2013 ANNUAL REPORT

A portfolio
of quality buildings,
generating high and
secure yields

ACANTHE DEVELOPPEMENT

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ACANTHE DEVELOPPEMENT

PROFILE

ACANTHE DEVELOPPEMENT is a European and property company eligible for French SIIC (real estate investment company) tax status. More than 97% of its properties are located in the privileged districts of Paris.

ACANTHE DEVELOPPEMENT's strategy is underpinned by rigorous management of exceptional assets and the search for the best names to ensure capital growth on its portfolio and to secure a return on its assets.

ACANTHE DEVELOPPEMENT is listed in the C compartment of NYSE Euronext Paris and on the IEIF SIIC-REITS index.

ASSETS

81,16 %
in value comprising office space and commercial premises at

24 270 m²
total floor area 31/12/2013

€190,2
million equity

€265,08
million at 31/12/2013

0,03
per share
proposed dividend per share for financial year

97,67 %
in value in Paris's central business district and in its historic centre

16
buildings
at 31/12/2013

CHAIRMAN'S MESSAGE

While the property market is struggling to recover, Acanthe Développement continues to stand firm in the face of uncertainties still weighing on the French and European economic environments.

With a strategy embarked on in the 2000s to concentrate its assets in the central business district of Paris, extended Europe wide since August 2012, as well as judicious arbitrage on its assets reaching maturity, the group has achieved its prime objective, namely to hold a portfolio of quality buildings generating high and secure yields.

On a like-for-like basis the appraised value of its assets is 256 million euros, up 2.96%; revenue for its part is up 33.7%, representing €9.95 million in rents.

With moderate leverage intentionally kept at 44% of its net worth, the group has confirmed its capacity to control its investment strategy and consolidate its soundness this past year.

Adjusted net asset value totals 190 million euros, making 1,338 euros per share.

Lastly, and to confirm its performance aims, Acanthe Développement has paid its shareholders a total of 336 million euros in dividends in the period from 2004 to 2013, not counting the planned distribution in 2014.

Alain DUMÉNIL
Chairman of the Board of Directors

MANAGEMENT & ORGANIZATION

The Board of Directors met 10 times in 2013. Beyond its statutory powers, Its brief is to study external growth operations and set strategic and financial policy. The schedule and agenda of its meetings are planned in advance to ensure all directors have all the information they need at their disposal.

COMPANY MANAGEMENT

is handled by a small team for greater efficiency.

Chairman of the Board of Directors **Alain DUMÉNIL**

Managing Director **Patrick ENGLER**

Deputy Managing Director **Philippe MAMEZ**	Chief Financial Officer **Florence SOUCÉMARIANADIN**	Chief Legal Officer **Nicolas BOUCHERON**

BOARD OF DIRECTORS

There are five board members, two of whom are independent.

MEMBERS

Alain DUMÉNIL
Chairman of the Board of Directors

Philippe MAMEZ
Director and Deputy Managing Director

Patrick ENGLER
Director and Managing Director

Pierre BERNEAU
Non-executive director

Bernard TIXIER
Non-executive director

STATUTORY AUDITORS FOR FINANCIAL YEAR 2013

INCUMBENT

DELOITTE & ASSOCIÉS
185, avenue Charles-de-Gaulle
92524 Neuilly-sur-Seine Cedex
RCS Nanterre 572 028 041

ACE AUDIT
5, avenue Franklin Roosevelt
75008 Paris
RCS Paris 380 623 868

SUBSTITUTE

B.E.A.S
7-9, villa Houssay
92524 Neuilly-sur-Seine Cedex
RCS Nanterre 315 172 445

M. FRANÇOIS SHOUKRY
5, avenue Franklin Roosevelt
75008 Paris

APPRAISERS

Crédit Foncier expertise, 24 rue des Capucines, 75002 Paris.

The Group's portfolio was appraised by experts on 31 December 2013, mostly by the firm Crédit FONCIER EXPERTISE. Their appraisals were conducted according to the criteria set out in the *Charte de l'Expertise en Evaluation Immobilière* (French property appraisal charter) and applied by all the listed property companies.

BUSINESS, SOCIAL AND ENVIRONMENTAL POLICY

CAPITAL GROWTH AND DEGEARING: AN ACTIVE STRATEGY

The Group sold assets for a total of 10.02 million euros in financial year 2013. These were:

- a mixed-occupancy building comprising residential units, commercial premises and offices, at 7 Rue d'Argenteuil (Paris 75001), sold for 8.8 million euros on 29 January 2013.
- A plot of building land at 57 Avenue du Maréchal Joffre (Nanterre, Hauts-de-Seine), sold for 1.22 million euros on 7 November 2013.

In June 2013, the Group purchased a building comprising residential units, commercial premises and offices at 184 Rue de Rivoli/1 Rue de l'Echelle (Paris 75001) from GECINA, for 21.82 million euros. The building has a total rental area of 2,493 m². A financing plan totalling 11.5 million euros for the purchase of the building has been set up with Munchener Bank.

In other respects, the Group continued to add value to its assets:

- Building in Rue François Ier in Paris (8th): a refinancing arrangement for the building was made with Deutsche Hypothekenbank for 28.8 million euros.
- the building known as the «former Dutch ambassador's residence» in Paris (4th): The restructuring work on the commercial shell on the ground floor and basement of the building will be completed in the 1st quarter of 2014, whereupon these areas will be wholly available for rent.
- Building at 24 Rue Georges Bizet in Paris (16th): a lease has been signed for the whole property complex (a little over 1000 m²) with a law firm. The lease, which starts in June 2014, was signed for a full-year headline rent of 520,000 euros.

IMPACT ENVIRONNEMENTAL MAÎTRISÉ ET RESPECT DES NORMES OPTIMISÉ

None of Acanthe Développement's activities have any adverse impact in environmental terms.

Broadly speaking, water and energy consumption is carefully managed and controlled.

In special cases involving major structural works on buildings, Acanthe Développement fully assumes its role as contracting owner. In this respect it ensures that current building and worker health and safety standards are met. It has this audited by independent experts to ensure impartial control and strict observance thereof.

In staffing terms, 27 employees (executive and non-executive staff in equal numbers, not counting personnel in buildings) are in charge of acquisition analysis and financing, portfolio valuation and financial management. The management of buildings and marketing are entrusted to specialized outside firms.

ASSETS
PARIS 1ST

184, rue de Rivoli

- 2,493 m² of office space, commercial premises and residential units
- A beautiful building in the typical style of the 19th century at the corner of Rue de Rivoli and Rue de l'Echelle

PARIS 2ND

15, rue de la banque

- 2,019 m^2 of office space
- 9 parking spaces
- A beautiful building near La Bourse, in the heart of an important business district, in a district well served by public transport

PARIS 4TH

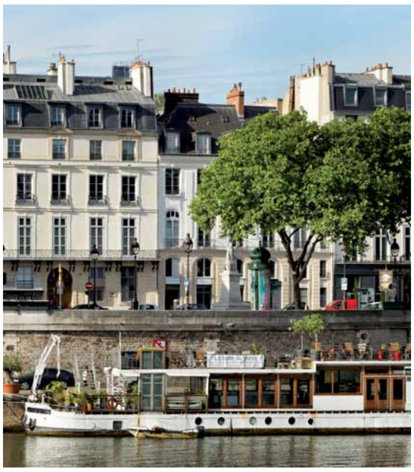
47, rue Vieille du Temple

- Private mansion
- The former residence of the ambassadors of Holland
- 1,718 m²

PARIS 6TH

3-5, quai Malaquais

- 549 m² of residential properties
- + parking spaces (Rue de Seine)
- 18th century building in the heart of the St Germain district, leading to the Quais de Seine



PARIS 8TH

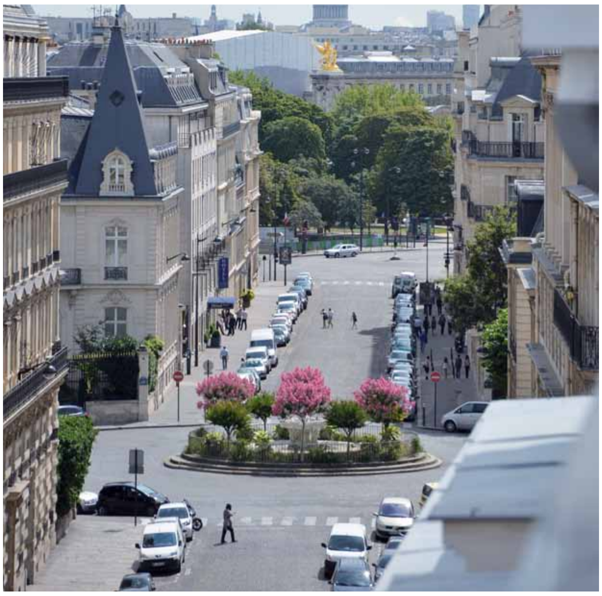
2-4, rue de Lisbonne

- 2,458 m² of office space
- 38 parking spaces
- Typical Haussmann building near Place Saint-Augustin, at the corner of Rue de Lisbonne and Rue du Général-Foy, thus enjoying a double aspect

PARIS 8TH

17, rue François 1er

- 2,095 m² of commercial premises and offices
- Luxury commercial premises, near Avenue Montaigne



PARIS 8TH

7, rue de Surène

- 1,378 m^2 of offices and commercial premises
- Situated in the central business district, near Place de la Madeleine

PARIS 8TH

55, rue Pierre Charron

- 2,890 m² of offices and commercial premises
- Superb Haussmann building, very close to the Champs-Élysées, comprising an exceptional 70 m² hall and very spacious volumes on the upper floors
- Public parking near the building

PARIS 9TH

26, rue d'Athènes

- 963 m² of offices and commercial premises
- Double façade for this building situated in the immediate vicinity of Saint-Lazare station

PARIS 16TH

24, rue Georges Bizet

- 930 m² of office space
- Late 19th century mansion, entirely renovated, situate in the central business district

PARIS 16TH

2, rue de Bassano

- 3,400 m² of office space
- 20 parking spaces
- Exceptional private mansion comprising offices, a few metres from the Champs-Élysées

PRO FORMA

Address		Type	Floor area	Current financial occupancy rate	Current rent
PARIS					
184, rue de Rivoli	PARIS 1ST	Mixed-use building	2 493 m²	100%	€ 886 812
15, rue de la Banque	PARIS 2ND	Office building	2 019 m²	100%	€ 927 929
47, rue Vieille du Temple	PARIS 4TH	Private mansion	1 718 m²	NS	€ 0
6-8 Rue des Guillemites	PARIS 4TH	Car parks		NS	€ 6 197
3/5, quai Malaquais	PARIS 6TH	Apartments	549 m²	100%	€ 350 377
2-4, rue de Lisbonne	PARIS 8TH	Office building	2 458 m²	100%	€ 1 323 079
55, rue Pierre Charron	PARIS 8TH	Office building	2 890 m²	88%	€ 1 462 887
17, rue François 1er	PARIS 8TH	Commercial premises	2 095 m²	100%	€ 2 648 450
7, rue de Surène	PARIS 8TH	Mixed-use building	1 378 m²	87%	€ 549 514
18,20 rue de Berri	PARIS 8TH	Parking spaces	0 m²	NS	€ 0
26, rue d'Athènes	PARIS 9TH	Mixed-use building	963 m²	100%	€ 448 481
24, rue Georges Bizet	PARIS 16TH	Office building	930 m²	11%	€ 58 500
2, rue de Bassano (Buildings A & B)	PARIS 16TH	Office building	2 535 m²	89%	€ 1 644 316
2, rue de Bassano (Building C)	PARIS 16TH	Office building	865 m²	39%	€ 130 105
TOTAL PARIS			21 052 m²	90%	€ 10 436 647
PROVINCES AND ABROAD					
2 Avenue de la Grande Armée	AJACCIO	Residential	173 m²	NS	NS
Villeneuve d'Asq	VILLENEUVE D'ASQ	Land	NS	NS	NS
9 Avenue de l'Astronomie	BRUSSELS	Private mansion	3 043 m²	14%	€ 65 000
TOTAL PROVINCES AND ABROAD			3 216 m²	14%	€ 65 000

Building in inventory

Building work

FINANCIAL DATA

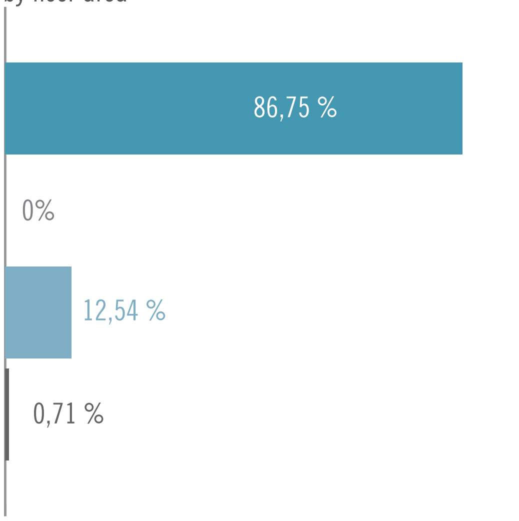
The soundness of Acanthe Développement's assets stems from their concentration in Paris's central business district. Controlled debt is a guarantee of sustainability.

FOCUS ON NET WORTH

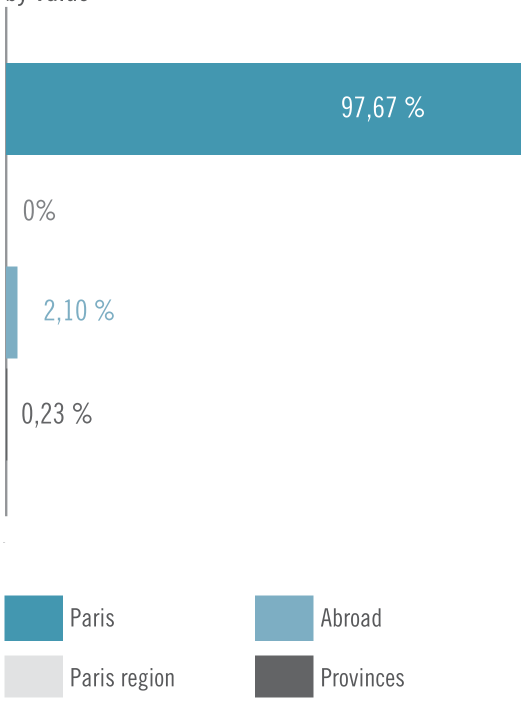
€286 million
Net worth at 31/12/13

24 270 m²
at 31/12/13

Breakdown of assets
by floor area



Breakdown of assets
by value



FINANCIAL DATA

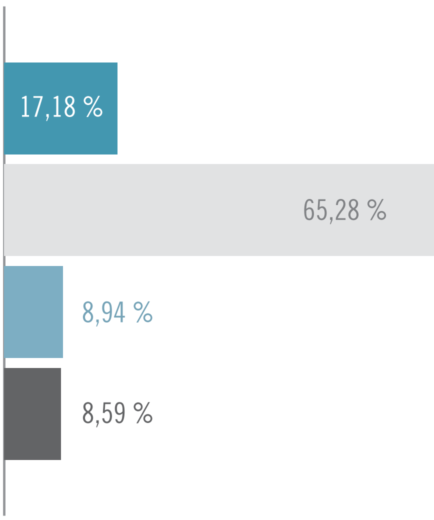
FOCUS ON PROFITABILITY FOR FINANCIAL YEAR 2013

€9,48 million
Rental income

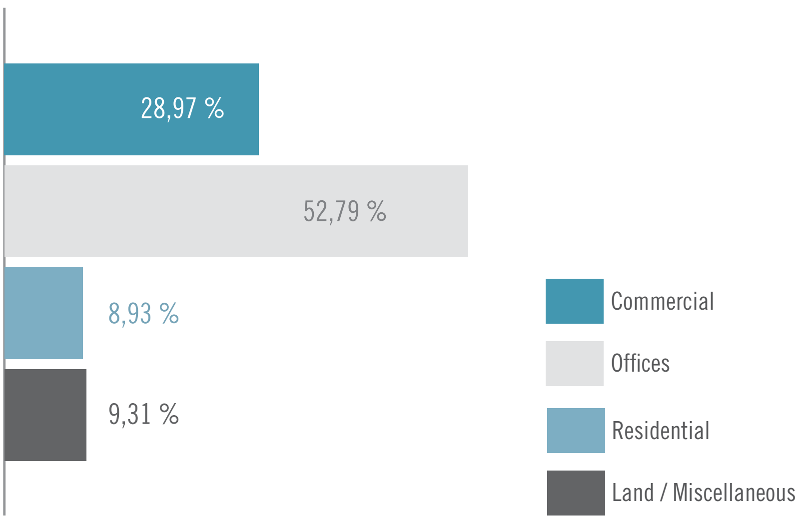
€10,23 million
Potential rent

96 %
occupancy rate in value (excl buildings undergoing structural work) at 31/12/2013

Nature of assets
in square metres



Nature of assets
in value



FOCUS ON THE FINANCIAL POSITION

Equity, Group share	€190.277 million
Net debt	€84.9 million
Net debt/ equity ratio	44.6%
Adjusted Net Asset Value after dilution, per share	€1.3389

FOCUS ON FINANCIAL PERFORMANCE

Operating profit before disposals and allowances	€5.635 million
including change in value from investment properties	€2.625 million*

* Estimated by an appraisal firm, based on the criteria of the Charte de l'expertise en évaluation immobilière (French property appraisal charter). Estimated on 31 December 2013, the market value represents the expected selling price of a building within approximately six months.

Net consolidated group income	-€4.815 million
Cash flow from operations	-€0.238 million

FOCUS ON SHAREHOLDERS' DIVIDENDS

Changes in dividend, ordinary + bonus

2004 :	€0,15 + €0,53
2005 :	€0,28 + €0,47
2006 :	€0,13 + €0,45
2007 :	€0,13 + €0,16
2008 :	€0,20 + €0,19
2009 :	€0,04
2010 :	€0,15
2011 :	€0,47 + €0,60
2012 :	€0,9
2013 :	€0,06
2014 :	€0,03
Accumulated amount for period 2004-2013	€336 milliion

STOCK MARKET DATA AT 31/12/2012

Breakdown of capital

Floating (including PHRV holding more than 5%)	49.27%
+ Alain Duménil directly and indirectly	50.73%

OPERATING AND FINANCIAL REVIEW OF THE BOARD OF DIRECTORS

As provided for by Articles L. 451-1-2 of the French Monetary and Financial Code and Article 222-3 of the General Rules of the AMF (Financial Markets Authority), this report comprises the following documents and information:

1 Certificate issued by natural persons taking responsibility for the annual financial report 23

2 Operating and financial review of the Board of Directors on the Company and the consolidated Group presented to the Annual Ordinary and Extraordinary General Meeting. 24
This report includes the report prepared by the Chairman of the Board of Directors pursuant to Article L.225-37 of the French Commercial Code on internal control procedures (appendix 7 of the operating and financial review)

3 Parent-company financial statements of ACANTHE DEVELOPPEMENT for the period ending 31 December 2013 (and the notes thereto) 30

4 Consolidated financial statements of ACANTHE DEVELOPPEMENT for the period ending 31 December 2013 (and the notes thereto) 115

5 Auditors' report on the annual financial statements for the period ending 31 December 2013 188

6 Auditors' report on the annual consolidated financial statements for the period ending 31 December 2013 190

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CERTIFICATE ISSUED BY NATURAL PERSONS TAKING RESPONSIBILITY FOR THE ANNUAL FINANCIAL REPORT

« I hereby certify that to my knowledge the parent-company and consolidated financial statements for the period ending 31 December 2013 presented in the following financial report have been drawn up in accordance with generally accepted accounting principles and give a true and fair view of the asset base, financial position and earnings of the company and of all consolidated companies, and that the operating and financial review presents an accurate view of trends in the business, earnings and the financial position of the company and of all consolidated companies, as well as a description of the main risks and uncertainties they face. »

ACANTHE DEVELOPPEMENT
Represented by:
Patrick Engler, Managing Director

OPERATING AND FINANCIAL REVIEW OF THE BOARD OF DIRECTORS

PRESENTED TO THE ANNUAL GENERAL AND SPECIAL SHAREHOLDERS' MEETING ON 25 JUNE 2014

Dear Shareholders,

We have convened the General Shareholders' Meeting, as required by law and by our Articles of Association, in order to (i) inform you of the results of our management for the year ended 31 December 2013, (ii) seek your approval of the said period's financial statements, (iii) renew the term of office of one Director, (iv) renew the Board of Directors' authority to buy and sell the Company's treasury shares, (v) and authorize the Board of Directors to reduce the share capital by cancelling treasury shares.

The formalities for convening this Meeting have been duly accomplished.

As required by current regulations, the relevant documents and information have been sent to you or kept at your disposal and at the disposal of holders of securities giving access to your share capital within the time limits laid down by statutory and regulatory provisions and by our Articles of Association.

We would remind you that you have been convened to rule on the following agenda:

AGENDA

UNDER THE GENERAL PROCEDURE:

- Operating and financial review of the Board of Directors for the period ending 31 December 2013, including the Group's operating and financial review;
- The Chairman of the Board's report on internal control procedures as provided for by Article L.225-37 of the French Commercial Code;
- Supplementary report of the Board of Directors on the use of powers granted in connection with capital increases (Articles L.225-129-1 and L.225-129-2 of the French Commercial Code);
- The Board of Directors' special report on share allocations made pursuant to Articles L.225-197-1 to L.225-197-3 of the French Commercial Code and transactions pursuant to the provisions of Articles L.225-177 to L.225-186 of the French Commercial Code;
- Auditors' reports on the financial statements for the period ending 31 December 2013 and on the consolidated financial statements;
- The Auditors' special report on the Chairman's report on internal control procedures required under Article L.225-37 of the French Commercial Code;
- The Auditors' special report on the regulated commitments and agreements under Article L. 225-38 of the French Commercial Code;
- Approval of the annual financial statements and discharge of Directors;
- Approval of the consolidated financial statements;
- Appropriation of retained earnings; Distribution of dividends;
- Option offered to shareholders between payment of ordinary dividends in cash or in Company shares to be created;
- Approval of the covenants referred to in Article L.225-38 of the French Commercial Code;
- Setting Directors' fees;
- Opinion on the items of the compensation plan due or awarded to Mr Alain Duménil, Chairman of the Board of Directors, for the period ending 31 December 2013,
- Opinion on the items of the compensation plan due or awarded to Mr Philippe Mamez, Deputy Managing Director, for the period ending 31 December 2013,
- Opinion on the items of the compensation plan due or awarded to Mr Patrick Engler, Managing Director, for the period ending 31 December 2013,
- Renewal of the directorship of Mr Philippe Mamez;
- Authorization granted to the Board of Directors to set up a new share redemption plan;
- Powers granted to accomplish formalities.

UNDER THE EXTRAORDINARY PROCEDURE:

- Authorization granted to the Board of Directors to reduce the share capital by cancelling treasury shares;
- Powers granted to accomplish formalities.

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1. COMPANY'S POSITION AND GROUP ACTIVITIES OVER THE PAST FINANCIAL YEAR (ARTICLES L.225-100, L.225-100-2 AND L.233-26 OF THE FRENCH COMMERCIAL CODE)

1.1. GROUP'S POSITION AND ACTIVITIES OVER THE PAST FINANCIAL YEAR (ARTICLE L.225-100-2 OF THE FRENCH COMMERCIAL CODE):

Key information

In millions of euros unless otherwise specified	31 dec 13	31 dec 12	Changes
Property assets (including Inventories)	286.0	265.1	20.9
Shareholders' equity, Group share	190.3	196.8	-6.6
Financial debt	84.9	65.9	19.0
Adjusted Net Asset Value diluted per share (€)	1.339	1.555	-0.2

The segment disclosures are presented below and in note 6 of the consolidated financial statements.

Revenues for 2013 amount to €10,432,000, against €8,738,000 in the prior period, up 19.4%. This rise is mainly due to the rental income of the building at 17 Rue François 1er for the entire year of 2012, whereas it was only rented out for part of 2012 (+€2 million).

Furthermore, the building at Rue de Rivoli acquired in June 2013 increases revenue by roughly €0.5 million; conversely, disposals of buildings in Paris (Rue Boissière in 2012 and Rue d'Argenteuil in 2013) decrease revenue by -€1.2 million. Finally, the impact of changes in leases and renewed rentals is +€0.4 million.

On a like-for-like basis, Group revenue is up 33.7% (+€2,509,000).

At operating segment level, office space revenues amount to 59.15% (€6,172,000) of total revenue.

Other usual sectors: commercial premises and the residential sector for their part represent respectively 34.76% (€3,626,000) and 6.09% (€635,000) of total revenue.

By comparison, after restatement for divested operations, in 2012 the other sectors represented: office space 75.02% (€6,556,000), commercial premises 17.31% (€1,513,000), residential 7.67% (€670,000) of total revenue.

Geographically, buildings in Paris (inside the city boundaries) generate 99% of revenue.

During 2013, the Group sold properties for a total of 10.02 million euros, generating a consolidated capital gain of €124,000. These were:

- a building comprising residential units, commercial premises and offices, at 7 Rue d'Argenteuil (Paris 75001), sold for 8.8 million euros on 29 January 2013;
- a plot of building land at 57 Avenue du Maréchal Joffre (Nanterre, Hauts-de-Seine), sold for 1.22 million euros on 7 November 2013.

In June 2013, the Group purchased a building comprising residential units, commercial premises and offices at 184 Rue de Rivoli/1 Rue de l'Echelle (Paris 75001) from GECINA, for 23.15 million euros. This building, with a total rental area of 2,620 m², generated a headline rent of 453,330.75 euros for the period from June 2013 to December 2013 (for the acquisition of the building, a financing arrangement of 11.5 million euros was made with MUNCHENER HYPOTHEKENBANK).

In other respects, the Group continued to add value to its assets:

- Building in Rue François Ier in Paris (8th): Further to the major restructuring work and the renting of all the floor space to Sandro, Anne Fontaine and Nina Ricci, the full-year rent generated by the building totals 2.6 million euros (the revenue from the building in 2013 including smoothed-out rent deductions granted to the tenants totals 2.2 million euros). In addition, a refinancing arrangement for the building was made with Deutsche Hypothekenbank for 28.8 million euros.
- the building known as the «former Dutch ambassador's residence» in Paris (4th): The restructuring work on the commercial shell on the ground floor and basement of the building will be completed in the 1st quarter of 2014, whereupon these areas will be wholly available for rent.
- Building at 24 Rue Georges Bizet in Paris (16th): A lease has been signed for the whole property complex (a little over 1,000 m^2) with a law firm. The lease, which starts in June 2014, was signed for a full-year headline rent of 520,000 euros.

Your real estate assets valued at €286.01 million have been financed primarily with medium and long-term bank loans. The credit outstanding on this financing has risen from €70.5 million at end 2012 to €93.0 million at 31 December 2013.

1.2. CHANGES IN ACANTHE DEVELOPPEMENT OVER THE PAST FINANCIAL YEAR (ARTICLE L.225-100 OF THE FRENCH COMMERCIAL CODE):

- Increase in share capital:

During the period ending 31 December 2013, the Company's capital was increased from 17,206,397 euros representing 126,630,877 shares on 31 December 2012 to 19,312,608 euros representing 142,131,582 shares on 31 December 2013.

This increase is due to the shareholders' reinvestment as part of the dividend payment in shares:

The Annual Ordinary and Extraordinary General Meeting on 26 June 2013 offered each shareholder the choice between a dividend payment in cash or in Company shares. The share option was chosen by holders of 100,681,595 shares. On 1st August 2013 the Board of Directors set the price of new shares at 0.38 euros per share as fixed by the said meeting.

The Board noted that further to payment of the dividend in shares, 15,500,705 new shares had been issued. The new shares were fully paid up (nominal value and share premium) in cash for a total amount of 5,890,267.90 euros (15,500,705 x 0.38 euros). The difference between the total amount subscribed and the capital increase, namely 3,784,057.39 euros, was entered in a «share premium» account.

The sum of 0.49 euros debited from the «share premium» account was then incorporated into the new share capital to make it a round number.

- Directors:

The shareholders, convening for the Annual Ordinary and Extraordinary General Meeting on 26 June 2013, renewed the directorships of Messrs Patrick Engler and Bernard Tixier, for a new six-year term, to end after the General Shareholders' Meeting convened to rule on the accounts for the period ending 31 December 2018.

- General Management:

At the Board meeting of 15 January 2013, the Directors decided, as provided for by Article L.225-51-1 of the French Commercial

Code, to separate the functions of Chairman of the Board and of Managing Director. Mr Alain Duménil thus continues as Chairman and Mr Patrick Engler has been appointed Managing Director for the duration of his directorship. Mr Philippe Mamez for his part remains as Deputy Managing Director de la Company.

Transfer of the head office

The plan to move the head office, prepared further to the decision of the Annual Ordinary and Extraordinary General Meeting of 29 June 2012, was not implemented during the period.

2. PARENT-COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDING 31 DECEMBER 2013

2.1. PARENT-COMPANY FINANCIAL STATEMENTS

Intangible assets primarily comprise a long-term lease on a mansion in Avenue de l'Astronomie in Brussels, the subsoil belonging to TRENUBEL, a wholly-owned subsidiary of ACANTHE DEVELOPPEMENT.

The net value of real estate assets totals €4.79 million and includes an office and commercial building in Rue d'Athènes in Paris 9th, with 963 m^2 of floor area and a plot of land in Brussels as well as fixtures in the mansion for which the Company has the aforementioned long-term lease.

Equity interests in your subsidiaries total €227.49 million (including company VENUS for €217.7 million) in net value at 31 December 2013 (gross value €228.14 million less a provision of €0.65 million) and have not undergone any significant change.

Other receivables from equity interests primarily comprise €38.59 million net of advances made to your subsidiaries, against €22.73 million in 2012. The main increase was the advance made to SCI ECHELLE RIVOLI for €11.5m to fund the purchase of the

building at 184 Rue de Rivoli in Paris 1er. In other respects, during the period cash advances are made between subsidiaries according to their needs.

The other investments essentially include the deposit as guarantee (paid with regard to the rental of the head office).

Trade and other receivables (€1.74 million) essentially include €1.71 million of unbilled receivables, including reinvoiced head office and payroll expenses.

Other receivables total €2.81 million, against €2.62 million at 31 December 2012. They essentially include €1.01 million of VAT receivables, and €1.7 million in escrow concerning a dispute with the minority shareholders of a former subsidiary (FRANCE IMMOBILIER GROUP, see note 9.3.4 to the consolidated financial statements at 31 December 2013).

Short-term investments and cash assets total €7.01 million against €2.59 million in 2012.

Shareholders' equity amounts to €145.7 million 31 December 2013. The €8.19 million decrease compared with 31 December 2012 is chiefly the result of:

- the reinvestment of 100,681,595 coupons generating the creation of 15,500,705 shares and a €5.89 million increase in shareholders' equity;
- the dividend distribution for a gross amount of €7.60 million;
- a deficit of €6.48 million in period 2013.

Contingency and loss provisions totalling €5.84 million, against €0.14 million at the previous closing, were increased by €5.78 million for tax risks, explained in detail in note in §9.3 to the consolidated financial statements.

Bank borrowings total €1.22 million in 2013 against €1.35 million in 2012. The decrease reflects repayments as per the bank loan schedule.

Loans and financial liabilities total €130.35 million, including €126.1 million with SNC VENUS, against €107.88 million at 31 December 2012; the change essentially reflects cash advances of subsidiaries having cash surpluses.

Trade and other payables comprises €0.36 million of supplier payables and €0.54 million of unbilled payables.

Tax and social security liabilities totalling essentially comprise a VAT debt (€0.70 million).

The period showed a loss of €6.47 million against a loss of €1.86 million in the prior period; it primarily includes:

- €4.29 million of revenue, including €0.49 million of rents and occupancy expenses from the building at Rue d'Athènes (Paris 8th), €0.08m of rents and occupancy expenses from the building in Brussels, €0.17 million of revenue from subletting the head office in Rue de Bassano, €1.43 million of revenue from reinvoiced committed and payroll costs, and lastly €2.12 million of revenue from reinvoiced renovations on the building in Rue Vieille du Temple on behalf of SCI de l'Hôtel Amelot;
- operating expenses totalling €6.10 million (part of which was reinvoiced, see previous paragraph, in particular €2.12 million of expenses committed on behalf of SCI de l'Hôtel Amelot). These primarily include €1 million of rents and occupancy expenses on the head office, €0.39m for fees, €0.09 million for financial publications, €0.65 million for salaries and social security taxes and €0.35 million for amortization expenses;
- net financial income totalling €1.14 million, which includes among other things €2.21 million of dividends paid by subsidiaries and -€0.9 million of net finance charges on advances granted to or received from subsidiaries;
- -€5.78 million of provisions for tax risks.
- de dotations aux provisions pour risques fiscaux pour -5,78 M€.

2.2. CONSOLIDATED FINANCIAL STATEMENTS

Consolidated balance sheet

The value of investment properties stood at €279.46 million at 31 December 2013 after accounting for acquisitions (the building in Rue de Rivoli in Paris) and disposals (the building at 7 Rue d'Argenteuil Paris 1st and the plot of land in Nanterre), as stated in point 1.1 of this operating and financial review.

This value at 31 December 2013 is the fair value of the investment properties.

The premises occupied by the Group (389 m^2 at 2, Rue de Bassano – Paris 16th) follow IAS 16 on Property, Plant and Equipment. In accordance with IAS 16§36, the group continues to apply the revaluation method for Land and Buildings asset classes. The net revaluation of these premises was €6.05 million at 31 December 2013.

Financial assets essentially include shares in BASSANO DEVELOPPEMENT, which owns a hotel *** in which 15% of the capital is held; these shares are measured at fair value on the basis of adjusted net asset value and stand at €5.1 million.

Cash and cash equivalents amount to €8.04 million, comprising €7.0 million of short-term investments and €1.04 million of cash.

Other asset items are itemized in §4.3 of the notes to the consolidated financial statements. Shareholders' equity amounted to €190.28 million excluding non-controlling interests at 31 December 2013.

The change in shareholders' equity compared with 31 December 2012 is explained primarily as follows:

- The reduction in consolidated group reserves further to the dividend payment (-€7.6 million);
- The €2.11 million capital increase and €3.78 million share premium, as a result of dividends reinvested in shares;
- Other comprehensive income (-€0.14 million).
- «Group» consolidated income for the period showed a loss of €4.82 million.

Contingency and loss provisions concern

- Tax disputes (€7.01 million);
- Other disputes totalling €0.74 million, including €0.62 million for the provision relating to sentences relating to the enforcement of a Paris Court of Appeal ruling dated 27 February 2014, which are the subject of an appeal «ultra petita» and on points of law;
- the €240,000 provision for retirement severance pay, which increased by €111,000 during the period, €53,000 of which arises from actuarial calculations recognized in other comprehensive income, and a €58,000 allowance for the period.

Financial liabilities (current and non-current) rose from €70.5 million in 2012 to €93.0 million at the end of 2013.
During the period, loans totalling €28 million were taken out with DEUTSCHE HYPOTHEKENBANK by companies Foncière du 17 Rue François 1er and SCI FRANCOIS VII.

This 7-year loan ends in April 2020 and bears variable interest based on EURIBOR 3 months plus 2.16%.
Part of the funds received were used to prepay the two loans previously taken out with Crédit Foncier by each of the two companies, making a total repayment of €12.8 million.
To partially fund the acquisition of the building at 184 Rue de Rivoli in Paris, SCI ECHELLE RIVOLI borrowed €11.5 million from MUNCHENER HYPOTHEKENBANK; this loan bears interest at a fixed rate of 3.404% per annum, is amortized by 15% of the principal over the 7 years, the balance of the loan being repaid at the end.

Other liabilities are itemized in §4.6 and 4.7 of the notes to the consolidated financial statements.

Consolidated income statement

Consolidated turnover totalled €10.43 million at 31 December 2013 (€8.69 million from rents and €1.74 million from reinvoiced expenses), against €8.74 million at 31 December 2012 (€7.28 million from rents and €1.46 million from reinvoiced expenses). Turnover is explained in paragraph 1.1 of this operating and financial review.

Net income from buildings totalled €6.86 million at 31 December 2013, against €5.77 million at 31 December 2012, given that legal fees on loans total €625,000.

At the end of December 2013, operating profit excluding sales of investment property totalled -€373,000, against €14,456,000 for 2012. The main components of this change are:

- other general and administrative expenses were exceptionally increased in 2012 by €1 million of registration fees relating to the acquisition of shares in SCI de l'HOTEL AMELOT;

- other charges in 2012 included a cost of €3,984,000 to restore non-controlling interests in company SOGEB after the court-ordered cancellation of the capital increase that had reduced their ownership interest; this charge was covered by a provision for risks made on the previous closing and reversed in the same period (see above);

- The €2,625,000 change in the fair value of investment property in 2013 (see 4.1.1 of the note to the consolidated financial statement at 31 December 2013), against an increase of €13,618,000 in 2012;

Contingency and loss provisions are high in this period, and cover among other things €7,015,000 of tax risks and €623,000 further to the Paris Court of Appeal ruling du 27 February 2014 (see cross-reference to specific developments).

Reversals of provisions in 2012 included a provision covering the risk of restoring non-controlling interests in SOGEB (€3,984,000), recognized as other charges for the same amount;

In addition, for this period, the «reversals of other amortization and provisions» item only includes €695,000 of reversals of receivables, against €62,000 in the prior period.

Disposals of investment properties showed a profit of €124,000. The disposals are itemized in note 5.4 to the consolidated financial statements at 31 December 2013.

Net consolidated income showed a loss of -€4,735,000, the group owners' share totalling -€4,815,000 and the non-controlling interests' share totalling €80,000.

Significant disputes of any kind are explained and analysed in note 9.3 to the consolidated financial statements.

2.3. RISK FACTORS

The company has carried out a review of any risks that could have a significant impact on its business, financial position or performance (or its ability to achieve its goals) and considers that there are no significant risks other than those presented here.

Equity management risk

The Group manages its equity to ensure that the Group's entities can continue operating by maximizing return on shareholder investment through an optimized balance between «shareholders' equity» and «net financial liabilities».

Net financial liabilities» include the loans referred to in note 4.6 to the consolidated financial statements less cash and cash equivalents. «Shareholders' equity» includes the parent company's share capital plus consolidated reserves and the period's consolidated income (loss).

in thousands of €	31/12/2013	31/12/2012
Debt outstanding with lending institutions	92 961	70 475
Cash and cash equivalent	(8 037)	(4 553)
Net financial liabilities	84 924	65 922
Group share of shareholders' equity	190 277	196 849
Group share debt/equity ratio	45%	33%

The Group share debt/equity ratio does not take into account treasury shares (zero value) nor the surplus arising from current realizables, i.e. the difference between current assets (apart from cash and cash equivalents) and current liabilities (apart from current financial liabilities).
Although the ratio has risen, it is still under 50%, and does not suggest a risk of financial dependency.

Interest-rate risk

As the ACANTHE DEVELOPPEMENT group leverages at a variable-rate, its debt could be exposed to an interest-rate risk. However the Group pursues a prudent policy geared to the profile of its activities, and makes use of financial instruments that cover the risk of rising interest rates.

Variable-rate borrowings are partially capped (€42.9 million), as swaps have been put in place.

Derivatives at 31/12/2013

Instruments	Maturity	Notional at 31/12/2013 In 1,000s of euros
CAP swap (3.65% guaranteed rate)	30/06/2016	14 906
CAP swap (3.50% guaranteed rate)	24/04/2020	28 000
TOTAL		**42 906**

In order to assess the risk to debt, the following table (see note 4.6. to the consolidated financial statements) summarizes the values and the repayment periods for variable-rate borrowings, and for fixed-rate borrowings with a rate reset for each five or ten-year period.

The sensitivity analysis is based on the position of its debt and interest rate derivatives (the Group is not exposed to exchange rate risk) at year-end closing. The sensitivity is the effect a 0.6% variation in the interest rate would have on the income statement or shareholders' equity compared with the interest rates prevailing in the period. The Euribor rate was 0.287% at 31 December 2013. The fall was thus limited to -0.3%, as it could not fall any lower.
The Euribor rate was 0.187% at 31 December 2012. The fall was thus limited to -0.2%.

Rate change sensitivity

	31/12/2013		31/12/2012	
In 1,000s of euros	A rise in net income	A fall in net income	A rise in net income	A fall in net income
Interest rate +0.6%/-0.3%	237	-147	237	-79

As the derivative is a variable interest rate swap variable compared with a capped rate, it is estimated that the rates exchanged increase symmetrically without reaching the CAP threshold, and thus do not affect net income.

Liquidity risk

Group policy however consists in diversifying its counterparties to avert the risk of excessive concentration and to select quality counterparties. Moreover, the Group controls credit risk associated with the financial instruments it invests in according to the credit rating of its counterparties. At 31 December 2013, the Group's cash position stood at €8.04 million, against €4.6 million on 31 December 2012. The Group invests its cash surpluses in short-term monetary instruments negotiated with counterparties having at least a three-star Morningstar credit rating. Off-balance sheet derivatives are negotiated with leading banks.

At 31 December 2013, the short-term liquidity balance was achieved, as current liabilities (€10.0 million at 31 December 2013, against €12.7 million at 31 December 2012) were offset by current assets (€19.2 million at 31 December 2013, against €25.2 million euros at 31 December 2012).

Matured receivables not impaired:

In 1,000s of euros	31/12/2013						
	Assets matured at year-end closing				Asset written down	Assets neither written down nor matured	
	0-6 months	6-12 months	over 12 month	Total	Total	Total	Total
Customer receivables	-	-	59	59	118	1 490	1 667
Other receivables	-	1	1 923	1 924	-	6 948	8 872
TOTALS	**0**	**1**	**1 982**	**1 983**	**118**	**8 438**	**10 539**

In 1,000s of euros	31/12/2012						
	Assets matured at year-end closing				Asset written down	Assets neither written down nor matured	
	0-6 months	6-12 months	over 12 month	Total	Total	Total	Total
Customer receivables	-	-	84	84	191	2 442	2 717
Other receivables	7	102	1 930	2 039	-	5 783	7 822
TOTALS	**7**	**102**	**2 014**	**2 123**	**191**	**8 225**	**10 539**

Leases are subject to returnable deposits set at three months' rent excluding service charges, limiting the risk of uncollectibility of rent.

The following table lists the outflows of cash (capital + accrued interest) needed to make bank loan repayments, in order to complete the information on Group liquidity risk.

Rate type	Total Cash Flow at 31/12/2013 (in 1,000s €)	Units			
		< 3 months	> 3 month < 1 year	> 1 year and < 5 years	over 5 years
Fixed rates	36 347	667	1 990	11 333	22 357
Variable-rates (Euribor)	60 159	551	1 865	11 433	46 311
Fixed rates adjusted every five years(PEX 5-year)	17 230	357	1 197	15 153	523
TOTAL	**113 737**	**1 575**	**5 053**	**37 919**	**69 190**

Certain loans include clauses allowing for accelerated maturity in certain cases (see note 7.2 to the consolidated financial statements at 31 December 2013).

Finally, regarding the amount of dividend to distribute under the SIIC (Real Estate Investment Company) regime, the company will take all appropriate measures to meet its obligations, where appropriate by realizing certain assets.

The Company has carried out a special review of its liquidity risk and considers it is in a position to meet its scheduled payments.

Risk relating to future investments

The Group's opportunities strategic depend on its ability to mobilize funding in the form of loans or shareholders' equity to fund its investments. One should consider a scenario of events affecting the property market or an international crisis affecting financial markets, in which the company would not have access to the funding it needs to fund the acquisition of new buildings, due either to lack of available capital or to the terms and conditions imposed on the desired funding arrangements.

Credit risk

This risk concerns Group investments and the Group's counterparties in its business and derivative transactions. The credit risk on financial assets is limited by the type of instrument used, primarily monetary investment funds managed by well-known institutions. The Group invests is surpluses in short-term monetary financial instruments negotiated with counterparties having a credit rating of at least AA- (Standard & Poors) and AA2 (Moody's).

Regarding transactions in derivatives, these are only made with large financial institutions.

ACANTHE DEVELOPPEMENT's capacity to collect rents depends on the solvency of its lessees. ACANTHE DEVELOPPEMENT takes the quality of lessees into consideration before signing any leases. ACANTHE DEVELOPPEMENT's operating profit could however be relatively prone to lessees occasionally defaulting on their payments.

All our leases are granted to SMEs. In the event of dishonoured rent payments, the lessee would be deemed legally insolvent. The court-appointed administrator would then decide whether or not to allow the lease to continue, in which case he would be liable for the payments out of his own funds. The administrator could, generally within 3 months (covered by the returnable deposit), decide to end the lease and thus surrender the keys of the premises to us.

In such cases the only risk for the group would be the period of vacancy before finding a new lessee, with a negotiated rent that could be higher or lower, depending on the market.

The highest customer debt (excluding affiliated companies) represented 15.87% of customer outstandings at 31 December 2013 (against 17.59% at 31 December 2012). Only MARBEUF (lessee of 2 Rue de Bassano in Paris), and ASSOCIATION VIGUIER SCHMIDT (lessee of 2-4 Rue de Lisbonne in Paris) represent over 10% of outstanding customer receivables on the balance sheet.

The five customers with the most outstandings on the balance sheet represent 52.2% the ten with the most outstandings represent 75.2%.

The customer with the most outstandings (apart from affiliated companies) represents 14.2% of revenue in 2013. With regard to other debtors such as notaries or building managers, these professions are covered by insurance.

Tax risk relating to the status of SIIC (Real Estate Investment Company)

ACANTHE DEVELOPPEMENT opted for the SIIC tax regime with effect from 1st January 2005. In that capacity, it is exempt from corporation tax on the part of its tax profit arising from (i) renting buildings and subletting buildings on leasing arrangements or buildings the enjoyment of which has been temporarily granted by the State, a public authority or one of their publicly-owned companies, (ii) capital gains on sales of buildings, rights relating to a property leasing contract, holdings in partnerships or in subsidiaries that have opted for this special regime, (iii) dividends received from subsidiaries subject to the special regime, and paid by another SIIC when the beneficiary company holds at least 5% of the capital and voting rights of the distributing company for at least two years.

This corporation tax exemption is however subject to meeting certain obligations, in particular the obligation to distribute given amounts of net rental income, capital gains and dividends within specified deadlines. For instance, at least 95% of net rental income must be distributed to shareholders before the end of the period following the one in which it is earned, and at least 60%

of capital gains must be distributed before the end of the second period following the one in which they are made. As for dividends received from subsidiaries subject to the special regime, they must be redistributed in full during the period following the one in which they are paid.

ACANTHE DEVELOPPEMENT subsidiaries in which it has at least a 95% interest have already opted or could opt for the same regime, under comparable conditions.

The benefit of the SIIC regime is also subject to other conditions, in particular the condition governing controlling shareholders. As with all SIICs, no more than 60% of ACANTHE DEVELOPPEMENT's share capital can be held directly or indirectly by one shareholder, or by several shareholders acting in concert (except for situations in which the 60% interest is held by one or more SIICs). For companies that had already opted for the SIIC regime before 1st January 2007, this condition should in principle have been met by 1st January 2009. However, paragraph I of Article 24 of the 2009 Finance Act put back the effective date of this condition to 1st January 2010.

This ceiling could however be exceeded, on an exceptional basis, for certain operations (takeover bid or securities exchange takeover bid referred to in Article L 433-1 of the French Monetary and Financial Code, mergers, demergers or mergers of assets referred to in Article 210-0 A of the General Tax Code and transactions converting or repaying bonds as shares), subject to the ownership interest being lowered to under 60% before the tax returns filing deadline for the period concerned.

The law considers two situations: a temporary overrun on the 60% threshold not justified by any of the aforementioned events; and if this situation has not been remedied in the period in question.

In the first case, the SIIC regime is suspended only for the said period if the situation is regularized before the closing of the said period.

In respect of the period in which this regime is suspended, the SIIC is liable for corporation tax under the conditions of common law, subject to capital gains on sales of buildings, which are taxed at the lower rate of 19%, after deduction of accumulated amortization previously deducted from exempted profits.

A return to the exemption regime for the next period in principle has the consequences of cessation of business. Tax law however mitigates this with regard to the tax on unrealized gains. Unrealized gains on buildings, rights relating to a leasing contract and interests in partnerships having the same corporate purpose as SIICs are only subject to corporation tax at the lower rate of 19% on the part acquired since the first day of the period in which the threshold was exceeded, and unrealized gains on other non-current assets are not taxed immediately if no changes have been made to the accounting entries.

Lastly, the amount of tax due is also increased by the tax at the lower rate of 19% on unrealized gains on buildings, rights relating to a property leasing contract and holdings acquired during the period of suspension, which would have been payable had the company not left the regime.

In the second case, failure to regularize the fact of exceeding the 60% threshold entails the definitive disqualification of the regime for the defaulting company.

Now if the company is disqualified, more particularly for this reason, and if the event occurs within ten years of its opting for the SIIC regime, the SIIC is required to pay supplementary corporation tax on the capital gains taxed during the lower rate regime, taking the overall rate of tax on the capital gains in question to the rate under common law as provided for by Article 219 I of the General Tax Code.

Furthermore, the SIIC and its subsidiaries must reinstate into their taxable income for the period in which the regime ends the portion of distributable income existing at the end of the said period, originating from sums previously exempt. The amount of corporation tax due is also increased by a 25% tax on unrealized gains on buildings, rights relating to a property leasing contract and holdings acquired during the regime, less one tenth per calendar year since the beginning of the regime.

At 31 December 2013, no shareholder had reached in the aforesaid conditions the 60% threshold for a direct or indirect ownership interest in ACANTHE DEVELOPPEMENT.

With regard to dividends paid out by ACANTHE DEVELOPPEMENT from the time it took up this option, the law provides for a 20% levy on dividends taken from exempted profits distributed to shareholder other than a natural person directly or indirectly holding at least 10% of the SIIC's dividend entitlements at the time of payment, when the said shareholder's dividends are not liable for corporation tax (or any equivalent tax), unless the shareholder is a company required to redistribute all dividends thus paid.

Insurance risk

ACANTHE DEVELOPPEMENT has insurance cover for its real estate assets that would fund the rebuilding of the Group's investment properties. As the company is dependent on the insurance market, the premiums it pays could be raised in the event of a major claim borne by the insurance companies.

Our buildings are insured by reputedly solvent insurance companies, namely AXA, HISCOX and SAGEBAT LYON.

Exchange rate risk

As the Group operates only in the eurozone, it is not exposed to any foreign exchange risk.

Risk on treasury shares

At 31 December 2013, the Group held 1,532 repurchased shares, the total cost of purchase thereof being nil.

2.4. FACTORS OF UNCERTAINTY

Market-related uncertainties

Uncertainties regarding the management of the investment properties portfolio relate to the following elements:

- Rent index-linking:

- For offices and commercial premises: the main index used by the group for its leases is INSEE's construction cost index. Leases are mainly revised every year. Only certain leases are revised every three years.
- For residential properties: the main index used by the group for its leases is the rent benchmark index (IRL in French). Leases are mainly revised every year.

Consequently, the future revenues from buildings will be correlated to changes in these indicators. As the reference rent and increases in the said rent are fixed in the lease, they are imposed on the parties by law until the leases expire. However, rents may be renegotiated with the lessee during the lease, only if both parties are willing to do so.

- Building occupancy rate:

The financial occupancy rate was 73% at 31 December 2013. The physical occupancy rate on the same date was 83%. These rates respectively stand at 92% and 96% if we disregard buildings in the process of being sold or in stock and those undergoing extensive renovations that cannot therefore be occupied (Rue Vieille du Temple).

The financial occupancy rate is the total current rents divided by the rents that would have been earned had the building been fully rented.

- Property market trends:

Trends in the property market are described in note 9.1 ‘Adjusted Net Asset Value’ to the consolidated financial statements at 31 December 2013.

- The impact of changes in the benchmark indexes:

- Changes in the construction cost index:

The table below presents the effect of a 30 point change in the construction cost index. This index is considered representative.

The latest known construction cost index on the reporting date is that of the 3rd quarter 2013. it stands at 1,612.

	31/12/2013		31/12/2012	
In 1,000s of euros	Impact on income	Impact on shareholders' equity	Impact on income	Impact on shareholders' equity
Construction cost ± 30 points	+/- 151	-	+/- 123	-

- Changes in the rent benchmark index

The table below presents the effect of a 2 point change in the rent benchmark index. This index is considered representative. The latest known rent benchmark index on the reporting date is that of the 4th quarter 2013. It stands at 124.83.

	31/12/2013		31/12/2012	
In 1,000s of euros	Impact on income	Impact on shareholders' equity	Impact on income	Impact on shareholders' equity
Rent benchmark index ± 2 points	+/- 9	-	+/- 9	-

- Maturity of leases

The table below presents the maturity of leases based on current leases at 31 December 2013 (rents for which leases will be renewed at a given frequency).

In 1,000s of euros	Total	Maturing in one year at the most	Maturing in between one and 5 years	Maturing in over 5 years
Maturity	10 054	990	3 088	5 976
	10 054	990	3 088	5 976

Impacts on the result of applying the fair value method

Impacts in the income statement are grouped under «Changes in the value of investment property».

Sensitivity tests

Sensitivity tests have been conducted by property experts and show the following outcomes:

a) On the basis of the rate of return at 31 December 2013, an increase of 25 basis points would lower the value of the commercial property assets by €4.1 million.

b) A 10% fall in the value of the residential property assets would lower it by €2.4 million (excluding estate duty and costs).

c) As for office space, an increase of 25 basis points in the rate of return would lower its value by €11.7 million.

d) A 10% fall in the value of the other property assets would lower it by €2.0 million (excluding estate duty and costs).

These sensitivity tests would thus have a negative impact of €20.3 million on real estate assets (-7.1%).

The assumptions underlying these sensitivity tests were chosen to estimate the impact of a realistic change on the property market.

3. 3. DISCLOSURE OF TERMS OF PAYMENT (ARTICLE L.441-6-1 OF THE FRENCH COMMERCIAL CODE)

In accordance with the provisions of Article L.441-6-1 of the French Commercial Code, we present a breakdown of the balance of supplier payables by due date, at the closing of the last two periods, in 1,000s of €:

2013						
Unbilled payables	Suppliers					TOTAL
	Balance at 30 days	Balance at 60 days	Balance at 90 days	Balance at 120 days	Credit note	
544	209	20	48	80	0	901

2012						
Unbilled payables	Suppliers					TOTAL
	Balance at 30 days	Balance at 60 days	Balance at 90 days	Balance at 120 days	Credit note	
753	325	0	0	115	0	1 193

4. 4. ACQUISITIONS OF MINORITY AND/OR CONTROLLING INTERESTS IN COMPANIES (ARTICLES L.233-6 AND L.247-1 OF THE FRENCH COMMERCIAL CODE)

Name of consolidated companies	Percentage of equity		Controlling interest	
	N	N-1	N	N-1
SCI ECHELLE RIVOLI Property investment partnership with a capital of €1,000 Paris Trade & Companies Register	100 %		100 %	
PONT BOISSIERE General partnership with a capital of €1,000 Paris Trade & Companies Register no. 444	Sold	100 %	Sold	100 %
SCI HALPYLLES Property investment partnership with a capital of €1,000 Annecy Trade & Companies Register	Sold	100 %	Sold	100 %

5. IDENTITY OF PERSONS HOLDING SHARES OVER A CERTAIN THRESHOLD (ARTICLES L.233-13 AND L.247-2 OF THE FRENCH COMMERCIAL CODE)

Company shareholders (Article L.233-13 of the French Commercial Code)

	Position at 31/12/2013			Position at 31/12/2012			Position at 31/12/2011		
Shareholders	number shares	% of equity	% of voting rights	number shares	% of equity	% of voting rights	number shares	% of equity	% of voting rights
A.Duménil and companies indirectly controlled									
A.Duménil	155 386	0.11%	0.11%	137 000	0.11%	0.11%	137 000	0.11%	0.12%
Rodra Investissement	71 942 393	50.62%	50.62%	64 037 908	50.57%	50.57%	59 437 076	49.20%	51.62%
Acanthe Group									
Acanthe Développement	1 532	0.00%	0.00%	1 532	0.00%	0.00%	1 532	0.00%	0.00%
Surbak	0	0.00%	0.00%	0	0.00%	0.00%	5 681 209	4.70%	0.00%
Alliance 1995	0	0.00%	0.00%	0	0.00%	0.00%	0	0.00%	0.00%
Acanthe Group subtotal	1 532	0.00%	0.00%	1 532	0.00%	0.00%	5 682 741	4.70%	0.00%
Subtotal for Alain Duménil and controlled companies (including the Acanthe Group)	72 099 311	50.73%	50.73%	64 176 440	50.68%	50.68%	65 256 817	54.01%	51.74%
Public									
Public	70 032 271	49.27%	49.27%	62 454 437	49.32%	49.32%	55 560 053	45.99%	48.26%
TOTAL	**142 131 582**	**100.00%**	**100.00%**	**126 630 877**	**100.00%**	**100.00%**	**120 816 870**	**100.00%**	**100.00%**

Furthermore, in February 2008 SA PARIS HOTELS ROISSY VAUGIRARD (PHRV), a subsidiary of the Allianz and GMF groups and of COFITEM-COFIMUR, declared it held more than 5% of the share capital and voting rights at general shareholders' meetings (threshold crossed on 7 February 2008 with the acquisition of 4,355,295 shares on the market). The latest certificates provided by PHRV (3/11/2011) showed an equity interest of 6.35% (7,672,940 shares out of a total of 120,816,870), 5.40% as a current number of shares. PHRV has not fallen below the threshold since then.

As far as the Company is aware, no other shareholders hold more than 5% of equity or voting rights.

At 31 December 2013, the Company's capital consists of 142,131, 582 shares and voting rights; there are no double voting rights.

Treasury shares (Article L.233-13 of the French Commercial Code)

Position at 31 December 2013:

ACANTHE DEVELOPPEMENT holds 1,532 treasury shares out of the 142,131,582 shares making up ACANTHE DEVELOPPEMENT's capital at 31 December 2013.

Notice of holding and disposal of reciprocal cross holdings

There has been no disposal of shares to regularize reciprocal cross holdings in accordance with Article R.233-19 of the French Commercial Code.

6. 6. SIGNIFICANT EVENTS SINCE THE COMPANY AND GROUP'S YEAR-END CLOSING

Net worth:

The group signed a lease for the building in Rue de Bizet in the 1st quarter, which takes effect in the 2nd quarter. The building will be fully rented out.

Disputes:

In a ruling dated 27 February 2014, the Paris Court of Appeal decided to cancel a contribution deed dated 24 November 2009 whereby FIG (a former lower-tier subsidiary of ACANTHE DEVELOPPEMENT sold on 19 March 2010) contributed all its property assets (buildings and interests in property investment firms) to SNC VENUS, valued by a valuer of contributions in kind at €138,755,688, in exchange for 95,496 partnership shares in SNC VENUS; cancel a decision dated 9 December 2009 to distribute all the assets of FIG (more particularly including VENUS shares) to TAMPICO; cancel a decision dated 11 June 2010 to increase the capital of FIG from €1,439.50 to €10,221,035.83 and modify the distribution of the company's share capital.

The Paris Court of Appeal also ordered ACANTHE DEVELOPPEMENT to pay, jointly and severally with companies FIG and VENUS, Mr Barthes €129,552 and Mr Noyer €89,597 as compensation for their loss of shareholders' rights.

The Court of Appeal thus reviewed the conclusions of Mr Kling, the expert appointed under the decisions of 14 January 2011 of the Paris Commercial Court to value the rights that FIG's minority groups held in FIG's shareholders' equity and dividends and reserves, after allowing for changes in their ownership interest further to the various transactions affecting FIG's net assets since the ordinary and extraordinary general meeting of 24 February 2004.

The Court of Appeal also ordered ACANTHE DEVELOPPEMENT and VENUS each to pay €100,000 to Mr Barthes in respect of Article 700 of the Code of Civil Procedure, and €100,000 to Mr Noyer in respect of Article 700 of the Code of Civil Procedure, as well as all costs. An expense provision of €623,000 has been recognized in this respect in the accounts of the Acanthe Développement group (see §4.5 of the notes to the consolidated financial statements).

The Court of Appeal did not set aside the decision dated 23 February 2010 whereby company TAMPICO distributed dividends totalling €235,064,565.09 (mainly by distributing VENUS shares) to ACANTHE DEVELOPPEMENT.

Given the complexity of the decision of 27 February 2014 and the impossibility of restoring the «status quo ante» in view of transactions made since 24 February 2004, ACANTHE DEVELOPPEMENT takes the view that this decision is inapplicable. This situation creates a legal uncertainty regarding how this dispute will unravel and its possible consequences.

Further to the decision of 27 February 2014, a communiqué was sent to all shareholders and published on the Company's web site on 6 March 2014. The decision has been published in its entirety on the Company's web site since that date.

On 10 April 2014, SOGEB, taken in the person of Maître Emmanuel Hess, in his capacity as administrator in charge of settlement operations pursuant to the Paris Court of Appeal ruling of 22 January 2013, summoned company BRUXYS to appear before the Paris Commercial Court (2/3rds associate of SOGEB), a ACANTHE DEVELOPPEMENT subsidiary, with a view to having it ordered to pay €19,145,851.82 due in respect of partners' current accounts. With regard to the settlement operations, the ownership interests of BRUXYS and Mr Bergougnan (respectively 2/3rds and 1/3rd), will be taken into account. This procedure has no effect on the Group's accounts but will entail an outflow of cash (see §4.4.7 of the notes to the consolidated financial statements). An initial hearing on procedure is scheduled for 15 May 2014.

7. POSITION AND VALUE OF ASSETS - EXPECTED CHANGES AND OUTLOOK OF THE COMPANY AND THE GROUP

The ACANTHE DEVELOPPEMMENT Group decided to adopt the IAS 40 fair value measurement option to measure the fair value of its investment property on 1st January 2006. The purpose of this option is to reflect changes in the «investment property» in the consolidated financial statements and measure the market value of its assets.

- The rental market in 2013:

After a year below expectations in 2013, 2014 promises to be more optimistic.

From the marketing point of view:

With 1,844,000 m^2 marketed in 2013, the office premises market in Ile-de-France showed a decrease of 25% compared with the same period in 2012. A fairly good fourth quarter (with 512,000 m^2 marketed) partially put things back on an even keel, after a clearly sluggish start to the year.

It was mostly transactions for large floor areas (over 5000 m^2) that were lacking this year: they fell by 45%. Floor areas under 5000 m^2 for their part once again demonstrated their role as the solid foundation of the market, their fall being limited to 6% over one year. While the lack of transactions for large floor areas was detrimental to certain markets like Paris excluding its central business district, its central business districts showed a falloff in the volume of transactions for most of the year but in the end recovered partially at the end of the year. With 469,000 m^2 rented in 2013, the reduction was limited to 5% over the year. This is explained by major transactions that, unlike the rest of Ile de-France, were made in the western districts of Paris.

With a steady increase from one quarter to the next, supply over one year has increased by 6% since December 2012 and now borders on 5 million m^2 available in Ile-de-France. Whereas the supply of older properties increased the most, the supply of new builds nonetheless represents nearly a quarter of overall supply. The vacancy rate stood at 7.5% at the end of 2013, compared with 6.9% one year earlier.

As far as the central business district is concerned, the vacancy rate in 2013 stood at 5.8%, slightly up on its rate of 5.2% in 2012.

2014 looks like being better than 2013 on the office premises market in Ile-de-France. The economy should pick up slowly in France (+0.7%) and Ile-de-France should continue to create jobs (+5000 expected). against this backdrop, property projects that have long been postponed should materialize and thereby initiate a return of major transactions. On that basis, we expect more than 2 million m^2 to be marketed in 2014.

From the investment point of view:

15.1 billion euros were invested in France in 2013 (including 11.9 billion in Ile-de-France), up 1% over one year and slightly down (-3%) compared with the average of the last ten years.

With regard to the central business district, 2.3 billion euros were invested in office premises in 2013, against 2.9 in 2012.

The office rental market is still weighed down by economic and fiscal instability, as investors tend to favour commercial and industrial premises.

- The Group's assets:

Apart from buildings undergoing structural works (Rue Vieille du Temple, Brussels) and the one in Rue Bassano, mainly occupied by the group and affiliated companies, the ACANTHE DEVELOPPEMENT group's assets show a good occupancy rate (98%).

On a like-for-like basis, the group's revenue has grown by nearly 33.7%. This is essentially due to the full-year rental of the building in Rue François 1er after the structural works completed in 2012.

In 2013, the group sold assets worth €9,605,000, more particularly including:

- The building at 7 Rue d'Argenteuil, Paris 1st district for €8,505,000, presented as a «building held for sale» at the previous closing.
- The plot of land in Avenue Joffre à Nanterre for €1,100,000;

In terms of investment, company ECHELLE RIVOLI acquired a building comprising 1,423 m^2 of residential floor area, 610 m^2 of commercial premises, 251 m^2 of office space and 368 m^2 of appurtenances for €23,153,000 at 184 Rue de Rivoli, Paris 1st district.

As in previous periods, expert appraisals were conducted according to the criteria set out in the «Charte de l'Expertise en Evaluation Immobilière» (French property appraisal charter) and applied by all the listed property companies.

As for assets subject to preliminary contracts of sale or offers accepted by the Group at 31 December, they are valued at the net selling price.

The group's assets are estimated at €286,011,000. They include €150,998,000 of office space, €82,855,000 of commercial premises, €25,531,000 of residential buildings, €680,000 of car parks and €150,000 of plots of land, plus €25,796,000 for the mansion in Rue Vieille du Temple acquired in October 2010, which will be converted into offices, commercial premises and possibly residential units.

The floor areas break down into 15,842 m^2 of office space, 4,170 m^2 of commercial premises and 2,171 m^2 of residential units. Non-attributable floor areas total 1,718 m^2, the area of the building undergoing structural works, and 368 m^2 of appurtenances.

On a like-for-like basis, the expert appraisals of the ACANTHE DEVELOPPEMENT group's assets showed an increase of 2.9% against 31 December 2012.

Accordingly the Group's net position stands at €190,277,000. To calculate the Adjusted Net Asset Value (ANAV), this value is increased by the treasury shares whose acquisition cost was deducted from consolidated shareholders' equity measured at fair value. Adjusted Net Asset Value excluding rights was as follows at 31 December 2013:

	In 1,000s of euros
Consolidated shareholders' equity	190 277
Consolidated excess on stock	25
Treasury shares	0
Adjusted Net Asset Value at 31/12/13	190 302
Number of shares 31/12/13	142 131 582

- **ANAV** : €1,3389 per share

Dilutive instruments are not included at 31 December 2013. There remain 4,896,436 share options (to be exercised by 28 August 2019) awarded in August 2009 at the issue price of €1.24 per share. They have not been taken into account given that this period is of little interest to the beneficiary with respect to quoted market prices (closing price at 31 December 2013: €0.45).

8. APPROVAL OF THE ACCOUNTS - APPROPRIATION OF RETAINED EARNINGS - DISCHARGE OF DIRECTORS

Appropriated earnings

The appropriation of your Company's retained earnings we propose complies with legal requirements and our Articles of Association.

We propose allocating the loss for the period ending 31 December 2013, namely six million four hundred and seventy-eight thousand one hundred and forty-three euros and thirty-seven cents (€6,478,143.37) as follows:

- Loss for the period ending 31 December 2013: . . . . (€6,478,143.37)
- Net income at 31 December 2013:. 31,645,567.72

Making distributable income of €25,167,424.35

Appropriation:

- To shares as dividend:. €4,263,947.46
- The balance, to Unappropriated retained earnings:. €20,903,476.89

We propose that a dividend of 0.03 euros per share be paid for each of the 142,131,582 shares making up the share capital at 31 December 2013.

We propose that shareholders be allowed to opt for payment of the dividend on the shares they own either in cash or in Company shares. The date of release for payment will be set by the Board of Directors, as laid down by law.

With regard to the SIIC regime, we propose that we are under no obligation to distribute our earnings for the period ending 31 December 2013. The proposed distribution will thus be made in full as a common law dividend.

Please be advised that if the Company were to hold some of its own shares when these dividends are paid out, the sums corresponding to dividends not paid out on account of these shares would be allocated to unappropriated retained earnings.

We would ask you to vest the Board of Directors with all the powers it needs to make the necessary arrangements for this distribution.

Non tax-deductible expenses (Article 39-4 du General Tax Code)

You are advised that our annual financial statements at 31 December 2013 show no expenses or charges listed in Article 39-4 of the General Tax Code.

Prior dividend distributions (Article 243a of the General Tax Code)

Pursuant to Article 243a bis of the General Tax Code, please be advised that the following dividends per share were paid out over the last three periods:

	31/12/2010 (per share)	31/12/2011 (per share)	31/12/2012 (per share)
Distributed dividend	0,47	0,09	0,06
Total amount (in thousands of €)	€51,884,000	€10,874,000	€7,598,000

We would remind you that over the last three periods the following exceptional distributions were made:

Period	Exceptional distribution (per share)	Total amount (in thousands of €)
2013	none	none
2012	none	none
2011	€0.60 (*)	€72,490,000

(*) exceptional distribution fully deducted from «unappropriated retained earnings», made in kind as one FIPP share (ISIN code FR 0000038184), valued at 0.60 euros.

Additionally, the following exceptional distributions were made since 2004:

Period	Distribution (per share)	Total amount (in thousands of €)
2010	none	none
2009	none	none
2008	€0.19	€17,752,000 (*)
2007	€0.16	€13,472,000 (*)
2006	€0.45	€36,021,000 (1*)
2005	€0.47	€23,721,000 (2*)
2004	€0.53	€26,757,000 (3*)

(*) exceptional distributions fully deducted from «share premiums». (1) exceptional distribution deducted from «other reserves» and «share premiums». (2*) exceptional distribution fully deducted from «other reserves».*
(3) exceptional distribution fully deducted from «share premiums», made in kind as one ALLIANCE DEVELOPPEMENT CAPITAL share, ISIN code FR0000065401 valued at €0.50 and a cash amount of €0.03 per share.*

Discharge of directors

We ask you to grant your directors full discharge.

9. POSSIBILITY FOR SHAREHOLDERS TO OPT FOR PAYMENT OF DIVIDEND IN SHARES

Pursuant to Article 48 of the Articles of Association, and after noting that the share capital is fully paid up, to vest the Board of Directors with the power to offer each shareholder an option between payment of all payable dividend in cash or in Company shares.

New shares under this option would be issued at a price of 90% of the average of the first opening market prices in the twenty trading sessions preceding the General Shareholders' Meeting, less the net amount of the unit dividend.

If the amount of dividends does not match a whole number of shares, the shareholder may either receive the next highest number of shares and pay the difference in cash on the day the option is exercised, or receive the next lowest number of shares and a cash compensation.

Shares thus issued shall bear rights as of 1st January 2014. We propose vesting the Board of Directors with all powers to set the opening and closing date for the period during which shareholders may opt for payment of the dividend in shares which cannot exceed 3 months. After which time, shareholders who have not chosen this option will receive the dividend payment in cash.

We propose vesting the Board of Directors with all powers to carry out the aforementioned decisions, and specify their arrangements, in particular: set the effective date of payment of the dividend, which as required by law should be within 3 months of the General Shareholders' Meeting, record the number of shares issued or awarded under this resolution and all necessary amendments to Articles 6 and 8 of the Articles of Association regarding the outstanding amount of share capital and number of shares if represents.

10. RESEARCH AND DEVELOPMENT ACTIVITIES OF THE COMPANY AND THE GROUP (ARTICLE L.232-1 OF THE FRENCH COMMERCIAL CODE)

As provided for by Article L.132-1 of the French Commercial Code, we would remind you that our Company and Group have not committed any expenses to research and development in the period.

11. DISCLOSURE OF CORPORATE OFFICERS' TERMS OF OFFICE AND DUTIES (ARTICLE L.225- 102-1 PARAGRAPH 4 OF THE FRENCH COMMERCIAL CODE)

Full name or corporate designation of company officers	Office held in the Company	Date of appointment	Date of end of term	Other function(s) in the Company	Offices and/ or functions in another company (Group and outside group)
Alain DUMENIL	Director	30/06/2000 renewed on 25/07/2006 and 29/06/2012	AGM ruling on the accounts 31/12/2017	Chairman of the Board of Directors since 25/07/2007 and Managing Director until 15/01/2013	See list in appendix
Patrick ENGLER	Director	31/05/2001 renewed on 22/05/2007 and 22/06/2013	AGM ruling on the accounts 31/12/2018	Managing Director since 15/01/2013	See list in appendix
Philippe MAMEZ	Director	19/06/2002 renewed on 30/05/2008	AGM ruling on the accounts 31/12/2013	Deputy Managing Director since 25/07/2007	See list in appendix
Pierre BERNEAU	Director	10/06/2003 renewed on 17/06/2009	AGM ruling on the accounts 31/12/2014	none	See list in appendix
Bernard TIXIER	Director	08/12/2008 renewed on 26/06/2013	AGM ruling on the accounts 31/12/2018	none	See list in appendix

In accordance with the provisions of article Article L.225-102-1 paragraph 3 of the French Commercial Code provided in appendix 3 hereto, you will find the list of other offices held by members of our Company's Board of Directors during period 2013.

As provided for by Article 19 of the Company's Articles of Association, no more than one third of the members of the Board of Directors are aged 75 or over.

12. DISCLOSURE OF CORPORATE OFFICERS' COMPENSATION PACKAGES AND BENEFITS (ARTICLE L.225-102-1 PARAGRAPH 1 OF THE FRENCH COMMERCIAL CODE)

In accordance with the provisions of article Article L.225-102-1 of the French Commercial Code, we hereby advise you of the total compensation package and perquisites paid to each corporate officer during the period.

Mr Philippe Mamez, Director and Deputy Managing Director, was paid 158,000 euros excluding tax in respect of his consultant's contracts between MEP CONSULTANT and ACANTHE DEVELOPPEMENT, for the period from 1st January 2013 to 31 December 2013. You are reminded that the duties laid down in the consultant's service contract are as follows: assist and advise the Company inter alia to conduct negotiations with financial partners to make financing arrangements on the occasion of acquisitions and early repayments of current loan, and more generally offer advice to optimize financial debt; in conjunction with the property manager, supervise the asset management team and oversee building acquisitions and disposals. The statutory auditors refer to this agreement in their special report.

Table 1

Table summarizing compensation packages and stock options awarded to each executive corporate officer		
M. Alain DUMENIL, Chairman of the Board of Directors	FY 2012	FY 2013
Fees due in respect of the period (itemized in table 2)	0	0
Value of variable long-term fees awarded during the period	0	0
Value (as per IFRS and without deferral of the expense) of options granted during the period (itemized in table 4)	0	0
Value (as per IFRS and without deferral of the expense) of bonus shares granted during the period (itemized in table 6)	0	0
TOTAL	**0**	**0**
M. Philippe MAMEZ, Director and Deputy Managing Director	FY 2012	FY 2013
Fees due in respect of the period (itemized in table 2) (itemized in table 2)	€5,000	0
Services invoiced by company MEP Consultants in respect of the period (itemized in table 2)	€188,000	€158,000
Value of variable long-term fees awarded during the period	0	0
Value of options granted during the period (itemized in table 4)	0	0
Value of bonus shares granted during the period (itemized in table 6)	0	0
TOTAL	**€193,000**	**€158,000**

M. Patrick ENGLER, Director and Managing Director since 15/01/2013	FY 2012	FY 2013
Fees due in respect of the period (itemized in table 2)	€60,000	€245,500
Value of variable long-term fees awarded during the period	0	0
Value of options granted during the period (itemized in table 4)	0	0
Value of bonus shares granted during the period (itemized in table 6)	0	0
TOTAL	**€60,000**	**€245,500**

Table 2

Table summarizing each corporate officer's gross compensation package				
Mr Alain Dumenil, Chairman of the Board of Directors	Amounts for period 2012		Amounts for period 2013	
	due	paid	Due	Paid
Fixed compensation package	0	0	0	0
Variable annual compensation package	0	0	0	0
Variable long-term compensation package	0	0	0	0
Exceptional compensation	0	0	0	0
Directors' fees	0	0	0	0
Perquisites	0	0	0	0
TOTAL	**0**	**0**	**0**	**0**
Mr Philippe Mamez, Director and Deputy Managing Director	Amounts for period 2012		Amounts for period 2013	
	due	paid	Due	Paid
Fixed service invoiced by MEP Consultants	€180,000	€180,000	€150,000	€150,000
Variable serve invoiced by MEP Consultants	€8,000	€10,000	€8,000	€8,000
Variable long-term compensation package	0	0	0	0
Exceptional compensation	0	0	0	0
Directors' fees	€5,000	€5,000	0	0
Perquisites	0	0	0	0
TOTAL	**€193,000**	**€195,000**	**€158,000**	**€158,000**

M. Patrick ENGLER, Director and Managing Director since 15/01/2013	Amounts for period 2012		Amounts for period 2013	
	due	paid	Due	Paid
Fixed compensation package	0	0	€172,500	€172,500
Variable fee	0	0	0	0
Variable long-term compensation package	0	0	0	0
Exceptional compensation	0	0	0	0
Directors' fees	€60,000	€60,000	€73,000	€73,000
Perquisites	0	0	0	0
TOTAL	**€60,000**	**€60,000**	**€245,500**	**€245,500**

Table 3

Table of director's fees (gross) and other compensation paid to non-executive corporate officers		
Non-executive corporate officers	Amounts paid in 2012	Amounts paid in 2013
Mr Pierre Berneau		
Directors' fees	€40,000	€40,000
Other	0	0
Mr Bernard Tixier		
Directors' fees	€25,000	€27,000
Other	0	0
TOTAL	**€65,000**	**€67,000**

Table 4

Share subscription or purchase options granted during the period to each executive corporate officer by the Company and by any Group company						
Name of the executive corporate officer	Plan no. and date	Nature of the options (purchase or subscription)	Valuation of options according to the method adopted for consolidated accounts	Number of options granted during the period	Exercise price	Exercise period
None						

Table 5

Share subscription or purchase options exercised during the period by each executive corporate officer			
Name of the executive corporate officer	Plan no. and date	Number of options exercised during the period	Exercise price
None			

Table 6

Bonus shares granted to each corporate officer						
Bonus awarded shares awarded by the shareholders' general meeting during the period to each corporate officer by the Company and any Group company	No. and date of the plan	Number of shares awarded during the period	Value of the shares according to the method adopted for consolidated accounts	Date acquisition	Date of availability	Conditions in performance
None						

Table 7

Bonus shares available to each corporate officer		
Plan no. and date	Rumen of shares available during the period	Conditions of acquisition
None		

Table 8

History of share purchase or subscription options		
Disclosure of share purchase or subscription options		
	Plan 1 (the beneficiary waived this allocation on 03/08/2009)	Plan 2
Date of the general meeting	21 March 2007	21 March 2007
Date of the Board meeting	25 July 2007	28 August 2009
Total number of shares available for subscription or purchase to:		
M. Alain DUMENIL	8,667,520 options	9,936,436 share purchase options
Starting point for exercising options	26 July 2008	28 August 2009
Expiry date	25 July 2017	28 August 2019
Subscription or purchase price	€2.92	€1.24
Exercising arrangements (when the plan includes several stages)		
Cumulative number of share subscription or purchase options cancelled or lapsed	9,528,336 share options cancelled owing to the waiver of Mr Duménil	
Share subscription or purchase options remaining at the end of the period		4,896,436

Table 9

Share subscription or purchase options granted to the first 10 non-corporate officer employees and options exercised by them	Total number of options granted/shares subscribed for or purchased	Weighted average price
Options granted over the period by the issuer or any company within the option granting scope, to the ten employees of the issuer or any company within this scope, with the largest number of options thus granted (total figures)	None	
Options held on the shares of the issuer and the aforesaid companies that have been exercised in the period by their ten employees having the largest number of options thus purchased or subscribed (total figures)	None	

Table 10

History of bonus share allocations		
Disclosure of bonus share allocations		
	Envelope A	Envelope B
Date of the general meeting	21 March 2007	21 March 2007
Date of the Board meeting	25 July 2007	25 July 2007
Total number of bonus shares granted to:	4,330,000	4,330,000
M. Alain DUMENIL	4,330,000	4,330,000
Vesting date	26 July 2009	26 July 2011
Date of end of retention period	26 July 2011	without retention period
Number of shares subscribed	4,330,000 shares subscribed on 26 July 2009	4,330,000 shares subscribed on 26 July 2011
Cumulative number of shares cancelled or lapsed	0	0
Bonus shares remaining at the end of the period	0	0

Table 11

Executive corporate officers	Employment contract		Supplementary pension plan		Compensation or benefits due or likely to be due for termination or change of office		Compensation relating to a non-competition clause	
	yes	no	yes	no	yes	no	yes	no
M. Alain DUMENIL Chairman Managing Director from 25 July 2007 to 15/01/2013 and Chairman of the Board since 15/01/2013		X		X		X		X
M. Patrick ENGLER Managing Director since 15/01/20133		X		X		X		X
M. Philippe MAMEZ Deputy Managing Director since 25/07/2007		X		X		X		**X**

The directors' fees budget for FY 2014:

We propose paying your directors attendance fees totalling 140,000 euros to be shared out among them for the current period.

13. INFORMATION ABOUT THE WAY IN WHICH THE COMPANY MANAGES THE SOCIAL AND ENVIRONMENTAL CONSEQUENCES OF ITS ACTIVITIES (ARTICLE L.225-102-1 PARAGRAPH 4 OF THE FRENCH COMMERCIAL CODE)

Please refer to Appendix 2 for information about how the Company manages the social and environmental consequences of its activities.

14. EMPLOYEES' SHAREHOLDING THRESHOLD (ARTICLE L.225-102 OF THE FRENCH COMMERCIAL CODE)

At year-end closing, employees' shareholdings as defined in Article L.225-102 of the French Commercial Code represented 0% of the Company's share capital.

15. DISCLOSURE OF THE IMPLEMENTATION OF THE SHARE REDEMPTION PLAN (ARTICLE L.225- 211 OF THE FRENCH COMMERCIAL CODE)

A share redemption plan applied by our Company for its own shares was authorized by the Annual Ordinary and Extraordinary General Meeting of 26 June 2013 for a period of 18 months.

As this plan comes to an end in December 2014, a proposal will be put to this Meeting to set up a new share redemption plan cancelling and replacing the previous one.

Within the framework of authorization granted and in accordance with the aims set by the General Shareholders' Meeting on 25 July 2006 (as extended by the General Shareholders' Meeting of 29 June 2012), a description of the plan was published on the AMF web site on 21 August 2006 and the Company made the following transactions in financial year 2013:

During the previous financial year	
Number of own shares redeemed	0
Number of own shares sold	0
Average purchase price	0
Average price of shares sold	0
Total trading costs:	-
Redeemed shares registered in the company's name on 31/12/2013	
Number:	1,532
Fraction of the capital they represent	0.0012%
Total value evaluated at the purchase price	0

No liquidity contract was signed for 2012 or 2013. Consequently, the table provided in the special report referred to in point 32 of this report drawn up according to the provisions of article L.225-209 paragraph 2 of the French Commercial Code to inform you about the transactions completed according to the provisions of article L.225-209 paragraph 1 of the French Commercial Code, is nil.

16. CONVERSION RATIOS FOR SECURITIES GRANTING ACCESS TO CAPITAL (ARTICLES R.228-90 AND R.228-91 OF THE FRENCH COMMERCIAL CODE)

The securities issued by the Company which grant access to the share capital currently in circulation are listed below:

- **share subscription or purchase options granted to Mr Alain Dumenil on 28 August 2009.**

On 28 August 2009: The Board of Directors, acting pursuant to the authorization granted by the Ordinary and Extraordinary Shareholders' Meeting of 21 March 2007, decided to award 9,936,436 share subscription or purchase options to Mr Alain Dumenil, in his capacity as Chairman & Managing Director of the Company, for which the exercise price was set at 1.24 euros.

On 31 December 2009 at 12 noon the Board of Directors that the options awarded by the Board of Directors on 28 August 2009 were call (purchase) options. The Board of Directors also decided that the beneficiary could only exercise the call options if the Company held the number of shares required to fulfil them on the option date(s).

On 31 December 2009 at 2 p.m. the Board of Directors stated, following the Board's decision at 12 noon on the same day, that at 12 noon if on the option date the Company did not hold the number of shares required to fulfil them, priority would be given to call options up to the number of shares held by the Company, with options for the remainder that could not be raised as the Company did not hold a sufficient number of shares to fulfil them.

17. CURRENT DIRECTORSHIPS

As Mr Philippe Mamez's directorship ends at this meeting, we propose that you renew it for a further term of six years, namely until the end of the General Meeting convened to approve the accounts for the period ending 31 December 2019.

Mr Philippe Mamez has already made it known that he would accept the renewed term of office and that he is not under any measure or legal incapacity preventing him from exercising his duties.

18. CURRENT STATUS OF STATUTORY AUDITORS' ENGAGEMENTS

None of the Statutory Auditors' engagements expire at this meeting.

19. AUTHORIZATION GRANTED TO THE BOARD OF DIRECTORS TO SET UP A NEW SHARE REDEMPTION PLAN;

The Annual Ordinary and Extraordinary General Meeting of 26 June 2013 authorized the Board of Directors to set up a new share redemption plan for a period of eighteen months.

As this authorization lapses in December 2014, this Meeting will be asked to renew it for a further period of eighteen months.

These purchases and sales could be completed for any purpose that is or may be authorized by current law and regulations.

Shares may be purchased, sold or transferred on the market or by private agreement, by any means compatible with current law and regulations, including financial derivatives and block purchases or sales.

Such transactions may be made at any time, subject to the abstention periods provided for by General Rules of the Financial Markets Authority (AMF).

The maximum purchase price may not exceed €4 (four euros) per share and the maximum number of shares that could be purchased under this authorization would, according to article L.225-209 of the French Commercial Code, be set at 10% of the Company's share capital; on the understanding that (i) the number of shares acquired by the Company with a view to their retention and subsequent presentation for payment or exchange within the framework of a merger, demerger or contribution transaction must not exceed 5% of the capital according to the provisions of article L.225-209, paragraph 6 of the French Commercial Code and (ii) this limit applies to a number of shares that, where applicable, will be adjusted to take into account the transactions affecting the share capital after this meeting as the acquisitions made by the Company may under no circumstances result in it holding, either directly or through an individual acting in his own name but on behalf of the Company, more than 10% of the share capital social; it should be pointed out that the total amount the Company may devote to redeeming its own shares will be in line with the provisions of article L.225-210 of the French Commercial Code. If a capital increase is made by incorporating bonuses, reserves, profits or other items in the capital in the form of a bonus shares during the validity period of this authorization and in the event of a division or grouping of shares, the maximum unit price referred to above would be adjusted by a multiplying coefficient equal to the ratio of the number of shares making up the capital before the transaction to the number of shares after the transaction.

We propose that you vest your Board of Directors with the authority to:

- decide on the implementation this authorization;

- place all stock market orders and conclude all agreements particularly with a view to the updating of share purchase and sale registers according to current market regulations;

- complete all declarations, carry out all other formalities and, in general, do whatever is necessary.

20. AUTHORIZATION GRANTED TO THE BOARD OF DIRECTORS TO REDUCE THE SHARE CAPITAL BY CANCELLING TREASURY SHARES

The Extraordinary General Meeting of 26 June 2013 authorized the Board of Directors to reduce the share capital in one or more stages in the proportions and at the times it sets, by cancelling the number of treasury shares decides, within the limits laid down by law, as provided for by Articles L.225-209 et seq of the French Commercial Code.

This authorization was granted for a period of eighteen months and will expire in December 2013. This Meeting is therefore asked to renew this authorization for a further period of eighteen months.

21. REGULATED AGREEMENTS AND COMMITMENTS

The agreements referred to in Article L.225-38 of the French Commercial Code are the subject of a special auditors' report. We would ask that you approve the agreements referred to in Article L.225-38 of the French Commercial Code, which have been duly authorized by the Board of Directors.

Your auditors will present them to you and provide all the relevant information in their special report, which will be read out to you shortly.

22. CHAIRMAN'S REPORT IN ACCORDANCE WITH THE PROVISIONS OF ARTICLE L.225-37 OF THE FRENCH COMMERCIAL CODE

In accordance with the provisions of Article L.225-37 of the French Commercial Code, the Chairman will provide information in an attached report on the conditions governing the preparation and organization of the Board's work and the internal auditing procedures introduced by the Company.

23. SUPPLEMENTARY REPORT OF THE BOARD OF DIRECTORS ON THE USE OF POWERS VESTED FOR CAPITAL INCREASES (ARTICLES L.225-129-1 AND L.225-129-2 OF THE FRENCH COMMERCIAL CODE)

In pursuance of the provisions of Article L.225-129-5 of the French Commercial Code, the Board's supplementary report on the use of powers vested for capital increases is appended hereto.

24. SHARE REDEMPTION PLANS

As required by law, we hereby report on the share redemption transactions carried out by the Company between 1st January 2013 and 31 December 2013, pursuant to the authority vested by the General Shareholders' Meeting in accordance with Article L.225-209 of the French Commercial Code. The General Shareholders' Meeting of ACANTHE DEVELOPPEMENT on 26 June 2013 authorized a share redemption plan in accordance with Article L.225-209 of the French Commercial Code.

Purpose of the share purchase plan	Number of shares purchased for this purpose	Share purchase price	Volumes of shares divested for this purpose	Re-allocation for other purposes
Stimulating the secondary market or Company share liquidity by means of a liquidity contract compliant with an ethics charter recognized by the AMF	0	0	0	0
implementation of any share purchase options	None			
Bonus share allocation to employees and/or corporate officers	None			
Shares awarded to employees and possibly to corporate officers to share the fruits of company expansion and implementation of any company savings plan	None			
Purchase of shares for retention and subsequent trading or payment in connection with possible external growth operations	None			
Issuance of shares for exercising rights attached to securities giving access to equity	None			
Cancellation of redeemed shares	None			

25. TABLE SUMMARIZING POWERS VESTED IN THE BOARD OF DIRECTORS WITH REGARD TO CURRENT CAPITAL INCREASES

Appendix 4 contains a table summarizing the powers vested in the Board of Directors by the General Shareholders' Meeting with regard to current capital increases (Article L.225-100 of the French Commercial Code).

The Board of Directors was vested with the said powers by the Annual Ordinary and Extraordinary General Meeting du 26 June 2013 and the said powers will expire on 25 August 2015.

26. SUMMARY OF TRANSACTIONS COVERED BY ARTICLE L.621-18-2 OF THE FRENCH MONETARY AND FINANCIAL CODE (ARTICLE 2 OF THE DECREE OF 2 MARCH 2006 AND ARTICLES 222-14 AND 222-15 OF THE GENERAL RULES OF THE AMF)

As no transactions have been carried out and/or brought to our attention during the previous financial period, the summary table referred to in Article L.621-18-2 of the French Monetary and Financial Code is accordingly not required for financial period 2013.

27. SHARE ALLOCATIONS CARRIED OUT PURSUANT TO ARTICLES L.225-197-1 TO L.225-197-3 OF THE FRENCH COMMERCIAL CODE AND TRANSACTIONS PURSUANT TO THE PROVISIONS OF ARTICLES L.225-177 TO L.225-186 OF THE FRENCH COMMERCIAL CODE

Pursuant to the provisions of Articles L.225-184 and L.225-197-4 of the French Commercial Code, the Board of Directors' special report on share allocations and transactions under Articles L.225-177 to L.225-186 of the French Commercial Code is appended hereto.

28. ELEMENTS LIABLE TO HAVE AN IMPACT IN THE EVENT OF A TAKEOVER BID (ARTICLE L.225-100-3 OF THE FRENCH COMMERCIAL CODE)

1- Structure of the Company's capital

The share capital is set at 19,312,608 euros.
It is divided into 142,131,582 fully paid-up ordinary shares.

2- Statutory restrictions on exercising voting rights and transferring sharers, or clauses in agreements made known to the Company pursuant to Article L.233-11 of the French Commercial Code

None.

3- Direct or indirect holdings in the Company's capital, of which is has been apprised pursuant to Articles L.233-7 and L.233-12 of the French Commercial Code

see point 5 of this report.

4- List of holders of any securities conferring special control rights and a description of such rights

None.

5- Control mechanisms provided for in a potential employee shareholding scheme when the control rights are not exercised by the employees

None.

6- Agreements between shareholders of which the Company has been apprised and which may create restrictions on share transfers and the exercising of voting rights

The Company is not aware of any agreements between shareholders which could create restrictions on share transfers and the exercising of voting rights.

7- Rules governing the appointment and replacement of members of the Board of Directors and amendments to the Company's Articles of Association

Board members are appointed by the ordinary general meeting, which can revoke them at any time. In the event of a merger or demerger, they may be appointed by the extraordinary general meeting. In the event of a vacancy due to the death or resignation of one or more board members, the Board of Directors the board of directors may make temporary appointments between two general meetings. If the number of board members falls below three, the remaining member or members must immediately convene an ordinary general meeting in order to appoint additional members to the board. The temporary appointments made by the board are subject to ratification by the next ordinary general meeting. Any Board member appointed to replace another remains in office for the remaining term of office of his predecessor.

The extraordinary general meeting alone is authorized to amend any provisions of the articles of association. Notwithstanding the exclusive powers of the extraordinary meeting to amend the articles of association, amendments to clauses relating to the share capital and the number of shares it represents may be made by the Board of Directors, provided such amendments correspond materially to the result of a capital increase, reduction or impairment.

Subject to such dispensations for certain capital increases and transformations, the extraordinary general meeting can only deliberate properly if the shareholders in attendance, voting by correspondence or duly represented own at least a quarter of the shares with voting rights and, if convened a second time, one fifth of the shares with voting rights. Without this quorum, the second meeting may be postponed to a later date two months after the original one and the one-fifth quorum will be required once again. Subject to these same reservations, it will rule by a two-thirds majority of the votes possessed by the shareholders in attendance, voting by correspondence or duly represented.

8- Powers vested in the Board of Directors, particularly with regard to share issues or redemption

see points 15, 19 and 24 of this report.

9- Agreements concluded by the Company that are amended or end in the event of a change in control of the Company, unless such disclosure would seriously harm its interests (barring any statutory disclosure obligation)

None.

10- Agreements providing for compensation for the members of the Board of Directors or the Management Board or employees, if they resign or are dismissed without any real, serious cause or if their employment ends due to a takeover bid

None.

29. TABLE SUMMARIZING THE RESULTS OF THE LAST 5 ACCOUNTING PERIODS

A table presenting the company's results over the past 5 accounting periods is attached to this report as Appendix 8 according to the provisions of Article R.225-102 of the French Commercial Code.

30. POWERS VESTED FOR LEGAL FORMALITIES

We propose that you grant comprehensive powers to the bearer or a copy or extract of this report to carry out all the filing and reporting formalities required by law.

CONCLUSION

We would ask you to grant your Board of Directors full discharge of its management for the financial year ending on 31 December 2012 in addition to discharge to the auditors for the fulfilment of their duties as attested to by their reports.

Your Board invites you to approve the text of its proposed resolutions by vote.

The Board of Directors

APPENDIX 1- ASSETS

ACANTHE DEVELOPPEMENT- Assets at 31/12/2013

Address		Type	Floor area
PARIS			
184, rue de Rivoli	PARIS 1st	Mixed-use building	2 652 m²
15, rue de la Banque	PARIS 2nd	Office block	2 019 m²
47, rue Vieille du Temple	PARIS 4th	Private mansion	1 718 m²
6-8 Rue des Guillemites	PARIS 4th	Car parks	0 m²
3-5, quai Malaquais	PARIS 6th	Apartments	549 m²
2-4, rue de Lisbonne	PARIS 8th	Office block	2 458 m²
55, rue Pierre Charron	PARIS 8th	Office block	2 890 m²
17, rue François 1er	PARIS 8th	Commercial premises	2 095 m²
7, rue de Surène	PARIS 8th	Mixed-use building	1 378 m²
18-20, rue de Berri	PARIS 8th	Car parks	0 m²
26, rue d'Athènes	PARIS 9th	Mixed-use building	963 m²
24, rue Georges Bizet	PARIS 16th	Office block	930 m²
2, rue de Bassano (Buildings A & B)	PARIS 16th	Office block	2 535 m²
2, rue de Bassano (Building C)	PARIS 16th	Office block	865 m²
TOTAL FOR PARIS			**21 053 m²**

PROVINCES & ABROAD			
2 Avenue de la Grande Armée	AJACCIO	Residential	173 m²
Villeneuve d'Asq	VILLENEUVE D'ASQ	Land	
9 Avenue de l'Astronomie	BRUSSELS	Private mansion	3 043 m²
TOTAL FOR THE PROVINCES AND ABROAD			**3 216 m²**

TOTAL ACANTHE	**24 269 m²**

APPENDIX 2 - SOCIAL AND ENVIRONMENTAL REPORT ON THE WAY IN WHICH THE COMPANY MANAGES THE SOCIAL AND ENVIRONMENTAL CONSEQUENCES OF ITS ACTIVITIES

1- SOCIAL AND ENVIRONMENTAL REPORT

Scope

The reporting scope for the ACANTHE DEVELOPPEMENT group's activity, environmental and social data covers all assets held by the company and its subsidiaries, as well as all its salaried staff. The figures are given for 2013, and by way of comparison for 2012, if they are available.

This report is guided by the notion of materiality and the relevance of the data to the group's real estate business.

Pursuant to law no. 2010-788 of 12 July 2012, the social, environmental and societal data has been verified by an independent third-party body. The certificate regarding the presence in the operating and financial review prepared by ACANTHE DEVELOPPEMENT's Board of Directors of all the information required under Article R. 225-105-1 of the French Commercial Code, as well as the reasoned opinion relating to the sincerity of the information provided in the said report and relevant explanations on any information lacking therein, are appended to this report.

Group activity

The group's assets essentially include buildings mostly located in the central business district of Paris.

At 31 December 2013, the group held 12 real estate assets, including a building in Brussels. The management thereof is carried out directly or delegated to a property manager. Final decisions regarding the management of managed buildings remain a matter for group Management. 7 buildings are managed by a property manager, the 5 others internally.

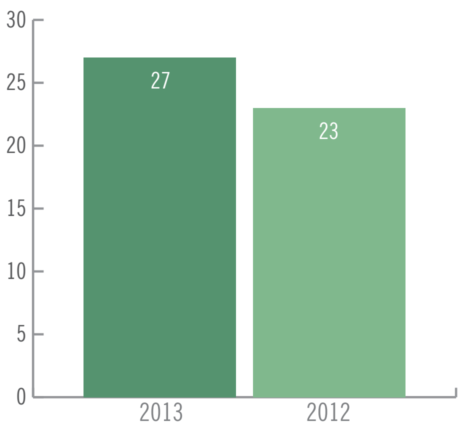
2- INFORMATION REQUIRED UNDER ARTICLE R. 225-105-1 OF THE FRENCH COMMERCIAL CODE

2.1- COMPANY INFORMATION

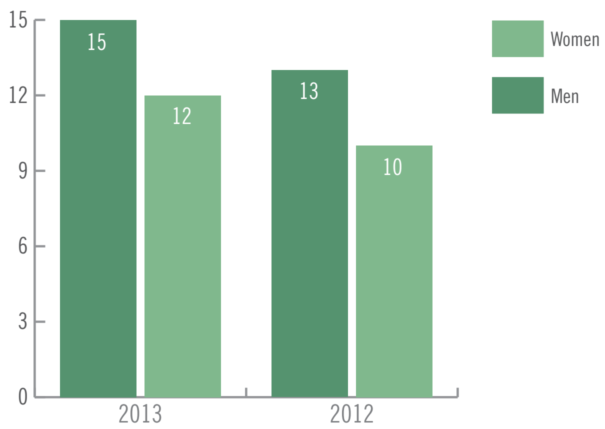
EMPLOYMENT

A. TOTAL HEADCOUNT AT 31 DECEMBER AND BREAKDOWN OF THE WORKFORCE BY SEX, AGE AND GEOGRAPHICAL SEGMENT

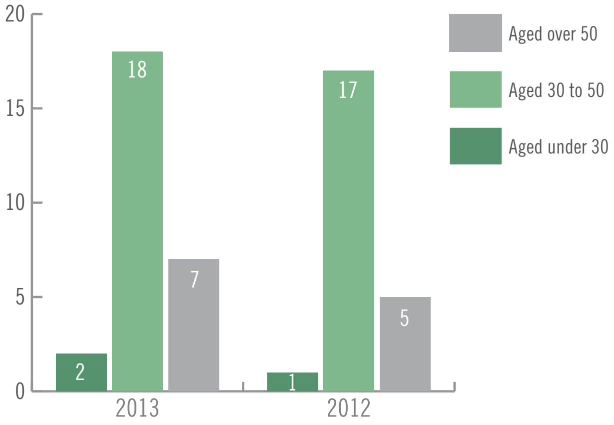
Total headcount



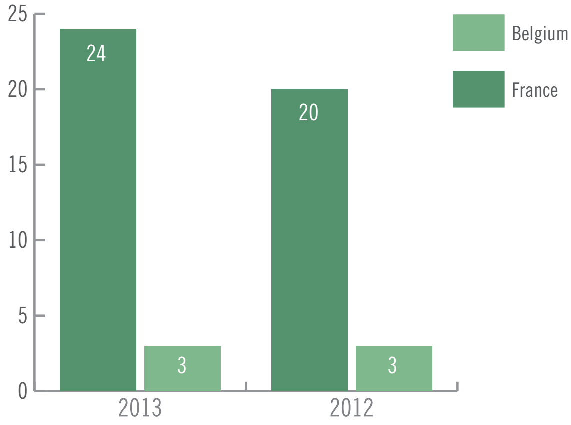
Breakdown by sex



Breakdown by age

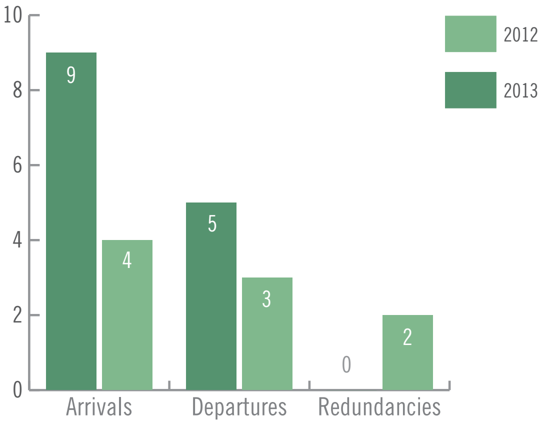


Geographical breakdown



B. HIRINGS AND LAY-OFFS

Arrivals / Departures

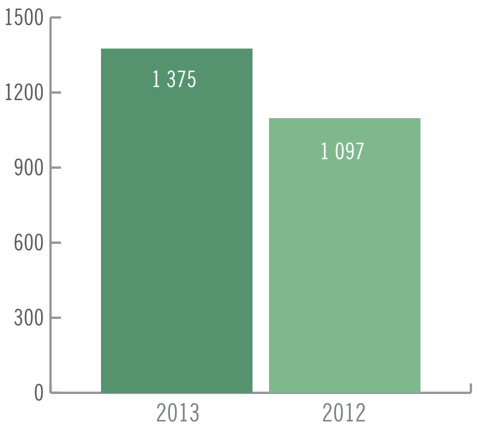


The group retains a positive balance on hirings in 2013.

Two caretakers of buildings sold were made redundant in 2012.

C. TRENDS IN COMPENSATION PACKAGES

Rémunérations brutes (en K€)



Increases in remuneration are based on a policy of individual revaluation of salaries as decided by Management.

WORK ORGANIZATION

A. WORKING HOURS

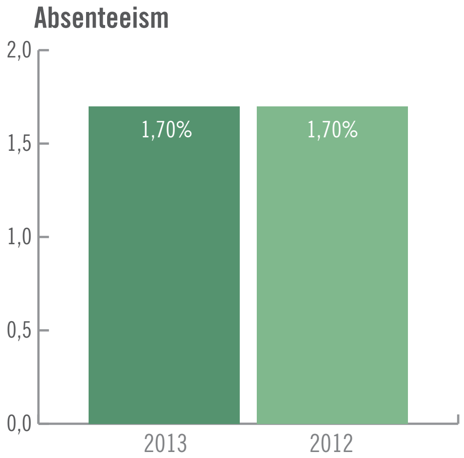
FRANCE

In France, working hours are organized by law under then national real estate collective agreement. Employees working in France have an employment contract specifying 35 working hours a week.

BELGIUM

In Belgium, working hours are laid down by law. Employees working in Belgium have an employment contract specifying 38 working hours a week.

B. ABSENTEEISM



The percentage of absenteeism is the number of hours of absence out of the total number of paid hours, including hours of absence. This only concerns French employees, namely 86.4% of group employees.

LABOUR RELATIONS

A. ORGANIZATION OF DIALOGUE BETWEEN MANAGEMENT AND STAFF, IN PARTICULAR STAFF 'INFORMATION AND CONSULTATION PROCEDURES

In view of its low staffing level, group companies do not have staff representative bodies.

B. REPORT ON COLLECTIVE AGREEMENTS

In view of its status as a European company, a representative body of 3 members, elected for a term of 4 years, was formed on 5 July 2012 to be the contact for the Management of the company and its subsidiaries with regard to employee information and consultation.

HEALTH AND SAFETY

A. HEALTH AND SAFETY CONDITIONS IN THE WORKPLACE

The group runs real estate assets that include office, residential and commercial buildings. Group revenue is generated by the rental and sale of these assets. As a result, all employees are sedentary. Asset management service staff who visit building renovation sites comply with applicable safety rules.

Therefore no elements of group activities can directly cause serious occupational health and safety problems for the staff.

B. REPORT ON OCCUPATIONAL HEALTH AND SAFETY AGREEMENTS SIGNED WITH TRADE UNIONS OR STAFF REPRESENTATIVES

The group's companies have neither trade union representatives nor staff representatives. Therefore there are no such agreements currently in force in group companies.

C. WORKPLACE ACCIDENTS, IN PARTICULAR THEIR FREQUENCY AND SEVERITY, AS WELL AS OCCUPATIONAL DISEASES

The group's companies have not lamented any workplace accidents or occupational diseases, either in 2013 or in 2012.

TRAINING

A. TRAINING POLICIES PURSUED

Given the low staffing levels of group companies, requests for training are examined individually. Training is provided by accredited outside firms specialized in their field.

B. TOTAL NUMBER OF TRAINING HOURS

34 hours of training were followed in 2013. Training hours were not monitored in 2012.

EQUAL TREATMENT

A. MEASURES TAKEN TO PROMOTE EQUAL TREATMENT OF MEN AND WOMEN

No specific measures are taken in this respect given the lack of evidence of any unequal treatment of men and women in the group. Were any such evidence to appear, the group would take appropriate measures accordingly.

B. MEASURES TAKEN IN FAVOUR OF JOBS AND THE INTEGRATION OF PERSONS WITH DISABILITIES

None of the group companies are under any statutory obligation with regard to jobs and the integration of persons with disabilities. To date, no specific measures have been taken in this respect.

C. NON-DISCRIMINATION POLICY

No specific measures are taken in this respect given the lack of evidence of any discriminatory practices in the group. Were any such evidence to appear, the group would take appropriate measures accordingly.

PROMOTION ET RESPECT DES STIPULATIONS DES CONVENTIONS FONDAMENTALES DE L'OTI RELATIVES…

A. DUE OBSERVANCE OF FREEDOM OF ASSOCIATION AND THE RIGHT TO COLLECTIVE BARGAINING

There are no impediments to freedom of association and the right to collective bargaining in group companies. The group's low staffing level is conducive to respectful dialogue with Management.

B. ELIMINATING DISCRIMINATION IN MATTERS OF EMPLOYMENT AND PROFESSION

There is no discrimination in matters of employment and profession in group companies. The employment contracts drawn up by the Human Resources department comply with current regulations. Lastly, the group complies with statutory provisions governing notices posted in the company, which promote equality of employment and profession.

C. ELIMINATING FORCED OR COMPULSORY LABOUR

Group companies are not confronted with forced or compulsory labour issues, given the location of their activities (France and Belgium).

D. EFFECTIVE ABOLITION OF CHILD LABOUR

Group companies are not confronted with child labour issues, given the location of their activities (France and Belgium).

GENERAL POLICY IN ENVIRONMENTAL MATTERS

A. COMPANY ORGANIZATION IN PLACE TO HANDLE ENVIRONMENTAL ISSUES AND, WHERE RELEVANT, ASSESSMENT AND CERTIFICATION PROCESSES

The group considers its general environmental policy with regard to its real estate activities and accordingly takes an active interest in environmental standards. This policy is characterised by the particular attention paid during the acquisition of new buildings and decisions made in renovation programmes. Through its various departments (asset management department, legal affairs and financial department) and with the assistance of outside experts, the group ensures due observance of all current legislation. In particular, compulsory survey reports (lead, asbestos, etc.) issued when buildings are sold or purchased are a key factor enabling the group to best avert the major environmental risks its activities entail.

No assessment or certification process was undertaken in 2013.

B. STAFF TRAINING AND INFORMATION IN MATTERS OF ENVIRONMENTAL PROTECTION

No relevant training was given in 2013.

C. ENVIRONMENTAL AND POLLUTION RISK PREVENTION MEASURES

The group duly conducts compulsory property surveys (lead, asbestos, etc.).

D. AMOUNT OF PROVISIONS AND GUARANTEES FOR ENVIRONMENTAL RISKS

No provisions have been recognized or guarantees given with regard to environmental risks.

Given its property-related activities and the assets it holds, to date the group has not been exposed to any risks liable to require such provisions or guarantees.

POLLUTION AND WASTE MANAGEMENT

A. MEASURES FOR THE PREVENTION, REDUCTION OR REPAIR OF DISCHARGES INTO THE AIR, WATER AND GROUND THAT SERIOUSLY AFFECT THE ENVIRONMENT

No such measures are taken by group companies due to their real estate activities. These activities do not generate discharges into the air, water and ground that seriously affect the environment.

B. MEASURES FOR THE PREVENTION, RECYCLING AND DISPOSAL OF WASTE

The group's activities do not directly generate waste. During renovation work on buildings, it is up to the contractors to take all appropriate regulatory measures to manage the waste generated by their work. If contractors are confronted with hazardous substances like asbestos, the group requires them to produce a certificate proving they have removed such waste material.

C. NOISE POLLUTION AND ANY OTHER FORM OF POLLUTION SPECIFIC TO AN ACTIVITY

The group's activities do not directly generate noise pollution. However, the group takes special care with regard to potential noise pollution during renovation work on buildings. Contractors must comply with current regulations governing the hours during which building works are permitted. If any complaints were to be lodged during such works or on any other grounds, the group would take the appropriate measures.

SUSTAINABLE USE OF RESOURCES

A. WATER CONSUMPTION AND SUPPLIES ACCORDING TO LOCAL CONSTRAINTS

No water consumption reports are drawn up, as individual water meters are not systematically installed. Albeit not subject to local water supply constraints, the group is nonetheless mindful of excessive use of water, for instance during renovations. In such cases it will investigate the cause of such excessive use of water.

B. USE OF RAW MATERIALS AND MEASURES TAKEN TO USE THEM MORE EFFICIENTLY

The group's activities do not directly involve the use of raw materials.

C. ENERGY, MEASURES TAKEN TO IMPROVE ENERGY EFFICIENCY AND THE USE OF RENEWABLE ENERGIES

At the request of its lessees, the group would hold consultations on the subject.

D. LAND USE

The group does not exploit any of the land on which its buildings stand. Accordingly there is no soil deterioration or pollution in this respect.

CLIMATE CHANGE

A. GREENHOUSE GAS EMISSIONS

The group does not have any data on potential greenhouse gas emissions attributable to its buildings.

B. ADAPTING TO THE CONSEQUENCES OF CLIMATE CHANGE

The group will take the necessary measures as and when regulations change in respect of the consequences of climate change.

PROTECTING BIODIVERSITY

A. MEASURES TAKEN TO PRESERVE OR DEVELOP BIODIVERSITY

By virtue of its property-related activities, the group is not directly or indirectly confronted with threats to biodiversity.

TERRITORIAL, ECONOMIC AND SOCIAL IMPACT OF THE COMPANY'S ACTIVITIES

A. IN MATTERS OF EMPLOYMENT AND REGIONAL DEVELOPMENT

The group cannot have any real impact on employment and regional development due to its small workforce, the nature and predominant geographical location of its core business.

B. ON LOCAL OR NEIGHBOURING RESIDENTS

Given their nature and volume, the group's property rental, purchasing and selling activities cannot have any significant territorial, economic and social impact on local or neighbouring residents.

RELATIONS MAINTAINED WITH THE PEOPLE OR ORGANISATIONS INTERESTED IN THE COMPANY'S ACTIVITIES, IN PARTICULAR PROFESSIONAL INSERTION ASSOCIATIONS, EDUCATIONAL INSTITUTIONS, ENVIRONMENT DEFENCE ASSOCIATIONS, CONSUMER ASSOCIATIONS AND NEIGHBOURING POPULATIONS

A. DIALOGUE WITH THESE PERSONS OR ORGANIZATIONS

The group is kept informed of any grievances or even complaints its lessees may lodge through its asset management service and building managers. This ensures we remain attentive to everybody and take the appropriate measures wherever possible and according to our liability.

B. PARTNERSHIP OR SPONSORSHIP INITIATIVES

The group has not engaged in any such initiatives.

SUBCONTRACTING -AND SUPPLIERS

A. ACCOUNT TAKEN OF SOCIAL AND ENVIRONMENTAL ISSUES IN PURCHASING POLICY

The main measures in this respect are those taken as part of the fight against corruption.

B. IMPORTANCE OF SUBCONTRACTING AND OF FACTORING IN THE SOCIAL AND ENVIRONMENTAL RESPONSIBILITY OF SUPPLIERS AND SUBCONTRACTORS IN RELATIONS WITH THEM

The highest costs committed by the group with regard to subcontracting are those relating to works carried out on the buildings. Major works are overseen by an architect appointed by the group. In agreement with group Management and after issuing calls for bids, the group selects and supervises suppliers in technical terms and checks that they comply with laws and regulations, more particularly those governing their corporate social responsibility.

FAIR PRACTICES

A. ACTION TAKE TO PREVENT CORRUPTION

The Group has taken a series of measures to prevent corruption. These cover acquisitions and disposals of buildings, but also decisions relating to building renovations and the choice of lessees.

Acquisitions and disposals of buildings

Purchase and/or sale proposals forwarded by estate and acquisition agents are studied by the Executive Committee. Asking prices are set on the basis of expert valuations of buildings carried out every six months and General Management's knowledge of the market. Expert valuations generally serve as benchmark prices. Likewise, for acquisitions, independent experts carry out market-based valuations. The final decision to acquire or dispose of a building is made by General Management.

Building works

Major works are overseen by an architect. Calls for tenders are issued to suppliers. After negotiations on quotes (at least two quotes are sought), General Management selects the contractor according to the proposed deadline, price, services, materials, etc.).

Estimates for minor maintenance work are accepted subject to at least two estimates being provided by the building manager.

Selecting lessees

The longest leases are negotiated directly by lessees with General Management.

B. MEASURES IN FAVOUR OF CONSUMER HEALTH AND SAFETY

The Group has no consumers in the literal sense of the term. It complies with all statutory and regulatory provisions governing its activities in its dealings with lessees.

OTHER MEASURES TAKEN IN FAVOUR OF HUMAN RIGHTS

A. OTHER MEASURES TAKEN IN FAVOUR OF HUMAN RIGHTS

The group has not taken any particular measures in favour of human rights.

ORDRE DES EXPERTS-COMPTABLES

SARL Cabinet DE SAINT FRONT
EXPERTISE COMPTABLE
COMMISSARIAT AUX COMPTES
EXPERTISE JUDICIAIRE
AUDIT RSE

ACANTHE DEVELOPPEMENT
2 rue Bassano – 75116 PARIS

The report of the independent third-party body on consolidated corporate, environmental and social data included in the operating and financial review for period ended 31 December 2013.

To the shareholders,

Cabinet de Saint Front, in its capacity as public accounts professionals accredited as an independent third-party body by COFRAC (Article 3 of the ministerial order dated 13 May 2013), we are pleased to present you our report on ACANTHE DEVELOPPEMENT's consolidated corporate, environmental and social data presented in the operating and financial review for period ending 31 December 2013, pursuant to the provisions of Article L.225-102-1 of the French Commercial Code.

The company's responsibility

It is up to ACANTHE's Board of Directors to draw up an operating and financial review that includes the CSR information required under Article R.225-105-1 of the French Commercial Code.

Independence and quality control

Our independence is defined by statutory instruments, the profession's code of professional conduct as quoted in the decree of 30 March 2012 on the exercising of public accounting. Furthermore, we have put in place a quality control system that includes policies documented and procedures aimed at ensuring our independence and the compliance of our work with applicable **statutory and regulatory provisions.**

The independent third-party body's responsibility

On the basis of our work, it is our duty to

- certify that the requisite CSR data is included in the operating and financial review, or if omitted an explanation of such omission is provided in pursuance of the third paragraph of Article R.225-105 of the French Commercial Code (CSR Information Reporting Certificate);

- provide reasonable assurance that the CSR data taken as a whole is presented with its most significant aspects and in a fair manner (reasoned opinion on the true and fair view of CSR data).

Our audit was carried out by a team of 2 over 5 days between 27 February and 29 April 2014, including an on-site audit on 2nd April .

We carried out the tasks described below in accordance with the ministerial order of 13 May 2013, which specifies the arrangements whereby an independent third-party body should conduct its audit, and in accordance with the chartered accountants professional standard applicable to special certificates.

1. CSR data reporting certificate

We carried out the following tasks:

- in interviews with the relevant managers, we heard an account of orientations in matters of sustainable development, in relation to the social and environmental consequences of the company's activities and its societal commitments and, where applicable, the attendant actions or programmes;

- we compared the CSR data presented in the operating and financial review with the list laid down in Article R.225-105-1 of the French Commercial Code;

- we ascertained that the CSR data covers all consolidated reporting entities, namely the company and its subsidiaries in the sense of Article L.233-1 and the companies it controls, in the sense of Article L.233-3 of the French Commercial Code;

- in the absence of certain consolidated data, we checked that explanations had been provided in accordance with the provisions of Article R.225-105 paragraph 3 of the French Commercial Code.

On the basis of our work, we hereby certify that the requisite data is present in the operating and financial review.

2. Reasoned opinion on the true and fair view provided by the CSR data

Nature and scope of the audit

We identified those in charge of the process of collecting, compiling, processing and checking the exhaustiveness and consistency of the data.

We took cognizance of the internal control and risk management procedures involved in preparing the CSR data.

We held interviews to ascertain proper application of this process and procedures with the Assistant Chief Financial Officer, the Director of Consolidation, the Director of Human Resources and Accounts and two Managers in the Real Estate Service.

We determined the nature and extent of our tests and audits according to the nature and importance of the CSR data with regard to the company's characteristics, the social and environmental issues its activities raise, its orientations in matters of sustainable development and good sectoral practices.

We more particularly studied:

- environmental data: account taken of pollution caused by the company's activities

- social data: relations with lessees, suppliers and subcontractors.

The CSR data we considered the most important includes:

- at the level of ACANTHE, we conducted an in-depth inspection of approximately 30% (floor area) of the company's properties, we checked documentary sources and held interviews to corroborate qualitative information (organization, policies, actions), we carried out analytical procedures on the quantitative data and on the basis of samples we checked data calculations and consolidation and its coherence and concordance with other information provided in the operating and financial review;

- for a representative sample of entities we selected on the basis of their activity, contribution, location and risk analysis, we held interviews to ascertain due application of procedures and implementation of detailed tests on the basis of sampling, consisting in checking calculations and reconciling the data with supporting documents. The sample thus selected represents nearly 100% of the significant quantitative activity data.

For other consolidated CSR information, we assessed its consistency with respect to our knowledge of the company.

Finally, we assessed the appropriateness of any explanations for the total or partial lack of certain pieces of information.

We believe that the sampling methods and sample sizes we used to form our professional judgement enable us to provide a reasonable assurance; a higher degree of assurance would have required moire extensive auditing. Owing to the use of sampling techniques and other limitations inherent in any information and internal control system, the risk of a significant irregularity in the CSR data cannot be totally ruled out.

Conclusion

On the basis of our work, we have not noted any significant irregularity liable to cast doubt on the fact that the CSR data, taken as a whole, is presented in a true and fair manner.

Toulouse, 29 April 2014

The independent third-party body,

Cabinet de Saint Front

Jacques de Saint Front

APPENDIX 3 LIST OF OFFICES HELD BY CORPORATE OFFICERS

Mr Alain Dumenil, Chairman of the Board of Directors and Managing Director (until 15 January 2013) of your Company, held the following positions during all or part of the period ending 31 December 2013:

Chairman, Managing Director and Board Member of: Acanthe Développement until 15 January 2013;

Chairman of the Board of Directors of: Acanthe Développement, Alliance Développement Capital SIIC – ADC SIIC, Smalto until 7 February 2014, France Tourisme Immobilier (formerly Poiray Joaillier SA) from 6 February 2013 to 15 November 2013;

Director of: Foncière 7 Investissement, Foncière Paris Nord, Smalto; CEO of: Alliance Développement Capital SIIC – ADC SIIC; Chairman of: Ad Industrie;

CEO of: Editions de l'Herne, Padir, Suisse Design et Création (formerly Poiray Joaillier Suisse), SCMI JEF, Suchet, Valor;

Joint manager of Smalto Suisse.

Mr Philippe Mamez, Director and Deputy Managing Director of your Company, held the following positions during all or part of the period ending 31 December 2013: Managing Director and Board Member of: Alliance Développement Capital S.I.I.C - ADC SIIC until 27 March 2013;

Deputy Managing Director and board member of: Acanthe Développement, Compagnie MI 29, Eurobail;

Chairman of the Board of Directors of: Navigestion;

Director of: Compagnie Fermière de Gestion et de Participation – Cofegep; CEO of: MEP Consultants.

Mr Patrick Engler, Director and Managing Director of your Company since 15 January 2013, held the following positions during all or part of the period ending 31 December 2013:

Chairman, Managing Director and Board Member of: Alliance Finance;

Managing Director and board member of: Acanthe Développement since 15 January 2013, France Tourisme Immobilier (formerly Poiray Joaillier SA) from 6 February to 15 November 2013; Deputy Managing Director of: France Tourisme Immobilier (formerly Poiray Joaillier SA) from 8 January to 6 February 2013;

Director of: Acanthe Développement, Alliance Développement Capital S.I.I.C - ADC SIIC, FIPP, Foncière 7 Investissement, France Tourisme Immobilier (formerly Poiray Joaillier SA) from 6 February to 15 November 2013, Smalto;

Representative of a corporate body board member of: Alliance Finance;

CEO of: Agence Haussmann Transactions Immobilier de Prestige, Ingénierie, Ingénierie and Gestion, Sep 1.

Mr Pierre Berneau, director of your Company, held the following positions during all or part of the period ending 31 December 2013:

Director of: Acanthe Développement, Alliance Développement Capital S.I.I.C. – ADC SIIC;

CEO of: Sinef.

Mr Bernard Tixier, director of your Company, held the following positions during all or part of the period ending 31 December 2013

Director of: Acanthe Développement;

CEO of: Financière Nortier, Nortier Transactions since 28 January 2013.

APPENDIX 4 - TABLE SUMMARIZING POWERS VESTED IN THE BOARD OF DIRECTORS WITH REGARD TO CURRENT CAPITAL INCREASES

In euros	Date of AGM	Powers vested until	Authorized amount	Increase(s) in previous years	Increase(s) during the current period	Residual amount on the date this table was produced
Financial year 2013						
Power vested to increase the capital through incorporation of reserves, profits or premiums	26 June 2013	25 Aug 2015	€100,000,000	NA	€0,49	€99,999,999.51
Power vested to increase the capital whilst maintaining the DPS	26 June 2013	25 Aug 2015	€100,000,000	NA	NA	€99,999,999.51
Power vested to increase the capital by removing the DPS	26 June 2013	25 Aug 2015	€100,000,000	NA	NA	€99,999,999.51
Power to increase the capital as payment for a share contribution	26 June 2013	25 Aug 2015	10% of the share capital	NA	NA	€99,999,999.51

APPENDIX 5 - SUPPLEMENTARY REPORT OF THE BOARD OF DIRECTORS ON THE USE OF POWERS GRANTED IN CONNECTION WITH CAPITAL INCREASES (ARTICLES L.225-129-1 AND L.225-129-2 OF THE FRENCH COMMERCIAL CODE)

The Board of Directors has finalized the terms of this supplementary report in accordance with the provisions of Articles L.225-129-5 and R.225-116 of the French Commercial Code, in order to apprise the General Shareholders' Meeting of the final terms of operations carried out further to the decision of the Board of Directors in the period ending 31 December 2012 acting on the authority of the Meeting pursuant to the provisions of Articles L.225-129-1 and L.225-129-2 of the French Commercial Code.

• **Increase in share capital decided by the Board of Directors for rounding purposes.**

In the period ending 31 December 2013, the Board of Directors used the authority vested in it by the Annual Ordinary and Extraordinary General Meeting of 26 June 2013 to increase the share capital by incorporating a sum debited from «share premium» to round off the said capital.

The following increase was made by raising the par value of the shares:

- Board of Directors meeting of 27 September 2013: Capital increase of 0.49 euros.

The Board of Directors

APPENDIX 6 - THE BOARD OF DIRECTORS' SPECIAL REPORT ON SHARE ALLOCATIONS MADE PURSUANT TO ARTICLES L.225-197-1 TO L.225-197-3 OF THE FRENCH COMMERCIAL CODE AND TRANSACTIONS PURSUANT TO THE PROVISIONS OF ARTICLES L.225-177 TO L.225-186 OF THE FRENCH COMMERCIAL CODE

As provided for by Articles L.225-184 and L.225-197-4 of the French Commercial Code, this special report is intended to apprise the General Shareholders' Meeting of transactions (covered by Articles L.225-197-1 to L.225-197-3 and L.225-177 to L.225-186 of the French Commercial Code) made in the period ending 31 December 2013.

- With regard to transactions covered by Articles L.225-197-1 to L.225-197-3 of the French Commercial Code: No transactions covered by Articles L.225-197-1 to L.225-197-3 of the French Commercial Code were made during the previous financial period.
- With regard to transactions covered by Articles L.225-177 to L.225-186 of the French Commercial Code: The Board of Directors, acting on the authority vested in it by a vote of over 99% under the 1st resolution of the Ordinary and Extraordinary General Meeting of 21 March 2007, decided to award Mr Alain Dumenil 8,667,520 share options, in his capacity as Chairman & Managing Director of the Company. The exercise price for the said options was set at 3.21 euros per share subscribed and 3.22 euros per share purchased. The options may be exercised after a vesting period of one year (namely from 26 July 2008) and are valid until 25 July 2017.

  On 18 July 2008 the Board of Directors decided that the options awarded on 25 July 2007 are share subscription options and adjusted their number and price to take account of the distribution of the exceptional dividend debited from «share premium» on 1st July 2007, thereby protecting the interests of the options' beneficiaries, in accordance with the provisions of Articles R.225-137 à R.225-142 of the French Commercial Code. Following these adjustments, the number of share options is raised to 9,528,336 for an issue price of €2.92.

  On 28 August 2009 the Board of Directors noted that no options had been exercised and that in a letter dated 3 August 2009 Mr Alain Dumenil had expressly waived his right to exercise the said options.

  The same Board meeting, acting on the authority vested in it by the Ordinary and Extraordinary General Meeting of 21 March 2007, decided to award Mr Alain Dumenil 9,936,436 share subscription or purchase options, in his capacity as Chairman and Managing Director of the Company, the exercise price of which was set at 1.24 euros. This is subject however to Mr Dumenil retaining 1% of the shares resulting from this option until the end of his term of office as Chairman Managing Director of the Company, with the proviso that this obligation does not result in the Company losing the benefit of the SIIC (Real Estate Investment Trust) regime.

  On 31 December 2009 at 12 noon the Board of Directors that the options awarded by the Board of Directors on 28 August 2009 were call (purchase) options. The Board of Directors also decided that the beneficiary could only exercise the call options if the Company held the number of shares required to fulfil them on the option date(s).

On 31 December 2009 at 2 p.m. the Board of Directors stated, following the Board's decision at 12 noon on the same day, that at 12 noon if on the option date the Company did not hold the number of shares required to fulfil them, priority would be given to call options up to the number of shares held by the Company, with options for the remainder that could not be raised as the Company did not hold a sufficient number of shares to fulfil them. There remain 4,896,436 options at €1.24 whereas the closing price of the share at 31 December 2013 was €0.45.

Lastly, it should be pointed out here that during the financial year the Company or companies in the Group did not award any bonus shares and/or share subscription or purchase options to Company employees who are not corporate officers.

The Board of Directors

APPENDIX 7 - THE BOARD CHAIRMAN'S REPORT ON INTERNAL CONTROL PROCEDURES

Dear Shareholders,

The Chairman of the Board has drawn up this report pursuant to Article L.225-37 of the French Commercial Code, as duly amended by order no. 2009-80 of 22 January 2009.

This report outlines the composition of the Board and application of the principle of balanced representation of women and men on the board, the conditions under which the Board's work is prepared and organized, and the internal control and risk management procedures currently in place or being implemented in the Company.

This report also indicates any restrictions on the Managing Director's powers imposed by the Board.

As the Board of Directors has decided not to refer to a corporate governance code drawn up by business representative organizations, this report outlines the reasons behind this choice and the internal auditing rules adopted.

This report also refers to the particular arrangements for shareholder participation in the General Meeting and the principles and rules laid down by the Board of Directors to determine remuneration and benefits of all kinds awarded to the corporate officers.

This report furthermore specifies that the transformation into a European Company (societas europaea – SE) decided by the Extraordinary General Meeting of shareholders on 29 June 2012 did not result in the creation of a new legal entity and that the Company has remained in its form as a société anonyme (public limited company), in such a way that the composition, the conditions for preparing and organizing the work of the Board or the particular methods concerning shareholders participation in the General Meeting as well as the principles and rules set down by the Board of Directors in order to determine compensation packages and benefits in kind awarded to corporate officers have remained unchanged.

This report was approved by the Board of Directors at its meeting on 29 April 2014.

It is under these circumstances and in order to comply with corporate governance provisions (Article L.225-37 of the French Commercial Code) that I hereby submit the following information:

I - CORPORATE GOVERNANCE CODE DRAWN UP BY BUSINESS REPRESENTATIVE ORGANIZATIONS

The law no. 2008-649 of 3 July 2008 institutes a distinction depending on whether or not the Company voluntarily adheres to a corporate governance code drawn up by business representative organizations.

As our Company does not fully meet the recommendations of the AFEP MEDEF Code for the legitimate reasons outlined above, it has opted, as allowed by law, to declare that it does not refer to such a code (AFEP-MEDEF or Middlenext code).

However, internal auditing procedures have been applied and enhanced over a number of years and tangible progress has already been noted. This means that reference to such a code is not simply unnecessary, it is also inappropriate for the Company.

Our Company's listing on Euronext Paris has enabled it to opt for the dispensatory SIIC (real estate investment companies) legal and tax regime. However, our Group with staff numbering only 27 has neither the ramifications nor the organization of most listed companies. The small structure of the teams fosters effective communication, group work and as a result efficient internal control measures.

As the management bodies are small, this facilitates implementation of the Company's orientations.

For example, this flexible structure allows board members to easily obtain the information they need to carry out their duties (particularly in terms of auditing) and to discuss such matters with other board members and/or senior Company executives.

II - PREPARATION AND ORGANIZATION OF THE BOARD'S WORK

1. BOARD OF DIRECTORS

Duties

Your Board of Directors sets company strategy, appoints executive corporate officers in charge of running the company within the framework of this strategy and chooses an organizational model (separating or merging the functions of chairman and managing director), supervises management and ensures the quality of the information provided to shareholders and markets in the financial statements or with regard to important transactions.

Composition

In accordance with the provisions of Article L.225-37 paragraph 6 of the French Commercial Code, this report states the composition of the Board of Directors.
- Mr Alain Dumenil, Chairman of the Board,
- Mr Philippe Mamez, director and Deputy Managing Director,
- Mr Patrick Engler, director and Managing Director since 15 January 2013,
- Mr Pierre Berneau, non-executive director,
- Mr Bernard Tixier, non-executive director.

The offices held by your directors are listed in appendix 3 of the Board of Directors' report.

You are advised that two members of your Board of Directors, Messrs Berneau and Tixier, meet the commonly accepted criteria of independence:

- Not being an employee or corporate officer of the company, employee or director of its parent company or any consolidated company of the latter and not having been in such a position over the past five years.
- Not being a corporate officer of a company in which the company directly or indirectly holds a position as board member or in which an employee appointed as such or a corporate officer of the company (currently or within the past five years) holds a directorship.
- Not being a customer, supplier, merchant banker or financial banker of the company or its group, or for which the company or its group represents a significant proportion of business.
- Not having a close family connection with a corporate officer.
- Not having acted as auditor of the company during the past five years.
- Not having been a director of the company for more than twelve years.

None of your Board members have been currently elected from among the employees.

You are reminded that law 2011-103 of 27 January 2011 imposes a balanced representation of men and women on Boards of Directors. From the 1st Annual General Meeting after 1st January 2014, there must be at least 20% of directors of each sex on the board. This proportion cannot be less than 40% after the first Annual General Meeting that follows 1st January 2017. To date, the Company has not met the 20% threshold for representation of directors of each sex.

Organization

The Auditors are invited to attend the Board meeting that rules and balances the annual and interim accounts, and where appropriate any Board meeting where their presence may be deemed useful.

The invitations are issued in wiring within a reasonable deadline. By way of example, your directors and Auditors were duly invited by e-mail and letter dated 19 April 2013 to attend the board meeting of 26 April 2013 approving the annual financial statements and by e-mail and letter dated 30 July 2013 for the board meeting of 29 August 2013 approving the interim financial statements.

Board meetings are planned sufficiently early to ensure that the board members are correctly and fully informed; it should be pointed out that the latter have the right to obtain any information or documents they require to carry out their duties.

In this respect, the Chairman endeavours to provide them with all the requisite information or documents required beforehand to enable the Board members to prepare the meetings properly. In like manner, whenever a Board member so requests, the Chairman will provide him with the requested elements whenever possible.

Meetings are held at the head office. In 2013, the Board of Directors met ten times.

Members were required to attend in person, subject to availability and the nature of the meetings.

In addition to the points and decisions legally within the remit of this body, the Board of Directors along with the Executive Committee discussed the main campaigns conducted in 2013 both externally (acquisitions, transfers, sales, contracts) and in terms of Group strategy and financial policy (Group restructuring, business financing, issuance of securities, capital increases).

No meetings were called at the initiative of the board members.

2. EXECUTIVE COMMITTEE

The purpose of the Executive Committee is to assist the members of the Board of Directors. It is on no account a body that substitutes for the Board in its remit.

Composition

The Executive Committee comprises at least three of the five members of the Board of Directors.

Duties

Its main duties are to examine:

- investments (study and analysis of investments), work undertaken, demolition and building permits,
- financing (amounts, rates and terms of loans),
- arbitration and all asset disposals,
- the administrative management of the Group and asset monitoring (disposals, building work and rental management),
- financial reporting,
- financial and cash management,
- HR policy (recruitment),
- monitoring of legal procedures (litigation).

Organization

During normal business periods, the Executive Committee meets at least once every two weeks fifteen days on dates set by the Chairman, subject to availability, with an agenda prepared by the Managing Director and/or the Deputy Managing Director.

The following people attend Executive Committee meetings:
- The Chairman of the Board and Managing Director (until 15 January 2013), Mr Alain Duménil,
- The Deputy Managing Director, Mr Philippe Mamez,
- One director, Mr Patrick Engler, (Managing Director since 15 January 2013),
- The Chief Financial and Administrative Officer, Mrs Florence Soucémarianadin,
- The Chief Legal Officer, Mr Nicolas Boucheron.

If necessary, certain employees, executives or external consultants may be invited to attend meetings or express their opinions.

During these Committee meetings, the different Company departments prepare summary documents and may request any points deemed relevant to be put on the agenda.

Asset acquisition plans or arbitrations are systematically submitted to the Executive Committee, which decides on the appropriateness of these transactions and their analysis, and where applicable it appoints a project manager.

3. ACCOUNTS COMMITTEE

Formed by the Board of Directors on 4 August 2009, the Accounts Committee's duties, within the remit of the Board of Directors, include:

- overseeing the process of preparing quarterly financial reporting, the half-yearly and annual financial statements, before they are passed on to the Board of Directors for examination and closing where applicable,

- and more generally,

• ensuring the relevance, permanence and reliability of the accounting methods in use in the Company and its main subsidiaries, among other things by analysing periodic financial documents, examining the relevance of choices and the correct application of accounting methods, and examining the accounting treatment of all significant transactions,
• listening to and questioning the Auditors,
• examining the Auditors' fees each year and assessing the conditions of their independence,
• examining the applications of Auditors of Group companies whose terms of office are about to end,
• guaranteeing the efficiency of internal control and risk management procedures.

To that end, the Committee has access to all the documents it needs to carry out its duties.

By the same token, without prejudice to the prerogatives of the Board of Directors, it may call upon experts from outside the Company and garner the opinions of any individual who may offer relevant information to better understand a specific point.

It reports to the Board of Directors on a regular basis and may express any opinions and make recommendations to the Board of Directors in matters within its remit.

The following directors are members of the Accounts Committee:
- Mr Patrick Engler, Chairman of the Committee,
- Mr Bernard Tixier,
- Mr Pierre Berneau.

Accounts Committee members have special financial and accounting skills. Two of its members, Messrs Tixier and Berneau, are non-executive directors.

Their terms of office are the same as those of their directorships. They may be dismissed from their duties as members of the Accounts Committee by the Board of Directors at any time.

At its meeting of 24 April 2013, the Committee examined the annual and consolidated accounts for financial period 2013. It examined the property valuations of the Company's assets.

The Accounts Committee's work was in line with the objectives set for it.

4. OTHER COMMITTEES

In view of the size of the ACANTHE DEVELOPPEMENT Group, no other specific committees have been set up to date with regard to the life and business of the Company (remuneration committee, selection or appointment committee).

The ACANTHE DEVELOPPEMENT Group is pursuing its efforts with regard to corporate governance.

III - INTERNAL CONTROL PROCEDURES

ACANTHE DEVELOPPEMENT, through fortnightly committee meetings, monitors and verifies that its decisions are effectively implemented.

Transactions relating to the Group's business activities are verified, as is the accounting treatment thereof, the general aim being to ensure they comply with applicable laws, regulations and standards and that all the necessary measures are taken to avoid any losses likely to jeopardize the Group's long-term future.

This control and monitoring framework aims to cover the main risks identified to date and defines the ways in which these internal control procedures can be improved.

1. INTERNAL CONTROL PROCEDURES RELATING TO THE PROTECTION OF ASSETS

The following insurance contracts are in place:

The Group takes out an absentee owner insurance policy as a matter of routine for all the buildings it owns. For its properties in jointly-owned buildings, the Group subsidiary owner of the flats ensures that the building is adequately insured under an absentee owner policy taken out by the managing agent. In the event of a claim, all the policies provide rebuilding cost cover with limits set according to the value of the bricks and mortar, as well as cover for loss of rent for up to two years' rent.

As far as property development activities are concerned, when major or refurbishment work is carried out on buildings covered by ten-year liability insurance, the companies concerned take out construction damage insurance.

Besides the aforementioned policies, no tenant's risk insurance is taken out, as this risk is mitigated by the great diversity of tenants, thereby enabling the Group to avoid any significant economic dependency.

In addition to its insurance coverage, the Company has regular inspections carried out on the technical installations that could have an impact on the environment or life safety (fire-fighting equipment, ventilation, air-conditioning, electrical installations, lifts, etc.).

2. INTERNAL CONTROL PROCEDURES RELATING TO THE RENTAL AND COMMERCIAL MANAGEMENT OF PROPERTIES

The everyday management of property is entrusted to property managers. Depending on their importance, decisions are made either at the weekly meetings of asset managers and the Deputy Managing Director or by the Executive Committee for more important matters.

Dedicated teams are in charge of marketing properties, and they are assisted by acknowledged outside service providers. Prices, deadlines and targets are set in conjunction with General Management and the Executive Committee, and where necessary are authorized by the Board of Directors.

Rental offers are studied by the Asset Managers. The special terms and conditions applying to high-value rental properties (office space) first need to be approved by the Managing Director and/or the Executive Committee.

Finally, a quarterly audit of the income statement is conducted to detect any operating irregularities.

3. INTERNAL CONTROL PROCEDURES RELATING TO FINANCIAL RISKS

Interest-rate risk is partially offset through the use of swap or cap hedging instruments. Any questions in this respect are routinely examined by the Executive Committee, which conducts a weekly review of cash flow and financing requirements.

4. INTERNAL CONTROL PROCEDURES RELATING TO LEGAL RISKS AND LITIGATION

The Group's business involves the signing of contracts for the purchase and sale of buildings or properties in jointly-owned buildings, as well as leases.

All these contracts and agreements and most of the leases are duly drawn up by a notary, thereby rendering them secure and limiting any liability incurred by ACANTHE DEVELOPPEMENT.

Notaries also verify that each transaction (purchase, sale, lease and mortgage financing) meets environmental standards (asbestos, lead and pests), and the Company commissions accredited specialists to carry out these controls and surveys.

Legal risks are monitored by the Legal Department, which ensures that the operations of the Company, its subsidiaries and interests comply with applicable regulations and the Group's interests.

IV - INTERNAL CONTROL PROCEDURES RELATING TO THE PREPARATION AND TREATMENT OF FINANCIAL AND ACCOUNTING INFORMATION

Accounting data on the Group's real estate business is provided by specialized asset and wealth management firms. The same is true for information payroll data and the related social security and tax returns, which are then recorded in the accounts.

At each closing date, the Management Control department audits the accounts, examining any variance between the budget forecast and actual results on closing.

Each off-balance sheet commitment is checked by the Legal Department and updated in real time.

Financial and accounting data is then verified by the Auditors then presented and explained at meetings of the Accounts Committee, whose remit is described above, and the Executive Committee, prior to being signed off by the Board of Directors. Financial and accounting data thus provides a true and fair view of the position and performance of ACANTHE DEVELOPPEMENT.

Since the 2005 financial year, ACANTHE DEVELOPPEMENT has prepared its consolidated financial statements in accordance with International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS).

V - SPECIAL CONDITIONS APPLYING TO SHAREHOLDERS' PARTICIPATING IN THE ANNUAL GENERAL MEETING

In accordance with the provisions of Article L225-37 paragraph 8 of the French Commercial Code as amended by Article 26 of law no. 2008-649 of 3 July 2008, this report stipulates that the conditions under which shareholders participate in the Annual General Meeting of Shareholders are set forth in Articles 30 to 43 of the Company's Articles of Association.

VI - ELEMENTS LIABLE TO HAVE AN IMPACT IN THE EVENT OF A TAKEOVER BID (ARTICLE L.225-100-3 L225-37 9 OF THE FRENCH COMMERCIAL CODE)

These elements are listed in point 28 du annual management report prepared by the Company's Board of Directors.

VII - SEPARATING/COMBINING THE POSITIONS OF CHAIRMAN OF THE BOARD AND MANAGING DIRECTOR

On 25 July 2007 the Board of Directors decided to combine the duties of Chairman of the Board and Managing Director.

At the Board meeting of 15 January 2013, the directors decided to dissociate the duties of Chairman of the Board and Managing Director. Mr Alain Duménil thus continues as Chairman and Mr Patrick Engler has been appointed Managing Director for the duration of his directorship.

All shareholders and third parties have been duly informed of this decision, which was the subject of a legal notice published in La Loi on 4 February 2013, and an extract of the minutes of the Board of Directors' meeting of 15 January 2013 was filed on 8 February 2013 with the Clerk of the Commercial Court of Paris, in accordance with the provisions of Articles R.225-27 and R.123-105 and Article R.123-9 of the French Commercial Code.

VIII - LIMITATIONS OF THE POWERS OF THE MANAGING DIRECTOR

Full authority is vested in the General Manager to act on behalf of the Company in all circumstances within the bounds of the Company's corporate purpose, except when such authority is expressly vested in the shareholders or the Board of Directors by law.

The Board did not place any limitations on the Managing Director's powers in financial year 2013.

IX - PRINCIPLES AND RULES FOR DETERMINING COMPENSATION PACKAGES AND BENEFITS IN KIND AWARDED TO CORPORATE OFFICERS.

First of all, Board members' attendance record is naturally taken in to account.

Any specific property-related studies (acquisitions/disposals) or financial studies (seeking funding) carried out by individual directors are also taken into consideration.

Mr Alain Duménil, in his capacity as Chairman and Managing Director until 15 January 2013, waived his compensation following the Board's decision of 25 July 2007 to award him bonus Company shares.

The compensation packages and perquisites paid to corporate officers are itemized in point 12 of the annual management report.

The Chairman of the Board of Directors

APPENDIX 8 - 5-YEAR SUMMARY

RESULTS (AND OTHER SALIENT FEATURES) OF THE COMPANY OVER THE PAST FIVE FINANCIAL YEARS (DECREE 67-236 OF 23-03-1967)

	31/12/2009	31/12/2010	31/12/2011	31/12/2012	31/12/2013
Capital at the end of the period					
Share capital	38,247,014	41,721,357	16,416,399	17,206,397	19,312,608
Number of ordinary shares	101,199,299	110,392,205	120,816,870	126,630,877	142,131,582
Number of senior shares					
Maximum number of shared to be issued: - by bond conversion - by subscription right					
Activities and profit					
Revenue (excl. tax)	2,177,311	2,218,971	2,191,588	2,191,440	4,288,127
Earnings before tax, profit-sharing, depreciation and amortization	14,928,267	226,433,943	-8,166,584	-983 326	-825 643
Corporate income tax	0	126,676	0	0	0
Worker profit-sharing	0	0	0	0	0
Earnings after tax, profit-sharing, depreciation and amortization	14,607,648	226,190,289	-9,583,932	-1,856,574	-6,478,143
Distributed earnings	15,179,894.85	118,119,659.35	10,873,518.30	7,597,852.62	4,263,947.46 (1)
Earnings per share					
Earnings after tax, profit-sharing, before amortization expense and provisions	0.15	2.05	-0.07	-0.01	-0.01
Earnings after tax, profit-sharing, amortization expense and provisions	0.14	2.05	-0.08	-0.01	-0.05
Dividend due	0.15	1.07	0.09	0.06	0.03 (1)
Personnel					
Average employee headcount	2	3	3	3	4
Payroll	142,449	321,942	295,196	276,436	464,061
Employee benefits paid out (Social Security, community services)	61,841	133,228	127,067	119,780	190,003

(1) This is the amount proposed for distribution by ACANTHE DEVELOPPEMENT's Board of Directors, pending approval by the Annual General Meeting convening to approve the accounts.

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BALANCE SHEET - ASSETS

	31/12/2013			31/12/2012
	Gross	Amort. deprec.	Net	Net
Subscribed uncalled capital				
CAPITAL ASSETS				
Intangible assets				
Preliminary expenses				
Research and development expenditure				
Concessions, patents, licences, software and similar rights	11 500	10 408	1 092	
Goodwill (1)	5 319 567	3 192 924	2 126 643	2 291 740
Other intangible assets				
Intangible assets in progress				
Advances and down payments	1 095		1 095	
Property, Plant and Equipment (PP&E)				
Land	1 590 778		1 590 778	1 590 778
Buildings	4 440 453	1 246 284	3 194 169	2 709 893
Industrial plant, machinery and equipment				
Other PP&E	52 069	43 685	8 384	7 094
Construction work in progress				547 197
Advances and down payments				
Long-term investments (2)				
Ownership interests	228 140 810	650 063	227 490 748	227 516 021
Advances to subsidiaries	39 542 049	947 769	38 594 280	22 732 608
Long-term portfolio activity investments				
Other capitalized securities				
Loans				
Other long-term investments	191 345		191 345	181 194
	279 289 666	**6 091 132**	**273 198 534**	**257 576 525**
CURRENT ASSETS				
Stock and work-in-progress inventory				
Raw materials and other supplies				
Goods and services in progress				
Semi-finished and finished products				
Goods				
Advances and down payments made on orders	16 898		16 898	18 160
Accounts receivable (3)				
Trade notes and accounts receivable	1 739 962		1 739 962	2 047 585
Other receivables	2 814 034		2 814 034	2 622 617
Subscribed capital called and unpaid				
Marketable securities				
Own shares				
Other securities	6 996 881		6 996 881	220 748
Cash instruments				
Cash assets	9 010		9 010	2 373 884
Prepaid expenses (3)	89 129		89 129	41 722
	11 665 912		**11 665 912**	**7 324 716**
Deferred charges				
Loan redemption premiums				
Unrealized exchange losses				
GRAND TOTAL	**290 955 578**	**6 091 132**	**284 864 446**	**264 901 241**
(1) including lease renewal			*4 957 871*	*4 957 871*

(2) Including maturities under one year (gross)
(3) Including maturities over one year (gross)

BALANCE SHEET - LIABILITIES

	31/12/2013	31/12/2012
	Net	Net
EQUITY		
Capital (including paid-up: 19 312 608)	19 312 608	17 206 397
Share and merger premium	54 580 118	50 796 061
Revaluation adjustments		
Equity accounting adjustments		
Reserves:		
- Legal reserve	1 500 000	1 500 000
- Statutory or contractual reserves		
- Regulated reserves		
- Other reserves	45 137 751	45 137 751
Retained earnings	31 645 568	41 099 902
Net profit or loss for the period	-6 478 143	-1 856 574
Capital grants		
Regulated provisions		
	145 697 901	**153 883 537**
OTHER EQUITY CAPITAL		
Income from issued equity securities		
Conditional advances		
Other capital		
PROVISIONS		
Provisions for risks	59 118	138 706
Provisions for charges	5 776 397	
	5 835 514	**138 706**
LIABILITIES (1)		
Convertible bond issues		
Other bond issues		
Debt outstanding with lending institutions (2)	1 219 278	1 345 725
Financial debt (3)	130 349 322	107 882 091
Advances and down payments received on orders	15 108	6 749
Trade notes and accounts payable	900 858	1 192 977
Tax and social security liabilities	840 957	423 960
Liabilities on fixed assets and related accounts		
Other liabilities	5 507	27 496
Cash instruments		
Prepaid income (1)		
Unrealized exchange gains	**133 331 030**	**110 878 998**
GRAND TOTAL	**284 864 446**	**264 901 241**

(1) Including those maturing in over one year (a)	*131 424 088*	*106 884 416*
(1) Including under one year (a)	*1 891 834*	*3 987 833*

(2) Including bank overdrafts and credit balances
(3) Including equity loans
(a) Excluding advances and down payments received on outstanding orders

INCOME STATEMENT

	31/12/2013			31/12/2012
	France	Export	TOTAL	TOTAL
OPERATING REVENUE (1)				
Sales of goods held for				
resale Output sold (goods)				
Output sold (services)	4 288 127		4 288 127	2 191 440
Net sales	**4 288 127**		**4 288 127**	**2 191 440**
Production held as inventory				
Self-constructed assets				
Partial net revenue from long-term transactions				
Operating grants				
Reversed provisions and expense transfers			6 078	6 078
Other income			2	27 453
			4 294 208	**2 224 972**
OPERATING EXPENSES (2)				
Purchases of goods bought for resale				
Changes in inventory				
Purchases of raw materials and other supplies				
Changes in inventory				
Other purchases and external expenses (a)			4 797 471	2 842 402
Taxes and comparable payments			156 618	119 507
Wages and salaries			464 061	276 436
Social security contributions			190 003	119 780
Amortization, depreciation and provisions:				
- On fixed assets: depreciation expenses			351 347	262 154
- On fixed assets: depreciation expenses				
- On current assets: depreciation expenses				
- For risks and contingencies: depreciation provisions			1 582	
Other expenses			140 595	189 059
			6 101 679	**3 809 338**
OPERATING INCOME			**- 1 807 471**	**- 1 584 366**

SHARE OF NET INCOME FROM JOINT VENTURES		
Profit allocated or loss transferred		
Loss allocated or profit transferred		
FINANCIAL INCOME		
From ownership interests (3)	2 206 505	1 176 586
From other short-term investments & receivables on non-current assets (3)		
Other interest and comparable income (3)	360 389	2 640 417
Reversed impairment, provisions and expense transfers	684 787	14 717
Foreign exchange gains		
Net income from sales of marketable securities	2 317	1 372
	3 253 999	**3 833 092**
FINANCIAL EXPENSES		
Amortization, depreciation and provisions	214 039	625 811
Interest and comparable expenses (4)	1 296 081	3 478 912
Foreign exchange losses		
Net expenses on sales of marketable securities	618 333	
	2 128 454	**4 104 723**
FINANCIAL INCOME	**1 125 545**	**- 271 631**

PRE-TAX INCOME (LOSS)	**- 681 927**	**- 1 855 998**

INCOME STATEMENT (CONTINUED)

	31/12/13 TOTAL	31/12/2012 TOTAL
NON-RECURRING INCOME		
From operating activities		
From investing activities		1
Reversed impairment, provisions and expense transfers		
		1
NON-RECURRING EXPENSES		
On operating activities	19 820	577
On investing activities		1
Amortization, depreciation and provisions	5 776 397	
	5 796 217	**578**
TOTAL NON-RECURRING ITEMS	**- 5 796 217**	**- 577**
Employee profit-sharing		
Corporate income tax		
Total income	7 548 207	6 058 064
Total expenses	14 026 350	7 914 639
PROFIT OR LOSS	**- 6 478 143**	**- 1 856 574**

(a) Including:		
- Equipment lease payments	*14 079*	*14 079*
- Property lease payments		
(1) Including income from prior periods.		
(2) Including expenses from prior periods		
(3) Including income from affiliates	*2 559 859*	*2 795 911*
(4) Including interest paid to affiliates	*1 230 840*	*3 318 773*

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GENERAL INFORMATION

ACANTHE DEVELOPPEMENT is a European company with a capital of 19,312,608 euros, having its head office at 2 Rue de Bassano, Paris 16th, and listed in the Trade & Companies Register of Paris under number 735 620 205. ACANTHE DEVELOPPEMENT shares are listed on Euronext Paris of NYSE Euronext (compartment C, ISIN FR 0000064602).

NOTE 1. MAIN EVENTS OF THE FINANCIAL PERIOD

1.1. DISTRIBUTION OF DIVIDENDS

On 26 June 2013, the Annual Ordinary and Extraordinary General Meeting decided to allocate the loss of (€1,856,574.05) to unappropriated retained earnings, which amounted to €41,099,902.47 at 31 December 2012; this resulted in a distributable income of €39,243,328.42, which was allocated as follows:

- Dividends... €7,597,852.62

- the balance to unappropriated retained earnings €31,645,475.80

The General Meeting decided that each of the 126,630,877 shares comprising the share capital at 31 December 2012 would receive a dividend of €0.06 per share. This distribution enabled the company to fulfil its obligation to distribute, by virtue of the SIIC tax regime, which for the year amounted to €6,343,852.

The General Meeting allowed each shareholder to opt either for a payment of the dividend in cash or in new shares to be created by the Company.

As required by law, the Board meeting of 1st August 2013 set the issue price for the new shares at €0.38.

The Board meeting of 27 September 2013 noted that 100,681,595 of the 126,630,877 coupons sent to bearers of capital shares on 31 December 2012 opted to reinvest the capital. This reinvestment generated an increase in the share capital of €2,106,210.51 through the creation of 15,500,705 new shares, after a rounding of €0.49, deducted from «share premium», share capital totals €19,312,608, divided into 142,131,582 shares.

Dividend payments in cash totalled €1,708,000.

1.2. FORMATION OF COMPANY ECHELLE RIVOLI

SCI ECHELLE RIVOLI was formed during the period with a share capital of €1,000. Its partners are ACANTHE DEVELOPPEMENT (999 shares) and company BALDAVINE (1 share).

NOTE 2. ACCOUNTING POLICIES, STANDARDS AND METHODS

2.1 GENERAL POINTS

The annual financial statements were prepared in accordance with French accounting standards laid down by the uniform code of accounts under CRC regulation 99-03.

Accounting conventions have been applied in accordance with the conservatism principle, on the basis of

the following basic assumptions:
- Going concern assumption,
- Consistency principle (between periods),
- Cut-off assertion,

and in accordance with the general rules for preparing and presenting annual financial statements. The basic method adopted to measure recognized items is the historical cost method.

The accounting methods used in 2013 are the same as those used for the prior period.

2.2 BASES OF VALUATION, JUDGEMENT AND USE OF ESTIMATES

Valuations mainly involve estimations of the recoverable value of investment properties.

The criteria for valuing buildings are defined in the Charte de l'Expertise en Evaluation immobilière (Property Valuation Guidelines).

The present market value is the price one can expect to get if the building is sold to a buyer having no particular connection with the vendor within roughly 6 months of it being advertised in the market.

The tenancy status of premises is taken into consideration, the general rules being to:

- capitalize the rental value of vacant premises at a higher rate than that used for rented premises to factor in the risk of vacancy,

- adjust the rate of return on rented premises according to geographical position, type and use of buildings, and level of rents in relation to the rental value and lease renewal dates.

The terms and conditions of leases were taken into account in the estimate, in particular the cost to lessees of possibly exorbitant common law clauses (land tax, building insurance, major repairs under Article 606 of the French Civil Code and management fees).

Finally, the buildings were deemed to be in a good state of repair, the budgets for work to be carried out having been deducted. Any valuation may include a degree of uncertainty that could have an impact on the future result of operations.

In accordance with CRC regulation 02-10, an impairment test was carried out at the end of the period. The purpose of the test is to ascertain that the values estimated by the expert valuations described above are much higher than the net carrying amount posted in the balance sheet for the assets concerned. Otherwise, a valuation allowance for the difference is recognized.

These property valuations contribute to the valuation of equity interests.

2.3 REPORTING DATE

The annual financial statements cover the period from 1st January 2013 to 31 December 2013.

2.4 SIIC (REAL ESTATE INVESTMENT COMPANY) REGIME

You are reminded that on 28 April 2005 ACANTHE DEVELOPPEMENT SA opted for the Sociétés d'Investissement Immobilières Cotées (Real Estate Investment Company) regime, with effect from 1st May 2005 .

This regime exempts companies from corporation income tax on earnings from building rentals (or from the subletting of premises under leasing contracts signed on or acquired since 1st May 2005), on capital gains earned on certain disposals of buildings or holdings in property companies and the distribution of dividends by certain subsidiaries; such exemption is subject to:

- 95% of the profits generated by the rental of properties being distributed before the end of the financial year following the one in which they were made;
- 60% of the capital gains from disposals of properties and certain ownership interests in property companies being distributed before the end of the second financial year following the one in which they were made;
- 100% of the dividends received from subsidiaries having opted to the SIIC tax regime being distributed before the end of the financial year following the one in which they were received.

NOTE 3. MEASUREMENT BASIS

3.1 INTANGIBLE ASSETS

The lease renewal concerns the long-term lease on an office building in Brussels contributed by FINANCE CONSULTING in 2012 as part of a merger. A valuation allowance would be recognized if the market value of the property complex contributed by the company were to fall below its net carrying amount as posted under balance sheet assets, including the technical losses on merger described below.

As the merger with FINANCE CONSULTING was recognized on the basis of carrying amounts, the technical losses on merger reflects the difference between the fair value of the contributed assets and their net carrying amount in the contributing company's books of account; The valuation of the technical losses on merger reflects the value of its underlying asset. A valuation allowance is recognized when the cumulative value of the underlying asset and the portion of the losses arising from the underlying asset is higher that the value of the said underlying asset.

3.2 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are measured at their acquisition cost or their transfer value.

Depreciation is calculated on a straight-line basis over the following estimated useful life periods:

Carcass..100 years

Buildings ....30 years

Façades & Weather-proofing ....15 years

General technical installations..................20 years

Interior fixtures and decoration..................10 years

Software..3 years

Office furniture.................................3 years

Office equipment and computer hardware.........3 years

3.3 LONG-TERM INVESTMENTS

Equity interests are posted in the balance sheet at their acquisition cost; where applicable, they are impaired when their current value (based on net book assets, unrealized gains or losses, profit prospects or market price) proves to be lower than their acquisition cost. When the current value is negative, a provision for impairment of current accounts is recognised and, should this be insufficient, a provision for contingencies is recognized. The related receivables comprise current accounts with the subsidiaries.

3.4 ACCOUNTS RECEIVABLES

Receivables are recognized at face value. A provision for impairment is recognized when collection thereof is compromised.

3.5 MARKETABLE SECURITIES

The current value of marketable securities is their average market price during the last month of the period. An impairment writedown is recognized when the current value is less than their acquisition cost except for ACANTHE DEVELOPPEMENT treasury shares, due to the adjusted net asset value (ANAV), which is greater than the net carrying amount.

3.6 REVENUE

Revenue from «Services» comes from rents collected from tenants of properties leased by the company, as well as services billed to subsidiaries (head office costs and salaries, sundry tasks and duties).

3.7 PROVISION FOR CONTINGENCIES AND LOSSES

Contingency and loss provisions are recognized when, at year-end closing, the company has a present obligation towards a third party and it is probable that an outflow of resources will be required to settle the obligation without at least an equivalent consideration being expected from the said third party.

ACANTHE DEVELOPPEMENT SA does not recognize its pension and retirement benefit commitments, as they are insignificant.

3.8 EARNINGS PER SHARE

In accordance with decision no. 27 of the OEC (French association of chartered accountants), basic earnings per share are determined by dividing the company's net income by the weighted-average number of shares outstanding during the period.

The weighted-average number of shares is 130,665,307. Earnings per share are thus -€0.0496.

Diluted earnings per share are the same as earnings per share (-€0.0496). The remaining stock options are disregarded because their exercise price is higher than the quoted market price.

NOTE 4. EXPLANATION OF BALANCE SHEET AND INCOME STATEMENT ITEMS AND CHANGES THEREIN (IN THOUSANDS OF EUROS)

4.1 FIXED ASSETS

(in 1,000s of euros)

	Capital assets				Amortization and depreciation				Net
	Gross value 01/01/13	Increas. contribution	Decrease between accounts	Gross value 31/12/13	Amort. at 01/01/13	Increas. contribution	Decrease	Amort. at 31/12/13	31/12/13
Intangible assets									
Software	10	3		13	10	0		10	2
Lease renewal (1)	4,958			4,958	3,028	165		3,193	1,765
Merger loss (1)	362			362	-			-	362
Property, Plant and Equipment									
Land	1,591			1,591	-			-	1,591
Buildings	2,798			2,798	446	28		474	2,324
Fixtures, fittings and equipment	977	665		1,642	619	153		772	870
Vehicles	-			-	-			-	-
Office & IT equpmt	53	6	7	52	46	5	7	44	8
Constr. work in progress	547	118	665	-	-			-	-
Long-term investments									
Equity interests	228,139	1		228,140	624	26		650	227,490
Loans to subsidiaries	23,493	16,049		39,542	760	188		948	38,594
Other LT invvest., Loans	181	10		191	-			-	191
TOTAL	**263,109**	**16,853**	**672**	**279,289**	**5,533**	**565**	**7**	**6,091**	**273,199**

(1) relating to the lease renewal and the long-term lease on an office building in Brussels contributed by FINANCE CONSULTING in 2012 as part of a merger.

• Property, Plant and Equipment

These items include :

- a mixed occupancy building (offices and shops) in the 9th district with a floor area of 963 m^2. The increase in the value of the building follows works on the air conditioning and the interior fit-out of offices, which were completed in February 2013. The cost of the building work is €665,000.

- a plot of land and long-term lease on an office block in Brussels contributed by FINANCE CONSULTING in 2012 as part of a merger.

• Long-term investments

At 31 December 2013, and where applicable, provisions for long-term investments take into account the net revalued position of unrealized gains on the buildings.

During the period, ECHELLE RIVOLI was formed, its main shareholder being ACANTHE DEVELOPPEMENT (99.9%).

Subsidiaries and equity interests (in thousands of euros)

Company	Capital	Equity other than capital	Proportionate interest (%)	Gross carrying amount	Net carrying amount	Loans and advances granted by the company	Sureties and guarantees given by the company	Turnover excluding tax in the last financial year	Profit or loss of prior period	Dividends paid to the company during the period
To: subsidiaries at least 50%										
SA VELO	1	-900	100,00%	624	-	948	-	-	-107	-
SA BALDAVINE	131	14	100,00%	4 625	4 625	22 015	-	1 487	362	1 894
SNC VENUS	224 811	9 509	97,34%	217 719	217 719		-	2 253	7 073	-
FINPLAT	31	-1 410	100,00%	0	0	152	-	-	-14	-
SAS BASSANO DVT	33 301	185	15,10%	5 172	5 146		-	1 295	-1 116	313
TRENUBEL	31	-1 367	99,92%	0	0	2 363		-	-34	-
ECHELLE RIVOLI	1	-	99,90%	1	1	11 526		513	171	-
B: subsidiaries, less than 10%										
SA FONCIERE ROMAINE	38	-548	0,04%	-	-	-	-	-	-204	-
TOTAL				**228 141**	**227 491**	**37 003**	**-**	**5 547**	**6 132**	**2 207**

ACANTHE DEVELOPPEMENT also has a current account of €2,539,000 with a subsidiary
Subsidiary Bassano Développement, 15.10% owned, is the freeholder of the Royal Garden Hotel at 218/220 Rue du Fbg St Honoré (Paris 8th)

4.2 STATEMENT OF RECEIVABLES (GROSS BEFORE IMPAIRMENT)

Change in receivables

In thousands of euros

Gross receivables	At 31/12/13	At 31/12/12	Change
Capitalized receivables			
Loans to subsidiaries and affiliates	39 542	23 493	16 049
Other long-term investments	191	181	10
Current assets			
Trade receivables	1 740	2 048	-308
State and local authorities	1 054	819	235
Group & Associates	-	-	-
Sundry debtors	1 760	1 804	-44
Prepaid expenses	89	42	47
TOTALS	**44 377**	**28 386**	**15 991**

The change in «Loans to subsidiaries and affiliates» is explained by the increase in advances made to subsidiaries.
The change in «Trade receivables» is explained by unbilled receivables relating to rebilling.
«State and local authorities» includes VAT receivables(€1,008,000), a carry¬back request (€44,000) and accrued income of €2,000 from the Treasury.
«Sundry debtors» includes escrow funds (€1,700,000 further to the dispute between the Company and former shareholders of a subsidiary), the quarterly management balance for the building collected in January 2014 (€36,000) and sundry receivables (€24,000).

Schedule of receivables

(in thousands of euros)

Receivables	Gross amount	Net amount	Due in one year at the most	Due in over one year
Capitalized receivables				
Loans to subsidiaries and affiliates	39 542	38 594		38 594
Loans	-	-	-	-
Other	191	191	-	191
Circulating assets				
Customers	1 740	1 740	1 740	-
State and local authorities	1 054	1 054	1 054	-
Group & Associates	-	-	-	-
Sundry debtors	1 760	1 760	1 760	-
Prepaid expenses	89	89	89	-
TOTALS	**44 377**	**43 429**	**4 643**	**38 785**

4.3 MARKETABLE SECURITIES

The current value of marketable securities is their average market price during the last month of the period.

(In thousands of €)

Securities	Number	Gross carrying amount	Net carrying amount
Own shares	1 532	0	0
Open-end investment funds CAAM	1 680	6 997	6 997
	3 212	6 997	6 997

4.4 EQUITY

(In thousands of €)

	Capital	Share premiums	Legal	Other reserves	Carried forward	Net income	Total
At 31/12/12	17 206	50 796	1 500	45 138	41 099	-1 857	153 883
Appropriation of income (loss)					-1 857	1 857	0
Dividends					-7 598		-7 598
Increase in capital through reinvestment of dividends	2 106	3 784					5 890
2013 net income						-6 478	-6 478
	19 313	54 580	1 500	45 138	31 645	-6 478	145 698

During the period, as mentioned under «Highlights of the period», the main changes in equity were:

° distributions of €7,598,000 deducted from the balance carried forward,

° and reinvested dividends increasing equity by €5,890,000.

The period showed a loss of €6,478,000.

Share capital components

At 31 December 2013, the share capital comprises 142,131,582 fully paid-up ordinary single-voting shares.
During the period, 15,500,705 new shares were created further to the reinvested dividend.

	Equity warrants	Coupons reinvested	Number of shares
Start of period			126 630 877
Conversion of 15,500,705 coupons		15 500 705	15 500 705
TOTALS	**-**	**15 500 705**	**142 131 582**

4.5 LIABILITIES

Change in liabilities

(In thousands of euros)

Liabilities	At 31/12/13	At 31/12/12	change
Bank loans and financial liabilities	1 219	1 346	-126
Sundry borrowings and debts	156	2 347	-2 192
Trade accounts payable	901	1 193	-292
Tax and social security liabilities	841	424	417
Current accounts (incl. SNC Venus €126 million)	130 193	105 535	24 659
Other liabilities	6	27	-22
TOTALS	**133 316**	**110 872**	**22 444**

The change in «Sundry borrowings and debts» is explained by the repayment of €2,100,000 (principal). The loan was repaid on 27 March 2013.

The change in «Trade accounts payable» is explained by a €209,000 decrease in unbilled payables, among other things due to the end of the renovation works on the building in Rue d'Athènes and the reduction in lawyer's fees.

«Tax and social security liabilities» primarily includes €697,000 of payable VAT, the balance being social security debts.

The change in «Current accounts» is explained by additional cash advances made by subsidiaries having cash surpluses (arising from various disposals of buildings or securities).

«Other liabilities» include a credit note to be issued to lessees for the service charges of a building (€6,000).

Schedule of liabilities

(In thousands of euros)

Liabilities	Amount	Due in one year at the most	due in 1 to 5 years	due in over 5 years
Bank loans and financial liabilities	1 219	145	583	492
Sundry borrowings and debts	156	-	156	-
Trade accounts payable	901	901	-	-
Tax and social security liabilities	841	841	-	-
Current accounts	130 193	-	130 193	-
Other liabilities	6	6	-	-
TOTALS	**133 316**	**1 892**	**130 932**	**492**

Bank loans and financial liabilities essentially include the following loan:

- A loan taken out with H.V.B. (now DEUTSCHE PFANDBRIEFBANK) for a term of 20 years (principal amount of €1,212,000 and €7,23,000 of accrued interest) at a fixed rate until 31 July 2016 then at a variable rate until full repayment of the loan in 31 July 2021.

4.6 ACCRUED PAYABLES AND ACCRUED INCOME

In thousands of euros

Realizable receivables	31/12/13	31/12/12	Chg.	Liabilities	31/12/13	31/12/12	Chg.
Financial				**Financial**			
Accrued interest on cur.act. receivables	353	266	87	Accrued interest on cur.act. liabilities	1 231	3 247	-2 016
Accrued interest on term deposits			-	Accrued interest on loans	7	8	-1
				accrued interest on other	-	109	-109
Operating				**operating loans**			
Trade receivables	1 710	1 975	-264	Trade payables	544	753	-209
Sundry int.	-	-	-	Tax and social security liabilities	61	37	24
Other receivables	2	185	-183	Unbilled discounts granted	6	7	-2
Unbilled discounts received	-	34	-34	Sundry accrued expenses	-	20	-20
Sundry accrued income	-	21	-21				
TOTAL	**2 066**	**2 481**	**-415**	**TOTAL**	**1 849**	**4 182**	**-2 333**

4.7 PROVISIONS

In thousands of euros

	Amount at 31/12/12	Accretion	Writedown		Amount at 31/12/13
			used	Not used	
For disputes		2			2
For tax adjustment		5 776			5 776
For risks and contingencies	139			81	58
For current accounts	760	188			948
For equity interests	624	26			650
For shares	604		604		-
TOTAL	**2 127**	**5 992**	**604**	**81**	**7 433**

- A provision for risks (€2,000) was recognized following a dispute with a supplier.
- A provision for tax adjustments (€5,776,000) was recognized, including €1,298,000 of penalties. The latter sum was recognized at the request of the statutory auditors, even though the company's advisers (CMS Bureau Francis Lefebvre) think it will not be due.
- A reversal of a provision for risks (€81,000) was recognized for subsidiary VELO during the period.
- A provision for current accounts (€188,000) was recognized on subsidiary SA VELO.
- A provision for equity interests (€26,000) was recognized on subsidiary SAS BASSANO DEVELOPPEMENT.
- Following the sale of FIPP shares, a reversal of a €604,000 provision was recognized during the period. The sale of FIPP shares resulted in a loss in value of €618,000.

4.8 PREPAID EXPENSES

These primarily consist of subscription and insurance costs (€89,000 compared with €42,000 in 2012).

4.9 AFFILIATED COMPANIES

In thousands of euros

BALANCE SHEET	31/12/13	31/12/12	Chg.	INCOME STATEMENT	31/12/13	31/12/12	Chg.
Equity interests	228 141	228 140	1				
Prov. for equity interests	-650	-624	-26				
Other loans	0	-2 100	2 100				
Accrued interest/other loans	0	-109	109	Fees	-358	-388	30
Merger loss	362	362	0	Interest on other loans	-19	-109	90
Loans to subsidiaries and affiliates	39 189	23 226	15 962	Interest expenses on cur.act	-1 231	-3 319	2 088
int. on loans to subs. and aff.	353	266	87	Book value of shares sold		0	0
Prov. for current accounts	-948	-760	-188	property rentals	-710	-682	-28
Provisions for contingencies	-58	-139	81	Rebillable expenses	-291	-251	-40
Current account in credit	-128 963	-102 288	-26 675	Share of book loss subsidiaries	0	0	0
Interest on current account	-1 231	-3 247	2 016	Share of book profit subsidiaries	0	0	0
				Prov. for contingencies	0	-139	139
Unbilled receivables	1 710	1 975	-264	Works rebilled	2 123	0	2 123
Unbilled credit note		0	0	Income from current accounts	353	415	-62
Deposits received	-44	-27	-17	income from participating interests	2 207	1 177	1 030
Deposits paid	179	176	3	Profit on current accounts	0	1 204	-1 204
				Head office costs rebilled	1 429	1 649	-221
Invoices not yet received	-82	-213	131	Taxable rents	174	106	68
				Rebillable expenses	73	36	37
Unbillled credit note	0	0	0	Provision for current accounts	-188	-487	299
				Provision for equity interests	-26	0	-26
Shares	0	824	-824	Provision for shares	0	0	0
Provision for shares	0	-604	604	Reversed provision for shares	604	15	589
				Net costs on sales of shares	-618	0	-618
Sundry debtors	-	-	-	Reversed prov. R&C	81	0	81
TOTAL	**137 959**	**144 858**	**-6 899**	**TOTAL**	**3 602**	**-772**	**4 375**

Transactions between the company's subsidiaries were made under normal market conditions; as such, they do not require additional disclosures under Article R.123-198 11° of the French Commercial Code.

4.10 NOTES TO THE INCOME STATEMENT

• **Change in Revenue**

In thousands of euros

Income	At 31/12/13	At 31/12/12	Change
Rental income	595	450	145
Income from rebillable expenses	137	87	50
Income from other activities	3 556	1 655	1 901
Revenue	**4 288**	**2 191**	**2 097**

ACANTHE DEVELOPPEMENT is both a holding company and a property investment company. Its revenue comprises rents from leased properties as well as income from rebillable expenses and head office expenses invoiced to subsidiaries.

The change in rental income is accounted for by the end of the rent-free period granted to lessees at Rue d'Athènes (€78,000) and by the signing of a new lease from 1st March 2013 for part of the office space in Brussels (€54,000).

The change in income from related activities is explained among other things by €2,123,000 of works rebilled to a subsidiary, head office costs for their part showing a decrease of €223,000.

• Operating expenses

Operating expenses represented for the period €6,102,000 compared with €3,809,000 last year.

This rise of €2,293,000 is essentially due to:
- €2,123,000 of expenses committed on account that were symmetrically and fully reinvoiced; this amount is reflected in total expenses and income (see note on Revenue),
- the reduction in certain items under «Other purchases and external charges» (-€168,000),
- the increase in «Taxes» (€37,000), primarily due to taxes for a full year on the building in Brussels,
- the increase in «Wages and salaries and social security contributions» (€258,000), mainly pertaining to company management,
- the increase in amortization expenses and provisions (+€91,000) owing to amortization of the building contributed under the merger in 2012 over a full year.
- the €48,000 decrease in other charges.

• Net financial income

This year, net financial income shows a profit of €1,126,000 and breaks down as follows:
- €2,207,000 of dividends received from BALDAVINE (€1,894,000) and BASSANO DEVELOPPEMENT (€313,000),
- €353,000 of interest on current accounts,
- -€1,231,000 of interest expenses on current accounts,
- A provision for impairment of -€188,000 on the VELO current account,
- A provision of -€26,000 for BASSANO DEVELOPPEMENT shares,
- And other financial income and expenses totalling +€11,000 net.

At 31 December 2012, net financial income showed a loss of -€272,000. It broke down as follows:
- €1,177,000 of dividends received from BALDAVINE (€1,005,000) and BASSANO DEVELOPPEMENT (€171,000),
- €415,000 of interest on current accounts,
- -€3,319,000 of interest expenses on current accounts,
- A profit of €1,204,000 on the current account of subsidiary BRUXYS,
- €1,021,000 of interest on arrears received further to repayment of the tax receivable,
- A provision of -€487,000 for impairment on the current VELO account,
- A provision for impairment for risk of -€139,000 concerning a subsidiary (VELO),
- And other financial income and expenses totalling -€144,000 net.

• Non-recurring items

This year non-recurring items showed a loss of €5,796,000 compared with a loss of €1,000 in 2012. This loss is essentially due to provisions totalling €5,776,000 for the risk of tax adjustment.

The period showed a loss of €6,478,000.

NOTE 5. OFF-BALANCE SHEET COMMITMENTS

5.1 COMMITMENTS GIVEN

a) ACANTHE DEVELOPPEMENT has granted collateral totalling €63,742,000 to the banks that financed buildings owned by its subsidiaries.

b) A first mortgage was granted to BAYERISCHE HANDELSBANK AG (now DEUTSCHE PFANDBRIEFBANK) on the building in Rue d'Athènes. The capital balance on the loan is €1,211,000 at 31 December 2013.

c) A pledge on the commercial rents from the building in Rue d'Athènes was granted to BAYERISCHE HANDELSBANK (now DEUTSCHE PFANDBRIEFBANK) for the same loan.

d) A preferential right for the Treasury (€8,255,000) and a statutory mortgage of the Treasury on the building in Rue d'Athènes (€9,080,000) were as a guarantee for disputed taxes totalling €9,080,000 (see note 6).

Collateral, Guarantees and Sureties:

Company whose securities are pledged	Owner of the securities	Beneficiary	Effective date	Date of maturity	Number of securities pledged	% of pledged capital
BALDAVINE	ACANTHE DEVELOPPEMENT	MUNCHENER HYPOTHEKEN BANK	20/05/2011	19/05/2021	4,675	99,98%
SCI ECHELLE RIVOLI	ACANTHE DEVELOPPEMENT	MUNCHENER HYPOTHEKEN BANK	18/11/2013	17/11/2020	999	99,9%

5.2 COMMITMENTS RECEIVED

None

NOTE 6. DISPUTES

6.1 TAX DISPUTES

Disputes for which provisions have been recognized

Following several tax audits regarding the financial years from 2002 to 2005, the French tax authorities sent ACANTHE DEVELOPPEMENT a proposed adjustment resulting in additional tax for a total principal amount of €6.99 million (excluding €0.85 million of interest and €3.68 million of surcharges).

The proposed adjustments notified by the tax authorities essentially compromised the principle of non-taxation of dividends under a parent-daughter company regime, and thus the right for such dividends received to qualify for the parent company regime, in the amount of €4.83 million (excluding €0.51 million of interest and €2.86 million of surcharges) .

It is for a fraction of the taxes mentioned in the previous paragraph that, in a ruling of 5 July 2011, the Administrative Court of Paris – meeting in full session and delivering four clearly substantiated identical decisions on the same day – upheld ACANTHE DEVELOPPEMENT's claim and exempted it from the additional contentious taxes and the related penalties charged by the tax authorities for tax years 2002 and 2003, and from a fraction of the taxes and related penalties for tax year 2005, confirming that the dividends paid were eligible for tax exemption under the parent company regime.

For the record, the taxes and penalties relating to tax year 2004 and the balance of taxes and penalties concerning tax year 2005 are the subject of separate proceedings, also being heard by the Administrative Court of Paris.

The tax authorities lodged an appeal against the aforesaid ruling (favourable to ACANTHE DEVELOPPEMENT) with the Administrative Court of Appeal of Paris. In a decision dated 14 November 2013, the latter set aside the decision delivered by the Administrative Court of Paris, chiefly on the grounds of the decisions delivered by the Council of State in a case involving GARNIER CHOISEUL of 17 July 2013, where the defendant was not represented.

The Company lodged an appeal against this ruling on points of law with the Council of State, stressing in particular the specific nature of its position, which according to the arguments put forward should invalidate the principles set out in the aforementioned GARNIER CHOISEUL decisions. It takes the view that its position is different from that of the companies to which the aforesaid decisions apply.

For the record, the position defended by the tax authorities, in that it could moreover result in double taxation of the same profits of a company, firstly when they are generated, and a second time at the point when they are distributed to the associates or shareholders, fuelled strong criticism, with regard to companies established within the

European Union area. If this taxation were to be maintained, it would be submitted on these grounds to the Court of Justice of the European Union.

The position of the French tax authorities also seems likely to be seriously undermined in view of recent French tax case law, in particular recent judgements of the French Council of State in the cases of JANFIN (judgement of 27 September 2006 that restricted the conditions under which the tax authorities can challenge certain financial transactions involving dividend distributions on the grounds of abuse of process) and the cases of GOLDFARB and AXA (judgements of 7 September 2009 that also went against the claims of the French tax authorities that challenged similar financial transactions). These cases concerned the validity of applying tax credits, attached to received dividends, to corporation tax owed by petitioners. Admittedly, the adjustments notified to ACANTHE DEVELOPPEMENT or its subsidiaries do not concern the application of tax credits but rather the tax exemption of dividends under the parent company tax regime.

Nonetheless, the fact remains that in either case there is a potential double taxation of profits, levied firstly on the subsidiary then on its shareholder. In this respect, with regard to the application of dividend tax credits, in the GOLDFARB and AXA cases the Council of State approved the transactions criticized by the tax authorities on the basis of objective criteria that ACANTHE deems to have met in the cases concerning it.

With regard to the decisions of the Comité de l'abus de droit fiscal (consultative committee against abuse of process), they no longer appear to prejudge any decisions that could be made by the competent courts in that they uphold (i) contrary to the lawmaker's intentions, the fact of having undertaken to keep the acquired investments in affiliates for two years in order to benefit from the tax system governing parent companies, and (ii) as inactive the companies in which the investments in question are held, whereas the law defining the patent company tax system is not subject to such limitations, and that ACANTHE DEVELOPPEMENT's capacity as shareholder could not be challenged.

Moreover it is important to put these decisions into perspective, in the light of the decision delivered by the Council of State in the SNERR case on 29 September 2010, which stipulated that the burden of proof still lay with the French tax authorities regardless of the view of the Comité.

Thus, on the grounds of the aforesaid decisions of the Council of State, the Company – assisted by its counsel CMS Bureau Francis Lefebvre – has at all stages of the proceedings contested the additional taxes that the tax authorities are claiming.

Additionally, the company and its counsel (law firm CMS Bureau Francis Lefebvre) considers that the 80% surcharge for abuse of process charged by the tax authorities on the grounds of Article 1729 b of the General Tax Code is in any event contentious, as it should penalize conduct rather than an error in interpreting the lawmaker's intention. In fact, prevention of abuse of process – excluding fictitious acts – penalizes application of a law «against the objectives pursued by its author», which presupposes that these objectives are known on the date of the presumed offence.

But in that case, one would still have to prove that the Company could not be unaware of the lawmaker's intention with regard to implementation of the parent-daughter company regime, which in this instance cannot be the case, as the lawmaker's intention as upheld by the Council of State in its decisions in the GARNIER CHOISEUL case in July 2013 diverges from the company's position as upheld by the Administrative Court of Paris, in certain decisions delivered in 2011, above all the position of the Administrative Court of Appeal of Paris in several decisions delivered in 2011 and 2012.

It follows on from this that the lawmaker's intention could only be considered as known from 17 July 2013 onwards, not on the date on which the tax returns for financial years 2002 to 2005 were filed.

Furthermore, many practitioners can only take the view that the offence of abuse of process in the GARNIER CHOISEUL decisions of 17 July 2013 creates great insecurity for taxpayers, both in itself and in the risks it entails. One can indeed ask oneself how the latter could have:

- deduced, from reading all the preparatory work on the parent company tax regime (in particular the preparatory work in Article 27 of the law of 31 July 1920 setting the general budget for tax year 1920, from Article 53 of the tax reform law of 31 December 1936, Article 45 of law no. 52-401 of 14 April 1952 instituting the 1952 Finance Act, Articles 20 and 21 of law no. 65-566 of 12 July 1965 amending company and portfolio capital taxation and Article 9 of the 2001 Finance Act), as well as the fact that the benefit of this tax regime would still have been subject to holding securities from the outset or for a minimum length of time, and - since 1936 - subject to a minimum threshold on ownership interests in issuing companies, which the lawmaker, in seeking to eliminate or limit the succession of taxes liable to be levied on revenues that parent companies receive from their interests in subsidiaries and distribute to their own shareholders, would have intended to encourage parent companies in the economic development of subsidiaries for the purposes of structuring and reinforcing the French economy;
- and conclude from this reading that the fact of acquiring companies that have discontinued their initial business and sold off their assets with a view to recouping cash by paying dividends exempt from corporation tax under the parent company regime, without doing anything enabling them to resume and develop their former business or find a new one, would go against this objective?

Tax advisors tend to think that no one had such foresight and more particularly that no one would have dreamt, as the Council of State did, of seeing in the law of 31 July 1920 (exempting from the tax on portfolio capital the proceeds of dividends paid by subsidiaries) the reasons behind a decision made only 28 years later (when corporation tax was instituted by the decree of 9 December 1948) to subtract the dividends of subsidiaries from the tax basis of this tax.

This gross simplification is all the more surprising as there is a clear difference between the two mechanism. The 1920 law aimed to relieve the parent company of a tax on distributions made to its own shareholders. The corporation tax exemption of 1948 benefits the parent company regardless of the amount of profits it distributes to its shareholders from dividends paid by its subsidiaries. Under these circumstances, it is pure speculation to ascribe to the authors of the second law the same intentions as those of the first.

One should also bear in mind that, in respect of the disputed tax years, Article L 64 of the Tax Procedures Guide, referred to by the 80% surcharge stipulated in Article 1729 b of the General Tax Code, did not penalize acts committed exclusively for tax purposes against the intentions of the lawmaker, this only being permitted under case law (see the aforesaid decision on the JANFIN case) on the grounds of fraudulent evasion of statutory provisions.

The 80% surcharge could only have been applied on the grounds of embezzling, but such a surcharge was neither applied nor, with all the more reason, substantiated against the Company.

At 31 December 2013, the company recognized a €4.5 million provision for tax risks (principal + interest on arrears), further to the findings of the Paris Court of Appeal ruling on additional taxation for tax years 2002 and 2003 (for which an appeal was lodged with the Council of State), as well as its impact with regard to Exit Tax. Moreover, at the request of the statutory auditors, it has also recognized a €1.3 million provision for the 80% surcharges, despite the aforementioned advice of tax advisors CMS Bureau Francis Lefebvre. The provision thus recognized totals €5.8 million.

Disputes for which provisions have not been recognized

Moreover, the proposals for correction sent to ACANTHE DEVELOPPEMENT questioned the valuation of the AD CAPITAL shares distributed as dividends in kind for a basic amount of €15.6 million, a portion of which is taxed as long-term capital gains, which results in back taxes in principal for an amount of €3.4 million. ACANTHE DEVELOPPEMENT had valued these securities on the basis of Adjusted Net Asset Value (ANAV) and the tax authorities has proposed other methods, which have been contested by the Company and its advisors (CMS Bureau Francis Lefebvre) in their response to the proposed adjustment.

On 7 July 2008, the departmental representative of the tax authorities met the company's counsel, CMS Bureau Francis Lefebvre, and after the meeting, the authorities, albeit confirming the principle of the challenge to the initial valuation method, accepted some of the submitted valuation elements and correlatively reduced the amount of the tax adjustment to €11.8 million, making a tax adjustment in the principal amount of €2.5 million.

Pursuing its challenge of the tax adjustment, the company specifically requested that it be submitted to the departmental committee of direct taxes and taxes on sales. The committee duly examined the company's case on 30 June 2010 and took into account the elements submitted on behalf of the company to demonstrate the exaggerated nature of the valuation performed by the authorities. Following this decision, the amount of the adjustment was further reduced to €10.4 million, making a tax adjustment of €2.15 million (excluding €0.34 million of interest and €0.82 million of surcharges).

There again, on receiving collection notice for the corresponding tax, the company filed a claim and, following the rejection of the latter, on 7 September 2011 it referred the matter to the Administrative Court of Paris in order to have all the arguments presented taken into consideration. The proceedings are currently underway.

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Thus the Company – assisted by its counsel CMS Bureau Francis Lefebvre – has at all stages of the proceedings contested the additional taxes that the tax authorities are charging (including the collection thereof).

On all these grounds, in view of the completeness of the information provided, and the opinion of its experts and case law, the Company considers that it should win its cases, which justifies the absence of recognized provisions other than those recognized in the case referred to the Council of State.

It should be noted that a preferential Treasury claim for €8,255,000 has been made against the Company and that a statutory mortgage of €9,080,000 was taken on the building in Rue d'Athènes as a guarantee for these tax adjustments.

6.2 OTHER DISPUTES: FRANCE IMMOBILIER GROUP (FIG)

a/ Decision of the Paris Court of Appeal of 27 February 2014

In a decision dated 27 February 2014, the Paris Court of Appeal decided:

- to cancel a contribution deed dated 24 November 2009 whereby FIG (formerly a lower-tier subsidiary of ACANTHE DEVELOPPEMENT sold on 19 March 2010) contributed all its property assets (buildings and shares in property investment partnerships) to SNC VENUS, valued by a valuer of contributions in kind at €138,755,688, in exchange for 95,496 SNC VENUS partnership shares,
- to cancel a decision dated 9 December 2009 to distribute all FIG's assets (more particularly including VENUS shares) to TAMPICO,
- to cancel a decision dated 11 June 2010 to increase FIG's capital from €1,439.50 to €10,221,035.83 and modify the company's share capital allocation.

The Paris Court of Appeal also ordered ACANTHE DEVELOPPEMENT to pay, jointly and severally with companies FIG and VENUS, Mr Barthes €129,552 and Mr Noyer €89,597 as compensation for their loss of shareholders' rights.

The Court of Appeal thus reviewed the conclusions of Mr Kling, the expert appointed under the decisions of 14 January 2011 of the Paris Commercial Court to value the rights that FIG's minority groups held in FIG's shareholders' equity and dividends and reserves, after allowing for changes in their ownership interest further to the various transactions affecting FIG's net assets since the ordinary and extraordinary general meeting of 24 February 2004.

The Court of Appeal also ordered ACANTHE DEVELOPPEMENT and VENUS each to pay €100,000 to Mr Barthes in respect of Article 700 of the Code of Civil Procedure, and €100,000 to Mr Noyer in respect of Article 700 of the Code of Civil Procedure, as well as all costs. An expense provision of €623,000 has been recognized in this respect in the accounts of the Acanthe Développement group (see §4.5).

The Court of Appeal did not set aside the decision dated 23 February 2010 whereby company TAMPICO distributed dividends totalling €235,064,565.09 (mainly by distributing VENUS shares) to ACANTHE DEVELOPPEMENT.

Given the complexity of the decision of 27 February 2014 and the impossibility of restoring the «status quo ante» in view of transactions made since 24 February 2004, ACANTHE DEVELOPPEMENT takes the view that this decision is inapplicable. This situation creates a legal uncertainty regarding how this dispute will unravel and its possible consequences.

Further to the decision of 27 February 2014, a communiqué was sent to all shareholders and published on the Company's web site on 6 March 2014. The decision has been published in its entirety on the Company's web site since that date.

b/ Sums to be placed under compulsory administration

In an ex parte order dated 15 June 2010 delivered at the request of Messrs Barthes and Ceuzin, the President of the Commercial Court of Paris ordered 95,496 SNC VENUS partnership shares, worth over 138 million euros, belonging to ACANTHE DEVELOPPEMENT, to be placed in compulsory administration by a court bailiff.

In an ex parte order dated 16 September 2010 delivered at the request of Messrs Barthes and Ceuzin, the President of the Commercial Court of Paris ordered €15,179,894.85 (the full amount of the dividend voted by the General Meeting of the Shareholders ACANTHE DEVELOPPEMENT on 18 June 2010) placed under compulsory administration by a court bailiff. A decision of the Paris Court of Appeal on 8 December 2010 confirmed the ex parte order of 8 October 2010, which had limited the amount placed under compulsory administration to €1,700,000.

An ex parte order dated 29 March 2011 dismissed ACANTHE DEVELOPPEMENT's application in respect of the court order of 15 June 2010 and rejected its application in respect of the court orders of 16 September and 8 October 2010.

In a ruling on 30 March 2012, the Paris Court of Appeal confirmed the part of the 29 March 2011 court order in connection with the court order of 15 June 2010. The Court of Appeal in particular held that since the judgements of 14 January 2011 were under appeal, they were not definitive and accordingly did not end the dispute between the parties.

With regard to the appeal against the court order of 29 March 2011 for the part relating to the court orders of 16 September and 8 October 2010, a judgement of the Paris Court of Appeal on 25 October 2012 dismissed ACANTHE DEVELOPPEMENT's appeal. An appeal on points of law has been lodged against this judgement.

Further to the aforementioned judgement of 27 February 2014 ruling on the appeals against the judgements of 14 January 2011, ACANTHE DEVELOPPEMENT is contemplating filing an application with the competent courts with a view to securing the release of the funds placed under compulsory administration.

The sum of €138 million (value of the VENUS shares) and the sum of €1.7 million placed under compulsory administration on the initiative of Messrs Barthes and Ceuzin should be reconciled with the sum of €129,552 awarded to Mr Barthes by the Paris Court of Appeal.

c/ Application to extend the FIG liquidation proceedings to ACANTHE DEVELOPPEMENT

On 23 December 2011 Mrs Monique Richez, in her capacity as controller of the FIG liquidation, summoned ACANTHE DEVELOPPEMENT before the Commercial Court of Paris to have the FIG liquidation proceedings extended for payment of the latter's liabilities.

The dispute between Mrs Monique Richez and FIG arose when ACANTHE DEVELOPPEMENT was not a shareholder of FIG. It became a shareholder of FIG through one of its subsidiaries (TAMPICO) on 24 March 2005, and FIG left the reporting scope of the ACANTHE Group on 19 March 2010, namely prior to the decision to commence liquidation proceedings for FIG.

In an official letter dated 9 March 2012 sent to Mrs Richez's counsel, ACANTHE DEVELOPPEMENT offered to purchase Mrs Richez's claim in order to protect its shareholders from the negative publicity surrounding these court proceedings.

Mrs Richez refused this offer on 22 March 2012 and stated she could only accept it «only if ACANTHE DEVELOPPEMENT purchased all FIG's liabilities and thereby ensure that all the latter's creditors be paid off.»

Subsequently TAMPICO, the former shareholder of FIG, made this payment by means of a formal tender of payment, in the form of a banker's cheque. As Mrs Richez again refused this payment, TAMPICO requested that the process server deposit this sum with the Caisse des dépôts et consignations and so inform Mrs Richez. Under the provisions of the civil code, this procedure releases the debtor.

Further to a judgement on 30 October 2012, TAMPICO application to have its formal tender of payment approved was dismissed. It appealed against this decision. The hearing is scheduled for 10 December 2014.

Mrs Richez's action is further challenged both on its admissibility and on its merits.

Indeed, in order to allow an action for extension to prosper, it has to be demonstrated firstly a failure to act on the part of the court-appointed administrator and secondly the fictitious nature of the company or the merging of both companies' assets. In the case in point, neither of the two conditions appear to be met and ACANTHE DEVELOPPEMENT contests this application for an extension.

Lastly, confirmed in her entitlements as shareholder of FIG (Mrs Monique Richez held one FIG share at the Meeting of 24 February 2004 cancelled) further to the rulings of 28 September 2009, Mrs Monique Richez could not be appointed to this position, without prejudice to the provisions of Article L621-10 c.com stipulating that «no one directly or indirectly holding any equity of the debtor legal entity» can be appointed controller.

The Paris Commercial Court, to which this incompatibility has been referred, will deliver its ruling on 12 May 2014.

Should Mrs Richez be dismissed from her duties as controller of the FIG liquidation, she would no longer have the legal capacity to act and extend this liquidation to ACANTHE DEVELOPPEMENT. This action for extension would therefore lapse.

For all these reasons, the Group takes the view that the non-recognition of a provision for this dispute is well-founded. It is worth noting that Company has been informed by the legal representative of FIG that its liquidator had again filed the appeal on points of law against the ruling of the Court of Appeal of 9 June 2009 that recategorized the contract with SILC (run by Mrs Richez) as an employment contract and that was behind the claim of Mrs Richez that enabled her to be appointed controller. The proceedings are ongoing.

Proceedings brought to cancel transactions made during FIG's doubtful period

On 2 May 2012, companies ACANTHE DEVELOPPEMENT, VENUS and TAMPICO were summoned by the liquidator of FIG (SCP BECHERET SENECHAL GORRIAS) with a view to securing the cancellation of FIG's contribution of the building at 15 Rue de la Banque – 75002 Paris and equity interests realized on 24 November 2009 in favour of VENUS, as well as the cancellation of the distributions of the advance on dividends and of the distributions of the issue premium in December 2009.

The liquidator of FIG consequently asked VENUS to restore ownership of the building at 15 rue de la Banque – 75002 Paris and the equity securities, on pain of a penalty payment of 10,000 euros a day for each day of delay.

The liquidator also asked that VENUS be ordered to reimburse FIG for the rents collected, dividends and the fruits of any nature whatsoever, accessory to the lease contracts on the building at 15 rue de la Banque in Paris (75002) and the aforementioned equity securities that have accrued since 24 November 2009; that ACANTHE DEVELOPPEMENT return to FIG the 95,496 Venus partnership shares with a view to having them cancelled, on pain of a penalty payment of 10,000 euros a day for each day of delay after receiving notification of the forthcoming ruling; that the 95,496 Venus partnership shares be cancelled once they and the property complex at 15 Rue de la Banque in Paris (75002), the related lease contracts and equity securities had been returned to FRANCE IMMOBILIER GROUP; and that ACANTHE DEVELOPPEMENT and TAMPICO be jointly ordered to repay FIG the sum of €4,047,975.50 resulting from the distributions paid in cash, plus interest at the official rate of interest, from 31 December 2009.

These court applications have been challenged.

The liquidator of FIG will file his submissions in reply on 15 May 2014.

NOTE 7. OTHER DISCLOSURES

The company employed one manager and three staff at 31 December 2013.
No advance or loan was granted to the individual directors during the financial year.
The Annual General Meeting of Shareholders set directors fees at €140,000 (gross) to be shared out among the directors.
Pension obligations are insignificant and no provision is recognized in the parent company's financial statements.

Fiscal deficits and changes therein break down as follows:
in thousands of euros

Items	at 31/12/12	year's deficits	Charged in the year - Carry-back-	at 31/12/13
Ordinary deficits	14,762	1,691	-	16,454
Long-term loss in value	-	-	-	-
TOTALS	**14,762**	**1,691**	**-**	**16,454**

The period's revenue broken down into operating income and non-recurring items

(In thousands of euros)

Income	2013	Alternative minimum tax	Corporation tax at 33.33%	Corporation tax at 16.50%	**Total**
Operating income	-1,807				-1,807
Intercompany transactions	0				0
Financial income (loss)	1,125				1,125
Non-recurring items	-5,796	0			-5,796
Corporation tax	0	0			0
TOTALS	**-6,478**	**0**	**0**	**0**	**-6,478**

NOTE 8. POST-BALANCE SHEET EVENTS

A Court of Appeal ruling of 27 February 2014 cancelled a contribution from a lower-tier subsidiary (at the time) of ACANTHE DEVELOPPEMENT as well as the distributions made by this lower-tier subsidiary to its parent company (see b) above). The court ordered ACANTHE DEVELOPPEMENT jointly with FIG (under a compulsory liquidation order) and SNC VENUS to pay Mr Barthes €129,552 and Mr Noyer €89,597, besides the sum of €100,000 to each of them in respect of Article 700 of the Code of Civil Procedure, and to pay all costs; a contingency provision of €623,000 has been funded in this respect.

The Court of Appeal has not cancelled TAMPICO's general meeting of 23 February 2010, whereby it was decided to distribute dividends to ACANTHE DEVELOPPEMENT, its sole shareholder at the time. This distribution of dividends included among other things the SNC VENUS securities issued in exchange for the contribution cancelled by the Court of Appeal.

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CONSOLIDATED BALANCE SHEET

(thousands of euros)	31/12/13	31/12/12
ASSETS		
Investment properties	279,460	250,027
Construction work in progress		
PP&E	6,098	6,099
Consolidated goodwill		
Intangible assets	4	
Financial assets	5,769	5,605
Total non-current assets	**291,331**	**261,731**
Property inventory	475	475
Trade notes and accounts receivable	1,667	2,717
Other receivables	8,873	7,822
Other current assets	193	62
Current financial assets		1,033
Cash and cash equivalents	8,037	4,553
Buildings held for sale		8,505
Total current assets	**19,245**	**25,166**
TOTAL ASSETS	**310,576**	**286,897**

(thousands of euros)	31/12/13	31/12/12
LIABILITIES		
Capital	19,313	17,206
Reserves	175,780	164,956
Net consolidated income	(4,815)	14,684
Equity attributed to the owners	**190,277**	**196,849**
Reserves attributed to non-controlling interests	12,740	12,279
Income attributed to non-controlling interests	80	558
Total Equity	**203,096**	**209,684**
Non-current financial liabilities	89,450	64,372
Contingency and loss provisions	7,995	129
Deferred tax liabilities	-	-
Total non-current liabilities	**97,446**	**64,500**
Current financial liabilities	3,511	6,103
Deposits and guarantees	1,933	1,915
Trade payables	2,886	2,827
Tax and social security	1,217	1,034
Other liabilities	487	834
Other current liabilities		
Total current liabilities	**10,034**	**12,713**
Total debt	**107,479**	**77,213**
TOTAL LIABILITIES	**310,576**	**286,897**

STATEMENT OF NET INCOME AND OTHER COMPREHENSIVE INCOME

(thousands of euros)	31/12/13	31/12/12
Rents	8,693	7,280
Rebilled occupancy expenses	1,740	1,458
Total occupancy expenses	(3,570)	(2,967)
Net income from property	**6,863**	**5,772**
Income from property development		10
Expenses on property development		(1)
Changes in property inventory		(10)
Net income from property development		**(1)**
Income from other activities		
Payroll expenses	(1,266)	(1,067)
Other overhead costs	(2,178)	(3,540)
Other income and expenses	(409)	(3,868)
Change in value of investment property	2,625	13,618
Other amortization expenses and provisions	(8,001)	(503)
Reversals of other amortization expenses and provisions	695	4,046
Operating income before disposals	**(1,671)**	**14,456**
Income from disposals of investment properties	124	2,545
Operating income	**(1,547)**	**17,002**
- Cash and cash equivalents	3	116
- Cost of gross financial debt	(3,480)	(3,142)
Cost of net financial debt	**(3,478)**	**(3,026)**
Other financial income and charges	310	1,289
Income or loss before tax	**(4,715)**	**15,265**
Income tax	(21)	(22)
Income net of tax on divested operations		
Net income or loss for the period	**(4 736)**	**15 243**
attributable to:		
Non-controlling interests	80	558
Group owners	(4,815)	14,684
Earnings per share		
Basic earnings per share (in €)	-0.0369	0.1202
Diluted earnings per share (€)	-0.0369	0.1202
Earnings per share on continuing operations		
Basic earnings per share (in €)	-0.0369	0.1202
Diluted earnings per share (€)	-0.0369	0.1202
Net income or loss for the period	**(4,736)**	**15,243**
Other items of comprehensive income		
Items subsequently reclassified as net profit or loss		
Revalued financial assets available for sale	(193)	36
Tax relating to reclassified items		
Items not subsequently reclassified as net profit or loss		
Revaluation of capital assets	103	89
Actuarial gains and losses on severance benefits	(53)	20
Tax relating to non-reclassified items		
Total gains and losses recognized as equity	**(143)**	**145**
Comprehensive income Total for the period	**(4,879)**	**15,388**
attributable to:		
Group owners	(4,961)	14,830
Non-controlling interests	82	561

STATEMENT OF CHANGES IN EQUITY

	Group share						
	Capital	Equity-related reserves	Treasury shares	Consolidated reserves and results	Group share of equity	Minority interests' share of equity	Total shareholders' equity
Shareholders' equity at 31/12/2011	**16,415**	**77,419**	**-11,592**	**106,377**	**188,622**	**8,317**	**196,939**
Capital transactions							
Capital reduction							
Share transactions							
Treasury share transactions			2,501		2,501		2,501
Dividends reinvested in shares	790	954			1,744		1,744
Dividends				-10,874	-10,874		-10,874
Foreign exchange adjustments							
Net income or loss for the period				14,685	14,685	558	15,243
Gains and losses recognized directly in equity				145	145		145
Net income and gains and losses recognized directly as equity				**14,830**	**14,830**	**558**	**15,388**
Change in reporting scope				25	25	3,959	3,984
Shareholders' equity at 31/12/2012	**17,206**	**78,373**	**-9,091**	**110,358**	**196,849**	**12,837**	**209,684**
Capital transactions							
Capital reduction							
Share transactions							
Treasury share transactions			9,091	-9,091	0		0
Dividends reinvested in shares	2,106	3,784			5,890		5,890
Dividends				-7,598	-7,598		-7,598
Translation adjustment							
Net income or loss for the period				-4,815	-4,815	80	-4,735
Gains and losses recognized directly in equity				-145	-145	2	-143
Net income and gains and losses recognized directly as equity				**-4,960**	**-4,960**	**82**	**-4,878**
Change in reporting scope (2)				98	98	-98	0
Shareholders' equity at 31/12/2012	**19,313**	**82,157**	**0**	**88,807**	**190,277**	**12,822**	**203,096**

Gains and losses recognized directly in equity	
Actuarial gains/losses on the pension provision	-53
JV Adjustment Bassano Développement securities	-193
Index-linking of 3rd floor Bassano	103
	-143

Change in reporting scope (2)
Deconsolidation of Pont Boissière and Halpylles

STATEMENT OF CHANGES IN CASH FLOW (1,000S OF EUROS)

		31/12/13	31/12/12
Cash flows from continuing operations			
Net consolidated income		(4 735)	15 263
Derecognition of expenses and income with no impact on cash flow			
Depreciation and provisions		7 304	(3 541)
Change in the fair value of properties		(2 625)	(13 618)
Bonus shares and share options			
Other IFRS restatements		261	3 741
Other unpaid income and expenses			
Capital gains/losses		(415)	(2 588)
Impact of changes in reporting scope		(28)	
Badwill			
Equity method companies' share of income (loss)			
Cash flows from operations after cost of net financial debt and tax		**(238)**	**(744)**
Cost of net debt		(3 426)	(3 532)
Taxes (including deferred tax)			
Cash flows from operations before cost of net financial debt and tax	A	3 188	2 788
Taxes paid	B		
Activity-based changes in working capital requirements (see comments (1) below)	C	1 474	4 836
Changes in working capital requirements relating to divested operations	D		
Net cash flow generated by operations	E=A+B+C+D	**4 662**	**7 624**
Cash flow relating to investing activities			
Acquisitions of property, plant and equipment (PP&E)		(27 945)	(5 193)
Disposals of PP&E		10 020	22 605
Acquisitions of long-term investments		(360)	(42)
Repayments of long-term investments			2 286
Impact of changes in scope (other than discontinued activities)		34	
Changes in loans and advance payments granted			
Other flows relating to investing activities		75	
Changes in investment cash flows from divested operations			
Net cash flow from investing activities	F	**(18 176)**	**19 656**
Net cash flow relating to financing activities			
Capital increase			
Paid by parent company shareholders			
Paid by minority shareholders in consolidated companies			
Dividends paid out		(1 707)	(9 128)
Acquisition or disposal of treasury shares			2 500
Receipts relating to new loans		40 796	6 000
Loans reimbursed		(18 682)	(13 985)
Net interest paid		(3 426)	(3 532)
Impact of changes in reporting scope			(6 336)
Other flows relating to financing activities		18	
Change in financing cash flow from divested operations			
Net cash flow relating to financing activities	G	**16 999**	**(24 481)**
Changes in cash flow	E+F+G	**3 484**	**2 799**
Changes in cash flow		**3 484**	**2 799**
Opening cash balance			
Cash assets		4 553	677
Bank overdrafts (1)			0
Short-term investments			1 077
		4 553	**1 754**
Closing cash balance			
Cash assets		1 039	4 553
Bank overdrafts (1)			
Short-term investments		6 998	
		8 037	**4 553**

(1) Overdrafts are included in «Current financial liabilities»

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NOTE 1. HIGHLIGHTS OF THE PERIOD

GENERAL INFORMATION

ACANTHE DEVELOPPEMENT is a European company with a capital of 19,312,608 euros, having its head office at 2 Rue de Bassano, Paris 16th, and listed in the Trade & Companies Register of Paris under number 735 620 205. ACANTHE DEVELOPPEMENT shares are listed on Euronext Paris of NYSE Euronext (compartment C, ISIN FR 0000064602).

1.1. DISTRIBUTION OF DIVIDENDS

On 26 June 2013, the Annual Ordinary and Extraordinary General Meeting decided to allocate the loss of (€1,856,574.05) to unappropriated retained earnings, which amounted to €41,099,902.47 at 31 December 2012; this resulted in a distributable income of €39,243,328.42, which was allocated as follows:

- Dividends..€7,597,852.62
- the balance to unappropriated retained earnings €31,645,475.80

The General Meeting decided that each of the 126,630,877 shares comprising the share capital at 31 December 2012 would receive a dividend of €0.06 per share. This distribution enabled the company to fulfil its obligation to distribute, by virtue of the SIIC tax regime, which for the year amounted to €6,343,852.

The General Meeting allowed each shareholder to opt either for a payment of the dividend in cash or in new shares to be created by the Company.

As required by law, the Board meeting of 1st August 2013 set the issue price for the new shares at €0.38.

The Board meeting of 27 September 2013 noted that 100,681,595 of the 126,630,877 coupons sent to bearers of capital shares on 31 December 2012 opted to reinvest the capital. This reinvestment generated an increase in the share capital of €2,106,210.51 through the creation of 15,500,705 new shares, after a rounding of €0.49, deducted from «share premium», share capital totals €19,312,608, divided into 142,131,582 shares.

Dividend payments in cash totalled €1,708,000.

1.2. FORMATION OF COMPANY ECHELLE RIVOLI AND DISPOSAL OF COMPANIES HALPYLLES AND PONT BOISSIERE

SCI ECHELLE RIVOLI was formed during the period with €1,000 of share capital by ACANTHE DEVELOPPEMENT (999 shares) and BALDAVINE (1 share) (see note 5.2).

Company HALPYLLES was fully sold for €5,000 to SCI LE BREVENT, a subsidiary of the FIPP group (see note 5.2).

Company PONT BOISSIERE was fully sold for €30,000 to CANNES EVOLUTION (see note 5.2).

NOTE 2. ACCOUNTING POLICIES AND METHODS

ACANTHE DEVELOPPEMENT, a Société anonyme (public limited company) having its head office at 2, Rue Bassano in Paris is the controlling entity of the ACANTHE DEVELOPPEMENT group. It is listed in Paris (EURONEXT) and its functional currency is the euro.

The Group's consolidated financial statements are expressed in thousands of euros, unless otherwise specified.

The balance sheet date for the consolidated financial statements is 31 December of each year. The individual financial statements incorporated in the consolidated financial statements are drawn up at the above balance sheet date (31 December) and cover the same 12-month period.

The consolidated financial statements were approved by the Board of Directors on 29 April 2014.

The Group marginally organizes real estate development programmes, therefore the income statement includes a subtotal for net income from real estate development to indicate the revenue generated by this activity.

2.1. PREPARATION POLICIES FOR FINANCIAL STATEMENTS

Pursuant to Regulation (EC) no. 1606 / 2002 of 19 July 2002, the consolidated financial statements of the ACANTHE DEVELOPPEMENT Group at 31 December 2013 (available for consultation on the Group's web site at www.acanthedeveloppement.com) were drawn up in accordance with international accounting standards as approved by the European Union on the balance sheet date of the said financial statements and which are of a mandatory nature on that date (standard available at http://ec.europa.eu/internal_market/accounting/ias_fr.htm).

The international standards include IFRS (International Financial Reporting Standards), IAS (International Accounting Standards) and interpretations of the IFRIC (International Financial Reporting Interpretations Committee) and the SIC (Standing Interpretations Committee).

The consolidated financial statements were drawn up in accordance with the accounting policies and methods applied by the Group to financial statements for period 2012, with the exception of the following standards and amendments thereto applying as of 1st January 2013:

- IAS 1 amended «Presentation of Other Comprehensive Income (OCI)»;
- IAS 19 amended «Employee Benefits»;
- IAS 12 amended «Recovery of Underlying Assets»;
- IAS 27 amended «Separate Financial Statements»;
- IAS 28 «Investments in Associates and Joint Ventures»;
- IFRS 1 amended «Government Grants»;
- IFRS 7 amended «Disclosures – Offsetting Financial Assets and Financial Liabilities»;
- IFRS 13 «Fair Value Measurement»;
- Annual Improvements of IFRS standards, May 2012.

These changes in standards entailed the following modifications in the consolidated financial statements:

The group applied the modifications to IAS 1, entitled «Presentation of Other Comprehensive Income»; first of all, new terms are defined; for instance, the statement of comprehensive income is now termed «statement of net income and other comprehensive income» and the income statement is now termed «statement of net income». In addition, other items of comprehensive income are split into two categories; items not reclassified subsequently to profit or loss on the one hand, and items that could be reclassified to profit or loss when conditions are met.

These are formal modifications only and in no way alter the amount of income or loss.

IAS 19 «Employee Benefits» has in particular modified the recognition of expenses in respect of post-employment defined benefits plans.

Whereas previously all changes in the provision for retirement severance pay was recognized in profit or loss, they are now split into two parts:

- The cost of services rendered during the period and that of past services continues to be recognized in profit or loss,
- Actuarial gains and losses reflecting changes in valuation assumptions and experience-based data adjustments are now recognized under other components of comprehensive income and not reclassified subsequently to profit or loss.

As the modification of this standard is back-dated, the financial statements in the balance sheet at 31 December 2012 have been corrected by applying this standard as if it had been in effect at the beginning of the said period. The impact of this change in the standard is a reclassification of €20,000 from profit or loss to consolidated reserves.

The other standards that came into effect on 1st January 2013 either do not apply in the context of our consolidation or have no significant impact on the consolidated financial statements. This is the case among others for IFRS 13;

While this standard defines fair value as the price that would be paid for an asset or for the transfer of a liability in a normal transaction between market participants on the date of measurement, it does not alter its substantive scope.

This new definition does not affect the fair value methods and assumptions for investment property at 31 December 2013. However the new standard imposes more disclosures to be provided in the notes to the consolidated financial statements.

The Group has not opted for early adoption of the standards and interpretations that were not yet mandatory in 2013, in particular:

- IAS 27 amended «Separate Financial Statements»;
- IAS 28 «Investments in Associates and Joint Ventures»;
- IAS 32 amended «Offsetting Financial Assets and Financial Liabilities».
- IAS 36 amended «Disclosure: Recoverable Amount for Non-financial Assets»
- IFRS 10 «Consolidated Financial Statements»;
- IFRS 11 «Joint Arrangements»;
- IFRS 12 «Disclosure of Interests in Other Entities»

Moreover, the process whereby the Group determines the potential impacts of the standards or interpretations that will subsequently apply to the consolidated financial statements is currently being evaluated.

2.2. USE OF ESTIMATES

The Group makes estimates and assumptions regarding the carrying amount of assets and liabilities, income and expenses, and disclosures to include in the notes when drawing up its accounts.

The main significant estimates made by the Group more particularly concern:

- measurement of the fair value of investment properties, for which valuations are made or updated by independent experts according to multiple criteria then checked by the Group's senior management; in general these valuations reflect changes in the relevant parameters: or potential rent, rate of return, occupancy rates, value for comparison purposes if available, works required, etc.

Special assessments are made to factor in the specific features of some exceptional items. - derivatives which are measured by the issuing banks;

- employee pension obligations, measured in accordance with the projected unit credit method, as required by IAS 19 according to a design developed by the Group;

- provisions estimated on the basis of the type of litigation, judgements and Group experience. These provisions reflect the best estimate of the risks incurred by the Group in these disputes.

The Group makes continuous assessments based on past experience and various other factors considered reasonable, which form the basis for the said assessments. The amounts stated in future financial statements may vary from these estimates according to changes in these assumptions or changing economic conditions.

2.3. CONSOLIDATION POLICIES

Subsidiaries that are exclusively controlled by the Group are fully consolidated.

Companies in which the Group has considerable influence are consolidated using the equity method.

At 31 December 2013, all entities included in the Group's consolidation scope were exclusively controlled by the Group.

All Group companies operate in the euro zone, therefore no translation adjustments arise in consolidation.

Consolidated statements cover the financial period from 1st January to 31 December 2013. All consolidated companies close their accounts on 31 December.

2.4. NON-CURRENT ASSETS HELD FOR SALE AND DIVESTED OPERATIONS

In accordance with IFRS 5, assets or group of assets held for sale and divested operations are thus classified if their carrying amount is primarily recovered by a sale rather than by their continued use.

This condition is deemed to be met when the sale thereof is highly likely and the asset is available for sale in its current state; moreover, Management must be committed to a sales plan that has progressed sufficiently, and the sale itself is expected to be made within 12 months of the asset being classified as an asset held for sale.

An entity must measure a non-current asset classified as held for sale at its carrying amount or its fair value less costs to sell, whichever is the lower. From the date on which it is thus classified, the asset is no longer impaired.

In order to comply with this definition, Management reclassifies a building held for sale when at year-end closing the building is the subject of a preliminary contract of sale and it is effectively sold by the reporting date of this same period.

The fair value of buildings held for sale is the value stated in the sales agreement less costs to sell.

A discontinued operation is one that the entity has hived off or has classified as held for sale, and:

- represents a primary and distinct business or geographical segment,
- is part of a single and coordinated plan to hive off a primary and distinct business or geographical segment, or
- is a subsidiary acquired exclusively for the purposes of resale.

An entity must, in particular, present a single amount in the income statement representing the total:

- of the profit or loss after tax of discontinued (or divested) operations;
- of the recognized profit or loss after tax resulting from fair value measurement less costs to sell, or the sale of assets held for sale comprising the divested operation.

This amount must be analysed in detail, itemizing the income, expenses and earnings before tax of divested operations; the specific tax expense; the profit or loss made on the divested operation. Divested operations are reclassified retrospectively for all financial periods presented.

The net cash flows from these divested operations is also presented in specific sections in the cash flow statement, comprising the flows generated by these operations until the date they were sold as well as the ex-tax cash flow generated by their sale, for the current period and the period presented for comparison purposes.

2.5. INVESTMENT PROPERTIES

Under IAS 40 and its amendments, and investment property is defined as real estate held by the owner or the lessee (under a finance lease) to earn rent or appreciate capital or both, as opposed to:

- using the property to produce or supply goods or services or for administrative purposes,

- selling as part of an ordinary trading business (selling goods).

The Group's total assets at 31 December 2013 come under the «investment property» category, apart from a floor in a building at 2 Rue Bassano in Paris, occupied by the Group (389 m^2, 15.35% of the building), which is classified under «Tangible assets» and a flat in Ajaccio, recognized in inventory.

After initial recognition and under IAS 40, investment properties are measured:

- either at fair value
- or at cost, as required under IAS 16.

The Group pursues a demanding selection policy for its investments, whereby it only acquires or retains properties with guaranteed levels of profitability, and with potential for revaluation. On that basis, and in accordance with IAS 40, the Group decided to measure its investment properties at fair value from 1st January 2006. This option is intended to reflect changes in «investment property» in the consolidated financial statements and measure the market value of its assets. This option entails recognition of changes in fair value in profit or loss.

Fair value is defined as «the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date» (IFRS 13§15). In practice, for investment property, fair value is similar to commercial value.

To determine fair value at 31 December 2013, le ACANTHE DEVELOPPEMENT Group entrusted the task of updating expert appraisals of its property assets to acknowledged external experts (CREDIT FONCIER EXPERTISE, 4 quai de Bercy in CHARENTON 94220).

These valuations were carried out on 31 December 2013, and factor in outstanding renovation work, the marketability transferred and the tenancy status of the buildings.

The property valuations were based on the following standards:

- Charte de l'Expertise en Evaluation Immobilière (French charter on expert property valuations)
- The valuation standards of the Royal Institution of Chartered Surveyors (Red book)
- The COB (former French Stock Exchange watchdog) report of February 2000 (Barthes de Ruyther report)

The valuation criteria set out in the Charte de l'Expertise en Evaluation immobilière determine commercial value excluding transfer expenses and duties. As commercial value is defined as stated above, it is measured under the following conditions:

- the free will of the seller and buyer,
- a reasonable period for negotiation given the nature of the property and the state of the market,
- selling conditions deemed normal, without reservations and with adequate means,
- the parties involved are not influenced by exceptional personal reasons.

Commercial value takes into account renovation work still to be carried out, the marketability transferred, the tenancy status of the premises and reasonable rent assumptions based on current market condition. It also takes into account the geographic location, the nature and standing of the buildings, their tenancy status, in particular the occupancy rate, lease renewal dates, and the level of charges relating to any clauses possibly waiving common law:

- land tax,
- building insurance,
- major repairs under Article 606 of the French Civil Code and management fees.

To determine the commercial value of buildings using assumptions made for the task, the expert surveyors adopted different approaches depending on the nature or usage of the premises.

These approaches involved two main methods (revenue-based or direct comparison), which were adapted or modified to enable valuation of most of the buildings.

Two of these adapted or modified methods were more particularly used to value the buildings: capitalization of revenue, and direct comparison.

Revenue-based methods:

These methods consist in applying a rate of return to revenue (therefore capitalizing it), whether the revenue is recognized or existing revenue, or theoretical or potential revenue (market rent or market rental value). The methods can be adapted in various ways depending on the type of revenue considered (actual rent, market rental value, net revenue), corresponding to different rates of return. The rates of return adopted depend on a number of parameters:

- the long-term cost of resources (investors generally adopt the French OAT TEC 10 index),
- the geographical position of the property,
- the nature and condition of the property,
- its market liquidity, which depends on how well it meets local needs and its modularity
- the lessee's legal capacity,
- the clauses and conditions of leases, rent levels compared with rental value and foreseeable changes in them,
- the risk of premises remaining vacant,

Revenue-based methods can be applied in many ways. Certain methods are based on discounted future net or projected earnings.

- direct comparison methods: an analysis of transactions in properties as similar as possible (type, location, etc.) and completed at a date as close as possible to the date of the appraisal. In accordance with the recommendations of the COB (now the AMF) working group, chaired by Georges Barthes de Ruyther, the appraisals were based on a multicriteria approach. However, revenue-based methods are generally deemed by experts as the most pertinent for the investment properties making up the bulk of the group's assets, as direct comparison methods are generally used to value residential property.

Establishing the fair value of investment properties is the main area of estimates needed to close the consolidated financial statements (see §2.2).

Considering the typology of levels of fair value specified by IFRS 13, the group considers that the fair value of residential properties, predominantly measured by comparison, comes under level 2, whereas the fair value of other properties (offices, commercial premises, miscellaneous premises) comes under level 3.

						sensitivity test	
Type of property	Level of fair value	Fair value in 1,000s of €	Priority valuation method	Capitalization rate	Net rate of return	a -0.25 change in the capitalization rate	a -10% change in market input
Land/Residential/ Outbuildings	2	25,181	Comparison method				3,541
Offices/Commercial premises	3	260,330	Comparison method	Offices: 4.25 to 6.40% Commercial 3.75 to 5.25%	3.59 to 6.78 %	16,721	

No properties changed in their level of fair value during the period.

The Group makes continuous assessments based on past experience and various other factors considered reasonable, which form the basis for the said assessments. The amounts stated in future financial statements may vary from these estimates according to changes in these assumptions or changing economic conditions.

The rate and value per m^2 figures by asset class are provided in note 9.1.

2.6. TANGIBLE AND INTANGIBLE ASSETS

2.6.1. PROPERTY NOT CLASSIFIED AS «INVESTMENT PROPERTY»

In accordance with IAS 40§57a, which requires that administrative premises used by the company be recognized under IAS 16, the 3rd floor at 2 Rue de Bassano Paris 16th is presented under Property, Plant and Equipment. However, as IAS 16§, 36-37 allows, «Land» and «Buildings» are measured with the revaluation method, and an appraisal is carried out for that purpose at each closing.

A positive change in fair value is recognized in equity as consolidated reserves; a loss in value is recognized in equity as consolidated reserves within the limit of prior revaluations and in profit and loss over that limit.

2.6.2. INTANGIBLE ASSETS, AND OTHER TANGIBLE ASSETS

Tangible and intangible assets with a defined life cycle are recognized at acquisition cost less accumulated amortization/depreciation and any loss in value.

Accumulated amortization and depreciation is calculated on a straight-line basis and estimated useful life for the following assets:
- office and IT equipment:............................ 3 years
- vehicles:.. 5 years
- software: .... 3 years

2.7. LEASING CONTRACTS

2.7.1. FINANCE LEASES

Properties acquired under finance leases are capitalized when the leasing contracts transfer virtually all the risks and advantages of ownership thereof to the Group. The criteria for assessing such contracts based in particular on:

- the ratio of the lease period of assets to their useful life,
- the ratio of total future payments to the fair value of the financed asset
- transfer of ownership at the end of the leasing contract,
- a favourable purchase option,
- the specific nature of the rented asset.

Assets held under finance leases are amortized over their useful life or over the lease period if the latter is shorter and there is no reasonable certainty that the lessee will become the owner.

Such contracts do not exist in the Group.

2.7.2. OPERATING LEASES

Leases not having the characteristics of a finance lease are recognized as operating leases, and the rents are recognized in profit or loss (see note 2.17).

2.8. PROPERTY INVENTORY

Property inventory is valued at the lower of its cost or its realizable value. The cost of inventory comprises all costs of purchase, conversion and other costs incurred (including the borrowing costs as described in note 2.9) in bringing it to its present condition.

On each closing, an impairment test is carried out to ascertain whether ensure its net realisable value is higher than its inventory value. The net realisable value is the estimated selling price less marketing costs and the cost of any works still to be undertaken.

The «Property inventory» item includes properties that have undergone extensive refurbishment before being placed on the market, or buildings constructed with a view to being sold for future completion.

2.9. BORROWING COSTS

The cost of loans directly relating to the acquisition, construction or production of a qualifying asset is recognized in the cost of the said asset

2.10. ASSET IMPAIRMENT

Other capitalized assets undergo an impairment test whenever there is an indication of internal or external loss in value.

This test consists on comparing the asset's net carrying amount with its recoverable amount, which is the higher of its fair value less costs to sell and its value in use.

Value in use is the present value of expected cash flows generated by use of the asset (of group of assets) and by its possible sale.

Fair value less costs to sell equals the amount that could be obtained from the sale of the asset (or group of assets) in an arm's length transaction, less direct selling costs.

When tests indicate an impairment in value, this is recognized so that the net carrying amount of the assets does not exceed their recoverable amount.

2.11. FINANCIAL ASSETS

Financial assets are classified into one of the seven following categories:
- assets held for trading purposes;
- investments held to maturity;
- loans and receivables;
- assets available for sale;
- treasury shares
- cash and cash equivalents;
- financial derivatives.

The Group classifies financial assets at the time of initial recognition, depending on the reasons for which they were acquired.

2.11.1. FINANCIAL ASSETS HELD FOR TRADING PURPOSES

A financial asset is classified as held for trading purposes if it is:
- acquired primarily to he sold or repurchased in the short term (UCITS, open-end investment funds);

- part of a portfolio of identified financial instruments managed together and indicates a recent profit in the short term;
- a derivative (apart from one that is a designated and effective hedging instrument).

Derivatives negotiated by the Group are not documented within the framework of hegding and thus fall into this category.

These financial assets are measured at fair value and changes in fair value are recognized in profit or loss. Assets in this category are classified as current assets.

2.11.2. INVESTMENTS HELD TO MATURITY

These are non-derivative financial assets having fixed or determinable payment and a fixed date of maturity, which the company fully intends to and can keep to their maturity, except for:

- those that the entity at initial recognition designated as being at fair value through profit or loss;

- those that the entity designates as available for sale; - - those that come under the heading of loans and receivables.

After their initial recognition, investments held to maturity are measured at amortized cost by the compound interest method.

Amortized cost takes into account any provision for impairment loss or premium on acquisition, in the period from acquisition to repayment. For investments recognized at amortized cost, profits or losses are recognized in profit or loss when the investments are divested, when they lose value, and through the process of amortization.

They undergo impairment tests if there is an indication of impairment in value. An impairment in value is recognized if the carrying amount is higher than the estimated recoverable amount.

These assets are included in current assets except for those maturing more than 12 months after the reporting date.

2.11.3. LOANS AND RECEIVABLES

Loans and receivables are non-derivative financial assets with fixed or determinable payments and are not quoted on an organized market, except for:

- those that the entity at initial recognition designated as being at fair value through profit or loss;

- those that the entity designates as available for sale on initial recognition;

- those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration, which shall be classified as available for sale.

Loans and receivables granted are measured by the historical cost method (amortized cost) or by the effective rate of interest method. Their balance sheet value is the remaining capital due plus accrued interest. They undergo recoverability value tests, carried out whenever there are signs that this is lower than the balance sheet value for these assets, and at least on each year-end closing. When the recoverable amount is lower than the carrying amount, an impairment loss is recognized.

These assets are included in current assets except for those maturing more than 12 months after the reporting date.

2.11.4. FINANCIAL ASSETS AVAILABLE FOR SALE

These are non-derivative financial assets that are not included in any of the aforesaid categories. They are included in non-current assets unless the Group intends to sell them within 12 months of the reporting date.

They are measured at liquidation value or quotation value, depending on their type.

Changes in recorded fair value are recognized in equity until they are sold, with the exception of losses in value, which are recognized in profit or loss when they are determined.

Exchange losses and gains for assets in foreign currencies are recognized in profit or loss for monetary assets and in equity for non-monetary assets.

This category primarily includes non-consolidated equity interests and securities that do not meet other definitions of financial assets. They are posted under Other assets, current and non-current and liquid assets.

2.11.5. TREASURY SHARES

According to IAS 32, the acquisition cost of all treasury shares held by a Group is deducted from equity. Subsequent sales are recognized directly in equity, not in profit or loss.

ACANTHE DEVELOPPEMENT's own equity interests (treasury shares) are accordingly offset against equity.

2.11.6. CASH AND CASH EQUIVALENTS

Cash includes liquid assets in bank accounts and cash kept by the entity.

Cash equivalents are held to meet short-term cash outflow commitments rather than for investment or other purposes. They must therefore be easily convertible into a known amount of cash, not be exposed to any significant risk of change in value and have a maturity in excess of 3 months at the time of acquisition.

2.11.7. DERIVATIVE FINANCIAL INSTRUMENTS

The Group trades financial derivatives with first-rate institutions to reduce its exposure to the risk of changes in interest rates. For implementation of hedge accounting, IAS 39 requires the entity to demonstrate and document the effectiveness of the hedging relationship at its inception and throughout its lifetime.

As the Group has neither documented nor demonstrated the effectiveness of hedging for «living» instruments at 31 December 2012 and 2013, the changes in fair value of the said instruments a re recognized in financial income or expenses.

Fair value is determined by the financial institution with which the instrument has been subscribed.

2.12. FINANCIAL LIABILITIES

Non-derivative financial liabilities or those not recognized at fair value in profit or loss or not held for trading purposes are measured at amortized cost using the effective interest method. Loan-related fees are deducted from amounts borrowed when the financial liability is recognized; they subsequently constitute an interest expense as and when repayments are made.

2.13. PROVISIONS

IAS 37 states that a provision is recognized when the Group has a present obligation (legal or implicit) arising from past events, the settlement of which is expected to result in an outflow of resources embodying economic benefits and the amount of the obligation can be reliably estimated. The estimate takes into consideration the most probable assumptions at the reporting date.

If the effect of time value is significant, the provision is discounted. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks inherent in the obligation. An increase in the amount of a discounted provision is recognized under financial expenses.

2.14. TAX ON PROFITS

ACANTHE DEVELOPPEMENT and some of its opted for the SIIC (real estate investment company) tax regime in 2005. For this reason, profits in the property sector are exempt from corporation, other items of

income remaining taxable.

The tax expense is the amount of current tax plus deferred tax. Current tax is the tax due for the current tax year.

Deferred tax includes all temporary differences arising when the book value of an asset or liability differs from its fiscal value. Such differences generate tax assets and liabilities described as deferred, and are calculated using the liability method.

2.15. EMPLOYEE BENEFITS

IAS 19 specifies the methods for recognizing benefits provided to employees. It applies to all remuneration paid in return for services rendered, with the exception of share options, which are the subject of IFRS 2.

Under IAS 19, all employee benefits, monetary or in kind, short or long-term, fall into the two following categories:

- short-term benefits such as salaries and paid annual leave, which are expensed by the company when it has used the services rendered by employees in return for the benefits offered to them,
- long-term benefits such as post-employment benefits not fully due in the twelve months following the financial period in which the employees rendered the corresponding services.

These benefits must be the subject of provisions.

For basic plans and other defined contribution plans, the Group expenses contributions when they are payable, as it is not committed beyond any paid-up contributions.

For defined benefit plans, pension expenses are measured using the actuarial projected unit credit method. Under this method, each period of service results in an additional unit-based right to benefits, and each of these units is measured separately to determine the final obligation.

This final obligation is then discounted. These calculation primarily involve the following assumptions:

- a discount rate,
- an rate of inflation,
- a mortality table,
- a pay increase rate, and
- a staff turnover rate.

Actuarial gains and losses are recognized as other components of comprehensive income without being reclassified subsequently to profit or loss, whereas the cost of services rendered is recognized in profit or loss.

2.16. EARNINGS PER SHARE

In accordance with IAS 33, basic earnings per share are determined by dividing the company's net income by the weighted-average number of shares outstanding during the period.

The weighted-average number of shares outstanding is calculated on the basis of different changes in share capital, adjusted where applicable by the number of treasury shares held by the Group.

Diluted earnings per share are calculated by dividing «Net income, Group share» by the weighted-average number of ordinary shares outstanding plus any potentially dilutive ordinary shares.

2.17. PROPERTY REVENUE

Rents are recognized on a straight-line basis over the entire duration of the lease; as such, the impact of rent exemptions is distributed over the duration of the lease when they meet the standard's requirements.

Rebilled occupancy expenses and overall occupancy expenses are recognized as and when they are committed.

Lease contracts the group signs with its lessees are operating leases in the sense of IAS 17. Generally speaking, leases include clauses on lease period renewal and index-linked rent, as well as the other clauses generally included in this type of contract.

Additional disclosures pursuant to IFRS 7 are presented in note 9.11.

Net income from property includes all revenue and costs directly relating to operation of the buildings.

Net revenue from property development is the difference between the selling price and the output cost (cost of property development and change in inventories) of the buildings this activity concerns.

2.18. REVENUE FROM DISPOSALS OF INVESTMENT PROPERTIES

Revenue resulting from the sale of investment property is the difference between the selling price and allowances for depreciation on the one hand, and the latest fair value (the net consolidated carrying amount) plus transfer costs on the other.

2.19. OPERATING SEGMENTS

IFRS 8 « Operating segments» states that segment disclosures as presented are based on internal management data used to analyse the performance of activities and resource allocations by the «chief operating decision-maker», which in this instance is the Company's Executive Committee.

An operating segment is a distinct component of the Group engaged in supplying distinct products or services and that is exposed to different risks and earning power from those of other operating segments.

The operating segments in 2013 are as follows:

- Offices,
- Commercial premises,
- Hotels,
- Residential properties.

Moreover, as the market fluctuates according to geographical location, a separate presentation is also provided for each of the four following regions:

- Paris,
- The Paris region (outside Paris itself),
- The Provinces,
- Foreign countries.

Segment operating profit or loss is presented for each segment. Investment properties, property inventories and current and non-current financial liabilities are also presented for each segment.

NOTE 3. SCOPE OF CONSOLIDATION

3.1. LIST OF CONSOLIDATED COMPANIES

		31 December 2013			31 December 2012		
Form	Company	% holding	% control	Consolidation method	% holding	% control	Consolidation method
Parent company							
SA	ACANTHE DEVELOPPEMENT						
Fully consolidated companies							
SA	BALDAVINE	100%	100%	FC	100%	100%	FC
SC	BASNO (1)	97,34%	100%	FC	97,34%	100%	FC
SAS	BRUXYS	100%	100%	FC	100%	100%	FC
SAS	CEDRIANE (1)	97,34%	100%	FC	97,34%	100%	FC
SC	CHARRON (1)	97,34%	100%	FC	97,34%	100%	FC
SC	CORDYLLIERE (1)	97,34%	100%	FC	97,34%	100%	FC
SA	FINPLAT	100%	100%	FC	100%	100%	FC
SCI	FONCIERE DU 17 RUE FRANCOIS 1er (1)	97,34%	100%	FC	97,34%	100%	FC
SCI	FONCIERE DU ROCHER (1)	97,34%	100%	FC	97,34%	100%	FC
SAS	FONCIERE ROMANE	100%	100%	FC	100%	100%	FC
SCI	FRANCOIS VII (1)	97,34%	100%	FC	97,34%	100%	FC
SCI	LA PLANCHE BRULLEE	100%	100%	FC	100%	100%	FC
EURL	LORGA (1)	97,34%	100%	FC	97,34%	100%	FC
SA	SAUMAN FINANCE (1)	97,34%	100%	FC	97,34%	100%	FC
SAS	SIF DEVELOPPEMENT (1)	97,34%	100%	FC	97,34%	100%	FC
SAS	SIN	100%	100%	FC	100%	100%	FC
SC	SOGEB	66,67%	66,67%	FC	66,67%	66,67%	FC
SARL	SURBAK (1)	97,34%	100%	FC	97,34%	100%	FC
SAS	VELO	100%	100%	FC	100%	100%	FC
SNC	VENUS (1)	97,34%	97,34%	FC	97,34%	97,34%	FC
EURL	VOLPAR (1)	97,34%	100%	FC	97,34%	100%	FC
SCI	HOTEL AMELOT	100%	100%	FC	100%	100%	FC
SA	IMOGEST	100%	100%	FC	100%	100%	FC
SA	TRENUBEL	100%	100%	FC	100%	100%	FC
SAS	SFIF	100%	100%	FC	100%	100%	FC
SARL	ATREE	100%	100%	FC	100%	100%	FC
Entered the scope of consolidation during the period:							
SCI	ECHELLE RIVOLI	100%	100%	FC			
Left the scope of consolidation during the period:							
SNC	PONT BOISSIERE				97,34%	100%	FC
SCI	HALPYLLES				97,34%	100%	FC

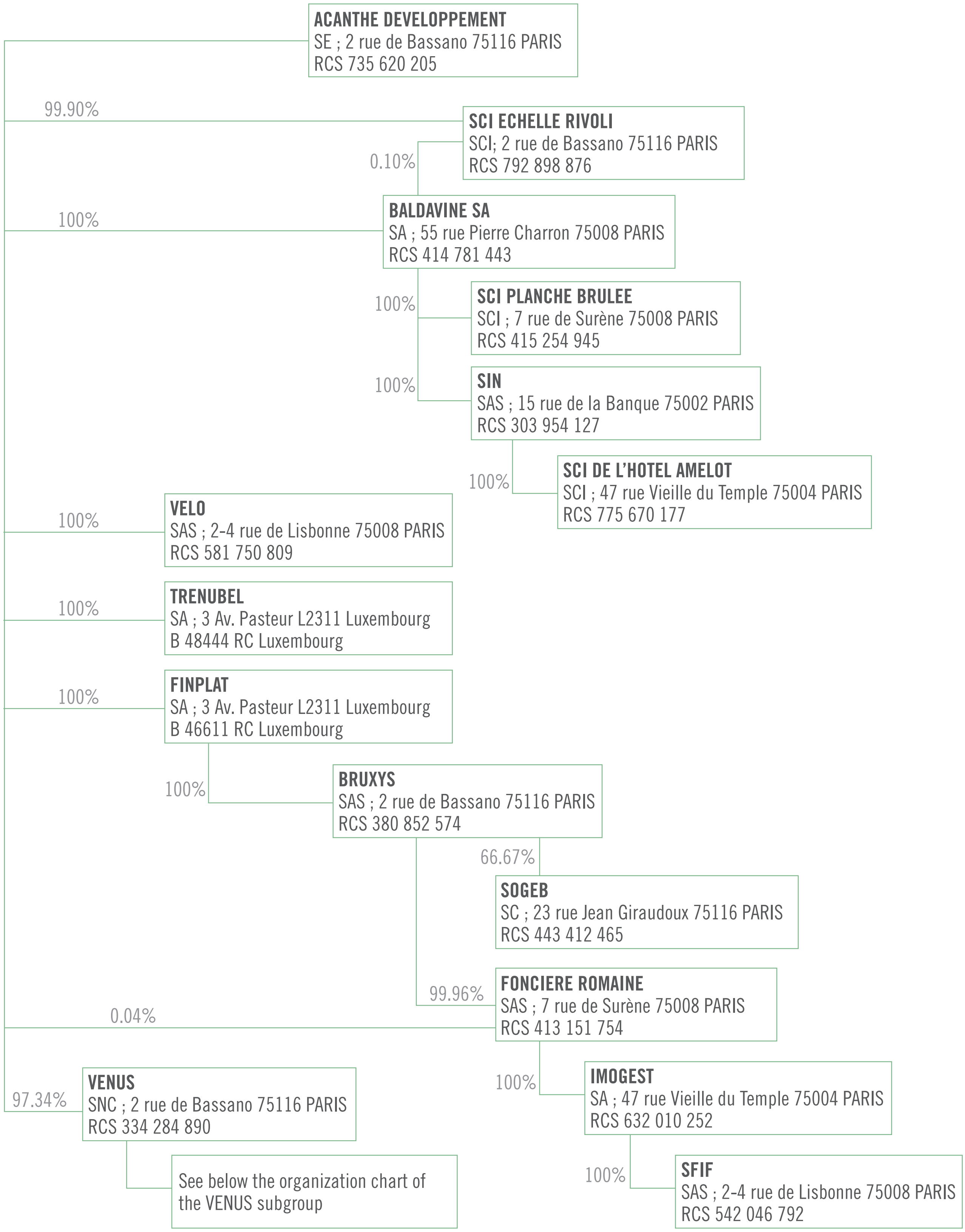
FC = Fully consolidated (1) The ownership interests of 97.34% are all subsidiaries of company VENUS, in which three are non-controlling interests.

The scope of consolidation at the current year-end closing includes 27 fully consolidated companies, 10 of which 27 are non-trading companies.

3.2. . CHANGES IN SCOPE

Changes in scope are described in §1.2.

3.3. ORGANIZATION CHART



- **VENUS**
  SNC ; 2 rue de Bassano 75116 PARIS
  RCS 334 284 890
- 100% **SURBAK**
  EURL ; 26 rue d'Athènes 75009 PARIS
  RCS 428 634 802
  - 100% **CEDRIANE**
    SAS ; 2 rue de Bassano 75116 PARIS
    RCS 414 767 046
- 100% **SAUMAN FINANCE**
  SA ; 18 avenue Delleur B 1170
  BRUXELLES Belgique
- 100% **VOLPAR**
  EURL ; 26 rue d'Athènes 75009 PARIS
  RCS 428 668 164
  - 99.9% **ATREE**
    SARL ; 2 rue de Bassano 75116
    PARIS RCS 789 536 174
- 100% **LORGA**
  EURL ; 7 rue de Surène 75008 PARIS
  RCS 428 668 511
  - 0.1% **ATREE**
- 100% **BASNO**
  SC ; 2 rue de Bassano 75116 PARIS
  RCS 399 349 984
  - 100% **FONCIERE DU ROCHER**
    SCI ; 15 rue de la Banque 75002
    PARIS RCS 447 569 021
- 100% **SIF DEVELOPPEMENT**
  SAS ; 7 rue de Surène 75008 PARIS
  RCS 394 765 580
  - 100% **SCI CORDYLIERE**
    SC ; 7 rue de Surène 75008 PARIS
    RCS 437 864 960
- 100% **SCI FRANCOIS VII**
  SCI ; 16 place du Gal de Gaulle
  59000 LILLE RCS 447 566 027
- 100% **Société Civile CHARRON**
  SC ; 2 rue de Bassano 75116 PARIS
  RCS 410 384 879
  - 0.1% **Foncière de 17 rue François 1er**
- 99.9% **Foncière de 17 rue François 1er**
  SCI ; 16 place du Gal de Gaulle
  59000 LILLE RCS 447 746 371

NOTE 4. DISCLOSURES: BALANCE SHEET

4.1. NON-CURRENT NON-FINANCIAL ASSETS

4.1.1. CHANGE IN THE VALUE OF INVESTMENT PROPERTIES.

At 31 December 2013 :

The appraised value (excluding taxes) of investment property excluding fees at 31 December 2013 totals €279,460,000.

In 1,000s of euros	Net carrying amount 31/12/2012	Capitalizations (New acquisitions) (1)	Capitalizations (expenses capitalized) (2)	Disposal (3)	Change in fair value (4)	Reclassifications	Value at 31/12/2013
Investment properties (IAS 40)	250 027	23 153	4 756	-1 100	2 625		279 460

(1) The building at 184 Rue de Rivoli, Paris was acquired in June 2013 by SCI ECHELLE RIVOLI.

(2) Capitalized costs primarily include works on buildings in Paris in Rue François 1er (€1,198,000), Rue Vieille du Temple (€3,437,000) and Rue d'Athènes (€118,000).

(3) the plot of land in Avenue Joffre in Nanterre was sold in November 2013 for €1,100,000; in addition the property at 7 Rue d'Argenteuil in Paris had been sold in January 2013 but had been reclassified as an asset held for sale at the previous year-end closing.

(4) The increase in the fair value of investment property primarily stems from three sites, Rue Vieille du Temple (€2,629,000), Rue François 1er (€3,756,000) and Rue Pierre Charron (€480,000), the building in Rue Bizet showing a loss in value of €4,254,000, as it was rented out as offices whereas at 31/12/2012 it was measured as a residential property.

At 31 December 2012:

The appraised value of investment property excluding fees at 31 December 2012 totals €250,027,000.

En K€	Net carrying amount 31/12/2011	Capitalizations (New acquisitions) (1)	Capitalizations (expenses capitalized) (2)	Disposal (3)	Change in fair value (4)	Reclassifications (5)	Value at 31/12/2012
Investment properties (IAS 40)	253 552	6 200	5 179	-20 017	13 618	-8 505	250 027

(1) The entry value of the building held by FINANCE CONSULTING for €6,000,000 and the plot of land in Villeneuve d'Ascq for €200,000.

(2) Capitalized costs primarily include works on buildings in Paris in Rue François 1er (€2,977,000), Rue Georges Bizet (€1,265,000), Rue d'Argenteuil (€342,000) and Rue d'Athènes (€522,000).

(3) the last five lots of the jointly-owned property at 21 boulevard Poissonnière, in Paris 2nd were sol during the period for €6,377,000 as was the building at 77 de la Rue Boissière, in Paris 16th for €13,640,000 (derecognized at fair value at period opening).

(4) In view of the valuation of buildings at 31 December 2012, the change 5.54% in the value of «investment property» assets on a like-for-like basis has a positive impact of €13,618,000 on income; the increase in the value of the buildings is more particularly accounted for by new leases signed in the buildings in Rue François 1er, Rue de Surène, Rue de la Banque and Rue d'Argenteuil in Paris.

(5) The building at 7 Rue d'Argenteuil in Paris 1st, held for sale, was reclassified as a current asset. It was sold in January 2013.

4.1.2. CHANGE IN THE VALUE OF TANGIBLE ASSETS OTHER THAN INVESTMENT PROPERTIES AT 31 DECEMBER 2013

At 31 December 2013:

In 1,000s of euros	Gross value 31/12/2012	Acquisitions	Disposals	Changes in scope	Revaluation surplus	Account transfer	Gross value 31/12/2013
Land	669	-	-	-	10	-	679
Buildings & Fixtures	6,022	-	-	-	93	-	6,115
Tangible assets	312	33	-19	-25	-	-	301
TOTAL	**7,003**	**33**	**-19**	**-25**	**103**	**-**	**7,095**

In accordance with IAS 40§57a, which requires that administrative premises used by the company be recognized under IAS 16, the 3rd floor at 2 Rue de Bassano Paris 16th is presented under Property, Plant and Equipment. However, as IAS 16§, 36-37 allows, «Land» and «Buildings» are measured with the revaluation method, and an appraisal is carried out for that purpose at each closing. The revaluation of premises used for administrative purposes stands at a gross value of €103,000 for 2013, and is offset in equity under IAS 16§39.

At 31 December 2012:

In 1,000s of euros	Gross value 31/12/2011	Acquisitions	Disposals	Changes in scope	Revaluation surplus	Account transfer	Gross value 31/12/2012
Land	660	-	-	-	9	-	669
Buildings & Fixtures	5,946	-	-	-	76	-	6,022
Tangible assets	299	15	-2	-	-	-	312
TOTAL	**6,905**	**15**	**-2**	**-**	**85**	**-**	**7,003**

The revaluation of premises used for administrative purposes stands at a gross value of €85,000 for 2012, and is offset in equity under IAS 16§39.

4.1.3. CHANGE IN AMORTIZATION AND DEPRECIATION OF TANGIBLE ASSETS OTHER THAN INVESTMENT PROPERTY

At 31 December 2013:

En K€	31/12/2012	Allowances	Change in reporting scope	Reversal further to sale and disposal	Revaluation surplus	Account transfer	31/12/2013
Buildings & Fixtures	641	103	-	-	-	-	744
Tangible assets	263	25	-16	-19	-	-	253
TOTAL	**904**	**128**	**-16**	**-19**	**-**	**-**	**997**

At 31 December 2012:

En K€	31/12/2011	Allowances	Change in reporting scope	Reversal further to sale and disposal	Revaluation surplus	Account transfer	31/12/2012
Buildings & Fixtures	542	103	-	-	-4	-	641
Tangible assets	234	31	-	-2	-	-	263
TOTAL	**776**	**134**	**-**	**-2**	**-4**	**-**	**904**

4.1.4. CHANGE IN THE NET VALUE OF INTANGIBLE ASSETS

At 31 December 2013:

In 1,000s of euros	Net value 31/12/12	Acquisitions	Change in reporting scope	Amortization and depreciation	Disposal	Net value 31/12/13
Intangible assets		5	-	-1	-	4
TOTAL		**5**	**-**	**-1**	**-**	**4**

At 31 December 2012:

In 1,000s of euros	Net value 31/12/11	Acquisitions	Change in reporting scope	Amortization and depreciation	Disposal	Net value 31/12/12
Intangible assets	3	-	-	-3	-	-
TOTAL	**3**	**-**	**-**	**-3**	**-**	**-**

4.2. PROPERTY INVENTORY

At 31 December 2013:

In 1,000s of euros	31/12/2012	Acquisitions	Change inventory	Change in reporting scope	Depreciation	31/12/2013
Property inventory	475	-	-	-	-	475
TOTAL	**475**	**-**	**-**	**-**	**-**	**475**

Inventory includes a 138 m² split-level apartment with 137 m² of terrace and balconies in Ajaccio (Corsica), which was renovated in the prior period. It is measured at cost (€475,000), lower than its estimated fair value of €500,000.

At 31 December 2012:

In 1,000s of euros	31/12/2011	Acquisitions	Change inventory	Change in reporting scope	Depreciation	31/12/2012
Property inventory	10	-	-10	475	-	475
TOTAL	**10**	**-**	**-10**	**475**	**-**	**475**

The last lot at 27 Rue de Rome in Paris 8th, namely a shed on the ground floor at the back of the courtyard, had been sold. Company SFIF, now included in the reporting scope, owned an apartment in Ajaccio (Corsica), recognized in inventory.

4.3. FINANCIAL ASSETS

Financial assets are broken down into the following categories as specified by IAS 39:

2013	31/12/2013									
Financial assets in 1,000s of euros	Financial assets held for trading purposes	Assets held to maturity	Loans and receivables	Assets available for sale	**Balance sheet total**	Amortised cost	Fair value recognized in equity	Fair value recognized in profit or loss	**Fair value**	Level of fair value
Non-current financial assets	-	-	268	5,501	5,769	268	5,145	356	5,769	3
Trade notes and accounts receivable	-	-	1,667	-	1,667	1,667			1,667	N/A
Other receivables	-	-	8,873	-	8,873	8,873			8,873	N/A
Other current assets	-	-	193	-	193	193			193	N/A
Current financial assets	-	-	-	-	-	-			-	
Cash and cash equivalents	8,037	-	-	-	8,037	1,039		6,998	8,037	1

2012	31/12/2012									
Financial assets in 1,000s of euros	Financial assets held for trading purposes	Assets held to maturity	Loans and receivables	Assets available for sale	**Balance sheet total**	Amortised cost	Fair value recognized in equity	Fair value recognized in profit or loss	**Fair value**	Level of fair value
Non-current financial assets	5,339	-	265	-	5,605	265	5,339		5,605	3
Trade notes and accounts receivable	-	-	2,717	-	2,717	2,717			2,717	N/A
Other receivables	-	-	7,822	-	7,822	7,822			7,822	N/A
Other current assets	-	-	62	-	62	62			62	N/A
Current financial assets	957	-	75	-	1,033	-			1,033	N/A
Cash and cash equivalents	4,553	-	-	-	4,553	-			4,553	N/A

IFRS 13 defines a 3-level hierarchy of fair value:

- level 1, which is the fair value in active markets for identical assets or liabilities;

- level 2, which is a valuation based on observable inputs, directly or indirectly;

- level 3, which is a valuation fully or partially based on inputs not directly or indirectly observable;.

The value of trade receivables, other receivables and other current assets is their fair value. However, when there is an indication of impairment in value (customer outstandings, other non-recoverable receivables), impairment is recognized to adjust the amount of the debt to the potential inflow of funds.

4.3.1. NON-CURRENT FINANCIAL ASSETS

At 31 December 2013:

Financial assets in 1,000s of euros	31/12/2012	Increases	Decreases	Change in reporting scope	31/12/2013	Maturity		
						Up to 1 year	1 to 5 years	Over 5 years
Pledged term deposits (1)	210				210		210	
Financial assets available for sale (2)	5,339		193		5,145		5,145	-
Deposits (working capital) (3)	12	7			19	19	-	-
Loans	-				-	-	-	-
Trading financial assets	-				-	-	-	-
Other (4)	44	351			395	39	356	-
TOTAL	**5,605**	**358**	**193**		**5,769**	**58**	**5,711**	

(1) The term deposit is pledged to DEUTSCHE PFANDBRIEFBANK for €210,000 as collateral for the repayment of the loan it granted to company BASNO.

(2) Financial assets available for sale now only comprise BASSANO DEVELOPPEMENT securities (the latter is the freeholder of the Royal Garden Hotel at 218/220 Rue du Fbg St Honoré) for €5,145,000, depreciated by €193,000 according to the share of the revalued net position of this company; the depreciation is offset in equity.

(3) Deposits (working capital) include sums paid to the managing agents of the properties.

(4) This item in particular includes the valuation of derivatives (€356,000 at 31 December 2013) which appreciated by €41,000 over the period (see details below).

Derivatives at 31/12/2013

Instruments	maturity	Notional at 31/12/2013 In 1,000s of euros	Valuation at 31/12/2013 In 1,000s of euros Assets	Subscribed at 24/04/2020	Valuation at 31/12/2012 In 1,000s of euros Assets	Change in valuation In 1,000s of euros
CAP swap (3.65% guaranteed rate)	30/06/2016	14,906	4		5	-1
CAP swap (3.50% guaranteed rate)	24/04/2020	28,000	352	310	-	42
TOTAL		**42,906**	**356**	**310**	**5**	**41**

These derivatives are recognized individually and measured at fair value in profit or loss without recourse to hedge accounting. Their fair value is determined each year-end closing by the financial institution with which the agreement was concluded.

The derivative subscribed during the period covers interest-rate risk (Euribor 3 months) on the new loan jointly taken out by FONCIERE DU 17 Rue FRANCOIS 1er and SCI François VII.

In 1,000s of euros	31/12/2013	
	Loss posted in equity	Loss transferred from equity to profit or loss
Financial assets available for sale	-193	

At 31 December 2012:

Financial assets in 1,000s of euros	31/12/2011	Increases	Decreases	Change in reporting scope	31/12/2012	Maturity		
						Up to 1 year	1 to 5 years	Over 5 years
Pledged term deposits (1)	725		515		210			210
Financial assets available for sale (2)	6 741		1 402		5 339		5 339	-
Deposits (working capital) (3)	4	8			12	12	-	-
Loans	-				-	-	-	-
Trading financial assets	-				-	-	-	-
Other (4)	138		94		44	44	-	-
Totals	**7 608**	**8**	**2 011**	**0**	**5 605**	**56**	**5 339**	**210**

(1) The term deposit is pledged to DEUTSCHE PFANDBRIEFBANK for €210,000 as collateral for the repayment of the loan it granted to us. The decrease in the item follows the sale of the building at 77 Rue Pont Boissière in Paris 16th, the financing loan for which was guaranteed by a pledged term deposit.

(2) Financial assets available for sale now only include €5,339,000 of BASSANO DEVELOPPEMENT securities, which have appreciated by €161,000, namely the share of the revalued net position of this company;

(3) Money market funds guaranteeing a tax debt (€1,488,000) were released in favour of the Treasury during the period; and money market funds guaranteeing a minimum rent on the building at 7 Rue d'Argenteuil in Paris 1st, sold on 29 January 2013, were reclassified as current financial assets.

(3) Deposits (working capital) include sums paid to the managing agents of the properties.

(4) This item in particular includes the valuation of derivatives (€8,000 at 31 December 2012), which depreciated by €87,000 over the period (see details below).

Derivatives at 31/12/2012

Instruments	maturity	Notional at 31/12/2012 In 1,000s of euros	Valuation at 31/12/2011 In 1,000s of euros Assets	Valuation at 31/12/2012 In 1,000s of euros Assets	Change in valuation In 1,000s of euros
CAP swap (3.65% guaranteed rate)	30/06/2016	14 906	81	5	-76
CAP swap (3.50% guaranteed rate)	14/05/2014	8 000	13	3	-11
TOTAL		**22 906**	**94**	**8**	**-87**

These derivatives are recognized individually and measured at fair value in profit or loss without recourse to hedge accounting. Their fair value is determined each year-end closing by the financial institution with which the agreement was concluded.

In 1,000s of euros	31/12/2012	
	Profit posted in equity	Loss transferred from equity to profit or loss
Financial assets available for sale	36	

4.3.2. TRADE AND OTHER RECEIVABLES

At 31 December 2013:

In 1,000s of euros	31/12/2013					
	Gross value	Depreciation	Net value	Due in one year at the most	Maturing in between one and 5 years	Maturing in over 5 years
Trade notes and accounts receivable	1,997	329	1,668	1,668	-	-
Other receivables	8,873	-	8,873	4,641	4,232	-
TOTALS	**10,870**	**329**	**10,541**	**6,309**	**4,232**	**-**

Other receivables at 31 December 2013 primarily include:
- VAT receivables totalling €2,079,000,
- €625,000 of funds advanced to notaries for legal instruments, offset under «unbilled payables»,
- €303,000 for building managers, who mostly repaid at the beginning of 2014,
- €793,000 of rents spread out under IAS 17: this accrual entry spreads out, on a straight-line basis and in accordance with IFRS over the entire period of leases, the differences in rents arising from periods of rent exemption or from progressive changes pin the annual rent,
- €1,700,000 held in escrow by BNP: this is for the disputes mentioned in note 9.3.4,
- €393,000 held in escrow for the dispute between VELO and GERY DUTHEIL (see §9.3.3)
- A claim of €1,059,000 on SEK HOLDING (with an agreement on payment),
- €1,080,000 seized by the Treasury against company LORGA when the building in Rue d'Edimbourg in Paris was sold in connection with the ongoing tax dispute,
- €253,000 of insurance payouts receivable following the malfunction of the air-conditioning system in the building at 2 Rue de Bassano.

At 31 December 2012:

In 1,000s of euros	31/12/2012					
	Gross value	Depreciation	Net value	Due in one year at the most	Maturing in between one and 5 years	Maturing in over 5 years
Trade notes and accounts receivable	3,687	970	2,717	2,717	-	-
Other receivables	7,822	-	7,822	3,421	4,401	-
TOTALS	**11,509**	**970**	**10,539**	**6,138**	**4,401**	**-**

Other receivables at 31 December 2012 primarily include:
- €1,107,000 of VAT receivables,
- €456,000 of funds held by notaries,
- €334,000 for building managers,
- €631,000 of rents spread out under IAS 17: this accrual entry spreads out, on a straight-line basis and in accordance with IFRS over the entire period of leases, the differences in rents arising from periods of rent exemption or from progressive changes pin the annual rent,

- €1,700,000 held in escrow by BNP: this is for the disputes mentioned in note 9.3.4,
- €393,000 held in escrow for the dispute between VELO and GERY DUTHEIL (see §9.3.3)
- A claim of €1,059,000 on SEK HOLDING (with an agreement on payment),
- €1,080,000 seized by the Treasury against company LORGA when the building in Rue d'Edimbourg in Paris was sold in connection with the ongoing tax dispute.

Net income and expenses recognized in profit or loss at amortized cost on current receivables are as follows:

In 1,000s of euros	31/12/2013
	Net expense recognized in profit or loss
Receivables	-49

A minus sign indicates an expense

The net income or expense on current receivables results from the loss on bad debts, inflows on amortized receivables and valuation allowances on receivables.

4.3.3. CURRENT FINANCIAL ASSETS

The FIPP securities, received in connection with the distribution in kind in the period ending 30 November 2011, are the main component of this item; all current financial assets were sold at their fair value during the period.

In thousands of euros	Start of period	Change in fair value	Disposal	End of period
FIPP securities	957		-957	
Money market funds	75		-75	
	1,032		**-1,032**	-

4.3.4. CASH AND CASH EQUIVALENTS

In thousands of euros	31/12/2013	31/12/2012
Money market funds	6,998	
Cash assets	1,039	4,552
TOTAL FINANCIAL ASSETS FOR TRADING	**8,037**	**4,552**

4.3.5. MEASUREMENT OF FINANCIAL ASSETS

The value of trade receivables, other receivables and other current assets is their fair value, equal to their carrying amount. When there is an indication of impairment in value (customer outstandings, other non-recoverable receivables), impairment is recognized to adjust the amount of the debt to the potential inflow of funds.

4.3.6. BUILDINGS HELD FOR SALE

The building at 7 Rue d'Argenteuil in Paris 1st, which in the prior period had been reclassified as «buildings held for sale» for €8,505,000, was sold in January 2013.

4.4. EQUITY

At 31 December 2013, the share capital is made up of 142,131,582 shares for a total amount of 19,312,608 euros, fully paid-up. Shares are either registered or bearer shares.

On this date, there are 1,532 treasury shares with a balance sheet value of zero, thereby requiring no restatement of consolidated equity.

Changes in share capital during the period are stated in §1.1.

4.4.1. DESCRIPTION OF THE CAPITAL STRUCTURE

The capital structure is as follows:

	At 31/12/2013			At 31/12/2012			At 31/12/2011		
Shareholders	number of shares	% of capital	% of voting rights	number of shares	% of capital	% of voting rights	number of shares	% of capital	% of voting rights
A.Duménil and controlled companies									
A.Duménil	155,386	0.11%	0.11%	137,000	0.11%	0.11%	137,000	0.11%	0.12%
Rodra Investissement	71,942,393	50.62%	50.62%	64,037,908	50.57%	50.57%	59,437,076	49.20%	51.62%
Acanthe Group									
Acanthe Développement	1,532	0.00%	0.00%	1,532	0.00%	0.00%	1,532	0.00%	0.00%
Surbak	0	0.00%	0.00%	0	0.00%	0.00%	5,681,209	4.70%	0.00%
Alliance 1995	0	0.00%	0.00%	0	0.00%	0.00%	0	0.00%	0.00%
Acanthe Group subtotal	**1,532**	**0.00%**	**0.00%**	**1,532**	**0.00%**	**0.00%**	**5,682,741**	**4.70%**	**0.00%**
Subtotal for Alain Duménil and controlled companies (including the Acanthe Group)	**72,099,311**	**50.73%**	**50.73%**	**64,176,440**	**50.68%**	**50.68%**	**65,256,817**	**54.01%**	**51.74%**
PUBLIC									
Public	70,032,271	49.27%	49.27%	62,454,437	49.32%	49.32%	55,560,053	45.99%	48.26%
TOTAL	**142,131,582**	**100.00%**	**100.00%**	**126,630,877**	**100.00%**	**100.00%**	**120,816,870**	**100.00%**	**100.00%**

Furthermore, in February 2008 SA PARIS HOTELS ROISSY VAUGIRARD (P.H.R.V), a subsidiary of the Allianz and GMF groups and of company COFITEM-COFIMUR, declared it held more than 5% of the share capital and voting rights at annual general meetings (threshold reached on 7 February 2008 with the acquisition of 4,355,295 shares on the market). The latest statements provided by P.H.R.V (3/11/2011) show an ownership interest of 6.35%. PHRV has not fallen below the threshold since then.

As far as the Company is aware, no other shareholders hold more than 5% of equity or voting rights.

4.4.2. DISCLOSURE OF SHAREHOLDER AGREEMENTS

Obligations to report and disclose shareholder agreements are governed by the provisions of Article L. 233-11 of the French Commercial Code and Article 223-18 of the General Rules of the AMF.

The Company has no knowledge of any agreements between the shareholders known and registered at year-end closing.

4.4.3. SPECIFIC DISCLOSURE IF THE COMPANY IS CONTROLLED

The Company is controlled as described above; however, it does not think there is a risk of control being exercised improperly.

4.4.4. CAPITAL INCREASES AND DECREASES IN THE PERIOD

During the 2013 financial period, the capital was raised from €17,206,397 (represented by 126,630,877 shares) to €19,312,608, represented by 142,131,582 shares at 31 December 2013 (see §1.1).

4.4.5. DISTRIBUTIONS

On 26 June 2013, the General Shareholders' Meeting decided to distribute a dividend of €0.06 per share, with the option of payment in shares. This generates a reduction of €7,598,000 in shareholders' equity. The reinvestment in shares as proposed to shareholders generated an increase of €5,890,000 in capital and share premium. Payment of dividends generated a cash outflow of €1,708,000.

4.4.6. DILUTIVE INSTRUMENTS

The share options allocation plan decided by the Board of Directors on 28 August 2009 and clarified by the Board of Directors on 31 December 2009, awarded 9,936,436 options at an exercise price of €1.24. At 31 December 2013, there are still 4,896,436 options to be exercised by 28 August 2019. However, as the exercise price (€1.24) is significantly higher the average price observed in 2013 (€0.45), no options were exercised during the period.

The plan was not included in the calculation of diluted earnings per share. There are no other dilutive instruments.

4.4.7. NON-CONTROLLING INTERESTS

The Paris Court of Appeal ruling dated 22 January 2013 (see §9.3.2), against which company BRUXYS has appealed points of law, among other things pronounced the dissolution of company SOGEB; therefore the winding-up operations further to this decision will result in the net position being shared out amongst shareholders and will entail a cash outflow from the group of €6.3 million in favour of the minority groups.

4.5. PROVISION FOR RISKS AND CONTINGENCIES

In thousands of euros	31/12/2013	31/12/2012
Contingency and loss provisions		
Provision for tax risks (1)	7,015	
Provision for litigation (2)	740	
Provision for severance benefits (3)	240	129
TOTAL	**7,995**	**129**

Contingency and loss provisions include:

(1) €7,015,000 for tax risks, €1,239,000 of which concerns company LORGA and €5,776,000 relates to ACANTHE DEVELOPPEMENT disputes, as explained in §9.3.1. It should be noted that the sum of €5,776,000 includes a provision of €1,298,000, representing the 80% surcharges on the tax reassessments notified in 2006: this provision was recognized at the request of the statutory auditors and despite the advice of the company's tax advisors (CMS Bureau Francis Lefebvre – see §9.3.1).

(2) a provision of €623,000 for litigation was made in consideration of the Paris Court of Appeal ruling of 27 February 2014, which reinstated the rights of former shareholders and awarded them the said sum under Article 700 of the Code of Civil Procedure. (see §9.3.4)

(3) the variables making up this provision are presented in §9.9.

In December 2012, contingency and loss provisions only included the €129,000 provision for retirement severance pay increased by €11,000 in 2012.

4.6. FINANCIAL LIABILITIES

4.6.1. ITEMIZED CURRENT AND NON-CURRENT FINANCIAL LIABILITIES

Liabilities In thousands of euros	31/12/2013	31/12/2012
Non-current liabilities		
Loans and debts with credit institutions > 1 year	87,984	64,372
Other loans and debts > 1 year	1,466	-
TOTAL NON-CURRENT FINANCIAL LIABILITIES	**89,450**	**64,372**
Current liabilities		
Loans and debts with credit institutions < 1 year	3,124	3,576
Other borrowings	-	2,100
Bank overdrafts		-
Accrued interest	387	427
TOTAL CURRENT FINANCIAL LIABILITIES	**3,511**	**6,103**

TOTAL FINANCIAL LIABILITIES	**92,961**	**70,475**
Cash flow	8,037	4,552
NET DEBT	**84,924**	**65,923**

The table below presents the cash flow needed to extinguish loans from banking institutions (scheduled capital repayments and future interest), the natures interest rates, their timing and the term of these loans.

Buildings	Loan	Rate type	Rate change date	Term of the loan	RATE	Outstanding disbursements on loans (Capital + interest)				
						< 3 months	> 3 months and < 1 year	>1 year and < 5 years	over 5 years	Total
rue de Rivoli	Munchener Hypotenkenbank	FIXED RATE		nov-2020	3.500%	326	966	5 621	6 158	13 071
55 rue Charron	ING Lease	FIXED RATE	NA	nov-2023	6.550%	341	1 024	5 712	16 199	23 276
	Fixed rate subtotal					**667**	**1 990**	**11 333**	**22 357**	**36 347**
2-4 rue de Lisbonne	Munchener Hypotenkenbank	EURIBOR 3 M+1,85%	Trim	may-2021	2.364%	176	541	3 360	13 598	17 675
rue François 1er	Deutsche Hypothekenbank	EURIBOR 3 M+2.06%	Trim	april-2020	2.329%	302	908	5 693	26 611	33 513
rue de Surène	Crédit Foncier	EURIBOR 3 M+1,00%	Trim	june-2022	1.230%	70	218	1 575	5 907	7 769
quai Malaquais	Deutsche Pfandbriefbank	EURIBOR 3 M+0.90%	Trim	oct-2019	1.126%	3	198	805	195	1 201
	Euribor subtotal					**551**	**1 865**	**11 433**	**46 311**	**60 159**
26 rue d'Athènes	Deutsche Pfandbriefbank	PEX 5 ANS + 0,85%	01/2011	july-2021	3.622%	11	168	701	523	1 403
2 rue de Bassano	Deutsche Pfandbriefbank	PEX 5 ANS + 1,05%	10/2008	oct-2018	5.333%	346	1 029	14 452		15 827
	PEX 5 YR subtotal					**357**	**1 197**	**15 153**	**523**	**17 230**
	GRAND TOTAL					**1 575**	**5 053**	**37 919**	**69 190**	**113 737**

The financial liabilities itemized in the above table were measured at amortized cost under the effective interest method. If measured at fair value, the balance sheet amount of non-current financial liabilities would have been different for the fixed rates and for the PEX 5-year rates (the rate of return for Pfandbreife, German mortgage bonds).

During the period, another loan was taken out with DEUTSCHE HYPOTHEKENBANK by FONCIERE DU 17 RUE FRANCOIS 1er and SCI FRANCOIS VII, respectively for €20,700,000 and €7,300,000, making a total of €28,000,000.

This 7-year loan ends in April 2020 and bears variable interest based on EURIBOR 3 months plus 1.50% for margin and liquidity costs at 0.66%.

Part of the funds received were used for the early repayment of two loans previously taken out with Crédit Foncier be each of the two companies (making repayment of €3,843,000 for Compagnie Foncière du 17 Rue François 1er and €8,967,000 for SCI FRANCOIS VII).

The new loan is guaranteed by:

- a mortgage on the building in Rue François 1er in Paris;

- the sale of receivables from leases of the building, interest rate hedging payouts and insurance payouts.

- The pledging of partnership shares in the two borrowing companies;

- The independent guarantee of payment granted by ACANTHE DEVELOPPEMENT. ;

To cover the unfavourable change in the variable-rate of this loan, a rate cap derivative was subscribed for a notional of €28,000,000 for a period of 7 years, capping the interest-rate risk at 3.50%.

To partially fund the acquisition of the building at 184 Rue de Rivoli in Paris, SCI ECHELLE RIVOLI borrowed €11.500 million from MUNCHENER HYPOTHEKENBANK; this loan bears interest at a fixed rate of 3.404% per annum, is amortized by 15% of the principal over the 7 years, the balance of 85% of the loan being repaid at the end.

The following sureties guarantee its repayment:

- First mortgage on the building;

- Assignment of professional and non-professional receivables and insurance payouts relating to the building;

- The pledging of SCI ECHELLE RIVOLI partnership shares held by ACANTHE DEVELOPPEMENT and BALDAVINE.

Company CEDRIANE issued a bond reserved for DUAL REAL ESTATE INVESTMENTS SA; Totalling 3 millions Swiss Francs (3MCHF), it is divided into 300 bonds of 10,000 CHF bearing interest at the fixed rate of 3.5% p.a. and over 5 years, to be repaid no later than 31 August 2018, irrespective of the transacting date.

To guarantee repayment, CEDRIANE granted a junior mortgage on the building at Quai Malaquais in Paris.

On 30 August 2013, DUAL REAL ESTATE INVESTMENTS SA subscribed to the bond issue for the sum of 1,800,000 CHF (€1,466,000 at the rate of exchange on 31 December 2013)

Derivatives at 31/12/2013

Instruments	maturity	Notional at 31/12/2013 In 1,000s of euros	Valuation at 31/12/2013 In 1,000s of euros Assets	Subscribed at 24/04/2020	Valuation at 31/12/2012 In 1,000s of euros Assets	Change in valuation In 1,000s of euros
CAP swap (3.65% guaranteed rate)	30/06/2016	14,906	4		5	-1
CAP swap (3.50% guaranteed rate)	24/04/2020	28,000	352	310	-	42
TOTAL		**42,906**	**356**	**310**	**5**	**41**

4.6.2. FAIR VALUE OF FINANCIAL LIABILITIES

In thousands of euros	Balance sheet total	Amortised cost	Effective interest rate	Fair value	Level of fair value
Loans and financial liabilities with lending institutions (1)	91,478	370	91,108	99,168	3
Other loans (1)	1,483	1,483		1,483	3
Deposits and guarantees	1,933	1,933		1,933	N/A
Trade accounts payable	2,886	2,886		2,886	N/A
Tax and social security liabilities	1,217	1,217		1,217	N/A
Other liabilities	487	487		487	N/A
TOTALS	**99,484**	**8,376**	**91,108**	**107,174**	

(1) including €387,000 of accrued interest

With regard to overdrafts, trade payables, deposits and guarantees and tax and social security liabilities, the bulk of which are short-term liabilities, the balance sheet values are stated at cost, which is virtually identical to their fair value.

4.7. SCHEDULE OF DEBTS

At 31 December 2013:

In thousands of euros	TOTAL	Due in one year at the most	Maturing in between one and 5 years	Maturing in over 5 years
Sundry borrowings and financial liabilities (1)	91,495	3,511	22,989	64,995
Other loans (1)	1,483	17	1,466	
Deposits and guarantees	1,933	1,933	-	-
Trade accounts payable	2,886	2,886	-	-
Tax and social security liabilities	1,217	1,217	-	-
Other liabilities	487	487	-	-
Other current liabilities	-	-	-	-
TOTALS	**99,501**	**10,051**	**24,455**	**64,995**

(1) including accrued interest (€387,000) at 31 December 2013.

«Tax and social security liabilities» includes: - €402,000 of payroll expenses,
- VAT payable on receipt of payment: €781,000,
- €34,000 of sundry taxes.

«Other liabilities» primarily include:
- Customers in credit for €335,000 (mainly early customer payments and advances of occupancy expenses to customers at the end of their lease)
- €57,000 of unbilled credit notes, corresponding to lessees' expense accounting,
- €58,000 of unbilled credit notes, to regularize annual reinvoicing of payroll expenses,
- A rent and rental expense liability of €29,000 regularized further to the acquisition or sale of a building.

At 31 December 2012:

In thousands of euros	TOTAL	Due in one year at the most	Maturing in between one and 5 years	Maturing in over 5 years
Sundry borrowings and financial liabilities (1)	70,475	6,103	22,870	41,502
Deposits and guarantees	1,915	1,915	-	-
Trade accounts payable	2,827	2,827	-	-
Tax and social security liabilities	1,034	1,034	-	-
Other liabilities	834	834	-	-
Other current liabilities	-	-	-	-
TOTALS	**77,085**	**12,713**	**22,870**	**41,502**

(1) including accrued interest (€427,000) at 31 December 2012.

«Tax and social security liabilities» includes: - €306,000 of payroll expenses,
- VAT payable on receipt of payment: €686,000,
- €43,... of sundry taxes.

«Other liabilities» primarily include:
- Customers in credit for €309,000 (mainly early customer payments and advances of occupancy expenses to customers at the end of their lease)
- €182,000 of unbilled credit notes, corresponding to lessees' expense accounting,
- A liability of €216,000 relating to the acquisition through an auction of the apartment in Ajaccio, offset in assets by a customer receivable of the same amount.

NOTE 5. DISCLOSURES: INCOME STATEMENT

5.1. NET INCOME FROM PROPERTIES

Net income from properties includes all revenue and costs directly related to operating the buildings.

In thousands of euros	31/12/2013	31/12/2012
Rents	8,693	7,280
Rebilled occupancy expenses	1,740	1,458
Total occupancy expenses	(3,570)	(2,967)
Net income from properties	**6,862**	**5,772**

ACANTHE DEVELOPPEMENT group revenue for 2013 totals €10,433,000 (including €8,693,000 of rental income and €1,740,000 of rebilled occupancy expenses), compared with €8,738,000 (including €7,280,000 of rental income and €1,458,000 of rebilled occupancy expenses) in 2012.

Revenue is up 19.4% in 2013 compared with 2012.

This rise is mainly attributable to revenue from the building at 17 Rue François Ier, fully occupied, which was not the case in 2012. This represents an increase in revenue of €1,982,000 for 2013.

The increase in revenue is also accounted for by the acquisition of the building in Rue de Rivoli at the end of June 2013, which generated €513,000 of cumulative revenues in 2013.

Buildings sold in 2012 (essentially in Rue Boissière and Rue d'Argenteuil) generated €1,216,000 of revenue overall over the period.

Changes in rents on a like-for-like basis, regarding buildings already owned by the group at the previous closing, are:

	31/12/2013	31/12/2012	Change	Changes in %
Change in rents on a like-for-like basis	9,957	7,448	+2,509	+33.7%

The effect of overall index-linking of rents on a like-for-like basis at 31 December 2013 is 1.14%. Total occupancy expenses have increased among other things because the non-recurring sum of €556,000 was recognized for legal fees on new loans.

5.2. OPERATING INCOME

Operating income is defined as the difference of all expenses and income not resulting from financial activities, negative goodwill, transferred activities or taxes, in accordance with CNC recommendation 2009-R03.

In thousands of euros	31/12/2013	31/12/2012
Payroll expenses	(1,266)	(1,067)
Other overhead costs	(2,178)	(3,540)
Other income and expenses	(409)	(3,868)
Change in value of investment property	2,625	13,618
Other amortization expenses and provisions	(8,000)	(503)
Reversals of other amortization expenses and provisions	695	4,046
Operating expenses	**(8,533)**	**8,686**
Operating income before disposals	**(1,671)**	**14,456**
Income (loss) from disposals of investment properties	124	2,545
Operating income	**(1,547)**	**17,002**

The main trends in o are:

Other overhead costs were specifically increased in 2012 by €1 million for registration fees relating to the acquisition SCI de l'HOTEL AMELOT securities.

In 2012 €3,984,000 of other expenses were recognized for the cost of reinstating non-controlling interests in company SOGEB after the court-ordered cancellation of the capital increase that had reduced their ownership interest; this charge was covered by a provision for risks made on the previous closing and reversed in the same period (see above).

- The €2,625,000 change in the fair value of investment property in 2013 against an increase of €13,618,000 in 2012, the main changes in fair value are itemized in 4.1.1.

Contingency and loss provisions are substantial this period, and cover tax risks (€7,015,000, including a provision of €1,298,000 regarding the 80% surcharges recognized at the request of the statutory auditors despite the advice or the company's tax advisors - Cabinet CMS Bureau Francis Lefebvre – see note 9.3.1) and sums totalling €623,000 ordered by the Paris Court of Appeal ruling of 27 February 2014 (see note 9.3.4 cross-reference to specific developments).

Reversals of provisions in 2012 included a provision covering the risk of restoring non-controlling interests in SOGEB (€3,984,000), recognized as other charges for the same amount.

In addition, for this period, the «reversals of other amortization and provisions» item includes €695,000 of reversals of receivables (see note 4.3.2 Net expenses recognized in profit or loss), against €62,000 in the prior period.

Disposals of investment properties showed a profit of €124,000. Income from disposals is itemized in note 5.4 below.

5.3. NET INCOME

In thousands of euros	31/12/2013	31/12/2012
Operating income	**(1,547)**	**17,002**
Cash flow and cash equivalents	3	116
Cost of gross financial debt	(3,480)	(3,142)
Cost of net financial debt	**(3,478)**	**(3,026)**
Other financial income and charges	310	1,289
Income or loss before tax	**(4,715)**	**15,265**
Income tax expense	(21)	(22)
Net income	**(4,736)**	**15,243**
Group owners	(4,815)	14,684
Non-controlling interests	80	558

In this period, the interest expense on loans includes specific early repayment costs on the loans of Foncière du 17 Rue François 1er and SCI François VII:

- Cancellation of effective interest rate treatment differences €310,000;

- €65,000 of repayments.

The main items recognized in «Other financial income and charges» this period, totalling €312,000 (compared with €172,000 the prior period), include dividends received from BASSANO DEVELOPPEMENT, in which ACANTHE DEVELOPPEMENT has a non-controlling interest; in the prior period this item recognized €1,021,000 of interest on arrears from the Treasury's repayment of Exit Tax.

5.4. INCOME (LOSS) FROM DISPOSALS OF INVESTMENT PROPERTIES

Period 2013

Two assets were sold during the period, the plot of land in Avenue Joffre à NANTERRE and the building at 7 Rue d'Argenteuil in PARIS, which respectively generated proceeds of €119,000 and €5,000.

These results take into account all expenses and income relating to the disposals, including selling fees and legal fees.

Period 2012

The sale of the building at 77 Rue de Boissière in Paris 16th at favourable terms netted €2,930,000. In addition, the sale of the last five lots in the building at 21 Bd Poissonnière in Paris 2nd showed a loss of €385,000, 6% of the net consolidated value (€6,390,000).

5.5. VERIFICATION OF TAX EXPENSE

In thousands of euros	31/12/2013	31/12/2012
Net consolidated income	**-4,736**	**15,243**
Corporation income tax		-22
Income or loss before tax	**-4,736**	**15,265**
French tax rate	33.33%	33.33%
Theoretical tax charge or income	**1,579**	**-5,088**
Restatement of foreign company accounts	-166	-9
Other restatements and mismatches	-2,241	1,148
Non-taxable income (SIIC regime)	1,891	5,739
Allocation: creation of unused deficits	-1,063	-1,812
Tax charge or income	**0**	**-22**

Corporation tax is virtually zero by virtue of the SIIC regime opted for during the course of 2005, which provides for a full exemption of capital gains and income generated from property-related activities for all transparent consolidated French companies or those that chose this option. The only taxable income is from non-property related activities.

NOTE 6. OPERATING SEGMENTS

Le Groupe réalise l'intégralité de son chiffre d'affaires dans la zone Euro, dans le secteur de l'immobilier.

Le patrimoine immobilier du Groupe représente au 31 décembre 2013 une surface totale de 24.269 m² (24.510 m² au 31 décembre 2012) répartie de la manière suivante :

Breakdown by type		
in m²	31-dec-13	31-dec-12
Offices	15,842 m²	16,257 m²
Residential	2,171 m²	1,072 m²
Commercial premises	4,170 m²	3,778 m²
Sundry (1)	2,082 m²	3,403 m²
TOTAL	**24,269 m²**	**24,510 m²**

Geographical breakdown		
% based on m²	31-dec-13	31-dec-12
Paris	87%	80%
Paris region (outside Paris) (2)		7%
Provinces	1%	1%
Abroad (3)	13%	12%
TOTAL	**100%**	**100%**

(1) This primarily concerns a building purchased in October 2010, which is going to be restructured; the allocation of floor space in this building as offices, commercial premises and dwellings has not yet been finalized.

(2) The only property held in the Paris region in 2012 was the plot of land in Avenue Joffre à Nanterre, which was sold during the period. It was listed under «Miscellaneous» in the breakdown by sector for a surface area of 1,685 m².

(3) The only property located abroad (3,043 m²) is the building at 9 Avenue de l'Astronomie in Brussels.

Real estate assets (a) by geographical segment	En K€
Paris	279,361
Provinces	625
Foreign	6,000
	285,986
Other non-chargeable assets (b)	24,590
TOTAL ASSETS	**310,576**

(a) details of real estate assets

Investment property	279,461
Building as tangible asset	6,050
Building in inventory	475
Buildings held for sale	
	285,986

(b) These are not real estate assets. They are explained in notes 4.1.2 and 4.2

At 31 December 2013:

Income statement by business segment at 31 December 2013

(in 1,000s of euros)	Offices	Commercial premises	Hotels	Residential	Not chargeable	TOTAL
Rents	4,978	3,160		555	-	**8,693**
Rebilled occupancy expenses	1,194	466		80		**1,740**
Total occupancy expenses	(2,092)	(1,019)		(293)	(166)	**(3,569)**
Net income from properties	**4,080**	**2,607**	**-**	**342**	**(166)**	**6,863**
Income from property development	-		-	-	-	**-**
Expenses on property development	-		-	-	-	**-**
Changes in property inventory	-		-	-	-	**-**
Net income from property development	**-**	**-**	**-**	**-**	**-**	**-**
Income from other activities	-	-	-	-	-	**-**
Payroll expenses (1)	(826)	(218)	-	(113)	(109)	**(1,266)**
Other overhead costs (2)	(1,422)	(374)	-	(195)	(187)	**(2,178)**
Other income and expenses	(339)	(9)	-	(67)	6	**(409)**
Change in value of investment property (3)	(3,707)	3,753	-	(50)	2,629	**2,625**
Other amortization expenses and provisions (4)	(272)	(67)		(19)	(7,642)	**(8,000)**
Reversal of other amortization and provisions	624		-	71		**695**
Income (loss) from disposals of investment properties	1	3		1	119	**124**
Cash flow income	2	1	-			**3**
Cost of gross financial debt	(2,272)	(598)	-	(311)	(299)	**(3,481)**
Other financial income and charges	187	49	-	49	25	**310**
Profit (loss) before tax	**(3,944)**	**5,147**	**-**	**(292)**	**(5,624)**	**(4,714)**
Corporation income tax	-	-	-	-	(21)	**(21)**
Income from disposals of subsidiaries	-	-	-	-		**-**
Net income	**(3,944)**	**5,147**	**-**	**(292)**	**(5,645)**	**(4,735)**

(1) Payroll expenses and other overhead costs are apportioned according to surface area in m^2.
(2) Other overhead costs primarily include the Group's general management costs.
(3) Changes in the values of non-chargeable investment properties concern land and investment properties the characteristics of which do not match any identified operating segment.
(4) Non-chargeable provisions concern allowances for tax risks and for the Paris Court of Appeal order dated 24 February 2014.

Balance sheet data by business segment at 31 December 2013

In 1,000s of euros	Offices	Commercial premises	Hotels	Residential	Not chargeable	TOTAL
Assets						
Investment properties	144,949	82,855		25,031	26,626	**279,461**
Tangible assets Bassano QP administrative offices	6,050					**6,050**
Property inventory				475		**475**
Buildings held for sale						
Liabilities						
Non-current financial liabilities	43,556	35,914		8,424	1,556	**89,450**
Current financial liabilities	1,985	800		308	418	**3,511**

The non-chargeable asset items primarily include land and the building being restructured and in the process of allocation.

The liability items are bank overdrafts and related items.

Acquisitions of sector-based assets valued at 31 December 2013

In 1,000s of euros	Offices	Commercial premises	Hotels	Residential	Not chargeable	TOTAL
Investment properties	2,264	7,748		13,139		**23,150**

The acquisition is the building in Rue de RIVOLI in PARIS.

At 31 December 2012:

Income statement by business segment at 31 December 2012

(in 1,000s €)	Offices	Commercial premises	Hotels	Residential	Not chargeable	TOTAL
Rents	5,357	1,378		545	-	**7,280**
Rebilled occupancy expenses	1,199	135		125		**1,459**
Total occupancy expenses	(2,234)	(326)		(286)	(122)	**(2,967)**
Net income from properties	**4,322**	**1,187**	**-**	**384**	**(122)**	**5,773**
Income from property development	-	10	-	-	-	**10**
Expenses on property development	-	(1)	-	-	-	**(1)**
Changes in property inventory	-	(10)	-	-	-	**(10)**
Net income from property development	**-**	**(1)**	**-**	**-**	**-**	**(1)**
Income from other activities	-	-	-	-	-	**-**
Payroll expenses (1)	(708)	(164)	-	(47)	(148)	**(1,067)**
Other overhead costs (2)	(2,348)	(546)	-	(155)	(491)	**(3,540)**
Other income and expenses	217	23	-	3	(4,111)	**(3,868)**
Change in value of investment property (3)	9,500	2,953	-	343	822	**13,618**
Other amortization expenses and provisions	(427)	(12)		21	(85)	**(503)**
Reversal of other amortization and provisions	46		-	16	3,984	**4,046**
Income (loss) from disposals of investment properties	1,671	305		569		**2,545**
Cash flow income	77	18	-	5	16	**116**
Cost of gross financial debt	(2,084)	(484)	-	(137)	(436)	**(3,142)**
Other financial income and charges	855	199	-	56	179	**1,289**
Profit (loss) before tax	**11,121**	**3,478**	**-**	**1,058**	**(392)**	**15,266**
Corporation income tax	-	-	-	-	(22)	**(22)**
Income from disposals of subsidiaries	-	-	-	-		**-**
Net income	**11,121**	**3,478**	**-**	**1,058**	**(414)**	**15,244**

(1) Payroll expenses (except for those relating to bonus shares) and other overhead costs are apportioned according to surface area in m^2.

(2) Other overhead costs primarily include the Group's general management costs.

(3) Other non-chargeable expenses include €3,983,000 for reinstating non-controlling interests.

(4) Changes in the values of non-chargeable investment properties concern land and investment properties the characteristics of which do not match any identified operating segment.

(5) The reversal of a non-chargeable provision concerns the risk of reinstating non-controlling interests covered by a provision in 2011.

Balance sheet data by business segment at 31 December 2012

(in 1,000s €)	Offices	Commercial premises	Hotels	Residential	Not chargeable	TOTAL
Assets						
Investment properties	145,364	71,070	-	11,882	21,710	**250,027**
Tangible assets: Bassano QP administrative offices	6,050	-	-	-	-	**6,050**
Property inventory	-	-	-	475	-	**475**
Buildings held for sale	4,689	1,535		2,281	0	**8,505**
Liabilities						
Non-current financial liabilities	44,458	18,784	-	1,130		**64,372**
Current financial liabilities	4,596	593	-	487	428	**6,103**

The non-chargeable asset items primarily include land and the building being restructured and in the process of allocation.

The liability items are bank overdrafts and related items.

Acquisitions of sector-based assets valued at 31/12/2012

(in 1,000s €)	Offices	Commercial premises	Hotel	Residential	Not chargeable	TOTAL
Investment properties (land)	-	-	-	-	200	**200**
Property inventory				475		**475**

At 31 December 2013

Income statement by geographical segment at 31 December 2013

(in 1,000s €)	Paris	The Paris region (outside Paris)	Provinces	Foreign	Non-chargeable	TOTAL
Rents	8,613	26	-	54	-	**8,693**
Rebilled occupancy expenses	1,713		-	27	-	**1,740**
Total occupancy expenses	(3,340)	(9)	(13)	(208)	-	**(3,570)**
Net income from properties	**6,986**	**17**	**(13)**	**(127)**	**-**	**6,863**
Income from property development		-	-	-	-	**-**
Expenses on property development		-	-	-	-	**-**
Changes in property inventory		-	-	-	-	**-**
Net income from property development	**-**	**-**	**-**	**-**	**-**	**-**
Income from other activities	-	-	-	-	-	**-**
Payroll expenses (1)	(1,098)		(9)	(159)	-	**(1,266)**
Other overhead costs (2)	(1,889)		(16)	(273)	-	**(2,178)**
Other income and expenses (3)	(366)		(71)	28		**(409)**
Change in value of investment property	2,675	-	(50)		-	**2,625**
Other amortization expenses and provisions (4)	(310)	-	(16)	(35)	(7,639)	**(8,000)**
Reversal of other amortization and provisions	624	-	71	-		**695**
Income (loss) from disposals of investment properties	5	119	-	-	-	**124**
Cash flow income	3				-	**3**
Cost of gross financial debt	(3,019)		(25)	(436)	-	**(3,480)**
Other financial income and charges	272		2	36	-	**310**
Profit (loss) before tax	**3,883**	**136**	**(127)**	**(966)**	**(7,639)**	**(4,713)**
Corporation income tax	-	-	-	-	(21)	**(21)**
Income from disposals of subsidiaries	-	-	-	-	-	**-**
Net income	**3,883**	**136**	**(127)**	**(966)**	**(7,660)**	**(4,735)**

(1) Payroll expenses and other overhead costs are apportioned according to surface area in m^2.
(2) Other overhead costs primarily include the Group's general management costs.
(3) Changes in the values of non-chargeable investment properties concern land and investment properties the characteristics of which do not match any identified operating segment.
(4) Non-chargeable provisions concern allowances for tax risks and for the Paris Court of Appeal order dated 24 February 2014.

Informations bilantielles par zone géographique au 31 décembre 2013

In 1,000s of euros	Paris	The Paris region (outside Paris)	Provinces	Foreign	Non-chargeable	TOTAL
Assets						
Investment properties	273,310		150	6,000		**279,460**
Tangible assets Bassano QP administrative offices	6,050					**6,050**
Property inventory			475			**475**
Buildings held for sale						
Liabilities						
Non-current financial liabilities	89,450					**89,450**
Current financial liabilities	3,124				387	**3,511**

The non-chargeable asset items primarily include land and the building being restructured and in the process of allocation.

The liability items are bank overdrafts and related items.

Acquisitions of sector-based assets valued at 31 December 2013

In 1,000s of euros	Paris	The Paris region (outside Paris)	Provinces	Foreign	Non-chargeable	TOTAL
Investment properties	23,150					**23,150**

The acquisition is the building in Rue de RIVOLI in PARIS.

At 31 December 2012

Income statement by geographical segment at 31 December 2012

En K€	Paris	Région Parisienne hors Paris	Province	Etranger	Non affectable	TOTAL
Rents	7,249	30	-	-	-	7,280
Rebilled occupancy expenses	1,421	38	-	-	-	1,458
Total occupancy expenses	(2,811)	(3)	-	(153)	-	(2,967)
Net income from properties	**5,859**	**65**	**-**	**(153)**	**-**	**5,772**
Income from property development	10	-	-	-	-	10
Expenses on property development	(1)	-	-	-	-	(1)
Changes in property inventory	(10)	-	-	-	-	(10)
Net income from property development	**(1)**	**-**	**-**	**-**	**-**	**(1)**
Income from other activities	-	-	-	-	-	-
Payroll expenses (1)	(854)	(73)	(8)	(132)	-	(1,067)
Other overhead costs (2)	(2,832)	(243)	(25)	(440)	-	(3,540)
Other income and expenses (3)	223	24	2	43	(4,160)	(3,867)
Change in value of investment property	13,618	-	-	-	-	13,618
Other amortization expenses and provisions	(359)	-	(58)	(12)	(74)	(503)
Reversal of other amortization and provisions (4)	62	-	-	-	3,984	4,046
Income (loss) from disposals of investment properties	2,545	-	-	-	-	2,545
Cash flow income	93	8	1	14	-	116
Cost of gross financial debt	(2,514)	(216)	(22)	(390)	-	(3,142)
Other financial income and charges	1,031	89	9	160	-	1,289
Profit (loss) before tax	**16,871**	**(346)**	**(101)**	**(910)**	**(250)**	**15,266**
Corporation income tax	-	-	-	-	(22)	(22)
Income from disposals of subsidiaries	-	-	-	-	-	-
Net income	**16,871**	**(346)**	**(101)**	**(910)**	**(272)**	**15,244**

(1) Payroll expenses (except for those relating to bonus shares) and other overhead costs are apportioned according to surface area in m^2.
(2) Other overhead costs primarily include the Group's general management costs.
(3) Other non-chargeable expenses include €3,983,000 for reinstating non-controlling interests.
(4) The reversal of a non-chargeable provision concerns the risk of reinstating non-controlling interests covered by a provision in 2011.

Balance sheet data by geographical segment at 31 December 2012

(in 1,000s €)	Paris	The Paris region (outside Paris)	Provinces	Foreign	Non-chargeable	**Balance sheet total**
Assets						
Investment properties	242,727	1,100	200	6,000	-	**250,027**
Tangible assets: Bassano QP administrative offices	6,050	-	-	-	-	**6,050**
Property inventory		-	475	-	-	**475**
Buildings held for sale	8,505					**8,505**
Liabilities						
Non-current financial liabilities	64,372	-	-	-	-	**64,372**
Current financial liabilities	3,576	-	-	2,100	427	**6,103**

The liability items are bank overdrafts and related items. The €2,100,000 loan allocated to the building in Brussels is taken out with a French company, a subsidiary of the FIPP group.

Acquisitions of sector-based assets valued at 31/12/2012

(in 1,000s €)	Paris	The Paris region (outside Paris)	Provinces	Foreign	Non-chargeable	**TOTAL**
Investment properties	-	-	-	200	-	**200**
Property inventory				475		**475**

NOTE 7. OFF-BALANCE SHEET COMMITMENTS

The Group's internal or external commitments are as follows:

7.1. OFF-BALANCE SHEET COMMITMENTS RELATING TO THE GROUP'S SCOPE OF CONSOLIDATION

7.1.1. COMMITMENTS GIVEN

Off-balance sheet commitments relating to the group's scope of consolidation	Key features (type, date, consideration)	31/12/2013 in 1,000s of euros	31/12/2012 in 1,000s of euros
Equity investment commitments	None	None	None
Commitments on unconsolidated special purpose entities likely to have a significant effect on the financial statements	None	None	None
Other	None	None	None

7.1.2. COMMITMENTS RECEIVED

Off-balance sheet commitments relating to the group's scope of consolidation	Key features (type, date, consideration)	31/12/2013 in 1,000s of euros	31/12/2012 in 1,000s of euros
Commitments received in specific transactions	None	None	None

7.2. . OFF-BALANCE SHEET COMMITMENTS RELATING TO FINANCING ACTIVITIES

7.2.1. COMMITMENTS GIVEN

The commitments can only be exercised up to the actual outstanding amounts repayable on the date the guarantee is exercised, plus fees, charges and additional costs capped at 20% of the said amount. The real impact of these commitments for the Group at year-end closing date is shown below. The commitments listed below concern liabilities included in the consolidated balance sheet, and are not a complement of the latter.

In thousands of euros	31/12/2013	31/12/2012
Guarantees provided to financial institution	63,743	52,856
Registered mortgages on properties purchased 1.2 times the amount of the outstanding loan	111,706	82,446
Collateral for commercial rents	91,622	68,705

Period of commitments

In thousands of euros	total at 31/12/13	at less than 1 year	1 to 5 years	over 5 years
Guarantees provided	63,742	2,446	11,720	49,576
Mortgages	111,706	3,678	20,349	87,679
Collateral for commercial rents	91,623	3,065	15,491	73,066

These periods match those of the loans.

Collateral, Guarantees and Sureties:

Company whose securities are pledged	Owner of the securities	Beneficiary	Effective date	Date of maturity	Number of securities pledged	% of pledged capital
BASNO	VENUS	DEUTSCHEPFANDBR IEFBANK	13/08/2003	01/10/2018	100	100%
BASNO a donné en nantissement les titres FONCIERE DU ROCHER	VENUS	DEUTSCHEPFANDBR IEFBANK	29/09/2003	01/10/2018	2,80, 000	100%
BALDAVINE	ACANTHE DEVELOPPEMENT and VELO	MUNCHENER HYPOTHEKEN BANK	20/05/2011	19/05/2021	4,676	100%
SCI ECHELLE RIVOLI	ACANTHE DEVELOPPEMENT and BALDAVINE	MUNCHENER HYPOTHEKEN BANK	18/11/2013	17/11/2020	1,000	100%
FONCIERE DU 17 RUE FRANCOIS 1er	VENUS and CHARRON	MUNCHENER HYPOTHEKEN BANK	24/04/2013	24/04/2020	1,000	100%
SCI FRANCOISVII	VENUS	MUNCHENER HYPOTHEKEN BANK	24/04/2013	24/04/2020	1,000	100%

Securities are pledged against the capital balance of the loans concerned.

OTHER COMMITMENTS GIVEN (in 1,000s €)		
Nature	31/12/2013	31/12/2012
Pledged money market funds or financial instrument accounts in favour of banks	-	76
Pledged fixed term deposits and interest-bearing accounts in favour of banks	210	210

Other commitments

Loan agreements specify that borrowing companies have to meet a number of ratios:

		Ratios		
		ICR	DSCR	LTV
BALDAVINE	MUNCHENER HYPOTHEKENBANK	≥ 145%	≥ 101%	≤ 80%
ECHELLE RIVOLI	MUNCHENER HYPOTHEKENBANK		> 105%	≤ 60%
FONCIERE DU 17 RUE FRANCOIS 1er	MUNCHENER HYPOTHEKENBANK	≥ 150%		< 60% (1)
SCI FRANCOIS VII	MUNCHENER HYPOTHEKENBANK	≥ 150%		< 60% (1)

(1) this ratio requirement decreases by 1% every year: 59%, 58%....
ICR = Interest Coverage Ratio
DSCR = Debt Service Coverage Ratio (covering interest and writedown of principal)
LTV = Loan-To-Value Ratio (value of the building)

If the above ratios are not met, this generally entails an early partial repayment obligation.

Commitments to maintain shareholdings were made in connection with the following loans taken out by the Group:

- BASNO, loan taken out with DEUTSCHE PFANDBRIEFBANK,
- SC CHARRON, loan taken out with ING LEASE France,
- FONCIERE DU 17 RUE FRANCOIS 1er, loan taken out with DEUTSCHE HYPOTHEKENBANK,
- FRANCOIS VII, loan taken out with DEUTSCHE HYPOTHEKENBANK.

In addition, CEDRIANE reserved the subscription right on its bond issue for DUAL REAL ESTATE INVESTMENTS, after an initial subscription of 1,800 KCHF a subscription right for 1,200 KCHF remains and can be exercised at any time until 31 August 2018.

Lastly, the group has not granted third parties any unused lines of credit (drawdown letters, etc.) or commitments to repurchase securities loaned or deposited as collateral.

7.2.2. COMMITMENTS RECEIVED

Mr Alain Dumenil's guarantee for the loan taken out by a Group subsidiary (CEDRIANE) to fund the acquisition of a building, in favour of DEUTSCHE PFANDBRIFBANK for €1,130,000.

7.3. OFF-BALANCE SHEET COMMITMENTS RELATING TO THE GROUP'S OPERATING ACTIVITIES

7.3.1. COMMITMENTS GIVEN

The Treasury has registered preferential rights against certain companies in the ACANTHE DEVELOPPEMENT group to guarantee disputed amounts of tax totalling €10,331,000 at 31 December 2013 (see note 9.3.1).

Furthermore, the following mortgages were taken by the Treasury as an interim measure (see note 9.3.1):

In thousands of euros	31/12/2013	31/12/2012
Registered mortgages on buildings (1)	22,956	22,956

The mortgage amounts break down as follows:

In thousands of euros	total at 31/12/13	at less than 1 year	1 to 5 years	over 5 years
Mortgages	22,956	0	1,450	21,506

(1)) Including €13,876,000 for buildings formerly owned by FIG that further to the publication of the contribution agreement became the property of SNC VENUS, which has no debt with the tax authorities. This mortgage was not listed on the statement provided by our notary on the date of the contribution.

7.3.2. COMMITMENTS RECEIVED

None

NOTE 8. RISK EXPOSURE

Exposure to risk and to uncertainty factors and the management of the latter are explained in Notes 2.3 and 2.4 of the management report on the 2013 financial statements.

NOTE 9. OTHER DISCLOSURES

9.1. ADJUSTED NET ASSET VALUE

The ACANTHE DEVELOPPEMMENT Group decided to adopt the IAS 40 fair value measurement option to measure the fair value of its investment property on 1st January 2006. The purpose of this option is to reflect changes in the «investment property» in the consolidated financial statements and measure the market value of its assets.

- The economic climate:

The economic and financial crisis that hit the global economy from the 2nd half of 2008 has heightened the vigilance the group already exercised in estimating the fair value of its buildings, as this has a significant impact on its accounts given the very nature of its core business.

With the very low growth in French GDP (0.3%) and unemployment in excess of 10% of the working population, 2013 has left France without any real economic engine. Admittedly, as INSEE states in its 2014 survey entitled «Thirty years of economic and social life», the 2009 crisis is an «exceptional recession». And as this recession is atypical (banking and financial), recovery is extremely long.

Despite accommodating monetary policies (ECB refinancing rate at end 2013 was 0.25%), household consumption resisting the sluggishness of the economy and signs of economic recovery at the end of the year (industrial production and exports on the increase), the French economy is still ailing. If the latest trends in GDP growth are confirmed, the fact nonetheless remains that France faces the same challenges as last year: firm growth in the economy, reducing public deficits and structural reform.

From a stock market perspective, the CAC 40 rose by 18%, ending the year with its best performance since 2009. Cyclical and financial values drove the French market, which is performing as well as the major financial centres in the world. The historically low level of ECB rates has naturally benefited the equity market.

- The French business property markets in 2013 [1]

The investment market:

2013 is characterized by a volume of investment in business property of 15.1 billion euros, virtually on a par with 2012 (+1.3%), but down 3% compared with the average volume observed over the last decade. The market is still driven by the traditional players, namely insurers with their high investment capacities, and active SCPIs (property investment trust) and OPCIs (real estate funds) in particular, on deals under 50 million euros.

Despite a high volume of investment, the number of transactions [2] is down overall: 393 in 2013, against 421 in 2012. An analysis of the French market reveals a 5% drop in the volume of transactions in excess of 200 million euros and a rise in transactions of between 50 and 100 million euros (52 in 2013, against 39 in 2012).

[1] Figures taken from the January 2014 survey by Cushman & Wakfield: «The French property markets»

[2] Only transactions in excess of 1 million euros are included

This rebalancing of transactions is explained in particular by the 8% reduction in investments made by sovereign wealth funds, due to a shortage of «prime» [3] Parisian properties for sale and to mature assets being realized by market participants seeking to refocus their net worth or in need of liquid assets.

2013 was also marked by transactions initiated by investment funds, especially from the English-speaking world, wishing to leverage a market with a diversified supply by significantly yet reasonably relaxing their risk criteria.

Most transactions concerned office space: 64% of investments in 2013, against 67% in 2012 and 74% on average over the last ten years. This fall in office space as a percentage of overall investments is accounted for by a tense rental market and by a desire to diversify or refocus assets in favour of commercial premises, which represent 26% of investments in 2013, against 24% in 2012.

With one of the most extensive property markets in the world, the Ile-de-France region still attracts the major groups. This region alone makes up 74% of investments made in France in 2013, the same proportion as in 2012.

The proportion of investments in office space in Ile-de-France is falling steadily, as it is nationwide. Since 2011, investments in office space have fallen from 87% to 77% in 2013. This decline is even more pronounced for investments in office space in Paris itself: down 39% over one year, representing 3.3 billion euros in 2013, against 5.3 billion euros in 2012. The mix of «prime» and low offer products is also causing certain investors in Ile-de-France to switch to the commercial premises market. Under these circumstances, it is worth noting the strength of the central business district market, which alone totals 2.3 billion euros of transactions compared with 2.9 billion euros in 2012, which one should recall was a record year for the capital. The central business district continues to be a prestigious location for all investors. This strong appeal of flagship products is reflected in the virtually unchanged yield from «prime» properties, 4.25% for the best service-sector assets in Paris' central business district.

The inner suburbs have benefited from this relatively diminished interest in Paris. Large transactions (in excess of 200 million euros) drove the market in the Hauts-de-Seine department, even beyond the La Défense district. The South and North of Paris are not outdone, clearly benefiting from renewed investor interest due to a quality supply.

The commercial property investment market in France maintained its momentum in 2013: up 11% in value (4 billion euros invested in France). And transactions are sizeable: 12 transactions represent 51% of committed amounts. There is sustained growth in this market, particularly in Ile-de-France: up 18% in volume compared with 2012.

Investors are looking for three types of property: well-known avenues, major retail parks in the provinces and assets with high appreciation potential.

Shopping streets represent 39% of investments and avenues like the Champs-Elysées or Avenue Montaigne are still safe investments for buyers.

The «prime» yield on stores in France however fell to 3.75% at end 2013, down 0.25% on 2012. The yield on retail parks remained unchanged at 5%.

The rentals market in Paris:

In 2013, demand met in Ile-de-France totalled 1,743 million m^2 in floor area, down 17% on 2012, after a 8% decline in 2012.

The year was marked by the small number of transactions in excess of 4,000 m^2: 66 compared with 90 in 2012. Furthermore, the volumes of these major transactions are significantly in decline: -31%. This distinctive feature of 2013 stems from the lack of major turnkey projects that had driven the market in the past three years.

[3] Prestige products

The second striking feature of the past year is the growing proportion of new or restructured buildings, which corner 73% of demand compared with 67% in 2012. New areas like Boulogne Billancourt or North-Eeast Paris are indeed proving more popular with major groups.

Paris itself saw a significant falloff in rented volumes: 11% down on 2012. In view of the economic climate, renegotiation of leases by major players is common, enabling them to keep a premium address rather than moving their offices.

Paris' central business district once again confirmed its position as a safe investment. Satisfied demand only fell by 5% over the past year. The corollary of the strength of the central business district market is the fall in premium rents. They averaged €753 per m^2 per annum, down 10% on 2012. Firstly, the small number of transactions in premium assets in the central business district strengthened the bargaining power of lessees in place (rent exemptions, economic rents lower than their nominal value). Secondly, certain players turned to quality first or second-hand areas outside the central business district, such as Central Eastern Paris, in order to preserve their profitability. Faced with limited and expensive supply, others turned to new areas, as attested to by transactions in South-West Paris.

As for the commercial premises market, the difference between the «premium» and no. 1 areas on the one hand and secondary areas on the other is even more marked. Retail chain still prefer «premium» locations in city centres, in the heart of well-established customer catchment and busy pedestrian areas. These areas undeniably help retail chains fight off competition from online retailers. From opening a flagship store to developing new higher-end concepts, not forgetting the arrival of new entrants, brands need to create a more exclusive bond with their core market and be present in these areas famous all over the world with tourists and frequented by an affluent Parisian clientele: the Golden Triangle, St Germain des Près or even the Marais.

Certain arteries like Rue de Rivoli (Paris 1st) are again highly valued by the major retail chains (Mango, Intersport) and are the object of their desire.

The lack of supply in this niche contributes to a relatively low vacancy rate in the central business district: 5.4%.

The high-end residential property market in 2013 [4]:

The high-end residential property market in the Paris region is characterized by many deals for properties worth less than 2 million euros, driven by low interest rates and a growing number of quality properties. Prices remain stable in this niche market.

With regard to properties over 2 million euros, sales again fell in numbers of transactions: 15% fewer transactions compared with 2012, for instance for properties worth between 2 million and 5 million euros. Although Paris is still attractive vis-à-vis its European and global competitors, the French tax environment seems uncertain and is certainly having an impact on high-end residential investment plans.

- The Group's assets:

Apart from buildings undergoing structural works (Rue Vieille du Temple, Brussels) and the one in Rue Bassano, mainly occupied by the group and affiliated companies, the ACANTHE DEVELOPPEMENT group's assets show a good occupancy rate (98%).

On a like-for-like basis, the group's revenue has grown by nearly 33.7%.

[4] Barnes International Luxury Real Estate: press conference of 9 January 2014

This is essentially due to the full-year rental of the building in Rue François 1er after the structural works completed in 2012.

In 2013, the group sold assets worth €9,605,000, more particularly including:

- The building at 7 Rue d'Argenteuil, Paris 1st district for €8,505,000, presented as a «building held for sale» at the previous closing.
- The plot of land in Avenue Joffre à Nanterre for €1,100,000;

In terms of investments, ECHELLE RIVOLI acquired a building comprising 1,423 m² of residential floor area, 610 m² of commercial premises, 251 m² of office space and 368 m² of appurtenances at 184 Rue de Rivoli, Paris 1st district for €23,153,000.

As in previous periods, expert appraisals were conducted according to the criteria set out in the «Charte de l'Expertise en Evaluation Immobilière» (French property appraisal charter) and applied by all the listed property companies.

Assets subject to preliminary contracts of sale or offers accepted by the Group are valued at the net selling price at 31 December.

The group's assets are estimated at €286,011,000. They include €150,998,000 of office space, €82,855,000 of commercial premises, €25,531,000 of residential buildings, €680,000 of car parks and €150,000 of plots of land, plus €25,796,000 for the mansion in Rue Vieille du Temple acquired in October 2010, which will be converted into offices, commercial premises and possibly residential units.

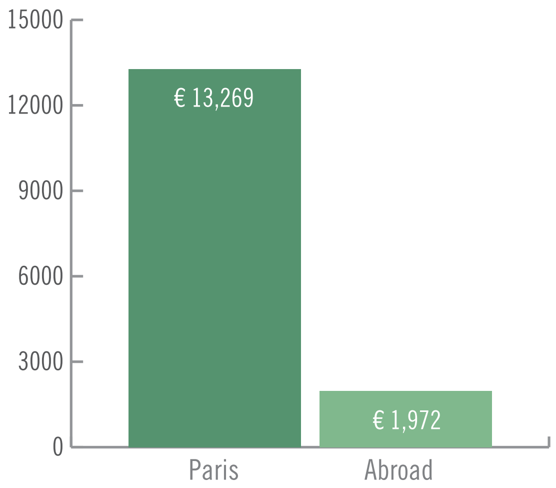
The floor areas break down into 15,842 m² of office space, 4,170 m² of commercial premises and 2,171 m² of residential units.

Non-attributable floor areas total 1,718 m², the area of the building undergoing structural works, and 368 m² of annexes.

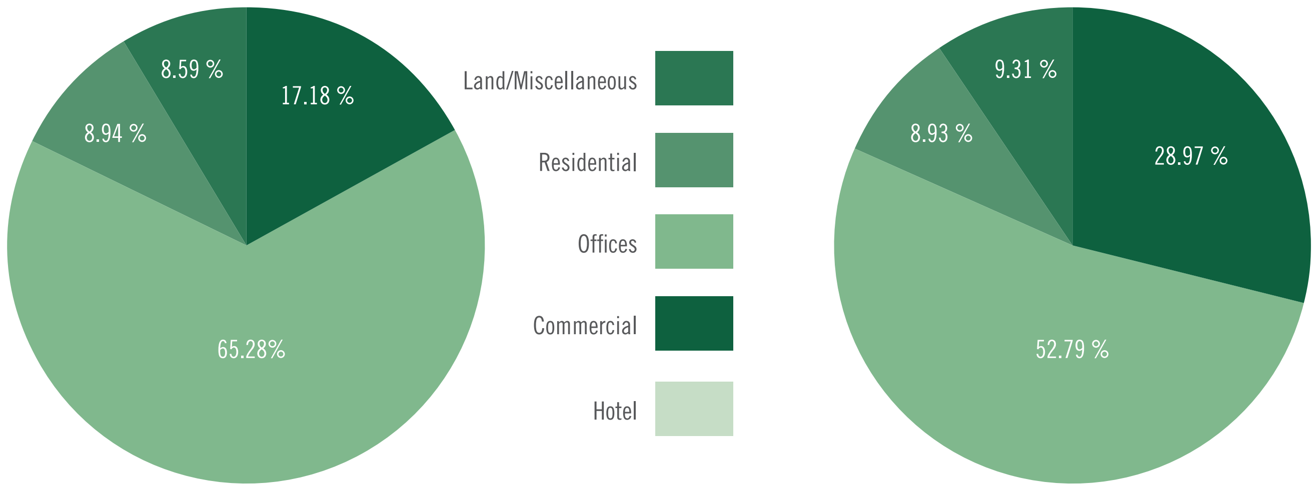
On a like-for-like basis, the expert appraisals of the ACANTHE DEVELOPPEMENT group's assets showed an increase of 2.9% against 31 December 2012.

These expert appraisals show the following average values per m²:

values per m²:



Nature of assets in m² | Nature of assets in value



Breakdown of assets by m² | Breakdown of assets by value

Accordingly the Group's net position stands at €190,277,000. To calculate the Adjusted Net Asset Value (ANAV), this value is increased by the treasury shares whose acquisition cost was deducted from consolidated shareholders' equity measured at fair value. Adjusted Net Asset Value excluding rights was as follows at 31 December 2013:

	In 1,000s of euros
Consolidated equity	190,277
Consolidated goodwill on inventory	25
Treasury shares:	0
Adjusted Net Asset Value at 31/12/13	**190,302**
Number of shares at 31/12/13	**142,131,582**
- ANAV: €1.3389 per share	

Dilutive instruments are not included at 31 December 2013. There remain 4,896,436 share options (to be exercised by 28 August 2019) awarded in August 2009 at the issue price of €1.24 per share. They have not been taken into account given that this period is of little interest to the beneficiary with respect to quoted market prices (closing price at 31 December 2013: €0.45).

By way of comparison, the Adjusted Net Asset Value at 31 December 2012 was as follows:

	In 1,000s of euros
Consolidated equity	196.849
Consolidated goodwill on inventory	25
Treasury shares:	0
Adjusted Net Asset Value at 31/12/12	**196.874**
Number of shares at 31/12/12	**126.630.877**

- ANAV: €1.555 per share

Dilutive instruments are not included at 31 December 2012. The second issue of bonus shares was acquired in July 2011. The last share purchase warrants still in circulation matured on 31 October 2011.

There remain 4,896,436 share options (to be exercised by 28 August 2019) awarded in August 2009 at the issue price of €1.24 per share. They have not been taken into account, given that this period is of little interest to the beneficiary with respect to quoted market prices (closing price at 31 December 2012: €0.42).

9.2. TAX POSITION

In the ACANTHE DEVELOPPEMENT group, FONCIERE ROMAINE is the parent company of a tax consolidation group that includes two other companies..

The Group's fiscal deficits relate to the taxable portion of taxable income (non-SIIC).

In 1,000s of euros	31/12/2013	31/12/2012
Unused deficits	51,116	48,884
Long-term holding losses		
TOTAL	**51,116**	**48,884**

The above fiscal deficits do not take into account the proposed tax adjustments received by various Group companies, as explained in the following paragraph. The fiscal deficits were charged to non-SIIC income. The latter is marginal, as the Group's business is primarily property-related. In addition, the government has taken measures to cap the charging of prior deficits on future profits (100% up to €1 million and 50% above €1 million). The fiscal deficits will thus be cleared over a long period. Consequently no deferred tax asset is recognized, as a precautionary measure.

9.3. POTENTIAL DISPUTES AND LIABILITIES

9.3.1. TAX DISPUTES

Further to a number of tax audits, the French tax authorities sent the Group's various companies including ACANTHE DEVELOPPEMENT proposed adjustments resulting in additional tax for a total principal amount of €9.68 million (excluding €0.93 million of interest and €3.81 million of surcharges).

In view of all the information provided below, the arguments put forward, the opinion of its experts (firm CMS Bureau Francis Lefebvre) and legal precedents, the Group considers that it should win its case in all these disputes, which justifies the non-recognition of provisions other than those recognized in cases referred to the Council of State further to unfavourable rulings of the Court of Appeal.

1) Parent/daughter company regime

The proposed adjustments notified by the tax authorities essentially compromised the principle of non-taxation of dividends under a parent-daughter company regime and for prior periods the SIIC tax exemption regime, and thus the right for such dividends received to qualify for the parent company regime, in the amount of €5.78 million (excluding €0.56 million of interest and €2.99 million of surcharges).

- ACANTHE DEVELOPPEMENT

It is for a fraction of the taxes mentioned in the previous paragraph that, in a ruling of 5 July 2011, the Administrative Court of Paris – meeting in full session and delivering four clearly substantiated identical decisions on the same day – upheld ACANTHE DEVELOPPEMENT's claim and exempted it from the additional contentious taxes and the related penalties charged by the tax authorities for tax years 2002 and 2003, and from a fraction of the taxes and related penalties for tax year 2005, confirming that the dividends paid were eligible for tax exemption under the parent-daughter company regime.

The tax authorities lodged an appeal against the aforesaid ruling (favourable to ACANTHE DEVELOPPEMENT) with the Administrative Court of Appeal of Paris. In a decision dated 14 November 2013, the latter set aside the decision delivered by the Administrative Court of Paris, chiefly on the grounds of the decisions delivered by the Council of State in a case involving GARNIER CHOISEUL of 17 July 2013, where the defendant was not represented.

The Company lodged an appeal against this ruling on points of law with the Council of State, stressing in particular the specific nature of its position, which according to the arguments put forward should invalidate the principles set out in the aforementioned GARNIER CHOISEUL decisions. It takes the view that its position is different from that of the companies to which the aforesaid decisions apply.

For the record, the position defended by the tax authorities, in that it could moreover result in double taxation of the same profits of a company, firstly when they are generated, and a second time at the point when they are distributed to the associates or shareholders, fuelled strong criticism, with regard to companies established within the European Union area. If this taxation were to be maintained, it would be submitted on these grounds to the Court of Justice of the European Union.

The position of the French tax authorities also seems likely to be seriously undermined in view of recent French tax case law, in particular recent judgements of the French Council of State in the cases of JANFIN (judgement of 27 September 2006 that restricted the conditions under which the tax authorities can challenge certain financial transactions involving dividend distributions on the grounds of abuse of process) and the cases of GOLDFARB and AXA (judgements of 7 September 2009 that also went against the claims of the French tax authorities that challenged similar financial transactions). These cases concerned the validity of applying tax credits, attached to dividends received, to corporation tax owed by petitioners. Admittedly, the adjustments notified to ACANTHE DEVELOPPEMENT or its subsidiaries do not concern the application of tax credits but rather the tax exemption of dividends under the parent company tax regime.

Nonetheless, the fact remains that in either case there is a potential double taxation of profits, levied firstly on the subsidiary then on its shareholder. In this respect, with regard to the application of dividend tax credits, in the GOLDFARB and AXA cases the Council of State approved the transactions criticized by the tax authorities on the basis of objective criteria that ACANTHE deems to have met in the cases concerning it.

With regard to the decisions of the Comité de l'abus de droit fiscal (consultative committee against abuse of process), they no longer appear to prejudge any decisions that could be made by the competent courts in that they uphold (i) contrary to the lawmaker's intentions, the fact of having undertaken to keep the acquired investments in affiliates for two years in order to benefit from the tax system governing parent companies, and (ii) as inactive the companies in which the investments in question are held, whereas the law defining the patent company tax system is not subject to such limitations, and that ACANTHE DEVELOPPEMENT's capacity as shareholder could not be challenged.

Moreover it is important to put these decisions into perspective, in the light of the decision delivered by the Council of State in the SNERR case on 29 September 2010, which stipulated that the burden of proof still lay with the French tax authorities regardless of the view of the Comité.

Thus, on the grounds of the aforesaid decisions of the Council of State, the Company – assisted by its counsel CMS Bureau Francis Lefebvre – has at all stages of the proceedings contested the additional taxes that the tax authorities are claiming.

Additionally, the company and its counsel (law firm CMS Bureau Francis Lefebvre) considers that the 80% surcharge for abuse of process charged by the tax authorities on the grounds of Article 1729 b of the General Tax Code is in any event contentious, as it should penalize conduct rather than an error in interpreting the lawmaker's intention. In fact, prevention of abuse of process – excluding fictitious acts – penalizes application of a law «against the objectives pursued by its author», which presupposes that these objectives are known on the date of the presumed offence.

But in that case, one would still have to prove that the Company could not be unaware of the lawmaker's intention with regard to implementation of the parent-daughter company regime, which in this instance cannot be the case, as the lawmaker's intention as upheld by the Council of State in its decisions in the GARNIER CHOISEUL case in July 2013 diverges from the company's position (i) as upheld by the Administrative Court of Paris, in certain decisions delivered in 2011, above all the position (ii) of the Administrative Court of Appeal of Paris in several decisions delivered in 2011 and 2012.

It follows on from this that the lawmaker's intention could only be considered as known from 17 July 2013 onwards, not on the date on which the tax returns for financial years 2002 to 2005 were filed.

Furthermore, many practitioners can only take the view that the offence of abuse of process in the GARNIER CHOISEUL decisions of 17 July 2013 creates great insecurity for taxpayers, both in itself and in the risks it entails. One can indeed ask oneself how the latter could have:

- deduced, from reading all the preparatory work on the parent company tax regime (in particular the preparatory work in Article 27 of the law of 31 July 1920 setting the general budget for tax year 1920, Article 53 of the tax reform law of 31 December 1936, Article 45 of law no. 52-401 of 14 April 1952 instituting the 1952 Finance Act, Articles 20 and 21 of law no. 65-566 of 12 July 1965 amending company and portfolio capital taxation and Article 9 of the 2001 Finance Act), as well as the fact that the benefit of this tax regime would still have been subject to holding securities from the outset or for a minimum length of time, and - since 1936 - subject to a minimum threshold on ownership interests in issuing companies, which the lawmaker, in seeking to eliminate or limit the succession of taxes liable to be levied on revenues that parent companies receive from their ownership interests in subsidiaries and distribute to their own shareholders, would have intended to encourage parent companies in the economic development of subsidiaries for the purposes of structuring and reinforcing the French economy;

- and conclude from this reading that the fact of acquiring companies that have discontinued their initial business and sold off their assets with a view to recouping cash by paying dividends exempt from corporation tax under the parent company regime, without doing anything enabling them to resume and develop their former business or find a new one, would go against this objective?

Tax advisors tend to think that no one had such foresight and more particularly that no one would have dreamt, as the Council of State did, of seeing in the law of 31 July 1920 (exempting from the tax on portfolio capital the proceeds of dividends paid by subsidiaries) the reasons behind a decision made only 28 years later (when corporation tax was instituted by the decree of 9 December 1948) to subtract the dividends of subsidiaries from the tax basis of this tax.

This gross simplification is all the more surprising as there is a clear difference between the two mechanism. The 1920 law aimed to relieve the parent company of a tax on distributions made to its own shareholders. The corporation tax exemption of 1948 benefits the parent company regardless of the amount of profits it distributes to its shareholders from dividends paid by its subsidiaries. Under these circumstances, it is pure speculation to ascribe to the authors of the second law the same intentions as those of the first.

One should also bear in mind that, in respect of the disputed tax years, Article L 64 of the Tax Procedures Guide, referred to by the 80% surcharge stipulated in Article 1729 b of the General Tax Code, did not penalize acts committed exclusively for tax purposes against the intentions of the lawmaker, this only being permitted under case law (see the aforesaid decision on the JANFIN case) on the grounds of fraudulent evasion of statutory provisions.

The 80% surcharge could only have been applied on the grounds of embezzling, but such a surcharge was neither applied nor, with all the more reason, substantiated against the Company.

At 31 December 2013, the company recognized a €4.5 million provision for tax risks (principal + interest on arrears), further to the findings of the Paris Court of Appeal ruling on additional taxation for tax years 2002 and 2003 (for which an appeal was lodged with the Council of State), as well as its impact with regard to Exit Tax. Moreover, at the request of the statutory auditors, it has also recognized a €1.3 million provision for the 80% surcharges, despite the aforementioned advice of tax advisors CMS Bureau Francis Lefebvre. The provision thus recognized totals €5.8 million.

- SIF DEVELOPPEMENT

On the subject of the parent-daughter company regime, the tax authorities have also sent Group subsidiary SIF DEVELOPPEMENT proposed tax adjustments totalling €0.94 million (excluding €0.04 million of interest and €0.13 million of surcharges). These have been contested on the same grounds as those expanded on above. The Administrative Court of Paris dismissed our subsidiary's petitions in several rulings delivered in June 2013. The subsidiary has appealed against all these decisions before the Administrative Court of Appeal of Paris. No provision has been recognized.

2) Other reasons for tax reassessment

- ACANTHE DEVELOPPEMENT

Moreover, the proposals for correction sent to ACANTHE DEVELOPPEMENT questioned the valuation of the AD CAPITAL shares distributed as dividends in kind for a basic amount of €15.6 million, a portion of which is taxed as long-term capital gains, which results in back taxes in principal for an amount of €3.4 million. ACANTHE DEVELOPPEMENT had valued these securities on the basis of Adjusted Net Asset Value (ANAV) and the tax authorities has proposed other methods, which have been contested by the Company and its advisors (CMS Bureau Francis Lefebvre) in their response to the proposed adjustment.

On 7 July 2008, the departmental representative of the tax authorities met the company's counsel, CMS Bureau Francis Lefebvre, and after the meeting, the authorities, albeit confirming the principle of the challenge to the initial valuation method, accepted some of the submitted valuation elements and correlatively reduced the amount of the tax adjustment to €11.8 million, making a tax adjustment in the principal amount of €2.5 million.

Pursuing its challenge of the adjustment, the company specifically requested that it be submitted to the departmental committee of direct taxes and taxes on sales. The committee duly examined the company's case on 30 June 2010 and took into account the elements submitted on behalf of the company to demonstrate the exaggerated nature of the valuation performed by the authorities. Following this decision, the amount of the adjustment was further reduced to €10.4 million, making a tax adjustment of €2.15 million (excluding €0.34 million of interest and €0.82 million of surcharges).

There again, on receiving collection notice for the corresponding tax, the company filed a claim and, following the rejection of the latter, on 7 September 2011 it referred the matter to the Administrative Court of Paris in order to have all the arguments presented taken into consideration. The proceedings are currently underway.

Thus the Company – assisted by its counsel CMS Bureau Francis Lefebvre – has at all stages of the proceedings contested the additional taxes that the tax authorities are charging (including the collection thereof).

- SIF DEVELOPPEMENT

With regard to SIF DEVELOPPEMENT, the tax authorities have also sent proposed adjustments as they challenge the transfer price of a current account and a capital gain on a building under the SIIC option. These were contested and the higher adjustments have been abandoned. This resulted in an additional tax assessment of €0.26 million (excluding €0.01 million of interest) after appeals to higher courts. There remained grounds for dispute and the Administrative Court of Paris dismissed our subsidiary's petitions in several rulings delivered in June 2013. The subsidiary has appealed against all these decisions before the Administrative Court of Appeal of Paris. No provision has been recognized.

- LORGA

The tax authorities also sent group subsidiary LORGA a proposed adjustment challenging a loss on debt assignment and a raising of a capital gain recognized by the company under the SIIC regime option (€4.4 million). This resulted in an additional tax assessment of €1.06 million (excluding €0.16 million of interest) for tax year 2005, after appeals to higher courts.

The valuation method adopted by the tax authorities was contested in view of the elements at the group's disposal. In August 2009, a contentious claim against the resulting tax was filed by the company, assisted by CMS Bureau Francis Lefebvre, together with an application for extension of time for payment.

After this claim was dismissed, the dispute was referred to the Administrative Court of Paris in December 2009. The latter dismissed the Company's appeal in a decision delivered on 25 October 2011. The Company lodged an appeal against this ruling with the Administrative Court of Appeal on 16 January 2012. The latter dismissed the company's appeal in a ruling dated 28 June 2013. The company contests this decision in all seriousness and has appealed to the Council of State on points of law. As a precaution, the company a recognised a provision for tax risk of €1.24 million.

- VOLPAR

The tax authorities have also sent another group subsidiary a proposed adjustment (€0.51 million of principal and €21,000 of interest for tax years 2009 and 2010) challenging the subsidiary's application of the SIIC regime and the qualification of this company's business. The tax authorities consider that the company acted as an estate agent, which the company contests in consideration of the conditions of acquisition and management of the buildings concerned and the retention period (between 2 and 10 years depending on the lots) prior to their sale.

The tax demanded in this respect was contested in a contentious claim filed on 26 June 2013. The tax authorities dismissed the company's claim in a decision of 30 December 2013, and this decision was referred to the Administrative Court of Paris in an application to institute proceedings filed on 6 February 2014. No provision has been recognized.

9.3.2. MINORITY GROUP SOGEB'S SHARES

a/ A decision by the Paris Court of Appeal on 22 January 2013 confirmed a judgement of the Paris Regional Court of 13 October 2011 in that it annulled the deliberations of the general meeting of 15 January 2009, as well as the resolution of SOGEB's general meeting of 16 March 2009 that had recorded the realization of the capital increase, annulled the resolution of SOGEB' general meeting of 30 March 2009 concerning the modification of its corporate purpose, and annulled the resolutions of SOGEB's general meetings of 21 June 2010, 23 June 2011 and 10 July 2012 concerning the appropriation of earnings.

This judgment declared inadmissible Mr Bergougnan's claim for damages against successive managers and reversed the sentences of three successive managers to pay the minority a total of €100,000 in proportion to their terms of office for his personal loss.

To date, Mr Bergougnan has not repaid the three successive managers the sum of €100,000 he was awarded by the ruling of 13 October 2011, despite enforcement procedures.

Finally, this judgement ordered the dissolution of the Company. Selarl FHB-Facques Hess Bourbouloux was appointed administrator to proceed with liquidation operations.

The latter filed an asset-freezing order with two banks with which company BRUXYS (holding 2/3 of SOGEB's equity) has an account, as well as an asset-freezing order on Foncière Romaine shares, owned by BRUXYS.

An appeal against the judgement of 22 January 2013 on points of law has been lodged by BRUXYS. The decision should be delivered at the end of financial year 2014. On 10 April 2014, SOGEB, taken in the person of Maître Emmanuel Hess, in his capacity as administrator in charge of settlement operations pursuant to the Paris Court of Appeal ruling of 22 January 2013, summoned company BRUXYS to appear before the Paris Commercial Court (2/3rds associate of SOGEB), a ACANTHE DEVELOPPEMENT subsidiary, with a view to having it ordered to pay €19,145,851.82 due in respect of partners' current accounts. With regard to the settlement operations, the ownership interests of BRUXYS and Mr Bergougnan (respectively 2/3rds and 1/3rd), will be taken into account. This procedure has no effect on the Group's accounts but will entail an outflow of cash (see §4.4.7 herein). An initial hearing on procedure is scheduled for 15 May 2014.

b/ The minority partner also summoned SOGEB and LAILA TWO (buyer of the building in Rue Clément Marot) to appear on 8 June 2011 with a view to having the sale of this building annulled, judging that LAILA TWO had no right or title to occupy the building, and having it ordered to vacate the building.

At the hearing of 30 May 2012, the court ordered a stay of proceedings pending the outcome of the aforementioned appeal.

Logically the stay of proceedings should last until the Final Court of Appeal rules on the appeal against the decision of 22 January 2013. If this decision is not set aside by the Final Court of Appeal, company SOGEB will be liquidated. Mr Bergougnan's share will be paid to him (see note 4.4.7) and in this respect the sale of the building will no longer be able to be annulled.

9.3.3. PROPERTY-RELATED DISPUTES

Company GERY DUTHEIL was supposed to complete the works at 30 Rue Claude Terrasse in July 2008; this was postponed to October 2008. Due to the delays, company VELO requested a firm commitment on the date of completion. Since no such firm commitment had been given, VELO stopped paying GERY DUTHEIL's progress bills.

It was under these circumstances that VELO was summoned by GERY DUTHEIL to pay bills totalling €927,000, given that €404,000 had been paid directly by VELO to subcontractors. In the documents VELO submitted at the hearing of 5 December 2013, it asked the court to rule that the progress bills presented by DUTHEIL amounted to €1,035,000 inclusive of tax and that firstly the sum of €155,836.60 inclusive of tax should be deducted from the said progress bills as contractual penalties for late completion, and secondly the sum of €404,000 should be deducted in respect of the direct payment of subcontractors, making a balance of €475,000 before deduction of interest on the late payment penalties. VELO also asked the court to rule that DUTHEIL be deemed solely liable for the building contract. Consequently, it asks DUTHEIL to be ordered to pay VELO the following sums:

- €549,000 inclusive of tax (including extension of insurance without VAT) for the extra costs to resume the works,
- €227,000, representing one year's interest on the sum of €5,995,000, for the cost of VELO's investment being frozen for one additional year.

- €1,407,932 for the loss it suffered due to the late completion, in respect of the fall in property prices.
- €20,000 under Article 700 of the Code of Civil Procedure, and a claim for compensation of amounts owing by each party and the release of the sum of 392,876.04 euros placed in the custody of the Chairman of the Bar further to the decision of the execution judge of 15 April 2010 in favour of VELO.

This case has been adjourned to 6 May 2014 for hearing.

As company DUTHEIL is the subject of an insolvency procedure, we have declared our claim in accordance with the amount claimed in our submitted documents. On 7 March 2013, as DUTHEIL's court-appointed administrator had challenged the said amount, we referred the matter to the bankruptcy judge, who decided to refer the case back the Commercial Court. If the Court upholds our claims, the final decision will concern the receivables in the liabilities of DUTHEIL.

9.3.4. FIG DISPUTES

a/ Decision of the Paris Court of Appeal of 27 February 2014

In a decision dated 27 February 2014, the Paris Court of Appeal decided:

- to cancel a contribution deed dated 24 November 2009 whereby FIG (formerly a lower-tier subsidiary of ACANTHE DEVELOPPEMENT sold on 19 March 2010) contributed all its property assets (buildings and shares in property investment partnerships) to SNC VENUS, valued by a valuer of contributions in kind at €138,755,688, in exchange for 95,496 SNC VENUS partnership shares,
- to cancel a decision dated 9 December 2009 to distribute all FIG's assets (more particularly including VENUS shares) to TAMPICO,
- to cancel a decision dated 11 June 2010 to increase FIG's capital from €1,439.50 to €10,221,035.83 and modify the company's share capital allocation.

The Paris Court of Appeal also ordered ACANTHE DEVELOPPEMENT to pay, jointly and severally with companies FIG and VENUS, Mr Barthes €129,552 and Mr Noyer €89,597 as compensation for their loss of shareholders' rights.

The Court of Appeal thus reviewed the conclusions of Mr Kling, the expert appointed under the decisions of 14 January 2011 of the Paris Commercial Court to value the rights that FIG's minority groups held in FIG's shareholders' equity and dividends and reserves, after allowing for changes in their ownership interest further to the various transactions affecting FIG's net assets since the ordinary and extraordinary general meeting of 24 February 2004.

The Court of Appeal also ordered ACANTHE DEVELOPPEMENT and VENUS each to pay €100,000 to Mr Barthes in respect of Article 700 of the Code of Civil Procedure, and €100,000 to Mr Noyer in respect of Article 700 of the Code of Civil Procedure, as well as all costs. An expense provision of €623,000 has been recognized in this respect in the accounts of the Acanthe Développement group (see §4.5).

The Court of Appeal did not set aside the decision dated 23 February 2010 whereby company TAMPICO distributed dividends totalling €235,064,565.09 (mainly by distributing VENUS shares) to ACANTHE DEVELOPPEMENT.

Given the complexity of the decision of 27 February 2014 and the impossibility of restoring the «status quo ante» in view of transactions made since 24 February 2004, ACANTHE DEVELOPPEMENT takes the view that this decision is inapplicable. This situation creates a legal uncertainty regarding how this dispute will unravel and its possible consequences.

Further to the decision of 27 February 2014, a communiqué was sent to all shareholders and published on the Company's web site on 6 March 2014. The decision has been published in its entirety on the Company's web site since that date.

b/ Sums to be placed under compulsory administration

In an ex parte order dated 15 June 2010 delivered at the request of Messrs Barthes and Ceuzin, the President of the Commercial Court of Paris ordered 95,496 SNC VENUS partnership shares, worth over 138 million euros, belonging to ACANTHE DEVELOPPEMENT, to be placed in compulsory administration by a court bailiff.

In an ex parte order dated 16 September 2010 delivered at the request of Messrs Barthes and Ceuzin, the President of the Commercial Court of Paris ordered €15,179,894.85 (the full amount of the dividend voted by the General Meeting of the Shareholders ACANTHE DEVELOPPEMENT on 18 June 2010) placed under compulsory administration by a court bailiff. A decision of the Paris Court of Appeal on 8 December 2010 confirmed the ex parte order of 8 October 2010, which had limited the amount placed under compulsory administration to €1,700,000.

An ex parte order dated 29 March 2011 dismissed ACANTHE DEVELOPPEMENT's application in respect of the court order of 15 June 2010 and rejected its application in respect of the court orders of 16 September and 8 October 2010.

In a ruling on 30 March 2012, the Paris Court of Appeal confirmed the part of the 29 March 2011 court order in connection with the court order of 15 June 2010. The Court of Appeal in particular held that since the judgements of 14 January 2011 were under appeal, they were not definitive and accordingly did not end the dispute between the parties.

With regard to the appeal against the court order of 29 March 2011 for the part relating to the court orders of 16 September and 8 October 2010, a judgement of the Paris Court of Appeal on 25 October 2012 dismissed ACANTHE DEVELOPPEMENT's appeal. An appeal on points of law has been lodged against this judgement.

Further to the aforementioned judgement of 27 February 2014 ruling on the appeals against the judgements of 14 January 2011, ACANTHE DEVELOPPEMENT is contemplating filing an application with the competent courts with a view to securing the release of the funds placed under compulsory administration.

The sum of €138 million (value of the VENUS shares) and the sum of €1.7 million placed under compulsory administration on the initiative of Messrs Barthes and Ceuzin should be reconciled with the sum of €129,552 awarded to Mr Barthes by the Paris Court of Appeal.

c/ Application to extend the FIG liquidation proceedings to ACANTHE DEVELOPPEMENT

On 23 December 2011 Mrs Monique Richez, in her capacity as controller of the FIG liquidation, summoned ACANTHE DEVELOPPEMENT before the Commercial Court of Paris to have the FIG liquidation proceedings extended for payment of the latter's liabilities.

The dispute between Mrs Monique Richez and FIG arose when ACANTHE DEVELOPPEMENT was not a shareholder of FIG. It became a shareholder of FIG through one of its subsidiaries (TAMPICO) on 24 March 2005, and FIG left the reporting scope of the ACANTHE Group on 19 March 2010, namely prior to the decision to commence liquidation proceedings for FIG.

In an official letter dated 9 March 2012 sent to Mrs Richez's counsel, ACANTHE DEVELOPPEMENT offered to purchase Mrs Richez's claim in order to protect its shareholders from the negative publicity surrounding these court proceedings.

Mrs Richez refused this offer on 22 March 2012 and stated she could only accept it « only if ACANTHE DEVELOPPEMENT purchased all FIG's liabilities and thereby ensure that all the latter's creditors be paid off. »

Subsequently TAMPICO, the former shareholder of FIG, made this payment by means of a formal tender of payment,. in the form of a banker's cheque. As Mrs Richez again refused this payment, TAMPICO requested that the process server deposit this sum with the Caisse des dépôts et consignations and so inform Mrs Richez. Under the provisions of the civil code, this procedure releases the debtor.

Further to a judgement on 30 October 2012, TAMPICO application to have its formal tender of payment approved was dismissed. It appealed against this decision. The hearing is scheduled for 10 December 2014.

Mrs Richez's action is further challenged both on its admissibility and on its merits.

Indeed, in order to allow an action for extension to prosper, it has to be demonstrated firstly a failure to act on the part of the court-appointed administrator and secondly the fictitious nature of the company or the merging of both companies' assets.

In the case in point, neither of the two conditions appear to be met and ACANTHE DEVELOPPEMENT contests this application for an extension.

Lastly, confirmed in her entitlements as shareholder of FIG (Mrs Monique Richez held one FIG share at the Meeting of 24 February 2004 cancelled) further to the rulings of 28 September 2009, Mrs Monique Richez could not be appointed to this position, without prejudice to the provisions of Article L621-10 c.com stipulating that «no one directly or indirectly holding any equity of the debtor legal entity» can be appointed controller.

The Paris Commercial Court, to which this incompatibility has been referred, will deliver its ruling on 12 May 2014.

Should Mrs Richez be dismissed from her duties as controller of the FIG liquidation, she would no longer have the legal capacity to act and extend this liquidation to ACANTHE DEVELOPPEMENT. This action for extension would therefore lapse.

For all these reasons, the Group takes the view that the non-recognition of a provision for this dispute is well-founded.

It is worth noting that Company has been informed by the legal representative of FIG that its liquidator had again filed the appeal on points of law against the ruling of the Court of Appeal of 9 June 2009 that recategorized the contract with SILC (run by Mrs Richez) as an employment contract and that was behind the claim of Mrs Richez that enabled her to be appointed controller. The proceedings are ongoing.

Proceedings brought to cancel transactions made during FIG's doubtful period

On 2 May 2012, companies ACANTHE DEVELOPPEMENT, VENUS and TAMPICO were summoned by the liquidator of FIG (SCP BECHERET SENECHAL GORRIAS) with a view to securing the cancellation of FIG's contribution of the building at 15 Rue de la Banque – 75002 Paris and equity interests realized on 24 November 2009 in favour of VENUS, as well as the cancellation of the distributions of the advance on dividends and of the distributions of the issue premium in December 2009.

The liquidator of FIG consequently asked VENUS to restore ownership of the building at 15 rue de la Banque – 75002 Paris and the equity securities, on pain of a penalty payment of 10,000 euros a day for each day of delay.

The liquidator also asked that VENUS be ordered to reimburse FIG for the rents collected, dividends and the fruits of any nature whatsoever, accessory to the lease contracts on the building at 15 rue de la Banque in Paris (75002) and the aforementioned equity securities that have accrued since 24 November 2009; that ACANTHE DEVELOPPEMENT return to FIG the 95,496 Venus partnership shares with a view to having them cancelled, on pain of a penalty payment of 10,000 euros a day for each day of delay after receiving notification of the forthcoming ruling; that the 95,496 Venus partnership shares be cancelled once they and the property complex at 15 Rue de la Banque in Paris (75002), the related lease contracts and equity securities had been returned to FRANCE IMMOBILIER GROUP; and that ACANTHE DEVELOPPEMENT and TAMPICO be jointly ordered to repay FIG the sum of €4,047,975.50 resulting from the distributions paid in cash, plus interest at the official rate of interest, from 31 December 2009.

These court applications have been challenged.

The liquidator of FIG will file his submissions in reply on 15 May 2014.

9.4. SPECIAL PURPOSE ENTITIES

The Group does not make any transactions through special purpose entities.

9.5. RELATED PARTIES

The ACANTHE DEVELOPPEMENT Group has made transactions with ARDOR CAPITAL, a company indirectly controlled by Mr Alain Dumenil.

Current related transactions were as follows:

a) the parent company:

In 1,000s of euros Nature of the service	Related party Name	Related party Affiliation	Balance-sheet total (1)	Impact on income (2)
Management fees paid to	ARDOR CAPITAL	Reference shareholder of ACANTHE DEVELOPPEMENT		-200
Employee leasing agreement	ARDOR CAPITAL	Reference shareholder of ACANTHE DEVELOPPEMENT	43	43

(1) A positive amount indicates a receivable and a negative amount a debt
(2) A positive amount indicates income and a negative amount an expense

The above transactions gave rise neither to recognition of a provision for doubtful accounts nor any expenses in this respect for the period other than those mentioned. They are not accompanied by any specific guarantees.

b) Entities that exercise joint control or a significant influence on the entity: None

c) Subsidiaries:

All the transactions between ACANTHE DÉVELOPPEMENT Group companies (including €7,716,000 of interest on current accounts, €1,254,000 of salaries and €973,000 of rents and rental expenses) were cancelled by consolidation restatements.

d) Affiliates: None

e) Joint ventures in which the entity is a partner: None

f) The main managers of the entity or its parent company :

In 1,000s of euros Nature of the service	Related party Name	Related party Affiliation	Balance-sheet total (1)	Impact on income (2)
Employee leasing agreement	ADC SIIC	Shared executives/ board members	171	271
Rents and occupancy expenses	ADC SIIC	Shared executives/ board members		152
Security deposit	ADC SIIC	Shared executives/ board members	-31	
Rents and occupancy expenses	FPN	Shared executives/ board members		10
Rents and occupancy expenses	FIPP	Shared board members	242	152
Employee leasing agreement	FIPP	Shared board members		265
Security deposit	FIPP	Shared board members	-28	
Disposal of HALPYLLES	FIPP	Shared board members		4
Rents and occupancy expenses	SMALTO	Shared executives/ board members	362	927
Security deposit	SMALTO	Shared executives/ board members	-174	
Employee leasing agreement	SMALTO	Shared executives/ board members		63
Sundry receivables	SEK Holding	Shared indirect shareholder	1,124	3
Rents and occupancy expenses	POIRAY	Shared executives/ board members		106
Rents and occupancy expenses	AD INDUSTRIE	Shared executives/ board members	193	175
Security deposit	AD INDUSTRIE	Shared executives/ board members	-33	
Management fees	MEP	Shared executives/ board members	-12	-158
Current account/Finance charges	LIPO	Shared indirect shareholder	-17	-19
Bond issue/Finance charges	Dual Real Estate Invest.	Shared indirect shareholder	-1,484	-17
Exchange loss/Bond issue	Dual Real Estate Invest.	Shared indirect shareholder		-24
Equity interests	BASSANO DEVELOPPEMENT	Shared executives/ board members	5,156	
Dividends	BASSANO DEVELOPPEMENT	Shared executives/ board members		312

(1) A positive amount indicates a receivable and a negative amount a debt
(2) A positive amount indicates income and a negative amount an expense

The above transactions gave rise neither to recognition of a provision for doubtful accounts nor any expenses in this respect in the period. They do not come with any particular guarantee except for company SEK Holding, which has an agreement on the settling of its debts vis-à-vis the Group.

g) other related parties. None.

9.6. HEADCOUNT

The Group's headcount excluding employees in buildings is as follows:

Category	31/12/2013	31/12/2012
Executives	9.5	9.5
Non-executives	10.5	9.5
TOTAL	**20**	**19**

Certain employees are also managers of subsidiaries. They have an employment contract in respect of their salaried activities. These are included in the two previous items.

9.7. COMPENSATION PACKAGES

All the information on the compensation of corporate officers is available in the operating and financial review. The disclosures required under IAS 24 are given below:

In addition, the Annual General Meeting set directors fees at €140,000 (gross) to be shared out among the directors. They were apportioned to the directors as follows:

Mr Patrick ENGLER : €73,000
Mr Pierre BERNEAU : €40,000
Mr Bernard TIXIER : €27,000

The gross compensation paid to other managers (not corporate officers of ACANTHE DEVELOPPEMENT) total €18,000 in respect of management duties in subsidiaries.

No advances or loans were granted to individual managers over the period.

a) Short-term benefits None
b) Post-employment benefits None
c) Other long-term benefits None
d) Termination benefits None
e) Payments in shares None

9.8. PAYMENT IN SHARES

The combined shareholders' meeting of 21 March 2007 had approved 9,936,436 share subscription or purchase options to be awarded to Mr Dumenil at the price of €1.24 per option, with the proviso that Mr Dumenil keep 1% of the shares arising from the exercised options until the end of this term as Chairman and Managing Director (subject to this obligation not compromising the benefit of the SIIC regime for the company).

On 31 December 2009 at 2 p.m. the Board of Directors stated that if on the option(s) date the Company did not hold the number of shares required to fulfil them, priority would be given to call options up to the number of shares held by the Company, with options for the remainder that could not be raised as the Company did not hold a sufficient number of shares to fulfil them.

Description	Date awarded	Date vested	End of exercise period	Number of shares or options awarded
Share subscription or purchase options	28/08/2009	31/12/2009	28/08/2019	9,936,436

They were valued by a finance company on the date they were awarded.

Cost data results from application of IFRS 2, mandatory for companies subject to IAS-IFRS, calculated using the Cox, Ross & Rubinstein model and only used for this purpose. It should be pointed out these costs are not an indication of price given by the company.

At 31 December 2013, there were still 4,896,436 share options that could be exercised. However, the option exercise price (1.24 euros) is significantly higher than the quoted market price at 31 December 2013 (0.45 euros).

9.9. PENSION PROVISION

The valuation of the pension provision is based on the following assumptions:

Rate of pay increases: 2% per annum;

Discount rate: 2.55% (average bond yield for 1st half of 2013: +0.25%);

The turnover rate used is calculated on the basis of resignations and compared with the number of employees present on 1st January of the year; the rate adopted is the average of the last three years, adjusted for any statistical anomalies. The workforce is broken down into three age brackets under 40, under 55, and over 55) and two occupational categories (non-executives, and executives);

Life expectancy calculations are based on INSEE's new mortality tables for years 2009 to 2011.

At 31 December 2013, the provision stood at €239,000 against €129,000 on 31 December 2012.

The entire change is recognized in the income statement.

in thousands of euros	31/12/2013	31/12/2012
Provision for severance benefits	-128	-117
Changes		
Expensed in the period	-58	-31
Actuarial gains and losses (Other comprehensive income)	-53	20
Provision for severance benefits at closing	**-239**	**-128**

9.10. EARNINGS PER SHARE

Basic earnings per share stood at -€0.0369 on 31 December 2013 (for a weighted average number of 130,665,307 shares).

Diluted earnings per share are the same as basic earnings per share, as the recognition of purchase options as described in note 9.8, the exercise price of which (€1.24) is higher than the share's average market price during the period (€0.45), would have an anti-dilutive (or accretive) effect.

However, a future appraisal of the share price could make this instrument dilutive.

Numerator Group net profit at 31 December 2013 (in 1,000s €)	(4,815)	
Denominator Weighted-average number of shares before dilutive effect	130,665,307	
Group net profit per undiluted share (in euros)		**-0,0369**

9.11. DISCLOSURES OF RENTALS AT 31 DECEMBER 2013

The minimum future amounts of payments receivable under signed and firm operating leases in total and for each of the following periods are presented below:

In 1,000s of euros	Total	Due in one year at the most	Due in between one and 5 years	Due in over 5 years
Future rents receivable	47 109	10 023	31 110	5 976

The table shows the provisional periods for collection of rents, on the assumption that the leases continue until their term; however as this concerns commercial leases, they can be interrupted by the lessee at the end of every three-year period.

The Group has not recognized contingent rental payments for period 2013.

A general description of the recognition methods for leasing contracts is provided in note 2.17.

9.12. KEY EVENTS SINCE 31 DECEMBER 2013

Property-related activity:

The group signed a commercial lease (3-6-9) for its property complex at 24, Rue Georges Bizet (Paris 16th) with effect from 12 June 2014 with law firm KAHN & ASSOCIES.

Disputes:

- A Court of Appeal ruling of 27 February 2014 cancelled a contribution from a lower-tier subsidiary (at the time) of ACANTHE DEVELOPPEMENT as well as the distributions made by this lower-tier subsidiary to its parent company. The court ordered ACANTHE DEVELOPPEMENT jointly with FIG (under a compulsory liquidation order) and SNC VENUS to pay Mr Barthes €129,552 and Mr Noyer €89,597, besides the sum of €100,000 to each of them in respect of Article 700 of the Code of Civil Procedure, and to pay all costs; a contingency provision of €623,000 has been funded in this respect.

  The Court of Appeal has not cancelled TAMPICO's general meeting of 23 February 2010, whereby it was decided to distribute dividends to ACANTHE DEVELOPPEMENT, its sole shareholder at the time. This distribution of dividends included among other things the SNC VENUS securities issued in exchange for the contribution cancelled by the Court of Appeal.

  This procedure is described in detail in Note 6 to the parent company's financial statements and Note 9.3.4 to the consolidated financial statements.

- On 10 April 2014, SOGEB, taken in the person of Maître Emmanuel Hess, in his capacity as administrator in charge of settlement operations pursuant to the Paris Court of Appeal ruling of 22 January 2013, summoned company BRUXYS to appear before the Paris Commercial Court (2/3rds associate of SOGEB), a ACANTHE DEVELOPPEMENT subsidiary, with a view to having it ordered to pay €19,145,851.82 due in respect of partners' current accounts. With regard to the settlement operations, the ownership interests of BRUXYS and Mr Bergougnan (respectively 2/3rds and 1/3rd), will be taken into account. This procedure has no effect on the Group's accounts but will entail an outflow of cash (see §4.4.7). An initial hearing on procedure is scheduled for 15 May 2014.

AUDITORS' REPORT ON THE ANNUAL FINANCIAL STATEMENTS

PERIOD ENDING 31 DECEMBER 2013

To the shareholders,

Further to our engagement by your general shareholders' meeting, we hereby submit our report for period ending 31 December 2013, on:

- our audit of the financial statements of ACANTHE DEVELOPPEMENT, as appended hereto

- the evidence supporting our opinion;

- specific auditing and disclosures as required by law.

The annual financial statements were approved by the Board of Directors. It is our duty to express an opinion on them on the basis of our audit.

I. Opinion on the financial statements

We have conducted our audit according to the professional standards applicable in France; these standards require us to provide reasonable assurance that the annual financial statements do not contain any significant misrepresentations. An audit consists in examining, on a test basis, the evidence supporting the amounts and disclosures in the annual financial statements. It also consists in assessing the accounting policies adopted and evaluating the significant estimates in the annual financial statements and the overall presentation thereof. We consider that our audit provides a reasonable and sufficient basis for our opinion.

We certify that the annual financial statements, with regard to French accounting standards, give a true and fair view of the company's asset base, financial position and earnings at the end of the said period.

Without altering our opinion as expressed above, we would draw your attention to note 6 to the financial statements, which presents the disputes and contingent liabilities to which the Group and its subsidiaries are party and the legal uncertainties surrounding the Paris Court of Appeal ruling of 27 February 2014.

II. Evidence supporting our opinions

In pursuance of article L.823-9 of the Commercial Code regarding the evidence supporting our opinion, we hereby apprise you of the following

- Note 3.3 «Long-term investments» describes the principles and methods used to measure ownership interests and related receivables. Our work consisted in ascertaining that the said ownership interests and related receivables were correctly measured with respect to the value of the properties held by these companies, on the basis of expert appraisals and of the companies' financial positions, in accordance with current accounting principles, and that the said note provides adequate disclosure.

The opinions thus expressed are based on our overall audit of the annual financial statements as a whole, and therefore form the basis for the opinion stated in the first part of this report.

III. Specific verification and information

We have also carried out the special verifications required by law, in accordance with the professional standards applicable in France.

In our view, the information provided in the Board's operating and financial review and the documents on the financial position and the annual financial statements gives a true and fair view and is consistent with the said annual financial statements.

With regard to the disclosures required under Article L.225-102-1 of the (French) Commercial Code on remuneration packages and benefits paid to corporate officers as well as commitments given in their favour, we have verified that they are consistent with the accounts or the data used to draw up the accounts and, where applicable, with data your company has collected from companies controlling your company or controlled by it. On the basis of the above, we hereby certify the accuracy and fairness of the said information.

As required by law, we have ascertained that the disclosures on acquisitions of minority and controlling interests and on the identity of holders of capital and voting right have been communicated to you in the operating and financial review.

Paris and Neuilly-sur-Seine, 30 April 2014

The statutory auditors

Auditors and Business Consultants
Alain AUVRAY

Deloitte & Associés
Albert AÏDAN

AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

PERIOD ENDING 31 DECEMBER 2013

To the shareholders,

Further to our engagement by your general shareholders' meeting, we hereby submit our report for period ending 31 December 2013, on:

- our audit of the consolidated financial statements of ACANTHE DEVELOPPEMENT, as appended hereto

- the evidence supporting our opinion;

- specific auditing as required by law.

The consolidated financial statements have been approved by the Board of Directors. It is our duty to express an opinion on them on the basis of our audit.

I. Opinion on the consolidated financial statements

We have conducted our audit according to the professional standards applicable in France; these standards require us to provide reasonable assurance that the annual financial statements do not contain any significant misrepresentations. An audit consists in examining, on a test basis, the evidence supporting the amounts and disclosures in the financial statements. It also consists in assessing the accounting policies adopted and evaluating the significant estimates in the financial statements and the overall presentation thereof. We consider that our audit provides a reasonable and sufficient basis for our opinion.

We hereby certify that the consolidated financial statements, with regard to the IFRS reporting framework as adopted by the European Union, give a true and fair view of the asset base, financial position and earnings of all the reporting entities.

Without altering our opinion as expressed above, we would draw your attention to note 9.3 to the financial statements, which presents the disputes and contingent liabilities to which the Group is party and the legal uncertainties surrounding the Paris Court of Appeal ruling of 27 February 2014.

II. Evidence supporting our opinions

In pursuance of article L.823-9 of the Commercial Code regarding the evidence supporting our opinion, we hereby apprise you of the following

- Note 2.5 «Investment properties» describes the principles and methods used to value the Group's real estate assets. We have examined the measurement basis used by the experts and have ascertained that the fair value measurement for investment properties is based on these independent appraisals and that the said note provides adequate information.

These assessments were made as part of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed, which is expressed in the first part of this report.

III. Specific auditing requirements

As required by law and in accordance with professional standards applicable in France, we have also carried out the special audit of the information presented in the Group's management report.

In our view, it provides a true and fair view and is consistent with the consolidated financial statements.

Paris and Neuilly-sur-Seine, 30 April 2014

The statutory auditors

Auditors and Business Consultants
Alain AUVRAY

Deloitte & Associés
Albert AÏDAN

STATUTORY AUDITORS' REPORT

STATUTORY AUDITORS' SPECIAL REPORT ON THE REGULATED AGREEMENTS AND COMMITMENTS

GENERAL MEETING APPROVING THE ACCOUNTS FOR THE PERIOD ENDING 31 DECEMBER 2013

To the shareholders,

In our capacity as your company's auditor, we hereby submit our report on regulated agreements and commitments.

Our remit consists in apprising you, based on the information provided, of the main terms and conditions of the agreements and commitments that have been disclosed to us or that we discovered during our audit, without commenting on their relevance or substance or requiring us to identify any other agreements and commitments. Pursuant to the provisions of article R. 225-31 of the Commercial Code, it is your duty to assess the relevance of such agreements and commitments with a view to approving them.

Furthermore, and where applicable, it is our duty apprise you of the information required under article R. 225-3 1 of the Commercial Code regarding the performance, during the past financial year, of agreements and commitments already approved by the general shareholders' meeting.

In fulfilling this engagement, we have carried out our work with all the due care we believe is necessary with regard to the authoritative accounting literature of the Compagnie nationale des commissaires aux comptes. These standards require us to verify that the information given to us agrees with the underlying documents.

AGREEMENTS AND COMMITMENTS SUBJECT TO THE APPROVAL OF THE GENERAL SHAREHOLDERS' MEETING

Commitments and agreements authorized during the period

Pursuant to article L.225-40 of the Commercial Code, we have been duly apprised of the following agreements and commitments that were previously approved by your Board of Directors.

1- On 28 February 2013 the Board of Directors authorized the temporary employee leasing agreement whereby the Company and three of its subsidiaries (Basno, Société Civile Charron, Sauman Finance) leased staff to Alliance Développement Capital S.I.I.C ADC S.I.I.C, subject to reinvoicing, for 12 months from the time of registration of ADC S.I.I.C in the Trade and Companies Register of Brussels.

   Amount: €271,000
   Persons concerned: Mr Alain Dumenil, Chairman of the Board, Monsieur Patrick Engler, company Director and Chief Executive Officer and Mr Pierre Berneau, Director are also Directors of ADC S.I.I.C.
   Philippe Mamez, Director and Deputy CEO was also the Director and chief Executive Officer of ADC S.I.I.C.

2- Further to a Board meeting on 23 April 2013, the Company was authorized to intervene in the loan agreement for 28,000,000 euros granted by Deutsche Hypothekenbank to Foncière du 17 Rue Francois 1er and SCI François VII, in connection with the refinancing of the building at 39 avenue Montaigne and 17 rue François 1er - 75008 Paris and to grant an independent first

demand guarantee to the bank for a period of 7 years.
Persons concerned: Companies Foncière du 17 Rue Francois 1er and SCI François VII are lower-tier subsidiaries of the Company.

3- Further to a Board meeting on 26 July 2013, the Company authorized the signing of a clause amending the service contract signed on 1st September 2005 with MEP Consultants, extending the said contract until 31 December 2013, amending the 1st clause of the said contract, the subject of which is henceforth assistance and consulting in negotiations with financial partners, optimizing financial debt, supervision of the asset management alongside the property manager and the monitoring of acquisitions and disposals of buildings.
Amount: €158,000
Person concerned: Philippe Mamez, Deputy CEO and Director and manager of MEP Consultants.

AGREEMENTS AND COMMITMENTS ALREADY APPROVED BY THE GENERAL SHAREHOLDERS' MEETING

Agreements and commitments approved in prior periods that continued to apply during the past financial year Pursuant to article R. 225-30 of the Commercial Code, we have been informed that the following agreements, already approve by the general shareholders' meeting in prior periods, continued to apply during the past financial year.

1- Further to a Board meeting on 12 May 2011, the Company provided a co-surety for 15,000,000 euros, in favour of Baldavine SA, with MUNCHENER HYPOTHEKEN BANK eE.
Person concerned: Agreement between Acanthe Développement and Baldavine, a subsidiary of Acanthe Développement.

2- Further to a Board meeting on 22 March 2011, the Company gave a commitment not to sell VENUS shares and provided co-surety for 6,995,955 euros, in connection with the loan dated 29 June 2007 for 7,800,000 euros granted by CREDIT FONCIER DE FRANCE to ADC SuC, which contributed the building at 7 rue Surène - 75008 Paris, and the related loan to Venus.
Person concerned: Agreement between Acanthe Développement and Vénus, a subsidiary of Acanthe Développement.

3- Further to a Board meeting on 6 July 2010, the company stood as first-call guarantor for ANTI-IURIUM, acquirer of the building at 3 rue d'Edimbourg - 75009 Paris, belonging to LORGA, for a total of 250,000 euros, for a period of 6 years from the date of the building's contract of sale.
Person concerned: Agreement between Acanthe Développement and Lorga, a subsidiary of Acanthe Développement.

4- Further to a Board meeting on 31 March 2009, the company reiterated its co-surety commitment, for no consideration, for 14,000,000 euros in favour of FONCIERE DU 17 RUE FRANCOIS 1er, with CREDIT FONCIER DE FRANCE in connection with an amendment to the loan agreement dated 21 November 2007.
Person concerned: Agreement between Acanthe Développement and et Foncière du 17 rue François 1er, a lower-tier subsidiary of Acanthe Développement.

5- Further to a Board meeting on 31 March 2009, the company reiterated its co-surety commitment, for no consideration, for 6,000,000 euros in favour of SCI FRANCOIS VII, with CREDIT FONCIER DE FRANCE in connection with an amendment to the loan agreement dated 21 November 2007.
Person concerned: Agreement between Acanthe Développement and SCI François VII, a lower-tier subsidiary of Acanthe Développement.

6- Further to a Board meeting on 8 December 2004, the company stood as first-call guarantor for BASNO, for 21,000,000 euros, with WURTEMBERGISCHE HYPOTHEKENBANK AG, now HYPO REAL ESTATE BANK INTERNATIONAL AG, in connection with a mortgage totalling 21,000,000 euros. Further to a Board meeting on 17 September 2003, the company also stood as co-surety for no consideration for 21,000,000 euros for the same operation.
Person concerned: Agreement between Acanthe Développement and BASNO, a lower-tier subsidiary of Acanthe Développement.

7- Further to a Board meeting on 31 July 2001, our company provided a co-surety, for no consideration, for 1,905,613 euros in favour of MILWAUKEE, now SAS LINDORAN, before a complete transfer of assets and liabilities of TAMPICO SA on 24 December 2004, with BAYERI5CHE HANDELSBANK AG, now HYPO REAL ESTATE BANK INTERNATIONAL AG. Further to a contribution agreement between FRANCE IMMOBILIER GROUP, TAMPICO, ADC SuC and VENUS dated 23 November 2009, VENUS took over the said loan and related guarantees.
Person concerned: Agreement between Acanthe Développement and VÉNUS, a subsidiary of Acanthe Développement.

Paris and Neuilly-sur-Seine, 30 April 2014

The Statutory Auditors

Auditors and Business Consultants
Alain AUVRAY

Deloitte & Associés
Albert AÏDAN

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June 2014 - Photos : Acanthe Développement, Christian Murtin, Thierry Lewenberg-Sturm. Design : www.ideephare.com