ANNUAL REPORT/REFERENCE DOCUMENT

2004 FINANCIAL YEAR

Registration with the Autorité des Marchés Financiers

As stipulated by Article 212-5, book 2, of the general rules of the AMF, the Autorité des Marchés Financiers has registered the present annual report on the 15/04/2005 under the number R.05-041. It may be used to support a financial operation only if it is accompanied by a memorandum approved by the Autorité des Marchés Financiers.

This annual report was drafted by the issuer and is legally binding for its signatories. This registration, which was carried out after examination of the relevance and consistency of the information given on the company's situation, does not necessarily authenticate the accounting and financial elements it contains.

Notice

"The French Autorité des Marchés Financiers calls the public's attention to the following:
- The Auditors' remark in their statement regarding the annual report: "As far as forward-looking data relative to external growth from 2005 to 2007 (acquisition price, acquired turnover, and operating profit of the acquired entities) is concerned: the turnover and forecast result progression for financial 2005 to 2007 is, to a large extent, based on the assumption that a number of forthcoming external growth operations will be conducted successfully; given the uncertainties inherent to the completion of such operations, we are not in a position to give an opinion on that assumption."
- Approximately 65% of the 2004 pro-forma turnover for "services" is achieved on a fixed price basis. However, the Company considers that it is in control of related risks, as stated in paragraph 3.2.4."

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1 Person in charge of the annual report and representations

1.1 Person in charge of the annual report

Name and position of the Person in charge:
Mr. Jacques MOTTARD, chairman of SWORD GROUP Board of Directors.

1.2 Statement by the person in charge of the annual report

"To my knowledge, the information provided in this document is accurate; it contains all the information required for investors to form an opinion on the net worth, activities, results and outlook of SWORD GROUP. There are no omissions that would significantly alter its scope".

The Chairman of the Board of Directors
Jacques MOTTARD
15 April 2005

1.3 Individuals in charge of the statement of accounts

(A) Incumbents

(1) Deloitte Touche Tohmatsu SA
Head Office: 185, avenue Charles de Gaulle, 92200 Neuilly-sur-Seine.
Date appointed: 29th June 2001.
Date mandate expires: the mandate will expire after the General Meeting of Shareholders called to approve the statements of accounts for the financial year ending on 31st December 2006.

(2) Cabinet Figerec
Head Office: 21 rue Bossuet - 69006 LYON.
Date appointed: 29th October 2001.
Date mandate expires: the mandate will expire after the General Meeting of Shareholders called to approve the statements of accounts for the financial year ending on 31st December 2006.

(B) Assistants

(1) BEAS
Head Office: 7/9, Villa Houssay, 92200 Neuilly-sur-Seine.
Date appointed: 29th June 2001.
Date mandate expires: the mandate will expire after the General Meeting of Shareholders called to approve the statements of accounts for the financial year ending on 31st December 2006.

(2) Mr. Paul Mollin
Address: 14, rue Claude Fouilloux, 69450 Saint-Cyr-au-Mont-d'Or
Date appointed: 29th October 2001.
Date mandate expires: the mandate will expire after the General Meeting of Shareholders called to approve the statements of accounts for the financial year ending on 31st December 2006.

1.4 Statement by the auditors

In our capacity as auditors for SWORD GROUP, and in accordance with the articles of the 1st chapter of Book II of the general rules of the AMF, we have proceeded, in conformity with the accounting principles applicable in France, to verify information relating to the financial situation and the historical statements given in the present annual report.

This annual report was drawn up under the responsibility of Mr. Jacques MOTTARD. Our task is to issue an opinion on the honesty of the information it contains regarding the company's financial situation and accounts.

In accordance with French auditing practice, our due diligence consisted in assessing the sincerity of the information relating to the company's financial situation and accounts, and in verifying their consistency with the statements that have been reported. It also consisted in reviewing the other information contained in the annual report, in order to identify any significant inconsistencies with the information relating to the company's financial situation and accounts, and in pointing out any manifestly incorrect information we may have found based on our general knowledge of the company, acquired within the scope of our task. Because this report consists of isolated projected data resulting from a structured calculation process, the examination took into account the assumptions made by the company's management and the figures they generated as a result of these assumptions.

We audited the annual statements and consolidated financial statements for the financial year ending 31st December 2002 settled by the Board of Directors in accordance with French auditing practices, and approved them with no reservations or remarks.

We audited the annual statements and consolidated financial statements for the financial year ending 31st December 2003 settled by the Board of Directors in accordance with French auditing practices, and approved them with no reservations or remarks.

We audited the annual statements and consolidated financial statements for the financial year ending 31st December 2004 settled by the Board of Directors in accordance with French auditing practices, and approved them with no reservations or remarks.

In our report on the consolidated financial statements for the financial year ending 31st December 2004, we have called the reader's attention to part 3) of the management report "Implementation of the new IFRS reference system", which describes the work implemented, its progression status, and the communication schedule for the impact figures forecast by the Company.

Having read the projected figures extracted from a structured forecasting process which are contained in the present annual report (paragraph 3.5.3. « Business plan » and paragraph 3.5.4. « Projected financing plan »), we need to make the following observation with regard to the forecasted financial data pertaining to external growth by acquisition for the years 2005 to 2007 (acquisition price, turnover, and operating income from the acquired entities): the increase in turnover and the forecasted operating income for the financial periods for the years 2005 to 2007 are, to a large extent, based on the hypothesis that a certain number of operations involving external growth by acquistion, which are yet to be achieved, will be realized; given the uncertainty inherent in the realization of such operations, we are not able to express an opinion regarding this hypothesis.
We have no further observations to make regarding the truthfulness of the information relating to the financial situation and the statements presented in this annual report on the basis of our due diligence.

Lyon and Villeurbanne, 15 April 2005
The Auditors

FIGEREC
Philippe BONNEPART

FIGEREC
Philippe BONNEPART

The annual report also contains:
The Auditor's general report and their report on the consolidated financial statements for the period ended 31 December 2004 (pages 141-142 and pages 146-147 of the annual report respectively) bearing justifications for the assessment made by the auditors as stipulated by the provisions of Article L. 225-235 of the Commercial Code;
The auditors' report (page 159 of this annual report) on the report of the Chairman of the Board of SWORD GROUP describing internal control procedures relating to the preparation and processing of accounting and financial information, which was drawn up in compliance with the last clause of Article L. 225-235 of the Commercial Code.

1.5 Individuals in charge of financial information

Jacques MOTTARD
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Fax: 04 72 85 37 80
E-mail: jmottard@sword-group.com

Stéphanie DESMARIS
Tel.: 04 72 85 37 45
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2 General Information on the Company and its Capital

2.1 General information on the issuer

2.1.1 Company name

SWORD GROUP.

2.1.2 Head Office

9, avenue Charles de Gaulle - 69370 Saint-Didier-au-Mont-d'Or.

2.1.3 Legal form and applicable law

Public limited company with a Board of Directors governed by French law and subject to the Commercial Code and to French law no. 67-236 of 23rd March 1967 relating to commercial companies.

2.1.4 Date of establishment and lifetime of the company

SWORD GROUP was established as a holding company on 22nd June 2001 in the form of a public limited company and for a duration of 99 years expiring on 21st June 2100. On 30th august 2001, 144 shareholders of the company SWORD SA, formed on 17th November 2000, contributed shares to SWORD GROUP.

2.1.5 Business objective (article 2 of the by-laws)

The company's objectives are:
- the acquisition of stakes in all companies, firms or groups, be they French or foreign, that have been or are to be formed, through any means available, in particular through the contribution, subscription or purchase of shares or stakes, or through mergers or the purchase of assets, etc.
- any financial, real estate or movable property transactions relating directly or indirectly to the objective stated above or which may favour the accomplishment of the objective,
- the company may provide administrative services of a consultative nature or carry out any other research, development and supervisory activities, in addition to service provision, consultative and production activities in the field of information systems.

It may act directly or indirectly and carry out all these operations on its own behalf or on the behalf of third parties, with any other person or company, either by itself or in association with company groupings or associations, and it may do so in any form. It may also gain control of stakes and contributions in all companies or business deals, whatever their nature.

2.1.6 Commercial and Corporate Register and APE code

438 305 054 RCS Lyon.
APE Code: 741 J.

2.1.7 Consultation of legal documents

At the company's head office.

2.1.8 Business financial year (article 6 of the by-laws)

From the 1st January to 31st December each year.

2.1.9 Special statutory clauses

2.1.9.1 Form of the shares (extract from article 10 of the by-laws)

Shares can be either registered shares or bearer shares depending on the choice made by the holder. These are registered in an account subject to the terms and conditions stipulated by the legal and regulatory provisions in force.

2.1.9.2 Allocation of profit (extract from article 24 of the by-laws)

The following must be deducted from profits for the financial year that may have been diminished by subsequent losses:
- at least five percent to build up legal reserves, a deduction that will cease to be mandatory when said reserves will have reached a sum equal to one tenth of total capital, but which will resume if for any reason this amount is no longer attained,
- and any sums to be placed in reserves in accordance with the law.

The remaining balance, to which posted profits are added, constitutes the distributable profit that is at the disposal of the shareholder meeting. This may be distributed in full or partially to shareholders in the form of dividends, allocated to all reserve or capital depreciation accounts, or carried forward once again, depending on the advice of the Board of Directors.

2.1.9.3 Shareholders' meetings (extracts from article 19 of the by-laws)

Calling meetings

Each year, shareholders meet at the ordinary shareholder meeting, at the date, time and place indicated on the meeting notice, within six months of the end of the financial year, subject to the extension of this time limit by order of the chairman of the commercial tribunal ruling on the request.
Ordinary shareholder meetings may be called extraordinarily at any time of the year.
The form of the meeting and the required notice period are set by the law. The meeting notice must indicate the location of the meeting, which may be held at head office or at any other location, and its agenda.

Agenda

The agenda is set by the person calling the meeting. It may contain proposals by one or more shareholders or by the Board of Directors under the terms set by the law.
If it has not been possible for the meeting to deliberate regularly, through failure to attain the quorum, a second meeting is called in the same form as the first and the meeting notice will recall the date of the first meeting.

Admission to the meetings - Powers

1 – All shareholders have the right to participate in the shareholders' meetings and deliberations, personally or by proxy, regardless of the number of shares they hold, once they have proved their identity and from the moment their shares are fully paid up and registered to an account in their name at least five days prior to the date of the meeting.
2 – All shareholders may vote by proxy using a form that can be obtained by post under the terms stipulated in the meeting notice.
3 – A shareholder may also be represented under the terms set out by the regulations in force, on condition that their representative is a shareholder himself. A shareholder may also be represented by his/her spouse
4 – The right to participate in the meetings, or to be represented at the meetings, is dependent either on the shareholder registering shares in an account with the company, or, in the case of bearer shares registered to their own account, on the shareholder handing over certificates issued by an authorised broker confirming that the shares will be unavailable up until the date of the meeting. These formalities must be completed at least five days prior to the meeting being held.
However, the Board of Directors may reduce or remove these time limits.

Terms and conditions that apply to the right to vote – Majority quorum

1 – The quorum is calculated from the total number of shares that go to constitute the share capital, not including any shares for which the right to vote has been withdrawn through the provisions of the law. In the case of proxy voting, only forms that have been duly completed and which carry an attestation confirming that the shares have been deposited in trust, and which are received by the company at least 3 days prior to the date of the meeting, will be taken into account in the calculation of the quorum.

2 – Deliberation by the ordinary shareholder meeting will only be valid at the first meeting if the shareholders who are present, represented or have submitted a proxy vote possess at least one quarter of all shares that grant the holder the right to vote. At the second meeting, no quorum is required. Deliberation by the extraordinary shareholder meeting will only be valid if the shareholders who are present, represented or have submitted a proxy vote possess at least one third, at the first meeting, and one quarter, at the second meeting, of all shares that allow the holders to vote. Should this last quorum not be attained, the second meeting may be adjourned to a later date, two months at most after the date the meeting had originally been called for. In the event that capital is increased through the incorporation of reserves, profits or share premiums, the meeting shall give a ruling under the terms and conditions for quorums at ordinary meetings.

2.1.9.4 Beneficial ownership (extract from article 10 of the by-laws)

Any shareholder, acting alone or jointly, who comes into possession of or ceases to hold a number of shares representing more than a twentieth, a tenth, a fifth, a third, a half or two-thirds of all capital or voting rights or shares that would give access to the company's capital in the long-run, is legally obliged to declare the fact. When the number or distribution of voting rights does not agree with the number or distribution of shares, the aforementioned thresholds are calculated using voting rights.

The declaration must indicate the date the threshold was passed, the number of shares owned by the declaring party that give access to capital in the long-run and the voting rights that are linked to them. Should a shareholder fail to fulfil the obligation defined in this article, a legal penalty that removes their right to vote will be applied upon request by one or more shareholders, to be recorded in the shareholder meeting report, on condition that they hold at least 5% of the capital and/or voting rights. The right to vote is removed from all shares that exceeded the proportion that should have been declared, for all shareholder meetings held up until the expiry of a two-year period after the date the corrective declaration was made.

2.1.9.5 Identification of shareholders (extract from article 10 of the by-laws)

At any time, and under the terms defined in the legal and regulatory provisions in force, the company may ask the organisation placed in charge of clearing stocks for the name (or, in the case of a legal entity, the name of the entity), the nationality and the address of holders of stocks that grant the holder the right to vote at its shareholder meetings, immediately or in the long-run, as well as the quantity of stocks held by each of them and, if applicable, the restrictions that can be applied to these stocks.

2.1.9.6 Right to vote (extract from article 19 of the by-laws)

In shareholder meetings, each member at the meeting has as many votes as they possess or represent shares, without restriction other than those provided by the law. However, all registered shares that are entirely paid-up and which can be proven to have been registered in the name of the same shareholder for at least two years, will give the holder twice as many votes as are awarded for other shares, in view of the quota of capital they represent (double voting rights brought in by the combined shareholder meeting of 27th February 2002). In the event of an increase in capital through the incorporation of reserves or the exchange of shares as a result of stock grouping or splits, the double voting right is awarded to the new holders of registered shares, subject to them keeping these shares in registered form from the date they are allocated, with this double voting right being awarded after expiry of a period of two years from the date they are purchased as registered shares, the form in which they were originally allocated. Should the company be merged or split, this will have no effect on the double voting right, which will still apply within the beneficiary company if the double voting right has been added to its by-laws. No registered shares will be allocated gratuitously and no provisions exist in the by-laws in the event of a change of form, through conversion into bearer shares or as a result of a transfer.

2.1.9.7 Payment of dividends and interim dividends (extract from article 25 of the by-laws)

Dividends are paid in cash on the date and at the location set at the shareholder meeting or, failing this, by the Board of Directors nine months at the latest after the end of the financial year.

Before the statements for the financial year are approved, the Board of Directors can distribute one or more interim dividends, subject to the legal terms and conditions in force. The shareholder meeting ruling on the statements for the financial year will have the facility to grant each shareholder the option of receiving dividend payments either in cash or in shares, for all or part of the dividends distributed. Should it decide to do so, the shareholder meeting may use the reserves that are at its disposal to pay a dividend on shares. In this case, the items the corresponding withdrawals will be made from must be expressly indicated.

If shareholders wish to receive their dividend in the form of shares, they must make a request to this effect no more than three months after the date of the shareholder meeting. Any dividends that have not been collected within five years of payment being made will be forfeited in accordance with the law.

2.1.10 Acquisition by the company of its own shares

Legal framework
Within the framework of repurchase of shares as created by law No. 98-546 dated 2nd July 1998, which has various economic and financial provisions, SWORD GROUP has involved itself in the possibility of acquiring its own shares.
In accordance with the offer documents which received the approval visa no 03-1099 of the AMF on the 10 December 2003, the Combined General Meeting of the 29 December 2003 authorised the Board to roll out a share repurchase programme for a duration of 18 months following the said meeting, under the terms and conditions below

Objectives
The repurchased shares are intended in declining order of priority, to:
- stabilise the price of its shares by systematically counteracting trends in the market;
- be used to carry out any transaction in respect of any form of employee shareholding in the Company or within the group, as provided in law.
- intervene in the company's share market, by buying or selling depending on the market's situation;
- give shares as payment or in exchange, in particular within the context of external growth operations;
- facilitate any distribution of dividends or reserves by the return of the Company's shares,
- be cancelled.

It is specified that the first 13,000 shares to be repurchased will be applied equally to the first two objectives stated above.

Repurchasing terms
The maximum share that SWORD GROUP proposes acquiring is 2% of the Company's capital, which at 31st December 2003 represented 24,644 shares.
Taking into account the 12,633 shares already held directly by SWORD GROUP (which at 31st December 2003 represented 1.03% of the capital), the theoretical maximum number of shares that SWORD GROUP could repurchase in order to complete its programme is 12,011 shares (which is 0.97% of the capital at 31 December 2003).
The overall total of repurchased shares shall not exceed €2,710,840.
The company intends to be able to make use of the authorized programme together with the shares already held, and undertakes to at no time exceed, directly or indirectly, the legal limit of 10%.
In accordance with article L.225-210 of the Commercial Code, the value of the programme may not exceed the value of the company's reserves apart from the legal reserve.

As part of this repurchase programme, shares may be repurchased by any means except for the purchase of options to buy, and in particular by action on the stock exchange or by otherwise purchasing blocks of shares.
These repurchases and sales of shares can take place at a time of public offering, in accordance with prevailing stock exchange regulations.
That part of the programme implemented through the acquisition of blocks of shares can reach 2% of SWORD GROUP's capital, across the entire programme.

Maximum and minimum sale price
The maximum unit purchase price is set at €110, and the minimum unit sales price is set at €20, each exclusive of commissions and expenses. The maximum sum that can be committed for the repurchase of actual shares shall not exceed €2,710,840.

New repurchase programme
An authorization is submitted for the approval of the next General Meeting of Shareholders of the 29 April 2005. Offer documents for this authorization received approval visa no 05-224 issued by the AMF on the 7 April 2005. Once the shareholders give their approval, this authorization will substitute the one given by the General Meeting of Shareholders of the 10 December 2003.

Utilization of the repurchase programme granted by the General Meeting of Shareholders of the 29 December 2003

Up until 31/12/2004, as part of the shares repurchase programme, the number of shares sold or purchased by the company for its own account, excluding a liquidity agreement, was as follows:

Number of shares held by the Company on 31st December 2003	12,633
Number of shares purchased in 2004	0
Number of shares transferred from the liquidity agreement	0
Number of shares sold in 2004	0
Number of shares held by the Company on 31st December 2004	12,633

2.1.11 Liquidity agreement

A liquidity agreement was signed with the stockbroking house Gilbert Dupont on the 15/10/2003. At 31/12/2003, the balance of SWORD GROUP securities held by this contract was 70.

During 2004 and as part of this exchange agreement, the stockbroker Gilbert Dupont purchased 4,552 shares (average price: €84.41) and resold 2,988 shares (average price €86.93). At 31/12/2004, the balance of SWORD GROUP shares in the contract was 1,634, the proportion having come back to the company being 65%.

2.2 General information on share capital

2.2.1 Share capital at 31 December 2004

The company's total fully paid-up capital adds up to €7,342,105, divided into 1,468,421 shares with a face value of €5. The company's total fully paid-up capital adds up to €7,342,105, divided into 1,468,421 shares with a face value of €5. It should be noted that it is proposed that at the General Meeting of the 29 April 2005, the nominal value of each share should be divided by 5. The number of Company shares will thus be increased to 7,342,105 shares.

Partly paid capital
None.

2.2.2 Authorised capital not yet issued

The Combined General Meeting of Shareholders held on 26th April 2004 awarded the Board of Directors the necessary authority to issue, with or without removal of pre-emptive rights, in one or several times, whether in France or abroad, shares and all securities that provide immediate or term access to the company's shares, for a maximum face value of €5,000,000, the maximum value of representative securities drawn on the company cannot exceed €100,000,000.

This authorisation is valid for a period of 26 months, that is until 26th June 2006.

Nature of the delegation	Nature of the operation	Shares to issue	Authorised capital increase amount
Full delegation	Capital increase, PSR maintained	Capital shares or debt securities giving access to capital	€5,000,000 (*)
Full delegation	Capital increase, PSR waived	Capital shares or debt securities giving access to capital	€5,000,000 (*)

(*)these amounts are not cumulative.

Following the modication of the scheme for capital share increase decided in the edict no 2004-604 of the 24 June 2004, it must be stressed that the Board proposed to the Ordinary General Meeting on the 9 March 2005, and to the Extraordinary General Meeting on the 29 April 2005, that new authorizations for increasing capital should be adopted (cf management report – paragraphs 26 to 30).

2.2.3 Shares that are not representative of capital

None.

2.2.4 Other shares giving access to capital

2.2.4.1 SWORD GROUP

Share purchase or option plan
No other shares purchase plan or subscription option has been set up by SWORD GROUP since its creation.

Issue of ABSAs (Shares with share purchase warrants)
During the financial period ended 31 December 2004, the Company issued 236,178 ABSAs. On the 15 April 2004, the depositary confirmed receipt of a total amount of €18,776,151 representing all cash subscriptions made by subscribers in the Company's capital increase by a nominal amount of €1,180,890 through the issue of 236,178 ABSAs.

The characteristics of share purchase warrants (BSAs) are as follows:

Number of BSAs attached to shares
A share purchase warrant is attached to each new share issued

Exercise parity
4 BSAs enable the subscription for 1 SWORD GROUP share.
It should be noted that a proposal has been put forward to the General Meeting of the 29 April 2005 to divide the nominal value of each share by 5. Consequently, the General Meeting must reach a decision on whether to modify exercise parity, thus enabling subscription for 5 SWORD GROUP shares with 4 BSAs.

Exercise period
The holders of BSAs can subscribe in SWORD GROUP shares at any moment starting from the moment that they are registered until the end of the day of 30 April 2006. BSAs that have not been exercised by 30 April 2006 at the latest will become null and void.
During the financial period ended 31 December 2004, no BSAs were exercised.

Exercise price of ABSAs
The exercise price has been set to €96.78

Listing of BSAs
BSAs are listed on the Eurolist of Euronext Paris (ISIN code: FR0010071308). FR0010071308)

Potential capital after exercising the BSAs
The potential capital of SWORD GROUP after exercising the 236,178 BSAs would come out to €7,637,325, divided into 1,527,465 shares with a face value of €5, i.e. a capital increase of slightly more tan 4% from the current capital.

2.2.4.2 SWORD SA

2.2.4.2.1 Options accorded to employees of SWORD SA or of a group company

SWORD SA's Extraordinary General Meeting on 15 December 2000 authorised the Board of Directors within the provisions of articles L 225-177 to L 225 – 185 of the Commercial Code, to award on one or several occasions to members of staff of the company or one of the group companies in accordance with the conditions in article L 225-180 of the said Code, options for the company's shares, the total number of open options in respect of the said authorization not to exceed 33,500 shares at a nominal price of €5, it being understood that at any time the number of shares that can be subscribed by the exercise of valid options and not yet taken up may not be greater than 5% of the company's capital.

This authorization, conferred for a period of 5 years as of 15 December 2000, accords the beneficiaries share options, express waiver by the shareholders of their pre-emptive right to purchase shares that would be issued in tandem with the taking up of the options.
The subscription price per share is determined as follows:

- for allotment of shares by the Board up until the closing of the first consolidated accounts, being 31 December 2001, the subscription price shall be fixed at the face value, being €5 per share. The company was registered at the Lyon Commercial Register on 21 November 2000, and has not had any increase in capital since its creation nor any valuation, taking into account its recent allocation of options by the Board
- after 31 December 2001, the subscription price is fixed according to the following formula:

Mathematical average of the following elements:
- 20 times the operating profit after deduction of salaries less net indebtedness,
- 2 years turnover less indebtedness.

For the allotment of options by the Board in the three months prior to SWORD's quotation on the stock exchange, the subscription price was set as per the above rules and could under no circumstances be less than 20% below the opening quotation price on the exchange.
For the allotment of options by the Board after SWORD's entry onto the stock exchange, the subscription price set according to the above rules could not be less than 80% of the average quoted prices.
Options can only be taken up after a freezing period of 2 years from the date of their grant by the Board of Directors and over a period of two years.
Based upon the authority accorded it by the aforementioned Meeting, the Board of Directors at its meeting on 17 January 2001 allocated share options (Plan Number 1). A board meeting of 7 June 2001 modified Plan Nr.1 and allocated new options (Plan Number 2):

	PLAN No.1	PLAN No.2	
Date of the meeting	15/12/2000	15/12/2000	
Date of the Board Meeting	17/01/2001	07/06/2001	
Total number of OPSAs allocated	15,700		
Total number of OPSAs cancelled (employee resignations)	3,650		
Of which were allocated to the proxies	0	0	
Start date for exercising OPSAs	17/01/2003	7/06/2003	
Expiry date	17/01/2006	7/06/2006	
Price of OPSAs in euros	€5	€5	
Total number of OPSAs exercised on 31/12/2004	7,250 in total		
Total number of options remaining	4,800		
OPSAs allocated to the 10 non-proxy employees with the highest number of options	NUMBER	PRICE	PLAN No.
ASTIER Yorick HARVEY Stephen MORGAN Marc RASSON Michel WOLFF Marc The other employees have 150 shares	2,000 750 750 750 750	€5 €5 €5 €5 €5	2 1 2 2 2

Between 1st January 2004 and 31st December 2004, 5,750 stock options were exercised.

At 31st December 2004, the capital of SWORD SA comes out to €3,420,000, divided into 684,000 shares with a face value of €5. After the possible exercise of the 4,800 stock options that were not exercised at 31st December 2004, the resulting capital of SWORD SA would come out to €3,444,000, divided into 688,800 shares, i.e. a capital increase of 0.70.

Managing agents and directors did not receive options or any other capital security.

2.2.4.2.2. Repurchasing by SWORD GROUP of shares issued as a result of stock options being exercised

In order to preserve the rights of allottees, it has been decided that the latter may sell their SWORD SA shares when the time comes.
Thus, SWORD GROUP has sent written agreement to each allottee stating that, if the shareholder makes such a request less than three months after the end of the period of unavailability provided in the Programme Rules, the Group will acquire any new SWORD SA shares issued as a result of the exercising of stock options, on the sole condition that SWORD GROUP has been floated on the stock exchange.
The price at which SWORD GROUP will acquire SWORD SA shares will be set to the unit value of SWORD GROUP shares, calculated as the mean of their unit price during the twenty days of stock market trading preceding the repurchasing operation.

2.2.5 Table of changes to SWORD GROUP capital

Date	Nature of the operations	Face value of shares (€)	Capital increase (€)	Paid-in capital or contribution (€)	Number of shares issued	Number of shares after operation	Total capital after operation (€)
22-06-2001	Company established	5	40,000	-	8,000	8,000	40,000
30-08-2001	Capital increase (1)	5	3,412,470	-	682,494	690,494	3,452,470
31-12-2001	Stock warrant programme (2)	5	167,840	746,888	33,568	724,062	3,620,310
27-02-2002	Stock warrant programme (2)	5	615,360	2,738,352	123,072	847,134	4,235,670
12-03-2002	Capital increase for the VCF 21 Development	5	630,445	4,665,293	126,089	973,223	4,866,115
12-03-2002	Capital increase in cash	5	1,295,100	9,583,740	259,020	1,232,243	6,161,215
26-04-2004	Capital increase (3)	5	1,180,890	17,595,261	236,178	1,468,421	7,342,105

There have been no changes to capital since 26. April 2004.

(1) *This capital increase follows the contribution of shares by shareholders of SWORD SA to SWORD GROUP.*
For the requirements of the contribution, the value of SWORD SA shares was assessed at face value, that is €5. The contribution of 682,494 SWORD SA shares has thus been valued at €3,412,470.
Based on his findings, the contribution auditor concluded in his report that a total estimated value of €3,412,470 for contributions is not an overvaluation. He is also of the opinion that the net assets contributed are at least equal to the total capital increase of the company benefiting from the contribution.
Indeed, the contribution auditor considered that, because the companies SWORD SA and SWORD GROUP had been recently established, their value should be calculated on the basis of the face value of the shares.
Consolidated results for SWORD GROUP for the financial year 2001, as well as the outlook appearing in paragraph 4.11. "Development Plan" of the Stock Market floatation prospectus, provide an explanation for the gap observed between the value of €5 determined during the contribution operation mentioned above, and the price of €42 put forward to the market within the scope of floatation on the Stock Market.

(2) *Through the extraordinary shareholder meeting of 15th December 2000, SWORD SA proceeded to issue stock warrants to two of its shareholders, Jacques MOTTARD and 21 Centrale Partners.*
In consideration for this issuance, Jacques MOTTARD and 21 Centrale Partners respectively proceeded to carry out prepayment of a total sum of €4,268,440 to a current account, which will be unavailable for a period of 5 years unless the stock warrants are exercised (cf. § 4).
On 2nd June 2001, the holding company SWORD GROUP was established in its operational configuration. The aim was to make the group's organisational structure clearer, with one or more subsidiaries per country. The Group was established through the contribution of SWORD SA shares to SWORD GROUP by all SWORD SA shareholders. Foreign subsidiaries of SWORD SA (DDS, SWORD Switzerland, SWORD Inc. and SWORD South Africa) were sold to SWORD GROUP for their acquisition price.
In order to reconstitute the environment for SWORD GROUP that was initially created around SWORD SA in its capacity as head of the group, it has been agreed that the operations adopted for this purpose and relating to the Stock Warrants would be transposed onto SWORD GROUP. In this way, bonds issued by SWORD SA in December 2000 were cancelled and reissued in identical form at SWORD GROUP on 29th October 2001, together with an agreement on the part of beneficiaries to keep possession of the shares.
In addition, amounts receivable by SWORD SA from Mr. Jacques MOTTARD and 21 Centrale Partners for the prepayment into the current account were transferred to SWORD GROUP in consideration for entry into SWORD GROUP's books of prepayment into the

current account of an identical sum to that appearing in the accounts of SWORD SA.
Mr. Jacques MOTTARD exercised his Stock Warrants on 31st December 2001 by paying a sum of €914,728 in settlement of the current account. The current account prepayment balance was brought down to zero.
21 Centrale Partners, acting on behalf of the VCF 21 Développement, exercised its Stock Warrant on 27th February 2002 by paying a sum of €3,353,712 in settlement of the current account. The current account prepayment balance was brought down to 34,990.40€.
Date of the meeting: 15th December 2000 – Total number of shares available for subscription: 156,640
Of which: number of shares available for subscription by members of the management committee: 33,568
Number of managers concerned: 1 – Exercising price: €5 - Start date for exercising stock warrants: 01-05-2001
Expiry date: 15-12-2005 - Number of shares subscribed to on 28th February 2002:
Number of stock warrants still to be subscribed to: 0

(3) *The Combined General Meeting of the 27 February 2002 delegated to the Board of Directors the necessary powers to issue for general subscription, on one or several occasions, Company shares and, more generally, all other securities of whatever nature, allowing immediate and/or future access to Company shares.*
In its sitting on 21 January 2004, and in virtue of the above-mentioned approved authorization, the Board of Directors of the Company decided to delegate all the powers granted by the Combined General Meeting of the 27 February 2002 to the Chairman, thus allowing a share capital increase with or without pre-emptive rights with a maximum face value of €5,000,0000.
In virtue of the powers invested in him, the Chairman of the Board of Directors decided on the 26 March 2004 to begin the process of issuing 205,373 ABSAs for a nominal total value of €1,026,865 and a maximum issue premium of €15,813,721, that is a maximum total amount including the issue premium of €16,840,586 with the possibility of issuing 30,805 additional ABSAs in the event that the extension clause be exercised, as provided for in the said decision.
Following a decision of the 5 April 2004, the Chairman established the definitive characteristics of the share capital increase by issuing ABSAs.
On the 07 April 2004, the Chairman of the Board of Directors, in virtue of the powers invested in him, decided to exercise the 15% extension clause mentioned above, bringing the number of ABSAs to be issued in the context of the share capital increase of SWORD GROUP to 236,178.
On the 15 April 2004, the depositary confirmed receipt of the total amount of €18,776,151 representing the sum of cash subscriptions made by subscribers in the Company capital increase by a nominal value €1,180,890 by issuing 236,178 ABSAs.
The Board of Directors stated on the 26 April 2004 that:

- *236,178 new shares at €5 euros each, constituting the capital increase of €1,180,890, had been fully distributed*
- *The subscriptions had been paid in cash as confirmed by the funds certificate of the SOCIETE GENERALE dated the 15 April 2004,*
- *No sooner had the 236,178 new shares been fully distributed, than they had been fully paid up for the value of outstanding amounts in accordance with the conditions of the distribution and that therefore, the capital increase had been definitively realised.*

2.2.6 Changes in the distribution of SWORD GROUP capital on 31st December 2004 (in%) – part 1

Forename-Surname	Situation on 22/06/2001			Situation on 30/08/2001 (1)			Situation on 31/12/2001 (2)			Situation on 27/02/2002 (2)		
	Number of shares	% of capital	% of voting rights	Number of shares	% of capital	% of voting rights	Number of shares	% of capital	% of voting rights	Number of shares	% of capital	% of voting rights
Jacques MOTTARD	5,039	62.99	62.99	359,496	52.06	52.06	393,064	54.29	54.29	392,764	46.36	46.36
21 Centrale Partners and the VCF 21 Développement	1,840	23	23	154,290	22.34	22.34	154,290	21.30	21.30	277,362	32.74	32.74
Françoise Fillot	280	3.5	3.5	21,279	3.08	3.08	21,279	2.94	2.94	21,279	2.51	2.51
Christian Tapia	280	3.5	3.5	21,279	3.08	3.08	21,279	2.94	2.94	21,279	2.51	2.51
Treasury stock	-	-	-	-	-	-	-	-	-	-	-	-
Employees and miscellaneous shareholders	561	7	7	134,150	19.43	19.43	134,150	18.53	18.53	134,450	15.87	15.87
Treasury shares	-	-	-	-	-	-	-	-	-	-	-	-
Free float	-	-	-		-	-	-		-	-	-	-
TOTAL	**8,000**	**100**	**100**	**690,494**	**100**	**100**	**724,062**	**100**	**100**	**847,134**	**100**	**100**

(1) Capital increase
(2) Stock warrant programme

2.2.7 Changes in the distribution of SWORD GROUP capital on 31st December 2004 (in%) – part 2

Forename-Surname	Situation on 11/03/2002 (3)			Situation on 12/03/2002 (4)			Situation on 31/12/2002		
	Number of shares	% of capital	% of voting rights	Number of shares	% of capital	% of voting rights	Number of shares	% of capital	% of voting rights
Jacques MOTTARD	392,764	40.36	40.36	392,764	31.87	31.87	392,764	31.87	31.87
21 Centrale Partners and the VCF 21 Développement	403,451	41.46	41.46	403,451	32.74	32.74	403,451	32.74	32.74
Françoise Fillot	21,279	2.19	2.19	21,279	1.73	1.73	21,279	1.73	1.73
Christian Tapia	21,279	2.19	2.19	21,279	1.73	1.73	21,279	1.73	1.73
Treasury stock	-	-	-	11,775	0.96	0.96	12,363	1	1
Employees and miscellaneous shareholders	134,450	13.81	13.81	104,810	8.51	8.51	104,810	8.51	8.51
Treasury shares	-	-	-	-	-	-	-	-	-
Free float	-	-	-	276,885	22.47	22.47	276,297	22.42	22.42
TOTAL	**973,223**	**100**	**100**	**1,232,243**	**100**	**100**	**1,232,243**	**100**	**100**

(3) reserved capital increase for FCPR 21 Development
(4) capital increase in cash – initial public offering

2.2.8 Changes in the distribution of SWORD GROUP capital on 31st December 2004 (in%) – part 3

Forename-Surname	Situation on 31/12/2003			Situation on 26/04/2004			Situation on 31/12/2004		
	Number of shares	% of capital	% of voting rights	Number of shares	% of capital	% of voting rights	Number of shares	% of capital	% of voting rights
Jacques MOTTARD	368,764	29.93	30.24	368,764	25.11	30.16	366,111	24.93	30.05
21 Centrale Partners and the VCF 21 Développement	403,451	32.74	33.08	403,451	27.48	30.51	403,451	27.48	30.62
Françoise Fillot	21,279	1.73	1.74	21,279	1.45	2.11	21,279	1.45	2.12
Christian Tapia	19,638	1.59	1.61	19,638	1.34	1.95	19,638	1.34	1.95
Treasury stock	12,633	1.03	0	12,633	0.86	0	12,633	0.86	0
Employees and miscellaneous shareholders	69,995	5.68	5.74	69,078	4.70	6.83	63,609	4.33	6.31
Free float	336,483	27.30	27.59	573,578	39.06	28.44	581,700	39.61	28.94
TOTAL	**1,232,243**	**100**	**100**	**1,468,421**	**100**	**100**	**1,468,421**	**100**	**100**

2.2.9 Control of the company at 31 December 2004

Jacques MOTTARD holds directly or indirectly (together with his family) 25.07% of the share capital and 30.26% of voting rights.

21 Centrale Partners hold, directly and indirectly, 27.48% of the share capital and 30.62% of voting rights

To the company's knowledge, no other shareholders have direct, indirect or joint control over 5% or more of capital or voting rights.

Together, the members of the Board of Directors (Jacques MOTTARD and 21 Centrale Partners) hold 52.41% of the capital and 60.67% of voting rights. The members of the general executive commitee (Jacques MOTTARD, Françoise FILLOT and Christian TAPIA) together hold 27.72% of the capital and 34.12% of voting rights.

According to the terms of a deed dated the 30 September 2004, Messrs Jacques, Antoine, Guillaume and Nicolas MOTTARD as well as Mrs. Aurélie MOTTARD undertook, in the context of Article 787 B of the General Tax Code, to retain 341,200 shares of SWORD GROUP together for a period of two years.

No identifiable bearer securities have been effected since going to market.

2.2.10 Shareholder agreements

None.

2.2.11 Securities pledged for the company's shares

No securities are pledged for SWORD GROUP shares.

Securities have been pledged for the three businesses initially acquired from Decan (IDL, IDP and SWP) shares to Credit Agricole, to the Banque Rhône-Alpes and to the Lyonnaise de Banque banks within the scope of the FRF60 million (€9,146,941) loan obtained from these establishments. This loan will expire on 1st December 2007.

2.2.12 Exceeded thresholds

As per a series of letters dated 19th April 2004, 27th April 2004, and 4th May 2004, Mr. Jacques MOTTARD and FCPR 21 DEVELOPPEMENT sent to the AMF, in order to comply with applicable regulations, several statements indicating that thresholds had been exceeded in August 2003, February and April 2004, as follows:

1) Mr. Jacques MOTTARD, on 31st August 2003, individually passed the threshold of 1/3 of voting rights upwards, and then passed that same threshold downwards on 28th February 2004;

2) The FCPR 21 DEVELOPPEMENT, on 28th February 2004, individually passed the threshold of 1/3 of voting rights upwards, and then passed that same threshold downwards on 26th April 2004.

In its sitting of 8th June 2004, the AMF noted the involuntary nature of the threshold passings that were notified, and acknowledged receipt of the commitments to turn a portion of the shares held by Jacques MOTTARD and the FCPR 21 DEVELOPPEMENT into bearer shares.

These statements were subjected to a Decision and Information No. 204C0755 issued by the AMF.

2.3 Dividend distribution policy

The company will pursue a dividend distribution policy linked both to profits for the year in question and to the expected development of the group and its profitability.

For the financial period ended 31 December 2004, a dividend of €1.20 per share shall be distributed, subject to the agreement of the General Shareholder Meeting on the 29th April 2005.
For the 2003 financial period, a dividend of €0.90 per share has been distributed.
For the 2002 financial period, a dividend of €0.75 per share has been distributed.
No dividends have been distributed for the 2001 financial period.

The dividends and interim dividends that have been paid but not collected will be forfeited in favour of the State 5 years after the date of payment (art. 2277 of the Civil Code).

2.4 The issuer's share market

SWORD GROUP has been listed on the New Market of Euronext Paris since the 13th March 2002 (from now on, on Eurolist, compartment C). The company became a member of the Next Economy segment on the 12 March 2002. On the 22 November 2002, SWORD GROUP entered the SBF 250. SWORD GROUP is also included in the CAC IT, CAC Mid and CAC Mid90 indices.

On the 26 April 2004, the Board of Directors confirmed a fixed capital increase of a nominal value of €1,180,890 which was achieved through the subscription of 236,178 ABSAs (cf point 2.2.5).

SWORD GROUP shares are not listed on any other market.

At 16/02/2004, the capitalization of the Company totals €163 million.

Monthly average price and average volume of SWORD GROUP shares in 2004 and 2005:

In €

MONTH In €	Monthly average (closing price)	Highest price	Lowest price	Average volume
JANUARY 2004	84.31	93.40	78.20	1,556
FEBRUARY 2004	79.99	83.35	75.20	666
MARCH 2004	79.13	83.40	75.00	768
APRIL 2004	84.05	87.10	79.75	566
MAY 2004	85.60	87.65	82.00	1,271
JUNE 2004	88.98	98.00	83.00	997
JULY 2004	89.16	93.00	83.65	682
AUGUST 2004	85.66	89.00	83.05	263
SEPTEMBER 2004	86.58	90.50	83.90	892
OCTOBER 2004	89.16	92.00	85.00	1,391
NOVEMBER 2004	89.12	91.55	86.30	397
DECEMBER 2004	93.43	97.00	89.05	1,347
JANUARY 2005	102.55	111.70	97.00	2,003
FEBRUARY 2005	110.17	115.90	104.90	1,396

Monthly average price and average volume of equity warrants in 2004 and 2005:

In €

MONTH In €	Monthly average (closing price)	Highest price	Lowest price	Average volume
APRIL 2004	2.66	2.75	2.25	2,973
MAY 2004	2.72	2.90	2.60	614
JUNE 2004	3.37	3.85	2.80	737
JULY 2004	3.76	3.90	3.47	1,292
AUGUST 2004	4.45	5.20	3.90	109
SEPTEMBER 2004	3.86	4.90	3.00	963
OCTOBER 2004	3.03	3.10	3.00	531
NOVEMBER 2004	3.00	3.00	3.00	1,160
DECEMBER 2004	2.81	3.50	3.50	872
JANUARY 2005	5.20	8.00	4.00	790
FEBRUARY 2005	6.99	8.18	6.00	1,155

3 Information on SWORD GROUP'S activities, recent developments and outlook for the future

3.1 Presentation of the company's activities

Key figures

In thousands of euros	**31/12/2004 (consolidated)**	**31/12/2003 (consolidated)**
Income statement		
Consolidated net turnover	78,657	55,544
Operating profit	12,549	8,920
Financial result	-607	-504
Income from ordinary operations (before tax)	11,941	8,417
Overall consolidated net earnings	8,116	5,091
Group's share of net earnings	7,903	4,893
Balance sheet		
Fixed assets (net)	53,606	36,941
Accounts receivable	34,758	20,666
Cash flow	7,531	7,562
Permanent capital	55,739	31,505
Provisions for risks and expenses	1,537	1,104
Financial debt	11,392	14,537
Accounts payable	27,303	18,024
Debt/equity capital ratio	6.8%	23.1%

Activity	No. of employees/activity 2004 (1)	No. of employees/activity 2003 (1)
ECM	603	331
Consulting	67	84
Security	20	20
Holding	10	-
TOTAL	700 (2)	435

(1) Subcontractor staff not included.
(2) 895, including freelancers (of whom 781 are employed by ECM, 80 by the Consulting division, 24 by Security and 10 by the Holding division)

NB: The Company does not communicate data for value creation.

3.1.1 PROFILE

3.1.1.1 Positioning

SWORD GROUP is an IT services company specialising in three technological niches and operating internationally (80% of the pro forma turnover for 2004 was generated abroad). It forms solid partnerships with several large groups (see chapter 3.1.5 Solid Partnerships).

SWORD GROUP's service offer is built around:

- **a Consulting division**, incorporating:

  - In-house consulting, particularly in the fields of logistics and electronic banking
  - Consulting on change management

- **an ECM division** (Enterprise Content Management) incorporating in an entirely integrated manner, Electronic Document Management (EDM), Geographic Information Systems (GIS), Data Management and Web Content Management (WCM)

- **a Security division**, incorporating in addition to Straight Through Processing, anti-money laundering (AML) and the security of financial transfers.

SWORD GROUP can handle all the specializations, from consulting through to system integration, and can take on Total Management Attention (TMA). These trump cards ensure the loyalty of its major accounts (cf. chapter "3.1.7.1. The Clients"). Its industrial, custom-made approach lets it maximize its technology skills using software components (cf. chapter "3.1.6 SWORD GROUP: an industrial custom-made approach").

3.1.1.2. Origins

The history of SWORD GROUP is rooted in that of the Decan group. Indeed, it was Jacques MOTTARD, founder and current Chairman and CEO of SWORD GROUP, who founded the IT services company Decan in 1990. Thanks to him, the company became an international group listed on the Second Marché.

After Decan was bought out by Metamor Worldwide, and following the buy-out of Metamor Worldwide by Psinet in March 2000, Jacques MOTTARD decided to withdraw as Chairman of Decan in October 2000.

With the success of Decan under his belt, Mr. Jacques MOTTARD founded SWORD SA on 17th November 2000.
Its activities began on 1st December 2000, relying on the takeover of certain Decan subsidiaries and businesses chosen for their technical specificities.

Thus, the Decan Group and its subsidiaries sold assets representing approximately 14% of its turnover (income statement on 30th June 2000) to SWORD SA, which was controlled by the former head of Decan, Mr. Jacques MOTTARD:

• The Decan Group sold SWORD SA its 81.33% stake in FircoSoft (and its American subsidiary, Fircosoft Inc.), which specialises in secure payment and payment automation via the Swift network; Decan CS sold SWORD SA its stake in the following companies:
- SWORD Création Informatique (100%), a South African company specialising in intellectual property, often referred to as SWORD South Africa,
- Decan Inc. (100%), a U.S. company that provides electronic document management (EDM) for the United Nations (UN), later renamed SWORD Inc. ;

• Decan CS sold SWORD SA 3 commercial segments: IDL and IDP, organisations specialising in electronic document management (EDM) and geographical information systems (GIS) and SWP (trademark and patent management).
The acquisition of subsidiaries and businesses from Decan was financed by a €9 million bank loan obtained from Crédit Agricole, Banque Rhône-Alpes and Lyonnaise de Banque, with the remaining sum being contributed personally by Jacques MOTTARD and the VCF 21 Développement.

On 1st April 2001, SWORD SA acquired two companies that enabled it to widen its area of activity and its geographical deployment:

- DDS, renamed DDS EUROPE LIMITED, is based in London and provides consultancy services in change management,
- Profiler, renamed SWORD CONSULTING, specialises in electronic banking and logistics.

On 13th March 2002, SWORD GROUP was floated on the Nouveau Marché at the Paris Stock Exchange, in the Next Economy section.

On 1st April 2002, SWORD acquired the company TEXT SOLUTIONS, which is based in London and owns TEXT SYSTEM. The company TEXT SYSTEM, renamed SWORD ECM, specialises in change management. Because it originally managed equity interests, TEXT SOLUTIONS does not generate any turnover.

On 1st December 2002, SWORD acquired the company CRONOS TECHNOLOGIES, renamed SWORD TECHNOLOGIES, which is based in Luxembourg and Brussels and specialises in data management.

On 3rd December 2003, SWORD acquired the "professional services" activities of ZEN & ART, based in New York, which specializes in handling major banking accounts.

On 15th December 2003, the Paris Commercial Court accepted SWORD's offer to acquire FI SYSTEM BELGIUM, the parent company of ASCII, at 70%; based in Brussels, it specializes in Web Content Management (WCM).

On 1st April 2004, SWORD acquired GLOBAL, a London-based company with a subsidiary in the Indian city of Chennai (formerly known as Madras). This company specialises in offshore operations and serves as a production centre for English-speaking countries.

On 1st July 2004, SWORD acquired CIMAGE, a London-based company with a subsidiary in the U.S. city of Boston (Massachussets). This company specialises in Document Management products and edits software for use in highly-regulated sectors (such as pharmaceuticals, for example).

Key figures for acquisitions

	GLOBAL 31/12/2003 In thousands of euros	GLOBAL 31/12/2004 In thousands of euros	CIMAGE 31/12/2003 In thousands of euros	CIMAGE 31/12/2004 In thousands of euros
Turnover	5,700	3,873	10,547	9,691
Operating profit	-93	489	984	778
Gross operating surplus	77	701	1,037	829
Net income	13	470	800	557
Workforce (1)	95	84	58	53

(1) including subcontractors

3.1.2 SWORD GROUP ORGANISATIONAL CHART ON 31/12/2004

Jacques MOTTARD (CEO)
Françoise FILLOT (CFO)
Christian TAPIA (COO)
Heath DAVIES (COO)

Ian MACKENZIE
(Acquisition Projects Manager)

Phil NORGATE (UK CFO)
Michael MAROCCIA (US CFO)
Lalitha BALAKRISHNAN (INDIA CFO)

Operation 1

a.a. Heath DAVIES (OD)						
DDS UK **London / International**	**BCS** **London**	**ECM** **London**	**GUK** **London**	**GIN** **Chennaï**	**CUK** **London**	**INF** **Manchester**
Deborah CHEN (BUD)	**Steve HARVEY (BUD)**	**Jim GRAHAM (BUD)** Peter BROWN (SM) Jerome RAGUIN (SM) David WARREN (SM)	**Pradeep BANERJI (BUD)**	**a.a. Pradeep BANERJI (BUD)** Thiruvenkadu Venkata SUBRAMANIAN (TD)	**Andy HAMLYN (BUD)** Wayne COLLINS (SM) Barry SELZER (SM) Sandy GAULD (SM)	**ff. Jim GRAHAM (BUD)** Colin BAILEY (TD)

Operation 2

Philippe FRANCHET (OD)			
IDP **Paris**	**SFS** **Paris**	**REN** **Rennes**	**SWN** **Lille**
Philippe FRANCHET (BUD) Raphaël GODINOT (CD) Stephane CAILLAREC (SM) Michel FAYET (TD) J-François PAUTHENIER (TD)	**Xavier MORCILLO (BUD)**	**Julie NAJAC (BUD)** Olivier GUERIN (SM)	**Eric VOLCHER (BUD)** Jean-Louis CASTELAIN (TD)

Operation 3

Patrick VERRIER (DO)
SCP
Patrick VERRIER (BUD) Christophe DUFRESNOY (AD)

Operation 4

a.a. Christian TAPIA (OD)				
SWP **Paris / Export**	**SSA** **Johannesburg**	**SNE** **New York**	**FIP** **Paris / Export**	**CUS** **Boston**
Fabrice LIENART (BUD) Françoise DRAPERI (TD)	**Kays MGUNI (BUD)**	**ff. Christian TAPIA (BUD)** Ralph RENNA (SM) Pramod YADAV (SM)	**Jean LOSCO (BUD)** Frederic CASADEI (CD)	**Tim FLEET (BUD)** Bill COSTIGAN (SM) Mark WALFORD (SM)

Operation 5

Jean-Marc SONJON (OD) Pierre GACHON (CD)		
IDL **Lyon**	**GEN** **Geneva**	**SWL** **Lyon**
Jean-Marc SONJON (BUD) Maxime GRINFELD (SM) Eric BOUVET (TD)	**Jean-Marc SONJON (BUD)** Jean-Philippe GRANGE (CD)	**Philippe LE CALVE (BUD)** Marie NOURRY (SM) Jean-Louis VILA (TD)

Operation 6

Patrick de la HAYE (OD)		
BXL **Brussels**	**BIB** **Brussels**	**ASC** **Brussels**
Patrick DE LA HAYE (BUD) Agnes PETERBROECK (CD) Thierry GUIOT (TD) Tony CLAES (TD)	**Eddy VOLCHER (BUD)** Paul KAISIN (SM)	**Marlène CATTELAIN (BUD)**

Operation 7

Per ROSAND (OD)		
SWS **Luxemburg**	**LUX** **Luxemburg**	**SWG** **Athens**
Per ROSAND (BUD)	**Per ROSAND (BUD)** Jerome DOYEN (CD) Paulo APOLINARIO (TD) Frederic BORDIN (TD)	**Dimitrios GRITIS (BUD)**

The table below shows the date of entry into the group of each SWORD GROUP subsidiary mentioned in the organisational chart, the nature of its business, as well as its turnover and net income in 2004.

Subsidiary	Date of entry	Activity	2004 turnover	2004 net income
SWORD Inc	01-12-2000	ECM	4,903	-594
SWORD Création Informatique	01-12-2000	ECM		
SWORD SA	01-12-2000	ECM	22,859	1,706
FircoSoft	01-12-2000	Security	2,648	557
FircoSoft Inc	01-12-2000	Security	421	83
DDS EUROPE LIMITED	01-04-2001	Consulting	3,487	448
SWORD Consulting	01-04-2001	Consulting	3,224	718
SWORD DDS France (formerly Espace Crécy)	01-07-2001	-	423	82
SWORD SUISSE	01-04-2001	ECM	717	-19
SWORD ECM	01-04-2002	ECM	5,538	606
SWORD Technologies	01-12-2002	ECM	23,902	2,551
SWORD SAS	01-04-2003	-	0	-17
SWORD Security	01-03-2003	Security	44	3
SWORD South Africa	01-11-2003	ECM	650	41
ASCII	15-01-2004		5,159	386
GLOBAL Consolidated	01-04-2004		2,919	1,594
CIMAGE Consolidated	01-07-2004		5,068	549

The subsidiaries of SWORD GROUP have economic assets related to their area of know-how. These assets are as follows:

SWORD SA:
Know-how: GIS,
Know-how: Electronic Document Management, in particular Trademarks and Patents
Know-how: ECM, in particular Documentum, Management and GIS.

FIRCOSOFT:
Know-how: STP
Know-how: Efforts against dirty money.

DDS Europe Limited:
Know-how: Change Management.

SWORD Consulting:
Know-how: Consultancy, in particular Change Management and Electronic Banking.

SWORD ECM:
Know-how in ECM, in particular Electronic Document Management and Business Intelligence.

SWORD Technologies:
Know-how in ECM, in particular Electronic Document Management and Business Intelligence.

SWORD Security:
Know-how in the electronic security of funds transfers via the internet.

ASCII:
Know-how in the production of the content of web sites within international organisations operating in several languages.

GLOBAL INDIA:
Know-how in the relocation of IT production.

CIMAGE:
Know-how in Document Management products for use in highly-regulated sectors.

SWORD GROUP has the following agreements with its subsidiaries:

- SWORD GROUP assists the subsidiary with its sales policy,
- SWORD GROUP carries out a number of actions intended to promote the subsidiary and to jointly analyse the impact of its image,
- SWORD GROUP is able to contribute to the setting out of its subsidiary's overall strategy,
- SWORD GROUP possesses a management control and organisation service for its subsidiaries.

The annual amount billed by SWORD GROUP to its subsidiaries within the scope of the assistance agreement is €2,653,458,92.

NB: regarding the agreements relating to SWORD GROUP and its subsidiaries, no new agreement has been drawn up since 31/12/2004.

Mr. MOTTARD's mandates within the group:

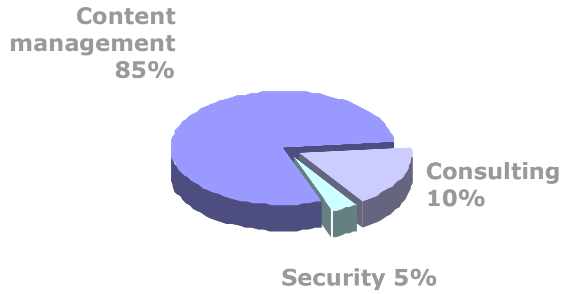
POSITION	DURATION OF MANDATE	COMPANY	EXPIRY DATE (Shareholder meeting ruling on the financial statements for the last financial year)
Chairman and CEO	3 years	SWORD GROUP	31.12.09
Chairman and CEO	6 years	SWORD SA	31.12.08
Chairman	unlimited	SWORD CONSULTING	Unlimited duration
Chairman and CEO	3 years	SWORD NORD	31.12.06
Chairman	unlimited	SWORD DDS	Unlimited duration
Chairman	unlimited	FIRCOSOFT	Unlimited duration
Chairman	unlimited	SWORD SAS	Unlimited duration
Chairman	unlimited	DDS EUROPE Ltd	Unlimited duration
Chairman	unlimited	SWORD Inc	Unlimited duration
Chairman	unlimited	SWORD CREATION INFORMATIQUE Ltd	Unlimited duration
Director	unlimited	SWORD SOUTH AFRICA Ltd	Unlimited duration
Chairman	1 year	SWORD SUISSE	31.12.05
Chairman	6 years	SWORD TECHNOLOGIES SA	10.12.08
Chairman	unlimited	FIRCOSOFT Inc	Unlimited duration
Chairman	unlimited	SWORD ECM Ltd	Unlimited duration
Chairman	6 years	SWORD SECURITY SA	31.12.08
Chairman	unlimited	CIMAGE Ltd	Unlimited duration
Chairman and Board Member	6 years	FI SYSTEMS BELGIUM	11.02.2010
Chairman and Board Member	6 years	ASCII	11.02.2010
Chairman	unlimited	GLOBAL SOFTWARE SERVICES	Unlimited duration
Director		SWORD IT SOLUTION	30.06.2006

3.1.3 THE SERVICES OFFERED BY SWORD

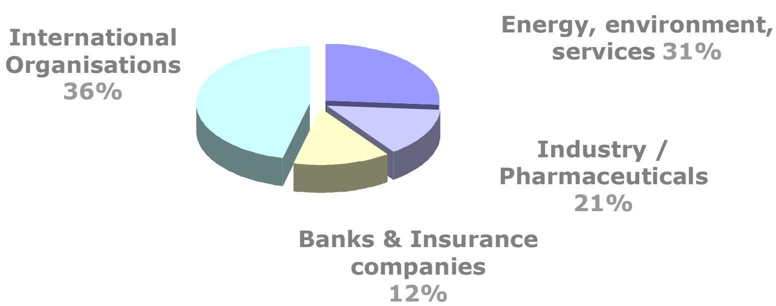
To define SWORD GROUP in terms of activities, services, clientele and geographical positioning, we will begin by providing figures for 2004 pro forma turnover according to these various criteria.
We will then describe the three technological niches in which the group enjoys a position as market leader.

3.1.3.1 Breakdown of 2004 pro-forma turnover

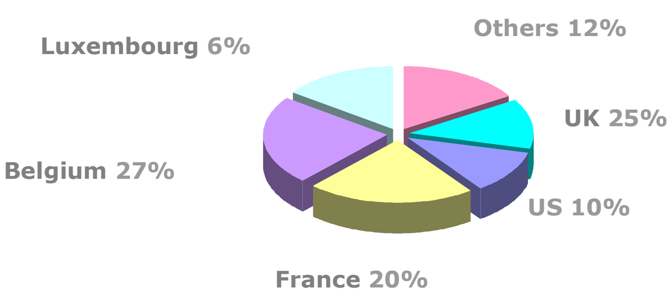
- **By activity**



- **By type of customer**



- **By geographic location**



3.1.3.2 Leader in technology niches

Ever since it was set up, SWORD GROUP has positioned itself in technology niches, and has developed its offerings in order to remain at the forefront of know-how. Since these niches were always complementary, with time they became so interleaved that a reorganization of what the Group was offering naturally evolved into:

- A - Consulting
- B - Enterprise Content Management (ECM)
- C - Security

Since taking over CIMAGE, a company specialising in Document Management products, SWORD has decided to segment the Group differently from 2005 on: Consulting, Solutions, and Products.

Moving from one form of segmenting to the next takes place as follows:
- The Consulting division remains unchanged,
- The ECM division becomes the Solutions division, except for CIMAGE, which moves to the Products division
- The Security division, primarily composed of FIRCOSOFT, will now specialise in (security) Products and joins the Products segment like CIMAGE.

This new organisational structure offers enhanced clarity, as the basis of the activity is more tied to the type of service than to the area of application. Managing a product in a given manner is more important than using such product to target banking security or Document Management.

A/ Consulting

Consulting services are offered by two SWORD GROUP subsidiaries:

- Consulting, by **SWORD Consulting**, the group's consulting subsidiary, based in Paris, which specializes in consulting for specific professions (electronic banking, logistics, banking and industry),
- Change Management, by **DDS Europe Ltd**, based in London, and since 1990 specializing in the management of change brought on by the deployment of major ERP projects.

1) Consulting

The originality of SWORD's approach to consulting may be found in its "profession-oriented" approach, that allows it to propose solutions that have emerged from the client's own organizational and human context. Thus the state-of-the-art skills of the consultants are organized by professional sector:

- **Electronic banking**, inter-bank and industrial: development of inter-banking systems, electronic money, EMV, security of payments over the Internet, compliance of electronic payment terminals, smart cards etc.
- **Banking and finance**: new, automatic handling systems (exchange of check images, other means of payment), international cash management, IAS standards, risk management, consumer credit etc.
- **Industrial logistics and performance**: production management, supply chain, optimisation of logistics costs, distribution and transportation, TPM etc.
- **Industry**: marketing (CRM), sales (activation of sales networks), after-sales, engineering, knowledge management.

A large number of projects at Renault and PSA attest to the consulting divisions' skills in logistics and industry. As part of a global project to optimise workstations and their supply, Renault awarded SWORD the organization and management of the processes and techniques for the physical flow in routing the parts required for auto manufacture to the workstation. Renault also awarded SWORD a preliminary consulting project about using e-learning for the training of its sales network. PSA asked us to assist in the international deployment of the TPM (Total Productive Maintenance) methodology and in the training of management. ARCELOR has called on our skill to structure its Knowledge Management (KM) project.

SWORD's know-how in electronic banking has been used by GIE Cartes Bancaires and in the EMV project, in order to extend CB5 specifications, the follow-up of the EMV pilot projects, and the integration of the EMV 2000 specifications into payment and withdrawals reference manuals.
In another move, the Post Office awarded SWORD a pilot and feasibility study for installing new ATM services.

The Crédit Mutuel de Bretagne retained SWORD's services for the certification and guidance of EMV versions for withdrawals.

On the banking side, BNP Paribas called on SWORD to define and design the handling of checks for major corporations (definition of services and processes).
Natexis Banques Populaires selected SWORD to analyse and guide the implementation of new IAS standards for different credit applications.

SWORD offers expertise in Customer Relationship Management (CRM) on assistance services for client platforms, which has been used on behalf of BNP Paribas.

2) Change management

Integrating an ERP package into a company's IT system requires it to adapt its internal procedures to the new environment. In order that the ERP system increases the business's efficiency, new procedures must be defined in advance, so that later staff will be able to understand and handle them by means of training.

Since 1990, DDS, a subsidiary of SWORD GROUP, has offered consulting on change management, and has set up training solutions in the major multinationals.

Change management consulting services break down into various aspects:
- determining the planning and management of a training project,
- change management programs,
- analysis of training needs,
- development of training content, translations and targeting,
- training in the logistics and management of courses,
- training in the provision of courses,
- support to users in the early phases.

In terms of **training solutions**, SWORD DDS offers simple, effective, targeted and re-usable programs, which help render meaningful the information provided to participants, whatever the management area, the market or the language. It usually involves e-learning. In particular, SWORD GROUP offers On-Demand, a sophisticated software product intended to immediately enhance the performance of ERP users by guiding them step by step through the performance of their tasks.

SWORD GROUP has a team of translators, linguists and multi-lingual consultants to translate training material into the users' mother tongues, and to adapt the training content to the study methods suited to each culture (the Global Media product).

Beyond its total acquaintance with SAP, SWORD GROUPs' added value lies in its being international: this way it can offer multinational companies to deploy a standardized training solution for its users that is then adapted to the working habits of each country.

This know-how can best be illustrated by work for a multinational telecommunications operator and for a major pharmaceuticals manufacturer. Having defined management procedures together with the companies' managements, SWORD consultants lead the installation and deployment: on-line help, multilingual documentation, training of the trainers, training of end users etc.

B/ Enterprise Content Management

Enterprise Content Management (ECM) provides a concrete response to the challenges related to the management of a company's "knowledge capital". In other words, it provides the possibility to store, distribute, use and access in real time, and in due course in natural language, a company's document and knowledge base.

1) Document Management

SWORD GROUP's expertise today provides across the board mastery of every aspect of Electronic Document Management (EDM) and various professional applications.

a) EDM Architecture

SWORD's offering is based on skills acquired over more than a dozen years in document engineering and more recently in N-tier architecture. Our teams specialize in the following areas:

- acquisition (digitalisation, OCR/ICR, document categorization etc),
- legally mandated and operational archiving,
- electronic file management,
- technical documentation management,
- Business process re-engineering (BPR), workflow,
- documentary dematerialization (orders, invoices etc),
- forms management,
- Integration of ECM applications with other elements of an IT system,
- portals, Web servers and document bases,
- electronic publishing,
- documentation structured in accordance with SGML/XML standards.

SWORD becomes involved at every stage of document architecture creation: audit, consulting, assessment, integration and implementation of solutions, recovery, and third-party applications maintenance.

As part of this activity, SWORD GROUP has the advantage of special agreements with such software publishers as **Documentum** and **Filenet**, whom it integrates into its global solutions.

If EDM is an activity in its own right, it also provides real added value in other IT areas. As an example we can mention CRM (Customer Relationship Management), where EDM adds another dimension by facilitating the digital use of contracts, mail etc. Similarly, with ERP products such as SAP, we enhance functionality by providing transparent access to "document images", ensuring significant improvement in processing performance.

For example, SWORD GROUP created an electronic documentation management system for Cetelem for the secure archiving of client files. This system facilitates the storage of client statements of account with a high degree of security, as well as enquiries by its customer service agents using a dedicated Intranet. In the future, other items beyond mail and checks should be handled by this system.

b) Profession specific applications

Professional applications were born of the marriage between professional processes and EDM. In practical terms, they represent the combination of a profession, a Workflow engine, a database and various software components within an EDM architecture. The entire package represents considerable added value.

Here are several professional applications in which SWORD GROUP specializes:

- **Pharmaceuticals:** In order to sell a drug it has to go through a pre-market approval process, which is long and complex. By installing customized applications, the SWORD teams assist manufacturers to guarantee completion of the process and compliance with international regulations while minimizing the time involved.
- **Banking and Telecommunications:** New standards give electronic documents a legal standing. SWORD installs dedicated systems that guarantee safekeeping, tamper-resistance and compliance with standards.
- **Intellectual Property**: IT systems to manage and protect brands, patents, designs and prototypes.

When there is investment in a particular professional area, it is possible to obtain re-usable professional components, which accelerate all the implementation phases of an IT system. We shall quote some examples from the field of IP and the components that SWORD makes available to its clients:

- Ptolemy®, a complete management processing system for an IP office. This software manages the life cycle of IP rights: examination, challenge, registration, renewal, fees, maintenance and transfer of rights, and generation of correspondence with clients. It facilitates, inter alia, monitoring of tasks to be carried out, and dates that must be watched during the life cycle of a brand, patent, design or model, automatic generation of the official gazette, as well as statistics and reports. The system components are developed using Internet/Intranet technologies, facilitating putting these services online on the Web.

- Acsepto®, a system developed to carry out in a single operation priority searches on words and descriptions. An exhaustive lexical search can be made: Acsepto manages all lexical similarity parameters (anagrams, prefixes, suffixes, word structure etc). Comparisons can be made in fifteen languages and it is entirely programmable by the client. The system uses various databases (national trademarks, international listings, EU marks, international names etc). This product can be integrated into the Office suite of programs or with a Ptolemy solution.

- **Internice**, a multilingual classification tool for lists of products and services (classification of the town of Nice).

As an example, SWORD GROUP carried out the total computerization of the Office for the Standardization of the Internal Market, located in Alicante, Spain. The system handles the normal administration of a government department, and consists of an EDM system and a system for research and translation that works in 11 languages. Starting February 2004, the Norwegian Patent Office commenced using specialized versions of Ptolemy and Acsepto, which cover all the Office's activities and which serve 800 users as well as connections by Internet.

c) Recent products

Since 2004, SWORD has provided innovative packaged ECM solutions in the petrochemicals, nuclear, pharmaceuticals and civil engineering sectors.

The uniqueness of these products stems from the extremely stringent requirements of the regulatory authorities. Our solutions combine process management, the reduction of content control (document) costs, greater operating efficiency and the conformity of this content with regulatory requirements.

CIMAGE, our subsidiary which produces these documents, is a "Microsoft Gold Certified Partner for Software Products" and has ISO 9001 certification. It already has 650 implementations in 30 countries.

2) Geographic Information Systems (GIS)

This involves incorporating **cartography within IT systems.**

Geographical information is playing an increasingly important role in the IT systems of both private and public sector organizations. This is seen in the localization systems offered by mobile telephone operators, navigation systems, fleet management systems, property management systems, location-based marketing systems, earth management systems and agricultural aids, and environmental and industrial risk analysis systems.

In this area, SWORD GROUP offers services in strategic and operational consulting, solution engineering, system integration, and third-party applications maintenance.

SWORD GROUP is acknowledged as a major player in this field. Its know-how is based on over ten years experience, which has led to an in-depth understanding of those professions that use GIS: local government, national and urban planning and land rights, transportation, telecommunications, logistics, estate management, location-based marketing, economic research data and statistics.

SWORD's additional skills in NTIS (New Technologies of Information & Communications) let its teams offer services with strong added value.

In its industrial approach, SWORD GROUP has developed a range of integrated software modules that cover the requirements of design, management and distribution of geographical information:

- Cosig.administration, the system administrator's tool, which defines maps, system users and their rights,
- Cosig.certification is an automatic module that ensures data integrity when new data is integrated,
- Cosig.modeling is a GIS modelling tool,
- Cosig.editor facilitates the management and enquiry of every type of data within the system (geographic and allotment data, plans, documents, photos, videos etc),
- Cosig.e-net is an Internet/Intranet application that facilitates looking up data from geographic databases,
- Cosig.property provides land management functions using two technologies: traditional client/server and Intranet. These applications are true management tools for land data coupled with cartographic and multimedia technologies,
- Cosig.supervision provides real time cartography functions. It fulfils the supervisory and localization requirements for a host of information: fleet vehicles, railway wagons or trains.

The addition of a cartographic dimension to their IT systems meets the ever growing requirements of our clients to better know the environment in which they are operating (clients, competition, business activities etc). This approach manifests itself as the integration of GIS with other IT components, such as CRM, ERP CAO and BI.

3) Business Intelligence (BI)

Another of SWORD's specialty areas is the management of structured data within open environments for the implementation of Business Intelligence solutions.

Basing itself on such software products as Oracle, BEA, Microsoft, SAS, Business Objects etc, SWORD develops customized IT systems that meet the various requirements of an organization. The use of standard components and technologies lets SWORD keep costs of development and system maintenance down, while ensuring independence in terms of technology, and accordingly a greater ability to adapt to clients' requirements.

SWORD is able to handle all phases of such projects: from requirements analysis to the training of end-users, by way of architecture validation and system implementation.

In order to make a company stronger within its market, SWORD supports its clients in the development of a data management strategy. In the actual market, faced with ever-growing competition and an ongoing requirement for information, companies must equip themselves with powerful BI systems, from data collection through to making the fullest use of it.

Our Business Intelligence product encompasses consulting, technical assistance, engineering, change management, training and applications maintenance.

There are various parts to the services:

- Total Business Intelligence project management,
- Solution level expertise,
- Installing Data Warehouses (ETL, Storage etc),
- Statistical analysis,
- Enterprise Performance Management,
- Analytical CRM.

SWORD has a team of highly motivated experts with more than 10 years experience, who provide our clients with high added value and a rapid return on investment.

Beyond its complete acquaintance with the Business Intelligence field, SWORD's added value lies in its expertise of "results driven" project management, which has made it the leader in management contracts for major institutions.

In the private sector, in addition to our technical skills, we bring a professional expertise acquired over a wide range of projects we have done.

Let us quote some examples of projects on behalf of the European Commission:

- On behalf of Eurostat, we have a team assisting the client in the analysis and presentation of European data with a view to giving direction to EU policies. Another team is designing decision architecture and is assisting in the implementation and use of such tools as BO and SAS.
- An ongoing contract for the Euratom Safeguards Office's ACCESS project, for all developments in respect of the management of nuclear waste in future member states. This is a contract for 5,000 man days.
- A standing order contract using OLAF for all development and maintenance of "anti-fraud" applications within European institutions.
- An open order connected to the Taxud Directorate's Demco project, for developmental and corrective maintenance of the systems linked to DG TAXUD's 9 IT systems. This is a contract for 8,000 man days.
- An External Service Provider contract with the IT Directorate for 5 years. Lot 7 "BI and Data Warehouse": this covers data warehousing and all developments connected to Business Intelligence.

And outside of the European Commission, such projects as:

- On open contract with Euroscreen for the BI management of all research data in the screening of molecules.
- A standing order with Crédit Agricole Indosuez Luxembourg for the deployment of a BI system, as well as maintenance of all aspects of records, account management and deposits.
- On ongoing contract with Eurocontrol in Brussels for the deployment and maintenance of a BI system and Business Objects.

4) Web Content Management (WCM)

Faced with the dramatic increase in published information, it has become essential to implement powerful, "industrial" systems to facilitate its use and availability in the shortest time possible. The underlying documents are different in type and origin: industrial (technical instructions, quality manuals), legal and financial, administrative, marketing, commercial, publications (encyclopaedias, dictionaries, catalogues).

SWORD's expertise in the field of Web Content Management ensures it is able to handle, based upon the integration of industry-standard tools, the key elements in content management, in particular:

- Editing
    - Many authors (experts, engineers, marketing managers etc)
    - Multiple language management
- Storage
    - Information research
    - Data restoration
    - System centralization and administration
- Validation
    - Security management and validation of published content (life cycle)
- Formatting and assembly
    - Handling of all format types (images, text, audio, video etc)
- Publication
    - Updating data
    - Customizing access to information
    - Remote access via Internet sites, an Intranet or portals

The market solutions integrated by SWORD facilitate the implementation of specific solutions that answer the critical problem of the increase in volume of published information, making it available in a "customized" fashion to the widest audience possible.

As an example, SWORD GROUP designed and implemented for Michelin a multi-lingual content management system to handle the paper and electronic publication of its red and green Guide Books.

We can also refer to the many implementations carried out and in progress for such institutions as the European Commission and the European Parliament, as well as for multinational companies.

C/ Security

Computer security takes many forms. Since 1992 SWORD has specialized in security linked to data quality, in order to spare companies the costly effects of non-quality. The technologies that SWORD installs meet three requirements mainly associated with the banking sector: the fight against money laundering and anti-terrorism, automatic repair of payment messages, control over remote access.

1) The struggle against money laundering and the anti-terrorist war (use of governmental embargo lists, such as OFAC, SDN, BoE, EU etc)

The US Office of Foreign Asset Control (OFAC) publishes a list containing thousands of entries (persons and organizations, vessels), with which the US Government forbids banks or subsidiaries located in the USA to be in contact. Payment orders to the accounts of these parties must be blocked, under pain of high penalties (fines and seizure of funds). The difficulties increase with the number of messages that need to be monitored and with the frequency with which the list changes.

Following 9/11 this requirement became internationalised. Western countries followed by the rest of the world have passed laws that require banks to block the funds that finance terrorism, as well as to upgrade and structure the fight against money laundering.

SWORD GROUP's FircoSoft has designed a software package, OFAC-Agent, which automatically intercepts messages of those on the embargo lists (countries, companies, individuals, vessels). This program accepts every sort of electronic message (payment, securities certificates, letters of credit, telex etc) and can determine within a fraction of a second the names, companies, addresses or bank codes of the message that appear on the list.

More than 60 clients over more than **350 sites** in more than **15 countries** use this solution daily. It is these customers who have made it known worldwide. OFAC-Agent was nominated Nr. 1 for major institutions by *Celent Communications*, in its survey published in July 2003. This sort of tool, particularly in today's conditions, can also spawn many developments in the security field, not least in aviation.

2) "Straight Through Processing"

"Straight Through Processing" (STP) is the **automatic repair and reconstruction of messages** (Swift and other formats). In messaging systems for payments and securities, the poor quality of data transmitted (approximated coding; missing accounts, banking information or names; not formatted; missing routing information, etc) makes automatic processing of the information difficult, and requires manual handling of repetitive and costly errors.

Thanks to STP, these messaging systems need no longer worry about badly structured or incomplete data, and can operate as though the messages were perfectly intact. The automatic correction of messages replaces manual error handling, which considerably reduces the cost of processing.

STP has thus become a major objective in banking and finance, since it creates real economies while improving customer service.

In this field, SWORD GROUP offers a basic software, "STP-Engine", together with specialized modules that can be easily integrated into existing messaging systems. These programs are the fruits of basic, in-depth research in the field of artificial intelligence, particular in respect of natural language and neural networks.

- STP-Engine®. STP-Engine is a program that accepts a complete message as input, and outputs within a fraction of a second a message that can be processed automatically (STP). This involves either changing the message in accordance with grammatical rules, or enhancing and repairing it by using the rules of the profession and by referring to reference dictionaries.

- Firco modules for targeted repair. This family of modules was designed to repair fields in messages (Swift, FedWire, EdiFact or other formats), as well as to improve the rate of automatic processing. Each module uses a dictionary that links names and codes. A utility manages updates.

3) Remote access control

SWORD Security operates mainly in the field of securing Internet access and banking transactions. SWORD Security offers a range of modules for authenticating user ID's over the internet. Among the solutions offered, we would highlight:

Secure Login

The Secure Login solution is based on the "Wireless Login" (W-Login), which authenticates a user through his or her mobile (GSM) telephone with a standard SIM card.

W-Login operates in two ways:

- Authentication using a One-Time Password
- Authentication using an electronic signature

These two modes are based on the same product and let a company develop over time and change technology without having to change the access technology.

For electronic signatures, advanced technologies that employ both private and public keys are used to guarantee the authenticity of a signature.

This solution is particularly relevant for businesses that wish to secure access to their internal networks (Intranets), for banks who need to secure payment transactions (Private Internet Banking), as well as for wireless network operators who offer paying access to virtual private and public networks (VPNs) using public access "hot spots".

For the banking industry, W-Login is a new and innovative solution. It lets a bank offer transactions over the Internet that are completely secure, while at the same time obtaining a competitive advantage by reducing both costs and the complexities of existing solutions. W-Login is entirely independent of any workstation, and affords clients total mobility by facilitating every transaction in complete security from any Internet access point.

Advantages of W-Login:

- The highest security available
- Low cost in terms of organization and maintenance
- Easy to use, no client installation, no training
- NO confidential data is sent over any network
- Separation of data and authentication networks
- Electronic signature or one-time password with the same product
- Electronic signature by a private key in the GSM SIM card
- Authentication of access to site as well as of transactions

Electronic Signature

The W-eSign solution is based on the same technology as W-Login, and facilitates the electronic signature of an XML document. This is particularly useful for on-line documents and forms, such as attendance sheets or other documents that require signature or approval.

Solutions based on W-Login and W-eSign provide functional optimisation and significant cost reductions for those organizations that implement them.

3.1.4 SWORD GROUP WORKS WITH CUSTOMERS ON SEVERAL LEVELS

3.1.4.1 Consulting

As a general trend, SWORD GROUP assists the key accounts of banks, industry and services in the definition and implementation of strategies that will allow them to adapt to an economic climate that is experiencing constant change and which is more competitive and complex than ever.

Its range of services can be divided into two main categories:

- consulting for management (a service that revolves around organisational issues),
- consulting for project management teams (which revolves around information systems).

Its main consulting services are:

- services concerning organisational issues: strategic studies, business plans, master plans, organisation audits, redefinition of company processes (change management);
- services concerning information systems:
    - organisational studies (process formalisation),
    - needs and feasibility studies,
    - project steering (coordination, planning, monitoring, reporting, management charts, etc.),
    - drafting of functional specifications,
    - revenue plans, deployment,
    - change control (communication actions, training-action, redefinition of job profiles, etc.).

Here are a few examples that illustrate this description:

- a financial company belonging to a large automotive group entrusted SWORD GROUP with the operational management of a process automation project to address the expiry of vehicle fleet hire contracts, in accordance with the commercial terms and conditions negotiated;
- vehicle distribution models are changing: the concentration of networks, the probable opening of the vehicle market to new firms, multi-brand strategies, etc. In order to distinguish themselves, manufacturers must improve the productivity of their sales structures and expand their range of services beyond the sale of vehicles. It is with this in mind that SWORD GROUP steps in to steer projects in the fields of marketing, customer relations, sales force management, financing and distribution logistics.
- a large oil group entrusted SWORD GROUP with the creation and implementation of the human resource and technical organisation required to train all its SAP users;
- the community of French banks entrusted SWORD GROUP with the general organisation of the component deployment plan for the new French card payment system, within the scope of the project to implement a new international smart card.

3.1.4.2 Application Management

Application management (or AM) involves **taking over responsibility for an entire area of a company's information system**. This activity caters for the requirements expressed by many international groups in terms of outsourcing part of their information technology, in the aim of reducing maintenance costs and improving the service.

This outsourcing process can include several tasks:

- the design and creation of new computer applications,
- the upgrading of existing applications,
- the maintenance of existing applications.

Customer contracts are more often than not multi-annual and allow genuine partnerships to be formed between SWORD and its customers that go well beyond traditional customer/supplier relationships.

This type of service then leads to integration services for large projects. As an example, one SWORD GROUP team provides corrective, adaptive and progressive maintenance for the different documentary applications developed for the United Nations (UN). This strategy comes into effect downstream from large projects and does not require a separate sales approach.

3.1.4.3 Development of turnkey IT applications

This service involves designing and developing information system architectures. This is an implicit component of all IT service providers, whether it concerns infrastructure elements or the setting up of new technologies.
Thanks to their technological and methodological know-how, SWORD GROUP's consultants participate in this development at all levels of the company's business processes. Within the scope of these services, SWORD GROUP uses a quality repository (Isopro), which enables it to cater for the requirements of IT contractors in terms of flexibility, time-to-market and economic competitiveness, while maintaining a certain level of quality and obeying time constraints.
All business processes are covered: from standard company management functions such as sales, marketing, purchasing, finance, accounting, human resources, communication and production, to the technical purposes of the information system.
In the telecommunications field, SWORD GROUP is assisting CEGETEL with the development of its "Customer communication" IS: a customer file on the website that delegates the administration of management functions to end customers, including electronic invoices and the issuance of different commercial documents.

3.1.4.4 Systems and component integration

Companies must adapt their strategy according to the constant changes in the economic climate and must at the same time rapidly transform their information system.
The complexity of these systems slows down their capacity to adapt, especially as the systems and applications from which they are constituted are increasingly heterogeneous: proprietary applications, integrated management software packages, customer relationship management (CRM) software packages and specialist software packages (EDM for example).
Within this context, the services offered by SWORD GROUP involve installing application software on top of customers' existing computer architectures. This software is built around software packages that are available on the market, around SWORD components or around software that is developed from start to finish.
SWORD GROUP provides these services using an **industrial approach** that is based mainly on the reuse of **software components**; it has positioned itself as a high-added value provider in its different technological niches in order to accompany its customers on this evolutionary step.
As an example, a national industrial property office that wishes to overhaul its information system will be calling upon SWORD GROUP to partially or completely redesign its information system depending on its organisational choices, the international protocols in force and the state of its current information system. In this case, SWORD GROUP's solution will involve taking charge of a multiphase global project supported by its quality assurance and project management methodology, Isopro.

3.1.5 SOLID PARTNERSHIPS

SWORD GROUP works with several partners, in several functional configurations:
- **"certified partner"**: these are partners who decide to work with SWORD GROUP when they share common interests in a project or customer. There is a certain level of commitment in terms of loyalty and making information available: each partner is a co-contractor in the project, and each one is responsible for their own part. Thus, IBM-Lotus and Microsoft can be said to be partners of this type: they sell their equipment and software, and subcontract certain tasks to SWORD GROUP;
- **"integrator"**: SWORD GROUP integrates the partner's product, for example the Documentum and Filenet software applications, which are used in the EDM activity; the customer receives a joint commercial proposal; the sale of the licence is invoiced by SWORD GROUP (For Filenet for example) or by the product supplier, depending on the case in hand; the impact of this invoicing on SWORD GROUP's turnover is around 5%;
- **"commercial agreement"**: the partner agrees to supply SWORD GROUP with information on the modifications made to its products and on its new products, in order for SWORD GROUP to adapt any of its software components that make use of the partner's technology (for example: Swift);
- **"integration of SWORD GROUP components"**: these partners are IT service companies who play a role in certain key accounts; these companies sell on SWORD services and integrate its components into their global projects; this is the case for Steria Suisse and Misys who offer global solutions within the scope of Swift projects and make use of SWORD GROUP's STP components.

The table below lists SWORD GROUP's main partners and the type of partnership that binds them:

Microsoft	certified partner
IBM-Lotus	certified partner
Documentum	integrator
Filenet	integrator
Swift	commercial agreement
Steria Suisse	integration of SWORD GROUP components
Misys	integration of SWORD GROUP components
APIC	integrator
Claritas	integrator
ESRI	integrator
Selligent	integrator
Global knowledge	commercial agreement
Itesoft	integrator
Exstream	integrator
Business Object	certified partner
Oracle	certified partner
Sas	certified partner
Kofax	integrator
Verity	integrator
Captiva	certified partner
Sealed Media	certified partner
Headway	reseller
Dicom	reseller

There is no dependence on these partners, as SWORD GROUP software does not rely upon the versions of software packages hired from its partners.

3.1.6 SWORD GROUP: AN INDUSTRIAL APPROACH TO TAILOR-MADE SERVICES

3.1.6.1 SWORD GROUP's software components

SWORD GROUP is an IT services company that retains know-how gained from each new project, by developing software components as it undertakes new projects for reuse in the following projects (Coged for Document Management, Cosig for SIGs, Acsepto, Ptolemy and Internice for intellectual property, etc.).
These components are not sold as software; nor are they sold as a licence. Components are integrated into the overall service.
This "**software component**" approach allows markets to be won because it demonstrates SWORD GROUP's expertise.

These software components represent development costs of 28 man-years.

3.1.6.2 Products of SWORD GROUP

SWORD GROUP has adopted a product strategy, and thus a software editing strategy, in the following areas:

a) **Security**, with FIRCO packaging: Ofac-agent, STP Engine for use in the banking sector as part of the reconstruction screening of Swift messages

b) **Document Management**, with the introduction of CIMAGE products and the development in 2005 of a range of software products in three areas:

- **the pharmaceuticals sector, with CIMAGE GMP**

  This product will help clients to carry out the follwing tasks in the production processes:
  - manage documentation associated with the process
  - manage changes to procedures
  - keep a record of the aptitudes of staff and training needs

  This product will comply with standard 21 CFR Part 11

- **civil engineering and building, with CIMAGE PDC**

  This product will help clients:
  - manage the documentation of each subcontractor
  - keep a record of inspections and approvals for each modification project phase
  - eliminate and reduce their need for copies of paper documents

- **all Documentum clients, with the BizTop product range**

  These products will be connectors to be used as a Documentum interface, either with products available on the market (e.g. CadTop for Autocad, or SWORD products (e.g. GMPTop for CIMAGE GMP).

3.1.6.3 Technologies mastered by SWORD GROUP

SWORD GROUP works with all the traditional technologies from IT engineering companies:
- standard programming languages: C, C++, Java, Cobol, L4G, etc.
- standard operating systems: Unix, Windows, AS400, Mainframe, etc.
- standard office tools,
- The different platforms available on the market in the fields of development (J2EE architecture: Websphere, Weblogic, free software), integration (EAI, XML) and services (.net).

Within the scope of its change management activity, SWORD GROUP is fully proficient in integrated software, SAP in particular, but also in other ERPs (Peoplesoft, etc.).
For its document management activity, SWORD GROUP works with the Lotus Notes, Documentum and Filenet applications, which it integrates into its solutions.
More generally speaking, SWORD GROUP's engineers are multi-disciplined. They are able on one hand to quickly adapt to a particular technical environment and, on the other, to switch between niches.

3.1.7 ANALYSIS OF THE COMMERCIAL ENVIRONMENT

3.1.7.1 SWORD GROUP's ten largest customers

SWORD GROUP's 10 key customers account for 26.5% of pro forma turnover in 2004, knowing that each customer represents less than 5.2% of the total turnover.

The first 20 customers represent 37.1% of the pro forma 2004 turnover.

Customer companies
BNP PARIBAS
CEGETEL
DIGIT (EU)
DG CUSTOMS AND TAXATION (EU)
DG PRESS (EU)
EDF
EUROSTAT
KRAFT
RENAULT
ROYAL SUN ALLIANCE

These top ten clients account for 28.4 % of consolidated turnover for 2004, knowing that they are the "top ten" in this area.

3.1.7.2 Customer characteristics

The customer invoicing method can be broken down into fixed price (65%) and governed (35%). Governance is essentially used for consulting projects.

The risk attached to fixed price invoicing is limited.

The customer loyalty rate is 100%.

Over the years 2000 to 2004, the rate of non-payment was nil, as our clientele consisted entirely of key accounts. The payment time stipulated in the company's terms and conditions of sale is 60 days end of month. In practice, this is closer to 73 days.

The company's order book is full: by the end of December 2004, it represented 8.85 months' worth of forecast turnover for 2005. The order book for the next three years is equivalent to 13.4 months of the company's budget for 2005.

3.1.7.3 The market and competition

The market

According to Syntec Informatique (using figures of 5th April 2005), at 31st December 2004, IT services and software publishers employing 10 people or more represented a workforce of 200,000 people and produced turnover of €20.5 billion (19.7 in 2003).

The table below, which was produced by SYNTEC INFORMATIQUE (sector information published on 5th April 2005) shows the change forecast for the Software and Services industry and a reminder of the 2004 situation:

Activity	**% 2004/ 2003 actual**	**% 2005/ 2004 forecast**
Consulting	3%	3 to 5%
Engineering	2%	2 to 4%
Facilities management	9%	8 to 10%
Software	2%	4 to 6%
TOTAL	4%	4 to 6%

Competition

Our competitors are large consulting firms and large IT services companies such as Cap Gemini, Atos and Accenture, as well as general IT services companies such as Unilog, Sopra and small specialised services companies:

Activity	Competitors
Consulting	PWC – ATOS – KPMG ACCENTURE
ECM	CGEY – ATOS – STERIA – IBM THALES – SEMA - UNILOG - EURIWARE
SECURITY	PRIME ASSOCIATES – LOGICA THOMSON FINALCIAL PUBLISHING

The competition situation remains very stable from one year to another, though it has become entirely internationalised, and we encounter the same players in one country after another. The success rate for proposals in 2004 was on average above 50%, weighted proportionally to the turnover.

3.1.8 Resources

3.1.8.1 Functional organisational chart on 01/01/2005

Jacques MOTTARD (CEO)
Françoise FILLOT (CFO)
Christian TAPIA (COO)
Heath DAVIES (COO)

Phil NORGATE (UK CFO)
Michael MAROCCIA (US CFO)

Operation 1

Heath DAVIES (OD)

DDS UK London / International	BCS London	ECM London	GUK London	GIN Chennai	CUK London	INF Manchester
Deborah CHEN (BUD)	**Steve HARVEY (BUD)**	**Jim GRAHAM (BUD)** Peter BROWN (SM) Jérome RAGUIN (SM) David WARREN (SM)	**aa. Heath DAVIES (BUD)** Pradeep BANERJI (TD)	**aa. Pradeep BANERJI (BUD)** TV SUBRAMANIAM (TD)	**Andy HAMLYN (BUD)** Wayne COLLINS (SM) Barry SELZER (SM)	**aa. Jim GRAHAM (BUD)**

Operation 2

Philippe FRANCHET (OD)

IDP Paris	SFS Paris	REN Rennes	SWN Lille
Philippe FRANCHET (BUD) Raphaël GODINOT (CD) Stéphane CAILLAREC (SM) Michel FAYET (TD) J-François PAUTHENIER (TD)	**Xavier MORCILLO (BUD)**	**Julie NAJAC (BUD)** Olivier GUERIN (SM)	**Eric VOLCHER (BUD)**

Operation 3

Patrick VERRIER (OD)

SCP Paris
Patrick VERRIER (BUD) Christophe DUFRESNOY (AD)

Operation 4

Christian TAPIA (OD)

SWP Paris / Export	SSA Johannesbourg	SNE New York	FIP Paris / Export	CUS Boston
Fabrice LIENART (BUD) Françoise DRAPERI (TD)	**Kays MGUNI (BUD)**	**aa. Christian TAPIA (BUD)** Ralph RENNA (SM) Pramod YADAV (SM)	**Jean LOSCO (BUD)** Frédéric CASADEI (CD)	**Tim FLEET (BUD)** Bill COSTIGAN (SM) Mark WALFORD (SM)

Operation 5

Jean-Marc SONJON (OD)
Pierre GACHON (CD)

IDL Lyon	GEN Geneva	SWL Lyon
Jean-Marc SONJON (BUD) Maxime GRINFELD (SM)	**aa. Jean-Marc SONJON (BUD)**	**Yorick ASTIER (BUD)** Marie NOURRY (SM) Jean-Louis VILA (TD)
Eric BOUVET (TD) Philippe LE CALVE (TD)		

Operation 6

Patrick de la HAYE (OD)

BXL Brussels	BIB Brussels	ASC Brussels
Patrick DE LA HAYE (BUD) Agnès PETERBROECK (CD) Thierry GUIOT (TD) Tony CLAES (TD)	**Eddy VOLCHER (BUD)** Paul KAISIN (SM)	**Marlène CATTELAIN (BUD)**

Operation 7

Per ROSAND (OD)

SWS Luxembourg	LUX Luxembourg	SWG Athens
Per ROSAND (BUD)	**Per ROSAND (BUD)** Jérôme DOYEN (CD) Frédéric BORDIN (TD)	**Dimitrios GRITIS (BUD)**

The Directors

Jacques MOTTARD, 52, chairman
Between 1989 and 1999, Jacques MOTTARD founded and developed Decan, until the friendly takeover by the Metamor group in February 1999. He occupied the position of chairman of the Metamor Group in Europe until October 2000. He then founded SWORD. Previously, he had occupied the position of sales engineer at Bull, as well as regional manager for the Rhône-Alpes and then managing director at Comelog (IT services). Jacques MOTTARD possesses diplomas in both science and management (Montpellier ESTP (*Grande école* for public works engineering) and IAE (company administration institute)).

Françoise Fillot, 45, executive vice-president, administration and finance
Before joining SWORD, Françoise Fillot had served as administrative and financial director for 9 years at the Decan Group. She has a degree in management/accounting.

Christian Tapia, 45, executive vice-president
Christian Tapia joined SWORD in January 2001. Christian Tapia occupied a position as project chief engineer in artificial intelligence at Cognitech before co-founding Ingénia in 1989. When Ingénia was bought out by Decan in 1997, he became a member of the Decan Group's executive committee and managing director in charge of International Business Units. He is trilingual (French, Spanish and English), holds an MSc in computer science from the University of Illinois, USA, and has carried out numerous studies on artificial intelligence.

Heath Davies, 38, managing director
Heath DAVIES was previously Sales Director at Cimage Enterprise Systems prior to joining Text Systems as Director of Operations. Further to the acquisition of Text Systems by SWORD GROUP in 2002, he became Director of the Business Unit and then Director of Operations in October 2003. He holds a diploma in Computer Engineering from the Council for Information Technology Engineers in the UK.

Philippe Franchet, 41, director of "EDM North" operations
Since 1997 Philippe Franchet was the director of Decan's "IDP" Business Unit, which specialised in EDM. The unit then became part of the SWORD group. Previously, he occupied positions as sales manager, business engineer and project manager at Jacobs Serete. He holds an engineering degree from the CPE (*Grande école* for physics, chemistry and electronics) in Lyon and a Masters from the Essec (*Grande école* for business and economics).

Patrick Verrier, 45, director of "consulting" operations
Patrick VERRIER was a consultant and then a business engineer at Sigma Conseil SA (organisational consulting firm) for 8 years. He took over the management of this unit when it was acquired by Decan in 1998 and then by SWORD in 2000. Since February 2001, he has launched and organised SWORD's consulting activity. He holds a Masters in management from the Université de Paris Dauphine and a DESS (postgraduate diploma) in systems information from the Paris IAE.

Patrick de la Haye, 43, director of "data management" operations
Patrick de la Haye had been Business Development manager at Cronos Luxembourg since June 2002. He took over the management of this unit when it was acquired by Sword in December 2002. Previously, Patrick worked at Oracle Belgium for 8 years as Sales Manager in charge of International Institutions. He holds a diploma in Political Science and International Relations.

Per ROSAND, 47, director of "Security" operations
Per ROSAND is one of the founders of SWORD Technologies (set up in 1999). He is presently Director of Operations for all Business Units in Luxembourg. He obtained a diploma in Information Technology and Communications, and in 1978 commenced his career with the Norwegian Government. Between 1982 – 1992 he was firstly Software Engineer then System Engineer at BULL Europe, and then from 1992 – 1997 was Sales Director at OLIVETTI Belgium, with responsibility for European institutional accounts. Then from 1997 – 1999 he joined INTRASOFT International in Luxembourg as Sales Director with responsibility for European institutional accounts.

Jean-Marc Sonjon, 45, director of "Geographical Information Systems and Documentary Engineering South"
Jean Marc SONJON had been the director of DECAN's "IDL" Business Unit since 1998. The unit specialised in GIS and EDM. Over the course of his career in IT services, he occupied positions as project manager, project director and business engineer in various IT services companies: Syseca, Focal and Comelog. He has a university degree in computer science, and holds a DEST (post graduate diploma in technology).

3.1.8.2 Number of employees

PRO FORMA number of employees on 31st December 2004 by activity

Activity	Billable employees	Non-billable employees	Freelancers	Total number of employees
CONSULTING	60	7	13	80
ECM	532	71	178	781
SECURITY	16	4	4	24
HOLDING		10		10

The staff, including freelancers, rose from 683 to 895 in 2004.

(In 2004, the average daily rate was €522, down from €583 in 2003. This reduction was associated with offshore activity and product maintenance).

The usage rate analysed below is based on two different activities:
- service (85%)
- products (15%)

In "service", the usage rate is 80.1%. For the record, it was 81% in 2003.

The remaining usage is as follows:
- 10.7% for leave
- 1.6% for training
- 2.1% for R&D
- 3.8% for technical supervision
- 1.3% for losses (illness, integration)
- 0.4% for intercontracts

The inter-contract rate represents:
- the integration of new staff; and
- any activity disruptions for certain junior consultants invoiced on external assignment.

For the record, this rate was 0.8 % in 2003**.**

In "products", the usage rate was not a significant criterion. We would like to mention, however, that this rate was 8.21%.

The "products" R&D rate is 70%. This figure refers to the percentage of time spent by “products” staff directly employed by the company on R&D.

3.1.8.3 The main sites

City	Address	Telephone	Owner of the premises	Surface area of the premises
Lyon	9, avenue Charles de Gaulle 69370 Saint-Didier-au Mont d'Or	+ 33 (0)4.72.85.37.40	Groupe Sade 20, bd Eugène Deruelle 69003 Lyon	1,920 m^2
Paris	37, rue de Lyon 75012 Paris	+ 33 (0)1.44.67.24.00	Cogifrance 47, rue du Fbg Saint-Honoré 75008 Paris	1,575 m^2
Rennes	8, Rue Jouanet 35 700 RENNES	+ 33 (0)2 99 84 50 50	Bouygues Immobilier 5, Rue A. Aubry 35000 Rennes	482 m^2
Lille	45/1 avenue de Flandre 59290 Wasquehal	+ 33 (0)3 20 65 30 50	CILOGER 4 quai de Bercy 94 Charenton	170 m^2
London	1000 Great West Road Brentford Middlesex TW8 9DW 22	+ 44.208.758.94.99	Jones Lang Lasalle Hanover Square London WIA 2BN	930 m^2
Bracknell	Centennial Court Easthampstead Road Bracknell, Berkshire RG12 1JZ	+ 44.134.476.77.00	Jones Lang Lasalle	700 m^2
Geneva	Geneva Business Center 12, Avenue de Morgines 1213 Petit Lancy	+ 41 (0) 22 816 06 10	Crédit Suisse AMF CP 8110 ZURICH	240 m^2
Houston	11500 Northwest Freeway, Suite 275 HOUSTON TX 77092	+ 1 713 956 8880	11500 Northwest LP, HOUSTON TX 77092	190 m^2
New York	1250 Broadway – 18th floor – New York, NY 10001	+ 1.212.279.67.34	Symantec Corporation 1 Symantec Way Suite 200 Newport News, VA 23606	300 m²
Burlington (Boston)	One New England Executive Park, 3rd Floor Burlington, MA 01803	+ 1 781 221 03 65	Equity Office Properties Dept # 11141 POBox 827652 Philadelphia, PA 19182-7652	400 m^2
Cincinnati	10921 Reed Hartman Corporate Center Suites 134,136,138 Cincinnati, OH 45242	+ 1 513 792 02 50	CMC Properties 10979 Reed Hartman Highway Cincinnati, OH 45242	92 m^2
India	Arthant Nitco Park 90 Dr Radhakrishnan Salai Mylapore Chennai 600 004	+ 91 44 2847 1904	Mr S. Deivasigamani 11G Rajaji Salai Salem 636 007	5,588 sf
India	Venus Colony Alwarpet	+ 91 44 2431 1061	Mr S. Chakravarthy Deeptha 27 Gopalakrishna Road T. Nagar Chennai 600,017	5,344 sf
Luxembourg	105 route d'Arlon – L 8009 Strassen	+ 353 26 11 26 11	GEO Bildinx 71 rue des Prés, L-7333 Steinsel	1,000 m^2
Brussels	Rue Joseph II, 9 à 13 – B-1000 Bruxelles	+ 32 2 235 29 60	DK Invest Delften 23 B-2390 Malle	600 m^2
Brussels	Rue de Trèves 49-51 B-1040 Bruxelles	+ 32 2 286 97 75	D'Arschot et Cie Avenue Louise 192 1050 Bruxelles	1,530 m^2
South Africa	6 Kikuyu Road Sunninghill Johannesburg 2157	+27 11 234 4206	Mr R.G. Oliver HENTIQ 1122 Ltd Ground Floor 6 Kiluyu Road Sunninghill	85 m^2

There are no business links between the owners of the premises and the directors and employees of SWORD GROUP.

3.1.8.4 Trademarks

SWORD GROUP owns all the trademarks that it needs to use. Indeed, it owns the following trademarks:
- Trademark Firco (European Union): owner: FircoSoft SA,
- Trademark STP Factory trademark (European Union): owner: FircoSoft SA,
- French trademark **SWORD,** initially registered under number 520509 on 22nd June 1979 in classes 9, 35 and 42, renewed on 14th June 1989 under number 1536363, and renewed most recently on 27th May 1999,
- French trademark **Ptolemy,**
- French trademark **Acsepto,**
- European trademark **SWORD,** registered under number 001911809 on 20/10/2000 in classes 9, 16 and 42
- Foreign trademark **SWORD** registered in Germany under number 1111856 on 10th December 1985 in classes 7, 9, 16, 35 and 42,
- Foreign trademark **SWORD** registered in South Africa under number 88/5249 on 29th June 1988 in class 9,
- Foreign trademark **SWORD** registered in South Africa under number 88/5250 on 29th June 1988 in class 35,
- Foreign trademark **SWORD** registered in South Africa under number 88/5251 on 29th June 1988 in class 42,
- Foreign trademark **SWORD** registered in Benelux under number 378628 on 4th September 1981 in classes 7, 9 and 16,
- Foreign trademark **SWORD** registered in the UK under number 1255025 on 22nd November 1985 in class 9,
- Foreign trademark **SWORD** registered in the UK under number 1255026 on 22nd November 1985 in class 16,
- Foreign trademark **SWORD** registered in the UK under number 1278695 in 1st October 1986 in class 42,
- Foreign trademark **SWORD** registered in Switzerland under number 318013 in classes 9 and 16
- Trademark **SWORD** registered in Germany under number 39716994.9
- Trademark **SWORD** registered in Austria, Benelux, Denmark, Spain, France, Italy, Hungary, Sweden and Switzerland under IR number 687758
- Trademark **SWORD** registered in Greece under number 133788
- Trademark **SWORD** registered in Ireland under number 97/2251
- Trademark **SWORD** registered in Argentina under number 2088749 and 2088750
- Trademark **SWORD** registered in Brazil under number 820325619 and 820325627
- Trademark **SWORD** registered in Chile under number 395267 and 395268
- Trademark **SWORD** registered in USA under number 75/546758
- Trademark **SWORD** registered in Hong Kong under number 9042/97 and 9043/97
- Trademark **SWORD** registered in Malaysia under number 97/15145
- Trademark **SWORD** registered in Mexico under number 300980 and 300981
- Trademark **SWORD** registered in Taiwan under number 86045800 and 86045801
- Trademark **SWORD** registered in Thailand under number 343661 and 343662
- Trademark **NOVASOFT** registered in USA under number 75155225
- Trademark **NOVAWORKBENCH** registered in USA under number 75154522
- Trademark **NOVAWEB** registered in USA under number 75154523
- Trademark **NOVAGATEWAY** registered in USA under number 75154526
- Trademark **NOVAMANGE** registered in USA under number 75154521
- Trademark **Dm-NET** registered in the USA under number 2224567 in classes 21, 23, 26, 36 and 38
- Trademark **IMAGEMASTER** registered in the USA under number 1501172 in class 38
- Trademark **CIMAGE** registered in the USA under number 1637485 in class 38

3.1.8.5 The quality system: Isopro

SWORD GROUP has set up an internal group quality scheme, in compliance with ISO 9001 standard.

Principles governing the quality assurance system:

At all levels, **SWORD GROUP's quality structure** is organised as follows:

- It is led by a Quality Assurance Manager (QAM) who reports to general management and coordinates all of SWORD GROUP's Quality Assurance activities.
- **Quality Assurance contacts** are set up at all SWORD GROUP sites.
- The **Project Quality Manager (PQM)** is responsible for monitoring the quality of a project. Depending on the project, he drafts or assists the project manager in drafting the Quality Assurance Plan. The PQM is responsible for monitoring the quality of the project, and his involvement is generally on an ad hoc basis. He carries out or steers quality control activities (reviews). Depending on the business/technical skills required, he may delegate a certain proportion of these controls. Because he observes the project's day-to-day progress as an outsider, he is able to remain sufficiently detached and objective. His precise role with regards to the project, as well as the extent of his involvement, is detailed in the Quality Assurance Plan (in particular his relationship with the project manager).

- The **project manager** is the person responsible for steering the project and all day-to-day quality assurance issues. Continuous action on his part has an impact on the quality of the project through:
    - his commitment to a certain volume of work and deadlines,
    - the strict application of procedures and standards,
    - the traceability of key events, actions and decisions, and the visibility achieved with regards to the project's progress, through the creation of a project file,
    - communication, by supervising the project team, providing an interface with the customer and supplying feedback to SWORD GROUP.

- The **Project Team** carries out the project on a day-to-day basis. Sharing information, increasing awareness and self-evaluation activities are therefore crucial in terms of quality.

The Isopro approach
The Isopro approach relies on:
- a set of organisational procedures,
- a set of operational procedures and work instructions,
- a set of template documents,
- guidance literature,
- tools,

in order for it to be correctly applied.

The quality system: our certifications
Since one year, SWORD has been carrying out a certification procedure. At the same time, SWORD acquired certified companies.
As a result, SWORD is now ISO 9001 certified in the USA and UK, and CMMI Level5 certified in India.
Furthermore, a certification procedure is currently in progress in BENELUX.

3.2 Analysis of the company's risks

3.2.1 Customer risks

There are no customer risks in terms of payments: no SWORD GROUP customer has ever been in a situation of suspension of payments or failed to settle a payment.
In addition, historically speaking, the loyalty rate is 100%. This rate represents the number of customers who renew contracts in year Y, compared with the number of customers in year Y-1.

3.2.2 Reduction in working hours

The reduction in working hours was inherited from negotiations held at Decan by the very same directors, which generated a 10-day reduction in working time, and only concerns the turnover generated in France. This is fully taken into account in the cost accounting activity, which, to allow for this constraint, considers French labour costs to be 1.73 times the gross salary.

3.2.3 Risks relating to the departure of employees and key individuals

Unlike other companies, that rely on individuals to gain results from their know-how, SWORD GROUP is built firmly upon software components that are improved from one project to the next, and which enable this know-how to not be lost should a particular employee leave.

As far as top management is concerned, this is a team that consists of a Chairman/CEO, two managing directors, an administrative and financial director, and 5 directors of operations, introduced in 3.1.8.1.

In the meantime, day to day management is handled by the 13 Directors of BU's, of whom 4 are new, and the 6 Directors of Operations, who are also Business Unit Directors. These are true small and medium-sized company managers, and are responsible for administration, recruitment and management.

Lastly, the policy that has been implemented to encourage staff loyalty, through the allocation of both capital and stock options, contributes to the stability of our teams.

3.2.4 Commercial risk due to fixed price services

Fixed price services dampen the commercial risk of finding ourselves in an inter-contract situation from one day to the next. In the service area, the non-invoicing rate is 9.5% (0.4% for intercontracts, 3.8% for supervision, 2.1% for R&D, 1.6% for training and 1.3% for other items). These figures are similar to those recorded for 2003. The term "non-invoicing rate" refers to the number of days not invoiced, divided by the number of potential days (250 days per year). On the other hand, they increase the risk of end of works and the occupation of the team between projects.

This illustrates the importance of having an order book. Particular attention has been paid to increasing its size. As at 31 December 2004, the order book contained orders equivalent to 13.4 months of turnover forecast for 2005 and the next three years.

Each project is monitored on a monthly basis. To date, the difference between days gained and days lost compared with initial estimates for the cost of projects is close to 0, thanks to the systematic application of the Isopro method. All estimated overruns by comparison to the original budget are immediately tracked by means of subcontracting (additional time on site not reflected in the sales turnover).

Lastly, billing for components is a major element of safety in SWORD GROUP's quoting policy, given that the resulting turnover does not generate direct costs and may alleviate the consequences of overspending on projects.

In terms of invoicing, pro-forma turnover for 2004 was distributed as follows:

- 85% came from "service", of which 65% came from fixed-price contracts and 35% on external assignment
- 15% came from "products", with 0% of invoicing coming from external assignment.

In 2003, the 60% for fixed-price contracts / 40% for external assignments breakdown, applied to the entire pro-forma turnover.

3.2.5 Technological risk

As far as hardware and local networks are concerned, a 5-person team is dedicated to maintaining our infrastructures and, in particular, the daily backup of data, which is placed in fireproof cabinets.
In addition, a civil liability insurance policy allows us to cover all risks relating to damage caused by our employees at customer sites.
Lastly, harnessing our know-how through our software components allows us to confidently grasp the technological advances of our partners and suppliers.

3.2.6 Competition risk

The competition risk is very low thanks to:

- SWORD GROUP's technological advantage,
- its functional knowledge of its customers' areas of work,
- the dispersion of its competitors, all of whom display marked differences,
- the nature of its customers (example: European Community), which makes a considerable investment necessary from the outset.

This wide spectrum of competition is actually a very positive point, especially when the customer requires a wide range of skills for its integration projects, for instance.

3.2.7 Liquidity risk

Loans

Characteristics of securities issued or loans contracted	Fixed or variable rate	Total amount of credit lines	Capital still due as at 31/12/2004	Maturity	Loan secured
Loan No. 1	Variable rate (euribor 3 months +1.5)	€3,049,000	€1,829,000	2004 to 2007	No
Loan No. 2	Variable rate (euribor 3 months +1.5)	€3,049,000	€1,829,000	2004 to 2007	No
Loan No. 3	Variable rate (euribor 3 months +1.5)	€1,000,000	€1,000,000	2007	No

Authority to draw promissory notes

Characteristic	Fixed or variable rate	Amount		Maturity	Promissory note secured
		Unused	Used		
Authority to draw	Variable rate (euribor 1 month + 1) Commitment fee 0.30%	2,700	1 000	30/06/2006	No
Authority to draw	Variable rate (euribor 3 months + 1) Commitment fee 0.25%	2,700	4 170	2004 à 2007	No
Promissory note	Variable rate (euribor 3 months + 0.7) Commitment fee 0.20%	1,000	-	31/12/2006	No
Promissory note	Variable rate (euribor 3 months + 1) Commitment fee 0.30%	4,000	-	30/06/2006	No
Promissory note	Variable rate (euribor 3 months + 1) Commitment fee 0.25%	2,000	-	20/07/2006	No

Overdrafts

SWORD GROUP is granted a total overdraft facility of up to €2,000,000 from financial institutions. At 31st December 2004, the facility was unused and bore interest at a rate of euribor + 1.

SWORD must observe an advance repayment clause, due to the application of an agreement: SWORD promises to maintain:

- an equity capital and similar items / long-run loan ratio equal to or greater than 49.9/60
- a net financial commitment / equity capital ratio of less than or equal to 1
- a net financial commitment / autofinancing ratio less than or equal to 3 years

As at 31 December 2004, the equity capital and similar items / long-term loan ratio was 15.88 (54,612/3,439).

The net financial commitment / equity capital ratio was 0.09 (4,694/54,612).

3.2.8 Interest rate risks

	Up to 1 year	1 to 5 years	Beyond
Financial liabilities	€7,953,000	€3,439,000	-
Financial assets	567	-	-
Net position prior to management	€7,386,000	€3,439,000	-
Off-balance sheet	-	-	-
Net position after management	€7,386,000	€3,439,000	-

The effect of a change in the interest rate is equal to €7,386,000 (net position at variable rate) x 1% of variation in short-term rate x 1 year i.e. €73,800.

Interest rate risks are not currently considered to constitute a significant risk. Nevertheless, this risk is monitored and managed by the administrative and financial department within the scope of the company's general management. There is no specific cover for this risk.

3.2.9 Currency risk

The currency risk is not currently considered to be a significant risk, and it is therefore not necessary to set up a ponderous risk monitoring and management structure.

There are no significant investments or debts that give rise to a currency risk. Indeed, debts are essentially a result of the corporate activity. Thus, no specific tools are available for the currency risk.

The currency risk is controlled by the holding company. Budgets are set out with great prudence, and the analytical exchange rate is always that of the current month.

	In thousands of £	In thousands of $	In thousands of Swiss francs	In thousands of rands	In thousands of Indian rupees
Assets	22,703	16,663	578	4,737	75,729
Liabilities	18,687	13,728	254	3,348	15,720
Net position prior to management	4,016	2,935	324	1,389	60,009
Off-balance sheet position	-	-	-	-	-
Net position after management	4,016	2,935	324	1,389	60,009

3.2.10 Share risks

	Portfolio of third party or UCITS shares	Portfolio of own shares
Assets position	€567,000	€735,000
Off-balance sheet	None	None
Overall net position	€567,000	€735,000

The market value of the portfolio as at 31 December 2004 was:

- Marketable securities: €567,000
- Own shares: €1,327,000

As SWORD holds risk-free marketable securities and own shares the object of share options, there is no risk attached to the portfolio of SWORD GROUP.

Assessment of the portfolio

Two objectives have influenced the way the portfolio is composed:
- The acquisition of the company's own shares within the scope of a share repurchasing programme and a liquidity agreement.
- The investment of cash reserves in risk-free marketable securities.

If we discount own shares, the portfolio is very limited. Given the size of the investments, as yet no internal restrictions (market, counterpart, economic sector) or cover for risks or any other form of internal control have been formulated. Investments must remain conventional by nature and risk-free by definition.

Marketable securities

Marketable securities are valued according to their acquisition cost. If their probable negotiable value at financial year-end (based on the last quoted price or the liquidation value) dips below the purchase price, a provision is set up.

Own shares

SWORD GROUP holds its own shares as part of its shares repurchase programme as authorized by the General Meeting of Shareholders held on 29 December 2003.
The classification on the balance sheet of its own shares held as a result of the shares repurchase programme is in accordance with the stated objectives of the programme:
- shares intended for adjustment of the exchange share price (in particular by way of a liquidity agreement) and for allocation to employees, are accounted for among the investment securities, and are subject to a provision for depreciation when the average stock exchange price for the last month of the year is lower than the historic purchase price.
- own shares intended for other purposes (in particular capital reduction) are included in consolidated capital, with provisions for end of year and the results of transfer not affecting the consolidated results.

At 31st December 2004, all SWORD GROUP's own shares that it holds are allocated as investment securities.

Risk monitoring and management

The only potential risks regarding shares relate to cash investments in marketable securities. Investments are selected from those that present no real risk.

3.2.11 Activity risks

Analysing the projects in progress involves determining the following points for each of them:
- The state of progress of the work,
- The difficulties met and the adherence to the provisional completion schedule,
- The exhaustive entry of costs that have gone into the project,
- The adherence to the various contractual clauses and, most notably, those relating to billing,
- Progress results.

These monitoring procedures are carried out monthly (1st working day of each month) for all current projects. They not only enable the identification of potential problems that may be inherent to certain projects, but also allow monthly results to be determined. These measures are sufficient to justify the absence of specific cover.

3.2.12 Legal risks and dispute-related risks

There are currently no legal risks, given the activity, aside from commercial and technical risks that might arise as a result of the projects under way (cf 3.2.11).

Any detected risk is immediately subjected to a provision for risks and expenses being posted as a liability in the balance sheet.

At 31st December 2004, no general legal risks tied to the Group's activities, are likely to be assessed.

3.2.13 Miscellaneous

The company's general policy on insurance cover revolves around three main areas:

- The cover of "civil liability" risks for each of the group's companies.
- The cover of "civil liability" risks for the directors Mr. Jacques MOTTARD and Mr. François BARBIER.
- The cover of material risks (water damage, fires, vehicle fleet, etc.).
- Its general policy aims to cover risks that constitute a significant financial impact and for which the group is unable to insure itself in a financial sense.

The levels of coverage for the three areas mentioned above are:

SWORD GROUP civil liability:

- Operations: bodily, material and immaterial damage: €7,500,000
- Professional: bodily, material and immaterial damage, regardless of the cause: €4,500,000

Directors' civil liability: €5,000,000

Cover of material risks: multi-risk cover:

- For buildings
- For the vehicle fleet
- For IT equipment

Insurance table:

In million euros	General civil and professional liability		Multirisk	
	Premium	Excess	Premium	Excess
2003	0.1	0.15	0.05	None

An analysis of the Group's risks reveals no significant risk not covered by an insurance contract.

Provisions for risks and expenses: obligations regarding third parties, be they legal, regulatory, contractual or implicit, give rise to a provision for risks and expenses if these exist on the closing date and if it has been established that they will lead to an outflow of resources, without an equivalent counter-flow from the parties concerned.

3.3 Investment policy

3.3.1 Research and development

Policy on R&D was adapted to the introduction of "products" in 2004.

This R&D affects:

- the development of software components in service (85% of turnover). In this area, the proportion of R&D was 2.1%;
- the corrective and development maintenance of products. In this area, the proportion of R&D for products was 70% in 2004;
- the development of new products: this is a strategy first implemented in November 2004 and which should continue throughout 2005. It will not be implemented in 2006 or 2007.

In this area, the proportion of R&D for products was 70% in 2004.

No R&D is activanted in SWORD GROUP's "services" activity.

As a result, the consolidated SWORD GROUP invested 8.21% of its invoiceable staff time in R&D, while the R&D cost/turnover ratio was 4.25%.

R&D into software components related to:
• "Large volume" documentary management
Research and development solves the technical problems that occur when the quantity of information to be processed increases.
• Geographical information systems
This area revolves around the exploration of the new technologies, standards, architectures and IT tools that enter the market.
Keeping watch of technological advances allows SWORD GROUP to be at the cutting edge of the field, to put proposals forward to its customers and to advise them of possible modifications to their system.
Such research work can result in study reports, illustrative prototypes or presentation material.
• International payment management
This activity is comprised of development: in particular for the range of banking services. The range of filtering services that has been around since 1994 is completed by components that are specifically designed to help combat money laundering.
Lastly, a significant part of this development concentrates on the progressive maintenance of existing components.
• National and International intellectual property office management systems
Here, research is carried out on:
- software components for the management of intellectual property ownership in an Intranet/Internet environment,
- intellectual property search tools (verbal and figurative search algorithms),
- classification tools (trademarked products and services, figurative trademarks).

R&D into products related to:
• International payment management
• Document management in the pharmaceuticals, petrochemicals, nuclear and civil engineering sectors
• R&D expenditure in 2004 was considered minor maintenance.

On the other hand, an exceptional R&D plan which will facilitate the development of the 3 product ranges presented in paragraph 3.1.6.2. will be activated in 2005, given that these products are entirely new and in the knowledge that the specification phase has not begun. The R&D budget for the development of these products for 2005 is £1.998 million.

3.3.2 Training

The investment policy regarding training is put into practice through project management, which provides for systematic training when work is initialised. This cost amounts to 1.6% of the wage bill.

3.3.3 Equipment

The investment policy regarding equipment mainly concerns the engineers' microcomputers and local area networks. The IT installed base is a recent development: it will not receive significant investment. Within the scope of application management, computer equipment remains the property of SWORD GROUP's customer.

3.3.4 Investment

By type of investment (excluding financial and intangible investments)

	31/12/2002	31/12/2003	31/12/2004	31/12/2005 (budget)
In thousands of euros				
Buildings	180	-	**-**	
Transport equipment	72	-	12	10
Installations, fixtures	-	98	136	135
Office and IT equipment	264	331	403	405
Office furnishings	128	104	**72**	**70**
Total	**644**	**533**	**623**	**620**

By activity

ECM	609	506	518	515
Consulting	6	5	62	60
Security	29	22	43	45
Total	**644**	**533**	**623**	**620**

By geographic area

France	419	205	260	260
UK + US	222	77	134	135
Belgium + Luxembourg		212	208	205
Others	3	39	21	20
Total	**644**	**533**	**623**	**620**

To date, no commitment to significant investment has been made by management.

3.3.5 Software components

These investments are made within the scope of agreements for new projects, or to exploit the know-how acquired once certain projects are completed: at a functional level (example: trademarks and patents) for the follow up of new international agreements, in order to create specially adapted software components.

Software components are incorporated into the overall service provided for customers. Clients become owners of the software, including its components, without authority to resell the product. In this case, they can carry out their own maintenance, or this can be provided by SWORD GROUP within the scope of a contract.

3.3.6 Products

Product investments can be divided into three groups:
- corrective maintenance, written-off and managed by 70% of product R&D
- minor maintenance, written-off and managed by 70% of product R&D
- the development of new products, for which:
    * the specifications have been written-off
    * developments have been activated and depreciated over the lifetime of the product

There is just one plan for the development of new products for the next three years: CIMAGE GMP, CIMAGE PDC and BIZTop, which will be the object of a £1.998-million investment plan over four years.

3.3.7 <u>Acquisitions completed until 31/12/2004</u>

In thousands of euros	Date	Purchase price	Market shares	Goodwill
SWORD SA	01-11-00	-	8,580	651
FIRCOSOFT	01-11-00	5,238	4,428	13
SWORD DDS France	01-07-01	242	-	-
SWORD Création Informatique	01-11-00	107	-	-
SWORD Inc.	01-11-00	2,561	1,797	-
SWORD Suisse	01-04-01	284,	36	-
DDS EUROPE LIMITED	01-04-01	3,418	1,378	420
SWORD Consulting	01-04-01	419	484,	-
SWORD ECM	01-04-02	4,104	4,770	708
SWORD TECHNOLOGIES	01-12-02	9,780	9,903	267
ZEN ET ART (business)	01-12-03	3,067	3,037	
ASCII/FI-SYSTEM	01-01-04	3,000	4,153	
GLOBAL SOFTWARE SERVICES (1)	01-04-04	2,498	1,810	
CIMAGE (2)	15-07-04	5,696	8,318	
TOTAL		40,130	48,694	2,059

(1) **GLOBAL** was paid for in cash. The reason for this acquisition was the creation of an offshore base located in India for English-speaking markets
(2) **CIMAGE** was paid for in cash. The reasons for this acquisition were:
- to reinforce its position within the ECM niche (Document Management)
- to increase the percentage of our products turnover

GLOBAL's turnover has been taken into account in the consolidated statements since 1st April 2004, that of CIMAGE since 1st July 2004.

3.4 Recent developments

Recent developments since the end of the financial year are presented in the management report, paragraph 4.3.9.

Aside from these elements, SWORD GROUP published two press releases, one concerning two acquisitions (6th April 2005), the other one announcing the turnover for Q1 2005 (12th April 2005).

The company points out that the acquisitions announced on 6th April were funded in cash.

SWORD GROUP

UK acquisitions: PRAGMA and HARVARD join SWORD GROUP on 6th April 2005

- 2005 pro-forma turnover increase: + €9 million
- PRAGMA order book: €10 million over 3 years
- Relutive acquisitions
- Profitability in line with Group's standards

• **PRAGMA**, based in Aberdeen, offers application and infrastructure management and integrated ECM solutions for oil & gas companies. PRAGMA blends into the specialised strategy of SWORD technology and oil & gas market expertise.

Its 2004 turnover was € 6.4m with an EBIT of over 15 %.
The business plan forecasts over 15 % organic growth while maintaining its profitability.

PRAGMA's complementarity with:
- SWORD-CIMAGE (Document Management products dedicated to the oil & gas industry),
- SWORD-HOUSTON (business unit targeting the oil & gas market in the US),

will enable important synergies to further extend both operations.

• **HARVARD**, based in London, is a management consultancy specialising in business-process engineering, workflow automation, quality systems project management and information technology. This company targets banking and financial markets.

Its 2004 revenue was € 1.3m with an EBIT of over 15 %. The business plan forecasts over 15 % organic growth while maintaining its profitability.

The management consultancy / IT solutions complement will be important in London. Our existing operation and the large banking market already established will enable us to forecast major developments for both HARVARD and SWORD UK.

• **Heath DAVIES**, the SWORD COO based in London, will coordinate the Managing Directors of PRAGMA **(Allan MERRITT)** and HARVARD **(Julian MOUNTAIN)**.

> About SWORD GROUP

Set up in December 2000

Founding Chairman:
Jacques MOTTARD

1,015 employees as of 07/04/2005

Eurolist Compartment C

ISIN code: FR0004180578

Next Economy segment

FTSE sector:
972 IT services

IT CAC, CAC Small 90, CAC Mid and Small 190 and SBF 250

> Upcoming press release:
Q1 2005 turnover: 12th April 2005

NE
euronext
NextEconomy

SWORD GROUP

Q1 2005 turnover

- Consolidated turnover: €21.22 million[1]
- Consolidated growth: +20.1%
- Organic growth: + 11.1%
- Operating margin: 15.2%
- Operating statement in line with budget

> About SWORD GROUP

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Next Economy segment

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972 IT services

IT CAC, CAC Small 90, CAC Mid and Small 190 and SBF 250

> Upcoming press release:
Q1 2005 turnover: 12th April 2005

In million euros	Q1-2005 (1)	Q1-2004	CHANGE
Turnover	21.22	17.67	*+ 20.10 %*

1) Non audited figures

Analysis:

Sales:

- **6% of staff assigned to development work on our new product range of Document Management.**
- **Despite this production shortfall, SWORD GROUP once again posted sustained organic growth, in excess of budgeted amounts: 11.1% growth for a budget of 10.5% in Q1 2005.**

Operating margin:

- **In the service sector, profit margins remain in excess of 16%**
- **The product sector is currently in its cycle low (Q1 and Q2). Furthermore, this quarter was impacted by product specification investments.**

Prospects:

Sales:

- **15% organic growth target confirmed**
- **Consolidated sales, excluding forthcoming acquisitions: in excess of €99m.**
- **Proforma sales, excluding forthcoming acquisitions: in excess of €101m.**
- **Additional acquisitions budget: + €9m in sales over a full year (€6.8m consolidated).**
- **Consolidated sales following the forthcoming acquisitions will therefore exceed the initial target of €101m.**

Operating margin:

- **Confirmation of the profitability target of the current consolidation scope, including April's acquisitions: 15%.**
- **Consolidated margin, excluding forthcoming acquisitions: in excess of €14.8m.**
- **With the forthcoming acquisitions, the Group will exceed the budgeted consolidated profit target of €15.2m.**

SWORD GROUP share:

Subject to approval by the General Meeting of 29 April 2005:

- **Share divided by 5.**
- **Distribution of a dividend of €1.20 per share.**

Summary of the income statements (non audited figures):

In thousands of euros	Q1- 2005
Turnover	21,223
Operating profit	3,225
Profit before income tax	3,080
Net profit	2,017
Group's share of net profit	2,040

3.5 Strategy and outlook for the future

3.5.1 Strategy

SWORD GROUP has decided to pursue the strategy it set itself when it was founded:

- **international**: the removal of borders is crucial to the group's activities. For example, in the case of change management, the setting up of an ERP in a large group involves all the subsidiaries of this group, whatever the country. That is why SWORD GROUP works in places such as Japan, Panama or the USA;

- **profitable**: That is why SWORD GROUP maintains an operating profit growth target of 16% for "internal growth";

- **specialised**: SWORD GROUP must become dominant in technologies and functionalities that enable it to demonstrate its know-how as a leader of certain niches, and which are able to complement each other;

- **shared**: A system must be put into place in which the objectives of employees and investors converge. That is why SWORD GROUP has set up a shareholding and stock options system.

Furthermore, SWORD GROUP will always cater for a key accounts customer base, carrying out work on their information systems using the tailor-made industrial approach described in chapter 3.1.6.

In 2005, SWORD GROUP:
a) will continue to pursue its acquisitions strategy in English-speaking countries (the UK, US)
b) will manage the expansion of English-speaking countries' offshore activities
c) will boost its products division

3.5.2 Materialisation of 2004 forecasts

The "pro-forma" figures are calculated by integrating 12 months of activity of the companies acquired during the financial period concerned.

Analysis of gaps

Year 2004 – pro forma in thousands of euros	2004 Forecast [(1)]	2004 Actual [(2)]	Gap
Turnover	92,609	84,234	-8,375
Operating profit	13,940	12,403	-1,537
Consolidated net profit	8,120	7,978	-142
Net profit before goodwill amortisation	8,120	8,137	+17

[(1)] with acquisition
[(2)] pro-forma

	2003 perimeter		
Year 2004 – pro forma in thousands of euros	2004 Forecast [(1)]	2004 Actual [(1)]	Gap
Turnover	72,609	70,670	-1,939
Operating profit	11,670	11,385	-285
Consolidated net profit	6,610	6,991	+381
Net profit before goodwill amortisation	6,610	7,150	+540

Analysis of pro-forma turnover, 2003-2004

(in thousands of euros)	2004 [1]	2003	Variation
ECM	72,247	52,262	+ 38.24%
Security	4,107	2,687	+ 52.84%
Consulting	7,880 [2]	11,068	- 28.80%
TOTAL	**84,234**	**66,016**	

[1] The impact on turnover of acquisitions made during 2004 was as follows:

- the acquisition of CIMAGE on 01/07/2004 made a difference of €9.691 million over the course of the year, of which €5.068 million was consolidated turnover; and
- the acquisition of GLOBAL on 01/04/2004, made a difference of €3.878 million over the course of the year, of which €2.019 milion was consolidated turnover

[2] part of the activity classified as belonging to consulting in 2003 was classified as coming under ECM in 2004. In fact, part of the missions assigned to this sector are technical consulting assignments which, in our view, are closer to ECM than to consulting.

Internal growth as defined in paragraph 3.5.3.2.1 was 14.65% for 2004, generating an operating margin of 18.88%.

Analysis of operating margin for 2004

	2001	2002	2003	2004
Internal growth	17.1%	16.6%	16.1%	18.88% [1]
Pro forma	14.3%	12.9%	14.3%	14.72%

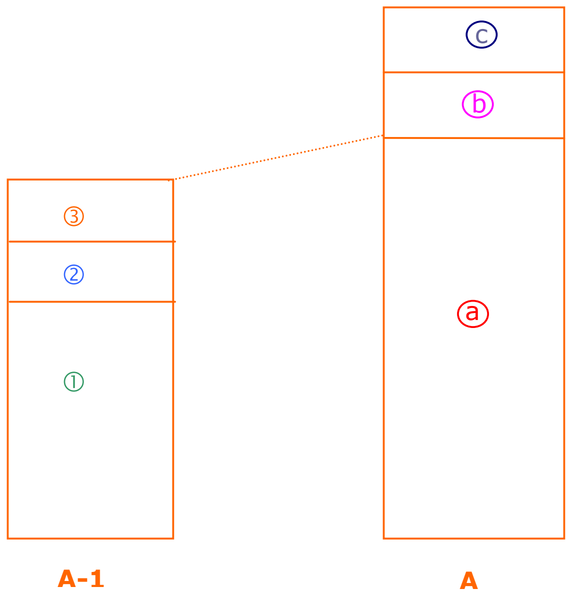
[1] In our analysis of the operating margin, we consider the operating margin generated by the perimeter managed over the last 12 months of the previous year and in 2004. This perimeter, which is considered internal growth perimeter, generated an operating margin of 18.88%.

3.5.3 Business plan 2005 - 2007

3.5.3.1 The BP logic is as follows

We divide the turnover from year A-1 into 3 parts ① + ② + ③
② + ③ were bought in A-1

Following the same logic, we divide the turnover for year A into 3 parts ⓐ ⓑ ⓒ
ⓑ ⓒ were bought in year A



1. Perimeter A-1

① perimeter managed for 12 months following year A-2
② acquisitions made during year A-1 consolidated into the "post-acquisition" month = conso
② + ③ acquisitions made during year A-1 consolidated into 12 full months

① + ② = conso
① + ② + ③ = pro forma

2. Perimeter A

ⓐ perimeter managed for 12 months following year A-1
ⓑ acquisitions made during year A consolidated into "post-acquisition" months = conso
ⓒ ⓑ acquisitions made during year A consolidated into 12 full months

ⓐ + ⓑ = conso

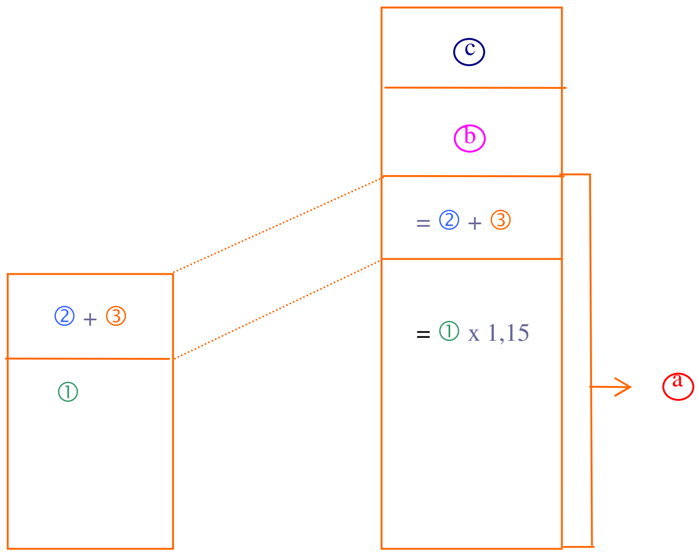
ⓐ + ⓑ + ⓒ = pro-forma

3.5.3.2 Growth is calculated as follows

1. Internal growth

① should grow 15% in A
② and ③ should stabilise in A

In year A, ① + ② + ③ will grow from 10 to 13%, depending on the volume of acquisitions



2. External growth

15 to 25 M€/year with an average of €17.5M
b + c = €17.5M on average

This calculation is based on the assumption that 40% of acquisitions over the year will be consolidated: €7.3M

3.5.3.3 Profit margin (operating profit)

1. Internal growth

① which is already 16% in A-1, remains 16% in A
② + ③ which is less than 16% in A-1, increases to 16% in A

Conclusion: a is at 16% of EBIT

2. External growth

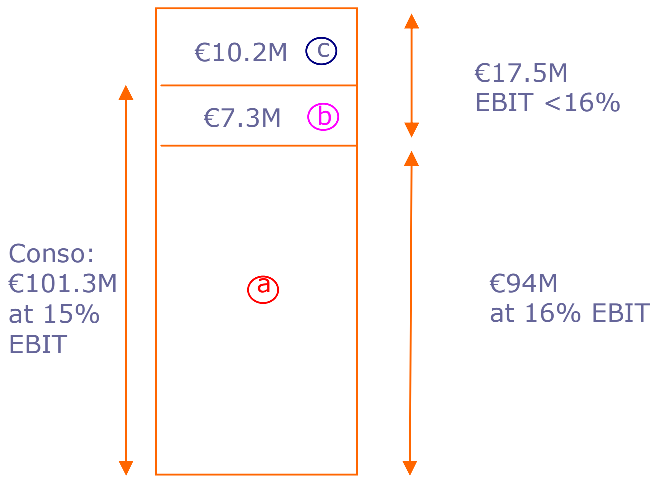
The EBIT of acquisitions must increase to 16% within 1 year

c may be operating at a loss
b must record a profit

Conclusion: a the conso + b will have a profit margin of between 13 and 16%
We will assume a profit margin of 15%

3.5.3.4 Figures

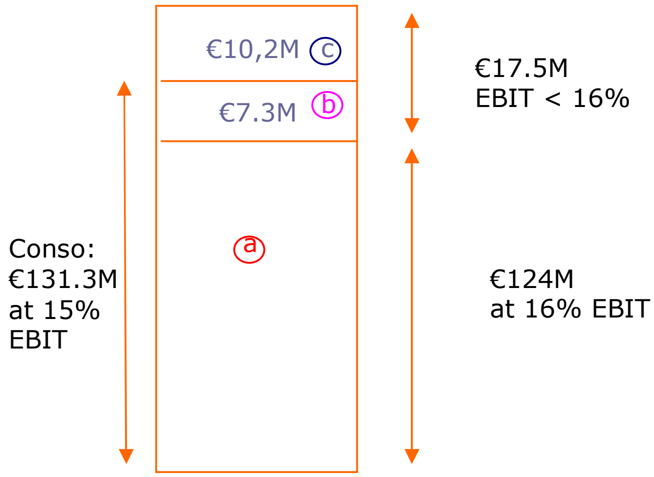
1. Financial 2005



2004, no acquisition	→ €72M	becomes €83 million in 2005
Perimeter acquired in 2004	→ €12M	becomes €12 million in 2005
→Subtotal		€95M reduced to €94M to be safe
→Subtotal of acquisitions		€7.3M consolidated €10.2M non-consolidated (pro-forma)

CONSO TURNOVER: €101.3M
PRO-FORMA TURNOVER: €111.5M

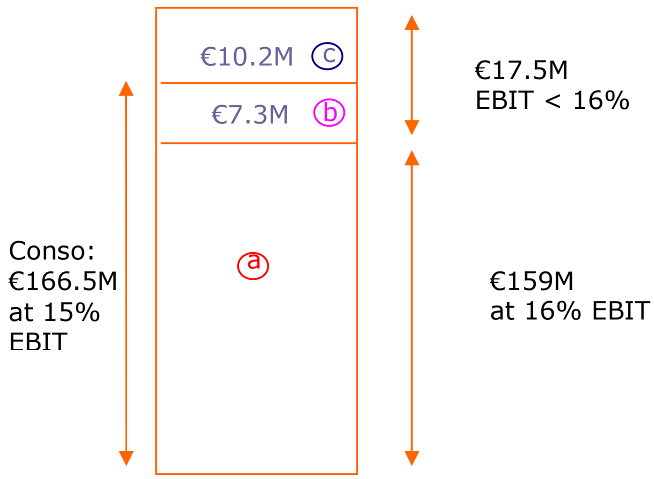
2. Financial 2006



2005, no acquisition	→€94M:	becomes €108 million in 2006
Perimeter acquired in 2005	→€17.5M:	becomes €17.5 million in 2006
	Subtotal:	€125.5M reduced to €124M to be safe
	Subtotal of acquisitions	€7.3M consolidated €10.2M non-consolidated (pro-forma)

CONSO TURNOVER:	**€131.3M**
PRO-FORMA TURNOVER:	**€141.5M**

3. Financial 2007



2006, no acquisition	→ €124M	becomes €142.6 million in 2007
Perimeter acquired in 2006	→ €17.5M	becomes €17.5 million in 2007
Subtotal:		€160.1M reduced to €159 million to be safe
Subtotal of acquisitions	→	€7.5M consolidated
	→	€10.2M non-consolidated (pro-forma)

CONSO TURNOVER: €166.5M
PRO-FORMA TURNOVER: €176.5M

3.5.3.5 Conclusion

Consolidated Business Plan

	2005	2006	2007
Turnover	101.3	131.3	166.5
Operating profit	15.2	19.7	25.0

Pro-forma turnover trend, 2007 = €176 million

A new 3-year business will be drafted for the end of 2007.

Sensitivity of turnover to a change in the assumptions used
Under the assumptions we have chosen, the turnover may be subjected to significant variations, should the forecast external growth not materialise. Indeed, in view of its current size, its geographical positioning and the nature of its markets (technological niches), in terms of consolidated turnover, SWORD GROUP is relatively insensitive to the fluctuations of cyclical factors (sector growth, general economic climate of the country, competition, etc.).

3.5.4 Forecasted financing plan

3.5.4.1 Assumptions

Assets

Investments
Tangible investments are essentially the infrastructure that is necessary for employees to carry out their activities (office furniture, office equipment and IT): this has been determined mainly based on changes in the number of employees over the period.
Financial investments correspond to the acquisition price of turnover gained in the period 2003 to 2004, for which a value equivalent to 6 months worth of turnover has been taken into consideration.

Operating capital requirements
Operating capital 'requirements are determined based on the following assumptions:
* customer payment ratio divided into geographical zones (France, international), that is:
- France: theoretical 60-day payment deadline;
- International (development relates essentially to English speaking countries): 45 days;
* supplier ratios that are identical to customer ratios.

Dividends distributed
A dividend of €0.90 per share was paid for 2003.

Liabilities

Cash flow
Cash flow is directly linked to the profitability defined in the business plan, as calculated costs (depreciation, provisions) are fairly small in SWORD's sector of activity.

Capital increase
The model takes account of the impact on the company's capital by the approval given by the Extraordinary General Meeting for an increase of €5 million, whose implementation was entrusted to the Board of Directors.

Net debt
This item represents total debt (short-term – long-term) minus the cash reserves available at the start and end of the accounting year.

3.5.4.2 Forecast financing plan

	2004	2004	2005
ASSETS		Budget	Budget
Acquisition of fixed assets			
Intangible	170	181	170
Tangible	804	299	600
Financial	9,977	10,000	17,500
Increase in operating capital requirements	9,845	909	1,300
Distribution of dividends	1,221	1,109	1,762
TOTAL ASSETS	22,017	12,498	21,332
LIABILITIES			
Overall cash flow	9,411	6,400	10,200
Sale or reduction of fixed assets			
Capital increase and subsidies	18,180	15,000	
TOTAL LIABILITIES	27,591	21,400	10,200
Annual variation in total net debt	5,574	8,902	-11,132
Net debt (short term – long term) at year-end	-3,784	-456	-14,916

3.6 Extraordinary events and litigation

To the company's knowledge, no extraordinary events or litigation that have not been provided for in the accounts could have or have had an incidence on the results, the financial situation or the assets of SWORD GROUP or any of its subsidiaries.

The level of provisions for risks and other charges is explained on the one hand by provisions for stock options in the SWORD SA subsidiary (€538,000), and on the other hand by a very stringent approach to provisions for risk by the Business Unit directors.

Provisions are allocated for 100% of risks and expenses.

The total sum of provisions for risks and expenses stands at €1,537,000.

3.7 Glossary

Term	Abbreviation	Meaning
Customer Relationship Management	CRM	Strategy, organisation and technologies employed to strengthen relationships with the company's customers.
Data-mining		Data-mining tools make it possible to select a certain quantity of data for the user.
E-learning	E-learning	Computer-aided training system that makes use of the Internet.
e-procurement		Procurement through electronic channels (Internet).
Enterprise Resource Planning	ERP	Integrated management software package that manages one or more of a company's various functions (accounting, production, procurement, etc.)
Electronic Document Management	EDM	Storing, managing, updating, using and circulating all types of digitised document within the company.
Internet		Global network based on a set of interconnected networks and which uses a type of technology that allows users to communicate and exchange data, multimedia information and files.
Intranet		Internal company network that uses Internet technology.
Marketplace		Virtual meeting place for customers and suppliers.
Portal		Website that contains links to other sites organised into themes, as well as various services (weather reports, news, directories, etc.).
Geographical Information System	GIS	System that allows a cartographic dimension to be incorporated into information systems.
Straight-Through Processing	STP	Automatic repair/rebuilding of messages (SWIFT or other formats)
Supply Chain Management		Automation of the company's supply chain through the use of specialist software and the Internet.
Swift	SWIFT	Global inter-bank payment network
Application management	AM	When a company hands over responsibility for an entire functional area of its information system.
Web Content Management	WCM	Expertise to manage and develop multilingual IT systems, in all existing forms: paper, CD-ROM, websites.
World Wide Web	WEB	Multimedia part of the Internet, composed of a number of sites that are interconnected via hyperlinks.
Web to Host		A technique that allows an architecture to be set up that allows users to access central sites thanks to a browser (browser: an application that enables users to browse from one page to another on the Web).
Workflow		Computerisation of business processes that takes into account the various different flows

4 Financial situation and results

4.1 Consolidated financial statements for SWORD GROUP CONSOLIDATED

SWORD GROUP CONSOLIDATED
INCOME STATEMENT

(in thousands of euros)	31/12/2004	31/12/2003	31/12/2002
Turnover	**78,657**	**55,544**	**33,441**
Depreciation reversals, depreciations, provisions, transfers			32
Other revenue	37	2	
REVENUE FROM OPERATIONS	**78,693**	**55,546**	**33,473**
Purchase of materials	201	658	487
Other external purchases and expenses	28,581	22,114	10,499
Taxes and duties	909	398	151
Wages and social contributions	35,495	23,218	17,448
Net depreciation expenses and reserve allocations	902	204	-604
Other operating costs	57	35	5
OPERATING COSTS	**66,144**	**46,626**	**27,986**
OPERATING PROFIT	**12,549**	**8,920**	**5,486**
FINANCIAL RESULT	**-607**	**-504**	**-793**
INCOME FROM ORDINARY OPERATIONS (BEFORE TAX)	**11,941**	**8,417**	**4,693**
EXTRAORDINARY PROFIT (LOSS)	**-178**	**-239**	**138**
Income tax	3,489	2,974	1,018
Goodwill amortisation	159	114	35
OVERALL CONSOLIDATED NET EARNINGS	**8,116**	**5,091**	**3,778**
Share of minority interests	213	198	116
GROUP'S SHARE OF NET EARNINGS	**7,903**	**4,893**	**3,662**
Earnings per share	5.61	3.97	2.97
Diluted earnings per share	5.61	3.97	2.95

SWORD GROUP CONSOLIDATED

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2004
ASSETS

(in thousands of euros)

	31/12/2004			31/12/2003	31/12/2002
	Gross	Deprec. prov	Net	Net	Net
FIXED ASSETS					
Goodwill	2 059	308	1 751	1 018	167
Intangible fixed assets	49 716	549	49 167	34 430	31 394
Tangible fixed assets	5 170	3 248	1 922	1 195	1 257
Financial fixed assets	748		748	299	169
TOTAL FIXED ASSETS	**57 693**	**4 104**	**53 589**	**36 941**	**32 986**
CURRENT ASSETS					
Accounts receivable	30 277	382	29 895	17 745	13 721
Other receivables and accruals	4 917	36	4 881	2 921	2 815
Own shares	735		735	774	94
Marketable securities	567		567	3 024	31
Cash reserves	6 306		6 306	3 764	5 520
TOTAL CURRENT ASSETS	**42 802**	**418**	**42 385**	**28 228**	**22 182**
GRAND TOTAL	**100 496**	**4 522**	**95 973**	**65 169**	**55 168**

SWORD GROUP CONSOLIDATED
CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2004

LIABILITIES

(in thousands of euros)

	31/12/2004	31/12/2003	31/12/2002
Capital	7,342	6,161	6,161
Paid-in capital	33,595	16,596	16,596
Group's share of reserves	5,698	2,512	293
Group's share of net earnings	7,903	4,893	3,662
EQUITY CAPITAL	**54,538**	**30,162**	**26,712**
MINORITY INTERESTS	1,201	1,342	1,589
OTHER EQUITY CAPITAL			
PROVISIONS FOR RISKS AND EXPENSES	1,537	1,104	1,358
Financial debt	11,392	14,537	8,037
Accounts payable	8,953	4,376	6,297
Other creditors and accruals	18,352	13,648	11,175
TOTAL DEBT	**38,697**	**32,560**	**25,508**
GRAND TOTAL	**95,973**	**65,169**	**55,168**

Table of consolidated cash flow on 31st December 2004
Financial period from 1st January to 31st December 2004

(in €)	31/12/2004	31/12/2003	31/12/2002
Operating activities			
Net profit from consolidated companies	8,116	4,893	3,778
Depreciation	1,151	744	419
Allocation / carryover of reserves	-183	-230	-401
Capital gains or losses from asset sales	-11	-9	6
Deferred taxes	339	-26	-11
CASH FLOW	**9,411**	**5,372**	**3,791**
Change in operating capital requirements	-9,845	-2,017	-5,381
TOTAL OPERATING CASH FLOW	**-434**	**3,355**	**-1,590**
Investment operations			
Sale of tangible/intangible fixed assets	4	92	54
Sale of securities		12	
Sale of other financial assets			18
Acquisitions of tangible and intangible fixed assets	-974	-4,247	-712
Acquisitions of other financial fixed assets	-449	-130	
Impact of perimeter changes			
Financial investments (1)	-12,549	-2,265	-12,115
Net cash from acquired companies	3,021	33	2,420
Own share repurchase programme			-527
Cash receipts from long-term loans and deposits			
TOTAL INVESTMENT FLOW	**-10,947**	**-6,506**	**-10,861**
Financing operations			
Parent company capital increase	1,181		2,541
Increase in paid-in cash	16,999		16,048
Frozen partner current accounts			-3,354
Foreign currency reserves			-293
Dividends paid by the parent company	-1,098	-1,380	0
Dividends paid out to minority shareholders	-123	-121	0
Increase in long-term debts	7,530	6,323	1,129
Repayment of long-term debts	-11,547	-1,220	0
TOTAL FINANCIAL FLOWS	**12,942**	**3,603**	**16,072**
TOTAL CASH FLOW	**1,561**	**452**	**3,621**
Net cash at year-end (A)	7,606	5,966	5,646
Cash at year start (B)	5,966	5,646	2,077
Impact of the change in currency prices	-79	132	52
Cash difference (B) – (A)	**1,561**	**452**	**3,621**
Gap	**0**	**0**	**0**

(1) The financial investments for 2004 include:

the acquisition of additional shares of the following companies
- SWORD TECHNOLOGIES
- DDS UK
- ECM
- FIRCOSOFT

the acquisition of additional shares of the following companies
- FI BELGIUM
- GLOBAL
- CIMAGE
- SWORD NORD
- SWORD GREECE
- SWORD SOUTH AFRICA

CHANGES IN CONSOLIDATED EQUITY

	Capital	Paid in capital	Consolidated reserves	Profit (loss) for the period	Translation reserve	Total Group's share of equity capital	Total minority Interests' share of equity cap.	Total equity capital
Closing situation at 31/12/2001	**3,620**	**747**		**1,203**	**-17**	**5,553**	**517**	**6,070**
- Capital increase	2,541	15,849				18,390		18,390
- Result appropriation			1,203	-1,203		0		0
- Profit (loss) for period				3,662		3,662	116	3,778
- Others			46			46		46
- Change in perimeter							956	956
- Own shares			-527			-527		-527
- Translation differential					-413	-413		-413
Closing situation at 31/12/2002	**6,161**	**16,596**	**722**	**3,662**	**-430**	**26,711**	**1,589**	**28,300**
- Result appropriation			3,662	-3,662		0		0
- Profit (loss) for period				4,893		4,893	198	5,091
- Dividends paid by parent company			-1,380			-1,380		-1,380
- Dividends paid						0	-121	-121
- Change in perimeter			38			38	-324	-286
- Own shares			448			448		448
- Translation differential					-548	-548		-548
Closing situation at 31/12/2003	**6,161**	**16,596**	**3 490**	**4,893**	**-978**	**30,162**	**1,342**	**31,504**
- Capital increase	1,181	16,999				18,180		18,180
- Result appropriation			4,893	-4,893		0	214	214
- Profit (loss) for period				7,903		7,903		7,903
- Dividends paid by parent company			-1,198			-1,198		-1,198
- Change in perimeter						0	-355	-355
- Buy-back			-107			-107		-107
- Translation differential					-402	-402		-402
Closing situation at 31/12/2004	**7,342**	**33,595**	**7,078**	**7,903**	**-1,380**	**54,538**	**1,201**	**55,739**

SWORD GROUP: ANNEX TO THE CONSOLIDATED FINANCIAL STATEMENTS At 31st December 2004

(all amounts in thousands of euros)

NOTE 1: ACCOUNTING PRINCIPLES AND CONSOLIDATION RULES

SWORD Group's consolidated financial statements are established in compliance with French accounting principles, in particular with the provisions of rule no. 99-02 of the Accounting Rules Committee. They cover the period between 1st January and 31st December 2004.

The head office of SWORD GROUP, the consolidating company, is located 9 avenue Charles de Gaulle in Saint Didier au Mont d'Or.

Change in method

In accordance with recommendation 2003-R.01 of the National Accounting Council dated 1st April 2003, which applies from this financial period on, from now on the company will post all of its commitments to its staff as provisions for expenses (retirement allowance).

When this change in method was first implemented, its impact was subtracted from the equity capital for an amount of €107,000 after income tax.

1.1. Consolidation perimeter and methods

In 2004, the Group's consolidation perimeter changed as follows:

On 6th February 2004, SWORD GROUP purchased 100% of FI SYSTEM BELGIUM, which in turn holds 100% of ASCII, for €3,000,000. Both companies are based in Belgium. FI SYSTEM BELGIUM and its subsidiary have been consolidated since 1st January 2004, as they have been controlled by SWORD GROUP since that date (judgment by the Paris Commercial Court dated 15th December 2003).

On 1st May, SWORD GROUP purchased 100% of GLOBAL SOFTWARE SERVICE, which in turn holds 100% of GLOBAL INDIA, for €2,321,000. GLOBAL SOFTWARE SERVICES is based in the London suburbs, while GLOBAL INDIA is based in Chennai, India.

Two companies were also set up in 2004:

- SWORD NORD, whose head office is located in Saint-Didier au Mont d'Or.
  This Company is held for 56% by SWORD GROUP. It is intended to:
    - tackle the Lille market
    - serve as a development platform for the needs of our Benelux subsidiary, particularly regarding projects entered into with the European Community.

- SWORD IT SOLUTIONS, whose head office is located 79, Psaron Street – 152 32 Chalandri – Athens - Greece
  This Company is held for 65% by SWORD TECHNOLOGIES nad is intended to be used by SWORD TECHNOLOGIES for its fixed price projects with the European Community.

On 1st July 2004, SWORD ECM (UK) purchased 99.76% of CIMAGE Ltd, a company based in the greater London, for a total of £3,871,000. In turn, CIMAGE Ltd holds 100% of CIMAGE NOVASOFT Ltd, a company based in the greater London, which in turn holds CIMAGE NOVASOFT Inc, a company based in the greater Boston (USA), which in turn holds 100% of KITTIWARE HOLDING LLC, a company based in Cincinatti. The latter in turn holds 100% of ACCESS SYSTEM LLC, a company based in Cincinatti.

The companies within the consolidation perimeter are listed in note 16. All the companies in the consolidation perimeter are controlled in whole by SWORD GROUP and are therefore consolidated using the full consolidation method.

1.2. Closing date and accounting year for consolidation

SWORD GROUP closes its annual individual accounts on 31st December.

All group companies end their financial year on 31 December, with the exception of SWORD INC, GLOBAL SOFTWARE SERVICES and GLOBAN INDIA which for the purposes of consolidation have established an intermediary accounting date of 31. December 2004.

1.3. Internal operations

All reciprocal balances and flows between consolidated companies have been completely cancelled.

1.4. Conversion of financial statements for foreign companies

The conversion of financial statements for foreign subsidiaries outside the Euro zone is carried out using the closing price method.

According to this method, the conversion of financial statements is carried out in the following way:

- All assets and liabilities, be they monetary or non-monetary, are converted using the exchange rates in force on the date the financial year closes
- Revenue and costs (including depreciation and provisions) are converted using the average rate for the period
- Observed foreign currency conversion differences, both on opening balance sheets and on income statements, are posted in equity capital under "foreign currency reserves".

1.5. Conversion of transactions made in foreign currency

Transactions made in foreign currency are converted at the exchange rate in force at the time of the transaction. At the end of the year, any accounts receivable and debts in foreign currency are converted at the closing exchange rate. Conversion differences are posted onto the income statement.

Exchange differences applicable to a debt or account receivable denoted in foreign currency for a consolidated company, for which payment is neither scheduled nor expected to occur in the foreseeable future and effectively represents a net increase or reduction in the group's investment in this foreign company, is recorded in the consolidated equity (conversion reserve) until the complete transfer or liquidation of this investment, at the date at which it is recorded as an earning or a charge as per the other exchange differences of this company.

1.6. Goodwill

The difference observed between the cost of acquiring the shares of a consolidated company (which includes all costs resulting directly from the acquisition) and the share of equity capital acquired, restated according to the group's principles on the date of entry into the consolidation perimeter, is posted to the valuation of identifiable elements. Most notably, this includes any intangible assets that have not been posted in the individual financial statements of each consolidated entity, such as market share (see below).

The final unallocated balance, which constitutes the goodwill, is amortised according to the straight-line method over a period set according to economic activities and which cannot exceed 10 years. The resulting goodwill is taken into account for intangible assets impairment tests (cf 1.7.) and, if applicable, can be subject to a depreciation reserve.

1.7. Intangible fixed assets

Research and development costs

The R&D costs incurred for developing software programs (ECM) that will generate royalties (licenses granted to customers) are activated as fixed assets as soon as they meet the following criteria:

- the project they relate to can be clearly individualised
- the project has clear chances of technical success and commercial profitability
- their cost can be clearly established

Other research and development costs incurred as part of new contracts are entered directly into the costs for the financial year during which they were borne. Internal expenditure devoted to research and development is included in the "wages and social contributions" item. For the period ending 31st December 2004, they represent **approximately 4.25% of the turnover**.

Market shares

The existence of market shares is acknowledged when the target satisfies three criteria:

The existence of an international, national or regional market share
An acknowledged position
Recurring customers.

The market shares acquired directly by the companies in the perimeter and which appear under the "business capital" item of the individual financial statements of said companies are reclassified in the consolidation under the "market share" accounts item, from the moment they themselves satisfy the criteria listed above.

In respect of depreciation of intangible assets, the company employs the provisions of rule CRC 2002-10 relating to the amortization and depreciation of assets. The valuation of market share that appears as an asset in the consolidated balance sheet is systematically subject to independent, expert opinion at a date close to the date of acquisition.

Because market shares posted on the balance sheet are representative of an identifiable intangible asset that does not depreciate with time, and for which an evaluation can be made according to objective criteria (in this case, according to the discounted future cash flow method) that can be monitored over time, these are not subject to depreciation.

Each year, an expert carries out a depreciation test (impairment) that aims to check that the true value of the market shares posted on the balance sheet is equal to or greater than their book value. If this is not the case, a provision for depreciation is posted in the accounts in order to bring their book value down to their true value.

The "products, consulting, and solutions" segments, which account for the cash generated, are taken into account when grouping assets for the depreciation tests conducted prior to the settlement of accounts on 31st December 2004.

- PRODUCTS segment (formerly Security), including Straight Through Processing, efforts against dirty money and financial transfer security,
- CONSULTING segment including organisation and change management consulting,
- SOLUTIONS segment (formerly ECM) including the following activities, which are all embedded one in another: Document Management, Geographic Information Systems, data management, and Web Content Management (WCM).

The methodology used for assessing intangible fixed assets consisted in comparing the usage value (discounted value of future cash flows) for each core business segment with the net book value.

The usage value was calculated on the basis of the following assumptions:
- external growth was not taken into account, as it is based on the company's forecast budgets;
- the financial year elapsed was not taken into account, in order to assess the intangible fixed assets in a more conservative manner;
- the changes in working capital requirements were not taken into account, in accordance with IAS 36 principles relative to the income tax rate taken into account for calculating cash flows, the rates used are the following:

. 31.40% for the PRODUCTS segment
. 30.00% for the SOLUTIONS segment
. 34.33% for the CONSULTING segment

and the following coefficients:
- **the discount rate** has already been estimated by the average weighted cost of the sector's capital, which was determined on the basis of a sample of similar companies.

The other components used for calculating the discount rate were:
- the risk-free rate, which corresponds to the 3-month average 10-year French government bond as at 31/12/2004, i.e. 3.79% (source Bloomberg)
- the market risk premium for the Euro Zone, determined by Bloomberg (31/12/2004) of 6.31%
- a 200-base points spread with respect to the French government bond for the indebtedness
- an income tax rate of 34.33% (conservative rate considering the company's geographic exposure)
- a risk premium of approximately 4% to take into account a difference in size and in confidence in forecasts, or greater exposure to risk than the overall reference sector.

- **the infinite growth rate** used for the infinite series of forecast, is generally less than or equal to the average growth of the country under consideration. Thus, the following infinite growth rates were used:

. 2% for the CONSULTING and SOLUTIONS segments
. 6% for the PRODUCTS segment

1.8. Tangible fixed assets

For tangible fixed assets, the figure that appears on the balance sheet is the acquisition cost. The depreciation of tangible fixed assets is calculated according to the straight-line method over the predicted lifetime.

The main lifetimes used for calculations are:

- Transport equipment 5 years
- Office equipment 3 to 5 years
- IT equipment 3 years
- Office furnishings 10 years

As per an endorsement dated 15th December 2004, the long-term lease for SWORD GROUP's head office has been changed into a direct financing lease. As at 31st December 2004, the company has not used the preferred assets accounting method for that contract in the off-balance sheet commitments (note 13).

1.9. Financial fixed assets

Financial fixed assets consist mainly of paid and recoverable guarantee deposits and shares of the company SBT.

1.10. Operating accounts receivable

These are assessed at face value. A provision for depreciation is set up according to the risk of receivables being non-recoverable and to the length of time they have been in existence.

Customer risks are handled individually and any provisions that may be specifically set up are justified through an evaluation carried out by the group using the information at its disposal: quality of the debtor, length of time the receivables have been in existence, nature of the commercial dispute.

1.11. Fixed price contracts not completed at year-end

Results for fixed price contracts are assessed according to the technical progression status method. The services relating to these contracts are assessed on the basis of a detailed inventory established using cost accounting methods and on the elements used to establish forecasts.

The company posts its employees' output in terms of turnover. To assess the turnover, employees are valued at a daily rate that is specific to their position. Only output for which customers are liable to be invoiced is taken into account when evaluating turnover. Thus, during the course of a project, production times can be entered as mali by taking into account the delays or overspending that are accepted, with respect to the expected progress defined at the start of the contract.

Excess production that appears as turnover on the invoices issued at year-end are entered in the “revenues to be received” section of the assets side of the balance sheet, under the item “customer accounts receivable”.

Conversely, when the invoices issued exceed output produced and warranted, the excess is entered under the item “revenues entered in advance” on the liabilities side of the balance sheet.

Likewise, when output that is produced entered at its cost plus the work that remains to complete the contract, exceeds the total turnover from the contract, a provision for losses upon completion is set up to cover the difference. This provision is entered under the provisions for risks and expenses.

Besides, the company enters as deferred income a provision for interventions likely to be still in progress after receipt of the software and services.

1.12. Own shares

SWORD GROUP holds its own shares as part of its shares repurchase programme as authorized by the General Meeting of Shareholders held on 29 December 2003.

At 31st December 2004, the own shares held by SWORD GROUP are entered as marketable securities since, in accordance with the goals of the share repurchase programme, such own shares are held with a view to their allocation to employees or to readjust the market price in the context of the liquidity agreement entered into with an independent investment services company (PSI).

Whenever at the closing of the financial period, the average market price for the last month of the year is less than the historical purchasing price, a depreciation reserve is entered for the difference.

1.13. Marketable securities

Marketable securities are valued according to their acquisition cost. If their probable negotiable value at financial year-end (based on the last quoted price or the liquidation value) dips below the purchase price, a provision is set up.

1.14. Interests outside the group

The proportion of the group’s equity capital and profits that results form third parties appears in the “minority interests” item of the consolidated balance sheet liabilities.

1.15. Provisions for risks and expenses

Obligations with regards to third parties, be they legal, regulatory, contractual or implicit, give rise to a provision for risks and expenses if these exist on the closing date and if it has been established that they will lead to an outflow of resources, without an equivalent counter-flow from the parties concerned. A regular review of the elements that go to constitute these provisions (commercial disputes, industrial disputes, losses on completion [see 1.11.], restructuring, etc.) is carried out to make any readjustments that are considered necessary.

For the first time, for 2004, a provision for retirement commitments was entered. Such provision is calculated according to the retrospective method of projected credit units (or rights pro rata at maturity method). This change in accounting method has impacts that are detailed in note 9.3 below.

The calculation assumptions are the following:

	2004	2003
Discount rate	2.5641%	2.0608%
Revaluation of annual wages	1.5%	1.5%
Mortality table	INSEE 2003	INSEE 2003

A per age statistic table based on a high turnover rate, unchanged at start date and end date, was used.

1.16. Start-up costs

Start-up costs are entered directly into the costs for the financial year during which they were borne.

1.17. Income tax

Certain restatements posted in the annual financial statements of consolidated companies in order for them to be harmonised with the accounting principles for consolidated financial statements, in addition to certain deferred taxes that appear in the annual financial statements, create temporal differences between taxable income and the restated profit before tax.

Deferred taxes result from the differences between the book and fiscal values of assets and liabilities. These differences give rise to deferred taxes being calculated according to the variable deferment method, which takes into account the terms and conditions for taxation that exist at the end of the financial year.

In the same way, when market shares are acknowledged on the asset side of the balance sheet for the 1st consolidation (see note 1.7.), no deferred tax liabilities are taken into account in the difference between the book value and the fiscal value of said market shares. This is due to the fact that these are evaluation discrepancies relating to intangible assets for which the probability of a transfer that is separate from the company that holds them is judged to be small.

1.18. Fiscal consolidation

Since 1st January 2002, SWORD GROUP has implemented a common law fiscal consolidation scheme. The firms SWORD SA, SWORD CONSULTING and SWORD SAS have chosen that fiscal consolidation scheme.

The application of the scheme within the group has not resulted in any tax savings, since every company that adhered to the fiscal consolidation scheme, operates at a profit.
In accordance with the fiscal consolidation agreement entered into by SWORD GROUP and its consolidated French subsidiaries, each company calculates its tax as if there were no fiscal consolidation.

1.19. Extraordinary profit

Extraordinary profit takes into account non-operating costs and revenue, as well as any adjustments for management operations that are non-recurring and significant, and therefore justify their status as extraordinary profit.

NOTE 2: HIGHLIGHTS

The main events during the past financial year have been:

- On 6 February 2004, SWORD GROUP acquired FI SYSTEM BELGIUM, which owns ASCII, pursuant to authorization by the PARIS Commercial Court on 15 December 2003 to transfer ownership of FI SYSTEM BELGIUM to SWORD GROUP.

- On 26th April 2004, the Board of Directors of SWORD GROUP acknowledged the materialisation of the capital increase by issuing 236,178 shares with share purchase warrants of €5 each, bringing the capital from €6,161,215 to €7,342,105.

- On 1st May 2004, SWORD GROUP purchased 100% of GLOBAL SOFTWARE SERVICE, which in turn holds 100% of GLOBAL INDIA, for €321,000.

- On 1st July 2004, ECM purchased 99.76% of CIMAGE Ltd, which in turn holds 100% of CIMAGE NOVASOFT LTD and CIMAGE NOVASOFT INC. CIMAGE NOVASOFT INC holds 100% of KITTIWARE HOLDINGLLC and ACCESS SYSTEM LLC.

NOTE 3: INCOME STATEMENT

3.1. Sector information

	12/04	12/03
Turnover	***78,657***	***55,544***
By sector of activity (according to BU)		
▪ ECM	66,670	41,789
▪ Consulting	7,880	11,068
▪ Security	4,107	2,687
By geographic area		
▪ France	16,553	14,496
▪ UK + USA + India	24,075	10,083
▪ Benelux	27,745	20,637
▪ Others	10,283	10,328
Operating profit	***12,549,***	***8,920***
By sector of activity		
▪ ECM	10,516	6,756
▪ Consulting	1,143	1,566
▪ Security	890	598
By geographic area		
▪ France	2,161	1,528
▪ UK + USA + India	3,795	1,392
▪ Benelux	4,939	3,823
▪ Others	1,654	2,177

	12/04	***12/03***
Average workforce of companies incorporated through full consolidation (1)	***700***	***435***
By sector of activity		
▪ ECM	612	331
▪ Consulting	68	84
▪ Security	20	20
By geographic area		
▪ France	184	143
▪ UK + USA + India	214	46
▪ Benelux (2)	194	95
▪ Others (3)	108	151
Gross fixed assets	***57,733***	***38,632***
By sector of activity		
▪ ECM	48,255	29,204
▪ Consulting	4,857	4,818
▪ Security	4,621	4,610
By geographic area		
▪ France	15,895	15,397
▪ UK + USA + India	25,130	12,283
▪ Benelux	16,596	10,852
▪ Others	112	100

(1) The increase in workforce takes into account the staffs of ASCII, GLOBAL, and CIMAGE, as well as the recruitment.

(2) The increase in workforce is partly the result of the acquisition of ASCII.

(3) The change is due to the use of freelancers.

3.2. Personnel costs

Personnel costs come out to €35,495,000 and are analysed in terms of:

(in thousands of euros)	*12/04*	*12/03*
Gross wages	28,273	17,803
Social contributions	7,092	5,372
Stakes and interests	130	43
Total	***35,495***	***23,218***

Average consolidated workforce

	12/04	*12/03*
Executive	608	375
Non-executive	92	60
Total	***700***	***435***

3.3. Net reserve allocations for operational depreciation and provisions

(in thousands of euros)	*12/04*	*12/03*
Net reserve allocation for tangible and intangible fixed assets	992	631
Reserve allocation for accounts receivable	335	7
Reserve allocation for other provisions for risks and expenses	(296)	(392)
Total	***902***	***246***

3.4. Financial result

(in thousands of euros)	12/04	12/03
Reserve allocations		539
Net expenses for marketable securities		
Financial expenses for loans	571	482
Negative exchange rate differences	816	635
Total net financial costs	***1,387***	***1,656***
Reversal from financial reserves		475
Revenue from marketable securities	41	2
Other revenues	63	114
Positive exchange rate differences	676	561
Total financial revenue.	***780***	***1,152***
Financial result	***(607)***	***(504)***

3.5. Extraordinary profit

Extraordinary profit can be broken down as follows:

(in thousands of euros)	12/04	12/03
Capital gains on the disposal of tangible/intangible fixed assets	11	9
Net reversal of other provisions for risks and expenses		
Other extraordinary costs and revenues	(189)	(248)
Extraordinary profit	**(178)**	**(239)**

3.6. Analysis of income tax expenses

3.6.1. Structure of the income tax bill

(in thousands of euros)	12/04	12/03
Income tax on ordinary operations	3,150	3,000
Deferred taxes (1)	339	(26)
Total	***3,489***	***2,974***

(1) See note 1.18.

3.6.2. Actual tax rate

(in thousands of euros)	*12/04*	*12/03*
Profit from consolidated companies before tax	***11,605***	***8,064***
Average tax rate in force in France	***34.33%***	***34.33%***
Expected tax	*3,984*	*2,769*
Impact		
▪ Final difference between profit before tax and taxable profit	(130)	40
▪ Permanent differences on consolidation entries	180	194
▪ Exchange rate difference for foreign subsidiaries	(230)	(25)
▪ Non-activation of income tax for tax deficits (prudence principle)	288	30
▪ Use of tax deficits not taken into account at the start of the year	(603)	(34)
▪ Miscellaneous		
Actual assessed tax	*3,489*	*2,974*
Actual tax rate	***30.06%***	***36.88%***

3.7. Profit per share

Undiluted net profit per share is calculated from the average weighted number of shares outstanding during the financial year in question, from which the average weighted number of shares held by consolidated companies is deducted.

Net diluted profits per share take into account share equivalents, after the deduction of share equivalents held by consolidated companies, which have a dilution effect, and do not take into account share equivalents that do not have a dilution effect.

To calculate the 2004 diluted profit, the 236,178 SWORD GROUP BSAs outstanding likely to result in the issue of 59,045 new SWORD GROUP shares, were taken into account through the share repurchase method.

In euros	*12/04*	*12/03*
Undiluted net profit per share		
▪ Total average number of shares	1,409,377	1,232,243
▪ Total net profit	7,903,145	4,893,015
▪ ***Undiluted net profit per share***	**5.61**	**3.97**
Net diluted profit per share		
▪ Total average number of shares	1,409,377	1,232,243
▪ Number of shares attached to the BSAs	134 (share equivalent)	
▪ ***Total number of securities***	**1,409,511**	**1,232,243**
▪ Total net profit	7,903,145	4,893,015
▪ ***Net diluted profit per share***	**5.61**	**3.97**

NOTE 4: INTANGIBLE FIXED ASSETS

4.1. Item breakdown

	31/12/2004		
(in thousands of euros)	**Gross value**	***Depreciation***	**Net value**
Software, other intangible fixed assets	1,022	(549)	473
Market shares	48,694		48,694
Goodwill	2,059	(308)	1,751
Total	**51,775**	**(857)**	**50,918**

On 31st December 2004, market shares include:

- **"ECM" segment**

- SWORD Inc,	€1,797,000
- SWORD SA,	€8,580,000
- SWORD SUISSE,	€36,000
- SWORD ECM Ltd,	€4,770,000
- SWORD TECHNOLOGIES SA,	€9,903,000
- ZEN ET ART,	€3,037,000
- ASCII/FI SYSTEM BELGIUM	€4,153,000
- GLOBAL SOFTWARE SERVICES (UK + INDIA)	€1,810,000
- CIMAGE	€8,318,000

- **Security segment**

- FIRCOSOFT SA,	€4,307,000
- FIRCOSOTF Inc,	€121,000

- **Consulting segment**

- DDS EUROPE LIMITED,	€1,378,000
- SWORD CONSULTING,	€484,000

At 31st December 2004, the goodwill concerned:

	Gross	Net
- SWORD SA,	€651,000	€488,000
- SWORD ECM Ltd,	€708,000	€685,000
- SWORD TECHNOLOGIES SA,	€267,000	€253,000
- FIRCOSOFT SA,	€13,000	€12,000
- DDS EUROPE LIMITED,	€420,000	€313,000

For financial 2004, the research and development costs capitalised come out to €307,000 and relate to the FUSION project.

(in thousands of euros)	31/12/2003 Gross value	*Depreciation*	Net value
Software, other intangible fixed assets	323	(277)	46
Market shares	34,384		34,384
Goodwill	1,167	(149)	1,018
Total	**35,874**	**(426)**	**35,448**

At 31st December 2003, the market shares concern:

- **"ECM" segment**
  - SWORD Inc, €1,797,000
  - SWORD SA, €8,580,000
  - SWORD SUISSE, €36,000
  - SWORD ECM Ltd, €4,709,000
  - SWORD TECHNOLOGIES SA, €9,905,000
  - ZEN ET ART, €3,067,000

- **Security segment**
  - FIRCOSOFT SA, €4,307,000
  - FIRCOSOTF Inc, €121,000

- **Consulting segment**
  - DDS EUROPE LIMITED, €1,378,000
  - SWORD CONSULTING, €484,000

At 31st December 2003, the goodwill concerns:

	Gross	Net
- SWORD SA,	€651,000	€570,000
- SWORD ECM Ltd,	€96,000	€93,000
- DDS EUROPE LIMITED,	€40,000	€355,000

4.2. Movements for the period

(in thousands of euros)	12/03	Acquisitions reserve allocations	Sale of assets	MEE	Perimeter movements	12/04
Market shares						
Gross value	34,384	31			14,279	48,694
Depreciation						
Net	34,384	31			14,279	48,694
Goodwill						
Gross value	1,167	892				2,059
Depreciation	(149)	(159)				(308)
Net	1,018	733				1,751
Other intangible fixed assets						
Gross value	323	169	(2)		532	1,022
Depreciation	(277)	(164)			(108)	(549)
Net	46	5	(2)		424	473
TotalTotal	**35,448**	**769**	**(2)**		**14,703**	**50,918**

NOTE 5: TANGIBLE FIXED ASSETS

5.1. Item breakdown

(in thousands of euros)	31/12/04		
	Gross value	Depreciation	Net value
Land	-	-	-
Buildings	166	(90)	76
Transport equipment	121	(33)	88
Fixtures-installations	1,162	(596)	566
Office and IT equipment	3,213	(2,292)	921
Office furnishings	508	(237)	271
Total	**5,170**	**(3,248)**	**1,922**

(in thousands of euros)	31/12/03		
	Gross value	Depreciation	Net value
Land	-	-	-
Buildings	166	(73)	93
Transport equipment			
Fixtures-installations	498	(192)	306
Office and IT equipment	1,466	(887)	579
Office furnishings	329	(112)	217
Total	**2,459**	**(1,264)**	**1,195**

5.2. Movements for the period

(in thousands of euros)	12/03	Acquisitions reserve allocations	Disposals	Perimeter movements	12/04
Land					
Gross value					
Depreciation					
Net					
Buildings					
Gross value	166				166
Depreciation	(73)	(17)			(90)
Net	93	(17)			76
Equipment and tools					
Gross value					
Depreciation					
Net					
Transport equipment					
Gross value		12		109	121
Depreciation		(27)		(6)	(33)
Net		(15)		103	88
Fixtures-installations					
Gross value	498	136		528	1,162
Depreciation	(192)	(207)		(197)	(596)
Net	306	(71)		331	566
IT and office equipment					
Gross value	1,466	403	(30)	1,374	3,213
Depreciation	(887)	(519)	5	(891)	(2,292)
Net	579	(116)	(25)	483	921
Office furnishings					
Gross value	329	72		107	508
Depreciation	(112)	(58)		(67)	(237)
Net	217	14		40	271
Total	**1,195**	**(205)**	**(25)**	**957**	**1,922**

NOTE 6: FINANCIAL FIXED ASSETS

Financial fixed assets are principally made up of deposits and securities in SWORD SA and SWORD SUISSE, as well as a stake of 3.3% in SBT by SWORD CONSULTING.

NOTE 7: OPERATING ACCOUNTS RECEIVABLE

7.1. Item breakdown by type

(in thousands of euros)	12/04		
	Gross value	Provisions	Net value
Customer and operating accounts receivable	30,277	382	29,895
Other receivables	4,396	36	4,360
Prepaid expenses	447		447
Deferred tax assets	74		74
TotalTotal	**35,194**	**418**	**34,776**

(in thousands of euros)	12/03		
	Gross value	**Provisions**	**Net value**
Customer and operating accounts receivable	17,771	26	17,745
Other receivables	2,460	31	2,429
Prepaid expenses	445		445
Deferred tax assets	47		47
Total	**20,723**	**57**	**20,666**

7.2. Item breakdown by maturity date

(in thousands of euros)	12/04	12/03
Maturity date		
< 1 year	34,405	20,666
1 year < X < 5 years	789	
> 5 years		
Total (1)	***35,194***	***20,666***

NOTE 8: SHARE CAPITAL AND SECURITIES GIVING ACCESS TO CAPITAL

➢ ***Share capital***

Share capital consisted of 8,000 shares with a face value of €5 on the date SWORD GROUP was formed in June 2001.

The extraordinary shareholder meeting of 30th August 2001 voted for an increase in capital of €3,412,000 to pay SWORD SA shareholders, who contributed all their SWORD SA shares to SWORD GROUP.

On 31st December 2001, following the exercising of 33,568 stock warrants by Jacques MOTTARD, share capital was increased by a further €168,000.

On 27th February 2002, following the exercising of 123,072 stock warrants by the company 21 CENTRAL PARTNER, share capital was increased by €615,000 (123,072 new shares) with paid-in capital of €2,769,000.

On 12th March 2002 the Board of Directors ordered an increase in the capital reserved for the VCF 21 DEVELOPPEMENT of €630,000 (126,089 new shares) with paid-in capital of €4,665,000.

On 20th March 2002 the Board of Directors ordered an increase in capital of €1,295,000 (259,020 new shares) with paid-in capital of €9,584,000 with the intention of floating the company on the stock market.

The Combined General Meeting of Shareholders held on 27 February 2002 awarded the Board of Directors the necessary authority to issue all SWORD GROUP securities through public offerings.

The Board of Directors held 21st January 2004 sub-delegated to the Chairman all authority granted by the aforementioned meeting.

On 26th March 2004, the Chairman of the Board decided to initiate the issue of 205,373 shares with share purchase warrants (ABSAs) for €1,026,865 (i.e. €5 per ABSA) and maximum paid-in cash of €15,813,721 (i.e. €77 per ABSA) with an option to issue 30,805 additional ABSAs in the event the extension clause were exercised.

On 7 April 2004, the Chairman of the Board decided to exercise the 15% extension clause by bringing up to 236,178 the number of ABSAs to be issued as part of the capital increase of SWORD GROUP.

The Board of Directors held 26 April 2006 noted that 236,178 new shares with share purchase warrants of €5 each, making up the capital increase of €1,180,890, were fully underwritten, bringing the capital up to €7,342,105. Each new ABSA includes a BSA (share purchase warrant), the exercise conditions of which are the following:

- 4 BSAs will allow to underwrite 1 SWORD GROUP share
- Underwriting of SWORD GROUP shares at any time from the time they are entered into the accounts, up until 30 April 2006
- Exercise price of a share: €96.78

On 31st December 2004, share capital totalled 7,342,105 euros, divided into 1,468,421 shares with a face value of €5. On 31st December 2004, no BSA had been underwritten.

NOTE 9: PROVISIONS FOR RISKS AND EXPENSES

9.1. Item breakdown

(in thousands of euros)	31/12/2003	31/12/2004
Provision for legal risks	114	-
Other provisions for risks and expenses (1)	990	1,537
Total	1104	1 537

(1) The item includes:
- the expenses resulting from the commitment to repurchase SWORD SA shares under stock option contracts for €538,000.
- a provision for risks tied to the acquisition of ASCII for a price of €578,000.
- the retirement allowance provision for €205,000, the rest being mostly provisions for project risks.

9.2. Movements for the period

(in thousands of euros)	31/12/2003	Reserve allocations for the financial year	Carryovers for the financial year		Perimeter movements	Others (1)	31/12/2004
			Used up	Not applicable			
Operations							
- Reserve allocations for legal risks							
- Other provisions for risks and expenses	286	125	(293)	(15)	761		864
Financial							
Provision for exchange rate losses	-						
Provision for costs relating to the repurchasing agreement within the scope of stock options	538						538
Extraordinary							
- Reserve allocations for legal risks (2)	114			(114)			-
- Other provisions for risks and expenses	166					(31)	135
TOTAL	**1,104**	**125**	**(293)**	**(129)**	**761**	**(31)**	**1,537**

This is the impact of currency price changes

This provision was transferred to a provision for bad debts

9.3. Detail of the buy-back indemnity

(in thousands of euros)	12/03	Change in method	Cost for 2004	Actuarial difference (1)	12/04
Retirement allowance		161	34	10	205
Unrecognised actuarial difference					
Change in scheme					
Total		161	34	10	205

(1) given the amount which is not significant, the actuarial difference was directly entered as expenses

The retirement allowance provision was entered as equity for €161,000, covering the estimated commitment at 1st January 2004. The cost for financial 2004, which came out to €44,000, was entered into the income statement.
The actuarial change for the period was entirely entered as result.
The pension commitments are not covered by any assets.

NOTE 10: NET DEBT

10.1. Item breakdown by type

(in thousands of euros)	12/04	12/03
Other long-term and medium-term borrowing	11,392	13,076
Other LT financial debts		
Current financial backing from banks		1,461
Total gross debt	***11,392***	***14,537***
Financial current accounts (debit side)		
Own shares	735	774
Marketable securities	567	3,024
Cash and similar	,6,306	3,764
Total net debt	***3,784***	***6,975***

SWORD GROUP promises to maintain, in accordance with the covenant clauses:

- an equity capital and similar items / long-run loan ratio equal to or greater than 49.9/60
- a net financial commitment / equity capital ratio of less than or equal to 1
- a net financial commitment / autofinancing ratio less than or equal to 3 years

Should SWORD GROUP fail to comply with the above covenants, it must observe an advance repayment clause for outstanding credit, the amount of which is €9,828,000 at 31st December 2004.
At 31st December 2004, SWORD GROUP complies with such covenants.

The market price of marketable securities comes out to €567,000 at 31st December 2004.

10.2 Breakdown of loans by maturity date

(in thousands of euros)	12/04	12/03
Maturity date		
< 1 year	7,953	10,878
1 year < X > 5 years	3,439	3,659
> 5 years		
Total (1)	***11,392***	***14,537***

The main loans were contracted at the 3-month Euribor interest rate of +1.5.

NOTE 11: OPERATING DEBTS

(in thousands of euros)	12/04	12/03
Accounts payable and other operating debts	8,953	4,514
Tax and social debts	11,566	9,870
Other debts	2,563	295
Deferred income	4,223	3,345
Total	**27,305**	**18,024**

NOTE 12: DEFERRED TAX DEBITS AND CREDITS

(in thousands of euros)	12/04	12/03
DEFERRED TAX DEBITS		
Temporary differences	74	47
Tax credits		
Tax debits		
Total	**74**	**47**
DEFERRED TAX CREDITS		
Temporary differences	67	-
Tax credits		
Tax debits		
Total	**67**	**-**

NOTE 13: LEASING COMMITMENTS

As per an endorsement dated 15th December 2004, the long-term lease for SWORD GROUP's (Saint-Didier au Mont d'Or) head office has been changed into a direct financing lease.

The terms of the lease are the following:

- value of the asset: €2,300,000
- financial debt: €2,300,000
- fixed quarterly rents: 31 instalments
- non discounted rents: €2,899,000
- average interest rate: 6,29%
- building depreciation period: 20 years

NOTE 14: OTHER CONTINGENT LIABILITIES

Breakdown by type

		31/12/2004		
	Total	Payments due per period		
		Within less than one year	From one to 5 years	Within more than 5 years
Contractual obligation				
Long term debt				
Lease obligations				
Simple lease contract	1,455	732	723	
Irrevocable purchasing obligations				
Other long term obligations (5)				
Total	**1,455**	**732**	**723**	
Other commercial commitments				
Secured credit facilities (1)	3,658	1,219	2,439	
Letters of credit				
Guarantees given on contracts	1,286	602	684	
Commitment to repurchase own shares (2)	60	60		
Other commercial commitments (3)	104			104
Total	**5,108**	**1,881**	**3,123**	**104**
Guarantees received				
Guarantee received on a project				
Other commitments received (4)	220			220
Total	**220**			**220**

(1) SWORD GROUP allocates and delegates as commercial pledge and guarantee for the bank loans contracted by SWORD SA for €6,98,000, whose due balance comes out to €3,658,000 at 31st December 2004, the pledging of the 3 businesses acquired in December 2000: IDP, IDL and SWP.

(2) Agreement to repurchase SWORD SA shares.

In an effort to maintain the rights of the beneficiaries of SWORD SA's stock options plan, and subsequent to approval from the Commission des Opérations de Bourse, SWORD GROUP agreed with these optionees that it would repurchase any new shares that should result from them exercising their rights as part of said plan at a unit price set according to the stock market value SWORD GROUP shares.

The terms of the stock options plan that apply at SWORD SA, and to which SWORD GROUP repurchasing commitment relates, are as follows:

Optionees: options are intended solely for employees of one of the SWORD group's companies who have been at the company for more than two years at the time the options are exercised.

Number of options issued: 15,700 options (1 share per option), which corresponds to a maximum capital increase of €78,500; the options allocation plan was closed on 29th October 2001. As at 31st December 2004, the number of outstanding SWORD SA shares came out to 4,800.

Subscription *price for new shares*: the subscription price has been set to the face value, that is 5 euros**.**

Time limit for exercising *options*: optionees will only be able to exercise the options after a 2-year freezing period and for a period of two years only. On 31st December 2004, 7,250 options had been exercised.

At 31st December 2004, SWORD GROUP holds 12,050 own shares intended to cover the cost of this repurchasing commitment and to make up a provision amounting to the difference between the acquisition cost of such own shares and the repurchase price of SWORD SA shares.

(3) SWORD TECHNOLOGIES pledged assets to DEXIA, an international bank, for €100,000. DEXIA gave contract securities to the European Commission.

(4) SWORD TECHNOLOGIES has received a guarantee from KBC Bank for the rental of premises located at rue Joseph 9/13, Brussels, and those at 105, route d'Arlon, Luxembourg.

SWORD GROUP committed itself to SICOMI RHONE ALPES, for a period of 3 years, to act as a substitute for its subsidiary SWORD SA, should the latter fail to pay its rents under the lease contract entered into between SWORD DDS and SWORD SA.

		31/12/2003		
	Total	**Payments due per period**		
		Within less than one year	**From one to 5 years**	**Within more than 5 years**
Contractual obligation				
Long term debt				
Lease obligations				
Simple lease contract	1,186	489	545	152
Irrevocable purchasing obligations				
Other long term obligations				
Total	**1,186**	**489**	**545**	**152**
Other commercial commitments				
Credit facilities (1)	9,147	5,488	3,659	
Securities pledging (2)	2,422	113	686	1,623
Letters of credit				
Guarantee	870	311	559	
Commitment to repurchase own shares (3)	60		60	
Commitment to pay a price complement (4)	738	738		
Other commercial commitments (5)	104			104
Total	**13,341**	**6,650**	**4,964**	**1,727**
Guarantees received				
Guarantee received on a project				
Other commitments received (6)	197			197
Total	**197**			**197**

(1) SWORD GROUP allocates and delegates the following in the form of commercial collateral as a guarantee for current bank loans of €9,147,000, of which €7,318,000 were used as at 31st December 2003:

Collateral from the 3 businesses acquired in December 2000: IDP, IDL and SWP

An account pledge for financial instruments relating to the shares of FIRCOSOFT PARIS (value of the shares: €4,798,000)

(2) SWORD GROUP assigns as collateral the shares in SWORD DDS France, with a prohibition to alter the distribution of capital in the said company without the agreement of SICOMI RHONE-ALPES. (value of shares, €38,000). This collateral is provided as a guarantee for the rent of the company offices.

(3) Agreement to repurchase SWORD SA shares.

In an effort to maintain the rights of the beneficiaries of SWORD SA's stock options plan, and subsequent to approval from the Commission des Opérations de Bourse, SWORD GROUP agreed with these optionees that it would repurchase any new shares that should result from them exercising their rights as part of said plan at a unit price set according to the stock market value SWORD GROUP shares.

The terms of the stock options plan that apply at SWORD SA, and to which SWORD GROUP repurchasing commitment relates, are as follows:

Optionees: options are intended solely for employees of one of the SWORD group's companies who have been at the company for more than two years at the time the options are exercised.

Number of options issued: 15,700 options (1 share per option), which corresponds to a maximum capital increase of €78,500; the options allocation plan was closed on 29th October 2001. As at 31st December 2003, the number of outstanding SWORD SA shares came out to 10,400.

Subscription *price for new shares*: the subscription price has been set to the face value, that is 5 euros**.**

Time limit for exercising *options*: optionees will only be able to exercise the options after a 2-year freezing period and for a period of two years only. On 31st December 2003, 1,500 options had been exercised.

At 31st December 2004, SWORD GROUP holds 12,050 own shares intended to cover the cost of this repurchasing commitment and to make up a provision amounting to the difference between the acquisition cost of such own shares and the repurchase price of SWORD SA shares.

(4) There is an undertaking to make an additional payment for the acquisition of the goodwill of ZEN & ART if certain targets are attained.

SWORD TECHNOLOGIES pledged assets to DEXIA, an international bank, for €100,000. DEXIA gave contract securities to the European Commission.

(6) SWORD TECHNOLOGIES has received a guarantee from KBC Bank for the rental of premises located at rue Joseph 9/13, Brussels, and those at 105, route d'Arlon, Luxembourg.

NOTE 15: REMUNERATION FOR MEMBERS OF THE ADMINISTRATIVE AND DIRECTORS' BOARDS

All members (8 people) of the management and operations committees together received during the 2004 financial year a gross remuneration of €718,000. The directors' fees paid to members of the Board come out to €42,000.

NOTE 16: LIST OF CONSOLIDATED COMPANIES

		31st December 2004		
Company	Closing date	% controlled	% stake	Consolidation method
SWORD GROUP (parent company)	31/12	100%	100%	Full consolidation
SWORD SA	31/12	98.95%	98.95%	Full consolidation
SWORD DDS	31/12	100%	100%	Full consolidation
SWORD Création Informatique Ltd	31/12	100%	100%	Full consolidation
SWORD SOUTH AFRICA Ltd	31/12	55%	55%	Full consolidation
FIRCOSOFT	31/12	95.50%	94.60%	Full consolidation
FIRCOSOFT Inc	31/12	100%	94.60%	Full consolidation
SWORD Inc	30/06	100%	100%	Full consolidation
SWORD CONSULTING	31/12	100%	99. 38%	Full consolidation
DDS EUROPE LIMITED	31/12	100%	100%	Full consolidation
SWORD SUISSE	31/12	94.80%	94.80%	Full consolidation
SWORD ECM Ltd	31/12	100%	100%	Full consolidation
SWORD TECHNOLOGIES SA	31/12	94.88%	94.88%	Full consolidation
ASCII	31/12	100%	100%	Full consolidation
FI SYSTEM BELGIUM	31/12	100%	100%	Full consolidation
SWORD SAS	31/12	83%	82.13%	Full consolidation
GLOBAL SOFTWARE SERVICES	31/03	100%	100%	Full consolidation
GLOBAL INDIA	31/03	100%	100%	Full consolidation
SWORD NORD	31/12	56%	56%	Full consolidation
SWORD IT SOLUTIONS	31/12	65%	61.67%	Full consolidation
SWORD SECURITY SA	31/12	60%	56.76%	Full consolidation
CIMAGE LTD	31/12	99.76%	99.76%	Full consolidation
CIMAGE NOVASOT LTD	31/12	100%	99.76%	Full consolidation
CIMAGE NOVASOFT INC	31/12	100%	99.76%	Full consolidation

4.2 Corporate financial statements

SWORD GROUP SA

INCOME STATEMENT AS AT 31ST DECEMBER 2004

12-month financial year ending 31st December 2004

(in thousands of euros)	31/12/2004	31/12/2003	31/12/2002
Turnover	2,653	2,027	904
Fixed production assets			
Other revenues	0	0	153
REVENUE FROM OPERATIONS	**2,653**	**2,027**	**1,057**
Consumed purchases			
Other purchases and external costs	1,191	1,063	813
Taxes and duties	22	13	9
Personnel costs	557	728	325
Net reserve allocations for provisions and depreciation	300		16
Other operating costs	42	31	0
OPERATING COSTS	**2,112**	**1,835**	**1,163**
OPERATING PROFIT	**541**	**192**	**-106**
FINANCIAL RESULT	**3,417**	**3,036**	**1,065**
INCOME FROM ORDINARY OPERATIONS BEFORE INCOME TAX	**3,958**	**3,228**	**959**
EXTRAORDINARY PROFIT	**7**	**-124**	**-3**
Income tax	439	26	-457
NET PROFIT	**3,526**	**3,077**	**1,413**

SWORD GROUP SA
BALANCE SHEET AS AT 31ST DECEMBER 2004

12-month financial year ending 31st December 2004

ASSETS

(in thousands of euros)	31/12/2004			31/12/2003	31/12/2002
	Gross	Deprec. prov.	Net	Net	Net
FIXED ASSETS					
Intangible fixed assets	10		10	10	10
Tangible fixed assets			0	0	56
Financial fixed assets	28 960		28 960	22 862	19 668
TOTAL FIXED ASSETS	**28 970**	**0**	**28 970**	**22 872**	**19 734**
CURRENT ASSETS					
Accounts payable	901		901	21	252
Other accounts payable and accruals	23 286		23 286	6 824	5 367
Own shares	779		779	645	95
Other marketable securities			0	3 153	30
Cash	268		268	474	1 641
TOTAL CURRENT ASSETS	**25 233**	**0**	**25 233**	**11 118**	**7 385**
GRAND TOTAL	**54 204**	**0**	**54 204**	**33 990**	**27 119**

SWORD GROUP SA
BALANCE SHEET AS AT 31ST DECEMBER 2004

12-month financial year ending 31st December 2004

LIABILITIES

(in thousands of euros)	31/12/2004	31/12/2003	31/12/2002
Capital	7,342	6,161	6,161
Paid-in cash	33,595	16,596	16,596
Legal reserve	217	68	
Other reserves	1,734		
Balance brought forward		-97	-62
Net income	3,526	3,077	1,413
EQUITY CAPITAL	**46,413**	**25,806**	**24,109**
Other equity capital		132	132
TOTAL PERMANENT EQUITY	**46,413**	**25,938**	**24,241**
Provisions for risks and expenses	300		86
Financial debt	6,504	7,047	659
DEBTS			
Accounts payable	324	291	461
Other creditors and accruals	662	713	1,672
TOTAL CURRENT LIABILITIES	**7,490**	**8,052**	**2,792**
GRAND TOTAL	**54,204**	**33,990**	**27,119**

All figures are in euros

ANNEX TO THE BALANCE SHEET AND INCOME STATEMENT

This is the annex to the balance sheet prior to the breakdown of the financial year ending 31st December 2004, which totals €54,203,512.60, and to the financial statement for the financial year, presented in the form of a list, which shows profits of €3,525,785.60.

The financial year lasts 12 months and covers the period from 01/01/2004 to 31/12/2004.

SWORD GROUP was created in June 2001. It became the holding company for the SWORD group on 30th August 2001 when SWORD SA shareholders contributed all their SWORD shares to SWORD GROUP.

Since 30th August 2001, SWORD GROUP has acquired the shares of the following companies: DDS, SWORD Switzerland, SWORD Inc and SWORD South Africa, all subsidiaries of SWORD SA.

In December 2002, SWORD GROUP acquired 90% of CRONOS (renamed SWORD TECHNOLOGIES), a company located in Luxembourg. SWORD GROUP purchased an additional 3% of SWORD TECHNOLOGIES in 2003 and 1.88% during the financial period ending 31st December 2004.

In November 2003, it participated in the increase in capital carried out by SWORD INC.

On 6th February 2004, SWORD GROUP purchased 100% of FI SYSTEM BELGIUM, which in turn holds 100% of ASCII, for €3,000,000.Both companies are based in Belgium.

On 1st May, SWORD GROUP purchased 97.04% of GLOBAL SOFTWARE SERVICES, which in turn holds 100% of GLOBAL INDIA, for €2,162,000. SWORD GROUP purchased 2.96% of GLOBAL SOFTWARE SERVICES from minority shareholders in December 2004. GLOBAL SOFTWARE SERVICES is based in the London suburbs, while GLOBAL INDIA is based in Chennai, India.

SWORD NORD was set up in February 2004. Its head office is in Saint-Didier au Mont d'Or.
This Company is held for 56% by SWORD GROUP. It is intended to:

- tackle the Lille market
- serve as a development platform for the needs of our Benelux subsidiary, particularly regarding projects entered into with the European Community

SWORD GROUP purchased from employees 0.58% of the capital of DDS UK for €69,000.

Its activities are exclusively devoted to:

- the management of the SWORD Group's stakes
- making central services available to subsidiaries (general, financial, commercial and strategic management) through an agreement to provide management services.

NOTE 1: ACCOUNTING RULES AND PRINCIPLES

The notes or tables that appear hereafter form an integral part of the annual financial statements.

General accounting conventions have been applied, in accordance with the prudence principle, and founded on these basic assumptions:

- the continuity of operations,
- the permanent nature of accounting methods from one financial year to the next,
- the independence of financial years,

and in accordance with the general rules for establishing and presenting annual financial statements.
The application, as of January 2002, of CRC rule 2000-06 relating to liabilities and provisions for risks and expenses, has had no effect on the financial statements for the financial year 2004.

1.1. Intangible fixed assets

The intangible fixed assets concern the trademark SWORD purchased earlier.

1.2. Tangible fixed assets

The company does not possess any tangible fixed assets.

The company does not possess any movable or immovable assets financed under a lease system.

1.3. Financial fixed assets

Financial fixed assets consist of equity interests and of paid and recoverable guarantee deposits for own shares.
Equity interests are evaluated according to their historical cost. At the close of each financial year, provisions for depreciation are set up based on possible capital losses between the book value and the inventory value.
The inventory value of the equity interests is estimated on the basis of the net assets plus potential unrealised capital gains on intangible assets. This estimation of the intangible assets is appreciated according to the following criteria:

- The existence of an international, national or regional market share
- An acknowledged position
- Recurring customers.

This estimate is confirmed by an expert's assessment conducted each year.
The value of the securities in SWORD GROUP's annual financial statements cannot be significantly greater than the value of the subsidiary in the consolidated financial statements.
The own shares held are not entered as financial fixed assets at financial year-end, as the repurchase agreements specify that they are to be used for an allocation to employees or for readjusting the market price in the context of a liquidity agreement. They are accordingly classified as marketable securities.

1.4. Operating accounts receivable

These are assessed at face value and are essentially comprised of accounts receivable from subsidiaries.
A provision for the depreciation of customer accounts receivable is set up when a risk that these accounts may not be recoverable appears in the inventory.

Operating accounts receivable in currency are valued on 31st December 2004 at the closing rate.

1.5. Own shares

SWORD Group holds its own shares within the scope of:

-a share repurchasing programme
-a liquidity agreement
Own shares held within the scope of the share repurchasing programme are entered as fixed securities (fixed financial assets) insofar as the objective of share repurchasing (allocation to employees) was quantified from the outset. They give rise to a provision for depreciation when the average market price in the last month of the year dips below the historical share price.

Own shares held within the scope of the liquidity agreement are entered as marketable securities. They give rise to a provision for depreciation when the average market price in the last month of the year dips below the historical share price.

1.6. Provisions for risks and expenses

The risks and expenses identified on the closing date give rise to provisions established in accordance with the rules of prudence. A regular review of the elements that constitute these provisions (industrial disputes, exchange rate risks, subsidiary risks, etc.) is carried out in order to make any readjustments that are considered necessary.
In view of the age of the company and the limited workforce, pension requirements are small and therefore no provision for pension commitments is entered.

1.7. Extraordinary profit

Extraordinary profit includes non-operating costs and revenues, as well as any adjustments for management operations that are non-recurring and significant, and therefore justify their categorisation as extraordinary profit.
It also includes asset disposal loss of the company's own shares in the first repurchase contract, which were classified as fixed assets.

1.8. Income tax

As of 1st January 2002, SWORD GROUP opted for the fiscal consolidation tax regime. According to the convention for fiscal consolidation in force within the company, each subsidiary company incurs the same income tax costs as they would have incurred without fiscal consolidation. The tax saving produced by transferring the deficits of subsidiaries to SWORD GROUP is entered for the year in which they were transferred. The consolidated companies for 2004 are SWORD SA and SWORD CONSULTING.

1.9. Events subsequent to the year-end

No event subsequent to the year-end, is to be reported.

NOTE 2: HIGHLIGHTS

In February 2004, it acquired 100% of the capital of FI SYSTEM BELGIUM for €3,000,000.
It purchased 100% of the capital of GLOBAL SOFTWARE SERVICES in two successive operations which took place in May and December 2004, for a price of €2,321,000.

NOTE 3: INCOME STATEMENT

3.1 Personnel costs

Personnel costs amount to €557,125 and can be broken down as follows:

(in €)	***31/12/04 (12 months)***	***31/12/03 (12 months)***
Gross wages	393,325	531,009
Social contributions	163,800	196,546
Stakes and interests		
Total	***557,125***	***727,555***

Workforce:

	31/12/04 (12 months)	***31/12/03 (12 months)***
Executive	6	7
Non-executive		
Total	***6***	***7***

3.2. Net reserve allocations for operational depreciation and provisions

(in €)	31/12/04 (12 months)	31/12/03 (12 months)
Net reserve allocation for tangible and intangible fixed assets	-	-
Reserve allocation for accounts receivable		
Reserve allocation for other provisions for risks and expenses	300,000	
Total	***300,000***	***-***

3.3. Breakdown of expenses and income for related companies

(in €)	Operating costs	Revenue from operations
Total	2,112,466	2,653,468
Of which related companies	356,800	2,653,459

(in €)	Financial expenses	Financial income
Total	558,987	3,975,789
Of which related companies	4,094	3,655,674

3.4. Financial result

(in €)	31/12/04 (12 months)	31/12/03 (12 months)
Reserve allocations for depreciation and provisions	- 338	338
Interest on current accounts	4,094	22,474
Bank interests	165,431	102,454
Mali on own shares		36,435
Negative exchange rate differences	389,800	423,392
Total net financial costs	***558,987***	***585,093***
Reversal of reserve allocations for depreciation and provisions		335,606
Financial revenue from stake	3,058,628	2,790,604
Revenue from marketable securities	41,364	2,271
Interest on current accounts	597,047	221,625
Bonuses on own shares	844	70,686
Exchange rate differences	277,906	200,410
Total financial revenue.	***3,975,789***	***3,621,202***
Financial result	***3,416,802***	***3,036,109***

3.5. Extraordinary profit

Extraordinary profit can be broken down as follows:

(in €)	31/12/04 (12 months)	31/12/03 (12 months)
Net profit from sale of own shares	6,948	(120,034)
Net profit from sale of assets	63	(4,182)
Other extraordinary costs or revenue	(24)	2
Extraordinary profit	**6,987**	**(124,214)**

3.6. Cash flow

(in €)	31/12/04 (12 months)	31/12/03 (12 months)
Profit	3,524,417	3,077,041
Depreciation		
Provisions	299,662	(335,268)
Cash flow	***3,224,755***	***2,741,773***
Profit from sale of assets	63	(4,182)
Overall cash flow	***3,224,692***	***2,745,955***

3.7. Income tax breakdown

(in €)	Before tax	Corresponding tax	After tax
Profit	3,957,804	436,606	3,521,198
Extraordinary profit	6,987	2,399	4,588
Employee profit-sharing	-		-
Accounting profit	3,964,791	439,005	3,525,786

The fiscal integration has not resulted in any income tax savings, since every company that adhered to the fiscal consolidation scheme, operates at a profit At 31st December 2004, none of the consolidated subsidiaries displayed a tax deficit likely to be deferred, previously entered into the overall tax result.

3.8. Reductions in future tax debt

(in €)	Value
Reduction of future debt	
Uncertain, non-deductible provision for risks	103,000
- Non-deductible provision the year of their posting	
	897
- Organic	
- Underlying appreciation of marketable securities	27
Total reduction of future debt	**103,924**

There is no growth in future tax debt to note.

NOTE 4: INTANGIBLE FIXED ASSETS

4.1. Item breakdown

	31/12/2003		
(in €)	**Gross value**	***Depreciation***	**Net value**
Trademarks and patents	10,000		10,000
Total	**10,000**		**10,000**

	31/12/2004		
(in €)	**Gross value**	***Depreciation***	**Net value**
Trademarks and patents	10,000		10,000
Total	**10,000**		**10,000**

4.2. Movements for the period

(in €)	**01/01/04**	**Acquisitions**	**Sale of assets**	**Reclassification**	**31/12/04**
Trademarks and patents					
Gross value	10,000				*10,000*
Depreciation					
Net	10,000				*10,000*
Total	**10,000**				**10,000**

NOTE 5: TANGIBLE FIXED ASSETS

SWORD GROUP owns no tangible fixed assets.

NOTE 6: FINANCIAL FIXED ASSETS

6.1. Item breakdown

(in €)	31/12/03		
	Gross value	*Provisions*	*Net*
Equity interests	22,852,208		22,852,208
Paid and recoverable guarantee deposits	10,000		10,000
Other financial fixed assets			
TotalTotal	**22,862,208**		**22,862,208**

(in €)	31/12/04		
	Gross value	*Provisions*	*Net*
Equity interests	28,950,037		28,950,037
Paid and recoverable guarantee deposits	10,000		10,000
Other financial fixed assets			
TotalTotal	**28,960,037**		**28,960,037**

Financial fixed assets mainly consist of equity interests and own shares.

6.2. Movements for the period

(in €)	01/01/04	Acquisitions	Sale of assets	31/12/04
Equity interests				
Gross value	22,852,208	6,097,926	97	28,950,037
Depreciation				
Net	22,852,208	6,097,926	97	28,950,037
Deposits				
Gross value	10,000			10,000
Provisions				
Net	10,000			10,000
Other financial fixed assets				
Gross value	-			-
Provisions	-			-
Net	-			-
TotalTotal	**22,862,208**	**6,097,926**	**97**	**28,960,037**

Acquisitions of equity interests over the financial year relate to:

- the purchase of 100% of the capital of FI SYSTEM BELGIUM, which took place in February 2004 for €3,000,000.
- the purchase of 56% of the capital of the company SWORD NORD that was set up in March 2004, for €28,000.
- the purchase of 100% of the capital of the company GLOBAL SOFTWARE SERVICES which took place in May 2004 for €2,501,000.
- the repurchase from employees of 0.58% of the capital of DDS Europe Ltd. for €69,000.
- the repurchase from employees of 1.88% of the capital of SWORD TECCHNOLOGIES for €500,000.

NOTE 7: OPERATING ACCOUNTS RECEIVABLE

Item breakdown

(in €)	31/12/03		
	Gross value	Provisions	Net value
Customer and operating accounts receivable	20,700		20,700
Other receivables	6,777,197		6,777,197
Prepaid expenses	46,770		46,770
Total	**6,844,667**		**6,844,667**
Of which related companies			
Customer and operating accounts receivable	20,700		20,700
Other receivables	6,796,662		6,796,662
Prepaid expenses			
Total	**6,817,362**		**6,817,362**

(in €)	31/12/04		
	Gross value	Provisions	Net value
Customer and operating accounts receivable	900,589		900,589
Other receivables	23,264,513		23,241,914
Prepaid expenses	21,557		21,557
Total	**24,186,659**		**24,186,659**
Of which related companies			
Customer and operating accounts receivable	900,589		900,589
Other receivables	23,034,386		23,034,386
Prepaid expenses			
Total	**23,934,975**		**23,934,975**

The other claims primarily consist of debit current accounts, whose value is increasing, partly because of the current accounts related to companies acquired during the period, i.e. ASCII and SWORD NORD, and partly because of the increase in current accounts with other Group companies.
They are due within less than one year.

NOTE 8: EQUITY CAPITAL

(in thousands of euros)	31/12/2003	Profit allocation	Profit for the financial year	Dividends paid	Capital increase	31/12/2004
Capital	6,161				1,181	7,342
Paid-in cash	16,596				16,999	33,595
Legal reserve	68	149				217
Other reserves [1]		2,831		(1,098)		1,734
Balance brought forward	(97)	97				-
Profit	3,077	(3,077)	3,526			3,526
TOTAL	**25,806**	**0**	**3,526**	**(1,198)**	**18,180**	**46,413**

[1] In accordance with Article L225-210 of the Commercial Code, the company owns funds at least equal to the value of all of the own shares it own, i.e. €735,000.

Share capital and securities that give access to capital

➢ ***Share capital***

Share capital consisted of 8,000 shares with a face value of €5 on the date SWORD GROUP was formed in June 2001.

The extraordinary Shareholders' meeting of 30th August 2001 ordered a capital increase €3,412,000 to enable payments to SWORD SA shareholders, who contributed all their SWORD SA shares to SWORD GROUP.

On 31st December 2001, after J. MOTTARD exercised 33,568 of his stock warrants, share capital was increased again, this time by €168,000.

On 31st December 2001, share capital totalled 3,620,310 euros, divided into 724,062 shares with a face value of €5

On 27th February 2002, after the company 21 CENTRAL PARTNER exercised 123,072 of its stock warrants, share capital was increased by €615,000.

On 12th March 2002 the Board of Directors carried out a capital increase of €630,000 for the VCF 21 DEVELOPPEMENT.

On 20th March 2002 the Board of Directors carried out a capital increase of €1,295,000 with a view to floating the company on the stock market.

The Board of Directors held 21st January 2004 sub-delegated to the Chairman all authority granted by the aforementioned meeting.

On 26th March 2004, the Chairman of the Board decided to initiate the issue of 205,373 shares with share purchase warrants (ABSAs) for €1,026,865 (i.e. €5 per ABSA) and maximum paid-in cash of €15,813,721 (i.e. €77 per ABSA) with an option to issue 30,805 additional ABSAs in the event the extension clause were exercised

On 7 April 2004, the Chairman of the Board decided to exercise the 15% extension clause by bringing up to 236,178 the number of ABSAs to be issued as part of the capital increase of SWORD GROUP.

The Board of Directors held 26 April 2006 noted that 236,178 new shares of €5 each, making up the capital increase of €1,180,890, were fully underwritten, bringing the capital up to €7,342,105.

On 31st December 2004, share capital totalled 7,342,105 euros, divided into 1,468,421 shares with a face value of €5.

NOTE 9: OTHER EQUITY CAPITAL

An innovation grant of €132,000 awarded by the ANVAR (French office for innovation) during the previous fiscal years was fully paid back during the financial year closing 31st December 2004.

NOTE 10: LONG-TERM AND SHORT-TERM PROVISIONS

10.1. Item breakdown

	31/12/2003		
(in €)	**Long-Term**	**Short-Term**	**Total**
Provision for currency risks		-	-
Total		**-**	**-**

	31/12/2004		
(in €)	**Long-Term**	**Short-Term**	**Total**
Provision for risks		300,000	300,000
Total		**300,000**	**300,000**

This is the provision for risks entered for the acquisition of ASCII.

10.2. Movements for the period

(in €)	01/01/2004	Reserve allocations for the financial year	Carryovers for the financial year	31/12/2004
Operations				
Provision for risks	-	300,000	-	300,000
Total	**-**	**300,000**	**-**	**300,000**

NOTE 11: NET DEBT

11.1. Item breakdown by type

(in €)	31/12/04	31/12/03
Other long-term and medium-term borrowing	1,000,000	
Other financial debts	5,567,420	5,451,149
Current financial backing from banks		1,596,327
Total gross debt	***6,797,059***	***7,047,476***
Financial current accounts (debit side)		
Marketable securities	779,002	3,798,402
Cash and similar	267,805	474,494
Total net debt	***5,750,252***	***2,774,580***

SWORD GROUP promises to maintain, in accordance with the covenant clauses:
- an equity capital and similar items / long-run loan ratio equal to or greater than 49.9/60
- a net financial commitment / equity capital ratio of less than or equal to 1
- a net financial commitment / autofinancing ratio less than or equal to 3 years

Should SWORD GROUP fail to comply with the above covenants, it must observe an advance repayment clause for outstanding credit, the amount of which is €5,170,000 at 31st December 2004
At 31st December 2004, SWORD GROUP complies with such covenants.

The market price of marketable securities (own shares) comes out to €1,370,000 at 31st December 2004

11.2 Breakdown of long and medium-term loans, including those of a short-term nature

(in €)	31/12/04	31/12/03
Maturity date		
< 1 year	5,797,059	7,047,476
1 year < X > 5 years	1,000,000	
> 5 years		
Total	***6,797,059***	***7,047,476***

NOTE 12: OPERATING DEBTS

(in €)	31/12/04	31/12/03
Accounts payable and other operating debts	324,071	291,351
Tax and social debts	436,872	705,384
Debts for fixed assets		
Other debts	225,092	8,000
Deferred income		
Total	**986,035**	**1,004,735**
Of which related companies		
Accounts payable and other operating debts	99,359	72,032
Tax and social debts		
Debts for fixed assets		
Other debts		
Deferred income		
Total	**99,359**	**72,032**

The other debts have increased as a result of the acquisition of the minority interests in GLOBAL SOFTWARE SERVICES in December 2004, which had not been paid at year-end.
They are due within less than one year.

NOTE 13: ACCRUED EXPENSES

(in €)	31/12/04	31/12/03
Accounts payable and other operating debts	194,986	118,409
Tax and social debts	69,838	125,767
Debts for fixed assets		
Other debts		
Deferred income		
Total	**264,824**	**244,176**

NOTE 14: CONTINGENT LIABILITIES

Breakdown by type

(in thousands of euros)	31/12/04	31/12/03
Financial guarantees offered		
Deposits for future rents		2,422 (1)
Other deposits	3,659 (2)	10,318 (3)
Other guarantees given (3)		
Guarantees received		
Deposits received		
Other guarantees received		

(1) SWORD GROUP committed itself to SICOMI RHONE ALPES, for a period of 3 years, to act as a substitute for its subsidiary SWORD SA, should the latter fail to pay its rents under the lease contract entered into between SWORD DDS and SWORD SA.

(2) The guarantees secure the bank loans contracted by SWORD SA for €6,098,000, of which €3,659,000 were used at 31st December 2004.

(3) Agreement to repurchase SWORD SA shares.

In an effort to maintain the rights of the beneficiaries of SWORD SA's stock options plan, and subsequent to approval from the Commission des Opérations de Bourse, SWORD GROUP agreed with these optionees that it would repurchase any new shares that should result from them exercising their rights as part of said plan at a unit price set according to the stock market value SWORD GROUP shares.

The terms of the stock options plan that apply at SWORD SA, and to which SWORD GROUP repurchasing commitment relates, are as follows:

- *Optionees*: options are intended solely for employees of one of the SWORD group's companies who have been at the company for more than two years at the time the options are exercised.
- *Number of options issued*: 15,700 options (1 share per option), which corresponds to a maximum capital increase of €78,500; the options allocation plan was closed on 29th October 2001. As at 31st December 2004, the number of outstanding SWORD SA shares came out to 12,050.
- Subscription *price for new shares*: the subscription price has been set to the face value, that is 5 euros**.**
- *Time limit for* exercising *options*: optionees will only be able to exercise the options after a 2-year freezing period and for a period of two years only. On 31st December 2004, 7,250 options had been exercised.

NOTE 15: REMUNERATION OF MANAGERS AND DIRECTORS

The members (6 people) of the management and operations committees together received during the 2004 financial year a gross remuneration of €410,000. The directors' fees paid to members of the Board come out to €42,000.

NOTE 16: LIST OF SUBSIDIARIES AND STAKES HELD

(in €)	Share capital In €	Equity capital not including share capital In €	Share of capital held, as a percentage	Value of securities Gross In €	Net	Advance loan granted by the company and not yet repaid In €	Turnover In €	Result for the last financial year In €	Dividends collected In €	Comments Closing date
1 - Subsidiaries (more than 50% of capital held)										
SWORD INC 230 Park Avenue Suite 1000 NEW YORK – NY 10169 – USA	2,976 330	(49,807)	100	5,536,32	5,536,322		4,093,215	(,594,381)	NONE	30/06
SWORD CREATION INFORMATIQUE PO BOX 9518 PRETORIA 0001 – SOUTH AFRICA	15	143,750	100	106,714	106,714		0	(206)	NONE	31/12
SWORD SUISSE 36 place du midi SION VALAIS	163,784	65,360	94,80	269,699	269,699		1,108,229	(19,148)	NONE	31/12

(in €)	Share capital In €	Equity capital not including share capital In €	Share of capital held, as a percentage	Value of securities Gross In €	Net	Advance loan granted by the company and not yet repaid In €	Turnover In €	Result for the last financial year In €	Dividends collected In €	Comments Closing date
DDS 1000 Great West Road Brentford Middlesex TW8 9DW	1,697	3,256,843	100	3,744,344	3,744,344		3,487,434	448,485	NEANT	31/12
SWORD SA 9 Avenue Charles de Gaulle 69370 ST DIDIER AU MONT D'OR	3,448,750	(1341,289)	98,95	3,412,470	3,412,470		22,859,437	1,706,371	1,584,765	31/12
SWORD TECHNOLOGIES Luxembourg SA 105 Route d'Arlon L-8009 Stassen LUXEMBOURG	31,000	853,62	94,88	9,910,000	9,910,000		23,902,182	2,550,565	1,425,605	31/12

(in €)	Share capital In €	Equity capital not including share capital In €	Share of capital held, as a percent-age In €	Value of securities Gross In €	Net	Advance loan granted by the company and not yet repaid In €	Turnover In €	Result for the last financial year In €	Dividends collected In €	Comments Closing date
SWORD NORD 9 Avenue Charles de Gaulle 69370 ST DIDIER AU MONT D'OR	50,000	0	56	28,000	28,000		951,515	34,215	NEANT	31/12
FI SYSTEM BELGIUM 49-51 Rue de Trèves Brussels	6,064,000	(3,736243)	100	3,000,000	3,000,000		0	(21,190)	NEANT	31/12
GLOBAL SOFTWARE SERVICES 1000 Great West Road Brentford Middlesex TW8 9DW	85,735	229,694	100	2,501,076	2,501,076		2,881,152	156,767	NEANT	31/03
2 - Stakes (less than 10% of capital held)										
FIRCOSOFT SA	239,754	(369,291)	9.44	441,328	441,328		2,647,567	556,516	47,220	31/12
SWORD CONSULTING	76,224	(516,258)	0.02	84	84		3,224,403	745,769	162	31/12

No data appears here for loans and advances granted by the company and not yet repaid.

4.3 Inventory of SWORD GROUP marketable securities

	Name	%	Balance sheet value
Shares			
Equity interests			
France			
	SWORD SA	98.95	3,412,470
	SWORD NORD	56.00	28,000
	FIRCOSOFT SA	9.44	441,328
	SWORD CONSULTING	0.02	84
Abroad			
	SWORD INC (USA)	100.00	5,536,322
	SWORD CREATION INFORMATIQUE (South Africa)	100.00	106,714
	SWORD SUISSE (Switzerland)	94.80	269,699
	SWORD DDS (UK)	100.00	3,744,344
	SWORD TECHNOLOGIES (Luxembourg)	94.88	9,910,000
	FI SYSTEM BELGIUM (Belgium)	100.00	3,000,000
	GLOBAL SOFTWARE SERVICES (UK)	100.00	2,501,076
TOTAL			28,960,037
Securities			
Own shares	SWORD GROUP	0.97	732,758
Mutual funds	ETOILE MONET. C. FCP	N/A	46,244
TOTAL			779,002
Funds and other debt securities	NONE		

4.4 Management report on the financial year ending 31st December 2004

SWORD GROUP
Limited Liability Company with capital of 7,342,105 euros
Head office: 9 avenue Charles de Gaulle
69370 SAINT DIDIER AU MONT D'OR
438 305 054 RCS LYON

MANAGEMENT REPORT DRAFTED BY THE BOARD OF DIRECTORS AND PRESENTED AT THE ORDINARY AND EXTRAORDINARY SHAREHOLDER MEETING OF 29TH APRIL 2005

Ladies and Gentlemen,

We have brought you together at this Annual Ordinary and Extraordinary Shareholder Meeting, in accordance with the legal provisions, to submit the annual financial statements and consolidated financial statements for the financial year ending 31st December 2004 for your approval.

We will present the consolidated financial statements and corporate financial statements to you successively. We will then submit these for your approval.

You will also be asked to cast your votes for the following projects:

The responsibilities of the Ordinary General Meeting

- Approval of a technical readjustment relative to the appropriation of the result of the financial statements for the financial year ending 31st December 2002;
- Determination of the directors' fees;
- Change in the company name of one of the statutory auditors
- Permission to be given regarding a new programme under which the Company would repurchase its own shares;

The responsibilities of the Extraordinary General Meeting

- Fitting of the by-laws to Order No.2004-604 of 24th June 2004: correlative change to Article 9 of the by-laws;
- Division of the face value of the shares and correlative change to Article 8 of the by-laws;
- Permission to be given to the Board of Directors to reduce the equity capital by cancelling the repurchased shares, in accordance with the share repurchase programme;
- Delegation of authority granted to the Board of Directors for increasing the equity capital through the issue of ordinary shares or any marketable securities giving access to the capital with preservation of the pre-emptive right;
- Delegation of authority granted to the Board of Directors for increasing the equity capital through the issue of ordinary shares or any marketable securities giving access to the capital with removal of the pre-emptive right
- Authorisation to be granted to increase the number of shares, securities or marketable securities to be issued in the case of a capital increase with or without pre-emptive right;
- Delegation of authority to proceed to the issue of shares, securities, and miscellaneous marketable securities with a view to remunerating the contributions in kind granted to the Company;
- Delegation of authority to decide to increase the share capital through the consolidation of reserves, profits, or premiums;
- Delegation of authority to increase the share capital to the benefit of the Group's employees;

The required notifications were sent to you on a regular basis and all the documentation required by current rules have been made available to you at the mandatory prescribed times.

The Auditors' reports will then be read out to you.

HIGHLIGHTS FOR THE FINANCIAL YEAR ENDING 31ST DECEMBER 2004

- **Increase in the Company's share capital by €1,180,890 through the issue of ABSAs**, bringing it up from €6,161,215 to €7,342,105.

  We remind you that:

  1- The Combined General Meeting of Shareholders held on 27 February 2002 awarded the Board of Directors the necessary authority to issue, in one or several times, shares and all securities that provide immediate or term access to the Company's shares.

  2- In its sitting on 21 January 2004, and in virtue of the above-mentioned approved authorization, the Board of Directors of the Company decided to delegate all the powers granted by the Combined General Meeting of the 27 February 2002 to the Chairman, thus allowing a share capital increase with or without pre-emptive rights limited to a face value of €5,000,0000.

  3- In virtue of the powers invested in him, the Chairman of the Board of Directors decided on the 26 March 2004 to begin the process of issuing 205,373 ABSAs for a nominal total value of €1,026,865 and a maximum issue premium of €15,813,721, that is a maximum total amount including the issue premium of €16,840,586 with the possibility of issuing 30,805 additional ABSAs in the event that the extension clause be exercised, as provided for in the said decision.

  4- Following a decision of the 5 April 2004, the Chairman established the definitive characteristics of the share capital increase by issuing ABSAs.

  5- On the 07 April 2004, the Chairman of the Board of Directors, in virtue of the powers invested in him, decided to exercise the 15% extension clause mentioned above, bringing the number of ABSAs to be issued in the context of the share capital increase of SWORD GROUP to 236,178.

  6- On the 15 April 2004, the depositary confirmed receipt of the total amount of €18,776,151 representing the sum of cash subscriptions made by subscribers in the Company capital increase by a nominal value €1,180,890 by issuing 236,178 ABSAs.

  7- The Board of Directors stated on the 26 April 2004 that:

    - 236,178 new shares at €5 euros each, constituting the capital increase of €1,180,890, had been fully distributed

    - The subscriptions had been paid in cash as confirmed by the funds certificate of the SOCIETE GENERALE dated the 15th April 2004.

    - No sooner had the 236,178 new shares been fully distributed, than they had been fully paid up for the value of outstanding amounts in accordance with the conditions of the distribution and that therefore, the capital increase had been definitively realised.

- **Acquisitions made** during the financial year ending 31. December 2004:

  1- **Acquisition by SWORD GROUP of UK company GLOBAL SOFTWARE SERVICES Ltd, as at 1st May 2004.**

  The Company, whose sales division is based in the UK and production division is based in Chennai (INDIA), contributes its offshore platform for English-speaking countries. This was a highly strategic acquisition that was entirely in line with the 2004 acquisition goals.

2- **Acquisition by SWORD ECM Ltd, a SWORD GROUP subsidiary**, of UK company **CIMAGE Ltd.**

The company is based in London and Boston. It contributes its know-how in specialised Document Management products.

Not only has this acquisition strengthened our UK and US bases. It is also fully in line with our "industrial" strategy."

CIMAGE Ltd held shares of CIMAGE NOVASOFT Ltd, which in turn held securities of US company CIMAGE NOVASOFT INC which in turn held shares of KITTIWAKE HOLDINGS LLC and ACCESS SYSTEM LLC.

- **US restructuring:** As part of optimising the Group's fixed costs and of simplifying its organisational structure, 3 US subsidiaries of CIMAGE Ltd, namely CIMAGE NOVASOFT Inc, KITTIWAKE HOLDINGS LLC, and ACCESS SYSTEM LLC, were merged in December 2004.

- **Appointment, within SWORD GROUP, of two executive vice-presidents on 1st July 2004, Mrs. Françoise FILLOT and Mr. Christian TAPIA**

- Two companies were also set up in 2004:

  - SWORD NORD, whose head office is located in Saint-Didier au Mont d'Or.
    This Company is held for 56% by SWORD GROUP. It is intended to:
    - tackle the Lille market
    - serve as a development platform for the needs of our Benelux subsidiary, particularly regarding projects entered into with the European Community.

  - SWORD IT SOLUTIONS, whose head office is located 79, Psaron Street – 152 32 Chalandri – Athens - Greece
    This Company is held for 65% by SWORD TECHNOLOGIES and is intended to be used by SWORD TECHNOLOGIES for its fixed price projects with the European Community.

2) COMPARABILITY OF THE FINANCIAL STATEMENT - ACCOUNTING RULES AND METHODS

The financial statements presented to you were drawn up in the same form and following the same methods as those of the previous financial year.

The consolidated financial statements, which comply with the provisions of rule No.99-02 of the accounting regulations committee, were drawn up following the same rules and methods as those of the previous financial year.

In accordance with recommendation 2003-R.01 of the National Accounting Council dated 1st April 2003, which applies from this financial period on, from now on the company will post all of its commitments to its staff as provisions for expenses (retirement allowance)

When this change in method was first implemented, its impact was subtracted from the equity capital for an amount of €107,000 after income tax

Implementation of the new IFRS reference system

As of 1st January 2005, SWORD GROUP will publish consolidated financial statements that comply with the accounting and layout principles set out in the International Financial Reporting Standards (IFRS). To be able, in 2005, to publish half-yearly and annual financial statements compliant with the IFRS standards, SWORD GROUP has implemented the following approach:

- analysis to evaluate compliance of the organizational and IT systems to produce the required data
- costing the effect of differences noted and the choice of possible options
- implementation

These phases will be implemented under the supervision of a steering committee, made up of members of the Management Committee and the Finance Department as well as outside consultants (accounting and legal).
At that date the following items shall be analysed:

- modifications to the IT systems to be implemented, in particular to produce the new data
- adaptation of internal organizational systems and reinforcement of the finance department of the Anglo-Saxon part of the group
- adaptation of the financial policy system

By nature, the major sources of differences, identified at this stage, aside from the layout of the financial statements, include:

- the processing of stock options in accordance with IFRS 2;
- the processing of own shares;
- the elimination of goodwill amortisation and its replacement by depreciation tests conducted for the Cash Generating Units;
- the processing of the head office lease contract.

Besides, the IAS 32 and IAS 39 standards that apply to the accounting and valuation of financial instruments, should have no significant impact on the consolidated financial statements.

Once these potential impacts are assessed in the most accurate and reliable manner, and once they are validated by the auditors, SWORD GROUP will publish:

- a reconciliation of the equity capital in the form of a CRC 99-02 standard and IFRS standard balance sheet as at 1st January 2004 (transition balance sheet);
- a reconciliation of the equity capital and result of 2004 according to national and IFRS standards, with an appropriate comment for each readjustment conducted;
- an explanation note regarding the major readjustments conducted in the 2004 cash flow table.

This data will be available upon the publishing of the 2005 half-yearly financial statements, at the latest.

4) THE GROUP'S ACTIVITIES - PRESENTATION OF INCOME STATEMENTS FOR THE FINANCIAL YEAR ENDING 31ST DECEMBER 2004

The table below presents the simplified income statement of SWORD GROUP for the financial year ending 31st December 2004.

In thousands of euros	2004 consolidated	2003 consolidated
Turnover	78,657	55,544
Operating margin	15.95%	16.10%
Profit before goodwill amortisation	8,275	5,205
Net profit after goodwill amortisation	8,116	5,091
Group's share of net profit	7,903	4,893

List of consolidated companies at 31st December 2004

Company	Closing date	% controlled	% stake	Consolidation method
SWORD GROUP (parent company)	31/12	100%	100%	Full consolidation
SWORD SA	31/12	98.95%	98.95%	Full consolidation
SWORD DDS	31/12	100%	100%	Full consolidation
SWORD Création Informatique Ltd	31/12	100%	100%	Full consolidation
SWORD SOUTH AFRICA Ltd	31/12	55%	55%	Full consolidation
FIRCOSOFT	31/12	95.50%	94.60%	Full consolidation
FIRCOSOFT Inc	31/12	100%	94.60%	Full consolidation
SWORD Inc	30/06	100%	100%	Full consolidation
SWORD CONSULTING	31/12	100%	99.38%	Full consolidation
DDS EUROPE LIMITED	31/12	100%	100%	Full consolidation
SWORD SUISSE	31/12	94.80%	94.80%	Full consolidation
SWORD ECM Ltd	31/12	100%	100%	Full consolidation
SWORD TECHNOLOGIES SA	31/12	94.88%	94.88%	Full consolidation
ASCII	31/12	100%	100%	Full consolidation
FI SYSTEM BELGIUM	31/12	100%	100%	Full consolidation
SWORD SAS	31/12	83%	82.13%	Full consolidation
GLOBAL SOFTWARE SERVICES	31/03	100%	100%	Full consolidation
GLOBAL INDIA	31/03	100%	100%	Full consolidation
SWORD NORD	31/12	56%	56%	Full consolidation
SWORD IT SOLUTIONS	31/12	65%	61.67%	Full consolidation
SWORD SECURITY SA	31/12	60%	56.76%	Full consolidation
CIMAGE LTD	31/12	99.76%	99.76%	Full consolidation
CIMAGE NOVASOT LTD	31/12	100%	99.76%	Full consolidation
CIMAGE NOVASOFT INC	31/12	100%	99.76%	Full consolidation

4.1) Activities and turnover

In 2004 SWORD GROUP recorded a 42% increase in its pro-forma turnover as compared to 2003. The Group's share of net consolidated profits in 2004 was 10.04% of the turnover.

During financial 2004, the Group:

- Continued its internationalisation,
- Continued to specialise in Electronic Content Management,
- Pursued both its internal and external expansion policies,

A. Specialisation

The Company maintained the same strategy based on technical specialisation, particularly in Document Management through the acquisition of CIMAGE.
Furthermore, the Group now specialises in rich markets which we term "highly regulated".
Indeed, certain markets such as pharmaceuticals, are submitted to regulation authorities that cause the production of documents to be highly strategic.

B. Internationalisation

- Regarding internationalisation, the United Kingdom's share in the Group's turnover is increasingly significant.
- The United States have become more important as a result of the acquisition of CIMAGE and, therefore, of its Boston-based subsidiary.
- The Indian interests now supplement SWORD's geographic coverage.

C. Expansion

As part of the ongoing attempt to increase the Group's gross margin, two phenomena allow for an optimistic outlook on the future:

- the Group's ability to combine "products" and "services". Indeed, the Group targets specific products that supplement those of major software companies. That way, SWORD becomes their preferred partner. Actually, this "products" strategy mechanically increases the gross margin percentage.
- the "markets" specialisation in highly regulated industries helps target a higher gross margin through SWORD's two-fold specialisation: technology/markets

4.2 Operating profit

2004 operating profit from all the consolidated companies stands at €12,549,000, that is 15.95% of turnover.

The operating margin continues to be the Group's main strength and demonstrates its ability to acquire less profitable companies and bring them into line with SWORD's standards within a year of their acquisition.

4.3 Financial result and income from ordinary operations

The financial result rose to -€607,000, i.e. 0.77% of turnover.

It mainly breaks down into net interest payments on loans for €571,000, currency losses for €140,000, and proceeds from disposals of marketable securities for €41,000.

Income from ordinary operations therefore stands at €11,941,000, i.e. 15.18% of turnover.

4.4 Extraordinary profit

The extraordinary profit primarily consists of capital gains from disposals of fixed assets for €11,000 and non-recurring expenses from previous years for -€189,000.

4.5 Income tax and net profit

The income tax on consolidated profit comes out to €3,489,000, which represents an actual taxation rate of 30.06%.

After income tax, net profit for the consolidated companies stands at €8,116,000, that is 10.32% of turnover, the group share of net profit stands at €7,903,000, that is 10.05% of turnover, and net profit allocated to minority shareholders is €213,000.

4.6 Debt, cash flow and investments

Net debt, in other words total gross debt from which cash reserves on 31st December 2004are deducted, stands at €3,784,000.

Cash flow (see cash flow table) stands at €9,411,000.

Gross investments for the financial year, both intangible (excluding goodwill and market shares) and tangible, stand at €623,000.

4.7 External growth

External growth concerns the acquisitions of GLOBAL SOFTWARE SERVICES Ltd and CIMAGE.

a) The contribution of GLOBAL SOFTWARE SERVICES Ltd to the consolidated operating account over 12 months is as follows:

Turnover	€8,873,000
Operating profit	€489,000

b) The contribution of CIMAGE to the consolidated operating account over 12 months is as follows:

Turnover	€9.691,000
Operating profit	€471,000

Changes undergone by the Group's major subsidiaries (SWORD SA, SWORD TECHNOLOGIES SA, DDS EUROPE LIMITED, SWORD CONSULTING, SWORD ECM and FIRCOSOFT)

SWORD SA's turnover stands at €22,859,000, a 17% increase as compared to the previous financial year. Its net profit comes out to €1,706,000 versus a net profit of €2,010,000 for the previous year.

SWORD CONSULTING's turnover stands at €3,224,000, i.e. 3,651 times higher than the previous financial year. Its net profit of €718,000 increased by €140,000 from the previous year's figure.

DDS EUROPE Ltd's turnover stands at £2,458,000 for a turnover of £2,906,000 for the previous financial year. Its net profit of £316,000 increased by £156,000 from the previous year's figure.

SWORD ECM's turnover stands at €3,904,000, a 76% increase as compared to the previous financial year. Its net profit of €427,000 increased by €67,000 from the previous year's figure.

FIRCOSOFT's turnover stands at €2,648,000, a 56% increase as compared to the previous financial year. Its net profit of €557,000 was 3 times higher than the previous year.

4.9 Important events occurring after year-end

As part of optimising the Group's fixed costs and simplifying its organisational structure, all of the assets of the British companies, i.e. SWORD ECM Ltd, GLOBAL SOFTWARE SERVICES and CIMAGE Ltd, have been contributed to DDS EUROPE (now SWORD UK).
In the United States, a merger project between SWORD INC and CIMAGE NOVASOFT Inc is in progress.

4.10 Outlook

As explained in our business plan, the Group forecasts internal growth of 15% over the coming three years, combined with an acquisition strategy that should expand the Group's perimeter by €17.5m turnover per annum on average between 2005 and 2007.

As part of the Group's "products" strategy leading to a "products" turnover representing 15% of the overall turnover in 2005, an ambitious Document Management products development plan in:

- the pharmaceutical industry
- the nuclear industry
- civil engineering

was initiated on 1st January 2005.
The investment will come out to £1,998,000 in 2005.
No new "products" investment plan is planned for 2006 and 2007.
We are confident that this investment will be immediately profitable.

4.11 Estimated value of market shares in the consolidated financial statements

No provision was set up after it was checked that the evaluation criteria for market shares had been met.

An independent evaluation led by the firm MAZARS GUERARD confirmed the balance sheet value of these intangible assets.

4.12 Research and development

Now, the Group's R&D covers:

a) the development of software components designed for the "services" activity
b) the corrective and minor maintenance of products
c) the development of new products (this will concern 2005)

In 2004, R&D rose to 2.1% of our employees' number of potential days of activity, and 70% of the overall "products" division's overall activity.

The Group's R&D average stood at 8% of our employees' number of potential days of activity, and approximately 4% of the Group's turnover. This was entered as "wages and social contributions".

4.13 Approval of the consolidated financial statements

We would ask you to approve the consolidated accounts for the year-ended 31. December 2004 (balance sheet, profit and loss statement, and annexes) as they are submitted and which show a total consolidated profit of €8,116,000 (of which the group's share of the profit is
€7.903,00).

5) ACTIVITIES OF SWORD GROUP – PRESENTATION OF THE CORPORATE FINANCIAL STATEMENTS

5.1 Company activities over the financial year 2004 – Balance sheet and income statement

In 2004, the holding company's workforce remained totally stable, and no new event took place.

The balance of its operating accounts is maintained by rebilling its services to its subsidiaries.

Over 2004, SWORD GROUP carried out its operational, strategic and financial supervision role for the Group.

The key figures for the financial year elapsed are the following:
- revenue from operations came out to €2,653,468.02

- turnover stands at € 2,653,458.92
  i.e. an increase of more than 30% from the previous year's figures.

- operating costs came out to €2,112,466.26
  while they stood at €1,835,031.08 for the financial year ending 31st December 2003

The major expenses were:

- other external purchases and expenses for €1,190,964.36
- taxes and duties for €22,375.19
- salaries and wages for €393,325.08
- social contributions for €163,800.27
- other expenses for €42,001.36

- the operating profit therefore comes out to €541,001.76
  versus €191,532.99 for the previous financial year.

- the financial profit, which includes financial revenue for €3,975,789.03

and financial expenses for	€558,987.04
comes out to	€3,416,801.99
in the income statement, while it stood at €3,036,108 for the financial year ending 31st December 2003	
- the income from ordinary operations before tax comes out to versus €3,277,641.76 for the previous financial year	€3,957,803.75
- extraordinary revenue stood at	€9,339.21
and extraordinary costs stood at	€2,352.36
the extraordinary profit therefore came out to	€6,986.85
- the income tax comes out to	€439,005.00
- the difference between revenue and costs for the period displays a profit of	€3,525,785.60
versus a profit of €3,077,041.38 for the previous financial year	

5.2 Important events occurring after year-end

In accordance with the provisions of Article L 232-1 of the Commercial Code, we inform you that no major event took place or was known of subsequent to the closing of the Company's financial year.

5.3 Outlook for 2005

Signs of economic are already visible with, however, some major differences:

a) In the United Kingdom, activities will enable the turnover to grow while the excellent profitability we are experiencing, will be maintained.

b) In the United States, we expect to be able to develop both our turnover and profitability.

c) In France, we think that our activity in terms of turnover is likely to follow the Group's internal growth rate (15%), but we fear that the operating margin may lose one point as a result of the new costs incurred by service companies (law on training, decapping of pension premiums, increased costs, etc.).

d) In Benelux, the growth resulting from the signing of the DIMA agreement announced mid-2004, will allow to follow the Group's organic growth, but the price cuts in International Organisations cause us to budget a one-point decrease in gross margin.

However, we have no fears regarding the Group's consolidated profitability, as:

- the "products" division"
- the strengthened software components policy
- the Indian offshore base
- the "markets" specialisation (nuclear, pharmaceuticals, etc.)

will allow the Group to increase the profitability of several of its divisions, which will more than offset the few declines in gross margin.

5.4 Description of human resources and the corporate environment

The salaried staff of the Company numbers nine people, of whom all are members of the Board Management Committee with the exception of the assistant.

Accordingly, the list of formal information on corporate matters as provided by the Decree of 20 February 2002 is of little interest.

5.5 Industrial and environmental risks

In application of rules No. 98-01 and No. 95-01, we would like to point out to you that, because of its area of activity, the company is not exposed to environmental issues.

5.6 Information on market risks

5.6.1 – Commercial risk due to fixed price services

Fixed price services dampen the commercial risk of finding ourselves in an inter-contract situation from one day to the next. On the other hand, they increase project completion risks and raise the question of keeping the team busy between projects.

This illustrates the importance of having an order book. Particular attention has been paid to increasing its size.

On 31st December 2004, it amounted to 8.85 months worth of the budgeted 2005 turnover.

Each project is monitored on a monthly basis. To date, the difference between days gained and days lost compared with initial estimates for the cost of projects is close to 0, thanks to the systematic application of the Isopro method.

Nevertheless, in the event of likely slippage at a site, all estimated overruns by comparison to the original site budget are immediately tracked by means of subcontracting (additional time on site not reflected in the sales turnover).

Lastly, billing for components is a major element of safety in SWORD Group's quoting policy, given that the resulting turnover does not generate direct costs and may alleviate the consequences of overspending on projects.

5.6.2 – Technological risk

As far as hardware and local networks are concerned, a 5-person team is dedicated to maintaining our infrastructures and, in particular, the daily backup of data, which is placed in fireproof cabinets.

In addition, a civil liability insurance policy allows us to cover all risks relating to damage caused by our employees at customer sites.

Lastly, exploiting our know-how through our software components allows us to confidently grasp the technological advances of our partners and suppliers.

5.6.3 – Competition risk

The competition risk is very low thanks to:
- SWORD Group's technological advantage,
- its functional knowledge of its customers' areas of work,
- the dispersion of its competitors, all of whom display marked differences,
- the nature of its customers (example: the UN), which makes a considerable investment necessary from the outset.

This wide spectrum of competition is actually a very positive point, especially when the customer requires a wide range of skills for its integration projects, for instance.

5.6.4 – Currency risk

In countries where costs are paid for locally (local personnel), no currency cover is taken.

In countries where we have costs resulting from transactions in different currencies (e.g.: USA with a few European employees), we take out annual currency cover based on the budgeted turnover for the year.

In countries with extremely volatile currencies (e.g.: the Rand in South Africa), we have a systematic insurance policy, given that very few costs are charged in the local currency.

The currency risk is controlled by the holding company. Our budgets are based on conservative assumptions: the analytical exchange rate is always that of the current month.

6) Activities and results of the subsidiaries and companies we control

Below, in accordance with the provisions of article L 233-6 paragraphs 1 and 2 of the Commercial Code, we will report to you on the following:

- the activities and results of our company's subsidiaries and the companies it controls;
- significant stakes acquired or takeovers of companies headquartered in France.

7) Significant purchases of interests or acquisitions made during the financial period in companies headquartered in France

During the financial year ending 31st December 2004 SWORD GROUP took no significant interests and did not acquire the control of companies headquartered in France.

However, we remind you that:

- on 6th February 2004, SWORD GROUP purchased 100% of FI SYSTEM BELGIUM, which in turns holds 100% of ASCII, for €3,000,000. Both companies are based in Belgium. FI SYSTEM BELGIUM and its subsidiary have been consolidated since 1st January 2004, as they have been controlled by SWORD GROUP since that date (judgment by the Paris Commercial Court dated 15th December 2003)

- On 1st May 2004, SWORD GROUP purchased 97.04% of GLOBAL SOFTWARE SERVICES, which in turn holds 100% of GLOBAL INDIA, for €2,321,000. GLOBAL SOFTWARE SERVICES is based in the London suburbs, while GLOBAL INDIA is based in Chennai, India.

8) Activities and results of the subsidiaries in the sense of article L.233-1 of the Commercial Code

COMPANY	PERCENTAGE OF INTERESTS	TURNOVER in thousands of euros	RESULT in thousands of euros	ACTIVITY
SWORD SA	98.95	22,859	1,706	ECM
SWORD UK	100%	3,487	448	Consulting
SWORD INC	100%	4,903	- 594	ECM
SWORD CREATION INFORMATIQUE SA	100%	0	0	ECM
SWORD SUISSE	94.80%	717	- 19	ECM
SWORD TECHNOLOGIES SAS	94.88%	23,902	2,551	ECM
SWORD NORD	56%	952	34	ECM
FI SYSTEMS BELGIUM	100%	0	- 21	Holding company
GLOBAL SOFTWARE Ltd (1)	100%	2,881	157	ECM

(1) period from 1st May to 31st December 2004

9) Activities and results of the companies we control in the sense of article L.233-3 of the Commercial Code

COMPANY	STAKE HELD AS A PERCENTAGE	TURNOVER	RESULTS	ACTIVITY
SWORD ECM LIMITED	100%	5,563	572	ECM
SWORD SOUTH AFRICA LIMITED	55%	650	41	ECM
SWORD CONSULTING	100%	3,224	746	Consulting
SWORD DDS	100%	423	82	-
SWORD SAS	83%	None	-17	-
FIRCOSOFT	95.50%	2,648	557	Security
FIRCOSOFT INC	100%	421	83	Security
SWORD SECURITY SA	60%	44	3	Security
SWORD IT SOLUTIONS	65%	103	12	ECM
ASCII	100%	5,159	386	ECM
CIMAGE Ltd	99.76%	0	- 28	Holding company
CIMAGE NOVASOFT Ltd (1)	100%	3,668	987	ECM
CIMAGE NOVASOFT Inc	100%	1,475	- 717	ECM
GLOBAL INDIA (2)	100%	2,137	494	ECM

(1) period from 1st July to 31st December 2004
(2) period from 1st May to 31st December 2004

10) SWORD GROUP employee equity interest

It is pointed out that the employees of the company and/or those of related companies in the sense of Article L 225-180 of the Commercial Code, hold not shares in the capital of our Company, in the sense of Article L 225-102 of the Commercial Code.

11) Breakdown of SWORD GROUP capital at the close of the financial year (in%)

Forename-Surname	% capital	% voting rights
Jacques MOTTARD	24.93	30.05
21 CENTRALE PARTNERS et FCPR 21 DEVELOPPEMENT	27.48	30.62
Françoise FILLOT	1.45	2.12
Christian TAPIA	1.34	1.95
Own shares	0.86	0.00
Employees and miscellaneous registered shareholders	4.33	6.31
Free float	39.61	28.94
TOTAL	**100.00**	**100.00**

12) Variations in the share price

2004	2005
Highest price €98 (on 09/06/2004)	Highest price €115.9 (on 14th February 2005)
Lowest price €75 (on 03/03/2004)	Lowest price €97 (on 3rd January 2005)
Number of shares traded on the stock market 220,792	Number of shares traded on the stock market 63,615

13) Information on the acquisition and sale by the company of its own shares

Number of shares held by the Company on 31st December 2003	12,633
Number of shares purchased in 2004	0
Number of shares sold in 2004	0
Number of shares held by the Company on 31st December 2004	12,633

Approval of a technical readjustment relative to the appropriation of the result of the financial statements for the financial year ending 31st December 2002

We inform you that the deduction at the source due for the distribution of the results for the financial year ending 31st December 2002, was omitted upon the appropriation of the 2002 result as decided by the Ordinary General Meeting held 30th April 2003. In the Company's books, the deduction at the source, duly paid to the tax authorities, was entered as "Balance brought forward", while it should have been partly taken from the paid-in cash item. The proposed resolution consists in readjusting the entry for the appropriation of the 2002 result, taking into account its impact on the legal reserve. To do that, we suggest that you approve the appropriation of the 2002 result along with the conditions under which it was actually completed, and to enter the following accrual items:

- debit €96,563.22 from the "Paid-in cash" item
- Credit:
    1) €4,828.16 to the "Legal reserve" item
    2) €91,735.06 to the "Balance brought forward".

We point out that this technical readjustment has no impact on the amount of equity capital.

15) Profit allocation proposal

We request that you approve the corporate financial statements for the financial year ending 31st December 2004 (balance sheet, income statement and annexes) such as they are presented to you, which show profits of €3,525,785.60.

We suggest that the result be appropriated as follows:

- to the Legal Reserve: €176,289.28

- to the shareholders as dividends: €1,762,105.20

- the balance, i.e. €1,587,391.12
  to the "Balance brought forward".

The net dividend per share would stand at €1.20 per share (the tax credit being no longer applicable to this distribution).

Bearers of share purchase warrants, who would have exercised their BSAs on the date of the general meeting, would be entitled to that dividend per share.

In that context, we ask that you grant all authority to the Board of Directors to draw from the "Balance brought forward" the amounts necessary to pay the dividend set above to the shares resulting from the exercise of the BSAs.

In order to comply with the provisions of Article 243 bis of the General Tax Code, we inform you that:

- in accordance with Article 158 3-2° to 4° of the General Tax Code, the above dividend per share is eligible for a 50% rebate on the taxable amount of distributed revenue, this rebate being reserved for private taxpayers whose tax domicile is in France.

- the dividends paid for the last three financial years, and their corresponding tax credits, were as follows:

Financial year ending	Net dividend per share	Tax credit
31st December 2003	€0.90	€0.45
31st December 2002	€0.75	€0.375
31st December 2001	0	0

16) Non-tax-deductible expenses

In accordance with the provisions of article 223 quarter of the General Tax Code, we point out that the financial statements of the year elapsed do not support non-tax-deductible expenses.

17) Table of results for the five previous financial years

Attached to this annual report is a table of results in compliance with article 148 of the order of 23rd March 1967.

18) Agreements mentioned in Articles L. 225-38 et seq. of the Commercial Code

We ask you to approve the agreements that fall within the scope of the provisions of Article L. 225-38 of the Commercial Code, which were entered into and duly authorised during the financial year elapsed.

We point out that the Auditors have duly received all the required information to draw up their special report.

The list and the subjects of the current agreements, entered into under normal conditions, except for those which, due to their subjects or financial implications, are significant for neither of the parties, have been communicated to the Auditors and the members of the Board of Directors, and are at your disposal at the head office.

19) Mandates of the members of the Board of Directors

In accordance with the provisions of Article L. 225-102-1 paragraph 3 of the Commercial Code, you will find below a list of the various mandates and functions conducted in all the French and foreign subsidiaries by each of the Company's executive officers during the financial year closing 31st December 2004.

POSITION	DURATION OF MANDATE	COMPANY	EXPIRY DATE (Shareholder meeting ruling on the financial statements for the last financial year)
Jacques MOTTARD: Chairman and CEO			
Chairman and CEO	6 years	SWORD GROUP	31.12.09
Chairman and CEO	6 years	SWORD SA	31.12.08
Chairman	unlimited	SWORD CONSULTING	Unlimited duration
Chairman and CEO	3 years	SWORD NORD	31.12.06
Chairman	unlimited	SWORD DDS	Unlimited duration
Chairman	unlimited	FIRCOSOFT	Unlimited duration
Chairman	unlimited	SWORD SAS	Unlimited duration
Chairman	unlimited	DDS EUROPE Ltd	Unlimited duration
Chairman	unlimited	SWORD Inc	Unlimited duration
Chairman	unlimited	SWORD CREATION INFORMATIQUE Ltd	Unlimited duration
Director	unlimited	SWORD SOUTH AFRICA Ltd	Unlimited duration
Chairman	1 years	SWORD SUISSE	31.12.05
Chairman	6 years	SWORD TECHNOLOGIES SA	10.12.08
Chairman	unlimited	FIRCOSOFT Inc	Unlimited duration
Chairman	unlimited	SWORD ECM Ltd	Unlimited duration
Chairman	6 years	SWORD SECURITY SA	31.12.08
Chairman	unlimited	CIMAGE Ltd	Unlimited duration
Chairman and Board member	6 years	FI SYSTEMS BELGIUM	11.02.2010
Chairman and Board Member	6 years	ASCII	11.02.2010
Chairman	unlimited	GLOBAL SOFTWARE SERVICES	Unlimited duration
Director		SWORD IT SOLUTION	30th June 2006
Mandates exercised outside the Group			
Manager	unlimited	SCI FI	Unlimited duration
Manager	unlimited	LE DAVID	Unlimited duration
Manager	unlimited	CHINARD INVESTISSEMENT	Unlimited duration

Nicolas MOTTARD: director			
Director	6 years	SWORD GROUP	31.12.09

21 CENTRALE PARTNERS: director			
Director	6 years	SWORD GROUP	31.12.09
Mandates exercised outside the Group			
Director	3 years	LE GOUT DE LA VIE	31.12.06
Director	6 years	ASTEEL	31.12.07
Director	6 years	LE PUBLIC SYSTEME	31.12.05
Director	6 years	EGIDE	31.12.05
Director	4 years	HARMONY	31.12.05
Director	3 years	COTHERM	31.12.05

Director	6 years	FOUNTAINE PAJOT	31.08.06
Director	6 years	MECCANO	31.12.08
Director	6 years	ELECTROPOLI GROUP	31.12.08
Director	3 years	GLOBALGAS	31.03.07
Director	6 years	FINANCIERE IMPALA	31.12.08
Member of the Supervisory Board	6 years	ALTO EXPANSION	31.12.10
Member of the Supervisory Board	6 years	FRANCE AIR HOLDING	31.12.09
Member of the Supervisory Board	6 years	3C FINANCE	31.12.09
Censor	3 years	ROBINE	31.03.07
Françoise FILLOT: Executive Vice President			
Executive Vice President (since 1st July 2004)	For the Chairman's term	SWORD GROUP	31/12/2009
Director	unlimited	SWORD UK	Unlimited duration
Director	6 years	SWORD TECHNOLOGIES SA	10.12.08
Director	6 years	SWORD SA	31.12.08
Director	3 years	SWORD NORD	31.12.06
Director	unlimited	SWORD ECM Ltd	Unlimited duration
Director	unlimited	SWORD SOUTH AFRICA	Unlimited duration
Managing Director	2 years	SWORD CONSULTING	31.12.2005
Managing Director	2 years	FIRCOSOFT	31.12.2005
Director	6 years	FI SYSTEM BELGIUM	11.02.2010
Director	6 years	ASCII	11.02.2010
Director	unlimited	GLOBAL SOFTWARE SERVICES	Unlimited duration
Director	unlimited	GLOBAL INDIA	Unlimited duration
Managing Director	unlimited	SWORD DDS	Unlimited duration
Director	6 years	SWORD SECURITY	2008
Managing Director	unlimited	FIRCOSOFT Inc	Unlimited duration
Christian TAPIA: Executive Vice President			
Executive Vice President (since 1st July 2004)	For the Chairman's term	SWORD GROUP	31/12/2009
Director	unlimited	SWORD INC	Unlimited duration
Director	unlimited	SWORD UK	Unlimited duration
Director	unlimited	SWORD CREATION INFORMATIQUE	Unlimited duration
Director	6 years	SWORD SA	31.12.08
Director	3 years	SWORD NORD	31.12.06
Director	unlimited	SWORD ECM Ltd	Unlimited duration
Director	unlimited	SWORD SOUTH AFRICA	Unlimited duration
Director		SWORD IT SOLUTIONS	30/06/06
Managing Director	2 years	SWORD CONSULTING	31.12.2005
Managing Director	2 years	FIRCOSOFT	31.12.2005
Director	6 years	FI SYSTEM BELGIUM	11.02.2010
Director	6 years	ASCII	11.02.2010
Director	unlimited	GLOBAL SOFTWARE SERVICES	Unlimited duration
Director	unlimited	GLOBAL INDIA	Unlimited duration
Managing Director	unlimited	FIRCOSOFT Inc	Unlimited duration
Director	6 years	SWORD TECHNOLOGIES SA	10.12.08

20) Remuneration of executive officers

The total remuneration paid to executive officers came out to €238,727.92.
The following table gives the total remuneration and benefits in kind, plus the directors' fees paid to each executive officer over the year.

EXECUTIVE OFFICER	REMUNERATION AND BENEFITS	DIRECTOR'S FEES	Remuneration change from fiscal 31/12/03
Jacques MOTTARD Chairman and CEO	By the company: €36,587.76 (en ce compris un véhicule de fonction) By companies controlled as per article L.233-16 of the Commercial Code: €0	By the company: €15,000	+ 1.94%
21 CENTRALE PARTNERS represented by Mr. François BARBIER Director	By the company: €0 By companies controlled as per article L.233-16 of the Commercial Code: €0	By the company: €25,000	+66.67 %
Nicolas MOTTARD Director	By the company: €0 By companies controlled as per article L.233-16 of the Commercial Code: €0	By the company: €2,000	Unchanged
Françoise FILLOT Executive Vice President	By the company: €73,900.24 (gross) By companies controlled as per article L.233-16 of the Commercial Code: €0		N/A
Christian TAPIA Executive Vice President	By the company: €48,981.92 (gross) By companies controlled as per article L.233-16 of the Commercial Code: €37,258 (gross)		N/A

SWORD GROUP has no bonus system in the event of the arrival or departure of an executive officer. Likewise, there is no specific complementary pension scheme.

21) Directors' fees

We suggest setting the directors' fees paid to the members of the Board to €47,000.

We point out that the directors' fees would thus increase by 11.9%, while the profit rose by more than 12.50%.

22) Change in the company name of one of the statutory Auditors

Pursuant to a change in the company name of DELOITTE TOUCHE TOHMATSU, the statutory auditor, we ask you to acknowledge this change, the new company name becoming DELOITTE & ASSOCIES, and to give all authority to proceed to the required formalities.

23) Authorisation to be granted to the Board of Directors regarding the Company's purchase of its own shares; proposal of authorisation to be granted to the Board of Directors to cancel the own shares

We remind you that the General Meeting held 29th December 2003 authorised the Board to operate on the Company's shares, in accordance with the provisions of Article L.225-209 of the Commercial Code, for a period of 18 months, i.e. up until 28th June 2005.

The provisions of European Rule No.2273/2003 of 22nd December 2003, taken in application of Directive 2003/6/EC of 28th January 2003, called the "Market Abuse" directive and regarding the programmes for the repurchase and stabilisation of financial instruments, became effective as of 13th October 2004 and change the conditions under which the repurchase programmes are to be implemented.

We then suggest that you cancel the authorisation granted by the General Meeting held 29th December 2003 and replace it by a new share repurchase programme.

A memorandum approved by the Autorité des Marchés Financiers (AMF) will be drawn up and published prior to the General Meeting called to authorise the repurchase programme.

The goals of the repurchase programme would be the following, in descending order:

- have an investment services provider drive the market or the liquidity of the share through a liquidity agreement compliant with the ethical policy recognised by the AMF;

- purchase shares to hold them and eventually trade them or use them as payment for potential external growth operations;

- the allocation to the employees or executive officers of the Company or Group, under the conditions and in accordance with the terms and conditions set out by law, particularly in the context of profit-sharing, for the service of stock options, under a corporate savings plan, for for the free allocation of shares to employees based on their performance results, in accordance with the provisions of Articles L 225-197-1 et seq. of the Commercial Code.

- cancel acquired securities.

This authorisation would be granted under the following conditions:

- the number of shares purchased by the Company under this authorisation would not represent more than 10% of the equity capital, as adjusted according to operations that would eventually allocate it pursuant to the General Meeting's decision;

- the shares may be repurchased through interventions on the market or the purchase of batches, with no particular limitations in the latter case;

- the maximum price at which the shares could be acquired would be set to €175 per share, and the minimum price at which they could be sold would be set to €60 per share, it being understood that, should the face value of the Company's shares be divided by 5, as indicated below, the maximum price would become €35 per share and the minimum price €12 per share;

- this authorisation would be granted for a period of eighteen months, starting from the date of the General Meeting authorising the repurchase of shares;

In order to allow the Board to cancel the shares purchased by the Company in the context of the repurchase programme, we also ask you to allow the Board of Directors to reduce the equity capital by cancelling the Company's own shares and consequently amend the by-laws;

24) Backfitting of the by-laws with the Order No.2004-604 of 24th June 2004

The Order No.2004-604 of 24th June 2004 has changed the rules governing capital increases. Therefore, we suggest that you backfit the Company's by-laws to the new legal provisions and replace the second sentence of the third paragraph of Article 9.1 of the by-laws by the following sentence: "It may also delegate this authority to the Board of Directors, under the conditions set by applicable legal and regulatory provisions."

25) Division of the face value of the shares

In order to increase the liquidity of SWORD GROUP shares in the market, we propose that you divide their face value.

The face value of the Company's shares could be brought from 5 euros to 1 euros, which would raise the number of the Company's shares from 1,468,421 to 7,342,105, through the exchange of one old share with a face value of 5 euros against 5 new shares with a face value of 1 euro.

The division of the face value of the shares will have no impact on the shareholders' dual voting right, in accordance with Article 19 of the by-laws.

We point out, regarding the issue of shares with share purchase warrants decided on 26th March 2004, that the division of the face value of the shares would change the exercise parity of the share purchase warrants.

Subject to the General Meeting's approval of the division of the face value of the shares under the conditions described above, 4 share purchase warrants would then make it possible to purchase 5 SWORD GROUP shares, versus 1 to date.

If you approve this proposal, it will involve amending Article 8 of the by-laws.

26) Delegation of authority to be granted to the Board to increase the equity capital through the issue of ordinary shares or any marketable securities giving access to the capital with preservation of the pre-emptive right

The Order No.2004-604 of 24th June 2004 has changed the rules governing capital increases. Therefore, we inform you that, given the changes to applicable laws, new authorisations ought to be granted to the Board to increase the Company's equity capital, in accordance with the provisions of Articles L. 225-129-2 and L. 228-92 of the Commercial Code.

Given these new provisions, we ask you to delegate to the Board of Directors the authority to decide, at its sole discretion, in one or several times, in the proportions and at the times which it will determine, both in France and abroad, in euros or foreign currency or unit of account set in reference to several currencies, the issue, with the preservation of the pre-emptive right, of shares, securities or marketable securities – including share purchase warrants issued in an autonomous manner at a cost or free of charge, or acquisition warrants – giving access or likely to give access to the capital or entitling to the allocation of debt securities.

The delegation that would thus be granted to the Board of Directors, would be valid twenty-six months from the date of the General Meeting authorising it.

The issue of preferred shares and the issue of securities or marketable securities giving access to preferred shares, would be ruled out.

In the context of this delegation of authority:

- the amount of capital increases likely to be completed immediately and/or in the long run, could not exceed €5,000,000 of face value, plus, if applicable, the additional amount of shares that would have to be issued to preserve, in accordance with the law, the rights of holders of marketable securities entitling them to shares.

- the face value of debt securities giving access to capital, likely to be issued under this delegation, could not exceed €100,000,000 or its equivalent in foreign currencies, on the day of issue.

The shareholders would have a pre-emptive right on the securities issued under this delegation, which would be proportionate with the amount of shares they hold.

Should the applications made on a non-reducible basis or, if applicable, on a reducible basis, not absorb the entire issue of shares or marketable securities as defined above, the Board may offer the public all or part of the securities that have not been applied for.

We point out that this delegation would override the delegation given by the Ordinary and Extraordinary General Meeting of 26th April 2004 through the voting of its tenth resolution.

27) Delegation of authority to be granted to the Board to increase the equity capital through the issue of ordinary shares or any marketable securities giving access to the capital with removal of the pre-emptive right

In the context of the new regulatory provisions applicable to capital increases, it would be desirable that the General Meeting, in accordance with the provisions of Articles L.225-129-2, L.225-135, and L.228-92 of the Commercial Code, delegate to the Board of Directors the authority to determine, at its sole discretion, in one or several times, in the proportions and at the times it may decide, both in France and abroad, in euros and foreign currency and unit of account set by reference to several currencies, the issue, with removal of the pre-emptive right, of shares, equity securities, or marketable securities – including warrants issued in an autonomous manner on a free of charge or paid-for basis, or acquisition warrants – giving access or likely to give access to the capital or entitling to the allocation of debt securities.

The delegation thus granted to the Board of Directors would be valid twenty-six months from the date of the General Meeting authorising it.

The issue of preferred shares and the issues of any securities or marketable securities giving access to preferred shares, would be ruled out.

The pre-emptive right of shareholders on these shares, equity securities, and other marketable securities, would be eliminated, but the Board of Directors would be entitled to institute a priority right for shareholders to apply for them, in accordance with the provisions of Article L 225-135 of the Commercial Code.

In the context of this delegation of authority:

- the amount of capital increases likely to be conducted in that manner either immediately or in the long run, could not exceed €5,000,000 of face value, plus, if applicable, the additional amount of shares that would have to be issued to preserve, in accordance with the law, the rights of holders of marketable securities entitling them to shares. The maximum face value of capital increases likely to be conducted under this delegation would be entered against the overall capital increase cap of €5,000,000 discussed above..

- the face value of debt securities giving access to capital, likely to be issued under this delegation, could not exceed €100,000,000 or its equivalent in foreign currencies, on the day of issue, it being specified that such face value would be entered against the face value of €100,000,000 discussed above.

- the amount perceived or to be perceived by the Company for each of the shares issued or to be issued under the delegation discussed above, after taking into account, if applicable, in the case of the issue of share purchase warrants, the issue price of such warrants, would be at least equal to the weighted average of the prices of the last three market sessions preceding its fixing, minus a maximum rebate of 5% if applicable, in accordance with the provisions of Article 155-5 as amended of the Order of 23rd March 1967.

We point out that this delegation would override the delegation granted by the Ordinary and Extraordinary General Meeting of 26th April 2004 through the voting of its eleventh resolution.

In accordance with the provisions of Article L225-135 of the Commercial Code, the Company's Auditors have drawn up a report on the removal of the pre-emptive right, which shall be read out to you. We point out that an additional report will be drawn up by the Board when it uses the authorisation granted by the General Meeting to:

- describe the final conditions for the operation, determined in accordance with the authorisation granted by the Extraordinary General Meeting;

- determine, in accordance with the provisions of Article 155-1 of the Order of 23rd March 1967, the impact of the proposed issue on each individual shareholder's situation, particularly regarding his share of the equity capital.

Likewise, the Company's Auditors will draw up the additional report required by Article 155-2 paragraph 2 of the Order of 23rd March 1967.

These additional reports will be made available to you at the head office, no later than fifteen days following the meeting of the Board of Directors, and read out to you during the first subsequent General Meeting.

The activities conducted during the previous financial year were described to you earlier.

As far as the course of the Company's business since the beginning of the current financial year is concerned, it is presented to you in paragraph 5 above.

28) Authorisation to be granted to the Board of Directors to increase the number of shares, securities and marketable securities to be issued in case of capital increase with or without pre-emptive right

We ask you to authorise the Board, in accordance with the provisions of Article L. 225-135-1 of the Commercial Code, for a period of twenty-six (26) months, to increase, within the limits of the overall cap set above and under the delegation of authority to increase the equity capital through the issue of shares with preservation of the shareholders' pre-emptive right, within thirty (30) days of the closing of applications for the initial offering, within the limits of 15% of the initial issue, and at the price set for the initial issue, in accordance with the provisions of Article 155-4 as amended of the Order of 23rd March 1967.

We point out that the limit set out in clause 1° of paragraph I of Article L. 225-134 of the Commercial Code, would be raised in the same proportions.

29) Delegation of authority to be granted to the Board to issue shares, securities or marketable securities of all kinds to remunerate the contributions in kind granted to the Company

We ask you to delegate to the Board of Directors, under Article L. 225-147 paragraph 6 of the Commercial Code, for a period of twenty-six (26) months, the authority necessary to issue shares, equity securities, and marketable securities, some of which would or could give access to the Company's capital within the limits of 10% of its share capital, at the time of issue, to remunerate the contributions in kind granted to the Company, and made of equity securities and marketable securities giving access to the capital, whenever the provisions of Article L. 225-148 of the Commercial Code are not applicable.

In accordance with law, the Board of Directors would then rule on the Auditors' report mentioned in Article L. 225-147 of the Commercial Code.

In any event, the amount of capital increases conducted under this resolution would be entered against the overall cap set above and relative to the delegation of authority to increase the equity capital through the issue of shares with removal of the pre-emptive right.

In that context, we ask that you grant all authority to the Board of Directors, in particular to approve the assessment of contributions, determine the resulting capital increase, acknowledge its completion, draw from the contribution premium the amounts necessary to bring the legal reserve to a tenth of the new capital after each increase, and amend the by-laws.

30) Delegation of authority to decide to increase the capital through the incorporation of reserves, profits, or share premiums

We ask that you delegate to the Board of Directors, under Articles L. 225-129, L. 225-129-2, and L. 225-130 of the Commercial Code, your right, for a period of twenty-six (26) months, to decide to increase the share capital, at its sole discretion, in one or several times, at the times its determines, through the incorporation of reserves, profits and share premiums into the capital, followed by the creation and free allocation of equity securities or the increase of the existing equity securities, or a combination of both.

Fractional rights would be neither marketable nor transferable, and the corresponding securities would be sold, the proceeds of the sale being allocated to the holders of the rights within the timeframe set by an Order of the Council of State.

The amount of capital increase likely to be completed in that manner, plus the amount necessary to preserve, in accordance with the law, the rights of holders of marketable securities entitling them to shares and regardless of the overall cap set above and relative to the delegation of authority to increase the equity capital through the issue of shares with preservation of the pre-emptive right, would not exceed the amount of reserves, share premiums, and profits discussed above that exist at the date of the capital increase.

We ask that you grant to the Board of Directors, with the ability to sub-delegate under the conditions set out by law and by the Company's by-laws, all the authority necessary to implement this delegation and ensure its success.

The aforementioned delegation would cancel and override any earlier delegation regarding the same issue.

31) Delegation of authority to increase the share capital to the benefit of the Group's employees

We remind you that, in accordance with the provisions of Article L. 443-5 as amended of the Labour Code and Articles L 225-129-6 and L 225-138-1 of the Commercial Code, it is up to the Board of Directors to submit to the General Meeting of Shareholders, on the occasion of each capital increase, a draft resolution tending to complete a capital increase conducted under the conditions set out in Article L 443-5 of the Labour Code.

Given the capital increase authorisations proposed to the Meeting, the Extraordinary General Meeting should rule, in accordance with Article L 225-129-2 of the Commercial Code, on a draft delegation to grant to the Board of Directors to increase the capital, in one or several times, within the proportions and at the times it will decide, within twenty-six months, and within the limits of a total number of shares representing 3% of the equity capital on the date of the Board's decision, through the issue of ordinary shares of the Company and, if applicable, through the issue of free shares.

This authorisation would include the cancellation of the shareholders' pre-emptive rights on new shares and other securities to be issued to the benefit of the Company's employees and/or those of companies related to the Company in the sense of the provisions of Article L. 225-180 of the Commercial Code which are, if applicable, holders of a Group Corporate Savings Plan (or any Mutual Fund to be set up, of which such employees would be shareholders).

Regarding the price of the shares to be issued, we propose that you set the rebate to 20%, based on the average of the listed prices of the Company's shares on Euronext Paris S.A.'s Nouveau Marché for the twenty market days preceding the date of the decision setting the opening date of applications. However, we ask that you authorise the Board of Directors to reduce the aforementioned rebate if it deems necessary.

If you accept this proposal, please delegate all authority to the Board of Directors, with the ability to sub-delegate as provided for by law, to:

- set a list of beneficiaries and the number of shares allocated to each one of them;
- set the date and terms of the issues that will be conducted under this delegation, in accordance with legal and statutory provisions, and in particular, determine the purchase price in compliance with the above-mentioned rules, set the application opening and closing dates, the due dates, and the share issue timeframes.
- confirm the completion of the capital increases up to the amount of shares that will be actually applied for;
- accomplish all operations and formalities, either directly or via a proxy;
- amend the by-laws in accordance with the share capital increases;

- and generally do anything that is useful or necessary for the final completion of the capital increase or successive capital increases.

In accordance with the provisions of Article L225-135 of the Commercial Code, the Company's Auditors have drawn up a report on the removal of the pre-emptive right, which shall be read out to you.

We point out that an additional report will be drawn up by the Board when it uses the authorisation granted by the General Meeting to:

- describe the final conditions for the operation, determined in accordance with the authorisation granted by the Extraordinary General Meeting;
- determine, in accordance with the provisions of Article 155-1 of the Order of 23rd March 1967, the impact of the proposed issue on each individual shareholder's situation, particularly regarding his share of the equity capital, and the theoretic impact on the current value of the share.

Likewise, the Company's Auditors will draw up the additional report required by Article 155-2 paragraph 2 of the Order of 23rd March 1967.

These additional reports will be made available to you at the head office, no later than fifteen days following the meeting of the Board of Directors, and read out to you during the first subsequent General Meeting.

The activities conducted during the previous financial year were described to you earlier.

As far as the course of the Company's business since the beginning of the current financial year is concerned, it is presented to you in paragraph 5 above.

Your Board invites you, after reading the reports presented by your Auditor, to adopt the resolutions submitted to your vote, except for the resolution regarding the capital increase conducted in accordance with the terms set out in Article L 443-5 of the Labour Code, as for the time being, it is not in line with the Company's objectives.

The Board of Directors

Jacques MOTTARD
Chairman and CEO
SWORD GROUP

Annex to the management report

RESULTTS AND OTHER CHARACTERISTICS OF THE COMPANY FOR THE PAST FIVE FINANCIAL YEARS

Order No.67-236 if 23-03-1967

	31/12/2001	31/12/2002	31/12/2003	31/12/2004
Capital at year end				
Share capital	3,620,310.00	6,161,215.00	6,161,215.00	7,342,105.00
Number of ordinary shares	724,062	1,232,243	1,232,243	1,468,421
Number of preferred shares with no voting right				
Maximum number of shares to crease: - through the conversion of bonds - through warrants				
Operations and result				
Turnover (pre-tax)	228,675.00	903,642.00	2,026,557.69	2,653,458.92
Profit (loss) before tax, interests, and depreciation provisions	- 62,209.34	1,307,908.53	2,768,159.43	4,264,791.00
Income tax		- 457,280.00	26,386.00	439,005.00
Profit-sharing				
Profit (loss) after tax, interests, and depreciation provisions	- 62,209.34	1,413,287.26	3,077,041.38	3,525,785.60
Distributed profit		924,182.25	1,109,018.70	1,762,105.20
Earnings per share				
Profit (loss) after tax, interests, before depreciation provisions	- 0.08	1.43	2.23	2.61
Profit (loss) after tax, interests, and depreciation provisions	- 0.08	1.15	2.50	2.40
Paid dividend		0.75	0.90	1.20
Personnel				
Average workforce	4	4	7	6
Wage bill	146,188.05	230,339.86	531,009.64	393,325.00
Benefits paid (Social Security, benefits)	47,089.00	94,565.00	196,545.79	163,800.00

4.5 Report by the Board of Directors on stocks options

SWORD GROUP
Limited Liability Company with capital of 7,342,105 euros
Head office: 9 avenue Charles de Gaulle
69370 SAINT DIDIER AU MONT D'OR
438 305 054 RCS LYON

REPORT BY THE BOARD OF DIRECTORS
ON STOCK OPTIONS

FINANCIAL YEAR ENDED 31ST DECEMBER 2004

Ladies and Gentlemen,

In accordance with the provisions of article L. 225-184 of the Commercial Code, adopted by the French law of 15th May 2001 relating to New Economic Regulations, we would like to bring to your knowledge the operations conducted in accordance with the provisions of articles L 225-177 to L 225-186 of said code regarding stock options.

With regards to this point, we would like to remind you that no stock options plan has been initiated at SWORD GROUP since it was founded.

In accordance with the provisions of paragraph II of article L 225-180 of the said Code, we would bring to your attention that during the financial year-ended 31 December 2001, a Share Options Plan was inaugurated at SWORD SA.

We would inform you that in the past financial year 5,750 shares of SWORD SA were subscribed to by qualifies.

We would also inform you that a Shares Option Plan was set up in 2000 at FIRCOSOFT SAS.

During the year-ended 31. December 2004, 640 options were exercised by beneficiaries of the Plan.

Finally, we would inform you that the Extraordinary General Meeting of the partners of FIRCOSOFT SAS held on 17 December 2003 authorized its Chairman to allocate to certain members of the Company's staff, 1,500 new options. None of these new options was exercised during the elapsed financial year.

Done in Saint Didier au Mont d'Or

The Board of Directors

4.6 General and special reports by the auditors

GENERAL AUDITORS' REPORT

Annual financial statements – Financial year ending 31st December 2004

Within the scope of the task that has been entrusted to us by your general shareholder meeting, we will now present our report relating to the financial year ending 31st December 2004, on:

- our examination of SWORD GROUP's annual financial statements, which are attached to this report,
- substantiation of our opinion,
- the specific checks and information stipulated by law.

The annual financial statements have been drawn up by the Board of Directors. Our role is to express an opinion on these financial statements based on the audit we have carried out.

I OPINION ON THE ANNUAL FINANCIAL STATEMENTS

We have carried out our audit in compliance with the professional standards applicable in France; these standards require that due diligence be practiced so as to obtain reasonable assurances that the annual financial statements include no significant anomalies. An audit is conducted by examining the probative elements, obtained through surveys, that back up the data contained in these financial statements. It also involves appraising the accounting principles practiced and any significant estimates employed in drawing up the financial statements, as well as assessing the overall presentation. We consider that these assessments provide a reasonable basis for the opinion expressed below.

We certify that, from the point of view of French accounting rules and principles, these annual financial statements are consistent and sincere, and provide a faithful representation of results from the company's operations over the financial year in question, as well as its financial situation and assets at the end of the financial year.

II JUSTIFICATION FOR THE OPINION

As stipulated by Article L. 225-235 of the Commercial Code regarding the justification of our opinion, we would like to point out to you that:

As is stated in note 1.3 in the Annex to the annual financial statements, the stocktaking value of the equity shares is based principally upon the valuation of intangible assets.

Our opinion regarding the valuation of the value of these equity shares is based on the analyses and conclusions of the expert appointed by the Company to proceed, at each year-end, to the valuation of the intangible assets held by SWORD GROUP's various subsidiaries. In this matter, and in accordance with professional standards in France in respect of accounting evaluations, we have assessed the data, examined the hypotheses that underpinned this evaluation, and have monitored the calculation process. We have compared the accounting valuations of previous periods with corresponding performance, have examined Management's approval procedures for these valuations, and have reviewed events subsequent to the end of year. The valuation of these assets necessarily rests on hypotheses that are, by their very nature, uncertain, with actual performance sometimes varying considerably from the provisional data employed.

Our valuation work regarding these assessments has not caused us to note anything likely to put in question the reasonable nature of the methods used for such assessments or their resulting valuations.

The opinions expressed fall within the scope of our audit of the annual financial statements taken as a whole. Therefore, they have contributed to the forming of our opinion without reservation, as set out in the first part of this report.

III SPECIFIC CHECKS AND INFORMATION

In accordance with the professional standards applicable in France, we have also carried out the specific checks provided for by the law.
We have no remarks to make regarding the sincerity and consistency of the information provided in the Board of Directors' management report and in the documents sent to shareholders regarding the financial situation and annual financial statements, with that provided in the annual financial statements.

In application of the law, we have made sure that all information relating to the identity of those who hold the corresponding capital and voting rights, has been provided for you in the management report.

Lyon and Villeurbanne, 13th April 2005

The Auditors

FIGEREC	**DELOITTE & ASSOCIES**
Philippe BONNEPART	Alain DESCOINS

Auditors' special report
on regulated agreements

Financial year ending 31st December 2004

In our capacity as auditors of your company, we will now present out report on regulated agreements.

Agreements authorised during the financial year

As stipulated by Article L. 225-40 of the Commercial Code, we have been informed of the agreements that benefited from your Board's prior approval.

Our role is not to detect the existence of any other agreements, but to provide you with the main characteristics and terms of those we have been advised of, based on the information we have been given, and without us being required to express an opinion as to their utility and validity. It is your responsibility to assess the advantage of establishing these agreements with a view to approving them, in accordance with the provisions of article 92 of the decree of 23rd March 1967.

We have carried out our work in accordance with the professional standards applicable in France; these standards require that due diligence be practiced in order to verify the consistency of the information we have been given with that held in the documents from which it originates.

1. Management services to subsidiaries

Type and purpose: SWORD GROUP provides its subsidiaries with assistance in terms of commercial policy, communication, strategy, purchasing, management controls and organisation.

Terms: The services charged for by your company as assistance provided were changed on 1st January 2004; they are established on the basis of a lump sum of €650 per employee and per month for the French subsidiaries, and €150 for the foreign companies (except in India, where the applicable rate is €15). The sums invoiced during the financial year 2004 are as follows:

Subsidiary	Individuals concerned	Value
SWORD SA	Jacques MOTTARD Sté 21 CENTRALE PARTNERS Nicolas MOTTARD SWORD Group Françoise FILLOT	1,647,750
SWORD CONSULTING	Jacques MOTTARD SWORD Group Françoise FILLOT Christian TAPIA	198,900
FIRCOSOFT	Jacques MOTTARD SWORD Group Françoise FILLOT Christian TAPIA	113,100
SWORD INC.	Jacques MOTTARD SWORD Group Christian TAPIA	82,350
D.D.S. EUROPE Ltd	Jacques MOTTARD SWORD Group Françoise FILLOT Christian TAPIA	18,000
SWORD ECM Ltd	Jacques MOTTARD SWORD Group Françoise FILLOT Christian TAPIA	59,850

SWORD SUISSE	Jacques MOTTARD SWORD Group	10,350
SWORD TECHNOLOGIES	Jacques MOTTARD SWORD Group Françoise FILLOT Christian TAPIA	196,650
GLOBAL INDIA	Jacques MOTTARD SWORD Group Françoise FILLOT Christian TAPIA	9,480
ASC II	Jacques MOTTARD SWORD Group Françoise FILLOT Christian TAPIA	138,500
GLOB UK	Jacques MOTTARD SWORD Group Françoise FILLOT Christian TAPIA	27,454
SOUTH AFRICA	Jacques MOTTARD SWORD Group Françoise FILLOT Christian TAPIA	12,525
SWORD NORD	Jacques MOTTARD SWORD Group Françoise FILLOT Christian TAPIA	85,800
CIMAGE US	Jacques MOTTARD SWORD Group Françoise FILLOT	16,200
CIMAGE UK	Jacques MOTTARD SWORD Group Françoise FILLOT	36,900

2. Sublease contract

Type and purpose: In accordance with the authorised agreement, SWORD GROUP sublets to SWORD DDS a group of facilities located in Saint-Didier au Mont d'Or (Rhône), 9 avenue Charles de Gaulle, including:

- One office building with a surface area of 676 square meters;
- Another office building with a surface area of approximately 1,238 square meters;
- A neighbouring plot of land.

The sublease contract became effective as at 1st December 2004 for a period of 9 years expiring on 20th November 2013.

Terms: The annual rent, excluding taxes and expenses, revisable annually on the basis of the INSEE's quarterly index of building construction costs, stands at €60,000.

For the financial period under consideration, the supported rent comes out to €5,000.

3. Sale of one SWORD DDS share to Mr. Jacques MOTTARD

The Board approved the sale at a price of €80.

Agreements approved over the course of previous financial years and whose implementation continued during the financial year

In addition, in application of the decree of 23rd March 1967, we have been informed that the execution of the following agreement, which was approved in previous financial years, continued during the last financial year.

Services provided by SWORD DDS France

Type and purpose: Up until 30th November 2004, SWORD DDS France put a range of services at the disposal of SWORD GROUP, including the letting of well-equipped offices at company headquarters, as well as various related secretarial and telecommunications services.

Terms: The rent billed in 2004 come out to €55,000.

Lyon and Villeurbanne, 13th April 2005

The Auditors

FIGEREC	**Deloitte & Associes**
Philippe BONNEPART	Alain DESCOINS

NB: no new contract has been entered into since 31/12/2004.

AUDITORS' REPORT
Consolidated statements – Financial year ending 31st December 2004

Within the scope of the task that has been entrusted to us by your general shareholder meeting, we have examined the consolidated financial statements of SWORD GROUP relating to the financial year ending 31st December 2004, which are attached to this report.

The consolidated financial statements have been settled by the Board of Directors. Our role is to express an opinion on these financial statements based on the audit we have carried out.

I OPINION ON THE CONSOLIDATED STATEMENTS

We have conducted our audit in compliance with the professional standards applicable in France; these standards require that due diligence be practiced so as to obtain reasonable assurances that the consolidated financial statements include no significant anomalies. An audit is conducted by examining the probative elements, obtained through surveys, that back up the data contained in these financial statements. It also involves appraising the accounting principles practiced and any significant estimates employed in drawing up the financial statements, as well as assessing the overall presentation. We consider that these assessments provide a reasonable basis for the opinion expressed below.

We certify that, from the point of view of French accounting rules and principles, these consolidated financial statements are consistent and sincere, and provide a faithful representation of the assets, the financial situation and of the results achieved by the entire group of consolidated companies.

II JUSTIFICATION OF THE OPINIONS

As stipulated by Article L. 225-235 of the Commercial Code regarding the justification of our opinion, we would like to point out to you that:

As part of its external growth, the Company is acquiring units in the market within its area of technical competence. These acquisitions are either direct purchases of businesses, or indirectly by acquiring control of competitors.

The manner in which assets are treated on the balance sheet and the valuation at the end of the period (validation of loss of value) of these intangible assets (€48.7 million) that have not been amortized, are described in note 1.7 of the Annex to the consolidated financial statements.

Our valuation of the current value of these market shares for settling the accounts is based on the conclusions of the expert appointed by the Company to proceed, at each year end, to the valuation of these various assets.

In this matter, and in accordance with professional standards in France in respect of accounting evaluations, we have assessed the data, examined the hypotheses that underpinned this evaluation, and have monitored the calculation process. We have compared the accounting valuations of previous periods with corresponding performance, have examined Management's approval procedures for these valuations, and have reviewed events subsequent to the end of year. The valuation of these assets necessarily rests on hypotheses that are, by their very nature, uncertain, with actual performance sometimes varying considerably from the provisional data employed.

Our valuation work regarding these assessments has not caused us to note anything likely to put in question the reasonable nature of the methods used for such assessments or their resulting valuations.

The opinions expressed fall within the scope of our audit of the annual financial statements taken as a whole. Therefore, they have contributed to the forming of our opinion without reservation, as set out in the first part of this report.

III SPECIFIC VERIFICATION

Besides, we have also proceeded to the verification of all the information provided in the management report. We have no observations to make in respect of their truthfulness and their agreement with the consolidated accounts.

We would like to call your attention to part 3 of the management report "Implementation of the new IFRS reference system", which describes the work implemented, its progression status, and the communication timetable for the publishing of impact figures planned by the Company.

Lyon and Villeurbanne, 13th April 2005
The Auditors

FIGEREC	**DELOITTE & ASSOCIES**
Philippe BONNEPART	Alain DESCOINS

4.7 Auditors' fees

Financial 2004	Deloitte		Figerec	
Audit	€	%	€	%
Auditor				
- reports on advance dividend payments	9,890	6%	-	-
- audit of annual and consolidated financial statements	144,374	94%	29,325	100%
Other auditing tasks				
- acquisition audit				
Other services	-		-	
Total	**154,264**		**29,325**	

5 Administration – Management

5.1 Chairman's Report, in accordance with Article L 225-37 of the Commercial Code

SWORD GROUP
Limited Liability Company with capital of 7,342,105 euros
Head office: 9 avenue Charles de Gaulle
69370 SAINT DIDIER AU MONT D'OR
438 305 054 RCS LYON
SIRET 438 305 054 00019

CHAIRMAN'S REPORT
IN COMPLIANCE WITH ARTICLE L 225-37 OF THE COMMERCIAL CODE

Dear Shareholders,

We have prepared the Report that covers the preparation and organisation of the work of the Board of Directors, as well as the Company's internal control procedures.

This document has been prepared after many discussions with Management: it follows the guidelines set out in that respect by AFEP, MEDEF and ANSA.

The procedures described below cover the parent company and all the subsidiaries it controls.

To start, it would appear useful to discuss generally the organization of our company, prior to laying out the main procedures employed, and then moving on to the functioning of our Board.

I – HOW THE SWORD GROUP OPERATES

1 – THE GROUP'S MANAGEMENT ENTITIES

SWORD GROUP is organized to have quick reactions while maintaining a full management structure and consistent controls. We feel that the role of four major bodies should first be described:

1. **The Board of Directors**, made up of three people, of whom two are particularly active: the Chairman and the 21 CENTRALE PARTNERS company, represented by Mr. François BARBIER.

The budgets are submitted annually to the Board, which also receives monthly management accounts and quarterly financial statements.

The Board is informed in advance of each projected acquisition, start of an activity, and more generally of all significant financial transactions.

2. **The Board Management Committee**, which determines annual directives, controls activities and defines long-term strategy. Its members are:

- Jacques MOTTARD Chairman and CEO
- Françoise FILLOT Administrative and Financial Director
- Christian TAPIA Managing Director

3. **The Operating Committee**, whose task is to set policy for the year, manage the annual budget and control the profit centres, known as "Business Units". It consists of six "Directors of Operations":

- Philippe FRANCHET
- Jean-Marc SONJON
- Patrick VERRIER
- Patrick de la HAYE
- Per ROSAND
- Heath DAVIES

Each Director of Operations is at the same time the Director of a Business Unit. Thus, only the three members of the Board Management Committee are not directly involved in a profit centre.

4. **The Executive Committee**, made up of the Operations Committee enlarged to include all the Business Unit Directors.

The Group's organizational philosophy is based on the avoidance of hierarchies, and it has only two levels: the Director of the Business Unit, and the Board Management Committee.

5**. The Executive Vice Presidents:**
The Board held 1st July 2004 appointed Ms. François FILLOT and Mr. Christian TAPIA as Executive Vice Presidents for the Chairman's term, i.e. up until the closing of the Ordinary General Meeting convened to rule on the financial statements for the financial year ending 31st December 2009.

As such, Ms. François FILLOT and Mr. Christian TAPIA, members of the Management Committee, are significantly involved in the definition and implementation of the Company's general management policy.

Le Chairman therefore wanted to confirm the role of Ms. François FILLOT and Mr. Christian TAPIA and to be assisted by two Executive Vice Presidents.

2.- THE BUSINESS UNIT, THE PROFIT CENTER AROUND WHICH THE GROUP IS ORGANIZED

The Business Unit is a profit centre run according to principles set down in an internal management manual. The main management principles of this true SME are as follows:

1. **Analysis**, based on:
   - a budget submitted before the start of the year, an analytical report prepared at each end of month and sent to the Management Committee, which includes a breakdown of activities, a summary of sites, the distribution of activities, an analysis of "work in progress" and "prepayment invoices", as well as an analysis of progress per site.

   - feedback to the Business Unit by the Management Committee on the cost accounts.

2. **General accounting**
   - Each entity has its own accounts department, which report directly to the Administrative and Finance Department.

   - the Financial Department ensures the centralised management of the cash requirements of the Group's various companies; if the cash of one of the subsidiaries serves the financial requirements of another, the holding company handles the remuneration of the lent capital, in order for the company that generates a surplus to perceive interest on its loan.

3. **Commercial**
   - Each week all members of every committee complete the same weekly report as the sales engineers, which is attached to the report on sales contacts made that week, and is sent to their respective managements.

   - These reports, consolidated at Group level, facilitate:

     - to manage activities carried out by different players at the same clients,
     - to quantify the number of new projects being quoted, to quantify the number of new contracts signed,
     - to monitor the number and value of deals lost,
     - to have a clear idea of the number of persons who have submitted their candidature for positions, and the number of employment contracts signed,

   - The Operations Committee is responsible for coordinating all the commercial players, which includes the Business Unit Directors.

4. **Technical:**
Each proposal is prepared by Project Leaders and monitored by the Technical Department for the number of days, and by the Director of the Business Unit from the financial point of view. The Director of the Business Unit is authorized to enter into commitments up to €150,000 (versus €500,000 for the Director of Operations). Beyond, the General Management's approval should be secured.

Each project is run by a Project Leader, who performs the monthly reporting that allows analysis of progress on the project and possible deviations from the initial estimates.

All project follow-up files are monitored by the Technical Department. A summary of the state of progress and of deviations is prepared at Group level, on an operation by operation basis.

All delays (on-site projects) must be immediately attributed. All gains (advances on the initial estimates) are attributed at the end of the project.

Any project which is more than 5% late is subject to an audit by the Technical Department of another operation.

All non-invoiced days by billable parties can only be allocated to one of the following three areas: training, management, subcontracting.

Any increase in the number of non-invoiced days per month in a Business Unit, will be the subject of detailed analysis in order to insure the proper allocation of the commercial concession.

3 – REPORTING, MEETINGS, AUTHORIZATIONS

1. **Reporting**
A Business Unit prepares:
- its projected payments on the 10th of each month,
- its analysis reports the last working day of each month, before 12 noon,
- the sales situation the evening of the first working day of each month,
- report on travel expenses the 5th of each month.

Each Business Unit Director will prepare every half year, with the assistance of the Technical Department, a summary of HR management and of the salaries of its staff, including proposals for salary increases, training or career development for each member of staff, as preparation for the twice-yearly Remuneration Committee. Each case is examined together with the Directors of Operations and the Management Committee.

Each Business Unit Director prepares prior to the 15 November each year a proposed budget for the coming year, which will be examined by the Annual Budget Committee.

2. **Meetings**
Each week the Business Unit Director shall hold a meeting with his sales and technical managers to supervise the management of his profit centre, at the sales, technical and managerial levels, based upon the weekly reports.

Each Director of Operations holds a meeting once a month with his Business Unit Directors, both sales and technical, in order to check the actions taken by each unit, and to coordinate the Business Units.

Every two months, the Operations Committee and the Board Management Committee meet in order:
- to summarize items transacted between the Board Management Committee and the Operations Committee over the previous two months,
- to check on progress of the Business Units,
- to define strategy for the year and possible corrective action.

Every month, the Board Management Committee meets for a day to review all the summaries received, to propose corrective action to the Operations Committee, and to define acquisitions strategy.

Once a year, all group employees must meet their manager for an in-depth discussion of their career and salary, this being additional to daily exchanges between the Director and staff. Twice a year the Board Management Committee, the Operations Committee and the Executive Committee meet as a "Careers Committee". Once a year a "Budget Committee" is added to the "Careers Committee".

3. **Authorizations**

- A Sales Engineer is authorized to represent the Company at clients and to sign contracts that meet Group profitability ratios.

- A Project Leader is authorized to manage his staff from the technical point of view and control the timeline progress of each project, without interfering with the trading results.

- The Technical director manages the Project Leaders, and personally manages major projects (over € 300,000).

- The Business Unit Manager has the authority to recruit, within the limits of his budget and in accordance with the Group procedure, to incur the expenses provided for in his budget, and to sign contracts with clients for up to €150,000. If these expenses do not fall within his allocated budget, these delegations are taken away from him until the situation returns to normal. In such case, he must ask permission prior to committing to expenses or recruiting.

  A Business Unit Director cannot undertake investment expenses, for which a purchase requisition must be submitted to the Management Committee, nor to commit to expenses that may have a long-term impact, such as rent, for which an equivalent procedure exists.

- A Director of Operations may commit the Company on contracts up to a limit of € 500,000, and has the authorities previously awarded to Business Unit Directors if they lose their authorizations.

In general, no one may decide to commit to expenses and at the same time arrange for their payment: the profit centre manager signs his approval on supplier manufacturers, while it is the Finance Department that deals with payments.

4. **Staff Committees**

An employee is recruited in accordance with a specific procedure (profile definition, interviews with two separate persons, tests). New employees are inducted on their first day, and the secretary of the unit gives them the welcome booklet and the management manual.

That is followed by the Project Leader and/or Technical Director, who in due course must provide an opinion on their development potential.

Each quarter, employees attend a unit meeting, to provide them with information on the Company. Each half-year his/her case is reviewed by the "Careers Committee". Once a year, at the least, he/she has a formal interview.

II – INTERNAL CONTROLS

A – DEFINITION OF INTERNAL CONTROLS – TYPE OF INFORMATION SUPPLIED

1 – We would remind you that the purposes of the internal control procedures in force in our company are:

- to monitor that management, the implementation of operations and the behaviour of staff are in accordance with the guidelines for businesses as laid down by the company's managing bodies, by the applicable laws and regulations, and by the values, standards and internal rules of the company;
- and to verify that the accounting, financial and managerial information provided to the company's managing bodies truly reflects the activities and the position of the company.

One of the purposes of the internal control system is to prevent and control risks that arise from the business's activities, and risks from errors or fraud, particularly in the accounting and financial areas. As with all control systems, it cannot provide a total guarantee that such risks are totally eliminated.

2 - We would point out that the information contained in this report is in compliance with the new provisions, and is essentially descriptive.

We would also point out that it is for the Auditors to prepare an additional report, specifically on the internal controls in respect of the preparation and processing of financial and accounting information.

B – SUMMARY DESCRIPTION OF ESTABLISHED CONTROL PROCEDURES

1. Internal control procedures in respect of the preparation and processing of financial and accounting information.

The most relevant procedures in this regard are:

Reporting

Objectives/Principles	Retain control of the operational progress of contracts, and the recording at the accounting and financial level of the results of progress on contracts
Work in progress:	Preparation of analyses, including: - breakdown of activities - summary by site - summary of work in progress and of advance invoicing - analysis of progress per site
Control over proper implementation	Monthly control by the Management Committee with feedback to the Business Unit Directors.
Persons and departments involved:	Business Unit Directors, Management Committee and the Administration & Finance Department

Monitoring of holdings

Objectives/Principles	Maintain control of the activities and results of subsidiaries. Subsidiaries can be made up of one or several Business Units. Monitoring of holdings works largely through the monitoring of the Business Units, and thus through control by reporting
Work in progress:	Preparation of analytical reports (cf. Reporting) Reporting of general management prepared by the Administrative and Financial Department
Control over proper implementation	Monthly control of Business Unit analytical reports by the Management Committee, with feedback to the Business Unit. creation of monthly/quarterly accounts
Persons and departments involved:	Directors of Business Units / subsidiaries Accountants of subsidiaries Administrative & Finance Department Management Committee

Procedure for preparing consolidated accounts

Objectives:	To produce consolidated financial statements, which reflect the true economic situation, are correct and provide a reliable view of the group.
Principles:	Complies with French accounting principles, in particular with the provisions of Rule Nr. 99-02 of the Accounting Regulation Committee
Work in progress:	Quarterly accounts by the Administrative & Finance Department and the Management Committee, assisted by external consultants
Control over proper implementation	Control by the external consultants Control by the Auditors
Persons and departments involved:	Administrative & Finance Department External consultants Management Committee The Auditors, who only check the half-yearly (limited check) and annual (audit) accounts, in accordance with correct legal requirements for quoted companies.

Procedure for tracking off-balance sheet commitments

Objectives/Principles	Track off-balance sheet commitments

Work in progress:	Preserve contracts in a secured location Identify the general commitment clauses Assess the amounts involved Plan the commitments (kick-off, cancellation) Conditions of existence and implementation Summary of commitments
Control over proper implementation	Twice-yearly verification, by the Financial Department, of the proper application of the tracking procedure Twice-yearly verification conducted by the Auditors: - through a review of documents - through circularisation
Persons and departments involved:	Management committee Financial Department External consultants Auditors
	Intangible assets tracking procedure
Objectives/Principles	Ensure that the intangible assets are not over-valued
Implementation/Proper application verification	Impairment tests conducted by an external expert
Persons and departments involved:	Management committee Financial Department External consultants Auditors

Transition to the IFRS standard

As of 1st January 2005, SWORD GROUP will publish consolidated financial statements compliant with the International Financial Reporting Standards (IFRS) accounting principles applicable to drawing up and layout. To be able to publish its half-yearly and annual financial statements in 2005 in accordance with IFRS standards, SWORD GROUP has implemented the following steps:

- diagnostic designed to assess the compliance of the organisation and information systems for the production of the required data
- assessment of the impact of established disrepancies and selection of possible options
- implementation

These steps are conducted under the auspices of a steering committee comprising members of the General Management, the Financial Departments, and third-party consultants (legal and accounting).

To date, an analysis of the diagnostic reveals the following elements:

- change in the information systems to be implemented, particularly for the production of new information;
- adaptation of the internal organisation systems by expanding the financial department to the Group's English-speaking section
- adaptation of the financial policy system

By nature, the key sources of discrepancies identified at this stage, aside from the layout of the financial statements, are the following:

- the processing of stock options in accordance with IFRS 2
- the processing of own shares
- The fact that goodwill is no longer amortised and has been replaced by impairment tests conducted by the Cash-Generating Units
- The processing of the head office lease contract

Besides, the IAS 32 and IAS 39 standards regarding the accounting and assessment of financial instruments, should have no significant impact on the consolidated financial statements.

Once these potential impacts are assessed in the most accurate and reliable manner, and once they are validated by the auditors, SWORD GROUP will publish:

- a reconciliation of the equity capital in the form of a CRC 99-02 standard and IFRS standard balance sheet as at 1st January 2004 (transition balance sheet);
- a reconciliation of the equity capital and result of 2004 according to national and IFRS standards, with an appropriate comment for each readjustment conducted;
- an explanation note regarding the major readjustments conducted in the 2004 cash flow table.

This data will be available upon the publishing of the 2005 half-yearly financial statements, at the latest.

Risk identification

The Company turns to a law firm for the legal follow-up of its French companies It turns to several firms for its foreign subsidiaries, too.

The Group has an IFRS-compliant accounting manual.
The information systems are being upgraded to integrate all the data required for financial information in IFRS format.

2. **Other internal control procedures**

The following procedure is also important in respect of our business.

	Personnel
Objectives/Principles	Organization of the "Personnel" function, as part of the objectives set by the Management Committee, facilitating in particular: - control of the timeliness of staff requirements - control of recruitment procedures as being suitable for the requirements - control and monitoring of individual files - control of payment of salaries - compliance with legal and regulatory provisions
Work in progress:	Requests from Business Unit Directors, monitored by the Management Committee Definition of profiles, personal interviews, tests Periodic evaluation of staff Wage scales set by Business Units Salaries fixed by the HR Department
Control over proper implementation	Monthly review of analysis reports Control by the Administrative & Financial Department and by the Management Committee.
Persons and departments involved:	Timeliness of requirements: Management Committee Recruitment procedures: Business Unit Director and the Management Committee Review of individual files: Administrative & Financial Department and by the Management Committee. Review of salaries: HR Department and the Administrative & Financial Department Legal & regulatory provisions: HR Department and Management Committee

III – PREPARATION and organization of the Board's work

A – COMPOSITION

The by-laws of your company provide for a Board of Directors made up of from three to eighteen members, each of whom must hold at least one share.

Currently it is made up of the following members:

Name and Forename or company name of the member	**Date first nominated**	**Date mandate expires**	**Main position held at the company**	**Main position held outside the company**	**Other mandates and positions held in companies**
Jacques MOTTARD	22.06.2001 reappointed on 26.04.04	31.12.2009	Chairman and CEO	Chairman and CEO SWORD SA	- Chairman and CEO, SWORD SA - Chairman, SWORD CONSULTING SAS - Chairman and CEO, SWORD NORD - Chairman, SWORD DDS SAS - Chairman, FIRCOSOFT SAS -Manager, LE DAVID (EURL) - Manager, CHINARD INVESTISSEMENT SARL - Manager, SCI FI -Chairman, DDS EUROPE Ltd - Chairman, SWORD INC - Chairman, SWORD CREATION INFORMATIQUE SA - Chairman, SWORD SUISSE -Director, SWORD SOUTH AFRICA Ltd - Chairman, SWORD TECHNOLOGIES -Chairman, FIRCOSOFT INC -Chairman, SWORD ECM LTD - Chairman, SWORD SAS - Chairman, SWORD SECURITY SA -Chairman, CIMAGE Ltd - Chairman, FI SYSTEMS BELGIUM - Chairman, ASCII - Director, GLOBAL SOFTWARE SERVICES -Director, SWORD IT SOLUTIONS
Nicolas MOTTARD	22.06.2001 reappointed on 26.04.04	31.12.2009	Director	None	None

21 CENTRALE PARTNERS SA represented by Mr. François BARBIER	22.06.2001 reappointed on 26.04.04	31.12.2009	Director	Director or member of the Supervisory Board	- Director, LE GOUT DE LA VIE - Director, ASTEEL - Member of the Supervisory Board, EMINENCE - Member of the Supervisory Board, CARRERE GROUP - Director, FINATHEM - Director, LE PUBLIC SYSTEME - Director, EGIDE - Director, HARMONY - Director, SAFIG - Director, COTHERM - Member of the Supervisory Board, FAP - Director, AFE - Director, FOUNTAINE PAJOT - Director, MECANNO - Director, GROUPE ELECTROPOLI - Director, FINANCIERE IMPALA

In accordance with the Bouton Report of September 2002, there was no “independent board member” at the end of the financial year. None of the above holds any significant holding in the capital of clients or suppliers of SWORD GROUP, or in its subsidiaries.

No member of the Board is pending ratification of co-option by the General Meeting.

There is no Director elected by the employees.

B - OPERATION

- The board meets, carries out its work and adopts resolutions in compliance with applicable legal and regulatory provisions, and with the by-laws of your company: as of today, there are no internal regulations nor a censor.

  In the absence of an employees’ joint consultative committee, no representative of the employees of the company or the group attends on a regular basis at Board Meetings.

- The Board receives the budgets once a year, management accounts monthly, and financial statements quarterly. The Board is informed in advance of each projected acquisition, creation of an activity, and more generally of all financial transactions.

- The Board is assisted by the following specialist committees (Cf. part I): the Management Committee, the Operations Committee, the Executive Committee.

- During the course of the financial year no specific task was delegated to a member of the Board.

C – BOARD MEETINGS

The by-laws of our company provide for the holding of board meetings as often as the company’s interests require.

During the 2004 financial year, the Board met twelve times. The proportion of directors attending stood at 66.66% on average.

We make use of our legal counsel to call board meetings, which generally take place at the company’s head offices, and to assist the Chairman in the preparation of minutes.

D – REMUNERATION OF MANAGEMENT & DIRECTORS

The total remuneration paid to executive officers came out to €238,727.92.

This table gives the total remuneration, benefits in kind, plus the directors' fees paid to each executive officer over the year.

EXECUTIVE OFFICER	REMUNERATION AND BENEFITS	DIRECTOR'S FEES
Jacques MOTTARD Chairman and CEO	By the company: €36,587.76 By companies controlled as per article L.233-16 of the Commercial Code: €0	By the company: €15,000
21 CENTRALE PARTNERS, represented by François BARBIER Director	By the company: €0 By companies controlled as per article L.233-16 of the Commercial Code: €0	By the company: €25,000
Nicolas MOTTARD Director	By the company: €0 By companies controlled as per article L.233-16 of the Commercial Code: €0	By the company: €2,000
Françoise FILLOT Executive Vice President	By the company: €73,900.24 (gross) By companies controlled as per article L.233-16 of the Commercial Code: €0	
Christian TAPIA Executive Vice President	By the company: €48,981.92 (gross) By companies controlled as per article L.233-16 of the Commercial Code: €37,258 (gross)	

IV- LIMITATIONS TO THE AUTHORITY OF THE MANAGING DIRECTOR

The powers of the Managing Director are not limited: neither the by-laws, the act of appointment of the Managing Director, nor any decision by the General Meeting or by the Board of Directors has applied any limitation to the powers derogated by law to the company's legal representative, whether by internal or other regulation.

THE CHAIRMAN

5.2 Auditors' Report to the Chairman's Report

AUDITORS' REPORT

(Drawn up in compliance with the last paragraph of article L 225-235 of the Commercial Code, on the Report of the Chairman of SWORD GROUP, in respect of the internal control procedures for the preparation and processing of accounting and financial information)

Financial year ending 31st December 2004

In our capacity as Auditors of SWORD GROUP and in compliance with the provisions of the last paragraph of article L 225-235 of the Commercial Code, we hereby submit our report on the Chairman's Report in compliance with the provisions of article L 225-37 of the Commercial Code for the year ending 31. December 2004.

It is for the Chairman to detail in his report the conditions of the preparation and organization of the working of the Board of Directors, and the internal control procedures employed within the company.

It is for us to inform you of such observations as are called for by ourselves, in respect of the information given in the Chairman's Report concerning the internal control procedures for the preparation and processing of accounting and financial information.

We conducted our work in accordance with the professional standards applicable in France. These involve the implementation of due diligence intended to assess the accuracy of the information contained in the Chairman's Report concerning the internal control procedures for the preparation and processing of accounting and financial information. Such due diligence consists in particular in:

- take note of the objectives and general organization of the internal controls, as well as to the internal control procedures for the preparation and processing of accounting and financial information, as presented in the Chairman's Report;
- reviewing the work that underlies the information thus provided in the report

Based upon the work done, we have no observations to make concerning the information and declarations in respect of the company's internal control procedures for the preparation and processing of accounting and financial information, as contained in the Chairman's Report, prepared in accordance with the last paragraph of article L 225-37 of the Commercial code.

Lyon and Villeurbanne, 13th April 2005

The Auditors

FIGEREC **DELOITTE & ASSOCIES**

Philippe BONNEPART Alain DESCOINS

5.3 Interests of the company's executive officers in the issuer's capital, in that of a company it controls, of a subsidiary or in a client or major supplier

Outside of the Group companies, SWORD GROUP executive officers have no significant holding, whether directly or through a third party, in a client or supplier.

At 31. December 2004 the executive officers had no stakes in the subsidiaries or sub-subsidiaries of SWORD GROUP, with the following exceptions:

Mr. Jacques MOTTARD:

SWORD SUISSE: 2 shares out of the 250 shares that make up the equity capital
SWORD CONSULTING: 1 share out of the 5,000 shares that make up the equity capital
FIRCOSOFT SAS: 5 shares out of the 15,640 shares that make up the equity capital (after taking into account the options exercised as at 31/12/2004)
SWORD SA: 1 share out of the 689,750 shares that make up the equity capital (after taking into account the options exercised as at 31/12/2004)
SWORD NORD: 250 shares out of the 5,000 shares that make up the equity capital

Nicolas MOTTARD:

SWORD SA: 1 share out of the 689,750 shares that make up the equity capital (after taking into account the options exercised as at 31/12/2004)

Françoise FILLOT

SWORD SUISSE: 2 shares out of the 250 shares that make up the equity capital
SWORD SA: 1 share out of the 689,750 shares that make up the equity capital (after taking into account the options exercised as at 31/12/2004)
SWORD CONSULTING: 1 share out of the 5,000 shares that make up the equity capital
FIRCOSOFT SAS: 5 shares out of the 15,640 shares that make up the equity capital (after taking into account the options exercised as at 31/12/2004)
SWORD NORD: 250 shares out of the 5,000 shares that make up the equity capital

Christian TAPIA

SWORD SUISSE: 2 shares out of the 250 shares that make up the equity capital
SWORD SA: 1 share out of the 689,750 shares that make up the equity capital (after taking into account the options exercised as at 31/12/2004)
SWORD CONSULTING: 1 share out of the 5000 shares that make up the equity capital
FIRCOSOFT SAS: 693 shares out of the 15,640 shares that make up the equity capital (after taking into account the options exercised as at 31/12/2004)
SWORD NORD: 250 shares out of the 5,000 shares that make up the equity capital

5.4 Operations agreed with members of the administrative and directors' board

There are no transactions carried out with members of the Board of Directors other than those stated in the special report of the Auditors in respect of point 4.5.

5.5 Loans and guarantees granted or set up for administrative boards

No loan has been made to any person who is a member of the management bodies.

No guarantees have been established in favour of any such person.

5.6 Employee participation

5.6.1 **Profit-sharing and stakeholding contracts**

In compliance with the provisions of article L 225-102 para. 1 of the Commercial Code, we are obliged to inform you of the stake of employees in the company's capital at the end of the financial year.

At the end of the financial year, employees held no stake in the Company's capital as part of joint management.

There is no profit-sharing agreement nor interest in SWORD GROUP.

5.6.2 **Options awarded to staff for shares of the company.**

See Chapter 2.2.4.2. Stock options

6 General Meeting of Shareholders of 29th April 2005

AGENDA

The responsibilities of the Ordinary General Meeting

- Reading of the Board's reports: management report and stock options report;
- Reading of the Chairman's report on internal control and the operation of the Board of Directors;
- Reading of the Auditors' special report on the report drawn up by the Chairman of the Board in accordance with Article L 225-37 of the Commercial Code;
- Reading of the general and special reports of the Auditors regarding the annual financial statements for the financial year ending 31st December 2004; reading of the report on the consolidated financial statements for the financial year ending 31st December 2004;
- Presentation of the consolidated financial statements and the corporate financial statements for the financial year ending 31st December 2004;
- Approval of the annual financial statements for the financial year ending 31st December 2004 and directors' discharge;
- Approval of the consolidated financial statements for the financial year ending 31st December 2004;
- Approval of a technical readjustment regarding the allocation of the result of the financial statements for the financial year ending 31st December 2002;
- Regulated agreements governed by Article L.225-38 of the Commercial Code;
- Profit allocation;
- Determination of the directors' fees
- Change in the company name of one of the statutory auditors;
- Permission to be given regarding a new programme under which the Company would repurchase its own shares;
- Authority to complete formalities;

The responsibilities of the Extraordinary General Meeting

- Reading of the Auditors' special reports;
- Backfitting of the by-laws with the Order No.2004-604 of 24th June 2004; correlative change to Article 9 of the by-laws;
- Division of the face value of the shares and correlative change to Article 8 of the by-laws;
- Permission to be given to the Board of Directors to reduce the equity capital by cancelling the repurchased shares, in accordance with the share repurchase programme;
- Delegation of authority granted to the Board of Directors for increasing the equity capital through the issue of ordinary shares or any marketable securities giving access to the capital with preservation of the pre-emptive right;
- Delegation of authority granted to the Board of Directors for increasing the equity capital through the issue of ordinary shares or any marketable securities giving access to the capital with removal of the pre-emptive right;
- Authorisation to be granted to increase the number of shares, securities or marketable securities to be issued in the case of a capital increase with or without pre-emptive right;
- Delegation of authority to proceed to the issue of shares, securities, and miscellaneous marketable securities with a view to remunerating the contributions in kind granted to the Company;
- Delegation of authority to decide to increase the share capital through the consolidation of reserves, profits, or premiums;
- Delegation of authority to increase the share capital to the benefit of the Group's employees;
- Authority to complete formalities.

TEXT OF THE DRAFT RESOLUTIONS SUBMITTED TO THE ORDINARY AND EXTRAORDINARY GENERAL MEETING OF 29TH APRIL 2005

Ordinary resolutions

First resolution
(Approval of corporate financial statements)

The General Meeting, ruling under the quorum and majority conditions required for ordinary general meetings, after hearing the reading of the Board of Administrators' report and the Auditors' report on the corporate financial statements for the financial year ending 31st December 2004, approves as they are the corporate financial statements for the financial year, the balance of which is a profit of €3,525,785.60.

It also approves the operations reflected by these financial statements or summarised in these reports, which did not result in any expense non-deductible from the taxable profit in the sense of Article 39-4 of the General Tax Code.

The General Meeting gives the directors and the Auditors a discharge for executing their mandates for the elapsed financial period.

Second resolution
(Approval of consolidated financial statements)

The General Meeting, ruling under the quorum and majority conditions required for ordinary general meetings, after hearing the reading of the Board of Administrators' report and the Auditors' report on the consolidated financial statements for the financial year ending 31st December 2004, approves as they are the consolidated financial statements drawn up in accordance with the provisions of Articles L. 225-100 et seq. of the Commercial Code, which display a profit of €8,116,092 and a Group result of €7,903,145.

Third resolution
(Approval of a technical readjustment regarding the allocation of the result of the financial statements for the financial year ending 31st December 2002)

The General Meeting, ruling under the quorum and majority conditions required for ordinary general meetings, after hearing the reading of the Board's report, decides to draw €96,563.22 from the account "Paid-in cash" to allocate it:

- to the "Legal Reserve" for €4,828.16;
- to the "Balance brought forward" for €91,735.06.

It acknowledges the actual conditions under which the 2002 result was achieved, and recognises that the above technical readjustment has no impact on the amount of equity capital.

Fourth resolution
(Regulated agreements in the sense of Article L 225-38 of the Commercial Code)

After hearing the reading of the Auditor's special report on the agreements referred to in Article L. 225-38 of the Commercial Code, the General Meeting successively approves, under the conditions of Article L. 225-40 of said code, each of the agreements mentioned there.

Fifth resolution
(Profit allocation)

The General Meeting, ruling under the quorum and majority conditions required for ordinary general meetings, after hearing the reading of the Board's report:

(i) decides to allocate the profit of the period, which stands at €3,525,785.60 as follows:

- to the Legal Reserve;	€176,289.28
- to the shareholders as dividend;	€1,762,105.20
- the balance, i.e. to the "Balance brought forward"	€1,587,391.12

The net dividend per share therefore comes out to €1.20 per share. It will be paid on 3rd May 2005.

In accordance with Articles 243bis and 158 3-2° to 4° of the General Tax Code, the above dividend per share is eligible for a 50% rebate on the taxable amount of distributed revenue, this rebate being reserved for private taxpayers whose tax domicile is in France.

(ii) gives full authority to the Board of Directors or its Chairman to allocate to the credit balance brought forward, the dividends that may become due to own shares.

(iii) authorises the Board of Directors to take from the "Balance brought forward" the amounts necessary to pay the dividend set above to the shares resulting from the exercise of the share purchase warrants.

In accordance with the provisions of Article 243bis of the General Tax Code, the General Meeting acknowledges that the value of the dividend distributed for the last three financial years and the corresponding tax credit were as follows:

Financial year ending	Net dividend per share	Tax credit
31st December 2003	€0.90	€0.45
31st December 2002	€0.75	€0.375
31st December 2001	0	0

Sixth resolution
(Directors' fees)

The General Meeting, ruling under the conditions of quorum and majority required for ordinary general meetings, after hearing the reading of the Board's report, sets to €47,000 the total directors' fees allocated to the Board of Directors for the current financial year.

Seventh resolution
(Change in the company name of one of the statutory Auditors)

The General Meeting, ruling under the conditions of quorum and majority required for ordinary general meetings, after reviewing the Board's report,

Acknowledges the merger completed through the absorption of DELOITTE TOUCHE TOHMATSU by DELOITTE TOUCHE TOHMATSU – AUDIT and notes that the mandate of the Company's statutory auditor, entrusted to DELOITTE TOUCHE TOHMATSU, is carried on by DELOITTE TOUCHE TOHMATSU – AUDIT, whose new company name is "DELOITTE & ASSOCIES".

Consequently, the General Meeting grants full authority to the legal representative of the Company to proceed to the resulting formalities required to register on the Company's K Bis extract the new statutory auditor, DELOITTE & ASSOCIES.

Eighth resolution
(Permission to be given regarding a new programme under which the Company would repurchase its own shares)

The General Meeting, ruling under the quorum and majority conditions required for ordinary general meetings, after reviewing the Board's report and the memorandum signed by the Autorité des Marchés Financiers, and in accordance with the provisions of Articles L. 225-209 et seq. of the Commercial Code and Rule No.2273/2003 of the European Commission of 22nd December 2003,

authorises the Board of Directors, with the ability to sub-delegate under the conditions provided for by law and by the Company's by-laws, to cause the Company to purchase its own shares representing up to 10% of the number of shares that make up the equity capital, i.e. 146,842 shares.

The General Meeting decides that the Board of Directors, with the ability to sub-delegate under the conditions provided for by law, may proceed or cause to proceed to repurchases in order to:

- have an investment services provider drive the market or the liquidity of the share through a liquidity agreement compliant with the ethical policy recognised by the AMF;

- purchase shares to hold them and eventually trade them or use them as payment for potential external growth operations;

- allocate shares to the employees or executive officers of the Company or Group, under the conditions and in accordance with the terms set out by law, particularly in the context of profit-sharing, to serve the stock options, in the context of a company savings plan, or for the free allocation of shares to employees based on their performance, in accordance with the provisions of Articles L. 225-197-1 et seq. of the Commercial Code.

- cancel the shares, subject in that latter case, to the Extraordinary General Meeting voting a specific resolution.

The General Meeting decides that:

- the maximum unit price may not exceed 175 euros;

- the minimum unit selling price must be at least equal to 60 euros;

- the maximum amount of the funds the Company may devote to the operation comes out to €25,697,350.

In case of a capital increase through an incorporation of reserves and an allocation of free shares, or in case of a division or a grouping of shares, the prices specified above will be adjusted using a multiplying coefficient equal to the ratio between the number of shares making up the capital before and after the operation.

Therefore, in case of adoption of the eleventh resolution regarding the division of the face value of the share,

- the Board of Directors may cause the Company to purchase its own shares representing up to 734,210 shares;

- the maximum purchase price per unit may not exceed 35 euros;

- the minimum selling price per unit must be at least equal to 12 euros.

Shares may be purchased, sold, or transferred by any means allowed by applicable regulations, either on the market or by amicable settlement, particularly through the purchase or disposal of batches, at any time, including at times of public offerings.

The General Meeting grants full authority to the Board, with the ability to sub-delegate under the conditions provided for by law and by the Company's by-laws, to enter into any deed or agreement, conduct any formality and, more generally, to take any action necessary for the implementation of this resolution.

This authorisation is granted for a period of eighteen (18) months. It cancels and overrides the authorisation previously granted by the first resolution of the Company's General Meeting of 29th December 2003.

Ninth resolution
(Authority to complete formalities)

The General Meeting, ruling under the quorum and majority conditions required for ordinary general meetings, grants full authority to the bearer of an original copy, a copy, or an extract of this report to conduct all filings and publications required by Law.

Extraordinary resolutions

Tenth resolution
(Backfitting of the by-laws with Order No.2004-604 of 24th June 2004)

The General Meeting, ruling under the quorum and majority conditions required for extraordinary general meetings, after reviewing the Board's report, decides to backfit the Company's by-laws with Order No.2004-604 of 24th June 2004 regarding, in particular, the reform of the capital increase system.

In particular, the General Meeting decides to replace the second sentence of Article 9.1 of the by-laws with the following sentence: "It may also delegate this authority to the Board of Directors, under the conditions set by applicable legal and regulatory provisions."

Eleventh resolution
(Division of the face value of the share and correlative amendment of Article 8 of the by-laws)

The General Meeting, ruling under the conditions of quorum and majority required for extraordinary general meetings, after reviewing the Board's report:

(i) decides to divide the face value of the Company's shares by 5 in order to bring it down from 5 euros to 1 euro, which will raise the number of Company shares from 1,468,421 to 7,342,105 through the exchange of one share with a face of 5 euros against 5 new shares with a face value of 1 euro, and to amend Article 8 of the by-laws accordingly, with the following wording:

"ARTICLE 8 – Share capital:

I – The share capital is set to €7,342,105. It is divided into 7,342,105 shares of €1 each, that are fully paid up and all belong to the same category.

The rest of the article remains unchanged.

(ii) consequently acknowledges the change in exercise parity of the share purchase warrants, the issue of which was decided by the Board of Directors held 26th March 2004. From now on, 4 share purchase warrants allow the holder to purchase of 5 Company shares.
(iii) grants full authority to the Board of Directors to complete all related deeds and formalities.

Twelfth resolution
(Authorisation granted to the Board of Directors to reduce the share capital by cancelling the shares purchased under the share repurchase scheme)

The General Meeting, ruling under the quorum and majority conditions required for extraordinary general meetings, after hearing the reading of the Board's report and the Auditors' special report:

- authorises the Board of Directors to cancel, at its sole discretion, in one or several times, within the limits of 10% of the capital, the shares that the Company may hold, in the context of Article L. 225-209 of the Commercial Code, as a result of the repurchase conducted under the eighth resolution of this Meeting, and the purchase conducted to date if applicable, and to reduce the share capital accordingly, in accordance with applicable laws and regulations;

- sets to 18 months, from the date of this meeting, the validity period of this authorisation;

- grants the Board, with the ability to delegate, full authority to conduct the operations necessary for such cancellations and correlative capital reductions, to amend the Company's by-laws accordingly and conduct all formalities required.

Thirteenth resolution
(Delegation of authority granted to the Board of Directors to increase the share capital through the issue of ordinary shares or any marketable securities giving access to the capital with preservation of the pre-emptive right)

The General Meeting, ruling under the quorum and majority conditions required for extraordinary general meetings, after reviewing the Board's report and the Auditors' special report, and in accordance with the provisions of Articles L. 225-129-2 and L. 228-92 of the Commercial Code:

1°), terminates, effective immediately, the delegation granted by the Ordinary and Extraordinary General Meeting of 26th April 2004, by voting its ninth resolution;

2°) delegates to the Board the authority to determine, at its sole discretion, in one or several times, in the proportions and at the times it appreciates, both in France and abroad, in euros or foreign currency or unit of account set by reference to several currencies, the issue, with preservation of the pre-emptive right, of shares, equity securities or marketable securities – including warrants issued in an autonomous manner, on a free of charge or paid-for basis or purchase warrants – giving or likely to give access to the capital or entitling to the allocation of debt securities.

The delegation that is thus granted to the Board of Directors, is valid twenty-six months from the date of this General Meeting.

The issue of preferred shares and the issue of securities or marketable securities giving access to preferred shares, is ruled out.

3°) Decides

- that the amount of capital increases likely to be completed immediately and/or in the long run, cannot exceed €5,000,000 of face value, plus, if applicable, the additional amount of shares that would have to be issued to preserve, in accordance with the law, the rights of holders of marketable securities entitling them to shares;

- that the face value of debt securities giving access to capital, likely to be issued under this delegation, cannot exceed €100,000,000 or its equivalent in foreign currencies, on the day of issue.

4°) Decides that the shareholders have a pre-emptive right on the securities issued under this resolution, that is proportionate with the amount of shares they hold.

5°) Decides that, if the applications made on a non-reducible basis or, if applicable, on a reducible basis, do not absorb the entire issue of shares or marketable securities as defined above, the Board may offer the public all or part of the securities that have not been applied for.

Fourteenth resolution
(Delegation of authority granted to the Board of Directors to increase the share capital through the issue of ordinary shares or any marketable securities giving access to the capital with removal of the pre-emptive right)

The General Meeting, ruling under the quorum and majority conditions required for extraordinary general meetings, after reviewing the Board's report and the Auditors' special report, and in accordance with the provisions of Articles L. 225-129-2 and L. 228-92 of the Commercial Code:

1°), terminates, effective immediately, the delegation granted by the Ordinary and Extraordinary General Meeting of 26th April 2004, by voting its tenth resolution;

2°) delegates to the Board the authority to determine, at its sole discretion, in one or several times, in the proportions and at the times it appreciates, both in France and abroad, in euros or foreign currency or unit of account set by reference to several currencies, the issue, with removal of the pre-emptive right, of shares, equity securities or marketable securities – including warrants issued in an autonomous manner, on a free of charge or paid-for basis or purchase warrants – giving or likely to give access to the capital or entitling to the allocation of debt securities.

The delegation that is thus granted to the Board of Directors, is valid twenty-six months from the date of this General Meeting.

The issue of preferred shares and the issue of securities or marketable securities giving access to preferred shares, is ruled out.

Decides to remove the shareholders' pre-emptive right on these shares, equity securities, and marketable securities, and to grant to the Board of Directors the authority to institute, to the benefit of the shareholders, a priority right to apply, in accordance with the provisions of Article L 225-135 of the Commercial Code.

4°) Decides

- that the amount of capital increases likely to be completed immediately and/or in the long run, cannot exceed €5,000,000 of face value, plus, if applicable, the additional amount of shares that would have to be issued to preserve, in accordance with the law, the rights of holders of marketable securities entitling them to shares. The maximum face value of capital increases likely to be conducted under this delegation will be entered against the overall capital increase cap of €5,000,000 set in the thirteenth resolution;

- that the face value of debt securities giving access to capital, likely to be issued under this delegation, cannot exceed €100,000,000 or its equivalent in foreign currencies, on the day of issue, it being specified that such face value will be entered against the face value of €100,000,000 set in the thirteenth resolution.

5°) Decides that the amount perceived or to be perceived by the Company for each of the shares issued or to be issued under the delegation discussed above, after taking into account, if applicable, in the case of the issue of share purchase warrants, the issue price of such warrants, would be at least equal to the weighted average of the prices of the last three market sessions preceding its fixing, minus a maximum rebate of 5% if applicable, in accordance with the provisions of Article 155-5 as amended of the Order of 23rd March 1967.

Fifteenth resolution
(Increase in the number of shares, securities, or marketable securities to be issued in case of a capital increase with or without pre-emptive right)

The General Meeting, ruling under the quorum and majority conditions required for extraordinary general meetings, after reviewing the Board's report, authorises the Board, in accordance with the provisions of Article L. 225-135-1 of the Commercial Code, for a period of twenty-six (26) months from the date of this General Meeting, to increase, at its sole discretion, within the limits of the overall cap set under the thirteenth resolution, the number of shares, securities, and marketable securities to be issued in case of a capital increase of the Company, with or without pre-emptive right for the shareholders, within thirty (30) days of the closing of applications for the initial offering, within the limits of 15% of the initial issue, and at the price set for the initial issue, in accordance with the provisions of Article 155-4 as amended of the Order of 23rd March 1967.

The Meeting acknowledges that the limits set out in 1° of I of Article L. 225-134 of the Commercial Code, will be increased in the same proportions.

Sixteenth resolution
(Delegation to proceed to the issue of shares, securities, and miscellaneous marketable securities to remunerate the contributions in kind granted to the Company)

The General Meeting, ruling under the quorum and majority conditions required for extraordinary general meetings, after reviewing the Board's report in the context of Article L. 225-147, paragraph 6, of the Commercial Code:

delegates, for a period of twenty-six (26) months from the date of this General Meeting, to the Board of Directors, the authority necessary to issue shares, securities, and miscellaneous marketable securities giving or likely to give access to the capital of the Company, within the limits of 10% of the share capital, at the time of issue, in order to remunerate the contributions in kind granted to the Company, and made of equity shares or marketable securities giving access to the capital, whenever the provisions of Article L. 225-148 of the Commercial Code, do not apply. The meeting points out that, in accordance with law, the Board of Directors then rules on the contribution auditors' report mentioned in Article L. 225-147 of the Commercial Code.

In all cases, the amount of capital increases conducted under this resolution is entered against the overall cap set out by the thirteenth resolution.

The General Meeting grants full authority to the Board of Directors, in particular to approve the assessment of contributions, determine the resulting capital increase, acknowledge its completion, draw from the contribution premium the amounts necessary to bring the legal reserve to a tenth of the new capital after each increase, and amend the by-laws.

Seventeenth resolution
(Delegation of authority to decide to increase the capital through the incorporation of reserves, profits, and premiums)

The General Meeting, after reviewing the Board's report, ruling in the context of Articles L. 225-129, L. 225-129-2, and L. 225-130 of the Commercial Code, under the quorum conditions applicable to extraordinary general meetings:

1°) delegates its powers to the Board of Directors, for a period of twenty-six (26) months from the date of this meeting, to decide to increase the share capital, at its sole discretion, in one or several times, at the times it determines, through the incorporation of reserves, profits and premiums into the capital, followed by the creation and free allocation of equity shares or the increase of the face value of existing equity shares, or a combination of both methods;

2°) decides that the fractional rights will be neither marketable, nor disposable, and that the corresponding securities will be sold, and that the proceeds of the sale will be allocated to the holders of rights, within a timeframe set by an Order of the Council of State;

3°) decides that the amount of the capital increase likely to be thus conducted, plus the amount necessary to preserve, in accordance with the law, the rights of holders of marketable securities entitling them to shares and regardless of the cap set by the thirteenth resolution, may not exceed the amount of reserves, premiums, and profits specified above, which exist at the time of the capital increase;

4°) grants the Board, with the ability to sub-delegate under the conditions set out by law and the Company's by-laws, full authority to implement this resolution and ensure its success;

5°) acknowledges the fact that this delegation cancels and overrides any previous delegation regarding the same issue.

Eighteenth resolution
(Delegation of authority to increase the share capital to the benefit of the Group's employees)

The General Meeting, ruling under the quorum and majority conditions required for extraordinary general meetings, after reviewing the Board's report and the Auditors' special report, acknowledging the provisions of Article L. 443-5 as amended of the Labour Code, and ruling in accordance with the provisions of Articles L. 225-129-2, L. 225-129-6, and L. 225-138-1 of the Commercial Code:

- delegates to the Board of Directors its authority to proceed, if it deems opportune, to a capital increase, in one or several times, within the proportions and at the times it appreciates, within twenty-six months from the date of this Meeting, and within the limits of a total number of shares representing 3% of the share capital on the date of the Board's decision, through the issue of ordinary shares or marketable securities giving access, by all means, immediately and/or in the long-run, to ordinary shares of the Company and, if applicable, through the allocation of free shares;
- decides that this delegation removes the shareholders' pre-emptive right on new shares and other securities to be issued to the benefit of the Company's employees and/or companies related to the Company in the sense of the provisions of Article L. 225-180 of the Commercial Code who are, if applicable, holders of a Group Corporate Savings Plan (or any Mutual Fund to be set up, of which such employees would be shareholders).
- regarding the application price to issue, decides to set the rebate to 20%, based on the average of the listed prices of the Company's shares on Euronext Paris S.A.'s Nouveau Marché for the twenty market days preceding the date of the decision setting the opening date of applications. However, the General Meeting explicitly authorises the Board of Directors to reduce the aforementioned rebate if it deems necessary.

The General Meeting grants full power to the Board of Directors, with the ability to sub-delegate under the conditions provided for by law, to:

- set the list of beneficiaries and the number of shares allocated to each one;

- set the date and terms of the issues that will be conducted under this delegation, in accordance with legal and statutory provisions, and in particular, determine the purchase price in compliance with the above-mentioned rules, set the application opening and closing dates, the due dates, and the share issue timeframes;
- confirm the completion of the capital increases up to the amount of shares that will be actually applied for;
- accomplish all operations and formalities, either directly or via a proxy;
- amend the by-laws in accordance with the share capital increases;
- and generally do anything that is useful or necessary for the final completion of the capital increase or successive capital increases.

Nineteenth resolution
(Authority to complete formalities)

The General Meeting, ruling under the quorum and majority conditions required for extraordinary general meetings, grants full authority to the bearer of an original copy, a copy, or an extract of this report to conduct all filings and publications required by Law.

7 Timetable of publications and other SWORD GROUP financial events over 2005/2006

PUBLICATIONS:

12/04/05: 1st quarter 2005 turnover

12/07/05: 2nd quarter 2005 turnover

07/09/05: 2005 half-yearly financial statements

12/10/05: 3rd quarter 2005 turnover

17/01/06: 4th quarter 2005 turnover

14/03/06: 2005 annual financial statements

OTHER EVENTS:

08/09/05: SFAF (French Association of Financial Analysts) meeting in Paris (half-yearly financial statements)

15/03/06: SFAF meeting in Paris (annual financial statements)

28/04/06: Annual shareholder meeting at the group's head office