

## 03

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# Consolidated income statement (in thousands of €)

	Notes	30.09.2008	30.09.2007
I. (+) Rental income	E	109 507	104 902
III. (+/-) Charges linked to letting	F	-346	-282
<b>NET RENTAL INCOME</b>		<b>109 161</b>	<b>104 621</b>
IV. (+) Recovery of property charges		14 072	4 632
V. (+) Recovery income of charges and taxes normally payable by tenants on let properties		21 922	24 431
VI. (-) Costs normally payable by tenants and borne by the landlord on rental damage and refurbishment at the end of lease		-	-9
VII. (-) Charges and taxes normally payable by tenants on let properties		-23 296	-24 186
VIII. (+/-) Other revenue and charges for letting		159	146
<b>PROPERTY RESULT</b>		<b>122 017</b>	<b>109 634</b>
IX. (-) Technical costs		-16 814	-8 360
X. (-) Commercial costs		-1 138	-1 515
XI. (-) Charges and taxes on unlet properties		-1 028	-1 504
XII. (-) Property management costs		-970	-1 253
XIII. (-) Other property charges		-7	-27
<b>(+/-) Property charges</b>		<b>-19 957</b>	<b>-12 659</b>
<b>PROPERTY OPERATING RESULT</b>		<b>102 060</b>	<b>96 975</b>
XIV. (-) Corporate management costs	G	-11 888	-8 564
XV. (+/-) Other operating income and charges		1 255	-312
<b>OPERATING RESULT BEFORE RESULT ON PORTFOLIO</b>		<b>91 427</b>	<b>88 100</b>
XVI. (+/-) Gains or losses on disposals of investment properties		8 801	1 265
XVIII. (+/-) Changes in fair value of investment properties		-6 316	38 701
<b>OPERATING RESULT</b>		<b>93 913</b>	<b>128 065</b>
XIX. (+) Financial income	H	19 545	6 650
XX. (-) Interest charges	H	-40 239	-34 823
XXI. (-) Other financial charges	H	-10 655	-7 559
<b>(+/-) Financial result</b>	H	<b>-31 349</b>	<b>-35 732</b>
<b>PRE-TAX RESULT</b>		<b>62 563</b>	<b>92 334</b>
XXIII. (-) Corporation tax	I	-646	-584
<b>(+/-) Taxes</b>	I	<b>-646</b>	<b>-584</b>
<b>NET RESULT</b>	J	<b>61 918</b>	<b>91 750</b>
RESULT, GROUP SHARE		58 170	89 079
MINORITY INTERESTS		3 748	2 671
<b>BASIC RESULT AND DILUTED PER SHARE</b>	J	<b>4.45</b>	<b>8.23</b>

# Consolidated balance sheet (in thousands of €)

ASSETS	Notes	30.09.08	30.09.07
<b>I. Non-current Assets</b>		<b>1 927 934</b>	<b>1 867 469</b>
A. Goodwill	K	15 977	16 172
C. Investment properties	L	1 877 636	1 812 899
D. Development projects		-	2 216
E. Other property, plant and equipment		722	692
F. Non-current financial assets	M	23 827	25 626
G. Finance leases receivables	M	9 772	9 864
<b>II. Current Assets</b>		<b>43 817</b>	<b>29 301</b>
A. Assets held for sale	L	8 865	-
B. Current financial assets	M	1 870	5 343
C. Finance leases receivables	M	56	53
D. Trade receivables	M	22 765	15 210
E. Tax receivables and other current assets	M	3 112	203
F. Cash and cash equivalents	M	4 556	5 288
G. Deferred charges and accrued income		2 594	3 205
<b>TOTAL ASSETS</b>		<b>1 971 751</b>	<b>1 896 770</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>Notes</b>	<b>30.09.08</b>	<b>30.09.07</b>
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>1 028 507</b>	<b>996 792</b>
<b>I. Equity attributable to shareholders of the parent company</b>		<b>966 809</b>	<b>931 905</b>
A. Capital		186 919	186 919
B. Share premium account		372 952	372 952
D. Reserves		21 113	21 113
E. Result		385 825	346 399
a. Result brought forward from previous years		327 655	287 394
b. Net result for the fiscal year		58 170	59 005
G. Hedging instruments		-	4 522
<b>II. Minority interests</b>		<b>61 698</b>	<b>64 887</b>
<b>LIABILITIES</b>		<b>943 244</b>	<b>899 978</b>
<b>I. Non-current liabilities</b>		<b>862 434</b>	<b>153 838</b>
B. Non-current financial debts	M	857 016	148 637
a. Credit institution	M	597 651	82 934
b. Finance lease	M	51 705	64 199
c. Other	M	207 661	1 504
D. Trade debts and other non-current debts	M	5 418	5 201
<b>II. Current liabilities</b>		<b>80 810</b>	<b>746 140</b>
A. Provisions	L	4 758	-
B. Current financial debts	M	15 379	662 692
a. Credit institution	M	8 970	656 761
b. Finance lease	M	6 409	5 931
D. Trade debts and other current debts	M	46 967	71 050
F. Accrued charges and deferred income		13 706	12 398
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>1 971 751</b>	<b>1 896 770</b>

# Consolidated cash flow statement (in thousands of €)

	30.09.2008	30.09.2007
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FISCAL YEAR</b>	<b>5 288</b>	<b>14 961</b>
<b>Net result for the fiscal year</b>	<b>61 918</b>	<b>91 750</b>
Operating income	93 913	128 065
Interest paid	-36 663	-31 740
Interest received	4 108	853
Dividends received	454	68
Taxes paid	-684	-557
Other income	790	-4 939
<b>Items with no effect on cash flow to be extracted from earnings</b>	<b>4 246</b>	<b>-34 989</b>
Loss of (gain in) value on trade receivables (+/-)	93	24
Amortisation / Loss of (gain in) value on property, plant and equipment (+/-)	166	128
Fair value adjustment for investment buildings (+/-)	6 316	-38 701
Fair value adjustment on non-current financial assets booked to earnings (+/-)	-5 532	963
Other items	3 203	2 597
<b>NET CASH FLOW FROM OPERATING ACTIVITIES BEFORE CHANGE IN WORKING CAPITAL REQUIREMENTS</b>	<b>66 164</b>	<b>56 761</b>
<b>Change in working capital requirements</b>	<b>2 702</b>	<b>607</b>
Change in assets items	-6 151	-6 382
Change in liabilities items	8 853	6 989
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>68 866</b>	<b>57 368</b>
<b>Investments (-) / Disposals (+)</b>		
Acquisition of Fedimmo subsidiary	-	-576 563
Acquisition Meir and Vital	-94 275	-
Down payment on buildings and similar	-	-18 902
Liquidation of La Hulpe certificates	2 497	-
Investment properties		
Investments	-48 307	-14 475
Disposals	65 075	22 900
Other property, plant and equipment	-197	-415
Hedging instruments and other financial assets	50	-4 630
<b>Cash flow of investment activities</b>	<b>-75 156</b>	<b>-592 086</b>
<b>CASH FLOW BEFORE FINANCING ACTIVITIES</b>	<b>-6 290</b>	<b>-534 718</b>
<b>Financing (+/-)</b>		
Increase (+) / Decrease (-) in financial debts	73 082	332 232
Increase (+) / Decrease (-) in finance lease debts	-11 986	-15 337
Increase (+) / Decrease (-) in other non-current liabilities	217	-
Capital increase / Decrease	-6 000	256 315
Dividend for previous fiscal year (-)	-49 755	-48 165
<b>Cash flow of financing activities</b>	<b>5 558</b>	<b>525 044</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>-732</b>	<b>-9 674</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE FISCAL YEAR</b>	<b>4 556</b>	<b>5 288</b>

# Consolidated statement of changes in equity

(in thousands of €)

	Capital	Share premiums	Reserves	Undistributed result	Hedging instruments	Equity: group share	Minority interests	Total equity
<b>EQUITY AS OF 30.09.06</b>	<b>142 295</b>	<b>161 261</b>	<b>21 113<sup>(1)</sup></b>	<b>335 558</b>	<b>-</b>	<b>660 228</b>	<b>-</b>	<b>660 228</b>
Earnings booked directly as shareholders' equity	-	-	-	-	4 522 <sup>(2)</sup>	4 522	-	4 522
Net result for the fiscal year	-	-	-	89 079	-	89 079	2 671	91 750
<b>Total charges and revenue booked</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>89 079</b>	<b>4 522</b>	<b>93 600</b>	<b>2 671</b>	<b>96 271</b>
Minority interests	-	-	-	-	-	-	62 216	62 216
Capital increase <sup>(3)</sup>	44 624 <sup>(3)</sup>	211 691	-	-	-	256 315	-	256 315
Dividend distributed	-	-	-	-78 239 <sup>(4)</sup>	-	-78 239	-	-78 239
<b>EQUITY AS OF 30.09.07</b>	<b>186 919</b>	<b>372 952</b>	<b>21 113</b>	<b>346 399</b>	<b>4 522</b>	<b>931 905</b>	<b>64 887</b>	<b>996 792</b>
Changes in value of hedging instruments	-	-	-	-	-4 522	-4 522	-	-4 522
Net result for the fiscal year	-	-	-	58 170	-	58 170	3 748	61 918
<b>Total charges and revenue booked</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>58 170</b>	<b>-4 522</b>	<b>53 648</b>	<b>3 748</b>	<b>57 396</b>
Decrease in Fedimmo capital	-	-	-	-	-	-	-6 000	-6 000
Dividend distributed	-	-	-	-18 743 <sup>(5)</sup>	-	-18 743	-938	-19 681
Balance of Befimmo 2007 dividend				-18 743				
Fedimmo 2007 dividend to minority interests							-938	
<b>EQUITY AS OF 30.09.08</b>	<b>186 919</b>	<b>372 952</b>	<b>21 113</b>	<b>385 825</b>	<b>-</b>	<b>966 809</b>	<b>61 698</b>	<b>1 028 507</b>

(1) The details of the other reserves are as follows: statutory reserves: €1.3 million - undistributable reserves: €3.6 million - available reserves: €16.2 million.

(2) The amount of €4.5 million booked to equity during the previous period corresponds to the appreciation of the hedging instruments (twin caps) that the company holds. These amounts were booked to earnings during the fiscal year when these instruments were reclassified.

(3) This capital increase, carried out in June 2007, raised a total of €256.3 million, after deduction of the associated transaction costs. This amount was used to repay certain short-term loans held by the Company. This increased the number of shares representing the Company capital from 9,794,227 to 13,058,969.

(4) The heading "Dividend distributed" includes, for the 2006/2007 fiscal year, the dividend for the previous period, paid out in December 2006, amounting to €48.2 million, and an interim dividend in June 2007 (but payable in December 2007) amounting to €30.1 million.

(5) The balance of the dividend for the 2006/2007 fiscal year, i.e. €18.7 million paid in December 2007, came out of the shareholders' equity during the 2007/2008 fiscal year.

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## A. General business information

Befimmo (the Company) is a Sicafi (Société d'Investissement à capital fixe publique de droit belge – fixed-capital investment trust incorporated under Belgian law). It is organised as a “Société en commandite par actions” under Belgian Law. Its registered office is at Chaussée de Wavre 1945, 1160 Brussels (Belgium).

During the 2006/2007 fiscal year the Company acquired a 90% majority shareholding in Fedimmo SA, a public company under Belgian law, incorporated on 28 December 2006. Fedimmo SA's accounting year also closes on 30 September. In June 2008, Befimmo founded the limited companies Meirfree and Vitalfree, of which it is a shareholder. These companies also close their fiscal years as of 30 September, the first fiscal year running until 30 September 2009.

The Company therefore presents its consolidated financial statements as of 30 September 2008. The Board of Directors of the Managing Agent Befimmo SA adopted and authorised the publication of these consolidated financial statements on 12 November 2008.

The Company's activities are dedicated solely to the ownership and management of a real estate portfolio. As of 30 September 2008, the portfolio consisted principally of office buildings located in Brussels and let to public authorities or private businesses, and office buildings in various town centres in Flanders and Wallonia, let long-term to public authorities only.

The Company is listed on Euronext Brussels and has been listed on Euronext Paris since September 2008.

## B. Main accounting methods

### Basis of preparation

The financial statements have been prepared in accordance with the International Financial reporting Standards (IFRS) as adopted within the European Union.

Except where otherwise specified, the financial statements are denominated in thousands of euros, rounded to the nearest thousand. They are prepared on the historical cost basis except for investment property and certain financial instruments that are stated at their fair value. Accounting methods have been applied consistently to the periods presented.

Furthermore, the Company has chosen not to apply early new or amended standards or interpretations issued before the date that the consolidated financial statements were authorised for publication with a date of entry into force later than the fiscal year closing as of 30 September 2008, namely:

- > IFRS 8 – Operating segments which will enter force from the 2009/2010 annual period and could lead to changes in the way sectoral information is presented in the notes.
- > The amendments to IAS 23 – *Borrowing costs* which will enter force from the 2009/2010 annual period and will involve capitalising interest incurred during the construction phase of buildings.
- > The amendments to standard IAS 1 – *Presentation of Financial Statements* which will enter force from the annual period 2009/2010 and which will require in particular total comprehensive income to be stated, incorporating items of income and expense booked directly to shareholders' equity.
- > Interpretations IFRIC 12 and IFRIC 13 which will not be applicable to the Company.
- > Interpretation IFRIC 14 – IAS 19 – *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*, which will enter force from the 2008-2009 annual period. Depending on the financing plan adopted by Befimmo, the application of this interpretation could have a limited impact on the amounts booked in the balance sheet for pension obligations.
- > IFRS 8 – *Operating segments* and the revision of IFRS 3 – *Business combinations* which could have an impact on the treatment of future acquisitions and any transactions with minority interests.
- > The other standards or new or amended interpretations (e.g. amendment of IAS 27 – *Consolidated and separate financial statements*, IFRIC 15 – *Agreements for the Construction of Real Estate* and IFRIC 16 – *Hedges of a Net Investment in a Foreign Operation*) not yet in force will have no impact on the Company's financial statements.

## Principles of consolidation

### Subsidiaries

Subsidiaries are entities controlled by the Company, i.e. when the Company, directly or indirectly via its subsidiaries, has more than 50% of the voting rights or has the power to govern the financial and operational policies of a subsidiary so as to obtain benefits from its activities.

Subsidiaries are consolidated by full incorporation from the date on which the Company obtains control. They are deconsolidated from the date on which control ceases.

### Jointly controlled entities

A jointly controlled entity is an entity of which the Company has joint control under a contractual arrangement with other venturers. Jointly controlled entities are accounted using the equity method from the date on which the Company has joint control and until such time as that control ceases. The financial statements of jointly controlled entities cover the same period as for the Company.

### Business combinations

Shareholdings in companies over which the Company has significant influence, but no controlling interest, are accounted using the equity method.

### Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised gains and losses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with jointly controlled entities are eliminated in proportion to the Company's interest in such entities. Unrealised losses are eliminated in the same way as unrealised gains, but only if there is no indication of any depreciation.

### Business combinations and goodwill

Where the Company takes control of a business as defined in standard IFRS 3 – *Business combinations*, the assets, liabilities and any identifiable liabilities of the business acquired are recorded separately at fair value. The difference between the cost of acquisition, including all costs directly attributable to the business combination, such as fees paid to advisors, and Befimmo's share in the fair value of the net assets acquired, is booked to the assets of the balance sheet as goodwill. If that difference is negative (often termed negative goodwill or badwill), after confirmation of the values, it is booked straight to the result.

Goodwill is subject to a depreciation test carried out at least once a year in accordance with IAS 36 – *Depreciation of assets* (see note hereafter).

## Foreign currency

### Foreign currency transactions

Foreign currency transactions are recorded initially at the exchange rate prevailing at the transaction date.

Monetary assets and liabilities denominated in foreign currencies are then remeasured at closing rate. Resulting gains and losses are recorded in the income statement.

Gains and losses resulting from the settlement of foreign currency transactions are included in the income statement as financial gains or losses.

### Foreign operations

Assets and liabilities of foreign operations included in the consolidation are translated into euros at the closing rate. Income statement items are converted into euros at the average exchange rates for the period. The resulting translation differences are transferred to the equity item "currency translation differentials".

### Intangible assets

Intangible assets are recognized only when it is probable that the expected future economic benefits associated with the asset will flow to the Company and its cost can be measured reliably. They are recognised initially at cost. Subsequent to initial recognition, intangible assets are stated at cost less accumulated amortisation and decrease in value.

Amortisation is calculated using the straight-line method to allocate the cost over the estimated useful life of the asset. The useful life and amortisation method of intangible assets are reviewed at least at each financial year end.

Costs associated with training, marketing or promotion, as well as reorganisation costs, are expensed as incurred.

## Investment properties

### General principles

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Company, is classified as investment property.

Investment property is measured initially at its cost, including related transaction costs and non-deductible VAT. For buildings acquired through a merger, demerger or contribution of a branch of activity, taxes due on the potential capital gains on the companies absorbed are included in the cost of the assets. After initial recognition, investment property is carried at fair value.

Investment property that is being redeveloped for continuing use as investment property continues to be measured at fair value.

An independent appraiser establishes the investment value of the real estate portfolio (also called "value deed in hands"). This valuation is based on the present value of the net rental income in accordance with the International Valuation Standards, established by the International Valuation Standards Committee, as set out in the corresponding report. The fair value of the investment property is obtained by deducting from this investment value the amount of expenses and taxes (registration dues and/or value added tax, notary's expenses) that the investor has to defray in order to acquire ownership of the property. Based on the various transfer methods in use on the market, the average rate of these transaction costs amounts to 2.5%<sup>(1)</sup> for properties costing more than €2.5 million and anywhere between 10% and 12.5% for property below this value, depending on the region where it is located.

The independent expert establishes the investment value of the real estate portfolio in detail at the end of each fiscal year. At the end of each of the first three quarters of the fiscal year, the appraiser updates the valuation in line with market developments and the specific characteristics of the properties.

Any gain or loss arising from a change in fair value is posted in the income statement.

### Commissions paid to real estate agents and other transaction costs

Commissions relating to the acquisition of investment properties are capitalised within the asset's carrying amount. The same applies where the acquisition involves purchasing the shares of a real estate company, the contribution in kind of a property against the issue of new shares, or assets contributed by way of merger or by takeover of a real estate company. In these various cases, however, notary and audit costs are recorded as costs in the income statement.

Commissions relating to property rentals are recorded as costs in the income statement.

(1) Average costs paid on transactions observed on the Belgian market over the past three years. This average rate is revised every year on the basis of transactions taking place on the market.



### Works carried out on investment properties

Accounting treatment of works carried out on investment properties depends on the type of work concerned:

- > Improvement works: these are works carried out on an occasional basis to add functionality to the property or significantly enhance the standard of comfort, thus making it possible to raise the rent and, hence, the estimated rental value. The costs of these works are capitalised within the asset's carrying amount provided and to the extent that the independent appraiser recognises an equivalent appreciation in the value of the property. Example: installation of an air-conditioning system where one did not previously exist.
- > Extensive renovation works: these are normally undertaken at intervals of 25 to 35 years and involve virtually reconstructing the building whereby, in most cases, the existing carcass work is reutilised and state-of-the-art building techniques applied. These costs are capitalised within the asset's carrying amount.
- > Expenditure relating to maintenance and repair works which does not add any extra functionality to or increase the standard of comfort of the building is recorded as costs in the income statement. Examples: repairs to a roof, replacement of lifts or window frames.

### Investment property occupied by owner

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes.

Where the Company uses only a minor part of a property it owns, the whole property is stated at fair value as an investment property.

### Development projects

Property that is being constructed or developed for future use as investment property is classified as development projects and stated at cost until construction or development is complete, at which time it is reclassified and subsequently accounted for as investment property. At the date of transfer, the difference between the fair value and the cost is recognised in the income statement.

All costs directly associated with the purchase or construction of properties, and all subsequent capital expenditures are included in the cost of the development project. All borrowing costs related to the acquisition and construction of properties are directly recorded in the income statement during the period of their occurring.

Development projects are tested for depreciation when there is an indication that their carrying amount may exceed their recoverable amount (see section "Asset depreciation" below).

### Other tangible assets

Other tangible assets are recorded at cost, less accumulated amortisation and decrease in value. Cost includes all direct costs and appropriate allocation of indirect costs incurred to bring the asset to working condition for its intended use.

The straight-line depreciation method is applied through the estimated useful life of the assets. The useful life and amortisation method are reviewed at least at each financial year-end. Useful life is defined as follows per main type of asset:

#### Buildings

- > Buildings: 30 years.
- > Technical equipment: 20 years.
- > Improvements to owned buildings: 10 - 20 years.
- > Improvements to leased buildings: firm period of the lease - maximum 10 years.

#### Furniture and vehicles

- > Vehicles: 4 years.
- > Computer equipment: 3 years.
- > Furniture and office equipment: 5 years.
- > Leased equipment: term of contract.

### Financial assets

Financial assets are classified as follows:

- > assets held to maturity;
- > assets at fair value through profit or loss;
- > assets available for sale;
- > loans and receivables.

They are classified in the balance sheet as current or non-current financial assets, based on the intention or probability of realisation within twelve months at the balance sheet date.

i. Assets held to maturity are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company has the positive intention and ability to hold to maturity.

Held-to-maturity investments are carried at amortised cost using the effective-interest method.

ii. Assets at fair value through profit or loss. These assets include:

> assets held for trading, i.e. assets acquired principally for the purpose of selling in the short term;

> assets designated by management to be accounted for based on the fair-value option in accordance with IAS 39.

These two categories of assets are carried at fair value. Realised and unrealised gains and losses arising from changes in the fair value are included in the income statement in the period in which they arise.

iii. Assets available for sale are non-derivative financial assets that are either designated in this category or not classified in any of the other categories.

Assets available for sale are carried at fair value. Unrealised gains and losses arising from changes in the fair value are recognised in equity. In case of sale or decrease in value, the accumulated fair-value adjustments already recorded in equity are transferred to the income statement.

iv. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money directly to a debtor with no intention of trading the receivable.

Loans and receivables are initially stated at their nominal value less appropriate allowance for irrecoverable amounts, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount and the maturity amount. The amount of the allowance is recognised in the income statement.

## Derivative financial instruments

The Company uses derivative financial instruments to hedge its exposure to interest rate risks arising from financing of its activities. The Company does not hold or issue derivative financial instruments for proprietary trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are recognised initially at cost. Subsequently they are stated at fair value. Recognition of any resulting gain or loss depends on whether or not hedge accounting is applied and possibly on the nature of the item being hedged.

At inception of the hedge, the derivative is designated either as a hedge of the fair value of recognised assets or liabilities or of a firm commitment (fair-value hedge) or as a hedge of future cash flow (cash flow hedge).

Derivative financial instruments that qualify for hedge accounting are recorded as follows:

### (i) Fair-value hedge

Changes in the fair value of derivatives that are designated and qualify as fair-value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

### (ii) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are transferred to the income statement in the periods during which the hedged cash flows affect the income statement.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised in the income statement when the commitment or hedged cash flows are ultimately recognised in the income statement. When hedged cash flows are no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

Even if they do result in an effective economic hedge, certain derivative instruments do not qualify for hedge accounting according to IAS 39. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the income statement.

### Investment property held for sale

An investment property is classified as held for sale when the asset is available for immediate sale in its present condition and its sale is highly probable.

Investment property held for sale is valued on the same basis as investment property.

### Trade receivables

Trade receivables are stated at their nominal value less appropriate allowance for irrecoverable amounts. The amount of the allowance is recognised in the income statement.

### Cash and cash equivalents

Cash includes cash in hand and cash with banks. Cash equivalents are short-term, highly liquid investments that are readily convertible into known amounts of cash, have maturity dates of three months or less and are subject to an insignificant risk of change in value.

These items are carried in the balance sheet at their nominal value or cost.

### Asset depreciation

The carrying amount of intangible and tangible assets other than investment property is reviewed at each balance sheet date to determine whether there is any indication of decrease in value, in which case a depreciation test is carried out. Such a test is carried out systematically every year on the cash flow generating units (CGUs) or groups of CGUs to which goodwill has been allocated in the context of a business combination. Insofar as it generates cash influxes independently of other assets, investment property is in principle a CGU.

A depreciation test consists of comparing the carrying amount of an asset or CGU (group of CGUs) with its recoverable amount (being the higher of (i) its fair value less costs to sell and (ii) its value in use. The value in use is the updated value of the estimated future cash flows from the use of an asset or CGU (group of CGUs).

If the carrying amount of an asset or CGU (group of CGUs) exceeds its recoverable amount, the excess is recognised as a decrease in value recorded directly in costs and charged as a priority as a reduction in the goodwill for the CGU (group of CGUs).

A decrease in value is reversed if the recoverable amount of the asset or CGU (group of CGUs) exceeds the carrying amount, with the exception of depreciations of goodwill which are never reversed.

### Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Dividends are recognised as a liability when they are declared by the shareholders' meeting.

### Interest-bearing borrowings

Borrowings are initially recognised for the amount of the proceeds received, net of transaction costs.

Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

### Trade and other payables

Trade and other payables are stated at their nominal value.

## Employee benefits

The Company has both defined-benefit and defined-contribution plans.

- > A defined-benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, seniority and compensation.

The amount presented in the balance sheet is based on actuarial calculations (using the projected credit units method) and represents the present value of the defined-benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and as reduced by the fair value of the plan assets. If this amount is positive, a provision will be recorded on the liability side of the balance sheet, representing at this time the complement of the amount the Company would have to pay to its employees at their retirement. Conversely, if this amount is negative, an asset will be recorded on the balance sheet only if the Company would benefit in the future from this overfunding of the plan.

Actuarial gains and losses are recognised if the net cumulative unrecognised actuarial gains and losses at the end of the previous reporting period exceeded the higher of (i) 10% of the present value of the defined benefit obligation at that date and (ii) 10% of the fair value of any plan assets at that date. The portion of actuarial gains and losses exceeding these limits is divided by the expected average remaining working lives of the employees participating in that plan. These calculations are performed for each defined-benefit plan of the Company.

- > A defined-contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to their entitlements in the current and prior periods.

Contributions are recognised as expenses as they fall due, and as such are included in personnel costs.

## Provisions

Provisions are recognised in the balance sheet when:

- > there is a present obligation (legal or constructive) as a result of a past event;
- > it is probable that an outflow of resources will be required to settle the obligation; and
- > a reliable estimate can be made on the amount of the obligation.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

## Revenue

Rental income from operating leases is recognised in income on a straight-line basis over the lease term.

Rental gratuities and other incentives granted to customers are recognised over the first firm period of the lease term, on a straight-line basis.

## Gain or loss on sales of investment property

The result on disposals of investment property represents the difference between sales proceeds net of transaction costs and the latest reported fair value of the property sold. The result is realised at the time of the transfer of risks and rewards.

## Income taxes

Taxes on the financial year's income include current and deferred tax. Taxes are recorded in the income statement except where they relate to items recorded directly in equity, in which case they too are recorded in equity.

Current tax is the expected tax payable on the taxable income of the year, and any adjustment to tax payable (or receivable) in respect of previous years. It is calculated using tax rates enacted at the balance sheet date.

Deferred taxes are calculated using the liability method on temporal differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred taxes are measured using the tax rates expected to apply when the asset is realised or the liability settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable earnings will be available against which the temporal differences can be utilised.

## C. Significant accounting judgments and main sources of uncertainty regarding estimates

### Significant judgments in the application of the Company's accounting policies

For buildings on a long-term let, the Company considered that hardly any of the risks and benefits inherent in the ownership of the assets have been transferred to the tenant and, therefore, that these contracts are simple lease agreements pursuant to IAS 17.

Regarding the properties acquired during the fiscal year, the Company concluded that it did not satisfy the criteria laid down by IFRS 3 – Business combinations and that the standard therefore did not apply.

### Main sources of uncertainty regarding estimates

#### Estimate of the fair value and, if appropriate, of the value in use of investment property

The fair value and, if appropriate, the value in use of investment property are estimated by independent experts in accordance with the principles set out in the accounting methods.

#### Disputes and uncertainties

Befimmo is involved, as defendant or plaintiff, in a number of proceedings which, on the whole, and in the Company's opinion, are unlikely to have a major impact on Befimmo, as the gains or losses which could arise are highly unlikely to occur or are of insignificant amounts.

## D. Segment information<sup>(1)</sup>

For the past few months Befimmo's property portfolio has consisted entirely of offices.

Indeed, during the 2007/2008 fiscal year, Befimmo disposed of its semi-industrial portfolio and the two Woluwe Garden B&D buildings, which were no longer consistent with its strategy. Befimmo thus confirms its strategy as a "pure player" investor, and reduces the share of the suburbs in its portfolio.

Following the acquisition of Fedimmo in December 2006, the Flanders and Wallonia segments were formed.

In terms of geographical distribution, most of Befimmo's real estate portfolio is located in Brussels (75.3%), the remaining 24.7% being property in Flanders (19.7%) and Wallonia (5.0%).

In the Brussels market (see map in the management report), a distinction can be made between a number of submarkets that have experienced different trends in recent years:

### CBD (Central Business District)

#### City centre

##### Market:

- > Space: 2.2 million m<sup>2</sup>.
- > Significant presence of Belgian public administrations, banks and lawyers.
- > Rental vacancy rate: sharply down at 3.4% (approx. 74,000 m<sup>2</sup>).
- > Speculative projects by end 2010: approx. 179,000 m<sup>2</sup>.
- > Take up 2008 (Q1-Q3): approx. 23,000 m<sup>2</sup>.

Ongoing or forthcoming developments are on the increase.

With the South area, the rental vacancy rate in the city centre is the lowest on the Brussels market (3.4%).

##### Befimmo:

17.7% of Befimmo's portfolio is located in the city centre, in 10 buildings with a total space of 130,233 m<sup>2</sup>.

Befimmo's vacancy rate is especially low (2.7%) but will rise before 30 September 2009 with the renovation of the Central Gate and Impératrice buildings, which will be partially or completely vacant while the work is going on.

#### Leopold district

##### Market:

- > Space: 3.4 million m<sup>2</sup>.
  - > Significant presence of European institutions and representation offices.
  - > Rental vacancy rate: 6.8% (approx. 231,000 m<sup>2</sup>), falling.
- There are many ongoing or forthcoming developments. Some 168,000 m<sup>2</sup> of speculative office space will be handed over by the end of 2010.
- > Take up in 2008 (Q1-Q3): approx. 61,000 m<sup>2</sup>.

Rents in the Leopold district, the most expensive area of Brussels, rose over the ten years up to 2005. Since then they have stabilised, however.

##### Befimmo:

More than 16% of Befimmo's portfolio is located in the Leopold district (9 buildings – 75,109 m<sup>2</sup>).

These buildings are particularly well located (Rond-point Schuman, rue Wiertz) or let long-term to the public sector (Joseph II, avenue des Arts) and they do not involve any major uncertainties.

#### North area

##### Market:

- > Space: 1.4 million m<sup>2</sup>.
  - > Significant presence of Belgian and regional public administrations.
  - > Rental vacancy rate: 5.6% (approx. 81,000 m<sup>2</sup>).
- There are many ongoing or forthcoming developments. A little over 94,000 m<sup>2</sup> of speculative office space will be handed over by the end of 2010.
- > Take up in 2008 (Q1-Q3): approx. 60,000 m<sup>2</sup>.

The vacancy rate in the North area has fallen sharply since 2007, notably after the letting of a tower of some 30,000 m<sup>2</sup> that had been vacant for some time.

However, there is a risk of the rate rising as a result of the large number of speculative projects due to be handed over in the coming years.

##### Befimmo:

More than 23% of Befimmo's portfolio is located in the North area, in 3 buildings with a total space of 184,852 m<sup>2</sup>.

In view of the residual terms of the relatively long leases (WTC Towers 2 and 3 and Noordbuilding), the portfolio is secure for the short and medium term.

(1) Source: market real estate data. CB Richard Ellis - September 2008

## Decentralised

### Market:

- > Space: 2.8 million m<sup>2</sup>.
  - > Most tenants in this area are private companies, and to a lesser extent the European Commission (back office).
  - > High rental vacancy rate: 12.7% (approx. 353,000 m<sup>2</sup>), steady since last year.
- Speculative projects by end 2010: 77,000 m<sup>2</sup>.
- > Take up in 2008 (Q1-Q3): approx. 76,000 m<sup>2</sup>.

### Befimmo:

8.1% of Befimmo's portfolio is located in the decentralised area, in 8 buildings with a total space of 61,410 m<sup>2</sup>.

These buildings are well located and have stable lets for the short and medium term.

Befimmo's vacancy rate in this segment (2.9%) is substantially lower than the market average (12.7%).

## Suburbs

### Market:

- > Space: 1.8 million m<sup>2</sup>.
- > This segment is home to private companies only, which are highly sensitive to the economic climate.
- > High rental vacancy rate: 18.3% (approx. 325,000 m<sup>2</sup>), steady since last year.

Developments of new projects are stable.

Some 100,000 m<sup>2</sup> of speculative office space will be handed over by the end of 2010.

- > Take up in 2008 (Q1-Q3): approx. 79,000 m<sup>2</sup>.

### Befimmo:

9.7% of Befimmo's portfolio is located in the suburbs, in 7 buildings with a total space of 106,469 m<sup>2</sup>, reduced by the disposal of the semi-industrial portfolio and the two Woluwe Garden buildings B&D.

Fierce competition is depressing rents and encouraging owners to grant tenants substantial advantages in terms of rental gratuities.

## Flanders and Wallonia

### Flanders

Nearly 20% of Befimmo's portfolio is located in Flanders, in 35 buildings with a total space of 197,973 m<sup>2</sup>.

In June 2008, Befimmo acquired two buildings let long-term in the city centres of Antwerp and Leuven.

Nearly all the buildings in Flanders – with the exception of the two new ones mentioned above – are located in city centres and are let long-term to public-sector administrations.

The occupancy rate is around 100%.

### Wallonia

5% of Befimmo's portfolio is located in Wallonia, in 20 buildings with a total space of 95,601 m<sup>2</sup>.

These buildings are generally located in city centres and are let long-term to public-sector administrations.

The occupancy rate is 100%.

(in thousands of €)	Brussels City Centre		Brussels Decentralised		Brussels Suburbs	
	2007/08	2006/07	2007/08	2006/07	2007/08	2006/07
<b>INCOME STATEMENT</b>						
A. Rental income	59 786	59 065	10 418	10 967	11 994	14 303
B. Operating income from buildings	55 744	55 534	9 891	10 293	10 501	11 861
C. Fair value adjustment for buildings	2 263	34 115	-3 421	6 260	-5 913	-1 021
D. Income from disposal of buildings	-	1 265	2 031	-	2 763	-
E. <b>SEGMENT RESULT (= B+C+D)</b>	<b>58 007</b>	<b>90 914</b>	<b>8 501</b>	<b>16 553</b>	<b>7 351</b>	<b>10 840</b>
Percentage by segment	55.5%	66.4%	8.1%	12.1%	7.0%	7.9%
F. Company overheads						
G. Other operating income and charges						
H. Financial result						
I. Income tax						
<b>NET RESULT (= E+F+G+H+I)</b>						
Group share						
Minority result						
<b>BALANCE SHEET</b>						
<b>Assets</b>						
Goodwill	7 391	7 391	-	-	-	-
Investment property	1 095 032	1 059 102	151 359	163 608	179 644	216 061
of which investments during the year	35 106	342 899	88	5	6 427	6 226
Other assets	7 219	7 161	-	-	-	4 599
<b>TOTAL ASSETS</b>	<b>1 109 642</b>	<b>1 073 654</b>	<b>151 359</b>	<b>163 608</b>	<b>179 644</b>	<b>220 661</b>
Percentage by segment	56.3%	56.6%	7.7%	8.6%	9.1%	11.6%
<b>Total liabilities</b>	<b>58 114</b>	<b>70 130</b>	-	-	-	<b>250</b>
Total shareholders' equity						
Group share						
Minority interests						
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>58 114</b>	<b>70 130</b>	-	-	-	<b>250</b>



Wallonia		Flanders		Unallocated amounts		Total	
2007/08	2006/07	2007/08	2006/07	2007/08	2006/07	2007/08	2006/07
9 937	7 496	17 372	13 072	-	-	109 507	104 902
9 325	6 859	16 599	12 427	-	-	102 060	96 975
-3 439	-2 040	4 194	1 388	-	-	-6 316	38 701
-	-	4 008	-	-	-	8 801	1 265
<b>5 886</b>	<b>4 819</b>	<b>24 801</b>	<b>13 815</b>	-	-	<b>104 546</b>	<b>136 941</b>
5.6%	3.5%	23.7%	10.1%	-	-	100.0%	100.0%
				-11 888	-8 564	-11 888	-8 564
				1 255	-312	1 255	-312
				-31 349	-35 732	-31 349	-35 732
				-646	-584	-646	-584
						<b>61 918</b>	<b>91 750</b>
						58 170	89 079
						3 748	2 671
2 673	2 673	5 913	6 108	-	-	15 977	16 172
93 107	93 029	367 358	281 099	-	-	1 886 500	1 812 899
3 517	79 031	99 659	267 680	-	-	144 798	695 841
2 609	2 756	-	-	59 445	53 183	69 273	67 699
<b>98 389</b>	<b>98 457</b>	<b>373 271</b>	<b>287 207</b>	<b>59 445</b>	<b>53 183</b>	<b>1 971 751</b>	<b>1 896 770</b>
5.0%	5.2%	18.9%	15.1%	3.0%	2.8%	100.0%	100.0%
-	-	-	-	<b>885 130</b>	<b>829 599</b>	<b>943 244</b>	<b>899 978</b>
				1 028 507	996 792	1 028 507	996 792
				966 809	931 905	966 809	931 905
				61 698	64 887	61 698	64 887
				<b>1 913 637</b>	<b>1 826 390</b>	<b>1 971 751</b>	<b>1 896 770</b>

## E. Simple lease agreements (Befimmo as lessor)

This table gives details of future rents that Befimmo is certain to receive under ongoing lease agreements. These are unindexed rents that will be received before the next termination option provided for in the lease agreements.

(in thousands of €)	30.09.08	30.09.07
<b>RENTAL INCOME</b>		
At less than one year	113 324	107 442
One to five years	384 859	366 713
At more than five years	667 182	643 922
<b>Total</b>	<b>1 165 365</b>	<b>1 118 077</b>

Contingent rental amounts paid by Befimmo consist of the annual indexing of rents and are €2.69 and €1.58 million for the 2007/2008 and 2006/2007 fiscal years respectively.

### The Befimmo standard lease

The great majority of Befimmo SCA's properties (not including Fedimmo's buildings) are let under a standard lease, generally lasting nine years allowing, as the case may be, for early termination at the end of the third and sixth year, subject to six months' notice before the end of the term.

The leases may not be terminated at any other time and may not be tacitly renewed.

Rent is generally payable quarterly or six-monthly in advance. Rents are indexed annually at the anniversary of the contract.

Common and individual charges and insurance premiums are payable by tenants who, in order to cover their amount, pay a quarterly (or half-yearly) provision at the same time as the rent. A detailed account of charges actually incurred is drawn up every year.

All property and other taxes are also passed on to tenants.

As a guarantee of performance of their obligations under the lease, most tenants (except for the Belgian Government) provide an irrevocable rental guarantee that can be called in on demand.

When tenants enter the premises, a detailed inventory of fixtures is drawn up by a surveyor. At the end of the lease, the tenants have to surrender the premises in the state described in the inventory, with allowance for normal wear and tear. The surveyor draws up a closing inventory. Tenants have to pay compensation covering the amount of any damage to or unavailability of the premises during repair work.

Tenants may not transfer the lease or sublet the premises without the explicit prior agreement of the lessor. Where

Befimmo agrees to the transfer of a lease, the transferor and the transferee remain jointly and severally liable to Befimmo.

Each lease is registered.

### The Fedimmo standard lease

Fedimmo's buildings are let to the Belgian Government under a standard lease.

Leases may not be terminated before term and are generally long-term. Unless notice is given before the expiry of the term, they are tacitly renewed for a period that varies according to the lease.

The half-yearly rent is payable during the half-year and is indexed annually.

Rental charges are charged to the tenant under the special conditions and all taxes are payable by the tenant.

Inventories are drawn up on entry and departure by two experts, one designated by the lessor and the other by the tenant, with a view to determining the amount of any compensation for damage payable by the tenant to the lessor.

The Belgian Government, as tenant, is not required to provide a rental guarantee. If the lease is transferred to anyone other than a Government department, a rental guarantee must be provided.

The premises may be sublet by the tenant only with the lessor's consent, unless to a Government department. If the lease is sublet or transferred, the tenant and subtenant or transferee remain jointly and severally bound by all the obligations under the lease agreement.

The tenant is responsible for guarding and protecting the premises.

The standard lease requires the lessor (Fedimmo) to carry out renovation work (listed in an appendix specific to each lease) within three years and, on completion of this work, to increase the rent (also as specified in the appendix) payable by the tenant (the Belgian Government). The rent increase for each item of the work is calculated proportionally and applied after each item is completed.

On this basis Fedimmo has undertaken to carry out work in the buildings it lets to the Belgian Government costing some €50 million spread over three years (2007-2009 renovation programme).

The leases are registered.

## F. Simple lease agreements (Befimmo as lessee)

This table gives details of future payments that Befimmo is certain to make under ongoing lease agreements signed by Befimmo as lessee (rent of buildings, vehicles, etc.).

The rental amounts given below are certain and so do not take account of future indexing.

(in thousands of €)	30.09.08	30.09.07
<b>RENTAL PAID</b>		
At less than one year	348	325
One to five years	1 174	1 151
At more than five years	12 006	11 654
<b>Total</b>	<b>13 528</b>	<b>13 130</b>

Contingent rents paid by Befimmo, consisting mainly of the annual indexing of rents, are estimated at €8,000 for 2007/2008 and €6,000 for 2006/2007.

## G. Company overheads

(in thousands of €)	30.09.08	30.09.07
Staff costs	4 031	3 147
Operating costs	1 632	1 227
Fees	3 358	1 847
Costs linked to Sicafi status	1 613	1 239
Other costs	1 254	1 104
<b>Total overheads</b>	<b>11 888</b>	<b>8 564</b>

The Sicafi's corporate management costs cover all costs not directly chargeable to the management, upkeep and maintenance of the properties. They include the costs of the Company staff (salaries, social contributions, etc.), operating costs (office rents, office supplies, etc.), and fees paid to various external consultants (legal, human resources, etc.), notably in the context of special projects.

Costs linked to Sicafi status cover all costs involved in listing on a public stock market (Euronext, cost of paying coupons, etc.) and the status of Sicafi (quarterly portfolio valuation, depositary bank charges, etc.), while other costs relate mainly to the remuneration of Befimmo SA, the Managing Agent.

(in thousands of €)	30.09.08	30.09.07
<b>AMOUNTS PAID TO THE MANAGING AGENT BEFIMMO SA</b>		
Refund of costs directly linked to its mission (including remuneration of directors)	957	611
Remuneration directly proportional to Befimmo SCA's result	1 254	1 104
<b>Total</b>	<b>2 212</b>	<b>1 715</b>

	30.09.08	30.09.07
<b>COMPANY STAFF</b>		
Number of persons under a contract of employment	31	28

## H. Financial result

(in thousands of €)	30.09.08	30.09.07
<b>XIX. (+) Financial revenues</b>	<b>19 545</b>	<b>6 650</b>
(+) Interests and dividends received	5 606	1 069
(+) Proceeds of financial hedging instruments	3 026	2 262
(+) Leasing charges	326	332
(+) Revaluation earnings on financial assets (certificates)	10 586	2 987
(+) Others	1	-
<b>XX. (-) Interest charges</b>	<b>-40 239</b>	<b>-34 823</b>
(-) Nominal interest on loans	-36 707	-31 983
(-) Reconstitution of the face value of financial debts	-372	-165
(-) Other interest charges	-3 160	-2 675
<b>XXI. (-) Other financial charges</b>	<b>-10 655</b>	<b>-7 559</b>
(-) Bank charges and other commissions	-1 168	-1 379
(-) Costs resulting from financial hedging instruments <sup>(1)</sup>	-	-5 070
(-) Revaluation deficits on financial assets	-8 080	-1 110
(-) Net losses on sale of financial assets	-1 407	-
<b>(+/-) Financial result</b>	<b>-31 349</b>	<b>-35 732</b>

IFRS standard 7.20 requires the financial result to be presented with a breakdown into several categories.

The tables below give that information for the 2006/2007 and 2007/2008 accounting years (see point M):

Close as of 30.09.2008	TOTAL	Financial assets or liabilities at fair value through profit or loss	Loans and receivables	Financial liabilities valued at amortised cost	Cash flow hedging instruments
Net profit or loss	8 126	5 100	-	-	3 026
Total interest proceeds and charges for financial assets and liabilities not booked at fair value	-38 290	-	1 790	-40 080	-
Proceeds and charges for commissions <sup>(1)</sup>	-1 168	-	-	-1 168	-
Others	-17	-	-	-	-
<b>Total result on financial assets / liabilities</b>	<b>-31 349</b>	<b>5 100</b>	<b>1 790</b>	<b>-41 248</b>	<b>3 026</b>

(1) This amount includes the costs of not using credit lines, amounting to €770,267.

<b>Close as of 30.09.2007</b>	<b>TOTAL</b>	<b>Financial assets or liabilities at fair value through profit or loss</b>	<b>Loans and receivables</b>	<b>Financial liabilities valued at amortised cost</b>	<b>Cash flow hedging instruments</b>
Net profit or loss	-565	2 238	-	-	-2 803
Total interest proceeds and charges for financial assets and liabilities not booked at fair value	-33 776	-	995	-34 771	-
Proceeds and charges for commissions <sup>(2)</sup>	-1 379	-	-	-1 379	-
Others	-12	-	-	-	-
<b>Total result on financial assets / liabilities</b>	<b>-35 732</b>	<b>2 238</b>	<b>995</b>	<b>-36 150</b>	<b>-2 803</b>

## I. Income taxes

The income tax burden is broken down as follows:

(in thousands of €)	30.09.08	30.09.07
<b>Current tax burden</b>	<b>646</b>	<b>584</b>
Current taxes for fiscal year	599	627
Adjustment of current taxes from previous periods	46	-43
Deferred tax burden	-	-
<b>Total income tax burden</b>	<b>646</b>	<b>584</b>

Befimmo is a partnership limited by shares with the status of Sicafi. This status grants exemption from corporation tax on its earnings.

The Company is nevertheless liable for corporation tax at the rate of 33.99% for non-deductible expenses. Tax payable on such expenses as at 30 September 2008 was €599,312.

Moreover, Fedimmo is a public company and as such is liable to corporation tax. Yet, after deducting notional interest calculated on Fedimmo's shareholders' equity, its tax base for the 2007/2008 fiscal year is zero and the sum of €9.9 million of notional interest is carried forward to future years. Taking account of the reserves of notional interest constituted previously, the total reserve to be carried forward to future years at 30 September 2008 amounts to €14.8 million.

Even though no income tax is recorded for Fedimmo, there would be every reason to book a deferred tax debit, equivalent to 33.99% of the notional interest carried over, to reflect the tax reserve deductible from future profits. However, since the financial forecasts for Fedimmo show that its tax base should be zero every fiscal year, since the notional interest is deductible, the Company should never realise this deferred tax asset and so it has not been recorded.

Likewise, since Fedimmo is not subject to IFRS standards for the preparation of its statutory accounts, Belgian accounting standards require its property portfolio to be valued using the amortised cost method.

This valuation method therefore creates a discrepancy between the tax base of the buildings (established according to Belgian standards) and their carrying value in a consolidation which, in accordance with IFRS standards, corresponds to the fair value. As of 30 September 2008, the tax base of the portfolio was €671.8 million, lower than its IFRS carrying amount of €693.9 million. This temporal difference of €22.1 million could give rise to the recording of a deferred tax asset at the rate of 33.99%. However, since this liability amount is offset by the deferred tax asset described above (linked to the notional interest carried forward), it should not be recorded in the consolidated accounts as of 30 September 2008.

<sup>(2)</sup> This amount includes the costs of not using credit lines, amounting to €434,537 and costs of arranging credit facilities of €340,323.

## J. Result per share

The result per share is calculated by dividing the net result by the weighted average of the number of shares outstanding during the relevant period.

Since Befimmo has no diluting instruments, the basic and diluted result are identical.

<b>RESULT FOR THE FISCAL YEAR</b>		
(in thousands of €)	30.09.08	30.09.07
<b>NUMERATOR</b>		
Net result for the fiscal year	61 918	91 750
Minority interests	3 748	2 671
Group share	58 170	89 079
<b>DENOMINATOR</b>		
Shares outstanding at the end of the period (in units)	13 058 969	13 058 969
Weighted average of shares outstanding during the period (in units)	13 058 969	10 822 844
<b>Result per share (basic and diluted) (in €)</b>	<b>4.45</b>	<b>8.23</b>
<b>Dividend for the fiscal year</b>		
Interim dividend (gross)	-	30 074
Gross attributable dividend	59 457	18 743
<b>Total gross dividend for the fiscal year</b>	<b>59 457</b>	<b>48 817</b>
Gross dividend per share (in €)	4.55	4.51
<b>Net result excluding result on portfolio - group share</b>		
Net result excluding realised and unrealised capital gains on investment property (in thousands of €)	56 376	49 113
Net result per share excluding realised and unrealised capital gains on investment property (in €)	4.32	4.54

## K. Goodwill

Befimmo's acquisition of Fedimmo generated goodwill from the positive difference between the acquisition cost (including transaction costs) and Befimmo's share of the fair value of the net assets acquired. This goodwill, recorded on the assets side of the consolidated financial statements, represents the future financial advantages associated with the synergies, optimisations and development prospects of a geographically widespread portfolio.

The following table illustrates the change in value of the goodwill over the period:

(in thousands of €)	30.09.08	30.09.07
<b>COST</b>		
<b>Opening balance</b>	<b>16 172</b>	-
Additional amounts linked to business combinations carried out during the period	-	16 676
Reductions linked to assets sold during the period	-195	-504
<b>Closing balance</b>	<b>15 977</b>	<b>16 172</b>
<b>DECREASE IN VALUE</b>		
<b>Opening balance</b>	-	-
Decreases in value posted during the period	-	-
<b>Closing balance</b>	-	-
<b>CARRYING AMOUNT</b>		
<b>Opening balance</b>	<b>16 172</b>	-
<b>Closing balance</b>	<b>15 977</b>	<b>16 172</b>

The goodwill has been allocated to the cash generating units that will benefit from the synergies of the acquisition, which corresponds in the case of the Fedimmo portfolio to the buildings grouped by geographical segment according to their location. This breakdown of goodwill by geographical segment is illustrated in the table below.

Regarding movements during the year, a reduction in goodwill was recorded when the properties at Tabakvest in Antwerp and Langerei in Bruges were sold in June 2008.

As these buildings left the Company's portfolio, the goodwill associated with them was reversed and incorporated into the calculation of the result of the sales.

### Depreciation test

At the end of each accounting period, the goodwill is subject to an impairment test (conducted on the groups of buildings to which it was allocated on the basis of geographical segment), comparing the carrying amount of the groups of buildings (including the goodwill allocated at 100%) with their value in use. The value in use of the groups of buildings is assessed by the real estate appraiser on the basis of a calculation for updating the cash flows generated by these buildings, based on assumptions in accordance with standard IAS 36. This value in use is equivalent to the investment value of the buildings.

The result of this test carried out at 30 September 2008 (illustrated in the table below) shows that no impairment need be recorded as the value in use by segment is higher than the carrying amount.

### GEOGRAPHICAL SEGMENTS

(in thousands of €)	Goodwill	Carrying amount (including 100% goodwill)	Value in use	Depreciation
Brussels city centre	597	29 010	29 060	-
Brussels Leopold district	2 108	101 535	101 688	-
Brussels North area	4 685	216 903	217 025	-
Walloon Region	2 673	82 258	82 482	-
Flemish Region	5 914	281 892	282 386	-
<b>Total portfolio</b>	<b>15 977</b>	<b>711 598</b>	<b>712 641</b>	-

## Sensitivity test

The method for calculating the fair value of investment property by independent experts relies on making several specific assumptions, mainly the discount rate for the cash flows generated by the buildings and the residual value of each building.

The sensitivity was tested of the value of the goodwill to variations in the discount rate for the cash flows generated by the groups of buildings to which the goodwill was allocated. It appears that this rate has to be increased by 6.5% before the value of the goodwill recorded begins to be depreciated. A further 1% increase in the rate above that level would lead to a depreciation of the value of the goodwill of €20,650.

## L. Investment properties and assets held for sale

(in thousands of €)	
<b>Carrying value as at 30.09.2006</b>	<b>1 078 357</b>
Acquisitions	703 786
Other investments	14 475
Disposals	-22 421
Changes in fair value	38 701
<b>Carrying value as at 30.09.2007</b>	<b>1 812 899</b>
Acquisitions	100 355
Other investments	44 441
Disposals	-64 879
Changes in fair value	-6 316
<b>Carrying value as at 30.09.2008</b>	<b>1 886 500</b>
of which: - Investment properties	1 877 636
- Assets held for sale	8 864

The disposals made during the fiscal year relate mainly to the sale of the semi-industrial portfolio and the two Woluwe Garden office buildings; in that context Befimmo gave guarantees covering principally an income guarantee requiring the booking of a provision of €4.7 million, as required by IAS 37.

The carrying amount at 30 September 2008 includes a portfolio of property worth €8.9 million for which undertakings have been signed and which should therefore, subject to certain conditions being satisfied, leave the Befimmo portfolio during the 2008/2009 and 2009/2010 fiscal years. These buildings were recorded in the Company's current assets at 30 September 2008 under the heading property held for sale.

## Commitments

### Commitments to tenants

Befimmo has undertaken to carry out the following work:

- > For the Buildings Agency, work costing around €38.08 million in 2007 and 2008, €16.8 million of which will be borne by the Buildings Agency;
- > Also for the Buildings Agency, work costing around €27.88 million in the Extension Justice building between October 2007 and early 2009, €5.3 million of which will be borne by the Buildings Agency;

Fedimmo, for its part, has given the Belgian Government an undertaking to carry out works (2007 to 2009) on the whole of its portfolio at a cost of €50.1 million.

At 30 September 2008, the sum of €9.5 million had already been realised. More specifically:

- > Fedimmo has given an undertaking to the Buildings Agency to carry out work in Tower 3 of the World Trade Center at a cost of some €22.2 million, plus possible specific fitting-out at the expense of the Buildings Agency;

Furthermore, Befimmo has given undertakings to certain tenants to carry out renovation work and fitting-out in several buildings in its portfolio, costing an estimated total of €0.25 million.

### Ongoing contractual commitments signed with approved building contractors

#### Commitments contracted by Befimmo with approved building contractors:

- > World Trade Center Tower 2:  
contract for €31.99 million including VAT;
- > Central Gate:  
contract for €1.28 million including VAT;
- > Extension Justice:  
contract for €16.55 million including VAT;
- > Ikaros Business Park:  
contract for €0.02 million including VAT;
- > Medialaan:  
contract for €0.50 million including VAT.



### Commitments contracted by Fedimmo with approved building contractors:

- > Liège – Rue Paradis:  
3 contracts totalling €0.65 million including VAT;
- > Pacheco:  
contract for €0.21 million including VAT;
- > Halle:  
contract for €0.22 million including VAT;
- > Kortrijk:  
contract for €0.18 million including VAT;
- > Ninove:  
contract for €0.15 million including VAT;
- > Oudenaarde:  
contract for €1.58 million including VAT;
- > Tervuren:  
contract for €0.18 million including VAT;
- > Tienen:  
3 contracts totalling €0.78 million including VAT.

### Undertakings to purchase property

During 2006/2007 Befimmo gave an undertaking to CIP to acquire the shares of Axento SA, the owner of a building under construction on the Plateau du Kirchberg in Luxembourg.

The purchase is due to take place upon provisional acceptance of the building, in the first quarter of 2009. We would recall that the investment value of this building on completion of the works is €96.5 million.

### Restrictions on assignment

None of the buildings in Befimmo's portfolio is mortgaged or subject to any other restriction on realisation or assignment, subject only to the standard provisions contained in several syndicated loan agreements of 30 March 2006 and 27 June 2008 (property intended for letting may not be sold to or bought by a company in the group) and which have no impact on their value.

Similarly, none of Befimmo's real estate property is subject to any restriction on the recovery of revenue, with the sole reservation that in the context of two financial operations that were arranged on favourable terms, the Poelaert building and four buildings in the Fedimmo portfolio (Avenue des Arts, Rue du Gouvernement Provisoire, Rue Lambermont and Majoor Vandammestraat) were financed by the assignment of the credit for future rents to a financial institution, and may not be assigned without the prior consent of the assignee of the rents or before first paying of the financial liability.

## M. Financial assets and liabilities

### Presentation

Close as of 30.09.2008	TOTAL	Assets or liabilities at fair value through profit or loss	Loans and receivables	Financial liabili- ties valued at amortised cost	Cash flow hedging instruments
<b>ASSETS</b>					
<b>Non-current financial assets</b>					
F. Non-current financial assets	23 827	8 349	15 477	-	-
G. Finance leases receivables	9 772	-	9 772	-	-
<b>Current financial assets</b>					
B. Current financial assets	1 870	230	1 640	-	-
C. Finance leases receivables	56	-	56	-	-
D. Trade receivables	22 765	-	22 765	-	-
E. Other current assets	2 986	-	2 986	-	-
F. Cash and cash equivalents	4 556	-	4 556	-	-
<b>Total financial assets</b>	<b>65 831</b>	<b>8 579</b>	<b>57 252</b>		
<b>LIABILITIES</b>					
<b>Non-current financial liabilities</b>					
B. Non-current financial debts	857 016	-	-	857 016	-
D. Trade and other payables	5 418	-	-	5 418	-
<b>Current financial liabilities</b>					
B. Current financial debts	15 379	-	-	15 379	-
D. Trade and other payables	37 181	-	-	37 181	-
<b>Total financial liabilities</b>	<b>914 994</b>			<b>914 994</b>	

  

Close as of 30.09.2007	TOTAL	Assets or liabilities at fair value through profit or loss	Loans and receivables	Financial liabili- ties valued at amortised cost	Cash flow hedging instruments
<b>ASSETS</b>					
<b>Non-current financial assets</b>					
F. Non-current financial assets	25 626	3 509	15 528	-	6 590
G. Finance leases receivables	9 864	-	9 864	-	-
<b>Current financial assets</b>					
B. Current financial assets	5 343	-	5 343	-	-
C. Finance leases receivables	53	-	53	-	-
D. Trade receivables	15 210	-	15 210	-	-
E. Other current assets	69	-	69	-	-
F. Cash and cash equivalents	5 288	-	5 288	-	-
<b>Total financial assets</b>	<b>61 453</b>	<b>3 509</b>	<b>51 354</b>		<b>6 590</b>
<b>LIABILITIES</b>					
<b>Non-current financial liabilities</b>					
B. Non-current financial debts	148 637	-	-	148 637	-
D. Trade and other payables	5 201	-	-	5 201	-
<b>Current financial liabilities</b>					
B. Current financial debts	662 692	-	-	662 692	-
D. Trade and other payables	65 232	-	-	65 232	-
<b>Total financial liabilities</b>	<b>881 761</b>			<b>881 761</b>	

The main items of the financial assets and liabilities are described hereafter:

### 1. Non-current financial assets

The heading "Assets at fair value through profit or loss" includes derivatives that are not recognised as hedging instruments, as defined in standard IAS 39, i.e. the IRS callables and Twin Cap options held by the Company. Note that Twin Cap options were previously booked under the "Hedging instruments" heading. However, during the fiscal year, these instruments no longer satisfied the criteria of IAS 39 and were therefore reclassified under this heading as assets at fair value through profit or loss. At 30 September 2008, Befimmo had no financial instruments regarded as hedging instruments under IFRS.

This heading also includes the amount of the Company's down-payment for the Axento project, with a view to the future acquisition of the Company when the building is completed.

### 2. Finance lease receivables

This heading relates to finance lease agreements (as per IAS 17) covering the following assets: a building located in Wandre, and Towers 3 and 4 of the WTC (emphyteutic lease contract on the land).

### 3. Current financial assets

The heading Assets at fair value via profit or loss includes the 5% CAP options and the 4.57/4.75% CAPs with knock-out at 5% which are not recognised as hedging instruments under IFRS and which mature in less than 12 months. The heading "Loans and receivables" includes various amounts to be recovered from counterparties of the Company. The instalments paid for the purchase of buildings in Ikaros park that were booked under that heading in 2006/2007 have been reclassified under investment properties to reflect their entry into the Befimmo portfolio during the period.

### 4. Current and non-current financial debts

(in thousands of €)	30.09.08	30.09.07
<b>NON-CURRENT FINANCIAL DEBTS</b>		
Credit institutions	597 651	82 934
Finance lease	51 705	64 199
Other: Borrowings	206 236	-
Other: Rental guarantees received	1 425	1 504
<b>Total</b>	<b>857 016</b>	<b>148 637</b>
(in thousands of €)	30.09.08	30.09.07
<b>CURRENT FINANCIAL DEBTS</b>		
Credit institutions	8 970	656 761
Finance lease	6 409	5 931
<b>Total</b>	<b>15 379</b>	<b>662 692</b>

The heading of financial debts to credit institutions covers all the bank financing held by the Company. The large increase in non-current debt owed to credit institutions is mainly a result of the long-term refinancing of the bridging loan that Befimmo arranged in December 2006 for the acquisition of Fedimmo. The heading "other non-current borrowings" covers the outstanding commercial paper issued by the Company at the date of close. Note that, at the close of the previous fiscal year, €239.3 million worth of commercial paper had been booked under current financial debts. Although these were short-term issues, the whole programme has a backup facility for a residual term of more than 12 months (via the unused portion of the bilateral facilities and syndicated loans arranged), which gives the Company the capacity to refinance the issues for the medium and long term. The Company therefore opted to book these debts as non-current financial debts over the 2007/2008 fiscal year.

The subheading "Finance lease" includes the debt associated with the emphyteutic lease contract on the WTC Tower 3, where Fedimmo is the emphyteutic tenant. This debt is divided into current and non-current debts according to its due date.

Future payments associated with this finance lease debt are as follows:

(in thousands of €)	Nominal rents	Updated rents
At less than one year	7 615	6 409
One to five years	53 684	51 705
At more than five years	-	-
<b>Total</b>	<b>61 299</b>	<b>58 114</b>

These future payments include the amount of rent to be paid up to the end of the emphyteutic lease contract and the sum payable by Fedimmo to acquire the freehold of the Tower.

WTC Tower 3 is also subject to a lease with an initial duration of 21 years to the Federal public services. The basic rent (i.e. unindexed) receivable under the agreement is as follows:

(in thousands of €)	Nominal rents
At less than one year	8 988
One to five years	35 952
At more than five years	128 080
<b>Total</b>	<b>173 020</b>

The subheading "Others" of non-current financial debts covers the amount of rental guarantees received in cash from tenants in the Company's property portfolio. Their carrying amount is equivalent to their fair value.

## 5. Trade and other current payables

(in thousands of €)	30.09.08	30.09.07
b. Trade payables	34 103	31 228
- Suppliers	20 260	17 867
- Tenants	13 843	13 361
c. Other	12 864	39 822
- Tax, salaries and social charges	10 099	6 075
- Others	2 765	33 747
<b>Total</b>	<b>46 967</b>	<b>71 050</b>

The heading "Trade payables – suppliers" records the amounts owing to various suppliers for goods and services contracted by the Company. Payables to tenants relates to amounts received as deposits for provisions for common charges paid in advance by tenants, and payments of rent for later periods.

Under the heading "Others", the first subheading mainly represents debts relating to taxes and tax withholdings owed by the Company, while the second subheading covers the Company's other short-term debts. In 2006/2007, the interim dividend distributed to shareholders in June 2007 was booked under this latter heading. Since no interim dividend was dis-

tributed in 2007/2008, the balance under this heading is significantly less than for the previous year.

## Recording

The value of the assets and liabilities recorded in Befimmo's IFRS accounts is equivalent to their fair value, since the main assets items (investment properties, real estate certificates, etc.) are booked at their market value or closing share price, and the financial debts are mostly at floating rates while trade payables are short-term; these liabilities hence have a nominal value almost equivalent to their market value.

However, as of 30 September 2008 Befimmo also has fixed-rate financial debts worth some €33.6 million, initially arranged for periods of 5 to 18 years; while during the period Fedimmo agreed to assign future rents, structured at a fixed rate, totalling €59.8 million. The fixed rates set for these long-term borrowings generally no longer correspond to the current market rates, giving rise to a difference between the carrying amount of the liabilities on the face of the balance sheet and their fair value. The table below compares the nominal amount of the fixed-rate borrowings with their fair value at the end of the 2006/2007 and 2007/2008 fiscal years. The fair value of fixed-rate long-term debt is estimated by updating their future cash flows using a rate that takes account of the Company's credit risk.

This fair value is given in the table below as an indication, the nominal value being used for accounting purposes.

	30.09.08		30.09.07	
	Nominal value	Fair value	Nominal value	Fair value
(in thousands of €)				
<b>Fixed rate financial debts</b>	<b>93 377</b>	<b>94 110</b>	<b>40 704</b>	<b>41 254</b>

## Quantitative description of main risks

### A. Credit risk

The following tables illustrate the Company's maximum exposure to the credit risk at the closing date:

	TOTAL	Bank	Corporate	Government	Other
Financial assets as of 30.09.2008	65 831	29 405	19 455	16 170	801
Financial assets as of 30.09.2007	61 453	29 537	24 931	4 901	2 084

To limit the counterparty risk, in the context of its property rental business and also for investment or disinvestment transactions, Befimmo has received the following guarantees:

Guarantees received at the close of the fiscal year		30.09.2008	30.09.2007
Rental guarantees for leases	Blocked accounts	14 032	14 424
Rental guarantees for leases	Guarantees received in cash	1 425	1 504
Guarantees for investment work	Blocked accounts	4 565	2 050
Guarantees for investment instalments	Blocked account	14 303	14 303
Instalment on disinvestment (buildings with short leases)	Blocked account	430	-
Instalment on disinvestment (buildings with short leases)	Guarantees received in cash	675	-
Guarantee on disinvestment (buildings with short leases)	Bank guarantee	12 825	-
<b>Total</b>		<b>48 255</b>	<b>32 280</b>

Befimmo regularly monitors the recovery of its debts. The details of due dates at the closing date for trade debts are as follows:

Balance of trade debts by age (in thousands of €)	> 3 months	1 to 3 months	< 1 months	Un-expired	Total
As of 30.09.2008	1 617	-65	-18	21 230	22 765
As of 30.09.2007	1 516	638	279	12 777	15 210

For certain tenants in arrears, a debt repayment plan has been arranged; the amount of debt repayable under such a plan was €412,005 at 30 September 2008, compared with €1,004,283 at 30 September 2007.

Furthermore, write-downs of €123,000 were recorded during the 2007/2008 fiscal year (as against €111,000 in 2006/2007); while €30,000 of write-downs were written back in 2007/2008 (as against €87,000 in 2006/2007).

## B. Finance-related risks

Befimmo has based its financing strategy on arranging loans at floating rates (based on Euribor rates), protected from rises by the acquisition of hedging instruments such as cap options (ceilings on interest rates).

Since floating rates have been rising significantly for over a year, Befimmo, without making fundamental changes to its floating-rate financing strategy, has worked to reinforce its hedging structure by acquiring additional cap options (in the form of twin cap options as described below) and by fixing the rate on part of its borrowings by arranging callable swap contracts.

At 30 September 2008, Befimmo's financing structure was mainly composed of:

- > A commercial paper programme increased from €300 million to a total amount of €400 million during the period, €206.2 million of which was in use at 30 September 2008. This relatively low rate of use was linked to the difficult market in terms of liquidity. An average total of €261.3 million of the commercial paper programme increased was in use over the 2007/2008 fiscal year;
- > Bilateral credit lines totalling €350 million, €300 million having a residual term of more than one year, €165.5 million of which was in use at 30 September 2008;
- > A syndicated loan totalling €350 million over six years arranged in March 2006 (extended by an additional year for €220 million), rewarded at Euribor short-term rates plus a margin depending on the Company's credit rating, €350 million of which is in use;

> A syndicated loan totalling €300 million arranged in June 2008 for five years, rewarded on the basis of Euribor rates (plus a margin depending on the Company's credit rating). This facility was not in use at 30 September 2008, the €300 million available currently serving as a backup facility (rewarded by a non-use commission) for the commercial paper programme, to prevent any market risk in terms of liquidity;

> Some loans at fixed rates (mainly the assignment of the credit for future rent on the building in Place Poelaert) worth some €33 million at the date of close, are being repaid in line with a clearly defined timetable over the coming years.

> Fedimmo, a 90% subsidiary of Befimmo, has also agreed to assign the credit of future rents on four buildings in its portfolio, worth a total of €59.8 million, which is being repaid in line with a clearly defined timetable over a total of some 19 years.

(in thousands of €)	30.09.08	30.09.07
<b>BORROWINGS</b>		
<b>Non-current</b>		
Variable-rate borrowings	721 736	50 000
Fixed-rate borrowings	84 407	33 512
<b>Total</b>	<b>806 143</b>	<b>83 512</b>
<b>Current</b>		
Variable-rate borrowings	-	649 396
Fixed-rate borrowings	8 970	7 192
<b>Total</b>	<b>8 970</b>	<b>656 588</b>
<b>TOTAL BORROWINGS</b>	<b>815 113</b>	<b>740 100</b>

The table above illustrates that most of the Company's financial borrowings at 30 September 2008 consist of non-current financial debts, in contrast to the debt structure at the end of the 2006/2007 fiscal year. This lengthening of the residual term of the debt is due mainly to the refinancing of the bridging loan that the Company arranged when acquiring Fedimmo in the form of a syndicated loan for €300 million over five years and two bilateral lines of €100 million each over three years.

Furthermore, the financial debt linked to the Company's issue of commercial paper was reclassified during the year from short term to long term, in order better to reflect the economic reality of this type of finance, while abiding by IFRS presentation rules.

This financing strategy has resulted in an average financing cost of around 4.78% (margin and current hedging costs included), for an average term of some 3.72 years. Since its financing structure is mainly at floating rates, the Company nevertheless remains relatively exposed to market interest-rate fluctuations.

Befimmo has therefore put in place an interest-rate hedging strategy designed to limit the risk of an increase in short-term interest rates on its financial charges. The Board of Directors has accordingly adopted a policy of hedging some 50-75% of the company's total borrowings, over a 3-5 year time frame, mainly by using financial instruments with option features. As a result of applying this policy, the Company has arranged the following financial instruments with financial institutions:

- > 5% cap options, covering the period 30 June 2006 to 31 December 2008, for a notional €368 million, €200 million of which is based on Euribor 3 months and €168 million on Euribor 1 month;
- > A 4.75% cap, based on Euribor 3 months, for a notional €200 million and a 4.57% cap, based on Euribor 1 month, for a notional €168 million; these cap options nevertheless have a 5% knock-out barrier. These cap options, acquired in August 2007, were arranged to improve the hedging level over the period from September 2007 to end December 2008;
- > 3.5%-5% twin cap options, acquired in October 2006 and March 2007, covering the period from 1 January 2009 to 31 December 2011, for a notional total of €400 million. These instruments, the notional values of which are based half on Euribor 1 month and 3 months, enable the Company to cap the interest rate at 3.5% when the underlying index is below 5%, and at 5% when the underlying index exceeds 5%;
- > IRS callable at 3.73%, acquired in March 2007 for five years and for a notional €200 million. This instrument offers a fixed interest rate (half at Euribor 3 months and Euribor 1 month) of 3.73% for some 25% of Befimmo's total debt over five years. When acquiring this instrument, Befimmo nevertheless sold the bank an option to cancel the swap at a given date, namely in March 2009, at its own initiative. The sale of this option secured Befimmo a lower guaranteed fixed rate for the period up to March 2009.
- > IRS callable at 3.90%, acquired in November 2007 for ten years and for a notional €100 million. This instrument offers

a fixed interest rate (Euribor 3 months) of 3.90% for some 12.5% of Befimmo's total debt over ten years. When acquiring this instrument, Befimmo nevertheless sold the bank an option to cancel the swap at a given date, namely 31 December 2010, at its own initiative. The sale of this option secured Befimmo a lower guaranteed fixed rate for the period up to end December 2010.

Furthermore, to limit its risk of rates over specific periods (year end,...), during the period Befimmo acquired forward rate agreements (FRAs), fixing borrowing rates in advance over limited periods. At 30 September 2008, no such agreements were yet in force.

The accounting treatment of these instruments under IFRS is to be assessed on a case-by-case basis. However, given the particular features of Befimmo's instruments (twin cap options and IRS callables) they could not be recognised as hedging instruments under IFRS. These instruments are therefore regarded as trading instruments under IFRS, and changes in their market value are booked entirely to the profit and loss account. Note that the market value of the derivatives is notified every time the accounts are closed by the financial institutions from which these instruments were acquired.

On the basis of the current budget hypotheses (see chapter on business outlook), the following table shows the correspondence between the amount of borrowings and the hedging instruments over Befimmo's next three fiscal years:

(in millions of €)	Realised 2006/2007 (at 30.09.07)	Realised 2007/2008 (at 30.09.08)	Prevision 2008/2009 (at 30.09.09)	Prevision 2009/2010 (at 30.09.10)	Prevision 2010/2011 (at 30.09.11)
5% cap	368	368	-	-	-
4.57% cap/4.75% cap with 5% KO	368	368	-	-	-
3.5%-5% twin cap	-	-	400	400	400
IRS callable 3.73%	200	200	0/200 <sup>(1)</sup>	0/200 <sup>(1)</sup>	0/200 <sup>(1)</sup>
IRS callable 3.90%	-	100	100	100	0/100 <sup>(2)</sup>
<b>Total amount hedged</b>	<b>568<sup>(3)</sup></b>	<b>668<sup>(3)</sup></b>	<b>500/700</b>	<b>500/700</b>	<b>400/700</b>
Commercial papers	239	206	265	283	298
Syndicated loan	50	350	350	350	350
Bilateral credit lines	85	166	250	300	300
Bridging loan	326	-	-	-	-
<b>Total borrowings at floating rates</b>	<b>699</b>	<b>722</b>	<b>865</b>	<b>933</b>	<b>948</b>
Fixed-rate borrowings	41	93	82	79	75
<b>Total borrowings</b>	<b>740</b>	<b>815</b>	<b>947</b>	<b>1 012</b>	<b>1 023</b>
<b>Hedge ratio</b>	<b>81%</b>	<b>93%</b>	<b>61%/83%</b>	<b>57%/77%</b>	<b>46%/76%</b>

In accordance with the accounting policies described above, changes in the value of the derivatives held by the Company (hedging instruments or otherwise) taking place during the accounting year are described in the following table:

(in thousands of €)	Initial fair value	Acquisitions during the period	Change in book value in equity	Changes in fair value in profit and loss account	Final fair value
<b>2006/2007 fiscal year</b>	309	4 673	4 522	-1 490	8 014
<b>2007/2008 fiscal year</b>	8 014	-	-4 522	5 058	8 550

### C. Liquidity risk

With the new facilities that were arranged during the 2007/2008 fiscal year, the residual (weighted) mean duration of Befimmo's financing structure is 3.72 years. The tables below illustrate the maturities of the financial liabilities held by the Company:

LIABILITIES (30.09.2008)	Total	< 1 year	1 to 5 years	> 5 years
<b>Non-current financial liabilities</b>				
B. Non-current financial debts	857 016	-	788 424	68 592
D. Non-current trade and other debts	5 418	-	5 418	-
<b>Current financial liabilities</b>				
B. Current financial debts	15 379	15 379	-	-
D. Current trade and other debts	37 181	37 181	-	-
<b>Total financial liabilities</b>	<b>914 994</b>	<b>52 560</b>	<b>793 841</b>	<b>68 592</b>

LIABILITIES (30.09.2007)	Total	< 1 year	1 to 5 years	> 5 years
<b>Non-current financial liabilities</b>				
B. Non-current financial debts	148 637	-	127 373	21 264
D. Trade and other non-current payables	5 201	-	5 201	-
<b>Current financial liabilities</b>				
B. Current financial debts	662 692	662 692	-	-
D. Trade and other current payables	65 232	65 232	-	-
<b>Total financial liabilities</b>	<b>881 761</b>	<b>727 924</b>	<b>132 574</b>	<b>21 264</b>

(1) In March 2009, the counterpart bank of the IRS callable is entitled to terminate the contract. Therefore, after that date, the hedge will either be cancelled or maintained at €200 million.

(2) As of 31 December 2010, the counterpart bank of the IRS callable is entitled to terminate the contract. Therefore, after that date, the hedge will either be cancelled or maintained at €100 million.

(3) From the financial viewpoint, the caps with KO acquired in 2007 do not provide additional hedging but are in fact an improvement of the existing hedging provided by the 5% cap. Therefore, the notional €368 million covered by these caps is not additional to the notional total of the hedging instruments.



## N. Employee benefits

Befimmo's staff are covered by a defined-benefit pension plan. The plan provides for payment of a retirement pension, calculated on the basis of the last salary and seniority, and a survivor's pension. At the member's request, benefits may be paid as a lump sum.

The pension plan is funded by contributions paid into the pension fund of Fortis Real Estate OFP and by payment of defined contributions into a group insurance.

An actuarial valuation is made every year in accordance with IAS 19 by independent actuaries.

The defined-benefit obligation has evolved as follows:

(in thousands of €)	2007/2008	2006/2007
<b>RECONCILIATION OF CURRENT VALUE OF THE OBLIGATION</b>		
<b>Opening balance</b>	<b>1 224.3</b>	<b>1 316.4</b>
Current service cost during the fiscal year	157.3	159.0
Interest cost	77.7	67.6
Plan participants' contributions	30.8	26.1
Past service cost	-	-
Business combinations	-	-
Reductions or settlements	-	-
Actuarial gains and losses	(18.6)	(344.8)
Benefits paid	-	-
<b>Closing balance</b>	<b>1 471.5</b>	<b>1 224.3</b>
<i>Current value of obligations – funded plans</i>	<i>1 471.5</i>	<i>1 224.3</i>
<i>Current value of obligations – non-funded plans</i>	<i>-</i>	<i>-</i>

The fair value of the plan assets has evolved as follows:

(in thousands of €)	2007/2008	2006/2007
<b>RECONCILIATION OF FAIR VALUE OF PLAN ASSETS</b>		
<b>Opening balance</b>	<b>1 946.7</b>	<b>1 598.0</b>
Expected return	127.7	104.7
Actuarial gains and losses	(350.9)	(54.1)
Employer's contributions	338.8	272.0
Plan participants' contributions	30.9	26.1
Business combinations	-	-
Reductions or settlements	-	-
Benefits paid	-	-
<b>Closing balance</b>	<b>2 093.2</b>	<b>1 946.7</b>

Net liabilities or plan assets recognised in the balance sheet are as follows:

(in thousands of €)	2007/2008	2006/2007
<b>RECONCILIATION OF AMOUNTS BOOKED TO THE BALANCE SHEET</b>		
Current value of the obligation	1 471.5	1 224.3
Fair value of plan assets	(2 093.2)	(1 946.7)
(Surplus)/Deficit	(621.7)	(722.4)
Actuarial gains and losses not booked to balance sheet	-	-
Past service costs not yet booked to balance sheet	-	-
Amount not booked to plan assets owing to limit on plan assets	621.7	722.4
<b>Net liabilities or plan assets recognized in the financial statements</b>	<b>-</b>	<b>-</b>
<i>Liabilities booked to balance sheet</i>	<i>-</i>	<i>-</i>
<i>Plan assets booked to balance sheet</i>	<i>-</i>	<i>-</i>

The total charge booked to the income statement amounts to:

(in thousands of €)	2007/2008	2006/2007
<b>TOTAL CHARGE BOOKED TO THE INCOME STATEMENT</b>		
Current service cost during the fiscal year	157.3	159.0
Interest cost	77.7	67.6
Expected return	(127.7)	(104.7)
Actuarial gains and losses	332.2	(290.7)
Effect of the limit on plan assets booked to the balance sheet	(100.7)	440.8
Past service cost	-	-
Reductions or settlements	-	-
<b>Total charge</b>	<b>338.8</b>	<b>272.0</b>

The charge is included under the heading "Corporate management costs" in the IFRS income statement.

The fair value of plan assets breaks down as follows:

(in thousands of €)	30.09.08		30.09.07	
<b>FAIR VALUE OF PLAN ASSET</b>				
Equity instruments	552.9	40.9%	606.3	45.9%
Borrowing instruments	451.5	33.4%	434.6	32.9%
Real estate	50.0	3.7%	44.9	3.4%
Others	297.4	22.0%	235.1	17.8%
Subtotal (pension fund)	1 351.8	100.0%	1 320.9	100.0%
Group insurance	741.4		625.8	
<b>Total</b>	<b>2 093.2</b>		<b>1 946.7</b>	

The assets consist of 4,133 shares issued by Befimmo, valued as of 30 September 2008 at €294 thousand.

The expected yield rate of return is 6.00%, calculated by weighting the expected yield rates of return on the pension fund and the group insurance.

These expected yield rates of return are 6.75% a year for the pension fund and 4.50% a year for the group insurance.

The actual yield of the assets during the period was negative at €223.2 thousand. For the 2006/2007 fiscal year, it was positive at €50.6 thousand.

The main actuarial assumptions are summarised below:

	30.09.08	30.09.07
Discount rate	6.00%	5.50%
Expected rate of salary increase	4.00%	4.00%
Expected yield rate of plan assets	6.00%	6.00%
Expected rate of pension increase	2.00%	2.00%
Mortality table	MR-5/FR-5	MR-5/FR-5

The history of the plan's surpluses and deficits and the adjustments linked to the experience of the current value of the obligation and the fair value of the assets (i.e. without taking account of the actuarial gains or losses arising out of changes in the actuarial assumptions) are summarised in the following table:

(in thousands of €)	30.09.08	30.09.07	30.09.06	30.09.05	30.09.04
Current value of the obligation	1 471.5	1 224.3	1 316.4	907.1	718.8
Fair value of assets	-2 093.2	-1 946.7	-1 598.0	-1 244.4	-932.7
(Surplus)/Deficit	(621.7)	(722.4)	(281.6)	(337.2)	
Adjustments based on experience					
a) current value of the obligation	113.9	78.4	102.2	Not available	Not available
b) fair value of assets	(350.9)	54.1	(54.5)	(46.6)	Not available

Expected contributions from Befimmo for the 2008/2009 fiscal year are estimated at €352.30 thousand.

## O. Related-party transactions

Remuneration of the directors of Befimmo SA and the key management personnel of Befimmo SCA, borne by Befimmo SCA.

<b>FISCAL YEAR 2007/2008</b>				
<b>Name</b>	<b>Short-term benefits (salaries, bonuses)</b>	<b>Post-employment benefits (pensions,...)</b>	<b>Other long-term benefits</b>	<b>Severance grants</b>
Benoît Godts	49 750			
Alain Devos	34 000			
Gustaaf Buelens	31 500			
Luc Vandewalle	32 500			
Marc Blanpain	45 500			
Marcus Van Heddeghem	36 500			
Gaëtan Piret	45 500			
bvba Roude - Jacques Rousseaux	55 500			
Arcade Consult bvba - André Sougné	35 000			
CEO	400 000	74 795		650 000
<i>variable portion</i>	120 000			
Management <sup>(1)</sup>	456 878	68 027 <sup>(2)</sup>		
<i>variable portion</i>	77 663			
<b>Total key management personnel</b>	<b>1 222 628</b>	<b>142 822</b>	<b>-</b>	<b>650 000</b>

<b>FISCAL YEAR 2006/2007</b>				
<b>Name</b>	<b>Short term benefits (salaries, bonuses)</b>	<b>Post-employment benefits (pensions,...)</b>	<b>Other long-term benefits</b>	<b>Severance grants</b>
Benoît Godts	26 000			
Gustaaf Buelens	12 050			
Luc Vandewalle	8 750			
Marc Blanpain	20 650			
Marcus Van Heddeghem	13 300			
Gaëtan Piret	18 650			
Philippe Gosse	5 000			
bvba Roude - Jacques Rousseaux	24 900			
Arcade Consult bvba - André Sougné	16 250			
CEO	436 250	62 810		650 000
<i>variable portion</i>	180 000			
Management <sup>(1)</sup>	456 350	17 885		
<i>variable portion</i>	54 000			
<b>Total key management personnel</b>	<b>1 038 150</b>	<b>80 695</b>	<b>-</b>	<b>650 000</b>

Post-employment benefits are described in the appendix on employee benefits.

Relationships with companies in the Fortis group are described in the chapter on corporate governance.

(1) This amount corresponds to remuneration (including social charges) actually paid during the period. It may be influenced by fluctuations in staff numbers.

(2) Including group insurance and contribution to the pension fund.

# Statutory Auditor's report

DELOITTE

Réviseurs d'Entreprises  
Lange Lozanastraat 270  
B-2018 Antwerp  
Belgium

Statutory Auditor's report to the shareholders' meeting on the consolidated financial statements for the year ended September 30, 2008

To the shareholders

As required by law and the company's articles of association, we are pleased to report to you on the audit assignment which you have entrusted to us. This report includes our opinion on the consolidated financial statements together with the required additional comment.

## Unqualified audit opinion on the consolidated financial statements

We have audited the accompanying consolidated financial statements of BEFIMMO SCA ("the company") and its subsidiaries (jointly "the group"), prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium. Those consolidated financial statements comprise the consolidated balance sheet as at September 30, 2008, the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, as well as the summary of significant accounting policies and other explanatory notes. The consolidated balance sheet shows total assets of €1,971,751 (000) and a consolidated profit for the year then ended of €61,918 (000).

The management of the company is responsible for the preparation of the consolidated financial statements. This responsibility includes among other things: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with legal requirements and auditing standards applicable in Belgium, as issued by the "Institut des Réviseurs d'Entreprises/Instituut der Bedrijfsrevisoren". Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

In accordance with these standards, we have performed procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we have considered internal control relevant to the group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the group's internal control. We have assessed the basis of the accounting policies used, the reasonableness of accounting estimates made by the company and the presentation of the consolidated financial statements, taken as a whole. Finally, the management and responsible officers of the company have replied to all our requests for explanations and information. We believe that the audit evidence we have obtained, provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the group's financial position as of September 30, 2008, and of its results and its cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the EU and with the legal and regulatory requirements applicable in Belgium.

## Additional comment

The preparation and the assessment of the information that should be included in the directors' report on the consolidated financial statements are the responsibility of the management.

Our responsibility is to include in our report the following additional comment which does not change the scope of our audit opinion on the consolidated financial statements:

- > The directors' report on the consolidated financial statements includes the information required by law and is in agreement with the consolidated financial statements. However, we are unable to express an opinion on the description of the principal risks and uncertainties confronting the group, or on the status, future evolution, or significant influence of certain factors on its future development. We can, nevertheless, confirm that the information given is not in obvious contradiction with any information obtained in the context of our appointment.

Antwerp, 13 November 2008

The statutory auditor

DELOITTE Réviseurs d'Entreprises

BV o.v.v.e. CVBA / SC s.f.d. SCRL

Represented by

Frank Verhaegen

Jurgen Kesselaers

Deloitte Bedrijfsrevisoren / Réviseurs d'Entreprises SC s.f.d. SCRL  
Société civile sous forme d'une société coopérative à responsabilité limitée  
Siège social: Avenue Louise 240, B-1050 Bruxelles  
TVA BE 0429.053.863 - RPM Bruxelles - Fortis 230-0046561-21

# Statutory income statement (in thousands of €)

	30.09.08	30.09.07
I. (+) Rental income	71 414	76 599
III. (+/-) Charges linked to letting	-346	-282
<b>NET RENTAL INCOME</b>	<b>71 068</b>	<b>76 318</b>
IV. (+) Recovery of property charges	13 289	4 613
V. (+) Recovery of rental charges and taxes normally payable by tenants on let properties	16 333	18 478
VI. (-) Costs normally payable by tenants and borne by the landlord on rental damage and refurbishment at the end of lease	-	-9
VII. (-) Charges and taxes normally paid by tenants on let properties	-17 652	-18 173
VIII. (+/-) Other revenue and charges for letting	157	146
<b>PROPERTY RESULT</b>	<b>83 195</b>	<b>81 372</b>
IX. (-) Technical costs	-14 545	-6 822
X. (-) Commercial costs	-1 032	-1 493
XI. (-) Charges and taxes on unlet properties	-1 028	-1 504
XII. (-) Property management costs	-919	-1 227
XIII. (-) Other property charges	-4	-27
<b>(+/-) Property charges</b>	<b>-17 529</b>	<b>-11 072</b>
<b>PROPERTY OPERATING RESULT</b>	<b>65 666</b>	<b>70 300</b>
XIV.(-) Corporate management costs	-7 839	-7 846
XV. (+/-) Other operating income and charges	1 251	-42
<b>OPERATING RESULT BEFORE RESULT ON PORTFOLIO</b>	<b>59 079</b>	<b>62 412</b>
XVI. (+/-) Gains or losses on disposals of investment properties	7 445	-
XVIII.(+/-) Changes in fair value of investment properties	-6 672	37 908
<b>OPERATING RESULT</b>	<b>59 852</b>	<b>100 320</b>
XIX.(+) Financial income	52 649	29 701
XX. (-) Interest charges	-38 022	-32 805
XXI.(-) Other financial charges	-15 665	-7 557
<b>(+/-) Financial result</b>	<b>-1 039</b>	<b>-10 662</b>
<b>PRE-TAX RESULT</b>	<b>58 813</b>	<b>89 658</b>
XXIII.(-) Corporation tax	-646	-584
<b>(+/-) Taxes</b>	<b>-646</b>	<b>-584</b>
<b>NET RESULT</b>	<b>58 168</b>	<b>89 074</b>
<b>TOTAL BASIC NET RESULT AND DILUTED PER SHARE</b>	<b>4.45</b>	<b>8.23</b>

The auditor's report has given unqualified approval to the statutory accounts of Befimmo SCA.

# Statutory balance sheet (in thousands of €)

ASSETS	30.09.08	30.09.07
<b>I. Non-current assets</b>	<b>1 788 104</b>	<b>1 756 136</b>
C. Investment properties	1 192 152	1 130 052
E. Other property, plant and equipment	335	327
F. Non-current financial assets	595 617	625 757
<b>II. Current assets</b>	<b>27 251</b>	<b>24 625</b>
B. Current financial assets	1 943	5 358
D. Trade receivables	16 532	11 802
E. Tax receivables and other current assets	2 997	173
F. Cash and cash equivalents	3 397	4 293
G. Deferred charges and accrued income	2 382	2 999
<b>TOTAL ASSETS</b>	<b>1 815 354</b>	<b>1 780 761</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>30.09.08</b>	<b>30.09.07</b>
<b>SHAREHOLDERS' EQUITY</b>	<b>966 802</b>	<b>931 899</b>
A. Capital	186 919	186 919
B. Share premium account	372 952	372 952
D. Reserves	21 113	21 113
E. Result	385 818	346 393
a. Result brought forward from previous years	327 650	287 394
b. Net result for the fiscal year	58 168	59 000
G. Hedging instruments	-	4 522
<b>LIABILITIES</b>	<b>848 552</b>	<b>848 862</b>
<b>I. Non-current liabilities</b>	<b>747 377</b>	<b>84 438</b>
B. Non-current financial debts	747 377	84 438
a. Credit institution	539 716	82 934
c. Other	207 661	1 504
<b>II. Current liabilities</b>	<b>101 176</b>	<b>764 424</b>
A. Provisions	4 758	-
B. Current financial debts	57 038	696 761
a. Credit institution	7 084	656 761
c. Other	49 953	40 000
D. Trade debts and other current debts	36 574	64 593
F. Accrued charges and deferred income	2 806	3 069
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>1 815 354</b>	<b>1 780 761</b>

The auditor's report has given unqualified approval to the statutory accounts of Befimmo SCA.

# Explanatory note on changes in the statutory profit (loss) carried forward

The total profit (loss) to be appropriated as of 30 September 2008 is €385.8 million. It consists of a realised part of €113.6 million corresponding to the cumulative surplus cash flow realised in relation to the dividend distributed, and an unrealised part of €272.3 million corresponding to the unrealised gains or losses recorded on the property portfolio and hedging instruments.

After distribution of the proposed dividend for the fiscal year (€59.5 million), the profit (loss) to be carried forward will be €326.4 million, consisting of a realised part of €54.1 million and an unrealised part of €272.3 million.

## Explanatory table of the statutory profit (loss) to be carried forward from the 2007/2008 fiscal year

(in millions of €)

<b>Profit (loss) to be appropriated at 30 September 2007</b>	<b>346.4</b>
- unrealised	249.4
- realised	97.0
<b>Balance of dividend for the 2006/2007 fiscal year (after interim dividend of €30.1 million)</b>	<b>-18.7</b>
<b>Profit (loss) brought forward at 30 September 2007</b>	<b>327.6</b>
- unrealised	249.4
- realised	78.3
<b>Profit (loss) for the 2007/2008 fiscal year</b>	<b>58.2</b>
- unrealised	22.9
- realised	35.3
<b>Profit (loss) to be appropriated at 30 September 2008</b>	<b>385.8</b>
- unrealised	272.3
- realised	113.6
<b>Proposed dividend for the 2007/2008 fiscal year<sup>(1)</sup></b>	<b>-59.5</b>
<b>Profit/loss to be carried forward at 30 September 2008</b>	<b>326.4</b>
- unrealised	272.3
- realised	54.1

(1) Note that the dividend for the fiscal year is €24.2 million higher than the realised part of the profit (loss) for the fiscal year. This is primarily because Fedimmo SA, whose accounts are kept according to Belgian accounting standards, may not distribute all of its cash flow because of the amortisation it must carry out on its properties. The consolidated cash flow is €59.8 million.