 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

	1994	1996	1998	2000	2002	2004
Number of builders	3,722	3,689	4,220	3,921	3,388	3,120
Large builders > 100						
Number	77	87	105	145	157	164
Market Share	26%	32%	36%	41%	45%	47%
Average sized builders						
Number	725	690	820	830	805	850
Market Share	37%	36%	35%	33%	31%	35%
Small builders < 20						
Number	2,920	2,912	3,295	2,946	2,426	2,106
Market Share	37%	32%	29%	26%	24%	18%

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 industries, such as: Site management, Construction markets, Owner construction, Architects.

Market fragmentation has strongly declined over the last ten years: the market share of the structured builders producing more than 100 homes per year has increased from 20% to 47%, and the number of small builders (less than 20 homes per year) has fallen from 2,920 to 2,100 and now they make up only 18% of the market.

The SMEs building fewer than 20 homes/ year represent 68% of companies (72% in 2002), but only account for 18% of the single family detached home market.

27% of companies build between 20 and 100 homes per year and account for 35% of the single family detached home market (31% in 2002).

164 structured builders build more than 100 homes/ year and represent 5% of all building companies, but account for 47%, or almost 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 development of the industry since 1992 has undergone some interesting changes, including the fact that the number of structured builders producing more than 100 homes per year has increased from 77 to 164, and from 26% to 47% in terms of market share, while the number of small builders (less than 20 homes per year) has fallen from 2,920 to 2,2100 over the same period, with their market share falling from 37% to 18%.

MAISONS FRANCE CONFORT's market positioning

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

Changes in the French market

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Opening of building sites											
Built to order sector (in '000's)	113	123.2	126.9	134.8	152.7	167.0	157.2	157.3	157.8	173.4	179.8
Growth (%)	0.5	9.0	3.0	6.2	13.3	9.6	(5.9)	0.1	0.3	10.1	3.8
Groupe Maisons France Confort (units)	452	649	817	981	1,300	2,046	2,170	2,590	2,719	3,251	3,538
Growth (%)	7.6	43.6	25.9	20.1	32.5	58.2	6.1	19.4	5.0	19.6	8.8
MFC's market share (in %)	0.40	0.53	0.64	0.73	0.85	1.23	1.38	1.65	1.76	1.87	1.97

(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 3,538 construction sites opened under the custom or built-to-order option in 2005, MAISONS FRANCE CONFORT is continuing to win market share, but only represents 1.97% of the overall national market. Of the 59 French Départements where the Group is currently represented, market share of sales is on average at 4.3% with peaks in certain Départements reaching 28%, e.g. in the Indre, 17% in the Tarn.

Construction sites opened by FONCIERE RESIDENCES under the housing estate contract type were marginal and not representative in 2005 (63 VEFA (for future completion) sites).

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 notarised form, the obligation to provide a completion guarantee (usually a bank guarantee), and the obligation to respect the framework schedule for drawdowns 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 (of the 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).

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 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 business.

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 Périssol 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 of the 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 these measures.

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 2005, were rental investments.

UPDATED SUMMARY TABLE – ROBIEN SYSTEM

Effective date	Applicable within the scope of the vote of the DDUHC (Diverses dispositions relatives à l'urbanisme, à l'habitat et à la construction, Miscellaneous Town Planning, Housing and Construction Provisions) Act, with a retroactive effective date of 3 April 2003, in particular for certain regulatory measures.
Beneficiaries	Physical persons investing in rental property directly or through companies not subject to corporate tax (such as SCIs [Société Civile Immobilière, Real Estate Partnership], SCPI [Société Civile de Placement Immobilier, Real Estate Investment Partnership, a savings fund investing in rental property and distributing earnings to the shareholding investors], etc.)
Housing included	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 ceiling on resources
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 rent ceilings	3 zones : Zone A = Greater Paris conurbation, Côte d'Azur, the area around Geneva (€18.47/m ²) Zone B = Île de France outside zone A, conurbations of +50 000 inhab. and some coastal and border areas (€12.83/m ²) Zone C = Remainder of the French territory (€9.23m 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 = €11.00/m² and Zone C = €8,00/m²) from 01/07/2006. Lastly, the lump sum relief on rental income has been replaced by the total deductibility of the real costs.

The BORLOO 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.

3.4. The competition

As collective, estate and single family detached housing are highly compartmentalised market segments that are also 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; underwent a management buyout in 1999 and 2003, and the management's interest in the capital was strengthened in 2006. The Group realised consolidated turnover of €582million in 2005 (+ 10%), operating income of €33.7 million and net income of €21 million. The Group's main brands are Maison Phénix, Maison Familiale, Maison Catherine Mamet, Maison Castor and Demeures de la Côte d'Argent, Maisons Clairdande, Rouqué Construction, Maison Minor and Bati Conseil.

The C.G.I.E. network formed by some thirty completely independent builders using brands such as Demeures de Province and Maisons Challenger; together, they build approximately 2000 homes per year.

The Maisons d'en France network belongs to the various French Caisses du Crédit Immobilier [similar to Building Societies] and, under the MAISONS D'EN FRANCE brand, and groups some 30 companies that are completely independent and, together, build approximately 3,600 homes per year.

The MIKIT network with around 100 franchisees, all of whom are independent, building approximately 2,000 homes per year (in 2004) 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.

Les Architecteurs, a network consisting of about one hundred architectural companies working under the same business name, and producing part of their output as single family detached homes.

Other house builders

Kaufman & Broad, listed in the USA, listed its French subsidiary on the First Market in February of 2000. This large developer does not work in the custom or built-to-order sector.

Nexity is also a major player on the housing market and realises 80% of its turnover by developing individual houses and flats. The Group has been listed on the first market since October 22, 2004.

Opéra Construction realises 100% of its turnover in Alsace and Lorraine is a listed developer, which does not function in the same market niche as MAISONS FRANCE CONFORT and is developing a development activity.

AST Construction, is a listed company and is a developer from Lyon, but also a builder of custom or built-to-order single-family detached homes.

Stradim entered the Marché Libre on 20 January 2000. The company is a developer from Alsace, which started to diversify its production towards the custom, and built-to-order sector in 2002 by taking over two single family detached homebuilders from NANTES and TOULOUSE.

4. RISK FACTORS

4.1. Risks inherent in the activity

Cycle nature of the business

The world of construction 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 manner 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 14).

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 3000) 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 date of the close. 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 a contracts with first rate counterparties in order to restrict the counterparty risk.

Share risks €K

	Own shares	Liquidity contract	Total
Assets position	243	528	771
Actual position : Market price On 31.12.05 (€46.09)	2,411	711	3,122

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 Group accounted a provision for cancelled orders under the 99.02 referential which was aimed at covering the risk of cancelled orders where commercial costs had been activated

This provision has disappeared in the IFRS referential, as the costs activated in the new referential are more restrictive and 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 2005, 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 €132K for each event of loss
- 10-year liability insurance: €280K for each event of loss
- Civil liability insurance: €8,500K 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: €1,055K for each event of loss
- Professional multi-risk insurance, in particular industrial risks: Ceiling €7,815K 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 2005 was €3,415K.

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 (except for MAISONS BRUNO PETIT) so that they are managed independently.

The MAISONS de MANON brand was acquired by MAISONS FRANCE CONFORT in January 2004.

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 4.3% for each Département where it operates. MAISONS FRANCE CONFORT's market share is 8% in 13 Départements, between 5 and 7.5% in 15 departments and less than 4.9% in 31 Départements.

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 UNCFMI (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.

8 important acquisitions have already been made in the last 6 years, and a 9th MCA joined the Group on January 2 2006.

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 €10.1 million in 2005, compared to €6.7 m in 2004.

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 catalogue and communication devoted to this customer base were launched in March 2001; on the basis of the results of this first experience, a second catalogue was presented in May 2005. In 2003, Senior Homes accounted for 18% of the MFC Group's sales compared to 15% in 2004.

- 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. A first catalogue was launched in Midi-Pyrénées in 2003 and in Rhône-Alpes in 2004, and in the rest of France in 2005. The MAISONS FRANCE CONFORT group thus sold 400 houses of this kind in 2005 compared to 200 in 2004. The rental home product will continue to develop in 2006.

- 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 “starter plus’ 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 UNCM'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 31% compared to the 2000 Thermal Regulations, and finally conformity with the parasismic regulations.

The 2006 objectives are as follows:

- Optimising the plans and the architectural definition dedicated to this performance house;
- The creation of marketing tools: catalogue, communication, Web site;
- The concept of a specific financing offer;
- 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 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 Mobaipa, above ground swimming pools with Exoitiq'eu, 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 six 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. 2006 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 UNCFI - 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 starter +
- The bioclimatic house
- 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 recorded by the Group in 2005:

	2004 ORDERS	2005 ORDERS	CHANGE
Number	4,220	5,133	+21.6 %
Value net of Tax	€362,875 K	€464,891 K	+28.1 %

The figures above correspond to orders recorded before cancellation.

Work in progress:	<u>On 31/12/04</u>	<u>On 31/12/05</u>
	2,311	2,573

Change in the orders recorded by the Group in 2005/2006:

	1st quarter 2005	1st quarter 2006	CHANGE
Quantities	1,120	1,502	+25.0 %
Value	€99,649 K	€135,343 K	+26.1 %

As a consequence the Group is anticipating 2 figure growth, continuing on from 2005, with an increase in consolidated turnover of €400 and maintaining an excellent profitability rate.

FINANCIAL INFORMATION

1. THE BOARD OF DIRECTORS' REPORT TO THE COMBINED ORDINARY AND EXTRAORDINARY GENERAL MEETING OF MAY 23 2006

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, 2005.
- 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.
- These documents 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.

The consolidated accounts presented to you were drawn up for the first time in accordance with the new IFRS standards which have applied to the Group since January 1, 2005.

A comparison to December 31, 2004 was compiled in accordance with the same referential in order to ensure that the accounts are comparable. The Group's consolidated accounts were therefore restated from December 31 2003.

The main standards which impact these accounts are as follows :

IAS 11 standard "Construction contracts" & IAS 18 standards " Definition of assets " :

The marketing and technical costs relating to work in portfolio and work in progress which were previously accounted as deferred charges were :

- reclassified as work in progress for the part which was directly attachable to the contracts,
- are considered as expenses for the period for the part which is not directly attributable to the contracts (mainly advertising costs and costs of managing sales force).

The provisions which covered the risks of order cancellation for which commercial costs were activated have disappeared, as the costs activated in the new referential are more restrictive and recoverable if orders are cancelled.

IAS 3 standard "Business combinations" :

Goodwill is no longer amortized.

IAS 16 standard "Plant property and equipment" :

The valuation method adopted by MAISONS FRANCE CONFORT Group is the amortized cost method (gross value reduced by depreciation).

For the change over to IFRS, MAISONS FRANCE CONFORT Group decided not to revalue its plant property and equipment (registered office and show houses built on land we own), this revaluation being an option which was offered within the scope of the change to IFRS.

Significant plant property and equipment was broken down into components and the depreciation time was revised in accordance with the useful lives adopted. This review was performed in accordance with the retrospective method.

IAS 32 standard “Treasury shares” :

The treasury shares (a much wider notion in the IFRS referential) are deducted from the consolidated shareholders' equity, independently of the acquisition and/or holding objective.

Impacts of presentation

The restatements connected to the application of the IAS 11 standard also significantly impacted the accounts. This involves :

- The set off between contracts, between customer invoices to be established for ongoing work and the corresponding installments received,
- The disappearance of deferred charges (commercial and technical costs), some of which are considered as charges for the period. The share of these charges which are directly attributable to work in progress is now integrated into production.

The other adjustments to the presentation mainly involve the reclassification of discounts obtained from the financial income to operating income and the reclassification of extraordinary income as other operating revenue and expenses.

The global impact of the changeover to the IFRS norms on the Group's shareholders equity totals €-2,414 K and conforms with the announcements which were made at the last financial analysts' meeting in April 2005.

Business activity

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

MAISONS FRANCE CONFORT
MAISONS DE L'AVENIR
MAISONS DE L'AVENIR LOIRE ATLANTIQUE
MAISONS DE L'AVENIR ILLE ET VILAINE
MAISONS DE L'AVENIR MORBIHAN
OC RESIDENCES
MAISONS BERVAL
FONCIERE RESIDENCES
GHPA
MJB
MJB 18
MAISONS HORIZON
AZUR ET CONSTRUCTION (from April 1, 2005)
CONSTRUCTIONS IDEALE DEMEURE (from October 1, 2005)
INVESTISSEMENT TOURS CONSTRUCTIONS (from October 1, 2005)
SCCV Le Jardin des Escourtines
SCCV JFK
SCCV La Gentilhommière
SARL GEPHIMO

Significant information shown by the accounts

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

IFRS standards (amounts in €K)	31/12/2005	31/12/2004	Change	
			€K	%
Turnover	326,889	268,379	58,510	+21.80%
Operating income	22,415	16,605	5,810	+34.99%
Financial income	502	-24	526	> 100%
Profit of the consolidated Group	15,039	10,690	4,349	+40.68%
<i>Group share</i>	<i>15,036</i>	<i>10,688</i>	<i>4,348</i>	<i>+40.68%</i>
<i>Minority share</i>	<i>3</i>	<i>2</i>	<i>1</i>	<i>+50.00%</i>

Our business activity grew very strongly in 2005.

Our Group consolidated accounts show a turnover of €K 326,889, an increase of 21.8 %. The present activity increases by 15.3 % at a constant perimeter.

Continuing its previous performances, our Group's profitability increased in 2005 thanks to an improvement in its growth margin and good management of its overheads.

The operating margin gains 0.7 point reaching €22,415 K, i.e. an increase of 34.99 % compared to 2004.

This development is emphasised by the level of net income which attains a record total of €15,039 K, an increase of 40.6 % compared to the 2004 fiscal year.

The acquisition of Azur & Construction and CID contributed to the global improvement in profitability for the 2005 fiscal year.

We shall ask you to approve these accounts.

Change in financial elements

Non current assets total €18,391 K, an increase of 17.6 %. The increase in this item mainly comes from the change in the "Goodwill" item following the acquisition of Azur & Construction and and Constructions Idéale Demeure.

Current assets total €152,870 K, an increase of 15.7 %.

Non current liabilities are unchanged at € 5,174 K

Current liabilities total €121,128 K, an increase of 11.8 %.

The cash position is positive by €51,439 K at the close of the fiscal year compared to €40,912 in 2004.

Highlights

The Group continued its external growth policy in 2005 by acquiring AZUR ET CONSTRUCTION Company on April 1, 2005 which mainly operates in the Bouches du Rhône and le Gard Département and which was taken over last October and CONSTRUCTIONS IDEALE DEMEURE which operates in the TOURS region.

These two acquisitions strengthen the Group's positions in the centre of France and the PACA region.

In addition, we continued our organic growth with new implantations and opening new sales offices in the Regions.

Finally, our four marketing subsidiaries were merged with their respective production company within the scope of an internal restructuring in the Group.

This involves the following companies:

FC PROMOTION and FC PACARA which was the subject of an universal transfer of assets and liabilities with MAISONS FRANCE CONFORT which was effective on 31/12/2005.

MAISONS DE L'AVENIR COMMERCIALISATION which was merged with MAISONS DE L'AVENIR retroactively from January 1 2005 .

BATICOM S.A.R.L. which was the subject of an universal transfer of assets in liabilities with AZUR ET CONSTRUCTION effective on 31/12/2005.

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.

Nevertheless we have been penalised by a small change in the BP 01 index (which our contracts are indexed to) as it only increased 1.86 % in 2005.

Research and development activities

MAISONS FRANCE CONFORT SA's Research and Development Department is continuing its task of:

- Promoting the development of a new "industrialised" product which is in the process of being finalised today.
- Developing a quality initiative with an aim of improving customers' satisfaction, shortening building site dead lines and increasing the margins,
- Developing the offer of products and in particular:
 - The "customers' service pack",
 - The "senior" home,
 - The rental home,
 - The "starter +" home,
 - The Bioclimatic home

(These last two are in a test phase in the Midi Pyrénées region).

Important events since the close

We acquired MAISONS DE LA COTE ATLANTIQUE on January 31, 2006 with effect from January 1st, which sold 500 single detached homes to December 31, 2005 (over 12 months of business) especially in the Aquitaine region and the Charente Maritime département.

This major external growth operation now enables us to be present on the Atlantic coast line which has strong growth potential.

Developments and outlook

2005 was marked by the Group recording 5 133 sales for a volume of € 464.9 million net of tax, representing an increase from 21.6 % to 28.1 % in volumes.

The 2006 production is therefore looking very promising.

Our subsidiaries' business activity

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

All our subsidiaries are consolidated for tax purposes (for AZUR ET CONSTRUCTION and CID, the option will produce its effects for the first time from the fiscal year beginning January 1, 2006).

Our subsidiaries' business is summarized in the table below :

Summarizing table of the business activity of the MAISONS FRANCE CONFORT Group's subsidiaries

(Amounts in '000's of €)

Name	Form	%	Holding Connection	2005 Turnover	2005 Current Results	2005 Net Income	Note			
MAISONS DE L'AVENIR	S.A.S.	99.97%	Direct	51,465	+34.90%	3,637	-5.70%	2,429	-6.14%	(1)
MAISONS DE L'AVENIR LOIRE ATLANTIQUE	S.A.S.	99.97%	Indirect (100 % MAISONS DE L'AVENIR)	8,326	+66.08%	708	> 100.00%	470	> 100.00%	
OC RESIDENCES	S.A.S.	99.96%	Direct	30,885	+9.49%	3,295	+28.13%	2,177	+34.20%	
MAISONS BERVAL	S.A.S.	99.97%	Direct	10,086	+0.5%	1,421	+3.00%	916	+2.90%	
GHPA	S.A.S.	100.00%	Direct	11,719	+11.05%	862	+37.90%	568	+38.80%	
MJB	S.A.S.	100.00%	Direct	11,145	-6.60%	1,455	-23.74%	967	-25.39%	(2)
MJB 18	S.A.S.	100.00%	Direct	3,326	> 100.00%	423	> 100.00%	238	> 100.00%	(2)
MAISONS HORIZON	S.A.S.	100.00%	Direct	11,030	-19.90%	729	< -100.00%	477	< -100.00%	(3)
AZUR & CONSTRUCTION	S.A.S.	100.00%	Direct	7,759	-	1,000	-	711	-	(4)
BATICOM	S.A.R.L.	100.00%	Indirect (100 % AZUR & CONSTRUCTION)	374	-	36	-	24	-	(4)
CONSTRUCTIONS IDEALE DEMEURE	S.A.S.	100.00%	Indirect (100 % ITC)	2,956	-	458	-	328	-	(5)
FC PROMOTION	S.A.R.L.	100.00%	Direct	8,441	+20.20%	1,432	+53.97%	946	+54.83%	(6)
FC PACARA	S.A.R.L.	100.00%	Direct	10,586	+29.00%	2,241	> 100.00%	1,482	> 100.00%	(6)
FONCIERE RESIDENCES	S.N.C.	100.00%	Direct (99 %) Indirect (1 % MJB)	7,381	+38.30%	130	> 100.00%	130	> 100.00%	
LE JARDIN DES ESCOURTINES	S.C.C.V.	99.00%	Indirect (99 % FONCIERE RESIDENCES)	1,012	> 100.00%	64	> 100.00%	64	> 100.00%	
RESIDENCE KENNEDY	S.C.C.V.	50.00%	Indirect (50 % FONCIERE RESIDENCES)	2,989	+44.17%	214	+94.54%	213	+98.15%	
LA GENTILHOMMIERE	S.C.C.V.	50.00%	Indirect (50 % FONCIERE RESIDENCES)	795	-	104	-	104	-	(7)
GEPHIMO	S.A.R.L.	49.80%	Direct	1,458	> 100.00%	154	> 100.00%	102	> 100.00%	

SAS = Simplified joint stock trading company

SARL = Limited company

SNC = Partnership

SCCV = Construction-Sale Company

(1) The accounts for the fiscal year are impacted by the merger with Maisons de l'avenir Commercialisation. MAISONS DE L'AVENIR incorporated two new subsidiaries on November 30, 2005 with capital of a € 38,200, MAISONS DE L'AVENIR ILLE ET VILAINE and MAISONS DE L'AVENIR MORBIHAN. These two companies did not have any business activity during 2005 and received the lease management of the operation of the corresponding geographical sectors from January 1, 2006.

(2) The decrease in MJB's results is explained by the increase in MJB 18's business.

(3) The 2004 accounts integrated the change in method within the scope of the group consolidation.

(4) Takeover of control from April 1, 2005. BATICOM was the subject of a universal transfer assets and liabilities with Azur et Construction (effective from 31/12/2005).

(5) Interest taken from October 1, 2005. There is no compatible data for this three-month accounting period. All the shares of this company are held by INVESTISSEMENTS TOURS CONSTRUCTIONS which operates as a pure holding company in which was consolidated inside the consolidation perimeter.

(6) Companies which were the subject of a universal transfer of assets and liabilities with MAISONS FRANCE CONFORT (effective from 31/12/2005).

(7) Company created during 2005. No previous data.

2. MAISONS FRANCE CONFORT's own activities

The main financial data for the fiscal year is summarised as follows:

(amounts in €K)	31/12/2005	31/12/2004	Change	
			€K	%
Turn over	181,307	153,684	27,623	+17.97%
Operating result	-1,454	4,759	-6,213	< - 100%
Financial result	12 571	7,989	4,582	+57.35%
Ordinary profit before tax	11,118	12,748	-1,630	-12.79%
Net income	11,231	10,251	980	+9.56%

MAISONS FRANCE CONFORT whose company accounts you are been asked to approve, realised turnover of €181,307 K, an increase of 17.97 % with a net income of €11,231 K, an increase of 9.56 %.

The company's accounts, which are drawn up in accordance with the French standards, were impacted by:

- A change in the method connected with the application of the 2002-10 and 2004-10 regulations of the Account and Regulation Committee (Comité de Réglementation Comptable),
- A change in the estimation in calculating the after-sales service provision,
- The merger of our marketing subsidiaries.

Change in the method connected to the application of 2002-10 and 2004-10 of the Account and Regulation Committee,

The application of these two regulations impacted MAISONS FRANCE CONFORT's accounts as follows:

Intangible and tangible fixed assets

Significant fixed assets were broken down into components and the depreciation times were revised in accordance with the useful lives adopted. This review was carried out in accordance with the retrospective method.

The impact of this new method was recognised in shareholders' equity for its amount net of corporation tax, i.e. an impact of + €207 K.

A 1/5th of this gross restatement was added back for tax purposes. In accordance with the opinion of the Emergency Committee 2005-D of June 1, 2005, § 1.4, a tax provision for the remaining 4/5th to be added back for tax purposes was accounted as a counterpart to the increase in the shareholders' equity resulting from the first application of the component method.

Accruals

The sales and technical costs relating to the work in portfolio and work in progress which were previously accounted as accruals were:

- Reclassified as building sites in progress for the part which is directly attached to the contracts,
- Are considered as expenses for the period for the part which is not directly attributed to the contract (mainly advertising costs and the costs of managing sales force).

The commissions which are earmarked for each contract invoiced by our marketing subsidiaries were analysed as internal costs on 31/12/2005 due to the merger on 31/12/2005. Consequently, certain costs considered as activatable then attachable to each contract (marketing subsidiaries commissions) are not directly attributable to the contracts at the end of the fiscal year because of the merger of our subsidiaries, the only commercial costs which remain attributable to each contract being the commission to the sales representative or the agent of our marketing subsidiaries.

The impact of these reclassifications was accounted as expenses for tax reasons, according to the option offered by the CNC n°97-06. This impact totals €6, 091 K gross and €3, 541 net after corporation tax and participation.

The accounts which are presented are therefore difficult to compare because of the changes in method. In order to guarantee the clarity of the financial information, pro forma accounts have been compiled presenting the 2004 and 2005 accounts as if the method has always been applied. These accounts appear in the notes to MAISONS FRANCE CONFORT's Company accounts.

These pro forma accounts can be summarized as follows :

amounts in € K	31/12/2005	31/12/2004	Change	
			K€	%
Turnover	171,325	154,614	16,711	+10.81%
Operating result	4,637	3,768	869	+23.06%
Financial result	12,572	7,989	4,583	+57.37%
Ordinary profit before tax	17,209	11,757	5,452	+46.37%
Net income	14,772	9,611	5,161	+53.70%

Change in the estimated calculation of the after-sales service provision

A change in the estimated after-sales service provision was made in the 2005 fiscal year. This provision had previously been calculated by taking a lump sum for each building site accepted during the last 3 months, into account.

From January 1, 2005, this provision is constituted from the turnover multiplied by a statistical rate established on the basis of the previously recognized after-sales service costs.

This change in estimate has negatively impacted the accounts for this fiscal year by a sum of € 487 K.

Merger of the marketing subsidiaries

As was explained for the subsidiaries' business activity, our two marketing subsidiaries (FC PACARA and FC PROMOTION) were merged with MAISONS FRANCE CONFORT by a universal transfer of assets and liabilities effective from 31/12/2005, within the scope of an internal restructuring in the Group.

These companies acted as sales agents on behalf of MAISONS FRANCE CONFORT. They invoiced commissions our company for each sale concluded.

The two universal transfer of assets and liabilities performed on 31/12/2005 realized a merger dividend which was accounted in financial revenue of € 2,742 K.

3. 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 constant upward trend during 2005 (x 2.09) 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 6,069 shares on December 31, 2005.
 - The favourable development in the stock market price during 2005, the low number of the shares and the average acquisition price do not create any risks for the company.
- The company's indebtedness position continues to be very favourable with financial debts of more than one year identical to the position during the previous year, and represent around 11 % of the consolidated shareholders' equity, as the company does not contract any indebtedness to finance its activity but only to finance external growth operations, to a much lesser proportion.

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 within the notes to this report.

The business's environmental consequences

This information is dealt within the notes to this report.

Results

We are asking you to approve the Company's consolidated accounts which close with a profit (Group share) of €15,036 K and the company accounts which close with a profit of €11,230 K.

1. 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 €11,230,507.24 as follows:

Origin :

- Profit for the fiscal year	11,230,507.24 €
- Retained earnings	704,699.89 €

Appropriation:

- To shareholders, as dividends.....	6,035,705.91 €
- To the ordinary reserve.....	5,500,000.00 €
- To the retained earnings.....	399,501.22 €

TOTALS	11,935,207.13 €	11,935,207.13 €
---------------	------------------------	------------------------

The dividend paid for each share is fixed at.....€ 0.87

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.

2. PAYMENT OF DIVIDENDS

- This dividend will be distributed for payment by June 30, 2006 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 dividends not paid for these shares will be entered in the "Retained Earnings account"

3. PREVIOUS DISTRIBUTIONS OF DIVIDENDS

In accordance with the provisions of 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 reminder of the tax credit which these distributions were entitled to at the time :

FISCAL YEAR	DIVIDEND DISTRIBUTED	TAX CREDIT	REAL EARNINGS
2002 (2,312,531 shares)	0.71	0.35	1.06
2003 (2,312,531 shares)	1.00	0.50	1.50

The whole of the amount of the dividend distributed for 2004, i.e. € 4,046,929.25 was eligible for the 50 % allowance referred to article 158-3-2° of the General Tax Code for people satisfying the conditions stipulated under the terms of the said article.

The company's share capital

1. The Company's shareholding

We remind you that the Board of Directors' meeting of July 8, 2005, acting under the powers delegated to it by the General Meeting of May 26, 2005 decided to divide the nominal value of the shares by three and then to multiply the number of shares forming the company's share capital by 3. 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, on December 31, 2004.

MFC PROU-INVESTISSEMENTS

> 50 %

2. Treasury shares

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

3. Treasury shares within the scope of a share buy plan

The Company did not realize any sales on the stock market between May 22, 2005 and February 28, 2006 (last information known on today's date) within the scope of the authorization granted and in accordance with the objectives determined by the General Meeting of May 26, 2005.

On February 28, 2006 the number of shares recorded in the company's balance sheet assets is 52,305 with a value of € 243 K at an average purchase price of € 4.65. This number of shares, with a global nominal value of € 9.4 K, represents 0.75 % of the capital.

In addition, within the framework of the liquidity contract signed with CIC SECURITIES, which the company now holds 100 % of the rights to, 225,126 shares were purchased on the stock market between March 1, 2005 and February 28, 2006 at an average price of € 38.16 for a total amount of € 8,591.4 K excluding negotiation costs, and 240,203 shares were sold for an average price of € 37.21, i.e a total amount of € 8,938.5 K, excluding negotiation costs.

On February 28, 2006 the company possesses 7,000 shares within the scope of the liquidity contract with a value of € 375.6 K, valued at the average stock market price. During February 2006, this number of shares, with a global nominal value of € 1.3 K, represents 0.10 % of the capital.

Board of Directors and company agents

1. List of the mandates and functions performed by the company agents

Name of agent	Mandate in the company	Date of appointment or renewal	Date of end of mandate	Other function(s) in the company	Mandates and/or functions in another company (Group and outside group)
Mr. Patrick VANDROMME	Director and Chairman and CEO	28/05/2002	AGM 2008	NONE	<ul style="list-style-type: none"> - GM MAISONS DE L'AVENIR - GM OC RESIDENCES - GM MAISONS BERVAL - GM GHPA - GM MJB - GM MJB 18 - GM MAISONS HORIZON - GMAZUR et CONSTRUCTION - Chairman MFC PROU-INVESTISSEMENTS
Mr. Philippe VANDROMME	Director and Executive vice-president	18/05/2004	AGO 2010	NONE	<ul style="list-style-type: none"> - Chairman of the Directorate GCE Garanties - Chairman and CEO Compagnie Européenne de Garanties Immobilières (CEGI) - Chairman and CEO Financière CEGI - Manager CEGI Vertriebsgesellschaft mbh (Germany) - Manager CEGI Courtage SNC - Chairman of the Board of Directors of SACCEF
Mr. Christian LOUIS VICTOR	Director	18/05/2001	AGO 2007	NONE	<ul style="list-style-type: none"> - Director of SOCAMAB Assurances - Manager CLV Développement - Director SURASSUR (SA) Sté Luxembourgeoise de Réassurance (Caisse Nationale des Caisses d'Epargne Group) - Director CIFA (Compagnie Immobilière et Foncière d'Aquitaine) - Director Maisons C.L.I.O. (Montpellier) - Financial director Quarre SA
Mr. Willi MUSSMANN	Director	21/04/2000	AGO 2006	NONE	<ul style="list-style-type: none"> - Shareholder specialised in advising and managing companies
Mrs. Gilberte DUC	Director	28/05/2002	AGO 2008	NONE	

2. Appointment, renewals

We are asking you to renew Mr. Willi MUSSMANN's term of office for a period of six years which will expire in 2012 during the General meeting which rules on the accounts for the previous fiscal year.

3. Attendance 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 the attendance fees allocated to directors is shown in the table below.

The main portion 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.

4. Directors' remuneration

Company agent (Whatever the duration of the mandate during the fiscal year)	In the company		Benefits in kind	In controlled companies	
	Remuneration For the mandate	Other remuneration		Remuneration	Benefits in kind
Mr. Patrick VANDROMME PDG	Salary 2005 : €119 K Profitsharing for the 2004 fiscal year €273 K	Attendance fees €915	NONE	NONE	NONE
Mr. Philippe VANDROMME	Salary 2005 99,9 K€	Attendance fees €915	NONE	NONE	NONE
Mrs. Gilberte DUC Director	NONE	Attendance fees €12,500	NONE	NONE	NONE
Mr. Christian LOUIS VICTOR Director	NONE	Attendance fees €1,982	NONE	NONE	NONE
Mr. Willi MUSSMANN Director	NONE	Attendance fees €1,982	NONE	NONE	NONE

The amounts are expressed in gross values.

The Chairman of the Board of Directors receives both 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.

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 has 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 of 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 inside trading, and give precise details on how the Board operates.

• **Activities of the committees during the past fiscal year :**

The Board has not created any committees because of the size and the structure of the company and the small number of directors.

• **Securities transactions**

Directors have not performed any securities transactions.

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

The combined Ordinary and Extraordinary General Meeting which met on May 28, 2002 authorized the Board of Directors to allocate stock and/or share purchase options.

This authorization was not used during the approved fiscal year.

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 fiscal year.

8. Statutory auditors

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

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 will present them to you and give all 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, 2004 as well as to your Statutory Auditors for performing their mission as they describe in their general report.

10. Authorization for a share buy-back programme by the company

We are proposing that you grant the necessary powers to the Board of Directors for a period of 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 or 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 by profitsharing 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 under 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 derivative 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

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 on one or several occasions, as well as to reduce the share capital by this amount in accordance with the provisions and regulations in force.

Authorisations to increase the capital

We are asking you to renew the Board of Directors' powers to increase the capital.

The purpose of these authorisations is to give the Board of Directors freedom to issue shares and/or any security giving immediate or future access to a percentage of the share capital within the statutory dead lines.

The nominal amount of the increases in capital which can be realised cannot be more than € 312,500. This sum includes the nominal amount of the additional shares to be issued to preserve, in accordance with the law, the rights of holders of securities giving an entitlement to a percentage of the share capital in the future.

These issues can be realised with or without a preferential subscription right for shareholders. We are, therefore, informing you that the Board of Directors could grant shareholders the option to make priority subscriptions for all stock exchange issues without a preferential subscription right.

The price of the shares representing the capital will be fixed in accordance with the statutory provisions.

These delegations can be used during a takeover bid or a public exchange offer providing that the decision to increase the capital is taken before the offer is filed.

Finally, it is planned to give the Board of Directors the necessary powers to perform any increase in capital by incorporating premiums and/or reserves by increasing the nominal value or creating new shares, on its decision alone.

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 a period of 26 months expiring on July 26, 2007.

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, 2007.

Authorisation to increase the share capital in order to remunerate the contributions in kind

The authorisation given to the Board of Directors in 2005 for a period of 26 months expires on July 26, 2007, and it is unnecessary to renew it.

Authorisation to grant shares free of charges to the members of salaried staff (and/or certain company agents)

The authorisation granted to the Board of Directors to allocate shares free of charges to members of the staff and/or certain company agents granted in 2005 expires on July 26, 2009, and it is unnecessary to renew it.



Your Board asks you to vote in favour of the resolutions which will be 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

- The Company's staff on 31 December 2005 : 480 divided between
19 Fixed-term contracts and 461 permanent contracts.
- As of 1 January 2003, the work week was set at 35 hours further to agreement with staff representatives.
- Salaries amounted to €9,633K as against €8,308K, i.e. + 12.7%, and the corresponding social security charges amounted to €6,560 K compared to €5,273K.
- In 2003, the CHSCT [Comités d'Hygiène de Sécurité et des Conditions de Travail, Health and Safety and Working Conditions Committees] continued its task of compiling a single document for the different categories in the Company.
- Training: Training expenses amounted to €170 K, identical to 2004.
- Disabled workers: The Company complies with all relevant provisions regarding the employment of disabled workers.
- Social and welfare services: €58K was paid to the Works Council in 2005, compared to €51K in 2002.
- Subcontracting totalled €84.8 million representing 46.7% of turnover.

Subcontract work is the subject of subcontracting contracts, which include the international Labour Organisation's fundamental provisions.

Data for MAISONS FRANCE CONFORT Group

- The Group's total workforce on December 31 2005 : 820 divided between :
25 fixed term and 795 permanent contracts
- Salaries totalled € 25,865 K compared to €23 007 K, i.e. + 12.4 % and the corresponding social security charges totalled €13,631 K compared to €11,474 K.
- Subcontracting totalled €161 .6 M, representing 49.4% 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

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, is strictly compliant with the relevant regulations, as we furthermore 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 VALID DELEGATIONS OF AUTHORITY TO INCREASE THE SHARE CAPITAL

In €	Date of the EGM	Date of delegation of authority expires	Amount authorised	Increase(s) during previous years	Increase(s) during the fiscal year	Residual amount on the date of this table
Authorisation to increase the capital maintaining the share purchase right	23/05/06	23/07/08	312,500 €	0	0	312,500 €
Authorisation to increase the capital suppressing the share purchase right	23/05/06	23/07/08	312,500 €	0	0	312,500 €
Authorisation to increase the capital suppressing the share purchase right within a limit of 10% of the capital defining the terms for fixing the subscription price	NO	0	0	0	0	0
Authorisation to increase the capital suppressing the share purchase right in favour of members of a company savings scheme	26/05/05	29/07/07	37,500 €	0	0	37,500 €
Authorisation to increase the capital with suppressing the share purchase right in favour of... (A category of people)	NO	0	0	0	0	0
Authorisation to increase the capital to pay for a share contribution	26/05/05	26/07/07	125,000 €	0	0	125,000 €
Authorisation to issue stock options	26/05/05	26/07/09	-	-	-	-
Authorisation to allot free shares to be issued	26/05/05	26/07/09	37,500 €	0	0	37,500 €

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

NATURE OF DATA	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
I. Capital at FY end					
Capital	1,250,000.00	1,250,000.00	1,250,000.00	1,250,000.00	1,250,000.00
Number of existing ordinary shares	2,312,531	2,312,531	2,312,531	2,312,531	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	109,329,915.68	124,380,068.40	138,351,830.00	153,684,394.00	181,306,556.00
Profit before taxes and employee profit sharing and allocation to depreciation, amortisation and provisions	6,976,110.63	6,914,472.47	8,438,475.00	13,697,577.00	10,419,840.00
Tax on profits	1,291,798.70	1,200,750.00	1,322,101.00	1,788,432.00	172,955.00
Employee profit sharing due for the fiscal year	340,420.94	293,791.00	298,820.00	367,467.00	0.00
Profit before taxes and employee profit sharing and allocation to depreciation, amortisation and provisions	4,600,126.69	4,598,203.06	6,073,717.00	10,250,550.00	11,230,507.24
Profit distributed	1,248,766.74	1,641,897.01	2,312,531.00	4,046,929.00	6,035,705.91
III. Earnings per share					
Profit after taxes employee profit sharing and allocation to depreciation, amortisation and provisions	2.31	2.34	2.94	4.99	1.47
Profit after taxes employee profit sharing and allocation to depreciation, amortisation and provisions	1.99	1.99	2.62	4.43	1.61 ⁽¹⁾
Dividend per share (a)	0.54	0.71	1.00	1.75	0.87 ⁽¹⁾
IV. Staff					
Average headcount for the fiscal year	270	318	344	355	480
Total payroll expense for the fiscal year	5,837,512.21	6,971,858.00	7,894,674.00	8,308,574.00	9,365,861.00
Amounts paid in connection with social benefits for the reporting year (social security, welfare benefits, etc.)	3,610,400.07	4,266,657.00	4,865,834.00	5,273,221.00	6,560,140.00

⁽¹⁾ For 2,312,531 shares (before division of the nominal), the net earnings per share is €4.83 and the dividend €2.61.

The Statutory Auditors' special report

Fiscal year closed on December 31 2005

Dear Ladies and Gentlemen,

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

Agreements authorised during the fiscal year

It is not part of our area of responsibility to search for the existence of agreements but to explain, on the basis of information given to us, the characteristics and principal terms of the agreements we have been informed. However, we are not required to pronounce on their utility or their merits. Under the terms of Article 92 of the decree on March 23 1967, you are responsible for evaluating the benefit from concluding these agreements, in order to decide whether to approve them.

We have not been informed of any agreement referred to in article L. 225 38 of the Commercial Code.

Agreements approved during previous fiscal years which continued to be performed during the past fiscal year

In addition, under the application of the decree on March 23 1967, 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 et Caen, May 5th 2006

KPMG Audit
Department de KPMG S.A.

Thierry LEFEVRE
Partner

Yves GOUHIR
Partner

SOCOGE

Alain MUELLE

2. CONSOLIDATED ACCOUNTS TO DECEMBER 31 2005

Balance sheet

ASSETS (in € '000s)	Note	31/12/2005 Net	31/12/2004 Net
Intangible assets	2.4 & 4.1	1,635	1,560
Goodwill	2.5 & 4.2	9,634	5,994
Tangible fixed assets	2.6 & 4.3	6,328	5,287
Holdings in affiliated companies	4.4	71	
Other financial assets	2.7 & 4.5	496	409
Deferred taxes	2.8 & 4.6	226	2,382
NON CURRENT ASSETS		18,391	15,633
Inventory and work in progress	2.9 & 4.7	3,999	1,167
Accounts receivable	2.10 & 4.8	58,238	57,551
Other accounts receivable	2.11 & 4.9	37,742	32,405
Current tax assets	2.11 & 4.9	1,452	
Cash and cash equivalents	2.12 & 4.10	51,439	40,912
TOTAL CURRENT ASSETS		152,870	132,034
Non current assets intended to be sold			
TOTAL ASSETS		171,261	147,667
LIABILITIES (in € '000s)	Notes	31/12/2005 Net	31/12/2004 Net
Share capital	2.14 & 4.11	1,250	1,250
Premiums and reserves	2.14 & 4.11	28,668	22,273
Consolidated profit for the fiscal year	2.14 & 4.11	15,036	10,688
Total shareholders equity Group share		44,954	34,211
Interests outside the group in the result	2.14 & 4.11	3	2
Interests outside the group in the reserves	2.14 & 4.11	2	1
Minority interests' share in the shareholders equity		5	3
TOTAL SHAREHOLDERS' EQUITY		44,959	34,215
Deferred tax liabilities	2.8 & 4.12	126	174
Financial debts - share of more than 1 year	2.15 & 4.13	4,989	4,985
Non current provisions	2.16 & 4.14	59	14
TOTAL CURRENT ASSETS		5,174	5,174
Share capital	2.16 & 4.15	3,638	2,493
Short-term financial debts	2.15 & 4.13	5,724	3,043
Debts on contracts in progress	4.16	7,894	6,948
Tax and social security debts	2.17 & 4.17	42,165	39,814
Suppliers	2.17 & 4.18	59,805	54,893
Other creditors	2.17 & 4.19	1,902	1,088
TOTAL CURRENT DEBTS		121,128	108,279
TOTAL DEBTS		171,261	147,667

Profit and loss statement

(€'000's)	Note	31/12/2005		31/12/2004		CHANGE	
		€K	% TO	€K	% TO	€K	%
TURNOVER	2.18 & 5.1	326,889	100.0%	268,379	100.0%	58,510	21.8%
Other revenue from activities		150	0.0%	9	0.0%	141	1574.0%
Purchases consumed	2.19 & 5.2	(261,014)	-79.8%	(213,779)	-79.7%	(47,235)	22.1%
Staff costs	2.19 & 5.3	(39,495)	-12.1%	(34,481)	-12.8%	(5,014)	14.5%
Taxes and charges	2.19 & 5.4	(2,204)	-0.7%	(1,968)	-0.7%	(236)	12.0%
Depreciation expenses		(871)	-0.3%	(790)	-0.3%	(82)	10.3%
Net provision expenses		(1,141)	-0.3%	(860)	-0.3%	(282)	32.8%
Other operating revenues and charges		103	0.0%	94	0.0%	8	8.9%
OPERATING INCOME		22,415	6.9%	16,605	6.2%	5,810	35.0%
Cost of financial indebtedness		(412)	-0.1%	(557)	-0.2%	145	-26.0%
Income from cash and cash equivalents		914	0.3%	533	0.2%	381	71.4%
FINANCIAL INCOME	2.19	502	0.2%	(24)	0.0%	526	N/A
Tax charge	5.5	(7,928)	-2.4%	(5,891)	-2.2%	(2,037)	34.6%
NET RESULT OF CONSOLIDATED COMPANIES		14,989	4.6%	10,690	4.0%	4,299	40.2%
Percentage of income equity method accounted companies		51	0.0%		0.0%	51	N/A
PROFIT		15,039	4.6%	10,690	4.0%	4,349	40.7%
Group profit		15,036		10,688		4,348	40.7%
Non-Group Profit		3		2		1	50.7%
<hr/>							
Earnings per share before dilution (in €)	2.20						
- On profit		2.19		1.54		0.65	41.9%
- On non-Group profit		2.19		1.54		0.65	41.9%
<hr/>							
Earnings per diluted share (in €)							
- On profit		2.19		1.54		0.65	41.9%
- On non-Group profit		2.19		1.54		0.65	41.9%

Cash flows table

CASH FLOW (in €K)	31/12/2005	31/12/2004
Net consolidated income (including minority interests)	15,039	10,690
+/- Net depreciation and provision expenses (including those connected to current assets)	1,861	1,675
+/- 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	(33)	(87)
+/- Profits and losses on dilution		
+/- Percentage of income connected to companies accounted by the equity method	(51)	
- Dividends (and consolidated shares)		
Cash flows from operations before costs of net financial indebtedness and tax	16,816	12,278
+ Net cost of financial indebtedness	(502)	24
+/- Tax charges (including deferred taxes)	7,928	5,891
Cash flows from operations before costs of net financial indebtedness and tax (A)	24,243	18,193
- Taxes paid (B)	(5,821)	(6,537)
+/- Change in working capital requirement connected to the business (C)	(3,638)	8,395
CASH FLOW GENERATED BY THE BUSINESS (D) = (A + B + C)	14,784	20,051
- Outflows connected to purchases of tangible and intangible assets	(1,941)	(2,132)
+ Encashment connected to sales of tangible and intangible fixed assets	78	264
- Outflows connected to purchase of financial assets	(86)	(39)
+ Encashment connected to sales of financial assets	25	50
+/- Impact of the change in the perimeter	(108)	(1,593)
+ Dividend received		
+/- Changes in loans and advances granted		
+ Investment subsidies received		
+/- Other flows connected to investment operations		
NET CASH FLOWS CONNECTED WITH INVESTMENT OPERATIONS (E)	(2,031)	(3,450)
+ Sums received from shareholders during increases in capital		
- Paid by the shareholders of the parent company		
- Paid by the minority interests of consolidated companies		
+ Sums received when stock options are exercised		
+/- Buybacks and resales of treasury shares	(299)	
- Dividends distributed for payment during the fiscal year		
- Dividends paid the parent company's shareholders	(4,013)	(2,299)
- Dividends paid to the minority interests of consolidated companies	(2)	(2)
+ Encashment connected to new loans	3,615	1,612
- Redemption of loans (including lease financing contract)	(2,876)	(3,252)
- Net finance interest paid (including lease financing contract)	502	(24)
+/- Other flows connected to financing operations		
NET CASH FLOWS CONNECTED WITH FINANCING OPERATIONS (F)	(3,074)	(3,964)
+/- Impact of the changes in the foreign currency rates (G)		
CHANGE IN NET CASH FLOW (D + E + F + G)	9,679	12,636
CASH POSITION AT THE START OF THE FISCAL YEAR	40,368	27,732
+/- Change in cash flow	9,679	12,636
CASH FLOW AT THE CLOSE OF THE FISCAL YEAR	50,047	40,368
<i>Of which active cash flow</i>	<i>51,439</i>	<i>40,912</i>
<i>Of which passive cash flow</i>	<i>(1,392)</i>	<i>(544)</i>

Table of changes in shareholders' equity

SHAREHOLDERS' EQUITY (In €K)	Capital	Reserves connected with the capital	Treasury shares	Reserve and consolidated income	Income recorded directly in shareholders' equity	Total Group share	Minorities	Total
Shareholders' equity at the close 2003, 99.02 standards	1,250	7,021		19,965		28,236	3	28,239
IFRS restatements, net of deferred tax						—		—
Construction contracts				(2,146)		(2,146)	(0)	(2,146)
Definition of assets						—		—
Depreciation of assets						—		—
Fixed assets				205		205		205
Treasury shares			(472)			(472)		(472)
Opening shareholders' equity on 01/01/2004 IFRS standards	1,250	7,021	(472)	18,024	—	25,823	3	25,826
Capital operations						—		—
Share based payments						—		—
Treasury share operations						—		—
Dividends				(2,299)		(2,299)	(2)	(2,300)
Net income for the fiscal year				10,688		10,688	2	10,690
Changes in perimeter						—		—
Closing Shareholders' equity on 31/12/2004	1,250	7,021	(472)	26,413	—	34,212	3	34,215
Capital operations						—		—
Share based payments						—		—
Treasury share operations			(299)			(299)		(299)
Dividends				(4,013)		(4,013)	(1)	(4,014)
Net income for the fiscal year				15,036		15,036	2	15,038
Changes in perimeter				18		18		18
Closing Shareholders' equity on 31/12/2005	1,250	7,021	(771)	37,454	—	44,954	5	44,959

Appendix to the balance sheet and to the consolidated profit and loss statement to December 31, 2005

1. DECLARATION OF CONFORMITY AND BASIS FOR PREPARING THE FINANCIAL STATEMENTS

1.1. Declaration of conformity

The consolidated financial statements of MAISONS FRANCE CONFORT Group incorporate the accounts of MAISONSFRANCE CONFORT SA and its subsidiaries (together called " the Group "), as well as the Group's interests in affiliated companies and joint ventures.

They were closed by the Board of Directors' meeting on March 28, 2006 and will be put to the next Ordinary General Meeting on May 23, 2006 for its approval.

The Group's consolidated financial statements to December 31, 2005 are the first financial statements to be prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union.

The provisions of IFRS 1 (the first application of the International Financial Information Standards) have been applied.

The Group has not applied the other standards, interpretations and amendments approved by the European Union, which are not compulsory in 2005. The Group does not anticipate any significant impact on its financial statements during their first application.

The Group's published consolidated accounts to December 31, 2004 were restated in accordance with the IFRS referential. A summary of the restatements made to the balance sheet, the income statement and the 2004 cash-flow table is presented in note 7 of this appendix.

1.2. Basis for compiling the financial statements

The financial statements are presented in thousands of € (€K). They are prepared in accordance with the historical cost convention apart from certain financial assets and liabilities which are valued at their fair value. Preparing the financial statements in accordance with IFRS requires the management exercising judgement to make the estimations and the assumptions which impact accounting methods and the assets and liabilities, revenues and expenses. The underlying estimates and assumptions are made from past experience and other factors which are considered to be reasonable in the circumstances. They are used as a basis for making the judgements necessary for deciding the book values of assets and liabilities, which cannot be directly obtained from other sources. 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 if it only affects this period or during the period of the change and subsequent periods if they are affected by the change.

The accounting methods stipulated below were applied permanently to all the periods presented in the consolidated financial statements, as well as when preparing the opening balance sheet in IFRS on January 1, 2004 for the requirements of the transition to IFRS.

The accounting methods were applied uniformly by the Group's entities. All the companies in the Group have a closing date on 31/12/2005.

2. ACCOUNTING PRINCIPLES AND METHODS

2.1. Consolidation method

Subsidiaries

The companies over which MAISONS FRANCE CONFORT exercises exclusive control are consolidated by the global consolidation method. Exclusive 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 minority interests in the consolidated balance sheet and profit and loss statement.

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 grouped 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 affiliated 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 associated company is accounted in the balance sheet and the profit and loss statement for the amount of 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 are being prepared.

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

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

2.2. Foreign currency

Transactions in foreign currency

The 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. Derivative financial instruments

The Group does not use any derivative financial instrument and the Group therefore does not suffer any foreign exchange or interest rate exposure.

2.4. Intangible fixed assets

The intangible fixed assets acquired by the Group are valued at their acquisition cost, reduced by the total 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 spans held by the Group, which are not depreciated.

2.5. Goodwill

The goodwill which results from a grouping of companies is initially equal to the excess cost of the group of companies compared to the acquired percentage of the fair value net of assets, with identifiable liabilities.

All groups of companies are accounted by applying the acquisition method.

Goodwill results from the purchase of subsidiaries, affiliated companies and joint ventures. The goodwill for acquisitions made after January 1, 2004 represents the difference between the acquisition cost and the fair value of the net identifiable acquired assets.

The goodwill for acquisitions made before this date is maintained at its presumed cost which represents the accounted amount net of depreciation according to the previous accounting referential. The accounting classification

and processing of groups of companies which occurred before January 1, 2004 have not been modified in order to prepare the Group's opening balance sheet in accordance with IFRS standards.

The goodwill is valued at its cost, reduced by the total impairment in value. The goodwill is earmarked for cash generating units and is not amortized but is the subject of a impairment in value test at least once a year and every time there is a impairment of value index (see the accounting method described in 2.13). The book value of the goodwill for affiliated companies is included in the book value of the interest in the affiliated company. Negative goodwill resulting from acquisition is accounted immediately.

2.6. Tangible fixed assets

Assets owned by the group

A tangible fixed asset is valued at its acquisition cost reduced by total depreciation (see below) and the total possible impairments of value (see accounting method described in 2.13). The cost of an asset produced by the Group for itself includes the cost of the raw materials, direct labour, initial estimation, and if necessary, the costs of dismantling and removing the fixed assets and repairing the site on which it was located, and an appropriate percentage of the production overheads.

Real property assets are not revalued.

If the components of the tangible fixed assets have different useful lives, they are accounted as separate tangible fixed assets.

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 accounted in the balance sheet, when 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 income statement. Assets which are the subject of a lease financing contract are depreciated over the same period as wholly owned assets in identical category. The depreciation cannot be longer than the term of the contract.

Depreciation

The depreciation is accounted in the expenses in accordance with the straight-line method over the estimated useful life for each component of a tangible fixed asset.

Land is not depreciated. The estimated useful lives are as follows :

Type of fixed asset	Method	Duration
Constructions on land for others.	Straight-line	40 years
Constructions on land for others.	Straight-line	Lease term
Equipment and tooling	Straight-line	5 to 8 years
Installations générales	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

2.7. Other financial assets

The other financial assets are mainly constituted from deposits and equity interests in non consolidated companies.

Given their non significant nature, deposits are not discounted.

2.8. Deferred taxes

Deferred taxes are recorded for the differences between the accounting and tax values of the assets and liabilities. They mainly result from the dynamic differences which appear if the book value of an asset or a liability is different from its tax value. They are either :

- Sources of future taxation : (deferred tax credits) this mainly involves income on which taxation is deferred...
- sources of future deduction : (deferred tax debits) which mainly concern provisions which are temporarily non deductible...

The deferred tax debits on deductible timing differences are accounted providing that it is likely that they will be charged against future tax on profit.

The deferred tax debits and credits are valued on the basis of the tax rates for the fiscal year during which the assets will be realized or the liability paid. The tax rates used are those which are applicable on the date the accounts are closed.

Deferred taxes are not discounted. The deferred tax imposition is presented as a non current asset.

2.9. 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.

2.10. Accounts receivable

Construction contracts in progress

Construction contracts in progress are accounted in accordance with the method explained in paragraph 2.18. 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).

Other accounts receivable and other debtors

The other accounts receivable and other debtors are valued at their fair value during the initial accounting, then at the depreciated cost reduced by the possible impairments in value (see accounting method described in note 2.13).

2.11. Miscellaneous receivables

The other receivables are valued at their amortized cost subject to deducting depreciations taking effective possibilities of recovery into account.

2.12. Cash and cash equivalents

The "Cash and cash equivalents" item in the balance sheet includes the cash, cash equivalents and cash current accounts.

The cash position includes the liquidities in bank current accounts and on demand deposits.

The purpose of holding cash equivalents is to satisfy short term cash commitments.

The investments which are considered to be cash equivalents are easily convertible into a sum of money and are subject to a negligible change in value risk, with a maturity of less than 3 months.

The cash and cash equivalents are financial assets which are held for transaction purposes and are valued at their fair value.

The variations in fair value are accounted in the income statement.

Bank statements which are repayable on demand and which form an integral part of the Group's cash management are a component of the cash and cash equivalents for the requirements of the cash flow table.

2.13. Value impairment of non-current 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 that 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.

Calculation of the recoverable value

The recoverable value of investments held by the Group up until maturity and the receivables accounted at the amortized cost is equal to the value of the estimated future cash flows discounted at the original effective interest rate for the financial assets (i.e. the effective interest rate calculated when it was initially accounted). The receivables with a close maturity date are not discounted.

Recovering the impaired value

The impaired value of loans and receivables or investments held up until maturity accounted at the amortized cost is recovered if the increase in the recoverable value can be objectively connected to an event occurring after the loss in value was accounted.

The impairment in value of a shareholders' equity instrument categorized as available for sale is not recovered as a result.

If the fair value of a loan instrument categorized as available for sale increases and this increase can be objectively linked to an event which occurs after the result of the impairment in value is accounted, this impairment is recovered and the amount of the recovery is accounted in the result.

An impairment in value accounted for goodwill cannot be recovered.

An impairment in value accounted for another asset is recovered if there has been a change in the estimations used to calculate the recoverable value.

The recoverable value of an asset, increased due to 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 accounted.

2.14. 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 change in shareholders' equity. The purchased shares are categorized as treasury shares and deducted from the shareholders' equity.

2.15. Financial debts

Interest-bearing loans are initially accounted at their fair value reduced by the amount of the attributable transaction costs.

The fraction of financial debts of less than one year are accounted as current liabilities.

2.16. 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 in order to extinguish the obligation.

If the effect of time value is significant, the amount of the provision is calculated by discounting the expected future cash flows at the rate, before tax, to reflect the market's current evaluation of the time value of the money and if appropriate, the specific risks of this liability. Current provisions mainly include :

Provisions for disputes

These are valued at the amount of the likely outflow of resources which the current procedures or disputes will cause, the generating event of which existed on the date of the close. Provisions for disputes and litigations include the estimated disbursements for disputes, litigations and claims by third parties. They also include social security or tax expenses relating to the litigation.

“After- Sales Service” Provisions

These provisions are intended to cover the additional costs payable by the Group for a period of around 3 to 4 years after the building site has been accepted.

This provision is constituted on the basis of 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 elements which are specific to each of the Group’s companies. The Group does not account provisions :

For guarantees (ten-year or thirty-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 structures 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.

With regards to the thirty-year civil liability, our Group has never been implicated or the subject of a judgment with respect to this.

For termination losses

Termination losses are almost non existent. 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.

2.17. Trade payables and other creditors

Trade payables and other creditors are valued at their fair value when they are initially accounted, then at the amortized cost.

2.18. 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 eventuality is extremely rare.

2.19. Expenses

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 net financial result

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 of covering 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.

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 were adopted or almost adopted on the closing date, and any adjustment of the amount of payable tax for previous periods. The deferred tax is calculated according to the balance sheet approach to the liability method of tax allocation for all the timing differences between the book value of the assets and liabilities and their tax bases.

Deferred tax is not recognized 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 be inverted 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 were 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.

2.20. Net earnings per share

The net earnings per share before dilution is obtained by dividing net earnings by the average weighted number of shares in circulation during the fiscal year. All the shares giving an unlimited right to beneficiaries are taken into account. The consolidating company's shares which are held by the company itself and by the consolidated companies are excluded from the average number of shares in circulation.

The net diluted earnings per share is calculated by taking all the financial instruments giving deferred access to the consolidating company's capital, whether they are issued by the said company or one of its subsidiaries. The dilution is calculated instrument by instrument, in view of the conditions existing on the date of the close and by excluding anti-dilution instruments.

2.21. Sectoral information

A sector is a separate component of the Group which is involved either in 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.

As our Group is a mono business Group, it is not possible to break turnover down per type of activity. Conversely, a geographical distribution is given.

2.22. The use of estimations or judgements

The MAISONS FRANCE CONFORT Group's management uses assumptions or performs estimations when preparing the consolidated financial statements which may have a significant influence on the amounts accounted in the financial statements. The reality may be different. The assumptions or estimations performed mainly involve:

- Evaluating the work in progress for construction contracts,
- Loss and contingency provisions (including a provision for staff benefit),
- Depreciation tests on goodwill and other intangible assets.

There is nothing which is likely to call these estimates in their globality into question. In addition, they are hardly affected by external events.

3. INFORMATION ON THE CONSOLIDATION PERIMETER

3.1. List of consolidated companies on December 31 2005

Company name	Activity	Head office	ID N°	% Interest consolidation	Method of consolidation
MAISONS FRANCE CONFORT	Construction	2, rte d'Ancinnes - 61000 ALENCON	095 720 314 00012	100	mère
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 Ille 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
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	GC
MJB (Bruno Petit)	Construction	360 avenue de la Châtre - 36000 CHATEAUROUX	404 481 491 00029	100	GC
MJB 18 (Bruno Petit)	Construction	56, rue Marcel Haegelen - 18000 BOURGES	451 406 854 00021	100	GC
Maisons Horizon	Construction	3bis, rue du Canal - 57950 MONTIGNY LES METZ	379 434 459 00044	100	GC
Azur et construction	Construction	rue Charles Dullin - 13500 MARTIGUES	395 037 187 00030	100	GC
Constructions Idéale Demeure	Construction	305, rue Giraudeau - 37000 TOURS	390 836 112 00024	100	GC
Investissements Tours Constructions	Holding Company	305, rue Giraudeau - 37000 TOURS	448 740 027 00017	100	GC
Foncière Résidences	Estate Agent	2, rte d'Ancinnes - 61000 ALENCON	421 221 987 00017	100	GC
SCCV Le Jardin des Escourtines	Property development	2, bvd de Strasbourg - 94130 NOGENT SUR MARNE	450 280 896 00017	99	GC
SCCV La Gentilhommière	Property development	2, bvd de Strasbourg - 94130 NOGENT SUR MARNE	484 199 146 00016	50	PC
SCCV Résidence KENNEDY	Property development	29, rue des Montées - 45100 ORLEANS	453 009 532 00012	50	PC
S.A.R.L. GEPHIMO	Property development	28, avenue de Chanzy - 95130 FRANCONVILLE	408 494 870 00012	49.8	EM

GC = Global Consolidation - PC = Proportional Consolidation - EM = Equity Method

3.2. List of excluded companies

Only GHPA Constructions, a SAS (simplified joint stock company with capital of € 10, without any business activity, is outside the consolidation perimeter.

3.3. Changes in the perimeter

The changes in the perimeter for the 2005 fiscal year, described below, do not significantly affect the comparability of the MAISONS FRANCE CONFORT's consolidated financial statements.

Acquisition of Azur & Construction

MAISONS FRANCE CONFORT acquired all the 1,200 shares comprising the share capital of Azur & Construction, located in the Bouches du Rhône. The key figures for the 2005 fiscal year concerning this subsidiary are as follows (K€) :

Turnover (9 months)	: € 7,240 K
Operating income (9 months)	: € 1,032 K
Net income net (9 months)	: € 716 K

Acquisition of Constructions Idéale Demeure

MAISONS FRANCE CONFORT acquired all the 960 shares comprising the share capital of Constructions Idéale Demeure, located in Indre et Loire, through its holding company: Investissement Tours Constructions. The key figures for 2005 concerning this subsidiary are as follows (€K) :

Turnover (3 months)	: € 2,956 K
Operating income (3 months)	: € 458 K
Net income (3 months)	: € 328 K

Cash flow on the assets and liabilities acquired

The evaluation of the impacts of these acquisition on the Group's cash flow are shown on the table below.

Impact of the financial investments on the cash flow

(In million of €)	2005
Cash and equivalents	7,465
Other assets	9,479
Other liabilities	(13,011)
Net assets acquired (A)	3,933
Goodwill (B)	3,640
Outflow (A) + (B) *	7,573
Cash acquired	(7,465)
Net outflow	108

* Part financed by loan : € 2 500 K

Creation of Maisons de l'avenir Morbihan and Maisons de l'avenir Ille et Vilaine

Two new structures were created to strengthen our presence in Brittany, within the scope of our internal growth. This internal development has had no impact on the Group's consolidated accounts.

Merger of the marketing subsidiaries

Our four marketing subsidiaries were merged with their respective production company, within the scope of an internal restructuring in the Group:

FC Promotion and FC PACARA

Universal transfer of assets and liabilities with MAISONS FRANCE CONFORT effective from the 31/12/2005.

Maisons de l'avenir Commercialisation

Retroactive merger with MAISONS DE L'AVENIR on January 1st 2005.

BATICOM S.A.R.L.

Universal transfer of assets and liabilities with AZUR ET CONSTRUCTION effective from the 31/12/2005.

The legal operations have had no impact on the Group's consolidated accounts.

4. NOTES TO THE CONSOLIDATED BALANCE SHEET

4.1. Intangible fixed assets

The following movements have occurred on this item :

Gross	Development costs	Licenses, patents and similar rights	Other intangible assets	Total
01/01/04	-	640	535	1,176
Conversion differences	-	-	-	-
Transfers between items and others	-	-	-	-
Changes in the perimeter	-	4	-	4
Investments and other increases	-	35	1,000	1,035
Sales and misc reductions	-	(2)	-	(2)
31/12/2004	-	677	1,535	2,213
2005 Flow				
Conversion differences	-	-	-	-
Transfers between items and others	-	-	-	-
Changes in the perimeter	-	21	23	44
Investments and other increases	-	139	-	139
Sales and misc reductions	-	(52)	-	(52)
31/12/2005	-	785	1,558	2,344
Amortization, depreciation, and impairment in value	Development costs	Licenses, patents and similar rights	Other intangible assets	Total
01/01/04	-	551	34	585
Conversion differences	-	-	-	-
Transfers between items and others	-	-	-	-
Changes in the perimeter	-	4	-	4
Sales and misc reductions	-	(1)	-	(1)
Expenses and write backs	-	65	-	65
Recognized impairment in value	-	-	-	-
Recovered impairment	-	-	-	-
31/12/2004	-	620	34	653
Flux 2005				
Conversion differences	-	-	-	-
Transfers between items and others	-	-	-	-
Changes in the perimeter	-	9	-	9
Sales and misc reductions	-	(52)	-	(52)
Expenses and write backs	-	69	30	98
Recognized impairment in value	-	-	-	-
Recovered impairment	-	-	-	-
31/12/2005	-	645	63	709
Net	Development costs	Licenses, patents and similar rights	Other intangible assets	Total
31/12/2004	-	58	1,502	1,560
31/12/2005	-	140	1,495	1,635

Unused trademarks and lease rights 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 justified for :

- Sales made during the fiscal year with regards to trademarks and businesses,
- The sites of the lease rights.

4.2. Goodwill

Change in the net value of the line item to December 31 2005

Gross	gross value	Depreciation	Net value
01/01/04	4,783	-	4,783
Changes in perimeter	1,211	-	1,211
Impairment in value (expense)	-	-	-
Other movements	-	-	-
31/12/2004	5,994	-	5,994
2005 Flows			
Changes in perimeter	3,640	-	3,640
Impairment in value (expense)	-	-	-
Other movements	-	-	-
31/12/2005	9,634	-	9,634

Distribution of the Goodwill per cash flow generating unit (CGU)

Net goodwill	31/12/05	31/12/04
Maisons de l'avenir	1,347	1,347
OC Résidences	1,000	1,000
Maisons BERTVAL	731	731
GHPA	601	601
MJB	1,104	1,104
Maisons Horizon	1,211	1,211
Azur & Construction	1,572	
Constructions Idéale Demeure	2,068	
TOTAL	9,634	5,994

To date, all the MAISONS FRANCE CONFORT Group's subsidiaries have been acquired at a firm and final price. Nevertheless, these acquisitions provided for a liabilities guarantee. No liabilities guarantee has been activated to date. The costs of the shares used for calculating the goodwill of Maisons Horizon is the final price because the firm price is known on 31/12/2005.

The impairment tests performed on this goodwill in accordance with note 2.13 did not reveal any value impairment to December 31, 2005.

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 CGU listed above was calculated by calculating the going concern value using the discounted cash flow method (DCF) in accordance with the following principles:

- The cash flows come from the operating forecasts made by the management 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 is the Government Bond Average Rate increased by a risk coefficient rate depending on the order book's visibility (18 month)

4.3. Tangible fixed 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
01/01/04	6,101	444	3,805	106	10,457
Conversion differences	-	-	-	-	-
Transfers between items and others	141	-	-	(141)	-
Changes in the perimeter	-	1	21	-	22
Investments and other increases	287	55	755	47	1,144
Sales and misc reductions	(345)	(35)	(545)	-	(926)
31/12/2004	6,183	465	4,036	13	10,697
Including lease financing	-	-	169	-	169
2005 Flows					
Conversion differences	-	-	-	-	-
Transfers between items and others	(11)	-	11	-	-
Changes in the perimeter	-	1	228	-	229
Investments and other increases	265	192	956	389	1,802
Sales and misc reductions	(34)	(101)	(361)	-	(496)
31/12/2005	6,404	558	4,868	402	12,232
Including lease financing	-	-	169	-	169
Amortization, depreciation, and impairment in value	Land and buildings	Plant property and equipment	Other tangible assets	Fixed assets in progress	Total
01/01/04	2,447	350	2,474	-	5,271
Conversion differences	-	-	-	-	-
Transfers between items and others	-	-	-	-	-
Changes in the perimeter	-	1	15	-	16
Sales and misc reductions	(198)	(35)	(342)	-	(575)
Expenses and write backs	103	41	554	-	698
Recognized impairment in value	-	-	-	-	-
Recovered impairment	-	-	-	-	-
31/12/2004	2,352	357	2,701	-	5,410
Including lease financing	-	-	169	-	169
2005 Flows					
Conversion differences	-	-	-	-	-
Transfers between items and others	(5)	-	5	-	-
Changes in the perimeter	-	1	140	-	141
Sales and misc reductions	(30)	(101)	(320)	-	(451)
Expenses and write backs	140	78	585	-	804
Recognized impairment in value	-	-	-	-	-
Recovered impairment	-	-	-	-	-
31/12/2005	2,457	336	3,111	-	5,904
Including lease financing	-	-	169	-	169
Net	Land and buildings	Plant property and equipment	Other tangible assets	Fixed assets in progress	Total
31/12/2004	3,832	108	1,335	13	5,287
Including lease financing	-	-	-	-	-
31/12/2005	3,948	222	1,757	402	6,328
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 :

Gross	% in the shareholders equity	Goodwill on affiliated entities	Book value
01/01/04	-	-	-
Transfers between items and others	-	-	-
Changes in perimeter	-	-	-
Investments and other increases	-	-	-
Sales and misc. Reductions	-	-	-
Expenses	-	-	-
31/12/2004	-	-	-
2005 Flows			
Transfers between items and others	-	-	-
Changes in perimeter	71	-	71
Investments and other increases	-	-	-
Sales and misc. Reductions	-	-	-
Expenses	-	-	-
31/12/2005	71	-	71

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

(Millions of Euros)	GEPHIMO
Non current assets	8
Current assets	912
TOTAL ASSETS	919
Shareholders' equity	142
Non current liabilities	151
Current liabilities	627
TOTAL PASSIF	919
Turnover	1,453
Operating income	167

4.5. Other financial assets

Gross	Non consolidated interests	Loans	Other financial assets	Total
01/01/04	32	146	231	410
Transfers between items and others	-	-	-	-
Changements de périmètre	-	-	7	7
Investissements et autres augmentations	-	8	31	39
Cessions et réductions diverses	(25)	(10)	(13)	(47)
31/12/2004	8	145	257	409
Flux 2005				
Transfers between items and others	-	-	-	-
Changes in perimeter	-	-	29	29
Investments and other increases	-	9	76	86
Sales and misc. Reductions	(3)	(22)	(3)	(28)
31/12/2005	5	132	359	496

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

4.6. Non current tax assets

Deferred tax debits	31/12/05	31/12/04
Non deductible provisions	214	221
Employee profit-sharing	-	130
IFRS adjustments	-	2,018
Others	12	13
TOTAL	226	2,382

The change recorded in the item mainly comes from the recovery of the deferred tax concerning the IFRS adjustments following the adoption of identical methods facilitated by the new regulation of the assets applicable from 1/1/05 in our company's accounts.

4.7. Inventories and work in progress

The inventories to December 31, 2005 as well as the change in their gross value compared to the previous year is as follows:

Inventories	31/12/05			31/12/04		
	Gross	Deprec.	Net	Gross	Deprec.	Net
Land	3,611	(77)	3,534	778	(77)	701
Raw material joinery workshop	289		289	304		304
Joinery workshop work in progress	59		59	52		52
Work in progress	118	-	118	111		111
TOTAL	4,077	(77)	3,999	1,244	(77)	1,167

4.8. Accounts receivable

Customers	31/12/05			31/12/04		
	Gross	Loss in value	Net	Gross	Deprec.	Net
Customer receivables on contracts in progress (net)	49,724	-	49,724	46,923	-	46,923
Customer receivables on invoiced contracts	9,677	(1,163)	8,514	11,641	(1,013)	10,628
TOTAL	59,401	(1,163)	58,238	58,564	(1,013)	57,551

Breakdown of receivables on contracts in progress	31/12/2005	31/12/2004	Change
Customer receivables on contracts in progress	172,522	153,029	19,493
Downpayments received	(126,293)	(108,883)	17,410
Balance	46,229	44,146	2,083
Debit balances (assets)	49,724	46,923	2,801
Credit balances (liabilities)	(3,495)	(2,777)	(718)

4.9. Miscellaneous debts

The 'miscellaneous debts' item to December 31, 2005 and its change compared to the previous fiscal year is shown as follows :

(€K)	31/12/05	31/12/04	Change	Including changed perimeter
State – VAT debts	29,828	25,577	+ 4,251	+ 302
State – Other receivables	153	7	+ 146	
Agents/sales reps instalments on portfolio sale	6,351	5,550	+ 801	+ 112
Other creditors	1,410	1,271	+ 139	+ 168
TOTAL MISC DEBTS	37,742	32,405	+ 5,337	+ 582

The 'current tax assets' item totally comprises a tax receivable on companies

4.10. Cash and cash equivalents

This item is broken as follows :

(€K)	31/12/05	31/12/04	Change
Investment securities	39,392	31,594	+ 7,798
Cash	12,047	9,318	+ 2,729
TOTAL CASH	51,439	40,912	+ 10,527

In accordance with the IAS 32 standard, the movements to Treasury shares are entered in shareholders' equity independently of the goal sought. The profits and losses realised during sales of the shares are shown as a variation of shareholders' equity.

4.11. Consolidated shareholders' equity

MAISON FRANCE CONFORT has divided the nominal value of its shares by three. This operation was voted by the Extraordinary General Meeting of May 26, 2005, and decided at the Board Meeting on July 8 2005. Following this operation, the number of shares in circulation was multiplied by 3.

On December 31, 2005, MAISON FRANCE CONFORT SA's share capital comprises 6,937,593 ordinary shares, fully paid-up.

	31/12/05	31/12/04
Share capital	1,250	1,250
Premium	7,021	7,021
Legal reserve	125	125
Regulatory reserve		52
Group reserves	20,818	14,816
retained earnings	705	260
Group Profit	15,036	10,688
TOTAL SHAREHOLDERS' EQUITY	44,954	34,211

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

Changes in shareholders' equity not transiting by the profit and loss account

(€K)	31/12/05	31/12/04	Change
Treasury shares (1)	771	472	+299
Financial instruments covering cash flows	-	-	-
Conversion reserve	-	-	-
Payments in shares	-	-	-
TOTAL	771	472	+299

(1) The reserve of treasury shares comprises the costs of the company shares which are held by the Group. In 2005, the Group repurchased 40% of its liquidity contract with the CIC group. On 31/12 200, MAISON FRANCE CONFORT holds 58 374 treasury shares for a sum of €771K.

Dividends

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

	31/12/05	31/12/04
Dividend paid (€K)	4,013.0	2,298.7
i.e. per ordinary share (€uros)	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, 2005 will total €0.87 per share.

4.12. Deferred tax credits

Deferred tax credits	31/12/05	31/12/04
IFRS adjustments	89	155
Others	37	19
TOTAL	126	174

4.13. Net financial debt

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

Net indebtedness	31/12/05	31/12/04
Cash and cash equivalents	51,439	40,912
Cash management financial assets	-	-
Active cash flow (A)	51,439	40,912
Non current financial debts	4,989	4,985
Current financial debts	5,724	3,043
Gross indebtedness (B)	10,713	8,028
Net indebtedness (B) – (A)	(40,726)	(32,884)

The Group's net financial debt is distributed as follows per category and due day on December 31, 2005 :

(€K)	Balance 31/12/2005	Share - 1 year	1 to 5 years	+ 5 years
Loans with financial Institutions	8,221	3,232	4,978	11
Bank accommodation	1,392	1,392		
Profit-sharing funds	867	90	777	
Accrued interest	59	59		
Other loans and Financial debts	174	174		
TOTAL FINANCIAL LIABILITIES	10,713	4,947	5,755	11

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

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

Staff benefits	
01/01/04	-
Conversion differences	-
Transfers between items and others	-
Changes to the perimeter	-
Expenses	14
Write backs used	-
Write backs not used	-
31/12/2004	14
2005 Flows	-
Conversion differences	-
Transfers between items and others	-
Changes to the perimeter	-
Expenses	45
Write backs used	-
Write backs not used	-
31/12/2005	59

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 31/12/2005 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 rate of increase of salaries	: 2%
Mortality table used	: INSEE (French national statistics office) 2003
Discounting rate applied	: 4,01 % (rate of yield of dedicated fund)
Departure assumption applied	: Voluntary departure at an 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 31/12/2005 totals €1,132 K. The valuation of the dedicated fund managed by an outside organization totals €1,074 K on 31/12/2005.

4.15. Current provisions

	Disputes, litigation (1)	After sales	Other provisions	Total
01/01/04	1,014	328	246	1,587
Conversion differences	-	-	-	-
Transfers between items and others	-	-	-	-
Changes in the Perimeter	26	10	-	36
Expenses	1,246	750	123	2,119
Write backs used	(744)	(340)	(166)	(1,249)
Write backs use	-	-	-	-
31/12/2004	1,542	748	203	2,493
Flux 2005				
Conversion differences	-	-	-	-
Transfers between items and others	18	-	(18)	-
Changes in the Perimeter	107	125	0	232
Expenses	895	837	0	1,732
Write backs used	(605)	(73)	(43)	(721)
Write backs use	(28)	(15)	(55)	(98)
31/12/2005	1,929	1,622	87	3,638

⁽¹⁾ of which Building site dispute provisions 1,802
- Of which industrial disputes provisions 87
- Of which other disputes 40

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.

A change in estimation was performed for the 2005 fiscal year for the After sales provision. It had previously been calculated by taking a lump sum for each building site accepted into account during the last 3 months. From January 1 2005, this provision is constituted on the basis of the turnover multiplied by a statistical rate established on the basis of the after sales charges recorded for the previous fiscal years

This statistical rate is calculated each year from the After-sales reference information, which is specific to each Company in the group.

This change in estimation negatively impacted the accounts for this fiscal year by € 663K.

4.16. Debts on contracts in progress

(€K)	31/12/05	31/12/04	Change
Customer downpayments in work in progress	3,495	2,777	+ 718
Customer downpayments on work in portfolio	4,399	4,171	+ 228
TOTAL DEBTS ON CONTRACTS IN PROGRESS	7,894	6,948	+ 946

4.17. Tax and social security debts

(€K)	31/12/05	31/12/04	Change	Inclu. Perimeter change
State - VAT accounts	32,526	27,001	+ 5,525	+ 775
State – other debts	1,432	2,632	- 1,200	+ 256
Employees and social security	8,207	10,181	- 1,974	+ 394
TOTAL TAX AND SOC SEC DEBTS	42,165	39,814	+ 2,351	+ 1,425

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.

4.18. Trade payables and associated accounts

(€K)	31/12/05	31/12/04	Change	Inclu. Perimeter change
Supplier accounts	44,587	38,137	+ 6,450	+ 3,310
Notes payable	15,218	16,756	- 1,538	+ 256
TOTAL	59,805	54,893	+ 4,912	+ 3,566

4.19. Other creditor accounts

(€K)	31/12/05	31/12/04	Change	Inclu. Perimeter change
Insurance	1,516	913	+ 603	+ 267
Other creditors	386	175	+ 211	+ 105
TOTAL	1,902	1,088	+ 814	+ 372

4.20. Receivables and debts due dates

(€K)	1 YR AT MOST	+ 1 YR	TOTAL
Customers and other debtors	96,250	1,182	97,432
Suppliers and other creditors	111,766	0	111,766

5. NOTES ON THE CONSOLIDATED PROFIT & LOSS STATEMENT

5.1. Breakdown of sales revenue

(€K)	31/12/05	31/12/04
Sales of houses	323,688	264,859
Supplies of services	3,202	3,520
TOTAL TURNOVER	326,889	268,379

The Group has a real estate development activity, which remains marginal. The turnover realized for the fiscal year for this business activity totals € 10,143 K.

5.2. Consumed purchases

(€K)	31/12/05	31/12/04
Raw materials purchases	64,228	53,693
Other purchases and external charges	196,787	160,087
TOTAL CONSUMED PURCHASES	261,014	213,779

5.3. Staff charges

(€K)	31/12/05	31/12/04
Salaries and pay	25,865	23,007
Social security charges	13,631	11,474
TOTAL STAFF CHARGES	39,495	34,481

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	31/12/05	31/12/04
Current tax charge	5,757	6,537
Deferred tax	2,171	(646)
TOTAL TAX CHARGE	7,928	5,891

The deferred tax rate for the fiscal year closed on December 31, 2005 is 34.43 % (ordinary law rate).

RATIONALIZATION OF THE TAX RATE

	31/12/05	31/12/04
Net income group share	15,036	10,688
Restatements		
Corporation tax	7,928	5,891
Equity method result	(51)	-
Minority interests	3	2
Net result before tax on the results and minority interests	22,917	16,581
Legal taxation rate in France	34.9%	35.4%
Non deductible charges	0.1%	0.2%
Franchise non subject to social security contribution (3.30 %)	-0.1%	-0.2%
Other net differences	-0.3%	0.1%
REAL TAXATION RATE	34.6%	35.5%

6. OTHER INFORMATION

6.1. Off-balance sheet commitments

Commitments given	Payments owed per period			TOTAL
	To-1 year	From 1 to 5 years	+ 5 y.	
Guarantees and sureties	2,227	4,352	9	6,588
Other commitments	216	232	0	448
TOTAL	2,443	4,584	9	7,036

Commitments received	Payments owed per period			TOTAL
	To-1 year	From 1 to 5 years	+ 5 y.	
Guarantees and sureties	36,200	0	0	36,200
Other commitments	0	0	0	0
TOTAL	36,200	0	0	36,200

The commitments given mainly correspond to pledges on subsidiaries' securities for loans financing their acquisition.

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

6.2. Group's average work force

	31/12/05	31/12/04
Managers	65	53
Sales representatives	171	126
White collar workers – Blue collar workers	584	546
AVERAGE WORK FORCE	820	725
Men	580	533
Women	240	192

6.3. Market risks

Exposure to interest rate risk

The Group's financial result is little affected by the variation in the interest rates as the whole of its 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. And therefore there is no foreign exchange risk.

Credit and counterparty risks

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

With regard to its investments, MAISONS FRANCE CONFORT Group only contracts with first-rate counterparties in order to restrict the counterparty risk.

6.4. Information on connected parties

Remunerations of principal directors

The remuneration paid to the 2 senior corporate executives (2 corporate agents) for the 2005 fiscal year totals € 495 K and is broken down as follows :

Fixed remuneration	: €220 K
Bonus remuneration	: €273 K (based on the 2004 activity)
Benefits in kind	: NONE
Attendance fees	: 2 K€

In addition, the part of the outsourced expense connected with accounting obligations for retirement payments to senior corporate executives totals € 82 K.

Transactions with other connected parties

The only transaction with other connected parties involves the book-keeping costs invoiced by MAISONS FRANCE CONFORT to the family holding "MFC PROU-INVESTISSEMENTS " for an annual amount of € 1,000.

6.5. Events after the close

The purchase of MCA on January 1, 2006

The purchase of MCA on January 1, 2006

Created in 1986, MCA is one of the leading builders of individual detached houses in the Aquitaine region. It is present on the Gironde, Charente-Maritime, Dordogne and Lot-and-Garonne départements. It offers a range of single detached houses which is perfectly consistent with MAISONS FRANCE CONFORT diversified offer, through a network of 17 offices.

MCA's current manager, Mr. Serge MELCHIORRE (49), will keep his functions as managing director of the subsidiary inside the group, whilst also keeping 25 % of the capital.

MCA realized turnover of € 28 M during the fiscal year closed on 30/09/05 with net income of € 1.8 M. On 31/12/05, MCA had net cash of € 3.7 M and equity capital of € 4.9 M. The company took around 500 orders for individual detached homes in 2004.

7. SPECIFIC INFORMATION ON THE TRANSITION TO THE IFRS REFERENTIAL

The main impact connected to the change from the French standards (CRC 99-02) to the IFRS standards are set out below. As the change in shareholders' equity table shows, these impacts were processed as changes of method.

IAS 11 standard "Construction contracts" & IAS 18 standards "Definition of assets" :

The marketing and technical costs relating to portfolio work and work in progress which were previously accounted as deferred charges were :

- reclassified as work in progress for the part which was directly attachable to the contracts,
- are considered as expenses for the period for the part which is not directly attributable to the contracts (mainly advertising costs and costs of managing sales force).

The provisions which covered the risk of order cancellation which was the subject of an activation of commercial costs have disappeared and the costs activated in the new referential more restrictive and recoverable if orders are cancelled.

IAS 3 standard "Business combinations" :

There is no longer any amortization of goodwill.

IAS 16 standard "Property, plant and equipment" :

The valuation method adopted by MAISONS FRANCE CONFORT Group is the amortized cost method (gross value reduced by depreciation).

For the change over to IFRS, MAISONS FRANCE CONFORT group decided not to revalue its plant property and equipment (registered office and show houses built on the company's own land), this revaluation being an option which was offered within the scope of the change to IFRS.

Significant plant property and equipment was broken down into components and the depreciation time was revised in accordance with the useful lives for the assets adopted. This review was performed in accordance with the retrospective method.

IAS 32 standard "The treasury shares" :

The treasury shares (a much wider notion in the IFRS referential) are deducted from the consolidated shareholders' equity, independently of the acquisition and/or holding objective.

Impacts of presentation

The restatements connected to the application of the IAS 11 standard also significantly impacted the accounts. This involves :

- The set off between contracts, between customer invoices to be established for ongoing work and the corresponding instalments received,
- The disappearance of deferred charges (commercial and technical costs), some of which are considered as charges for the period. The share of these charges which are directly attributable to work in progress is now integrated in production.

The other adjustments to the presentation mainly involve the reclassification of discounts obtained from the financial income to operating income and the reclassification of extraordinary income as other operating revenue and expenses.

The tables below enable the impact of the change of referential on the opening balance sheet on January 1, 2004 and the financial statements to December 31, 2004 to be measured

IMPACTS ON THE OPENING BALANCE SHEET

Balance sheet to January 1, 2004
in
French standards (CRC 99-02) and in IFRS standards

ASSETS (in €K)	01/01/2004	IAS 11 / 18	IAS 16	IAS 36	Reclass.	01/01/2004
	French standards	Construction contracts	Plant & equipmt	Impairment of assets		IFRS standards
Goodwill	4,784					4,784
Intangible assets	533		58			591
Tangible assets	4,834		259			5,093
Other financial assets	406					406
Deferred tax	0	1,681			836	2,517
TOTAL NON CURRENT ASSETS	10,557	1,681	317	0	836	13,391
Inventories and work in progress	1,770					1,770
Accounts receivables	117,667	-65,533				52,134
Miscellaneous receivables	46,679	-17,238				29,441
Deferred tax receivables	836				-836	0
Cash and cash equivalent	31,088				-472	30,616
TOTAL CURRENT ASSETS	198,040	-82,771	0	0	-1,308	113,961
TOTAL ASSETS	208,597	-81,090	317	0	-472	127,352
LIABILITIES (in €K)	31/12/2004	IAS 11 / 18	IAS 16	IAS 36	Reclass.	31/12/2004
	French standards	Construction contracts	Plant & equipmt	Impairment of assets		IFRS standards
CONSOLIDATED SHAREHOLDERS' EQUITY	28,239	-2,146	205		-472	25,826
Deferred tax credits	0		112			112
Financial liabilities – share over one year	0				5,788	5,788
Non current provisions	0					0
NON CURRENT PROVISIONS	0	0	112	0	5,788	5,900
Current provisions	3,326	-1,739				1,587
Financial liabilities	12,009				-5,788	6,221
Deferred tax debt	842					842
Tax and social security debts	30,260	2,202				32,462
Debts on contracts in progress	87,742	-78,968				8,774
Suppliers	45,071	-439				44,632
Other current creditors	1,108					1,108
TOTAL CURRENT LIABILITIES	180,358	-78,944	0	0	-5,788	95,626
TOTAL LIABILITIES	208,597	-81,090	317	0	-472	127,352

IMPACTS ON THE ANNUAL FINANCIAL STATEMENTS OF 31/12/2004

Profit and loss statement of December 31, 2004
in French standards (CRC 99-02) and in IFRS standards

Profit & loss statement (in €K)	31/12/2004	IAS 11 / 18	IAS 16	IAS 36	Reclass.	31/12/2004
	French standards	Construction contracts	Plant & equipmt	Impairment of assets		IFRS standards
Turnover	266,740	1,639				268,379
Other revenues from activities	9					9
Consumed purchases	-213,896	-936			1 053	-213,779
Staff charges	-32,590	-1,891				-34,481
Taxes and charges	-1,940	-28				-1,968
Depreciation expenses	-880		90			-790
Net provision expenses	-874	15				-860
Other operating revenue and charge expenses	-103		30		167	94
OPERATING RESULT	16,465	-1,201	120	0	1,220	16,605
FINANCIAL RESULT	1,029				-1,053	-24
EXCEPTIONAL RESULT	167				-167	0
Goodwill depreciation expense	-694			694		0
Tax charge	-6,425	492	43			-5,891
NET INCOME	10,542	-709	163	694	0	10,690

IMPACTS ON THE FINANCIAL STATEMENTS OF 31/12/2004

Balance sheet to December 31 2004 in French standards (CRC 99-02) and in IFRS standards

ASSETS (in €K)	31/12/2004	IAS 11 / 18	IAS 16	IAS 36	Reclass.	31/12/2004
	French standards	Construction contracts	Plant & equipmt	Impairment of assets		IFRS standards
Goodwill	5,300			694		5,994
Intangible assets	1,528		32			1,560
Tangible assets	4,881		406			5,287
Other financial assets	409					409
Deferred tax	0	1,395			987	2,382
TOTAL NON CURRENT ASSETS	12,119	1,395	437	694	987	15,632
Inventories and work in progress	1,167					1,167
Accounts receivables	148,262	-90,711				57,551
Miscellaneous receivables	55,947	-23,542				32,405
Deferred tax receivables	987				-987	0
Cash and cash equivalent	41,383				-471	40,912
TOTAL CURRENT ASSETS	247,746	-114,253	0	0	-1,458	132,035
TOTAL ASSETS	259,866	-112,858	437	694	-471	147,668
LIABILITIES (in €K)	31/12/2004	IAS 11 / 18	IAS 16	IAS 36	Reclass.	31/12/2004
	French standards	Construction contracts	Plant & equipmt	Impairment of assets		IFRS standards
CONSOLIDATED SHAREHOLDERS' EQUITY	36 481	-2 770	282	694	-471	34 216
Deferred tax credits	0	-862	155		881	174
Financial liabilities – share over one year	0				4,985	4,985
Non current provisions	0				14	14
TOTAL NON CURRENT PROVISIONS	0	862	155	0	5,880	5,173
Current provisions	4,261	-1,754			-14	2,493
Financial liabilities	8,028				-4,985	3,043
Deferred tax debt	881				-881	0
Tax and social security debts	40,484	-670				39,814
Debts on contracts in progress	112,809	-105,861				6,948
Suppliers	55,589	-696				54,894
Other current creditors	1,334	-246				1,088
TOTAL CURRENT LIABILITIES	223,386	- 109,226	0	0	-5,880	108,280
TOTAL LIABILITIES	259,866	-112,858	437	694	-471	147,668

3. STATUTORY AUDITOR'S REPORT ON THE CONSOLIDATED ACCOUNTS

Fiscal year closed on December 31 2005

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, 2005 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. These accounts were prepared for the first time in accordance with the IFRS referential, which has been adopted in the European Union. They include a comparison with the data for the 2004 fiscal year restated in accordance with the same rules.

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.

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 :

The Maisons France Confort Group accounts the revenues and costs relating to the construction contracts using the methods described in note 2.18 in the financial statements. The result, recorded in accordance with the degree of progress of the contracts, depends on the estimated results on termination for contracts 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 described in notes 2.5, 2.13 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.

The 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, May 11 2006

The Statutory Auditors

KPMG Audit
Department of KPMG S.A.

SOCOGEC

Thierry LEFEVRE
Partner

Yves GOUHIR
Partner

Alain MUELLE
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 and 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, are 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 31/12/2005 is 6,937,593 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 the share capital since MAISONS FRANCE CONFORT transformed into a Public Limited Company

Date	Nature of the operation	Increase in capital	Issue and contribution premium	Number of shares issued	Accumulated amount of the share capital	Number of shares
In Francs						
27 November 1978	Transformation of the Company (Nominal 250 F)	-	-	-	900,000	3,600
8 April 1981	Incorporation (nominal 250 F)	600,000	-	2,400	1,500,000	6,000
8 April 1981	Cash increase in capital (Nominal 250 F)	1,000,000	-	4,000	2,500,000	10,000
7 November 1994	Incorporation (nominal 250 F)	2,500,000	-	10,000	5,000,000	20,000
7 November 1994	Cash increase in capital (Nominal 250 F)	666,750	333,375	2,667	5,666,750	22,667
7 December 1998	Conversion of CB*	500,000	500,000	2,000	6,166,750	24,667
21 April 2000	Increase in capital by Deducting from the issue premium	392,820	-	-	6,559,570	24,667
In Euros						
21 April 2000	Conversion € (suppression of the reference to the Nominal value)	-	-	-	1,000,000	1,850,025
21 April 2000	Increase in capital (introduction)	250,000	7,381,349	462,506	1,250,000	2,312,531
15 July 2005	Division of share's nominal value by 3	-	-	-	1,250,000	6,937,593

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

2. SHAREHOLDING / STOCK MARKET

2.1. Distribution of the capital and the voting rights to January 31 2006

MAISONS FRANCE CONFORT's is to the company's knowledge, distributed as follows on January 1 2006:

Shareholders	Shares		Vote	
	Number	%	Number	%
MFC PROU-INVESTISSEMENTS***	3,475,800	50.10	3,475,800	50.53
Patrick VANDROMME	111,504	1.61	111,504	1.62
Pascal VANDROMME	[142,050 (BO)]*	[2.04 (BO)]	[142,050 (BO)]*	[2.06 (BO)]
Aline VANDROMME	[265 050 (BO)]*	[3.82 (BO)]	[265,050 (BO)]*	[3.85 (BO)]
Jean VANDROMME	407 100 (TFL)**	5.86 (TFL)	407,100 (TFL)**	5.91 (TFL)
BTP CAPITAL INVESTISSEMENT ****	84,000	1.21	84,000	1.22
Public & misc	2,799,584	40.36	2,799,584	40.72
Treasury shares	59,605	0.86	0	0
TOTAL	6,937,593	100.00	6,877,988	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	2003 ⁽¹⁾		2004 ⁽¹⁾		2005 ⁽¹⁾	
	SHARES	VOTING RIGHTS	SHARES	VOTING RIGHTS	SHARES	VOTING RIGHTS
MFC PROUGESTION	52.80	65.67	0	0	0	0
MFC PROU- INVESTISSEMENTS			50.10	50.58	50.10	50.53
Patrick VANDROMME	1.61	1.01	1.61	1.63	1.61	1.62
Pascal VANDROMME	[2.74 (BO)] ⁽²⁾	[3.43 (BO)] ⁽²⁾	[2.74 (BO)] ⁽²⁾	[2.76 (BO)] ⁽²⁾	[2.04 (BO)] ⁽²⁾	[2.06 (BO)] ⁽²⁾
Aline VANDROMME	[3.82 (BO)] ⁽²⁾	[4.78 (BO)] ⁽²⁾	[3.82 (BO)] ⁽²⁾	[3.86 (BO)] ⁽²⁾	[3.82 (BO)] ⁽²⁾	[3.85 (BO)] ⁽²⁾
Jean VANDROMME	6.56 (TFL) ⁽³⁾	8.21 (TFL) ⁽³⁾	6.56 (TFL) ⁽³⁾	6.62 (TFL) ⁽³⁾	5.86 (TFL) ⁽³⁾	5.91 (TFL) ⁽³⁾
BTP CAPITAL INVESTISSEMENT	1.73	2.16	1.73	1.75	1.21	1.22
PUBLIC (ex treasury shares)	36.41	22.95	39.05	39.42	40.36	40.72
Treasury shares	0.89	0	0.95	0	0.86	0
TOTAL	100.00	100.00	100.00	100.00	100.00	100.00

⁽¹⁾ Position at December 31.

⁽²⁾ Bare owner.

⁽³⁾ 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 Exchanges	Price		Capital Exchange € K.
		Highest €	Lowest €	
Years :				
31/05/2000 to 12/2000	217,647	5.50	3.86	1,055,575
01/01/2001 to 12/2001	525,627	5.80	3.60	2,588,222
01/01/2002 to 12/2002	972,747	7.33	4.17	5,577,995
01/01/2003 to 12/2003	1,150,704	11.76	4.50	9,710,222
01/01/2004 to 12/2004	3,063,141	23.26	9.95	48,917,433
01/01/2005 to 12/2005	2,839,369	47.25	22.40	96,734,060
Months :				
01/2005	211,272	25.83	22.40	5,019,629
02/2005	202,236	26.80	22.60	5,102,165
03/2005	296,478	26.68	24.05	7,541,859
04/2005	358,797	31.17	26.00	10,366,075
05/2005	136,551	32.35	30.07	4,283,120
06/2005	158,148	31.33	29.13	4,800,075
07/2005 (Division by 3 of share's nominal)	260,496	37.33	30.58	9,038,619
08/2005	157,278	42.00	36.50	6,281,448
09/2005	393,440	42.99	35.00	15,693,194
10/2005	283,424	47.25	39.61	12,341,437
11/2005	163,994	46.39	39.95	6,985,986
12/2005	217,255	46.50	39.00	9,280,453
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

2.5. Dividends over 5 years

Fiscal year closed on	Total net amount distributed (in €)	Dividend	
		Net Shares 0	Tax credit Shares 0
31 December 2005	6,035,705.91 ⁽¹⁾	0.87	
31 December 2004	4,096,929.00	1.77	
31 December 2003	2,312,531.00	1.00	0.50
31 December 2002	1,641,897.01	0.71	0.35
31 December 2001	1,248,766.74	0.54	0.27

(1) Dividend proposed to the General Meeting of May 23 2006

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 Officer

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 Sté GHPA (MAISONS BRUNO PETIT)
- CEO of Sté MJB (MAISONS BRUNO PETIT)
- CEO of la SAS MJB 18
- CEO of la SAS MAISONS HORIZON
- Manager GHPA CONSTRUCTIONS
- CEO of Sté AZUR & CONSTRUCTION
- 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 GCE Garanties
- Chairman and Chief executive officer of P.D.G. Compagnie Européenne de Garanties Immobilières (CEGI)
- Chairman and Chief executive officer Financière CEGI
- Manager CEGI Vertriebsgesellschaft mbh (Germany)
- Manager CEGI Courtage SNC
- Chairman of the Board of Directors of SACCEF
- Directors of SOCAMAB Assurances
- Manager CLV Développement
- Director SURASSUR (SA) - Sté Luxembourgeoise de Réassurance (Groupe Caisse Nationale des Caisses d'Epargne)
- Director CIFA (Compagnie Immobilière et Foncière d'Aquitaine)
- Director Maisons C.L.I.O. (Montpellier)
- Director Financière Quarre SA

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 April 21 2000, 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 2005.

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

3.2. The operation of the Board

Meetings

The Board of Directors met five times during 2005.

Special provisions

Internal rules were adopted by the Board meeting on March 27, 2003 which in particular compel the directors to refrain from competing the company, reveal any conflict of interest, to obtain documentation, prohibits insider trading and give 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 €495 K – 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 73.

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 :

2005	0
2004	367
2003	299
2002	294
2001	340

Off balance sheet commitments

See details in the notes to the Consolidated Accounts page 73.

4. THE CHAIRMAN'S REPORT TO THE ORDINARY AND EXTRAORDINARY GENERAL MEETING OF SHAREDHOLDERS OF MAY 23, 2006

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 building of single detached Houses.
- Mr. Philippe VANDROMME who is also 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 company's essentially family nature, 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 encourage 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 FIVE times during 2005.

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 which it is aiming at are totally eliminated.

2.2. The general organization of the Internal Control

Responsibility for the system :

The Chairman, M. Patrick VANDROMME, plays 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.

Delegation of authorities :

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

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

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.

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 present 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 L 231 - 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 draw downs 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 unexpected 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 the building site construction times,
- Comply with and improve forecasted margins,
- Raise reserves on acceptance,
- Reduce debit balances to a minimum,
- Shorten encashment times,
- Customer satisfaction.

The internal control environment is constantly changing.

2.6. Compiling consolidated accounts

A consolidation was performed at each half-yearly position (30/06 and 31/12) in French standards (99.02) up until 30/06/2005 inclusive and to IFRS standards since January 1, 2005.

The MAISONS France CONFORT Group uses consolidation software.

The consolidated accounts are audited by the company's auditors before they are disclosed.

This consolidation will be quarterly from 2007.

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 placed no limitation on the powers of the Chief Executive or the Executive Vice President, the Chairman of the Board of Directors, Patrick VANDROMME

The Chairman of the Board of Directors,
Patrick VANDROMME

THE STATUTORY AUDITOR'S REPORT ON THE CHAIRMAN'S REPORT (FISCAL YEAR CLOSED ON DECEMBER 31 2005)

Dear Ladies and Gentlemen the shareholders

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, 2005.

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 of 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, May 11 2006

The Statutory Auditors

KPMG Audit
Department de KPMG S.A.

Thierry LEFEVRE
Partner

Yves GOUHIR
Partner

SOCOGE

Alain MUELLE
Partner

5. RESOLUTIONS PUT TO THE ORDINARY AND EXTRAORDINARY GENERAL MEETING OF MAY 23, 2006

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, 2005, approves the annual accounts closed on this date showing a profit of € 11,230,507.24, as presented to it.

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, 2005, approves these accounts which show a profit of € 15,039,289, 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	€ 11,230,507.24
- Retained earnings	€ 704,699.89

Appropriation:

- To shareholders, as dividends	€ 6,035,705.91
- To the ordinary reserve	€ 5,500,000.00
- To the retained earnings	€ 399,501.22

TOTALS

€ 11,935,207.13	€ 11,935,207.13
-----------------	-----------------

The dividend paid for each share is fixed at € 0.87.

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, 2006 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 respectfully over the last three years total:

FISCAL YEAR	DIVIDEND DISTRIBUTED	TAX CREDIT	REAL EARNINGS
2002 (2,312,531 shares)	0.71	0.35	1.06
2003 (2,312,531 shares)	1.00	0.50	1.50

As the whole of the amount of the dividend distributed for 2004, i.e. € 4,046,929.25 was eligible for the 50 % allowance referred to article 158-3-2° of the General Tax Code for people satisfying the conditions stipulated under the terms of the said article.

FIFTH RESOLUTION - RENEWING THE DIRECTOR'S TERM OF OFFICE OF M. Willi MUSSMANN

The General Meeting, on the Board of Directors' proposal, decides to renew the term of office as Director, of Mr. Willi MUSSMANN, residing at Allée de la Merlette, SEIGNOSSE (40510) for a period of six years, i.e. up until the end of the Ordinary Annual General Meeting which is held in 2012 and which is called to rule on the counts for the 2011 fiscal year.

SEVENTH RESOLUTION - SHARE BUY BACK 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 (270,566 shares) over a ten month period, on one or several occasions at a time which it will determine, in accordance with article L.225-209 and following of the Commercial Code.

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

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

EIGHTH RESOLUTION - DELEGATION TO REDUCE THE SHARE CAPITAL WITHIN THE SCOPE OF A SHARE BUY BACK 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.

NINTH RESOLUTION - DELEGATION TO INCREASE THE CAPITAL MAINTAINING THE PREFERENTIAL SUBSCRIPTION RIGHT

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 of the said code:

- 1) Delegates its authority to the Board of Directors to proceed to increase the capital, on one or several occasions, in the proportions under the times which it considers appropriate:
 - a/ By issuing, either in € or in foreign currency or in any other unit of account established by reference to a set of currencies, ordinary shares and/or securities giving either immediate or future access to the company's ordinary shares at any time or on a fixed date, or in accordance with the article L.228-93 of the Commercial Code, to any company which directly or indirectly possesses more than half of its capital or in which it directly or indirectly possesses more than half of the capital, whether by subscription, conversion, exchange, reimbursement, presentation of a warrant or any other way;
 - b/ And/or by incorporating the premiums, reserves, profits into the capital or any other form of allocation of free shares or increasing the nominal value of the existing shares;

- 2) Fixes the duration of validity of this delegation at twenty-six months, running from the day of this Meeting,
- 3) Decides to fix the limits of the amounts of the issues authorised by the Board of Directors and of this delegation of authority, as follows:

The global nominal amount of the shares which can be issued under this delegation cannot exceed € 312,500 and cannot therefore involve capital of a sum of more than € 1,562,500.

The ceiling which is fixed includes the global nominal value of the additional shares to be possibly issued in order to preserve the rights of holders of securities giving access to the capital, in accordance with the law. In addition, the global nominal amount of the shares issued either directly or indirectly under the following resolutions will be attributed to this ceiling.

- 4) If the Board of Directors uses this present delegation of authority within the scope of the issuances referred to in 1/a/ above:

a/ Decides that the issuance or issuances will be preferentially reserved to the shareholders who can subscribe irreducibly

b/ Decides that if the irreducible, and if necessary the reducible, subscriptions have not totally absorbed the issue, the Board of Director can use the powers stipulated by law and in particular offer all or some of the unsubscribed shares to the public,

c/ With respect to any incorporation of premiums, reserves, profits or others into the share capital, decides that if necessary, the rights forming odd-lots will not be negotiable and that the corresponding shares will be sold, and the sums from the sale will be allocated to the holders of the rights within the period fixed by the legal provisions.

- 5) Decides that the Board of Directors will have the necessary powers, within the limits fixed above, to fix the terms for the issue or issues, to record the performance of the increase of capital resulting from it, to modify the articles of association accordingly, to decide, on its sole initiative, to attribute the costs of the increases of capital to the premiums relating to it and to deduct the sums necessary from this amount to increase the legal reserve to one tenth of the new capital amount after each increase, and generally, to do the necessary in like matters.

- 6) Formally notes that this delegation deprives any prior delegation with the same subject of all effects.

TENTH RESOLUTION - DELEGATION OF AUTHORITY TO INCREASE THE CAPITAL SUPPRESSING THE PREFERENTIAL SUBSCRIPTION RIGHT

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 of the said code:

1. Delegates its authority to the Board of Directors to proceed to increase the capital, on one or several occasions, in the proportions under the times which it considers appropriate to issue, either in € or in foreign currencies or in any other unit of account established by reference to a set of currencies, ordinary shares and/or investment securities giving either immediate or future access to the company's ordinary shares whether by subscription, conversion, exchange, reimbursement, presentation of a warrant or any other way ; it is specified that these shares can be issued to pay for shares which may be contributed to the Company within the scope of an exchange offer for shares satisfying the conditions laid down by article L 225-148 of the Commercial Code.

In accordance with the article L.228-93 of the Commercial Code, the securities to be issued can give access to the ordinary shares of any company which directly or indirectly possesses more than half of its capital or in which directly or indirectly possesses more than half of the capital,

2. Fixes the duration of validity of this delegation at twenty-six months, running from the day of this Meeting,
3. Decides to fix the limits of the amounts of the issues authorised by the Board of Directors and of this delegation of authority, as follows:

The global nominal amount of the shares which can be issued under this delegation cannot exceed € 312,500 and cannot therefore involve capital of a sum of more than € 1,562,500.

In addition, the global nominal amount of the shares issued either directly or indirectly under the previous resolution will be attributed to this ceiling.

4. Decides to cancel the shareholders' preferential subscription right to the shares which are the subject of this resolution, however, by leaving the Board of Directors the option of granting a priority right to shareholders in accordance with the law
5. Decides that the sum which is paid or which must be paid to the Company for each of the ordinary shares issued within the scope of this delegation of authority, after taking account, if independent stock warrants are issued of the issue price of the said stock warrants, will be at least equal to the minimum required by the statutory and regularity provisions applicable when the Board of Directors implements the delegation of authority.
6. Decides if securities are issued in order to pay for shares contributed within the scope of an exchange offer, that the Board of Directors will have the necessary powers for drawing up the list of shares contributed to the exchange, fixing the terms of the issue, the exchange parity, as well, as if necessary, the amount of the cash equalization payment to be paid, and deciding the terms and conditions of the issue, within the limits fixed above.
7. Decides that the Board of Directors will have the necessary powers, within the limits fixed above, in order to fix the terms for the issue or issues, to record the performance of the increase of capital resulting from it, to modify the articles of association accordingly, to decide, on its sole initiative, to attribute the costs of the increases of capital to the amounts of premiums relating to it and to deduct the sums necessary from this amount to increase the legal reserve to one tenth of the new capital amount after each increase, and generally, to do the necessary in like matters.
8. Formally notes that this delegation deprives any prior delegation with the same subject of all effects.

ELEVENTH RESOLUTION – AUTHORIZATION TO INCREASE THE AMOUNT OF THE ISSUES IN THE EVENT OF SURPLUS DEMANDS

If the Board of Directors records a surplus demand, the number of shares issued for each of the issues decided under the application of ninth and tenth resolutions can be increased under the conditions stipulated by article L 225-135-1 of the Commercial Code, within the limits of the ceilings fixed by the meeting.

TWELFTH RESOLUTION - FORMALITIES

The General meeting gives full powers to the holder of a copy or an extract of these minutes to perform all the filing and publicity formalities required by law.

PERSON RESPONSIBLE FOR THE REFERENCE DOCUMENT AND THE PERSONS RESPONSIBLE FOR AUDITING THE ACCOUNT

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 with 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, in accordance with the practices and the professional standards applicable in France, that they have verified the information on the financial position and the accounts given in this reference document and that they have read all of this reference document."

Patrick Vandromme

Chairman of the Board of Directors and Chief Executive

3) The persons responsible for auditing the accounts and attestation from the statutory auditors

The principal statutory auditors

KPMG Audit

4, rue Alfred Kastler - 14053 CAEN Cedex

Represented by Mr. Thierry LEFEVRE and Mr. Yves GOUHIR

Renewed on 26/05/2005

Term of office, which expires at the Ordinary Meeting, called to rule on the accounts for the 2010 fiscal year.

SOCOGEC

BP 321 - 61000 ALENCON Cedex

Represented by M. Alain MUELLE

Renewed on 28 /05/2002

Term of office which expires at the Ordinary Meeting called to rule on the accounts for the 2007 fiscal year.

Deputy statutory auditors

Eric THOUVENEL

1, rue Claude Bloch - BP 5093 - 14078 CAEN Cedex

Appointed on 26/05/2005

Term of office which expires at the Ordinary Meeting called to rule on the accounts for the 2010 fiscal year.

Dominique FILOCHE

BP 321 - 61009 ALENCON Cedex

Renewed 28/05/2002

Term of office which expires at the Ordinary Meeting called to rule on the accounts for the 2007 fiscal year.

The fees of the Statutory Auditors and the members of the network paid by the Group in 2005

	2005				2004			
	KPMG Audit		SOCOGEC		KPMG Audit		SOCOGEC	
	€K	%	€K	%	€K	%	€K	%
Statutory Auditors, certification, audit of accounts, individual and consolidated	128	91.4%	127	91.4%	91	91.9%	91	91.9%
Incidental assignments *	12	8.6%	12	8.6%	8	8.1%	8	8.1%
Total	140	100.0%	139	100.0%	99	100.0%	99	100.0%

* Concerns assignments connected with acquiring companies

CROSS INDEX

Heading of appendix 1 of the European regulation 809/2004

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