



Information record summary

ALLIANCES DARNA

ANNUAL AND OCCASIONAL UPDATE PROSPECTUS OF THE FINANCIAL YEAR 2011 WITH AN EXTENSION OF THE COMMERCIAL PAPERS' CEILING.

Former program ceiling : MAD 1 000 000 000

New program ceiling : MAD 1 500 000 000

Face value : MAD 100 000

Financial Advisor and Global Coordinator

BMCE CAPITAL
CONSEIL

Book runner

BMCE BANK  **البنك المغربي للتجارة الخارجية**

Approval of Conseil Déontologique des Valeurs Mobilières (Financial Authority)

In accordance with the provisions of Article 18 of the Dahir n°1-95-3 of January 26th, 1995 promulgating the law n°35-94 related to some negotiable debt securities as amended and supplemented, the original of the present prospectus has been submitted to the appreciation of the Conseil Déontologique des Valeurs Mobilières, which has approved it on 26/09/2012 under the reference n° VI/EM/035/2012.

The CDVM approval neither implies endorsement of the issue's worthiness nor the authentication of the information presented. It was granted after reviewing adequacy and consistency of the information given in the context of the issue proposed to investors

WARNING

The Financial Authority approved on 26/09/2012 a prospectus related to the issue of commercial papers by Alliances Darna.

The prospectus approved by the Securities Council is available at any time in the headquarters of Alliances Darna and with its financial advisor. It is also available in order-collecting bodies within a time limit of 48 hours.

It is also available on the website of the CDVM www.cdvm.gov.ma.

PART I -

ISSUE OVERVIEW

I. Issue objectives

The issue of commercial papers aims to :

- Optimize the cost of short term financing by substituting, either partially or totally, the existing short term bank loans by commercial papers;
- Meet cash urgent needs of Alliances Darna Group induced by changes in working capital requirement during the year:
 - Purchase of land for the projects in launch phase in 2012 ;
 - Servicing and building costs for projects in development phase in 2012;
 - Diversify the financing sources of Alliances Darna Group for better negotiation with its financial partners.
 - Consolidate its image among institutionnal investors through an increase in the capital market visibility.

II. Characteristics of the commercial papers to be issued.

Table 1. Information about the securities to be issued

Nature of securities	Negotiable debt securities dematerialized by registration to central depository (Maroclear) and book-entry by authorized affiliates.
Legal form of the securities	Commercial papers to bearer.
Former issue ceiling	MAD 1 000 000 000
Issue ceiling	MAD 1 500 000 000
Face value	MAD 100 000.
Number of securities	15 000 commercial papers.
Maturity	From 10 days to 12 months.
Vesting date	At the date of payment.
Interest rate	Fixed for each issue according to the conditions of the market.
Interests	Interest-bearing.
Coupon payment	Ultimately, at the time of maturity of every commercial paper.
Repayment of the principal	Ultimately, at the time of maturity of every commercial paper.
Assimilation Clause	There is no assimilation of the issued commercial papers with those of a previous issue.
Negotiability of securities	There is no restriction imposed by the terms of issue with regard to the marketability of the treasury bills issued. The securities are negotiable over the counter. Negotiability is provided by the book runner.

Guarantee	The issue shall not be subject of guarantee.
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III. Organization in charge of investment – Financial intermediaries

Financial Advisor and Global coordinator	BMCE Capital Conseil	63 boulevard Moulay Youssef, Casablanca
Book runner	BMCE Bank	140 avenue Hassan II, Casablanca
Institution holder of the securities accounts	BMCE Bank	140 Avenue Hassan II, Casablanca
Organization in charge of the financial service of securities	BMCE Bank	140 Avenue Hassan II, Casablanca

PART II -

ALLIANCES DARNA OVERVIEW

IV. General information

Table 2. General information

Company name	Alliances Darna. Abrevated to «Al Darna »
Head Office	Zone d'Aménagement Touristique Agdal Résidence Al Qantara 40 000 Marrakech.
Phone	+212 5 24 38 15 15
Fax	+212 5 24 38 19 30
Email	info@alliancesdarna.ma
Website	www.alliancesdarna.ma
Legal form	Private limited Company incorporated under the law n°17-95 issued on August 30 th , 1996 related to private limited companies as amended and supplemented by the law n°20-05 issued on May 23 rd , 2008.
Date of incorporation	November 2006.
Period	The period of the company has been fixed in 99 years, except in the event of early dissolution or extension stipulated by the articles of association and/or the law.
Corporate purpose <i>Section 3 of the Articles of status</i>	<p>The company objective is:</p> <ul style="list-style-type: none"> ▪ Purchase and management of any bare lands or buildings scheduled for demolition and any movable or immovable property rights by any legal means; ▪ Carrying out any housing operations on these grounds, and build any buildings assigned to residential, commercial, professional or administrative use; ▪ Promoting tourism and real estate sectors by design, conception, implementation, building, management of any business or company and the direct or indirect marketing of any product related to the activities of the above sectors; ▪ Operating the company assets thus constituted by sale, rent or personal use of estates and buildings; ▪ Carrying out any operations to achieve the defined objective by participation or taking interests by way of partial contribution, merger, subscription or purchase of securities in all existing or under incorporation companies having similar or related objective; ▪ And in general, any operations directly or indirectly related either fully or partially to one of the above operations, in order to facilitate, favor or develop the activity of the company, as well as any direct or indirect participation whatsoever their nature might be in companies having similar or related purposes.
Financial year	The financial year starts on January 1 st and ends on December 31 st .
Capital (on 12/31/2011)	MAD 857 000 000 divided in 8 570 000 shares of a face value of MAD 100.
Places for consulting legal documents	The corporate, accounting and legal documents of the company whose communication is stipulated by the law and the articles of status may be consulted at Alliances Darna Headoffice.

Registration number in the Trade Register	Trade Register of Marrakech 35 623.
Laws and regulations applicable on the Company	<p>Owing to its legal form, the company is governed by the Moroccan law, mainly the law 17-95 promulgated by the Dahir n° 1-96-124 issued on August 30th, 1996 related to private limited companies as modified and supplemented by the law 20-05 issued on May 23rd, 2008;</p> <p>Owing to its activity, it is governed by the following laws:</p> <ul style="list-style-type: none"> ▪ Law 25-90 promulgated by Dahir 1-92-7 dated on June 17th, 1992 on estates, housing and divisions; ▪ Law issued on August 12th, 1913 constituting the Code of Obligations and Contracts, supplemented by the law n°44-00 issued on October 3rd, 2002 related to off-plan property sale; ▪ Law 18-00 issued on October 3rd, 2002 related to the co-ownership status of constructed buildings; ▪ Article 19 of the budget law 2008 establishing tax exemptions in favor of real estate developers; ▪ Article 92 of the budget law 2010 establishing new tax exemptions in favor of real estate developers. <p>Owing to the operation of commercial papers issue, the company shall be subject to the following laws:</p> <ul style="list-style-type: none"> ▪ The Dahir 1-95-03 issued on January 26th, 1995 promulgating the law n° 35-94 related to some negotiable debt securities ; ▪ The General Regulations of the central depository approved by the order of the Minister of Economy and Finance, Privatization and Tourism n°1961-01 delivered on October 30th, 2001; ▪ The Dahir constituting the law n°1-93-212 delivered on September 21st, 1993 related to the Financial Authority and the information required from legal entities using public issue as amended and supplemented by the laws 23-0126-05, 44-06 ; ▪ The General Regulation of the Financial Authority as approved by the order of the Minister of Economy and Finance n°882-08 delivered on April 14th, 2008; ▪ The Dahir constituting the law n°1-96-246 delivered on January 9th, 1997 promulgating the law n°35-96 related to the creation of a central depository and institution of a general book entry for some values (amended by the law n°43-02).
Competent court in the event of dispute	Commercial Court of Marrakech.
Applicable tax system	<p>Alliances Darna shall be governed by the common commercial and tax laws. Transactions shall be subject to Corporate Tax at a rate of 30%. Its transactions shall be subject to VAT at a rate of 20%.</p> <p>Alliances Darna shall also benefit from tax benefits granted under the budget law 2008.</p>

Source : Alliances Darna

V. Information about the capital of Alliances Darna

V.1. History and Structure of the shareholding

The following table presents Alliances Darna shareholding structure over the period 2009-2011:

Table 3. Shareholding of Alliances Darna over the last three financial years:

Shareholders	12/31/09		12/31/10		12/31/2011	
	Number of shares	% of the capital and voting rights	Number of securities	% of the capital and voting rights	Number of securities	% of the capital and voting rights
Alliances Développement Immobilier (member of BOD)	499 975	100%	2 940 087	100%	8 569 975	100%
<u>Individuals member of the board of directors</u>	15	0%	15	0%	15	0%
M. Mohamed Alami NAFAKH LAZRAQ	5	0%	5	0%	5	0%
M. Mohamed Mustafa NAFAKH LAZRAQ	5	0%	5	0%	5	0%
M. Ahmed AMLOUL	5	0%	5	0%	5	0%
<u>Other shareholders</u>	10	0%	10	0%	10	0%
M. Jamal HAMDAOUI	5	0 %	5	0%	5	0%
M. Karim BELMAACHI	5	0%	5	0%	5	0%
Total	500 000	100%	2 940 112	100%	8 570 000	100%

Source: Alliances Darna

The shareholding of the company remained unchanged over the period 2009-2010 with Alliances Développement Immobilier as a reference shareholder.

V.2. Market of Alliances Darna securities

V.2.1. Issue of commercial papers

The summary statement of the implemented commercial papers' issue is as follows:

Vesting date	Maturity date	Amount in Dhs	N° of securities	Maturity	Coupon rate	Spread (in pbs)
10/18/2011	10/16/2012	500 000 000	5 000	52 weeks	4,07%	60 pbs
10/19/2011	01/18/2012	300 000 000	3 000	13 weeks	3,80%	50 pbs
01/18/2012	07/18/2012	200 000 000	2 000	26 weeks	4,20%	66 pbs
0118//2012	08/20/2012	125 000 000	1 250	7 months	4,25%	71 pbs
01/18/2012	01/16/2013	175 000 000	1 750	52 weeks	4,35%	81 pbs
07/18/2012	01/16/2013	200 000 000	2 000	26 weeks	4,10%	65 pbs
08/22/2012	11/21/2012	125 000 000	1 250	13 weeks	4,05%	65 pbs

Source: Alliances Darna

At the end of August 2012, the amount of the commercial papers issued by Alliances Darna has been 1 billion Dirhams.

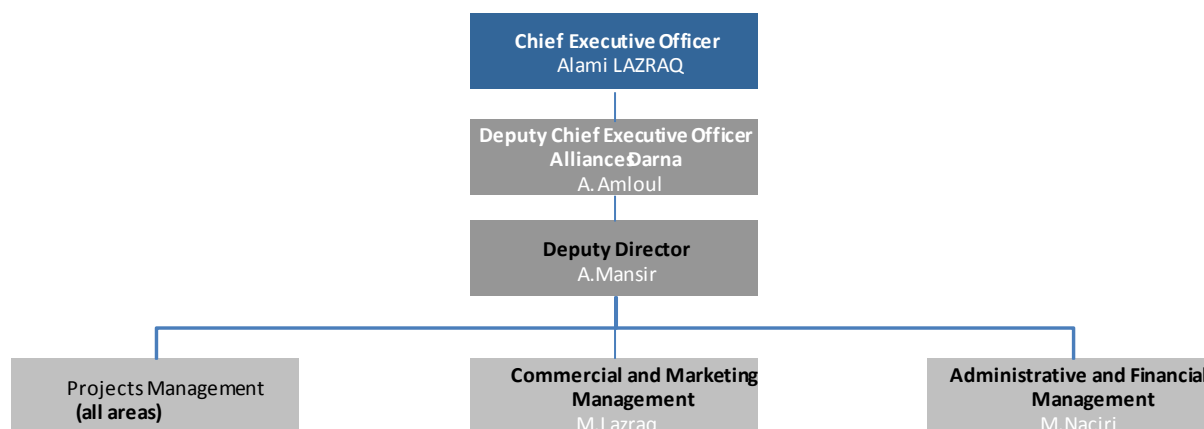
The characteristics of the debt issue carried out by the group Alliances Darna is as follows:

Table 4. Characteristics of the debt issue carried out in August 2012

	Installment C unlisted variable-rate bonds	Installment C Unlisted fixed-rate bonds
Allocation by installment	123 000 000	877 000 000
Number of attributed securities	1 230	8 770
Maturity	5 years	5 years
Nominal rate	Annually reviewable rate. For the 1 st year, the benchmark rate is the full rate one year of Treasury bill calculated on the basis of the secondary curve of the treasury bill published on August 16 th , 2012 by Bank AlMaghreb, which is 3,67%, increased by a risk premium.	Fixed rate, defined by making reference to the secondary curve of the 5 years treasury bill published on August 16 th , 2012 by Bank Al Maghrib, which is 4,17%, increased by a risk premium.
Risk premium	Between 130 and 145 pbs	Between 145 and 160 pbs
Negotiability of securities	By mutual agreement (outside the stock exchange)	By mutual agreement (outside the stock exchange)
Guarantee of repayment	None	None
Method of repayment	Bullet	Bullet

VI. Management bodies

Form1. Structure of Alliances Darna on 06/30/2012



Source : Alliances Darna

VII. Membership of the company in the Group Alliances Développement Immobilier

VII.1. Alliances Développement Immobilier overview

Alliances Darna is a 100% affiliate of the Groupe Alliances Développement Immobilier.

The company Alliances Développement Immobilier was established in 1994 upon the initiative of Mr. Mohamed Alami Nafakh Lazraq. Since its creation, the company has been specialized in designing, assembling and conducting large real estate and tourist projects for international investors and Moroccan corporates. Thus, the Group Alliances Darna has been able to manage successfully the development projects entrusted to it by local corporates and international lines in which it has been the privileged partner (Accor Group, Four Seasons Hotels and Resorts, Club Med, Tui, Lucien Barrière, etc.).

The Group Alliances Darn has diversified its activities over the years to achieve the position of the first real estate and tourist operator integrated in Morocco working on the entire value chain: development, promotion, marketing and management.

The creations of various services and projects affiliates are listed in the global integration strategy of the group. Thus, in the meantime, the positioning of Alliances Développement Immobilier has moved from a service provider in implementation to a real estate developer in four supplementary segments and which also provides a full range of real estate services (development, implementation, marketing and management of assets).

The various project companies have been created on the basis of the market segment in which each one of them operates, and according to the model of the concluded partnership. The services affiliates have been created to meet an expectation of the market (example Algest), and to provide services to projects affiliates (example ALVI for the residential and golf pole).

VII.2. Structure of Alliances Développement Immobilier

The legal structure of Alliances Développement Immobilier presented hereinafter showing the entirety of company's affiliates is structured in several business scopes:

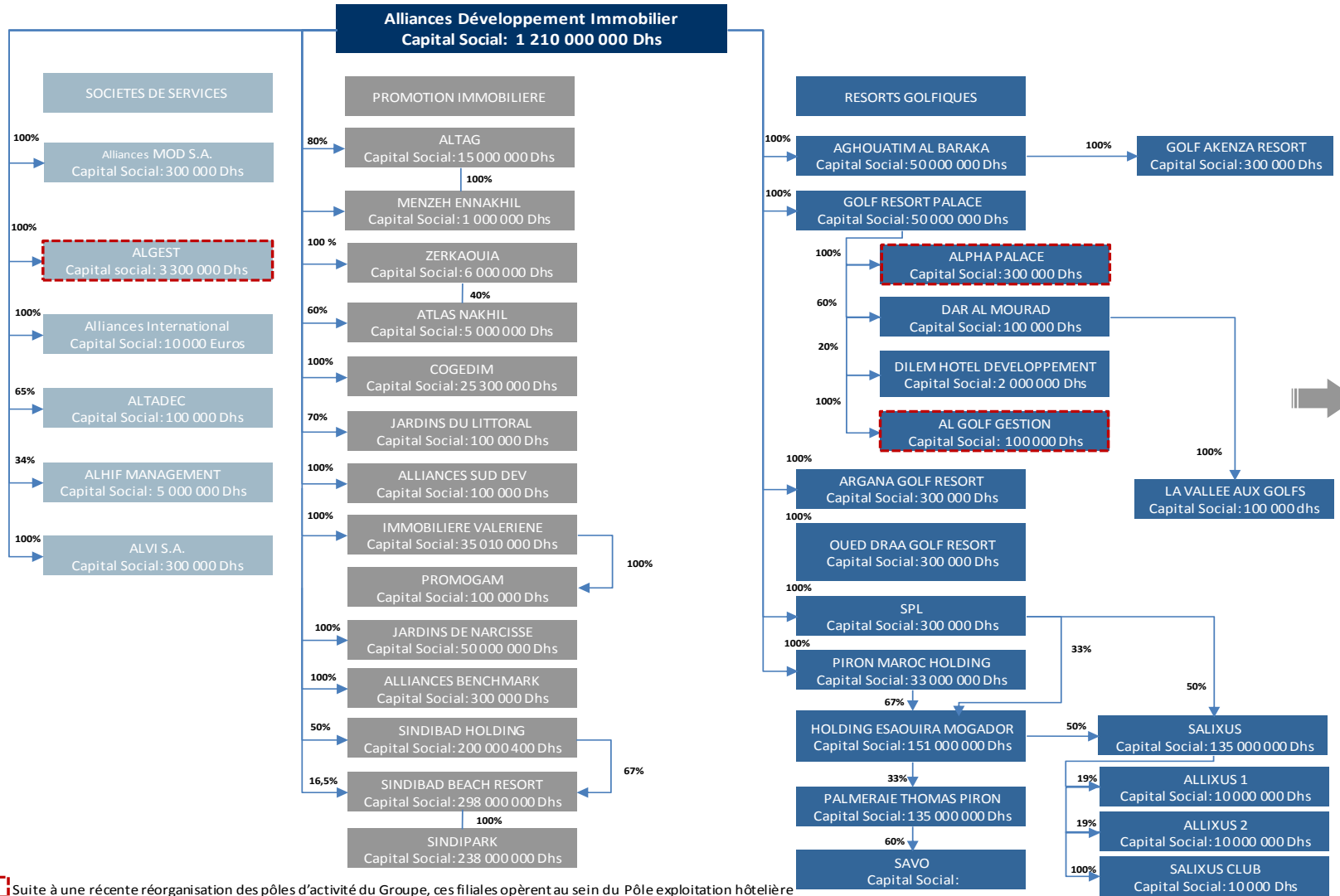
- Services affiliates, having expertise in development, implementation, marketing and management of assets;
- Affiliates of real estate promotion projects in three segments of the real estate and tourism sector:
 - Affiliates for promoting residential real estate projects;
 - Affiliates for promoting golf resorts projects;
 - Affiliates for promoting intermediary housing projects;
- Building affiliates (EMT leverage & EMT).

In 2011, the group Alliances updated its organizational structure. Henceforth, Alliances Développement Immobilier plays the role of a holding having strategic functions with affiliates both in the golf and intermediary pole which has self-management and technical, commercial and financial teams.

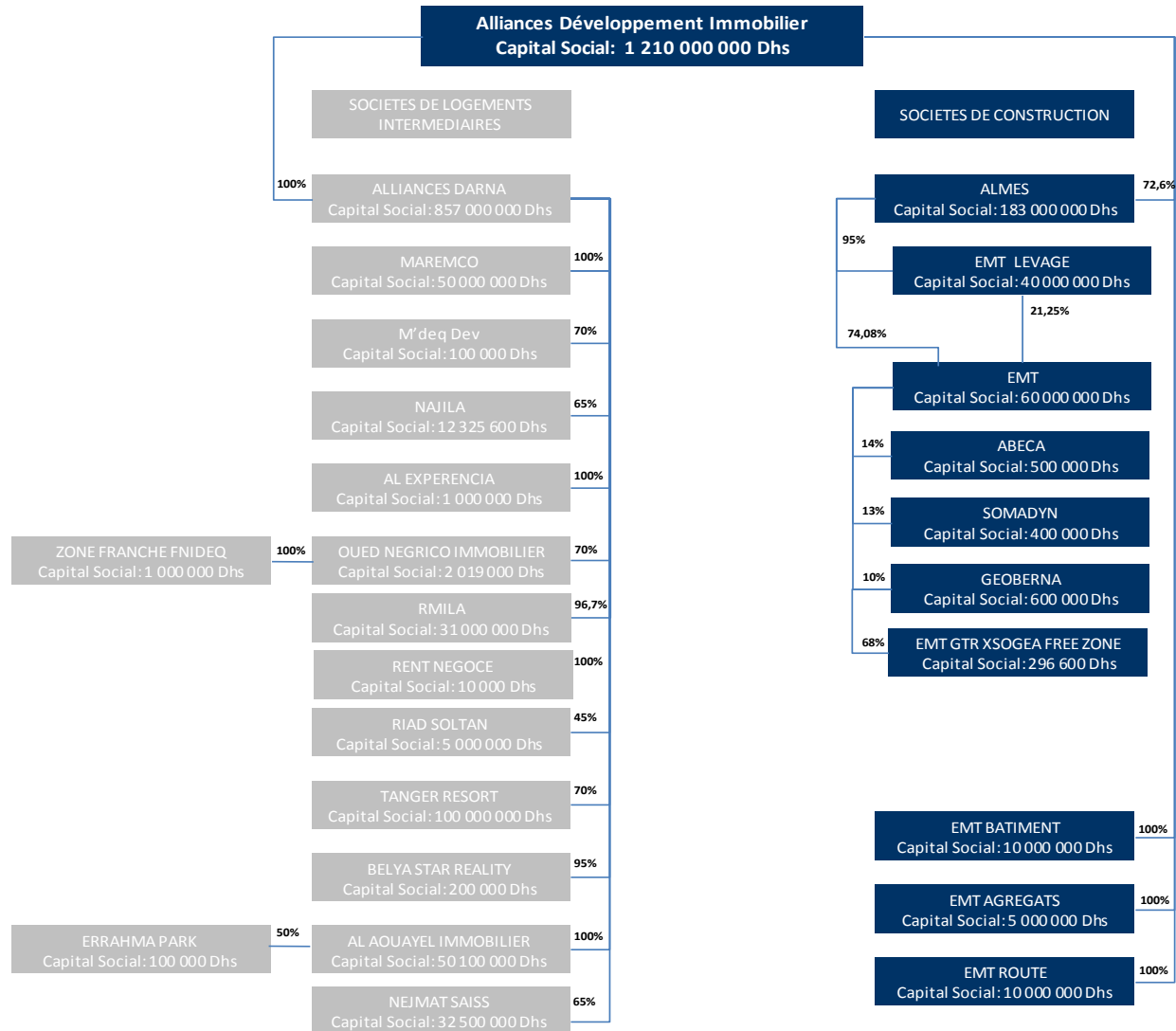
Other changes have been made in the existing poles, mainly the combining of the residential and golf poles in one pole of luxury real estate promotion.

The group Alliances has also created a new pole for hotel operating which will consolidates the operating activities of golfs, clubs house and restaurants of the residential programs and golf resorts.

Form 1. Legal structure of the group Alliances Développement Immobilier on 06/30/2012



☐ Suite à une récente réorganisation des pôles d'activité du Groupe, ces filiales opèrent au sein du Pôle exploitation hôtelière



Source : Alliances Darna

VII.3. Activity of Alliances Développement Immobilier

Since its establishment in 1994, the company Alliances Développement Immobilier has been specialized in the management of delegated projects (design, assembling and implementation) of large real estates and tourist productions for international investors and Moroccan corporates. Thus, the Group Alliances has become the leader of building hotel units in Morocco by being the reference partner of corporates and international lines (Accor Group, Four Seasons Hotels and Resorts, Club Med, Tui, Lucien Barrière, etc.).

Currently, the Group Alliances is the first real estate and tourist operator integrated in Morocco. It practices the four professions constituting the value creation chain of the real estate and tourism:

- Development ;
- Implementation and building ;
- Marketing ;
- Management of real estate and para-hotel assets.

VIII. Activity of Alliances Darna

VIII.1. History of Alliances Darna

The company was established in November 2006, initially under the name of “Alliances Habitat économique” by Alliances Développement Immobilier, in order to create a unit specialized in the intermediary housing sector to be qualified for self-management.

In 2007, Alliance Darna signed its first agreement with the State which provided it with tax benefits for building social housing. Then, the group signed other agreements with the state related to several projects of social housing development.

In 2008, Alliances Habitat économique changed the company name and became Alliances Darna and launched its first large project, «Chwiter», brought by the company Maremco aiming at creating a new urban pole in the area of Marrakech. This project covers a surface area of 215 Ha and plans the production of 15143 housing units and land parcels.

In 2009, Alliances Darna purchased land and launched the Mehdia project seated in the area of Kénitra and which covers a surface area of 108 Ha and plans delivering 10306 housing units and land parcels. The company conducted in 2009 the first deliveries of land parcels in the Mehdia and Chwiter projects.

In 2010, Alliances Darna launched many projects in the area of Casablanca and consolidated its perimeter by merging all the companies of intermediary housing projects’ development of the group Alliances Développement Immobilier in a one entity: the Group Alliances Darna.

During the financial year 2010, the company conducted the delivery of social housing, shops and land parcels of Mehdia project and the delivery of land parcels and shops of Chwiter project.

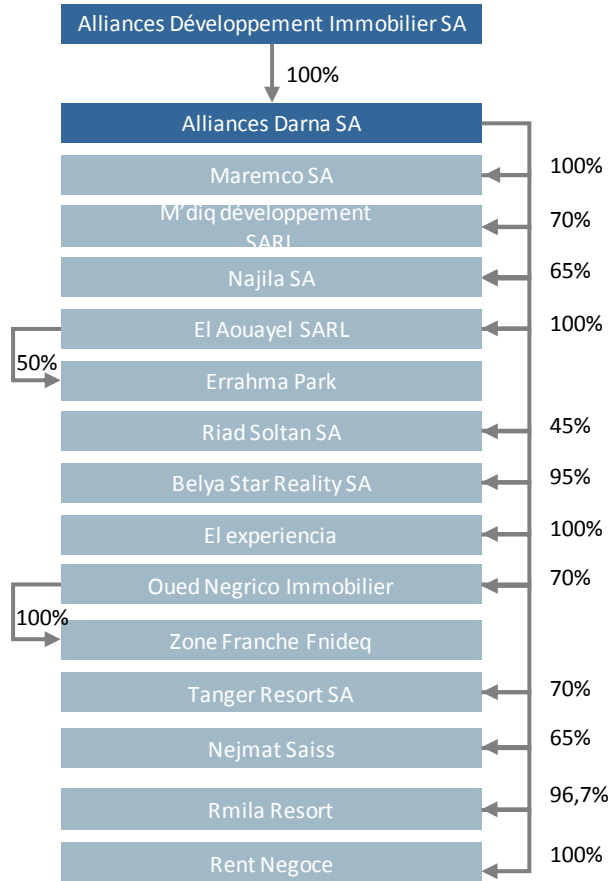
In 2011, the company conducted the purchase of new lands, thus reinforcing its property base, and launched the building works of the projects seated in the area of Casablanca, Fez and Mdeq.

The real estate program of the group plans to deliver more than 128000 housing units and land parcels over a surface area of 1507 hectares.

VIII.2. Legal structure of Alliances Darna

For consolidating its position in the sector of social and intermediary housing, the group Alliances Développement Immobilier conducted in 2010 a merger of the entirety of projects companies working in the sector of intermediary housing in Alliances Darna.

Form 3. Structure of Alliances Darna on 06/30/2012 (after the merger of affiliates)



Source: Alliances Darna

PART III -

FINANCIAL STATUS OF ALLIANCES DARNA

IX. Analysis of consolidated accounts of expenditure and revenue of the last three financial years.

The following table represents the consolidated statements of the management accounts of Alliances Darna over the period 2009-2011.

Table 5. Evolution of the consolidated statements of the management accounts between 2009 and 2011

Account of expenditure and Revenue in KMAD	2009	2010	Var 10/09	2011	Var 10/11
Turnover	145 226	776 404	>100%	2 807 478	>100%
Change in stocks	438 003	699 142	60,0%	242 931	-65,3%
Fixed assets produced by the company itself	0	0	Ns	-	
Production	583 229	1 475 546	>100%	3 050 409	>100%
Costs of supplies and consumable material	-408 151	-960 421	Ns	-1 848 792	92,5%
Other external expenditures	-31 587	-47 987	Ns	-83 311	73,6%
Consumption of the financial year	-439 738	-1 008 408	Ns	-1 932 103	Ns
Value added	143 491	467 138	>100%	1 118 306	>100%
<i>Value added tax/Turnover</i>	<i>98,8%</i>	<i>60,2%</i>	<i>-38,6 pts</i>	<i>39,8%</i>	<i>-20,4 pts</i>
Operating subsidies				-	
Taxes and duties	-145	-8 510	Ns	-27 289	NS
Personal expenses	-13 500	-23 009	70%	-35 823	Ns
Gross Operating Surplus (GOS)	129 846	435 619	>100%	1 055 194	>100%
<i>Gross operating surplus tax /Turnover</i>	<i>89,4%</i>	<i>56,1%</i>	<i>-33,3 pts</i>	<i>37,6%</i>	<i>-18,5 pts</i>
Other operating income	2 314	19 118	>100%	-	
Other operating expenses	0	-4 541	Ns	-	
Operating write-backs; expense transfers	0	26 229	Ns	119 297	Ns
Operating Endowment	-734	-1 203	Ns	-28 732	Ns
Operating profit	131 426	475 222	>100%	1 145 759	>100%
<i>Operating profit tax/Turnover</i>	<i>30,0%</i>	<i>68,0%</i>	<i>38,0 pts</i>	<i>40,8%</i>	<i>-27,2 pts</i>
Financial income	921	1 139	24,0%	1 101	-3,3%
Financial expenses	-37 740	-108 398	Ns	-128 425	Ns
Financial profit	-36 819	-107 259	Ns	-127 324	Ns
Pre-tax current profit	94 607	367 963	>100%	1 018 435	>100%
Non-operating profit	-27	6 749	Ns	77 278	Ns
Pre-tax profit	94 580	374 712	>100%	1 095 714	>100%
Profits tax	29 762	75 620	>100%	125 618	66,1%
Differed taxes	-340	-1 795	Ns	-7 947	Ns
Depreciation charge of the goodwill	1 757	7 856	>100%	3 203	-59,2%
Write-backs of the goodwill		3	>100%	8 819	100,0%
Profit after tax	63 401	293 031	>100%	983 658	Ns
<i>Net profit tax/Turnover</i>	<i>43,7%</i>	<i>37,7%</i>	<i>-5,9 pts</i>	<i>35,0%</i>	<i>-2,7 pts</i>
Net Income Group Share	63 400	293 061	>100%	837 392	>100%
Minority shares	1	-30	<100%	146 267	Ns

Source : Alliances Darna

X. Analysis of the consolidated balance sheet of Alliances Darna

X.1. Balance sheet structure

Table 6. Evolution of the consolidated assets over the period 2009-2011

In KMAD	2009	2010	Var 10/09	2011	Var 11/10
Goodwill	33 385	76 522	>100%	161 594	>100%
Intangible fixed assets	180	328	82,0%	281	-14,3%
Tangible fixed assets	2 937	5 521	88,0%	7 474	35,4%
Financial fixed assets	12	85	>100%	105	23,5%
Investments in associates	0	0	Ns	-	-
Differed tax assets	1 995	10 508	>100%	11 376	8,3%
Fixed assets	38 509	92 964	>100%	180 829	94,5%
Fixed assets total /Assets total	2,8%	2,4%	-0,4pts	2,4%	-0,0pts
Stocks	1 122 279	2 934 619	>100%	3 714 452	26,6%
Suppliers- advances and payments on account	12 082	31 710	>100%	423 846	Ns
Customers	55 880	348 742	>100%	1 911 506	Ns
Staff	132	50	-62,0%	265	Ns
Debtor state	82 131	210 737	>100%	853 844	Ns
Associates accounts	0	31 311	Ns	312	-99,0%
Other debtors	7 133	20 108	>100%	227 287	Ns
Assets adjustment account	4 726	24 965	>100%	74 942	Ns
Current assets receivables	162 084	667 623	>100%	3 492 002	Ns
Current assets receivables total/Assets total	11,8%	17,3%	5,4pts	46,0%	28,7 pts
Investment securities	315	315	0,0%	315	0,0%
Current assets	1 284 678	3 602 557	>100%	7 206 769	100%
Current assets total/ Assets total	93,9%	93,2%	-0,7pts	94,9%	1,8 pts
Cash – Assets	45 416	170 597	>100%	202 758	18,9%
Cash assets total/ Assets total	3,3%	4,4%	1,1pts	2,7%	-1,7 pts
Assets Total	1 368 603	3 866 118	>100%	7 590 356	96,3%

Source: Alliances Darna

Table 6. Evolution of the consolidated liabilities over the period 2009-2011

In KMAD	2009	2010	Var 10/09	2011	Var 11/10
Group shareholders' equity	112 356	649 418	>100%	1 919 402	Ns
Share capital	50 000	294 011	>100%	857 000	Ns
Issue premium	0	0	Ns	-	
Consolidated reserves	-1 044	62 346	Ns	225 010	Ns
Exchange differences in translating					
Affiliates in foreign currency	0	0	Ns	-	
Net profit of the financial year (group share)	63 400	293 061	>100%	837 392	Ns
Minority interests	2	14 021	>100%	414 507	Ns
Minority reserves	1	14 052	>100%	268 240	Ns
Income of minority interests	1	-31	<100%	146267	Ns
Equity of the consolidated total	112 358	663 439	>100%	2 333 909	Ns
Equity of the consolidated total/Liabilities total	8,2%	17,2%	9,0pts	30,7%	13,6pts
Financial debts	163 486	655 471	>100%	1 165 445	77,8%
Financial debts/ Liabilities total	11,9%	17,0%	5,0pts	15,4%	-1,7 pts
Differed tax liabilities	0	79 702	Ns	91 185	14,4%
Long term provisions for liabilities and charges	0	0	Ns	8 819	-
Suppliers	139 770	343 280	>100%	1 184 498	Ns
Customers advances and payments on account	232 601	358 691	54,0%	457 953	27,7%
Staff and social bodies	1 202	3 661	>100%	4 476	22,3%
Creditor state	75 869	128 158	69,0%	592 981	Ns
Adjustment account – Liabilities	9 117	24 039	>100%	57 893	Ns
Other provisions for liabilities and charges	-1	0	-100%	-	-
Associate Creditors' current account	50 132	96 596	93,0%	153 397	58,8%
Other debts	208 750	945 464	>100%	219 614	-76,8%
Current liabilities	717 440	1 899 889	>100%	2 670 811	40,6%
Current liabilities/Liabilities total	52,4%	49,1%	-3,3pts	35,2%	-13,9 pts
Cash – Liabilities	375 319	567 617	51,0%	1 320 186	Ns
Cash liabilities total/assets total	27,4%	14,7%	-12,7pts	17,4%	2,7pts
Liabilities total	1 368 603	3 866 118	>100%	7 590 356	96,3%

Source: Alliances Darna

PART IV - RISK FACTORS

The integrated management of risks is a continuous process in the group of Alliances Darna, and it is a crucial pillar in the global strategy and the priority of the board of directors.

The investors are asked to take into account all the risks enlisted in the prospectus. These risks are part of the business scope of the group Alliances Darna.

XI. Risks related to the business scope

XI.1.1. Economic environment risks

The profits and the growth prospects of Alliances Darna are highly influenced by the national economic conditions, price of building equipment and the interest's rate level.

However, this risk is limited as Alliances Darna works exclusively in the sector of intermediary housing which constitutes a national priority.

XI.1.2. Competitiveness risks

The lack of barriers to entry and the profit opportunities offered by the sector have always attracted several operators in the real estate market. The large number of national and international operators may lead to:

- A reduction of margins, as a result of a more sustainable competitiveness ;
- An increase of land price in some areas subject of a high demand from real estate developers;
- A very hard access to funding;
- A very limited choice of sub-contractors.

The group Alliances Darna offers high quality standard products and it has various assets to remain in the position of leader.

XI.1.3. Risks related to change of the tax systems

The evolution of the tax regulations mainly the decrease of the tax benefits granted to investors and buyers may have a negative impact on the real estate market and consequently may influence the financial situation of the sector's operators. However, the risk is limited since the policies set by the budget law of 2010 are guaranteed until 2020, providing tax stability for building social housing.

XII. Risks related to the business scope of Alliances Darna

XII.1.1. Land risk

The attractive loan terms and significant shortage of housing have resulted in a high demand and increased land price in the urban area in a marked upward trend in the recent years.

The increase of the land price has a direct impact on the margins generated by Alliances Darna. This risk is very important for the social housing governed by the Budget law of 2010 because the sale prices are limited in the maximum amount of 250 KMAD exclusive of tax.

To mitigate this risk, at the scale of Alliances Darna, the following should be noted:

- The importance of the land reserves secured by the company;
- Signing investment agreements within the frame work of public – private partnerships for the implementation of several intermediary housing programs, allowing Alliances Darna to benefit from a significant supplementary land stock.

In addition, at the national level, the public authorities have planned widening the urban perimeter of several cities of the Kingdom and creating 15 new cities by 2020. Consequently, the available land base will increase significantly. Thus, the increase of land prices will be minimized.

XII.1.2. Risks related to subcontracting

In the real estate programs initiated by Alliances Darna, this latter has called sub-contractors for building houses. For these purposes, Alliances Darna has worked out technical specifications specifying the time limits for implementation and the quality of the required services, which it has submitted to restricted call for tenders to companies previously selected on the basis of their means and references.

A risk factor resulting from a lack of sufficient number of qualified companies able to satisfy the requirements of the technical specifications concerning the quality of services or the time limit for implementation. This risk, potentially caused by the large number of competitors, may also have consequences on the prices practiced by the subcontractors.

However, in order to minimize this risk, it should be noted that Alliances Darna has established a relationship of trust with its partners based mainly on a strict respect of payment time limits.

Furthermore, the group has been conducting since 2006 a prospecting of high quality partners at the international level in order to limit the risk of a possible lack of qualified companies at the national level.

Finally, the group owns since June 2009 a “building” department.

XII.1.3. Risks related to changes in the real estate market.

A decrease in the demand will influence negatively the state of the sector in general, and the business volume of Alliances Darna.

However, it should be recalled that the market is marked by an increasing demand for dwellings which is explained partially by a demographic growth and a phenomenon of an extensive rural depopulation caused by recurrent droughts since the 80s. This accelerated urbanization has been accompanied by an anarchic development of cities, related to lack of infrastructure causing an important shortage in dwellings which amounted in 2010 to 1070000 units for an annual production of 122000 dwellings at the national level.

Furthermore, before starting large real estate projects, Alliances Darna conducts an appropriate market survey in order to ensure the commercial success of the project on the one hand and choose an adequate positioning on the other hand.

XIII. Limits on developing the social housing offer

According to the National Federation of Real Estate Developers (NFRED), the total shortage of dwellings is estimated at about 608000 units by the end of 2011. Therefore, the potential of developing the social real estate sector remains important.

Nevertheless, some factors have restrained its acceleration, mainly:

XIII.1. Shortage of exploitable land offer

The major part of the demand for social dwellings is located in the urban perimeter. Yet, the lack of buildable lands (registered, cleared, etc.) in the urban area results in a significant increase of the real estate assets, thus, reducing the margin of manoeuvre of the real estate developers willing to invest in the social sector.

This price overbid is specifically marked in the great urban poles in Casablanca, Rabat and Marrakech. In addition, the delays in promulgating the urban planning schemes emphasizing the shortage of the exploitable land.

XIII.2. Slowness of the administrative procedures

The slowness of the administrative procedures when delivering licenses for parceling out, dividing up, building or occupancy permit may take up to one year resulting in delays of projects deliveries, influencing the increase of products costs.

XIII.3. Under-qualified manpower

The sector of real estate knows one of the lowest supervision rates of the economy of the manpower. Moreover, more than two thirds of the staff of the sector has not attended any training. These two factors contribute to limiting the productivity of the real estate developers.

XIII.4. Sluggish rental market

The offer of rental dwellings satisfies more than thirds of the demand in the urban area. Yet, the lack of tax incentives in favor of the rental sector, the upsurge of disputes between owners and tenants and the complexity of the administrative procedures for solving the conflicts have resulted in a withdrawal of the owners and investors.

XIII.5. Impact of the informal

The important burden of the informal in dwellings' production (about 80% according to the Ministry of Housing and Urban Development) is a real obstacle to the development of the social housing sector.

Warning

The above information only represents a part of the prospectus approved by the Conseil Déontologique des Valeurs Mobilières (CDVM) under the reference number VI/EM/035/2012 on 26/09/2012.

The CDVM recommends reading the full prospectus available to public in French.