REFERENCE DOCUMENT/ANNUAL REPORT

SWORD GROUP

2005 FINANCIAL YEAR

In accordance with Article 212-13 of its general rules, this annual report has been filed with the AMF (the French market authority) on 12 April 2006 under number D.06-0246.

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.

In accordance with Article 28 of European Regulation Nr. 809/2004 of 29 April 2004, the reader is referred to previous annual reports regarding certain elements of information:
- The Board of Directors' management report, the consolidated financial statements, the consolidated Auditors' report regarding the financial year ended 31 December 2004 contained in the annual report filed with the AMF (the French market authority) on 15 April 2005 under Nr. R.05-0041.
- The Board of Directors' management report, the consolidated financial statements, the consolidated Auditors' report regarding the financial year ended 31 December 2003 contained in the annual report filed with the AMF (the French market authority) on 22 March 2004 under Nr. R.04-0036.

This document is available upon request from the Company's head office or on the AMF's web site, at www.amf-France.org or on the Company's web site, at www.sword-group.com

Contents

I – Persons in charge

1.1 Person in charge of the information contained in the annual report

Mr. Jacques Mottard, Chairman of Board of Directors and Managing Director of SWORD GROUP.

1.2 Statement by the person in charge of the annual report

"I hereby certify, after taking all reasonable action for that purpose, that the information provided in this document is, as far as I know, accurate. There are no omissions that would significantly alter its scope.

I have secured from our auditors a completion letter stating that they have verified the information regarding the financial situation and the financial statements provided in the annual report, and that they have read the entire annual report."

Jacques MOTTARD
Président du conseil d'administration
Managing Director

1.3 Individuals in charge of the information contained in this document

Jacques MOTTARD
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E-mail: sdesmaris@sword-group.com

II – Auditors

2.1 Auditors in charge of the issuer's financial statements

2.1.1 Statutory auditors

(1) Deloitte & associés
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 Shareholders' General Meeting called to approve the statements of accounts for the financial year ending on 31st December 2006.

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

2.1.2 Commissaires aux comptes suppléants

(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 Shareholders' General Meeting 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 Shareholders' General Meeting called to approve the statements of accounts for the financial year ending on 31st December 2006.

2.2 Information regarding auditors that resigned, have been dismissed, or whose mandates have not been renewed in the past three years

None

III – Selected financial information

3.1 Annual selected historic financial information

Consolidated annual financial statements:

In thousands of euros	**At December 31, 2005**	**At 12/31/2004**
Turnover	101,491	78,657
Current operating profit	15,651	12,342
Consolidated net profit	11,060	8,198

Non-current assets	109,461	55,369
Cash and cash equivalents	9,094	6,969
Consolidated shareholders' equity	65,051	53,892
Total balance sheet	167,238	97,041

Proforma annual consolidated financial statements:

In thousands of euros	**At December 31, 2005**
Turnover	121,669
Current operating profit	16,007
Consolidated net profit	11,235

Annual financial statements:

In thousands of euros	**At December 31, 2005**	**At 12/31/2004**	**At 12/31/2003**
Turnover	3,026	2,653	2,027
Operating profit	538	541	192
Net income	3,688	3,526	3,077

Fixed assets	31,203	28,970	22,872
Cash	923	268	474
Equity capital	49,626	46,413	25,806
Total balance sheet	103,007	54,204	33,990

3.2 Intermediary financial information

Not applicable

IV – Risk factors

4.1 Activity-related risks

4.1.1 Risks due to fixed price services

In 2005, the share of fixed price services was 70%, external assignments being primarily used for consulting projects.

The risk related to services of that nature is limited by the monthly analysis of works in progress, which consists in determining, for each one:

- 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.

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.

4.1.2 Client risks

Risk of default

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.

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.

Visibility

At 31 December 2005, the order book (*) amounted to 9.5 months of turnover budgeted for 2006, not inclusive of external growth. The order book (*) for the coming three years stands at 15.5 months, as compared to the 2006 budget not inclusive of external growth.

(*)The order book includes weighted "signed + likely + possible" orders

4.1.3 Risks related to IT security and technological progress

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.

4.2 Liquidity risk

Given the borrowings and credit lines specified below, SWORD GROUP considers itself not exposed to any liquidity risk.

Borrowings

Characteristics of securities issued or loans contracted	Fixed or variable rate	Total sum of credit lines	Capital remaining due as at 31/12/2005	Maturity date	Loan secured?
Loan no. 1	Variable rate (euribor 3 months +1.5%)	€3,049,000	€1,220,000	2006 and 2007	No
Loan no. 2	Variable rate (euribor 3 months +1.5%)	€3,049,000	€1,220,000	2006 and 2007	No
Loan no. 3	Variable rate (euribor 3 months + 1%)	€1,000,000	€1,000,000	2007	No

Promissory note drawing rights

Characteristic	Fixed or variable rate	Value		Maturity date	Loan secured?
		Unused	Used		
Drawing right	Variable rate (euribor 3 months +0.7) Commitment fee 0.20%	1,000	0	31/12/2006	No
Drawing right	Variable rate (euribor 3 months +1) Commitment fee 0.25%	415	2,510	2004 to 2007	No
Drawing right	Variable rate (euribor 3 months +0.7) Commitment fee 0.20%	-	32,000	31/07/2010	No
Drawing right	Variable rate (euribor 3 months +1) Commitment fee 0.30%	400	1,300	30/06/2006	No
Drawing right	Variable rate (euribor 3 months +0.7) Commitment fee 0.20%	-	10,000	31/12/2008	No
Promissory note	Variable rate (euribor 3 months +1) Commitment fee 0.25%	-	2,000	30/07/2006	No

Bank overdrafts

SWORD GROUP has been granted by a financial institution the ability to benefit from additional drawing rights for €15,000,000, unused as at 31 December 2005, remunerated at euribor + 0.80.

Acceleration on default clauses

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

- net consolidated financial debt / consolidated EBITDA less than 3,
- net consolidated financial debt / consolidated shareholders' equity less than 1.

As at 31 December 2005, the ratio between net consolidated financial debt and consolidated EBITDA stood at 2.78 (i.e. 45,730/16,428).
The ratio between net consolidated financial debt and consolidated shareholders' equity stood at 0.70 (i.e. 45,730/65,051).

4.3 Market risks

4.3.1 Currency risk

Currency risk is not currently considered to constitute a significant risk. The Group does not consider it necessary to set up a heavy risk tracking and management system.

There are no significant investments or debts that give rise to a currency risk. Indeed, debts are essentially a result of the corporate activity. There is therefore no currency risk-specific tool in place.

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.

	K£	K$	In thousands of Swiss francs	In thousands of rands	In thousands of Indian rupees
Assets	54,217	8,600	14,849	3,810	25,078
Liabilities	45,414	7,513	13,008	2,567	6,407
Net position prior to management	8,803	1,087	1,841	1,243	18,671
Management derivative	-	-	-	-	-
Net position after management	8,803	1,087	1,841	1,243	18,671

Net position = buying or selling balance in the currency under consideration

An unfavourable, uniform evolution of 1 cent in the currency in which the financial statements are denominated (€) against all the currencies mentioned in the table above, would result in a loss of €154,600 on the overall net position in foreign currencies.

4.3.2 Interest rate risks

Breakdown, according to maturity, of the financial debt owed to credit institutions as at 31/12/2005:

	DD to 1 year	1 to 5 years	Beyond
Financial liabilities	50,777	3,361	686
Financial assets	617	-	-
Net position prior to management	50,160	3,361	686
Management derivative	-	-	-
Net position after management	50,160	3,361	686

The sensitivity to interest rate changes is equal to €501,600.
(= net variable rate position x 1% change in the short term interest rate x time remaining until the next period, i.e. €501,600).

This amount represents 54.5% of the overall gross consolidated financial debt for 2005.

Nevertheless, this risk is monitored and managed by the administrative and financial department within the scope of the company’s general management.

4.3.3 Share risks

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.

As at 31 December 2005, it is made up of:

In €	Portfolio of third party or UCITS shares	Portfolio of own shares
Assets position	617,218	232,637
Off-balance sheet	None	None
Overall net position	617,218	232,637

The market value of the portfolio as at 31 December 2005 was:

- Marketable securities : €621,413
- Own shares : €273,104

Assessment of the portfolio

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 Shareholders' General Meeting held on 29 April 2005.

Own shares are deducted from consolidated shareholders' equity independently from the relevant acquisition and holding objective or their classification in the individual financial statements of the companies that hold them.

Share risk tracking 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.

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.

If we discount own shares, the portfolio is very limited. Under these conditions, no internal limits (place, counterpart, economic sector), nor any means of controlling risks or any other internal control measures, have been specified. Investments must remain conventional by nature and risk-free by definition.

4.4 Legal risks

There are no current legal risks, aside from possible commercial or technical risks that may result from the outcome of work in progress (see paragraph 4.1.1). These detected risks are systematically subject to a provision for risks and contingencies recorded as liabilities in the balance sheet.

As at 31 December 2005, no current general legal risks relative to the Group's activities, are likely to be assessed.

4.5 Dependency with regard to top managers or 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, an executive vice-president, an administrative and financial director, and 5 directors of operations, introduced in 17.1.2.

In the meantime, day to day management is handled by the 20 Directors of BU's and the 5 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.

4.6 Insurance and risk coverage

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	Civil and professional liability	Multi-risk
	Excess	Excess
2005	0.15	None

An analysis of the Group's risks does not reveal any significant risk not covered by an insurance contract.

4.7 Extraordinary events and current litigation

Extraordinary events and current 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.

Provisions setup policy
The level of provisions for risks and contingencies is due to the BU management's rigorous approach regarding the risks covered.

Provisions are allocated for 100% of risks and expenses. The total sum of provisions for risks and expenses stood at €1,063,000 on 31 December 2005.

V – Information regarding the Company

5.1 History and development of the Company

5.1.1 Company name

The Company's name is "SWORD GROUP".

5.1.2 Company registration location and number

The Company is registered under number SIREN 438 305 054 at the Lyon corporate register.

The Company's APE code is 741 J

5.1.3 Company inception date and lifetime

SWORD GROUP was established as a holding company on 22nd June 2001 in the form of a public limited company and for a term 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.

5.1.4 Company head office, legal form, and governing law

The Company is a 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.

The head office is located 9, avenue Charles de Gaulle - 69370 Saint-Didier-au-Mont-d'Or.
The telephone number is +33 (0)4 72 85 37 40.

Its business is not subject to any specific regulations.

5.1.5 Important events in the development of the Company's business operations

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.

Inception of SWORD SA in November 2000

Bolstered by the success of Decan, Mr. Jacques Mottard set up SWORD SA on 17 November 2000. Business operations started on 1st December 2000, harnessing the repurchasing of some of Decan's subsidiaries and goodwill, selected for their technological specifics.

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.

Fiscal 2001: acquisition of DDS EUROPE and PROFILER

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.

Fiscal 2002: IPO and acquisition of TEXT SOLUTIONS and CRONOS TECHNOLOGIES

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.

Fiscal 2003: Acquisition of ZEN & ART and FI SYSTEM BELGIUM

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).

Fiscal 2004: Acquisition of GLOBAL and CIMAGE

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 (Massachussetts). This company specialises in Document Management products and edits software for use in highly-regulated sectors (such as pharmaceuticals, for example).

Fiscal 2005: Acquisition of PRAGMA, HARVARD, LINKVEST, LINKVEST Liban and INTECH

On 6 April 2005, SWORD acquired PRAGMA et HARVARD

- PRAGMA, a company based in Aberdeen (Scotland). The Company, which specialises in document management and BI services with oil companies, has just completed the Group’s offer in that market, SWORD being already present in Houston
- HARVARD, a company based in London. The Company, which specialises in organisational consulting with banking and financial institutions, is fully complementary with SWORD DDS, the SWORD subsidiary that specialises in change management and organisational consulting.

On 28 July 2005, SWORD acquired LINKVEST, a company based in Lausanne (Switzerland). The Company, which specialises in enterprise content management (ECM), provides SWORD with a base in Switzerland, where a number of projects are being managed, particularly for Orange Switzerland.

On 1st October 2005, SWORD acquired LINKVEST Liban, a company based in Beyrouth, which specialises in offshore development for French-speaking countries. This base complements our Chennai, India operation, which is more focused on British projects.

On 30 November 2005, SWORD acquired INTECH, a company based in London. The Company, which specialises in products aimed at assisting re-insurance businesses in handling their risks, provides SWORD with a new “highly regulated” market, which complements banking market.

5.2 Investments

5.2.1 Main investments completed during the period 2003 - 2005

Main investment types include:

Training

The investment policy regarding training is put into practice through project management, which provides for systematic training when work is initialised. The corresponding cost amounts to 1.7 % of the wage bill.

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.

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.

Products

Product investments can be divided into three groups:
- corrective maintenance, recorded as expenses,
- evolutive maintenance, recorded as expenses,
- the development of new products, for which:
    * the specifications have been written-off
    * developments are activated up to the level of expenses directly allocated to the project. They are depreciated as of the date the product is released on the market, and throughout its useful life, typically 5 years.

Investments completed during the past 3 years are detailed in the following table:

By type of investment (excluding financial and intangible investments)

	31/12/2003	31/12/2004	31/12/2005	31/12/2006 budget
In thousands of euros				
Buildings	-	-	-	
Transport equipment	-	12	74	50
Installations, fixtures	98	136	279	200
Office and IT equipment	331	403	937	800
Office furnishings	104	72	192	150
Total	**533**	**623**	**1,482**	**1,200**

By activity

Services	506	518	1,198	1030
Consulting	5	62	111	70
Products	22	43	173	100
Total	**533**	**623**	**1,482**	**1200**

By geographic area

France	205	260	732	610
UK	77	134	375	300
Benelux	212	208	254	190
Others	39	21	121	90
Total	**533**	**623**	**1,482**	**1,200**

Acquisitions completed until 31/12/2005

In thousands of euros	Date	Purchase price	Goodwill
SWORD SA	01-11-00	-	9,150
FIRCOSOFT	01-11-00	5,238	4,409
SWORD DDS France	01-07-01	242	-
SWORD Création Informatique	01-11-00	107	-
SWORD Inc.	01-11-00	2,561	2,705
SWORD Suisse	01-04-01	284,	39
SWORD UK	01-04-01	3,418	1,632
SWORD Consulting	01-04-01	419	484
SWORD ECM	01-04-02	4,104	5,664
SWORD TECHNOLOGIES	01-12-02	9,780	10,389
ZEN ET ART (business)	01-12-03	3,067	3,508
ASCII/FI SYSTEM	01-01-04	3,000	4,213
GLOBAL SOFTWARE SERVICES	01-04-04	2,498	2,173
CIMAGE	15-07-04	5,696	7,726
PRAGMA	06-04-05	12,695	11,742
HARVARD	06-04-05	2,043	1,845
LINKVEST	28-07-05	5,787	5,211
LINKVEST Liban	01-10-05	18	
INTECH	30-11-05	29,622	26,645
Total		90,579	97,535

5.2.2 Investments under way

The new product range FUSION is the result of a R&D plan for €3.2m that will reach completion at end June 2006.

5.2.3 Main commitments to invest

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

VI – Business operations overview

6.1 Main business operations

6.1.1 SWORD GROUP positioning and offering

6.1.1.1 SWORD GROUP positioning

SWORD GROUP is an IT consulting company that:

A/ specialises in technological niches:

- In enterprise content management (ECM), an area that combines electronic document management (EDM), geographic information systems (GIS), and business intelligence (BI);
- In artificial intelligence.

B/ specialises in market niches:

- Highly regulated markets: banking, insurance, nuclear, oil, pharmaceuticals/healthcare;
- International organisations and governments: European Union, UN, National Brand and Patent Offices
- Telcos

C/ is highly global:

84% of the 2005 proforma turnover was generated outside France.
SWORD is involved in 11 countries and works in 34 countries.

D/ is industrial:

SWORD relies on software components to industrialise the development of its projects. Moreover, it develops products that supplement those available on the market, thereby accentuating its positioning as a niche player.

Lastly, this industrialisation naturally leads to the development of offshore bases (India, Lebanon, and Greece).

SWORD's organisation is based on 3 arms, in line with its offer described in paragraph 6.1.1.2 below:

A/ The Consulting arm, which integrates organisational consulting in finance and banking, as well as change management consulting;

B/ The Solutions arm, which specialises in systems integration in the area of IS content management (ECM);

C/ The Products arm, which integrates:

- Straight Through Processing and AML (anti-money laundering) products, marketed by our subsidiary FIRCOSOFT
- Products for the security of financial transfers on the Internet, marketed by our subsidiary SWORD SECURITY

- Document management products, in particular those that were developed in 2005 and will be complete at end June 2006 (FUSION, marketed by our subsidiary CIMAGE)
- Document management and BI (risk management) products for the reinsurance market, marketed by our subsidiary INTECH
- Brand and patent office management products, marketed by our subsidiary SWORD SA.

6.1.1.2 Offre de SWORD GROUP

Ever since it was set up, the 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 offering naturally evolved as of end 2003 into:

- **Consulting** (paragraph 6.1.1.2.1)
- Fixed-price project management and development, the so-called “**Solutions**” arm (paragraph 6.1.1.2.2)
- The development, marketing, and maintenance of products, the so-called “**Produits**” arm (paragraph 6.1.1.2.3)

6.1.1.2.1 Consulting

Consulting services are offered by two SWORD Group subsidiaries:
- Consulting, by **SWORD Consulting**, the group’s consulting subsidiary, based in Paris, which specialises in consulting for specific professions (electronic banking, logistics and banking).
- 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.

A/ 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.

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.

B/ 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 the 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, the 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, the 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 be illustrated by an intervention with a multinational operator pertaining to a key player in the oil market. Having defined management procedures together with the companies' managements, SWORD consultants lead the installation and deployment in 31 countries: on-line help, multilingual documentation, training of the trainers, training of end users etc.

6.1.1.2.2 Solutions: ECM (content management) project development and integration

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.

A/ Electronic 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.1/ Document engineering architectures

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, the 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, the 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.

A2/ Core business applications

Core business applications were born of the combination of 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 the 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 develop re-usable professional components, which accelerate all the implementation phases of an IT system.

B/ 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.

C/ 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.

D/ 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.

6.1.1.2.3 Product development, marketing, and maintenance

A/ The struggle against money laundering

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.

A.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.

Almost 200 clients over more than 500 sites in more than 25 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.

A.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, the 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.

B/ Financial security over the Internet

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.

C/ Electronic document management

This requires more and more a specialist approach, as companies no longer want generic products that impose additional huge investments to achieve a product that meets their specific internal requirements.

This is the reason why, on a common basis that can be potentially used by any company (FUSION), SWORD develops a range of 3 complementary products, interfaced with Documentum:

- GMP for pharmaceuticals / healthcare
- PDC for oil and civil engineering
- ENG for the nuclear and power industry.

Furthermore, a series of BIZ TOP modules that interface market products with Documentum, have been developed by SWORD, including CAD TOP which is interfaced between Autocad and Documentum.

The electronic document management products are the following:

- CIMAGE E3

For over ten years, SWORD's software package CIMAGE E3 has been providing innovative ECM (enterprise content management) to companies involved in the following industries: oil and gas, nuclear, biological science, telecommunications, and utilities.

- FUSION PDC

SWORD's software package PDC solves a major issue encountered by the AEC (Architecture, Engineering, and Construction) industry. It supports the complex task that consists in creating, revising, approving, and following-up documents in the context of large scale projects.

- FUSION Pétrole et Gaz (Oil and Gas)

SWORD's software package FUSION Pétrole et Gaz, by making the management of a host of data regarding a platform, a pipeline, or a refinery, a lot easier, solves one of the major issues for that industry. It makes it possible to ensure that each document, drawing, manual, measurement file, or other, is always updated, easily accessible, and complete, so that the site can be designed, constructed, operated, and maintained without any error.

- FUSION GMP

SWORD's software package FUSION GMP solves several issues faced by pharmaceutical companies. The FDA (and its equivalent in every country) demands that manufacturers comply with Good Manufacturing Practices.

- BIZTOP

SWORD's software packages BizTop provide companies that have chosen Documentum, with innovative core business applications. These companies can belong to any one of the following industries: engineering, oil and gas, nuclear, biological science, telecommunications, or utilities.

D/ BI (business intelligence) and Document Management products for the reinsurance market

Reinsurers are faced with handling cases from insurance companies, that enable them to analyse and assess their risks, while using a secure document management system.

SWORD has developed:

- On the one hand, a risk management tool: XPOSURE
- On the other hand, a workflow system : ZYGOWARE, which is interfaced with a range of 5 open products that address specific issues:
  . Trade for business and private insurance lines
  . Health for private medical insurance
  . CO+ for general insurance
  . Marine for the protection of ship owners
  . BOX+ for the lloyds' specific market

E/ Brand and patent offices management

Due to its history and experience with national and international brand and patent management offices, SWORD initially developed software components that eventually became products in 2005, so as to be able to handle all the processes of a national office or an international office in the area of brands and patents.

The products concerned are:

E.1/ The management of the main areas of an office (PTOLEMY)

E.2/ A brand and logo recognition and comparison search tool (ACSEPTO)

Ptolemy ® is 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.

E.2/ A brand and logo recognition and comparison search tool (ACSEPTO)

Acsepto® is 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.

As an example, the 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.

6.1.1.3 SWORD GROUP is involved at various stages

Aside from marketing its products, SWORD offers services at various levels:

6.1.1.3.1 Consulting

As a general rule, 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.).

Examples include:

- Upon the inception of a new French bank, SWORD steered and implemented the ATM machines,
- For a major French bank, SWORD designed and steered the implementation and deployment of a new cheque cashing telematics offer for corporate clients,
- For a large manufacturing company, SWORD takes part in the redesign of purchasing procedures and processes.

6.1.1.3.2 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.

Examples include:
A major French telco has entrusted to SWORD a multiyear contract regarding its "client communication IS", which integrates in particular Portal, Web, and Output Management technologies.
The factoring subsidiary of a large French bank has entrusted to SWORD its invoice and end client payment dematerialisation applications in the context of a 3-year TMA contract.

6.1.1.3.3 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.

6.1.1.3.4 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.

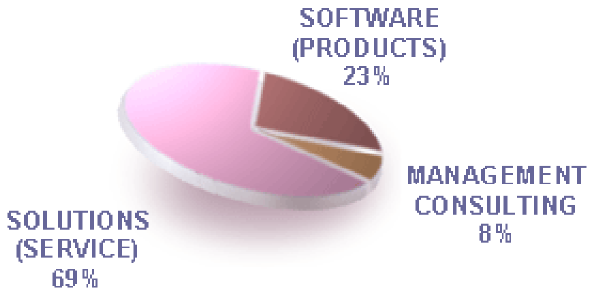
6.1.2 New products and services

SWORD Group will complete its **Fusion** product range (cf paragraph 6.1.1.2.3 Product development, marketing, and maintenance, C/ Electronic document management) on 30 June 2006, and marketing is slated to start in the course of Q3 2006. This range of document management products has been developed by the subsidiary CIMAGE since early 2005.

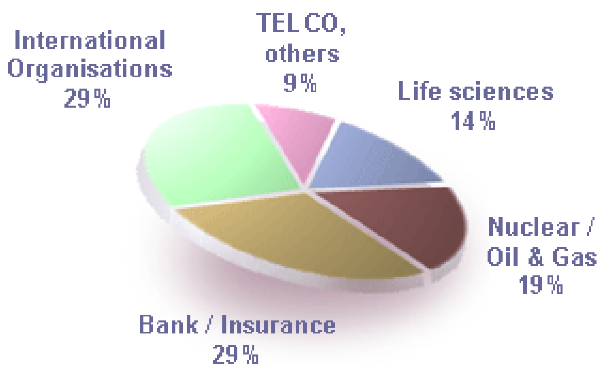
6.2 Main markets

6.2.1 Breakdown of 2005 pro-forma turnover

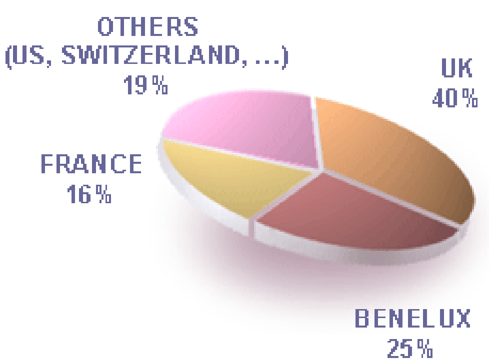
- By activity



- By type of customer



- By geographic location



6.2.2 Business environment analysis

6.2.2.1 SWORD Group's ten largest customers

SWORD Group's ten largest clients account for 21.5% of the proforma turnover for 2005 and 26.5% of the consolidated turnover. Thus, the acquisitions completed in 2005 have enabled the Group to limit its exposure to its ten largest clients.

The first client accounts for 4.3% of the proforma turnover for 2005.

The 20 largest customers represent 34 % of the pro forma turnover for 2005.

Customer companies
BNP PARIBAS (UK)
CEGETEL (France)
CENTRICA (UK)
DG FISCALITE (Benelux)
DG PRESSE (Benelux)
EUROSTAT (Benelux)
NEXEN (UK)
ORANGE (Switzerland)
PARLEMENT EUROPEEN (Benelux)
TOYOTA (UK)

6.2.2.2. Customer characteristics

The customer invoicing method can be broken down into fixed price (70 %) and governed (30 %). 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 2005, 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 66 days.

The company's order book is full: at end December 2005, it represented 9.5 months of the turnover budgeted for 2006 not inclusive of external growth. Over the next three years, the order book shows a turnover of 15.5 months, compared to the net external growth 2006 budget.

6.2.2.3 Market and competition

The market
According to Syntec Informatique (October 2005 and April 2005 figures), as at 31 December 2004, IT service companies and software publishers of more than 10 people represented a head count of approximately 280,000 individuals and a turnover of €20.5 bn (19.7 in 2003).

According to Syntec Informatique (*Secteur des L&S en France – Bilan et perspective* – 19 October 2005), H1 2005 displayed 6% growth as compared to H1 2004. This confirms that growth has resumed in that industry. The report also highlights the stabilisation of rates, with a slight increase in consulting.

Growth breaks down as follows for each activity:

Activity	Year % 2004/ 2003 actual	H1 % 2005/ 2004 actual	% 2006/ 2005 forecast
Consulting	3%	+ 6%	+ 6%/+7%
Engineering	2%	+ 4,5 %	+ 4/ +5 %
Facilities management	9%	+ 9 %	+ 10%/+11%
Software	2%	+ 5,5 %	Tools: +6%/+7% Applications: +4%/+6%
TOTAL	**4%**	**6%**	**6% to +7%**

For 2006, Syntec forecasts growth between 6 and 8%.

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 SIDE PRIME ASSOCIATES XCHANGING ROOM SOLUTIONS

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 2005 was on average higher than 50%, adjusted proportionally to the turnover.

6.3 Exceptional events that would have influenced SWORD GROUP's activities and major markets

None

6.4 Robust 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:

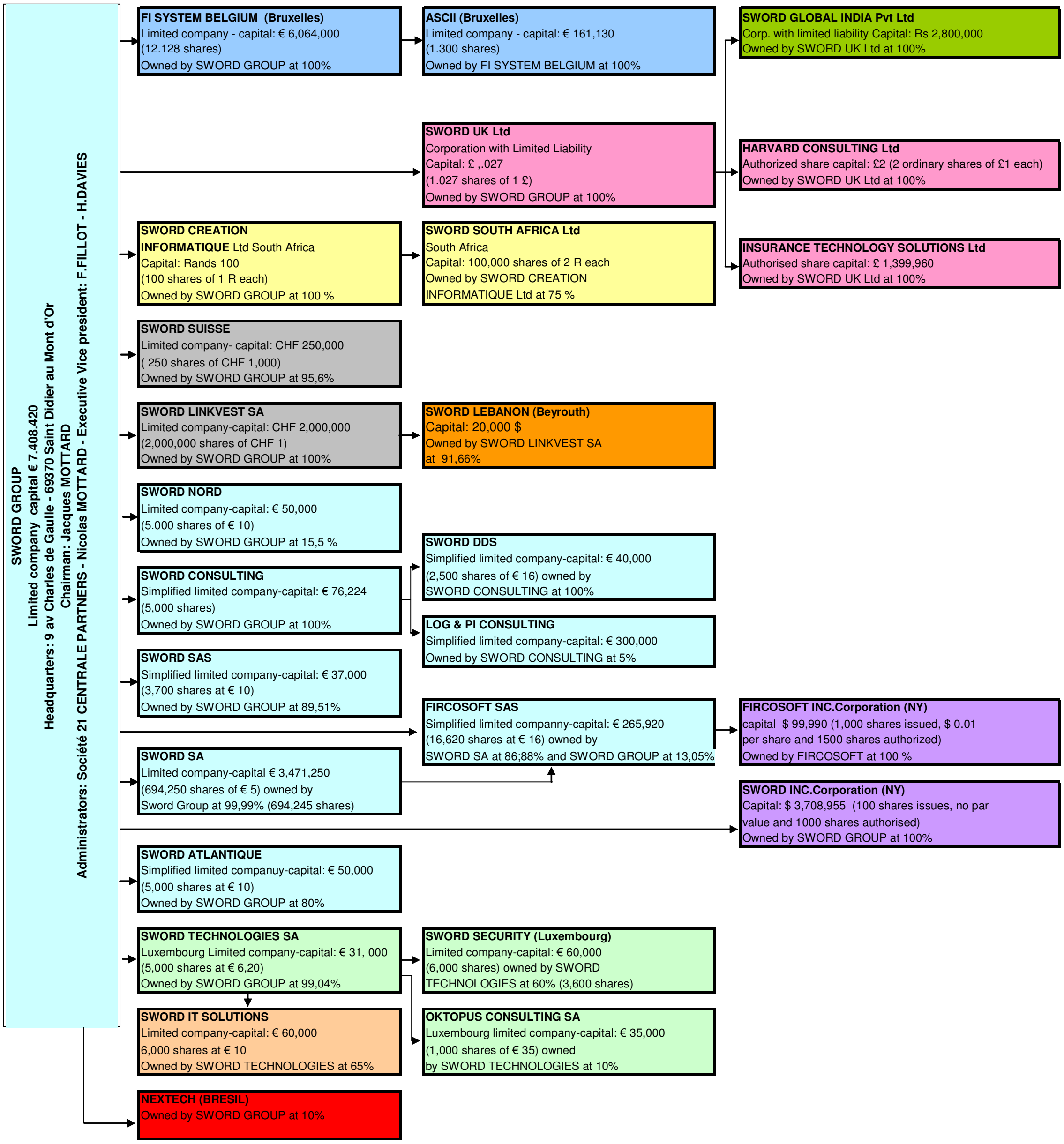
ABBYY	integrator
Actimize	integrator
Autodesk	development Partner
Avoco	certified partner et revendeur
Axciom	integrator
BEA	integrator
BEA	reseller
Business Object	certified partner
Captiva	certified partner
Cymmetry systems	reseller
Dicom	reseller
Documentum	integrator
EMC	velocity partner
ESRI	integrator
Exstream	integrator
Filenet	integrator
Global knowledge	commercial agreement
Google	channel partner (Europe)
Headway	reseller
HP	partner
Hummingbird	integrator
IBM	partner
IBM-Lotus	certified partner
Intergraph	integrator
Inxight	certified partner and reseller
IONIC Software	integrator
Itesoft	integrator
Kofax	integrator
Mentalix	integrator
Mercury	integrator
Microsoft	gold certified partner
Misys	integration of SWORD Group components
On demand	reseller
Oracle	certified partner
SAP	integrator

Sas	certified partner
Sealed Media	certified partner
Selligent	integrator
STAR APIC	integrator
Stellent	integrator
Steria Suisse	integration of SWORD Group components
Swift	commercial agreement
Sybase	integrator
Verity	integrator

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

VII – Group's legal organisation chart

7.1 Organisation chart (20 March 2006)



* SWORD UK Ltd also holds SWORD ECM Ltd, CIMAGE Ltd et CIMAGE NOVASOFT Ltd, dormant companies. SWORD GROUP SA holds directly SWORD GLOBAL Ltd (UK), which is also dormant.
* INSURANCE TECHNOLOGY SOLUTIONS Ltd also holds INTECH (Health) Ltd, INTECH (Resourcing) Ltd, Computer Assessments Ltd, Box Information Technology Ltd et Netsoft Solutions Ltd, dormant companies
* Netsoft Solutions ltd, a dormant company, holds London Market Intranet Ltd and Netsoft Consulting Ltd, dormant companies
* PRAGMA SYSTEMS Ltd (Scotland) was absorbed by SWORD UK on 1st January 2006.

7.2 Issuer's subsidiaries

The table below shows the date of entry into the group of each SWORD Group subsidiary mentioned in the organisational chart, the date it joined the Group, the nature of its business, its economic assets, as well as its turnover and net income for 2005.

Subsidiary	Date of entry	Main activity	Economic asset: know-how	2005 turnover	2005 net profit (loss)
SWORD Inc	01-12-2000	ECM		6,046	(648)
SWORD Création Informatique	01-12-2000	ECM		-	19
SWORD SA	01-12-2000	ECM	Electronic Document Management, and more particularly brands and patents, ECM and more particularly Documentum, Management, and GIS.	22,498	422
FircoSoft	01-12-2000	Security	STP and anti-money laundering.	3,402	932
FircoSoft Inc	01-12-2000	Security		830	128
DDS EUROPE LIMITED	01-04-2001	Consulting		18,776	2,622
SWORD Consulting	01-04-2001	Consulting	Consultancy, in particular Change Management and Electronic Banking	3,706	863
SWORD DDS France (ex-Espace Crécy)	01-07-2001	-		442	28
SWORD SUISSE	01-04-2001	ECM		1,404	(153)
SWORD Technologies	01-12-2002	ECM	ECM and more particularly Electronic Document Management and Business Intelligence, for Benelux.	25,295	1,644
SWORD SAS	01-04-2003	-		2,340	236
SWORD Security	01-03-2003	Security	Know-how in the electronic security of funds transfers via the internet	4	(15)
SWORD South Africa	01-11-2003	ECM		501	(37)
ASCII	15-01-2004		Know-how in the production of the content of web sites within international organisations operating in several languages.	5,884	615
SWORD UK		ECM	ECM and more particularly Electronic Document Management and Business Intelligence, Change Management		
SWORD LINKVEST	28-07-05		Group's know-how representative in Switzerland	3,838	537
SWORD LEBANON	01-10-05		Group's French-speaking offshore base	98	16
SWORD GLOBAL INDIA			Know-how in the relocation of IT production.	1,862	101
PRAGMA SYSTEMS	06-04-05		ECM know-how, more particularly in terms of electronic document management for the oil market	8,370	1,137
HARVARD CONSULTING	06-04-05	Consulting	Organisational consulting know-how for the financial and banking markets in London	1,886	207
SWORD IT SOLUTIONS		ECM	Fixed-price project development for the European Communities	237	69
INTECH	30-11-05		Risk management products for the reinsurance industry	2,500	374

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 €3,025,692.

Regarding the agreements relative to SWORD Group and its subsidiaries, the Board of Directors held 13 March 2006 authorised:

- a change in the assistance agreement between SWORD GROUP and FIRCOSOFT, SWORD SA, SWORD SAS and SWORD CONSULTING by readjusting to €470 per employee and per month the price billed to each subsidiary,
- the conclusion of the assistance agreement between Sociétés SWORD GROUP and SWORD ATLANTIQUE.

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	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 (1)
Chairman	unlimited	SWORD DDS	Unlimited duration
Chairman	unlimited	FIRCOSOFT	Unlimited duration
Chairman	unlimited	SWORD SAS	Unlimited duration
Chairman	unlimited	SWORD UK Ltd	Unlimited duration
Chairman and Director	unlimited	PRAGMA SYSTEMS	Unlimited duration
Chairman and Director	unlimited	HARVARD	Unlimited duration
Chairman and Director	unlimited	INTECH	Unlimited duration
Chairman	unlimited	SWORD Inc	Unlimited duration
Chairman	unlimited	FIRCOSOFT 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	6 years	SWORD SECURITY SA	31.12.08
Director		SWORD IT SOLUTIONS	30.06.06
Chairman and Board Member	6 years	FI SYSTEMS BELGIUM	11.02.2010
Chairman and Board Member	6 years	ASCII	11.02.2010
Director	unlimited	SWORD GLOBAL INDIA	Unlimited duration
Chairman	unlimited	SWORD LINKVEST	Unlimited duration
Chairman	unlimited	SWORD LEBANON	Unlimited duration
Chairman	unlimited	SWORD GLOBAL Ltd	Unlimited duration
Chairman	unlimited	SWORD ECM Ltd	Unlimited duration
Chairman	unlimited	CIMAGE Ltd	Unlimited duration
Chairman	unlimited	CIMAGE Novasoft Ltd	Unlimited duration

(1) Jacques MOTTARD resigned from his position as Chairman of the Board and CEO of SWORD NORD with entry in force on 1st February 2006. He has been replaced by Eric VOLCHER.

VIII – Property, plants and equipment

8.1 List of establishments

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 2nd Floor International House 1 St Katherines Way 12th Floor Latham House 16 Minories	+ 44.208.758.94.99 + 44.207.553.25.00	Jones Lang Lasalle Hanover Square London WIA 2BN Lee Baron Commercial CB Richard Ellis	930 m^2 650 m² 523 m²
Leeds	Enfield Street Roundhay Road	+ 44.113.220.67.00		1,148 m²
Aberdeen	Suite 2 F Johnstone House Rose St	+ 44.122.464.99.99	Ulster Estate Bedford House 16-22 Bedford Street Belfast BT2 7FD	523 m²
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
Lausanne	Avenue des Baumettes 19, CH 1020 RENENS LAUSANNE	+ 41 (0)21 632 90 00	CACIB SA Succession Jacot Guillarmot André	783 m^2 234 m^2
India India	- Arthant Nitco Park 90 Dr Radhakrishnan Salai Mylapore Chennai 600 004 - Venus Colony Alwarpet	+ 91 44 2847 1904 + 91 44 2431 1061	Mr S. Deivasigamani 11G Rajaji Salai Salem 636 007 Mr S. Chakravarthy Deeptha 27 Gopalakrishna Road T. Nagar Chennai 600 017	5,588 Sf 5,344 Sf

City	Address	Telephone	Owner of the premises	Surface area of the premises
Luxembourg	105 route d'Arlon – L 8009 Strassen	+ 353 26 11 26 11	GEO Bildinx 71 rue des Prés, L-7333 Steinsel	1000 m^2
Brussels Brussels	Rue Joseph II, 9 à 13 – B-1000 Bruxelles Rue de Trèves 49-51 B-1040 Bruxelles	+ 32 2 235 10 00 + 32 2 286 97 75	DK Invest Delften 23 B-2390 Malle D'Arschot et Cie Avenue Louise 192 1050 Bruxelles	600 m^2 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.

8.2 Environmental issues likely to influence the use of premises

None

IX – Review of the financial situation and earnings

In order to assess the review of the financial situation and its development, we will retain financial 2004 and 2005 for the income statement situation, and 2003, 2004 and 2005 for items taken from the Group's consolidated balance sheet. Indeed, comparison is possible for two years only, given the recent implementation of IFRS standards for the income statement, and for three year ends for balance sheet items, i.e. 31 December 2003, 31 December 2004 et 31 December 2005.

9.1. Review of the financial situation for fiscal 2005 and 2004

The development of the financial situation can be appreciated on the basis of the following data, taken from the consolidated financial statements as at 31/12/2003, 31/12/2004 and 31/12/2005.

in thousand euros	**31 Dec 2005**	**31 Dec 2004**	**31 Dec 2004**
	IFRS	IFRS	French GAAP
Consolidated shareholders' equity	65051	53892	29687
of which net profit	11060	8198	5091
Net debt	45730	6723	7614
Net debt/consolidated shareholders' equity	70,30%	12,47%	25,65%
Dividends paid for the year	2223 (1)	1757	1198
Dividend per share paid for the year	0,3 (2)	1,2	0,9

(1) subject to the approval of the General Meeting of 28 April 2006 ruling on the appropriation of the 2005 result.
(2) in 2005, the number of shares was multiplied by 5.

Consolidated shareholder' equity:

Change in million euros	**2004/2003**	**2005/2004**
Capital increase	18,2	1,2
Profit - Dividends	6,8	9,3
Other movements	-0,8	0,6
Total	24,2	11,1

Net debt:

- 2004/2003: The net debt remained stable between the two periods, as 2004 growth was funded by a capital increase

- 2005/2004: Significant increase in the net debt, as 2005 external growth (€50m) was funded for up to €39m by external funding, €9.8m by internal financing, and €1.2m by capital increase.

Dividends paid:

The Group's policy relies on the regular, programmed progression of dividends for each year. The net dividend per share increased by one third between 2003 and 2004. It will increase by one quarter between 2004 and 2005.

9.2. Review of the current operating profit

In thousands of euros	31-Dec-05 Proforma	31-Dec-05 Consolidated	31-Dec-04 Consolidated
Turnover	121,669	101,491	78,657
Operating profit	17,078	16,710	12,164
Consolidated net profit	11,235	11,060	8,198
Group's share of net earnings	10,978	10,803	7,986

No unusual event took place during fiscal 2004 or 2005.

The increase in consolidated turnover between fiscal 2004 and 2005 is due to internal growht and to the external growth achieved during that last year. The acquisition of INTECH, PRAGMA, HARVARD and LINKVEST in 2005 has led to a significant increase in turnover.

X – Cash and capital

10.1. Short-term and long-term capital

in thousand euros	31 dec 2005	31 dec 2004	31 dec 2003
Long-term capital	**69 098**	**59 402**	**33 346**
Consolidated shareholders' equity	65 051	53 892	29 687
Long-term financial debt	4 047	5 510	3 659
Short-term capital	**52 605**	**8 182**	**10 878**
Short-term financial debt	52 605	8 182	10 878
Cash and cash equivalents	9 094	6 969	6 923
Net debt	45 730	6 723	7 614
Net debt/Consolidated shareholders' equity	70,30%	12,47%	25,65%

The progression of long-term capital is due to the capital increase and the capitalisation of the annual profit.

Short-term capital grows faster than long-term capital, with the implementation of renewable promissory notes.

10.2. Cash flow statement for 2005 and 2004

Consolidated data	31st December 2005	31st December 2004
	(in thousands of euros)	
Operating cash flow	17,196	-434
Cash flow from investments	-54,050	-10,947
Financing cash flow	37,369	12,942
Impact of the change in currency prices	*272*	*79*
Change in cash position	**787**	**1,640**

Operating cash flows primarily comprise the profit for the year, readjusted with the change in working capital requirements.

Investment cash flows correspond to the acquisition of property, mainly acquisitions of subsidiaries (external growth), minus the disposal of fixed assets.

Financing cash flows are comprised of capital increases, minus the distribution of dividends, and the change in debt.

10.3. Borrowing conditions and loan structure

The conditions governing borrowings and promisory notes are described in § 4.2. of the annual report.

Covenants relative to outstanding borrowings at fiscal 2005 year end, are described in Note 13 to the consolidated appendix. As at 31 December 2005, SWORD GROUP complied with all covenant clauses.

10.4. Restriction to the use of capital

None

10.5. Funding sources expected for future investments

The funding source expected for future investments is, on the one hand, the use of drawing rights that were unused as at 31 December 2005 for €15m and, on the other hand, the cash flow released in the course of 2006.

XI – R&D, patents, licences

11.1 R&D

There are 4 sorts of R&D:

1. "Software components" R&D targeted at the "solutions" arm
2. "Corrective" R&D targeted at the "products" arm
3. "Scalable" R&D targeted at the "products" arm
4. "New product development" R&D

- "Software components" R&D is dedicated to 3 ranges of components:

    1. COGED: a Document Management range of software components oriented towards Documentum and Filenet technologies
    2. COSIG: a Geographic Information Systems range of software components oriented towards ESRI technologies
    3. The PTO range: intended for brand and patent offices, the building blocs of an ERP dedicated to that market

- "Corrective" and "scalable" R&D are activities whose costs, like those of software components, are charged to the trading account and not considered as fixed assets. This activity is dedicated to our 3 product ranges (Fircosoft, Cimage and Intech)

- "New product development" R&D: this is meant to be exceptional and capitalized. In 2005, it was targeted at new products in the Cimage range, that will be complete by the end of H1 2006

In terms of quantification:
- capitalised R&D represents 5% of potential days, i.e. 2.8% of the turnover.
This percentage ought to be brought down to 0.5% in 2006.

- current R&D represents 7.4% of the time, i.e. 4.1% of the turnover.
This ratio will be constant in 2006.

To conclude, total R&D represented 12.4% of the Group's man hours in 2005, i.e. 6.9% of the turnover.

Finally, in calculating the activity ratio, the 5% of time spent on new products is capitalised and, therefore, not included in the Group's activity ratio.

11.2 Patents and licences

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 (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

XII – Information about 2006 trends

12.1 Main trends that have affected sales, costs and selling prices since 31 December 2005

None

12.2 Elements likely to influence these prospects

No significant event has taken place since the beginning of the year regarding turnover and profit trends for 2006.

XIII – Profit forecasts and estimates

13.0 Reminder of the business plan established for 2005-2007 (included in the 2004 annual report)

The 2005-2007 business plan presented in the 2004 annual report was constructed on a basis of 15% perimeter expansion managed over the 12 months of the previous year, acquisitions being stabilised

The initial business plan was as follows:

In € M	**2005**	**2006**	**2007**
Consolidated turnover	101.3	131.3	166.5
Pro-forma turnover	111.5	141.5	176.5
Consolidated operating profit	15.2	19.7	25.0

Comme le montre ce tableau, le business plan présenté dans le document de référence 2004 a été dépassé en 2005:

In € M	Actual	Business plan	**Actual/Business plan variance**
Consolidated turnover	101,5	101,3	**+0.2**
Pro-forma turnover	121,7	111,5	**+10.3**
Consolidated operating profit	16,7	15,2	**+1.6**

Internal expansion stood at 14.08%, with a constant progression over 2005, that is: 11.10%, 14.20%, 15.01% and 16.05% for Q1, Q2, Q3, and Q4, respectively.

Consolidated expansion stands at 29.19 %. It results from the following acquisitions:

- PRAGMA
- HARVARD
- LINKVEST
- INTECH

13.1 Main assumptions used for updating the 2006 and 2007 budget

13.1.1 Internal expansion

The 2005 proforma turnover being above the initial budget, we have revalued the turnover (internal growth) budgeted in 2006 at €137m.

This budget takes into account:

- The loss of €2.4m of turnover resulting from the disposal of most of our share in our subsidiary SWORD Nord in January 2006,
- Internal expansion of nearly 15 %,
- Internal turnover growth of approximately 15% for INTECH and PRAGMA (2005 acquisitions), and in the Group profitability rates in 2006,
- Turnover stabilisation for LINKVEST and HARVARD (2005 acquisitions) and stabilisation of the Group profitability ratios in 2006.

For financial 2007, the business plan takes into considerationo the same turnover growth assumption as that which had already been communicated in the initial forecast, that is: 15% turnover growth for 12/2005 perimeter and turnover stabilisation for 2006 acquisitions.

Regarding the operating margin, the assumption for 2007 also remains unchanged, with an operating margin of 15% on total turnover.

13.1.2 External expansion

There are plans to acquire €8m of turnover in 2006, out of which only €3m will be consolidated.

For 2007, the external growth assumption remains unchanged with regard to the intiail business plan, that is an acquired turnover of €17.5m on a full-year basis, of which €7.3m consolidated in 2007.

13.2 Revaluation of the initial business plan (2006 and 2007)

The 2006 budget forecast therefore appears as follows:

	2006		2007	
In € M	Budget forecast	Business plan Established in 2004	Budget forecast	Business plan Established in 2004
Consolidated turnover	140.0	131.3	173.0	166.5
Operating profit	> 21.0	19.7	> 26	25.0
Pro-forma turnover	145.0	141.5	183.0	176.5

As usual, the operating profit must be greater than, or equal to, 15% of the consolidated turnover.

13.3 Auditors' report regarding the profit forecasts published in Chapter XIII of SWORD GROUP's 2005 annual report

Financial year ended 31st December 2005

Attn: Mr. Jacques MOTTARD,
Chairman of the Board and CEO

In our capacity as auditors and in accordance with EC Regulations Nr. 809/2004, we have drawn up this report regarding SWORD GROUP earnings forecasts for 2006 and 2007, included in Chapter XIII of the annual report for the financial year ended 31 December 2005.

These forecasts and the significant assumptions that underly them have been established under your responsibility as per the provisions of EC Regulations Nr. 809/2004 and CESR recommendations regarding forecasts.

It is up to us, on the basis of the work conducted, to express a conclusion, in accordance with the wording required by Appendix I, paragraph 13.2 du of EC Regulations Nr. 809/2004, regarding the accuracy of these forecasts.

We conducted our work in accordance with the professional standards applicable in France. This work included an assessment of the procedures set up by the Management for establishing forecasts, as well as an implementation of due diligence enabling us to ensure the compliance of the accounting methods used with the ones followed for establishing SWORD GROUP's historic data. It also consisted in collecting information and explanations we deemed necessary to have reasonable assurance that the forecasts are properly established on the basis of the assumptions provided.

We must point out that, these being forecasts that are inherently uncertain, particulary with regard to external growth operations, actual events may sometimes differ significantly from the forecasts presented, and we express no conclusion as to the likelihood of such forecasts to materialise.

In our opinion:

- the forecasts have been adequately established on the indicated basis;
- the accounting basis used for drawing up such forecasts is in line with the accounting methods implemented by SWORD GROUP.

This report is issued for the sole purpose of filing the annual report with AMF (the French market authority). As such, it is not to be used in another context.

Lyon and Villeurbanne, 7 April 2006

The Auditors

CAP - CONSEIL	**DELOITTE & ASSOCIES**
Philippe BONNEPART	Alain DESCOINS

XIV – Management and supervisory organs

14.1 Company managers and directors

14.1.1 General information regarding the managers and directors

On the date this annual report is drawn up, the Company has the following managers:

Name	**Position**
Jacques MOTTARD	Chairman of the Board and CEO
Françoise FILLOT	Executive Vice President and Administrative and Financial Director
Nicolas MOTTARD	Director
Heath DAVIES	Executive Vice President
21 Centrale Partners SA Represented by François BARBIER	Director
Philippe FRANCHET	VP "North electronic document management" operations
Patrick de la Haye	VP "Data management" operations
Per ROSAND	VP "Security" operations
Jean-Marc SONJON	VP "Geographic information systems and South document engineering" operations
Jim GRAHAM	VP Operations

It is pointed out that Mr. Christian TAPIA has resigned from his mandate as Executive Vice President, with entry into force at the end of the Board of Directors held 13 March 2006.

Mr. Heath DAVIES was appointed as substitute by the said Board.

Nicolas Mottard is the son of Jacques Mottard.

Over the past 5 years, none of these individuals:

- has been sentenced for fraud, receivership, or winding up,
- has been forbidden to manage a business,
- has been subjected to official public incriminations or sanctions pronounced by statutory or regulatory authorities.

14.1.2 Other corporate officers and functions exercised by the Company's directors and officers

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
Director	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	SWORD UK	Unlimited duration
Chairman	unlimited	PRAGMA SYSTEMS	Unlimited duration
Chairman	unlimited	HARVARD	Unlimited duration
Chairman	unlimited	INTECH	Unlimited duration
Chairman	unlimited	SWORD Global Ltd	Unlimited duration
Chairman	unlimited	SWORD ECM Ltd	Unlimited duration
Chairman	unlimited	CIMAGE Ltd	Unlimited duration
Chairman	unlimited	CIMAGE Novasoft	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	6 years	SWORD TECHNOLOGIES SA	10.12.08
Chairman	6 years	SWORD SECURITY	10.12.08
Chairman	unlimited	FIRCOSOFT Inc	Unlimited duration
Chairman and Board Member	6 years	FI SYSTEMS BELGIUM	11.02.2010
Chairman and Board Member	6 years	ASCII	11.02.2010
Director	unlimited	SWORD GLOBAL INDIA	Unlimited duration
Chairman	1 year	SWORD SUISSE	31.12.05
Chairman	unlimited	SWORD LINKVEST	Unlimited duration
Chairman	unlimited	SWORD LEBANON	Unlimited duration
Director		SWORD IT SOLUTIONS	30th June 2006
Mandates exercised outside the Group			
Manager	unlimited	SCI FI	Unlimited duration
Manager	unlimited	LE SEMAPHORE	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			
Member of the Supervisory Board	6 years	LE PUBLIC SYSTEME	31.12.09
Director	6 years	EGIDE	31.12.05
Director	6 years	LE PUBLIC SYSTEME	31.12.05
Member of the Supervisory Board	3 years	COTHERM DEVELOPPEMENT	31.12.07
Director	6 years	FOUNTAINE PAJOT	31.08.06
Director	6 years	MECCANO	31.12.08
Director	6 years		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	1 year	ALLTUB	31.12.05
Member of the Supervisory Board	3 years	FINANCIERE VERLYS	31.12.07
Member of the Supervisory Board	5 years	FINANCIERE EUROPE ASSISTANCE	31.12.09
Member of the Supervisory Board	3 years	FINANCIERE SYREVA	31.12.07
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	CIMAGE Ltd	Unlimited duration
Director	unlimited	Cimage Novasoft	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	SWORD GLOBAL Ltd	Unlimited duration
Director	unlimited	SWORD GLOBAL INDIA	Unlimited duration
Managing Director	2 years	SWORD DDS	31.12.2005
Director	6 years	SWORD SECURITY	2008
Managing Director	unlimited	FIRCOSOFT Inc	Unlimited duration
Director	unlimited	PRAGMA SYSTEMS	Unlimited duration
Director	unlimited	HARVARD Consulting	Unlimited duration

The Board of Directors of SWORD GROUP held 13 March 2006 has appointed Mr. Heath DAVIES as Executive Vice-President, to succeed Mr. Christian TAPIA, who resigned.

14.1.3 Other expired mandates exercised in the past five years

21 CENTRALE PARTNERS: director			
Director	3 years	LE GOUT DE LA VIE	31.12.03
Member of the Supervisory Board	1 year	EMINENCE	31.12.02
Director	1 year	FINATHEM	31.12.02
Director	6 years	EX MACHINA	31.12.04
Member of the Supervisory Board	6 years	FAP	31.12.04
Member of the Supervisory Board	6 years	AFE	31.12.04

14.1.4 Biography of managers and directors

See Chapter 17.1.2. Management team.

14.2 Conflicts of interest within the management and supervisory organs and at the general management level

None

XV - Remuneration and benefits

15.1 Remuneration of directors and managers

For the financial year 2005, remuneration paid and benefits in kind granted by the Company and its subsidiaries were as follows:

Name	Gross salary	Bonus on targets	Directors' fees	Benefits in kind	Complementary retirement allowance	Excess contribution
Jacques Mottard	€36,587	0	€20,000			
Françoise Fillot	€73,175	€20,000	0	€2,927		
Christian Tapia	€15,400 $108,644	0	0			
Nicolas Mottard	0	0	€2,000			
21 Centrale Partners SA	0	0	€25,000			

15.2 Provisions for pension payments and other benefits

Provisions for retirement payments for managers and directors were as follows:

Name	Retirement provision as at 31 December 2005
Jacques Mottard	€3,661
Françoise Fillot	€5,312
Christian Tapia	€1,211

15.3 Declaration (Article L. 225-115-4 of the Commercial Code)

The overall sum paid for remuneration to the five highest paid persons in the company for the financial year ended 31 December 2005 was € 402,736 (four hundred and two thousand seven hundred and thirty six euros).

Done in Saint Didier au Mont d'Or

The Chairman of the Board of Directors
Jacques MOTTARD

Based upon our audit of the financial statements for the year ended 31 December 2005, we confirm that the overall amount of remuneration as set by the company to the best paid persons as appears in this document came to € 402,736, is true and correct and agrees with the sums recorded in the accounts for this item.

Lyon and Villeurbanne, 7 April 2006

The Auditors

CAP - CONSEIL	DELOITTE & ASSOCIES
Philippe BONNEPART	Alain DESCOINS

XVI - Operation of the Board of Directors and Executive Committee

16.1 Operation of the Board of Directors and Executive Committee

The Company is a limited liability company with a Board of Directors.

The table below shows the dates of appointment and of expiry of the appointment for each director.

Name	Position	Date appointed	Date mandate expires
Jacques MOTTARD	Chairman and CEO	22.06.2001 reappointed on 26.04.04	31.12.2009
Nicolas MOTTARD	Director	22.06.2001 reappointed on 26.04.04	31.12.2009
21 Centrale Partners SA represented by François BARBIER	Director	22.06.2001 reappointed on 26.04.04	31.12.2009

16.2 Contracts between the directors and the Company

None

16.3 The audit and remuneration committees

Cf. para. 16.4.

16.4 Administration – Management

16.4.1 Report on internal controls

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. On 31 December 2005, its members were:

- Jacques MOTTARD — Chairman and CEO
- Françoise FILLOT — Administrative and Financial Director
- Heath DAVIES — Chief operating officer
- Christian TAPIA — Chief operating officer

As of 13 March 2006 Mr. Heath DAVIES replaced Mr. Christian TAPIA on the Board Management Committee.

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
- Jim GRAHAM
- Jean-Marc SONJON

- Patrick de la HAYE
- Per ROSAND
- Heath DAVIES (as of 13 March 2006, following Mr. Heath DAVIES's appointment as Executive Vice President, he is no longer a member of the Operations Committee).

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. Françoise 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.

On 13 March 2006 the Company's Board of Directors noted the resignation of Mr. Christian TAPIA as Executive Vice President, and appointed in his stead Mr. Heath DAVIES.

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 the directors and sales engineers of the BU complete a "sales report" in respect of contacts made that week, and forward them to their respective superiors.

- 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:	In line with international accounting standards (IFRS) as per European Regulation Nr.1606/2002 of 19 July 2002
Implementation:	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 IFRS standards

For the financial year ended 31 December 2005 the SWORD GROUP for the first time published consolidated financial statements in accordance with the |IFRS international accounting standards as adopted by the European Union on 31 December 2005.

The terms of the changeover to this new accounting standard were the subject of a special memorandum issued on 10 October 2005. The manner in which the changeover was carried out is also restated in Note 24 to the financial statements for 2005.

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 of SWORD SA	- Chairman and CEO of SWORD SA - Chairman of SWORD CONSULTING SAS - Chairman of SWORD DDS SAS - Chairman of FIRCOSOFT SAS -Manager of LE SEMAPHORE (EURL) -Manager of CHINARD INVESTISSEMENT SARL -Manager of SCI FI -Chairman SWORD UK Ltd -Chairman SWORD GLOBAL Ltd -Chairman SWORD GLOBAL Ltd - Chairman of SWORD INC - Chairman of SWORD CREATION INFORMATIQUE SA - Chairman of SWORD SUISSE - Director of SWORD SOUTH AFRICA Ltd - Chairman of SWORD TECHNOLOGIES - Chairman FIRCOSOFT INC - Chairman of SWORD ECM LTD - Chairman of SWORD SAS - Chairman of SWORD SECURITY SA - Chairman of CIMAGE Ltd. - Chairman CIMAGE Ltd. - Chairman of FI

					SYSTEMS BELGIUM - Chairman of ASCII - Director SWORD GLOBAL INDIA - Director of SWORD IT SOLUTIONS - Chairman of SWORD LINVEST SA - Chairman of SWORD LEBANON -Chairman PRAGMA SYSTEMS -Chairman HARVARD Consulting -Director and Chairman INTECH
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	Member of the Supervisory Board LE PUBLIC SYSTEME - Director of EGIDE - Member of the Supervisory Board of COTHERM DEVELOPPEMENT - Director of FOUNTAINE PAJOT - Director of MECCANO - Director of GROUPE ELECTROPOLI - Director of GLOBALGAS - Director of FINANCIERE IMPALA - Member of the Supervisory Board of ALTO EXPANSION - Member of the supervisory board of FRANCE AIR HOLDING - Member of the Supervisory Board of ALLTUB - Member of the Supervisory Board of FINANCIERE VERLYS - Member of the Supervisory Board of FINANCIERE EUROPE ASSURANCE - Member of the Supervisory Board of FINANCIERE SYREVA - Censor of ROBINE

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 2005 financial year, the Board met ten 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

Total remuneration paid to executive officers was €282,582.73.

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: €20,000
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: €73,175.52 (gross) + €20,000 bonus By companies controlled as per article L.233-16 of the Commercial Code: €0	
Christian TAPIA Executive Vice President	By the company: €15,400 (gross) + $108,644 By companies controlled as per article L.233-16 of the Commercial Code: €90,419.45 (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

16.4.2 Auditor's 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 2005

Dear Shareholders,

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 2005.

It is for the Chairman to detail in his report particularly 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 have carried out our work in accordance with the professional standards in use 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, 2nd April 2006

The Auditors

CAP - CONSEIL	**DELOITTE & ASSOCIES**
Philippe BONNEPART	Alain DESCOINS

XVII - Staff

17.1 Group employees

17.1.1 Employees

PRO FORMA number of employees on 31st December 2005 by activity

Activity	Billable employees	Non-billable employees	Freelancers	Total number of employees
CONSULTING	41	6	21	68
SOLUTIONS	727	80	190	997
PRODUCTS	150	26	6	182
HOLDING COMPANY	-	13	-	13

Total staff, including freelancers, went during 2005 from 895 to 1,260.

Analytically, these can be broken down between two areas of business activity:
- Solutions and consulting
- Products

Within "Solutions and Consulting":

- The daily average billing rate was € 590
- The average activity rate was 80.4% including vacation and 90.5% without.

The balance with vacations breaks down as follows:

- 10.2 % for leave
- 1.6% for training
- 2.4% for software components R&D
- 3.9 % for technical supervision
- 1.3% of non-billed days (sickness and integration of newcomers)
- 0.2 % for intercontracts

For "Products":

- The usage rate is not applicable
- On the other hand, the R&D rate is.

The R&D rate went up to 65% of the time of employees who were directly billable.

17.1.2 Management Team
Functional organisational chart on 1 April 2006

Jacques MOTTARD (Chairman & CEO)
Françoise FILLOT (CFO)
Heath DAVIES (COO)

Offshore : Pradeep BANERJI (CTO)
Products : Andy HAMLYN (CTO)

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

Operation 1

Heath DAVIES (aa. OD)						
CUK **London**	**PRG** **Aberdeen**	**CUS** **Houston**	**INT** **London**	**GIN** **Chennai**	**SNE** **New York**	**SSA** **Johannesburg**
Heath DAVIES (aa. BUD) Andy HAMLYN (CTO) Phil WATTLEWORTH (CD) Terry COYNE (SM) Lee ROBERTSON (SM) Roger STANBROOK (TD)	**John INNES (BUD)** Scott LEIPER (SM) Craig SWINBURN (SM)	**Tim FLEET (BUD)** Mark WALFORD (SM) Kanda BOONE (TD)	**Tony HOLLAND (BUD)** Eugene BRIEN (SM) Roger HULETT (SM) Nero JANI (SM)	**Pradeep BANERJI (aa. BUD)** Paul EVANS (TD)	**Ralph RENNA (BUD)** Mark BROWER (SM) Frank D'ENTRONE (TD)	**Kays MGUNI (director)**

Operation 2

Jim GRAHAM (OD)				
ECM **London**	**ITS** **Manchester**	**HVD** **London**	**EPS** **London**	**SWP** Paris/Export
Jim GRAHAM (aa BUD) Peter BROWN (SM) David WARREN (SM) Martin SMITH (SM) Phey RASULIAN (TD)	**Jim GRAHAM (aa. BUD)** Gillian CRABB (SM) Colin BAILEY (TD)	**Deborah CHEN (BUD)** Peter NEWTON (SM)	**Tim PULLEN (BUD)**	**Fabrice LIENART (BUD)** Françoise DRAPERI (TD)

Operation 3

Philippe FRANCHET (OD)			
IDP **Paris**	**REN** **Rennes**	**SWA** **Nantes**	**SCP** **Paris**
Etienne du CHAFFAUT (BUD) Cedric PRADOS (SM) Jean-François PAUTHENIER (TD)	**Dominique BOTBOL (BUD)** Olivier GUERIN (SM)	**Dominique BOTBOL (BUD)**	**Philippe FRANCHET (aa. BUD)** Christophe DUFRESNOY (AD)

Operation 4

Jacques MOTTARD (aa. OD)	
FIP **Paris / New York**	**SFS** **Paris**
Jean LOSCO (BUD) Frédéric CASADEI (CD) Laurent CORBEL (SM)	**Xavier MORCILLO (BUD)**

Operation 5

Jean-Marc SONJON (OD) Pierre GACHON (CD) - Eric BOUVET (TD)				
IDL **Lyon**	**SUI** **Geneva / Lausanne**	**SWL** **Lyon**	**SFC** **Geneva**	**BEY** **Beirut**
Jean-Marc SONJON (aa. BUD) Maxime GRINFELD (SM)	**Colombo FASANO (BUD)** Pascal PAGNY (SM) Danielle COPPEX (SM) Frédéric KERAUTRET (SM) Xavier SEYFRIED (SM) Jean-François BALLIF (TD)	**Philippe LE CALVE (BUD)** Marie NOURRY (SM) Jean-Louis VILA (TD)	**Jean-Marc SONJON (aa. BUD)**	**Nasser HAMMOUD (BUD)**

Operation 6

Patrick de la HAYE (OD) Dieter ROGIERS (CD) - Thierry GUIOT (TD) - Franck SILVESTRE (TD)			
ASC **Brussels**	**TMB** **Brussels**	**FPB** **Brussels**	**BIB** **Brussels**
Juan ARCAS (BUD) Fabrice REGNIER (TD) Guy de SAN (TD)	**Patrick de la HAYE (aa. BUD)** Agnès PETERBROECK (DC)	**Tony CLAES (BUD)**	**Yves COLINET (BUD)** Paul KAISIN (SM) Francis TASSEROUL (TD)

Operation 7

Per ROSAND (OD)		
SWS **Luxemburg**	**LUX** **Luxemburg**	**SWG** **Athens**
Per ROSAND (aa. BUD)	**Paulo APOLINARIO (BUD)** Jérôme DOYEN (CD) Frédéric BORDIN (TD)	**Dimitrios GRITSIS (BUD)**

The Directors

Jacques Mottard, 53, 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, 46, 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.

Heath Davies, 39, executive vice-president

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 the 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, 42, director of operations – North and West of France

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 de la Haye, 44, director of Belgium 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, 48, director of Luxembourg and "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 and Communications Technology, 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, 46, director of "Geographical Information Systems" and of the southern France operations

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).

Jim Graham, 43, Director of UK Operations

Jim Graham was head of IT at Halliburton UK prior to setting up his own company, Aptus Solutions Ltd, which specialized in document content management. He joined SWORD UK in 2004 as Business Unit Director for document management, prior to becoming Director of Operations in 2005. He has a degree in Economics.

17.2 Shareholdings and stock options of members of the Board

AT the date of this prospectus the managers and directors hold no stock options.

The Company's shareholders are shown in para. 21.1.7.2.

17.3 Employee shareholdings

None

XVIII – Main shareholders

18.1 Main shareholders not represented on the Board of Directors

As at 31 December 2005 there was no major shareholder who was not represented on the Board of Directors.

JACQUES MOTTARD holds directly or indirectly (together with his family) 23.60% of the share capital and 32.56% of voting rights.

For a private placement, the merchant bank Bryan, Garnier & Co Ltd restructured the holding that 21 Developpement had since the Company was set up, representing 27.5% of the capital, 2,017,250 shares. This restructuring was carried out on 20 October 2005.

In a letter dated 22 February 2006 Threadneedle Investments announced it had passed the 5% threshold for capital.

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

At 31 December 2005 the members of the Board of Directors (Jacques MOTTARD and 21 Centrale Partners) hold 23.50% of the capital and 32.39% of voting rights. The members of the General Executive Committee (Jacques MOTTARD, Françoise FILLOT and Christian TAPIA) together hold 26.20% of the capital and 36.82% of voting rights.

By a notarised document dated 30 September 2004, Messrs Jacques, Antoine, Guillaume and Nicholas MOTTARD and Mrs. Aurelie MOTTARD, undertook in accordance with Article 787B of the General Taxation Code to together retain for a period of two years 341,200 shares of the SWORD GROUP, which number became 1,706,000 share following the 1 for 5 split of the nominal value of the Company's shares, as decided by the General Meeting on 29 April 2005.

18.2 Voting rights of main shareholders

Cf. para 21.1.7.2

18.3 Corporate control

Cf. paras. 18.1 and 18.2 above.

18.4 Agreements that might involve a change of control

None

XIX – Regulated agreements

Auditors' special report
on regulated agreements

Financial year ending 31st December 2005

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.

With subsidiaries of the SWORD GROUP

Type and purpose: Companies acquired or created by your Company during the period, have benefited as of their date of entry into the Group, of the identical assistance provided to all other subsidiaries and as described in the following chapter:

Terms:

Subsidiary	***Corporate officers concerned***	***Amount (€)***
SWORD SAS	Jacques MOTTARD	138,450
HARVARD	Jacques MOTTARD Françoise FILLOT	10,050
PRAGMA	Jacques MOTTARD Françoise FILLOT	158,400
LINKVEST	Jacques MOTTARD	46,800

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 agreements, which were approved in previous financial years, continued during the last financial year.

1. With subsidiaries of the SWORD GROUP

Type and purpose: Your company 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 are calculated as of 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 2005 are as follows:

Subsidiary	***Amount (€)***
SWORD SA	1,355,600
SWORD CONSULTING	224,250
FIRCOSOFT	167,700
SWORD INC.	50,050
SWORD UK	213,147
SWORD SUISSE	8,550
SWORD TECHNOLOGIES	247,950
GLOBAL INDIA	13,545
ASC II	144,450
SOUTH AFRICA	15,300
SWORD NORD	218,400
CIMAGE US	13,050

2. With SWORD DDS

Type and purpose: SWORD DDSsub-rents to your company the premises located at 9 avenue Charles de Gaulle, Saint-Didier au Mont D'Or (Rhône), comprising :

- 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 30th November 2013.

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.

Terms: For the financial period ended 31st December 2005, the supported rent comes out to €60,000.

Lyon and Villeurbanne, 7th April 2006

The Auditors

CAP - CONSEIL	**DELOITTE & ASSOCIES**
Philippe BONNEPART	Alain DESCOINS

XX. Financial information about the assets, financial situation and results of the Company

20.1 Historical financial information (corporate accounts)

20.1.1 Corporate accounts at 31 December 2005

SWORD GROUP SA

INCOME STATEMENT AS AT 31 DECEMBER 2005

Year ended 31 December 2005

(In KEuros)	31/12/2005	31/12/2004	31/12/2003
Turnover	3,027	,2,653	2,027
Self-constructed assets			
Other products	1	0	0
INCOME FROM OPERATIONS	**3 028**	**2 653**	**2 027**
Purchased consummables			
Other purchases and external expenses	1 666	1 191	1 063
Taxes and duties	34	22	13
Payroll expenses	708	557	728
Depreciation provisions and allowances	35	300	
Other operating expenses	47	42	31
OPERATING EXPENSES	**2 490**	**2 112**	**1 835**
OPERATING INCOME	**538**	**541**	**192**
FINANCIAL INCOME	**3 899**	**3 417**	**3 036**
PRE-TAX EARNINGS	**4 436**	**3 958**	**3 228**
EXTRAORDINARY PROFIT	**38**	**7**	**-124**
Income tax	786	439	26
NET PROFIT	**3 688**	**3 526**	**3 077**

ASSETS

(in Keuros)	31/12/2005			31/12/2004	31/12/2003
	Gross	Depreciation allowances	Net	Net	Net
FIXED ASSETS					
Intangible assets	25	1	23	10	10
Tangible assets			0	0	0
Financial assets	31,180		31,180	28,960	22,862
TOTAL FIXED ASSETS	**31,204**	**1**	**31,203**	**28,970**	**22,872**
CURRENT ASSETS					
Trade and other receivables			0	901	21
Other receivables and accruals	70,648		70,648	23,286	6,824
Own shares	233		233	779	645
Other marketable securities	81		81	0	3,153
Cash	842		842	268	474
TOTAL CURRENT ASSETS	**71,804**	**0**	**71,804**	**25,233**	**11,118**
GRAND TOTAL	**103,008**	**1**	**103,007**	**54,204**	**33,990**

LIABILITIES

(in Keuros)	31/12/2005	31/12/2004	31/12/2003
Capital stock	7 408	7 342	6 161
Additional paid-in capital	34 716	33 595	16 596
Legal reserve	398	217	68
Other reserves	1 734	1 734	
Balance brought forward	1 682		-97
Net profit	3 688	3 526	3 077
SHAREHOLDERS' EQUITY	**49 626**	**46 413**	**25 806**
Other equity			132
TOTAL PERMANENT CAPITAL	**49 626**	**46 413**	**25 938**
Provisions for risks and contingencies	334	300	
Financial debt	51 189	6 504	7 047
DEBT			
Accounts payable	496	324	291
Other creditors and accruals	1 361	662	713
TOTAL CURRENT ASSETS	**53 047**	**7 490**	**8 052**
GRAND TOTAL	**103 007**	**54 204**	**33 990**

20.1.2 Annexes to the balance sheet and the income statement of SWORD GROUP SA at 31 December 2005

All figures are in euros

This is the annexe to the balance sheet prior to the breakdown of the financial year ending 31st December 2005 which totals €103,007,290.55, and to the financial statement for the financial year, presented in the form of a list, which shows profits of €3,688,344.43.

The financial year lasts 12 months and covers the period from 1/1/2005 to 31/12/2005.

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, 1.88% during the financial period ending 31st December 2004 and 2.04% during the financial period ending 31st December 2005.

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 completed the acquisition by purchasing 0.50% of the share capital of SWORD Nord at the end of 2005.

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

Sword Group purchased from employees 1.04% of the capital of SWORD SA for the sum of € 1,318K during 2005.

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 implementation of the new regulations 2002-10 and 2004-06 in respect of assets, applicable as of 1 January 2005, had no impact on the financial statements for the period on account of the limited extent and nature of the Company's assets.

The Company has applied to option to record acquisition expenses.

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 2005 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 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 2005 are SWORD SA and SWORD CONSULTING.

1.9. Events subsequent to the year-end

SWORD Nord was sold following the year end and SWORD Group continues to hold 15% of its share capital.

SWORD Group purchased 10% of Nextech for $200K after the year end.

NOTE 2: HIGHLIGHTS

SWORD Group raised funds during the 2005 financial year so that its British subsidiary SWORD UK could purchase three new companies, Harvard, Pragma and Intech.
On account of the merger of the British companies, the value of the shares of GLOBAL UK was restated within the shares of SWORD UK. Only the value of the share of shareholders' equity was retained under the item GLOBAL UK holdings.

NOTE 3: INCOME STATEMENT

3.1 Personnel costs

Personnel costs amount to €664,485 and can be broken down as follows:

(in €)	31/12/05 (12 months)	31/12/04 (12 months)
Gross wages	505,203	393,325
Social contributions	203,182	163,800
Stakes and interests		
Total	***708,385***	***557,125***

Workforce:

	31/12/05 (12 months)	31/12/04 (12 months)
Executive	6	6
Non-executive		
Total	***6***	***6***

3.2. Net reserve allocations for operational depreciation and provisions

(in €)	31/12/05 (12 months)	31/12/04 (12 months)
Net reserve allocation for tangible and intangible fixed assets	1,208	-
Reserve allocation for accounts receivable		
Reserve allocation for other provisions for risks and expenses	33,874	300,000
Total	***35,082***	***300,000***

3.3. Breakdown of expenses and income for related companies

(in €)	Operating costs	Revenue from operations
Total	2,490,292	3,026,581
Of which related companies	581,768	3,025,693

(in €)	Financial expenses	Financial income
Total	1,303,254	5,021,878
Of which related companies	52,049	3,876,535

3.4. Financial result

(in €)	31/12/05 (12 months)	31/12/04 (12 months)
Reserve allocations for depreciation and provisions		- 338
Interest on current accounts	52,049	4,094
Bank interests	622,167	165,431
Mali on own shares		
Negative exchange rate differences	628,874	389,800
Other financial charges	164	
Total net financial costs	***1,303,254***	***558,987***
Reversal of reserve allocations for depreciation and provisions		
Financial revenue from stake	2,291,996	3,058,628
Revenue from marketable securities	1,016	41,364
Interest on current accounts	1,584,539	597,047
Bonuses on own shares	795,599	844
Exchange rate differences	528,728	277,906
Total financial revenue.	***5,201,878***	***3,975,789***
Financial result	***3,899,846***	***3,416,802***

3.5. Extraordinary profit

Extraordinary profit can be broken down as follows:

(in €)	31/12/05 (12 months)	31/12/04 (12 months)
Net profit from sale of own shares	38,292	6,948
Net profit from sale of assets	(80)	63
Other extraordinary costs or revenue		(24)
Extraordinary profit	**38,212**	**6,987**

3.6. Cash flow

(in €)	31/12/05 (12 months)	31/12/04 (12 months)
Profit	3,688,344	3,525,786
Depreciation	1,208	
Provisions	33,874	299,662
Cash flow	***3,723,426***	***3,825,448***
Profit from sale of assets	(80)	63
Overall cash flow	***3,723,506***	***3,825,385***

3.7. Income tax breakdown

(in €)	Before tax	Correspon-ding tax	After tax
Profit	4,436,132	773,073	3,663,059
Extraordinary profit	38,212	12,927	25,285
Employee profit-sharing	-		-
Accounting profit	4,474,344	786,000	3,688,344

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 2005, 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	101,490
- Non-deductible provision the year of their posting	
- Organic	2,128
- Underlying appreciation of marketable securities	
Total reduction of future debt	**103,618**

There is no growth in future tax debt to note.

NOTE 4: INTANGIBLE FIXED ASSETS

4.1. Item breakdown

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

	31/12/2005		
(in €)	Gross value	Depreciation	Net value
Trademarks and patents	24,500	,1,208	23,292
Total	**24,500**	**1,208**	**23,292**

4.2. Movements for the period

(in €)	01/01/05	Acquisitions	Sale of assets	Reclassification	31/12/05
Trademarks and patents					
Gross value	10,000	14,500			24,500
Depreciation		1,208			1,208
Net	10,000	13,292			23,292
Total	10,000	13,292			23,292

NOTE 5: TANGIBLE FIXED ASSETS

SWORD GROUP owns no tangible fixed assets.

NOTE 6: FINANCIAL FIXED ASSETS

6.1. Item breakdown

(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			
Total	**28,960,037**		**28,960,037**

(in €)	**31/12/05**		
	Gross value	***Provisions***	***Net***
Equity interests	31,169,703		31,169,703
Paid and recoverable guarantee deposits	10,000		10,000
Other financial fixed assets			
Total	**31,179,703**		**31,179,703**

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

6.2. Movements for the period

(in €)	**01/01/05**	**Acquisitions**	**Sale of assets**	**31/12/05**
Equity interests				
Gross value	28,950,037	2,219,666		31,169,703
Depreciation				
Net	28,950,037	2,219,666		31,169,703
Deposits				
Gross value	10,000			10,000
Provisions				
Net	10,000			10,000
Other financial fixed assets				
Gross value	-			-
Provisions	-			-
Net	-			-
Total	**28,960,037**	**2,219,666**		**31,179,703**

Acquisitions of equity interests over the financial year relate to:

- Purchase from employees of 1.04% of the capital of SWORD SA for the sum of € 1,318K during 2005.
- Payment of the balance of the price of the company GLOBAL SOFTWARE SERVICES in the sum of € 228 K.
- The repurchase from employees of 2.04 % of the capital of SWORD TECCHNOLOGIES for €673K.
- The repurchase from employees of 0.50% of the capital of SWORD NORD for €250K.

NOTE 7: OPERATING ACCOUNTS RECEIVABLE

Item breakdown

(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	23,407,218		23,407,218
Prepaid expenses			
Total	**23,307,807**		**23,307,807**

(in €)	**31/12/05**		
	Gross value	**Provisions**	**Net value**
Customer and operating accounts receivable			
Other receivables	70,500,750		70,500,750
Prepaid expenses	147,530		147,530
Total	70,648,280		70,648,280
Of which related companies			
Customer and operating accounts receivable			
Other receivables	70,184,874		70,184,874
Prepaid expenses			
Total	**70,184,874**		**70,184,874**

Other Receivables are made up mainly of current accounts receivable, mainly in respect of the current account with SWORD UK, which during the period acquired the companies PRAGMA, HARVARD and INTECH. These debts are repayable in less than a year, excepting escrow current accounts.

NOTE 8: EQUITY CAPITAL

(in thousands of euros)	01/01/ 2005	Profit allocation	Profit for the financial year	Dividends paid	Capital increase	31/12/ 2005
Capital	7,342				66	7,408
Paid-in cash	33,595	(97)			1,218	34,716
Legal reserve	217	181				398
Other reserves (1)	1,734	3,442		(1,760)		3,416
Balance brought forward	-					-
Profit	3,526	(3,526)	3,688			3,688
TOTAL	**46,413**	**0**	**3,688**	**(1,760)**	**1,284**	**49,626**

(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. €233,000.

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.

On 29 April 2005 the Extraordinary General Meeting opted for a 1 for 5 split in the nominal value of the SWORD GROUP share, bringing the value from € 5 to € 1, which in turn brought the number of shares of the SWORD GROUP from 1,468,421 to 7,342,105.

On 14 June 2005 the Board of Directors permitted the exercise of 23,716 equity warrants that provided entitlement to 29,645 new shares, involving an increase in capital of € 30K and an increase in the issue premium of € 544 K.

29,336 equity warrants had been exercised by 31 December 2005 and recorded in the accounts of the SWORD GROUP, providing entitlement to 36,670 new shares, involving an increase in capital of € 37K and an increase in the issue premium of € 673K.

On 31st December 2005, capital stock totalled 7,408,420 euros, divided into 7,408,420 shares with a face value of €1.

NOTE 9: LONG-TERM AND SHORT-TERM PROVISIONS

9.1. Item breakdown

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

	31/12/2005		
(in €)	**Long-Term**	**Short-Term**	**Total**
Provision for risks		333,874	333,874
Total		**333,874**	**333,874**

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

9.2. Movements for the period

(in €)	**01/01/2005**	**Reserve allocations for the financial year**	**Carryovers for the financial year**	**31/12/2005**
Operations				
Provision for risks	300,000	33,874	-	333,874
Total	**300,000**	**33,874**	**-**	**333,874**

NOTE 10: NET DEBT

10.1. Item breakdown by type

(in €)	31/12/05	31/12/04
Other long-term and medium-term borrowing	1,000,000	1,000,000
Other financial debts	49,682,631	5,567,420
Current financial backing from banks	506,788	
Total gross debt	***51,189,419***	***6,797,059***
Financial current accounts (debit side)		
Marketable securities	313,859	779,002
Cash and similar	842,156	267,805
Total net debt	***50,033,405***	***5,750,252***

SWORD GROUP promises to maintain, in accordance with the covenant clauses:
- The ratio of net consolidated debt / consolidated gross profit at less than 3,
- The ratio of net consolidated debt / consolidated capital inferior to 1

Should SWORD GROUP fail to comply with the provisions of the above covenants, it must observe an advance repayment clause for outstanding credit, the amount of which is €47,810K at 31st December 2005.
At 31st December 2005, SWORD GROUP complies with such covenants.

The market price of marketable securities including own shares comes out to €368K at 31st December 2005.

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

(in €)	31/12/05	31/12/04
Maturity date		
< 1 year	49,682,631	5,797,059
1 year < X > 5 years	1,000,000	1,000,000
> 5 years		
Total	***50,682,631***	***6,797,059***

NOTE 11: OPERATING DEBTS

(in €)	31/12/05	31/12/04
Advance payments received	263,120	
Accounts payable and other operating debts	496,318	324,071
Tax and social debts	1,073,188	436,872
Debts for fixed assets		
Other debts	25,000	225,092
Deferred income		
Total	**2,383,332**	**986,035**
Of which related companies		
Advance payments received	263,120	
Accounts payable and other operating debts	2,681	99,359
Tax and social debts		
Debts for fixed assets		
Other debts		
Deferred income		
Total	**265,801**	**99,359**

NOTE 12: ACCRUED EXPENSES

(in €)	31/12/05	31/12/04
Accounts payable and other operating debts	427,903	194,986
Tax and social debts	132,177	69,838
Debts for fixed assets		
Other debts		
Deferred income		
Total	**560,080**	**264,824**

NOTE 13: CONTINGENT LIABILITIES

Breakdown by type

(in thousands of euros)	31/12/04	31/12/04
Financial guarantees offered		
Deposits for future rents	730,(2)	
Other deposits	4,139,(1)	3,659,(1)
Guarantees on foreign contracts	780,(3)	
Guarantees received		
Deposits received		
Other guarantees received	220,(4)	

(1) Guarantees apply to the bank loans taken by SWORD SA for € 6,098K, of which € 2,439K was drawn down as of 31 December 2005 against an overall bank balance of SWORD Technologies of € 1,700K.
(2) Guarantees for rent were provided for ULSTER ESTATE.
(3) Guarantees in foreign markets are for the commitment to commissions to be paid to John Innes and Scott Leiper.
(4) SWORD GROUP 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 14: REMUNERATION OF MANAGERS AND DIRECTORS

The members (6 people) of the management and operations committees together received during the 2005 financial year a gross remuneration of €398K. The directors' fees paid to members of the Board come out to €47K.

NOTE 15: LIST OF SUBSIDIARIES AND STAKES HELD

(in €)	Share capital In €	Equity capital not including share capital In €	Share of capital held, as a percent-age	Value of securities Gross In €	Value of securities Net In €	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	792	(1,477,545)	100	5,536,322	5,536,322		6,046,325	(648,455)	NONE	31/12
SWORD CREATION INFORMATIQUE PO BOX 9518 PRETORIA 0001 – SOUTH AFRICA	24,016	11,815	100	106,714	106,714		0	37,115	NONE	31/12
SWORD SUISSE 36 place du midi SION VALAIS	160,472	47,409	94.80	269,699	269,699		1,404,208	(153,765)	NONE	31/12

(in €)	Share capital In €	Equity capital not including share capital In €	Share of capital held, as a percent-age	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 UK 1000 Great West Road Brentford Middlesex TW8 9DW	1,457	3,625,118	100	6,473,619	6,473,619		18,775,538	2,739,050	364,201	31/12
SWORD SA 9 Avenue Charles de Gaulle 69370 ST DIDIER AU MONT D'OR	3,471,250	3,625	99.99	4,730,487	4,730,487		22,498,493	422,005	NONE	31/12
SWORD TECHNOLOGIES Luxembourg SA 105 Route d'Arlon L-8009 Stassen LUXEMBOURG	31,000	1,388,064	96.92	10,583,200	10,583,200		25,295,120	2,550,565	1,912,903	31/12

(in €)	Share capital In €	Equity capital not including share capital In €	Share of capital held, as a percent-age	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	10,215	56.5	28,250	28,250		2,213,720	227,045	13,440	31/12
FI SYSTEM BELGIUM 49-51 Rue de Trèves Brussels	6,064,000	(3,757433)	100	3,000,000	3,000,000		0	413,117	NONE	31/12

	Share capital In €	Equity capital not including share capital In €	Share of capital held, as a percent-age	Value of securities Gross In €	Net	Advance loan granted by the company and not yet repaid In thousands of euros	Turnover In €	Result for the last financial year In €	Dividends collected In €	Comments Closing date
<u>2 - Stakes (less than 10% of capital held)</u>										
FIRCOSOFT SA	265,920	144,663	8.89	441,328	441,328		3,402,348	932,072	NONE	31/12
SWORD CONSULTING	76,224	29,510	0.02	84	84		3,705,601	863,382	NONE	31/12

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

20.2 Pro-forma financial information

Cf. Note 4 in the Annex to the consolidated annual financial statements (para. 20.3.2)

20.3 Consolidated annual financial statements

20.3.1 2005 consolidated financial statements

2005 Income statement

(in thousand euros)

	Appendix note	31/12/2005	31/12/2004
Turnover	6.1	**101,491**	**78,657**
Purchased consumables (incl. change in inventory of goods)		-2,621	-201
Other purchases and external expenses		-32,963	-28,545
Taxes and duties		-860	-909
Salaries and social contributions	6.2	-48,619	-35,702
Net depreciation provisions and allowances	6.3	-1,222	-902
Other operating income and expenses	6.5	445	-57
Current operating profit		**15,651**	**12,342**
Income from asset disposals and depreciation	6.6	673	11
Other non current operating income and expenses	6.7	386	-189
Operating income		**16,710**	**12,164**
Income from cash and cash equivalents	6.8	13	104
Cost of gross financial debt	6.9	-921	-571
Cost of net financial debt		**-908**	**-467**
Other financial income and expenses	6.10	313	-141
Pre-tax profit		**16,116**	**11,556**
Income tax	6.11	-5,056	-3,358
Net profit of consolidated Group		**11,060**	**8,198**
Of which, Group share		10,803	7,986
Of which, minority interests' share		257	213

Earnings per share		1.47	1.12
Diluted earnings per share		1.43	1.12

Recorded dividends (in euros)		1,754,025	1,097,649
Dividends paid per share (in euros)		1.20	0.90

Consolidated balance sheet at 31 December 2005

Assets

(in thousand euros)

	Appendix note	31/12/2005			31/12/2004
		Gross	Depr. prov	Net	
NON CURRENT ASSETS					
Goodwill	**7**	97,535		97,535	49,852
Intangible assets	**8**	4,517	651	3,866	473
Tangible assets	**9**	11,602	8,502	3,100	4,222
Non-current financial assets	**10**	474		474	748
Other non-current assets	**10**	890		890	
Deferred tax assets		143		143	74
TOTAL NON-CURRENT ASSETS		**115,161**	**9,153**	**106,008**	**55,369**
CURRENT ASSETS					
Assets held for sale	**9**	3,459	6	3,453	
Trade and other receivables	**11**	38,325	529	37,795	29,895
Other current assets	**12**	10,923	36	10,,887	4,807
Cash and cash equivalents	**13**	9,123	29	9,094	6,969
TOTAL CURRENT ASSETS		**61,830**	**599**	**61,230**	**41,671**
TOTAL ASSETS		**176,991**	**9,753**	**167,238**	**97,041**

Consolidated balance sheet at 31 December 2005

Liabilities

(in thousand euros)

	Appendix note	31/12/2005	31/12/2004
CONSOLIDATED SHAREHOLDERS' EQUITY			
Capital stock	14	7,408	7,342
Additional paid-in capital	14	34,716	33,595
Group's share of reserves	14	11,190	3,805
Group's share of net profit		**10,803**	7,985
GROUP'S SHARE OF SHAREHOLDERS' EQUITY		**64,117**	**52,728**
Minority interests		934	1,164
TOTAL CONSOLIDATED SHAREHOLDERS' EQUITY		**65,051**	**53,892**
NON-CURRENT LIABILITIES			
Pension commitments	15	293	205
Other non-current provisions	15	584	578
Long-term financial debt	13	2,219	5,510
Debt resulting from price supplements	3	5,339	53
Other non-current liabilities		443	44
TOTAL NON-CURRENT LIABILITIES		**8,878**	**6,391**
CURRENT LIABILITIES			
Current provisions	15	479	216
Accounts payable	16	10,938	8,953
Taxes due	17	4,752	598
Other current liabilities	17	24,536	18,809
Short-term financial debt (1)	13	52,604	8,182
TOTAL CURRENT LIABILITIES		**93,309**	**36,758**
GRAND TOTAL		**167,238**	**97,041**

(1): of which financial debt relative to assets held for sale: €2.07m (cf note 13)

Variation in consolidated shareholders' equity

	Capital stock	Additional paid-in capital	Consolidated reserves	Own shares	Profit for the period	Translation reserves	Total Group's share of shareholders' equity	Total minority interests' share of shareholders' equity	Total shareholders equity
Shareholders' equity at 1.1.2004	**6,161**	**16,596**	**1,342**	**-639**	**4,893**	**0**	**28,353**	**1,334**	**29,687**
- Capital increase	1,181	16,999					18,180		18,180
- Appropriation of result			4,893		-4,893		0	214	214
- Profit for the period					7,986		7,986		7,986
- Dividends paid by parent company			-1,198				-1,198		-1,198
- Change in perimeter							0	-355	-355
- Translation differential						-591	-591		-591
Situation at year end 31/12/2004	**7,342**	**33,595**	**5,037**	**-639**	**7,986**	**-591**	**52,730**	**1,193**	**53,923**
- Profit for the period					10,803		10,803	257	11,060
-Change in translation differentials			-343			539	196		196
- Capital gains from disposal of own shares recorded by shareholders' equity				552			552		552
- Capital increase	66	1,121					1,187		1,187
- Appropriation of result			7,986		-7,986		0		0
- Dividends paid by parent company			-1,757				-1,757		-1,757
- Change in perimeter							0	-487	-487
- Own shares (book value of shares disposed of)				407			407		407
Situation at year end 31/12/2005	**7,408**	**34,716**	**10,923**	**320**	**10,803**	**-52**	**64,117**	**963**	**65,081**

Income and expenses directly recorded as reserves (changes in translation differentials and capital gains from disposal of own shares) stood at: €1,091,000 in 2005 and -€591,000 in 2004.

Cash flow movement table

(in thousand euros)	*Appendix note*	31/12/2005	31/12/2004
Operating cash flow			
Net profit of consolidated Group		**11,060**	**8,199**
Expenses (income) without impact on cash			
• Depreciation allowance		1,152	992
• Reversals on other provisions		119	-183
• Capital gains or losses from disposals		-673	-11
• Compensation paid in shares			207
Cost of net financial debt		908	571
Tax burden (due and deferred)		5,056	3,358
CASH FLOW		**17,621**	**13,132**
Taxes paid		-677	-3,062
Interest paid		-918	-553
Change in working capital requirements		1,170	-9,951
OPERATING CASH FLOW		**17,196**	**-434**
Investment cash flows			
Disbursement on acquisition			
• intangible assets		-3,640	-103
• tangible assets		-1,482	-871
• financial assets		-38	-449
Collection of payments from disposals			
• intangible assets		710	0
• tangible assets		68	4
• financial assets		382	0
Impact of changes in perimeter (1)	**20**	-50,050	-9,528
NET CASH FLOW ON INVESTMENTS		**-54,050**	**-10,947**
NET OPERATING CASH FLOWS AFTER INVESTMENTS		**-36,854**	**-11,381**
Cash flow on financial operations			
Dividends paid by parent company		-1,754	-1,098
Dividends paid to minority shareholders		-305	-123
Net funds received by:			
• Capital increase and additional paid-in capital		1,321	18,180
• Subscription of long-term loan		44,344	7,530
Repurchase/disposal of own shares		958	
Net financial interest paid			
Reimbursement of long-term debt		-7,195	-11,547
TOTAL FINANCING CASH FLOWS		**37,369**	**12,942**
TOTAL CASH FLOWS		**515**	**1,561**
Net cash at year end (A)		7,754	6,967
Cash at year start (B)		6,967	5,327
Impact of exchange rate fluctuations		-272	-79
Change in cash position (B)-(A)		**516**	**1,561**

Cash and cash equivalents		9,094	6,967
Bank credit lines		-1,340	
Net cash		7,754	6,967

20.3.2 Notes to the consolidated financial statements at 31 December 2005

All the information stated herein is in thousands of euros, unless stated otherwise.

This Annex is an integral part of the consolidated financial statements for the year ended 31 December 2005. The consolidated financial statements were approved by the Board of Directors on 13 March 2006.
These accounts will only be finalised following approval by the Shareholders' General Meeting on 28 April 2006.

SWORD GROUP is a French limited liability company located at 9 Avenue Charles de Gaulle, Saint Didier au Mont d'Or. SWORD GROUP is subject to all the laws and regulations governing commercial companies in France, and in particular the provisions of the Commercial Code. The Group's business activities are described in Note 2.6.

NOTE 1: HIGHLIGHTS OF THE PERIOD AND EVENTS SUBSEQUENT TO YEAR END

1.1. Transfer to the IFRS international standards

In accordance with European directive No. 1606/2002 dated 19 July 2002, the consolidated financial statements of SWORD GROUP for the year ended 31 December 2005 were for the first time prepared in accordance with the IFRS international accounting standards as adopted by the European Union on 31 December 2005. The methods of application to the financial statements of 2004 and 2005 are described in Note 2.1 of the Annex.

1.2. Highlights of the period

The main events during the past financial year have been:

- Acquisition by SWORD UK, a SWORD GROUP subsidiary,
  - Of the British company HARVARD and the Scottish company PRAGMA on 6 April 2005,
  - Of the British company INTECH in November 2005,
- 5 for 1 split in the nominal value of SWORD GROUP shares, decided upon by the Shareholders' Extraordinary General Meeting held on 29 April 2005,
- On 14 June 2005, following the exercise of 23,716 equity mandates, the Board of Directors decided on the increase in the share capital of the SWORD GROUP by €29,645,
- On 28 July 2005 the Swiss subsidiary SWORD Suisse acquired the Swiss company LINKVEST, which itself had purchased a French-speaking, offshore company based in Lebanon, which has been called SWORD LEBANON,
- Disposal on 23 September 2005 of the strategic consulting business handled by the subsidiary SWORD CONSULTING: As part of this disposal to Log & Pi Consulting, SWORD GROUP has taken a 15% holding in that company
- 21 Developpement, the historical shareholder of the SWORD GROUP, is no longer a shareholder following a private placement for 27.5% of the equity

The impact of changes in the scope of consolidation on the 2005 accounts is provided in Note 3.

1.3. Events after the balance sheet date

The following has occurred since 31 December 2005:

- SWORD ATLANTIQUE, owned 80% by the SWORD GROUP and registered at the Lyon Commercial Register on 17 January 2006, has commenced its IT consulting business in the west coast of France region
- With a view to simplifying the Group's organisational chart, SWORD SA sold to its parent company SWORD GROUP its majority holdings in SWORD CONSULTING and SWORD SAS; this transaction received the approval of the staff committee of SWORD SA on 26 January 2006. With the same purpose, SWORD Suisse sold to SWORD GROUP its majority holding in the Swiss company SWORD LINKVEST SA. Following these disposals SWORD GROUP held directly:
  - 100% of the equity of SWORD CONSULTING
  - 89.5 % of the equity of SWORD SAS
  - 100% of the equity of SWORD LINKVEST
- On 27 January 2006 SWORD GROUP acquired 10% of NEXTECH in Brazil, which is developing an Enterprise Content Management (ECM) business in various countries of South America; SWORD GROUP does not intend to consolidate this business in the future.
- SWORD GROUP sold its subsidiary SWORD NORD to its management on 27 January 2006: SWORD GROUP retains 15% of the equity of SWORD NORD, and a partnership contract was concluded between the two companies
- On 31 January 2006 SWORD DDS sold the property lease contract for the Group head offices in Saint Didier to Société Nationale De Propriété d'Immeubles (SNPI). Following this sale, SNPI, in place of SWORD DDS, entered into a sub-let agreement with SWORD GROUP. This transaction realised a profit at 31 December 2005 of € 860 K on the disposal. The net value of the contract is shown in assets to be sold at € 2.3M, set against a debt of € 2.07M.

NOTE 2: PRINCIPLES OF CONSLIDATION AND ASSESSMENT METHODS

2.1. Accounting standard

In accordance with European directive No. 1606/2002 dated 19 July 2002, the consolidated financial statements of the SWORD GROUP at 31 December 2005 were prepared using the IFRS standard as adopted by the European Union on 31 December 2005. The consolidated financial statements do not included the possible impact of standards and interpretations published on 31 December 2005 whose implementation is only mandatory as of financial years commencing from 1 January 2006 onwards.

The comparative financial statements for the 2004 financial year have been restated using the IFRS standards and interpretations used for the 2005 financial year.

The impact of the first application of the IFRS standards to the transitional balance sheet at 1st January 2004 and the 2004 financial statements is shown in Note 24 of this Annex.
Since until up to 31 December 2004 the Group's consolidated financial statements were prepared in accordance with the principles and rules of French accounting, SWORD GROUP has applied the specific rules for a first application as defined in the standard IFRS 1.
In general terms, the IFRS standards in force were applied retrospectively, as though the SWORD GROUP had always used these standards. The IFRS 1 standard, however, specifically provided in a limited fashion for certain exceptions to the retrospective restatement as per the IFRS standards:

Consolidation of companies – IFRS 3
The Group has selected the option available in IFRS 1 not to restate the consolidation of companies prior to 1 January 2004.

Fair or revaluation value used as the carrying cost (IAS 16, 17, 38)
The Group has not selected the option of revaluation of fixed and intangible assets at fair value.

Payments in shares
The Group has applied standard IFRS 2 for share purchase plans awarded after 7 November 2002 where rights were not yet acquired at 1 January 2005. The impact of the initial application of standard IFRS 2 is detailed in Note 24.

Effect of exchange rate fluctuations
The Group has selected the option to zero the exchange reserve that existed at the start of the 2004 financial year. The numerical impact of this option is shown in Note 24.

On the other hand, the SWORD GROUP has selected the option of applying standards IAS 22 and 39 in respect of financial instruments as of 1 January 2004: the resulting impact was accounted in shareholders' equity at 1 January 2004 and is detailed in Note 24.

Finally, standard IFRS 5, which deals with non-current assets held for sale or discontinued operations, has been applied prospectively as of 1 January 2005 in accordance with the standard's transitional provisions.

In accordance with the recommendations of the AMF (the French Financial Markets Authority) and the CESR (the Regional Economic & Social Councils), the Group has not restated the 2003 financial statements according to IFRS standards. Comparative figures for the 2004 and 2003 consolidated financial statements according to French accounting standards are shown in the background document to the accounts for the year ended 31 December 2004 on the websites of both the AMF and the Company.

2.2. General rules concerning the presentation of the set of accounts

The consolidated balance sheet is presented according to the criterion of distinguishing between "current" and "non-current" as defined in standard IAS 1. Thus borrowings, provisions and financial assets are broken down into that part which is over one year into "Non-Current" and under one year in "Current".

The consolidated income statement is presented in accordance with the model proposed by the CNC (National Accounting Board) in Recommendation 2004-R-02.

The Group uses the indirect presentation method for cash flow movements, in accordance with the format in CNC Recommendation 2004-R-02.

2.3. Consolidation method

Companies that are wholly controlled by the Group are fully consolidated.
Wholly controlled is the power, whether direct or indirect, to direct a company's financial and operational policies in order to obtain advantages from its business operations. It is assumed when the Group holds over 50% of the voting rights.
All consolidated companies are wholly controlled by the SWORD GROUP and are accordingly fully consolidated.

Intra-group company balances and transactions are removed in the consolidation.

The list of consolidated companies is provided in Note 23.

2.4. End of financial year

The consolidated financial statements are drawn up at 31 December. All Group companies end their financial years at 31 December, except INTECH and GLOBAL INDIA, which use 30 June and 31 March respectively. For these companies, the financial situation is audited at 31 December in order to be included within the consolidation.

2.5. Directors' estimates

The preparation of consolidated financial statements in accordance with IFRS rules implies that the directors have made a number of estimates and have used certain assumptions that have an impact on the book value of certain assets, liabilities, income, expenses, as well as on the information provided in the Annex.
The estimates and assumptions are regularly reviewed, at the very least at the end of each financial year. They can change if the circumstances upon which they were based change, or pursuant to new information. The actual results may be different than these estimates.
The main estimates made by management when the financial statements are prepared apply mainly to the assumptions used for calculating the value of goodwill, expenses, development and provisions.

2.6. Sector information

An analysis of the criteria in the standard IAS 14 facilitates determining business activity and geographical sectors (organisational structure and degrees of independence, type of products and processes, types of client, regulatory environment etc). This has led to the identification of *a first level of sectoral information linked to sectors of business activity, which break down as follows:*

- Consulting, including in-house consulting in finance and banking, consulting on change management,
- Solutions (ECM – Enterprise Content Management), specialising in system integration in the field of IT content management (SWORD UK),
- Products, including:
  - Straight Through Processing and AML (anti-money laundering) products sold by our subsidiary FIRCOSOFT,
  - Products for secure financial transfers over the Internet, sold by our subsidiary SWORD SECURITY,
  - Document management products, in particular those developed during 2005 (especially FUSION, sold by our subsidiary SWORD UK),
  - Document management and business intelligence products (risk management) for the reinsurance market, sold by our subsidiary INTECH,
  - Products for the management of Patent Agencies, sold by our subsidiary SWORD SA.

The Group is not organised into geographical sectors (there are no regional managers or regional reporting etc). A breakdown of sales turnover by geographic regions is provided for informational purposes in Note 5.2 in the Annex.

2.7. Conversion of financial statements of foreign companies

The operating currency of the Group's foreign subsidiaries is the applicable local currency.

The Group has no subsidiaries in countries suffering from hyper-inflation.

Conversion of the financial statements of foreign subsidiaries whose operating currency is not the euro is done as follows:

- All assets and liabilities (excluding shareholder equity items), are converted using the exchange rate in force on the date of financial year end,
- Revenue and costs (including depreciation and provisions) are converted using the average rate for the period,
- Shareholders' equity items are converted at their historic exchange rates,
- Exchange rate differences, in respect both of opening capital items and the income for the period, are accounted for in shareholders' capital under "Conversion reserve", included in the Group's share of the reserves,
- The conversion reserve is noted in the results following the disposal of a subsidiary.
- Goodwill in respect of the acquisition of a foreign company is recorded in the subsidiary's currency.

2.8. 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.
Exchange rate differences between the original rate and the settlement rate are accounted for in the income statement.
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 rate differences on inter-company receivables and payables are retained in the consolidated financial statements.

Exchange rate differences in the income statement are applied to the applicable item in the operating accounts if they apply to commercial transactions (purchases, sales etc) and to the cost of borrowing if they apply to investments or borrowings.

Latent exchange rate differences in respect of borrowings that are an integral part of net investments in a foreign subsidiary and whose payment is not planned, probable or predictable in the near future are attributed directly to the conversion reserves. They are stated in the income statement when a subsidiary is sold or a loan is repaid.

The Company has not made use of currency hedge instruments.

2.9. Goodwill

Businesses acquired are treated as goodwill where their nature, in the meaning of standard IAS 38, cannot be shown.

As stated in Note 24 in the Annex to the transitional balance sheet, goodwill has been frozen at the net value at 1 January 2004. Cumulative amortisation to that date is set off against gross values.

The consolidation of companies after 1 January 2004 was accounted for using the acquisition method. This method involves the evaluation of assets and liabilities of companies acquired by the Group at their fair value, in accordance with the rules provided for by standard IFRS 3. The difference between the acquisition cost of the shares and the share acquired of the fair value of the assets and liabilities identified at date of acquisition is accounted as goodwill. The determination of fair values and goodwill is finalised within one year from date of acquisition. Changes that occurred after that date are recorded in the accounts, with the exception of deferred tax credits.

The cost of acquisition is the sum of cash or cash equivalents, updated if applicable in the event of significant impact, to which is added the external costs directly attributable to the acquisition, as well as adjustments to the price considered probable and that can be reliably measured.

Additions to the price (earn outs) are set by applying the criteria in the purchase contract (turnover, profits etc) to the forecasts considered to be the most likely. They are categorised in current liabilities for that part that is less than a year and in non-current liabilities for that part over one year. Earn outs are re-estimated at each year-end, and any variations are allocated to Goodwill. They are updated when the impact is significant. If applicable, the effect of "accretion" of debt recorded in the liabilities is posted under the item, "Gross cost of borrowings".

Goodwill for foreign companies is posted in the operating currency of the company purchased.

At time of acquisition, goodwill is applied to a cash-generating unit in line with the synergies expected by the Group.

Negative goodwill (badwill) is immediately posted to the income statement.

In the absence of provisions in the standard for uniting of businesses, in the event of the acquisition of a minority share subsequent to taking control, goodwill is shown on the balance sheet (or in the income statement if it is badwill), without revaluation of the assets or liabilities at fair value.

Goodwill is not amortised in accordance with IFRS 3, but is subjected to impairment tests each year in accordance with the general principles defined in Note 2.15 for the application of IAS 36. Impairment cannot be taken into the income statement prior to disposal of the cash-generating unit to which the goodwill is attached.

2 .10. Revaluations

The Group has not opted for the revaluation of tangible and intangible assets.

2.11. Intangible fixed assets

2.11.1. Research and development costs

Research costs are stated in expenses.

Development costs are capitalised when they meet the following criteria in IAS 38:

- Technical feasibility,
- The intention to complete the intangible asset and to use or sell it,
- The ability to use or sell it,
- Proof that the asset will generate probable, future economic advantages,
- The current or future availability of resources to carry out the project,
- The ability to measure reliably the costs related to this asset during the development stage.

Development costs that meet the above criteria are treated as assets up to the level of the direct costs attributed to the project. They are amortised from the sales stage of the project for the project's expected period of usefulness. In accordance with IAS 36, "Impairment of assets", when events or changes in market circumstances indicate a risk of loss of value of such intangible assets, they undergo a detailed review (cf. Note 2.15) to determine if their net book value is lower than their recoverable value. Impairment tests are carried out annually as defined in Note 2.15. Impairment is determined when the book value is higher than the recoverable value.

2.11.2. Other intangible fixed assets

These are mainly software.

Intangible assets are stated at cost of acquisition, ancillary costs included.

All intangible assets have a set lifetime, and accordingly are amortised linearly over the expected useful lifetime. Impairment is determined, if applicable, when the book value is higher than the recoverable value (cf. Note 2.15).

2.12. Tangible fixed assets

Assets are shown on the balance sheet at their acquisition cost, to which is added ancillary expenses and other costs directly attributable to the asset.

Tangible assets have a fixed lifetime, with exception of land.

Amortisation is linear in accordance with the useful lifetime expected by the Group.

The main lifetimes used for calculations are as follows:

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

Depreciation methods are rechecked each year. Changes are posted prospectively where the impact is significant.

Impairment is determined, if applicable, when the book value is higher than the recoverable value (cf. Note 2.15).

Bearing in mind the nature of tangible assets, the implementation of the approach by components has not occurred much.

The SWORD GROUP does not own any investment properties.

2.13. Leasing contracts

Leasing contracts are capitalised when they are classified as finance leases, namely when the result is to transfer to the Group effectively the full risks and advantages inherent in ownership of the leased items. Classification of a contract is done in accordance with the criteria specified in IAS 17 (e.g.: automatic transfer of ownership, existence of an attractive purchase option etc). Finance leasing contracts are only restated when their impact is significant. Finance leasing contracts are stated in assets and are amortised in accordance with the rules to the type of item, with the other entry in borrowings. Lease charges are broken down between that part linked to repayment of the loan, stated as a reduction in borrowing, and the part linked to finance costs, reclassified as net cost of borrowing.

Operating lease contracts are not restated as assets. Leasing charges are retained in operating costs.

2.14. Activities held for sale or to be discontinued

In accordance with standard IFRS 5, “assets held for sale or discontinued operations”, assets immediately available for disposal, for which there is a disposal plan and the necessary steps to find a buyer have been undertaken and whose sale within less than a year is highly probable, are classified as being held for sale. These assets are valued at the lower of their book value and their fair value net of disposal costs, if necessary by way of impairment.

2.15. Impairment tests

Impairment tests are carried out annually for all non-amortised assets (assets with an indeterminate economic lifetime) and for amortised assets where loss of value indexes exist. Assets with an indeterminate economic lifetime apply only to goodwill.

An analysis of impairment is carried out for assets tested, either per individual asset or per cash-generating units (the smallest identifiable group of assets generating cash flows substantially independent of those generated by other groups). Goodwill is tested at the most detailed level monitored by management, corresponding to operating areas (cf. Note 2.6). .

Impairment is determined when the recoverable value of an asset or group of assets is lower than its book value. The recoverable value is equal to the higher value between fair value net of disposal costs when it can be reliably measured and the value in use.

Value in use is determined annually for each cash-generating unit (CGU) by an expert, in accordance with IAS 36: it is the value accreted for estimated future cash flows that are expected from the continuous use of the assets and from their exit at end of use as forecast by the company. It does not take into account the impact of the financial structure, the effects of tax, or restructuring not undertaken.

Impairment determined in a cash-generating unit is applied in priority order to goodwill, then to the value of other components of the unit, up to the limit of their recoverable value. Impairment changes the amortisable base. Impairment of goodwill is irreversible.

The main parameters used are summarised below:

- Forecast period: 3 years
- Taking into account a final value calculated using a normative, accreted cash flow and an infinite growth rate, per each area of operational activity,
- Discount rate for each area of operational activity. The discount rate is based on the rate without risk (rate of 10 year treasury bonds: 3.39%), to which is added a market risk discount for the Euro Zone, and a beta coefficient that takes into account risks specific to this operating area.

Movements in impairments are accounted if on a case-by-case basis in operating profit, other income or non-current operating costs, where the criteria for allocation for each item are met (cf. Note 6.7).

2.16. Long-term investments

Long-term investments are made up mainly of:

- Deposits and guarantees treated as assets using the cost price method (cf. Note 2.22 concerning financial instruments)
- And shares in companies over which the Company does not have control or special influence, which are accounted for as financial assets held for sale, namely valued at fair value; variation in the value of assets held for sale is posted to shareholders' equity.

Impairment is determined when expected cash flows are lower than the book value.

2.17. Receivables and other current financial assets, and the rules for determining turnover

Receivables are initially recorded at their fair value including marginal internal and external costs attributable to the transaction. They are discounted when they become older than one year.
Impairment is determined when expected cash flows at year-end are lower than the book value. Risk analysis takes into account such criteria as age of debt, whether or not there is litigation, and the client's financial situation.

Turnover is determined when the main risks and advantages are transferred to the client, when the income and associated costs can be reliably determined, and when the economic benefits of the transaction will go to the company.

The business activities of the SWORD GROUP break down into two main families with different income generating characteristics:

Sale of software and associated services

The sale of software and associated services refers on the one hand to the sale of software and on the other to carrying out installation, maintenance and training services.

The generating act of the sale of software is the electronic delivery of software; for certain applications complex adaptation is required, in which case the sale is considered to have been carried out when the software is installed at the client.

Associated services are recorded as turnover as they take place:
- Training services are billed upon completion of the service,
- Maintenance products are treated linearly on a time basis over the contract period,
- Support services are billed as they are carried out.

Engineering and consulting services

These services are monitored by project and are billed on progress, when the criteria in the standard are met (reliable valuation of the income, margin and stage of progress).

Deferred income is stated up to the level of the sums billed in advance.

2.18. Cash and cash equivalents

The item cash and cash equivalents is made up of current (short-term) financial assets. It breaks down into bank balances, very liquid investment securities whose maturity date is generally less than 3 months from date of purchase and that hold no risk. It is made mainly of funds denominated in euros.

Investment securities are valued at fair value. Variations on fair value are stated in income from cash and cash equivalents.

2.19. Benefits to staff

Short-term benefits

- Short-term benefits (salaries, social payments, paid holidays etc) are stated in the expenses of the financial year in which the services were provided by the employees. Amounts unpaid at year-end are shown in Other Current Liabilities.

Benefits after employment

- *Defined contributory schemes*: The Group's commitment is limited to the payment of contributions: these are for mandatory and supplementary pension schemes: the contributions are stated as costs in the financial year in which the services were provided by the employee. Amounts unpaid at year-end are shown in Other Current Liabilities.

- *Defined services schemes* (the Group is obliged to pay the level of services agreed to members of its staff working and to previous members of staff, with the actuarial risks falling on the Group): these are retirement commitments as defined in collective agreements or company-wide agreements: the commitment is calculated using the projected credit units method, taking into account actuarial assumptions (mortality rate, turnover rate, update rate and rate of salary increase etc). Details of the actuarial assumptions used are shown in Note 15.1.

  Due to the small sums involved, the Group has opted to account for actuarial variations in the current income statements.

The commitment is shown in the balance sheet in Non-Current Liabilities, for the entire amount of the commitment adjusted for the cost of deferred past services. The cost of past services, related to changes in the schemes is shown in the current income statement for the part already acquired and deferred over the average acquisition period for rights for the part not yet acquired.

The reduction or cancellation of a benefits scheme subsequent to employment causes the immediate retraction in the income statement of commitments previously accounted.

The SWORD GROUP does not subcontract the management and financing of retirement payments to an outside fund.

The cost for the period is stated in the income statement under operating costs, and the breakdown of the expense between its component parts is provided in the Annex (cost of services provided, finance cost, retirement payments made, actuarial variations etc).

Other long-term benefits

The only long-term benefits are employees' profit sharing. They are posted to Non-Current (long-term) Liabilities for that part that is over one year.

Compensation for termination of employment contract

Compensation for termination of employment contract (e.g.: severance pay) is accounted for when a procedure is implemented.

Transactions remunerated by payment in shares and similar (subscription options etc).

As indicated in Note 15 above to the transitional balance sheet, the Group has opted only for the restatement of stock option contracts settled in stocks awarded after 17 November 2002 and for which the acquisition date is after 1 January 2005.

Payments made in cash:

For the award of subscription options whose payment is based on shares that are paid for in cash, the company values the services rendered by the employees at the date of award of the plan. The valuation is made using the Black & Scholes approach.
The fair value of the benefit is stated in Personnel Costs for the period of acquisition of the rights, in Current or Non-Current Liabilities, depending upon maturity.
The initial fair value is updated at each year-end during the plan's lifetime, with variations in fair value being posted to Personnel Costs.

Payments made in shares:

For the award of options whose payment is based on shares and which are treated in shareholders' capital instruments, the Group values the fair value of the instruments at date of allocation. The valuation is made using the Black & Scholes approach.

The fair value is frozen at date of allocation, is accounted for in Personnel Costs for the period of the acquisition of the rights, set against a specific reserves account. The amount posted takes into account the number of beneficiaries and the opening assumptions. The charge is recalculated at every year-end, having updated the beneficiaries and the opening assumptions, with variations on the cumulative cost for the previous period being stated in Personnel Costs.

At the end of the acquisition period, the sum of accumulated benefits accounted for is retained in reserves, whether the options are exercised or not.

2.20. Provisions (excluding retirement commitments), contingent assets and liabilities

A provision must be made if:

- The Group has a current, legal or implicit obligation resulting from a past event, which exists independently of future actions of the Group,
- It is probable that resources representing economic benefits will have to be expended to meet the obligation,
- The amount of the obligation can be reliably estimated.

Provisions are made up mainly of:

- Provisions for site risks, linked to claims on contracts. They are determined on a case-by-case basis on their estimated risk.
- Provisions for risks in dispute, referring to litigation following consolidation of a company. Provisions are set based upon the company's estimate of the risk,
- Provisions for claims in industrial tribunals.

Provisions are broken down into Current and Non-Current Liabilities, depending upon their expected maturity. Provisions for maturity at over one year are updated if the impact is significant.

Information is provided in the Annex on contingent assets and liabilities, if the impact is significant, unless the probability of occurrence is very low.

2.21. Corporation tax

Tax due

Tax due is calculated for each entity according to the fiscal rules applying to it.
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 2005 are, aside from SWORD GROUP, SWORD SA and SWORD CONSULTING.

Tax due is shown separately in Current Liabilities.

Deferred taxes

Deferred taxes are calculated using the forecast tax rates method, using the latest tax rates in force at each year-end, applicable to the expected payment period.

Deferred taxes are accounted for all timing differences between taxable and book values in consolidation of consolidated assets and liabilities, excepting goodwill, and to undistributed profits of consolidated companies (unless the distribution can be foreseen in accordance with the definition in IAS 12). Similarly, deferred taxation is posted to the reconciliation accounts of the corporate and consolidated financial statements.

Deferred tax credits in respect of carried forward tax losses are only accounted for if they can be allocated to future taxable deferments, or where there exists a reasonable probability of realisation or recovery by applying to future profits.

To appreciate the Group's ability to recoup these assets, the following items in particular are taken into account:
- Forecasts of future tax results,
- Share of non-recurring charges that will not reoccur in the future included in past losses,
- History of tax results for prior years,
- And, if applicable, tax strategy such as the proposed disposal of undervalued assets.

Deferred taxation and tax credits are set off per tax unit, whatever their maturity, when the tax unit is entitled to set off tax credits and tax due, and that the deferred tax credits and taxes due in question are handled by the same taxation authority.

Deferred tax credits and tax due are posted to Non-Current Assets and Liabilities.

Deferred taxes calculated directly on items in shareholders' equity are posted to shareholders' equity.

Deferred tax credits and tax due are not updated.

2.22. Financial instruments

Own shares

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

Own shares are deducted from consolidated shareholders' equity independently of the subject of the acquisition, and their holding and accounting in the individual accounts of the holding companies.

Any future depreciation or proceeds of disposals of shareholders' equity are applied directly to shareholders' equity (for the pre-tax amount, if applicable) and do not contribute to the profit and loss for the period.

Other financial instruments

Other financial instruments are financial assets, financial liabilities and derivatives.
The Group does not use derivative instruments.

The accounting and valuation rules for financial instruments are determined by the following classification, which does not match headings in the consolidated balance sheet:

- *Assets and liabilities stated at cost:* This item includes receivables, payables, deposits and guarantees and other commercial debts. These instruments are initially accounted at fair value, which is effectively close to their face value. They are valued at year-end at their book value, adjusted as applicable for impairment in the event of loss in value. The detailed valuation rules are shown above in the specific notes.

- *Assets and liabilities stated at cost amortised for loans or borrowings* The fair value at the start is close to their face value. These instruments are valued at year end at their original cost, less amortisation in capital determined using the effective rate of interest method and adjusted if applicable for impairment in the event of loss in value. The net book value at year-end is close to the fair value.

- *Assets designated as "fair value by the result"*: these only include marketable securities such as UCITS (French SICAV) or mutual funds (French FCP) that are regularly subject to net book values. The net book values are adjusted on the fair values at year end, fair value differences being recorded as earnings (losses).

- *Investments held to their maturity*: not applicable within the Group.

A comparion table between the fair values of assets and their net book values, is provided in Note 18.

2.23. Turnover

Turnover is recorded in accordance with the rules specified in Note 2.17 above. It includes the result of sales-related foreign exchange operations.

Discounts for immediate payment are subtracted from the turnover.

Income recorded into individual financial statements that are not a counterpart of a service provided to third parties (self-constructed assets, change in finished product inventories, expense transfers, etc.) are subtracted from the corresponding expenses.

2.24. Other operating income and expenses

Other operating income and expenses include other income and expenses such as cancelled trade receivables, and miscellaneous management income and expenses.

2.25. Non-current operating elements

Non-current operating elements comprise items such as "Income from disposal and depreciation of assets" and "Other non-current operating income and expenses". They correspond to unusual or rare income or expenses, of a significant amount, other than income from disposed activities, including:

- Income from goodwill disposal or amortisation, depreciation of tangible or intangible assets meeting that definition,
- Income from the disposal of consolidated companies,
- Significant net restructuring costs.

2.26. Cost of the net financial debt and other financial income and expenses

The cost of the net financial debt includes:

- The cost of the gross financial debt, which covers interest on the consolidated financial debt (borrowings, debt on lease contracts, etc.),
- Minus income from cash and cash equivalents.

Other financial income and expenses include:
- Dividends received from non-consolidated interests,
- Disposals of non-consolidated securities,
- The effect of the discounting of trade receivables and payables,
- The effect of foreign exchange on inter-company financial transactions eliminated as a result of consolidation.

2.27. Earnings per share

The base earnings per share is calculated by dividing the Group's share of net profit by the average weighted number of ordinary shares outstanding over the period, except for own shares.

The diluted earnings per share is calculated by dividing the Group's share of net profit by the average weighted number of ordinary shares outstanding, plus all potential dilutive ordinary shares (subscription options, warrants, etc.), readjusted with own shares. Their number is determined by applying the share repurchase method.

A share plan is considered dilutive when it results in the issue of ordinary shares at a price that is less than the average market price for the period.

2.28. Cash flow statement

The cash flow statement is established as per the indirect method, in accordance with the IAS 7 standard. Thus, it distinguishes between cash flow from ordinary operations and cash flow from investment and finance operations.

The effects of changes in perimeter are presented for a net amount in the investment flows. They correspond to the price actually paid during the year, adjusted by the active / passive cash acquired.

Cash flow from ordinary operations is the cash flow that generates income and does not meet the criteria of investment or financing flows. The Group has chosen to classify into that category the dividends received and the interests paid.

The cash flow is calculated by adjusting the net result of depreciation and provision expense (excluding changes in current asset depreciations), income from disposals, and calculated expenses (income and expenses directly recorded against reserves, such as benefits related to payments in shares that materialise as shares).

The cash flow from investment operations is the cash flow from acquisitions and disposals of long-term assets and other assets not classified as cash equivalents, net of fixed asset supplier payables. The interest perceived is included into this investment cash flow.

Financing operations are operations that result in a change in the significance or nature of the company's shareholders' equity or liabilities. Capital increases for the period, dividends paid, and issues or reimbursements of borrowings, are included in that category.

Increases in assets and liabilities that have not generated cash flow are offset. Thus, goods paid through a lease during the period, are not included in the investments for the period; the share of rents relative to capital reimbursements is included in reimbursements of borrowings for the period.

NOTE 3: CHANGE IN CONSOLIDATION PERIMETER

The main changes that took place in the course of 2005 regarding the consolidation scope, result from the following events:

- SWORD UK, a SWORD GROUP subsidiary, acquired, on 6 April 2005, a 100% of UK companies PRAGMA and HARVARD, established in Aberdeen and London, respectively:
  - PRAGMA, purchased for a total of £8.7m, conducts content management activities. The goodwill from that acquisition stands at £8m.
  - HARVARD, purchased for a total of £1.4m, is a consulting company that specialises in project management, quality, and process engineering. The goodwill generated by HARVARD, stands at £1.3m.

- SWORD UK, a SWORD GROUP subsidiary, acquired, on 30 November 2005, 100% of UK company INTECH for a total of £20.25m. The goodwill generated by this acquisition, stands at £17.9m.

- SWORD SUISSE, a SWORD GROUP subsidiary, acquired, on 28 July 2005, 100% of Swiss firm LINKVEST for a total of CHF9m. The goodwill generated by this acquisition, stands at CHF8.1m.

- LINKVEST SUISSE, a SWORD SUISSE subsidiary, acquired, in September 2005, 100% of Lebanese offshore company LINKVEST LIBAN, for a total of CHF27.6K. The goodwill generated by this acquisition, stands at $17K.

Given the changes in perimeter that took place in 2005 and 2004, the data for these years are not comparable.

Acquisitions for the period summarise as follows:

	PRAGMA in million £	HARVARD in million £	INTECH in million £	LINKVEST in million CHF	LINKVEST LIBAN in thousand $
% acquired	100%	100%	100%	100%	100%
line of business	services	consulting	products	services	services
Acquisition cost (of which acquisition fees)	8,7	1,4	20,3	9	21
Assets	1,6	0,5	6,2	3,4	53
Liabilities	0,9	0,3	3,8	2,5	47
Revaluation	-	-	0,4	-	-
Revalued net assets	0,7	0,2	2,8	0,9	6
Goodwill	8	1,3	17,5	8,1	17

The comparison table for price complements integrated into the acquisition price in 2004 and 2005, is given below:

(in thousand euros)	31/12/2005			31/12/2004			Earn out
	within 1 year	1 - 5 years	> 5 years	within 1 year	1 - 5 years	> 5 years	
PRAGMA	655	1 311	-	-	-	-	Earn out is based on 2005 to 2007 earnings
HARVARD	583	584	-	-	-	-	Earn out is based on 2005 to 2007 earnings
GLOBAL UK	53	-	-	201	53	-	Earn out is based on 2004 to 2006 earnings
INTECH	1 500	3 444	-	-	-	-	Earn out is based on 2005 to 2007 earnings
LINKVEST	64		-	-	-	-	Earn out is based on 01/08/2005 to 31/07/2006 turnover
TOTAL	**2 855**	**5 339**	**0**	**201**	**53**	**0**	

NOTE 4: PROFORMA INFORMATION

Changes in perimeter are described in Note 3 above.

The proforma income statement has been established in accordance with IFRS international accounting standards, as adopted by the EU as at 31 December 2005 and in compliance with the rules set out by the Group. Income and expenses of joining companies, for the period prior to the takeover by the Group, have been translated at the average exchange rate for the period.

The 2005 proforma income statement has been established by restating 2005 as if joining companies had all joined the perimeter as at 1st January 2005. A proforma financial expense of €1,019K (with the related income tax savings of €345,000) has been simulated, at the average rate borne by the Group in 2005, to take into account the financial cost of these investments as of 1st January 2005.

The proforma income statement has been established on the basis of the audited annual income statements of joining companies for 2005, except for Intech, for which an intermediary statement has been drawn up from the period from 1st January to 31st December 2005. This intermediary income statement has been subjected to limited review by INTECH's auditors.

CONSOLIDATED SWORD GROUP

INCOME STATEMENT

	12/31/2005	12/31/2005
(in thousand euros)	**Proforma**	**Consolidated**
Turnover	**121,669**	**101,491**
Purchased consumables (of which change in inventories)	-3,088	-2,621
Other purchases and external expenses	-40,094	-32,963
Taxes and duties	-860	-860
Wages and social contributions	-60,468	-48,619
Depreciation, amortisation, and provision	-1,131	-1,222
Other operating income and expenses	-22	445
Current operating profit	**16,007**	**15,651**
Income from asset disposals and depreciation	673	673
Other non-current operating income and expenses	397	386
Operating profit	**17,078**	**16,710**
Income from cash and cash equivalents	64	13
Cost of gross financial debt	-2,006	-921
Cost of net financial debt	**-1,942**	**-908**
Other financial income and expenses	317	313
Income tax	-4,217	-5,056
Net profit of consolidated group	**11,235**	**11,060**

NOTE 5: SECTOR INFORMATION

5.1. Sector information by line of business

(in thousand euros)	Services		Consulting		Products		Other operations		Consolidated	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
Turnover	77 161	66 670	9 458	7 880	14 870	4 107	2		101 491	78 657
Current operating profit	11 045	10 309	1 279	1 143	3 326	890			15 650	12 342
Non current operating items	388	-185	670					7	1 058	-178
Financial expenses (1)	1 044	748	-19	81	383	145	-816	-367	592	607
Taxes	2 502	1 842	918	493	1 001	538	635	485	5 056	3 358
Net profit	7 887	7 534	1 050	569	1 942	207	181	-111	11 060	8 199
Sector-specific assets	94 664	69 224	16 659	5 137	52 125	19 226			163 448	93 587
HQ assets and other non-allocated assets							3 791	3 454	3 791	3 454
Total consolidated assets	94 664		16 659	5 137	52 125	19 226	3 791	3 454	167 239	97 041
Sector-specific liabilities	94 664	69 224	16 659	5 137	52 125	19 226	3 791	3 454	167 239	97 041
HQ liabilities and other non-allocated liabilities									0	0
Total consolidated liabilities	94 664	69 224	16 659	5 137	52 125	19 226	3 791	3 454	167 239	97 041
Investments	2 020	2002	112	32	3 008	1 208	14	2301	5 154	
Depreciation allowance	923	699	90	57	136	57	2	2	1 151	813
Expenses calculated exclusive of depreciation	250	201	38	34	9	11	46	303	343	246

(1): total of net financial debt + other financial income and expenses.

5.2. Turnover breakdown by geographic area

K€	2 005	2 004
France	19 519	16 553
UK	30 122	17 710
Benelux	29 733	27 745
Other	22 117	16 649
Consolidated turnover	101 491	78 657

NOTE 6: INCOME STATEMENT

6.1. Turnover

For informational purposes, turnover breakdown by nature is provided in the table below:

(in thousand euros)	12/05	12/04
Goods disposals	171,	475
Licences	2,067	
Services	99,251	78,182
Total	***101,489***	***78,657***

6.2. Wages and social contributions

Payroll expenses break down as follows:

(in thousand euros)	12/05	12/04
Short-term benefits / gross wages	40,452	28,273
Short-term benefits / social contributions	9,916	7,092
Benefits related to payments in shares	151	207
Long-term benefits (incentive and profit-sharing)	46	130
Total	***50,565***	***35,702***

The net expense from retirement commitments is specified in Note 15.1.

Average consolidated workforce

	12/05	12/04
Executive	918	608
Non-executive	125	92
Total	***1,043***	***700***

6.3. Depreciation and provisions

Depreciation and provisions included in operating expenses break down as follows:

(in thousand euros)	12/05	12/04
Depreciation of intangible and tangible assets	1,152	992
Depreciation of trade and other receivables	(80)	335
Net provisions	151	(296)
Total	***1,223***	***902***

6.4. Research and development costs

(in thousand euros)	*12/05*	*12/04*
Total expenses incurred	(8,395)	(3,146)
Activated R&D costs (Note 8)	2,825	303
Non-activated costs (1)	***(5,570)***	***(2,843)***
Depreciation of previously activated developments (Note 8)	-	-
Total	***(5,570)***	***(2,843)***

(1) recorded as other purchases and external purchases and as salaries and wages

R&D costs cover :

- the development of software components designed for the "services" activity,
- the corrective and minor maintenance of products,
- the development of new products.

6.5. Other operating income and expenses

These mainly cover cancelled trade receivables.

6.6. Income from disposals

This is the income from disposals of fixed assets.

6.7. Other non-current operating income and expenses

Other non-current operating income and expenses include the following amounts:

(in thousand euros)	*12/05*	*12/04*
Received claims cancelled	451	
Paid claims cancelled	(22)	
Other non-operating income	3	
Non-current provisions	32	
Non-operating penalties	(78)	
Non-operating costs		(189)
Total	***386***	***(189)***

6.8. Income from cash and cash equivalents

(in thousand euros)	*12/05*	*12/04*
Financial income from non-consolidated interests	7	
Income from investments	6	41
Other financial income from investments		63
Total	***13***	***104***

6.9. Cost of gross financial debt

(in thousand euros)	12/05	12/04
Interest on lease finance contracts	133	-
Interest on borrowings and other debt	786	571
Other financial charges	2	-
Total	***921***	***571***

6.10. Other financial income and expenses

(in thousand euros)	12/05 (12 months)	12/04 (12 months)
Foreign exchange loss on financial operations	(1,039)	(816)
Foreign exchange gain financial operations	1,254	676
Other financial items	98	-
Total	***313***	***(141)***

Foreign exchange losses and gains on financial operations represent the outcome of intragroup foreign exchange operations that have been eliminated by the consolidation process (current account advances, etc.).

6.11. Analysis of income tax expenses

6.11.1. Structure of the income tax bill

(in thousand euros)	12/05	12/04
Current tax (Note 5.10.1.A)		
Income tax on ordinary operations	4,868	3,150
Deferred taxes		
Deferred taxes for the period	188	208
Miscellaneous	-	-
Total	***5,056***	***3,358***

A. Current taxes

The current tax burden is equal to the income tax due to the tax authorities for the period, in accordance with the rules and taxation rates applicable in the various countries. Since 1st January 2002, SWORD GROUP has chosen the common law tax consolidation regime provided for in Article 223A of the General Tax Code, for itself and French subsidiaries of which it holds at least 95%.

B. Deferred taxes

The deferred tax burden is determined according to the accounting method set out in Note 2.21.

The base income tax rate applicable to companies in France is 33.33 %. The taxation rate on companies expected for the year ended 31 December 2004 is 34.33% (33.33%, with a 3% contribution on income tax) and for the year ended 31 December 2005 it is 33.83% (33.33%, with a 1.5% contribution).

6.11.2. Actual tax rate

(in thousand euros)	12/05	12/04
Profit from consolidated companies before tax	***16,116***	***11,605***
Average tax rate in force in France	***33.83%***	***34.33%***
Expected tax	*5,452*	*3,984*
Impact		
▪ Final difference between profit before tax and taxable profit	81	(130)
▪ Permanent differences on consolidation entries	43	180
▪ Exchange rate difference for foreign subsidiaries	(143)	(230)
▪ Non-activation of income tax for tax deficits (prudence principle)	71	288
▪ Use of tax deficits not taken into account at the start of the year	(329)	(603)
▪ Change in rate in France	32	
▪ Tax credits	(155)	
▪ Miscellaneous	4	
Actual assessed tax	*5,056*	*3,489*
Actual tax rate	***31.37 %***	***30.06 %***

6.11.3. Deferred taxes recorded to the balance sheet

Balance	2005	2004
Deferred tax assets		
- deferred taxes likely to be activated	169	74
- of which, not recognised	-26	
Recorded deferred tax assets	143	74
Recorded deferred tax liabilities	-443	-44
Net deferred taxes	-300	30

in thousand euros	31/12/2004	Impact on earnings	Impact on net worth	Foreign exchange	Perimeter	Other	31/12/2005
Provisions	70	29					99
Intangible and tangible assets		-201		-7		-165	-373
Temporary differences generated on other balance sheet items	-40	-16				30	-26
Brought forward deficits and tax credits							0
Gross assets and deferred liabilities	**30**	**-188**	**0**	**-7**	**0**	**-135**	**-300**
Depreciation of deferred tax assets						26	26
Net deferred taxes	**30**	**-188**	**0**	**-7**	**0**	**-109**	**-274**
Of which recorded directly as consolidated shareholders' equity						26	26

6.12. Earnings per share

The method for calculating the base earnings per share and the diluted earnings per share have been specified in Note 2.27.
To calculate the 2005 diluted profit, the 181,126 SWORD GROUP BSAs outstanding likely to result in the issue of 226,407 new SWORD GROUP shares, were taken into account through the share repurchase method.

In euros	***12/05***	***12/04***
Undiluted net earnings per share		
▪ Total average number of shares	7,347,557	7,046,885
▪ Total net profit	10,802,517	7,985,626
▪ ***Undiluted net earnings per share***	**1.47**	**1.12**
Net diluted earnings per share		
▪ Total average number of shares	7,347,557	7,046,885
▪ Number of shares attached to the BSAs	196,870 (share,equivalent)	670 (share,equivalent)
▪ ***Total number of securities***	**7,544,427**	**7,047,555**
▪ Total net profit	10,802,517	7,985,626
▪ ***Net diluted earnings per share***	**1.43**	**1.12**

The number of shares for fiscal 2004, takes into account the split by 5 that was carried out in the course of 2005, so as to provide comparable data.

NOTE 7: GOODWILL

(in thousand euros)	12/04	Acquisitions-Depreciation	Sale of assets	Foreign exchange rate effect	Perimeter changes	12/05
GOODWILL						
Gross value	**49,852**	672		1,302	45,709	**97,535**
Depreciations						
Net	***49,852***	*672*		*1,302*	*45,709,*	***97,535***

The details of pledges on goodwill are provided in Note 20.

On 6 April 2005, SWORD UK acquired 100% of PRAGMA and HARVARD, located in Aberdeen (Scotland) and London, respectively.
On 28 July 2005, SWORD SUISSE acquired 100% of LINKVEST, located in Lausanne.
On 30 November 2005, SWORD UK acquired 100% of INTECH, located in London.

The detail of goodwill per line of business is provided in the following table.

- Services arm		
- SWORD INC	2 705	1 183
- SWORD SA	9 150	9 150
- SWORD SUISSE	39	39
- SWORD ECM Ltd	5 664	5 475
- SWORD TECHNOLOGIES	10 389	10 171
- ZEN ET ART	3 508	3 037
- ASCII / FI SYSTEM	4 213	4 220
- GLOBAL SOFTWARE SERVICES	2 173	1 783
- PRAGMA	11 742	
- LINKVEST	5 211	
- Products arm		
- FIRCOSOFT SA	4 321	4 320
- FIRCOSOFT INC	88	78
- INTECH	26 645	
- CIMAGE	7 726	8 326
- Consulting arm		
- SWORD UK	1 632	1 586
- SWORD CONSULTING	484	484
- HARVARD	1 845	
Total for consolidated group	97 535	49 852

The implementation of depreciation tests by an expert, in accordance with the methods described in Note 2.15. above, has not revealed any depreciation.

NOTE 8: INTANGIBLE FIXED ASSETS

(in thousand euros)	12/04	Acquisitions-Depreciation	Sale of assets	Foreign exchange rate effect	Perimeter changes	12/05
R&D costs						
Gross value	**303**	2,825				**3,128**
Depreciation						
Net	**303**	2,825				**3,128**
Other intangible fixed assets						
Gross value	**719**	143	(4)	12	525	**1,395**
Depreciation	**(549)**	(110)	-	2		**(657)**
Net	**170**	33	(4)	14	525	**738**
Total (1)	**473**	**2,858**	**(4)**	**14**	**525**	**3,866**

(1): of which assets recorded at their fair value as part of business combinations: none.

Projects recorded as R&D costs are not depreciated, as they are not marketed yet.
The implementation of depreciation tests on current R&D costs has not revealed any depreciation.

NOTE 9: TANGIBLE ASSETS AND ASSETS HELD FOR SALE

(in thousand euros)	12/04	Acquisitions-Depreciation	Dispo-sals	Reclassi-fication	Foreign exchange rate effect	Perime-ter changes	12/05
Land							
Gross value	**230**			(230)			
Depreciation							
Net	**230**			(230)			
Buildings							
Gross value	**2,236**			(2,236)			
Depreciation	**(90)**			90			
Net	**2,146**			(2,146)			
Transport equipment							
Gross value	**121**	73	(70)	7	2	309	**442**
Depreciation	**(33)**	(48)	13	20		(131)	**(179)**
Net	**88**	25	(57)	27	2	178	**263**
Fixtures-installations							
Gross value	**1,162**	279		38	15	197	**1,691**
Depreciation	**(596)**	(216)		(31)	(11)	(188)	**(1,042)**
Net	**566**	63		7	4	9	**649**
IT and office equipment							
Gross value	**3,213**	938	(117)	(193)	60	3,511	**7,412**
Depreciation	**(2,292)**	(646)	113	116	(45)	(3,127)	**(5,882)**
Net	**921**	292	(4)	(77)	15	384	**1,530**
Office furnishings							
Gross value	**508**	192	(171)	291	13	1,223	**2,056**
Depreciation	**(237)**	(131)	167	(172)	(6)	(1,019)	**(1,398)**
Net	**271**	61	(4)	119	7	204	**658**
Tangible fixed assets							
Gross value	**7,470**	1,482	(358)	(2,300)	90	5,240	**11,602**
Depreciation	**(3,248)**	(1,041)	293		(62)	(4,465)	**(8,502)**
Net	**4,222**	441	(65)	(2,300)	28	775	**3,100**
Assets held for sale							
Gross value				2,300	(26)	1,185	**3,459**
Depreciation						(6)	**(6)**
Net				2,300	(26)	1,179	**3,453**
Total (1)	**4,222**	**441**	**(65)**	**-**	**2**	**1,954**	**6,554**

(1): of which assets recorded at their fair value as part of business combinations: none.
Goods financed through lease finance contracts are limited to a building recorded under assets held for sale.

No guarantees have been given regarding acquired tangible assets.

NOTE 10: Non-current financial assets and other non-current assets

Non-current financial assets are principally made up of deposits and guarantees in SWORD SA and SWORD SUISSE, as well as a stake of 3.3% in SBT by SWORD CONSULTING (impact insignificant).

Other non-current assets are comprised of receivables for €890,000, corresponding to a trade receivable due within more than one year at SWORD INC.

NOTE 11: CLIENTS

(in thousand euros)	12/05	12/04
Gross receivables	38,325	30,277
Depreciations	-529	-382
Net value	**37,795**	**29,895**

Trade receivables are due within less than one year.
There is no claims disposal contract.

NOTE 12: OTHER CURRENT ASSETS

(in thousand euros)	12/05	12/04
Tax credits	569	74
Other tax and social contribution credits	4,232	619
Prepaid expenses	2,453	447
Other current assets	3,669	3,703
Total gross values	**10,923**	**4,843**
Depreciations	-36	-36
Total	**10,887**	**4,807**

Other receivables are due within less than one year.

NOTE 13: NET FINANCIAL DEBT
(excluding price complements)

Item breakdown by type

(in thousand euros)	12/05	12/04
Lease finance debt related to assets held for sale (1)	2,071	2,300
Other long-term and medium-term borrowing (1)	51,413	11,392
Current financial backing from banks	1,340	-
Total gross debt	***54,824***	***13,692***
Marketable securities	617	663
Cash and similar	8,477	,6,306
Total net debt	***45,730***	***6,723***

(1) of which short- and long-term debt, for €51,265,000 and €2,219,000, respectively, at 31 December 2005, and €8,182,000 and €5,510,000 at 31 December 2004.

Net cash (cash and cash equivalents, net of current bank facilities) stood at €7,754,000 at 31 December 2005 and €6,969,000 at 31 December 2004.

Most borrowings are denominated in euros.

Breakdown of loans by maturity date

(in thousand euros)	12/05	12/04
Short-term financial debt (< 1 year)	***52,605***	***8,182***
1 year < X < 5 years	2,219	5,510
> 5 years		
Long-term financial debt (> 1 year)	***2,219***	***5,510***
Total (1)	***54,824***	***13,692***

Breakdown of borrowings by interest rate

The main loans have been taken out at an interest rate of euribor 3 months + 1.5, except for the debt relative to the lease finance contract, which is at a fixed rate (balance: €2,071,000 within less than one year).

Bank covenants

SWORD GROUP promises to maintain, in accordance with the covenant clauses:
- net consolidated financial debt / consolidated EBITDA less than 3,
- net consolidated financial debt / consolidated shareholders' equity less than 1.

Should SWORD Group fail to comply with the above covenants, lending banks will be able to accelerate the reimbursement of the outstanding loan, worth €47,810,000 as at 31 December 2005.
At 31st December 2005, SWORD GROUP complied with such covenants.

Guarantees on borrowings

Cf Note 21.

NOTE 14: EQUITY CAPITAL

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 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 Shareholders' General Meeting 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

Given that the face value of the SWORD GROUP share was divided by 5, the exercise of 4 BSAs will make it possible to subscribe 5 SWORD GROUP shares.

The Shareholders' Extraordinary Meeting held 29 April 2005 divided the face value of the SWORD GROUP share by 5 and decided to bring its value down from €5 to €1, thereby bringing the number of SWORD GROUP shares from 1,468,421 to 7,342,105.

The Board of Directors held 14 June 2005 recorded the exercise of 23,716 BSAs, entitling their holders to 29,645 new shares, thereby causing a capital increase of €30,000 and an increase in additional paid-in capital of €544,000.

29,336 BSAs were exercised up until 31 December 2005 and have been recorded to SWORD GROUP's financial statements, entitling their holders to 36,670 new shares and resulting in a capital increase of €37,000 and an increase in additional paid-in capital of €673,000. The Board of Directors held 19 January 2006 recorded that capital increase and consequently amended Article 8 of the by-laws accordingly.

183,126 BSAs out of the 236,178 BSAs authorised initially could still be exercised as at 31 December 2005, which corresponds to a future issue of 228,907 shares.

On 31st December 2005, capital stock totalled €7,408,420, divided into 7,408,420 shares with a face value of €1.

As at 31 December 2005, SWORD GROUP held 10,606 own shares.

The amount of dividends whose distribution was suggested during the Ordinary General Meeting held 28 April 2006 stands at €0.3 per share, i.e. a total distribution of €2,222,526, as against €1.20 per share in 2004, i.e. a total distribution of €1,754,025.

Category of securities	Face value	Number of securities				
		01/01/2005	Created and related to the split of the	Created during the period (2)	Reimbursed during the period	31/12/2005
2005	1	1 468 421	5 873 684	66 315		7 408 420
2004	5	1 232 243		236 178		1 468 421

(1) The Shareholders' Extraordinary Meeting held 29 April 2005 split the face value of the SWORD GROUP share by 5, bringing it down from €5 to €1, resulting in the number of SWORD GROUP oustanding shares totalling 5,873,684.

(2) The exercise of the 53,052 BSAs in 2005 resulted in the creation of 66,315 SWORD GROUP shares. In 2004, the increase resulted from the issue of ABSAs.

Share subscription warrants

Category of securities	Number of securities			
	At year start	Created during the period	Exercised during the period	At year end
2005	236 178		53 052	183 126
2004		236 178		236 178

Stock-options

SWORD SA

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**.**
- *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.

As at 31 December 2005, SWORD GROUP repurchased the 11,750 shares resulting from the exercise of the options, while options not yet exercised are definitively lapsed.

The cost generated by this employee benefit stood at €151,000 over the year ended 31 December 2005.

FIRCOSOFT

As at 17 December 2003, the Chairman of FIRCOSOFT was allowed to grant options entitling their holders to subscribe up to 1,500 FIRCOSOFT shares.
The subscription price of the new shares was set to €298.80. The option allocation plan was closed 13 January 2004.
As at 31 December 2005, the number of shares allocated stood at 1,500.
Optionees will only be able to exercise the options after a 2-year freezing period and for a period of three years only.
At year end, that is 31 December 2005, no option had been exercised.
The cost generated by that employee benefit stood at €44,000 as at 31 December 2004 and the expense for the year ended 31 December 2005, recorded as gross salary, resulting from the options, stood at €44,000. The company's total debt as at 31 December 2005 stood at €88,000.

On 4 November 2005, the Extraordinary General Meeting of FIRCOSOFT accepted to grant options entitling their holders to subscribe up to 3,000 FIRCOSOFT shares.
The subscription price of new shares was set to €537. The option allocation plan was closed on 4 November 2005.
As at 31 December, the number of shares allocated stood at 3,000.
Optionees will only be able to exercise the options after a 2-year freezing period and for a period of two years only.
At year end, that is 31 December 2005, no option had been exercised.
The cost generated by that employee benefit was not significant as at 31 December 2005.

NOTE 15: PROVISIONS, POSSIBLE ASSETS AND LIABILITIES

(in thousand euros)	**31/12/04**	**Increase for the period**	**Reduction for the period**		**Perimeter changes**	**Others (1)**	**31/12/2005**
			Used up	**Not applica ble**			
Non-current provisions							
- Provisions for risks and litigations (2)	578	38	(32)				584
Current provisions							
- Other provisions (3)	216	125		(100)	233	5	479
TOTAL	**794**	**163**	**(32)**	**(100)**	**233**	**5**	**1,063**

This is the impact of currency price changes
(2) This item includes a provision relative to the acquisition of ASCII for €584,000 as at 31 December 2005.
(3) This item consists primarily in risks on work in progress (cf Note 2.20).

Non-current provisions are within less than 5 years. They have not been discounted, due to their insignificant impact.
As at 31 December 2005, the company and its subsidiaries had no major proceedings under way against third parties.

15.1. Retirement commitments (defined benefit regimes)

(in thousand euros)	12/05	12/04
- Retirement commitments	293	205
Total	**205**	**293**

The retirement benefits of SWORD GROUP companies are determined by the SYNTEC collective agreement.

As specified in Note 2.20, the Group has opted for the immediate recording of actuarial differences, and there is no cost of deferred past services. The pension commitments are not covered by any assets.
The portion due within less than one year is insignificant.

The breakdown of the burden for the period is described in the table below:

	12/05	12/04
Cost of services rendered	-32	-28
Financial cost	-8	-6
Compensation paid	-	-
Actuarial differences	-48	-10
Total	**-88**	**-44**

Actuarial valuations rely on a number of long-term assumptions provided by the company. These assumptions are reviewed each year.

The assumptions used for calculating retirement provisions are the following:

	2005	2004
Discount rate	3%	4%
Revaluation of annual wages	1.5%	1.5%
Social contribution rate	45%	44%
Retirement age	65	65
Personnel rotation	(1)	(1)
Mortality table	INSEE 2004	INSEE 2003

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

NOTE 16: ACCOUNTS PAYABLE

(in thousand euros)	12/05	12/04
Accounts payable	10,938	8,953

Accounts payable are due within less than one year.

NOTE 17: TAXES DUE AND OTHER CURRENT LIABILITIES

(in thousand euros)	12/05	12/04
Taxes due on companies	**4,752**	**598**

Advance payments received	168	-
Taxes and social contributions due (excluding income tax due for the companies)	12,157	12,076
Price complements within less than one year	2,738	201
Deferred income	8,034	4,223
Other debts	1,439	2,309
Other current liabilities	**24,536**	**18,809**

Taxes due on companies and other current liabilities are due within less than one year.

NOTE 18: NOTE ON FINANCIAL INSTRUMENTS

(assets and liabilities that generate cash flow excluding taxes and social contributions due)
The breakdown of financial assets and liabilities according to the categories provided for in the IAS 39 standard (non-accounting categories – see Note 2.22.), and the comparison between the book values and the fair values, are given in the table below:

Balance sheet item	Designation of instruments	Net book value	Fair value (1)
ASSETS			
Non-current financial assets	A and D	474	474
Trade receivables	D	37 795	37 795
Other current assets	D	3 633	3 633
Cash and cash equivalents	B	9 094	9 094
LIABILITIES			
Non-current financial debt	C	4 047	4 047
Non-current price complement debt	D	5 339	5 339
Accounts payable	D	10 938	10 938
Current financial debt	C	50 776	50 776
Other current liabilities	D	4 345	4 345

A: assets held for sale
B: assets at their fair value by the result
C: assets and liabilities valued at their depreciated cost
D: assets and liabilities valued at cost
E: investments held to maturity (non applicable)

(1): The net book value of assets and liabilities valued at their cost or depreciated is near their fair value.

NOTE 19: MARKET RISK MANAGEMENT

19.1. Risk management policy

A. 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 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. There is therefore no specific tool for managing 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.

B. Interest rate risk

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.

19.2. Quantitative information for risks

A. Currency risk – Net position before and after management

(in thousand euros)	In thousand £	In thousand $	In thousand Swiss francs	In thousand rands	In thousand Indian rupees
Assets	54,217	8,600	14,849	3,810	25,078
Liabilities	45,414	7,513	13,008	2,567	6,407
Net position prior to management	8,803	1,087	1,841	1,243	18,671
Management derivative	-	-	-	-	-
Net position after management	8,803	1,087	1,841	1,243	18,671

B. Interest rate risk – Net position before and after management

(in thousand euros)	DD to less than 1 year	1 to 5 years	Beyond
Financial liabilities	50,777	3,361	686
Financial assets	617	-	-
Net position prior to management	50,160	3,361	686
Management derivative	-	-	-
Net position after management	50,160	3,361	686

NOTE 20: CASH FLOW TABLE

The detail of the cash flow item "Net impact of changes in perimeter" is given in the table below:

In thousand euros	31/12/05	31/12/04
2005 perimeter changes		
Price paid / 2005 acquisitions (1)	-49,954	
Net active/passive cash acquired (1)	1,451	
Prices paid / previous acquisitions	-1,547	
Other changes		
2004 perimeter changes		
Price paid / 2004 acquisitions (2)		-12,501
Net active/passive cash acquired (2)		2,973
Prices paid / previous acquisitions		
Other changes		
Total:	**-50,050**	**-,9,528**

(1) including the companies INTECH, HARVARD, PRAGMA, LINKVEST
(2) including the companies GLOBAL UK, CIMAGE

NOTE 21: OFF-BALANCE SHEET AND OTHER COMMITMENTS

Reminder: the price complements are recorded to the balance sheet as per IFRS standards (cf Note 17).

For current operations, the Group was committed, at year end 2004 and 2005, for the following amounts:

	31/12/2005				31/12/2004
	Total	Payments due by period			Total
		Within less than one year	Within 1 - 5 years	Within more than 5 years	
Contractual obligation					
Operating leases	2 073	718	1 355		1 455
Irrevocable purchase obligations					
Other long-term obligationos					
Total	**2 073**	**718**	**1 355**		**1 455**
Other business commitments					
Credit line (1)	2 439	1 220	1 219		3 658
Letter of credit	1 700			1 700	
Cautions données sur marché					
Guarantees given on rents	220		220		1 286
Other business commitments (2)	104		100	4	104
Total	**4 463**	**1 220**	**1 539**	**1 704**	**5 048**
Commitments received					
Guarantee received on the					
Other business commitments (3)	220			220	220
Total	**220**			**220**	**220**

(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 €2,439,000 were used as at 31st December 2005:

- 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 pledged assets to DEXIA, an international bank. DEXIA gave contract securities to the European Commission.

(3) SWORD GROUP 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.

The law of 4 May 2004 entitles employees of French companies to benefit from 20 hours minimum of training per annum, that can be cumulated over up to 6 years. Expenses incurred in the context of this individual entitlement to training are considered to be expenses for the period and are not subject to a provision except under exception circumstances. As at 31 December 2005, the individual entitlement to training amounted to a total of 6,868 hours.

NOTE 22: TRANSACTIONS WITH RELATED PARTIES

22.1. Related companies

SWORD GROUP holds no companies between 20% and 50% on which it exercises any notable influence, that would be accounted in accordance with the equity method.

22.2. Transactions conducted with non-consolidated companies sharing common managers

None.

22.3. Remuneration of the members of the management and supervisory boards

(in thousand euros)	12/05	12/04
Short-term benefits	924	760
Post-employment benefits	11	2
Other long-term benefits	-	-
Labour contract termination compensation	-	-
Payment in shares	-	-
Total	**935**	**762**

NOTE 23: LIST OF CONSOLIDATED COMPANIES

Company	Closing date	31st December 2005 % controlled	31st December 2005 % stake	31st December 2004 % controlled	31st December 2004 % stake
SWORD GROUP (parent company) 9 Avenue Charles de Gaulle 69370 SAINT DIDIER AU MONT D'OR	31/12	100%	100%	100%	100%
SWORD SA (France)	31/12	100%	100%	98.95 %	98.95 %
SWORD Création Informatique Ltd (South Africa)	31/12	100%	100%	100%	100%
SWORD SOUTH AFRICA Ltd	31/12	55 %	55 %	55 %	55 %
FIRCOSOFT (France)	31/12	95.77%	95.77 %	95.50 %	94.60 %
FIRCOSOFT Inc (US)	31/12	100%	95.77 %	100%	94.60 %
SWORD Inc. (USA)	31/12	100%	100%	100%	100%
SWORD CONSULTING (France)	31/12	99.94 %	99.94 %	100%	99.38 %
SWORD UK	31/12	100%	100%	100%	100%
ECM	31/12	-	-	100%	100%
GLOBAL SOFTWARE SERVICES	31/12	-	-	100%	100%
CIMAGE LTD	31/12	-	-	99.76 %	99.76 %
CIMAGE NOVASOFT LTD	31/12	-	-	100%	99.76 %
CIMAGE NOVASOFT INC	31/12	-	-	100%	99.76 %
SWORD SUISSE	31/12	94.80 %	94.80 %	100%	100%
SWORD DDS FRANCE	31/12	100%	100%	98.89 %	98.89 %
SWORD TECHNOLOGIES SA (Benelux)	31/12	96.92 %	96.92 %	94.88 %	94.88 %
ASCII (Luxembourg)	31/12	100%	100%	100%	100%
FI SYSTEM BELGIUM	31/12	100%	100%	100%	100%
SWORD SAS (France)	31/12	83 %	83 %	83 %	82.13 %
GLOBAL INDIA	31/03	100%	100%	100%	100%
SWORD NORD (France)	31/12	56.50 %	56.50 %	56 %	56 %
SWORD IT SOLUTIONS (Greece)	31/12	65 %	63 %	65 %	61.67 %
SWORD SECURITY SA (Benelux)	31/12	60 %	58.15 %	60 %	56.76 %
LINKVEST SA (Switzerland)	31/12	100%	94.80 %	-	-
LINKVEST LIBAN	31/12	92 %	87.22 %	-	-
HARVARD (UK)	31/12	100%	100%	-	-
PRAGMA (UK)	31/12	100%	100%	-	-
INTECH (UK)	30/06	100%	100%	-	-

All the consolidated companies conduct operations, except for SWORD GROUP and FI SYSTEM BELGIUM, which are holding companies.

All companies are consolidated according to the full consolidation method.

NOTE 24: MOVE FROM FRENCH ACCOUNTING PRINCIPLES TO IFRS STANDARDS

The transition balance sheet regarding the move to IFRS is dated 1st January 2004. The transition balance sheet and the consolidated financial statements for fiscal 2004 have been established in accordance with IFRS standards applied for 2005 financial statements.

The "French standards" column in the transition tables provided below concerns statements approved under French standards, adjusted to the IFRS layout.

24.1. Balance sheet transition, as at 1st January 2004, from French standards to to IFRS standards

	French standards					IFRS standards
References to the explanatory note	(1)	IAS 21	IFRS 2	IAS 38 & 3	IAS 32/39	
Goodwill		-694		35 402		34 708
Goodwill	1 018			-1 018		0
Intangible assets	34 430			-34 384		46
Tangible assets	1 195					1 195
Financial assets	299					299
Deferred tax assets	102					102
Non-current assets	**37 044**	**-694**	**0**	**0**	**0**	**36 350**
Trade and other receivables	17 745					17 745
Other receivables	2 873					2 873
Assets held for sale and disposal of operations						0
Marketable securities	3 798				-639	3 159
Cash	3 764					3 764
Current assets	**28 180**		**0**	**0**	**-639**	**27 541**
TOTAL ASSETS	**65 224**	**-694**	**0**	**0**	**-639**	**63 891**
Capital stock	6 161					6 161
Additional paid-in cap.	16 596					16 596
Consolidated reserves	8 277	-1 672	-370		-639	5 596
Translation reserve	-978	978				0
Earnings						0
Minority interests	1 342		-8			1 334
Consolidated shareholders' eq.	**31 398**	**-694**	**-378**	**0**	**-639**	**29 687**
Retirement provisions	161					161
Provision for risks and contingencies	538		-538			0
Deferred tax liabilities						0
Other liabilities			916			916
Long-term financial debt	3 659					3 659
Non-current liabilities	**4 358**	**0**	**378**	**0**	**0**	**4 736**
Provisions for risks and contingencies	566					566
Accounts payable	4 376					4 376
Other liabilities	13 648					13 648
Short-term financial debt	10 878					10 878
Current liabilities	**29 468**	**0**	**0**	**0**	**0**	**29 468**
TOTAL LIABILITIES	**65 224**	**-694**	**0**	**0**	**-639**	**63 891**

(1) After taking into account the change in method implemented 1st January 2004regarding the 1st recording of retirement commitments (application of Recommendation CNC 03 R-01 of 1st April 2003)

24.2. Balance sheet transition, as at 31st December 2004, from French standards to IFRS standards

	French standards							IFRS standards
Reference to the explanatory note		IAS 21	IFRS 2	IAS 17	IAS 38	IFRS 3	IAS 32/39	
Goodwill		-883			50,445	290		49,852
Goodwill	1,751				-1,751			0
Intangible fixed assets	49,167				-48,694			473
Tangible fixed assets	1,922			2,300				4,222
Financial assets	748							748
Deferred tax assets	74							74
Non-current assets	53,663	-883	0	2,300	0	290	0	55,369
Trade and other receivables	29,895							29,895
Other receivables	4,807							4,807
Assets held for sale and disposal of								0
Marketable securities	1,302						-639	663
Cash	6,306							6,306
Current assets	42,310	0	0	0	0	0	-639	41,671
TOTAL ASSETS	95,973	-883	0	2,300	0	290	-639	97,041
Capital stock	7,342							7,342
Additional paid-in capital	33,595							33,595
Consolidated reserves	7,078	-1,672	-371				-639	4,396
Translation reserve	-1,380	789						-591
Earnings	7,903		-207			290		7,985
Minority interests	1,201		-37					1,164
Consolidated shareholders' equity	55,739	-883	-615	0	0	290	-639	53,892
Retirement provisions	205							205
Provision for risks and	578							578
Deferred tax liabilities								0
Other liabilities			44					44
Long-term financial debt	3,439			2,071				5,510
Non-current liabilities	4,222	0	44	2,071	0	0	0	6,338
Provisions for risks and	754		-538					216
Accounts payable	8,953							8,953
Other liabilities	18,351		1,109					19,460
Short-term financial debt	7,953			229				8,182
Current liabilities	36,011	0	571	229	0	0	0	36,811
TOTAL LIABILITIES	95,973	-883	0	2,300	0	290	-639	97,041

24.3. 2004 income statement transition from French standards to IFRS standards

	31/12/2004			
	French standards			IFRS standards
Explanatory notes		IFRS2	IFRS3	
Turnover and accessory income	78,657			78,657
Purchased consumables	201			201
Other purchases and external expenses	28,545			28,545
Taxes and duties	909			909
Salaries and social contributions	35495	207		35,702
Net depreciation allowance and provisions	902			902
Other operating expenses	57			57
Current operating income	12,549	-207	0	12,342
Non-operating expenses	189			189
Income from disposals and depreciation of assets	11			11
Operating income	12,212	-207	0	12,164
Income from cash and cash equivalents	104			104
Cost of gross financial debt	571			571
Cost of net financial debt	467	0	0	467
Other financial income and expenses	-141			-141
Income tax	3489		-131	3,358
Goodwill amortisation	159		-159	0
Net earnings of consolidated Group	8,116	-207	131	8,198
Share from minority interests	213			213
GROUP’S SHARE OF NET PROFIT	7,903	-207	131	7,986
Earnings per share	5,61	-0,15	0,21	5,67

24.4. Transition of the change in shareholders' equity of the consolidated Group between 1st January 2004 and 31st December 2004 from French standards to IFRS standards

	Explanatory notes	1st January 2004 (1)	Capital increase	Appropriation of earnings	Profit for the period	Dividends distributed	Other movements	Translation differential	31 December 2004
Shareholders' equity - French standards		**31,397**	**18,180**	**214**	**7,903**	**-1,198**	**-355**	**-402**	**55,739**
Monetary translation	**IAS 21**	-694					-189		**-883**
Payment in shares	**IFRS 2**	-378			-207		-29		**-614**
Business combinations	**IFRS 3**				290				**290**
Own shares	**IAS 32-39**	-639					0		**-639**
Shareholders' equity - IFRS standards		**29,686**	**18,180**	**214**	**7,986**	**-1,198**	**-573**	**-402**	**53,893**
Of which: minority interests		**1,334**		214			-384		**1,164**
Group's share		**28,353**	18,180		7,986	-1,198	-189	-402	**52,730**

(1) After taking into account the change in method implemented 1st January 2004 regarding the 1st recording of retirement commitments (application of recommendation CNC 03 R-01 of 1st April 2003)

24.5. Transition of the cash flow statement as at 31st December 2004 from French standards to IFRS standards

				Restatement		
Explanatory notes		**IFRS 2**	**IFRS 3**	**IAS 32/39**	**IAS 7**	
Operating cash flow						
Net earnings of consolidated companies	8 116	-207	290			8 199
Expenses (income) with no effect on the cash position						
• Depreciation allowance	1 151		-159			992
• Other provision allowance / reversals	-183					-183
• Capital gains or losses from disposals	-11					-11
• Remuneration paid in shares		207				207
Cost of net financial debt					571	571
Tax burden (due and deferred)	339		3 019			3 358
CASH FLOW	**9 411**	**0**	**3 150**		**571**	**13 132**
Taxes paid			-3 062			-3 062
Interest paid					**-553**	**-553**
Change in working capital requirements	-9 845		-88		-18	-9 951
OPERATING CASH FLOW	**-434**	**0**	**0**		**0**	**-434**
Investment cash flow						
Disbursement on acquisition						
• intangible assets	-103					-103
• tangible assets	-871					-871
• financial assets	-449					-449
Payments received on disposals						
• intangible assets						0
• tangible assets	4					4
• financial assets						0
Impact of changes in perimeter	-9 528					-9 528
NET CASH FLOW ON INVESTMENTS	**-10 947**		**0**		**0**	**-10 947**
NET OPERATING CASH FLOW AFTER INVESTMENTS	**-11 381**		**0**		**0**	**-11 381**
Cash flow on financial operations						
Dividends paid by the parent company	-1 098					-1 098
Dividends paid to minority shareholders	-123					-123
Net funds received through						
• Capital increase and additional paid-in capital	18 180					18 180
• Subscription of a long-term loan	7 530					7 530
Repurchase / disposal of own shares					0	0
Reimbursement of long-term debt	-11 547					-11 547
TOTAL FINANCING CASH FLOW	**12 942**		**0**		**0**	**12 942**
TOTAL CASH FLOW	**1 561**		**0**		**0**	**1 561**
Net cash at year end (A)	7 606			-639	0	6 967
Cash at year start (B)	5 966			-639		5 327
Impact of exchange rate fluctuations	-79					-79
Change in cash position (B)-(A)	**1 561**		**0**		**0**	**1 561**
Difference	**0**		**0**		**0**	**0**

24.6. Main differences between the French standards applied by the Group and IFRS standards

A. IFRS 3 Business combinations, IFRS 36 Impairment of assets and 38 Tangible assets

Accounting practice under French standards

Intangible assets excluding R&D expenses mainly cover the goodwill and market shares of SWORD GROUP. The goodwill, that is €1,018K in net book value as at 31st December 2003, is depreciated according to the straight-line method over a period that does not exceed 10 years. The market shares, that is €34,384K, are not depreciated. Each year, they are subject to depreciation tests aimed at ensuring that their current value is at least equal to their net book value recorded to the balance sheet.

IFRS

According to IFRS 3 Business combinations and IAS 36 as revised, goodwill is no longer amortised. Its value is frozen at the net book value it had under French standards as at 31 December 2003.

Likewise, the IAS 38 standards does not allow for the recognition, as separate identifiable assets, of market shares that must be restated as goodwill. The goodwill, as at the date of transition to IFRS, is subjected to a value test, in accordance with the provisions of the revised 36 standard.

For fiscal 2004, the goodwill from companies acquired during the period must be restated, in accordance with IFRS 3 as revised regarding the deducted tax corresponding to acquisition costs, so these are recorded for their gross amount.

Effects on the Group's financial statements

The market shares existing as at 31st December 2003, i.e. €34,384K have been restated as goodwill after being subjected to a value test in accordance with IAS 36, which has not revealed any loss of value.
The existing net goodwill as at 31st December 2003, i.e. €1,018,000, has also been restated as goodwill.

Existing market shares as at 31st December 2004, i.e. €48,694,000 after acquisition of CIMAGE Ltd and GLOBAL Ltd, have been restated as goodwill after being subjected to a value test in accordance with IAS 36, which has not revealed any depreciation.

Besides, the goodwill of companies acquired in 2004 (GLOBAL and CIMAGE) has been restated as per the tax relative to acquisition costs deducted from the latter under French standards. Such restatement increases the goodwill by €131,000 with, as a counterpart, an impact of the same amount on earnings.

The effects of the alignment on IFRS 3 and IAS 36 concerning the non-amortisation of goodwill, have an impact of €159,000 on earnings as at 31st December 2004.

B. IAS 32-39: Financial instruments

Own shares

It has to be recalled that SWORD GROUP holds its own shares as part of its shares repurchase programme as authorised by the Shareholders' General Meeting held on 29 December 2003.

Accounting practice under French standards

As at 31 December 2004, own shares held by SWORD GROUP (€639,000) are classified as marketable securities since, in accordance with the objectives of the share repurchasing programme, these own shares are held for the allocation of shares to employees.

IFRS

The processing of own shares prescribed by IAS 32-39 has one divergence with French standards. IAS 32-39 standards require that all own shares be deducted from consolidated shareholders' equity, regardless of the acquisition or holding objective, or of their classification as items in the individual financial statements of the companies that hold them. Besides, the outcome of the disposal of such shares and any depreciation that may have been recorded to face an impairment of those securities, should also be neutralised by the shareholders' equity.

Effects on the Group's financial statements

The effects of the alignment on the IAS 32-39 standards have an impact on shareholders' equity of –€639,000 on the opening balance sheet as at 1st January and on the balance sheet as at 31st December 2004.

C. IFRS 2: Payment in shares

Accounting practice under French standards

The Company has five stock option plans:
- Two plans granted by SWORD SA, a subsidiary of SWORD Group, in 2001 before the IPO of SWORD Group.
- One plan grantec by Cimage as at 8 October 2001
- Two plans granted by Fircosoft as at 29 March 2000 and 13 January 2004.

SWORD SA's option plans are guaranteed by SWORD GROUP's repurchase commitment (at the market price of the SWORD GROUP share on the date when the repurchase clause is exercised) for all SWORD SA shares subscribed.

IFRS

The IFRS 2 standard Payment in shares, which defines the mode of assessment and recording of payments in shares, provides for the assessment, on the date of allocation, of the benefit granted at its fair value. Such fair value is calculated on the basis of the Black & Scholes valuation model.
Regarding the subscription option granted to employees, the benefit granted is to be recorded as payroll expenses against shareholders' equity.
Likewise, SWORD GROUP's commitment to repurchase the SWORD SA shares subscribed, involves a payment in shares transaction and leads to the delivery of cash.
Thus, the services received in the context of a payment in shares or similar transaction, that can be settled only through cash delivery, are assessed at the fair value of the debt which is to be reassessed at each year end, until the date it is due.

Effects on the Group's financial statements

Regarding plans to be settled in shares granted by Cimage and Fircosoft that are dated prior to 7 November 2002 or have been acquired prior to 1st January 2005, no restatement has been conducted, in accordance with the Group's 1st application options.

As at 1st January 2004, only the two plans granted by SWORD SA that are to be settled in cash (SWORD GROUP's commitment to repurchase SWORD SA shares subscribed on the basis of the price of one SWORD SA share for one SWORD GROUP share) have been restated in accordance with IFRS 2.

As at 31st December 2004, in addition to these two SWORD SA option plans, the option plan set up by FIRCOSOFT early 2004, has also been taken into account.

The effects of the alignment on IFRS 2 have had an impact of -€370,000 on the consolidated reserves of the opening balance as at 1st January 2004, of –€207,000 (of which –€44,000 for the FIRCOSOFT plan) on 2004 earnings and of –€577,000 on consolidated reserves as at 31st December 2004.

D. IAS 21: Effect of foreign exchange fluctuations

Accounting practice under French standards

The Group records the goodwill recognised as a result of the acquisition of foreign subsidiaries in the buyer's currency.

IFRS

According to IAS 21, the goodwill resulting from the acquisition of a foreign company makes up the assets of the acquired company. It must therefore be denominated in the foreign company's functional currency and be translated at the closing exchange rate.
The general provisions of IFRS 1 provide for the ability to process retrospectively the goodwill from companies acquired prior to 1st January 2004. This is the option that was chosen by SWORD GROUP.
SWORD GROUP has also used the option offered by IFRS 1 to reset to 0 the translation reserve recognised at the start of 2004 by restating it under consolidated reserves.

Effects on the Group's financial statements

The conversion of goodwill into the currencies of acquired companies instead of the currency of the buying company, has had an impact of €694,000 as at 1st January 2004 and €883,000 as at 31st December 2004 on consolidated shareholders' equity.
The resetting to 0 of the translation reserve at the start of fiscal 2004, i.e. -€978,000, has no effects on the consolidated shareholders' equity (restatement as consolidated reserves).

E. IAS 17: Leases

Accounting practice under French standards

The consolidated financial statements published by SWORD GROUP as at 31st December 2003 and 31st December 2004 under French standards, do not provide for the restatement of leases.
As at 1st January 2004, the company had no significant lease contract. As at 31st December SWORD DDS, a subsidiary of SWORD GROUP, held a property lease for the Group's head office, pursuant to the amendement into a lease contract, in December 2004, of the former operating lease relative to that complex. In the 2004 consolidated financial statements, the building had not been restated in accordance with the CRC 99-02 preferential method, but was subject to detailed information in the appendix.

IFRS

According to IAS 17, a lease finance contract is a contract that aims to transfer to the tenant virtually all the risks and benefits inherent to the ownership of a good, without necessarily involving a transfer of property in the end.
The standard provides examples and situation indicators that would normally cause a contract to be classified as a lease finance contract. Contracts that are not lease finance contracts are operating leases.
Lease finance contracts are to be recorded in the assets and liabilities of the consolidated balance sheet for amounts equal to the fair value of the leased goods.

Effects on the Group's financial statements

An analysis of SWORD GROUP's lease contracts as at 1st January 2004 has led to the conclusion that no restatement was necessary.

The lease contract relative to the head office of SWORD has been recorded in the assets and liabilities of the consolidated balance sheet as at 31st December 2004 for €2,300K.

24.7. <u>Other major standards that do not affect the IFRS consolidated financial statements of SWORD GROUP</u>

A. IAS 18: Revenue and IAS 11 Construction contracts

The business operations of SWORD GROUP and its subsidiaries break down into two major categories that display different revenue generation characteristics:

Sale of software and related services

The sale of software and related services concern, on the one hand, the sale of software and, on the other hand, the performance of installation, mainatenance, and training services.
According to French accounting principles:

- The generating fact of the sale of software is the electronic delivery of the software; for certain applications that involve complex setup and adjustments, the sale is actually taken into account once the software package is commissioned on the client's premises
- Related services are recorded as turnover as they are performed:
  - Training services are billed once they are completed,
  - Maintenance turnover is recognised on a prorata temporis basis,
  - Assistance services are billed as they are performed.

Sales of software and related services fall within the scope of the IAS 18 standard: a detailed analysis of the application conditions of current French accounting rules has not revealed any significant discrepancy with the provisions of IAS 18.

Engineering and consulting services

These services are followed up on an individual project basis and billed on the basis of their progression status.
According to French accounting principles:

- External assignments, which consist in seconding personnel without any result commitment on the part of SWORD GROUP, are billed and recognised on an as-you-go basis. Each month, the production is equal to the time spent times the selling price of the employees concerned, and is recognised as income
- Fixed-price services, which generally involve a result commitment, are followed up on an individual project basis. The production for the month is recognised after taking into account the time remaining due; the time produced is assessed on the basis of the progression status, the production price which is the selling price after taking into account the time remaining, and the provisions for end of contract; a provision for loss at the end is also recorded, in the case of contracts displaying a negative balance, up to the negative margin that remains to be achieved up until the end of the contract. .

External assignments are governed by IAS 18: a detailed analysis of the application conditions of current French accounting rules has not revealed any significant discrepancy with the provisions of IAS 18.

Fixed-price services are specifically governed by IAS 11 relative to long-term contracts: a detailed analysis of the application conditions of current French accounting rules (progression status method) has not revealed any significant discrepancy with the provisions of IAS 11.

B. IAS 37: Provisions

The nature of the provisions recorded by SWORD GROUP (provisions for litigation, labor dispute risks, etc.) does not involve any difference between the French accounting rules and those of IAS 37.

C. IAS 19: Employee benefits

Post-employment employee benefits (retirement benefits) are recorded as provisions in the consolidated financial statements as of fiscal 2004. In fact, as of that date, SWORD GROUP has been applying CNC Recommendation Nr.°03-R-01 of 1st April 2003 (change in method).

The methods for assessing retirement commitments prescribed by IAS 19 do not involve any discrepancy with the method chosen, under French standards, by SWORD GROUP as of 1st January 2004 (application of CNC Recommendation Nr.°03-R-01 of 1st April 2003).

20.4 Verification of annual financial history

20.4.1 Auditors' report on the annual financial statements

Annual financial statements – Financial year ended 31st December 2005

Within the scope of the task that has been entrusted to us by your general shareholders' meeting, we will now present our report relating to the financial year ended 31st December 2005, on:

- our examination of SWORD GROUP's annual financial statements, which are attached to this report,
- substantiation of 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 OF THE OPINIONS

As stipulated by Article L.823-9 of the Commercial Code regarding the justification of our opinion, we would like to point out to you that:
Note 1.3 of the notes appended to the annual financial statements sets out the rules for assessing, recording, and amortising the goodwill. In the context of our appreciation of the accounting principles followed by your Company, we have verified the appropriateness of the accounting methods referred to above and of the information delivered in the notes appended to the consolidated financial statements.

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, 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 acquisition of stakes and control and to the identity of those who hold the corresponding capital has been provided for you in the management report.

Lyon and Villeurbanne, 7 April 2006

The Auditors

CAP - CONSEIL	**DELOITTE & ASSOCIES**
Philippe BONNEPART	Alain DESCOINS

20.4.2 Auditors' report on the annual consolidated financial statements

Consolidated financial statements – Financial year ended 31st December 2005

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 2005, 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. These financial statements have been prepared for the first time in accordance with IFRS standards as adopted by the European Union. They include, for comparison purposes, the data relative to fiscal 2004, restated in accordance with the same rules.

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 IFRS standards as adopted by the European Union, these consolidated financial statements are consistent and sincere, and provide a faithful representation of the assets, the financial situation and the results achieved by the persons and entities of consolidated companies.

II. JUSTIFICATION OF THE OPINIONS

As stipulated by Article L.823-9 of the Commercial Code regarding the justification of our opinion, we would like to point out to you that:
Notes 2.9 and 2.15 of the notes appended to the consolidated financial statements set out the rules for assessing, recording, and amortising the goodwill. In the context of our appreciation of the accounting principles followed by your Company, we have verified the appropriateness of the accounting methods referred to above and of the information delivered in the notes appended to the consolidated financial statements.

The opinions expressed fall within the scope of our audit of the consolidated 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 CHECK

We have also verified the group data provided in the management report, in compliance with the professional standards that apply in France. We have no observations to make in respect of their truthfulness and their agreement with the consolidated accounts.

Lyon and Villeurbanne, 7 April 2006
The Auditors

CAP - CONSEIL	DELOITTE & ASSOCIES
Philippe BONNEPART	Alain DESCOINS

20.5 Date of the latest financial information

Financial statements as at 31st December 2005 are the last statements audited by the auditors.

20.6 Intermediary financial information

None

20.7 Dividend distribution policy

20.7.1 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 2005, a dividend of €0.30 per share shall be distributed, subject to the agreement of the Shareholders' General Meeting on the 28 April 2006 (1).

For the 2004 financial period, a dividend of €1.20 per share has been distributed.

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.

It is pointed out that the Extraordinary General Meeting of 29 April 2005 has decided to split by 5 the face value of the shares, bringing it down from €5 to €1.

20.7.2 Statute of limitations

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).

20.7.3 Dividends and reserves distributed during the last three years

In euros	Financial 2002	Financial 2003	Financial 2004
Total dividend	€924,182.25	€1,310,209.20	€1,762,105.20
Dividend per share	€0.75	€0.90	€1.20

20.8 Legal and arbitration proceedings

No other governmental, legal, or arbitration proceedings, including any proceedings of which the Company is aware, is pending or threatening the Company, and is likely to have or to have had, in the past 12 months, significant effects on the Group's financial situation or profitability.

20.9 Significant changes in the financial or business situation

None

XXI – Additional information

21.1 Capital stock

21.1.1 Amount of capital stock

21.1.1.1 Capital stock subscribed

The Board of Directors of 19 January 2006 recorded the exercise of 29,336 share subscription warrants and the resulting capital increase from €7,371,750 to €7,408,420.

The company's total fully paid-up capital adds up to €7,408,420 as at 19 January 2006, divided into 7,408,420 shares with a face value of €1.

Partly paid capital

None

21.1.1.2 Authorised capital not yet issued

The Combined Shareholders' General Meeting held on 29 April 2005 awarded the Board of Directors the necessary authority to issue, with or without removal of preferential subscription 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 nominal 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 28 June 2007.

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.

It is pointed out that the Board of Directors of 13 March 2006 offered the General Meeting and the Extraordinary Meeting of 28 April 2006 to renew the said delegations (see management report – paragraphs 19 to 24).

21.1.2 Shares that are not representative of capital stock

As of the date of this annual report, there are no shares that are not representative of the capital stock of the Company.

21.1.3 Number, net book value and face value of the shares held by the Company or on its behalf

SWORD GROUP holds 10,606 own shares as part of its shares repurchase programme as authorized by the Shareholders' General Meeting held on 29 December 2003, for a net book value of €232,637 as at 31 December 2005.

21.1.4 Marketable securities that can be converted or exchanged or are attached to share purchase warrants

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 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.

During the financial period ended 31 December 2005, the Company issued no new 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

Parity of exercise (altered as a result of the splitting by 5 of the face value of the share decided by the General Meeting of 29th April 2005):

4 BSAs enable the subscription for 5 SWORD GROUP shares.

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 year ended 31st December 2005, 53,052 BSAs were exercised out of the 236,178 BSAs.

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 the exercise of BSAs
The potential capital of SWORD GROUP, after exercise of the 183,126 BSAs not exercised as at 19th January 2006 would be €7,637,327, divided into 7,637,327 shares with a face value of €1, that is a capital increase slightly in excess of 3% as compared to the current capital stock.

21.1.5 Conditions governing any acquisition right and/or any obligation attached to subscribed, not fully-paid, capital, or any initiative targeted at increasing the capital stock.

None

21.1.6 Capital stock of the Company subject to an option or a condition or unconditional agreement planning to place it under an option

Share subscription options granted to SWORD SA employees

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 with a face value 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.

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 31/12/2005	11,750 in total		
Total number of options remaining	0		
OPSAs allocated to the 10 non-proxy employees with the highest number of options	NUMBER	PRICE	PLAN No.
ASTIER Yorick	2,000	€5	2
HARVEY Stephen	750	€5	1
MORGAN Marc	750	€5	2
RASSON Michel	750	€5	2
WOLFF Marc	750	€5	2
The other employees have 150 shares			

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

Between 1st January 2005 and 31st December 2005, 4,500 share subscription options were exercised.

As at 31st December 2005, the capital stock of SWORD SA stood at €3,471,250, divided into 694,250 shares with a face value of €5. The Board of Directors of SWORD SA held 3 March 2006 recorded the exercise, during the year ended 31st December 2005, of 4,500 share subscription options and the resulting capital increase of €22,500.

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

As at 31st December 2005, no more share subscription options could be exercised by beneficiaries.

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 has been 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.
These are the circumstances under which SWORD GROUP repurchased, in the course of fiscal 2005, 11,750 shares resulting from the exercise of share subscription options.

As at 31 December 2005, no more share subscription options can be exercised by beneficiaries. Consequently, the purchasing commitment referred to above is no longer applicable since 1st January 2006.

21.1.7 Change in capital stock

21.1.7.1 Statement of changes in capital stock in the past three years

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
29-04-2005	Face value of the share was divided and brought down from €5 to €1						
14-06-2005	Stock warrant programme (3)	1	29,645	544,163.32	29,645	7,371,750	7,371,750
19-01-2006	Stock warrant programme (3)	1	36,670	673,114.50	36,670	7,408,420	7,408,420

There have been no changes to capital since 19th January 2006.

(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 limited to a 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 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.*

The Combined Shareholders' Meeting held 29 April 2005 has decided to split the face value of the Company's shares, bringing it down from €5 to €1.
The Board of Directors of 14 June 2005 recorded the exercise, as at 10 June 2005, of 23,716 share subscription warrants entitling their holders to 29,645 new shares and the correlative capital increase has decided to amend Article 8 of the by-laws accordingly.
The Board of Directors of 19 January 2006 recorded the exercise, from 11 June to 31 December 2005, of 29,336 share subscription warrants entitling their holders to 36,670 new shares and the correlative capital increase has decided to amend Article 8 of the by-laws accordingly.

21.1.7.2 Changes in the breakdown of capital stock in the past three years

Forename-Surname	Situation on 31/12/2003			Situation on 26/04/2004		
	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
21 Centrale Partners and the VCF 21 Développement	403,451	32.74	33.08	403,451	27.48	30.51
Françoise Fillot	21,279	1.73	1.74	21,279	1.45	2.11
Christian Tapia	19,638	1.59	1.61	19,638	1.34	1.95
Treasury stock	12,633	1.03	0	12,633	0.86	0
Employees and miscellaneous registered shareholders	69,995	5.68	5.74	69,078	4.70	6.83
Free float	336,483	27.30	27.59	573,578	39.06	28.44
TOTAL	**1,232,243**	**100**	**100**	**1,468,421**	**100**	**100**

Forename-Surname	Situation on 31/12/2004			Situation on 31/12/2005		
	Number of shares	% of capital	% of voting rights	Number of shares	% of capital	% of voting rights
Jacques Mottard	366,111	24.93	30.05	1,740,820	23.50	32.39
21 Centrale Partners and the VCF 21 Développement	403,451	27.48	30.62	5	0	0
Françoise Fillot	21,279	1.45	2.12	106,395	1.43	2.35
Christian Tapia	19,638	1.34	1.95	94,080	1.27	2.08
Treasury stock	12,633	0.86	0	10,606	0.14	0
Employees and miscellaneous registered shareholders	63,609	4.33	6.31	253,091	3.42	5.58
Free float	581,700	39.61	28.94	5,203,423	70.24	57.52
TOTAL	**1,468,421**	**100**	**100**	**7,408,420**	**100**	**100**

21.2 By-laws

21.2.1 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.

21.2.2 Statutory and other provisions relative to members of the management and supervisory organs

21.2.2.1 Composition of the Board of Directors

The Company is managed by a board comprised of at least three and at the most eighteen, members.

As at 31 December 2005, its members were:

- Jacques MOTTARD, Chairman,
- Nicolas MOTTARD,
- 21 CENTRALE Partners SA, represented by Mr. François BARBIER

21.2.2.2 Authority of the Board of Directors (extracts of Article 15 of the by-laws)

The Board of Directors determines the Company's business orientations and ensures their implementation. Subject to the authority explicitly granted to shareholder meetings and within the limits of the corporate objective, it rules over any issue regarding the proper operation of the Company and deliberates to solve the issues that concern it.

The Board of Directors conducts the checks and verifications it deems opportune.

(…)

21.2.2.3 General Management (extracts from Article 14 of the by-laws)

The General Management can only ben entrusted to a natural person, who can only be appointed for one mandate as CEO, member of the Board or single CEO, a mandate to which can be added a second general management mandate as defined above in a company controlled in the sense of Article L.233-16 of the Commercial Code and providing that the shares in that controlled company are not traded on a regulated market.

(…)

The General Management of the Company is ensured, under that person's responsibility, either by the Chairman of the Board, or by another natural person appointed by the Board of Directors to the position of CEO.

The CEO is chosen among the directors or outside the Board.

It is the Board of Directors' responsibility to choose between the two modes of general management as defined above.

When the general management of the Company is ensured by the Chairman of the Board, he exercises the powers of Chairman and CEO and is entrusted the most extended powers to act under all circumstances on behalf of the Company. He exercises such powers within the limits of the company's objective and subject to those explicitly assigned by the law to shareholders' meetings and to the Board of Directors. (…)

When the Chairman of the Board of Directors is also the Chairman and CEO, he may, if he wants to, be assisted by one or several Executive VPs, who can be no more than 5.

(…)

The Board of Directors held 22 June 2001 appointed Mr. Jacques MOTTARD as Chairman of the Board **<u>and</u>** CEO. His mandate was renewed by the Board as at 26 April 2004 for a period expiring 31 December 2009.

<u>21.2.2.4 Remuneration of directors, the Chairman, the CEO and Executive VPs, and the officers of the Board of Directors, (article 16 of the by-laws)</u>

Directors are entitled to directors' fees, whose annual total amount is set by the general meeting and is maintained until the meeting makes a new decision. The Board divides the fees between its members in the way it deems appropriate.

<u>21.2.3 Rights, privileges and restrictions related to shares of the Company</u>

<u>21.2.3.1 Form of the shares (extract from Article 10 of the by-laws)</u>

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.

<u>21.2.3.2 Rights and obligations related to shares (article 19 of the by-laws)</u>

Voting right
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.

21.2.3.3 Entitlement to dividends and profits (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.

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.

21.2.4 Conditions for changing the shareholders' rights

Shareholders' rights as set out in the Company's by-laws, can only be changed by an Extraordinary General Meeting.

21.2.5 Shareholders' General Meetings (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.

It is specified that, during the General Meeting slated for 28 April 2006, the Company's by-laws will be harmonised with the Breton law of 26 July 2006 amending the above paragraph which will be, subject to the Meeting's approval, worded as follows:

2 – Deliberation by the Ordinary Shareholders' 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 **fifth** of all shares that grant the holder the right to vote. At the second meeting, no quorum is required. Deliberation by the Extraordinary Shareholders' Meeting will only be valid 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 voting rights at the first meeting and, in the case of a second meeting, one-**fifth** of these shares. 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.

21.2.7 Passing of statutory thresholds (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.

It is specified that, during the General Meeting slated for 28 April 2006, the Company's by-laws will be harmonised with the Breton law of 26 July 2006 amending the above paragraph which will be, subject to the Meeting's approval, worded as follows:

Article 10: Ownership and form of the shares

"Any shareholder, acting alone or jointly, who comes into possession of more than 5%, 10%, 15%, 20%, 25%, one third, half, two thirds, 90% or 95% of the capital stock or the voting rights, must inform the Company of the total number of shares and voting rights held, by registered mail with acknowledgement of receipt, within 5 stock market days as of the passing of these thresholds. The same applies each time his interests fall below any of the above thresholds.

The AMF (the French market authority) will also be notified within 5 stock market days as of the trespassing of these thresholds.

Should a shareholder fail to fulfil the obligation defined in this article, a legal penalty that removes their right to vote will be applied. The right to vote is removed from all shares that exceeded the proportion that should have been declared, up until the expiry of a two-year period after the date the corrective declaration was made.

21.2.8 Special conditions governing changes in capital stock

Any change in the capital stock is subjected to legal prescriptions, as the by-laws do not provide for any specific stipulations.

XXII – Major contracts

SWORD GROUP signs new contracts on a regular and sustained basis, but only within the ordinary course of its business operations.

XXIII - Information from third parties, expert representations, and statement of interests

Not applicable

XXIV – Documents accessible to the public

All of the corporate documents of the Company designed to be made available to shareholders, can be consulted at the Company headquarter, in particular:

- the Company's by-laws,
- all reports, mails and other documents, financial history, valuations and declarations established by an expert upon the Company's request, of which part is included or referred to in this prospectus,
- the financial history of the Company and its subsidiaries for each of the financial years preceding the publication of this annual report.

XXV - Information about interests

Information about companies where the Company holds a portion of capital likely to have a significant impact on the assessment of its assets, its financial situation, or its earnings, is provided in Chapter 7 and paragraph 20.1.3.

XXVI – Appendices

26.1 Management report prepared by the Board of Directors for the Ordinary and Extraordinary General Meeting of 28th April 2006

Ladies and Gentlemen,

We have brought you together at this Ordinary and Extraordinary General Meeting, in accordance with legal provisions, to submit the annual financial statements and consolidated financial statements for the financial year ending 31st December 2005 for your approval.

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

The responsibilities of the Ordinary General Meeting

- Reading of the Board's reports: management report, share options report and report governed by Article L.225-209 of the Commercial Code;
- Reading of the Chairman's report on internal control and the operation of the Board of Directors;
- Reading of the Auditors' general and special reports regarding the annual financial statements for the financial year ending 31st December 2005; the reading of the report on the consolidated financial statements for the financial year ending 31st December 2005;
- Presentation of the consolidated financial statements and corporate financial statements for the financial year ending 31st December 2005;
- Approval of the financial statements for the financial year ending 31st December 2005 and directors' discharge;
- Approval of the consolidated financial statements for the financial year ending 31st December 2005;
- Approval of regulated agreements governed by Article L.225-38 of the Commercial Code;
- Profit allocation;
- Determination of the directors' fees
- 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;
- Harmonisation of the by-laws of the Company with the law to promote confidence and economic modernisation of 26th July 2005; correlative modification of Articles 10 and 19 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 granted to the Board of Directors for the issue of share options reserved for all or some employees and/or representatives of the Company and/or companies associated with it in the sense of Article L 225-180 of the Commercial Code; the setting of principles, conditions and methods to be used to complete this operation;
- Delegation of authority to increase the share capital to the benefit of the Group's employees;
- Authority to complete formalities.

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

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.

1) IMPORTANT EVENTS IN THE SWORD GROUP DURING THE FINANCIAL YEAR ENDING 31ST DECEMBER 2005

- **Division of nominal value of shares by 5** approved by the Extraordinary General Meeting of 29th April 2005, resulting in a change in the parity in the exercise of share subscription warrants. As a result of the division, 4 share subscription warrants will entitle the bearer to subscribe 5 SWORD GROUP shares.

- **An increase in the equity capital of the Company by €29,645 via the exercise of 23,716 SSW, increasing equity capital from €7,342,105 to €7,371,750.**

  We remind you that:

  1- The Combined Shareholders' General Meeting held on 27th 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 21st 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 27th 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 26th 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 5th 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 15th 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 26th 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.

8- On 14th June 2005, the Board of Directors stated that:

- As at 10th June 2005, 23,716 SSW had been exercised, resulting in the right to 29,645 new shares with a nominal value of €1 each, given the new parity in force following the division of the nominal value of shares in the Company by 5; and
- As a result of the above operation, equity capital increased by €29,645.

▪ **Acquisitions made during the financial year ending 31st December 2005:**

1- **Acquisition by SWORD UK, a subsidiary of SWORD GROUP, of the English company HARVARD and Scottish company PRAGMA on 6th April 2005.**

HAVARD, which has its registered office in London, is a company that provides advisory services specialising in project management, quality and engineering processes. This company focuses on large customers in the banking and finance sectors, the target market of the Group. The complementary nature of advice/solutions will be of great importance to London, where the size of the banking market on the one hand and the presence of SWORD GROUP on the other provide the scope for plans to develop significant business for HARVARD and SWORD UK.

PRAGMA, which has its registered office in Aberdeen, offers integrated service solutions to oil companies as part of their content management (documents, data) and thus integrates perfectly with the strategy of the Group based on two areas of expertise: technology (ECM) and market (oil). The complementarity between PRAGMA and SWORD-CIMAGE (document management products for the oil industry) on the one hand and SWORD-HOUSTON (a company that caters for the US oil industry) on the other provide the scope for significant synergies.

Heath DAVIES, the Chief Operating Officer of SWORD based in London, will oversee the Managing Directors of PRAGMA (Allan MERRITT) and HARVARD (Julian MOUNTAIN).

2- **Acquisition by SWORD SUISSE, a subsidiary of SWORD GROUP, of Swiss firm LINKVEST on 28th July 2005.**

LINKVEST, which has its registered office in Lausanne (Switzerland), offers value-added ECM (Enterprise Content Management) services in EAI (Enterprise Application Integration). The main target markets of LINKVEST are the banking, telecoms and pharmaceuticals sectors, as well as local governments and the federal government.

The complementarity with operations directed from Lyon is considerable: LINKVEST provides a prestigious client base, while SWORD GROUP offers LINKVEST new expertise.

3- **Through the intermediary of LINKVEST, SWORD GROUP acquired a Francophone offshore structure based in LEBANON.** While this new acquisition does not generate additional turnover, it will contribute to an improvement in profit margins. At present, the company has a workforce of 15 persons based in Beirut**.**

4- **Acquisition by SWORD UK, a subsidiary of SWORD GROUP, of English company INTECH in November 2005**

The acquisition of INTECH, a leader in software products for the English insurance market, has reinforced the presence of the Group in English-speaking countries.

- **Important strategic and operational developments:**

1. **Transfer of logistics advisory services:** On 23rd September 2005, SWORD CONSULTING transferred its logistics advisory services to Log & Pi Consulting. The discontinuation of these services has had no significent impact on profit forecasts for the Group for 2006. As part of this transfer, SWORD GROUP has acquired 5% of Log & Pi Consulting.

2. **The government of Bermuda** became the 30th national patent and trademark office to become a client of SWORD GROUP. This new signing has further reinforced the position of the Group in its target markets, which include the patent and trademark market.

3. **New stage in the international development of SWORD GROUP**:

   SWORD GROUP reinforced its status as international performance stock by expanding its list of shareholders to include prestigious institutional investors from France and English-speaking countries. During the course of a private placement, investment bank Bryan, Garnier & Co. Ltd. upgraded the 27.5% shareholding held by 21 Développement since the incorporation of the Company (2,017,250 shares).

   This sale was consistent with the investment strategy of 21 Développement, which in addition had not sold any shares when the Company was listed in 2002. A decision was taken to allocate half of the shares to investors from English-speaking countries, in recognition of the importance of the development of SWORD GROUP both in Great Britain and the United States.

2) COMPARABILITY OF THE FINANCIAL STATEMENT - ACCOUNTING RULES AND METHODS

For the first time, the consolidated accounts for the financial year ending 31st December 2005 were prepared in accordance with IFRS international accounting standards, as used by the European Union as at 31st December 2005 in accordance with Regulation (EC) 1606/2002.

The first accounts published by the SWORD Group under IFRS were those for the 2005 financial year. They are presented in comparison with the accounts for the 2004 financial year.

In order to do this, the Group prepared bridge tables of accounts published according to French accounting rules to IFRS accounts for:

- Opening balance sheet as at 1st January 2004,
- Balance sheet as at 31st December 2004,
- Income statement for 2004,
- Variation in equity capital between 1st January 2004 and 31st December 2004
- Cash flow table for 2004.

These bridge tables, as well as the corresponding explanatory notes on the bridging methods used, have been published in a note on the transition to IFRS.

International accounting standards have been applied retrospectively in the opening balance sheet as at the date of transition (1st January 2004), with the exception of certain optional or compulsory exemptions provided for in IFRS regulation 1. These exemptions are described below:
IFRS 3: In accordance with the option given in IFRS 1, the Group has not revised goodwill calculations performed at the time acquisitions prior to 1st January 2004 were made.
IAS 16, 17, 38, 40: The Group has chosen to keep the valuation of fixed assets unchanged at their amortised cost, and thus not to value them at their fair value as at the date of transition.

IAS 21: The Group has decided:
To reclassify conversion differences for foreign accounts recorded in consolidated reserves as at the date of transition as conversion reserves. This option, which sets the conversion reserve at zero, has no effect on consolidated equity capital. The provisions of IAS 21 relating to the conversion of proven goodwill at the time of its acquisition from foreign companies are to be applied retrospectively.

IAS 32-39: The Group has chosen to apply IAS 32 and IAS 39 in advance, from 1st January 2004.

IFRS 2: Only options granted after 7th November 2002 and for which the corresponding rights were acquired after 1st January 2004 were valuated.

The main methods used are described in detail in the Appendix in Note 2.

3) THE GROUP'S ACTIVITIES - PRESENTATION OF INCOME STATEMENTS FOR THE FINANCIAL YEAR ENDING 31ST DECEMBER 2005

The table below presents the simplified income statement of SWORD GROUP for the financial year ending 31st December 2005 compared with that for the financial year ending 31st December 2004.

In thousands of euros	2005 consolidated	2004 consolidated
Turnover	101,491	78,657
Current operating profit	15.42%	15.69%
Operating profit	16,710	12,164
Consolidated net profit	11,060	8,198
Group's share of net profit	10,803	7,986

List of consolidated companies as at 31st December 2005

Company	Closing date	% controlled	% stake	Consolidation method
SWORD GROUP (parent company)	31/12	100%	100%	Full consolidation
SWORD SA	31/12	100%	100%	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	95.77%	95.77%	Full consolidation
FIRCOSOFT Inc	31/12	100%	95.77%	Full consolidation
SWORD Inc	31/12	100%	100%	Full consolidation
SWORD CONSULTING	31/12	99.94	99.94%	Full consolidation
SWORD SUISSE	31/12	94.80%	94.80%	Full consolidation
SWORD LINKVEST	31/12	100%	94.80%	Full consolidation
SWORD LEBANON	31/12	92%	87.22%	Full consolidation
SWORD TECHNOLOGIES SA	31/12	96.92%	96.92%	Full consolidation
ASCII	31/12	100%	100%	Full consolidation
FI SYSTEM BELGIUM	31/12	100%	100%	Full consolidation
SWORD SAS	31/12	83%	83%	Full consolidation
GLOBAL INDIA	31/03	100%	100%	Full consolidation
SWORD UK Ltd	31/12	100%	100%	Full consolidation
PRAGMA SYSTEMS Ltd	31/12	100%	100%	Full consolidation
HARVARD Consulting Ltd	31/12	100%	100%	Full consolidation
INTECH	30/06	100%	100%	Full consolidation
SWORD NORD	31/12	56.50%	56.50%	Full consolidation
SWORD IT SOLUTIONS	31/12	65%	63%	Full consolidation
SWORD SECURITY SA	31/12	60%	58.15%	Full consolidation

3.1 Activity and turnover

In 2005, SWORD GROUP recorded a 44.44% increase in its pro-forma turnover compared to 2004. The Group's share of net consolidated profits in 2005 was 10.64% of turnover.

During financial 2005, the Group:

- Continued its internationalisation,
- Continued to specialise in Enterprise Content Management,
- Pursued both its internal and external expansion policies,

A. Specialisation

- Historically, technology was the first area of specialisation of the Group: artificial intelligence, document management, geographic information systems and business intelligence.

- The Group then began to specialise in:
  - ECM (electronic content management)
  - Filtering (operations against dirty money)

- Next came specialisation according to markets:
  - The international organisations market
  - Highly-regulated markets

  The former are more stable, the latter more profitable

- Finally, the Group chose to pursue this specialisation process globally: financial security products in ECM and compliance management underpinned by knowledge management technologies

From then onwards, the specialisation of the Group could be summarised thus: Compliance management in target markets (international organisations and regulated markets) within the context of electronic content management (ECM)

B. Internationalisation

A distinction should be made between a multinational approach and an international approach:

- A multinational approach involves optimising the management of projects in each country, and taking advantage of internationalisation to target the most profitable regions.

  This is just one part of our strategy.

- An international approach consists of a global client approach and involves know-how in the management of very specific projects, since it relates to international projects that involve numerous subsidiaries and cultures.

  This has been accomplished by the Group and led to SWORD establishing operations in more than 10 countries worldwide.

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. In fact, this products-based 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.

3.2 Current operating profit

Operating profit from all consolidated companies for 2005 was €15,651K, i.e. 15.42% of turnover.

The operating margin continued 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 acquisition.

3.3 Operating profit

Operating profit from all consolidated companies for 2005 was €16,710K, i.e. 16.46% of turnover.

3.4 Cost of net debt

The cost of net debt stood at €908K, i.e. 0.9% of turnover.

This cost consists primarily of net interest charges on loans (€786K), a financial lease agreement (€133K) and placement products and non-consolidated shares (€13K).

3.5 Income tax and net profit

Income tax on consolidated profit was €5,056K, which represents an effective taxation rate of 31.37%.

After income tax, net profit for the consolidated companies stood at €11,060K, i.e. 10.90% of turnover. The Group share of net profit stood at €10,803K, i.e. 10.64% of turnover, while net profit allocated to minority shareholders was €257K.

3.6 Debt, cash flow and investments

Net debt, i.e. total gross debt from which cash reserves on 31st December 2005 were deducted, stood at €45,730K.

The cash flow of the Group (see cash flow table) stood at €17,621, deducted from the cost of net debt and tax.

Gross investments for the financial year, both intangible (excluding goodwill and market shares) and tangible, stood at €5,122K.

3.7 External growth

External growth relates in the main to the following acquisitions:

- PRAGMA and HARVARD on 6th April 2005 (annual turnover of €9M)
- LINKVEST on 28th July 2005 (turnover of €6.5M)
- INTECH during Novermber 2005 (turnover of €15M)

3.8 Performance of the main subsidiaries of the Group (SWORD SA, SWORD NORD, SWORD SAS, SWORD CONSULTING, FIRCOSOFT, SWORD TECHNOLOGIES SA, SWORD UK, SWORD CREATION INFORMATIONQUE Ltd, SWORD SUISSE and FI SYSTEM BELGIUM)

Turnover for **SWORD SA** was €22,498K. Net profit stood at €422K.
The activity of SWORD SA during 2005 can be summarised as follows:

In 2005, SWORD SA recorded activity similar to that for 2004.

In 2005, a major effort was made in relation to medium- and long-term measures which resulted in:

1. New appointments and a reorganisation of teams at SWP, the division in charge of exports, with national patent and trademark offices.

2. A reorganisation of our activities in the west of France, in particular:

   - In Rennes, with a greater proportion of turnover generated by companies other than Cegetel;
   - In Bordeaux, where there is no office as such but major project opportunities;
   - In Niort, where we have signed contracts with insurance companies.

In general, 2005 has allowed us to:

- Increase the size of SWORD SA's order book;
- Recruit new personnel at the end of the year;
- Restructure certain business units.

We are confident that SWORD SA will be able to increase its profitability in 2006.

Turnover for **SWORD NORD** was €2,214K. Net profit stood at €227K.

The activity of SWORD NORD during 2005 can be summarised as follows:

SWORD NORD was able to manage its growth and profitability in 2005.

Growth for the year was 133%, while its operating margin rose from 5.4% to 16.4%.

40% of its turnover was generated by sub-contracting out to SWORD Belgique for "nearshore" activities.

Turnover for **SWORD SAS** was €2,340K, compared with zero for the previous year. Its net profit was €235K, versus a net loss of €16K for the previous year.

The activity of SWORD SAS during 2005 can be summarised as follows:

SWORD SAS began operations at the beginning of 2005. This company was able to combine profitability and growth: operating profit for the year was 14.8%.

During 2005, SWORD SAS was able to commence operations with a number of employee delegation missions and moved very quickly towards fixed project development missions corresponding to the majority of the order book as at 31st December 2005.

Turnover for **FIRCOSOFT** stood at €3,757K, an increase of 42% on the previous financial year. Its net profit was €932K, compared with €556K the previous year.

The activity of FIRCOSOFT during 2005 can be summarised as follows:

FIRCOSOFT experienced significant growth in 2005, both in FIRCOSOFT SAS and its subsidiary, FIRCOSOFT INC (greater than 40%).

Performance in terms of profitability was even better: consolidated profits rose 165%.
In 2005, FIRCOSOFT achieved sales worldwide, with promising beginnings in China.

In 2005, FIRCOSOFT confirmed its position as the world leader in filtering tools for banks.

Turnover for **SWORD TECHNOLOGIES SA** stood at €25,295K, versus €23,902 K in the previous financial year. Its net profit was €1,643K, compared with €2,550K the previous year.

The activity of SWORD TECHNOLOGIES during 2005 can be summarised as follows:

In 2005, SWORD TECHNOLOGIES' activity rose 6%, while its profitability fell 4 percent. This was due to a reduction in tariffs in the European Union.

In order to compensate for this disadvantage, a number of decisions were made. These decisions will be implemented in 2006:

1. The use of an offshore platform in Greece, in order to increase profitability per project;

2. An increase in forecast turnover in 2006, with fixed structural costs;

3. A major prospecting effort in Belgian markets outside the European Union, which bore fruit at the end of 2005; these contracts provided the basis for a tripling of turnover in 2006 compared with 2005.

Turnover for **SWORD UK Ltd** stood at £14,023K, following the merger with GLOBAL UK, ECM and CIMAGE LTD, compared with turnover of £2,458 the previous year. Its net profit of £1,793K was £1,477K higher than the previous year.

The activity of SWORD UK Ltd during 2005 can be summarised as follows:

SWORD UK was the product of the absorption of CIMAGE and GLOBAL in 2005.

This company is engaged in the following activities:

1. Document engineering, in particular the Documentum specialisation; and

2. The sale of document management products with the integration of CIMAGE.

There was a major canvassing effort made in 2005:

- In one year, the size of the order book for services grew 25%; and
- In terms of products, major investment was undertaken in order to develop new ranges of FUSION products. These products will be available at the end of the second quarter of 2006. Already, there has been a very good response to these products from our clients.

2006 is set to be a year of growth and increased profitability for SWORD UK.
SWORD CREATION INFORMATIQUE did not generate turnover. Its net profit of 147KRand represents an increase of 149KRand on the previous year.

The activity of SWORD CREATION INFORMATIQUE during 2005 can be summarised as follows:

SWORD CREATION INFORMATIQUE is a holding company that owns 55% of SWORD SOUTH AFRICA, the company of the Group operating in South Africa.

The target market of this company is South African national patent and trademark office (CIPRO).

In 2005, a local management was been put in place and the company broke even at the end of the year (in monthly terms).

Turnover for **SWORD SUISSE** stood at €1,404K, an increase of 96% on the previous financial year. Its net loss of €153K represents a reduction in net profit of €134K on the previous year.

The activity of SWORD SUISSE during 2005 can be summarised as follows:

On 1st August 2005, SWORD SUISSE acquired LINKVEST, a company which has its registered office in Lausanne and an annual turnover of 10 million Swiss francs.

This loss-making company was restructured and recorded a profit in December 2005.

In addition, SWORD SUISSE's activity almost doubled compared with that for 2004. Its activity is a perfect complement for that of LINKVEST.

Turnover for **FI SYSTEM BELGIUM** was €0K. Its net profit of €413K was 434 times higher than the previous year.

The activity of FI SYSTEM BELGIUM during 2005 can be summarised as follows:

FI SYSTEM is the holding company of ASCII, a web content management company whose main client is the European Union.

In 2005, the main project with DG PRESSE aimed at managing the Europa site was extended and the management of this entity underwent a total restructure.

Indeed, there was an improvement in profitability and new proposals were made aimed at the private market.

In 2006, ASCII is in a strong position to generate profitable growth and achieve diversification in its client base.

3.9 Important events occurring after year-end

1- The Board of Directors meeting of 19th January 2006 verified the exercise of 29,336 share subscription warrants and the corresponding increase of 36,670 euros in equity capital between 11th June 2005 and 31st December 2005, with equity capital increasing from 7,371,750 euros to 7,408,420 euros. Article 8 of the company by-laws were amended as a result of the above.

2- The company **SWORD ATLANTIQUE,** which is 80% owned by our Company, was incorporated in the Trade and Companies Register of LYON on 17th January 2006. The company, which began its IT advisory operations on 2nd January 2006, has its registered office at 9 avenue Charles de Gaulle, Saint-Didier, Mont d'Or (69370). Its secondary office, at 2 avenue des Améthystes, NANTES (44338), was opened on 8th February 2006.

3- SWORD GROUP sold its subsidiary SWORD NORD to the management team of the latter on 27th January 2006. This sale had already been included in our budgets for 2006. SWORD GROUP will retain 15% of SWORD NORD and a partnership agreement. This sale was due to the wish of SWORD GROUP to remain focussed on highly-regulated markets and to improve its operating margin in relative value terms.

4- In an effort to simplify and increase the readability of the organisational chart of the SWORD Group, SWORD SA sold its direct shareholdings in SWORD CONSULTING and SWORD SAS to SWORD GROUP. As part of this process, the SWORD SA works council was informed of and consulted on this operation. The council issued a favourable opinion in respect of the same on 26th January 2006.

5- For the same reasons, SWORD SUISSE sold its shareholding in SWORD LINKVEST SA to SWORD GROUP.

Thus, at the time of publication of this report, our company directly owned:

- 100% of shares in SWORD CONSULTING;
- 89.51% of shares in SWORD SAS; and
- 100% of shares in SWORD LINKVEST SA.

6- On 31st January 2006, SWORD DDS sold the property lease agreement between it and the company SICOMI RHONE ALPES to SOCIETE NATIONALE DE PROPRIETE D'IMMEUBLES (SNPI). Following this sale, SNPI, having replaced SWORD DDS as a party in the agreement, signed a sub-lease agreement with SWORD GROUP on 31st January 2006. At the same time, SWORD DDS also terminated the its sub-lease agreements with SWORD GROUP and SWORD SA.

7- SWORD GROUP achieved a worldwide presence, developing a strategic relationship with NEXTECH in Latin America by acquiring 10% of its shares on 27th January 2006. NEXTECH became an affiliate of the SWORD Group, but will not be consolidated in the accounts of the Group.

NEXTECH is a specialist IT firm that shares the business model, organisation and values of the Group. NEXTECH develops Enterprise Content Management (ECM) projects and is involved in advisory, implementation, technical support and systems integration projects. While NEXTECH is based in Brasil, it has operations in Colombia, Venezuela, Mexico and Argentina. NEXTECH's target markets are the mining, oil and telecoms sectors, as well as governments. NEXTECH has long been a distributor of CIMAGE products of SWORD GROUP.

NEXTECH and SWORD GROUP work together towards;

- Shared growth in Latin America in regulated markets;
- Growth in turnover generated by products and components.

SWORD GROUP aims to develop its products business in the Americas, where 1/3 of its sales will be generated in Latin America and 2/3 in North America within five years.

3.10 Outlook

The 2005-2007 business plan contained in the 2004 background document was based on an assumption of 15% growth in the perimeter for the previous year, with acquisitions having been stabilised.

This business plan was as follows:

In €M	**2005**	**2006**	**2007**
Consolidated turnover	101.3	131.3	166.5
Pro-forma turnover	111.5	141.5	176.5
Consolidated operating profit	15.2	19.7	25.0

As this table shows, the business plan contained in the 2004 background document was surpassed in 2005:

In €M	Actual	Business plan	**Actual difference /business plan**
Consolidated turnover	101.5	101.3	**+ 0.2**
Pro-forma turnover	121.8	111.5	**+ 10.3**
Consolidated operating profit	16.8	15.2	**+1.6**

Internal growth for the year was 14.08%, while consolidated growth was 29.19%.

With pro-forma turnover for 2005 greater than the initial budget, we have reevaluated turnover (internal growth) budgeted in 2006 to €137M.

This budget takes into account:

- The sale of €2.5M in turnover (in January 2006 via the sale of SWORD Nord);
- Internal growth at slightly more than 15% for companies managed for 12 months in 2005;
- Internal growth in the order of 15% for INTECH and PRAGMA (2005 acquisitions),
- Consolidation of turnover for LINKVEST and HARVARD (2005 acquisitions).

Turnover of €8M has been forecast for 2006, of which just €3M will be consolidated turnover.

The updated budget for 2006 thus reads as follows:

in €M	Updated budget	Business plan established in 2004
Consolidated turnover	140.0	131.3
Pro-forma turnover	145.0	141.5

As always, operating profit must be equal to or greater than 15% of consolidated turnover.

3.11 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.

3.12 Research and development

In 2005, R&D consisted of the following:

1. **Products:**

   65% of possible days of operation of our colleagues, i.e. 21.7% of total products business

2. **Services**

   4% of possible days of operation of our colleagues, i.e. 2.5% of services turnover

In consolidated terms, the result of the above is:

12.4% of possible days of operation of our colleagues, i.e. 6.9% of consolidated turnover.

3.13 Approval of the consolidated financial statements

We request that you approve the consolidated accounts for the year ended 31st December 2005 (balance sheet, profit and loss statement, and annexes) as they are submitted and which show a total consolidated profit of €11,060K (of which the group's share is €10,803K).

4) ACTIVITIES OF SWORD GROUP – PRESENTATION OF THE CORPORATE FINANCIAL STATEMENTS

4.1 Company activities over the financial year 2005 – Balance sheet and income statement

The workforce of the holding company was unchanged in 2005.

The balance of its operating accounts is maintained by rebilling its services to its subsidiaries.

Over 2005, 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:

- **Operating income** was **€3,027,800.86**

- **Turnover** was **€3,026,580.89**
  i.e. an increase of more than 14% from the previous year's figures.

- **Operating costs** were **€2,490,292.26**
  compared with €2,112,466.26 for the financial year ending 31st December 2004

  The major expenses were:

  - Other external purchases and expenses €1,666,073.62
  - Taxes and duties €33,740.35
  - Salaries and wages €505,203.07
  - Social contributions €203,181.90
  - Other expenses €47,011.33

- **Operating profit** was therefore **€537,508.60**
  compared with €541,001.76 for the previous financial year.

- **Financial income** stood at **€5,201,878.00**
- while **financial expenses** were **€1,303,253.82**
- **Profit/loss on financial operations** were therefore **€3,898,624.18**
  compared with €3,416,801.99 for the previous financial year.

- **Income from ordinary operations** before tax was **€4,436,132.78**
  compared with €3,957,803.75 for the previous financial year

- **Extraordinary income** was **€38,211.65**
  While **extraordinary expenses** were **None**
  Therefore, **extraordinary profit** was **€38,211.65**

- **Income tax** was equal to **€786,000.00**

- Profit for the financial year was therefore **€3,688,344.43**
  compared with a profit of €3,525,785.60 for the previous financial year

4.2 Important events occurring after year-end

In accordance with the provisions of Article L 232-1 of the Commercial Code, we inform you that with the exception of the events described in point 3.9 above, no significant event which could have had an impact on the perception of the position of the Company occurred or came to light after the end of the financial year.

4.3 Outlook for 2006

The outlook for 2006 is described in point 3.10 above.

4.4 Description of human resources and the corporate environment

The workforce of the Company remained unchanged. With the exception of one assistant, all members of the workforce are members of the Management Committee.

Accordingly, the list of formal information on corporate matters as provided by the Decree of 20^{th} February 2002 is of little interest.

4.5 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.

4.6 Information on market risks

4.6.1 – 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.

As at 31^{st} December 2005, it was equal to 15.5 months of turnover for 2006 budgeted in internal growth (€137M).

Naturally, part of this turnover relates to 2007 and 2008. The proportion of turnover for 2006 represents turnover for 9.5 months.

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.

4.6.2 – 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.

4.6.3 – 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.

4.6.4 – 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.

5) 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.

5.1 Significant purchases of interests or acquisitions made during the financial period in companies headquartered in France

During the financial year ending 31st December 2005, SWORD GROUP did not acquire significant interests or control of companies headquartered in France.

5.2 Activities and results of the subsidiaries in the sense of article L.233-1 of the Commercial Code

COMPANY	STAKE HELD AS A PERCENTAGE	TURNOVER in thousands of euros	RESULT in thousands of euros	ACTIVITY
SWORD SA	99.99%	22,498	422	ECM Service
SWORD UK	100%	18,776	2,622	Service and Product Advice
SWORD INC	100%	6,046	-648	ECM Service and Product
SWORD CREATION INFORMATIQUE SA	100%	-	19	Holding company

COMPANY	STAKE HELD AS A PERCENTAGE	TURNOVER in thousands of euros	RESULT in thousands of euros	ACTIVITY
SWORD SUISSE	94.80%	1,404	-153	ECM Service
SWORD TECHNOLOGIES SAS	96.92%	25,295	1,644	ECM Service
SWORD NORD	96.5%	2,214	227	ECM Service
FI SYSTEMS BELGIUM	100%	-	413	Holding company

5.3 Activities and results of the companies controlled in the sense of article L.233-3 of the Commercial Code

COMPANY	STAKE HELD AS A PERCENTAGE	TURNOVER	RESULTS	ACTIVITY
SWORD SOUTH AFRICA LIMITED	55%	501	-37	ECM Service
SWORD CONSULTING	100%	3,706	863	Consulting
SWORD DDS	100%	442	28	-
SWORD SAS	83%	2,340	236	ECM Service
FIRCOSOFT	95.50%	3,402	932	ECM Service
FIRCOSOFT INC	100%	830	128	ECM Service
SWORD SECURITY SA	60%	4	-15	ECM Product
SWORD IT SOLUTIONS	65%	237	69	Offshore
ASCII	100%	5,884	615	ECM Service
SWORD GLOBAL INDIA	100%	1,862	101	Offshore
SWORD LINKVEST	100%	3,838	537	ECM Service
SWORD LEBANON		98	16	Offshore
PRAGMA SYSTEMS	100%	8,370	1,137	ECM Service
HARVARD Consulting	100%	1,886	207	Consulting
INTECH	100%	2,500	374	ECM Product

6) 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.

7) Breakdown of SWORD GROUP capital at the close of the financial year (in %)

Forename-Surname	% capital	% voting rights
Jacques MOTTARD	23.50	32.39
21 CENTRALE PARTNERS	0	0
Françoise FILLOT	1.43	2.35
Christian TAPIA	1.27	2.08
Own shares	0.14	0
Employees and miscellaneous registered shareholders	3.42	5.58
Free float	70.24	57.52
TOTAL	**100.00**	**100.00**

In an e-mail dated 22nd February 2006, the company Threadneedle Investments declared that its shareholding had only exceeded 5%.
According to a notarial instrument dated 30th September 2004, Messrs Jacques, Antoine, Guillaume and Nicolas MOTTARD, as well as Mrs. Aurélie MOTTARD, assumed the commitment, under Article 787B of the General Tax Code, to keep 341,200 shares in SWORD GROUP together for a period of two years. Following the division of the nominal value of shares in the Company by 5 decided by the General Meeting of 29th April 2005, this number was increased to 1,706,000.

In addition, the signatories to the commitment described above in particular plan to transfer the 1,706,000 SWORD shares the object of said commitment to a family holding company prior to the General Meeting of 28th April 2006.

8) Variations in the share price

2005	As at 15th March 2006
Highest price €26.40 (1st December 2005)	Highest price €31.50 (15th March 2006)
Lowest price €19.40 (3rd January 2005)	Lowest price €25.60 (2nd January 2006)
Number of shares traded on the stock market 6,734	Number of shares traded on the share market from 01/01/2006 to 15/03/2006: 714,002

9) Information on the acquisition and sale by the company of its own shares as at 31st December 2005

Number of shares held by the Company as at 31st December 2004	68,682
Number of shares purchased in 2005	20,848
Number of shares sold in 2005	78,924
Number of shares held by the Company as at 31st December 2005	10,606

Additional information can be found in the Board of Directors' special report prepared in accordance with the provisions of Article L.225-209 of the Commercial Code.

10) Profit allocation proposal

We request that you approve the corporate financial statements for the financial year ending 31st December 2005 (Balance Sheet, Income Statement and Appendix) such as they are presented to you, which show profits of €3,688,344.43.

We suggest that the result be appropriated as follows:

- to the Legal Reserve; €184,417.22
- to the shareholders as dividend; €2,222,526.00
- the balance, i.e. €1,281,401.21
  to the "Balance brought forward"

The net dividend per share would be €0.30 per share (the tax credit is no longer applicable to this distribution).

Bearers of share subscription warrants that have exercised these warrants as at the date of the general Meeting will be entitled to this dividend.
Under this arrangement, we request that you grant the Board of Directors the authority to deduct the sums necessary to pay the dividend set above corresponding to shares resulting from the exercise of SSWs from the «Balance brought forward» account.

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 40% rebate on the taxable amount of distributed revenue, this rebate being reserved for private taxpayers whose tax domicile is in France.

- That the dividends paid over the last three financial years and corresponding tax credits were as follows. It is stated that the Extraordinary General Meeting of 29th April 2005 decided to divide the nominal value of shares in the Company by 5, reducing their nominal value from €5 to €1.

Financial year ending	Net dividend per share	Tax credit
31st December 2004	€1.20	None
31st December 2003	€0.90	€0.45
31st December 2002	€0.75	€0.375

11) Non-tax-deductible expenses

In accordance with the provisions of Article 223 quater of the General Tax Code, we inform you that the accounts for the past year do not assume responsibility for expenses not deductible from the result for tax purposes in the sense of Article 39-4 of the General Tax Code.

12) 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.

13) Objective and exhaustive analysis of the turnover, results and financial position of the Company

The details of this analysis are contained in the 2005 background document.

14) Corss holdings between companies

We inform you that the Company was not required to dispose of shares with a view to bring to an end the cross holdings between companies prohibited under Articles L 233-29 and L 233-30 of the Commercial Code.

15) Operations conducted by management involving shares during the year

Name of shareholder	Total number of securities sold	Average sale price per share
Jacques MOTTARD	77,950	€22.87
Christian TAPIA	10,000	€24.16
FCPR 21 DEVELOPPEMENT	2,017,250	€24.50

16) Table of delegations for capital increases

The General Meeting of 29th April 2005 delegated to the Board authorisation to carry out the following capital increases:

Nature of the delegation	Nature of the operation	Shares to issue	Authorised capital increase amount
Full delegation	Capital increase, PSR waived	Capital share 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

These delegations were not used by the Board of Directors during 2005.

It is noted that the Board of Directors meeting of 13th March 2006 proposed the renewal of said delegations to the General Meeting of 28th April 2006.

17) Agreements mentioned in Articles L. 225-38 et seq. of the Commercial Code

We request that you 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 by the Board of Directors during the past financial year.

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.

18) 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, below is a list of the various mandates and functions conducted in all the French and foreign subsidiaries by each of the Company's representatives during the financial year ending 31st December 2005.

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	SWORD UK	Unlimited duration
Chairman	unlimited	PRAGMA SYSTEMS	Unlimited duration
Chairman	unlimited	HARVARD	Unlimited duration
Chairman	unlimited	INTECH	Unlimited duration
Chairman	unlimited	SWORD GLOBAL Ltd	Unlimited duration
Chairman	unlimited	SWORD ECM Ltd	Unlimited duration
Chairman	unlimited	CIMAGE Ltd	Unlimited duration
Chairman	unlimited	Cimage Novasoft	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	6 years	SWORD TECHNOLOGIES SA	10.12.08
Chairman	6 years	SWORD SECURITY SA	31.12.08
Chairman	unlimited	FIRCOSOFT Inc	Unlimited duration
Chairman and Board Member	6 years	FI SYSTEMS BELGIUM	11.02.2010
Chairman and Board Member	6 years	ASCII	11.02.2010
Director	unlimited	SWORD GLOBAL INDIA	Unlimited duration
Chairman	1 years	SWORD SUISSE	31.12.05
Chairman	unlimited	SWORD LINKVEST	Unlimited duration
Chairman	unlimited	SWORD LEBANON	Unlimited duration
Director		SWORD IT SOLUTION	30th June 2006
Mandates exercised outside the Group			
Manager	unlimited	SCI FI	Unlimited duration
Manager	unlimited	LE SEMAPHORE	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			
Member of the Supervisory Board	6 years	LE PUBLIC SYSTEME	31.12.09
Director	6 years	EGIDE	31.12.05
Member of the Supervisory Board	3 years	COTHERM DEVELOPPEMENT	31.12.07
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	1 years	ALLTUB	31.12.05
Member of the Supervisory Board	3 years	FINANCIERE VERLYS	31.12.07
Member of the Supervisory Board	5 years	FINANCIERE EUROPE ASSURANCE	31.12.09
Member of the Supervisory Board	3 years	FINANCIERE SYREVA	31.12.07
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	CIMAGE Ltd	Unlimited duration
Director	unlimited	CIMAGE Novasoft	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	SWORD GLOBAL Ltd	Unlimited duration
Director	unlimited	SWORD GLOBAL INDIA	Unlimited duration
Managing Director	unlimited	SWORD DDS	Unlimited duration
Director	6 years	SWORD SECURITY	2008
Managing Director	unlimited	FIRCOSOFT Inc	Unlimited duration
Director	unlimited	PRAGMA SYSTEMS	Unlimited duration

Director	unlimited	HARVARD Consulting	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	CIMAGE Ltd	Unlimited duration
Director	unlimited	CIMAGE Novasoft	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	SWORD GLOBAL Ltd	Unlimited duration
Director	unlimited	SWORD GLOBAL INDIA	Unlimited duration
Managing Director	unlimited	FIRCOSOFT Inc	Unlimited duration
Director	6 years	SWORD TECHNOLOGIES SA	10.12.08

It is noted that Mr. Christian TAPIA resigned from his post as deputy managing director, effective 13th March 2006. On this date, the Board of Directors decided to appoint Mr Heath DAVIES as his replacement.

19) Remuneration of executive officers

Total remuneration paid to executive officers was €282,582.73.

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 (Gross)	DIRECTOR'S FEES	Variation in remuneration from 31/12/04
Jacques MOTTARD Chairman and CEO	By the company: €36,587.76 (including executive vehicle) By companies controlled as per article L.233-16 of the Commercial Code: €0	By the company: €20,000	+ 9.7%
21 CENTRALE PARTNERS, represented by François BARBIER	By the company: €0 By companies controlled as per article L.233-16 of the	By the company: €25,000	Unchanged

Director	Commercial Code: €0		
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: €73,175.52 (gross) + €20,000 bonus By companies controlled as per article L.233-16 of the Commercial Code: €0	None	+26%
Christian TAPIA Executive Vice President	By the company: €15,400 (gross) + $108,644 By companies controlled as per article L.233-16 of the Commercial Code:	None	+22.7%

No premium system in the event of the arrival or departure of company partners exists in SWORD GROUP. Moreover, there is no specific complementary retirement regime.

It is noted that Mr. Christian TAPIA resigned from his post as deputy managing director, effective 13th March 2006. On this date, the Board of Directors decided to appoint Mr Heath DAVIES as his replacement.

20) Directors' fees

We propose that directors' fees paid to members of the Board be set at €58,750.

We inform you that the directors' fees rose 25%, an increase that corresponds to the percentage increase in the dividend.

21) 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 April 2005 authorised the Board to conduct operations involving Company shares, in accordance with the provisions of Article L.225-209 of the Commercial Code, for a period of 18 months, i.e. until 28th October 2005.

With regards to the performance of the Company's share price, we we propose that you cancel the authorisation granted by the General Meeting of 29th April 2005 and replace it with a new share repurchase program.

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 shares in the Company 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 employees or representatives of the Company or the Group, under the conditions and in accordance with the methods provided for in the Law, in particular as part of the distribution of the fruits of the growth of the Company, for the share purchase option service as part of the company savings plan, or for the free allocation of shares to employees as a function of their performance in accordance with the provisions of Article L 225-197-1 and subsequent Articles of the Commercial Code;

- Cancel acquired securities.

This authorisation would be granted under the following conditions:

- The number of shares purchased by the Company by virtue of this authorisation cannot represent more than 10% of share capital, as adjusted as a function of operations that subsequently affect the decision of the General Meeting. It is also stated that in accordance with the provisions of Article L.225-209 paragraph 6 of the Commercial Code, the number of shares purchased by the Company to hold and eventually trade or use as payment as part of a merger, split or capital increase cannot exceed 5% of share capital;

- 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 shares can be bought will be set at 50 euros each. The minimum price at which shares can be sold will be set at 20 euros 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;

22) Harmonisation of by-laws, in particular with the law to promote confidence and economic modernisation of 26th July 2005

We inform you that the law to promote confidence and economic modernisation of 26th July 2005 (Breton Law) has led to amendments to the Company Law, in particular the amendment of (i) the quorum applicable to General Meetings held by limited liability companies, as well as (ii) shareholdings in excess of the limits on shareholdings and voting rights.

As a result, you will be able to make a pronouncement on the harmonisation of the by-laws of the Company with the most recent legal provisions relating to quorums applicable to General Meeting and breaches of share ceilings. Articles 19 (paragraph E) and 10 of the by-laws will be amended as a result of a vote in favour on your part.

23) 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

We inform you that it would be convenient if new authorisations were to be granted to the Board in order to increase the share capital of the Company, in accordance with the provisions of Articles L. 225-129-2 and L. 228-92 of the Commercial Code. These authorisations would cancel out those granted by the General Meeting of 29th April 2005.

Thus, we request that you delegate to the Board the authority to determine, at its sole discretion, on one or more occasions and in the proportions and as it sees fit, both in France and abroad, in euros or foreign currency or unit of account set by reference to several currencies, to issue, with preservation of the pre-emptive right, 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 giving the bearer an entitlement 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 would like to point out that this delegation would supersede the delegation granted by the Ordinary and Extraordinary General Meeting of 29th April 2005 with the vote on its thirteenth resolution.

24) 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

It would also be desirable if 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, were to delegate to the Board of Directors the authority to determine, at its sole discretion, on one or more occasions and in the proportions and as it sees fit, both in France and abroad, in euros or foreign currency or unit of account set by reference to several currencies, to issue, with preservation of the pre-emptive right, 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 giving the bearer an entitlement 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 would like to point out that this delegation would supersede the delegation granted by the Ordinary and Extraordinary General Meeting of 29th April 2005 through the vote on its fourteenth 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.

25) 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 the amended Article 155-4 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.

This authorisation will supersede any prior authorisation granted regarding the same issue.

26) 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.

Please note that the aforementioned delegation would supersede any prior authorisation granted regarding the same issue.

27) Delegation of authority to decide to increase 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.

28) Delegation of authority granted to the Board of Directors for the issue of share options reserved for all or some employees and/or representatives of the Company and/or associated companies in the sense of Article L 225-180 of the Commercial Code, the setting of the main conditions and methods to be used in this operation

In order to ensure the loyalty and motivation of certain employees and representatives of the Company and/or companies associated with it in the sense of Article L 225-180 of the Commercial Code, we propose to you that a Company share subscription plan be implemented for these employees and representatives.

Such a plan, implemented under the conditions stipulated in Article L 225-177 and subsequent Articles of the Commercial Code, would have the dual advantage of interesting the recipients in the future results of the Company, in particular by offering them the possibility of receiving dividends, without increasing staff costs, while at the same time procuring for the Company additional equity capital capitaux propres which will be of use to its development.

The broad outline of this plan, which the Board of Directors will be responsible for drafting once the General Meeting has given its authorisation, will be as follows:

- The authorisation to be granted to the Board by the General Meeting will be valid for 38 months, starting on the date of said General Meeting;

- In accordance with the provisions of Article L 225-177, paragraph 4 of the Commercial Code, the share subscription price will be set on the date the options are approved by the Board of Directors, in accordance with the methods to be decided by the General Meeting. As part of this process, a suggestion can be made to the General Meeting that the subscription price cannot be less than the average share price on the bourse for the 20 sessions prior to the allocation date, with no discount.

- Options must be exercised no later than 10 years after the date of allocation of these options by the Board of Directors.

- The total number of options to be approved during this period cannot result in the subscription of more than 60,000 shares at a nominal value of one euro each.

In view thereof, you are requested to authorise the Board of Directors, under the provisions of Article L 225-177 and subsequent Articles of the Commercial Code, to grant as part of a capital increase on one or more occasions to all or some of the employees and/or representatives of the Company and/or associated companies in the sense of Article L 225-180 of the Commercial Code options that give the holder the right to subscribe 60,000 new shares to be issued as a capital increase.

If you agree to this proposal, your decision will imply ipso facto acceptance of the waiver by shareholders of their pre-emptive right to shares to be issued during the exercise of options.

We also request that you grant the Board of Directors the necessary powers to set other conditions and methods for the allocation and exercising of options, in particular to:

- Determine the names of recipients of the options;

- Set the subscription price, in accordance with the rules described above;

- Set the conditions under which approval will be given for options; determine conditions under which the price and number of shares can be adjusted, in particular under the circumstances provided for in Articles 174-8 to 174-16 of Decree no. 67-236 of 23rd March 1967;

- Provide the option to temporarily suspend the exercising of options in the event of financial operations that imply the exercising of a right attached to the shares;

- Complete or have completed all procedures and formalities that can result from the implementation of this authorisation, modify the by-laws and, in general, do anything necessary;

-

- Impute the cost of capital increases to premiums relating to these increases, and deduct from this amount any amounts required to bring the legal reserve up to 10% of share capital after each increase at its own discretion, if he deems it appropriate.

In accordance with the provisions of Article 174 of Decree no. 67-236 of 23rd March 1967, the Auditors of the Company will present to you a report on the methods proposed for setting the subscription price.

29) 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 4 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, which, for now, is not in line with the Company's objectives.

The Board of Directors

Jacques MOTTARD
Chairman and CEO
SWORD GROUP

26.2 Board of Administators' Report on Stock Options – Year Ending 31st December 2005

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 31st December 2001, a Share Options Plan was inaugurated at SWORD SA.

During the financial year ending on 31st December 2005, 4,500 stock options in SWORD were exercised by their beneficiaries. As at that date, all stock subscription warrants under that plan had been exercised. Additional information can be found in the Company reference document for 2005.

We would also inform you that a Shares Option Plan was set up in 2000 at FIRCOSOFT SAS.

During the year-ended 31st December 2005, 980 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 4th November 2005 authorized its Chairman to allocate to certain members of the Company's staff, 340 new options. The Chairman, by virtue of a decision made on 4th November 2005, used his authority to allocate 300 stock option subscriptions. None of these new options was applied for during the elapsed financial year.

The Appendix contains information on FIRCOSOFT and SWORD SA referred to in Article L 225-184 of the Commercial Code.

Done in Saint Didier au Mont d'Or

APPENDIX 1

LIST OF RECIPIENTS OF STOCK SUBSCRIPTION OPTIONS IN FIRCOSOFT

	STOCK SUBSCRIPTION PLAN AUTHORISED BY THE FIRCOSOFT GENERAL MEETING OF 04/11/2005 AND APPROVED BY THE CHAIRMAN ON 04/11/2005 Nominal value of stock: €16 Issue price : €537 (premium of €521) Options exercised between 05/11/2007 and 05/11/2009			
Beneficiaries	**No. of stocks that can be subscribed**	**Date of exercise of options**	**Number of stock subscribed**	**Date of sale of subscribed stock**
France PIOGER	50			
David JACQUET	50			
Geraldine CRAMBERT	35			
Neziha DJIGOUADI	30			
Florence VICENTINI	40			
Lionel BENSIMON	30			
Sébastien REY	35			
Stéphane PADOVANI	30			
TOTAL	**300**			

APPENDIX 2

NUMBER AND PRICE OF SUBSCRIBED STOCK IN SWORD SA FOR THE YEAR ENDING 31/12/2005

Beneficiaries	Number of stock subscribed	Subscription price	Plan no.
Corinne PINCET	150	€5	1
Eric BERNARD	150	€5	1
Sylvain MOINDRON	150	€5	1
Essomatee BEELOO	150	€5	1
Florent PETIT	150	€5	1
Philippe GARNIER	150	€5	1
Laure GEROT	150	€5	1
Vadym MOSHENSKIY	150	€5	1
Philippe VANDEPLANQUE	150	€5	1
David JACQUET	150	€5	1
Laurent AMERGOUL	150	€5	1
Mareck PINCET	150	€5	1
Brigitte CANTE	150	€5	1
Linda HOUDOT	150	€5	1
Alain KASAPYAN	150	€5	1
Olivier LEBARS	150	€5	1
Michel RASSON	750	€5	1
Morgan HALDEMANN	150	€5	1
David LECUIT	150	€5	1
Cédric ANDRIEU	150	€5	1
Laurent CORBEL	150	€5	1
Bruno PERRON	150	€5	1
Sébastien SABRE	150	€5	1
Philippe JOUANNET	150	€5	1
Franck PILOT	150	€5	1
David GROSPELIER	150	€5	1

APPENDIX 3

NUMBER AND PRICE OF STOCK SUBSCRIBED IN FIRCOSOFT FOR THE YEAR ENDING 31/12/2005

Beneficiaries	Number of stock subscribed	Subscription price	Plan no.
Frédéric CASADEI	600	€15.24	1
Jean LOSCO	320	€15.24	1
Thierry HAESENBERGER	60	€15.24	1

26.3 Text of draft resolutions at the Ordinary and Extraordinary General Meeting of 28th April 2006

Ordinary resolutions

First resolution
(Approval of corporate financial statements)

The General Meeting, ruling under the conditions of quorum and majority required for ordinary general meetings, after having become aware of the Board's report, the report by the Chairman of the Board of Directors on the conditions for the preparation and organisation of works by the Board and internal monitoring procedures established by the Company and Auditors' reports, as well as the consolidated accounts for the financial year ending 31st December 2005, approves the company accounts as they appear for that year. These accounts contain a profit of 3,688,344.43 euros.

The Meeting also approved operations translated in the accounts or summarised in these reports, which have not given rise to any non-deductible expense from the result for tax purposes 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 conditions of quorum and majority required for ordinary general meetings, after having become aware of the Board's report, the report by the Chairman of the Board of Directors on the conditions for the preparation and organisation of works by the Board and internal monitoring procedures established by the Company and Auditors' reports, as well as the consolidated accounts for the financial year ending 31st December 2005, approves the consolidated accounts, as they have been presented, prepared in accordance with the provisions of articles L. 225-100 of the Commercial Code. These accounts reveal a profit of 11,059,531 euros, and a profit of 10,802,517 euros for the Group.

Third 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.

Fourth 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) Decided to allocate the profit of €3,688,344.43 for the period as follows:

- To the Legal Reserve:	€184,417.22
- To the shareholders as dividends:	€2,222,526.00
- The balance, i.e.: To the "Balance brought forward"	€1,281,401.21

The net dividend per share is therefore €0.30. This dividend will be paid on 2nd May 2006.

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 40% 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 deduct from the «Balance brought forward» account the amounts necessary to pay the dividend set above on shares resulting from the exercise of share subscription 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 2004	€1.20	None
31st December 2003	€0.90	€0.45
31st December 2002	€0.75	€0.375
NB: The Extraordinary General Meeting of 29th April 2005 approved the division of the nominal value of shares by 5		

Fifth 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 €58,750 the total directors' fees allocated to the Board of Directors for the current financial year.

Sixth resolution
(Authorisation for the Company to offer a new share repurchase program)

The General Meeting, ruling under quorum and majority conditions required for general ordinary meetings and having learnt of the Board of Directors' report and the special report aimed at Article L.225-209 of the Commercial Code, in accordance with the provisions of Article L. 225-209 and subsequent Articles of the Commercial Code of Commission Regulation (EC) 2273/2003 of 22nd December 2003, and Articles 241-1 to 241-6 of the General Regulations of the Autorité des Marchés Financiers, Authorises the Board of Directors, with the authority to subdelegate under the conditions provided for in the law and by-laws of the Company, to permit the Company to repurchase up to 10% of shares that make up its share capital (740,842 shares). It is stated that in accordance with the provisions of Article L.225-209, paragraph 6 of the Commercial Code, the number of shares purchased by the Company to hold them and eventually trade them or use them as payment as part of a merger, split or capital increase cannot exceed 5% of share capital (370,241 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 shares in the Company through a liquidity agreement compliant with the AFEI 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 employees or representatives of the Company or the Group, under the conditions and in accordance with the methods provided for in the Law, in particular as part of the distribution of the fruits of the growth of the Company, for the share purchase option service as part of the company savings plan, or for the free allocation of shares to employees as a function of their performance in accordance with the provisions of Article L 225-197-1 and subsequent Articles of the Commercial Code;
Cancel the shares, in the case of the latter, subject to the Extraordinary General Meeting voting for the ninth resolution.

The General Meeting decides that:

- The maximum purchase price per unit may not exceed 50 euros;
- The minimum sale price must be at least 20 euros each;
- The maximum funds the Company may allocate to the operation is €37,042,100.

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.

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 supersedes the authorisation previously granted by the eighth resolution of the Company's General Meeting of 29th April 2005.

<u>Seventh resolution</u>
<u>(Authority to complete formalities)</u>

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

<u>Eighth resolution</u>
<u>(Harmonisation of by-laws with the law to promote confidence and economic modernisation of 26th July 2005)</u>

The General Meeting, having heard the reading of the Board of Directors' management report proposing the harmonisation of the by-laws of the Company with the provisions of the law to promote confidence and economic modernisation of 26th July 2005 (The Breton Law), approved the following amendments:

The last three paragraphs of Article 10 were replaced with new paragraphs to read thus:
<u>Article 10: Ownership and form of shares</u>
«Any shareholder, whether acting individually or with another shareholder, who increases their ownership to more than 5%, 10%, 15%, 20%, 25%, a third, half, two-thirds, 90% or 95% of shares or voting rights must inform the Company of the total number of shares and voting rights they own, via registered mail with acknowledgement of receipt within 5 trading days of exceeding these thresholds. The same will apply in the event that said shareholding is reduced to below each of these thresholds.

This information will also be supplied to the Autorité des Marchés Financiers within 5 trading days of exceeding these thresholds.

Unless they have been promptly declared, shares in excess of the threshold that should have been notified do not have voting rights until two years after the regularisation of notification.»

Paragraph E of Article 19 henceforth reads as follows :

<u>Article 19: General regulations</u>

[…]

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

«1 – The quorum is calculated from the total number of shares that constitute the share capital, excluding any shares for which the right to vote has been withdrawn by virtue of the provisions of the Commercial Code.

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 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-fifth of shares that grant the holder voting rights. At the second meeting, no quorum is required.

Deliberation by the Extraordinary Meeting will only be valid 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 voting rights at the first meeting and, in the case of a second meeting, one-fifth of these shares. If the latter quorum is not achieved, the second meeting may be adjourned to a later date, no more than two months after the original date of the meeting.»

The rest of the article remains unchanged.

Ninth 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 on one or more occasions, within the limits of 10% of the capital, the shares that the Company may hold under Article L. 225-209 of the Commercial Code, as a result of the repurchase conducted under the sixth resolution of this Meeting, and purchases made 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.

The General Meeting notes that this authorisation supercedes any prior authorisation granted regarding the same issue.

Tenth 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, with immediate effect, the delegation granted by the Ordinary and Extraordinary General Meeting of 29th April 2005 by the vote on its thirteenth 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 currency on the date 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.

Eleventh 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, with immediate effect, the delegation granted by the Ordinary and Extraordinary General Meeting of 29th April 2005, by the vote on its fourteenth 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.

3°) 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 nominal 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 currency on the date of issue. It is specified that this nominal value will be entered against the nominal value of €100,000,000 set in the tenth 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 prior to the setting of the same, minus a maximum rebate of 5% if applicable, in accordance with the provisions of Article 155-5 as amended of the Decree of 23rd March 1967.

Twelfth 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 tenth 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 rights for 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 the amended Article 155-4 of the Decree of 23rd March 1967.

The meeting certifies that the limit provided for in paragraph 1 of I of Article L. 225-134 of the Commercial Code will be increased by the same proportions, and states that this authorisation will supercede any prior authorisation granted regarding the same issue.

Thirteenth 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 up of shares or marketable securities giving access to 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.

The aforementioned delegation supersedes any earlier delegation regarding the same issue.

In all cases, the amounts of capital increases conducted under this resolution are entered against the overall cap set out by the tenth 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.

Fourteenth resolution
(Delegation of powers to decide on a capital increase via the incorporation of reserves, profits or 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 ordinary 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 a Decree 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 tenth 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.

Fifteenth resolution

(Delegation of authority granted to the Board of Directors for the issue of share options reserved for all or some employees and/or representatives of the Company and/or associated companies in the sense of Article L 225-180 of the Commercial Code)

The General Meeting, ruling under quorum and majority conditions required for extraordinary general meetings, and having read the Board of Directors' report and the Auditors' special report prepared according to Article 174-19 of Decree No. 67-236 of 23rd March 1967:

Authorises the Board of Directors, within the context of Article 225-177 and subsequent Articles of the Commercial Code, to approve options that grant a right to the subscription of new shares in the Company to issue as part of a capital increase on one or more occasions to all or some of the employees and/or representatives of the Company and/or associated companies in the sense of Article L 225-180 of the Commercial Code;

Decides that this authorisation is granted to the Board of Directors for a period of 38 months from that date, to be used under the following conditions:

Rules that in accordance with the provisions of Article L 225-177 paragraph 4 of the Commercial Code, the share subscription price will be fixed for beneficiaries on the date the options are approved by the Board of Directors and be equal to their average price during the 20 trading sessions on the bourse prior to the decision to allocate the shares, with no discount;

Decides that the total number of options to be approved during this period cannot result in the subscription of more than 60,000 shares at a nominal value of one euro each. Under no circumstances can the total number of options to be offered give rise to a right to subscribe a number of shares greater than the limit set in Article L 225-182 of the Commercial Code and Article 174-17 of the Decree of 23rd March 1967 and subject to any other legal limitations;

Decides that options must be exercised no later than 10 years after the date of allocation of these options;

Decides that this authorisation constitutes the express waiver by shareholders of their preferential subscription right to shares as a result the exercising of options to recipients of subscription options;

Delegates all powers to the Board of Directors to set the other conditions and methods for the allocation and exercising of options, in particular to:

- Determine the names of recipients of the options;
- Set the subscription price, in accordance with the rules described above;
- Set the conditions under which options will be given; determine the period in which these options must be exercised; decide the conditions under which the price and number of shares can be changed, in particular under the conditions provided for in Articles 174-8 to 174-16 of the Decree of 23rd March 1967;
- Provide the option to temporarily suspend the exercising of options in the event of financial operations that imply the exercising of a right attached to the shares,
- Complete or have completed all procedures and formalities that can result from the implementation of this authorisation, modify the by-laws and, in general, do anything necessary;
- Impute the cost of capital increases to premiums relating to these increases, and deduct from this amount any amounts required to bring the legal reserve up to 10% of share capital after each increase at its own discretion, if he deems it appropriate; and
- More generally, establish the regulations of the share subsription option plan that will define the conditions governing the granting and exercise of the options, which will be signed by every recipient at the time of the allocation of these options.

<u>Sixteenth resolution</u>
<u>(Delegation of authority to implement a capital increase</u>
<u>in favour of the employees of the Group)</u>

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 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.

Seventeenth 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.

26.4 Special report prepared in accordance with Article L.225-209 paragraph 2 of the Commercial Code

ORDINARY AND EXTRAORDINARY GENERAL SHAREHOLDERS' MEETING OF 28th APRIL 2006

Dear Shareholders,

In accordance with Article L.225-209 paragraph 2 of the Commercial Code, the purpose of this report is to inform you of share purchase operations to have taken place within our Company.

This report also includes all information to be included in the description of the share repurchase program and referred to in Article 241-2 of the General Regulations of the AMF, as amended on 30th December 2005.

First and foremost, we will therefore prepare the report on the previous share repurchase program authorised by the General Meeting of 29th April 2005 and present to you the main characteristics of the new share repurchase program that we will submit for your approval at the General Meeting of 28th April 2006.

1- REPORT ON THE PREVIOUS PROGRAM

The Ordinary and Extraordinary General Meeting of SWORD GROUP on 29th April 2005 had authorised the Board of Directors, to implement a share repurchase program for 18 months starting on the date of said meeting, i.e. until 28th October 2006, in accordance with the conditions described in the information memo authorised by the AMF on 7th April 2005, which received authorisation no. 05-224.

Statement by the issuer of operations conducted involving its own shares from 1st April 2005 (the date of the previous report) to 28th February 2006

Percentage of equity capital held by the Company either directly or indirectly (as at 28th February 2006)	0.11%
Number of shares cancelled in the 24 months prior to the filing of the note	0
Number of shares held as treasury shares (as at 28th February 2006)	8,370
Book value of portfolio as at 28th February 2006	€190,123.20
Market value of portfolio based on a price of 29.94 euros for the average of the last 20 months in which it was listed (to 15th March 2006)	€250,597.80

	Cumulative gross flows		**Positions open as at 28th February 2006**	
	Purchases	Sales	For purchase	For sale
Number of shares	22,198	70,165	None	None
Maximum average duration	None	None	None	None
Median price	€22.65	€23.26	None	None
Average price for the financial year	None	None	None	None
Amount (€)	€502,784.70	€1,632,037.90	None	None

SWORD GROUP did not use income from this share repurchase program.

Part of the own shares held were used to cover the share repurchase shares in SWORD SA (subsidiary of SWORD GROUP) held by employees of the latter as part of the share subscription options plan.

As at 31st December 2005, employees of SWORD SA could no longer request the repurchase of SWORD SA shares. In addition, some employees who had received share subscription options did not exercise these options (in particular due to resginations).

As at 28th February 2006, SWORD GROUP held 8,370 own shares.

4,350 of these shares were managed by Gilbert Dupont as part of a liquidity contract.

Part of the balance (4,020 shares) corresponds primarily to coverage for share subscription options not exercised by employees of SWORD SA.

SWORD GROUP plans to sell all 4,020 of these shares through am investment services provider acting independently with a selling instruction.

The public will be informed of the decision to sell the 4,020 shares in a statement.

The selling instruction will be in accordance with the provisions of Article 2 of instruction no. 2005-07 of 22nd February 2005.

Distribution of the 8,370 shares held as at 28th February 2006 according to objective

Objectives of sale	Number of shares
Boost the market or the liquidity of shares in the Company through an investment services provider using a liquidity contract compliant with the AFEI ethical policy recognised by the AMF	4,350
Purchase shares to hold them and eventually trade them or use them as payment for potential external growth operations	0
Allocation to employees or representatives of the Company or the Group	0
Cancellation of shares	0
Selling instruction prepared by an independent investment services provider	4,020
TOTAL	**8,370**

2- MAIN CHARACTERISTICS OF THE NEW SHARE REPURCHASE PROGRAM SUBJECT TO THE ORDINARY AND EXTRAORDINARY GENERAL MEETING OF 28TH APRIL 2006

Given the performance of shares in the Company, we propose that the authorisation granted by the General Meeting of 29th April 2005 be cancelled and that it be replaced with a new share repurchase program with the following characteristics:

Issuer

SWORD GROUP, listed on Eurolist (Code: ISIN, FR0004180578), Compartment C of Euronext Paris.

SWORD GROUP is listed on the following indices: SBF 250, CAC Small 90, CAC Mid and Small 190 and IT CAC.

Share repurchase programme

- Maximum proportion of share capital than can be purchased: 10%, i.e. 740,842 shares. Given that as at 28th February 2006 the Company already held 0.11% as treasury shares (8,370 shares), the maximum percentage that can be purchased by the Company will be 9.89%, i.e. 732,472 shares. It is stated that in accordance with the provisions of Article L.225-209 paragraph 6 of the Commercial Code, the number of shares purchased by the Company to hold them and eventually trade them or use them as payment as part of a merger, split or capital increase cannot exceed 5% of share capital;

- Maximum purchase price per share: 50 euros.

- Minimum sale price per share: 20 euros.

- Supposing that the Company repurchases 732,472 shares, total funds allocated to the share repurchase program will be 36,623,600 euros.

- Objectives in decreasing order of importance:
  - Boost the market or the liquidity of shares in the Company through an investment services provider using a liquidity contract compliant with the AFEI 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 employees or representatives of the Company or the Group, under the conditions and in accordance with the methods provided for in the Law, in particular as part of the distribution of the fruits of the growth of the Company, for the share purchase option service as part of the company savings plan, or for the free allocation of shares to employees as a function of their performance in accordance with the provisions of Article L 225-197-1 and subsequent Articles of the Commercial Code;
  - The cancellation of shares, subject in the case of the latter to a vote on the ninth resolution by the Extraordinary General Meeting of 28th April 2006.

- Duration of the programme: 18 months, starting on the date of the Ordinary and Extraordinary General Meeting of 28th April 2006, i.e. until 27 October 2007.

3- LEGAL FRAMEWORK OF THE NEW SHARE REPURCHASE PROGRAM SUBJECT TO THE ORDINARY AND EXTRAORDINARY GENERAL MEETING OF 28TH APRIL 2006

The share repurchase program will be subject to authorisation by the Extraordinary and Ordinary General Shareholders' Meeting of 28th April 2006, by a vote on the following resolutions (sixth and ninth resolutions);

Sixth resolution
(Permission to be given regarding a new programme under which the Company would repurchase its own shares)

The General Meeting, ruling under quorum and majority conditions required for general ordinary meetings

Having learnt of the Board of Directors' report and the special report aimed at Article L.225-209 of the Commercial Code, in accordance with the provisions of Article L.225-209 and subsequent Articles of the Commercial Code of Commission Regulation (EC) 2273/2003 of

22nd December 2003, and Articles 241-1 to 241-6 of the General Regulations of the Autorité des Marchés Financiers,

Authorises the Board of Directors, with the authority to subdelegate under the conditions provided for in the law and by-laws of the Company, for the Company to repurchase up to 10% of shares that make up its share capital (740,842 shares). It is stated that in accordance with the provisions of Article L.225-209, paragraph 6 of the Commercial Code, the number of shares purchased by the Company to hold them and eventually trade them or use them as payment as part of a merger, split or capital increase cannot exceed 5% of share capital (370,241 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:

- Boost the market or the liquidity of shares in the Company through an investment services provider using a liquidity contract compliant with the AFEI 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 employees or representatives of the Company or the Group, under the conditions and in accordance with the methods provided for in the Law, in particular as part of the distribution of the fruits of the growth of the Company, for the share purchase option service as part of the company savings plan, or for the free allocation of shares to employees as a function of their performance in accordance with the provisions of Article L 225-197-1 and subsequent Articles of the Commercial Code,
- Cancel the shares, in the case of the latter, subject to the Extraordinary General Meeting voting for the ninth resolution.

The General Meeting decides that:

- The maximum purchase price per unit may not exceed 50 euros;
- The minimum sale price must be at least 20 euros each;
- The maximum funds the Company may allocate to the operation is €37,042,100.

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.

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 supersedes the authorisation previously granted by the eighth resolution of the Company's General Meeting of 29th April 2005.

Ninth 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 on one or more occasions, within the limits of 10% of the capital, the shares that the Company may hold under Article L. 225-209 of the Commercial Code, as a result of the repurchase conducted under the sixth resolution of this Meeting, and purchases made 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.

The General Meeting notes that this authorisation supercedes any other prior authorisation drafted regarding the same issue.

4- RECENT EVENTS

The reference document will be filed with the AMF at the end of March 2006.

The turnover for the fourth quarter of 2005 was published in the 17th January 2006 edition of «La Tribune» and the 3rd February 2006 edition of BALO.

The annual accounts for the year to 31st December 2005 were the object of a statement in the 14th March 2006 edition of «La Tribune» and a SFAFF meeting on 15th March 2006.

Jacques MOTTARD

26.5 List of press releases published in 2005 and 2006

The following press releases are available on SWORD GROUP's web site:

- 24 March 2006: 28 April 2006 General Meeting of Shareholders' notice

- 13 March 2006: 2005 annual financial statements

- 27 January 2006: disposal of SWORD NORD to its management and confirmation of the 2006 budget

- 27 January 2006: strategic cooperation in Latin America: 10% interests purchased in NEXTECH

- 16 January 2006 : Q4 2005 turnover

- 30 November 2005: acquisition of INTECH in the UK

- 26 octobre 2005: voting rights in accordance with Article L233.8 of the Commercial Code

- 19 October 2005: new phase in SWORD GROUP's international development

- 3 October 2005: significant strategic and operational changes in September for SWORD GROUP

- 11 October 2005 : Q3 2005 turnover

- 11 October 2005: transition to IFRS standards

- 6 September 2005: H1 2005 financial statements

- 28 July 2005: acquisition of LINKVEST

- 27 July 2005: alteration of the liquidity contract entered into with stock broker Gilbert Dupont

- 11 July 2005: Q2 2005 turnover

- 8 July 2005: new contract: the Government of Bermuda becomes SWORD Group's 30th National Brand and Patent Office

- 25 May 2005: annual financial documents – Appropriation of earnings for the period

- 10 May 2005: main signatures over the first 4 months of 2005

- 11 April 2005: Q1 2005 turnover

- 8 April 2005: memo relative to the stock purchasing programme

- 6 April 2005: acquisition of PRAGMA and HARVARD

- 24 March 2005: 27 April 2005 General Meeting of Shareholders' notice

- 7 March 2005: 2004 annual financial statements

- 12 January 2005: Q4 2004 turnover

26.6 Auditors' fees

in €	Deloitte & Associés				Cap Conseil			
	Value		Percentage		Value		Percentage	
	2005	2004	2005	2004	2005	2004	2005	2004
Audit								
· Auditing, certification, and review of individual and consolidated financial statements	154,261	144,374	72%	94%	31,050	29,325	65%	100%
· Dividend instalments	0	9,890	0%	6%	0	,	0%	0%
· Auxiliary assignments	59,774	,	28%	0%	16,358	,	35%	0%
Subtotal audit	**214,035**	**154,264**	**100%**	**100%**	**47,408**	**29,325**	**100%**	**100%**
Other services	,	,	,	,	,	,	,	,
· Legal, tax, and management	560	,	0%	0%	0	,	0%	0%
· Information technologies	0	,	,	,	0	,	,	,
· Internal audit	0	,	,	,	0	,	,	,
Subtotal other services	**560**	**0**	**0%**	**0%**	**0**	**0**	**0%**	**0%**
Total	**214,595**	**154,264**	**100%**	**100%**	**47,408**	**29,325**	**100%**	**100%**

26.7 Glossary

Term	Abbreviation	Meaning
Customer Relationship Management	CRM	Strategy, organisation and technologies employed to strengthen relationships with the company's customers.
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.
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