REFERENCE DOCUMENT/ANNUAL REPORT

SWORD GROUP

FINANCIAL 2006

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 February 2007 under number D.07-088.

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 annual statements, the consolidated Auditors' report regarding the financial year ended 31 December 2005 contained in the annual report filed with the AMF (the French market authority) on 12 April 2006 under Nr. D.06-0246.
- The Board of Directors' management report, the consolidated financial statements, the consolidated Auditors' report regarding the consolidated and annual financial statements for the 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.

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

SUMMARY

I – Persons in charge

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

M. 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 this annual report, and that they have read the entire annual report. "

Saint Didier, 12 February 2007
Jacques MOTTARD
Chairman of the Board
Managing Director

1.3 Individuals in charge of the information contained in this document

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

Stéphanie DESMARIS
Tel: 04 72 85 37 45
Fax: 04 72 85 37 80
Email: 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 Substitute auditors

(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 31/12/2006**	**At 12/31/2005**	**At 31/12/2004**
Turnover	142,005	101,491	78,657
Current operating profit	22,222	15,651	12,342
Consolidated net profit	15,748	11,060	8,198

Non-current assets	131,215	106,008	55,369
Cash and cash equivalents	9,836	9,094	6,969
Consolidated shareholders' equity	82,775	65,051	53,892
Total balance sheet	210,180	167,238	97,041

Annual financial statements:

In thousands of euros	**At 31/12/2006**	**At 12/31/2005**	**At 31/12/2004**
Turnover	3,422	3,026	2,653
Operating profit	1,424	538	541
Net income	5,208	3,688	3,526

Fixed assets	114,090	31,203	28,970
Cash	339	923	268
Equity capital	57,035	49,626	46,413
Total balance sheet	129,106	103,007	54,204

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 2006, the share of fixed price services was 70%, external assignments being primarily used for consulting projects.

Fixed price services mitigate the effects of intercontract risks on a day-to-day basis. However, they amplify the end of work site risk and the issue of keeping the team busy in between two projects.

This illustrates the great importance of the order book. Special efforts have been focused on developing it.

As at 31 December 2006, it stood at 23 months' turnover as compared to the turnover budgeted for 2007.

Naturally, a portion of that turnover applies to years subsequent to 2007.
The share of 2007 turnover accounts for 10 months of turnover.

Each project is followed up monthly. 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.

However, in case of potential delay in a project, all overruns estimated as compared to the project's initial budget are immediately handled in terms of earnings via commercial concessions (= excess time assigned to the project not recognised as earnings).

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 2006, the order book (*) stood at 10 months' turnover budgeted for 2007, exclusive of external growth, for the coming 12 months, and at 23 months in total.

(*)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 6-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 31/12/2006	Maturity date	Loan secured?
Loan no. 1	Variable rate (euribor 3 months +1.5%)	€3,049,000	€610,000	2007	No
Loan no. 2	Variable rate (euribor 3 months +1.5%)	€3,049,000	€610,000	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	Amount		Maturity date	Loan secured?
		Unused	Used		
Drawing right	Variable rate (euribor 3 months + 0.7) Commitment commission 0.20%	0	1,000	15/02/2008	NO, THIS STATEMENT DOES NOT DESCRIBE ME
Drawing right	Variable rate (euribor 3 months + 1) Commitment commission 0.25%		850	2004 TO 2007	NO, THIS STATEMENT DOES NOT DESCRIBE ME
Drawing right	Variable rate (euribor 3 months + 0.7) Commitment commission 0.20%		32,000	31/07/2010	NO, THIS STATEMENT DOES NOT DESCRIBE ME
Drawing right	Variable rate (euribor 3 months + 0.7) Commitment commission 0.20%		10,000	31/12/2008	NO, THIS STATEMENT DOES NOT DESCRIBE ME
Drawing right	Variable rate (euribor 3 months + 1) Commitment commission 0.25%		2000	30/07/2008	NO, THIS STATEMENT DOES NOT DESCRIBE ME
Drawing right	Variable rate (euribor 3 months +0.7)		5,000	03/11/2011	NO, THIS STATEMENT DOES NOT DESCRIBE ME
Drawing right	Variable rate (euribor 3 months + 0.7) Commitment commission 0.10%		10,000	2006 TO 2009	NO, THIS STATEMENT DOES NOT DESCRIBE ME
Drawing right	Variable rate (euribor 3 months + 0.8) Commitment commission 0.10%	10,280	4720	2006 TO 2011	NO, THIS STATEMENT DOES NOT DESCRIBE ME

Bank overdrafts
SWORD GROUP has been granted by a financial institution the ability to benefit from additional drawing rights for €10,280,000, unused as at 31 December 2006, remunerated at euribor 3 months + 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 3.5,
- 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 2.56 (i.e. 59,621 /23,294).
The ratio between net consolidated financial debt and consolidated shareholders' equity stood at 0.72 (i.e.59,621 /82,775).

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.

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

	In thousand £	**In thousand $**	**In thousand Swiss francs**	**In thousand rands**	**In thousand Indian rupees**
Assets	75,998	7,341	9,917	6,152	49,960
Liabilities	19,783	5,959	6,166	4,679	3,715
Net position prior to management	56,215	1,382	3,751	1,473	46,245
Management derivative	-	-	-	-	-
Net position after management	56,215	1,382	3,751	1,473	46,245

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

An unfavourable, uniform evolution of 5% 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
€4,403,000 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 31/12/2006:

	DD to less than 1 year	**1 to 5 years**	**Beyond**
Financial liabilities	17,034	52,422	-
Financial assets	1,746	-	-
Net position prior to management	15,288	52,422	-
Management derivative	-15,288-	-4,712-	-
Net position after management	-	47,710	-

The sensitivity to interest rate changes is equal to €477,000.
(= net variable rate position x 1% change in the short-term interest rate x time remaining until the next period, i.e. €477,000).
This amount represents 22.8% of the overall gross consolidated financial debt for 2006.
The main loans were taken out at an interest rate of euribor 3 months + 1.5. Cover by payer SWAP at a fixed rate of 3.825 % (exclusive of the bank's margin) was set up on 14 November 2006 for a period of 24 months and an amount of €20m. 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 2006, it is made up of:

In €	Portfolio of third party or UCITS shares	Portfolio of own shares
Assets position	216,506	103,504
Off-balance sheet	None	None
Overall net position	216,506	103,504

The market value of the portfolio as at 31 December 2006 was:

- Money market securities : €216,506
- Own shares : €104,104

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

The Company has entrusted to Gilbert-Dupont drive the market or the liquidity of its shares under a liquidity agreement dated 26 July 2005. Except for own shares held in that context, SWORD GROUP holds no other own shares in the context of a repurchase programme and has not proceeded, for the financial year ended 31 December 2006, to any share acquisition in that context.

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.

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.

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 whenever they are considered to be likely.

As at 31 December 2006, 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, the team consists of a Chairman/CEO, two Executive Vice Presidents, one of whom is also the Administrative and Financial Director, and 7 Directors of Operations, at 1st January 2007, introduced in 17.1.21.

In the meantime, day-to-day management is handled by the 24 Directors of Bs and the 7 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 Mr. Jacques MOTTARD and Mr. François BARBIER, as representatives of 21 CENTRALE PARTNERS and Board Members of SWORD GROUP.
- 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
2006	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 booked for these risks and contingencies on the basis of the best estimate of likely costs to be borne. The total sum of provisions for risks and expenses stood at €189,000 on 31 December 2006.

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 the Decan experience, Mr. Jacques Mottard created 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.

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.

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.

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).

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

2005: Acquisition of PRAGMA, SWORD LEBANON 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 SWORD LEBANON, a company based in Beirut, 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.

2006: Acquisition of stakes in NEXTECH - Acquisition of STELLON and RTE

On 26 January 2006, SWORD acquired 10% of the share capital of NEXTECH, a company based in Belo Horizonte (BRAZIL), interests brought up to 19% in June 2006. The point in holding NEXTECH mainly lies in its ability to resell Cimage products in South America.

On 29 June 2006, SWORD acquired STELLON, a company based in Lausanne (Switzerland), that specialises in Business Intelligence and more specifically in KPIs (*Key Performance Indicators*). This operation enables the Group to integrate that new know-how and is perfectly complementary with LINKVEST, which is also based in Lausanne.

On 17 November 2006, SWORD acquired RTE, a company based in Glasgow. The presence of the Group in such areas as the oil industry, transport, telecommunications, and energy, is thus significantly enhanced.

5.2 Investments

5.2.1 Main investments completed during the period 2003 to 2006

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. This cost amounts to 1.46 % 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,
- scalable 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)

	31/12/2004	12/31/2005	31/12/2006	31/12/2007 (budget)
In thousands of euros				
Buildings	-	-	-	-
Transport equipment	12	74	124	161
Installations, fixtures	136	279	674	720
Office and IT equipment	403	937	917	237
Office furnishings	72	192	201	772
Total	**623**	**1,482**	**1,916**	**4,027**

By activity

Services (1)	580	1,309	1,536	3,227
Products	43	173	380	800
Total	**623**	**1,482**	**1,916**	**4,027**

By geographic area

France	260	732	487	1,020
UK	134	375	1,031	2,170
Benelux	208	254	221	460
Other	21	121	177	377
Total	**623**	**1,482**	**1,916**	**4,027**

(1) The Services and Consulting activities were aggregated over 2004 and 2005.

<u>Acquisitions completed until 31/12/2006</u>

In thousands of euros	Date	Purchase price	Goodwill and business goodwill
99.99%	01-11-00	-	8,363
FIRCOSOFT	01-11-00	6,309	4,669
SWORD DDS France	01-07-01	242	-
SWORD Création Informatique	01-11-00	107	-
SWORD Inc.	01-11-00	2,561	2,397
SWORD Suisse	01-04-01	284	38
100%	01-04-01	3,418	1,666
SWORD ECM	01-04-02	4,104	5,780
SWORD TECHNOLOGIES	01-12-02	11,793	10,866
ZEN ET ART (business)	01-12-03	3,067	3,142
ASCII/FI SYSTEM	01-01-04	3,000	4,213
GLOBAL SOFTWARE SERVICES	01-04-04	2,498	2,252
CIMAGE	15-07-04	5,696	7,885
PRAGMA	06-04-05	12,695	11,162
HARVARD	06-04-05	2,081	1,882
LINKVEST	28-07-05	5,787	5,054
SWORD LEBANON	01-10-05	18	
INTECH	30-11-05	30,082	27,605
SWORD SAS	02-01-06	336	283
SWORD ATLANTIQUE	17-01-06	40	270
STELLON	28-06-06	5,094	4,746
RTE	17-11-06	18,589	16,775
Total		117,801	119,048

5.2.2 Investments under way

None.

5.2.3 Main commitments to invest

To date, no 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
- Engineering

C/ is highly global:

87.5% of the 2006 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 (Brazil, Greece, India, and Lebanon).

6.1.1.2 SWORD GROUP's offer

The operational evolution of the Group's structures now causes most BUs (business units) to carry out consulting assignments directly for their clients. In order to reflect more truly the Group's activity segments, the consulting segment is no longer presented separately in 2006 and the BUs that make it up are redistributed to the Solutions activity. In addition, the most part of that consulting segment (SWORD CONSULTING, BU IDP) was divested in the course of 2006.

1. Solutions

1.1 Document and content management

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

<u>EDM architectures</u>

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 specialise 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**, **Filenet and Microsoft**, 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 cheques should be handled by this system.

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 specialises:

- **Pharmaceuticals**: In order to sell a drug it has to go through a pre-market approval process. This procedure is lengthy and complex. By installing customised applications, SWORD's teams assist manufacturers in guaranteeing completion of the process and compliance with international regulations while minimising 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.
- **Healthcare**: The management of patient files involves integrating documents from healthcare professionals and from patients in a highly secure manner, with high availability.

When there is investment in a particular professional area, it is possible to obtain re-usable professional components, which accelerate all the implementation phases of an IT system.

1.2 Geographic Information Systems (GIS)

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

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

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

SWORD GROUP is recognised 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 governments, 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 and the quality of the existing data base 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.

1.3 Business Intelligence (BI)

Another of SWORD's speciality 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 our professional expertise acquired over a wide range of projects we have done.

Let us mention a few 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-making 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 5,000 man days;
- An External Service Provider contract with the IT Directorate for 5 years. Batch 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:

- An 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.
- An ongoing contract with Eurocontrol in Brussels for the deployment and maintenance of a BI system and Business Objects within Eurocontrol.

1.4 *Web Content Management (WCM)*

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

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

- editing
    - Many authors (experts, engineers, marketing managers etc)
    - Multiple language management
- storage
    - Search for information
    - Data restoration
    - System centralisation 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)
- publishing
    - Updating data
    - Customising 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.

1.5 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 for the ERP system to increase 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 major multinationals.

Change management consulting **services break down into various aspects:**

- training in the planning and management of training courses;
- change management programmes;
- 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 full knowledge of 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.

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.

2. Products

2.1 The fight against money laundering (FIRCOSOFT)

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.

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

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.

<u>Straight Through Processing</u>

"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 package, "STP-Engine", together with specialised 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.

2.2 Financial security over the Internet (SWORD SECURITY)

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:

<u>Secure Login</u>

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 level 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.

The 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.

2.3 Electronic document management (CIMAGE)

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.

- C2SHARE

C2Share is a document control solution for all projects that involve teams from multiple disciplines, working remotely from one another. C2Share enables the project teams to accelerate the delivery of the overall project and eases networking thanks to collaborative work.

2.4 Reassurance process management (INTECH)

Reinsurers handle files from insurance companies, that enable them to analyse and quantify 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.

2.5 Brand and patent offices management (SWORD SA)

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 management of the main areas of an office (PTOLEMY)

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

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. A comprehensive lexical search can be conducted: 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.

2.6 Other products (RTE)

SWORD provides innovative, ready-to-use solutions to overcome some of the most complex challenges key account clients in our main target sectors, are faced with.

FirstPlanIT has become a champion service in terms of forecasting passenger flows and managing resources, that helps streamline airport operations, slash personnel costs, eliminate queues, and increase retail revenues, while offering passengers effective and profitable services in a safe environment.

RT-Scan enables airports and airplanes to slash administrative costs, improve check-in efficiency, and enhance passenger safety through using standard IATA bar code technology. RT-SCAN streamlines the passenger check-in process. Passengers are thus able to avoid conventional check-in points: instead, terminals fitted with an automated device or check-in on the Internet can deliver the required boarding passes using ordinary barcode technology.

RT-Mobiticket is a proven solution: delivering an airline's new generation barcode boarding passes via the passenger's mobile phone, it completely eliminates the need for paper tickets. The passenger presents the company's barcode boarding pass on his mobile phone at the airport, and the boarding pass is scanned normally. RT-Mobiticket tolerates all mobile phone networks and all devices with MMS capability.

FirstBrief enables organisations operating in safety-critical environments (nuclear, aviation, oil, and gas) to deliver in no time instructions to their personnel in a targeted and secure manner, complying with all regulatory and insurance requirements.

RT-SelfCare is an online self-assistance service that enables telephone network operators to give their clients immediate access to services that were up to now available only subject to a commitment to the operator. RT-Selfcare provides clients with the tools necessary to handle effectively and reset instantly their routes using a standard Internet navigation software program.

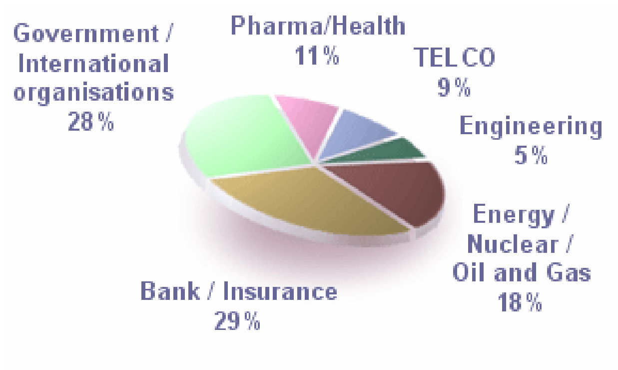
RT-HAS is a service that is entirely configurable on the web, from end to end; it allows oil and gas companies to have tight control over their hydrocarbon production, and to plan and establish reports effectively, and in a cost-effective manner.

RT-Smart Secure is a secure planning and audit tool, that improves the effectiveness and regulatory compliance of key installation departments whose safety is based on workforce (e.g.: nuclear stations, refineries, etc.). In the context of increased security threat, the attention granted to the protection of a country's energy reserves and facilities has never been so high, and proven regulatory compliance has seldom been so important.

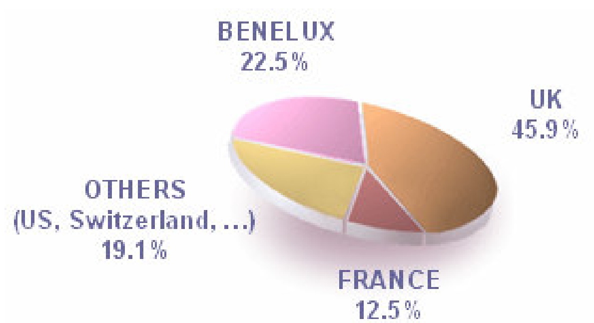
6.2 Key markets

6.2.1 Breakdown of 2006 pro-forma turnover

- 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 20.4% of the consolidated turnover.

CNR (UK)
DG DIGIT (Benelux)
DG PRESS (Benelux)
MW KELLOG (UK)
NEXEN (UK)
ORANGE (Switzerland)
SFR (France)
TALISMAN (UK)
TOYOTA (UK)
UBS (UK)

The first customer accounts for 3.38%% of the consolidated turnover for 2006.

The first 20 customers account for 37.54%% of the consolidated turnover for 2006.

6.2.2.2. Customer characteristics

The customer invoicing method can be broken down into fixed price (70%) and seconding 30%. External assignments are primarily used for consulting projects.

The risk attached to fixed price invoicing is limited.

The customer loyalty rate is 100%.

Over the years 2000 to 2006, 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.
The payment time has risen from 66 days in 2005 to 83 days in 2006.
This difference is due to an increase in works in progress resulting from 2 phenomena:

a/ Delay in the issue of a quarterly invoice to Benelux customers (something totally exceptional (31%))
b/ A change in the terms of payment and invoicing applicable to software packages.

This phenomenon involves no risk as to the actual payment.

The company's order book is full: at 31 December 2006, it represented 10 months of the turnover budgeted for 2007, not inclusive of external growth over the next 12 months, and 23 months in total.

6.2.2.3 Market and competition

The market
According to Syntec Informatique (April 2006 figures), as at 31 December 2005, IT service companies and software publishers of more than 10 people generated 8,000 to 10,000 net employments in 2005 and a turnover of €31Bn (20.5 in 2004).).

According to Syntec Informatique, H1 2006 displayed 6.5% growth in the Software and Services market. The market growth should thus range from 6.5 to 7.5%.

Growth breaks down as follows for each activity:

Activity	Year 2005 % actual	% At H1 2006	% 2006/ 2005 Forecast
Consulting	6%	+7%	+ 7%/+8%
Engineering	4%	+6.5%	+ 6.5/ +7.5 %
Facilities management	12%	+ 6.5%	+ 5.5%/+6.5%
Application software	7%	+5.5%	+ 6% / +7%
Tool software	8%		
TOTAL	**7%**	**6.5%**	**+ 6.5% to 7.5%**

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 – KPMG - ACCENTURE
SECURITY	PRIME ASSOCIATES LOGICA THOMSON FINANCIAL 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 2006 was on average equal to 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 (e.g.: 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:

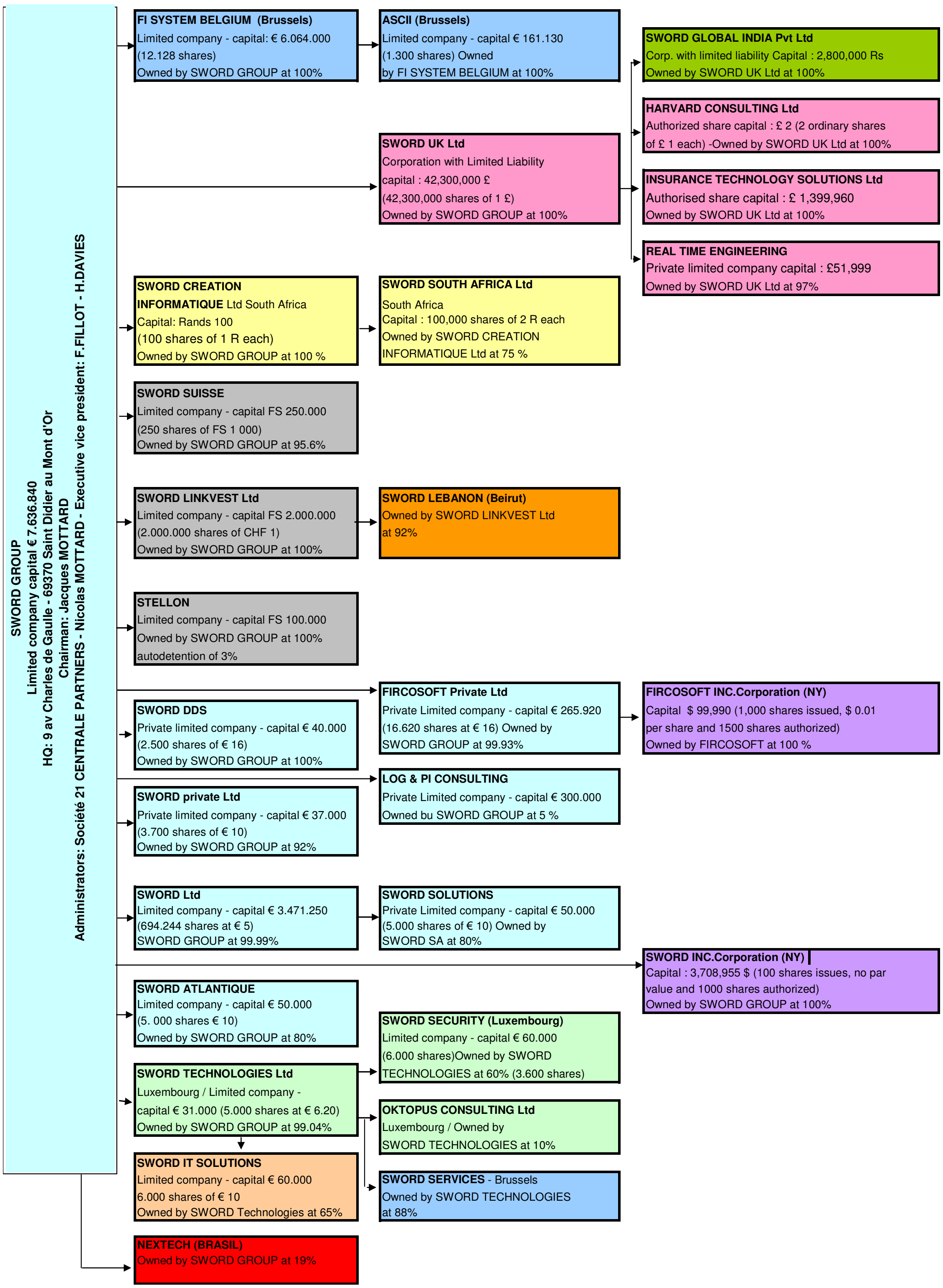
ABBYY	integrator
Actimize	integrator
Adobe	integrator
Alfresco	gold partner
Atos Origin	certified partner
Autodesk	development Partner
Avoco	certified partner and reseller
Axciom	integrator
BEA	integrator and reseller
Business Object	certified partner
Captiva	certified partner
Citrix	certified partner
Combined Knowledge	partner/ reseller/ commercial agreement
Communiqué (DAY)	premier partner
Cymmetry systems	reseller
Dexterra	partner and integrator
Dicom	reseller
Documentum	integrator
Document services	commercial agreement
EMC	velocity partner
ESRI	integrator
Exstream	integrator
eZPublish (eZSystems)	silver partner
Fast	integrator
Forsk	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
QAS	commercial agreement
SAP	integrator and reseller
Sas	certified partner
Sealed Media	certified partner
Sefas	integrator
Selligent	advanced partner
Software Box Limited	partner/ commercial agreement
STAR APIC	integrator

Stellent	integrator
Steria Suisse	integration of SWORD Group components
Swift	commercial agreement
Sybase	integrator
Temis	integrator
Verity	integrator
Web Connectivity	commercial agreement

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 at 31 January 2007



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 nature of its business, its assets, as well as its turnover and net income for 2006.

Subsidiary	Date of entry	Main activity	Economic asset: know-how	2006 TURNOVER	2006 NET PROFIT
SWORD Inc	01-12-2000	Software & Solutions		6,204	97
SWORD Création Informatique	01-12-2000	Solutions		-	3
99.99%	01-12-2000	Solutions		23,366	7,361
FircoSoft	01-12-2000	Software	STP and anti-money laundering	4,969	1,055
FircoSoft Inc	01-12-2000	Software		1,101	103
SWORD DDS France (ex-Espace Crécy)	01-07-2001	-		85	582
SWORD SUISSE	01-04-2001	Solutions		101	(22)
SWORD Technologies	01-12-2002	Solutions		28,689	1,372
SWORD SAS	01-04-2003	Solutions		4,710	554
SWORD Security	01-03-2003	Solutions		3	(13)
SWORD South Africa	01-11-2003	Solutions		547	6
ASCII	15-01-2004	Solutions		6,408	409
FI SYSTEM BELGIUM	15-01-2004	Solutions		0	(28)
SWORD UK	01-04-2001	Software & Solutions	ECM and more particularly Electronic Document Management, Business Intelligence, Change Management	35,103	3,121
SWORD LINKVEST	28-07-05	Solutions		9,860	602
SWORD LEBANON	01-10-05	Offshore	Group's French-speaking offshore base		
SWORD GLOBAL INDIA		Offshore	Know-how in the relocation of IT production.	2,591	650
HARVARD CONSULTING	06-04-05	Solutions		2,614	14
SWORD IT SOLUTIONS	2004	Offshore	Fixed-price project development for the European Communities	285	44
INTECH	30-11-05	Software		18,312	4,596
SWORD ATLANTIQUE	17.01.06	Solutions		1,442	111
SWORD SERVICES	19.01.06	Solutions		564	60
STELLON	29.06.06	Solutions		1,411	143
SWORD SOLUTIONS	26.09.06	Solutions		93	14
RTE	17.11.06	Solutions		1,897	225

SWORD Group has the following agreements with its subsidiaries:

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

The annual amount billed by SWORD GROUP to its subsidiaries within the scope of the assistance agreement is €2,858,225.

Regarding the agreements relative to SWORD Group and its subsidiaries:

- The Board of Directors held 19 January 2006 authorised the signing of an assistance agreement between SWORD GROUP and INSURANCE TECHNOLOGIE SOLUTIONS,
- 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 signing of the assistance agreement between SWORD GROUP and SWORD ATLANTIQUE,
- The Board of Directors held 29 June 2006 authorised the signing of an assistance agreement between SWORD GROUP, STELLON, SWORD SERVICES and FIRCOSOFT Inc,
- The Board of Directors held 15 November 2006 authorised the signing of an assistance agreement between SWORD GROUP, RTE and SWORD SOLUTIONS,
- The Board of Directors held 29 December 2006 authorised the signing of a services agreement between SWORD GROUP and SEMAPHORE INVESTISSEMENTS.

VIII - Property, plants and equipment

8.1 List of establishments

City	Address	Phone	Owner of the premises	Surface area of the premises
Aberdeen	Suite 2 F Johnstone House 52-54 Rose Street Aberdeen, AB10 1UD	+ 44.122.464.99.99	Ulster Estate Bedford House 16-22 Bedford Street Belfast BT2 7FD	549 m²
Beirut	Pole Technologique Berytech Rue Damas Beirut LEBANON	+ 961 1 612500	Centre Berytech Pole Technologique Berytech Rue Damas Beyrouth LEBANON	202 m²
Brussels	Avenue de Tervuren 270 B-1150 Brussels	+ 32 (0)2 235 10 00	COFINIMMO Boulevard de la Woluwe 58, 1200 Brussels	2,222 m²
Geneva	Geneva Business Centre 12, Avenue de Morgines 1213 Petit Lancy	+ 41 (0) 22 816 06 10	Crédit Suisse AMF CP 8110 ZURICH	240 m^2
Glasgow	Academy House, Academy Park, Gower Street, G51 1PR Glasgow	+44 (141) 427 4142	Camlin (Academy Park) Ltd Gower Street, G51 1PR Glasgow	1,180 m²
Houston	11500 Northwest Freeway, Suite 275 Houston TX 77092	+ 1 713 956 8880	11500 Northwest LP, HOUSTON TX 77092	250 m^2
India	- Arthant Nitco Park 90 Dr Radhakrishnan Salai Mylapore Chennai 600 004 - Venus Colony Alwarpet, Chennai, 600 018 India	+ 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	560 m^2 530 m^2
Johannesburg	6 Kikuyu Road Sunninghill Johannesbourg 2157 South Africa	+27 11 234 4206	Mr R.G. Oliver HENTIQ 1122 Ltd Ground Floor 6 Kiluyu Road Sunninghill	85 m^2
Lausanne	Avenue des Baumettes 19, CH 1020 RENENS LAUSANNE	+ 41 (0)21 632 90 00	CACIB SA Succession Jacot Guillarmot André	1,017 m2
Leeds	Enfield Street Roundhay Road Leeds UK, LS7 1RF	+ 44.113.220.67.00	INTECH SOLUTIONS	1,148 m²

City	Address	Phone	Owner of the premises	Surface area of the premises
London	1000 Great West Road Brentford Middlesex TW8 9DW - 11th & 9th floor International House 1st St Katherine's Way London, UK, E1W 1UN	+ 44.208.758.94.99 + 44.207.553.25.00	Forthright Property Investments Ltd, Suite 6, Audley House, 9 Audley St, London W1K 6ZD SKIL ONE Limited, 5 Wigmore St, London, W1U 1PB	1,520 m^2 650 m²
Luxembourg	105 route d'Arlon – L 8009 Strassen	+ 353 26 11 26 11	GEO Bildinx 71 rue des Prés, L-7333 Steinsel	1,000 m^2
Lyon	9, avenue Charles de Gaulle 69370 Saint-Didier au Mont d'Or	+ 33 (0)4.72.85.37.40	SNPI 27 Place Bellecour 69002 LYON	1,920 m^2
Nantes	2, Avenue des Améthystes 44000 NANTES	+ 33 (0)2 72 68 10 26	MULTIBURO REGIONS 2, Avenue des Améthystes 44000 NANTES	23 m^2
New York	17 State Street 26th Floor New York, NY 10004	+ 1.212.279.67.34	Georgeson inc, 17 State St, New York, NY 10004	650 m²
Paris	37, rue de Lyon 75012 Paris	+ 33 (0)1.44.67.24.00	Cogifrance 47, rue du Fbg Saint-Honoré 75008 Paris	2,281 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

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

9.1 Review of the financial situation of fiscal 2006, 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 31/12/2004, 31/12/2005 and 31/12/2006.

In thousands of euros	**31-Dec-06**	**31-Dec-05**	**31-Dec-04**
	IFRS	IFRS	IFRS
Consolidated shareholders' equity	82,775	65,051	53,892
Of which, net profit	15,748	11,060	8,198
Net debt	59,621	45,730	6,723
Net debt/consolidated shareholders' equity	72.03%	70.30%	12.47%
Dividends paid for the period	3,207 (1)	2,220	1,757
Dividend per share paid for the period	0.42	0.3	1.2

(1) subject to the approval of the General Meeting of 30 April 2007 ruling on the appropriation of the 2006 result 2006.

The number of shares for 2004, does not take into account the division by 5 of the nominal value conducted in the course of financial 2005; in fact, in order to work on comparable data, one should divide the 2004 dividend per share by 5.

Change the consolidated shareholder' equity:

Changes in €m	**2004/2003**	**2005/2004**	**2005/2006**
Capital increase	18,2	1,2	4,4
Profit - Dividends	6,8	9,3	13,5
Other movements	-0,8	0,6	-0,2
Total	24,2	11,1	17,7

Net debt:

- 2006/2005 : Net debt rose by approximately €14m, due in particular to the funding of external growth (€21.7m).

- 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 rose by 67% between 2003 and 2005. It will gain 40% between 2005 and 2006.

9.2 Review of the current operating profit

No unusual event took place during fiscal 2004, 2005 or 2006.

In thousand of euros	31 Dec 06	31 Dec 05	31 Dec 04
	Consolidated		
Turnover	142,005	101,491	78,657
Operating profit	23,949	16,71	12,164

The increase in consolidated turnover between fiscal 2005 and 2006 is due to internal growht and to the external growth achieved during that last year. The acquisitions of STELLON and RTE in 2006 resulted in a significant increase in turnover.

X – Cash and capital

10.1 Short-term and long-term capital

In thousands of euros	**31-Dec-06**	**31-Dec-05**	**31-Dec-04**
Long term capital	**135,197**	**116,080**	**59,402**
Consolidated shareholders' equity	82,775	65,051	53,892
Long-term debt	52,422	51,029	5,510
Short term capital	**17,034**	**3,794**	**8,182**
Short-term debt	17,034	3,794	8,182
Cash and cash equivalents	9,836	9,094	6,969
Net debt	59,621	45,730	6,723
Net debt/ Consolidated shareholders' equity	72.03%	70.30%	12.47%

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

Long-term capital grows faster than short-term capital, with the implementation of renewable 3-year promissory notes, classified as "long-term".

10.2 Cash flow statement for 2004 to 2006

Consolidated data	31st December 2006	31st December 2005	31st December 2004
		(in thousands of euros)	
Operating cash flow	3,005	17,196	-434
Cash flow from investments	-19,174	-54,050	-10,947
Financing cash flow	17,056	37,369	12,942
Impact of the change in currency prices	*-9*	*272*	*79*
Change in cash position	**880**	**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 promissory notes are described in § 4.2. of the annual report.

Covenants relative to outstanding borrowings at fiscal 2006 year end, are described in Note 13 to the consolidated appendix. As at 31 December 2006, 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 sources expected for future investments are, on the one hand, the use of unused drawing rights at 31 December 2006 for an amount of €10,280,000 and, on the other hand, the cash flow that will be generated in 2007 earnings.

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: it is meant to be exceptional and capitalized and, in 2005 and 2006, was focused on new products in the CIMAGE range. This programme was completed in September 2006 and is being amortised.

In terms of quantification:
- capitalised R&D represents 1.3% of potential days, i.e. 0.6% of turnover.
This percentage was brought down to 0% in 2007.

- current R&D represents 6.8% of the time, i.e. 3.9% of turnover.
This percentage will be constant in 2007.

To conclude, total R&D represented 8.1% of the Group's man time in 2006, i.e. 4.5% of turnover.

Lastly, the 1.3% time spent on new products are capitalised and, therefore, are not included in the Group's activity rate.

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 on 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 numbers 2088749 and 2088750
- Trademark SWORD registered in Brazil under number 820325619 and 820325627
- Trademark SWORD registered in Chile under numbers 395267 and 395268
- Trademark SWORD registered in the 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 numbers 300980 and 300981
- Trademark SWORD registered in Taiwan under number 86045800 and 86045801
- Trademark SWORD registered in Thailand under numbers 343661 and 343662
- Trademark NOVASOFT registered in USA under number 75155225
- Trademark NOVAWORKBENCH registered in the USA under number 75154522
- Trademark NOVAWEB registered in the 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
- Trademark FirstPlanIT registered in England and North Ireland under number 2332053 in class 9, on 14 May 2003
- Trademark FirstPlantIT registered in England, France, Italy, Germany, and the Netherlands under number 003535499, on 30 August 2005

XII – Information about 2007 trends 2007

12.1 Main trends that have affected sales, costs and selling prices since 31 December 2006

None

12.2 Elements likely to influence these prospects

None

XIII – Profit forecasts and estimates

13.1 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

As shown in the table, the business plan presented in the 2005 reference document was exceeded in 2006:

In €m	Actual	Business plan	**Actual difference /business plan**
Consolidated turnover	142	131.3	**10.7**
Pro-forma turnover	152.1	141.5	**10.6**
Consolidated operation profit	22.2	19.7	**2.5**

Consolidated expansion stands at 39.92%. It results from the 2005 acquisitions and from the following acquisitions:

- STELLON
- RTE

13.2 Main assumptions for updating the 2007 budget

The 2007 business plan, which had already been readjusted at end 2005, has once again been revalued at end 2006, integrating the acquisitions (€18m) and disposals (€8.5m) completed in 2006.

Consolidated turnover for 2007 will exceed €180m, including €7.3m of consolidated acquisition.

2006 acquisitions will be stabilised in order to achieve the Group's profitability standards as of 1st July 2007.

Organic growth will be in excess of 15% (excluding 2006 acquisitions, which will be stabilised in 2007).

Consequently, 2007 turnover breaks down as follows:

€m 2007	Reassessment at end 2006
Turnover excluding acquisitions	173.0
Consolidated turnover of 2007 acquisitions	7.3
Consolidated turnover	180.3
Non consolidated turnover of 2007 acquisitions	10.2
Pro-forma turnover	190.5

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

The 2007 budget forecast therefore appears as follows:

	2007	
In €m	Updated budget	Business plan established in 2004
Consolidated turnover	180.3	166.5
Operating profit	27.5	25.0
Pro-forma turnover	190.5	176.5

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

13.4 Auditors' report regarding the profit forecasts published in Chapter XIII of SWORD GROUP's 2006 annual report – Financial year ended 31st December 2006

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 2007, included in Chapter XIII of the annual report for the financial year ended 31 December 2006.

These forecasts and their significant underlying assumptions 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, particularly 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 February 2007

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	**Function**
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
Patrick de la HAYE	VP Operations, Belgium
John INNES	VP Operations, Scotland
Juan ARCAS	VP Operations, WCM Worldwide
Tony HOLLAND	VP Product operations Wordwide + Offshore
Per ROSAND	VP Operations, Luxembourg
Jean-Marc SONJON	VP Operations, France and Switzerland
Jim GRAHAM	VP Operations, UK

It is pointed out that the Board of Directors held 6 February 2007 has decided to suggest to the Ordinary and Extraordinary General Meeting due to be held on 30 April 2007, to appoint Mr. Heath DAVIES as new director.

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 associated, in his capacity as manager or director, in a bankruptcy, receivership, or liquidation,
- 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 DDS	Unlimited duration
Chairman	unlimited	FIRCOSOFT	Unlimited duration
Chairman	unlimited	SWORD SAS	Unlimited duration
Chairman	unlimited	SWORD ATLANTIQUE	Unlimited duration
Chairman	unlimited	SWORD SOLUTIONS	Unlimited duration
Chairman	unlimited	SWORD UK	Unlimited duration
Chairman	unlimited	HARVARD	Unlimited duration
Chairman	unlimited	INTECH	Unlimited duration
President and Director	unlimited	RTE	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	Unlimited	SWORD LINKVEST	Unlimited duration
Chairman	Unlimited	SWORD LEBANON	Unlimited duration
Chairman and Board Member		SWORD IT SOLUTIONS	30 June 2011
President and Director	1 year	STELLON	Meeting ruling on the financial statements closed on 31/12/2006
Chairman and Board Member	6 years	SWORD SERVICES	Meeting ruling on the financial statements closed on 31/12/2011

Mandates exercised outside the Group			
Manager	Unlimited	SCI FI	Unlimited duration
Manager	Unlimited	LE SEMAPHORE	Unlimited duration
Manager	Unlimited	CHINARD INVESTISSEMENT	Unlimited duration
Manager	Unlimited	SEMAPHORE INVESTISSEMENTS	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	31.12.11
Director	6 years	FOUNTAINE PAJOT	31.08.07
Director	6 years	MECCANO	31.12.08
Director	6 years	GROUPE ELECTROPOLI	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	1 year	ALLTUB	31.12.06
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
Member of the Supervisory Board	6 years	THE NOMAD COMPANY	31.12.11
Member of the Supervisory Board	3 years	FINANCIERE ARAMIS	31.12.08
Director	3 years	SFTF INTERFLORA	31.12.08

Françoise FILLOT: Executive Vice-President			
Executive Vice-President (since 1st July 2004)	For the Chairman's term of mandate	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	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
General Manager	Unlimited	FIRCOSOFT	Unlimited duration
General Manager	Unlimited	SWORD SOLUTIONS	Unlimited duration
General Manager	Unlimited	SWORD ATLANTIQUE	Unlimited duration
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
General Manager	Unlimited	SWORD DDS	Unlimited duration
Director	6 years	SWORD SECURITY	2008
General Manager	Unlimited	FIRCOSOFT Inc	Unlimited duration
Director	Unlimited	HARVARD Consulting	Unlimited duration
Director	1 year	STELLON	Meeting ruling on the financial statements closed on 31/12/2006
Director	6 years	SWORD SERVICES	Meeting ruling on the financial statements closed on 31/12/2011

Heath DAVIES: Executive Vice President			
Executive Vice President (since 13 March 2006)	For the Chairman's term of mandate	SWORD GROUP	31/12/2009
Director	Unlimited	SWORD UK Limited	Unlimited duration
Director	Unlimited	HARVARD Consulting Limited	Unlimited duration
Director	Unlimited	Real Time Engineering Limited	Unlimited duration
Director	Unlimited	Intech Solutions Limited	Unlimited duration

14.1.3 Other expired mandates exercised in the past five years

21 CENTRALE PARTNERS : director			
Member of the Supervisory Board	6 years	FRANCE AIR HOLDING	31.12.09 (resigned in 2006)
Director	6 years	FINANCIERE IMPALA	31.12.08 (resigned in 2006)
Member of the Supervisory Board	3 years	COTHERM DEVELOPPEMENT	31.12.07 (resigned in 2006)
Director	6 years	ASTEEL	31.12.07 (resigned in 2005)
Director	6 years	SAFIG	31.12.06 (resigned in 2005)
Member of the Supervisory Board	6 years	3C FINANCE	31.12.09 (resigned in 2005)
Director	4 years	HARMONY	31.12.05 (resigned in 2005)
Director	3 years	LE GOUT DE LA VIE	31.12.03
Member of the Supervisory Board	6 years	CARRERE GROUP	31.12.06 (resigned in 2004)
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 2006, remuneration paid and benefits in kind granted by the Company and its subsidiaries were as follows:

Name	Salary gross	Bonus on targets	Directors' fees	Benefits in kind	Complementary retirement allowance	Excess contribution
Jacques Mottard (1)	€36,587.76		€25,550			
Françoise FILLOT	€73,175.52	€60,371.36 *				
Heath DAVIES (2) (3)	£114,000					
Nicolas Mottard			€2,000			
Chritian Tapia (2)	$32,272.80 €5,313.56					
21 Centrale Partners SA			€31,200			

* for 2005 and 2006

(1) Since 1st January 2007, the remuneration of Mr. Jacques MOTTARD (and his assistant) is billed to the Company by Sémaphore Investissements under a services agreement.

(2) Christian TAPIA resigned from his mandate as Executive Vice President, effective 13 March 2006, and has been replaced by Mr. Heath DAVIES.

(3) The Board of Directors held 29 December 2006 has decided to assign to Mr. Heath DAVIES 28,500 share purchase options at a price of € 35,128.

15.2 Provisions for pension payments and other benefits

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

Name	Retirement provision at 31 December 2006
Jacques Mottard	€3,937.26
Françoise FILLOT	€4,784.05

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	Function	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

The Company has not entered into any direct contract with its directors. However, under a services agreement effective 1st January 2007, the remuneration of Mr. Jacques Mottard (and his assistant) is billed by the Company to Sémaphore Investissements (see Chapter 15.1 above).

16.3 Audit and compensation committees

See paragraph 16.4.

16.4 Company governance

16.4.1 Report on internal control

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 between the members of the 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.

1.1. The Board of Directors, made up of three people, of whom two are particularly active: the Chairman and 21 CENTRALE PARTNERS, a company represented by Mr. François BARBIER. It is pointed out that the Board of Directors held 6 February 2007 has suggested that the next General Meeting raise the number of directors from three to four, by appointing Mr. Heath DAVIES as new director.

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.

1.2. The Board Management Committee, which determines annual directives, controls activities and defines long-term strategy. On 31 December 2006, it gathered:

- Jacques MOTTARD — Chairman and CEO
- Françoise FILLOT — Executive Vice President
- Heath DAVIES — Executive Vice President

1.3. 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 seven "Directors of Operations":

- Jim GRAHAM
- Jean-Marc SONJON
- Patrick de la HAYE

- Per ROSAND
- Tony HOLLAND
- John INNES
- Juan ARCAS

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.

1.4. 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.

1.5. The Executive Vice Presidents:

Ms. Françoise FILLOT and Mr. Heath DAVIES were appointed 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.

Ms. Françoise FILLOT and Mr. Heath DAVIES, members of the Management Committee, are significantly involved in the definition and implementation of the Company's general management policy.

2 - THE BUSINESS UNIT, THE PROFIT CENTRE 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:

2.1 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 General Management, 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 General Management on the cost accounts.

2.2. General accounting

- Each entity has its own accounts department, which reports 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.

2.3. Commercial

- Each week all the members of any committee whatsoever, complete the same weekly report as Sales Engineers, combined with a report of contacts made during the week, and forward them to their respective superiors.

- These reports, consolidated at Group level, facilitate:

  - managing activities carried out by various players at the same clients,
  - quantifying the number of new projects being quoted, quantifying the number of new contracts signed,
  - monitoring the number and value of deals lost,
  - having a clear idea of the number of persons who have applied 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

2.4. 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 - REPORTINGS, MEETINGS, DELEGATIONS

3.1. 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.

3.2. 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".

3.3. Authorisations

- A Sales Engineer is authorized to represent the Company at clients and to sign external assignment 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.

- A Technical director manages the Project Leaders, and personally manages major projects (over € 300,000).

- A 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 authorisations.

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.

3.4. 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 – ACTUAL INTERNAL CONTROLS

2.1. DEFINITION OF INTERNAL CONTROL - NATURE OF THE INFORMATION PROVIDED

2.1.1 - 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.

2.1.2 - 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.

2.2 SUMMARY DESCRIPTION OF ESTABLISHED CONTROL PROCEDURES

2.2.1 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
Implementation:	Preparation of analytical reporting, 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
Implementation:	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 General Management

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 auditors
Persons and departments involved:	Administrative & Finance Department External consultants General Management The Auditors, who only check the half-yearly (limited check) and annual (audit) accounts, in accordance with correct legal requirements for listed companies.

Procedure for tracking off-balance sheet commitments

Objectives/principles:	Track off-balance sheet commitments
Implementation:	Preserve contracts in a secured location Identify the general commitment clauses Assessment of commitments 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:	General Management Financial Department External consultants Auditors

Intangible assets tracking procedure

Objectives/principles:	Ensure that the intangible assets are not over-valued
Implementation / control of proper implementation:	Impairment tests conducted by an external expert
Persons and departments involved:	General Management 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.

In accordance with EC rule Nr.1606/2002 of 19 July 2002, the consolidated financial statements of SWORD GROUP at 31 December 2006 have been established in accordance with the IFRS international accounting standards as adopted by the European Union on 31 December 2006. In particular, the company has implemented the standards and interpretations, whose implementation has been made mandatory for financial years beginning as of 1st January 2006, in particular: revised IAS 39 (fair value), revised IAS 19 (employee benefits) and revised IAS 21 (changes in foreign exchange rates); the implementation of these new standards and interpretations has no impact on the consolidated financial statements; it constitutes a minor supplement to the information supplied in the appended notes

2.2.2 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
Implementation:	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 control of the analytical reporting Control by the Administrative & Financial Department and by the General Management.
Persons and departments involved:	Opportunity of requirements: General Management Recruitment procedure: Business Unit Director and General Management Review of individual files: Administrative & Financial Department and General Management Review of salaries: HR Department and the Administrative & Financial Department Legal & regulatory provisions: HR Department and General Management

III – PREPARATION AND ORGANIZATION OF THE BOARD'S WORK

3.1 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 comprised of the following members:

Name	**Date first appointed**	**Expiry date**	**Main function in the Company**
Jacques MOTTARD	22/06/2001 Reappointed on 26/04/04	31/12/2009	Chairman Managing Director
21 CENTRALE PARTNERS SA François BARBIER	22/06/2001 Reappointed on 26/04/04	31/12/2009	Director
Nicolas MOTTARD	22/06/2001 Reappointed on 26/04/04	31/12/2009	Director

It is pointed out that the Board of Directors held 6 February 2007 suggested that the next General Meeting raise the number of directors from three to four, by appointing Mr. Heath DAVIES as new director.

The other mandates held by the directors in other companies are as follows:

- **Jacques MOTTARD:**

  Mandates exercised within the Group:

  - Chairman and CEO SWORD SA
  - Chairman SWORD DDS
  - Chairman FIRCOSOFT
  - Chairman SWORD SAS
  - Chairman SWORD ATLANTIQUE
  - Chairman SWORD SOLUTIONS
  - Chairman SWORD UK
  - Chairman HARVARD
  - Chairman INTECH
  - President and Director RTE
  - Chairman SWORD GLOBAL Ltd
  - Chairman SWORD ECM Ltd
  - Chairman CIMAGE Ltd
  - Chairman CIMAGE Novasoft
  - Chairman SWORD Inc
  - Chairman SWORD CREATION INFORMATIQUE Ltd
  - Director SWORD SOUTH AFRICA Ltd
  - Chairman SWORD TECHNOLOGIES SA
  - Chairman SWORD SECURITY
  - Chairman FircoSoft Inc
  - Chairman and Board Member FI SYSTEM BELGIUM
  - Chairman and Board Member ASCII
  - Director SWORD GLOBAL INDIA
  - Chairman SWORD LINKVEST
  - Chairman SWORD LEBANON
  - Director SWORD IT SOLUTIONS
  - President and Director STELLON
  - Chairman and Board Member SWORD SERVICES

  Mandates exercised outside the Group:

  - Manager SCI FI
  - Manager LE SEMAPHORE
  - Manager CHINARD INVESTISSEMENT
  - Manager SEMAPHORE INVESTISSEMENTS

- **21 CENTRALE PARTNERS:**

  Mandates exercised outside the Group:

  - Member of the Supervisory Board LE PUBLIC SYSTEME
  - Director EGIDE
  - Director FOUNTAINE PAJOT
  - Director MECCANO
  - Director ELECTROPOLI GROUP
  - Director GLOBALGAS
  - Director FINANCIERE IMPALA
  - Member of the Supervisory Board ALTO EXPANSION
  - Member of the Supervisory Board ALLTUB
  - Member of the Supervisory Board FINANCIERE VERLYS
  - Members of the Supervisory Board FINANCIERE EUROPE ASSISTANCE
  - Member of the Supervisory Board FINANCIERE SYREVA
  - Censor ROBINE
  - Member of the Supervisory Board THE NOMAD COMPANY
  - Member of the Supervisory Board VULCANIC HOLDING
  - Member of the Supervisory Board FINANCIERE ARAMIS
  - Director SFTF INTERFLORA

- **Nicolas MOTTARD:**

  None

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.

3.2 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. In addition, the Board is informed in advance of each projected acquisition, creation of an activity, and more generally of all financial transactions.

- During the course of the financial year no specific task was delegated to a member of the Board.

3.3 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.

3.4 REMUNERATION OF MANAGEMENT & DIRECTORS

Total remuneration paid to executive officers was €431,000.

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	DIRECTORS' FEES	Change in remuneration as of year ended 31/12/05
Jacques MOTTARD (1) Chairman and CEO	By the Company: €36,587.76 By Controlled Companies Article L.233-16 of the Commercial Code: €0	By the Company: €25,550	+9.80%
21 CENTRALE PARTNERS, represented by François BARBIER Director	By the Company: €0 By Controlled Companies Article L.233-16 of the Commercial Code: €0	By the Company: €31,200	+24.80%
Nicolas MOTTARD Director	By the Company: €0 By Controlled Companies Article L.233-16 of the Commercial Code: €0	By the Company: €2,000	unchanged
Françoise FILLOT Executive Vice President	By the Company: €133,546.88 € (including 2005/2006 bonus of €60,371.36) By Controlled Companies Article L.233-16 of the Commercial Code: €0		+43%
Christian TAPIA (2) Executive Vice President	By the Company: €0 By Controlled Companies Article L.233-16 of the Commercial Code: $32,272.80 + $5,313.56		NA
Heath DAVIES (2) (3) Executive Vice President	By the Company: €0 By Controlled Companies Article L.233-16 of the Commercial Code: £114,000		NA

(1) Since 1st January 2007, the remuneration of Mr. Jacques Mottard (and his assistant) has been billed by the Company to Sémaphore Investissements under a services agreement

(2) Christian TAPIA resigned from his mandate as Executive Vice President, effective 13 March 2006, and has been replaced by Mr. Heath DAVIES.

(3) The Board of Directors held 29 December 2006 has decided to assign to Mr. Heath DAVIES 28,500 share purchase options at a price of €35,128.

In accordance with the provisions of the last paragraph of Article L.225-37 of the French Commercial Code, we point out that:

- except for 21 CENTRALE PARTNERS and Mr. Nicolas MOTTARD, the Company's officers have an employment contract with the Company and/or its subsidiaries,

- the Company's officers are not remunerated for their mandate,

- the breakdown of directors' fees, whose amount is set by the General Management, is determined by the Board of Directors,

- the only director benefiting from share purchase options is Mr. Heath DAVIES; this has been decided in accordance with the latter's operating hierarchy.

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 ended 31st December 2006

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 2006.

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:

- taking 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, 7 February 2007

The Auditors

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

XVII- Staff

17.1 Group head count

17.1.1 Head count

PRO-FORMA head count at 31 December 2006 by activity

Activity	Billable head count [1]	Non billable head count	Total head count
SOLUTIONS	1,197	124	1,321
SOFTWARE	151	29	180
TOTAL	1,348	153	1,501

[1] including freelancers: 343

The Group's total staff, including freelancers, rose from 1,260 to 1,501 in the course of 2006.

Analytically, these can be broken down as follows:
1. Solution activity

- Daily average billing rate: €578/day
- Usage rate excluding holidays: 90.7% (80.5% with holidays)

The balance including holidays breaks down as follows:

- 10.1% for holidays
- 1.4% for training
- 3.9% for software components R&D
- 3.3% for technical supervision
- 0.7% of non-billed days (sickness and integration of newcomers)
- 0.1% for intercontracts

2. Software activity:

- Daily average billing rate: €846/day
- The usage rate is not a significant criterion
- The training rate stands at 1.77% of the number of potential days for the Software team
- The R&D rate stands at 35.44% [1]

[1] 35.44% of the Software team's time represents the total R&D, broken down as follows:
- 25.77% of R&D charged to the trading account
- 9;67% of R&D recorded as a fixed asset (FUSION)

3. Rates summary

Group daily average billing rate: €610/day
Training rate: 1.46% of the total number of potential days
Group R&D rate: 4.51% of the total number of potential days

17.1.2 Management team
Management - Functional organisational chart on 01/01/2007

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

Pradeep BANERJI (offshore CTO)

Phil NORGATE (UK CFO)

Lalitha BALAKRISHNAN, India
Abba WARSHAW, US
David BLYTH, UK North

Heath DAVIES (aa. OD)	
SSA Johannesburg	**SNE** New York
Kays MGUNI (director)	**David WARREN (BUD)** Mark BROWER (SM)

Operation 1

Jim GRAHAM (OD)			
ECM London	**HVD** London	**EPS** London	**SWP** Paris/Export
Jim GRAHAM (aa DBU) Peter BROWN (SM) Stuart WARD (SM) Liam HOLLEY (TD)	**Deborah CHEN (BUD)** Mark STURGESS (SM)	**Robin PEARCE (BUD)** Andrew ROBINSON (TD)	**Fabrice LIENART (BUD)** Françoise DRAPERI (TD)

Operation 2

John INNES (OD)				
PRG1 Aberdeen	**PRG2** Aberdeen	**CUS** Houston	**RTE1** Glasgow	**RTE2** Glasgow
Scott LEIPER (BUD) Craig SWINBURN (SM) Andy MARTIN (TD) Lisa BLACKLAW (TD)	**John INNES (aa. BUD)** Julie GRANT (SM) Amanda MINTER (SM) Dave BRUCE (TD)	**Tim FLEET (BUD)** Mark WALFORD (SM) Andy WADEMAN (SM) Kanda BOONE (TD) Eric JACOBSEN (TD)	**Gillian DAVIDSON (BUD)**	**Jim BOYD (BUD)**

Operation 3

Tony HOLLAND (OD)				
CUK London	**INT** London	**GIN** Chennai	**IUS** New York	**FIP/FII** Paris / New York
Tony HOLLAND (aa. BUD) Andy HAMLYN (CTO) Terry COYNE (SM) Lee ROBERTSON (SM) Roger STANBROOK (TD)	**Eugene BRIEN (BUD)** David POYNTER (SM)) Roger HULETT (SM) Rod DUNNE (SM) Gordon KING (TD) Stuart BROWES (TD) Steve WESTERLEY (TD)	**Paul EVANS (BUD)** Paul EVANS (aa. TD)	**Tony HOLLAND (aa. BUD)** Dan GRANT (SM)	**Jean LOSCO (BUD)** Frédéric CASADEI (CD) Laurent CORBEL (SM)

Operation 4

Jean-Marc SONJON (OD) Pierre GACHON (CD) - Eric BOUVET (TD)				
IDL **Lyon**	**SWL** **Lyon**	**SFS/SOL** **Paris**	**REN** **Rennes**	**SWA** **Nantes**
Jean-Marc SONJON (aa. BUD) Maxime GRINFELD (SM)	**Philippe LE CALVE (BUD)** Marie NOURRY (SM) Jean-Louis VILA (TD)	**Jean-Marc SONJON (aa. BUD)** Maxime GRINFELD (SM)	**Dominique BOTBOL (BUD)** Olivier GUERIN (SM) Samuel SARRAZIN (SM)	**Dominique BOTBOL (BUD)**

Operation 5

Jean-Marc SONSON (aa. OD)		
SUI **Geneva / Lausanne**	**STN** **Lausanne**	**BEY** **Beirut**
Colombo FASANO (BUD) Pascal PAGNY (SM) Xavier SEYFRIED (SM) André JACQUAT (SM) Jean-François BALLIF (TD)	**Gustavo RACIOPPI (BUD)** Cédric POMPEI (TD)	**Nasser HAMMOUD (BUD)**

Operation 6

Patrick de la HAYE (OD) Dieter ROGIERS (CD) - Thierry GUIOT (TD) - Franck SILVESTRE (TD)		
TMB **Brussels**	**FPB** **Brussels**	**New BU**
Agnès PETERBROECK (BUD)	**Tony CLAES (BUD)**	**Patrick de la HAYE (aa. BUD)**

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 GRITIS (BUD)**

Operation 8

Juan ARCAS (OD)		
ASC **Brussels**	**BIB** **Brussels**	**SER** Brussels
Juan ARCAS (BUD) Fabrice REGNIER (TD) Guy de SAN (TD)	**Yves COLINET (BUD)** Paul KAISIN (SM) Francis TASSEROUL (TD)	**Sam BARO (BUD)**

The Management

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 holds degrees in both science and management (Montpellier ESTP (Grande école for public works engineering) and IAE (company administration institute)).

Françoise Fillot, 47, 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, 41, 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 B (Eng) (Hons) degree from the University of Greenwich and is a National Engineering Scholarship winner, from the National Engineering Council, UK.

Patrick de la Haye, 45, Director of "Data Management" Operations

Patrick de la Haye was 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 degree in Political Science and International Relations.

Per Rosand, 49, Director of “Security” operations

Per ROSAND is one of the founders of SWORD Technologies (set up in 1999). He is presently Director of Operations for all Business Units in Luxembourg. He obtained a diploma in Information 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, 44, Director of 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.

John Innes, 49, Director of Operations in Scotland and the USA (Houston)

John Innes was Sales Director at Pragma Systems before it was taken over by Sword UK in April 2005. Before that, he occupied various sales positions in areas such as entertainment, energy, and IT systems. He was promoted BU Director in 2005 and Director of Operations in 2006. He holds a degree in English from the University of Aberdeen.

Tony Holland, 49, Director of Products Operations (Software)

The first part of Tony Holland's career was focused on financial services, particularly with an international broker, after what he joined Lloyd's Corporation. Tony held various positions at Intech since the early 1980s, until he was appointed Executive Managing Director in 1999. He held that position until December 2005 when, under his impulse, Intech joined SWORD Group. Since then, Tony has been promoted Director of Operations in charge of products (Software).

Juan Arcas, 44, Director of Operations in charge of the private and public sectors in Belgium

Juan Arcas, a Spanish citizen, spent most of his life in Belgium, where he held positions as consultant and development director for European institutions since 1992. In 2005, he was appointed Manager of ASCii, the communication company acquired by SWORD Group. Since then, he was appointed Director of Operations in 2007. Juan holds a degree in applied and theoretic linguistics.

17.2 Interests and stock options held by members of the Management Team

At the date of this prospectus, some of the above managers hold some of the Company's stock purchase options.

The Company's shareholders are shown in paragraph 21.1.7.2.

17.3 Employee shareholdings

None

XVIII – Main shareholders

18.1 Significant shareholders not represented at the Board of Directors

- Under the provisions of a trespassing statement published on 24 February 2006, Threadneedle Asset Management Holding has claimed that it had passed the threshold of 5% in capital only.

- Under the provisions of a trespassing statement published on 6 March 2006, Schroders Investment Management Limited has claimed to have passed the threshold of 5% in capital only.

In addition to the above information, the following is pointed out:

Under the provisions of a trespassing statement published on 27 April 2006 SEMAPHORE INVESTISSEMENTS, a company controlled by Mr. Jacques Mottard, claimed that it had passed upwards, individually, the thresholds of 5%, 10%, 15% and 20% of the capital and voting rights in the company SWORD GROUP and that it held 1,706,000 shares. This threshold passing results from the contribution to SEMAPHORE INVESTISSEMENTS by Mr. Jacques Mottard of 1,700,000 SWORD GROUP shares.

Concurrently, Mr. Jacques Mottard has stated that he had passed downwards, directly and indirectly, the threshold of 25% of voting rights in that company.

Jacques MOTTARD holds, either directly or indirectly (including his family) 22.89% of the capital and 22.29% of the voting rights.

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

At 31 December 2006, the members of the Board of Directors (Nicolas MOTTARD, Jacques MOTTARD – including the holding of Sémaphore Investissements - and 21 CENTRALE PARTNERS) hold jointly 20.89% of the capital and 22.29% of the voting rights. The members of the Management Committee (Jacques MOTTARD – including the holding of Sémaphore Investissements - Françoise FILLOT and Heath Davies) hold jointly 24.50% of the capital and 25.13% of the 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 Tax 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. This document has become obsolete following the contribution, by the aforementioned individuals, of 1,706,000 SWORD GROUP shares they held, to the benefit of SEMAPHORE INVESTISSEMENTS

By a notarised document signed in private on 15 November 2006, Messrs Jacques and Nicolas MOTTARD, as well as the Company SEMAPHORE INVESTISSEMENTS, represented by Mr. Jacques MOTTARD, its Manager, undertook, under the provisions of Article 787 B of the General Tax Code, to together retain for a period of two years, 1,706,002 shares of the SWORD GROUP.

18.2 Voting rights of main shareholders

see: on 21.1.7.2

18.3 Control of the Company

See paragraphs 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 ended 31st December 2006

In our capacity as auditors of your company, we will now present out report on regulated agreements.

Agreements authorised during the financial year

As stipulated by Article L. 225-40 of the Commercial Code, we have been informed of the agreements that benefited from your Board's prior approval.

Our role is not to detect the existence of any other agreements, but to provide you with the main characteristics and terms of those we have been advised of, based on the information we have been given, and without us being required to express an opinion as to their utility and validity. It is your responsibility to assess the advantage of establishing these agreements with a view to approving them, in accordance with the provisions of article 92 of the decree of 23rd March 1967.

We have carried out our work in accordance with the professional standards applicable in France; these standards require that due diligence be practiced in order to verify the consistency of the information we have been given with that held in the documents from which it originates.

1 - Management services to subsidiaries 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 same assistance provided to all other subsidiaries and as described in the following chapter. The amounts recorded for that purpose were as follows:

Subsidiaries	Representatives concerned	Value
SWORD ATLANTIQUE	Jacques MOTTARD Françoise FILLOT	66,270
SWORD LEBANON	Jacques MOTTARD	2,610
STELLON	Jacques MOTTARD Françoise FILLOT	12,150
SWORD SERVICES	Jacques MOTTARD Françoise FILLOT	2,700
INTECH	Jacques MOTTARD Heath DAVIES	186,300

2 – Sublease agreement

Type and purpose: Under the authorised agreement, SWORD GROUP subleases to SWORD SA the premises described below, located in SAINT DIDIER AU MONT D'OR (Rhône), 9 avenue Charles de Gaulle, including:

- one office building with a surface area of 676 square meters,
- another office building with a surface area of approximately 1,238 square meters,
- a neighbouring plot of land.

The sublease contract became effective as at 1st January 2006, for a period of 7 years expiring on 31st December 2012.

Representatives concerned : Jacques MOTTARD, Françoise FILLOT.

The annual rent, excluding taxes and expenses, revisable annually on the basis of the INSEE's quarterly index of building construction costs, stands at €289,237.

Terms: for the financial year ended 31 December 2006, the supported rent comes out to €289,236.88, the tax on land: €18,316, and the insurance covering the premises: €5,437.99.

3 – General Management services contract

Type and purpose: Under the authorised agreement entered into on 29 December 2006, SWORD GROUP will benefit from general management services from SEMAPHORE INVESTISSEMENTS, including: general policy, strategy management, financial resources management, company's stock exchange listing management.

Representative concerned: Jacques MOTTARD

Terms: As of 1st January 2007, a flat fee of €150,000 will be billed annually by SEMAPHORE INVESTISSEMENTS for the aforementioned services. In addition, SEMAPHORE INVESTISSEMENTS will bill the company for representation and travel expenses, on a flat fee basis of €400,000. This amount corresponds to the general management expenses paid for financial 2006. Monthly instalments shall be billed on the basis of that lump sum. The balance will be settled in the month of December of each year. Lastly, should SEMAPHORE INVESTISSEMENTS have to bear extraordinary expenses, particularly for the purchase of foreign companies, resulting in an increase of the aforementioned €400,000 lump sum, such extraordinary expenses would be borne by the Company.

4 – **Authorisation to repurchase shares held by SWORD SA**

Type and purpose: Under the authorised agreement signed 19 January 2006, SWORD GROUP SA has been permitted to repurchase from SWORD SA shares of SWORD CONSULTING, FIRCOSOFT and SWORD SAS.

Representative concerned: Jacques MOTTARD

Terms: The repurchase operation relates to:

- the repurchase from SWORD SA of 4,995 SWORD CONSULTING shares, at a unit price of €334.80, i.e. a total of €1,672,326,
- the repurchase from SWORD SA of 14,440 FIRCOSOFT shares, at a unit price of €537, i.e. a total of €7,754,280,
- the repurchase from SWORD SA of 3,071 SWORD SAS shares, at a unit price of €656, i.e. a total of €2,014,576.

5 – **Authorisation to repurchase shares held by SWORD SUISSE**

Type and purpose: Under the authorised agreement entered on 13 March 2006, SWORD GROUP SA was permitted to repurchase from SWORD SUISSE shares of SWORD LINKWEST SA.

Representative concerned: Jacques MOTTARD

Terms: The repurchase operation relates to all the shares in SWORD LINKWEST SA at a price of CHF8,993,515.93.

6 – **Authorisation to repurchase shares held by SWORD CONSULTING**

Type and purpose: Under the authorised agreement entered on 25 August 2006, SWORD GROUP SA was permitted to repurchase from SWORD CONSULTING shares of LOG & PI CONSULTING, SWORD DDS, and S.B.T.

Representative concerned: Jacques MOTTARD

Terms: The repurchase operation relates to:

- the repurchase of 2,500 SWORD DDS shares, i.e. 100% of the equity, at a price of €618,295.36,
- the repurchase of 15,000 LOG & PI CONSULTING shares, i.e. 5% of the equity, at a price of €11,115,
- the repurchase of 32,051 shares in the equity of SCIENTIFIC BRAIN TRAINING (SBT), which is listed on the free market, at a price of approximately €250,000 (on the basis of the last listed prices at end August 2006).

7 – Authorisation to enter into a claim disposal agreement with SWORD CONSULTING

Type and purpose: Under the authorised agreement entered on 25 August 2006, SWORD GROUP was permitted to enter into a claim disposal agreement with SWORD CONSULTING.

Representative concerned: Jacques MOTTARD

Terms: The claim acquired from SWORD CONSULTING stands at €222,512.16.

Agreements approved of in previous financial years, and whose performance was pursued during the financial period at stake

Besides, in accordance with the Order of 23 March 1967, we have been informed that the performance of the following agreements, which were approved in previous financial years, was pursued during the financial period at stake.

1. Management services to subsidiaries

Type and purpose: SWORD GROUP offers its subsidiaries assistance in terms of sales policy, communication, strategy, purchases, management control, and organisation.

Terms: The services charged for by your company for the support provided, are calculated as of 1st January 2004. The decision made by the Board of Directors held 13 March 2006, to bring down the lump sum per employee and per month, from €650 to €470 for the French subsidiaries. However, it is maintained at €150 for foreign companies (except in India and Lebanon, where the rate applied is €15).

The amounts billed for financial 2006 are as follows:

Subsidiaries	Representatives concerned	Value (€)
SWORD SA	Jacques MOTTARD SWORD Group Françoise FILLOT	1,105,440
SWORD ① CONSULTING	Jacques MOTTARD SWORD Group Françoise FILLOT	73,320
FIRCOSOFT	Jacques MOTTARD SWORD Group Françoise FILLOT	164,970
SWORD INC.	Jacques MOTTARD SWORD Group	57,600
SWORD UK	Jacques MOTTARD SWORD Group Françoise FILLOT Heath DAVIES	403,200
SWORD SUISSE	Jacques MOTTARD SWORD Group	0
SWORD TECHNOLOGIES	Jacques MOTTARD SWORD Group Françoise FILLOT	290,250
GLOBAL INDIA	Jacques MOTTARD SWORD Group Françoise FILLOT	10,305
ASCII	Jacques MOTTARD SWORD Group Françoise FILLOT	144,000

①Billing retained up until the date of exit from the Group

Subsidiaries	Representatives concerned	Value (€)
SOUTH AFRICA	Jacques MOTTARD SWORD Group Françoise FILLOT	13,950

PRAGMA	Jacques MOTTARD SWORD Group Françoise FILLOT	0
LINKWEST	Jacques MOTTARD SWORD Group	113,850
HARVARD	Jacques MOTTARD SWORD Group Françoise FILLOT Heath DAVIES	13,500
SWORD SAS	Jacques MOTTARD SWORD Group	177,660
SWORD NORD ①	Jacques MOTTARD SWORD Group Françoise FILLOT	20,150

①Billing retained up until the date of exit from the Group

Lyon and Villeurbanne, 7 February 2007

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 2006

INCOME STATEMENT AS AT 31 DECEMBER 2006

Year ended 31st December 2006

(In thousands of euros)	31/12/2006	31/12/2005	31/12/2004
Turnover	3,422	3,027	2,653
Self-constructed assets			
Other products	6	1	0
INCOME FROM OPERATIONS	**3,428**	**3,028**	**2,653**
Purchased consummables			
Other purchases and external expenses	1,684	1,666	1,191
Taxes and duties	104	34	22
Payroll expenses	486	708	557
Depreciation provisions and allowances	-329	35	300
Other operating expenses	59	47	42
OPERATING EXPENSES	**2,004**	**2,490**	**2,112**
OPERATING INCOME	**1,424**	**538**	**541**
FINANCIAL INCOME	**3,661**	**3,899**	**3,417**
PRE-TAX EARNINGS	**5,086**	**4,436**	**3,958**
EXTRAORDINARY PROFIT	**51**	**38**	**7**
Income tax	-71	786	439
NET PROFIT	**5,208**	**3,688**	**3,526**

Year ended 31 December 2006

ASSETS

In thousands of euros	31/12/2006			31/12/2005	31/12/2004
	Gross	Depreciation Allowances	Net	Net	Net
FIXED ASSETS					
Intangible fixed assets	25	6	18	23	10
Tangible fixed assets			0	0	0
Financial fixed assets	114 309	238	114 071	31 180	28 960
TOTAL FIXED ASSETS	**114 334**	**244**	**114 090**	**31 203**	**28 970**
CURRENT ASSETS					
Trade and other receivables	3		3	0	901
Other receivables and accruals	14 570		14 570	70 648	23 286
Own shares	104		104	233	779
Other marketable securities	154		154	81	0
Cash	185		185	842	268
TOTAL CURRENT ASSETS	**15 016**	**0**	**15 016**	**71 804**	**25 233**
GRAND TOTAL	**129 350**	**244**	**129 106**	**103 007**	**54 204**

Year ended 31 December 2006

LIABILITIES

(In thousands of euros)	31/12/2006	31/12/2005	31/12/2004
Capital stock	7,637	7,408	7,342
Additional paid-in capital	38,909	34,716	33,595
Legal reserve	582	398	217
Other reserves	1,734	1,734	1,734
Balance brought forward	2,966	1,682	
Net profit	5,208	3,688	3,526
SHAREHOLDERS' EQUITY	**57,035**	**49,626**	**46,413**
Other equity			
TOTAL PERMANENT CAPITAL	**57,035**	**49,626**	**46,413**
Provisions for risks and contingencies		334	300
Financial debt	71,538	51,189	6,504
DEBT			
Accounts payable	354	496	324
Other creditors and accruals	179	1 361	662
TOTAL CURRENT ASSETS	**72,071**	**53,047**	**7,490**
GRAND TOTAL	**129,106**	**103,007**	**54,204**

20.1.2 Appendices to the SWORD GROUP SA balance sheet and income statement at 31 December 2006

This is the annexe to the balance sheet prior to the breakdown of the financial year ending 31st December 2006 which totals €129,105,920.36, and to the financial statement for the financial year, presented in the form of a list, which shows profits of €5,207,542.48.

The financial year lasts 12 months and covers the period from 1/1/2006 to 31/12/2006.

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 1stMay 2004, 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.

In 2006, SWORD GROUP acquired 19% of NEXTECH, a company based in Brazil. This acquisition is not consolidated, as the Group holds no significant control or influence, and as its impact on the Group's consolidated financial statements is not significant.

SWORD GROUP disposed of SWORD NORD on 31 January 2006. The company was no longer consolidated as of that date. The impact of the deconsolidation is not significant.

Sword Atlantique was set up in January 2006 and has its head office in Saint-Didier au Mont d'Or.
SWORD Group holds 80% of that Company, whose purpose is to tackle the Nantes and Niort markets, particularly in the insurance business.

In 2006, Sword Group contributed €62,227,000 to the capital increase of SWORD UK.

In 2006, Sword Group repurchased:

- 91.05% stakes in Fircosoft, at a price of €8,260,000, of which 86.88% from SWORD SA,
- 100% stakes in Sword DDS, at a price of €618,000, previously entirely held by SWORD SA,
- 92% stakes in Sword SAS, at a price of €2,320,000, of which 83% from SWORD SA.

In 2006, Sword Group repurchased from Sword Suisse:

- 100% stakes in Linkvest, at a price of €5,656,000

In 2006, Sword Group repurchased from Linkvest:

- 100% stakes in STELLON, at a price of €2,326,000.

Sword Group completed its acquisitions with the repurchase of 2.12% of the capital stock of Sword Technologies, at a price of €763,000.

SWORD GROUP disposed of SWORD CONSULTING on 22 September 2006. This company has no longer been consolidated as of that date. The impact of the deconsolidation is not significant.

Its activity consists exclusively in:

- managing the stakes held by the SWORD Group
- providing subsidiaries with central means (general management, financial, commercial, and strategic management) though a management services agreement.

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.

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 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
- A recognised positioning
- 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.
The costs involved for acquiring interests are attached to the assets concerned.

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 2006 at the closing rate.

1.5. Own shares

SWORD GROUP holds its own shares within the scope of a share repurchasing programme.
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 charges

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.
No provision for retirement commitments is recorded, due to the insignificant nature of these commitments, given in particular the young age of the company and the limited head count.

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 gains on the company's own shares in the first repurchase contract, which has been settled to date.

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 group, 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 company for 2006 is SWORD SA.

1.9. Events subsequent to the year-end

None

NOTE 2: KEY HIGHLIGHTS

None

NOTE 3: INCOME STATEMENT

3.1 Payroll expenses

Payroll expenses stand at €485,623 and break down as follows:

(in €)	31/12/06 (12 months)	31/12/05 (12 months)
Gross wages	343,563	505,203
Statutory charges	142,060	203,182
Stakes and interests		
Total	***485,623***	***708,385***

Head count:

	31/12/06 (12 months)	31/12/05 (12 months)
Executive.	4	6
Non-executive		
Total	***4***	***6***

3.2. Net reserve allocations for operational depreciation and provisions.

(in €)	31/12/06 (12 months)	31/12/05 (12 months)
Net reserve allocation for tangible and intangible fixed assets	4,834	1,208
Reserve allocation for accounts receivable		
Reserve allocation for other provisions for risks and expenses	- 333,874	33,874
Total	***- 329,040***	***35,082***

3.3. Breakdown of expenses and income for related companies

(in €)	Operating expenses	Revenues from operations
Total	2,337,414	3,422,250
Of which related companies	158,632	3,392,250

(in €)	Financial expenses	Financial earnings
Total	4,078,244	7,739,486
Of which related companies	274,796	6,222,293

3.4. Non-operating profit

(in €)	31/12/06 (12 months)	31/12/05 (12 months)
Financial allocations for depreciation and provisions	237,755	
Interest on current accounts	274,796	52,049
Bank interest	1,992,858	622,167
Mali on own shares	20,707	
Negative exchange rate differences	1,551,495	628,874
Other financial expenses	633	164
Total net financial costs	***4,078,244***	***1,303,254***
Reversal of financial allocations for depreciation and provisions		
Financial revenue from stakes	5,559,224	2,291,996
Revenue from marketable securities	2,985	1,016
Interest on current accounts	698,719	1,584,539
Bonuses on own shares		795,599
Exchange rate differences	1,478,558	528,728
Total financial revenue	***7,739,486***	***5,201,878***
Non-operating profit	***3,661,242***	***3,899,846***

3.5. Extraordinary earnings

Extraordinary profit can be broken down as follows:

(in €)	31/12/06 (12 months)	31/12/05 (12 months)
Net profit from sale of own shares	123,467	38,292
Net profit from sale of assets	(72,319)	(80)
Other expenses or extraordinary earnings		
Extraordinary earnings	**51,148**	**38,212**

3.6. Gross cash flow margin

(in €)	31/12/06 (12 months)	31/12/05 (12 months)
Earnings	5,207,542	3,688,344
Depreciation	4,834	1,208
Provisions	(96,119)	33,874
Gross cash flow margin	***5,116,257***	***3,723,426***
Disposal of assets	(72,319)	(80)
Cash flow	***5,043,938***	***3,723,506***

3.7. Income tax breakdown

(in €)	Before tax	Corresponding tax	After tax
Current earnings	5,085,719	(87,724)	5,173,443
Extraordinary earnings	51,148	17,049	34,099
Employee profit-sharing	-		-
Accounting profit	5,136,867	(70,675)	5,207,542

3.8. Reductions in future tax debt

(in €)	Value
Reduction of future debt	
- Uncertain, non-deductible provision for risks	
- Non-deductible provision the year of their posting	
- Organic	2,759
- Underlying appreciation of marketable securities	
Total reduction of future debt	**2,759**

There is no growth in future tax debt to note.

NOTE 4: INTANGIBLE FIXED ASSETS

4.1. Position details

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

(in €)	31/12/2006		
	Gross values	Depreciation	Net values
Trademarks and patents	24,500	6,042	18,458
Total	**24,500**	**6,042**	**18,458**

4.2. Movements for the period

(in €)	01/01/06	Acquisitions	Disposals	Reclassification	31/12/05
Trademarks and patents					
Gross values Depreciation Net	24,500 1,208 23,292	 4,833 			24,500 6,042 18,458
Total	**23,292**	4,833			**18,458**

NOTE 5: TANGIBLE FIXED ASSETS

SWORD GROUP owns no tangible fixed assets.

NOTE 6: FINANCIAL ASSETS

6.1. Position details

(in €)	31/12/05		
	Gross value	*Provisions*	*Net*
Equity interests	31,169,703		31,169,703
Deposits and sureties	10,000		10,000
Other financial assets			
Total	**31,179,703**		**31,179,703**

(in €)	31/12/06		
	Gross value	*Provisions*	*Net*
Equity interests	114,234,891	237,755	113,997,136
Deposits and sureties	74,250		74,250
Other financial assets			
Total	**114,309,141**	**237,755**	**114,071,386**

Financial fixed assets mainly consist of equity interests.

6.2. Movements during the period

(in €)	01/01/06	Acquisitions	Disposals	31/12/06
Equity interests				
Gross values	31,169,703	84,959,587	(1,894,399)	114,234,891
Depreciation		(237,755)		(237,755)
Net	31,169,703	84,721,832	(1,894,399)	113,997,136
Deposits				
Gross values	10,000	74,250	(10,000)	74,250
Provisions				
Net	10,000	74,250	(10,000)	74,250
Other financial assets				
Gross values	-			-
Provisions	-			-
Net	-			-
Total	**31,179,703**	**84,796,082**	**(1,904,399)**	**114,071,386**

Acquisitions of equity interests over the financial year relate to:

- Purchase of 19% of the equity of NEXTECH, for €433,000,
- Purchase of 80% of the equity of SWORD ATLANTIQUE, for €40,000,
- Repurchase of 91.05% of the equity of FIRCOSOFT, for a total of €8,260,000,
- Repurchase of 100% of the equity of LINKVEST, for a total of €5,656,000,
- Repurchase of 3% of the equity of SBT, for a total of €255,000,
- Repurchase of 100% of the equity of STELLON, for a total of €2,326,000,
- Repurchase of 100% of the equity of SWORD DDS, for a total of €618,000,
- Payment of the price complement for GLOBAL SOFTWARE SERVICES, for €87,000,
- Repurchase of 2.12% of the equity of SWORD TECHNOLOGIES, for €763,000,
- Repurchase of 92% of the equity of SWORD SAS, for €2,320,000,
- Contribution to the capital increase of SWORD UK, for €62,227,000.

Disposals of equity interests over the financial year relate to:

- Disposal of SWORD CONSULTING for a net book value of €1,673,000,
- Disposal of SWORD NORD for a net book value of €221,000.

NOTE 7: OPERATING ACCOUNTS RECEIVABLE

Position details

(in €)	**31/12/05**		
	Gross values	**Provisions**	**Net values**
Trade and operating receivables			
Other debtors	70,500,750		70,500,750
Deferred charges	147,530		147,530
Total	**70,648,280**		**70,648,280**
Of which related companies			
Trade and operating receivables			
Other debtors	70,184,874		70,184,874
Deferred charges			
Total	**70,184,874**		**70,184,874**

(in €)	**31/12/06**		
	Gross values	**Provisions**	**Net values**
Trade and operating receivables	3,372		3,372
Other debtors	14,404,997		14,404,997
Deferred charges	164,503		164,503
Total	**14,572,872**		**14,572,872**
Of which related companies			
Trade and operating receivables			
Other debtors	13,584,652		13,584,652
Deferred charges			
Total	**13,584,652**		**13,584,652**

Other Receivables are made up mainly of amounts left on current accounts to the benefit of the Group's subsidiaries. Their amount declines mainly due to the capital increase by compensation of the current account at SWORD UK. These receivables are due within less than one year, except for frozen current accounts.

NOTE 8: SHAREHOLDERS' EQUITY

(In thousands of euros)	01/01/2006	Earnings appropriation	Profit for period	Dividends paid	Capital increase	31/12/2006
Share capital	7,408				228	7,637
Paid-in cash	34,716				4,193	38,909
Legal reserve	398	184				582
Other reserves (1)	1,734	2,220		(2,220)		1,734
Balance carried forward	1,682	1,284				2,966
Earnings	3,688	(3,688)	5,208			5,208
TOTAL	**49,626**	**0**	**5,208**	**(2,220)**	**4,421**	**57,035**

(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. €104,000.

Issued capital and securities giving access to the 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, divided into 1,468,421 shares with a face value of €5.

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 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 €37,000 and an increase in the additional paid-in capital of €673,000.

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

The Board of Directors held 21 June 2006 recorded the exercise of 182,736 BSAs, entitling their holders to 228,420 new shares, thereby causing a capital increase of €228,000 and an increase in additional paid-in capital of €4,193,000.

On 31st December 2006, capital stock totalled €7,636,840, divided into 7,636,840 shares with a face value of €1.

NOTE 9: LONG AND SHORT TERM PROVISIONS

9.1. Position details

(in €)	12/31/2005		
	Long term	**Short term**	**Total**
Provision for risks (1)		333,874	333,874
Total		**333,874**	**333,874**

(in €)	31/12/2006		
	Long term	**Short term**	**Total**
Provision for risks		-	-
Total		**-**	**-**

(1) This is the provision for risks entered for the acquisition of ASCII.

9.2. Movements during the period

(in €)	01/01/06	Reserve allocations for the financial year	Carryovers for the financial year	31/12/05
Operation				
Provision for risks (2)	333,874		(333,874)	-
Total	**333,874**		**(333,874)**	**-**

(2) The materialisation of the risk during the financial year resulted in the reversal of the provision, which was used in accordance with its purpose.

NOTE 10: NET DEBT

10.1. Position details by nature

(in €)	31/12/06	31/12/05
Other long- and medium-term borrowings	66,985,000	49,810,000
Other financial creditors	3,916,370	872,631
Current banking facilities	833,434	506,788
Total gross debt	***71,734,804***	***51,189,419***
Financial current accounts (debit side)		
Marketable securities	257,821	313,859
Cash and cash equivalents	185,383	842,156
Total net debt	***71,291,600***	***50,033,405***

The main loans have been taken out at an interest rate of euribor 3 months + 1.5. Coverage by paying SWAP at a fixed rate of 3.825% (excluding the bank margin) was set up on 14 November 2006 for a period of 24 months and an amount of €20m.

Other loans mainly consist of drawing rights and promissory notes from financial institutions.

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

- net consolidated financial debt / consolidated EBITDA less than 3.5 or 3, depending on the agreement
- net consolidated financial debt / consolidated shareholders' equity less than 1

The same conditions are provided on RTE, in the framework governing the loan taken out from Crédit Agricole for €5m.
Should SWORD Group fail to comply with the above covenants, lending banks will be able to accelerate the reimbursement of the outstanding loan, worth €66,985 as at 31 December 2006.
At 31st December 2006, SWORD GROUP complied with such covenants.

The market value of the marketable securities, including own shares, stood at €258,000 at 31st December 2006.

10.2 Breakdown of long- and medium-term loans, including the short-term portion

(in €)	31/12/06	31/12/05
Maturity date		
< 1 year	14,600,000	1,715,000
1 year < X > 5 years	52,385,000	48,095,000
> 5 years		
Total	***66,985,000***	***49,810,000***

NOTE 11: OPERATING DEBTS

(in €)	31/12/06	31/12/05
Advance payments received		263,120
Accounts payable and other operating debts	353,964	496,318
Tax and statutory payments	146,054	1,073,188
Debts on assets		
Other creditors	3,034	25,000
Deferred revenues	30,000	
Total	**533,052**	**1,857,626**
Of which related companies		
Advance payments received		263,120
Accounts payable and other operating debts		2,681
Tax and statutory payments		
Debts on assets		
Other creditors		
Deferred revenues		
Total		**265,801**

NOTE 12: ACCRUED EXPENSES

(in €)	31/12/06	31/12/05
Accounts payable and other operating debts	232,051	427,903
Tax and statutory payments	50,817	132,177
Debts on assets		
Other creditors		
Deferred revenues		
Total	**282,868**	**560,080**

NOTE 13: OFF-BALANCE SHEET COMMITMENTS

Details by nature

(K€)	31/12/06	31/12/05
Financial guarantees offered		
Guarantees on future rentals	730 (2)	730 (2)
Other guarantees	2,920 (1)	4,139 (1)
Guarantees on foreign contracts	780 (3)	780 (3)
Other commitments made		
Commitments received		
Guarantees received		
Other commitments received	220 (4)	220 (4)

(1) Guarantees apply to the bank loans taken by SWORD SA for €6,098,000, of which €1,220,000 were drawn down as at 31 December 2006 and to an overall bank balance of SWORD Technologies of €1,700,000.
(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 (5 people) of the management and operations committees together received during the 2006 financial year a gross remuneration of €354,000. The directors' fees paid to members of the Board come out to €59,000.

NOTE 15: LIST OF SUBSIDIARIES AND HOLDINGS

(in €)	Issued capital In €	Shareholders' equity excluding the issued capital In €	Share of capital held, in percentage	Value of the securities Gross In €	Net	Advance loan granted by the company and not yet paid back In €	Turnover In €	Profit for last period ended In €	Dividends cashed In €	Comments Closing date
1 - Subsidiaries (over 50% of equity held)										
SWORD INC 230 Park Avenue Suite 1000 NEW YORK – NY 10169 – USA	792	(2,126,000)	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	14	151,122	100	106,714	106,714		0	37,115	NONE	31/12
SWORD SUISSE 36 place du midi SION VALAIS	160,472	(106,356)	94.80	269,699	31,944		1,404,208	(153,765)	NONE	31/12

(in €)	Issued capital In €	Shareholders' equity excluding the issued capital In €	Share of capital held, in percentage	Value of the securities Gross In €	Net	Advance loan granted by the company and not yet paid back In €	Turnover In €	Profit for last period ended In €	Dividends cashed In €	Comments Closing date
SWORD UK 1000 Great West Road Brentford Middlesex TW8 9DW	62,040,517	6,247,180	100	68,753,739	68,753,739		35,103,394	3,120,882	NONE	31/12
SWORD SA 9 Avenue Charles de Gaulle 69370 ST DIDIER AU MONT D'OR	3,471,250	365,665	99.99	4,730,512	4,730,512		23,365,541	7,361,180	417,935	31/12
SWORD TECHNOLOGIES Luxembourg SA 105 Route d'Arlon L-8009 Stassen LUXEMBOURG	31,000	184,237	99.04	11,346,400	11,346,400		28,689,200	1,371,589	2,819,996	31/12

(in €)	Issued capital In €	Shareholders' equity excluding the issued capital In €	Share of capital held, in percentage	Value of the securities Gross In €	Net	Advance loan granted by the company and not yet paid back In €	Turnover In €	Profit for last period ended In €	Dividends cashed In €	Comments Closing date
FI SYSTEM BELGIUM 49-51 Rue de Trèves Brussels	6,064,000	(3,344,316)	100	3,000,000	3,000,000		0	(27,680)	NONE	31/12
FIRCOSOFT 9 Avenue Charles de Gaulle 69370 ST DIDIER AU MONT D'OR	265,920	26,684	99.94	8,701,463	8,701,463		4,969,438	1,054,999	93,317	31/12
SWORD SAS 9 Avenue Charles de Gaulle 69370 ST DIDIER AU MONT D'OR	37,000	3,711	92	2,320,148	2,320,148		4,710,279	554,024	190,076	31/12
SWORD DDS 9 Avenue Charles de Gaulle 69370 ST DIDIER AU MONT D'OR	40,000	4,009	100	618,295	618,295		85,089	582,420	NONE	31/12

	Issued capital In €	Shareholders' equity excluding the issued capital In €	Share of capital held, in percentage	Value of the securities Gross In €	Net	Advance loan granted by the company and not yet paid back In thousands of euros	Turnover In €	Profit for last period ended In €	Dividends cashed In €	Comments Closing date
SWORD ATLANTIQUE 9 Avenue Charles de Gaulle 69370 ST DIDIER AU MONT D'OR	50,000	-	80	40,000	40,000		1,441,924	111,179	NONE	31/12
LINKVEST Avenue des Baumettes 19, CH RENENS / LAUSANNE	1,281,476	124,548		5,655,715	5,655,715		9,860,412	602,168	NONE	31/12
STELLON Avenue des Baumettes 19, CH RENENS / LAUSANNE	63,922	154,948		2,326,176	2,326,176		1,410,991	143,463	NONE	31/12

	Issued capital In €	Shareholders' equity excluding the issued capital In €	Share of capital held, in percentage	Value of the securities Gross In €	Net	Advance loan granted by the company and not yet paid back In thds €	Turnover In €	Profit for last period ended In €	Dividends cashed In €	Comments Closing date
2 - Interests held (10% to 50% of equity held)										
NEXTECH Rua Antonio de Albuquerque, 271 8° Andar CEP 30112-010 Savassi – Belo Horizonte MG	213,333	1,495,977	19	432,753	432,753		1,289,943	228,342	NONE	31/12
SWORD NORD 9 Avenue Charles de Gaulle 69370 ST DIDIER AU MONT D'OR	50,000	10,215	16	131,279	131,279		2,213,720	227,045	NONE	31/12
3 – General information about other subsidiaries and interests (less than 10% of equity held)										
SBT	73,189	- 285,673	2.79	254,549	254,549		796,826	497,074	NONE	31/12
LOG & PI CONSULTING	300,000	-	5	11,115	11,115		1,551,926	(53,602)	NONE	31/12

No data concerns the loans or advances granted by the company that have not yet been paid back.

20.2 Pro-forma financial information

None.

20.3 Consolidated annual financial statements

20.3.1 2006 consolidated financial statements

INCOME STATEMENT

(in thousands of euros)

	Appendix note	31/12/2006	31/12/2005
Turnover	6.1	**142,005**	**101,491**
Purchased consumables		-6,075	-2,621
Other purchases and external expenses		-45,940	-32,963
Taxes and duties		-1,456	-860
Salaries and social contributions	6.2	-65,240	-48,619
Net depreciation provisions and allowances	6.3	-1,196	-1,222
Other operating income and expenses	6.5	124	445
Current operating profit		**22,222**	**15,651**
Income from asset disposals and depreciation	6.6	2,258	673
Other non current operating income and expenses	6.7	-531	386
Operating income		**23,949**	**16,710**
Income from cash and cash equivalents	6.8	47	13
Gross interest expenses	6.9	-2,096	-921
Net interest expenses		**-2,050**	**-908**
Other financial income and expenses	6.10	-134	313
Pre-tax profit		**21,766**	**16,116**
Income tax	6.11	-6,017	-5,056
Net profit of consolidated Group		**15,748**	**11,060**
Of which, Group share		15,632	10,803
Of which, minority interests' share		117	257

Earnings per share	6.12	2.06	1.47
Diluted earnings per share	6.12	2.06	1.43

Recorded dividends (in euros)		2,220,148	1,754,025
Dividends paid per share (in euros)		0.30	1.20

CONSOLIDATED BALANCE SHEET AT 31ST DECEMBER 2006
ASSETS

(in thousand s of euros)

		31/12/2006			31/12/2005
	Appendix note	**Gross**	**Deprec. prov**	**Net**	**Net**
NON CURRENT ASSETS					
Goodwill	**7**	119,050		119,050	97,535
Other intangible fixed assets	**8**	5,552	948	4,604	3,866
Tangible fixed assets	**9**	15,105	10,132	4,972	3,100
Non-current financial assets	**10**	1,466		1,466	474
Other non-current assets	**10**	843		843	890
Deferred tax assets		279		279	143
TOTAL NON CURRENT ASSETS		**142,295**	**11,080**	**131,215**	**106,008**
CURRENT ASSETS					
Assets held for sale	**9**			0	3,453
Trade and other receivables	**11**	58,809	668	58,141	37,795
Other current assets	**12**	10,993	5	10,988	10,887
Cash and cash equivalents	**13**	9,862	26	9,836	9,094
TOTAL CURRENT ASSETS		**79,664**	**699**	**78,966**	**61,230**
TOTAL ASSETS		**221,959**	**11,779**	**210,180**	**167,238**

CONSOLIDATED BALANCE SHEET AT 31ST DECEMBER 2006

LIABILITIES

(in thousands of euros)

	Appendix note	31/12/2006	31/12/2005
CONSOLIDATED SHAREHOLDERS' EQUITY			
Capital stock	14	7,637	7,408
Additional paid-in capital	14	38,909	34,716
Group's share of reserves	14	20,175	11,190
Group's share of net profit		**15,632**	**10,803**
GROUP'S SHARE OF SHAREHOLDERS' EQUITY		**82,352**	**64,117**
Minority interests		423	934
TOTAL CONSOLIDATED SHAREHOLDERS' EQUITY		**82,775**	**65,051**
NON-CURRENT LIABILITIES			
Pension commitments	15	168	293
Other non-current provisions	15	120	584
Long-term financial debt	13	52,422	51,029
Debt resulting from price supplements	3	2,811	5,339
Other non-current liabilities		437	443
TOTAL NON-CURRENT LIABILITIES		**55,958**	**57,688**
CURRENT LIABILITIES			
Current provisions	15	69	479
Accounts payable	16	16,413	10,938
Taxes due	17	4,277	4,752
Other current liabilities	17	33,653	24,536
Short-term financial debt	13	17,034	3,794
TOTAL CURRENT LIABILITIES		**71,447**	**44,499**
GRAND TOTAL		**210,180**	**167,238**

Cash flow movement table

(1st January to 3st December 2006)

(in K€)	*App. note*	31/12/2006	31/12/2005
Operating cash flow			
Net profit of consolidated Group		**15,748**	**11,060**
Expenses (income) without impact on cash			
• Depreciation allowance		1,728	1,152
• Reversals on other provisions		-591	119
• Capital gains or losses from disposals		-2,258	-673
• Compensation paid in shares			
Net interest expenses		2,050	908
Tax burden (due and deferred)		6,017	5,056
CASH FLOW		**22,695**	**17,621**
Taxes paid		-6,536	-677
Interest paid		-2,050	-918
Change in working capital requirements (1)	**20**	-11,104	1,170
OPERATING CASH FLOW		**3,005**	**17,196**
Investment cash flows			
Disbursement on acquisition			
• intangible fixed assets		-2,725	-3,640
• tangible fixed assets		-1,915	-1,482
• financial fixed assets		-430	-38
Coll. of payments from disposals			
• intangible fixed assets		2,673	710
• tangible fixed assets		2,151	68
• financial fixed assets		61	382
Impact of changes in scope (1)	**20**	-18,988	-50,050
NET CASH FLOW ON INVESTMENTS		**-19,174**	**-54,050**
NET OPERATING CASH FLOWS AFTER INVESTMENTS		**-16,168**	**-36,854**
Cash flow on financial operations			
Dividends paid by parent company		-2,220	-1,754
Dividends paid to minority shareholders		-98	-305
Net funds received by:			
• Capital increase and additional paid-in capital		4,421	1,321
• Subscription of long-term loan		22,776	44,344
Repurchase/disposal of own shares		198	958
Reimbursement of long-term debt.		-8,022	-7,195
TOTAL FINANCING CASH FLOWS		**17,056**	**37,369**
TOTAL CASH FLOWS		**888**	**515**
Net cash at year end (A)		8,634	7,754
Cash at year start (B)		7,754	6,967
Impact of exchange rate fluctuations		9	-272
Change in cash position (B)-(A)		888	516
Cash and cash equivalents		9,836	9,094
Bank credit lines		-1,202	-1,340
Net cash		8,634	7,754

CHANGE IN CONSOLIDATED SHAREHOLDERS' EQUITY

31-Dec-06

	Capital	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 shareholde equity
Shareholders' equity at 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
- Operations on own shares				959			959		959
- Capitial increase (note 14)	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 scope							0	-516	-516
Situation at year end 31/12/2005	**7,408**	**34,716**	**10,923**	**320**	**10,803**	**-52**	**64,117**	**934**	**65,051**
- Profit for the period					15,632		15,632	116	15,748
- Change in translation differentials						206	206		206
- Operations on own shares				198			198		198
- Payment in shares									
- Capitial increase (note 14)	228	4,193					4,421		4,421
- Appropriation of result			10,803		-10,803		0		0
- Dividends paid by parent company			-2,220				-2,220		-2,220
- Change in scope							0	-627	-627
Situation at year end 31/12/2006	**7,636**	**38,909**	**19,506**	**518**	**15,632**	**154**	**82,354**	**423**	**82,777**

Income and expenses directly recorded as reserves (changes in translation differentials and capital gains from disposal of own shares) stood at: €116,000 in 2006, €1,091,000 in 2005 and -€591,000 in 2004.

20.3.2 Notes to the consolidated financial statements at 31 December 2006

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

This Appendix is an integral part of the consolidated financial statements for the year ended 31 December 2006. The consolidated financial statements were approved by the Board of Directors on 6 February 2007.
These accounts will only be finalised following approval by the Shareholders' General Meeting on 30 April 2007.

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. "segment information".

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

1.1. Highlights of the period

The main events during the past financial year have been:

- SWORD ATLANTIQUE, a company 80% held by SWORD GROUP and registered at the Lyon trade register on 17 January 2006, began conducting IT consulting business in the Atlantic region by purchasing an electronic editing b business in Nantes in July 2006, at a price of €270,000.
- In order to simplify the Group's organisation chart, SWORD SA sold to its parent company SWORD GROUP, its majority stakes in 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:
  - 89.5% of the equity of SWORD SAS
  - 100% of the equity of SWORD LINKVEST

  These legal simplification operations, internal to the SWORD Group, have no impact on the consolidated financial statements.
- 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. As at 31 December 2006, the percentage held stood at 19%.
- 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; SWORD NORD was no longer consolidated at 31 December 2006,
- On 31 January 2006, SWORD DDS sold the property lease agreement relative to the Group's head offices of Saint Didier au Mont d'Or (69), to Société Nationale De Propriété d'Immeubles (SNPI). Following this sale, SNPI, in place of SWORD DDS, entered into a sub-lease agreement with SWORD GROUP. the operation generated capital gains on disposals for an amount of €860,000; at 31 December 2005, the net value of the agreement was recorded as fixed assets held for sale, for an amount of €2.3m, with, as a counterpart, a financial debt of €2.07m. These two items disappear from the consolidated balance sheet as at 31 December 2006.
- Effective 1st January 2006, UK company SWORD UK absorbed PRAGMA, its Scottish subsidiary specialising in electronic document management for oil companies; the merger, internal to the Group, has no impact on the consolidated financial statements.
- Creation by SWORD TECHNOLOGIES (Luxembourg) of SWORD SERVICES, a Belgian company designed to serve the Belgian banking sector.

- As at 28 June 2006, SWORD GROUP, acquired 97% of the capital stock of STELLON, a Swiss company specialising in consulting, performance measurement systems development, and corporate reporting systems (KPI: Key Performance Indicators),

As at 22 September 2006, SWORD GROUP disposed of its subsidiary SWORD CONSULTING as part of refocusing the Group's French activities on high value-added systems integration and on the "Products" segment. The business of SWORD CONSULTING was mainly dedicated on consulting and project ownership in e-money applications.

As at 1st November 2006, SWORD GROUP set up SWORD SOLUTIONS, a company based in Paris, specialising in E-Content Management systems integration, focused on the management of large projects (over €1m per project).

As at 15 November 2006, SWORD SA, a SWORD GROUP subsidiary, sold its IDP Business Unit to its management. IDP employed 30 people and generated €3m turnover per annum.

As at 17 November 2006, SWORD UK acquired 97% of the capital stock of REAL TIME ENGINEERING (RTE). This company, based in Glasgow, specialises in E-Content Management en in Great Britain, working with oil, transportation, and telecommunications companies.

The Board of Directors held 29 December 2006, upon delegation by the Extraordinary General Meeting of Shareholders held 28 April 2006, granted 60,000 options entitling their holders to subscribe 60,000 new shares of SWORD GROUP to the benefit of certain employees and/or corporate officers. This operation is described in Note 14.

The impact of changes in the scope of consolidation on the 2006 accounts is provided in Note 3. and Note 6.6 regarding disposals.

1.2. <u>Events subsequent to year end</u>

None

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 2006 were prepared using the IFRS standard as adopted by the European Union on 31 December 2006. The company in particular implemented the application standards and interpretations mandatory for financial periods open as of 1st January, 2006, particularly: revised IAS 39 (fair value), revised IAS 19 (employee benefits) and revised IAS 21 (changes in foreign exchange rates; the implementation of these new standards and interpretations has no impact on the consolidated financial statements; it constitutes a minor supplement to the information supplied in the appended notes.
The consolidated financial statements do not integrate the potential impacts of the standards and interpretations published as at 31st December 2006 but not yet mandatory, that could be subject to early implementation. The company does not expect these new rules to have any substantial impact on the content or presentation of these consolidated financial statements.

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 19.

2.4. Directors' estimates

Certain accounting principles imply that the directors have made a number of estimates regarding, in particular, two aspects:
-the determination of the revenue level recorded, according to the advancement method, regarding fixed-price contracts (cf 2.17.)
-the appreciation of the ability to record certain development expenses as fixed liabilities, according to the criteria defined by IAS 38 (cf 2.11.1.)

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 and debts for price complements, the assessment of these provisions and of payments in shares (IFRS 2).

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 sector information linked to sectors of business activity, which break down as follows*:

- Solutions, specialising in system integration in the field of IT content management,

- Products, including:

- Straight Through Processing and AML (anti-money laundering),
- Products for secure financial transfers over the Internet,
- Document management products, in particular those developed during 2005 (especially FUSION),
- Document management and business intelligence products (risk management) for the reinsurance market,
- Products for the management of Patent Agencies.

The operating change in the Group's structures not leads most business units (BU) to providing consulting services directly to their clients. In order to reflect as accurately as possible the Group's business segments, the segment relative to consulting is no longer presented separately in 2006 and the BUs that make it up are redistributed to the Solutions arm. In addition, most of that consulting segment (SWORD CONSULTING) and the Logistics BU (IDP) have been sold.

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.

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.

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”.
The company has not subscribed any repurchasing commitment (put or forward) towards any of the Group's minority shareholders.

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 2.14 for the application of IAS 36. Posted depreciations are irreversible.

When a business or a subsidiary is disposed of, the goodwill is taken into the income statement up to the fair value ratio of the disposed goodwill (determined on the basis of the disposal price) / recoverable value of the total goodwill of the cash-generating unit to which the disposed entity belongs, applied to the book value of the goodwill of the said cash-generating unit.

2.10. Intangible fixed assets

2.10.1. 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.

2.10.2. 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).

2.11. 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
- Computer 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).

Given the nature of tangible assets, component-based recording is not applicable.

The SWORD GROUP does not own any investment properties.

2.12. Leases

Lease 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 lease 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.

2.13. 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.

2.14. 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. Discount rates stand at 13.6% in the Solutions segment and 14.3% in the Products segment.
- The growth rate of the flows beyond the budget period applied is 2% for the Solutions segment and 5% for the Products segment.

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 6.5).

2.15. Non-current financial assets

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.

2.16. 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 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, 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.

2.17. Cash and cash equivalents

The Cash and cash equivalents item 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.

2.18. 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.

Post-employment benefits

- *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.

2.19. 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. 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.

2.20. 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 agreement 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 2006 are SWORD GROUP and SWORD SA.

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.

2.21. 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 26 July 2005.

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 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 claims. 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.

- *Assets held for sale: these are equity stakes in non consolidated companies, designated as being held for sale. These assets are valued at their fair value at period end, and the changes in fair value are booked directly to shareholders' equity.*

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

2.22. <u>Turnover</u>

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.

2.23. <u>Other operating income and expenses</u>

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

2.24. <u>Non-current operating elements</u>

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 fixed assets meeting that definition,
- Income from the disposal of consolidated companies,
- Significant net restructuring costs.

2.25. <u>Cost of the net financial debt and other financial income and expenses</u>

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.

2.26. <u>Earnings per share</u>

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.

2.27. <u>Cash flow movement table</u>

The cash flow movement table is established according to the indirect method. Thus, it distinguishes between cash flow from ordinary operations and cash flow from investment and finance operations.

The effects of changes in scope 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, as detailed in Note 20.

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 SCOPE

<u>Acquisitions for financial 2005</u>

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 generated by this 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 $17,000.

Acquisitions for financial 2005 summarise as follows :

	PRAGMA in £m	**HARVARD in £m**	INTECH in £m	LINKVEST in CHFm	LINKVEST LIBAN in $K
% acquired	100%	100%	100%	100%	100%
related economic sector	services	consulting	products	services	services
Acquisition cost	8,7	1,4	20,3	9	21
- of which acquisition fees	0,37	0,08	0,78	0,5	-
- of which price supplement	1,35	0,8	3,39	0,5	-
Assets	1,6	0,5	6,2	3,4	53
Liabilities	0,9	0,3	3,8	2,5	47
Revaluation	-	-	0,4	-	-
Net revalued assets	0,7	0,2	2,8	0,9	6
Earnings since acquisition	0,77	0,14	0,25	0,83	19
Goodwill (in local currency)	8	1,3	17,5	8,1	17

Acquisitions for financial 2006

The main changes that took place in the course of 2006 regarding the consolidation scope, result from the following events:

- SWORD UK, a SWORD GROUP subsidiary, acquired, on 17 November 2006, REAL TIME ENGINEERING, at a price of £12.6m. This company, based in Glasgow, specialises in E-Content Management en in Great Britain, working with oil, transportation, and telecommunications companies. The goodwill generated by this acquisition, stands at £10.96m.

- SWORD GROUP acquired, on 28 June 2006, 97% of STELLON, a company specialising in consulting, the development of performance measurement and enterprise reporting systems, at a price of €5.1m. The goodwill generated by this acquisition, stands at CHF7.63m.

	STELLON in CHFm	RTE in £m
% acquis	100%	97%
related economic sector	services	services
Acquisition cost	7,97	12,6
- of which, acquisition fees	0,45	0,74
- of which, price supplement	4,28	2,15
Assets	0,91	5,18
Liabilities	0,57	3,81
Revaluation	-	-
Net revalued assets	0,34	1,37
Earnings since acquisition	0,23	0,15
Goodwill	7,63	10,96

Acquisitions for financial 2006 summarise as follows:

The goodwill recorded as a result of these acquisitions is representative of intangible fixed assets, not identifiable separately in the sense of IAS 38, but commonly-found in the business line in which the acquired companies conduct business.

The comparison table for price complements integrated into the acquisition price in 2005 and 2006, is given below:

(K€)	31/12/2006			31/12/2005			Nature of underlying asset
	less than 1 year	1 to 5 years	more than 5 years	less than 1 year	1 to 5 years	more than 5 years	
PRAGMA	583	231		655	1 311	-	Earnouts are based on earnings from 2005 to 2007
HARVARD	298	894		583	584	-	Earnouts are based on earnings from 2005 to 2007
GLOBAL UK	-	-		53	-	-	Earnouts are based on earnings from 2004 to 2006
INTECH	2 717	-		1 500	3 444	-	Earnouts are based on earnings from 2005 to 2007
LINKVEST	77			64		-	Earnouts are based on turnover from 01/08/2005 to 31/07/2006
RTE	2 904	298					Earnouts are based on turnover and earnings from 2006 to 2008
STELLON	1 273	1 388					Earnouts are based on earnings from 2006 to 2009
TOTAL	**7 852**	**2 811**	**0**	**2 855**	**5 339**	**0**	

Changes in the earn out debt estimates as compared to the estimate made in 2005, have brought the goodwill down by €362,000. The adjustment of goodwill on previous financial years had no impact on earnings.

NOTE 4: ADDITIONAL INFORMATION ON ACQUIRED COMPANIES

Changes in scope are described in Note 3 above.

The revenue and net income of the companies acquired in 2005 for the period from 1st January 2005 to 31 December 2005 are presented below:

	PRAGMA in £K	HARVARD in £K	INTECH in £K	LINKVEST in CHFK	LINKVEST LIBAN in $K
Income	7 117	1 488	11 247	11 606	416
Net earnings	876	29	2 116	-2 024	4

The revenue and net income of the companies acquired in 2006 for the period from 1st January 2006 to 31 December 2006 are presented below:

	STELLON in CHFK	RTE in £K
Income	4 176	11 658
Net earnings	142	-320

NOTE 5: SECTOR INFORMATION

5.1. Sector information by line of business

(in thousands of euros)	Services		Products		Other activities		Consolidated	
	2006	2005	2006	2005	2006	2005	2006	2005
Revenue	110 144	86 619	31 861	14 870		2	142 005	101 491
Current operating income	15 456	12 324	6 766	3 326			22 222	15 650
Non current operating income and expenses (incl. disposals)	1 264	1 058			463		1 727	1 058
Interest expenses (1)					2 184	592	2 184	592
Taxes					6 017	5 056	6 017	5 056
Net profit or loss	16 720	13 382	6 766	3 326	-7 738	-5 648	15 748	11 060
Sector assets	147 212	111 323	60 683	52 125			207 895	163 448
Other non allocated assets					2 285	3 791	2 285	3 791
Total consolidated assets	147 212	111 323	60 683	52 125	2 285	3 791	210 180	167 239
Sector liabilities	147 212	111 323	60 683	52 125		3 791	207 895	167 239
Head office liabilities and other non allocated liabilities					2 285		2 285	
Total consolidated liabilities	147 212	111 323	60 683	52 125	2 285	3 791	210 180	167 239
Investments	3 459	2 132	1 182	3 008		14	4 641	5 154
Depreciation provisions	1379	1 013	343	136	6	2	1 728	1 151
Net charges excl. of depreciation	-198	288	-	9	-334	46	-532	343

(1): total sum of net interest expenses and other financial income and expenses.

5.2. Turnover breakdown by geographic area

K€	12/2006	12/2005
France	25 457	19 519
UK	57 085	30 122
Benelux	34 119	29 733
Other	25 344	22 117
Consolidated turnover	**142 005**	**101 491**

NOTE 6: INCOME STATEMENT

6.1. Wages and social contributions

Payroll expenses break down as follows:

(in thousands of euros)	12/06	12/05
Short-term benefits / gross wages	52,759	40,452
Short-term benefits / social contributions	12,180	9,916
Benefits related to payments in shares	80	151
Long-term benefits (incentive and profit-sharing)	221	46
Total	***65,240***	***50,565***

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

Average consolidated workforce

	12/06	12/05
Billable employees	1,005	918
Non-billable employees	153	125
Total	***1,158***	***1,043***

6.2. Depreciation and provisions

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

(in thousands of euros)	12/06	12/05
Depreciation of intangible and tangible assets	1,728	1,152
Depreciation of trade and other receivables	59	(80)
Net provisions	(591)	151
Total	***1,196***	***1,223***

6.3. Research and development costs

(in thousands of euros)	12/06	12/05
Total expenses incurred	(6,404)	(8,395)
Activated R&D costs (Note 8)	877	2,825
Non-activated costs (1)	***(5,527)***	***(5,570)***
Depreciation of previously activated developments (Note 8)	214	-
Total	***(5,313)***	***(5,570)***

(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.

6.4. Other operating income and expenses

These mainly cover cancelled trade receivables.

6.5. Income from disposals

This is the income from disposals of fixed assets, of SWORD CONSULTING and of IDP.

(in thousands of euros)	12/06	12/05
Income from the disposal of the property lease	631	
Income from the disposal of SWORD CONSULTING	1,085	
Income from the disposal of IDP	311	
Income from the disposal of intangible fixed assets		670
Income from the disposal of tangible fixed assets	83	3
Income from the disposal of non consolidated securities	148	
Total	***2,258***	***673***

6.6. Other non-current operating income and expenses

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

(in thousands of euros)	12/06	12/05
Received claims cancelled		451
Tax adjustment	(148)	
Irrecoverable trade receivables	(141)	
Compensation for termination of contract	(250)	
Other non-current expenses	(168)	(100)
Other non-current revenues	176	35
Total	***(531)***	***386***

6.7. Income from cash and cash equivalents-

(in thousands of euros)	12/06	12/05
Financial income from non-consolidated interests	40	7
Income from investments	7	6
Total	***47***	***13***

6.8. Cost of gross financial debt

(in thousands of euros)	12/06	12/05
Interest on lease finance contracts	-	(133)
Interest on borrowings and other debt	(2,100)	(786)
Other financial charges	(3)	(2)
Other financial items	7	-
Total	***(2,096)***	***(921)***

6.9. Other financial income and expenses

(in thousands of euros)	*12/06*	*12/05*
Foreign exchange loss on financial operations	(1,564)	(1,039)
Other financial charges	(32)	-
Foreign exchange gain financial operations	1,298	1,254
Other financial items	164	98
Total	***(134)***	***313***

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.).

6.10. Analysis of income tax expenses

6.10.1. Structure of the income tax bill

(in thousands of euros)	*12/06*	*12/05*
Current tax (Note 5.10.1.A)		
Income tax on ordinary operations	6,258	4,868
Deferred taxes		
Deferred taxes for the period	(241)	188
Miscellaneous		-
Total	***6,017***	***5,056***

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 2005 is 33.83% (33.33%, with a 1.5% contribution on income tax) and for the year ended 31 December 2006 it is 33.33%.

6.10.2. Actual tax rate

(in thousands of euros)	***12/06***	***12/05***
Profit from consolidated companies before tax	***21,766***	***16,116***
Average tax rate in force in France	***33.33%***	***33.83%***
Expected tax	*7,255*	*5,452*
Impact		
▪ Final difference between profit before tax and taxable profit	(118)	81
▪ Permanent differences on consolidation entries	268	43
▪ Tax rate difference on the disposal of equity interests	(544)	
▪ Exchange rate difference for foreign subsidiaries	(605)	(143)
▪ Non-activation of income tax for tax deficits (prudence principle)	22	71
▪ Use of tax deficits not taken into account at the start of the year	(169)	(329)
▪ Change in rate in France	(99)	32
▪ Tax credits	(117)	(155)
▪ Miscellaneous	124	4
Actual assessed tax	*6,017*	*5,056*
Actual tax rate	***27.64%***	***31.37%***

6.10. 3. Deferred taxes recorded to the balance sheet

Balances	2006	2005
Deferred tax assets		
- deferred taxes likely to be activated	279	169
- of which, not recognised		-26
Recorded deferred tax assets	279	143
Deferred tax liabilities	-437	-443
Net deferred taxes	-158	-300

The change in deferred taxes recorded to the balance sheet is detailed below by balance sheet item:

In thousands of euros	31/12/05	Impact on profit	Impact on net position	Change	Scope	Other	31/12/06
Provisions	99	-36					63
Intangible and tangible fixed assets	-373	133		-15			-255
Temporary differences generated on other balance sheet items	-26	144			14	-98	34
Deferrable losses and taxes	0						
Deferred gross assets and liabilities	**-300**	**241**		**-15**	**14**	**-98**	**-158**

6.11. 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	***12/06***	***12/05***
Undiluted net earnings per share		
▪ Total average number of shares	7,581,669	7,347,557
▪ Total net profit	15,631,766	10,802,517
▪ ***Undiluted net earnings per share***	**2.06**	**1.47**
Net diluted earnings per share		
▪ Total average number of shares	7,581,669	7,347,557
▪ Number of shares attached to the BSAs	21,518	196,870
	(share, equivalent)	(share, equivalent)
▪ ***Total number of securities***	**7,603,187**	**7,544,427**
▪ Total net profit	15,631,766	10,802,517
▪ ***Net diluted earnings per share***	**2.06**	**1.43**

NOTE 7: GOODWILL

(in thousands of euros)	**12/05**	**Acquisitions-Depreciation**	**Disposals**	**Foreign exchange rate effect**	**Scope changes**	**12/06**
GOODWILL						
Gross value	**97,535**	1,752	(1,622)	370	21,015	**119,050**
Depreciations						
Net	***97,535***	*1,752*	*(1,622)*	*370*	*21,015*	***119,050***

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

The detail by line of business of the non allocated goodwill and business goodwill is given in the table below.

(in thousands of euros)	31/12/2006	31/12/2005
Services Segment	86,774	66,481
Products Segment	32,274	31,054
Consolidated total	119,048	97,535

The implementation of the impairment tests by an expert, in accordance with the conditions described in Note 2.15 above, has not led to the recording of depreciations.

NOTE 8: INTANGIBLE FIXED ASSETS

(in thousands of euros)	12/05	Acquisitions-Depreciation	Disposals	Foreign exchange rate effect	Scope changes	12/06
R&D costs						
Gross value	**3,128**	877		71		**4,076**
Depreciation		(211)		(3)		**(214)**
Net	**3,128**	666		68		**3,862**
Other intangible fixed assets						
Gross value	**1,395**	95	(5)	(9)		**1,476**
Depreciation	**(657)**	(84)		6		**(735)**
Net	**738**	11		9		**746**
Total (1)	**3,866**	**677**	**(5)**	**65**		**4,603**

(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 FIXED ASSETS AND ASSETS HELD FOR SALE

(in thousands of euros)	12/05	Acquisitions-Depreciation	Disposals	Reclassification	Foreign exchange rate effect	Scope changes	12/06
Land							
Gross value							
Depreciation							
Net							
Buildings							
Gross value				(1,183)			**(1,183)**
Depreciation				24			**24**
Net				(1,159)			**(1,159)**
Transport equipment							
Gross value	**442**	124	(55)	40	4		**555**
Depreciation	**(179)**	(134)	36	22	(3)		**(258)**
Net	**263**	(10)	(19)	62	1		**297**
Fixtures-installations							
Gross value	**1,691**	674	(5)	37	(1)	93	**2,489**
Depreciation	**(1,042)**	(271)	5	(41)	8	(94)	**(1,435)**
Net	**649**	403	0	(4)	7	(1)	**1,054**
IT and office equipment							
Gross value	**7,412**	917	(1,241)	126	14	981	**8,209**
Depreciation	**(5,882)**	(841)	1,177	(146)	(6)	(761)	**(6,459)**
Net	**1,530**	76	(64)	(20)	8	220	**1,750**
Office furnishings							
Gross value	**2,056**	201	(13)	12	9	404	**2,669**
Depreciation	**(1,398)**	(169)	8	9	(11)	(394)	**(1,955)**
Net	**658**	32	(5)	21	(2)	10	**714**
Tangible fixed assets							
Gross value	**11,602**	1,916	(1,314)	1,398	25	1,478	**15,105**
Depreciation	**(8,502)**	(1,415)	1,226	(180)	(11)	(1,249)	**(10,131)**
Net	**3,100**	501	(88)	1,218	14	229	**4,974**
Assets held for sale							
Gross value	**3,459**		(2,300)	(1,183)	24		
Depreciation	**(6)**	(18)		24			
Net	**3,453**	(18)	(2,300)	(1,159)	24		
Total (1)	***6,560***	***483***	***(2,388)***	***59***	***32***	***229***	***4,974***

(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 INC, as well as a stake of 3.3% in SBT by SWORD CONSULTING (impact insignificant).
Other non-current assets are comprised of a trade receivable due within more than one year at SWORD INC.

NOTE 11: CLIENTS

(in thousands of euros)	12/06	12/05
Gross receivables	58,810	38,325
Depreciations	-667	-529
Net value	**58,143**	**37,795**

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

NOTE 12: OTHER CURRENT ASSETS

(in thousands of euros)	12/06	12/05
Tax credits	406	569
Other tax and social contribution credits	4,097	4,232
Prepaid expenses	3,361	2,453
Other current assets	3,129	3,669
Total gross values	**10,993**	**10,923**
Depreciations	-5	-36
Total	**10,988**	**10,887**

Other receivables are due within less than one year.

NOTE 13: NET FINANCIAL DEBT
(excluding price complements)

Item breakdown by type

(in thousands of euros)	12/06	12/05
Lease finance debt related to assets held for sale (1)		2,071
Other long-term and medium-term borrowing (1)	68,254	51,413
Current financial backing from banks	1,202	1,340
Total gross debt	***69,456***	***54,824***
Marketable securities	190	617
Cash and similar	9,645	8,477
Total net debt	***59,621***	***45,730***

(1) of which short- and long-term debt, for €15,832,000 and €52,422,000, respectively, at 31 December 2006, and €2,454,000 and €51,029,000 at 31 December 2005.

Net cash (cash and cash equivalents, net of current bank facilities) stood at €8,633,000 at 31 December 2006 and €7,754,000 at 31 December 2005.

Most borrowings are denominated in euros.

Breakdown of loans by maturity date

(in thousands of euros)	12/06	12/05
Short-term financial debt (< 1 year)	***17,034***	***3,794***
1 year < X < 5 years	52,422	50,343
> 5 years		686
Long-term financial debt (> 1 year)	***52,422***	***51,029***
Total (1)	***69,456***	***54,824***

Non-current financial debts as at 31st December 2006 include, up to €51,835,000 versus €48,810,000 as at 31st December 2005, variable rate pool credits subject to drawdowns by SWORD GROUP in the form of promissory notes due within 1 to 6 months. For the classification as non-current debt (> 1 year) of outstanding promissory notes at period end, the following aspects have been considered:

- Ability for the company, without opposition on the part of the banks that granted the loans, to renew the drawdowns for a period of at least one year (all credit openings valid at 31st December 2006 can't be reduced by the banks within a period of 12 months).
- Company's desire to turn to that form of funding within the coming 12 months.

As at 31 December 2005, these variable rate credit openings had been classified as current debt for €48,810,000; to allow for the comparability of accounts, they have been re-classified as non-current debt in the 12/2005 column.

Breakdown of borrowings by interest rate and rate coverage:

The main loans have been taken out at an interest rate of euribor 3 months + 1.5. Coverage by paying SWAP at a fixed rate of 3.825% (excluding the bank margin) was set up on 14 November 2006 for a period of 24 months and an amount of €20m.

Bank covenants

SWORD GROUP promises to maintain, in accordance with the covenant clauses:
- net consolidated financial debt / consolidated EBITDA less than 3.5
- 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 €66,985,000 as at 31 December 2006.
At 31st December 2006, SWORD GROUP complied with such covenants.

Guarantees on borrowings

Cf Note 21.

NOTE 14: CHANGE IN SHAREHOLDERS' EQUITY

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 held by Jacques MOTTARD, share capital was increased by a further €168,000.
On 27th February 2002, following the exercising of 123,072 stock warrants held 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.
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 €30,000 and an increase in the issue premium 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 BSA out of the 236,178 BSAs that were initially authorized, could still be exercised as at 31st December 2005, which corresponded to the future issue of 228,907 shares.
On 31st December 2005, share capital totalled €7,408,420, divided into 7,408,420 shares with a face value of €1.
On 21 June 2006 the Board of Directors permitted the exercise of 182,736 equity warrants that provided entitlement to 228,420 new shares, involving an increase in capital of €228,000 and an increase in the issue premium of €4,193,000.
On 31st December 2005, capital stock totalled € 7,636,840, divided into 7,636,840 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 30 April 2007 stands at €0.42 per share, i.e. a total distribution of €3,207,473, as against €0.30 per share in 2005, i.e. a total distribution of €2,220,148.

Category of securities	Nominal value	Number of securities				
		01/01/2006	Created and relative to the NV split (1)	Created during the period (2)	Reimbursed during the period	31/12/2006
2006	1	7 408 420		228 420		7 636 840
2005	1	1 468 421	5 873 684	66 315		7 408 420

(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 outstanding shares totalling 5,873,684.

(2) The exercise of the 182,736 BSAs in 2006 resulted in the creation of 228,420 SWORD GROUP shares. The increase in 2005 resulted from the exercise of 53,052 BSAs resulting in the creation of 66,315 SWORD GROUP shares.

Share subscription warrants

Category of securities	Number of securities				
	At year start	Created during the period	Exercised during the period	Not exercised and lapsed	At year end
2006	183 126		182 736	390	0
2005	236 178		53 052		183 126

Stock-options:

SWORD GROUP

As at 28 April 2006, the Extraordinary General Meeting of SWORD GROUP permitted the Board of Directors to grant options entitling their holders to subscribe up to 60,000 SWORD GROUP shares. This authorisation has been granted for 38 months. As at 29 December 2006, the Board of Directors used the permission that was given and granted 60,000 share subscription options to the benefit of the employees and/or corporate officers.
The subscription price of new shares was set to the average of listed prices for the 20 stock market days preceding the decision to assign the options and stood, for the period from 29 November 2006 to 28 December 2006, at €35.128. The option allocation plan was closed on 29 December 2006.
As at 31 December 2006, the number of shares allocated stood at 60,000.
Insofar as the beneficiaries of the share subscription options are of various nationalities, the three share subscription plans are established:

Exercise of options

- for the 1st plan, the options may be exercised during a period beginning at the end of the 24-month period starting as of the allocation date and ending 12 months later.
- For the 2nd and 3rd plans, the options can be exercised during a period beginning at the end of the 36-month period starting as of the allocation date and ending 12 months later.

Disposal and marketability of the shares acquired pursuant to the exercise of options

- 1st and 2nd plan: the shares acquired pursuant to the exercise of options will be disposable and marketable as of the date on which they are exercisable for the first time.
- 3rd plan: the shares acquired pursuant to the exercise of the options are non disposable, non marketable, non convertible to the bearer and cannot be rented or leased for a period of 12 months beginning on the date on which they are exercisable for the first time.

The cost generated by this employee benefit has no significant effect on the income statement as at 31st December 2006, given the allocation date. The total fair value of the 60,000 options allocated on 29 December 2006 stands at €373,000 and will be recorded to the income statement on a straight-line basis throughout the acquisition period.

The valuation of the fair value of this benefit has been determined on the basis of the Black and Scholes financial formula, using the following calculation assumptions:

- Volatility: 21%
- Planned dividend distribution rate: 1%
- No-risk yield rate over the option lifetime: 4%.

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 2006, no option had been exercised.
The cost generated by this employee benefit stood at €88,000 on the allocation date, and has been entirely recorded as profit.

On 4 November 2005, the Extraordinary General Meeting of FIRCOSOFT accepted to grant options entitling their holders to subscribe up to 340 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 2006, the number of shares allocated stood at 275.
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 2006, no option had been exercised.
The cost generated by this employee benefit stood at €30,000 on the allocation date, and was recorded to the income statement for up to €17,000 at 31 December 2006, of which €15,000 for the year 2006.

As at 4 September 2006, the Extraordinary General Meeting of FIRCOSOFT authorised its Chairman to grant options entitling their bearers to subscribe up to 1,700 FIRCOSOFT shares.
The subscription price of new shares was set to 730 €. The option allocation plan was closed on 4 September 2006.
As at 31 December 2006, the number of shares allocated stood at 1,700.
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 2006, no option had been exercised.
The cost generated by this employee benefit stood at €101,000 on the allocation date, and was recorded to the income statement for up to €17,000 as at 31st December 2006, of which €17,000 for financial 2006.

NOTE 15: PROVISIONS, POSSIBLE ASSETS AND LIABILITIES

(in thousands of euros)	31/12/05	Reserve allocations for the financial year	Carryovers for the financial year		Scope changes	Other (1)	31/12/06
			Used up	Not applicable			
Non-current provisions							
- Provisions for risks and litigations (2)	584	120	(584)				120
Current provisions							
- Other provisions (3)	479		(26)		(26)	(358)	69
TOTAL	**1,063**	**120**	**(610)**		**(26)**	**(358)**	**189**

(1) This comprises reclassifications for €355,000 in trade and other payables, and the impact of foreign exchange rates for €3,000.
(2) The item includes a provision related to a dismissal indemnity for €120,000 as at 31st December 2006.
(3) This item consists primarily of 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 2006, the company and its subsidiaries had no major proceedings under way against third parties.

15.1. Retirement commitments (defined benefit regimes)

(in thousands of euros)	12/06	12/05
- Retirement commitments	168	293
Total	**168**	**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:

	12/06	12/05
Cost of services rendered	27	-32
Financial cost	7	-8
Compensation paid	-	-
Actuarial differences	91	-48
Total	**125**	**-88**

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:

	2006	2005
Discount rate	3.55%	3%
Revaluation of annual wages	1.5%	1.5%
Social contribution rate	45%	45%
Retirement age	65 years old	65 years old
Personnel rotation	(1)	(1)
Mortality table	INSEE 2006	INSEE 2004

(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 thousands of euros)	12/06	12/05
Accounts payable	16,413	10,938

Accounts payable are due within less than one year.

NOTE 17: TAXES DUE AND OTHER CURRENT LIABILITIES

(in thousands of euros)	12/06	12/05
Taxes due on companies	**4,277**	**4,752**

Advance payments received	401	168
Taxes and social contributions due (excluding income tax due for the companies)	13,259	12,157
Price complements within less than one year	7,990	2,738
Deferred income from worksites	9,638	8,034
Other debts	2,365	1,439
Other current liabilities	**33,653**	**24,536**

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	Instrument designation	Net book value	Fair value (1)
ASSETS			
Non current financial assets	A et D	1 466	1 466
Accounts receivable	D	58 141	58 141
Other current assets	D	3 124	3 124
Cash and cash equivalents	B	9 836	9 836
LIABILITIES			
Non current debt	C	67 022	67 022
Non current price supplement debt	D	2 811	2 811
Accounts payable	D	16 413	16 413
Current financial debt	C	2 434	2 434
Other current liabilities	D	10 756	10 756

A: assets held for sale
B: assets at fair value by earnings
C: assets and liabilities assessed at amortised cost
D: assets and liabilities assessed at cost
E: investments held up 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.

19.2. Quantitative information for risks

A. Currency risk – Net position before and after management

(in thousands of euros)	In thousands of £	In thousands of $	In thousands of Swiss francs	In thousands of rands	In thousands of Indian rupees
Assets	75,998	7,341	9,917	6,152	49,960
Liabilities	19,783	5,959	6,166	4,679	3,715
Net position prior to management	56,215	1,382	3,751	1,473	46,245
Management derivative	-	-	-	-	-
Net position after management	56,215	1,382	3,751	1,473	46,245

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

(in thousands of euros)	DD to less than 1 year	1 to 5 years	Beyond
Financial liabilities	17,034	52,422	-
Financial assets	1,746	-	-
Net position prior to management	15,288	52,422	-
Management derivative (SWAP)	-15,288	-4,712	-
Net position after management	-	47,710	-

NOTE 20: CASH FLOW TABLE

The detail of the cash flow item “Net impact of changes in scope” is given in the table below:

In thousands of euros	31/12/06	31/12/05
Scope changes 2006		
Price paid / 2006 acquisitions (1)	-20,451	
Price cashed / 2006 disposals (3)	1,822	
Net active/passive cash acquired (1)	3,523	
Prices paid / previous acquisitions	-3,614	
Other changes	-268	
2005 scope changes		
Price paid / 2005 acquisitions 2005 (2)		-49,954
Net active/passive cash acquired (2)		1,451
Prices paid / previous acquisitions		-1,547
Other changes		
Total:	**-18,988**	**-50,050**

(1) including the companies STELLON and RTE
(2) including the companies INTECH, HARVARD, PRAGMA, and LINKVEST
(3) including the companies SWORD NORD and SWORD CONSULTING

The detail of the "Change in working capital" operating cash flows is given in the table below:

en K€	31/12/06	31/12/05
Variation du besoin en fonds de roulemer	**-11 104**	**1 170**
- Variation des clients	-11 775	-1 441
- Variation des fournisseurs	1 008	-2 141
- Variation des autres actifs	189	7 332
- Variation des autres passifs	-526	-2 580

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:

	31/12/2006				31/12/2005
	Total	Payments due by period			Total
		Less than 1 year	1 to 5 years	More than 5 years	
Contractual obligation					
Operating lease	1 907	1 108	799		2 073
Irrevocable purchase obligations					
Other long-term obligations					
Total					**2 073**
Other commercial commitments					
Credit line (1)	1 220	1 220			2 439
Letter of credit	1700			1 700	1700
Sureties given on contract					
Sureties given on rents	220		220		220
Other commercial commitments (2)	104		104		104
Total	**3 244**	**1 220**	**324**	**1 700**	**4 463**
Commitments received					
Surety received on contract					
Other commitments received (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 €1,220,000 were used as at 31st December 2006:

- 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. Individual right to training (droit individuel à la formation or D.I.F.) no yet used, corresponds to an employee benefit in the sense of IAS 19 (long-term benefit), that is recorded as a liability at year end; however, given that the company has the option to integrate most of the DIF cost into its training plan, the amount of this liability has been considered insignificant. As at 31st December 2006, the DIF represented an aggregate of 7,536 hours of training rights.

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 thousands of euros)	12/06	12/05
Short-term benefits:		
- Gross (excluding benefits in kind)	1,136	924
- Employer contributions	230	236
- Benefits in kind	51	26
Post-employment benefits		
- Commitments provisioned for retirements	21	33
- Charges on rights acquired during the period	-3	11
Other long-term benefits	-	-
Compensation for termination of employment contract	-	-
Payments in shares	**-**	**-**
Total charges	**1,414**	**1,197**

Members of the Boards (corporate officers) and the Management are the individuals that belong to the General Management and Operating Committees, i.e. approximately 10 people.

NOTE 23: LIST OF CONSOLIDATED COMPANIES

		31st December 2006		31st December 2005	
Company	**Closing date**	**% controlled**	**% stake**	**% controlled**	**% 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%	100%	100%
SWORD Création Informatique Ltd (South Africa)	31/12	100%	100%	100%	100%
SWORD SOUTH AFRICA Ltd	31/12	75%	75%	55%	55%
FIRCOSOFT (France)	31/12	99.94%	99.94%	95.77%	95.77%
FIRCOSOFT Inc (US)	31/12	100%	99.94%	100%	95.77%
SWORD Inc. (USA)	31/12	100%	100%	100%	100%
SWORD CONSULTING (France)	31/12	-	-	99.94%	99.94%
SWORD UK	31/12	100%	100%	100%	100%
SWORD SUISSE	31/12	95.60%	95.60%	94.80%	94.80%
SWORD DDS FRANCE	31/12	100%	100%	100%	100%
SWORD TECHNOLOGIES SA (Benelux)	31/12	99.04%	99.04%	96.92%	96.92%
ASCII (Luxembourg)	31/12	100%	100%	100%	100%
FI SYSTEM BELGIUM	31/12	100%	100%	100%	100%
SWORD SAS (France)	31/12	92%	92%	83%	83%
GLOBAL INDIA	31/03	100%	100%	100%	100%
SWORD NORD (France)	31/12	-	-	56.50%	56.50%
SWORD IT SOLUTIONS (Greece)	31/12	65%	64.38%	65%	63%
SWORD SECURITY SA (Benelux))	31/12	60%	59.42%	60%	58.15%
LINKVEST SA (Switzerland)	31/12	100%	100%	100%	94.80%
SWORD LEBANON	31/12	92%	92%	92%	87.22%
HARVARD (UK)	31/12	100%	100%	100%	100%
PRAGMA (UK)	31/12	-	-	100%	100%
INTECH (UK)	30/06	100%	100%	100%	100%
SWORD ATLANTIQUE	31/12	80%	80%	-	-
SWORD SERVICES	31/12	88%	87.15%	-	-
STELLON	31/12	100%	100%	-	-
SWORD SOLUTION	31/12	76%	76%	-	-
RTE	31/12	97%	97%	-	-

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.

INTECH and GLOBAL INDIA do not close their financial statements on 31st December; therefore, they have established interim statements as at 31st December.

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 2006

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 2006, 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 to the annual financial statements sets out the rules for assessing, recording, and amortising the goodwill. Our work consisted, in particular, in assessing the data and assumptions on which these assumptions are based.

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.
- the sincerity of the information provided in the management report regarding the remuneration and benefits paid to corporate officers, or the commitments granted in their favour on the occasion of their taking on, changing, or leaving their mandates or subsequent to the said mandates.

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 February 2007

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 2006

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 2006, 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 in accordance with the IFRS standards, as adopted in the European Union.

I. OPINION ON THE CONSOLIDATED 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 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

- The company conducts an annual goodwill impairment test, in accordance with the method described in Note 2.14 to the consolidated financial statements. We have reviewed the conditions under which the impairment test was conducted, as well as the cash flow forecasts and assumptions used, and have verified that Note 2.14 provides appropriate information.
- Note 2.9 specifies the methods for assessing and recording price complements relative to company acquisitions.. Our work consisted, in particular, in assessing the data and assumptions on which these estimates are based and in reviewing their impact on the accounts.

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

In accordance with the professional standards applicable in France, we have also carried out the specific checks regarding the group information given in the management report. We have no observations to make in respect of their truthfulness and their agreement with the consolidated accounts.

Lyon and Villeurbanne, 7 February 2007

The Auditors

CAP - CONSEIL	DELOITTE & ASSOCIES
Philippe BONNEPART	Alain DESCOINS

20.5 Date of the latest financial information

Financial statements as at 31st December 2006 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 2006, a dividend of €0.42 per share shall be distributed, subject to the agreement of the Shareholders' General Meeting on the 30 April 2007

For financial 2005, a dividend of €0.30 per share has been distributed.

For financial 2004, 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 2003	Financial 2004	Financial 2005
Total dividend	€1,310,209.20	€1,762,105.20	€2,220,148.50
Dividend per share	€0.90	€1.20	€0.42

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 company's total fully pad-up capital adds up to €7,636,840 as at 29 January 2006, divided into 7,636,840 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 27 June 2008.

Nature of the delegation	Nature of the operation	Shares to issue	Amount of the authorised capital increase
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.

During financial 2006, these delegations have not been used by the Board of Directors.

It is pointed out that the Board of Directors held 6 February 2007 suggested that the General Meeting of 30 April 2007 renew the aforementioned delegations in terms of capital increase.

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

As at 31st December 2006, SWORD owns no own shares. The Company entrusted to Gilbert-Dupont, as part of a new liquidity contract dated 26 July 2005, a mandate to operate on its behalf on the market in order to favour liquid transactions and the regular quotation of the share. As at 31st December 2006, the number of SWORD GROUP shares under that contract stood at 2,912.

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 2006, the Company issued no new ABSAs.

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 certain employees and/or corporate officers of the Company and affiliated companies in the sense of Article L.225-180 of the Commercial Code

The Ordinary and Extraordinary General Meeting of Shareholders of the Company of 28 April 2006, in its fifteenth resolution, authorised the Board of Directors to grant, under the provisions of Articles L 225-177 et seq. of the Commercial Code, to the benefit of all or part of the employees and/or corporate officers of the Company and/or of its affiliated companies in the sense of Article 225-180 of the Commercial Code, options entitling their holders to subscribe 60,000 new shares of the Company, this permission having been granted for a period of 38 months.

Using the permission granted by the said meeting, the Board of Directors, during its session held 29 December 2006, proceeded to the allocation of 60,000 share subscription options. Insofar as the beneficiaries of the beneficiaries of the share subscription options are of various nationalities, three share subscription option plans have been established under the following conditions.

	Plan no.1	**Plan no.2**	**Plan no.3**
Date of the meeting	28 April 2006		
Date of the Board Meeting	29 December 2006		
Total number of options allocated	60,000		
Start date for exercising the options	30/12/2008	30/12/2009	
Exercise price	€35,128		
Rebate	None		
Number of beneficiaries per plan	4	3	1
Number of shares to be subscribed by the managers	60,000		
Expiry date	30/12/2009	30/12/2010	

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
21-06-2006	Stock warrant programme (3)	1	228,420	4,192,877.40	228,420	7,408,420	7,636,840

(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. This creation was conducted through the
contribution of SWORD SA shares to SWORD GROUP by all the shareholders of SWORD SA. 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 from SWORD SA by 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.
By 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.
The Board of Directors held 21 June 2006 observed the exercise, between 19 January and 31 May 2006, of 182,736 share subscription warrants entitling their holders to 228,420 new shares and the correlated capital increase, and has decided to amend Article 8 of the bylaws accordingly.

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

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 shares	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**

Forename-Surname	**Situation on 31/12/2006**		
	Number of shares	% of capital	% of voting rights
Jacques Mottard and Sémaphore Investissements	1,746,820	22.87	22.25
21 Centrale Partners	5	0	0
Françoise Fillot	106,395	1.39	2.65
Heath Davies	18,000	0.24	0.22
Christian Tapia	57,205	0.75	1.42
Treasury shares (1)	2,912	0	0
Employees and miscellaneous registered shareholders	235,829	3.09	5.86
Free float	5,469,674	71.62	68.09
TOTAL	**7,636,840**	100	100

(1) As at 31st December 2006, the number of shares held under the liquidity contract entered into with Gilbert-Dupont represented 2,912 shares.

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; all 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 2006, 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 be 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 and CEO. His mandate was renewed by the Board as at 26 April 2004 for a period expiring 31 December 2009.

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)

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.

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)

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.

21.2.3 Rights, privileges and restrictions related to shares of the Company

21.2.3.1 Form of the shares (extract from Article 10 of the by-laws)

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

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

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 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 shareholder meeting will only be valid if the shareholders who are present, represented or have submitted a proxy vote possess at least one quarter, at the first meeting, and one fifth, 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.

21.2.6 Passing of statutory thresholds (article 10 of the by-laws)

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.

21.2.7 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 30th April 2007

Ladies and Gentlemen,

We have brought you together at this Ordinary and Extraordinary General Meeting, in accordance with legal provisions, to submit to your approval the annual financial statements and consolidated financial statements for the financial year ending 31st December 2006.

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, stock options report and reports referred to in Articles L.225-38 and L.225-209 of the Commercial Code,

- Reading of the Chairman's report on internal control and corporate governance, and of the auditor' report on the Chairman's report,

- Reading of the Auditors' general and special reports regarding the annual financial statements for the financial year ending 31st December 2006; the reading of the report on the consolidated financial statements for the financial year ending 31st December 2006;

- Presentation of the consolidated financial statements and corporate financial statements for the financial year ending 31st December 2006;

- Approval of the financial statements for the financial year ending 31st December 2006 and directors' discharge;

- Approval of the consolidated financial statements for the financial year ending 31st December 2006;

- Approval of regulated agreements governed by Article L.225-38 of the Commercial Code;

- Profit allocation;

- Appointment of a new director;

- Renewal of the mandates of statutory and substitute co-auditor, appointment of new statutory and substitute co-auditors,

- 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;
- Alignment of the bylaws with Order Nr.2006-1566 of 11 December 2006; correlated amendment of Article 19C of the bylaws;
- Permission to be given to the Board of Directors to reduce the equity capital by cancelling the repurchased shares, in accordance with the share repurchase programme;
- Delegation of authority granted to the Board of Directors for increasing the equity capital through the issue of ordinary shares or any marketable securities giving access to the capital with preservation of the pre-emptive right;
- Delegation of authority granted to the Board of Directors for increasing the equity capital through the issue of ordinary shares or any marketable securities giving access to the capital with removal of the pre-emptive right;
- Authorisation to be granted to increase the number of shares, securities or marketable securities to be issued in the case of a capital increase with or without pre-emptive right;
- Delegation of authority to proceed to the issue of shares, securities, and miscellaneous marketable securities with a view to remunerating the contributions in kind granted to the Company;
- Delegation of authority to decide to increase the share capital through the consolidation of reserves, profits, or premiums;
- Delegation of authority to increase the share capital to the benefit of the Group's employees;
- Authority to complete formalities.

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 2006

Company capital increase by €265,090, through the exercise of 212,072 BSAs, raising the share capital from €7,371,750 to €7,636,840.

We remind you that:

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, through an IPO, shares of the Company and, more generally, all securities that provide immediate or term access to the Company's 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.

By 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 Board of Directors stated on the 14th June 2005 that:

- as at 10th June 2005, 23,716 BSAs were 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,

- as a result of the above operation, equity capital increased by €29,645.

The Board of Directors stated on the 19 January 2006 that:

- as at 31st December 2005, 29,336 BSAs were exercised, entitling their holders to 36,670 new shares with a nominal value of €1 each,

- as a result of the above operation, equity capital increased by €36,670.

The Board of Directors stated on the 21st June 2005 that:

- as at 31st May 2006, 182,736 BSAs were exercised, entitling their holders to 228,420 new shares with a nominal value of €1 each,

- as a result of the above operation, equity capital increased by €228,420,

- the lapsing of BSAs not exercised as at 30 April 2006.

Acquisitions and equity stakes acquired during the financial year ended 31st December 2006:

Acquisition of interests in Brazil's NEXTECH

As at 27 January 2006, acquired 10% of the equity capital of NEXTECH, a company based in Belo Horizonte (BRAZIL). These interests were raised to 19% in June 2006.

NEXTECH is attractive primarily for its ability to resell Cimage products in South America. NEXTECH and Sword work together on:

- Shared growth in Latin America in regulated markets,

- Growth in turnover generated by products and components.

Acquisition, by SWORD GROUP, of STELLON, a Swiss company, as at 29 June 2006.

STELLON is a leader in Romandy (the French-speaking part of Switzerland) in the areas of consulting and development of performance measurement and enterprise reporting systems (KPI: Key Performance Indicators).

STELLON targets the banking, insurance, pharmaceutical, and telco markets.

The budgeted internal expansion stands at 15%. STELLON's know-how in terms of performance management (KPI) is a strategic growth vector that will enhance SWORD's offer at the global scale.

Acquisition, by SWORD UK, a SWORD GROUP subsidiary, of REAL TIME ENGINEERING (RTE) as at 17 November 2006.

RTE, based in Glasgow, is a key player in E-Content Management in the UK.

RTE is present in Glasgow, Aberdeen, Edimburgh, and London. RTE also manages an office in Qatar for its contracts with Middle Eastern oil companies.

RTE delivers solutions in the following niche markets: Government, Oil, Energy, Transportation, and Telecommunications.

In 2007, RTE will increase its turnover by 5% and its profitability will rise from 8% to 15% (the 15% profitability rate will be achieved in July 2007).

Issue of share subscription options

The Board of Directors held 29 December 2006, using the delegation of the Extraordinary General Meeting of Shareholders held 28 April 2006, granted 60 000 options entitling their holders to subscribe 60,000 new SWORD GROUP shares to the benefit of certain employees and/or corporate officers. The unit subscription price of the shares issued by exercising the options is equal to the average of quoted prices during the 20 stock market sessions preceding the allocation decision, without any discount. The unit subscription price, calculated accordingly, stands at €35.128.

Important strategic and operational developments:

Intra-group restructurings

- 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. In that context, the SWORD SA Works Council was informed and consulted on that operation, and issued a favourable opinion as at 26 January 2006.

- For the same reason, SWORD SUISSE sold to SWORD GROUP the interests it held in SWORD LINKVEST SA.

Disposal of SWORD NORD

SWORD GROUP sold its subsidiary SWORD NORD to its management on 27 January 2006.

SWORD GROUP keeps 15% of the equity capital SWORD NORD, as well as a partnership contract. The disposal was justified by SWORD GROUP's desire to remain focused on highly regulated market and to increase its operating margin in relutive value.

Disposal of SWORD CONSULTING

SWORD GROUP sold, on 22 September 2006, its subsidiary SWORD CONSULTING to MALTEM.

SWORD CONSULTING's business was primarily devoted to consulting and project ownership assistance in the electronic money market. This disposal is part of SWORD's plan to refocus its French operations on high added value systems integration and on FIRCOSOFT's products activity. It supplements the disposal of the logistics consulting activities, already completed in 2005.

Disposal of the IDP Paris business

In November 2006, SWORD SA sold its IDP Business Unit, which specialises in IT engineering, to the Management. The BU has no longer been consolidated since 1st November 2006.

Disposal of a property lease agreement

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.

Creation of new subsidiaries

During the year ended 31st December 2006, the following subsidiaries were set up:

- SWORD SOLUTIONS, based in Paris (a subsidiary of Sword SA), which will specialise in the integration of E-Content Management systems and will aim at managing large projects (over €1m per project),

- SWORD ATLANTIQUE, 80% held by SWORD GROUP, was registered as at 17 January 2006 and kicked off business in the Atlantic region. It acquired an electronic publishing business goodwill in Rennes in July 2006.

- SWORD SERVICES, of which Sword Technologies holds more than 85%. The new company is intended to serve the Belgian banking market.

Merger-absorption of PRAGMA

Effective 1st January 2006, UK company SWORD UK absorbed its Scottish subsidiary PRAGMA, which specialises in electronic document management for oil companies.

2. COMPARABILITY OF THE FINANCIAL STATEMENTS - ACCOUNTING RULES AND METHODS

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 2006 were prepared in accordance with the IFRS international accounting standards as adopted by the European Union on 31 December 2006. In particular, the company implemented the standards and interpretations, whose implementation is mandatory for financial periods beginning as of 1st January 2006, i.e. in particular: revised IAS 39 (fair value), revised IAS 19 (employee benefits) and revised IAS 21 (changes in foreign exchange rates); the implementation of these new standards and interpretations has no impact on the consolidated financial statements; it supplements, to a minor extent, the information provided in the notes appended to the annual report.
The consolidated financial statements do not integrate the potential impact of the standards and interpretations that were published as at 31st December 2006 but are not yet mandatory, yet can be implemented in advance. The Company does not expect these new rules to have any substantial impact on the content or layout of these consolidated financial statements.

3. THE GROUP'S ACTIVITIES - PRESENTATION OF INCOME STATEMENTS FOR THE FINANCIAL YEAR ENDING 31ST DECEMBER 2006

The table below presents the simplified income statement of SWORD GROUP for the financial year ending 31st December 2006 compared with that for the financial year ending 31st December 2005.

In thousands of euros	2006 consolidated	2005 consolidated
Turnover	142,005	101,491
Current operating profit	15.65%	15.42%
Operating profit	23,949	16,710
Consolidated net profit	15,748	11,060
Group’s share of net profit	15,632	10,803

List of consolidated companies as at 31st December 2006

		31 December 2006	
Companies	**Closing date**	**% controlled**	**% stake**
SWORD GROUP (parent company) 9 Avenue Charles de Gaulle 69370 Saint Didier au Mont d'Or	31/12	100%	100%
SWORD SA (France)	31/12	100%	100%
SWORD Création Informatique Ltd (South Africa)	31/12	100%	100%
SWORD SOUTH AFRICA Ltd	31/12	75%	75%
FIRCOSOFT (France)	31/12	99.94%	99.94%
FIRCOSOFT Inc (US)	31/12	100%	99.94%
SWORD Inc. (USA)	31/12	100%	100%
SWORD CONSULTING (France)	31/12	-	-
SWORD UK	31/12	100%	100%
SWORD SUISSE	31/12	95.60%	95.60%
SWORD DDS FRANCE	31/12	100%	100%
SWORD TECHNOLOGIES SA (Benelux)	31/12	99.04%	99.04%
ASCII (Luxembourg)	31/12	100%	100%
FI SYSTEM BELGIUM	31/12	100%	100%
SWORD SAS (France)	31/12	92%	92%
GLOBAL INDIA	31/03	100%	100%
SWORD NORD (France)	31/12	-	-
SWORD IT SOLUTIONS (Greece)	31/12	65%	64.38%
SWORD SECURITY SA (Benelux))	31/12	60%	59.42 %
3LINKVEST SA (Switzerland)	31/12	100%	100%
SWORD LEBANON	31/12	92%	92%
HARVARD (UK)	31/12	100%	100%
PRAGMA (UK)	31/12	-	-
INTECH (UK)	30/06	100%	100%
SWORD ATLANTIQUE	31/12	80%	80%
SWORD SERVICES	31/12	88%	87.15%
STELLON	31/12	100%	100%
SWORD SOLUTIONS	31/12	76%	76%
RTE	31/12	97%	97%

All companies are consolidated according to the full consolidation method.

Activity and turnover

In 2006, SWORD Group recorded an increase of more than 25% in its pro-forma turnover as compared to 2005. The Group's share of net consolidated profits in 2006 was 11.01% of turnover.

During financial 2006, the Group:

- Continued its internationalisation,
- Pursued its specialisation in Electronic Content Management,
- Pursued both its internal and external expansion policies,

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)

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.

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.

Current operating profit

The consolidated current operating profit for 2006 stood at €22,222,000, i.e. 15.65% 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.

Operating profit

The consolidated operating profit for 2006 stood at €23,949,000, i.e. 16.86% of turnover.

Cost of net debt

The cost of net debt stood at €932,000, i.e. 0.66% of turnover.

This cost consists primarily of net interest charges on loans (€786,000), a financial lease agreement (€133,000) and placement products and non-consolidated shares (€13,000).

Income tax and net profit

Income tax on consolidated profit was €6,017,000, which represents an effective taxation rate of 27.64%.

After income tax, net profit for the consolidated companies stood at €15,748,000, i.e. 11.09% of turnover. The Group share of net profit stood at €15,632,000, i.e. 11.01% of turnover, while net profit allocated to minority shareholders was €117,000.

Debt, cash flow and investments

Net debt, i.e. total gross debt from which cash reserves on 31st December 2006 were deducted, stood at €59,621,000.

The Group's cash flow (see cash flow table) stood at €22,530,000, 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 €4,804,000.

Growth operations

External growth relates in the main to the following acquisitions:

- STELLON at 01/07/2006 (€3m annual turnover)
- RTE at 17/11/2006 (€15m annual turnover)

Disposal operations

They relate to the following disposals:

- SWORD NORD at 31/02/2006 (€2.8m annual turnover)
- SWORD CONSULTING at 22/09/2006 (€2.7m annual turnover)
- SWORD SA's IDP assets (€3m annual turnover)

Changes in the Group's main subsidiaries

SWORD SA

Turnover for SWORD SA was €23,366,000. Its net profit stands at €7,361,000.

The activity of SWORD SA during 2006 can be summarised as follows:

In 2006, we stabilised the turnover of SWORD SA in order to raise profitability. This is why the turnover only rose by 3.86%, while the current operating profit gained 19% at 6% of turnover.

Profit on asset disposals and depreciation result from capital gains on:

- Disposal of SWORD CONSULTING to the benefit of SWORD GROUP,
- Disposal of SWORD DDS to the benefit of SWORD GROUP,
- Disposal of FIRCOSOFT to the benefit of SWORD GROUP,
- Disposal of SWORD SA's IDP asset.

The Operating Profit is still hardly affected by the underperformance of IDP, an asset that was consolidated over 9 months in 2006.

In terms of business activity, the profit centres of Western France and Lyon have been in line with budget.

Regarding Paris:

- The SWP BU was in line with budget (worldwide services to trademark and patent agencies)
- The IDP BU, sold as at 17/11/2006, was behind budget (low added value electronic document management)

The 2007 budget is down in terms of turnover as compared to 2006 because of the disposal of IDP, but it is up in terms of profitability.

SWORD SA set up a subsidiary, SWORD SOLUTIONS, with a view to offering a structured response to key invitations for tenders regarding systems integration in France.

It is based in Paris and is still in the kickoff phase.

SWORD SAS

The turnover of SWORD SAS stands at €4,710,000, while it stood at €2,340,000 for the previous financial year. Its net profit stands at €554,000, while it was €235,000 for the previous financial year.

The activity of SWORD SAS during 2006 can be summarised as follows:

SWORD SAS continues to combine profitability and growth, as evidenced by its figures:
- 100% turnover growth,
- 144% ROC growth.

The Company, which from now on will represent, along with SWORD SOLUTIONS, our systems integration business in Paris, in the area of ECM, should enter into a strategic alliance with SWORD SOLUTIONS, a new company set up to respond to large invitations for tenders (over €3m).

SWORD ATLANTIQUE

The turnover of SWORD ATLANTIQUE stands at €1,442,000, its net profit at €111,000. The year ended 31st December 2006 was the company's first financial year.

SWORD ATLANTIQUE completed its first year of existence in Nantes outperforming its budget, with 12.2% ROC for that first year.

SWORD ATLANTIQUE should continue growing at faster pace than the Group's organic growth. It is budgeted at 25% for 2007.

FIRCOSOFT

FIRCOSOFT's turnover stands at €4,969,000, up more than 46% as compared to the previous year. It displayed net profit of €1,055,00, versus €932,000 the previous year.

The activity of FIRCOSOFT during 2006 can be summarised as follows:

FIRCOSOFT demonstrates that it serves a buoyant, profitable market, as the company displays internal growht of 46% in terms of turnover.

ROC only gained 18% due to the investments made in 2006 for upgrading the product range.

The 32% operating profit is expected to be maintained in 2007, and growth will exceed 15%.

FIRCOSOFT has a subsidiary in the USA, FIRCOSOFT INC, to market its offer on the American continent.

The subsidiary generates turnover of €1.1m, and current operating profitability of 17.3%.

SWORD TECHNOLOGIES

Turnover for SWORD TECHNOLOGIES SA stood at €28,689,000, versus €25,295,000 in the previous financial year. Its net profit was €1,372,000, compared with €1,643,000 the previous year.

The activity of SWORD TECHNOLOGIES during 2006 can be summarised as follows:

SWORD TECHNOLOGIES works in the context of the European Union, on long-term contracts whose prices do not rise at the same pace as the market.

Consequently, the 13% internal growth has not been combined with ROC growth.

Several orientations have been initiated in 2006 and will have effects on 2008, 2007 being a transition year.

In addition, the following aspects should be pointed out:

- major market canvassing efforts, which have been rewarded, have been conducted in the non-EU market in Belgium;
- the reduction in pre-sale costs relative to the management in Greece, has enabled us to respond to more invitations for tenders from the EU;
- in the context of renewing a major contract (€30m), we have refused to follow the price drop suggested by the market;
- this potential turnover reduction for SWORD TECHNOLOGIES will be offset in 2008 by the turnover generated by the TAXUD contract signed at end 2006, but whose production will only be significant as of H2 2007.

Consequently, in 2007, turnover will be down as compared to 2006, with ROC stabilisation, preparing for expansion in 2008 with increased profitability.

SWORD TECHNOLOGIES has several subsidiaries:

- SWORD IT SOLUTIONS in Greece, a company specialising in the elaboration of technical proposals responding to major invitations for tenders from the European Union;

- SWORD SECURITY, a subsidiary based in Luxembourg which, for the time being, conducts no business;

- SWORD SERVICES, which has been set up in Brussels to penetrate the Belgian banking market. This Company is still in the kickoff phase.

SWORD UK Ltd

SWORD UK Ltd's turnover stands at €35,103,000, up 86.96% as compared to the previous year. Its net profit stands at €3,121,000, versus €e2,622,000 for the previous year.

The activity of SWORD UK Ltd during 2006 can be summarised as follows:

SWORD UK absorbed PRAGMA as at 01/01/2006.

Together in 2005, SWORD UK + PRAGMA had generated turnover of €27,144,000 and ROC of €5,418,000.

This year, the two put together generated €35,103,000 turnover, up 29.3%.

This company is engaged in the following activities:

- electronic document management services, on the one hand,
- the sale of electronic document management products, on the other hand.

The Company continued investing in the improvement of its products far beyond the FUSION programme, which had already been initiated the previous year.

The investment, recorded as expenses, accounts for the exceptional drop in profitability.

The said profitability will be in line with Group standards in 2007.

SWORD UK subsidiaries are:

- SWORD GLOBAL INDIA, the Group's English-speaking offshore company, whose operating profitability stands at 24%,

- HARVARD CONSULTING, a company undergoing restructuring, but whose internal growth in 2006 established itself at 38%,

- INTECH, a products company acquired in December 2005, specialising in the reinsurance market, that outperformed in 2006,
- RTE, a company acquired in 2006, which is undergoing some restructuring but should stabilise in 2007 in order to achieve the Group's profitability standards within 7 months.

SWORD CREATION INFORMATIQUE

SWORD CREATION INFORMATIQUE has not generated any turnover, just like last year. Its net profit stands at €3,000, while it was €19,000 the previous year.

As budgeted in 2005 for 2006, the Company becomes profitable, its RO rising from -4% to +9% of turnover.

As at 15 January 2006, SWORD CREATION INFORMATIQUE increased by 20% its stake holding in SWORD SOUTH AFRICA, of which now it holds 75% interests.

SWORD SOUTH AFRICA generated €547,000 turnover and €6,000 net profit.

SWORD SUISSE

The turnover of SWORD SUISSE stands at €101,000, versus €1,404 the previous year. Its net profit stands at -€22,000, versus -€153,000 for the previous year.

The activity of SWORD SUISSE during 2006 can be summarised as follows:

SWORD SUISSE sold its operating asset to LINKVEST in order to restructure our Swiss operations.

Consequently, the only item that was billed in 2006 is the balance of works in progress/billed in advance outstanding at 31/12/2005.

SWORD LINKVEST

SWORD LINKVEST's turnover stands at €9,860,000, versus €7,494,99 for the previous year. Its net profit establishes itself at €602,000, versus -€1,307,000 for the previous year.

The activity of SWORD LINKVEST during 2006 can be summarised as follows:

SWORD LINKVEST has taken over the business activities of SWORD SUISSE and developed its historic activities in Romandy.

The Company was restructured in December 2005 and switched from negative annual earnings to a perennial profitable situation.

A subsidiary of SWORD LINKVEST, LINKVEST LEBANON, the Group's French-speaking offshore Company, displays operating profitability of 16.3%.

STELLON

STELLON displayed turnover of €1,411,000 and net profit of €143,000.

STELLON is a business intelligence services Company specialising in KPI (Key Performance Indicators).

This Company, acquired as at 01/07/2006, was not profitable. It recovered earlier than budgeted, a profitability rate in line with the Group's.

The 2007 target, aside from expansion, is the setting up of synergies with LINKVEST in order to build an ECM (E-content management) offer.

SWORD DDS

SWORD DDS generated €85,000 turnover and €582,000 profit.

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.

FI SYSTEM BELGIUM

FI SYSTEM BELGIUM displayed zero turnover. Its net loss stood at –€28,000 versus €413,000 for the previous year.

The activity of FI SYSTEM BELGIUM during 2006 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.

ASCII is a leader in its line of business. The Company saw its profit grow by 9% in 2006, while its operating profit rose from 13.5% to 16.03%.

SWORD INC

SWORD INC is the Group's US arm. The Company, offering services in New York and products in Houston, stabilised in 2006 in terms of turnover, its 2005 ROC being negative at 13.7%.

The consolidated operating margin for 2006 stood at 3.5%, up steadily from one quarter to the next throughout 2006.

Important events occurring after year-end

In accordance with the provisions of Article L 232-1 of the Commercial Code, we inform you that, as at 10 January 2007, the Company sold the 800 shares it was still holding in SWORD NORD (which became ALFEA CONSULTING), representing 16% of the latter's equity capital. Subsequent to the disposal, it no longer holds any stakes in the company.

Except for the above, no major event likely to have a significant impact on the appreciation of the Company's situation, has taken place or has been known subsequently to the end of the Company's financial year..

Future outlook

The 2007 business plan, which had already been revalued at end 2005, was reconsidered upwards again at end 2006, integrating the acquisitions (€18m) and removals from the consolidation scope (€8.5m) conducted in 2006.

The 2007 consolidated turnover will be higher at €180m, including €7.3m of consolidated acquisitions.

2006 acquisitions will be stabilised in order to achieve the Group's profitability standards as of 1st July 2007.

Organic growth will exceed 15 % (excluding 2006 acquisitions, which will only be stabilised in 2007).

Consequently, 2007 turnover breaks down as follows:

€m 2007	Revaluations at end 2006
Turnover excluding acquisitions	173
Consolidated turnover from 2007 acquisitions	7.3
Consolidated turnover	180.3
Non consolidated turnover of 2007 acquisitions	10.2
Pro-forma turnover	190.5

Assessment of the value of goodwill and other intangible assets

An independent evaluation led by the firm MAZARS GUERARD confirmed the balance sheet value of these intangible assets.

No provision has been set aside after checking compliance with the criteria for assessing goodwill and other intangible assets.

Research and Development

In 2006, R&D consisted of the following:

Product share:

35.4% of the number of potential working days of the Department's employees, i.e. 12% of "products" turnover

Services share:

3.9% of the number of potential working days of the Department's employees, i.e. 2.4% of "services" turnover

Thus, in terms of consolidated figures, R&D accounts for 8.1% of the number of potential working days of our employees, i.e. 4.5% of consolidated turnover.

Approval of consolidated financial statements

We request that you kindly approve the consolidated financial statements for the year ended 31st December 2006 (balance sheet, income statement, and appendices) as they have been presented to you, displaying consolidated profit of €15,748,000 (of which Group's share of profit €15,632,000).

4. ACTIVITIES OF SWORD GROUP – PRESENTATION OF THE CORPORATE FINANCIAL STATEMENTS

Company activities over the financial year 2006 – Balance sheet and income statement

In 2006, the holding's head count dropped from 6 to 4, it being pointed out that, since 1st January 2007, Mr. Mottard and his assistant are no longer salaried by the Company, their remuneration being billed to the Company by Sémaphore Investissements as part of a services agreement.

The balance of its operating accounts is maintained by rebilling its services to its subsidiaries.

Over 2006, SWORD GROUP carried out its operational, strategic and financial supervision role for the Group.

The main figures for the period are the following:

In euros	Financial year N	Financial year N-1	Change in %
Turnover	*3,422,249.65*	*3,026,580.89*	*13.1*
Revenue from operations	*3,761,890.12*	*3,027,800.86*	*24.2*
Operating costs	*2,337,412.83*	*2,490,292.26*	*-6.1*
Operating profit	*1,424,477.29*	*537,508.60*	*165*
Current profit	*5,085,719.37*	*4,436,132.78*	*14.6*
Financial income	*7,739,486.27*	*5,201,878.00*	*48.8*
Financial expenses	*4,078,244.19*	*1,303,253.82*	*212.9*
Financial result	*3,661,242.08*	*3,898,624.18*	*-6.1*
Current profit before tax	*5,085,719.37*	*4,436,132.78*	*14.6*
Extraordinary earnings	*1,945,688.79*	*38,211.65*	
Extraordinary charges	*1,894,540.68*		
Extraordinary profit	*51,148.11*	*38,211.65*	*33.9*
Income tax	*(70,675.00)*	*786,000.00*	*-109*
Profit	*5,207,542.48*	*3,688,344.43*	*41.2*

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 3.10 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.

2006 outlook

The outlook for 2006 is described in point 3.11 above.

Description of human resources and the corporate environment

The workforce of the Company is 4. 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 20th February 2002 is of little interest.

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.

Information on market risks

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 31st December 2006, it was equal to 23 months of budgeted turnover for 2007.

Naturally, part of this turnover relates to years subsequent to 2007.
The proportion of turnover for 2007 represents turnover for 10 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.

Technological risk

As far as hardware and local networks are concerned, a 6-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.

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.

Currency risk

In countries where costs are paid for locally (local personnel), no currency cover is taken.

The currency risk is borne by the holding company. Our budgets are based on conservative assumptions.

Country risk

Regarding Lebanon, the recent conflict in the Middle East did not affect the subsidiary SWORD LEBANON.

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.

Significant purchases of interests or acquisitions made during the financial period in companies headquartered in France

During the financial year ending 31st December 2006, SWORD GROUP did not acquire significant interests or control of companies headquartered in France.

Activities and results of the subsidiaries in the sense of article L.233-1 of the Commercial Code

Companies	Stake held as a percentage	Turnover in thousands of euros	Profit in thousands of euros	Activity
SWORD SA	100	23,366	7,361	Solutions
SWORD SAS	92	4,710	554	Solutions
SWORD ATLANTIQUE	80	1,442	111	Solutions
FIRCOSOFT	99.94	4,969	1,055	Software
SWORD UK	100	35,103	3,121	Software and Solutions
SWORD INC	100	6,204	97	Software and Solutions
SWORD CREATION INFORMATIQUE SA	100	0	3	Solutions
SWORD SUISSE	95.60	101	(22)	Solutions
SWORD TECHNOLOGIES SAS	99.04	28,689	1,372	Solutions
FI SYSTEMS BELGIUM	100	0	-28	Solutions
SWORD LINKVEST	100	9,860	602	Solutions
SWORD DDS	100	85	582	
STELLON	100	1,411	143	Solutions

Activities and results of the companies controlled in the sense of article L.233-3 of the Commercial Code

Companies	Stake held as a percentage	Turnover in thousands of euros	Profit in thousands of euros	Activity
SWORD SOUTH AFRICA LIMITED	75	547	6	Solutions
FIRCOSOFT INC	100	1,101	103	Software
SWORD SECURITY SA	60	3	(13)	Solutions
SWORD IT SOLUTIONS	65	285	44	Offshore
ASCII	100	6,408	409	Solutions
SWORD GLOBAL INDIA	100	2,591	650	Offshore
SWORD LEBANON	92			Offshore
HARVARD Consulting	100	2,614	14	Solutions
INTECH	100	18,312	4,596	Software
RTE	97	1,897	225	Solutions
SWORD SOLUTIONS	76	93	14	Solutions
SWORD SERVICES	88	564	60	Solutions

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	**Situation on 31/12/2006**		
	Number of shares	% of capital	% vote
Jacques Mottard and Sémaphore Investissements	1,746,820	22.87	22.25
21 Centrale Partners	5	0	0
Françoise Fillot	106,395	1.39	2.65
Heath Davies	18,000	0.24	0.22
Christian Tapia	57,205	0.75	1.42
Treasury shares (1)	2,912	0	0
Employees and miscellaneous registered shareholders	235,829	3.09	5.86
Free float	5,469,674	71.62	68.09
TOTAL	**7,636,840**	100	100

(1) As at 31st December 2006, the number of shares held under the liquidity agreement entered into with Gilbert-Dupont was 2,912.

Under a threshold trespassing statement published 24 February 2006, Threadneedle Asset Management Holding stated that it had passed upwards the threshold of 5% in equity capital only.

Under a threshold trespassing statement published 6 March 2006, Schroders Investment Management Limite stated that it had passed upwards the threshold of 5% in equity capital only.

8. CHANGES IN THE SHARE PRICE

2006	**At 31st January 2007**
Highest price €35.75 (on 29/12/06)	Highest price €40 (12/01/2007)
Lowest price €25.60 (02/01/06)	Lowest price €35.55 (02/01/2007)
Number of shares traded on the stock market 8,759 (1)	Number of shares traded on the share market from 01/01/2007 to 31/01/2007: 8,888 (2)

(1) This is the average number of shares traded in 2006, a year during which 2,233,607 shares were traded.
(2) This is the average number of shares traded in January 2007, a month during which 195,544 shares were traded.

9. INFORMATION ON THE ACQUISITION AND SALE BY THE COMPANY OF ITS OWN SHARES AS AT 31ST DECEMBER 2006

Number of shares held by the Company as at 31st December 2005	10,606
Number of shares purchased in 2006	39,751
Number of shares sold in 2006	47,445
Number of shares held by the Company as at 31st December 2006	2,912

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 2006 (Balance Sheet, Income Statement and Appendix) such as they are presented to you, which show profits of €5,207,542.48.

We suggest that the result be appropriated as follows:

- To the legal reserve: in order to bring it up to 10% of the equity capital	€181,571.44
- To the shareholders as dividends:	€3,207,472.80
- The balance, i.e. To the "Balance brought forward", which will stand at €4,784,705.73.	€1,818,498.24

The net dividend per share would be €0.42 per share (the tax credit is no longer applicable to this distribution).

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 2005	€0.30	None
31st December 2004	€1.20	None
31st December 2003	€0.90	€0.45

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 comprehensive analysis of the turnover, results and financial position of the Company

The details of this analysis are contained in the 2006 reference document.

14. Cross 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 or acquired	Average sale or acquisition price per share
Jacques MOTTARD (1)	1,700,000	€31.99
Heath DAVIES (2)	18,000	€28,799

(1) These are shares contributed to SEMAPHORE INVESTISSEMENTS.
(2) This is an acquisition.

16. Table of delegations for capital increases

The General Meeting of 28th April 2006 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

During financial 2006, these delegations have not been used by the Board of Directors.

It is pointed out that the Board of Directors held 6 February 2007 offered to the General Meeting held 30 April 2007 to renew the above-mentioned delegations in terms of capital increase.

17. FINANCIAL INSTRUMENTS

The main loans have been taken out at euribor +1.5. Cover through paying SWAP at a fixed rate of 3.825% (excluding bank margin) was set up as at 14 November 2006 for a period of 24 months and an amount of €20m.

18. AGREEMENTS REFERRED TO IN ARTICLES L.225-38 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.

19. APPOINTMENT OF A NEW DIRECTOR

The Board of Directors being made up of three directors only, which is the minimum required by law, we find it opportune to increase the number of directors in office and suggest that you name a new director.

Thus, the application of Mr. Heath DAVIES for a director position is suggested to the General Meeting; Mr. DAVIES is already Executive Vice-President of the Company. In addition, as a result of his presence and strong involvement in the Group, Mr. Heath DAVIES would be able to assist the Board in its work.

Appended to this report is a detailed description of Mr. Heath DAVIES' career.

20. RENEWAL OF THE MANDATES OF THE STATUTORY AND SUBSTITUTE CO-AUDITORS, APPOINTMENT OF NEW STATUTORY AND SUBSTITUTE CO-AUDITORS

We point out that the following mandates of the two statutory and substitute co-auditors will expire on the date of the annual General Meeting.

Statutory auditors:

- Deloitte: 185, avenue Charles de Gaulle, 92200 Neuilly-sur-Seine
- Cabinet Cap-conseil: 21 rue Bossuet - 69006 LYON

Substitute auditors:

- BEAS: 7/9, Villa Houssay, 92200 Neuilly-sur-Seine.
- Mr. Paul Mollin: 14, rue Claude Fouilloux, 69450 Saint-Cyr-au-Mont-d’Or

We suggest that you:

- renew the mandate as statutory co-auditor of Cabinet Deloitte, and that of substitute co-auditor of cabinet BEAS,

- appoint, as substitute for Cabinet Cap-Conseil, statutory co-auditor, the company SAFICI (Société d'Audit Financier et de Contrôle Interne), 127 avenue de Saxe, 69003 LYON, France, and as substitute for Mr. Paul Mollin, substitute co-auditor, Ms. Elizabeth BAYLOT, 11 montée Reine Victoria, 73100 Tresserve, France

for a new period of six financial years, i.e. up until the closing of the Ordinary General Meeting of Shareholders ruling on the financial statements for the year ended 31st December 2012.

21. MANDATES OF THE CORPORATE OFFICERS

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 2006.

POSITION	**DURATION OF MANDATE**	**COMPANY**	**EXPIRY DATE** General Meeting ruling on the financial statements for the period
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 DDS	Unlimited duration
Chairman	unlimited	FIRCOSOFT	Unlimited duration
Chairman	unlimited	SWORD SAS	Unlimited duration
Chairman	unlimited	SWORD ATLANTIQUE	Unlimited duration
Chairman	unlimited	SWORD SOLUTIONS	Unlimited duration
Chairman	unlimited	SWORD UK	Unlimited duration
Chairman	unlimited	HARVARD	Unlimited duration
Chairman	unlimited	INTECH	Unlimited duration
Director	unlimited	RTE	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	Unlimited	SWORD LINKVEST	Unlimited duration
Chairman	Unlimited	SWORD LEBANON	Unlimited duration
Chairman and Board Member		SWORD IT SOLUTIONS	30 June 2011
Director	One year	STELLON	31/12/2006
Chairman and Board Member	6 years	SWORD SERVICES	31/12/2011

Mandates exercised outside the Group			
Manager	Unlimited	SCI FI	Unlimited duration
Manager	Unlimited	LE SEMAPHORE	Unlimited duration
Manager	Unlimited	CHINARD INVESTISSEMENT	Unlimited duration
Manager	Unlimited	SEMAPHORE INVESTISSEMENTS	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	31.12.11
Director	6 years	FOUNTAINE PAJOT	31.08.07
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	1 year	ALLTUB	31.12.06
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
Member of the Supervisory Board	6 years	THE NOMAD COMPANY	31.12.11
Member of the Supervisory Board	6 years	VULCANIC HOLDING	31.12.11
Member of the Supervisory Board	3 years	FINANCIERE ARAMIS	31.12.08
Director	3 years	SFTF INTERFLORA	31.12.08

Françoise FILLOT: Executive Vice President			
Executive Vice President	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	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	Unlimited	FIRCOSOFT	Unlimited duration
Managing Director	Unlimited	SWORD SOLUTIONS	Unlimited duration
Managing Director	Unlimited	SWORD ATLANTIQUE	Unlimited duration
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	HARVARD Consulting	Unlimited duration
Director	One year	STELLON	Meeting ruling on the financial statements for the year ending 31/12/2006
Director	6 years	SWORD SERVICES	Meeting ruling on the financial statements for the year ending 31/12/2011

Heath DAVIES: Executive Vice President			
Managing Director (since 13 March 2006)	For the Chairman's term	SWORD GROUP	31/12/2009
Director	Unlimited	SWORD UK Limited	Unlimited duration
Director	Unlimited	HARVARD Consulting Limited	Unlimited duration
Director	Unlimited	Real Time Engineering Limited	Unlimited duration
Director	Unlimited	Intech Solutions Limited	Unlimited duration

22. REMUNERATION OF CORPORATE OFFICERS

The total remuneration paid to corporate officers stood at €431,000.

The following table gives the total remuneration and benefits in kind, plus the directors' fees paid to each executive officer over the year.

EXECUTIVE OFFICER	REMUNERATION AND BENEFITS	DIRECTOR'S FEES	Change in remuneration from 31/12/05
Jacques MOTTARD (1) 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: €25,550	+9.80%
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: €31,200	+24.80%
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: €133,546.88 (additional paid in capital 2005/2006 of €60,371.36 included) By companies controlled as per article L.233-16 of the Commercial Code: €0		+43%
Christian TAPIA (2) Executive Vice President	By the Company: €0 By companies controlled as per article L.233-16 of the Commercial Code: $32,272.80 + €5,313.56		NA
Heath DAVIES (2) (3) Executive Vice President	By the Company: €0 By companies controlled as per article L.233-16 of the Commercial Code: £114.000		NA

(1) Since 1st January 2007, the remuneration of Mr. Jacques Mottard (and his assistant) is billed to the Company by Sémaphore Investissements as part of a services agreement.
(2) Christian TAPIA resigned from his position as Executive Vice-President, effective 13 March 2006, and has been replaced by Mr. Heath Davies.
(3) The Board of Directors held 29 December 2006 has decided to allocate to Mr. Heath Davies 28,500 share subscription options at a price of €35.128.

No premium system in the event of the arrival or departure of company partners exists in SWORD GROUP.

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

Name	Retirement provision as at 31 December 2006
Jacques Mottard	€3,937.26
Françoise FILLOT	€4,784.05

23. DIRECTORS' FEES

We propose that directors' fees paid to members of the Board be set at €65,000.

We point out that the directors' fees would thus rise by 2.13%.

24. AUTHORISATION AND POWERS TO BE GRANTED TO THE BOARD OF DIRECTORS IN ORDER FOR THE COMPANY TO REPURCHASE ITS OWN SHARES; POSSIBLE AUTHORISATION TO BE GRANTED TO THE BOARD OF DIRECTORS TO CONFER IN ORDER TO CANCEL OWN SHARES.

We remind you that the General Meeting held 28th April 2006 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 2007.

With regards to the performance of the Company's share price, we propose that you cancel the authorisation granted by the General Meeting of 28th April 2006 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 €65 each. The minimum price at which shares can be sold will be set at €28 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;

25. HARMONISATION OF THE BYLAWS WITH THE PROVISIONS OF ORDER NR.2006-1566 OF 11 DECEMBER 2006

We point out that Order Nr.2006-1566 of 11 December 2006 has changed certain provisions of the Order of 23 March 1967 on commercial companies relative to the justification of the capacity as shareholders.

Under the order of 11 December 2006, for companies whose shares are, at least in part, bearer shares, the procedure for justifying the capacity as shareholders through the temporary freezing of the shares, is given up to the benefit of a system based on the registration date. In addition, the right to take part in general meetings is now conditioned by the recording to the accounts of the shares in the name of the shareholder on the third business day preceding the meeting at 0:00, Paris time, either in the registered share books held by the Company, or in the bearer share books held by the authorised intermediary.

Consequently, you will have to rule regarding the harmonisation of the Company's bylaws with the provisions of the Order of 11 December 2006. Article 19 C of the bylaws would be amended accordingly in case of a favourable vote on your part.

26. DELEGATION OF AUTHORITY TO BE GRANTED TO THE BOARD TO INCREASE THE EQUITY CAPITAL THROUGH THE ISSUE OF ORDINARY SHARES OR ANY MARKETABLE SECURITIES GIVING ACCESS TO THE CAPITAL WITH PRESERVATION OF THE PRE-EMPTIVE RIGHT

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 28th April 2006.

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 point out that such delegation would terminate the delegation granted by the Ordinary and Extraordinary General Meeting of 28 April 2006 through the voting of its tenth resolution.

27. DELEGATION OF AUTHORITY TO BE GRANTED TO THE BOARD TO INCREASE THE EQUITY CAPITAL THROUGH THE ISSUE OF ORDINARY SHARES OR ANY MARKETABLE SECURITIES GIVING ACCESS TO THE CAPITAL WITH REMOVAL OF THE PRE-EMPTIVE RIGHT

It would also be appropriate that the General Meeting, in accordance with the provisions of Articles L.225-129-2 and L. 225-135 and L. 228-92 of the Commercial Code, delegate to the Board of Directors the powers to decide, on its own, in one or several times, within the proportions and at the times its determines, both in France and abroad, either in euros or in foreign currency or in an account unit set in reference to several currencies, the issue, with removal of the pre-emptive subscription right, of shares, equity capital shares, or marketable securities - including warrants issued autonomously, either free of charge or at a price, or of acquisition bonds - giving access or likely to give access to the equity capital or entitling their holders to the allocation of bonds.

The delegation thus granted to the Board of Directors would be valid twenty-six months from the date of the General Meeting authorising it.

The issue of preferred shares and the issues of any securities or marketable securities giving access to preferred shares, would be ruled out.

The pre-emptive right of shareholders on these shares, equity securities, and other marketable securities, would be eliminated, but the Board of Directors would be entitled to institute a priority right for shareholders to apply for them, in accordance with the provisions of Article L 225-135 of the Commercial Code.

In the context of this delegation of authority:

- The amount of capital increases likely to be conducted in that manner either immediately or in the long run, could not exceed €5,000,000 of face value, plus, if applicable, the additional amount of shares that would have to be issued to preserve, in accordance with the law, the rights of holders of marketable securities entitling them to shares. The maximum face value of capital increases likely to be conducted under this delegation would be entered against the overall capital increase cap of €5,000,000 discussed above..

- The face value of debt securities giving access to capital, likely to be issued under this delegation, could not exceed €100,000,000 or its equivalent in foreign currencies, on the day of issue, it being specified that such face value would be entered against the face value of €100,000,000 discussed above.

- The amount perceived or to be perceived by the Company for each of the shares issued or to be issued under the delegation discussed above, after taking into account, if applicable, in the case of the issue of share purchase warrants, the issue price of such warrants, would be at least equal to the weighted average of the prices of the last three market sessions preceding its fixing, minus a maximum rebate of 5% if applicable, in accordance with the provisions of Article 155-5 as amended of the Order of 23rd March 1967.

We point out that such delegation would terminate the delegation granted by the Ordinary and Extraordinary General Meeting of 28 April through the voting of its eleventh resolution.

In accordance with the provisions of Article L225-135 of the Commercial Code, the Company's Auditors have drawn up a report on the removal of the pre-emptive right, which shall be read out to you. We point out that an additional report will be drawn up by the Board when it uses the authorisation granted by the General Meeting to:

- describe the final conditions for the operation, determined in accordance with the authorisation granted by the Extraordinary General Meeting;

- determine, in accordance with the provisions of Article 155-1 of the Order of 23rd March 1967, the impact of the proposed issue on each individual shareholder's situation, particularly regarding his share of the equity capital.

Likewise, the Company's Auditors will draw up the additional report required by Article 155-2 paragraph 2 of the Order of 23rd March 1967.

28. AUTHORISATION TO BE GRANTED TO THE BOARD OF DIRECTORS TO INCREASE THE NUMBER OF SHARES, SECURITIES AND MARKETABLE SECURITIES TO BE ISSUED IN CASE OF CAPITAL INCREASE WITH OR WITHOUT PRE-EMPTIVE RIGHT

We ask you to authorise the Board, in accordance with the provisions of Article L. 225-135-1 of the Commercial Code, for a period of twenty-six (26) months, to increase, within the limits of the overall cap set above and under the delegation of authority to increase the equity capital through the issue of shares with preservation of the shareholders' pre-emptive right, within thirty (30) days of the closing of applications for the initial offering, within the limits of 15% of the initial issue, and at the price set for the initial issue, in accordance with the provisions of 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.

29. DELEGATION OF AUTHORITY TO BE GRANTED TO THE BOARD TO ISSUE SHARES, SECURITIES OR MARKETABLE SECURITIES OF ALL KINDS TO REMUNERATE THE CONTRIBUTIONS IN KIND GRANTED TO THE COMPANY

We ask you to delegate to the Board of Directors, under Article L. 225-147 paragraph 6 of the Commercial Code, for a period of twenty-six (26) months, the authority necessary to issue shares, equity securities, and marketable securities, some of which would or could give access to the Company's capital within the limits of 10% of its share capital, at the time of issue, to remunerate the contributions in kind granted to the Company, and made of equity securities and marketable securities giving access to the capital, whenever the provisions of Article L.225-148 of the Commercial Code, do not apply.

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.

30. 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.

31. DELEGATION OF AUTHORITY TO INCREASE THE SHARE CAPITAL TO THE BENEFIT OF THE GROUP'S EMPLOYEES

We remind you that, in accordance with the provisions of Article L. 443-5 as amended of the Labour Code and Articles L 225-129-6 and L 225-138-1 of the Commercial Code, it is up to the Board of Directors to submit to the General Meeting of Shareholders, on the occasion of each capital increase, a draft resolution tending to complete a capital increase conducted under the conditions set out in Article L 443-5 of the Labour Code.

Given the capital increase authorisations proposed to the Meeting, the Extraordinary General Meeting should rule, in accordance with Article L 225-129-2 of the Commercial Code, on a draft delegation to grant to the Board of Directors to increase the capital, in one or several times, within the proportions and at the times it will decide, within twenty-six months, and within the limits of a total number of shares representing 3% of the equity capital on the date of the Board's decision, through the issue of ordinary shares or marketable securities given access by all means, immediately and/or in the future, to ordinary shares in the Company and, if applicable, through the allocation 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 issue, we suggest that you set the discount to 20% as compared to the average of listed prices for the Company shares on Euronext Paris

S.A.'s Eurolist during the twenty stock market days preceding the day of the decision setting the subscription start date. 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's report on stock options (year ended 31/12/2006)

Ladies and Gentlemen,

In accordance with the provisions of Article L 225-184 of the Commercial Code, the purpose of this report is to inform you of the operations conducted under the provisions of Articles L 225-177 to L 225-186 of the said Code relative to share purchase and subscription options.

We point out that the Board of Directors held 29 December 2006, in accordance with the permission granted by the Extraordinary General Meeting of Shareholders of the Company held 28 April 2006 in its fifteenth resolution, granted, under the provisions of Articles L 225-177 et seq. of the Commercial Code, options entitling their holders to the subscription of 60,000 new shares of the Company. As part of that authorisation, three share subscription plans have been established.

Below se specify the number, the maturity dates, and the price of the share subscription options which, during the year elapsed, and for the mandates and functions exercised in the Company, have been granted to each of the corporate officers of the company and its related companies. The table below also specifies the options granted to each of the 10 employees of the Company (or its related companies) who are not corporate officers and whose number of granted options was the highest.

	Plan no.1	**Plan no.2**	**Plan no.3**
Date of the meeting	28 April 2006		
Date of the Board Meeting	29 December 2006		
Total number of options allocated	60,000		
Option exercise start date	30/12/2008	30/12/2009	
Exercise price	€35,128		
Discount	None		
Beneficiaries / number of options allocated (1)	Heath Davies Jim Graham John Innes Phil Norgate	Juan Arcas Per Rosand Patrick de la Haye	Jean-Marc Sonjon
Expiry date	30/12/2009	30/12/2010	

(1) 4,500 share subscription options have been allocated to each beneficiary, except for Mr. Heath DAVIES, Executive Vice-President, who has been allocated 28,500 options.

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.

As at 1st January 2006, all the share subscription options were exercised under the plan. No new plan has been set up within Company SWORD SA during the period ended 31st December 2006.

Likewise, we remind you that the Extraordinary General Meeting of Shareholders of FIRCOSOFT SAS dated 4 November 2005 authorised its Chairman to allocate to certain members of the Company personnel, 340 new share subscription 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.

Furthermore, we inform you that a new share subscription option plan has been set up within FIRCOSOFT SAS. The Extraordinary General Meeting of Shareholders, as at 4 September 2006, authorised its Chairman to allocate to certain members of the Company personnel, 2,300 new share subscription options. As part of a decision dated 4 September 2006, the Chairman has partly used this authorisation by allocating 1,700 share subscription options. None of these new options was applied for during the elapsed financial year.

Appended is the information referred to in Article L 225-184 of the Commercial Code for the companies SWORD GROUP and FIRCOSOFT.

Done in Saint Didier au Mont d'Or
The Board of Directors

APPENDIX 1

LIST OF SHARE SUBSCRIPTION OPTION BENEFICIARIES WITHIN SWORD GROUP

	SHARE SUBSCRIPTION OPTION PLANS AUTHORISED BY THE GENERAL MEETING OF SHAREHOLDERS OF SWORD GROUP HELD 28/04/2006 AND GRANTED BY THE BOARD OF DIRECTORS HELD 29/12/2006			
Beneficiaries	**No. of shares that can be subscribed**	**Date of exercise of options**	**Number of stock subscribed**	**Date of sale of subscribed stock**
Plan no.1				
Heath DAVIES	28,500			
Jim GRAHAM	4,500			
John INNES	4,500			
Phil NORGATE	4,500			
Plan no.2				
Juan ARCAS	4,500			
Per ROSAND	4,500			
Patrick de la HAYE	4,500			
Plan no.3				
Jean-Marc SONJON	4,500			
TOTAL	**60,000**			

APPENDIX 1

LIST OF SHARE SUBSCRIPTION OPTION BENEFICIARIES WITHIN 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 shares: €16 Issue price: €537 (premium of €521) Options exercised between 05/11/2007 and 05/11/2009			
Beneficiaries	**No. of shares 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**			

	STOCK SUBSCRIPTION PLAN AUTHORISED BY THE FIRCOSOFT GENERAL MEETING OF 04/09/2006 AND APPROVED BY THE CHAIRMAN ON 04/09/2006 Nominal value of shares: €16 Issue price: €730 (premium of €714) Options exercised between 05/09/2008 and 05/09/2010			
Beneficiaries	**No. of shares that can be subscribed**	**Date of exercise of options**	**Number of stock subscribed**	**Date of sale of subscribed stock**
France PIOGER	300			
Laurent CORBEL	300			
Frédéric CASADEI	300			
Jean LOSCO	600			
David JACQUET	100			
Thierry HAESENBERGER	100			
TOTAL	**1,700**			

26.3 Text of draft resolutions at the Ordinary and Extraordinary General Meeting of 30th April 2007

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 and the Auditors' report on the financial statements for the year ended 31st December 2006, approves the company accounts as they appear for that year. These accounts contain a profit of €5,207,542.48.

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 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 and the Auditors' report on the consolidated accounts for the financial year ending 31st December 2006, 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 €15,748,409, and a Group profit of €15,632,271 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:

- To the legal reserve: €181,571.44
  in order to bring it up to a tenth of the equity capital

- To the shareholders as dividends: €3,207,472.80

- The balance, i.e. €1,818,498.24

To the "Balance brought forward", which will stand at €4,784,705.73.

The net dividend per share is therefore €0.42. This dividend will be paid on 2nd May 2007.

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.

(i) 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.

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, it being pointed out that the Extraordinary General Meeting held 29 April 2005 has decided to divide by 5 the nominal value of the shares:

Financial year ending	Net dividend per share	Tax credit
31st December 2005	€0.30	None
31st December 2004	€1.20	none
31st December 2003	€0.90	€0.45

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 €60,000 the total directors' fees allocated to the Board of Directors for the current financial year.

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 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 et seq. of the Commercial Code and Rule Nr.2273/2003 of the European Commission of 22 December 2003,

authorises the Board of Directors, with the authority to subdelegate under the conditions provided for by law and in the by-laws of the Company, to permit the Company to repurchase up to 10% of shares that make up its share capital (763,684 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;

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 a specific resolution.

The General Meeting decides that:

- The maximum purchase price per unit may not exceed €65 euros,
- The minimum sale price must be at least €28 each,
- The maximum funds the Company may allocate to the operation is €49,639,460.

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 sixth resolution of the Company's General Meeting of 28th April 2006.

Seventh resolution
(Appointment of a new director)

The General Meeting, ruling under quorum and majority conditions required for general ordinary meetings and having learnt of the Board of Directors' report, appoints:

Mr. Heath DAVIES, residing 275 Lonsdale Road Barnes SW13 9qb London (United Kingdom),

as new director of the Company for a period of six years due to end at the closing of the Ordinary General Meeting of Shareholders to be held in the course of 2013 to rule on the financial statements of the year ending 31st December 2012.

Mr. Heath DAVIES has stated that he accepted the mandate and exercised no function and was subject to no measure likely to prevent him from exercising it.

Eighth resolution
(Renewal of the mandates of the statutory and substitute Auditors' mandates)

The General Meeting, ruling under quorum and majority conditions required for general ordinary meetings and having learnt of the Board of Directors' report, renews, for a period of six financial years ending at the closing of the Ordinary General Meeting ruling on the accounts of financial 2012:

- The mandate of statutory Auditor of DELOITTE, 185 avenue Charles de Gaulle, 92200 NEUILLY SUR SEINE, France,
- The mandate of substitute Auditor of BEAS, 7/9 Villa Houssay, 92200 NEUILLY SUR SEINE, France.

The companies DELOITTE and BEAS have informed the Company in advance that they would accept the renewal of their mandate.

Ninth resolution
(Appointment of new statutory and substitute co-Auditors)

The General Meeting, ruling under quorum and majority conditions required for general ordinary meetings and having learnt of the Board of Directors' report, decides not to renew the mandates of:

- Statutory Co-Auditor of CAP CONSEIL,
- Substitute Co-Auditor of Mr. Paul MOLLIN,

whose mandates are due to expire at the closing of this Meeting, and decides to appoint as substitute:

- the SOCIETE D'AUDIT FINANCIER ET DE CONTROLE INTERNE (SAFICI), 127 avenue de Saxe, 69003 LYON, France, as new statutory co-Auditor, And:

- Ms. Elizabeth BAYLOT, 11 montée Reine Victoria, 73100 Tresserve, France, as new substitute co-auditor,

for a period of six years, expiring at the closing of the Ordinary General Meeting that will rule on the accounts of financial 2012.

The SOCIETE D'AUDIT FINANCIER ET DE CONTROLE INTERNE (SAFICI) and Ms. Elizabeth BAYLOT have informed the Company in advance that they accepted their respective mandates.

Tenth resolution
(Authority to complete formalities)

The General Meeting, ruling under the quorum and majority conditions required for ordinary general meetings, grants full authority to the bearer of an original copy, a copy, or an extract of this report to conduct all filings and publications required by Law.

Extraordinary resolutions

Eleventh resolution
(Harmonisation of the bylaws with Order Nr.2006-1566 of 11 December 2006 amending the Order of 23 March 1967 on commercial companies)

The General Meeting, after hearing the Board of Directors' management report offering to harmonise the Company's bylaws with Order Nr.2006-1566 of 11 December 2006 amending the Order of 23 March 1967 on commercial companies, decides to amend Article 19 C of the bylaws as follows:

"Article 19: General rules

[…]

C - Admission to the meetings - Powers

"Any shareholder may, regardless of the number of shares held, take part, in person or via a proxy, to the meetings for justifying his/her identity and the ownership of his/her shares, in the form:

- either of a registration in his/her name,
- or of the registration of the shares in the name of the shareholder or the intermediary registered on his/her behalf, on the third business day preceding the meeting at 0:00, Paris time, either in the registered share books held by the Company, or in the bearer share books held by the authorised intermediary.

However, the Board of Directors can either shorten or cancel that period of time, subject to that initiative being to the benefit of all shareholders.

Vote by mail is implemented in accordance with the terms and conditions set by applicable laws and regulations.

A shareholder can appoint a proxy under the conditions set by applicable regulations, subject to the representative being a shareholder him/herself. A shareholder may also be represented by his/her spouse."

Twelfth resolution
(Authorisation granted to the Board of Directors to reduce the share capital by cancelling the shares purchased under the share repurchase scheme)

The General Meeting, ruling under the quorum and majority conditions required for extraordinary general meetings, after hearing the reading of the Board's report and the Auditors' special report:

- Authorises the Board of Directors to cancel, at its sole discretion 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.

Thirteenth resolution
(Delegation of authority granted to the Board of Directors to increase the share capital through the issue of ordinary shares or any marketable securities giving access to the capital with preservation of the pre-emptive right)

The General Meeting, ruling under the quorum and majority conditions required for extraordinary general meetings, after reviewing the Board's report and the Auditors' special report, and in accordance with the provisions of Articles L. 225-129-2, and L. 228-92 of the Commercial Code:

1°) terminates, effective immediately, the delegation given by the Ordinary and Extraordinary General Meeting of 28 April 2006 through the voting of its tenth resolution,

2°) delegates to the Board the authority to determine, at its sole discretion, in one or several times, in the proportions and at the times it appreciates, both in France and abroad, in euros or foreign currency or unit of account set by reference to several currencies, the issue, with 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.

Fourteenth resolution
(Delegation of authority granted to the Board of Directors to increase the share capital through the issue of ordinary shares or any marketable securities giving access to the capital with removal of the pre-emptive right)

The General Meeting, ruling under the quorum and majority conditions required for extraordinary general meetings, after reviewing the Board's report and the Auditors' special report, and in accordance with the provisions of Articles L. 225-129-2 and L. 225-135 and L. 228-92 of the Commercial Code:

1°) terminates, effective immediately, the delegation given by the Ordinary and Extraordinary General Meeting of 28 April 2006 through the voting of its eleventh 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 amount of the marketable securities representative of claims giving access to equity capital, likely to be issued under this delegation, won't exceed €100,000,000 or the equivalent in foreign currency on the issue date, it being specified that the said nominal amount will be recorded against the nominal amount of €100,000,000 set in the thirteenth resolution,

5°) Decides that the amount perceived or to be perceived by the Company for each of the shares issued or to be issued under the delegation discussed above, after taking into account, if applicable, in the case of the issue of share purchase warrants, the issue price of such warrants, would be at least equal to the weighted average of the prices of the last three market sessions 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.

Fifteenth resolution
(Increase in the number of shares, securities, or marketable securities to be issued in case of a capital increase with or without pre-emptive right)

The General Meeting, ruling under the quorum and majority conditions required for extraordinary general meetings, after reviewing the Board's report, authorises the Board, in accordance with the provisions of Article L. 225-135-1 of the Commercial Code, for a period of twenty-six (26) months from the date of this General Meeting, to increase, at its sole discretion, within the limits of the overall cap set under the 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 supersede any prior authorisation granted regarding the same issue.

Sixteenth resolution
(Delegation regarding the issue of miscellaneous shares, securities, or marketable securities intended to remunerate 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 delegation mentioned above will cancel the effects of any previous delegation regarding the same issue.

In any event, the amount of capital increases carried out under this resolution is recorded against the overall cap provided for by the thirteenth resolution.

The General Meeting grants full authority to the Board of Directors, in particular to approve the assessment of contributions, determine the resulting capital increase, acknowledge its completion, draw from the contribution premium the amounts necessary to bring the legal reserve to a tenth of the new capital after each increase, and amend the by-laws.

Seventeenth resolution
(Delegation of powers to decide on a capital increase via the incorporation of reserves, profits or premiums)

The General Meeting, after reviewing the report by the Board of Directors, ruling under the provisions of Articles L. 225-129, L. 225-129-2, and L. 225-130 of the Commercial code, under the conditions of quorum required for Extraordinary General Meetings:

1°) Delegates its powers to the Board of Directors, for a period of twenty-six (26) months from the date of this meeting, to decide to increase the share capital, at its sole discretion, in one or several times, at the times it determines, through the incorporation of reserves, profits and premiums into the capital, followed by the creation and free allocation of equity shares or the increase of the face value of existing equity shares, or a combination of both methods;

2°) Decides that the fractional rights will be neither marketable, nor disposable, and that the corresponding securities will be sold, and that the proceeds of the sale will be allocated to the holders of rights, within a timeframe set by 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 thirteenth resolution, may not exceed the amount of reserves, premiums, and profits specified above, which exist at the time of the capital increase.

4°) Grants the Board, with the ability to sub-delegate under the conditions set out by law and the Company's by-laws, full authority to implement this resolution and ensure its success;

5°) Acknowledges the fact that this delegation cancels and overrides any previous delegation regarding the same issue.

Eighteenth resolution
(Delegation of authority to increase the share capital to the benefit of the Group's employees)

The General Meeting, ruling under the quorum and majority conditions required for extraordinary general meetings, after reviewing the Board's report and the Auditors' special report, acknowledging the provisions of Article L. 443-5 as amended of the Labour Code, and ruling in accordance with the provisions of Articles L. 225-129-2 and 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 employees of the Company and/or 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 subscription price to be issued, decides to set the discount to 20% as compared to the average of quoted prices for the shares of the Company on Euronext Paris S.A.'s Eurolist market during the twenty market days preceding the day of the decision setting the subscription start date. 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.

Nineteenth resolution
(Authority to complete formalities)

The General Meeting, ruling under the quorum and majority conditions required for extraordinary general meetings, grants full authority to the bearer of an original copy, a copy, or an extract of this report to conduct all filings and publications required by Law.

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 30TH APRIL 2007

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 28th April 2006 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 30th April 2007.

1- REPORT ON THE PREVIOUS PROGRAM

The Ordinary and Extraordinary General Meeting of 28 April 2006 of SWORD GROUP had authorised the Board of Directors, for a period of 18 months as of the said meeting, i.e. up until 27 October 2007, to implement a share repurchase programme, in accordance with the provisions described in its sixth resolution.

Statement by the issuer of the operations conducted on own shares dated 29 February 2006 (date of establishment of the previous balance sheet) up until 31 January 2007

Percentage of own equity capital held, either directly or indirectly (as at 31st January 2007)	0.07%
Number of shares cancelled in the past 24 months	0
Number of shares held in portfolio (as at 31 January 2007)	5,006
Portfolio book value as at 31 January 2007	€195,807.43
Portfolio market value calculated on the basis of a price of €38.923 corresponding to the average of the last 20 market days (as at 31st January 2007)	€194,848.53

	Cumulative gross flows		Positions open as at 31 January 2007	
	Purchases	Sales	For purchase	For sale
Number of shares	47,588	46,932	None	None
Maximum average duration	None	None	None	None
Median price	€33,266	€32,883	None	None
Average price for the financial year	None	None	None	None
Amounts	€1,583,043.37	€1,543,264.96	None	None

SWORD GROUP did not use income from this share repurchase program.

As at 31 January 2007, SWORD GROUP held 5,006 own shares.

All the shares are managed by Gilbert Dupont under the provisions of a liquidity agreement.

Per-target breakdown of the 5,006 shares held as at 31 January 2007

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	5,006
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	0
TOTAL	**5,006**

2- MAIN CHARACTERISTICS OF THE NEW SHARE REPURCHASE PROGRAMME SUBJECT TO THE ORDINARY AND EXTRAORDINARY GENERAL MEETING OF 30TH APRIL 2007

Given the performance of shares in the Company, we propose that the authorisation granted by the General Meeting of 28th April 2006 be cancelled and that it be replaced with a new share repurchase program with the following characteristics:

Issuer
SWORD GROUP, listed on Eurolist (Code: FR0004180578), Compartment B 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% of the capital, i.e. a maximum of 763,684 shares. Given the percentage of own equity capital held as at 31 January 2007, i.e. 0.07% representing 5,006 shares, the maximum percentage that can be acquired by the Company will be 9.93%, i.e. 758,678 shares, it being pointed out that, in accordance with the provisions of Article L.225-209 paragraph 6 of the Commercial Code, the number of shares acquired by the Company to hold them and eventually trade them or use them as payment for a merger, split, or contribution operation, may not exceed 5% of the equity capital;

- Maximum purchase price per share: €65,

- Minimum sale price per share: €28,

- Assuming that the Company repurchases 758,678 shares, the amount of funds devoted to the completion of the repurchase programme will be €49,314,070.

- 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;

  - Cancel the shares, in the case of the latter, subject to the Extraordinary General Meeting voting on 30 April 2007 its twelfth resolution.

- Duration of the programme: 18 months, starting on the date of the Ordinary and Extraordinary General Meeting of 30th April 2007, i.e. until 29 October 2008.

3- LEGAL FRAMEWORK OF THE NEW SHARE REPURCHASE PROGRAM SUBJECT TO THE ORDINARY AND EXTRAORDINARY GENERAL MEETING OF 30TH APRIL 2007

The share repurchase programme will be subjected to the authorisation of the Extraordinary and Ordinary General Meeting of Shareholders of 30th April 2007 through the voting for the following resolutions (sixth and twelfth 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 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 et seq. of the Commercial Code and Rule Nr.2273/2003 of the European Commission of 22 December 2003,

authorises the Board of Directors, with the authority to subdelegate under the conditions provided for by law and in the by-laws of the Company, to permit the Company to repurchase up to 10% of shares that make up its share capital (763,684 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;

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 a specific resolution.

The General Meeting decides that:

- The maximum purchase price per unit may not exceed €65,
- The minimum sale price must be at least €28 each,
- The maximum funds the Company may allocate to the operation is €49,639,460.

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 replaces the authorisation that had been granted by the sixth resolution of the Company's General Meeting of 28th April 2006.

Twelfth resolution
(Authorisation granted to the Board of Directors to reduce the share capital by cancelling the shares purchased under the share repurchase scheme)

The General Meeting, ruling under the quorum and majority conditions required for extraordinary general meetings, after hearing the reading of the Board’s report and the Auditors’ special report:

- Authorises the Board of Directors to cancel, at its sole discretion 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.

4- RECENT EVENTS

The reference document will be filed with the AMF at the beginning of February 2006.

The turnover for the fourth quarter of 2006 was published in the 23rd January 2007 edition of "La Tribune" and the 9th February 2007 edition of BALO 2007.

The annual financial statements closed 31st December 2006 will be the object of a statement in the 14th March 2007 edition of "La Tribune" and a SFAFF meeting on 14th March 2007.

Jacques MOTTARD
Chairman and CEO

26.5 List of press releases published in 2005 and 2007

17/01/06: Q4 2005 turnover

27/01/06: SWORD Group sold SWORD Nord to its Management

27/01/06: Strategic cooperation in Latin America

14/03/06: Annual financial statements

27/03/06: Prior notice worth convening

12/04/06: Q1 2006 turnover

30/06/06: Strengthening of the Group's ECM

18/07/06: Q 2 2006 turnover

06/09/06: H1 2006 turnover

25/09/06: SWORD Group is pursuing its concentration on regulated markets and compliance management and sells its French subsidiary SWORD Consulting

18/10/06: Q3 2006 turnover

20/11/06: Acquisition in the UK: Real Time Engineering joined the Group
SWORD Disposal of a business in France – Inception of a new subsidiary in Paris

05/12/06: Collective commitment to hold shares in a listed company

15/12/06: Revaluation of the 2007 Business Plan

23/01/07: Q4 2006 turnover

26.6 Auditors' fees

in €	Deloitte & Associés				Cap Conseil			
	Amount		Percentage		Amount		Percentage	
	2006	2005	2006	2005	2006	2005	2006	2005
Audit:								
· Auditing, certification, and review of individual and consolidated financial statements:								
SWORD GROUP	56,640	50,600	30%	24%	34,810	31,050	65%	65%
FULLY CONSOLIDATED SUBSIDIARIES	112,966	103,661	59%	48%	0	0	0%	0%
· Other due diligence and services directly related to the auditors' assignment:								
SWORD GROUP	15,500	58,000	8%	27%	0	16,358	35%	35%
FULLY CONSOLIDATED SUBSIDIARIES	2,900	1,774	2%	1%	0	0	0%	0%
Total	188,006	214,035	99%	100%	34,810	47,408	100%	100%
Other services rendered by the networks to the fully consolidated subsidiaries:								
· Legal, tax, and management	515	560	0%	0%	0	0	0%	0%
· Other	1,631	0	1%	0%	0	0	0%	0%
Subtotal other services	2,146	560	1%	0%	0	0	0%	0%
Total	190,151	214,595	100%	100%	34,810	47,408	100%	100%
Comments: 1. 2005 = 31/12/2005 reference document info 2. 2006: French companies: amount of the 2006 mission letters + exceptional assignments if applicable								

26.7 Glossary

Developed term	Abbreviation	Meaning
Customer Relationship Management	CRM	Strategy, organisation and technologies employed to strengthen relationships with the company's customers.
Data-mining		Data-mining tools make it possible to select a certain quantity of data for the user.
E-learning	E-learning	Computer-aided training system that makes use of the Internet.
e-procurement		Procurement through electronic channels (Internet).
Enterprise Resource Planning	ERP	Integrated management software package that manages one or more of a company's various functions (accounting, production, procurement, etc.)
Electronic Document Management	EDM	Storing, managing, updating, using and circulating all types of digitised document within the company.
Internet		Global network based on a set of interconnected networks and which uses a type of technology that allows users to communicate and exchange data, multimedia information and files.
Intranet		Internal company network that uses Internet technology.
Marketplace		Virtual meeting place for customers and suppliers.
Portal		Website that contains links to other sites organised into themes, as well as various services (weather reports, news, directories, etc.).
Geographical Information System	GIS	System that allows a cartographic dimension to be incorporated into information systems.
Straight-Through Processing	STP	Automatic repair/rebuilding of messages (SWIFT or other formats)
Supply Chain Management		Automation of the company's supply chain through the use of specialist software and the Internet.
Swift	SWIFT	Global inter-bank payment network
Third party maintenance or application management	TMA	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

SWORD

UPGRADE YOUR BUSINESS

UPDATE TO THE REFERENCE DOCUMENT/ANNUAL REPORT

SWORD GROUP

FINANCIAL 2006

AMF | AUTORITÉ DES MARCHÉS FINANCIERS

This update to the reference document was filed with the French AMF (Autorité des Marchés Financiers) as at 28 February 2007.

It supplements Sword Group's 2006 reference document, filed with the AMF as at 12 February 2007 under Nr. D.07-088.

The reference document and its update may be used to support a financial operation only if they are accompanied by a memorandum approved by the Autorité des Marchés Financiers.

1. Person in charge of updating the reference document

“I hereby certify, after taking all reasonable action for that purpose, that the information provided in this update to the reference document file as at 12 February 2007 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 this annual report, and that they have read the entire annual report and its update. "

Saint Didier, 28 February 2007
Jacques MOTTARD
Chairman of the Board
Managing Director

The reference document filed as at 12 February 2007 and posted to the web site of the French AMF did not contain a number of data, which is the reason for publishing this update.

Each addition is supplemented with a reference to the page of the reference document posted to the website, it being specified that no text has been removed and that the additions are pointed out below.

2. Updates

A/ 4.1.2. Client risks (page n°8)

Out of the order book, which stands at 10 months' turnover over the coming 12 months, 8.32 months are already signed up.

Out of the order book, which stands at a total of 23 months' turnover, 20.25 months are already signed up.

B/ 4.1 Activity-related risks (page n°9)

4.1.4 Risks related to the growth policy and value tests

Growth policy

SWORD Group handles its growth:
1. Organically
2. Through acquisitions

The risks are naturally related to both these strategies:

1. Regarding organic growth, the risks are related to the management of fixed-price contracts. SWORD Group overcomes such risks with proven quality methods

2. Regarding growth through acquisitions, the risks are the following:

a) Mistakes on the targets. That is why SWORD Group conducts dual control upstream: Legal, accounting, and strategic due diligence, combined with analytical due diligence, in order to set up the standards for controlling the targeted companies before any acquisition

b) The human risk related to the staff's refusal to apply the Group's rules after the acquisition: SWORD Group has always overcome that risk by setting up teams already in place in the Group to replace a number of key individuals in the acquired companies

c) A risk regarding the quality of the due diligence conducted. There again, SWORD Group overcomes that risk: through its analytical due diligence, which is parallel and disconnected from traditional due diligence.

Value tests

a) Consulting CGU (Cash-Generating Unit)

SWORD Group confirms that, if the Consulting CGU (mentioned on page 123 of the reference document) had been maintained, there would have been no goodwill impairment. Indeed, its fair value would have been €7m for a net book value of €5.7m

b) Sensitivity test of the DCFs used for the cash-generating unit value tests

A sensitivity test was conducted by varying:

- On the one hand, the capital WACC by +/- 1 as compared to the pivotal values selected for each cash-generating unit (14.3% for the Products CGU and 13.7% for the Solution CGU)

- And on the other hand the infinite growth rate by +1/-2 points for the Products CGU (as compared to a selected rate of 5%) and by +/- 1 point for the Solutions CGU (as compared to a selected rate of 2%).

The resulting sensitivity matrix reveals that, when combining the most pessimistic assumptions, the recoverable values of the various cash-generating units remain higher than their book values.

It is to be noted that, as a comparison, in 2005 the infinite growth rates were identical to those of 2006, and the discount rates were 14.3% for the Products CGU and 12.4% for the Solutions CGU, respectively.

C/ 11.2 Patents and licenses (page n°49)

The group, which has no patent filing policy, considers that, to date, the quality procedures and the security of product deliveries, protect it against copies by competitors.

D/ 13.2 Main assumptions for updating the 2007 budget (page 51)

The assumptions used to establish the pro forma turnover and operating profit forecasts, are based on:

- ✓ the order books of the Group's various companies and of BUs on the date of establishment of the said forecasts
- ✓ the modelled history of internal growth
- ✓ the turnover and operating profit forecasts resulting from the external growth operations planned in accordance with the Group's historic standards

Regarding internal growth

- ✓ Between 2005 and 2006, the order books went up 17%, as compared to the year A+1 budget.
- ✓ 2006 internal growth exceeded 20%.
- ✓ Out of prudence, we stick to an organic growth forecast of 15% for 2007.
- ✓ For your information, the lowest growth rate recorded by the Group historically was 14.08%.

Regarding profitability

- ✓ Historically, profitability has always exceeded 15%, and has even been closer to 16%.
- ✓ Furthermore, the long-term order book has expanded considerably in past months.
- ✓ Lastly, risk mitigation measures - salary increases without rate increases - have been set up (software components and offshore development bases).
- ✓ Out of prudence, the assumption used in the 2007 business plan in 15%.

Structurally

- ✓ From now on, the Operations Committee is in charge of managing the Group's operating development, under control by Heath DAVIES.
- ✓ The absence of one of the 7 Committee members can be overcome by the other Managers.
- ✓ Its internationalisation enables it to operate worldwide (4 Brits, 1 Norwegian, 1 Spaniard, 1 Belgian, and 1 Frenchman).
- ✓ Furthermore, the Management Committee, which gathers the BU Managers, includes a Taiwanese and an Indian, who are able to represent the culture of the countries where the Company operates.

Regarding the pro-forma turnover, a budget is assigned year by year to external growth. The average price of our acquisitions has been 93% of the last turnover, and we budget 110% in 1997.

Regarding the operating profit, it should be able to stick to the Group's standards within 12 months. SWORD Group accepts to acquire companies with lower earnings:

- ✓ In the services business, as long as the unit gross margin for services is within the range of 50%
- ✓ In the products business, as long as the technical quality of the products is excellent
- ✓ In both cases, all other criteria for returning to our standards can be improved within less than 12 months.

E / 15.1 Remuneration of directors and managers (page n°58)

Sémaphore Investissements is the holding company of Mr. Jacques Mottard. It is controlled at more than 99% by Jacques MOTTARD.

The general management services agreement, whose amount had been set to €150,000, covers the current salaries paid to Mr. MOTTARD and his assistant, as well as the related social contributions. Regarding the €400,000, it is a mistake that has been corrected in the minutes of the Board of Directors held 14 February 2007. The actual amount is €150,000 (and not €400,000), covering the expenses incurred by Mr. MOTTARD during 2006.

Consequently, the amounts due by SWORD GROUP for the services agreement will not lead, for SWORD GROUP, to an increase as compared to 2006, because SWORD GROUP's goal is to stabilise costs.

In addition, Sword Group confirms that:

- ✓ in 2006, there was no management fees agreement signed with Sémaphore Investissements.
- ✓ there is no deferred and/or conditional remuneration (except for bonuses).
- ✓ the remuneration of Ms. Françoise FILLOT, specified on page 71 of the reference document, breaks down into a fixed salary, which has not been raised over the years, and a bonus subject to budget achievement. As soon as the budget is achieved, the bonus is due. If the budget is not achieved, no bonus is paid.

F / 17.1.1 Group head count (page n°74)

The average daily rate was all-encompassing until end 2005. It stood at €590 in 2005. In 2006, out of concern for information and analysis, SWORD Group broke down the average daily rate into "SOLUTIONS AVERAGE DAILY RATE" and "SOFTWARE AVERAGE DAILY RATE" (services that supplement products, such as, for example, implementation services).
This average daily rate stands at €610 over 2006, and breaks down as follows:

€578 for the Solutions activity
€846 for the Software activity

Furthermore, and as a comparison, it is reminded that in 2005, for the Services segment (solutions), the activity rate, excluding holidays, stood at 90.5%, while in 2006, it stood at 90.7%. As mentioned on page 74 of the reference document, the activity rate is not a significant criterion for the Software activity.