FINANCIAL REPORT
ANNUAL REPORT

Sword Group 2010

AUTORITÉ DES MARCHÉS FINANCIERS

In accordance with Article 212-13 of its general rules, this financial report has been filed with the AMF (the French market authority) on 21 April 2011 under number D.11-0349. It may be used to support a financial transaction only if it is accompanied by a memorandum approved by the Autorité des Marchés Financiers. This annual report was drafted by the issuer and is legally binding for its signatories.

This Financial Report contains the following by reference:

- The Group's management report and consolidated financial statements and the auditors' reports on the consolidated financial statements for the period ended 31st December 2009, as presented in the Financial Report filed with the French market authority (Autorité des marchés financiers) on 7 April 2010 under number D.10-225,

- The Group's management report and consolidated financial statements and the auditors' reports on the consolidated financial statements for the period ended 31st December 2008, as presented in the Financial Report filed with the French market authority (Autorité des marchés financiers) on 3 April 2009 under number D.09-191.

The other information contained in the two aforementioned Financial Reports was, if applicable, replaced and/or updated with information provided in previous Financial Report.

The two aforementioned Financial Reports are available on the Sword Group's website (www.sword-group.com) and on the AMF's website (www.amf-france.org).

SUMMARY

This financial report includes the annual report:

I - Persons in charge

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

Mr Jacques Mottard, Chairman of Board of Directors and Executive Chairman of Sword Group.

1.2 Statement by the person in charge of the financial report

"I certify, after taking all reasonable measures to that end, that the information contained in this annual report is, to my knowledge, consistent with reality, and includes no omissions likely to alter its meaning or interpretation. I certify that, to the best of my knowledge, the accounts have been drawn up in accordance with the relevant accounting standards and give a true and fair view of the assets, liabilities, financial position and profit or loss of the companies included therein taken as a whole, and the annual report on the page 138 gives a true and fair view of the development of business, the profit or loss of the companies included therein taken as a whole together with a description of the principal risks and uncertainties that it faces.

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

The historic financial information provided in this document has been subjected to reports by legal auditors, which contain a comment on page 126. "

Saint Didier, 21 April 2011
Jacques Mottard
Chairman of the Board
Chief Executive Officer

1.3 Individuals in charge of the information contained in this document

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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 renewed: 4 May 2007
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 31 December 2012.

(2) Cabinet Mazars
Head Office: 131 boulevard Stalingrad, 69624 Villeurbanne cedex.
Date appointed: 29 July 2009.
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 31 December 2012.

2.1.2 Substitute auditors

(1) BEAS
Head Office: 7/9, Villa Houssay, 92200 NEUILLY-SUR-SEINE.
Date renewed: 4 May 2007
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 31 December 2012.

(2) Mrs Christine Dubus
Address: 131 boulevard Stalingrad, 69624 Villeurbanne cedex.
Date appointed: 29 July 2009.
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 31 December 2012.

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

SAFICI, statutory co-auditor and Mrs Elizabeth Baylot, substitute co-auditor, have resigned as of 29 July 2009, date of the General Meeting that appointed their substitutes.

III - Selected financial information

3.1 Annual selected historic financial information

Consolidated annual financial statements:

In €'000	**At 31/12/2010**	**At 31/12/2009**	**At 31/12/2008**
Turnover	185,323	180,603	205,730
Current operating profit	34,005	32,031	37,031
Consolidated net profit	23,235	22,035	21,340

Non-current assets	228,047	207,351	188,816
Cash and cash equivalents	28,020	41,431	19,145
Consolidated shareholders' equity	161,332	148,101	124,556
Total balance sheet	355,403	345,227	306,457

Annual financial statements:

In €'000	At 31/12/2010	At 31/12/2009	At 31/12/2008
Turnover	2,816	3,691	3,246
Operating profit	-899	-1,161	166
Net income	-2,022	3,694	-6,185

Non-current assets	112,275	100,948	99,629
Bank and cash	2,198	9,764	1,706
Shareholders' equity	136,981	145,053	146,908
Total balance sheet	309,807	298,217	271,608

3.2 Intermediary financial information

A half-yearly financial report audited by the Auditors was published on 30 August 2010. It is available on the company's website.

IV - Risk factors

The company reviewed its risks and we consider that there are no significant risks other than the ones described below.

4.1 Activity-related risks

4.1.1 Risks due to fixed price services

In 2010, if we consider the “Solutions” (services) and “Software” (products) divisions’ portion of fixed price services, the services portion with commitment to results is greater than 80%.

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.
The "Software" segment is exposed to limited risk, as Sword's strategy is based on the upgrading of existing products rather than the creation from scratch of new products.

The Sword Group’s industrial methodological approach makes it possible to guarantee that commitments to results, costs and deadlines are respected. This approach is based on the ISOPRO quality assurance system and is characterized by the following:

- Its compliance with the ISO 9001 standard,
- Strong commitment of Sword’s Senior Management,
- Daily involvement of all engineers during project execution.

For Sword Group, a project’s quality assurance is not limited to writing the Quality Assurance Plan; it is its perfect assimilation by the different contributors to the project and the quality follow-up that make it effective. During the project, different people intercede and have to act in a manner that contributes to the end product’s quality.
Application of Quality Assurance to a project allows:

- The formalisation of the project’s priority objectives,
- The implementation of rules and the means used to achieve them,
- The implementation of rules and the means used to control them,
- To properly target the actions required for the project and thus increase the effectiveness and level of the service provided.

However, obtaining a quality product is the result of work performed by a whole team. Quality Assurance channels the actions lead by all the contributors to a project in order to secure it and obtain the level of quality desired. Nevertheless, it does not replace the skills and motivation of each one, which are the basic elements required to develop a quality product.

As at 31 December 2010, the backlog was equal in total to 26.8 months of budgeted turnover for 2011. Naturally, part of this sales revenue relates to years subsequent to 2010.

The share of 2011 turnover represents 8.1 months of turnover compared to the budgeted turnover for 2011.

(*) Backlog includes "weighted signed + probable + possible" orders. By "signed", we mean any order received formally, by "80% weighted", we mean a verbal order; by "50% weighted", we mean that there remain 2 companies on the short list, and by "30% weighted", we mean that we are in a short list, without specifying the number of remaining applicants.

Each project is followed up monthly. In 2010, the total of days gained and days lost compared with initial estimates for the cost of projects is positive, 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).

Generally, 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 edge,
- 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.

Sword Group's ten largest clients account for 18.1% of the 2011 turnover.
The 1st client accounts for 2.8% of the 2010 turnover.

4.1.3 Risks related to IT security and technological progress

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

Characteristic	Fixed or variable rate	In €'000		Maturity date	Loan secured
		Unused	Used		
Drawing right	Floating rate (euribor 3 months + 1%) Commitment fee of 0.10%	7,500	0	09/10/2011 BULLET	No
Drawing right	Floating rate (euribor for the drawing period +1%) Commitment fee of 0.25%	6,000	4,000	31/12/2011 BULLET	No
Drawing right	Floating rate (euribor for the drawing period +0.6%) Commitment fee of 0.10%	1,000	14,000	01/07/2014 BULLET	No
Drawing right	Floating rate (euribor for the drawing period +0.6%) Commitment fee of 0.10%	0	15,000	01/03/2014 BULLET	No
Drawing right	Floating rate (Euribor 3 months + 0.7%) Non-use fee of 0.10%	0	1,250	11/03/2011 reduction of €1,25m/annum commencing on 03/11/2008	No
Drawing right	R1 or applicable lever / margin ratio ≤ 3.7 and > 3.5 => 0.70% ≤ 3.5 and > 2.8 => 0.65% ≤ 2.8 and > 2.2 => 0.60% ≤ 2.2 => 0.55% Non-use commission of 0.10%	0	36,000	05/02/2015 reduction of €4m/half-year commencing 2010	No
Drawing right	Ratio /margin <2.5 => 0.50% ≥2.5 and ≤ 3 => 0.60% > 3 => 0.70% Commitment fee of 0.25%	0	20,000	02/04/2012 firm and possible extension of 2 times 1 year	No
Drawing right	Margin on euribor ≤1.5 => 80 bp >1.5 and ≤ 2.5 => 100 bp >2.5 and ≤ 2.5 => 130 bp Non-use commission of 0.30%	7,000	5,000	01/01/2014 reduction of €2m/half-year commencing 01/07/2011	No
Drawing right	Floating rate (euribor +0.95%) Commitment fee of 0.10%	3,000	2,000	March 2015 no amort. for one year then constant quarterly amort.	No
Drawing right	Floating rate (Euribor 3 months + 0.45%) Non-use fee of 0.20%	0	15,000	30/09/2013 reduction of €5m on 01/10/2011 and 01/10/2012	No
Drawing right	Euribor +1 Non-use fee of 0.20%	10,000	0	01/02/2014 reduction of €1.43m/half-year commencing 30/06/2012	No
Drawing right	Margin on euribor 2.5 < R => 100 bp 2.5 > R => 75 bp Non-use fee of 0.20%	7,500	0	02/08/2015 reduction of €2.5m on 01/08/2014 and 01/08/2015	No

Promissory note drawing rights: Complements see Notes 15 and 20 of the appendix to consolidated statements.
Acceleration on default clauses: see Note 15 of the appendix to consolidated statements.
Financial liabilities: see Note 20 of the appendix to consolidated statements.
Other bank loans: see Note 20.2 of the appendix to consolidated statements.
The Group has no difficulty accessing to loans (sustainable relationship with Sword Group's partner banks).

4.3 Market risks

4.3.1 Currency risk

See Note 21 of the appendix to consolidated statements.

4.3.2 Interest rate risks

See Note 21 of the appendix to consolidated statements.

4.3.3 Share risks

Assessment of the portfolio
Marketable securities

Marketable securities are valued at their acquisition cost. At closing, capital gains or losses are noted with the bank documents. If there is a loss, a provision is recorded.

Own shares
The company can be led to owning its own shares within the share repurchase programme authorised by the General Meeting on 29 April 2009, redeemable at 10% of its share capital. The objectives of share ownership provided by this program are as follows:
- Leading the market or liquidity within the framework of a liquidity contract entered into with certified provider,
- Purchase for exchange or payment within the framework of external growth operations,
- Allocation to employees,
- Cancellation of shares.

Sword Group held no own shares on 31/12/2010.

Share risk tracking and management
Investments are selected from those that present no real risk, that is risk-free cash UCITS shares, which can be used or disposed very quickly and present no risk of loss of value in case of interest rate fluctuations.

Among its long-term investments (available for sale), at 31 December 2010, Sword Group holds equity interest in the following companies:
- 2.15% of the capital of the company quoted as SBT for an amount of €73k (market value); this company specialises in the design of software programmes designed for the development of cognitive abilities;
- 9% of the capital of Lyodssoft for an amount of €1,046K (book value), depreciated at 100%;
- 12.03% of the capital of LOG & PI Consulting for an amount of €135K (book value);
- 9.99% of the capital of Simalaya for an amount of €1,173K (book value); this company is based in Switzerland and specialises in IT and management strategy consulting;
- 15% of the capital of MiddleSoft for an amount of €369K (book value);
- 22.48% of the capital of Sword Business Technology Solutions for an amount of €8,977K (book value);
- 19% of the capital of Guangzhou Si Wo Ruanjian Keji Comp. for an amount of €3,000K (book value).

Excluding own shares, the portfolio is very limited. Investments must remain conventional by nature and risk-free by definition.

4.4 Risk factors related to the acquisition policy

Sword Group pursues a dynamic investment policy, reflected by high levels of external growth.

The Group's external growth policy aims at:
- The diversification of the activities portfolio,
- The expansion of the value chain,
- The acquisition of additional skills,
- The expansion of the geographic scope.

The means implemented by the Group to limit the risks arising from that policy are as follows:
- Strong involvement of senior management in the implementation of acquisitions,
- Systematic performance of external audits.

Details of the method used for recording goodwill are in Note 2.9 of the appendix to the consolidated statements.

4.5 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 2010, no current general legal risks relative to the Group's activities, are likely to be assessed.

4.6 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.

With regard to management, this team is comprised of

- A Corporate Management Committee (CMC) comprising:
  - an Executive Chairman
  - a Chief Financial Officer (the Executive Vice-President in charge of accounts, administration, and finance under French law)
  - Four CEOs

- An Operations Committee comprised of the CMC and 6 COOs.

- Each COO is also Director of a BU; in addition, there are 22 BU Directors.

4.7 Insurance and risk coverage

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

- The cover of "civil liability" risks for each of the group's companies,
- The cover of "civil liability" risks for the directors Mr. Jacques Mottard and Mr. François Barbier,
- The cover of material risks (water damage, fires, vehicle fleet, etc.).

Its general policy aims to cover risks that constitute a significant financial impact and for which the group is unable to insure itself in a financial sense.

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

Sword Group civil liability:
- Operation: bodily, material and immaterial damage: €10m
- Professional: bodily, material and immaterial damage, regardless of the cause: €8m

Directors' civil liability: €10m

Cover of material risks: multi-risk cover:
- buildings
- for the vehicle fleet
- for IT equipment

Excess:

€'000	Civil and professional liability	Multi-risk
2010	Excess 150	Excess None

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

4.8 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 in consolidated accounts at €179,000 as at 31 December 2010.

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 SE".

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 6420 Z.

5.1.3 Company inception date and lifetime

Sword Group was established as a holding company on 22 June 2001 in the form of a public limited company and for a term of 99 years expiring on 21 June 2100. On 30 August 2001, 144 shareholders of the company Sword SA, formed on 17 November 2000, contributed shares to Sword Group.

The extraordinary General Meeting of Sword Group SE decided, on 30 January 2009, to change this company into a European Company. A Board of Directors held at the end of this meeting pinpointed the final transformation of Sword Group into a European Company.

5.1.4 Company head office, legal form, and governing law

The Company is a European Company with a Board of Directors, governed by the provisions of Rules (EC) n°2157/2001 of the Council of 8 October 2001 regarding the status of European companies, by the provisions of Directive n°2001/86/CE of the Council of 8 October 2001, and by the provisions of articles L221-1 et seq. of the French Commercial Code.
The head office is located 9, avenue Charles de Gaulle - 69771 Saint-Didier-au-Mont-d'Or Cedex. 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

2000: Inception of Sword SA

Sword was set up in December 2000 from the repurchase of the assets of Decan, which was carried out as follows:
- 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 specializing 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 1 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 13 March 2002, Sword Group was floated on the Nouveau Marché at the Paris Stock Exchange, in the Next Economy section.

On 1 April 2002, Sword acquired 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 sales revenue.

On 1 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 3 December 2003, Sword acquired the “professional services” activities of Zen & Art, based in New York, which specialises in handling major banking accounts.

On 15 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 specialises in Web Content Management (WCM).

2004: acquisition of Global and Cimage

On 1 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 1 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, Harvard, Linkvest, Sword Lebanon and Intech

On 6 April 2005, Sword acquired Pragma et Harvard
- Pragma, a company based in Aberdeen (Scotland). This 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. This 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). This 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 1 October 2005, Sword acquired Sword Lebanon, a company based in Beyrouth, which specialises in offshore development for French-speaking countries. This base complements our Chennai, India operation, which is more focused on British projects.

On 30 November 2005, Sword acquired Intech, a company based in London. This 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. Nextech is attractive primarily for 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.

2007: acquisition of interests in Lyodssoft - acquisitions of Nextech, Achiever, Apak, Powersoft and CTSpace – creation of Sword Integra and disposal of 2 subsidiaries

On 14th February, Sword Group acquired 3% of the shares of Lyodssoft.
Lyodssoft is a company based in Hong Kong, in charge of reselling the Group's products in China.

On 28 March, Nextech, a leading product development company in Brazil, joined the Sword Group.
Nextech is based in Belo Horizonte, Brazil, and employs 28 people.
Through this acquisition, the Group supplemented its strategy initiated in 2006, by consolidating its position in emerging countries.

On 5 April, Achiever, a leading product developer in the UK, became a member of Sword Group. Achiever is based in Alton, UK and employs 25 people.

On 20th July, Apak, a major player in the field of asset management products, became a member of the Sword Group.
Apak is based in Bristol and employs 110 people. Apak manages a site in Dubai that targets the Middle East market.

On 7 November, acquisition of Powersoft, a company based in Switzerland that specialises in Geographic Information Systems.

On 10 November, disposal of the Gent, Belgium subsidiary, Sword Security.

On 20th November, acquisition of an additional 3% of the shares of Lyodssoft. Sword Group thus rose its interests to 6%.

On 23 November, disposal of a Belgian subsidiary specialising in staffing, Sword Services.

On 30 November 2007 Sword UK acquired 100% of the share capital of UK's Blue Tangent. At that same date, Sword UK absorbed Blue Tangent. This entity specialises in documentum technology and posts sales of approximately €0.4m per annum.

On 20 December, acquisition of CTSpace, an international product design company that operates following an SaaS model. CTSpace, whose head office is based in San Francisco, is also based in the UK, France, Germany and Austria. This company, which specialises in GRC Management, markets products designed for the management of large projects for the petroleum market and the civil engineering market.

At the end of 2007, Sword IPR was set up in Wales to host the New information technology Centre set up in partnership with the Welsh Assembly Government; it is expected to enjoy subsidies of £3.6 million.

On 31 December, creation of Sword Integra, that will take over the Belgian public and private contract activities of Sword technologies (Belgium + Luxembourg).

2008: acquisition of Ciboodle (formerly Graham Technology); inception of Sword Energy Ltd and Sword Banking Solutions Ltd; disposal of Sword South Africa; internal restructuring.

On 1st January 2008, two new companies were set up: Sword Energy Ltd and Sword Banking Solutions Ltd, both based in Brentford (UK).

On 1st January 2008, Sword Services (formerly Linkvest), Sword Consulting (formerly Stellon), Powersoft and Sword Switzerland, all based in Switzerland, merged. This operation has no impact on the consolidated financial statements.

In February 2008, the company Sword South Africa was disposed of. In 2008, this company contributed €80,000 to the 2008 consolidated sales and €42,000 to the current operating profit.

On 31 March 2008, Sword Soft acquired Ciboodle (formerly Graham Technology), a company governed by Scottish law and based in Glasgow, Scotland. This CRM (Compliance & Risk Management) company is active in a dozen countries and the leader of CRM products targeted at the call centre market.

On 30 September 2008, UK companies Sword UK and Harvard merged. This operation has no impact on the consolidated financial statements.

On 6 November 2008, Sword SAS was sold to Sword SA.

On 24 December 2008, Sword Group sold all of its shares in Sword Technologies to FI System Belgium and all of its shares in Sword Integra to Sword Technologies.

On 30 December 2008, Sword SA merged with Sword SAS and Sword Solutions.

2009: acquisition of AgencyPort; inception of Sword Fircosoft Ltd et de Sword Général Partners; disposal of Sword Business Technology Solutions to the benefit of Amor Group; disposal of Info Techno Austria; disposal of Nextech Brazil; merger of Sword Atlantique and Sword SA

On 27 March 2009, Sword FircoSoft Limited was set up; it is based in Brentford (UK).

On 8 May 2009, the company Sword General Partner was set up and based in Brentford (UK).

On 11 May 2009, Sword UK ltd sold 77.5% of Sword Business Technology Solutions to Amor Group.

On 31 July 2009, Sword Atlantique was dissolved without being wound up in the framework of a total transfer of assets to Sword SA.

On 24 August 2009, Info Techno Baudatenbank Austria was disposed of.

On 15 October 2009, Nextech Brazil was sold to Nordline, a company incorporated under Swiss law, in which Sword Soft holds 15%.

19 November 2009: acquisition of AgencyPort, a US-incorporated company based in Boston. This company is a leader in software design, enabling insurance companies to handle their agents via Web solutions.

On 31 December 2009, Sword Services sold to Sword Group SE all of its shares in Simalaya holding; today Sword Group holds 9.99% of the capital of Simalaya Holding.

2010: inception of Sword SOL and Sword IF; acquisition of Guangzhou Si Wo Ruanjian Keji Komp. Ltd; opening of a site in Singapore; disposal of interests in Oktopus Consulting SA

On 1st February 2010, Sword Technologies sold all of its interests in Oktopus Consulting SA (i.e. 10% of the capital stock).

On 7 June 2010, Sword SOL was set up. The company, based in Luxembourg, bought back 100% of the shares in Sword SA, in order to isolate Sword SA's business in a more specific organisation, dedicated to "Services".

On 11 October 2010, Sword Group SE acquired 19% of the capital of China's Guangzhou Si Wo Ruanjian Keji Komp. Ltd.

On 15 October 2010, FircoSoft SAS opened a site in Singapore, as part of expanding its business.

On 16 November 2010, Sword IF SA was set up. The Group set up that dedicated organisation, of which it holds 57%, with a partner, after winning the invitation for tenders from UEFA regarding the outsourcing of IT services. The company is based in Switzerland. Sword IF SA is dedicated to International Federations.

5.2 Investments

5.2.1 Main investments completed during the period 2008 to 2010

The amounts invested are detailed in the table below:

By type of investment (excluding financial and intangible investments)

In €'000	31/12/2010	31/12/2009	31/12/2008
R&D costs	3,553	1,010	308
Other intangible fixed assets	1,237	1,215	189
Total	4,790	2,225	497

By activity

Solutions (Services)	1,395	2,177	490
Software (Products)	3,395	48	7
Total	4,790	2,225	497

By geographic area

France	1,003	1,436	329
UK	2,371	-	-
Benelux	2	4	13
Other	1,414	785	155
Total	4,790	2,225	497

By type of tangible investments

In €'000	31/12/2010	31/12/2009	31/12/2008
Buildings	235	-	-
Transport equipment	61	17	110
Installations, fixtures	233	173	464
Office and IT equipment	1,715	1,485	2,249
Office furniture	1,103	265	665
Total	3,347	1,940	3,488

By activity

Solutions (Services)	800	1,062	1,760
Software (Products)	2,547	878	1,728
Total	3,347	1,940	3,488

By geographic area

France	544	469	549
UK	1,685	981	2,449
Benelux	70	141	156
Other	1,048	349	334
Total	3,347	1,940	3,488

Acquisitions completed over the past 3 years

In €'000	Date	Purchase price [1]	Goodwill and business goodwill [1]
Ciboodle (Ex Graham Technology)	31/03/2008	47,662	37,340
AgencyPort	19/11/2009	18,332	28,461
Total		**65,994**	**65,801**

[1] The acquisition price includes price supplements and the impact of the puts on minority interests.

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 a global IT company that specialises in the provision of software and services to regulated industries.

One of the world leaders for GRC Management solutions, Sword is growing to become a major player among those companies that follow a SaaS (Software as a Service) model.

The company harnesses its skills and know-how to serve customers in the industries of energy, transportation, healthcare, insurance, banking, telecommunications, and international and governmental organisations.

With offices in 20 countries, Sword employs more than 1,845 people. In 2010, it posted €185.3m of consolidated turnover.

6.1.1.2 Sword Group's offer

The Sword Group's offer is based on two models:
- The "Solutions" segment (Services)
- The "Software" segment (Products)

In both cases, the solutions offered focus on GRC management (Governance, Risk & Compliance) targeted at highly regulated markets.

Sword based its development on a global, specialist, and industrial approach.

Its staff enjoys a highly dynamic environment, integrating large projects, international career opportunities, and access to very high-level technical know-how targeted at very important clients.

The network of partners and specialised subsidiaries guarantees Sword the ability to remain at the cutting edge of new technologies.

I. Software offer (Products)

A supplier of scalable, complete and customised software products, able to collaborate with its clients following an SaaS model, Sword offers software programmes that are fast deployed and easy to use. These collaborative tools are used by a host of clients and on highly regulated markets.

These software packages enable companies to achieve productivity gains, while minimising their risks and controlling processes and costs.

SW.ACHIEVER
Achiever is a leading risk management and compliance solution that allows for the management of corporate reporting, controls, and measurements, while enabling over 600 clients to optimise their procedures.

Our software meets nearly 40 years of requirements in terms of legislation, regulation, and best practice for risk management and compliance management, and we continue to invest in R&D to ensure that our technology can adjust to our clients' future demands.

SW.AGENCYPORT
AgencyPort is a leader in software programmes that enable insurance companies to handle their agents via Web solutions.

SW.APAK
For over 25 years, Apak has been offering financial systems specialising in asset management and retail banking.
Its financing management product offers features and is up to the expectations of the main European financial institutions.

With active references in more than 70 countries, Apak is recognised for its know-how in terms of back- and front office.

The Apak systems, offered under a SaaS model, handle each year more than €15Bn of direct debits and credits.

SW.CIBOODLE
Sword Ciboodle supports the management of interactions between large companies and their clients. Combining a quality risk management and compliance software package, based on the processes and specialist consulting services, it enables its users to better harness their clients while slashing their operating costs. Sword Ciboodle is viewed by many industry analysts as one of the key suppliers of client-oriented IT solutions. More than 200 million consumers around the world are already enjoying Sword Ciboodle solutions.

SW.CTSPACE
Our web software programme for collaboration, process management and document management, enables companies to optimise information interchange and, thus, improve their decision making and achieve efficiency gains.

Our solutions are used by asset holders and operator around the world to handle world-class programs and projects.
With its extensive knowledge of products and its expertise in that area, CTSpace reduces timeframes, raises reliability, reduces risk and generates savings, even on the most complex international projects.

SW.FIRCOSOFT
FircoSoft offers international financial institutions solutions to repair and screen payment security messages. FircoSoft optimises the automated processing of interbank transactions by transforming, repairing, and completing rejected messages.

FircoSoft optimises the automated processing of interbank transactions by transforming, repairing, and completing rejected messages.

SW.INTECH
Intech solutions make it possible to optimise the profitability of the largest insurance and reinsurance companies, members of Lloyd's, by optimising their risk, governance, and compliance management.

Innovative, stable, and easy to deploy, our software package enables our clients to achieve in no time the benefits of powerful process management and feature-rich applications, thereby reducing non-compliance risk, mitigating and managing risk, and guaranteeing compliance with standards and governance best practice.

SW.GREENGIS
Sword developed GreenGIS, an innovative and comprehensive solution for the management of sustainable development issues, targeted at companies and local authorities. Green GIS makes it possible to develop, enhance, and update an environmental geographic steering system including all the regulatory data and the companies' own business data.

SW.TWINGIS
Sword developed an innovative geographic intelligence and geographic performance solution that makes it possible to enhance companies' data analysis systems by integrating the geographic dimension in them: IntelliGIS.
This solution creates the synergies required between the Business Intelligence tools and the Geographic Information Systems in order to enhance the analysis, the sharing, and the restitution of information to ease and ensure the reliability of companies' decision making.

SW.INTELLIGIS FACTORY
IntelliGis factory is a product suite that allows for the integration of the mapping dimension in companies' information systems. Gateways are already available with the worlds of Business Intelligence and Electronic Document and Workflow Management.

II. Solutions offer (Services)

The Sword Group is an expert in risk management and compliance solutions for the main markets.

The key skills of our "Solutions" segment strengthen our leadership in risk management and compliance:
- Artificial intelligence
- Business Intelligence
- Business process management
- Business content management
- Geographic Information Systems
- Web content management
- Business continuity planning
- Outsourcing

We work in cooperation with our clients to develop solutions that optimise the performance results and effectiveness, slash costs, and ensure governance and compliance.

Sword's offer, based on our proven software components, is made up of the following elements:

SC.QUEUE™
Queue™ delivers detailed real-time statistics regarding airport queues, which enables operators to handle terminals in a proactive manner.

Whether regarding check-in or safety control queues, the ability to measure them and manage them is key for any airport.

Our solution uses a meshing of Bluetooth access points, supplemented by passenger movement detectors. The whole system produces a full picture of the situation at the terminal of interest.

SC.FIRSTPass™
By eliminating the mandatory use of conventional boarding passes, Sword's secure solution revolutionises air transportation. Used in a large number of European airports for European airlines, FirstPass™ enables passengers to check in remotely before departure. Then all they have to do is print out their boarding pass or have it sent to their mobile phone by MMS. The end of paper money!

The system guarantees airport and airline security thanks to a confirmation module that makes it possible to verify the authenticity of the boarding passes.

SC.SelfCare™
SC.SelfCare™ is a web software component that enables telcos to optimise their offer to companies by giving them immediate access to services that were restricted up to now.

Telco clients can manage and set up their forwarding preferences in real time, transposing the changes in corporate requirements in order to gain time and money.

The solution can be set up by the operator for private individuals, which makes it possible to assign features to each one on an ad hoc basis.

SC.FirstPlanIT®
Our software component for the management of flows, forecasts, and resources, streamlines airport operations, slashes payroll costs, shortens queues and raises turnover, while ensuring environment safety.

Airport operators enjoy advanced forecasting and modelling techniques to forecast passenger and luggage flows and, thus, deliver a clear view of future operating requirements.

Passenger and luggage forecasts are converted into resource requirements, generating an optimised resource plan that meets the terminal's requirements, in real time, every fifteen minutes each day, to optimise resource use, meet service levels and commitment standards, and maximise passenger trust.

SC.RTScan
RT-Scan is a simple electronic solution, targeted at airlines and airports. It is based on the 2D barcode technology used for boarding passes printed out at home or sent by MMS.

Currently used in 14 European airports, RT-Scan is expected to shortly support passport verification and the new safety rules of TSA (USA) regarding e-signatures integrated in barcode boarding passes.
The Solution:
- Validates boarding passes by comparing them with the passenger list
- Detects multiple copies of a boarding pass, even in different spots of an airport
- Makes it possible to follow passenger movements in the airport
- Enables airlines to keep their own identity
- Offers the flexibility of use made possible by mobile data terminals

SC.RT-HAS™
RT-HAS™ is a fully configurable end-to-end web-based solution, allowing operators in the oil & gas industry to accurately control their hydrocarbon production, planning and reporting efficiently and cost effectively.
With multiple production partners and numerous supply contracts, the fiscal arrangements and taxation implications of a typical installation are complex. RT-HAS™, provides the latest tools and techniques to support offshore, terminal and pipeline operators and meet the increasing demands of today’s oil and gas markets.

SC.RT-PIMS™
RT-PIMS™ combining RT-Flow™ and RT-Leak™, is an oil and gas pipeline software package. RT-PIMS™ RT-PIMS™ enables the control of pipeline integrity (leak detection) in real time, both for simple or complex systems. These products utilise dynamic modelling techniques with live telemetry data to provide specific and reliable information on fluid through the pipeline and on leak detection.

SC.GOOGLE CONNECTORS
A partner of Google, Sword is a partner in search connectivity applications and offers secure connectivity to the main business content systems.

Our connector GSA (Google Search Application) facilitates Google's search technology by integrating seamlessly with the company's internal management systems. GSA adds value by controlling the content, the processes and the safety, to ensure that the right information is delivered to the right users at the right time. With reinforced access to their assets, organisations optimise their decision making, their information sharing, and their timeframes.

SC.ASCEPTO™
Sword's ACSEPTO™ is an application for performing verbal and figurative trademark searches. Acsepto integrates both types of search into a single operation and manages all types of trademark search including preliminary searches, examination and watching. Automated image recognition makes it possible to optimise the search results.

SC.PTOLEMY™
Sword's PTOLEMY™ software solution is a web-based management tool covering all of the procedures involved in managing Intellectual Property IP rights: examination, publication, opposition, grant/registration, maintenance of the register, cancellation, renewal/annuities and assignments. Within the international IP community, Sword's methodologies and solutions are customized to meet local legislation requirements throughout the world.

SC.DMCO
Sword 's DMCO suite guarantees clients relevant, tried and tested solutions to all aspects of document management with the assurance of rapid application.
This suite is comprised of three software packages:
DMCO Gold for archiving and retrieval; DMCO Capture for indexing and digitising, and DMCO Light, the ultimate document archiving system.

SC.WCM
Sword has been successfully delivering our international WCM solution facilitating the creation and management of content for electronic distribution.
Our solution is used to support a range of internal and external communications including websites and portals. Linguistic support is available to ensure that our solutions are applicable internationally.
We are accredited by the quality standard ISO 9001:2000 and our solution is industry-compliant, in line with the latest guidance from W3C and WCAG, to ensure accessibility of our solutions for every user. By employing Sword's WCM accessibility services, clients can demonstrate an ethical approach towards electronic communication.

SC.SHAREPOINT DATA DEPLOYER
Sword has been developing Microsoft SharePoint projects for the past several years for numerous clients. To solve data migration and initialisation problems, Sword has developed “SharePoint Data Deployer.” This solution dedicated to MOSS 2007 (Microsoft Office SharePoint Server) enables to recover data from various sources and integrated them into various MOSS management structures.

SC.FASTAUDIT
Sword Tipik has developed the Fastaudit application to help website authors determine whether or not these sites are accessible. To that end, Fastaudit performs automatic controls on the sites and then generates data both for reading by man and by a program, in Microsoft Word and EARL (Evaluation and Reporting Language) formats. Thanks to a guideline description language in XML grammar, JWAV can carry out various accessibility audits against various different guidelines. The Fastaudit application version (running locally) is written in Java and is accessible itself to users with handicaps). Furthermore, its interface allows website authors to locate identified problems easily and solve them rapidly.

6.2 Main markets

6.2.1 Breakdown of 2010 pro-forma turnover

By product line – Breakdown of the Products turnover - €103.4m (€96.5m in 2009)

	2010	2009
Insurance	43.0%	37.7%
CRM + Other	26.6%	25.3%
Energy / Buildings / Transportation	8.4%	18.1%
Wholesale Finance + AML	22.0%	18.9%

By geographic location – Breakdown of the Solution turnover – €81.9m (€84.1m)

	2010	2009
Benelux	43.5%	51.4%
France	23.3%	24.2%
Switzerland	13.1%	12.9%
Other	20.1%	11.5%

6.2.2 Business environment analysis

6.2.2.1 Sword Group's ten largest customers

Sword Group's ten largest clients account for 18.1% of the 2010 turnover.

Aon Corporation	US
Directorate General for Justice, Freedom & Security	Benelux
EDF	France
European Parliament	Benelux
Orange Switzerland	Switzerland
Queensland Police	Australia
Royal Bank of Scotland	UK
Scottish Power	UK
The Hartford Insurance	US
Tower Insurance Company	US

The 1st client accounts for 2.8% of the 2010 turnover.

6.2.2.2. Customer characteristics

The customer loyalty rate is 100%.

The payment time stipulated in the company's terms and conditions of sale is 60 days end of month.

Payment timeframes are stable. From 53 in 2009, they were at 55 days in 2010.

6.2.2.3 Market and competition

The market

We rely on analyst forecast, which are the following for the coming three years, for each individual technological market:

ECM	turnover + 10.6% per annum (Gartner)
CRM	turnover + 7.5% per annum (Analyst)
WCM	turnover + 10.2% per annum (Gartner)
GIS	turnover + 9.3% per annum (ARC Advisory Group)

Competition (internal sources, Celent, Forrester, Gartner)

Competition for the Software segment:

Activity	Competitors
Watch List Filtering	SIDE – SAS INSTITUTE – MANTAS - PRIME
INSURANCE	CSC – ROOM SERVICES – FIServ – XCHANGING – ONESHIELD - HORIZON
GRC MANAGEMENT	Developed countries: additional tools Emerging countries: IBM – MICROSOFT - EMC
ASSET MANAGEMENT	FIMASYS – WHITE CLARKE GROUP – DATASCAN TECHNOLOGIES
BANKS	I-FLEX – MISYS - INFOSYS
BUILDINGS	BUSINESS COLLABORATOR – BAULOGIS – PROSYS - LASCOM

Competition for the Solution segment:

Activity	Competitors
"MOBILE TICKETING"	T-MOBILE - MOBIQA
"ENERGY TRADING"	THE STRUCTURE GROUP
"BUSINESS CONTINUITY"	SUNGARD – ADAM CONTINUITY
SECURITY	DNS - MORSE
ECM	SYNAPSE – APTUS SOLUTIONS – PERSPICUITY – THE CONTENT GROUP – CHAPTER 26 – ACCENTURE – CSC – FUJITSU – LOGICA – CAP GEMINI - ATOS
SYSTEMS INTEGRATION	STERIA – SERCO – LOGICA – FS WALKER HUGHES – SOPRA NEWELL & BUDGE – CAP GEMINI – EDS – PARITY TATA – SAIC - ATOS

The competitive structure remains extremely stable from one year to the next, but it has completely globalised. The success rate on tenders in 2010 exceeded 50%, which should be weighted compared to the turnover generated by such tenders.

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 sales revenue 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 Switzerland 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
Accenture	Integrator of Sword Group components
Actimize	Integrator
Adobe	Bronze Partner
AEG	Reseller
Agilos	Integrator
Alfresco	Gold partner
Alterian	Certifed partner
AMS	Reseller
ANTIDOT	Integrator
ARISEM	Integrator
Atos Origin	Certified partner
ATP	Integrator and reseller
Autodesk	Development Partner
Avaya	Certified partner
Avoco	Certified partner and reseller

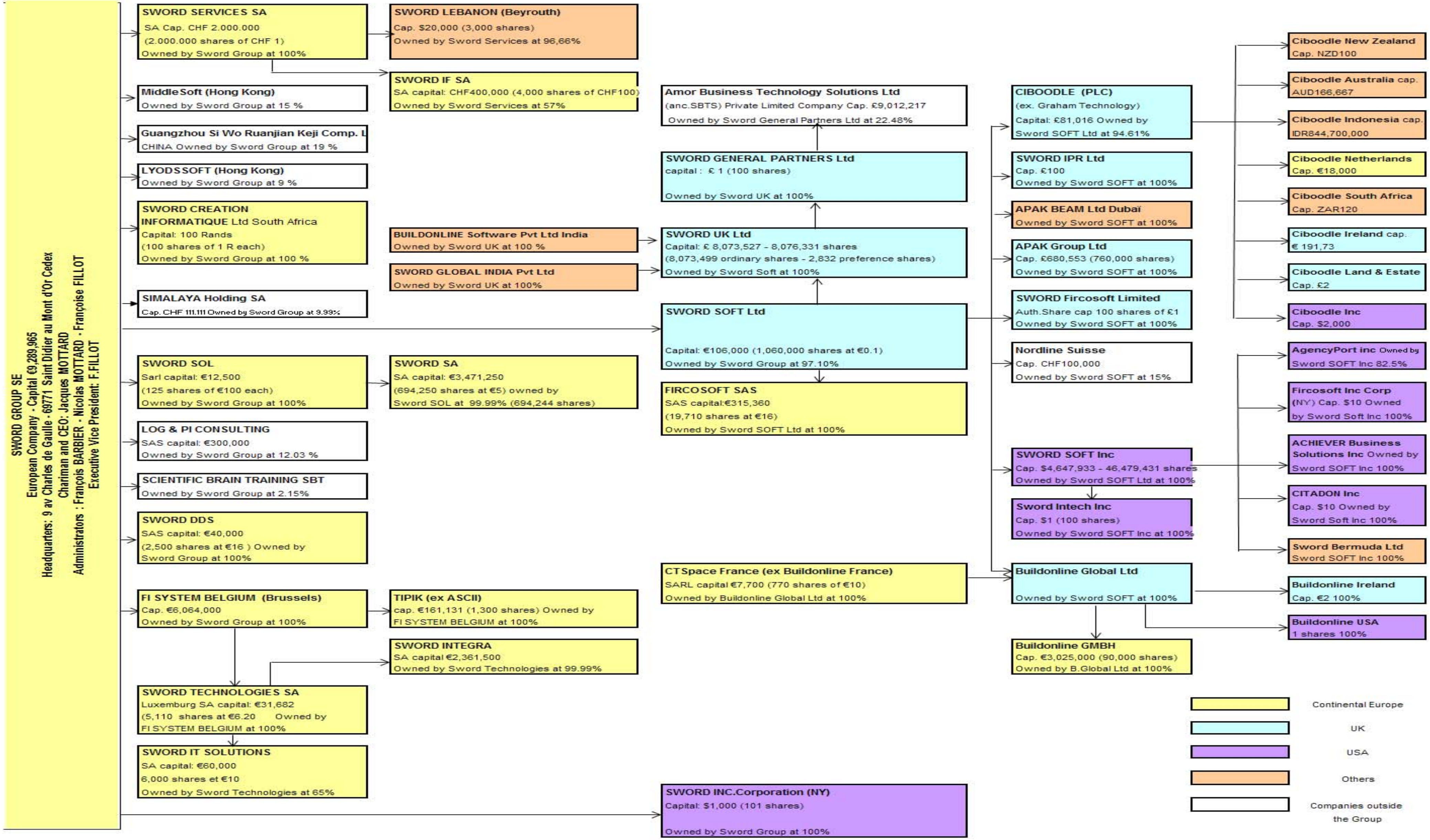
Axciom	Integrator
Bankserv	Reseller
BEA	Integrator and reseller
Blue Cod Technologies	Reseller
Bluelon	Reseller
Boston Software	Reseller
Bottomline	Integrator
Business Object	Silver Partner
Capita	Commercial agreement
Camilion	Reseller
Cincom	Integrator
Cisco	Certified partner
Citrix	Certified partner
C-Log	Integrator
Clave link	Reseller
Cognizant	Integrator of Sword Group components
Combined Knowledge	Partner/ reseller/ commercial agreement
Communiqué (DAY)	Premier partner
CSC	Partner
CSS	Certified partner
Cymmetry systems	Reseller
Decillion	Reseller
Dexterra	Partner and integrator
Dimension data	Integrator of Sword Group components
Document services	Commercial agreement
eLoyalty	Reseller
EMC (Documentum)	Velocity partner
EMC Captiva	Integrator and reseller
EMC Document Services	Integrator and reseller
ESRI	Certified Partner
eSumetch	Reseller
Evision	Reseller
Expertus	Reseller
Exstream	Partner
eZPublish (eZSystems)	Integrator
FiServ	OEM
Forsk	Integrator
FSC Insurance Solutions	Reseller
Genesys	Certified partner
Global knowledge	Commercial agreement
Gmc	Integrator
Google	Channel partner (Europe)
Guidewire	Reseller
Headway	Reseller
HP	Partner
Hummingbird	Integrator
IBM	Certified partner
IBM-Filenet	Advanced Partner
IBM-Lotus	Certified partner
ILOG	Integrator
Inquira	Partner
Intergraph	Integrator
Inxight	Certified partner and reseller
Irdil	Integrator
Itesoft	Integrator
IVANS	Reseller
Kaidera	Partner
Kofax	Integrator
Laso Peco	Reseller
Logica	Integrator of Sword Group components

Lyodssoft	Reseller
Macro 4	Integrator
Mentalix	Integrator
Mercury	Integrator
Microsoft	Gold certified partner
Misys	OEM
Mondeca	Integrator
Nouveon	Reseller
NTT Data Getronics	Reseller
Nuxeo	Galaxy Silver SI partner
On demand	Reseller
Oracle	Certified partner
PA Consulting	Integrator of Sword Group components
Panorama	Integrator
Price Waterhouse Coopers	Integrator
QAS	Commercial agreement
Radian 6	Partner"
RiskMeter	Reseller
Safe Banking Systems	OEM
SAP	Integrator and reseller – Certified partner
SAS	Certified partner
Sealed Media	Certified partner
Sefas	Certified partner
Selligent	Integrator
SilverPlume	Reseller
Software Box Limited	Partner/ commercial agreement
Solvis Consulting	Reseller
SSP	Reseller
STAR APIC	Integrator
Stellent	Integrator
Sterci	OEM
Steria Suisse	Integration of Sword Group components
StoneRiver	Reseller
Strategic Insurance Software Inc	Reseller
Swift	Commercial agreement
Sybase	Integrator
Temis	Distributor - Integrator
21 Grams Ltd	Integrator of Sword Group components
Voluntis	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 December 2010



7.2 Issuer's subsidiaries

See Note 16 of the appendix to the company accounts.

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 €2,333,925.

Regarding the agreements relative to Sword Group and its subsidiaries:

The Board of Directors held **19 January 2010** authorised the Company to serve as guarantor for its subsidiary, CTSpace France for the fulfilment of its obligations towards Synerail Construction and to guarantee the execution, by its subsidiary, of all the present and/or future debts and obligations towards Synerail Construction in the context of the "GSM-R Project" contract. This authorisation was granted for a period of one year.

The Board of Directors held **11 October 2010** authorised:

- the renewal of the guarantee granted by the Board of Directors of 27 November 2003 (renewed by the Boards of 25 October 2004, 21 October 2005, 26 October 2006, 26 October 2007, 14 October 2008 and 12 October 2009) in favour of ING Belgium SA, to guarantee the commitments of Sword Technologies to the latter,
- the issuance, to the benefit of Fortis, of an intention letter under which Sword Group confirms its intention to maintain its influence within the company Sword Technologies, for a period of one year, in the context of a bank guarantee of a maximum of €200,000.

7.3 Statutory Auditors' Special Report on regulated commitments and agreements

Dear Shareholders,

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

It is for us to let you know, based on the information delivered to us, the essential features and conditions applicable to the agreements and commitments of which we have been informed or which we would have discovered in the context of our assignment, without having to express our opinion as to their usefulness or their justification, nor to investigate the existence of other agreements or commitments. It is your responsibility, in accordance with the provisions of article R.225-31 of the Commercial Code, to assess the advantage of establishing these agreements and commitments with a view to approving them.

Besides, it is for us, if applicable, to deliver to you the information provided for in article R. 225-31 of the Commercial Code regarding the execution, over the period elapsed, of the agreements and commitments already approved by the General Meeting.

We have implemented the due diligence measures deemed necessary for this mission as outlined by France's national audit regulatory body, the Compagnie Nationale des Commissaires aux Comptes. These due diligence measures include checking that the information with which we have been supplied is consistent with the original documentation on which it was based.

AGREEMENTS AND COMMITMENTS SUBJECTED TO THE GENERAL MEETING'S APPROVAL

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

1. **Guarantee provided by your company as part of the obligations of CTSpace France towards Synerail Construction in the context of the "GSM-R Project" contract.**

Corporate officers concerned: Jacques Mottard and Françoise Fillot

Nature and purpose**:** The Board of Directors held 19 January 2010 authorised the Company to serve as guarantor for its subsidiary for the fulfilment of its obligations towards Synerail Construction and to guarantee the execution, by its subsidiary, of all the present and/or future debts and obligations towards Synerail Construction in the context of the "GSM-R Project" contract. This authorisation was granted for a period of one year.

2. **Renewal of the guarantee granted by your company regarding the commitments made by Sword Technologies to the company ING Belgium SA**

Corporate officers concerned: Jacques Mottard and Françoise Fillot

Nature and purpose: The Board of Directors held 11 October 2010 renewed the guarantee granted by the Board of Directors of 27 November 2003 (renewed by the Boards of 25 October 2004, 21 October 2005, 26 October 2006, 26 October 2007, 14 October 2008 and 12 October 2009) in favour of ING Belgium SA, to guarantee the commitments of Sword Technologies to the latter.

3. **Confirmation by your company of its intention to maintain its influence on Sword Technologies through letters of intention**

Corporate officers concerned: Jacques Mottard and Françoise Fillot

Nature and purpose: The Board of Directors held 11 October 2010 authorised the issuance, to the benefit of Fortis, of an intention letter under which Sword Group confirms its intention to maintain its influence within the company Sword Technologies, for a period of one year, in the context of a bank guarantee of a maximum of €200,000.

AGREEMENTS AND COMMITMENTS ALREADY APPROVED BY THE GENERAL MEETING

As per article R. 225-30 of the Commercial Code, we have been informed that the execution of the following agreements and commitments, already approved by the General Meeting in previous fiscal periods, was pursued during the period elapsed.

1. **Senior Management services contract**

Representative concerned: Jacques Mottard

Nature and purpose: A change to the Senior Management services contract (overall policy, strategic planning, management of financial resources and of the market share price) agreed by Sword Group and Sémaphore Investissements was approved by the Board of Directors on 2 May 2008.

Terms and conditions: It was agreed that Sémaphore Investissements present an annual bill of €150,000 for the aforementioned services, to be paid with monthly fixed payments, plus €150,000 for entertainment and travel expenses. Henceforth these will be billed together rather than separately, bringing the total invoiced amount to €315,000, with any extra expenses relating to exceptional acquisitions activity billed separately.
Amount billed for the financial year: €336,440.70

2. **Management services to subsidiaries**

Corporate officers concerned: Jacques Mottard, Françoise Fillot and Heath Davies

Nature and purpose: Your company assists some companies, from the point at which they join the group, with matters such as sales, marketing and business strategy, purchasing, and management and organisational control. It also offers its subsidiaries assistance in terms of sales policy, communication, strategy, purchases, management control, and organisation.

Terms and conditions: The services billed by your company for the support provided are calculated on the basis of a monthly flat fee of €150 per employee for newly consolidated companies and foreign companies, except for the subsidiaries Sword Global India (€15), Sword Lebanon (€15), CT Space France (€470), Sword IPR Ltd (€15), Sword SA (€235) and FircoSoft (€235).

The amounts recorded as income for that purpose in 2010 were as follows:

	Lump sum	Invoiced amounts
Sword SA (France)	€235	€616,875
Sword Ltd (UK)	€150	€266,850
Ciboodle Ltd (UK)	€150	€284,400
Apak (UK)	€150	€151,650
Sword Services SA (Switzerland)	€150	€89,100
FircoSoft (France)	€235	€102,930
Sword Technologies (Luxembourg)	€150	€121,050
CTSpace France	€470	€59,400
Sword Inc. Corporation (USA)	€150	€15,300
TIPIK (Belgium)	€150	€77,500
Ciboodle (Australia)	€150	€58,500
Citadon Inc. (USA)	€150	€44,550
Ciboodle Inc. (USA)	€150	€58,050
CTSpace GmbH (Germany)	€150	€26,650
Sword Intech Inc. (USA)	€150	€28,800
Sword Integra (Belgium)	€150	€15,300
Sword Fircosoft Ltd (UK)	€150	€24,300
Beam (UK)	€150	€18,000
Sword IPR Ltd (UK)	15 €	€21,150
AgencyPort (USA)	€150	€211,050
Sword Global India Ltd (India)	15 €	€18,765
FircoSoft Inc. Corporation (USA)	€150	€12,600
Ciboodle (Indonesia)	€150	€7,875
Ciboodle Ireland (UK)	€150	€0
Sword Lebanon (Lebanon)	15 €	€4,230
Total		**€2,334,875**

3. Performance guarantee of the obligations of Apak Group Ltd

Corporate officers concerned: Jacques Mottard, Heath Davies

Nature and purpose: The Board of Directors held 5 September 2008 authorised the issuance of a guarantee given by your company of the proper performance of the commitments and obligations taken on by Apak Group Ltd under sales contracts signed with Daimler Financial Services AG.

Terms and conditions: The guarantee was signed on 5 September 2008.

4. Forgiveness of debt / Claw-back clause with Sword Technologies

Corporate officers concerned: Jacques Mottard, Françoise Fillot

Nature and purpose: Sword Group waived in 2007 a current account of €2.1 million to the benefit of Sword Technologies, under a claw-back clause (in accordance with the authorisation granted by the Board of Directors of 10 December 2007 and 11 March 2008). The Board of Directors of 14 October 2008 changed the criteria for the claw-back clause.

Terms and conditions: It had been granted under a claw-back clause or in the event of the sale of the majority of the shares of Sword Technologies. The claw-back condition was considered to be met once the net asset after allocation to the deferred earnings of Sword Technologies on the closing date of the last financial year exceeds the amount of fully-paid share capital, plus the reserves that law and by-laws allow distributing.

Henceforth, the claw-back criteria, amended by an addendum dated 8 October 2008, are the following: the repayment of such current account will take place in successive instalments limited to an amount enabling the profit and loss account of Sword Technologies to display at least an after-tax profit of 3%.

The claw-back condition was not applied in 2010.

5. Sub-lease agreement

Nature and purpose: Under the authorised agreement, your company sub-leases to Sword SA the premises described below, located in Saint Didier au Mont d'Or (Rhône), 9 avenue Charles de Gaulle.
The sublease contract became effective as at 1 January 2006, for a period of 7 years expiring on 31 December 2012. An addendum was executed on 1st September 2009 pursuant to the extension of premises completed in 2009. The annual rent, excluding taxes and charges, now stands at €440,000, the other articles of the sub-lease agreement executed on 3 March 2006 remaining unchanged.

Terms and conditions: For the year ended 31 December 2010, the rent charged back by your company represents income of 444.000 €.

6. Delegation, by your company, to Sword UK of part of its services carried out for certain subsidiaries

Nature and purpose: Delegation to Sword UK of part of the financial and management services it conducts to the benefit of the UK and US companies, as well as of South African and Indian companies, and the marketing services (publishing of brochures, organisations of seminars, special events, drafting of presentation slides) carried out for all of the Group's companies.

Terms and conditions: Regarding the financial and management services, it had been agreed that Sword UK bill your company quarterly for an annual flat fee estimated at €1,200,000. Regarding the marketing services, it had been agreed that Sword UK bill your company quarterly for an annual flat fee estimated at €300,000. The amount billed by Sword UK to your company under these agreements in 2010 stood at €380,000.

7. Current account agreements with subsidiaries of your company

Corporate officers concerned: Jacques Mottard and Françoise Fillot

Nature and purpose: The Board of Directors held 29 April 2009 authorised the setting up of a current account agreement with the companies listed below, the amounts made available to the said companies being remunerated at the applicable fiscally deductible interest rate:

	Current account balance at 31/12/10	Net interest income received and recorded (+) / Net interest expenses received and recorded (-)
Apak (UK)	-€999,427	-€33,370
Buildonline Global Ltd (UK)	-€4,954,284	-€185,861
Buildonline India (India)	-€47,631	
Citadon Inc. (USA)	€2,286,855	€83,994
Buildonline GmbH (Germany)	-€1,712,736	-€62,794
Ciboodle (South Africa)	-€1,289,662	-€43,629
Ciboodle (Indonesia)	€1,679,041	€62,215
Ciboodle (New Zealand)	-€289,822	-€217
Ciboodle (The Netherlands)	-€66,886	-€2,485
Ciboodle Inc. (USA)	-€1,491,547	-€57,345
Ciboodle Ireland (UK)	-€4,346,756	-€155,665
Ciboodle Ltd (UK)	-€1,001,320	-€43,076
CTSpace France	€1,639,849	€68,541
FI System Belgium (Belgium)	€6,447,550	€234,179
FircoSoft (France)	-€10,112,786	-€337,467
FircoSoft Inc. Corporation (USA)	€2,236	-€392
Sword UK (Ltd)	-€23,659,980	-€863,181
Sword Création Informatique Ltd (South Africa)	-€108,354	-€4,026
Sword DDS France	-€54,501	-€2,025

Sword Inc. Corporation (USA)	€1,417,853	€76,176
Sword Integra (Belgium)	-€454,701	-€17,319
Sword IPR Ltd (UK)	€10,709	€134
Sword Lebanon (Lebanon)	€1,340	€125
Sword SA (France)	€6,195,223	€295,188
Sword Technologies (Luxembourg)	€1,548,395	€75,280
Sword Services SA (Switzerland)	-€7,100,620	-€86,939
SwordSoft Inc. (USA)	€25,144,548	€934,367
TIPIK (Belgium)	€2,494,968	€127,722
Sword Inc Bloque (USA)	€175,259	-
Fircosoft Inc Bloque (USA)	€124,694	-
Sword Fircosoft Ltd (UK)	€24,664	€364
Beam (UK)	€4,657	€72
Sword Bermuda Ltd (UK)	€3,343	€124
Buildonline USA	€942,405	€35,246
Sword Création Informatique bloqué Ltd (South Africa)	-€149,686	-
Ciboodle Land & Estate (UK)	€4,760,005	-
Sword Intech Inc (USA)	-€217,990	-€39
AgencyPort (USA)	€57,049	€2,149
Sword Sol (Luxembourg)	€955	€8

Besides, a current account agreement was executed between your company and Sword Soft Ltd.
It provides that your company make available to Sword Soft funds in the form of a remunerated partner current account (at Euribor 3 months + 1%), to enable it to acquire various companies of the Sword Group that conduct Software business.

This agreement will remain valid for an undetermined period of time. Except if otherwise agreed between the companies, the amounts in capital and interest advanced by Sword Group will be paid back on the earlier of: disposal by Sword Group of more than 50% of the voting right capital of Sword Soft and IPO of Sword Soft on a regulated or non-regulated market.

Debit balance of the current account at 31 December 2010: €139,766,563
Interest received and recorded as income (net) in 2010: €2,780,780

8. Various charge backs by Sword SA

Nature and purpose: Sword Group handled part of the infrastructure and other costs (Sword SA) under the conditions described below.

Terms and conditions: Rebilling by Sword SA to your company of payroll and other expenses for €220,000.

9. Confirmation by your company of its intention to maintain its influence on Sword Technologies through letters of intention

Corporate officers concerned: Jacques Mottard and Françoise Fillot

Nature and purpose: The Board of Directors held 9 March 2009 authorised the issuance, to the benefit of Fortis, of a letter of intention under which your company confirms that it intends to maintain its influence within Sword Technologies, in the context of a credit and banking guarantee line, for a maximum of €1,800,000.

Nature and purpose: The Board of Directors held 9 March 2009 authorised the issuance, to the benefit of Fortis, of a letter of intention under which your company confirms that it intends to maintain its influence within Sword Technologies, for a period of one year, in the context of a credit and banking guarantee line, for a maximum of €200,000.

10. Confirmation by your company of its intention to maintain its influence on Sword Technologies through comfort letter.

Corporate officers concerned: Jacques Mottard and Françoise Fillot

Nature and purpose: The Board of Directors of 29 April 2009 authorised the issuance of a comfort letter to BGL, under which your company confirms its intention to maintain its influence within the company Sword Technologies, for a period of one year, in the context of a bank guarantee of a maximum of €1,072,563.49.

11. Guarantee given in the context of the disposal of Sword Business Technology Solutions Ltd

Corporate officers concerned: Jacques Mottard, Françoise Fillot and Heath Davies

Nature and purpose: The Board of Directors of 4 May 2009 authorised the issuance of a guarantee given by your company for the proper execution of the commitments and obligations subscribed to by Sword UK Ltd in the context of the disposal of the shares of Sword Business Technology Solutions Ltd to Amor Group Ltd.

12. Guarantee given for a bridging loan secured by Ciboodle Land and Estate Ltd

Corporate officers concerned: Jacques Mottard

Nature and purpose: The Board of Directors of 18 June 2009 authorised the issuance of a guarantee by your company to the benefit of CIC Lyonnaise de Banque to guarantee the repayment of a bridging loan by Ciboodle Land and Estate Ltd.

The Board of Directors of 30 December 2009 authorised the amendment of the joint and several guarantee deed granted by your company to CIC Lyonnaise de Banque, to guarantee the commitments of Ciboodle Land and Estate Ltd regarding a bridging loan agreement entered into 29 June 2009.

13. Guarantee given regarding a loan secured by Sword Technologies

Corporate officers concerned: Jacques Mottard

Nature and purpose: The Board of Directors of 26 June 2009 authorised the issuance of a guarantee by your company to the benefit of CIC Lyonnaise de Banque to guarantee the repayment of all the principal, interest, commissions, fees, and auxiliary costs due by Sword Technologies to CIC in the context of the €8 million loan it has taken out.

Villeurbanne, 20 April 2011

The Auditors

Mazars	**Deloitte & Associes**
Max Dumoulin	Olivier Rosier

VIII - Property, plants and equipment

8.1 List of facilities

City/Town	Address	Telephone	Premises owners	Surface area of the premises
Athens	79 Psaron Street 15 32 CHALANDRI Athens - Greece	+30 210 68 18 971	Tsiflas Stavos, Psaron 79, 15232 Chalandri	85 m²
Beirut	Pole Technologique Berytech Rue Damas Beirut Lebanon	+961 1 612500 ext 110	Centre Berytech Pole Technologique Berytech Rue Damas Beirut - Lebanon	268 m²
Boston	51 Sleeper Street, 8th Floor Boston, MA 02210	+1 866 539 6623	Brickman Sleeter Street LLC 712 Fifth Avenue New York, NY 10019	6,128 m²
Bristol	Apak House Unit 1, Badminton Court, Station Rd, Yate, Bristol, BS37 5HZ Unit 4 & 5 Badminton Court, Station Road, Yate Bristol, BS37 5HZ Unit 6 Badminton Court, Station Road, Yate, Bristol BS37 5HZ	+44 1454 871 000	R Cureton of Firbank, Knapps Drive, Winscombe, Avon & L Papadopoullos of Tamarind, Fosse Road, Stratton-on-the-Fosse, Bath, Avon Erinaceous Asset Management, Phoenix House, 11 Wellesley Road, Croydon, CR0 2NW Michael Peter Ford Orchard House, Dyers Lane, Iron Acton, Bristol BS37 9XP	333 m² 327 m² 231 m² 188 m²
Brussels	Avenue de Tervuren 270 B-1150 Bruxelles	+32 (0)2 235 56 70	Cofinimmo Boulevard de la Woluwe 58, 1200 Brussels	2,222 m²
Calgary	10th Floor Bankers Hall West Tower 888 - 3rd South West Calgary T2P 5C5 Canada	+1 403 444 5983	Regus Canada 10th Floor Bankers Hall, West Tower 888 - 3rd Street South West Calgary T2P 5C5 Canada	20 m²
Chennaï	Arthant Nitco Park 90 Dr Radhakrishnan Salai Mylapore Chennai 600,004 017 49 Venus Colony Alwarpet, Chennai, 600,018 India	+91 66 36 36 36 +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
Chicago	125 South Wacker Drive Chicago, IL 60606	1 312 447 5600	TS 125 South Wacker, L.P	272 m²
Cwmbran	Ground, First & Second Floors, Marford, The Pavillions, Llantarnum Park, Cwmbran, NP44 3UW	+44 1633 480 600	Welsh Assembly Government, QED Centre, Main Avenue, Treforest Industrial Estate, Pontypridd, CF37 5YR	614 m²

	The Pavillions, Llantarnum Park, Cwmbran, NP44 3UW	+44 1633 480 600	Welsh Assembly Government, QED Centre, Main Avenue, Treforest Industrial Estate, Pontypridd, CF37 5YR	418 m^2
Dubai	Tecom Zone DIC Building 13 Premises 119 & 120 PO BOX 500406	+971 4367 0375	The Dubai Technology and Media Free Zone Authority, PO Box 73000, Dubai, UAE	166 m^2
Farmington	190 Farmington Avenue Farmington, CT 06032	+1 860 674 6135	Farmington Group 190 Farmington Avenue, CT 06032	140 m^2
Frankfurt	91 Niddastr, 60329 Frankfurt am Main, Germany,	+49 69 686 02310	SAMBROSARN FFM-Poststrasse GmbH, Frankfurter Strasse 1-5, 65760 Eschborn, Germany	250 m^2
Geneva	Geneva Business Centre 12, Avenue de Morgines 1213 Petit Lancy	+41 (0) 22 879 96 30	Crédit Suisse AMF CP 8110 ZURICH	240 m^2
Galway	Unit 2a Ballybrit Business Park Galway Ireland	+353 (0) 91 70 6000	Iain MacKenzie Graham, Sheena graham and James Hays Pension Trustees Ltd	438 m^2
Glasgow	India of Inchinnan, Renfrewshire PA4 9LH	+44 (141) 814 3700	Sword	4,620 m^2
Houston	2500 CityWest Boulevard, Suite 300 Houston TX 77042	+1 713 267 2282	Regus Global Workplaces, Houston TX 77042	105 m^2
Jakarta	Menara Batavia - 26th Floor Jalan KH. Mas Mansyur Kavling 126 Jakarta 10220 Indonesia	+62 (0) 21 5793 0170	PT Manna Labora, Jalan Besar Utara N°6 Jakarta	363 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 m^2
Leeds	Enfield Street Roundhay Road Leeds UK, LS7 1RF	+44 113 220 67 00	Intech Solutions	1,148 m^2
London	1000 Great West Road Brentford Middlesex TW8 9DW – 11th & _th floor International House 1st St Katherine's Way London, UK, E1W 1UN	+44 20 8232 2555 +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	769 m^2 912 m^2
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^{000}
Lyon	9, avenue Charles de Gaulle 69771 Saint-Didier au Mont d'Or Cedex	+33 (0)4 72 85 37 40	SNPI 27 Place Bellecour 69002 Lyon	2,968 m^2
Nantes	31, Boulevard Albert Einstein CS 92 378 44323 Nantes Cedex 3	+33 (0)2 99 84 52 62	SCI Moulin des Roches 31 bis, Rue des Renardières 44100 Nantes	270 m^2
New York	17 State Street 26th Floor New York, NY 10004	+1 212 279 67 34	Georgeson Inc, 199 Water St, New York, NY 10038	2,090 m^2
Paris	37, rue de Lyon 75012 Paris	+33 (0)1 44 67 24 00	Cogifrance 47, rue du Fbg Saint-Honoré 75008 Paris	2,281 m^2

Portsmouth	53 Green Street Portsmouth, NH 03801	+1 603 501 1500	Stone Creek, LLC 53-55 Green Street, Portsmouth, NH 03801	1,451 m²
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
San Francisco	49 Stevenson St, Suite 950, San Fransisco, CA 94104, USA	+1 415 882 1888	Pacific Ressources Stevenson Inc. 49 Stevenson Street, Suite 525 San Francisco CA 94105	570 m^2
Singapore	3 Chrusch Street Level 8 Singapore 049483	+65 6508 8094	Regus Management Singapore 3 Church Street Level 8 Sigapore 049483	30 m^2
Sydney	Suite 2802, level 28, 1 Market Street, Sydney NSW 2000	+61 (0) 2 92 649 566	Investa properties Pty Ltd, Level 6, 126 Phillip Street, Sydney NSW 2000	209 m²

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 2010, 2009 and 2008

All data relative to the financial situation are detailed in the management report and the appendix to the consolidated financial statements.

9.2 Review of the current operating profit

All data relative to the financial situation are detailed in the management report and the appendix to the consolidated financial statements.

X - Cash and capital

10.1 Short-term and long-term capital

In €'000	**31/12/2010**	**31/12/2009**	**31/12/2008**
Long-term capital	**267,420**	**261,481**	**226,324**
Consolidated shareholders' equity	161,332	148,101	124,556
Short-term financial debt	106,088	114,951	101,768
Short-term capital	**16,542**	**7,479**	**3,814**
Short-term financial debt	16,542	7,479	3,814
Cash and cash equivalents	28,020	41,431	19,145
Net debt	94,610	81,001	86,437
Net debt / Consolidated shareholders' equity	58.64%	54.69%	69.40%

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

10.2 Cash flow statement for 2008 to 2010

Consolidated data (In € '000)	**31/12/2010**	**31/12/2009**	**31/12/2008**
Operating cash flow	26,276	15,553	13,941
Cash flow from investments	-28,839	-5,811	-64,755
Financing cash flow	-11,544	10,019	44,822
Impact of the change in currency prices	*-44*	*-3,324*	*-1,982*
Change in cash position	**-14,108**	**-19,761**	**-5,992**

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 financial report.
Covenants relative to outstanding borrowings at fiscal 2010 year end, are described in Note 15 to the consolidated appendix. As at 31 December 2010, Sword Group complied with all covenant clauses.

10.4 Restriction to the use of capital

None.

10.5 Funding sources expected for future investments

The funding source expected for future investments is, on the one hand, the use of drawing rights that were unused as at 31 December 2010 for €46,865,000 and, on the other hand, the cash flow released in the course of 2011.

XI - R&D, patents, licences

11.1 R&D

There are 3 sorts of R&D:

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

- Software components R&D is dedicated to 6 ranges of components:
  a. COGED: a Document Management range of software components oriented towards Documentum and Filenet technologies
  b. COSIG: a Geographic Information Systems range of software components oriented towards ESRI technologies
  c. GOOGLE CONNECTORS: secure search connector related to the companies' internal management systems.
  d. The PTO range: intended for brand and patent offices, the building blocs of an ERP dedicated to that market
  e. IntelliGIS Factory: IntelliGis factory is a product suite that allows for the integration of the mapping dimension in companies' information systems. Gateways are already available with the worlds of Business Intelligence and Electronic Document and Workflow Management.
  f. TwinGIS: a solution that makes it possible to enhance companies' data analysis capacities by integrating the map dimension.

- "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 all our product ranges.

- "New product development" R&D: it aims to be outstanding and is capitalised. For 2009, it concerns the development of the following products: Fast Audit, Greengis, Intelligis and SharePoint Data Deployer.

In terms of quantification, R&D represents an expense equal to 17% of the Software turnover (products) and 3.6% of the Solutions turnover.

11.2 Patents and licences

Sword Group owns all the trademarks that it needs to use. Indeed, it owns the following trademarks:
- Trademark FircoSoft (national trademark targeting France and India, international trademark targeting: EU, Japan, Singapore, Switzerland, Canada): owner: FircoSoft SAS,
- Trademark STP Factory (European Union): owner: FircoSoft SAS,
- French trademark Sword initially registered under number 520509 on 22 June 1979 in classes 9, 35, 42, renewed on 14 June 1989 under number 1536363, and renewed for the last time on 27 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 10 December 1985 in classes 7, 9, 16, 35 and 42,
- Foreign trademark Sword registered in South Africa under number 88/5249 on 29 June 1988 in class 9,
- Foreign trademark Sword registered in South Africa under number 88/5250 on 29 June 1988 in class 35,
- Foreign trademark Sword registered in South Africa under number 88/5251 on 29 June 1988 in class 42,
- Foreign trademark Sword registered in Benelux under number 378628 on 4 September 1981 in classes 7, 9 and 16,
- Foreign trademark Sword registered in the UK under number 1255025 on 22 November 1985 in class 9,
- Foreign trademark Sword registered in the UK under number 1255026 on 22 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, Switzerland, under number IR 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 numbers 820325619 and 820325627
- Trademark Sword registered in Chile under numbers 395267 and 395268
- Trademark Sword registered in the US under number 75/546758
- Trademark Sword registered in Hong Kong under numbers 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 Taïwan under numbers 86045800 and 86045801
- Trademark Sword registered in Thaland under numbers 343661 and 343662
- Trademark Novasoft registered in the US under number 75155225
- Trademark Novaworkbench registered in the US under number 75154522
- Trademark Novaweb registered in the US under number 75154523
- Trademark Novagateway registered in the US under number 75154526
- Trademark Novamange registered in the US under number 75154521
- Trademark Dm-NET registered in the US under number 2224567 in classes 21, 23, 26, 36 and 38
- Trademark Imagemaster registered in the US under number 1501172 in class 38
- Trademark Cimage registered in the US 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, among other countries, in the UK, France, Italy, Germany, and the Netherlands under number 003535499, on 30 August 2005
- Trademark Open Box registered in UK under number 2149661 on October 30, 1997,
- Trademark Open Box+ registered in UK under number 2149661 on 6 February 1999,
- Trademark Open Co registered as a community trademark under number 0006673855 on 3 November 1997,

- Trademark Open Energy registered as a community trademark under number 0006673855 on 3 November 1997,
- Trademark Open Health registered as a community trademark under number 001004548 on 3 December 1998,
- Trademark Open Marine registered as a community trademark under number 0006673855 on 2 March 2006,
- Trademark Open Xposure registered in UK under number 2493662 on 23 January 2009,
- Trademark Zygoware registered in UK under number 2261509 on 5 April 2002,
- Trademark Zygoware registered in US under number 76/565,504 on 6 June 2006,
- Trademark Open Marine registered as a community trademark under number 0006673855 on 5 October 2006,
- Trademark Ciboodle registered with the "Madrid Protocol Countries" under number 915078 on 13 October 2006,
- Trademark Apak registered in the European Union under number 002831002 in classes 9, 38 and 42 on 28 August 2002
- Trademark Aurius registered in UK and in Northern Irlande under number 2392108 in classes 9 and 42 on 17 May 2005.

XII - Information about 2011 trends

12.1 Main trends that have affected sales, costs and selling prices since 31 December 2010

None.

12.2 Elements likely to influence these prospects

None.

XIII - 2011 goals

13.1 Sales revenue and estimated income pour 2009

The Group targets growth for 2011, on a like-for-like basis, of approximately 10%.

XIV - Management and supervisory bodies

14.1 Company managers and directors

Information about the Company's directors and board members are in the management report. None of the board members or corporate officers was sentenced for fraud, was subject to bankruptcy, put under sequestration or liquidation for at least the past five years. It is also pointed out that none of the board members or corporate officers was subject to incrimination and/or an official public sanction pronounced against him by statutory or regulatory authorities (including designated professional organisations). None of the board directors or corporate officers has been prevented by a court from acting in his/her capacity as member of an issuer's administration, management, or supervisory entity, or from becoming involved in the management or the handling of an issuer's business in the past five years at least.

14.1.1 General information regarding the managers and directors

Information contained in the financial report.

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

Information contained in the financial report.

14.1.3 Other expired mandates exercised in the past five years

Information contained in the financial report.

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 senior management level

None.

XV - Remuneration and benefits

15.1 Remuneration of directors and managers

Information contained in the financial report.

15.2 Provisions set up of recorded by the Company for pension payments and other benefits

There are no provisions for pension payments or benefits for the managers and directors, as Mr Jacques Mottard and Mrs Françoise Fillot are not salaried employees of Sword Group.

XVI - Operation of the Board of Directors and Executive Committee

16.1 Operation of the Board of Directors, the Executive Committee and the Supervisory Committee

Information contained in the report on internal control and the management report.

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 1 January 2007, the remuneration of Mr Jacques Mottard (and his assistant) is billed by the Company to Sémaphore Investissements (see Note 21 of the management report).

16.3 Audit and compensation committees

See paragraph 16.4 below

16.4 Corporate 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 lists the relevant guidelines, established in particular by AFEP, MEDEF and ANSA, see in particular the pages:
http://www.medef.fr/main/core.php?pag%20id=11281 and http://www.medef.fr/main/core.php?pag%20id=129601.

The procedures described below cover the parent company and all the subsidiaries it controls.

To start, it would appear useful to discuss generally the organisation of our Group, prior to laying out the main procedures employed, and then moving on to the functioning of our Board.

A. The general operation of Sword Group

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

It is comprised of four members: the Chairman, Nicolas Mottard, Françoise Fillot and François Barbier (appointed 28 April 2010 as substitute for 21 Centrale Partners, whose mandate expired and was not renewed.

To date, the Board of Directors comprises only one independent director, i.e. François Barbier, and one female director, Françoise Fillot.

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

It determines annual directives, controls activities and defines the long-term strategy. On December 31, 2010, it gathered:

- Jacques Mottard Executive Chairman
- Françoise Fillot Executive Vice-President - CFO
- Four CEOs (Chief Executive Officer), Juan Arcas, Tony Allen, Steve Hauck and Mike Hughes

1.3. The Operations Committee

Its task is to set policy for the year, manage the annual budget and control the profit centres, known as "Business Units". It consists of more than six "Directors of Operations":

- Pradeep Banerji
- Anys Boukli
- Philippe Blanchard
- John Higgins
- Philippe Le Calvé
- Dieter Rogiers

Each Director of Operations is at the same time the Director of a Business Unit. To date, there are 22 Business Unit Directors.

Hence, only the Executive Chairman and the Executive Vice-President are not directly involved in a profit centre.

1.4. The Executive Committee

It is made up of the Operations Committee enlarged to include all the Business Unit Directors.

The Group's organisational philosophy is based on the avoidance of hierarchies, and it has only two levels: the Director of the Business Unit, and the Senior Management.

1.5. The Executive Vice Presidents:

Mrs Françoise Fillot was appointed Executive Vice President for the Executive 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 31 December 2009. Her mandate, just as that of the Executive Chairman, was renewed on 28 April 2010 up until the Ordinary General Meeting convened to rule on the financial statements for the financial year ending 31 December 2013.

Mrs Françoise Fillot, a member of the Management Committee, is significantly involved in the definition and implementation of the Company's senior management policy.

Mr Heath Davies resigned from his mandate as Executive Vice-President on 9 December 2010.

2. The Business Unit, the profit centre around which the group is organised

A Business Unit is a profit centre run according to principles set down in an internal management manual. The main management principles applied to Business Units are the following:

2.1 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 Senior 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 Senior 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 playersat 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 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:

The Technical Manager has multiple roles at Sword. Strategically, he takes part in elaborating the company's technological orientations in direct collaboration with the senior management; as such, he is in charge of part of the technological monitoring via a mesh of technical points of contact within the Group. Operationally, his task is split between pre-sales (elaboration of responses, early stage value proposals, etc), development (providing an external eye on the solutions implemented, after-sales (site and future upgrade follow-up).

Each quote 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 authorised to enter into commitments up to €300,000 (versus €500,000 for the Director of Operations). Beyond, the Senior 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 subcontracting) 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 subcontracting.

3. Reportings, meetings, authorisations

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 fifth working day of each month,
- report on travel expenses the 5^{th} 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 reviewed together with the Directors of Operations and the Senior Management.

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 month, the Board Management Committee meets for one day to review all the summaries received, to propose corrective action to the Operations Committee, and to define acquisitions strategy.

Every two months, the Operations Committee and the Board Management Committee meet in order:
- to summarise 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.

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 authorised 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 €300,000. If these expenses do not fall within his allocated budget, these authorisations 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 Senior Management, nor 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.

B. <u>Actual internal control</u>

1. Definition of internal control - nature of the information provided

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.

This internal control system relies on the AMF's reference framework targeted at mid and small caps.
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.
We point out that the information contained in this report is purely 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. Summarised description of the control processes in place

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 Senior Management with feedback to the Business Unit Directors.
Persons and departments involved	Business Unit Directors, Senior Management and 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 Senior Management, 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 Senior 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 Senior Management, assisted by external consultants
Control over proper implementation	Control by the Auditors
Persons and departments involved	Administrative & Finance Department External consultants Senior 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 Assess 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	Senior 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:	Senior Management Financial Department External consultants Auditors

2.2 Other internal control procedures

The following procedure is also important in respect of our business.

Personnel:

Objectives/Principles	Organisation of the "Personnel" function, as part of the objectives set by the Senior Management, 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 Senior Management 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 Senior Management.
Persons and departments involved	Opportunity of requirements: Senior Management Recruitment procedure: Business Unit Director and Senior Management Review of individual files: Administrative & Financial Department and Senior Management Review of salaries: HR Department and the Administrative & Financial Department Legal & regulatory provisions: HR Department and Senior Management

This control system has enabled us to pinpoint anomalies in the follow-up of certain projects within a subsidiary. The appropriate corrections have been recorded to that entity's accounts and in the Group's consolidated financial statements. A change of organisation has been applied to this subsidiary.

C. <u>Preparations for, and organisation of, the Board's work</u>

1. Composition – representation of women on the Board

The by-laws of your company provide for a Board of Directors comprised of three to eighteen members. 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 26/04/2004 and 28/04/2010	31/12/2013	Executive Chairman
François Barbier	Appointed 28/04/2010	31/12/2013	Board Member
Nicolas Mottard	22/06/2001 Reappointed on 26/04/2004 and 28/04/2010	31/12/2013	Board Member
Françoise Fillot	01/07/2004 Reappointed on 28/04/2010 30/01/2009 Reappointed on 28/04/2010	31/12/2013 31/12/2012	Executive Vice President Board Member

The list of other mandates held in other companies by the board members is detailed in the management report (paragraph 26.1).

In the sense of Article 8.4 of the AFEP/MEDEF corporate governance code of December 2008, Mr François Barbier is an "independent board member". None of the above holds any significant holding in the capital of clients or suppliers of Sword Group, or in its subsidiaries.

In order to increase the number of independent board members, and in the context of formalising the Audit Committee, it is suggested to the General Meeting due to take place on 17 May 2011, to proceed to the appointment of a new independent board member, namely Mr François Régis Ory.

With a view to appointing this new independent board member, the Board held 4 March 2011 reflected upon, as per Article L.225-17 of the Commercial Code, amended by Law n°2011-103 of 27 January 2011 regarding the balanced representation of women and men on the Board, whether or not to appoint a woman. Indeed, the aforementioned law requires from now on:

- on the one hand, to seek a balanced representation of women and men on company boards,
- on the other hand, to maintain a proportion of board members of each gender that cannot be less than 20% at the end of the first general meeting subsequent to 1 January 2017.

The Company being comprised today of four members of which Mrs Françoise Fillot, the representation of women and men is, to date, sufficiently well balanced and the composition of the Board meets, for the time being, that requirement.

No member of the Board is pending ratification of co-option by the General Meeting. There is no Director elected by the employees.

With respect to the Company's size and in order to enhance the effectiveness of the board decisions, the functions of Chairman and CEO are not separated.

2. Board meetings

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, the Company has its internal regulations. There is no 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.

Prior to each Board of Directors meeting, its members are sent the documents necessary regarding the agenda. The board members may request, at any time of the year, the information they consider useful regarding the business conducted by the Company.

The Board of Directors held 18 December 2009 set up a Commission, comprised of the Executive Chairman and Mrs Françoise Fillot, whose task is to ponder over the setting up of an Audit Committee and a Nominations and Remunerations Committee. The said Commission submitted a report on its work to the Board that met on 20 December 2010. The report states that Mr François Barbier, in his capacity as independent board member, pursuant to the departure of Mr Heath Davies, wanted the Board to reflect on the practical operating rules of the Audit Committee. In that context, the Board unanimously adopted the principle of setting up an Audit Committee and entrusted Mr François Barbier with the task of expressing recommendations as to the operating mode of the said Committee, in order for it to become operational in the course of September 1011. In the course of February 2011, Mr François Barbier turned in to the Board a report on his assignment.

During the 2010 financial year, the Board met eight times. The attendance rate stood at 75%. The Board of Directors, in its session of 20 December 2010, proceeded to its assessment, in accordance with Article 9 of the AFEP/MEDEF corporate governance code.

We make use of our legal counsel to call board meetings and to assist the Chairman in the preparation of minutes.

3. Board of Directors' evaluation

The Board of Directors, in its session of 20 December 2010, proceeded to its assessment, in accordance with Article 9 of the AFEP/MEDEF corporate governance code. The Board had not considered useful to turn to an external service provider to proceed to its assessment for the period elapsed. The board members have considered that the current operation of the board enables them to fulfill their task under appropriate conditions. It approved the new measures of the Group's "Software" segment, from now ensured not by a CEO, but by four COOs, who report directly to the Executive Chairman. The Executive Chairman is in charge of assessing the situation in view of the Group's future strategy, while Mr François Barbier has been entrusted by the board with the task of issuing recommendations regarding the Audit Committee's mode of operation.

4. Duration of board members' term of office

To date, each board member's term of office is 4 years, it being pointed out that the shareholders are offered, during the General Meeting of 28 April 2010, to amend Article 13 of the by-laws and to reduce the length of the board members' mandates from 6 to 4 years, in accordance with the recommendations of Article 12 of the AFEP/MEDEF corporate governance code. For historic reasons related to the composition of the board, the board members' terms of office are not staggered over time.

5. Remuneration of the management and administration entities

The corporate officers are remunerated based on their experience and skills, in the European and worldwide context.

If and when share subscription options are granted, the Board of Directors determines the performance criteria and the number of shares resulting from the options that should be kept by the corporate officer until the end of his/her term of office.

The remunerations of corporate officers are detailed in paragraph 20 of the management report.

6. Shareholders' participation in the General Meeting

The shareholders are invited to attend the general meetings in accordance with legal and statutory provisions. Article 19 of the by-laws relates to shareholder meetings.

7. Information demanded by Article L.225-100-3 of the French commercial Code

In accordance with the provisions of Article L. 225-37 paragraph 9 of the French Commercial Code, below is the information referred to in Article L.225-100-3 of the French Commercial Code.

- Structure of the Company's share capital: cf. point 21.1.7.2 of the financial report.
- Statutory restrictions to the exercise of the voting rights and to share disposals: none,
- Direct and indirect interests in the Company's issued capital: cf. point 21.1.7.2 of the financial report,
- List of holders of any security bearing special control rights: in accordance with the provisions of Article 19 E 3 of the Company's by-laws, a double voting right is assigned to all the shares entirely paid out for which an individual registration can be evidenced for at least two years in the name of one same shareholder.
- Control mechanisms provided in a personnel shareholding system, if applicable: not applicable,
- Shareholder agreements of which the Company is aware and that may result in restrictions to share transfers and to the exercising of voting rights: None,

- Rules applicable to the appointment and replacement of board members and to the amendment of the Company's by-laws: the Company applies the rules set out in the French Commercial Code,
- Powers of the Board of Directors, in particular the issuance or redemption of shares: the Board of Directors has the powers set out by law. Paragraph 16 of the management report describes the current power delegations.
- Agreements entered into by the Company that are modified or lapse in case of a change of control of the Company: None.

Agreement that sets out indemnities for Board members if they resign or are dismissed: None.

8. Corporate governance code

The Board of Directors of Sword Group decided, on 30 January 2009, to adopt most of the AFEP / MEDEF recommendations of October 2008.
Thus, as per the provisions of Article L. 225-37 of the French Commercial Code, Sword Group refers to and implements the AFEP / MEDEF corporate governance code, subject to the following exceptions:

- **Independent board members:**

The Board of Directors includes an independent member in the sense of Article 8.4 of the corporate governance code, i.e. Mr François Barbier, appointed on 28 April 2010. In order to increase the number of independent board members, and in the context of formalising the Audit Committee, it is suggested to the General Meeting due to take place on 17 May 2011, to proceed to the appointment of a new independent board member, namely Mr François Régis Ory. If the meeting votes favourably, the independent board members will account for 40% of all board members.

- **Board committees:**

The Board of Directors held 20 December 2010 unanimously adopted the principle of the setting up of an Audit Committee. It was decided that the audit committee be composed of all board members, in accordance with the power given by the provisions of Article L 823-20 of the Commercial Code, provided that persons serving as executives of the Company, namely Mr Jacques Mottard and Mrs Françoise Fillot, will not sit on the audit committee in accordance with the provisions of Article L 823-19 of the Commercial Code. Accordingly, the audit committee is fully operational and will include two independent board members after the meeting of 17 May 2011, subject to the appointment of Mr. François Regis Ory as new board member.

Regarding the establishment of a Nominations and Remunerations Committee, it was decided not to establish such a Committee within the Company, as it is not justified given the size of the Company.

9. Improvement of the "corporate governance" processes

In line with the Company's adoption, in January 2009 of the MEDEF/AFEP corporate governance code, financial 2010 was marked by the further improvement of the Corporate Government procedures.
Thus, the Board of Directors formalised:

- a governance charter,
- an ethical charter.

These documents will supplement those that already exist, i.e.:

- a management manual that sets out all of the Group's internal control procedures, a welcome manual for each employee, detailing his/her rights, obligations, and position in the operations of the Company,
- an IFRS accounting principles manual, drafted by an independent consultancy,
- one technical manual per country, that includes all applicable quality standards (CMM, ISO or ISOPRO method).

The Company, in the context of the strengthening of the governance rules, establishes a set of ethical rules for its Board members, as well as internal rules that specify the mode of operation of the Board of Directors and the Board members' obligations in the context of their term of office, particularly their ethical obligations.

Limitations to the Executive Chairman's powers

The powers of the Executive Chairman are not limited.

The Chairman

16.4.2 Auditors' report drawn up in accordance with the last paragraph of Article L.225-235 of the French Commercial Code on the on the report drafted by the Chairman of the Board of Sword Group SE

Financial year ended 31 December 2010

Dear Shareholders,

In our capacity as Auditors of Sword Group SE and in accordance with the provisions of article L. 225-235 of the French Commercial Code, we hereby present our report on the report drafted by the Chairman of your Company in compliance with the provisions of article L.225-37 of the French Commercial Code for the financial year ended 31 December 2010.

It is for the Chairman to draw up and submit for the Board of Directors' approval a report giving an account of the internal control and risk management procedures set up within the company, and giving any other information required under Article L.225-37 of the Commercial Code with particular reference to corporate governance issues.

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 and risk management procedures for the preparation and processing of accounting and financial information and
- certify that this report includes the other information required by Article L.225-37 of the Commercial Code, it being specified that it is not for us to verify the sincerity of this other information.

We have carried out our work in accordance with the professional standards in use in France.

Information regarding internal control and risk management procedures relating to the drawing-up and processing of accounting and financial information.

Standards governing professional practice require that due diligence procedures be carried out to assess the honesty of information regarding internal control and risk management procedures relating to the drawing up and processing of accounting and financial information contained in the Chairman's report.

These careful evaluations largely consist of:
- familiarising ourselves with the internal control and risk management procedures for the drafting and processing of the accounting and financial information behind the information presented in the Chairman's report and other existing documentation;
- familiarising ourselves with the work on which existing information and documentation is based;
- ascertaining whether appropriate information on serious lapses in internal controls regarding the drafting and processing of accounting and financial information which we may have found within the scope of our mission are appropriately included in the Chairman's 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 and risk management 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.

Other information

We attest that the Chairman of the Board of Directors' report includes the other information required under Article L.225-37 of the Commercial Code.

Villeurbanne, 20 April 2011

The Auditors

Mazars	**Deloitte & Associes**
Max Dumoulin	Olivier Rosier

XVII - Staff

17.1 Group head count

17.1.1 Head count

Head count at 31 December 2010 by activity

Head count	Billable head count			Non billable head count	Total
	Staff	Subcontractors	Sub-Total		
Solutions (Services)	469	231	700	70	770
Software (Products)	726	175	901	174	1,075
Total	**1,195**	**406** [(1)]	**1,600**	**244**	**1,845** [(2)]

(1) 236 FTE (full time equivalent)
(2) 1 675 FTE (full time equivalent)

Total staff, including freelancers, went during 2010 from 1,785 to 1,845.

Head count at 31 December 2009 by activity

Head count	Billable head count			Non billable head count	Total
	Staff	Subcontractors	Sub-Total		
Solutions (Services)	608	286 [(1)]	894	68	950
Software (Products)	666	1	667	156	813
Total	**1,274**	**287**	**1,561**	**224**	**1,785**

(1) including freelancers: 144

NB: The disposals of the Scottish Service segment, the Austrian subsidiary and the Brazilian subsidiary, have resulted in a drop in the overall 2009 head count.

Head count at 31 December 2008 by activity

Head count	Billable head count			Non billable head count	Total
	Staff	Subcontractors	Sub-Total		
Solutions (Services)	774	260	1,034	99	1,133
Software (Products)	642	104	746	139	885
Total	**1,416**	**364**	**1,780**	**238**	**2,018**

(1) Including freelancers: 364

Analytically, these can be broken down as follows:

1. Solutions activity

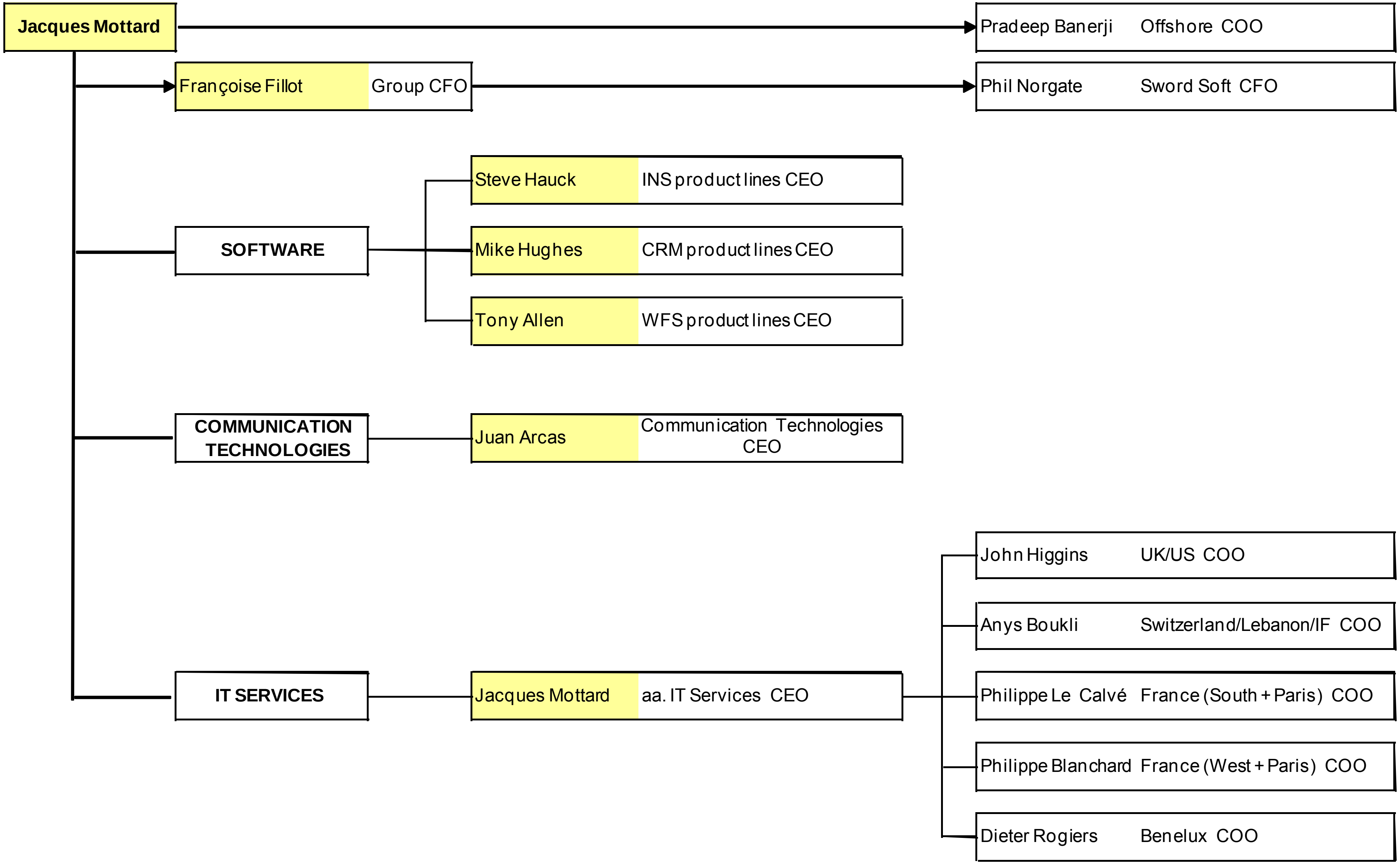
    - Daily average billing rate: €476 per day
    - The per unit gross margin generated by the Solutions segment stands at 47%

2. Software segment:

    - The per unit gross margin generated by the Support segment stands at 78.48%
    - The per unit gross margin generated by the Professional Services segment stands at 63.08%

17.1.2 Management Team

Management - Operational Organisation Chart at 01/01/2011



The Management

Jacques Mottard, 59 years old, Executive Chairman

Between 1989 and 1999, Jacques Mottard founded and developed Decan, until the friendly takeover by the Metamor group in February 1999. He held 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, 51 years old, CFO / Executive Vice President / Board Member

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.

Tony Allen, 44 years old, CEO, "WFS Product Line", UK

After obtaining his Master's Degree of science, with a major in information systems in 1989, Tony Allen joined Apak as a software engineer; there he gained experience in all aspects of the software development cycle, especially in solutions targeted at asset-based finance and the banking sector. Tony has participated in the development of WFS, a leading product in the market leader and in providing this product in the ASP hosting model. Tony was appointed to the Board of Apak in 2007, before that company was acquired by Sword. Tony still heads the company as it expands globally within the Sword Group.

Juan Arcas, 48 years old, CEO Benelux / "Communication Technologies"

Juan Arcas, a Spanish citizen, spent most of his life in Belgium, where he held positions as consultant and development directof for European institutions since 1992. In 2005, he was appointed Manager of ASCII (now TIPIK), 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.

Pradeep Banerji, 56 years old, Offshore COO

Pradeep Banerji has over 30 years' experience in offshore software. After 12 years spent at TCS India, he founded a software services company in the United Kingdom with its own offshore subsidiary in India. He was particularly involved in the management and implementation of solutions with key customers such as IBM, the Medical College of Wisconsin, Crédit Agricole, Citibank, Dunlop and the Royal Bank of Canada in the following countries: United States, UK, France, Belgium, Switzerland and India. These activities included technologies such as MVS, Unix, Oracle, Java and Microsoft. Today, Pradeep leads work on robust solutions based on a model of onshore-offshore services, for large insurance groups and other service companies. Pradeep holds a degree in computer science from Columbia University (USA) and is a member of the Institute of Directors (United Kingdom).

Philippe Blanchard, 51 years old, COO France (West + Paris)

Philippe Blanchard began his career in IT within the Cap Gemini Group as project manager and director of the Brest Service Centre. He then took his position as engineer before joining Transiciel as Regional Director for Brittany. Philippe Blanchard joined the group in late 2007 to head the Rennes and Nantes entities. Since 2009, he has also been in charge of the finance and telco sectors in Paris. He holds a DEST from CNAM at Marseille.

Anys Boukli, 41 years old, COO Switzerland / Lebanon

Anys Boukli was the partner for the EMEA region within Cambridge Technology Partners / Novell before joining Bedag Informatique as Head of the French-speaking Swiss market and board member. Prior to that, he held various management positions in the Consulting and IT industries in Europe. Anys speaks five languages fluently. He holds a State Engineering degree in IT, as well as several Management and Leadership degrees from the International Institute for Management Development (IMD) in Lausanne and the Malik Institute in St-Galles.

Mike Hughes, 48 years old, CEO CRM

Mike Hughes began his career as a researcher into ADA compilation and artificial intelligence solutions at the Turing Institute and the University of Paisley.

In 1986, he joined Graham Technology (Sword Ciboodle) to set up a development team. Mike then spent several years in Jakarta working in operations development and creation for Graham Technology in Asia before returning to the UK in 2005. He was then made group CEO. In 2008, the Sword Group purchased Graham Technology. Mike Hughes holds a degree in IT.

Steve Hauck, 42 years old, CEO Insurance
Before being appointed CEO of Sword Insurance, Steve spent nine years in the business of selling and marketing financial services and co-founded AgencyPort. Recently, Steve was Director at E*Trade Group and in charge of a sales department and of institutional marketing in the US. He also worked closely with E*TradeCorporate Finance and E*Trade Venture Group. Before joining E*Trade, Steve was head of sales and corporate marketing in the United States at TIR Securities, a global institutional brokerage. Steve began his career at Shearson Lehman Brothers in 1992. He holds a "licence" from Denison University.

John Higgins, 37 years old, COO UK/US Solutions
ECM Consulting conducts business in France, the UK and the US. Since 1985, the company has built an excellent reputation in the deployment of enterprise content management solutions. In 2009 John Higgins joined Sword, after working at CA Technologies in Asia Pacific, the United States and more recently Europe as vice president and head of professional services. Before that, John worked nine years for Bank of Ireland. He holds a degree in economics from University College of Dublin.

Philippe Le Calvé, 46 years old, COO France (South + Paris)
Philippe Le Calvé steered several projects at Sword. In particular, he developed several service centres within our organisation. He began his career at Decan as consultant specialising in the development of large integration projects in the telecom and nuclear fields. He then was in charge of developing a service centre specialising in electronic document management in Lyon in synergy with our Parisian activities. Philip then took responsibility for the development of the Business Unit that specialises in the health and enterprise portals sector.
Philippe studied Computer Science at university. He then continued to earn a degree in computer engineering at INSA Lyon.

Phil Norgate, 37 years old, Administrative and Financial Director, "Software"
In 2004, Phil Norgate joined the finance team of Sword, and eventually became Chief Financial Officer. He holds a degree in Business Administration and French. Phil is also a chartered accountant. A finance specialist in both the UK and France, he previously worked for Deloitte and Touch as well as Merant Software Solutions before joining Sword.

Dieter Rogiers, 39 years old, COO Benelux
Dieter Rogiers holds a Master's degree in economics from the University of Leuven. He made his debut at Siemens in the UK and Esso / Exxon in the Netherlands. Dieter began his career in the ICT sector as a major accounts manager at Getronics (formerly Olivetti) in 1997. In 2005, Dieter joined Sword Technologies, first as Sales Director for European institutions and the financial and governmental sector, then as of 2006 as Sales Director in charge of global sales. In June 2010, Dieter was appointed board member of Sword Technologies for Belgium, Luxembourg and Greece.
With a rich experience in the general management of sales, Dieter specialises in the strategic sales, at executive levels, of complex IT solutions to large European accounts. Dieter is a business leader focused on results and recognised by his customers, partners and colleagues for his leadership, market knowledge, reliability and for his dynamism and enthusiasm. Multilingual and diplomatic, Dieter plans and manages activities so as to maximise results in the short and long term.

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

At the time of publication of this report, some of the above-mentioned directors hold company stock options (see paragraph 26.2).

The Company’s shareholders are shown in paragraph 21.1.7.1.

17.3 Employee shareholdings

None.

XVIII - Main shareholders

18.1 Significant shareholders not represented at the Board of Directors

By letter received 8 January 2010, followed by a letter received 11 January 2010, FMR LLC (USA) reported having exceeded the threshold of 5% of the capital of the Company, holding 484,686 shares in Sword Group representing as many voting rights or 5.22% of capital and 4.45% of the Company's voting rights.

By letter received 22 January 2010, followed by a letter received 26 January 2010, Schroders Investment Management Limited (UK) reported having fallen below, on 20 January 2010, the threshold of 5% of the capital of the Company, holding 418,318 shares in the Sword Group representing as many voting rights or 4.50% of capital and 3.84% of the Company's voting rights.

By letter received 21 December 2010, FMR LLC (USA) reported having exceeded, on 16 December 2010, the threshold of 10% of the capital of the Company, holding 934,565 shares in the Sword Group representing as many voting rights or 10.06% of capital and 8.72% of the Company's voting rights.

This crossing of threshold came about as a result of the acquisition of shares in Sword Group SE on the stock market. That same letter expressed the following intention:

"The acquisition of securities in Sword Group by FMR LLC is part of its normal portfolio management business conducted without intent to implement a particular strategy with respect to Sword Group nor to exercise, as such, a specific influence on the management of the latter. FMR LLC is not acting in concert with a third party and does not intend to take control of Sword Group nor to request its appointment or that of one or several individuals as board members, management board members or supervisory board members. "

By letter dated 15 April 2011, FMR LLC (USA) reported having exceeded the threshold of 10% of the Company's voting rights and holding 10.74% of voting rights. FMR LLC owns at 15/04/2011, 1,151,565 shares in Sword Group representing as many voting rights or 12.40% of capital and 10.74% of the Company's voting rights. The same aforementioned statement of intention was also repeated.

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

At 31 December 2010, the members of the Board of Directors (Nicolas Mottard, Jacques Mottard– including the holding of Sémaphore Investissements - Françoise Fillot) hold jointly 19.30% of the capital and 28.3% of the voting rights.

Crossing of shareholding thresholds by Mr Mottard and Sémaphore Investissements

By letter received on 23 December 2010, the Luxembourg limited liability company Financière Semaphore, controlled by Mr Jacques Mottard, reported having exceeded, on 23 December 2010, indirectly through the joint stock company Sémaphore Investissements under its control, the thresholds of 5%, 10%, 15% of share capital and voting rights, 20% and 25% of the voting rights of Sword Group and holding indirectly, through Sémaphore Investissements, 1,706,280 shares representing 2,681,105 voting rights, or 18.37% of the capital and 26.69% of the Company's voting rights.

This crossing of thresholds results from the contribution to the benefit of Financière Sémaphore all of the shares held by Mr Jacques Mottard and his children in the capital of the company Sémaphore Investissements, which directly holds 18.36% shares and 26.68% of Sword Group's voting rights.

Mr Jacques Mottard and Sémaphore Investissements have not crossed any threshold in Sword Group.

That same letter expressed the following intention:

"Pursuant to Article L.233-7 paragraph VII of the Commercial Code and Article L._-17 of the AMF General Regulations, Mr Jacques Mottard, acting alone without action in concert with a third party and without implementing any particular strategy with respect to Sword Group, stated that the companies Financière Sémaphore and Sémaphore Investissements do not intend to increase their interests in Sword Group through an acquisition. It is therefore not the intention of Sémaphore Investissements or Financière Sémaphore to gain control of Sword Group, nor to apply for a seat on the Company's Board of Directors, nor to take part in its management, insofar as Mr Jacques Mottard, Chairman of Sémaphore Investissements and Manager of Financière Sémaphore is also the Executive Chairman of Sword Group. Mr Jacques Mottard said that he does not envisage any of the operations listed in Article L.223-17 I 6 of the AMF General Regulations and that he has not entered into any temporary disposal agreements regarding shares or voting rights in Sword Group.

The transaction that resulted in the upward crossing of the thresholds (described above) is a pure personal assets management transaction, initiated by Mr Jacques Mottard. Prior to this contribution, Mr Jacques Mottard already owned more than 15% of capital and more than 25% of the voting rights in Sword Group through Sémaphore Investissements. This is therefore only a reclassification of securities. "

18.2 Voting rights of main shareholders

See paragraph 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 - Related-party transactions

Related-party transactions are described in paragraph 7.3 of this document and in Note 24 of the Appendix to consolidated financial statements.

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

20.1 Corporate accounts at 31 December 2010

Income statement at 31 December 2010

€'000	31/12/2010	31/12/2009
Turnover	2,816	3,691
Capitalised production		
Other income	1	0
OPERATING INCOME	**2,818**	**3,691**
Purchased consumables		
Other purchases and external charges	3,335	4,586
Taxes and duties	47	48
Personnel expenses	178	214
Depreciation and provisions charges	8	-97
Other operating expenses	150	100
OPERATING EXPENSES	**3,717**	**4,852**
OPERATING PROFIT (LOSS)	**-899**	**-1,161**
FINANCIAL EARNINGS	**-1,882**	**1,740**
CURRENT EARNINGS BEFORE CORPORATE INCOME TAX	**-2,781**	**580**
EXTRAORDINARY EARNINGS	**762**	**3,115**
Corporation tax	3	
NET EARNINGS	**-2,022**	**3,694**

Balance sheet at 31 December 2010

Assets

€'000	31/12/2010			31/12/2009
	Gross	Depreciation provisions	Net	Net
FIXED ASSETS				
Intangible fixed assets	10		10	10
Tangible fixed assets	25	15	10	12
Financial fixed assets	114,115	1,859	112,255	100,925
TOTAL FIXED ASSETS	**114,149**	**1,874**	**112,275**	**100,948**
SHORT-TERM ASSETS				
Clients and apportioned accounts	15		15	11
Other receivables and accruals	195,319		195,319	187,494
Other marketable securities			0	0
Bank and cash	2,198		2,198	9,764
TOTAL CURRENT ASSETS	**197,532**	**0**	**197,532**	**197,269**
GRAND TOTAL	**311,681**	**1,874**	**309,807**	**298,217**

Balance sheet at 31 December 2010

Liabilities

€'000	**31/12/2010**	**31/12/2009**
Share capital	9,290	9,290
Additional paid-in capital	100,909	100,909
Legal reserve	929	929
Other reserves	1,734	1,734
Retained earnings	26,141	28,497
Net income	-2,022	3,694
SHAREHOLDERS' EQUITY	**136,981**	**145,053**
Other shareholders' equity		
TOTAL INVESTED CAPITAL	**136,981**	**145,053**
Provisions for risks and charges		
Financial debt	112,759	111,049
CREDITORS		
Suppliers and apportioned accounts	446	1,288
Other accounts receivable and accruals	59,621	40,827
TOTAL CURRENT LIABILITIES	**172,826**	**153,164**
GRAND TOTAL	**309,807**	**298,217**

20.2 Appendix to the company balance sheet and income statement of Sword Group SE at 31 December 2010

This is the appendix to the balance sheet prior to the breakdown of the financial year ending 31 December 2010, which totals €309,806,998.93 and to the financial statement for the financial year, presented in the form of a list, which shows a loss of €2,021,871.18.

The financial year lasts 12 months and covers the period from 01/01/2010 to 31/12/2010.

Sword Group's activity is exclusively devoted to:
- the management of the Sword Group's interests
- making central services available to subsidiaries (general, financial, commercial and strategic management) through an agreement to provide management services.

NOTE 1: KEY HIGHLIGHTS FOR THE PERIOD

Holdings

- In 2010, Sword Group redeemed 44,940 shares in its subsidiary Sword SOFT Ltd from minority shareholders for €9,039k, thereby bringing its interests in that company from 92.87% to 97.11%.
- As at 7 July 2010, Sword SOL, a company 100% held by Sword Group, was set up. Sword Group's interests in Sword SOL stand at €12.5k.
- As at 11 October 2010, Sword Group acquired 19% of the shares in Guangzhou, a Chinese company, for €3,000k.

NOTE 2: EVENTS SUBSEQUENT TO YEAR END

The Board of Directors of Sword Group SE, in its session of 29 March 2011, using the authorisation granted by the Extraordinary General Meeting of 30 January 2009, awarded 48,000 share subscription options to certain employees of the Group.
In accordance with the provisions of Article L. 232-1 of the Commercial Code, we inform you that, except as stated 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.

NOTE 3: 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.

3.1. Intangible fixed assets

The intangible fixed assets concern the trademark Sword purchased earlier.

3.2. Tangible fixed assets

Fixed assets are valued at their acquisition cost (purchasing price plus auxiliary fees).

Depreciation provisions are calculated on a straight-line basis, based on the expected useful life.
- Videoconference equipment 3 years
- Computer hardware 3 years

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

3.3. Financial fixed assets

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

3.4. 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 31 December 2010 at the closing rate.

3.5. Own shares

As at 31 December 2010, Sword Group held no own shares.

3.6. Provisions for risks and charges

As per the provisions of the CRC 2000-06 regulations, a provision is recorded when the company has a commitment whose amount can be estimated in a reliable manner, and of which it is certain or likely that it will cause a disbursement of cash to the benefit of the third party, with no counterpart at least equivalent being expected from the latter.

3.7. 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.

NOTE 4: INCOME STATEMENT

4.1 Payroll expenses

Payroll expenses stand at €177,499 and break down as follows:

(in €)	***31/12/10 (12 months)***	***31/12/09 (12 months)***
Gross wages	123,531	154,921
Social contributions	53,968	58,786
Stakes and interests		
Total	***177,499***	***213,707***

Head count:

	31/12/10 (12 months)	31/12/09 (12 months)
Executives	1	2
Non-executive		
Total	***1***	***2***

4.2. Net reserve allocations for operational depreciation and provisions

(in €)	31/12/10 (12 months)	31/12/09 (12 months)
Net reserve allocation for tangible and intangible fixed assets	7,711	16,277
Reserve allocation for accounts receivable		
Reserve allocation for other provisions for risks and expenses		
Total	***7,711***	***16,277***

4.3. Breakdown of expenses and income for related companies

(in €)	Operating expenses	Revenues from operations
Total	3,716,810	2,817,646
Of which related companies	937,579	2,788,257

(in €)	Financing costs	Financial revenues
Total	9,707,850	7,826,193
Of which related companies	1,921,515	4,802,115

4.4. Financial result

(in €)	31/12/10 (12 months)	31/12/09 (12 months)
Financial allocations for depreciation and provisions	10,816	52,587
Interest on current accounts	1,921,517	1,435,536
Bank interest	3,321,712	3,527,818
Mali on own shares		
Negative exchange rate differences	4,453,805	3,249,611
Forgiveness of current accounts		
Other financial expenses		
Total net financial costs	***9,707,850***	***8,265,552***
Reversal of financial allocations for depreciation and provisions	5,967	-
Financial revenue from equity interests	-	2,861,810
Revenue from marketable securities	626	9,462
Interest on current accounts	4,802,117	4,090,083
Bonuses on own shares		
Exchange rate differences	3,012,140	2,879,313
Other financial items (SWAP)	5,343	165,334
Total financial items	***7,826,193***	***10,006,002***
Financial result	***-1,881,657***	***1,740,450***

4.5. Extraordinary profit

Extraordinary profit can be broken down as follows:

(in €)	*31/12/10 (12 months)*	*31/12/09 (12 months)*
Net profit from sale of own shares	761,779	
Net profit from sale of assets		3,162,815
Other expenses or extraordinary earnings		(48,205)
Extraordinary profit	**761,779**	**3,114,610**

4.6. Gross cash flow margin

(in €)	*31/12/10 (12 months)*	*31/12/09 (12 months)*
Earnings	-2,021,871	3,694,122
Depreciation	7,711	16,277
Provisions	4,848	(60,413)
Gross cash flow margin	***-2,009,312***	***3,649,986***
Disposal of assets	-	3,162,815
Operating cash flow	***-2,009,312***	***487,171***

4.7. Income tax breakdown

(in €)	Before tax	Corresponding tax	After tax
Current profit	-2,780,820		-2,783,820
Extraordinary profit	761,779	2,830	758,949
Employee profit-sharing	-		
Accounting profit	-2,019,041	2,830	-2,021,871

4.8. Reductions of future tax debt

(in €)	Amount
Reduction of future debt	
- Uncertain, non-deductible provision for risks	
- Non-deductible provision the year of their posting	
- Organic	1,715
- Underlying appreciation of marketable securities	
- Deferrable losses	1,252,002
Total reduction of future debt	***1,253,717***

There is no growth in future tax debt to note.

NOTE 5: INTANGIBLE FIXED ASSETS

5.1. Item details

(in €)	31/12/2009		
	Gross values	**Depreciation**	**Net values**
Trademarks and patents	10,000	-	10,000
Total	**10,000**	**-**	**10,000**

(in €)	31/12/2010		
	Gross values	Depreciation	Net values
Trademarks and patents	10,000		10,000
Total	**10,000**		**10,000**

5.2. Movements for the period

(in €)	01/01/10	Acquisitions	Disposals	Reclassification	31/12/10
Trademarks and patents					
Gross values Depreciation Net	**10,000** **-** **10,000**				**10,000** **-** **10,000**
Total	**10,000**				**10,000**

NOTE 6: TANGIBLE FIXED ASSETS

6.1. Item details

(in €)	31/12/2009		
	Gross values	Depreciation	Net values
Transport equipment	19,294	7,074	12,220
Total	**19,294**	**7,074**	**12,220**

(in €)	31/12/2010		
	Gross values	Depreciation	Net values
Equipment and tools	19,294	12,952	6,342
Computer hardware	5,500	1,833	3,667
Total	**24,794**	**14,785**	**10,009**

6.2. Movements for the period

(in €)	01/01/10	Acquisitions	Disposals	Reclassification	31/12/10
Equipment and tools					
Gross values Depreciation Net	19,294 (7,074)	5,500 (7,711)			24,794 (14,785)
Total	**12,220**	**(2,211)**			**10,009**

NOTE 7: FINANCIAL ASSETS

7.1. Item details

(in €)	31/12/09		
	Gross value	***Provisions***	***Net***
Equity holdings	101,891,153	1,854,395	100,036,758
Deposits and sureties	158,467		158,467
Other financial fixed assets	730,174		730,174
Total	**102,779,794**	**1,854,395**	**100,925,399**

(in €)	31/12/10		
	Gross value	***Provisions***	***Net***
Equity holdings	113,943,174	1,859,243	112,083,931
Deposits and sureties	171,385		171,385
Other financial fixed assets			
Total	**114,114,559**	**1,859,243**	**112,255,316**

Financial fixed assets mainly consist of equity interests.

7.2. Movements for the period

(in €)	01/01/10	Acquisitions	Disposals	31/12/10
Equity holdings				
Gross values	101,891,153	12,052,021		113,943,174
Provisions	(1,854,395)	(4,848)		(1,859,243)
Net	100,036,758	12,047,173		112,083,931
Deposits				
Gross values	158,467	12,918		171,385
Provisions				
Net	158,467	12,918		171,385
Other financial fixed assets				
Gross values	730,174		(730,174)	-
Provisions				
Net	730,174		(730,174)	-
Total	**100,925,399**	**12,060,091**	**(730,174)**	**112,255,316**

Acquisitions of equity interests over the financial year relate to:

- The acquisition of minority shares in Sword SOFT for €9,039k,
- Participation in the inception of Sword SOL for 100 % of the shares created, for an amount of €12.5k.
- Purchase of 19% of the equity of Guangzhou, for €3,000k.

NOTE 8: OPERATING ACCOUNTS RECEIVABLE

Item details

(in €)	31/12/09		
	Gross values	Provisions	Net values
Trade and operating receivables	11,008		11,008
Other debtors	187,449,967		187,449,967
Deferred charges	45,196		45,196
Total	**187,506,171**		**187,506,171**
Of which related companies			
Trade and operating receivables	10,936		10,936
Other debtors	186,463,508		186,463,508
Deferred charges			
Total	**186,474,444**		**186,474,444**

(in €)	31/12/10		
	Gross values	Provisions	Net values
Trade and operating receivables	14,625		14,625
Other debtors	195,291,123		195,291,123
Deferred charges	28,095		28,095
Total	**195,333,843**		**195,333,843**
Of which related companies			
Trade and operating receivables	14,625		14,625
Other debtors	194,728,159		194,728,159
Deferred charges			
Total	**194,742,784**		**194,742,784**

Other receivables are made up mainly of amounts left on current accounts to the benefit of the Group's subsidiaries. Their amount increases mainly because of Graham Land, an indirect subsidiary of Sword Group, which has repaid its loan. These claims are due within less than one year, except for the frozen current accounts (€299,953 within more than 5 years).

NOTE 9: SHAREHOLDERS' EQUITY

(in €'000)	01/01/2010	Earnings appropriation	Profit for the period	Dividends paid	31/12/2010
Share capital	9,290				9,290
Paid-in cash	100,909				100,909
Legal reserve	929				929
Other reserves	1,734				1,734
Retained earnings	28,497	3,694		(6,050)	26,141
Earnings	3,694	(3,694)	(2,022)		(2,022)
Total	**145,053**	**-**	**(2,022)**	**(6,050)**	**136,981**

Issued capital and securities giving access to the capital

- ***Issued 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 30 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.

At 31 December 2001, pursuant to the exercise of 33,568 stock warrants held by J. Mottard, share capital was increased again, this time by €168,000.
At 31 December 2001, share capital totalled €3,620,310, divided into 724,062 shares with a face value of €5.

At 27 February 2002, after the company 21 CENTRALE PARTNERS exercised 123,072 of its stock warrants, share capital was increased by €615,000.

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

On 20 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 21 January 2004 sub-delegated to the Chairman all powers granted by the aforementioned meeting.
On 26 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 equity warrants (ABSAs) to be issued as part of the capital increase of Sword Group.
The Board of Directors held 26 April 2004 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.
At 31 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.

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 equity warrants had been exercised by 31 December 2005 and recorded in the accounts of 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.

At 31 December 2005, capital stock 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.

At 31 December 2005, capital stock totalled €7,636,840, divided into 7,636,840 shares with a face value of €1.

On 6 April 2007 the Board of Directors noted a capital increase with the issue of 1,653,125 new shares, involving an increase in capital of €1,653,000 and an increase in the issue premium of €62,001,000.

At 31 December 2010, capital stock totalled €9,289,965, divided into 9,289,965 shares with a face value of €1.

Stocks options

Plan Nr.1

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.
At 31 December 2008, the number of exercisable options stood at 51,000.
Insofar as the beneficiaries of the share subscription options are of various nationalities, three share subscription plans are established:

Exercising 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 plans: 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.

At year end, that is 31 December 2010, no option had been exercised. The limitation period being complete, these plans are obsolete

Plan Nr.2

As at 30 January 2009, the Extraordinary General Meeting of Sword Group permitted the Board of Directors to grant options entitling their holders to subscribe up to 150,000 Sword Group shares. This authorisation has been granted for 38 months. As at 30 January 2009, the Board of Directors used the permission that was given and granted 150,000 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 at €10.60. The option allocation plan was closed 30 January 2009.
At 31 December 2010, the number of exercisable options stood at 40,000.

Insofar as the beneficiaries of the share subscription options are of various nationalities, three share subscription plans are established:

Exercising 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 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.
- 2nd and 3rd plans: 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.

At year end, that is 31 December 2010, no option had been exercised.

NOTE 10: NET DEBT

10.1. Item breakdown by type

(in €)	31/12/10	31/12/09
Other long- and medium-term borrowings	112,250,000	110,500,000
Other financial creditors	58,058,690	40,793,124
Current banking facilities	508,593	553,833
Total gross debt	***170,817,283***	***151,846,957***
Financial current accounts (debit side)		
Marketable securities	-	-
Cash and cash equivalents	2,197,831	10,498,999
Total net debt	***168,619,452***	***141,347,958***

The main loans have been taken out at an interest rate of euribor + 1.

Cover through paying SWAP at a fixed rate of 3.95% (excluding bank margin) was set up as at 1 November 2008 for a period of 48 months and an amount of €20m. This cover was subject to an addendum dated 2 January 2009 and its new maturity is 2 April 2012.

A second cover through paying SWAP at a fixed rate of 4.37% (excluding bank margin) was set up as at 1 November 2008 for a period of 48 months and an amount of €30m. This cover was also subject to an addendum dated 2 January 2009 and its new maturity is 2 April 2012.

Cover through paying SWAP at a fixed rate of 1.71% (excluding bank margin) was set up as at 6 August 2009 for a period of 24 months and an amount of €15m.

Other loans mainly consist of drawing rights and promissory notes from financial institutions. Other debts are mainly comprised of current accounts with related parties.

Sword Group promises to maintain, in accordance with the covenant clauses:

- Net consolidated debt / consolidated EBITDA less than 3.5 or 3, depending on the agreement,
- Net consolidated 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 €112,250,000 as at 31 December 2010.

At 31 December 2010, Sword Group complied with such covenants.

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

(in €)	**31/12/10**	**31/12/09**
Maturity date		
< 1 year	14,250,000	5,250,000
1 year < X > 5 years	98,000,000	101,250,000
> 5 years		4,000,000
Total	***112,250,000***	***110,500,000***

Other debts and current banking facilities are due within less than one year.

NOTE 11: OPERATING DEBTS

(in €)	**31/12/10**	**31/12/09**
Advance payments received		
Suppliers and other operating creditors	446,438	1,288,465
Income tax and social security liabilities	24,963	28,762
Non-current assets related borrowings		
Other creditors	1,537,243	5,527
Deferred revenues		
Total	**2,008,644**	**1,322,754**
Of which related companies		
Advance payments received		
Suppliers and other operating creditors		
Income tax and social security liabilities		
Non-current assets related borrowings		
Other creditors		
Deferred revenues		
Total	**-**	**-**

Operating debts are due within less than one year.

NOTE 12: ACCRUALS

(in €)	**31/12/10**	**31/12/09**
Clients and apportioned accounts		
Other debtors	-	46,990
Total	**-**	**46,990**

(in €)	31/12/10	31/12/09
Loans and debts from credit organisations	508,456	552,444
Suppliers and other operating creditors	251,018	410,770
Income tax and social security liabilities	5,615	7,233
Non-current assets related borrowings	-	-
Other creditors	-	-
Deferred revenues	-	-
Total	**765,089**	**970,447**

NOTE 13: OFF-BALANCE SHEET COMMITMENTS

Details by type

(€'000)	31/12/10	31/12/09
Financial guarantees offered		
Sureties on future rents		
Other sureties	6,040 (1)	8,950 (1)
Guarantees on foreign contracts		
Guarantee on foreign payment		
Commitments received		
Sureties received		
Other commitments received	2,100 (2)	2,100 (2)

(1) Sureties concern bank balances of €1,900K for Sword Technologies, unused at 31 December 2010, and a bank loan taken out by Sword Technologies for €8m, of which €4,140k had been used at 31 December 2010.

(2) Sword Group received a commitment regarding the forgiveness of a current account with Sword Technologies with claw-back provisions for €2.1m.

Besides, Sword Group has given its guarantee for the proper performance of the commitments and obligations subscribed by Apak Group Ltd in the context of the signing of selling contracts with Daimler Financial services AG.

NOTE 14: REMUNERATION OF MANAGERS AND DIRECTORS

The members (1 person) of the management and operations committees together received during the 2010 financial year a gross remuneration of €124,000. The directors' fees paid to members of the Board come out to €150,000.

NOTE 15: OTHER INFORMATION

Sword Group, as the head of the group, draws up the consolidated statements. As for itself, it is not consolidated into a larger group, through full consolidation.

NOTE 16: LIST OF SUBSIDIARIES AND HOLDINGS

(in €)	Share Capital In €	Shareholders' equity excluding the issued capital In €	Share of capital held, in percentage	Value of the securities Gross In €	Value of the securities Net In €	Advance loan granted by the company and not yet paid back In €	Turnover In €	Profit for last period ended In €	Dividends cashed In €	Comments Year end
1 - Subsidiaries (over 50% of equity held)										
Sword Inc 230 Park Avenue Suite 1000 NEW YORK – NY 10169 – USA	792	1,235,008	100	5,536,322	5,536,322	1,593,113	6,213,867	1,371,851	NONE	31/12
Sword Creation Informatique PO BOX 9518 Pretoria 0001 – South Africa	12	77,446	100	106,714	106,714	-	0	14,190	NONE	31/12
Sword UK 1000 Great West Road Brentford Middlesex TW8 9DW	53,554,831	68,974	100	73,935,438	73,935,438	-	-	-	NONE	31/12
Sword Services Avenue des Baumettes 19, CH Renens / Lausanne	1,281,476	9,821,665	100	10,892,810	10,892,810	-	15,455,264	4,899,759	NONE	31/12

(in €)	Share Capital In €	Shareholders' equity excluding the issued capital In €	Share of capital held, in percentage	Value of the securities Gross In €	Value of the securities Net In €	Advance loan granted by the company and not yet paid back In €	Turnover In €	Profit for last period ended In €	Dividends cashed In €	Comments Year end
FI System Belgium 270 Avenue de Tervueren B-1150 Brussels	6,064,000	(3,588,594)	100	3,000,000	3,000,000	6,447,550	0	(241,870)	NONE	31/12
Sword Soft 1000 Great West Road Brentford Middlesex TW8 9DW	106,000	12,619,190	97.11	13,227,812	13,227,812	139,766,563	0	5,699,439	NONE	31/12
Sword DDS 9 Avenue Charles de Gaulle 69370 ST DIDIER AU MONT D'OR	40,000	14,133	100	618,295	54,316		0	(1,186)	NONE	31/12
Sword SOL 105 Route Arlon L8009 Strassen	12,500	(967)	100	12,500	12,500		0	(967)	NONE	31/12
<u>2 - Interests held (10% to 50% of equity held)</u>										
SIMALAYA			10	1,173,365	1,173,365		1,135,352	(7,821)	NONE	31/12
MIDDLESOFT	324,000	114,164	15	369,240	369,240				NONE	31/12
LOG & PI CONSULTING			12	135,113	135,113		702,619	118,852	NONE	31/12
GUANGZHOU			12	3,000,000	3,000,000					

	Share Capital In €	Shareholders' equity excluding the issued capital In €	Share of capital held, in percentage	Value of the securities Gross In €	Value of the securities Net In €	Advance loan granted by the company and not yet paid back In €	Turnover In €	Profit for last period ended In €	Dividends cashed In €	Comments Year end
<u>3 – General information about other subsidiaries and interests (less than 10% of equity held)</u>										
SBT			3.06	322,589	73,100				NONE	31/12
LYODSSOFT			9	1,045,776	0				NONE	31/12

20.3 Pro-forma financial information

None.

20.4 Consolidated financial statement 2010

Consolidated income statement at 31 December 2010

€'000	Annex note	31/12/2010	31/12/2009
Turnover	**6**	**185,323**	**180,603**
Purchased consumables		-5,385	-11,350
Other purchases and external charges		-53,011	-51,019
Taxes and duties		-1,822	-1,218
Wages and social contributions	**7.1**	-88,793	-82,055
Depreciation and provisions charges	**7.2**	-2,557	-2,259
Other operating income and expenses	**7.4**	249	-670
EBIT		**34,005**	**32,031**
Earnings on disposals and impairment of assets	**7.5**	-86	4,554
Other non-current operating income and expenses	**7.6**	-314	-316
Operating profit		**33,605**	**36,270**
Income from cash and cash equivalents	**7.7**	1	9
Financial expenses	**7.8**	-2,084	-2,667
Net interest expenses		**-2,084**	**-2,657**
Other financial income and expenses	**7.9**	2,138	-3,933
Pre-tax earnings		**33,660**	**29,680**
Corporation tax	**7.10**	-10,425	-7,645
Total net consolidated profit		**23,235**	**22,035**
Of which Group share		23,230	21,724
Of which minority interests		5	311

Earnings per share	**7.11**	2.50	2.37
Diluted earnings per share	**7.11**	2.48	2.37

Total profit/loss statement at 31 December 2010

€'000	31/12/2010	31/12/2009
Total net consolidated profit	**23,235**	**22,035**
Other components of total profit/loss		
• Foreign currency translation gains and losses in the subsidiaries' financial statements		
- Foreign currency translation in the subsidiaries' financial statements	8,421	27,968
- Reclassification adjustments on foreign currency translation gains and losses in the subsidiaries' financial statements	-	-
- Tax on foreign currency translation gains and losses in the subsidiaries' financial statements	-	-
• Gains and losses relative to the revaluation of financial assets held for sale		
- Gains and losses relative to the revaluation of financial assets held for sale	-5	1,238
- Reclassification adjustments on gains and losses relative to the revaluation of financial assets held for sale	-	-
- Tax on gains and losses relative to the revaluation of financial assets held for sale	-	-
• The effective portion of gains and losses on cash flow hedging instruments		
- The effective portion of gains and losses on cash flow hedging instruments	900	-624
- Reclassification adjustments on the effective portion of gains and losses on cash flow hedging instruments	-	-
- Tax on the effective portion of gains and losses on cash flow hedging instruments	-316	417
Share of other components of total profit/loss of related companies	-	-
Overall total profit/loss	**32,236**	**51,034**
Of which Group share	32,029	49,431
Of which minority interests	207	1,603

Consolidated balance sheet at 31 December 2010
Assets

€'000	Annex note	31/12/2010		31/12/2009
		Gross	Net	Net
NON CURRENT ASSETS				
Goodwill	**8**	187,347	187,347	181,389
Other intangible fixed assets	**9**	9,452	7,276	2,956
Tangible fixed assets	**10**	29,268	6,638	5,569
Long-term investments	**11.1**	7,676	7,676	837
Securities held for sale	**11.2**	15,631	14,335	11,300
Other long-term assets	**11.1**	3,337	3,337	4,415
Deferred tax assets		1,438	1,438	884
TOTAL OTHER LONG-TERM FINANCIAL ASSETS		**254,149**	**228,047**	**207,351**
SHORT-TERM ASSETS				
Assets held for sale	**14**	10,841	7,170	7,051
Clients and apportioned accounts	**12**	71,245	69,859	70,832
Other current assets	**13**	22,311	22,307	18,563
Cash and cash equivalents	**15**	28,051	28,020	41,431
TOTAL CURRENT ASSETS		**132,448**	**127,356**	**137,876**
TOTAL ASSETS		**386,597**	**355,403**	**345,227**

Consolidated balance sheet at 31 December 2010
Liabilities

€'000	Annex note	31/12/2010	31/12/2009
CONSOLIDATED SHAREHOLDERS' EQUITY			
Share capital	**16**	9,290	9,290
Additional paid-in capital	**16**	100,909	100,909
Reserves - Group's share	**16**	24,853	14,607
Group's share of net profit		**23,230**	**21,724**
GROUP'S SHARE OF EQUITY		**158,281**	**146,530**
Minority interests		3,051	1,570
TOTAL CONSOLIDATED SHAREHOLDERS' EQUITY		**161,332**	**148,101**
NON CURRENT LIABILITIES			
Retirement provision	**17**	184	135
Other non-current provisions	**17**	179	117
Long-term financial debt	**15**	106,088	114,951
Earnout due			
Other long term liabilities		1,816	886
TOTAL NON-CURRENT LIABILITIES		**108,267**	**116,090**
CURRENT LIABILITIES			
Liabilities held for sale	**14**	2,440	7,812
Current provisions			
Suppliers and apportioned accounts	**18**	15,634	19,343
Income tax due	**19**	10,431	8,581
Other current liabilities	**19**	40,757	37,823
Short-term financial debt	**15**	16,542	7,479
TOTAL CURRENT LIABILITIES		**85,803**	**81,037**
TOTAL LIABILITIES		**355,403**	**345,227**

Change in consolidated shareholders' equity at 31 December 2010

€'000	Share capital	Share premium	Consolidated reserves	Own shares	Profit for the period	Conversion reserves	Total shareholders' equity - Group's share	Total shareholders' equity - Minority interests	Total shareholders' equity
Balance at close of accounts 31/12/2008	**9,290**	**100,909**	**40,308**	**634**	**20,979**	**-47,868**	**124,252**	**305**	**124,556**
- Total profit/loss for the period									
. Net income					21,724		21,724	311	22,035
. Translation gains and losses						26,768	26,768	1,200	27,968
. Financial assets held for sale			1,146				1,146	92	1,238
. Cash flow hedging instruments			-207				-207		-207
- Own share transactions				-730			-730		-730
- Payment in shares							0		0
- Stock option transactions			224				224		224
- Earnings appropriation			20,979		-20,979		0		0
- Dividends paid by the parent			-5,549				-5,549		-5,549
- Change in consolidation scope and miscellaneous			-28,292			7,195	-21,097	-338	-21,435
Balance at close of accounts 31/12/2009	**9,290**	**100,909**	**28,609**	**-96**	**21,724**	**-13,905**	**146,531**	**1,570**	**148,100**
- Total profit/loss for the period							0		
. Net income					23,230		23,230	5	23,235
. Translation gains and losses						8,220	8,220	202	8,421
. Financial assets held for sale			-5				-5		-5
. Cash flow hedging instruments			584				584		584
- Own share transactions				1,238			1,238		1,238
- Payment in shares							0		0
- Stock option transactions			-62				-62		-62
- Earnings appropriation			21,724		-21,724		0		0
- Dividends paid by the parent			-6,050				-6,050		-6,050
- Change in consolidation scope and miscellaneous			-11,747				-11,747	-491	-12,238
- Adjustments on previous losses			-1,738				-1,738	-154	-1,892
- Reclassification of minority interests / group			-1,919				-1,919	1,919	0
Balance at close of accounts 31/12/2010	**9,290**	**100,909**	**29,396**	**1,142**	**23,229**	**-5,686**	**158,281**	**3,051**	**161,332**

Expenses and income directly recorded as reserves (changes in translation differentials, capital gains on the disposal of treasury shares and revaluation of securities held for sale) stood at: €503,000 in 2010 and €1,031,000 in 2009.

Cash flow statement at 31 December 2010

(in €'000)	Annex note	31/12/2010	31/12/2009
Cash flows from operating activities			
Total net consolidated profit		**23,235**	**22,035**
Expense (income) with no impact on cash			
• Depreciation allowance		3,113	2,807
• Other provision allowance / reversals		110	106
• Capital gains or loss on the disposal of non current assets		86	-9
• Compensation paid in shares		-62	225
Net interest expenses		2,084	2,657
Taxes and duties (due and deferred)	**7.10**	10,425	7,645
CASH FLOW		**38,990**	**35,467**
Tax Company payed		-8,442	-7,796
Interest paid		-2,084	-2,679
Change in working capital requirements.	**22**	-2,188	-9,438
OPERATING CASH FLOWS		**26,276**	**15,553**
Investment operations			
Disbursement on acquisitions			
• intangible fixed assets		-4,790	-2,198
• tangible fixed assets		-3,347	-2,062
• financial assets		-12,760	-11,476
Income from disposals			
• intangible fixed assets		0	1
• tangible fixed assets		58	189
• financial assets		601	2,024
Impact of changes in consolidation scope	**22**	-8,602	7,711
NET CASH FLOW ON INVESTMENTS		**-28,839**	**-5,811**
NET OPERATING CASH FLOW AFTER INVESTMENTS		**-2,563**	**9,742**
Income from financial transactions			
Dividends paid by the parent company		-6,050	-5,551
Dividends paid to minority interests		-5	0
Net funds received by:		0	0
• Capital and additional paid-in capital increase		0	0
• Subscription of the long-term loan		17,211	17,945
Redemption / disposal of own shares		0	0
Long-term debt reimbursement		-22,700	-2,375
TOTAL FINANCING CASH FLOWS		**-11,544**	**10,019**
TOTAL CASH FLOWS		**-14,108**	**19,761**
Net cash at year-end (A)		27,109	41,261
Opening cash position (B)		41,261	18,175
Impact of the change in currency prices		44	-3,324
Change in cash (B)-(A)		**-14,108**	**19,761**
Cash and cash equivalents		28,047	42,228
Creditor banking facilities		-938	-967
Net cash [(1)]		27,109	41,261

[(1)] Off which Graham Land and Estates classified in accordance with IFRS 5 for €630,000 at 31/12/2009 and €353,000 at 31/12/2010.

20.5 Appendix to the consolidated balance sheet and income statement at 31 December 2008

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 2010. The consolidated financial statements were approved by the Board of Directors on 4 March 2011.
These accounts will only be finalised following approval by the Shareholders' General Meeting on 17 May 2011.

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:

- In June 2010, Sword SOL (SARL, with capital of €12.5k), a Luxembourg-based company, was set up. It is wholly-owned by Sword Group SE.
- Sword Group SE redeemed the minority interests of Sword SOFT, a consolidated company, for €9,039k.
- Sword Soft redeemed the minority interests of FircoSoft, a consolidated company, for €3,726k.
- In November 2010, Sword IF (SA, with capital of CHF400k), a Switzerland-based company, was set up. It is 57% owned by Sword Services.
- On 11 October 2010, Sword Group SE acquired 19% of the capital of China's Guangzhou Si Wo Ruanjian Keji Komp. Ltd.

The impact of changes in the consolidation scope on the 2010 accounts is provided in Note 3.

1.2. Events subsequent to year-end

In January 2011, part of the UK subsidiaries were restructured. This can be summarised as follows:
- the business of CTSpace UK (assets and liabilities) was transferred by Sword UK to a new company set up for that purpose, namely CTSpace Ltd, which is a subsidiary of Sword Soft Ltd,
- the ECM, ABS and HLD business (assets and liabilities) of Sword UK was transferred to a new company set up for that purpose, namely Sword Technology Solutions Ltd, which is a subsidiary of Sword Soft Ltd,
- Sword UK changed its corporate identity to become Sword Insurance Europe Ltd.

The Board of Directors of Sword Group SE, in its session of 29 March 2011, using the authorisation granted by the Extraordinary General Meeting of 30 January 2009, awarded 48,000 share subscription options to certain employees of the Group.
In accordance with the provisions of Article L. 232-1 of the Commercial Code, we inform you that, except as stated 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.

NOTE 2: ACCOUNTING METHODS

2.1. Accounting standard

As per European Regulation n° 1606/2002 of 19 July 2002 regarding international accounting standards, the consolidated accounts of Sword Group at 31 December 2009 and the comparative accounts for financial 2009 were established by applying the IFRS (International Financial Reporting Standards) standards, as adopted by the European Union. The standards and interpretations applied are those published in the OJEU (Official Journal of the European Communities) before 31 December 2010, whose implementation was mandatory on that date.

These standards are available on the website of the European Union, at (http://ec.europa.eu/internal_market/accounting/ias) and include the standards approved by the International Accounting Standards Board (IASB), i.e. the IFRS standards, the international accounting standards (IAS) and the interpretations from the International Financial Reporting Interpretations Committee (IFRIC) or from the Standing Interpretations Committee (SIC).

2.1.1. Standards, amendments to standards and interpretations applicable as of the financial year started 1 January 2010

The Group implemented for the first time the standards and interpretations whose enforcement was mandatory as of 1st January 2010, namely:

IAS 27 revised – Consolidated and Separate Financial Statements(applicable to the annual periods starting as of 1st July 2009);
IFRS 3 revised – Business Combinations (applicable to business combinations whose acquisition date is the first financial period starting as of 1st July 2009);

These revisions, whose implementation was prospective, had no impact on the recording of business combinations or changes in interest percentages prior to 1st January 2010, which were recorded as per the accounting principles set out in IFRS 3 and IAS 27;

Annual improvements of the IFRS standards (May 2008) – amendment to IFRS regarding the reclassification as "assets held for sale" of all the assets and liabilities of a subsidiary held for sale even if the group maintains a residual stake. This amendment applies along with IAS 27R and IFRS 3R;

Amendment to IAS 39 – Financial instruments: Recognition and Measurement "elements eligible for hedging" (applicable to annual periods beginning as of 1st July 2009);

Amendment to IFRS 2 – Share-based payments: intragroup transactions whose payment is based on shares and are settled in cash (applicable to annual periods beginning as of 1st January 2010);

Annual improvements to the IFRS standards (16 April 2009), mainly applicable to annual periods beginning as of 1st January 2010.

The impact on shareholders' equity of those changes in scope over the period resulting from the implementation of IFRS3 revised and IAS27 revised stands at €11.7m.

2.1.2. Standards and interpretations that were published but are not yet applicable

Texts adopted by the European Union at year end.
IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments(applicable to annual periods starting as of 1st July 2010);

Amendment to IAS 32 – Classification of Rights Issues (applicable to annual periods starting as of 1st February 2010);

IAS 24 revised – Related Party Disclosures (applicable to annual periods beginning as of 1st January 2011).

There was no early implementation of these new standards and interpretations within the Group, and the latter does not expect any significant impact on its financial statements.

Texts not adopted by the European Union at year end.
Subject to their final adoption by the European Union, the implementation of the standards, amendments to standards and interpretations, published by IASB and listed below, will be mandatory as of 1st January 2011 (except for the amendments to IAS 12 and IFRS 9).

The Group is currently assessing the impacts of the initial implementation of these new texts:

IFRS 9 - Financial Instruments: Classification and measurement (applicable to the annual periods starting as of 1st January 2013);

Amendment to IAS 12 – Deferred Tax: Recovery of Underlying Assets (applicable to the annual periods starting as of 1st January 2012);

Amendment to IFRS 7 "Financial Instruments": Disclosures (applicable as of 1st July 2011);

Annual improvements to the IFRS standards (6 May 2010), applicable to the Group as of 1st January 2011.

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 into "Current".

The consolidated income statement is presented by nature, in accordance with the model proposed by the CNC (National Accounting Board) in Recommendation 2009-R-03, highlighting the EBIT.

The Group uses the indirect presentation method for cash flow movements, in accordance with the format in CNC Recommendation 2009-R-03.

2.3. Consolidation methods

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.
Under the statutory agreement of Sword Soft, the earnings for the period go entirely to Sword Group. On that basis, the entire earnings (loss) are allocated to Sword Group in the breakdown between group and minority interests.

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

The list of consolidated companies is provided in Note 25.

2.4. Directors' estimates

Certain accounting principles imply that the directors have made a number of estimates regarding, in particular, three aspects:

- the determination of the revenue level recorded, according to the advancement method, regarding fixed-price contracts (cf 2.16.) (IAS 11)
- the appreciation of the ability to record certain development expenses as fixed liabilities, according to the criteria defined by IAS 38 (cf 2.10.1.)
- the assessment of goodwill.

2.5. Directors' estimates

The preparation of consolidated financial statements in accordance with IFRS rules implies that management has made a number of estimates and has 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 Appendix.
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. Segment information

An analysis of the criteria in the IFRS 8 standard 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 segment information linked to sectors of business activity, which break down as follows:

- The Solutions segment, specialising in systems integration in the field of IS content management. This activity mainly targets regulated markets and therefore works at the compliance management level.

  That department bases its strategy on software components that can be:
  - technical (for document management, geographic information systems, etc.)
  - core-business oriented (trademark and patent office management, local communities, etc.)

- The Products segment, which covers:
  - anti-money laundering software targeted at the global market.
  - GRC (Governance Risk and Compliance management) products

  This area covers purely GRC activities, document management activities, and large project management activities.
  - products that initially targeted reinsurance, and now insurance and healthcare. The initial strategy mainly targeted the UK and has now extended to continental Europe, Ireland, the US and Bermuda.
  - Asset Management products with, as their main vector, vehicle leasing companies. As for the previous activity, aside from the UK market, these products also target the markets of continental Europe and the Middle East.

  The Products segment is now divided into 2 CGUs. The first one, CGU1, concerns companies whose products are leased or sold on a SaaS model, while the second one, CGU2, concerns the product companies that market tools that can be sold off the shelf.

The Group is not organised into geographical areas (there are no regional managers or regional reporting etc).

2.7. Conversion of financial statements of foreign companies

Sword Group's consolidated financial statements are established in the currency in use in France, i.e. the euro.

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 year end, 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 prior to the transition to IFRS, 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.

Business combinations carried out as of 1st January 2010 are recorded as per the IFRS 3 revised standard, Business Combinations, and IAS 27 amended, Consolidated and Separate Financial Statements. The implementation of these revised standards is prospective.

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.

Goodwill is subject to impairment tests carried out every year, in accordance with the general principles defined in Note 2.14 as per the IAS 36 standard. Impairment cannot be taken into the income statement prior to disposal of the cash-generating unit to which the goodwill is attached.

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:

- the 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 depreciated 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 2.14.) to determine if their net book value is lower than their recoverable value. Impairment tests are carried out annually as defined in Note 2.14. 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 fixed 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, on a straight line basis for 3 years. Impairment is determined, if applicable, when the book value is higher than the recoverable value (cf. Note 2.14).

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 hardware 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 2.14).

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

The Sword Group does not own any investment properties.

2.12. Leasing contracts

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 leasing contracts are stated in assets and are amortized 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, “Non-current assets held for sale and discontinued operations”, non-current 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 signs of loss of value 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 thus tested at the CGU level, 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 breakdown of the activity between the various CGUs was revised in 2007 to better reflect the generation of independent cash flows related to the evolution of the Group's lines of business. Besides, the implementation of IFRS 8 has not put this breakdown into question.
The Products segment is now divided into 2 CGUs. The first one, CGU1, concerns companies whose products are leased or sold on a SaaS model, while the second one, CGU2, concerns the product companies that market tools that can be sold off the shelf.
The Solutions segment comprised on UGT (UGT 3), which concerns companies that specialise in the systems integration in information systems content management.

The main parameters used are summarized below:

Forecast horizon: 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 (average 10-year Euroswap: 3.5%), plus a 5.75% market risk premium for the eurozone, a beta coefficient specific to the line of business and a specific risk premium to take the size of the entities into account. The discount rates stand at 11.53% for CGU1, 10.83% for CGU2, and 11.23% for CGU3.
- The cash flow growth rate chosen beyond the budget period is at 2%.

2.15. Long-term investments

Long-term investments are made up mainly of:

- deposits and guarantees treated as assets using the cost price method (cf. Note 2.22 concerning financial instruments)
- and shares in companies over which the Group 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 sales revenue

Receivables are initially recorded at their original face value. 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 fact of the sale of software is the electronic delivery of the 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.

Related services are recorded as turnover as they are performed:

- Training services are billed once they are completed,
- Maintenance products are treated linearly on a time basis over the contract period,
- Assistance services are billed as they are performed.

Engineering and consulting services

These services are monitored by project and are recorded as turnover based 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.

Besides, in accordance with IAS 18.20, the services performed are recognised as turnover when they meet the following criteria:

- likelihood that the economic benefits granted to the transaction will go to the company,
- reliable assessment of the income,
- reliable assessment of the progression,
- reliable assessment of the costs incurred.

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 contribution 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 service 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, employee churn rate, discount rate and rate of salary increase etc). Details of the actuarial assumptions used are shown in Note 17.1.

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 change in provision 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 Appendix (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).

<u>Payments made in cash:</u>
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 payroll expenses 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 payroll expenses.

<u>Payments made in shares:</u>
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 payroll expenses 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 payroll expenses.

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.

<u>2.19. Provisions (excluding retirement commitments), contingent assets and liabilities</u>

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. Income tax

Tax due
Tax due is calculated for each entity according to the fiscal rules applying to it.
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 tax 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. Contribution Economique Territoriale (C.E.T) (a new French tax)

The finance act for 2010, voted on 30 December 2009, eliminated the "taxe professionnelle" for French fiscal entities as of 2010, and replaced it with the Contribution Economique Territoriale (C.E.T) which includes two new contributions:
- The Cotisation Foncière des Entreprises (C. F. E.) (real property tax for companies), based on the rental value of the current "Taxe Professionnelle" (professional tax);
- The Cotisation sur la Valeur Ajoutée des Entreprises (C. V. A. E.) (Contribution on corporate added value), based on the added value resulting from the corporate accounts.

At 31 December 2009, the Group recorded the "taxe professionnelle" (professional tax) as operating expenses.
Following the aforementioned fiscal change, the Group reviewed the accounting treatment of taxes in France in the light of IFRS standards, taking into account the latest analysis perspectives regarding the accounting treatment of taxes and duties, in particular those provided by IFRIC.

The Group has determined that the aforementioned fiscal change mainly consisted in replacing the professional tax by two new contributions of differing natures:

- The C.F.E., whose amount depends on the rental value of land and may, if applicable, be limited to a percentage of the added value, is quite similar to the professional tax, and will therefore be recognised in 2010 as the latter, i.e. as operating expenses;

- The C.V.A.E., which the Group analyses as a tax on profit as described in IAS 12.2 ("Income taxes"). To conduct its analysis, the Company took into consideration the decisions to reject of the topic to its agenda expressed by IFRIC in March 2006 and May 2009 on the issue of the scope of application of IAS 12 "Income taxes". IFRIC actually pointed out that, to enter the scope of application of IAS 12, a tax should be calculated on the basis of a net amount of income and expenses, and that such a net amount can differ from the net accounting profit/loss. The Group considered that the C.V.A.E. met the characteristics mentioned in that conclusion, insofar as the added value represents an intermediary level of earnings/loss,that systematically serves as a basis, according to French taxation rules, for determining the amount due as C.V.A.E.

  As per the provisions of IAS 12, the qualification of the C.V.A.E. as income tax has led to recognising differed taxes relative to time differences existing at that date, against a net expense in the income statement for the period, the finance law having been voted in 2009. This deferred tax expense is displayed under "Income tax". The total amount of the current and deferred tax relative to the C.V.A.E. appears on that same line.

The impact of recognising the C.V.A.E. as a tax stands at €362,000 at 31 December 2010.

2.22. Financial instruments

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 recorded at amortized 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 original cost, minus amortisation in capital determined using the effective rate of interest method and adjusted if applicable for impairment in the event of loss of value. For assets and liabilities whose maturity is within 12 months, the original face value is considered equivalent to the amortized cost value. The detailed valuation rules are shown above in the specific notes.

Assets and liabilities designated as "fair value based on earnings": these only include marketable securities such as UCITS (French SICAV) or mutual funds (French FCP) that are regularly subject to net book values and derivated instruments. 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.

Investments held for sale: they represent:

- non consolidated minority stakes in listed companies (securities held for sale). These securities are estimated at their fair listed value at year-end. The change in fair value compared to the initial value is recorded directly in shareholders' equity. When a reduction in the fair value of a financial asset held for sale has been recorded directly as equity or there is an objective indication that this asset has been impaired, the total loss recorded directly as equity should be taken out of equity and recorded as earnings.

- non listed non consolidated equity interests, valued at their cost, as their fair value cannot be estimated in a reliable manner. Impairment tests are conducted at each year end, compared to the securities' utility value. Impairments, if applicable, are recorded as earnings and can be reversed by earnings only upon the disposal of the securities.

Note 20 below, specific to financial instruments, provides the following information regarding each category of financial instruments presented above:

- positioning and value within the balance sheet assets and liabilities
- fair value at year-end
- impact on the income statement for the period and the equity
- Sensitivity to the various risks: market risk (rate, currency), liquidity risk, and credit risk,

2.23. Turnover

Turnover is recorded in accordance with the rules specified in Note 2.16 above. It includes the result of sales-related foreign exchange operations.

Discounts for immediate payment are subtracted from the turnover.

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

2.24. Other operating income and expenses

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

2.25. Non-current operating elements

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

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

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

The cost of the net financial debt includes:

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

Other financial income and expenses include:

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

2.27. Earnings per share

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

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

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

2.28. Cash flow movement table

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 perimeter are presented for a net amount in the investment flows. They correspond to the price actually paid during the year, adjusted by the active / passive cash acquired, as detailed in Note 22.

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 received is included into this investment cash flow.

Finance 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

The main changes to the consolidated scope in 2010 are described in paragraph 1.1.

The impact on shareholders' equity of the changes in scope for 2010 is described in 2.1.1.

The main changes that took place in the course of 2009 regarding the consolidation scope, result from the following events:

- Acquisition

	AgencyPort in £m (1)
% Acquired	82.5
Related line of business	Software
Acquisition cost - of which acquisition expenses - of which earn out	40.08 2.23 -
Fair value of acquired assets	8.3
Fair value of acquired liabilities	5.1
Revaluations	-
Revalued net asset	3.2
Earnings since acquisition date	-
Goodwill	37.47
Earn out	-

(1) US dollar exchange rate at acquisition date (end of month rate): USD0.676178 for €1

The fair value of assets and liabilities, detailed above, showed no difference with the book value of such assets and liabilities at acquisition date, determined in accordance with IFRS standards.
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.

NOTE 4: Additional INFORMATION REGARDING THE ACQUIRED COMPANIES

No companies were acquired in 2010 that were newly-consolidated.

The revenue and net income of the companies acquired in 2009 for the period from 1 January 2009 to 31 December 2009 are presented below:

	AgencyPort	
	$'000	€'000 (1)
Turnover	22,871	16,415
EBIT	5,000	3,589

(1) US$0.717737 for €1 (average rate of the USD in 2009)

NOTE 5: METHOD USED FOR CONVERTING ELEMENTS IN FOREIGN CURRENCY

The table below displays the euro against foreign currency rates used in the consolidation process:

	Average rate 31/12/2010	Average rate 31/12/2009	Closing rate 31/12/2010	Closing rate 31/12/2009
GBP	0.860408	0.891046	0.8608	0.8881
US Dollar	1.326808	1.393268	1.3362	1.4406
Brazilian Real	2.334442	2.770566	2.2177	2.5113
Swiss Franc	1.38225	1.509454	1.2504	1.4836
South African rand	9,713,542	11.686339	8.8625	10.665984
Indian rupee	60.631833	67,308,339	59.758	67,042,102
Australian dollar	1.444175	1.774872	1.3136	1.6008
Hong Kong dollar	10.307692	10.7997	10.3856	11.1709
New Zealand dollar	1.839833	2.21519	1.72	1.9803

NOTE 6: SEGMENT INFORMATION

(After removing all inter-company transactions, including inter-business transactions)

Segment information by line of business

(€'000)	Solutions		Software		Other activities		Consolidated	
	2010	2009	2010	2009	2010	2009	2010	2009
Turnover	81,912	84,145	103,411	96,458				180,603
EBIT	12,302	7,912	21,703	24,119			34,005	32,031
Non-current operating revenue and expenses (including disposals)	-55	-189	12	4,552	-357	-124	-400	4,239
Financial expenses [1]					-55	6,590	-55	6,590
Taxes					10,425	7,645	10,425	7,645
Net income	12,247	7,723	21,715	28,671	-10,727	-14,359	23,235	22,035
Segment assets	94,238	79,894	223,998	250,901			318,236	330,795
Head office assets and other non-allocated assets					37,167	14,431	37,167	14,431
Total consolidated assets	94,238	79,894	223,998	250,901	37,167	14,431	355,403	345,226
Segment liabilities	94,238	79,894	223,998	250,901			318,236	330,795
Head office liabilities and other non-allocated liabilities					37,167	14,431	37,167	14,431
Total consolidated liabilities	94,238	79,894	223,998	250,901	37,167	14,341	355,403	345,226
Investments	2,194	3,045	3,245	27,246	5	19	5,444	30,310
Depreciation allowance	1,229	1,318	1,876	1,474	8	16	3,113	2,808
Net expenses calculated without depreciation	68	71	42	-4	-	39	110	106

[1] Total of the net debt and other financial income and expenses.

NOTE 7: INCOME STATEMENT

7.1. Wages and social contributions

Payroll expenses break down as follows:

(in €'000)	12/10	12/09
Short-term benefits / gross wages	74,281	68,925
Short-term benefits / social contributions	13,930	12,358
Benefits related to payments in shares	(62)	225
Long-term benefits (incentive and profit-sharing)	426	220
Other benefits	218	328
Total	88,793	82,056

The net expense from retirement commitments is specified in Note 17.1.

Average consolidated head count:

	12/10	12/09
Billable count	1,195	1,274
Non billable head count	244	224
Total	1,439	1,498

7.2. Depreciation and provisions

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

(in €'000)	12/10	12/09
Depreciation of intangible and tangible assets	3,113	2,807
Impairment of trade and other receivables	(666)	(602
Net provisions	110	54
Total	2,557	2,259

7.3. Research and development costs

(in €'000)	12/10	12/09
Total expenses incurred	(20,550)	(17,162)
Activated R&D costs (Note 9)	3,553	1,010
Non-activated costs (1)	(16,997)	(16,152)
Depreciation of previously activated development costs (Note 9)	78	87
Total	(16,919)	(16,065)

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

R&D costs cover:

- the development of software components designed for the “services” segment,
- the corrective and minor maintenance of products,
- the development of new products.

7.4. Other operating income and expenses

These are mainly waived debts of a business nature and directors' fees.

7.5. Income from disposals

(in €'000)	12/10	12/09
Disposal cost	(157)	(2,014)
Income from the disposal of non consolidated securities	47	
Income from the disposal of SWORD BTS/SWORD ENERGY		5,983
Income from the disposal of INFOTECHNO		110
Income from the disposal of NEXTECH		453
Income from the disposal of intangible fixed assets		
Income from the disposal of tangible fixed assets	24	22
Total	(86	4,554

7.6. Other non-current operating income and expenses

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

(in €'000)	12/10	12/09
Head office transfer costs		(79)
Writing off of receivables	(327)	(48)
Tax adjustment		
Exceptional rent		
Compensation for termination of contract		
Other non-current expenses	(185)	(259)
Other non-current revenues	198	70
Total	(314)	(316)

7.7. Income from cash and cash equivalents-

(in €'000)	12/10	12/09
Financial income from non-consolidated interests		
Income from investments	1	9
Total	1	9

7.8. Cost of gross debt

(in €'000)	12/10	12/09
Interest on lease finance contracts		
Interest on borrowings and other debt	(3,578)	(3,674)
Other financial expenses		
Other financial items	1,494	1,008
Total	(2,084)	(2,666)

7.9. Other financial income and expenses

(in €'000)	12/10	12/09
Foreign exchange loss on financial operations	(10,851)	(13,294)
Other financial expenses	(228)	(370)
Foreign exchange gain financial operations	12,949	9,181
Other financial items	268	549
Total	2,138	(3,934)

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.).

7.10. Analysis of income tax expenses

7.10.1. Structure of the income tax bill

(in €'000)	12/10	12/09
Current tax (Note 7.10.1.A)		
Income tax on ordinary operations	10,445	7,270
Deferred taxes		
Deferred taxes for the period	(20)	375
Miscellaneous		
Total	10,425	7,645

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.
Pursuant to the internal disposal of Sword SA shares held by Sword Group to Sword Soft Ltd and the merger-absorption of Sword SAS by Sword SA, the tax consolidation regime ceased its effects as of 1st January 2009.

B. Deferred taxes
The deferred tax burden is determined according to the accounting method set out in Note 2.20.

The base income tax rate applicable to companies in France is 33.33%. The income tax expected for the financial years ended 31 December 2009 and 31 December 2010 stands at 33.33%.

7.10.2. Actual tax rate

(in €'000)	12/10	12/09
Profit from consolidated companies before tax	33,660	29,654
Average tax rate in force in France	33.33%	33.33%
Expected tax	11,219	9,884
Impact		
▪ Final difference between profit before tax and taxable profit	(449)	(717)
▪ Permanent differences on consolidation entries	10	(222)
▪ Tax rate difference on the disposal of equity interests	-	-
▪ Exchange rate difference for foreign subsidiaries	(936)	(1,069)
▪ Non-activation of income tax for tax deficits (prudence principle)	743	843
▪ Use of tax deficits not taken into account at the start of the year	(618)	(221)
▪ Tax credits	-	(393)
▪ Miscellaneous	456	(460)
Actual assessed tax	10,425	7,645
Actual tax rate	30.97%	25.70%

7.10.3. Deferred taxes recorded to the balance sheet

Balances	2010	2009
Deferred tax assets		
- deferred taxes that can be activated	1,438	884
- of which, not recognised		
Recorded deferred tax assets	1,438	884
Deferred tax liabilities	-1,784	-852
Net deferred taxes	-346	32

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

- i.e., for financial 2010

In €'000	31/12/09	Impact on profit	Impact on net position	Change	Scope	Other	31/12/10
Provisions	45	-9					36
Intangible and tangible fixed assets	-585	-59	-168	-40			-852
Temporary differences generated on other balance sheet items	572	-411	-148	-43			-30
Deferrable losses and taxes		500					500
Deferred gross assets and liabilities	32	21	-316	-83			-346

- i.e., for financial 2009

In €'000	31/12/08	Impact on profit	Impact on net position	Change	Scope	Other	31/12/09
Provisions	39	6					45
Intangible and tangible fixed assets	-458	-143		16			-585
Temporary differences generated on other balance sheet items	389	-238	417	4			572
Deferrable losses and taxes							
Deferred gross assets and liabilities	-30	-375	417	20			32

7.11. 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.

In €	12/10	12/09
Undiluted net earnings per share		
▪ Total average number of shares	9,289,965	9,289,965
▪ Total net profit	23,234,985	22,034,885
▪ Undiluted net earnings per share	2.50	2.37
Net diluted earnings per share		
▪ Total average number of shares	9,289,965	9,289,965
▪ Number of shares related to the stock options	61,493 (share equivalent)	9,322 (share equivalent)
▪ Number of shares attached to the BSAs	0 (share equivalent)	0 (share equivalent)
▪ Total number of securities	9,351,458	9,299,287
▪ Total net profit	23,234,985	22,034,885
▪ Net diluted earnings per share	2.48	2.37

NOTE 8: GOODWILL

The item has changed as follows in 2010:

(in €'000)	12/09	Acquisitions-Depreciations	Earn-out adjustments on previous acquisitions	Other adjustments [1]	Disposals	Foreign exchange rate effect	12/10
GOODWILL							
Gross values	181,389	417		- 3,109		8,650	187,347
Impairments							
Net	181,389	417		- 3,109		8,650	187,347

[1] This adjustment concerns the recognition of tax against deferrable losses, not activated and used..

The item has changed as follows in 2009:

(in €'000)	12/08	Acquisitions-Depreciations	Earn-out adjustments on previous acquisitions	Other adjustments [1]	Disposals	Foreign exchange rate effect	12/09
GOODWILL							
Gross values	177,892	26 147	-830		-29,977	8,157	181,389
Impairments							
Net	177,892	26,147	-830		-29,977	8,157	181,389

Goodwill breakdown by cash-generating unit is as follows at 31 December 2010:

(€'000)	31/12/2010
CGU1: Products sold as a service (SaaS)	145,455
CGU2: Products sold on an "as is" basis	4,668
CGU3: Services	37,224
Consolidated total	187,347

Goodwill breakdown by cash-generating unit is as follows at 31 December 2009:

(€'000)	31/12/2009
CGU1: Products sold as a service (SaaS)	141,553
CGU2: Products sold on an "as is" basis	4,662
CGU3: Services	35,174
Consolidated total	181,389

The implementation of impairment tests by an expert, in accordance with the method described in Note 2.14 above, has not led to the recognition of impairments.
The sensitivity tests that were carried out on the discount rates and on the infinite growth rate (+/- 1 point) have not led to the recognition of impairments.

		CGU1 Terminal growth				
		1.0%	1.5%	2.0%	2.5%	3.0%
WACC	10.5%	201,236	210,916	221,732	233,895	247,672
	11.0%	191,288	199,945	209,561	220,304	232,384
	11.5%	182,288	190,071	198,669	208,220	218,891
	12.0%	174,107	181,136	188,866	197,407	206,895
	12.5%	166,637	173,014	179,996	187,675	196,159

		CGU2 Terminal growth				
		1.0%	1.5%	2.0%	2.5%	3.0%
WACC	9.8%	29,420	30,968	32,714	34,698	36,972
	10.3%	27,856	29,229	30,767	32,501	34,471
	10.8%	26,452	27,677	29,040	30,568	32,290
	11.3%	25,184	26,282	27,499	28,854	30,370
	11.8%	24,033	25,023	26,115	27,323	28,669

		CGU3 Terminal growth				
		1.0%	1.5%	2.0%	2.5%	3.0%
WACC	10.2%	83,225	87,404	92,091	97,385	103,411
	10.7%	78,960	82,685	86,836	91,492	96,750
	11.2%	75,114	78,452	82,151	86,274	90,899
	11.7%	71,627	74,633	77,949	81,623	85,719
	12.2%	68,451	71,172	74,158	77,451	81,101

NOTE 9: INTANGIBLE FIXED ASSETS

Item details and changes for 2010

(in €'000)	12/09	Acquisitions-Depreciations	Disposals	Foreign exchange rate effect	Scope changes	12/10
R&D costs						
Gross values	2,143	3,553		63		5,759
Depreciation and amortisation	(698)	(78)		(16)		(792)
Net	1,445	3,475		47		4,967
Other intangible fixed assets						
Gross values	2,300	1,237	(4)	160		3,693
Depreciation and amortisation	(790)	(556	4	(42)		(1,384)
Net	1,510	681	-	118		2,309
Total	2,955	4,156	-	165		7,276

Item details and changes for 2009

(in €'000)	12/08	Acquisitions-Depreciations	Disposals	Foreign exchange rate effect	Scope changes	12/09
R&D costs						
Gross values	1,256	1,010	(162)	39		2,143
Depreciation and amortisation	(584)	(87)		(27)		(698)
Net	672	923	(162)	12		1,445
Other intangible fixed assets						
Gross values	1,963	1,215	(531)	53	(400)	2,300
Depreciation and amortisation	(1,389)	(282)	531	(8)	358	(790)
Net	574	933		45	(42)	1,510
Total	1,246	1,856	(162)	57	(42)	2,955

The implementation of depreciation tests on current R&D costs has not revealed any depreciation.

NOTE 10: TANGIBLE FIXED ASSETS

Item details and changes for 2010

(in €'000)	12/09	Acquisitions-Depreciations	Disposals	Merger	Reclassification	Foreign exchange rate effect	Scope changes	12/10
Land								
Gross values								
Depreciation								
Net								
Buildings								
Gross values	879	235			193	54		1,361
Depreciation	(329)	(50)				(11)		(390)
Net	550	185			193	43		971
Transport equipment								
Gross values	364	61	(135			28		318
Depreciation	(230)	(70)	105			(15)		(210)
Net	134	(9)	(30)			13		108
Fixtures-installations								
Gross values	2,398	233	(6)		(116)	144		2,653
Depreciation	(1,574)	(252)	6		(23)	(115)		(1,958)
Net	824	(19)	-		(108	29		695
IT and office equipment								
Gross values	17,227	1,715	(1,297)		(4)	862		18,503
Depreciation	(14,545)	(1,660)	1,294		4	(760)		(15,667)
Net	2,682	55	(3)		-	102		2,836
Office furniture								
Gross values	5,618	1,103	(479)		(53)	244		6,433
Depreciation	(4,238)	(447)	478		(1)	(197)		(4,405)
Net	1,380	656	(1)		(85)	47		2,028
Tangible fixed assets								
Gross values	26,486	3,347	(1,917)		20	1,332		29,268
Depreciation	(20,916)	(2,479)	1,883		(20)	(1,098)		(22,630)
Net	5,570	868	(34)		-	234		6,638
Total	5,570	868	(34)		-	234		6,638

Item details and changes for 2009

(in €'000)	12/08	Acquisitions-Depreciations	Disposals	Merger	Reclassification	Foreign exchange rate effect	Scope changes	12/09
Land								
Gross values								
Depreciation								
Net								
Buildings								
Gross values	649			166		59	5	879
Depreciation	(261)	(44)				(19)	(5)	(329)
Net	388	(44)		166		40		550
Transport equipment								
Gross values	538	17	(135	(72)		17	(1)	364
Depreciation	(333)	(83	126	72		(12)		(230)
Net	205	(66)	(9)			5	(1)	134
Fixtures-installations								
Gross values	2,976	173	(94)	(403		23	(277)	2,398
Depreciation	(1,776)	(198)	76	216		7	101	(1,574)
Net	1,200	(25)	(18)	(187)		30	(176)	824
IT and office equipment								
Gross values	18,325	1,485	(1,168)	(1,277)		376	(514)	17,227
Depreciation	(15,265)	(1,667)	1,035	1,268		(235)	319	(14,545)
Net	3,060	(182)	(133)	(9)		141	(195)	2,682
Office furniture								
Gross values	5,566	265	(14)	(87)		226	(338)	5,618
Depreciation	(4,069)	(427)	13	109		(147)	283	(4,238)
Net	1,497	(162)	(1)	22		79	(55)	1,380
Tangible fixed assets								
Gross values	28,054	1,940	(1,411)	(1,673)		701	(1,125)	26,486
Depreciation	(21,705)	(2,419)	1,250	1,665		(406)	698	(20,916)
Net	6,349	(479)	(161)	(8)		295	(427)	5,570
Total	6,349	(479)	(161)	(8)		295	(427)	5,570

No guarantees have been given regarding acquired tangible assets.

NOTE 11: NON-CURRENT FINANCIAL ASSETS, SECURITIES HELD FOR SALE AND OTHER NON-CURRENT ASSETS

11.1. Non-current financial assets and other non-current assets

Non-current financial assets consist mainly of paid and recoverable guarantee deposits posted by Sword Group, Sword SA, Global India and Sword Inc, and the loan granted to AMOR.

The other non-current assets are comprised of receivables due within more than one year. They include, in particular, the advance to Nordline for €2,800,000.

11.2. Securities held for sale

The securities held for sale correspond to:
- The interests held in BTS (22.484%). The fair value chosen for the shares at 31 December 2010 is equivalent to 22.484% of the sale price recognised upon the partial disposal of the shares on 11 May 2009, i.e. €8,977,000. The difference between the fair value and the historic value of the shares, i.e. €1,023,000, was recognised as shareholders' equity in 2009. Based on the accounts of BTS at 31 December 2009, no signs of impairment or loss of value have been identified.

- The interests held in SBT. At 31 December 2010, Sword Group held 37,296 shares in that company. The average acquisition price stands at €8.65 and the fair value at 31 December 2010 at €73,000. The change in fair value was recognised as shareholders' value.

- The interests held in various other companies, including: Lyodssoft (a non-listed company), Middlesoft (a non-listed company) Simalaya (a non-listed company) and Guangzhou (a non-listed company) for a total of €6,330,000 of gross value and €5,285,000 of net value.

The €3,035,000 increase in the item "Securities held for sale" compared to 31 December 2009 is mainly due to the acquisition of Guangzhou for €3m.

€'000				
Securities held for sale	Year start (at fair value)	Acquisition	Change (at fair value)	Year end (at fair value)
BTS	8,977	-	-	8,977
SBT	78	-	-5	73
Guangzhou	-	3,000	-	3,000
Miscellaneous	2,245	40	-	2,285
Total	11,300	3,040	-5	14,335

At 31 December 2010

		Later evaluation			
(in €'000)	Dividends	Change in fair value	Foreign exchange rate effect	Impairment	Income from disposal
Shareholders' equity	-	(5)	-	-	-
Earnings	-	-	-	-	-
Total	-	-	-	-	-

At 31 December 2009

		Later evaluation			
(in €'000)	Dividends	Change in fair value	Foreign exchange rate effect	Impairment	Income from disposal
Shareholders' equity	-	1,238	-	-	-
Earnings	-	-	-	-	-
Total	-	-	-	-	-

NOTE 12: RECEIVABLES

(in €'000)	12/10	12/09
Gross receivables	71,245	72,662
Impairments	(1,385)	(1,830)
Net values	69,859	70,832

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

NOTE 13: OTHER CURRENT ASSETS

(in €'000)	12/10	12/09
Tax credits	4,306	4,664
Other tax and social contribution credits	3,594	6,961
Deferred charges	7,951	3,695
Other current assets	6,460	3,248
Total gross values	22,311	18,568
Impairments	(5)	(5)
Total	22,307	18,563

Other receivables are due within less than one year.

NOTE 14: ASSETS AND LIABILITIES HELD FOR SALE

Assets and liabilities held for sale corresponding to Graham Land and Estates. The sale was delayed by independent circumstances. However, at year end there is sufficient evidence to justify maintaining that entity as assets and liabilities held for sale.

In €'000	31/12/2010
Assets	7,170
Liabilities	2,440

Ciboodle Ltd (formerly Graham Land and Estates) belongs to the Software segment. The sharp drop in the liabilities relative to Graham Land and Estates is due to the repayment of the loan taken out by that company during the period.

Assets and liabilities held for sale corresponding to Graham Land and Estates.

In €'000	31/12/2009
Assets	7,051
Liabilities	7,811

Ciboodle Ltd (formerly Graham Land and Estates) belongs to the Software segment.

NOTE 15: NET DEBT

Item breakdown by type

(€'000)	12/10	12/09
Lease finance debt related to assets held for sale (1)		
Other long-term and medium-term borrowings (1)	122,072	121,832
Current banking facilities	558	599
Total gross debt	122,630	122,431
Marketable securities	24	21
Cash and cash equivalents	27,996	41,409
Total net debt	94,610	81,001

(1) of which short- and long-term debt, for €15,984,000 and €106,088,000, respectively, at 31 December 2010, and €6,881,000 and €114,951,000 at 31 December 2009.

Cash and cash equivalents are made up of bank accounts, which are risk-free.

Net cash (cash and cash equivalents, net of current bank facilities) stood at €27,462,000 at 31 December 2010 and €40,831,000 at 31 December 2009.

Most borrowings are denominated in Euros.

Breakdown of loans by maturity date

(€'000)	12/10	12/09
Short-term financial debt (< 1 year)	16,542	7,479
1 year < X > 5 years	106,088	110,951
> 5 years	0	4,000
Long-term financial debt (> 1 year)	106,088	114,951
Total	122,630	122,430

Non-current financial debts as at 31st December 2010 include, up to €98,000k versus €105,250k as at 31st December 2009, variable rate pool credits subject to drawdown 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 31 December 2010 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.

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%. Three fixed-rate paying swap covers have been set up.

As of 1st July 2008, the Group has decided to document cash flow cover relations for the other 2 swaps still alive at 31 December 2008 and subsequent.

Cover through paying swap at a fixed rate of 3.95% (excluding bank margin) was set up as at 1st April 2008 for a period of 48 months and an amount of €20m. This cover was subject to an addendum dated 2 January 2009 and its new maturity is 2 April 2012. This cover is estimated at fair value in the balance sheet at 31 December 2010 for €19,220k. The Group applies hedge accounting and recognises through shareholders' equity the changes in fair value of the hedging instruments net of tax on the companies, which over the year generated a change in shareholders' equity of €222k.

Cover through paying swap at a fixed rate of 4.37% (excluding bank margin) was set up as at 1st April 2008 for a period of 48 months and an amount of €30m. This cover was also subject to an addendum dated 2 January 2009 and its new maturity is 2 April 2012. This cover is estimated at fair value in the balance sheet at 31 December 2010 for €28,508k. The Group applies hedge accounting and recognises through shareholders' equity the changes in fair value of the hedging instruments net of tax on the companies, which over the year generated a change in shareholders' equity of €372k.

A third cover through paying swap at a fixed rate of 1.71% (excluding bank margin) was set up as at 6 August 2009 for a period of 24 months and an amount of €15m. This cover is estimated at fair value in the balance sheet at 31 December 2010 for €14,927k. The Group applies hedge accounting and recognises through shareholders' equity the changes in fair value of the hedging instruments net of tax on the companies, which over the year generated a change in shareholders' equity of -€11k.

Given the consistency between the timetable for the debt covered and the flows of hedging operations, the relations have been considered fully efficient and changes in fair value of the hedging operations have been recognised as shareholders' equity as of 1st July 2008 (unrealised result reserve) for a total of €1,897k before tax.

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 €112,250,000 as at 31 December 2010 (versus €110,500,000 at 31 December 2009).
At 31 December 2010, Sword Group complied with such covenants.

Guarantees on borrowings

Cf. Note 23.

Credit lines available at 31 December 2010

In €'000	31/12/10	Less than one year	Between 1 and 5 years	Older than 5 years old
Outstanding amount authorized	168,937	26,421	137,651	4,865
Outstanding amount used	122,072	15,984	106,088	-
Credit available	46,865	10,437	31,563	4,865

Credit lines available at 31 December 2009

In €'000	31/12/09	Less than one year	Between 1 and 5 years	Older than 5 years old
Outstanding amount authorized	152,196	12,799	130,532	8,865
Outstanding amount used	121,832	6,881	110,951	4,000
Credit available	30,364	5,918	19,581	4,865

NOTE 16: SHAREHOLDERS' EQUITY

Issued capital and securities giving access to the capital

- Issued capital

On 26 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 equity warrants (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 (equity warrant), the exercise conditions of which are the following:

- 4 equity warrants 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 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. The Board of Directors held 19 January 2006 recorded that capital increase and consequently amended Article 8 of the by-laws accordingly.

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.

The Executive Chairman, acting as per further delegation granted by the Board of Directors of 14 February 2007, recorded on 9 March 2007 the correlative completion of the capital increase through the issue of 1,437,500 new shares, bringing the capital up from €7,636,840 to €9,074,340.
On 2 April 2007, the Executive Chairman recorded the exercise of the entire over-allotment option and the final completion of the capital increase through the subscription of 215,625 new shares, which brought the capital up from €9,074,340 to €9,289,965.

The capital increase led to the creation of 1,653,125 new shares, resulting in a capital increase of €1,653k and an increase in additional paid-in capital of €62,001k. It should be noted that €2,471k corresponding to the issue costs net of tax incurred for the capital increase, were recorded as additional paid-in capital.

On 31 December 2010, capital stock totalled €9,289,965, divided into 9,289,965 shares with a face value of €1.
The amount of dividends whose distribution will be suggested during the Ordinary General Meeting held 17 May 2011 stands at €0.69 per share, i.e. a total distribution of €6,410,076, as against €0.65 per share in 2009, i.e. a total distribution of €6,038,477.

Class of securities	Face value	Number of shares			
		At year start	Created during the period	Paid back during the period	At year end
2010	1	9,289,965			9,289,965
2009	1	9,289,965			9,289,965

<u>Share subscription warrants</u>

Class of securities	Number of shares				
	At year start	Created during the period	Exercised during the period	Not exercised and lost	At year end
2010	0				0
2009	0				0

Stock options

Sword Group
Plan Nr. 1
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.

At 31st December 2010, no option had been exercised during the subscription period. The plan has therefore expired.

Insofar as the beneficiaries of the share subscription options are of various nationalities, the three share subscription plans are established:

Exercising 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 plans: 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 that employee benefit stood at €317,000 on the date of allocation, and was recorded as profit for up to €317,000 at 31 December 2010, of which €0k for the year 2010.

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: 0.01%
- No-risk yield rate over the option lifetime: 4%.

Plan Nr.2
As at 30 January 2009, the Extraordinary General Meeting of Sword Group permitted the Board of Directors to grant options entitling their holders to subscribe up to 150,000 Sword Group shares. This authorisation has been granted for 38 months. As at 30 January 2009, the Board of Directors used the permission that was given and granted 150,000 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 at €10.60. The option allocation plan was closed 30 January 2009.
At 31 December 2010, the number of exercisable options stood at 40,000, against 150,000 at 31 December 2009, the drop being exclusively due to the departure of corporate officers concerned by these plans.

Insofar as the beneficiaries of the share subscription options are of various nationalities, the three share subscription plans are established:

Exercising 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 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.
- 2nd and 3rd plans: 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.

At year end, that is 31 December 2010, no option had been exercised.
The cost generated by that employee benefit stood at €155,000 on the date of allocation, and was recorded as profit for up to €74,000 at 31 December 2010, of which €39k for the year 2010.

The €528k drop in the commitment on the allocation date, at €155K as at 31 December 2010 is mainly due to the departure of two corporate officers during the 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: 37%
- Planned dividend distribution rate: 0.02 %
- No-risk yield rate over the option lifetime: 4.8%.

FircoSoft

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.
On 31 December 2008, 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, i.e. on 31 December 2010, 1,700 were exercised.

The cost generated by that employee benefit stood at €101,000 on the date of allocation, and has been entirely recorded as profit.
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: 30%
- Planned dividend distribution rate: 10%
- No-risk yield rate over the option lifetime: 1.4%.

Sword Technologies

Plan Nr. 1

As at 4 August 2008, the Extraordinary General Meeting authorized the Chairman of Sword Technologies to grant options entitling their bearer to the subscription of 240 shares in Sword Technologies.

The subscription price of new shares was set to €640.

On 31 December 2008, the number of shares allocated stood at 240.

Optionees will only be able to exercise the options after a one-year freezing period and for a period of one year only.
At year end, i.e. on 31 December 2010, 180 options were exercised and 60 were waived.

The cost generated by that employee benefit stood at €31,000 on the date of allocation, and was recorded as profit for up to €31,000 at 31 December 2010.

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: 30%
- Planned dividend distribution rate: 0%
- No-risk yield rate over the option lifetime: 5%.

Plan Nr.2
As at 5 September 2008, the Chairman of Sword Technologies was authorised to grant options entitling their bearers to subscribe up to 32 Sword Technologies shares.

The subscription price of new shares was set to €640.

On 31 December 2008, the number of shares allocated stood at 32.

Optionees will only be able to exercise the options after a 2-year freezing period and for a period of one year only.
At year end, i.e. on 31 December 2010, 32 options were waived.

The cost generated by this employee benefit stands at €0k on the allocation date, pursuant to the waiving of the stock options.

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: 30%
- Planned dividend distribution rate: 0%
- No-risk yield rate over the option lifetime: 5%.

Own shares

Sword Group held no own shares on 31 December 2010.

Shareholders' equity management policy
The company is subject to no specific obligation of a regulatory or contractual nature in terms of share capital. The Group has no specific management policy in terms of capital. The arbitration between external financing and capital increase is carried out on an ad hoc basis according to the operations envisaged. The shareholders' equity followed by the Group integrates the same components as the consolidated shareholders' equity.

NOTE 17: PROVISIONS, POSSIBLE ASSETS AND LIABILITIES

(€'000)	31/12/09	Reserve allocations for the financial year	Carryovers for the financial year		Scope changes	Other	31/12/10
			Used up	Not applicable			
Non-current provisions - Litigation risk provisions Current provisions - Other provisions	117	125	(5)	(59)		1	179
Total	117	125	(5)	(59)		1	179

(€'000)	31/12/08	Reserve allocations for the financial year	Carryovers for the financial year		Scope changes	Other	31/12/09
			Used up	Not applicable			
Non-current provisions - Litigation risk provisions Current provisions - Other provisions	83	35				(1)	117
Total	83	35				(1)	117

Non-current provisions are within less than 5 years. They have not been discounted, due to their insignificant impact.

As at 31 December 2010, the company and its subsidiaries had no major proceedings under way against third parties.

17.1. Retirement commitments (defined benefit schemes)

(€'000)	12/10	12/09
- Retirement commitments	184	134
Total	184	134

The retirement benefits of Sword Group's French companies are determined by the Syntec collective agreement.

As specified in Note 2.18, 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:

	12/10	12/09
Cost of services rendered	(16)	(12)
Financial cost	(4)	(3)
Compensation paid	-	-
Actuarial differences	(29)	(3)
Total	(49)	(18)

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:

	2010	2009
Discount rate	4.60%	5.50%
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 2009	INSEE 2008

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

NOTE 18: ACCOUNTS PAYABLE

(€'000)	12/10	12/09
Trade payables	15,634	19,343

Accounts payable are due within less than one year.

NOTE 19: TAXES DUE AND OTHER CURRENT LIABILITIES

(€'000)	12/10	12/09
Taxes due on companies	10,431	8,581
Advance payments received	913	863
Taxes and social contributions due (excluding income tax due for the companies)	13,371	15,537
Earn out within less than one year	-	-
Deferred income from worksites	18,564	17,158
Other creditors	7,909	4,265
Other current liabilities	40,757	37,823

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

NOTE 20: NOTE ON FINANCIAL INSTRUMENTS

20.1. Investments

	31st Dec. 2010				
In €'000	Securities held for sale	Loans and receivables	Financial assets at fair value based on earnings upon option	Financial assets at fair value based on earnings	Total balance sheet
Long-term financial derivatives					
Other long-term investments	14,335	7,676			22,011
Trade and other receivables		69,859			69,859
Short-term derivatives					
Other short-term investments		6,455			6,455
Cash and cash equivalents				28,020	28,020
Total	14,335	83,990		28,020	126,345

	31st Dec. 2009				
In €'000	Securities held for sale	Loans and receivables	Financial assets at fair value based on earnings upon option	Financial assets at fair value based on earnings	Total balance sheet
Long-term financial derivatives					
Other long-term investments	11,300	837			12,137
Trade and other receivables		70,832			70,832
Short-term derivatives					
Other short-term investments		3,243			3,243
Cash and cash equivalents				41,431	41,431
Total	11,300	74,912		41,431	127,643

In €'000	31st Dec. 2010 Current	Non current	Total	31st Dec. 2009 Total
Securities held for sale		14,335	14,335	11,300
Loans and receivables at amortised cost				
Loans and receivables at amortised cost	2,840	7,676	10,516	837
Trade and other receivables	69,859		69,859	70,832
Financial assets estimated at fair value based on earnings				
Financial derivatives				
Financial assets at fair value based on earnings excluding derivatives	3,615		3,615	3,243
Cash and cash equivalents	28,020		28,020	41,431
Total	104,334	22,011	126,345	127,643

Securities held for sale

The securities held for sale by the Group stand at €14,335k at 31 December 2010 (listed securities for €73,000 versus non listed securities for €14,262k).

The profits and losses recorded as equity and as earnings on securities held for sale were as follows:
-€5k for the change in fair value of SBT shares.

Loans and receivables at amortised cost

In €'000	31st Dec. 2010			31st Dec. 2009		
	Gross	Impairment	Net	Gross	Impairment	Net
Loans and receivables at amortised cost	10,516		10,516	837		837
Trade and other receivables	71,245	1,385	69,859	72,662	1,830	70,832
Total	81,761	1,385	80,375	73,499	1,830	71,669

A net expense was recorded as earnings on loans and claims at the depreciated cost of €602k for 2009. A net income was recorded as earnings on loans and claims at the depreciated cost of €1,492k for 2010.

Financial assets estimated at fair value based on earnings

There are not assets estimated at fair value based on earnings.

The financial instruments have no impact on 2009 and 2010 earnings.

Derivatives designed to hedge the debt and others are set up in the context of the Group's risk management policy and are analysed in Note 15.

Cash and cash equivalents

The financial risk management policy is described in Note 21 to the financial statements.
"Cash and cash equivalents" stood at €28,020k at 31 December 2010 against €41,431k at 31 December 2009.

Fair value of investments

In €'000	31st Dec. 2010 (fair value)			Fair value	Balance sheet value
	Listed prices	Models with observable data	Models with non-observable data	Total	Total
Long-term financial derivatives					
Other long-term investments	73		21,938	22,011	22,011
Trade and other receivables			69,859	69,859	69,859
Short-term derivatives					
Other short-term investments			6,455	6,455	6,455
Cash and cash equivalents	28,020			28,020	28,020
Total	28,093		98,252	126,345	126,345

In €'000	31st Dec. 2009 (fair value)			Fair value	Balance sheet value
	Listed prices	Models with observable data	Models with non-observable data	Total	Total
Long-term financial derivatives					
Other long-term investments	78		12,059	12,137	12,137
Trade and other receivables			70,832	70,832	70,832
Short-term derivatives					
Other short-term investments			3,243	3,243	3,243
Cash and cash equivalents	41,431			41,431	41,431
Total	41,509		86,134	127,643	127,643

20.2. Financial liabilities

The different categories of financial liabilities at 31 December 2010 are the following:

In €'000	31st Dec. 2010			31st Dec. 2009
	Current	Non current	Total	Total
Debt	16,542	106,088	122,630	122,431
Financial derivatives	1,897		1,897	2,797
Trade and other accounts payable	15,634		15,634	19,343
Other financial liabilities	6,925		6,925	2,331

All of the Group's financial liabilities, except for derivatives, are valued at year-end at amortised cost determined on the basis of the actual interest rate method. Derivatives are estimated at fair value based on earnings.

Debt

Debts are analysed in paragraph 15 "Net debt".

	31st Dec. 2010			31st Dec. 2009
In €'000	Current	Non current	Total	Total
Bonded debts				
Commercial papers	14,250	98,000	112,250	110,500
Drawdowns on bank facilities				
Lease finance borrowings				
Other bank loans	1,642	2,498	4,140	5,750
Other borrowings	92	5,590	5,682	5,582
Total borrowings	15,984	106,088	122,072	121,832
Bank overdrafts and current cash accounts	558		558	599
Total debt	16,542	106,088	122,630	122,431

Profits and losses, mainly comprised of interest, are recorded as earnings on financial debts and described in Note 7.8.

Financial derivatives

No derivative financial instruments recorded as liabilities are present in the financial statements of 2009 and 2010.

Suppliers and other financial liabilities

In €'000	31st Dec. 2010	31st Dec. 2009
Accounts receivable	15,634	19,343
Advance payments received	913	863
Earn out	-	-
Non-current assets related borrowings	-	-
Other creditors	7,909	4,265
Suppliers and other financial liabilities	24,456	24,471

Fair value of financial liabilities

	31st Dec. 2010			Fair value	Amount outstanding (balance sheet)
In €'000	Listed prices	Models with observable settings	Models with non-observable settings	Total	Total
Bonded debts					
Commercial papers	113,936			113,936	112,250
Drawdowns on bank facilities					
Lease finance borrowings					
Other bank loans	4,140			4,140	4,140
Other borrowings	5,682			5,682	5,682
Total borrowings	123,758			123,758	122,072

In €'000	31st Dec. 2009 Listed prices	Models with observable settings	Models with non-observable settings	Fair value Total	Amount outstanding (balance sheet) Total
Bonded debts					
Commercial papers	112,381			112,381	110,500
Drawdowns on bank facilities					
Lease finance borrowings					
Other bank loans	5,750			5,750	5,750
Other borrowings	5,582			5,582	5,582
Total borrowings	123,713			123,713	121,832

Regarding overdrafts and accounts payable, their balance sheet value is pretty similar to their fair value.

Derivative liabilities are already displayed at fair value in the balance sheet.

20.3. Management of risks relative to financial instruments

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 financial instruments involving 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.

Credit risk

The Group is exposed to the credit risk as a result of its operating activities. The credit risk is mainly comprised of the counterpart risk on customers. The Group works mainly with large corporations. This limits its exposure.

Unpaid receivables:

In €'000	31 December 2010						
	Assets unpaid at year end					Impaired assets	Assets neither impaired nor unpaid
	0-3 months	3-6 months	6-12 months	beyond 1 year	Total	Total	Total
Loans and receivables at amortised cost							
Trade and other receivables	64,538	3,163	931	2,613	71,245	1,385	69,859
Total	64,538	3,163	931	2,613	71,245	1,385	69,859

In €'000	31 December 2009						
	Assets unpaid at year end					Impaired assets	Assets neither impaired nor unpaid
	0-3 months	3-6 months	6-12 months	beyond 1 year	Total	Total	Total
Loans and receivables at amortised cost							
Trade and other receivables	64,703	4,025	1,457	2,477	72,662	1,830	70,832
Total	64,703	4,025	1,457	2,477	72,662	1,830	70,832

Liquidity risk

At 31 December 2010, contractual cash flows (principal and interest), not discounted on outstanding financial liabilities by maturity date, are the following:

At 31 December 2010 In €'000	2011	2012	2013	2014	2015	> 5 years	Total	Total Balance sheet value
Bonded debts								
Commercial papers	17,083	19,584	17,253	60,899	4,355	-	119,174	112,250
Drawdowns on bank facilities								
Lease finance borrowings								
Other bank loans	1,684	1,765	766				4,215	4,140
Other borrowings								
Bank overdrafts and current cash accounts	564						564	558
Other creditors								
Other financial liabilities								
Total	19,331	21,349	18,019	60,899	4,355	-	123,953	116,948
At 31 December 2009 In €'000	2010	2011	2012	2013	2014	> 5 years	Total	Total Balance sheet value
Total	10,125	34,367	31,189	17,362	28,228	4,028	125,209	116,849

Given the existence of two swaps, for €20m and €30m, respectively, which began on 1st April 2008 and will expire 1st April 2012, and that change the variable rate into a fixed rate of 3.95% and 4.37%, respectively, the interest cash flows have been calculated for 2010 on 2010 to 2012 at fixed rate for €50m.

Given the existence of a €15m swap that started on 4 August 2009 and is due to expire 8 August 2001, and that changes the variable rate into a fixed rate of 1.71%, the interest cash flows have been calculated for 2010 on 2010 to 2011 at fixed rate for €15m.

The variable rate used to estimate the interest cash flows is euribor 3 months, or a rate of 0.712% for 2009 and 1.006 for 2010.

NOTE 21: MARKET RISK MANAGEMENT

21.1. Risk management policy

A. Currency risk

The currency risk mainly concerns net long-term investments in subsidiaries located outside the eurozone (mainly the UK and the US) and the transfer of the earnings of these entities to the French parent company. All the funding related to external growth is borne by the French parent company in euro.

The business of entities based outside the eurozone displays a balance between the currency of their costs and that of their turnover.
The Group has not implemented any hedging policy for its currency risk as described above.

(K) at 31/12/10	Turnover	
Total €	69,949	
Total currencies	115,374	
Currency details	£	43,497
	CHF	21,363
	Brazilian real	-
	Rand	17,853
	$	53,315
	Indian rupee	8,440
	Indonesian rupee	13,569,061
	AUD	8,611
	NZD	214

(K) at 31/12/09	Turnover	
Total €	72,545	
Total currencies	108,058	
Currency details	£	58,198
	CHF	13,943
	Brazilian real	2,609
	Rand	12,304
	$	35,704
	Indian rupee	17,869
	Indonesian rupee	15,900,875
	AUD	7,875
	NZD	190

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.

21.2. Quantitative information for risks

A. Currency risk – Net position before and after management

31/12/10	£'000	$'000	K Swiss Franc	K Rand	K Brazilian Real	K Indian rupee
Investments	88,445	76,571	15,784	47,794	37,422	88,445
Financial liabilities	79,323	64,141	1,437	2,075	8,368	79,323
Net position prior to management	9,122	12,430	14,347	45,719	29,054	9,122
Management derivative						
Net position after management	9,122	12,430	14,347	45,719	29,054	9,122

31/12/10	K Hong Kong Dollar	K Indonesian rupee	K Australian Dollar	K New Zealand Dollar
Investments	67	25,437,187	6,400	591
Financial liabilities	122	21,497,295	1,592	114
Net position prior to management	-55	3,939,492	4,808	477
Management derivative				
Net position after management	-55	3,939,492	4,808	477

31/12/09	£'000	$'000	K Swiss Franc	K Rand	K Brazilian Real	K Indian rupee
Investments	147,478	35,605	6,855	40,127	7,418	49,262
Financial liabilities	81,271	63,781	666	2,436	4,600	22,725
Net position prior to management	66,207	-28,176	6,189	37,691	2,818	26,537
Management derivative						
Net position after management	66,207	-28,176	6,189	37,691	2,818	26,537

31/12/09	K Hong Kong Dollar	K Indonesian rupee	K Australian Dollar	K New Zealand Dollar
Investments	67	22,812,617	3,971	466
Financial liabilities	122	23,198,620	1,000	107
Net position prior to management	-55	- 386,003	2,971	359
Management derivative				
Net position after management	-55	-386,003	2,971	359

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

(€'000) 31/12/10	0 to 1 year	1 to 5 years	Beyond
Financial liabilities	16,542	106,088	-
Investments	-	-	-
Net position prior to management	16,542	106,088	-
Management derivative	-16,542	-48,458	-
Net position after management	-	57,630	-

(€'000) 31/12/09	0 to 1 year	1 to 5 years	Beyond
Financial liabilities	7,479	110,951	4,000
Investments	-	-	-
Net position prior to management	7,479	110,951	4,000
Management derivative	-7,479	-57,521	-
Net position after management	-	53,430	4,000

Sensitivity analysis: hedging of the currency and interest rate risk

The sensitivity analysis was established on the basis of the situation of the debt and the financial derivatives (for exchange rate and currency) at year end.
For the currency risk, sensitivity represents a change in exchange rate compared to the year end rate.
An unfavourable, uniform fluctuation of 10% 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 €4,128k on the overall net position in foreign currencies.
For the interest rate risk, sensitivity corresponds to a change in the interest rate curve compared to the interest rates applicable at year end.
The sensitivity to interest rate changes is equal to €556k at 31 December 2010.
(= net variable rate position x 1% change in the short term interest rate x time remaining until the next period, i.e. €576k).

The table below presents the impact of changes in exchange rates on earnings and equity on the assumption of a total exchange rate change of 10%:

At 31 December 2010 In €'000	Impact on earnings	Impact on shareholders' equity
Exchange rate Sterling	907	3,730
Exchange rate USD	580	4,313
Exchange rate Swiss franc	490	1,147
Exchange rate Rand	62	292
Exchange rate Indian rupee	46	75
Exchange rate Indonesian rupee	14	44
Exchange rate HKD	0	-1
Exchange rate AUD	132	255
Exchange rate NZD	5	27
Exchange rate Sterling	907	3,730

At 31 December 2009 In €'000	Impact on earnings	Impact on shareholders' equity
Exchange rate Sterling	2,554	11,401
Exchange rate USD	122	1,741
Exchange rate Swiss franc	107	483
Exchange rate Rand	-22	186
Exchange rate Brazilian real	24	55
Exchange rate Indian rupee	49	81
Exchange rate Indonesian rupee	11	27
Exchange rate HKD	0	0
Exchange rate AUD	74	91
Exchange rate NZD	6	19

NOTE 22: CASH FLOW TABLE

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

In €'000	31/12/10	31/12/09
Scope changes 2010		
Price paid / 2010 acquisitions	-165	
Price cashed / 2010 disposals		
Net active/passive cash acquired	298	
Prices paid / previous acquisitions	-8,735	
Other changes		
Scope changes 2009		
Price paid / 2009 acquisitions		-23,034
Price cashed / 2009 disposals		33,246
Net active/passive cash acquired		-2,440
Prices paid / previous acquisitions		-61
Other changes		
Total	-8,602	7,711

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

In €'000	31/12/2010	31/12/2009
Change in working capital requirements	- 2,188	-9,438
- Change in accounts receivable	3,708	-1,782
- Change in accounts payable	-4,500	-4,532
- Change in other assets	1,585	-8,863
- Change in other liabilities	- 2981	5,739

NOTE 23: OFF-BALANCE SHEET AND OTHER COMMITMENTS

Reminder: earn out is recorded to the balance sheet as per IFRS standards.
For current operations, the Group was committed, at year end 2004 and 2005, for the following amounts:

	31/12/2010				31/12/2009
		Payments due per period			
	Total	Within less than one year	Between one and five years	Within more than five years	Total
Contractual commitment					
Operating lease	743	331	412		805
Irrevocable purchase obligations					
Other long-term obligations					
Total	743	331	412		805
Other business commitments					
Credit line					
Letter of credit					
Foreign payment bonds					
Guarantees on rents	346	281		65	472
Other business commitments	1,423	282	1,132	9	1,916
Total	1,769	563	1,132	74	2,388
Commitments received					
Contract guarantees					
Other commitments received					
Total	-	-	-	-	-

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 training entitlement (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 31 December 2010, the DIF represented an aggregate of 17,359 hours of training entitlement.

NOTE 24: RELATED-PARTY TRANSACTIONS

24.1. 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.

In 2007, Sword Soft, a company based near London, was set up. The company, of which Sword Group holds 97.11%, is intended to handle all of the Group's "product" activities. The 2.89% not held by Sword Group is held by the company's management. Under a shareholders' agreement, the consolidated earnings of Sword Soft go entirely to Sword Group.

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

The purpose of Sémaphore Investissements is to take stakes in the equity of any company of which it may become an owner and to offer its assistance to the Senior Management of the Sword Group. The corresponding services are charged back to Sword Group.

The expense borne by Sword Group for the Senior Management assistance offered by Sémaphore Investissements stood at €300.6k in 2010, with monthly instalments of €25k.

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

(€'000)	12/10	12/09
Short-term benefits:		
- Gross (excluding benefits in kind)	961	1,133
- Employer contributions	178	198
- Benefits in kind	30	112
Post-employment benefits:		
- Commitments provisioned by the company	0	12
- Charges on rights acquired during the period	-12	-2
Other long-term benefits:		
Compensation for termination of employment contract		
Payments in shares	-72	201
Total	1,085	1,654

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

NOTE 25: LIST OF CONSOLIDATED COMPANIES

		31 December 2010		31 December 2009	
Companies	Year end	% 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%	92.87%
Sword Création Informatique Ltd (South Africa)	31/12	100%	100%	100%	100%
FircoSoft SAS (France)	31/12	100%	97.11%	99.13%	92.06%
FircoSoft Inc (US)	31/12	100%	97.11%	100%	92.87%
Sword Inc (US)	31/12	100%	100%	100%	100%
Sword DDS France	31/12	100%	100%	100%	100%
Sword Technologies SA (Bénélux)	31/12	100%	100%	100%	100%
Tipik (formerly-ASCII) (Belgium)	31/12	100%	100%	100%	100%
FI System Belgium (Belgium)	31/12	100%	100%	100%	100%
Global India	31/03	100%	97.11%	100%	100%
Sword IT Solutions (Greece)	31/12	65%	65%	65%	65%
Sword Services SA (formerly Linkvest SA) (Switzerland)	31/12	100%	100%	100%	100%
Sword Lebanon (Lebanon)	31/12	96.67%	96.67%	95%	95%
Sword UK (Ex Intech) (UK)	31/12	100%	97.11%	100%	92.87%
Sword Soft (UK)	31/12	97.11%	97.11%	92.87%	92.87%
Apak Group Ltd (UK)	31/12	100%	97.11%	100%	92.87%
Sword Integra (Belgium)	31/12	100%	100%	100%	100%
Sword Soft Inc (US)	31/12	100%	97.11%	100%	92.87%
Sword IPR (UK)	31/12	100%	97.11%	100%	92.87%
Buildonline Germany	31/12	100%	97.11%	100%	92.87%
CTSpace France	31/12	100%	97.11%	100%	92.87%
Buildonline India	31/12	100%	97.11%	100%	92.87%
Buildonline USA	31/12	100%	97.11%	100%	92.87%
Buildonline Ireland	31/12	100%	97.11%	100%	92.87%
Buildonline Global Ltd (UK)	31/12	100%	92.11%	100%	92.87%
Infotechno (AU)	31/12	-	-	70%	65%
Citadon Inc (US)	31/12	100%	97.11%	100%	92.87%
Ciboodle (formerly Graham Technology)	31/03	100%	91.88%	100%	87.15%
Ciboodle (formerly Graham Technology) Australia	31/03	100%	91.88%	100%	87.15%
Ciboodle (formerly Graham Technology) New Zealand	31/03	100%	91.88%	100%	87.15%
Ciboodle (formerly Graham Technology) Indonesia	31/03	100%	91.88%	100%	87.15%
Ciboodle (formerly Graham Technology) Scotland (UK)	31/03	94.61%	91.88%	93.84%	87.15%
Ciboodle (formerly Graham Technology) BV (Netherlands)	31/03	100%	91.88%	100%	87.15%
Ciboodle (formerly Graham Technology) South Africa	31/03	100%	91.88%	100%	87.15%

Ciboodle Ltd (formerly Graham Technology Land and Estates) (UK)	31/03	100%	91.88%	100%	87.15%
Ciboodle Inc (formerly Graham Technology) (US)	31/03	100%	97.11%	100%	87.15%
Graham Technology France	31/03	100%	91.88%	100%	87.15%
Graham Technology Hong Kong	31/03	100%	91.88%	100%	87.15%
Sword Bermuda Ltd (UK)	31/12	100%	97.11%	100%	92.87%
Sword Intech Inc (US)	31/12	100%	97.11%	100%	92.87%
Apak Beam	31/12	100%	97.11%	100%	92.87%
Sword FircoSoft Ltd (UK)	31/12	100%	97.11%	100%	92.87%
Sword General Partners (UK)	31/12	100%	97.11%	100%	92.87%
AgencyPort (US)	31/12	100%	80.11%	82.50%	76.62%
Sword SOL (Luxembourg)	31/12	100%	100%	-	-
Sword IF (Switzerland)	31/12	57%	57%	-	-

All the consolidated companies conduct operations, except for Sword Group, Sword SOFT Ltd, Sword SOFT Inc, FI System Belgium and Sword SOL, which are holding companies.
All the companies controlled at 31 December 2010 that conducted business during the year, are consolidated.
All consolidated companies are consolidated according to the full consolidation method.

Global India and Ciboodle (formerly Graham Technology) do not settle their accounts at 31 December. They have therefore drawn up interim positions as at 31 December 2010.

NOTE 26: Auditors' fees

AUDITORS' FEES

in €	Deloitte & Associés				MAZARS				Other auditors (1)			
	Amount		Percentage		Amount		Percentage		Amount		Percentage	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Audit:												
- Auditing, certification, and review of individual and consolidated financial statements:												
- SWORD GROUP	62,720	79,248	32%	40%	51,840	48,006	74%	90%	0	0	0%	0%
- FULLY CONSOLIDATED SUBSIDIARIES	86,286	93,570	44%	48%	0	0	0%	0%	395,414	414,179	82%	88%
- Other due diligence and services directly related to the auditors' assignment:												
- SWORD GROUP	29,320	19,812	15%	10%	18,560	5,334	26%	10%	0	0	0%	0%
- FULLY CONSOLIDATED SUBSIDIARIES	9,340	0	5%	0%	0	0	0%	0%	14,350	0	3%	0%
Total	**187,666**	**192,630**	**96%**	**98%**	**70,400**	**53,340**	**100%**	**100%**	**409,764**	**414,179**	**85%**	**88%**
- Other services rendered by the networks to the fully consolidated subsidiaries:												
- Legal, tax, and management	4,565	4,112	2%	2%	0	0	0%	0%	69,547	57,594	14%	12%
- Other	3,750	0	2%	0%	0	0	0%	0%	2,504	0	1%	0%
Subtotal other services	**8,315**	**4,112**	**4%**	**2%**	**0**	**0**	**0%**	**0%**	**57,594**	**57,594**	**15%**	**12%**
Total	**195,980**	**196,742**	**100%**	**100%**	**70,400**	**53,340**	**100%**	**100%**	**471,773**	**471,773**	**100%**	**100%**

(1): Other auditors that are not members of the networks of the college of auditors

20.6 Verification of annual financial information

20.6.1 Auditors' report on the annual financial statements

Annual financial statements – Financial year ended 31 December 2010

Dear Shareholders,

In carrying out the mission entrusted to us by your Shareholders' General Meeting, we hereby present you with our report for the financial year ended 31 December 2010, relating to:

- our examination of Sword Group SE's annual financial statements, which are attached to this report,
- the justifications for our assessments,
- specific verifications and legally required information.

The annual statements were drafted by the Board of Directors. Our task is to issue an opinion on these financial statements based on our audit.

I - Opinion on the annual financial statements

We have carried out our work in accordance with the professional standards in use 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 involves verifying, through surveys or other selection methods, the items supporting the figures and information which feature in the annual accounts. It also involves assessing those accounting principles followed, the significant estimates made and the overall presentation of the accounts. We consider that the items we have gathered form both a sufficient and an appropriate basis for our opinion.

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 per article L. 823-9 of the Commercial Code regarding the justification of our assessments, we inform you that:

– Note 1.3 to the annual financial statements sets out the rules for assessing and amortising equity holdings. In accordance with the professional standards applicable to accounting estimates, 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

We have also carried out verifications specifically required by law, in accordance with French professional regulations.
We have no comments to make on the sincerity and consistency with the annual statements, of the information given in the Board of Directors' management report, or that given in the documents addressed to shareholders relating to the group's financial situation and the annual statements.

With regard to the information supplied in application on the provisions of Article L.225-102-1 of the Commercial Code on payments and bonuses paid to corporate officers as well as on commitments approved in their favour, we have checked they are consistent with the accounts or with the data used in the drawing-up of these accounts, and, where relevant, with the items gathered by your company from companies controlling or controlled by your company. On the basis of our work, we vouch for the precision and honesty of this information.

Villeurbanne, 20 April 2011

The Auditors

Mazars	**Deloitte & Associés**
Max Dumoulin	Olivier Rosier

20.6.2 Auditors' report on the annual consolidated financial statements

Consolidated financial statements – Financial year ended 31 December 2010

Dear Shareholders,

In carrying out the mission entrusted to us by your Shareholders' General Meeting, we hereby present you with our report for the financial year ended 31 December 2010, relating to:

- our examination of Sword Group SE's annual financial statements, which are attached to this report,
- the justifications for our assessments,
- the specific verification stipulated under law.

The consolidated financial statements were drafted by the Board of Directors.Our role is to express an opinion on these financial statements based on the audit we have carried out.

I - Opinion on the consolidated statements

We have carried out our work in accordance with the professional standards in use 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 involves verifying, through surveys or other selection methods, the items supporting the figures and information which feature in the consolidated accounts. It also involves assessing those accounting principles followed, the significant estimates made and the overall presentation of the accounts. We consider that the items we have gathered form both a sufficient and an appropriate basis for our opinion.

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.

Without challenging the opinion expressed above, we call your attention to the changes made to the accounting rules and methods described in Note 2.1 of the appendix resulting from the implementation, as of 1 January 2010, of new standards and interpretations.

II - Justification of the opinions

As per article L. 823-9 of the Commercial Code regarding the justification of our assessments, we inform you that:

- Notes 2.9 and 2.14 of the appendix to consolidated statements describe the methods used for assessing and amortising goodwill. As per the professional standard applicable to accounting estimates, our work consisted in particular in assessing the implementation of those impairment tests, as well as the reasonable nature of cash flow forecasts and of the assumptions used. We have also verified .that Note 8 provides appropriate information.

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 check

We have also, in accordance with the professional standards applicable in France, specifically verified, as required by law, the information provided in the report on Group management.

We have no comments to make on their sincerity and consistency with the consolidated financial statements.

Villeurbanne, 20 April 2011

The Auditors

Mazars	Deloitte & Associes
Max Dumoulin	Olivier Rosier

20.7 Date of the latest financial information

Financial statements as at 31st December 2010 are the last statements audited by the auditors.

20.8 Intermediary financial information

A half-yearly financial report audited by the Auditors was published on 30 August 2010.

20.9 Dividend distribution policy

20.9.1 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 financial 2010, a dividend of €0.69 per share shall be distributed, subject to the agreement of the Shareholders' General Meeting on 17 May 2011.

For financial 2009, a dividend of €0.65 per share has been distributed.

20.9.2 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).

20.9.3 Dividends and reserves distributed during the last three years

In €	Financial 2009	Financial 2008	Financial 2007
Total dividend	6,038,477.25	5,573,979	4,923,681.45
Cash dividend per share	€0.65	€0.60	€0.53

20.10 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.

20.11 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 €9,289,965 as at 31 December 2006, divided into 9,289,965 shares with a face value of €1.

Partly paid capital
None

21.1.1.2 Authorised capital not yet issued

See paragraph 16 of the management report.

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

At 31st December 2010, Sword Group held no own shares.

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 2010, the Company issued no convertible or exchangeable marketable securities, nor marketable securities attached to subscription warrants.

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 affiliate 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 L. 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 December 29, 2006, proceeded to the allocation of 60,000 share subscription options. Insofar as the beneficiaries of the share subscription options are of various nationalities, three share subscription option plans have been established under the following conditions:

<table>
<tr><th></th><th colspan="2">Plan Nr.1</th><th colspan="2">Plan Nr.2</th><th colspan="2">Plan Nr.3</th></tr>
<tr><td>Date of the meeting</td><td colspan="6">28 April 2006</td></tr>
<tr><td>Date of the Board Meeting</td><td colspan="6">29 December 2006</td></tr>
<tr><td>Total number of options allocated</td><td colspan="6">60,000</td></tr>
<tr><td>Option exercise start date</td><td colspan="3">30/12/2008</td><td colspan="3">30/12/2009</td></tr>
<tr><td>Exercise price</td><td colspan="6">€35,128</td></tr>
<tr><td>Discount</td><td colspan="6">None</td></tr>
<tr><td>Number of beneficiaries per plan</td><td colspan="2">4</td><td colspan="2">3</td><td colspan="2">1</td></tr>
<tr><td>Number of shares to be subscribed by the managers</td><td colspan="6">51,000</td></tr>
<tr><td>Number of options that can no longer be exercised</td><td colspan="6">9,000</td></tr>
<tr><td>Expiry date</td><td colspan="3">30/12/2009</td><td colspan="3">30/12/2010</td></tr>
</table>

No option was exercised under that plan, which is now therefore obsolete.

- The Extraordinary General Meeting of shareholders of 30 January 2009, in its eighth resolution, authorised the Board of Directors to grant, under the provisions of article 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 related companies in the sense of article L.225-180 of the Commercial Code, options entitling their holders to the subscription of 200,000 new shares of the Company, this authorisation 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 30 January 2009 proceeded to the allocation of 150,000 share subscription options. Insofar as the beneficiaries of the share subscription options are of various nationalities, two share subscription option plans have been established under the following conditions:

	Plan Nr.1	Plan Nr.2
Date of the meeting	30 January 2009	
Date of the Board Meeting	30 January 2009	
Total number of options allocated	150,000	
Option exercise start date	30/01/2011	30/01/2012
Exercise price	€10.60	
Discount	None	
Number of beneficiaries per plan	1	2
Number of shares to be subscribed by the corporate officers	140,000	
Expiry date	30/01/2012	30/01/2013
Number of cancelled or lapsed options	100,000	10,000
Share subscription or purchase options remaining at the end of the 2010 fiscal year	0	40,000

Additional information is provided in the stock options report (paragraph 26.2).

Below is the table drawn up in accordance with AFEP / MEDEF recommendations (see table 4 of paragraph 20.4 of the management report).

Broker's name	Plan number and date	Nature of the options	Valuation of options in accordance with the method used for the consolidated financial statements	Number of options allocated during the period	Exercise price	Exercise period
H. Davies Executive Vice President	Nr.1 01/30/2009	Subscription	€333,516	100,000	€10.60	From 01/30/011 to 01/30/012
F. Fillot Executive Vice President	Nr.2 01/30/2009	Subscription	€155,412	40,000	€10.60	From 01/30/012 to 01/30/013

Mr. Heath Davies left the Group in December 2010. Therefore, he can no longer exercise his share subscription options.

Further details regarding the exercising of options:

Performance conditions: the beneficiaries may exercise their options only if the two conditions below are fulfilled, for the financial period preceding the exercising of the options:
- Company's consolidated EBIT in excess of 15%
- Consolidated turnover in excess of €220 million (not including the sale of assets)

Shares resulting from the exercising of options to be kept: in accordance with the provisions of article L 225-185 of the Commercial Code, the Board of Directors has decided that the aforementioned corporate officers must keep 10% of the shares resulting from the exercising of the options, up until the end of their mandates.

Allocation of options to employees of the Company or its subsidiaries: in order to comply with the provisions of article L 225-186-1 of the Commercial Code, resulting from the law of 3 December 2008, the Board of Directors has decided to grant 10,000 share subscription options to employees of the Company or its subsidiaries; the aforementioned performance conditions also apply to the exercising of the options. Pursuant to the departure of the beneficiary employees, the aforementioned 10,000 options are no longer exercisable.

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 program (2)	5	167,840	746,888	33,568	724,062	3,620,310
27-02-2002	Stock warrant program (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 program (3)	1	29,645	544,163.32	29,645	7,371,750	7,371,750
19-01-2006	Stock warrant program (3)	1	36,670	673,114.50	36,670	7,408,420	7,408,420
21-06-2006	Stock warrant program (3)	1	228,420	4,192,877.40	228,420	7,636,840	7,636,840
03-09-2007	Capital increase (4)	1	1.437.500		1.437.500	9,074,340	9,074,340
04-02-2007	Capital increase (4)	1	215.625		215.625	9,289,965	9,289,965

(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 29 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 warrants on 27 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: 15 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 28 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 authorisation, 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 7 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 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 Société Générale dated 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.
***(4)**As per the delegation granted by the Ordinary and Extraordinary Meeting of Shareholders of the Company held 28 April 2006 in its eleventh resolution, the Board of Directors, in its sitting of 14 February 2007 determined the principle of a capital increase through the issue of a maximum of 1,500,000 new shares with a face value of €1, available to the general public, with elimination of the pre-emptive right and with no priority right, that can be brought to a maximum of 1,983,750 new shares in case of use of the Extension Clause and the Over-allotment option, and further delegated to its Executive Chairman the power to determine the final conditions of the capital increase.*
In addition, the Board of Directors unanimously gave full powers to its Executive Chairman, under applicable legal and regulatory conditions, and within the limits set by the Ordinary and Extraordinary Meeting of Shareholders held 28 April 2006, to implement the issue and determine all its conditions definitively.
As a result of such delegation, the Executive Chairman has decided to proceed to a capital increase in cash, available to the general public, with no pre-emptive right nor priority timeframe, through the issue of 1,250,000 new ordinary shares in the Company, likely to be brought to a maximum of 1,653,125 in case of exercise of the entire Extension Clause concerning 187,500 shares and the Over-allotment Option concerning 215,625 shares.
The Executive Chairman:

- *as per a decision of 1st March 2007:*

- *decided to increase the number of new shares by 15% of the initial number, that is 187,500 shares, thereby bringing the number of new shares to be issued to 1,437,500,*
- *in accordance with legal and regulatory provisions, to set the unit price of the new shares at €40, corresponding, subject to a slight 2.12% discount in order to obtain an integer, to the weighted average of the price of the Company shares on Euronext Paris during the three market days preceding the opening of the order book.*

- *as per a decision dated 9 March 2007, on the basis of the certificate of the depository of the funds established on 9 March 2007, recognised the deposit of €57,500k representing all the payments in cash made by subscribers, the resulting subscription of 1,437,500 new shares, and the correlative capital increase for an amount of €1,437,500.*
- *as per a decision of 28 March 2007, acknowledged the exercise of the entire over-allotment option corresponding to the issue of 215,625 new shares at a price of €40.*
- *as per a decision of 2 April 2007, on the basis of the on the basis of the certificate of the depository of the funds established on 2 April 2007, recognized the deposit of €8,625k representing all the payments in cash made by subscribers to the capital increase subsequent to the exercise of the entire over-allotment option, the resulting subscription of 215,625 new shares, and the final completion of the capital increase through the subscription of 215,625 new shares, bringing the issued capital from €9,074,340 to €9,289,965.*

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

	Situation at 31/12/2008		
Forename-Surname	Number of shares	% of capital	% of voting rights
Jacques Mottard	1,746,820	18.80	27.22
21 Centrale Partners and the VCF 21 Développement	5	0	0
Françoise Fillot	106,395	1.15	1.97
Heath Davies	16,137	0.17	0.15
Treasury shares	0	0	0
Employees and miscellaneous registered shareholders	230,288	2.48	4.14
Floating stock	7,190,320	77.40	66.52
Total	9,289,965	100	100

	Situation at 31/12/2009		
Forename-Surname	Number of shares	% of capital	% vote
Jacques Mottard and Sémaphore Investissements	1,706,280	18.37	26.69
21 Centrale Partners	5	0	0
Françoise Fillot	106,395	1.15	1.98
Heath Davies	27,937	0.30	0.26
Treasury shares	58,885	0.63	0
Employees and miscellaneous registered shareholders	290,633	3.13	4.85
Floating stock	7,099,830	76.42	66.22
Total	9,289,965	100	100

	Situation at 31/12/2010		
Forename-Surname	Number of shares	% of capital	% vote
Jacques Mottard and Sémaphore Investissements	1,706,281	18.37	26.69
Françoise Fillot	86,395	0.93	1.61
Nicolas Mottard	1,395	NA	NA
Treasury shares	0	0	0
Employees and miscellaneous registered shareholders	193,848	2.08	3.59
Floating stock	7,302,046	78 0.62	68.11
Total	9,289,965	100	100

21.2 By-laws

It is reminded that the Extraordinary General Meeting of Shareholders held 30 January 2009, decided to transform Sword Group into a European Company and adopted new by-laws.

The provisions taken from Rule (EC) n°2157/2001 of the Board of 8 October 2001 regarding the status of European companies, provide for a restricted number of rules regarding the operation of the European company that reflect the provisions of domestic laws in that respect. The operation of Sword Group SE's Board is therefore mainly governed by the provisions of the Commercial Code regarding the management and administration of "sociétés anonymes" (limited companies), except for certain rules dictated by the aforementioned Rule, particularly the obligation, for the Board of Directors, to meet at least once every 3 months.

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. The board members' term of office has been brought down from 6 to 4 years maximum, by the Ordinary and Extraordinary General Meeting of 28 April 2010.

As at 31 December 2010, its members were:

- Jacques Mottard, Chairman,
- Nicolas Mottard,
- Françoise Fillot,
- François Barbier.

François Barbier was appointed new board member by the Ordinary General Meeting of 28 April 2010, as a substitute for 21 CENTRALE PARTNERS whose mandate expired and was not renewed.

Heath Davies resigned from his mandate as Board Member and Executive Vice President on 9 December 2010.

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 carries out any controls or checks that it deems necessary.
(…)

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

The Senior 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 Executive Chairman is chosen among the directors or outside the Board.

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

The shareholders and third parties are informed of the choice of the Board of Directors under the conditions set out by applicable laws and regulations.

When the senior management of the Company is ensured by the Chairman of the Board, he exercises the powers of Executive Chairman 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 Executive Chairman, 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 Executive Chairman. His mandate was renewed by the Board as at 26 April 2004 for a period expiring 31 December 2009.

The Board of Directors of 28 April 2010 renewed Mr Jacques Mottard as Executive Chairman for a period due to expire on 31 December 2013.

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. The dual voting right will terminate de jure for any share subject to conversion to the bearer or to a transfer of ownership. Nevertheless, will not result in a disruption of the aforementioned timeframe, or will make it possible to keep this acquired entitlement, any transfer from a registered bearer to another registered bearer, pursuant to the execution of a will, the sharing of common property between spouses or donation between living people to the benefit of the spouse or close relatives. 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.

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 employee representation body under the terms set by the law.

One or several shareholders who together hold at least 10% of the paid capital may request the registration of one or several new agenda issues for any general meeting.

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

Any shareholder may, regardless of the number of shares held, take part, in person or via a proxy, to the meetings upon 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."

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)

Pursuant to recent changes in legal and regulatory requirements, the General Meeting of 17 May 2011 will be suggested to harmonise the by-laws with such provisions and to amend Article 10 of the by-laws accordingly, as follows:

Any shareholder, whether acting individually or with another shareholder, who increases their ownership to more than 5%, 10%, 15%, 20%, 25%, 30%, on 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 4 trading days as of the date when they exceed 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 4 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 in Note 16 of the appendix to the financial statements.

XXVI - Appendices

26.1 Management report prepared by the Board of Directors for the Ordinary and Extraordinary General Meeting of 17 May 2011

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 2010.

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 31 December 2010; Reading of the report on the consolidated financial statements for the financial year ending 31 December 2010;

- Presentation of the consolidated financial statements and corporate financial statements for the financial year ending 31 December 2010;

- Approval of the financial statements for the financial year ending 31 December 2010 and directors' discharge;

- Approval of the consolidated financial statements for the financial year ending 31 December 2010;

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

- Appropriation of earnings;

- Determination of the directors' fees;

- Appointment of a new director;

- 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;

- 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 the issue of share options reserved for all or some employees and/or corporate officers of the Company and/or related companies in the sense of Article L 225-180 of the Commercial Code;

- Delegation of authority to increase the share capital to the benefit of the Group's employees;

- Harmonisation of the by-laws with recent legal and regulatory provisions;

- 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 31 December 2010

1.1 Acquisitions / Disposal and equity stakes acquired during the financial year ended 31 December 2010:

During the financial year ended 31 December 2010, Sword Group:

- set up Sword SOL on 7 June 2010. The company, based in Luxembourg, bought back 100% of the shares in Sword SA, in order to isolate Sword SA's business in a more specific organisation, dedicated to "Services";
- set up Sword IF SA on 16 November 2010. The Group set up that dedicated organisation, of which it holds 57%, with a partner, after winning the invitation for tenders from UEFA regarding the outsourcing of IT services. Sword IF SA is dedicated to International Federations;
- acquired 19% of the capital of China's Guangzhou Si Wo Ruanjian Keji Komp. Ltd.
- In 2010, Sword Group redeemed 44,940 shares in its subsidiary Sword SOFT Ltd from minority shareholders for €9,039k, thereby bringing its interests in that company from 92.87% to 97.11%.

As part of expanding its business, FircoSoft SAS opened offices in Singapore on 15 October 2010.

During the financial year ended 31 December 2010, Sword Group sold, on 1st February _ all of the stakes it held (via Sword Technologies) in the share capital of Oktopus Consulting SA (i.e. 10% of the capital).

1.2 Governance

The Ordinary and Extraordinay General Meeting held 28 April 2010:

- Renewed the board member mandates of Messrs Jacques and Nicolas Mottard, which had expired,
- Appointed Mr François Barbier as new board member as a replacement for 21 CENTRALE PARTNERS whose mandate was not renewed,
- Amended Article 13 of the by-laws regarding the term of office of the board members appointed during the lifetime of the company, bringing it down from 6 to 4 years maximum.

The Board of Directors of 28 April 2010 renewed the mandates of Executive Chairman of Mr Jacques Mottard and of the Executive Vice-Presidents.

In order to conduct a new business plan for the Group, Mr Jacques Mottard has decided to take over the executive management of the entire Group, pursuant to the departure, in December 2010, of Mr Heath Davies, who resigned from all the mandates he held within the Group.

The Boards of Directors of 20 December 2010:
- proceeded to the annual self-assessment of the Board of Directors, in accordance with Article 9 of the AFEP / MEDEF corporate governance code,
- adopted the principle of setting up an Audit Committee and entrusted Mr François Barbier with the task of expressing recommendations as to the operating mode of the said Committee, in order for it to become operational in the course of September 2011,

- decided to adopt the draft governance charter and ethical charter submitted by the Chairman.

2. Comparability of the financial statements - Accounting rules and methods

As per European Regulation n° 1606/2002 of 19 July 2002 regarding international accounting standards, the consolidated accounts of Sword Group at 31 December 2009 and the comparative accounts for financial 2008 were established by applying the IFRS (International Financial Reporting Standards) standards, as adopted by the European Union. The standards and interpretations applied are those published in the OJEU (Official Journal of the European Communities) before 31 December 2009, whose implementation was mandatory on that date.

These standards are available on the website of the European Union, at (http://ec.europa.eu/internal_market/accounting/ias) and include the standards approved by the International Accounting Standards Board (IASB), i.e. the IFRS standards, the international accounting standards (IAS) and the interpretations from the International Financial Reporting Interpretations Committee (IFRIC) or from the Standing Interpretations Committee (SIC).

2.1 Standards, amendments to standards and interpretations applicable as of the financial year started 1 January 2010

The Group implemented for the first time the standards and interpretations whose enforcement was mandatory as of 1st January 2010, namely:

IAS 27 revised – Consolidated and Separate Financial Statements(applicable to the annual periods starting as of 1st July 2009);
IFRS 3 revised – Business Combinations (applicable to business combinations whose acquisition date is the first financial period starting as of 1st July 2009);

These revisions, whose implementation was prospective, had no impact on the recording of business combinations or changes in interest percentages prior to 1st January 2010, which were recorded as per the accounting principles set out in IFRS 3 and IAS 27;

Annual improvements of the IFRS standards (May 2008) – amendment to IFRS regarding the reclassification as "assets held for sale" of all the assets and liabilities of a subsidiary held for sale even if the group maintains a residual stake. This amendment applies along with IAS 27R and IFRS 3R;

Amendment to IAS 39 – Financial instruments: Recognition and Measurement "elements eligible for hedging" (applicable to annual periods beginning as of 1st July 2009);

Amendment to IFRS 2 – Share-based payments: intragroup transactions whose payment is based on shares and are settled in cash (applicable to annual periods beginning as of 1st January 2010);

Annual improvements to the IFRS standards (16 April 2009), mainly applicable to annual periods beginning as of 1st January 2010.

These new standards have no significant impact on the accounts drawn up as at 31 December 2010.

2.2 Standards and interpretations that were published but are not yet applicable

Texts adopted by the European Union at year end.
IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments(applicable to annual periods starting as of 1st July 2010);

Amendment to IAS 32 – Classification of Rights Issues (applicable to annual periods starting as of 1st February 2010);

IAS 24 revised – Related Party Disclosures (applicable to annual periods beginning as of 1st January 2011).

There was no early implementation of these new standards and interpretations within the Group, and the latter does not expect any significant impact on its financial statements.

Texts not adopted by the European Union at year end.
Subject to their final adoption by the European Union, the implementation of the standards, amendments to standards and interpretations, published by IASB and listed below, will be mandatory as of 1st January 2011 (except for the amendments to IAS 12 and IFRS 9).

3. Group activities - Presentation of the consolidated income statement for the financial year ended 31 December 2010

3.1. Presentation of the simplified consolidated income statement at 31 December 2010

The table below presents the simplified income statement of Sword Group for the financial year ending 31 December 2010 compared with that for the financial year ending December 2009.

In €'000	2010 consolidated	2009 consolidated
Turnover	185,323	180,603
EBIT	34,005	32,031
Operating profit	33,605	36,270
Consolidated net profit	23,235	22,035
Group's share of net profit	23,230	21,724

3.2. List of main consolidated companies as at 31 December 2010

	31 December 2010		
Companies	Year end	% controlled	% stake
Sword Group (parent company) 9 Avenue Charles de Gaulle 69771 Saint Didier au Mont d'or Cedex	31/12	100%	100%
Sword SA (France)	31/12	100%	100%
Sword Création Informatique Ltd (South Africa)	31/12	100%	100%
FircoSoft SAS (France)	31/12	100%	97.11%
FircoSoft Inc (US)	31/12	100%	97.11%
Sword Inc (US)	31/12	100%	100%
Sword DDS France	31/12	100%	100%
Sword Technologies SA (Benelux)	31/12	100%	100%
Tipik (formerly-ASCII) (Belgium)	31/12	100%	100%
FI System Belgium (Belgium)	31/12	100%	100%
Sword Global India Ltd	31/03	100%	97.11%
Sword IT Solutions (Greece)	31/12	65%	65%
Sword Services SA (formerly Linkvest SA) (Switzerland)	31/12	100%	100%
Sword Lebanon (Lebanon)	31/12	96.67%	96.67%
Sword UK (formerly Intech) (UK)	31/12	100%	97.11%
Sword Soft (UK)	31/12	97.11%	97.11%
Apak Group Ltd (UK)	31/12	100%	97.11%
Sword Integra (Belgium)	31/12	100%	100%
Sword Soft Inc (US)	31/12	100%	97.11%
Sword IPR (UK)	31/12	100%	97.11%
Buildonline Germany	31/12	100%	97.11%
CTSpace France	31/12	100%	97.11%
Buildonline India	31/12	100%	97.11%
Buildonline USA	31/12	100%	97.11%
Buildonline Ireland	31/12	100%	97.11%
Buildonline Global Ltd (UK)	31/12	100%	97.11%
Infotechno (AU)	31/12	-	-
Citadon Inc (USA)	31/12	100%	97.11%
Ciboodle Ireland Ltd	31/03	100%	91.88%
Ciboodle Australia Ltd	31/03	100%	91.88%
Ciboodle New Zealand Ltd	31/03	100%	91.88%

Ciboodle Indonesia	31/03	100%	91.88%
Ciboodle Scotland (UK)	31/03	94.61%	91.88%
Ciboodle BV (Netherlands)	31/03	100%	91.88%
Ciboodle South Africa Ltd	31/03	100%	91.88%
Cibboodle Ltd (Land and Estates) (UK)	31/03	100%	91.88%
Ciboodle Inc (US)	31/03	100%	97.11%
Graham Technology France	31/03	100%	91.88%
Graham Technology Hong Kong	31/03	100%	91.88%
Sword Bermuda Ltd (UK)	31/12	100%	97.11%
Sword Intech Inc (USA)	31/12	100%	97.11%
Apak Beam	31/12	100%	97.11%
Sword Fircosoft Ltd (UK)	31/12	100%	97.11%
Sword General Partners (UK)	31/12	100%	97.11%
AgencyPort (US)	31/12	82.50%	80.11%
Sword Sol (Luxembourg)	31/12	100%	100%
Sword IF (Switzerland)	31/12	57%	57%

All consolidated companies are consolidated according to the full consolidation method.

3.3. Activity and turnover

In 2010, Sword Group's consolidation scope remained stable.

On a like-for-like basis, the annual growth in EBIT stands at 7.9%. On a consolidated basis, such growth stands at 6.3%.

The current operating margin stands at 18.3%.

The backlog stands at €463m, i.e. 26.8 months of turnover budgeted for 2011, up 3.7 months since 31 December 2009.

The current operating cash flow stands at €26.3m.

3.3.1. Specialisation

- Historically, technology was the Group's first area of specialisation: 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

- Lastly, the Group chose to develop in the Software (products) line of business:
  - by promoting internal growth in that line of business
  - by targeting its acquisition policy exclusively in that line of business

From there, Sword has become a major international supplier of Business Process Improvement (BPI) solutions targeting the regulated industries.

Sword devotes its skills, infrastructures, and experience to its customers, to help them improve their performance results, increase their efficiency and maximize their return on investments.

Sword's solutions are delivered according to 2 different modes, "On Demand" (hosted mode) and "On Premises" (on site). Owing to that flexibility and to strong business expertise, Sword assists its customers is a host of lines of business including insurance & health, energy, banking & finance, telecom, the environment, engineering & construction, and the public sector.

3.3.2. 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.

3.3.3. Expansion

As part of the ongoing attempt to increase the Group’s gross margin, two phenomena permit an optimistic outlook on the future:

- The Group's ability to combine "Software" and "Solutions" under one same roof. Indeed, the Group targets specific products that supplement those of major software companies. That way, Sword becomes their preferred partner. In fact, this products-based strategy mechanically increases the gross margin percentage,

- The “markets” specialisation in highly regulated industries helps target a higher gross margin through Sword's two-fold specialisation: Technology/markets.

3.4. EBIT

EBIT from all consolidated companies for 2010 was €34,005k, i.e. 18.3% of turnover.

The operating margin continued to be the Group’s main strength and demonstrates its ability to acquire less profitable companies and bring them into line with Sword's standards within a year of acquisition.

3.5. Operating profit

Operating profit from all consolidated companies for 2010 was €33,605k, i.e. 18.1% of turnover.

3.6. Cost of net debt

The cost of net debt stood at -€2,084k, i.e. 1.1% of turnover.

This cost consists primarily of net interest expenses on loans (€3,578k), a financial lease agreement (€1,494k) and investment products and non-consolidated shares (€1k).

3.7. Income tax and net profit

Income tax on consolidated profit was -€10,425k, which represents an effective taxation rate of 31%.

After income tax, net profit for the consolidated companies stood at €23,235k, i.e. 12.5% of turnover. The Group share of net profit stood at €23,230, i.e. 12.5% of turnover, while net profit allocated to minority shareholders was €5k.

3.8. Debt, cash flow and investments

Net debt, i.e. total gross debt from which cash reserves on 31 December 2010 were deducted, stood at €94,610k.

The cash flow of the Group (see cash flow table) stood at €38,990k, 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 €8,137k.

3.9. External growth

No acquisitions were made in 2010.

3.10. Disposal operation

No disposals were made in 2010.

3.11. Changes in the Group's main subsidiaries

SOFTWARE

A / Insurance

€m	2010	2009
Turnover	44.5	31.8
EBIT	9.0	6.5
%	20.2%	20.4%

This segment was affected by a cancelled order; however, its fundamentals are good and the profitability remains stable.

B / Energy / Building construction / Utilities

€m	2010	2009
Turnover	8.7	15.9
EBIT	-0.5	3.0
%	-5.7%	18.9%

This portion of the Software segment combines BPM only for the Energy sector. The BPM part allocated to other sectors was unfairly allocated in 2009. Therefore, there is no comparison possible.

C / CRM and miscellaneous activities

€m	2010	2009
Turnover	27.5	28.0
EBIT	6.6	8.5
%	24.0%	30.4%

As forecast last year, there has been no growth, but there have been many R&D investments made. A bright future is ahead.

D / AML and WFS

€m	2010	2009
Turnover	22.7	20.9
EBIT	6.6	6.2
%	29.1%	29.7%

This segment is more regular, the 2009 and 2010 profitability rates are outstandingly high. Normative profitability stands at 25%.

SOLUTION

The Solution turnover is broken down by country, our markets being more local than global.

A / France

€m	2010	2009
Turnover	19.1	17.8
EBIT	2.4	1.2
%	12.6%	6.7%

Normative profitability for France is closer to 9% than to 12%. Growth will continue in 2011.

B / Benelux

€m	2010	2009
Turnover	35.6	38.3
EBIT	2.8	2.9
%	7.9%	7.6%

C / Switzerland

€m	2010	2009
Turnover	10.7	9.2
EBIT	3.6	1.2
%	33.6%	13.0%

Exceptional profitability in 2010. 2011 profitability is around 12% but with growth in excess of 15%.

D / Other

€'000	2010	2009
Turnover	16.5	18.8
EBIT	3.5	2.6
%	21.2%	13.8%

In 2010, the strategy consisted in targeting systematically the profitability ratio rather than growth. In that respect, 2010 has been a success. In 2011, we expect growth to expand by 5%.

3.11. Important events occurring after year-end

In January 2011, part of the UK subsidiaries were restructured. This can be summarised as follows:
- the business of CTSpace UK (assets and liabilities) was transferred by Sword UK to a new company set up for that purpose, namely CTSpace Ltd, which is a subsidiary of Sword Soft Ltd,
- the ECM, ABS and HLD business (assets and liabilities) of Sword UK was transferred to a new company set up for that purpose, namely Sword Technology Solutions Ltd, which is a subsidiary of Sword Soft Ltd,
- Sword UK changed its corporate identity to become Sword Insurance Europe Ltd.

The Board of Directors of Sword Group SE, in its session of 29 March 2011, using the authorisation granted by the Extraordinary General Meeting of 30 January 2009, awarded 48,000 share subscription options to certain employees of the Group.

On 15 April 2011, FMR LLC (USA) stated that it had exceeded the 10% threshold of Company's voting rights, holding 10.74% of such voting rights. FMR LLC owns at 15/04/2011, 1,151,565 shares in Sword Group representing as many voting rights or 12.40% of capital and 10.74% of the Company's voting rights.

In accordance with the provisions of Article L. 232-1 of the Commercial Code, we inform you that, except as stated 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.

3.12. Future outlook

The Group targets growth for 2011, on a like-for-like basis, of approximately 10%.

3.13. Assessment of the value of goodwill and other intangible assets

An independent evaluation led by the firm UEC 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.

3.14. Research and development

In 2010, R&D consisted of the following:

- Software segment: R&D accounts for 17% of the turnover.
- Solutions segment: R&D accounts for 3.6% of the turnover.

3.15. Approval of the consolidated financial statements

We request that you approve the consolidated accounts for the year ended 31 December 2010 (balance sheet, profit and loss statement, and annexes) as they are submitted and which show a total consolidated profit of 23,235k (of which the group’s share is 23,230k).

4. Activities of Sword Group – presentation of the corporate financial statements

4.1. Company activities over the financial year 2010– Balance sheet and income statement

In 2010, Sword Group had one employee.

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

Over 2010, Sword Group carried out its operational, strategic and financial supervision role for the Group.

The main figures for the period are the following:

In €	Financial year N	Financial year N-1	Change in %
Turnover	2,816,274	3,690,877	-23.70
Revenues from operations	2,817,646	3,690,877	-23.66
Operating expenses	3,716,809	4,851,827	-23.39
Operating profit	- 899,163	- 1,160,938	-22.55
Financial revenues	7,826,193	10,006,001	-21.79
Financing costs	9,707,850	8,265,551	17.45
Financial result	-1,881,657	1,740,450	-208.11
Current profit before tax	- 2,780,820	579,512	-579.86
Extraordinary earnings	761,779	8,350,000	-90.88
Extraordinary expenses	-	5,235,391	-100.00
Extraordinary profit	761,779	3,114,609	-75.54
Income tax	2,830	-	-
Profit	-2,021,871	3,694,122	-154.73

Information about supplier and customer terms of payment

In accordance with Articles L. 441-6-1 and D. 441-4 of the French Commercial Code, we inform you that at the end of the last closed fiscal year, the balance of accounts payable broke down, by due date, as follows:

€	less than 30 days	Between 30 and 60 days	more than 60 days	Total incl. tax
Debt not yet overdue*	€188,109	€7,310	-	€195,420
Debt overdue**	-	-	- €764	- €764
Total incl. tax	€188,109	€7,310	- €764	€194,656

* Debts whose due date is subsequent to year-end
** Debts whose due date is prior to year-end

In accordance with Articles L. 441-6-1 and D. 441-4 of the French Commercial Code, we inform you that at the end of the fiscal year closed 31 December 2009, the balance of accounts payable broke down, by due date, as follows:

	less than 30 days	Between 30 and 60 days	more than 60 days	Total incl. tax
Debt not yet overdue*	€862,310	€965	€13,656	€876,931
Debt overdue**	-	-	-	-
Total incl. tax	€862,310	€965	€13,656	€876,931

* Debts whose due date is subsequent to year-end
** Debts whose due date is prior to year-end

4.2. Outlook for 2011

The outlook for 2011 is described in point 3.12 above.

4.3. Description of human resources and the corporate environment

At 31 December 2010, the Company had one employee.

Accordingly, the list of formal information on corporate matters as provided by the Decree of 20 February 2002 is of little interest.

4.4. Industrial and environmental risks

In application of rules No. 98-01 and No. 95-01, we would like to point out to you that, because of its area of activity, the company is not exposed to environmental issues.

4.5. Information on market risks

The main market risks are described in paragraph 4.3 of Chapter IV Risk Factors.

5. Business 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 business and earnings of our company's subsidiaries and the companies it controls;
- Significant stakes acquired or takeovers of companies headquartered in France.

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

During the financial year ended 31 December 2010, Sword Group acquired no significant stakes nor took control of any companies headquartered in France.

5.2. Business and earnings of the subsidiaries in the sense of article L.233-1 of the Commercial Code

Companies	Stake held as a percentage	Sales in thousands of euros	Earnings in thousands of euros	Activity
Sword Inc	100	6,214	1,372	Software and Solutions
Sword Création Informatique SA	100	-	14	Solutions
FI System Belgium	100	-	- 242	Solutions
Sword Services	100	15,455	4,890	Solutions
Sword DDS	100	-	-1	-
Sword Soft Ltd	97.11	-	5,699	-

5.3. Business and earnings of the companies controlled in the sense of article L.233-3 of the Commercial Code

Companies	Stake held as a percentage	Sales in thousands of Euros	Earnings in thousands of Euros	Activity
FircoSoft SAS (France)	97.11	7,837	1,134	Software
FircoSoft Inc (US)	97.11	2,583	312	Software
Sword Technologies (Benelux)	100.00	15,166	306	Solutions
Sword IT Solutions (Greece)	65.00	108	- 1	Offshore
Tipik (formerly-ASCII) (Belgium)	100.00	19,823	1,284	Solutions
Sword Global India Ltd	97.11	3,188	457	Offshore
Sword Lebanon	96.67	826	184	Offshore
Sword UK	97.11	30,066	2,587	Software
Apak Group Ltd (UK)	97.11	10,257	1,819	Software
Sword IPR Ltd (UK)	97.11	6,511	142	Software
Sword Integra (Belgium)	100.00	2,280	32	Solutions
Sword Soft Inc (US)	97.11	-	938	Software
Buildonline Germany	97.11	1,627	388	Software
CTSpace France	97.11	2,143	341	Software
Buildonline India	97.11	-	-	Software
Buildonline US	97.11	11	30	Software
Buildonline Ireland	97.11	-	-5	Software
Buildonline Global Ltd (UK)	97.11	-	111	Software
Citadon Inc (US)	97.11	3,059	-755	Software
Ciboodle Ireland Ltd	91.88	864	231	Software
Ciboodle Australia Ltd	91.88	6,013	1,319	Software
Ciboodle New Zealand Ltd	91.88	286	48	Software
Ciboodle Indonesia	91.88	1,444	138	Software
Ciboodle Scotland (UK)	91.88	10,918	916	Software

Ciboodle BV (Netherlands)	91.88	289	81	Software
Ciboodle South Africa Ltd	91.88	1,838	603	Software
Ciboodle Ltd (Land and Estates) (UK)	91.88	2,042	993	-
Ciboodle Inc (US)	97.11	5,636	-22	Software
Graham Technology France	91.88	-	-	Software
Graham Technology Hong Kong	91.88	-	-	Software
Sword Bermuda Ltd (UK)	97.11	1,088	690	Software
Apak Beam	97.11	2,103	329	Software
Sword Fircosoft Ltd (UK)	97.11	4,138	1,368	Software
Sword General Partners (UK)	97.11	-	917	Software
AgencyPort (US)	80.11	20,300	3,271	Software
Sword Intech Inc (US)	97.11	2,105	-325	Software
Sword Sol (Luxembourg)	100.00	-	-1	Solutions
Sword IF (Switzerland)	57.00	-	-1	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 share capital at the close of the financial year (as a %)

Forename-Surname	**Situation at 31/12/2010**		
	Number of shares	% of capital	% vote
Jacques Mottard and Sémaphore Investissements	1,706,281	18.37	26.69
Françoise Fillot	86,395	0.93	1.61
Nicolas Mottard	1,395	NA	NA
Treasury shares	0	0	0
Employees and miscellaneous registered shareholders	193,848	2.08	3.59
Floating stock	7,302,046	78.62	68.11
TOTAL	9,289,965	100	100

a) By letter received 8 January 2010, followed by a letter received 11 January 2010, the company FMR LLC (USA) reported having exceeded the threshold of 5% of the capital of the Company, holding 484,686 shares in the Sword Group representing as many voting rights or 5.22% of capital and 4.45% of the Company's voting rights.

b) By letter received 22 January 2010, followed by a letter received 26 January 2010, the company Schroders Investment Management Limited (UK) reported having fallen below, on 20 January 2010, the threshold of 5% of the capital of the Company, holding 418,318 shares in the Sword Group representing as many voting rights or 4.50% of capital and 3.84% of the Company's voting rights.

c) By letter received 21 December 2010, the company FMR LLC (USA) reported having exceeded, on 16 December 2010, the threshold of 10% of the capital of the Company, holding 934,565 shares in the Sword Group representing as many voting rights or 10.06% of capital and 8.72% of of the Company's voting rights.
This crossing of threshold came about as a result of the acquisition of shares in Sword Group SE on the stock market.

That same letter expressed the following intention:
"The acquisition of securities in Sword Group by FMR LLC is part of its normal portfolio management business conducted without intent to implement a particular strategy with respect to Sword Group nor to exercise, as such, a specific influence on the management of the latter. FMR LLC is not acting in concert with a third party and does not intend to take control of Sword Group nor to request its appointment or that of one or several individuals as board members, management board members or supervisory board members."

d) By letter received on 23 December 2010, the Luxembourg limited liability company Financière Semaphore, controlled by Mr Jacques Mottard, reported having exceeded, on 23 December 2010, indirectly through the joint stock company Sémaphore Investissements under its control, the thresholds of 5%, 10%, 15% of share capital and voting rights, 20% and 25% of the voting rights of Sword Group and holding indirectly, through Sémaphore Investissements, 1,706,280 shares representing 2,681,105 voting rights, or 18.37% of the capital and 26.69% of the Company's voting rights.
This crossing of thresholds results from the contribution to the benefit of Financière Sémaphore all of the shares held by Mr Jacques Mottard and his children in the capital of the company Sémaphore Investissements, which directly holds 18.36% shares and 26.68% of Sword Group's voting rights.
Mr Jacques Mottard and Sémaphore Investissements have not crossed any threshold in Sword Group.

That same letter expressed the following intention:
"Pursuant to Article L.233-7 paragraph VII of the Commercial Code and Article L._-17 of the AMF General Regulations, Mr Jacques Mottard, acting alone without action in concert with a third party and without implementing any particular strategy with respect to Sword Group, stated that the companies Financière Sémaphore and Sémaphore Investissements do not intend to increase their interests in Sword Group through an acquisition. It is not the intention of Sémaphore Investissements or Financière Sémaphore to gain control of Sword Group, nor to apply for a seat on the Company's Board of Directors, nor to take part in its management, insofar as Mr Jacques Mottard, Chairman of Sémaphore Investissements and Manager of Financière Sémaphore is also the Executive Chairman of Sword Group. Mr Jacques said that he does not envisage any of the operations listed in Article L.223-17 I 6 of the AMF General Regulations and that he has not entered into any temporary disposal agreements regarding shares or voting rights in Sword Group. The transaction that resulted in the upward crossing of the thresholds (described above) is a pure personal assets management transaction, initiated by Mr Jacques Mottard. Prior to this contribution, Mr Jacques Mottard already owned more than 15% of capital and more than 25% of the voting rights in Sword Group through Sémaphore Investissements. This is therefore only a reclassification of securities."

Threshold crossing after year end: by letter dated 15 April 2011, FMR LLC (USA) reported having exceeded the threshold of 10% of the Company's voting rights and holding 10.74% of voting rights. FMR LLC owns at 15/04/2011, 1,151,565 shares in Sword Group representing as many voting rights or 12.40% of capital and 10.74% of the Company's voting rights.

8. Changes in the share price

2010	At 31 January 2011
Highest closing price €28.60 (on 01/02/2010)	Highest closing price €23.39 (on 06/01/2011)
Lowest closing price €21.99 (on 21/05/2010)	Lowest closing price €22.39 (on 13/01/2011)
Number of shares traded by stock market: 14,265 (1)	Number of shares traded on the stock market from 01/01/2011 to 31/01/2011: 22,462 (2)

(1) This is the average number of shares traded in 2010, a year during which 3,680,437 shares were traded.
(2) This is the average number of shares traded in January 2011, a month during which 471,692 shares were traded.

9. Information on the acquisition and sale by the company of its own shares as at 31 December 2010

Number of shares held by the Company as at 31 December 2009	58,885
Number of shares purchased in 2010	0
Number of shares sold in 2010	58,885
Number of shares held by the Company as at 31 December 2010	0

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 suggest that you approve the corporate financial statements for the financial year ended 31 December 2010 (Balance Sheet, Income Statement and Appendix) such as they are presented to you, which show a loss of €2,021,871.18.

We suggest that the result be appropriated as follows:

- To the "Balance brought forward": Which would thus drop from €26,141,075.08 to €24,119,203.90	**- €2.021.871.18**

We suggest that you distribute to the shareholders, as dividend, €6,410,075.85, which would be taken from the "Balance brought forward", which would thus be brought down from €24,119,203.90 to €17,709,128.05.

The net dividend per share would be €0.69 per share.

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 of the General Tax Code, for those private taxpayers not opting for the automatic withholding of 19% not inclusive of social contributions, the above dividend per share is eligible for a 40% rebate on the taxable amount of distributed profit. The Company will handle the corresponding withholding, as per the provisions of Article 136-7 of the Social Security Code.

- The dividends paid over the last three financial years were as follows:

Financial year	**Net dividend per share**
31 December 2009	€0.65
31 December 2008	€0.60
31 December 2007	€0.53

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 deductible from the earnings for tax purposes in the sense of Article 39-4 of the General Tax Code.

12. Table of earnings for the five last financial years provided by article R.225-102 of the Commercial Code

	2006	2007	2008	2009	2010
Share capital at year-end					
Share Capital	7,636,840	9,289,965	9,289,965	9,289,965	9,289,965
Number of shares	7,636,840	9,289,965	9,289,965	9,289,965	9,289,965
Operations and earnings					
Turnover (excl. tax)	3,422,250	3,848,639	3,246,133	3,690,877	2,816,274
Earnings before taxes, profit-sharing, depreciation provisions, impairment and provisions	5,045,582	42,686,644	-4,635,267	3,649,985	-2,006,481
Taxes on profits	-70,675	770,960	536,257	-	2,830
Earnings after taxes, profit-sharing, depreciation provisions, impairment and provisions	5,207,542	41,228,350	-6,184,689	3,694,122	- 2,021,871
Distributed profit	3,207,473	4,923,681	5,549,301	6,038,477	6,410,076
Earnings per share					
Earnings after taxes, profit-sharing, before depreciation provisions, impairments and provisions	0.67	4.51	-0.56	0.39	-0.22
Earnings after taxes, profit-sharing, depreciation provisions, impairments and provisions	0.68	4.44	-0.67	0.40	-0.22
Distributed dividend	0.42	0.53	0.60	0.65	0.69
Personnel					
Average head count	5	2	2	1.75	1
Payroll	343,563	216,802	173,349	154,921	123,531
Amounts paid as benefits	142,060	88,926	71,470	58,786	53,968

13. Objective and comprehensive analysis of the turnover, results and financial position of the Company

The details of this analysis are in the annex to the 2010 consolidated financial statements.

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

Mrs Françoise FILLOT, board member and Executive Vice-President:

- on 24 September 2010, sold shares in the Company for a total of €356,058 (at a unit price of €25.723),
- on 27 September 2010, sold shares in the Company for a total of €157,543 (at a unit price of €25.5834).

These disposals were subject to two reports filed with the AMF on 29 September 2010.

16. Table of delegations for capital increases

The Combined Shareholders' General Meeting held on 28 April 2010 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, as 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 2012.

Nature of the delegation	Nature of the operation	Shares to issue	Authorised capital increase amount
Full delegation	Capital increase, PSR maintained	Capital shares or debt securities giving access to capital	€5,000,000 (*) of capital increase or €100,000,000 of value of debt securities giving access to the capital
Full delegation	Capital increase, PSR waived	Capital shares or debt securities giving access to capital	€5,000,000 (*) or €100,000,000 of value of debt securities giving access to the capital

(*)These amounts are not cumulative

These delegations were not used in 2010.

17. Financial instruments

The main loans have been taken out at an interest rate of euribor 3 months + 0.7.

Three fixed-rate paying swap covers have been set up:

- Cover through paying swap at a fixed rate of 3.95% (excluding bank margin) was set up as at 2 January 2009 and is valid up until _ April 2012 for an amount of €20m,
- Cover through paying swap at a fixed rate of 4.37% (excluding bank margin) was set up as at 2 January 2009 and is valid up until _ April 2012 for an amount of €30m.
- Cover through paying swap at a fixed rate of 1.71% (excluding bank margin) was set up as at 6 August 2009 and is valid up until 8 April 2011 for an amount of €15m.

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. Proposal for appointing a new board member

Following the resignation of Mr Heath Davies from his board member mandate in December 2010, the board has only four members, one of whom, Mr François Barber, is independent. It thus appears desirable to appoint a second independent board member, it being pointed out that such appointment would be part of the creation of the Audit Committee governed by the provisions of Article L.823-19 of the Commercial Code.

In this context, in accordance with Article L.225-17 of the Commercial Code, amended by Act No. 2011-103 of 27 January 2011 concerning the balanced representation of women and men on boards of directors, we reflected on the appointment of a woman. Indeed, now the law requires:

- firstly, seeking a balanced representation of women and men on boards of directors;
- secondly, maintaining a proportion of directors of each gender that cannot be less than 20% after the first general meeting following 1st January 2014 and 40% after the first general meeting following 1st January 2017.

The Company is currently composed of four members, among whom Françoise Fillot (i.e. an actual proportion of women of 25%); therefore, we consider that, to date, the representation of women and men on the Board is sufficiently balanced and that the composition of the Board meets those gender balance requirements for the time being.

François Régis Ory, expected to hold that independent board member mandate, has met the board members in office. Given the working experience of Mr François Régis Ory, a description of which is attached to this report, the Board is satisfied that the appointment of Mr François Régis Ory, as a new independent board member, will be quite beneficial to both the Board and the Company.

Therefore, we submit for your approval a resolution regarding the appointment of Mr François Régis Ory as a new independent board member of our Company.

20. 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 held and functions conducted in all the French and foreign subsidiaries by each of the Company's corporate officers during the financial year ending 31 December 2010.

Function	Term of mandate	Company	Expiry date
Jacques Mottard: Executive Chairman			
Executive Chairman	4 years	Sword Group	31/12/13 (*)
Executive Chairman	6 years	Sword SA	31/12/14 (*)
Chairman	Unlimited	Sword DDS	Unlimited duration
Chairman	Unlimited	FircoSoft SAS	Unlimited duration
Chairman	Unlimited	Sword UK	Unlimited duration
Chairman	Unlimited	Harvard Consulting Limited	Unlimited duration
Chairman	Unlimited	Intech Solutions Limited	Unlimited duration
Director	Unlimited	Amor Business Technology Solutions	Unlimited duration
Chairman	Unlimited	Sword Global Ltd	Unlimited duration
Chairman	Unlimited	Sword Inc	Unlimited duration
Chairman	Unlimited	Sword Creation Information	Unlimited duration
Chairman	6 years	Sword Technologies SA	31/12/14 (*)

Chairman	Unlimited	FircoSoft Inc	Unlimited duration
Chairman and Board Member	6 years max	FI System Belgium	31/12/14 (*)
Chairman and Board Member	6 years	Tipik (formerly ASCII)	31/12/15 (*)
Director	Unlimited	Sword Global India	Unlimited duration
Chairman	Unlimited	Sword Services (formerly Linkvest)	Unlimited duration
Chairman	Unlimited	Sword Lebanon	Unlimited duration
Chairman and Board Member	5 years	Sword IT Solutions	06/30/11 (*)
Chairman and Director	3 years	Powersoft	31/12/10 (*)
Chairman and Director	Unlimited	Achiever	Unlimited duration
Chairman and Director	Unlimited	Sword Soft Ltd	Unlimited duration
Chairman and Board Member	6 years	Sword Integra	31/12/13 (*)
Chairman and Director	Unlimited	Apak	Unlimited duration
Chairman and Director	Unlimited	Sword IPR Ltd	Unlimited duration
Manager	Unlimited	CTSpace France	Unlimited duration
Chairman	Unlimited	Ciboodle (formerly Graham Technology)	Unlimited duration
Chairman	Unlimited	Collaboration Technology INC	Unlimited duration
Chairman	Unlimited	AgencyPort	Unlimited duration
Director	Unlimited	Sword General Partners	Unlimited duration
Director	Unlimited	Sword FircoSoft Ltd	Unlimited duration
Manager	Unlimited	Sword SOL	Unlimited duration
Chairman and Board Member	1 year	Sword IF SA	31/12/11 (*)

(*) General Meeting ruling on the financial statements for the period

Mandates exercised outside the Group			
Function	Term of mandate	Company	Expiry date
Manager	Unlimited	SCI FI	Unlimited duration
Manager	Unlimited	Le Sémaphore	Unlimited duration
Manager	Unlimited	Chinard Investissement	Unlimited duration
Chairman	Unlimited	Sémaphore Investissements	Unlimited duration
Manager	Unlimited	Maya	Unlimited duration
Manager	Unlimited	Financière Sémaphore Sarl	Unlimited duration
Chairman of the Board and board member	1 year	Orny Holding SA	31/12/11 (*)
Manager	Unlimited	Ruitor	Unlimited duration

(*) General Meeting ruling on the financial statements for the period

Function	Term of mandate	Company	Expiry date
Françoise Fillot: Board Member and Executive Vice President			
Executive Vice President	For the Chairman's term of mandate	Sword Group	31/12/13 (*)
Board member	4 years	Sword Group	31/12/12 (*)
Director	Unlimited	Sword UK	Unlimited duration
Board member	6 years	Sword Technologies SA	31/12/14 (*)
Board member	6 years	Sword SA	31/12/14 (*)
Executive Chairman	Unlimited	FircoSoft SAS	Unlimited duration
Executive Chairman	Unlimited	Sword Solutions	Unlimited duration
Board member	6 years max	FI System Belgium	31/12/14 (*)
Board member	6 years	Tipik (formerly ASCII)	31/12/15 (*)
Director	Unlimited	Sword Global Ltd	Unlimited duration
Director	Unlimited	Sword Global India	Unlimited duration
Executive Chairman	Unlimited	Sword DDS	Unlimited duration
Executive Chairman	Unlimited	FircoSoft Inc	Unlimited duration
Director	Unlimited	Harvard Consulting Limited	Unlimited duration

Board member	Unlimited	Achiever	Unlimited duration
Board member	6 years	Sword Integra	31/12/13 (*)
Manager	Unlimited	CTSpace France	Unlimited duration
Director	Unlimited	Sword IPR Ltd	Unlimited duration
Director	Unlimited	Sword General Partners	Unlimited duration
Board member	1 year	Sword IF SA	31/12/11 (*)
Manager	Unlimited	Sword SOL	Unlimited duration
Director	Unlimited	Sword FircoSoft Ltd	Unlimited duration

(*) General Meeting ruling on the financial statements for the period

Heath Davies: Board Member and Executive Vice President until 9 December 2010, the date on which he resigned			
Function	Term of mandate	Company	Expiry date
Board member	6 years	Sword Group	09/12/10 (*)
Executive Vice President (since 13 March 2006)	For the Chairman's term of mandate	Sword Group (*)	09/12/10 (*)
Director	Unlimited	Sword UK Limited	31/12/10 (*)
Director	Unlimited	Harvard Consulting Limited	31/12/10 (*)
Director	Unlimited	Intech Solutions Limited	31/12/10 (*)
Director	Unlimited	Achiever	31/12/10 (*)
Director	Unlimited	Sword IPR Ltd	31/12/10 (*)
Director	Unlimited	Apak	31/12/10 (*)
Director	Unlimited	Sword Soft Ltd	31/12/10 (*)
Director	Unlimited	Sword Global Ltd	31/12/10 (*)
Manager	Unlimited	CTSpace France	31/12/10 (*)
Deputy Chairman	Unlimited	Collaboration Technology INC	31/12/10 (*)
Deputy Chairman	Unlimited	AgencyPort	31/12/10 (*)
Director	Unlimited	Sword General Partners	31/12/10 (*)
Director	Unlimited	Sword FircoSoft Ltd	31/12/10 (*)

(*) Resigned
(*) General Meeting ruling on the financial statements for the period

Nicolas Mottard: Board member			
Function	Term of mandate	Company	Expiry date
Board member	4 years	Sword Group	31/12/13 (*)

(*) General Meeting ruling on the financial statements for the period

21 CENTRALE PARTNERS: board member up until 28 April 2010: date of the Ordinary and Extraordinary General Meeting that did not renew its expired mandate			
Function	Term of mandate	Company	Expiry date
Board member	6 years	Sword Group	28/04/10
Mandates exercised outside the Group			
Member of the Supervisory Board	6 years	LE PUBLIC SYSTEME	31/12/15
Board member	6 years	EGIDE	31/12/11
Board member	6 years	MECCANO SA	31/03/14
Member of the Supervisory Board	3 years	FINANCIERE VERLYS SAS	31/12/10
Member of the Supervisory Board	6 years	VULCANIC HOLDING SAS	31/12/11
Member of the Supervisory Board	3 years	FINANCIERE ARAMIS SAS	31/12/11
Board member	6 years	SFTF INTERFLORA SA	31/12/14
Member of the Supervisory Board	6 years	ALLVALV	30/04/13
Member of the Supervisory Board	6 years	FINANCIERE ITALYC SAS	31/03/14
Member of the Supervisory Board	Unlimited	FINANCIERE STORAGE SAS	Unlimited duration
Member of the Supervisory Board	6 years	DRIVE PLANET SAS	31/12/14
Member of the Supervisory Board	3 years	DIGITAL VIRGO SAS	31/12/11
Board member	6 years	CLUB MED GYM SA	31/12/14

Member of the Supervisory Board	6 years	ALMAVIVA SANTE SAS	31/12/12
Member of the Supervisory Board	5 years	NEWGATE SAS	30/06/11
Member of the Supervisory Board	1 year	GLOBAL FINANCIAL SERVICES (G.F.S.)	30/06/10
Member of the Supervisory Board	Undetermined	FINANCIERE LOUIS SAS	Undetermined duration
Member of the Supervisory Board	6 years	FINANCIERE VIVALDI SAS	31/12/12
Member of the Supervisory Board	6 years	FINANCIERE CMG SAS	31/10/13

(*) General Meeting ruling on the financial statements for the period

François Barbier: Board member since 28 April 2010			
Function	Term of mandate	Company	Expiry date
Board member	4 years	Sword Group	31/12/13 (*)
Mandates exercised outside the Group			
Member of the Management Board	5 years	21 CENTRALE PARTNERS	17/03/14
"Amministratore"	3 years	RSVP Srl (Italian company)	31/12/10
RP of 21 CENTRALE PARTNERS on the Board of Directors	6 years	MECCANO SA	31/03/14
RP of 21 CENTRALE PARTNERS on the Supervisory Board	6 years	LE PUBLIC SYSTEME SA	31/12/15
RP of 21 CENTRALE PARTNERS on the Supervisory Board	5 years	3C FINANCE	31/12/14
Chairman, Supervisory Board	6 years	VULCANIC HOLDING SAS	31/12/11
Member of the Supervisory Board	Undetermined	PALMERS TEXTIL AG (Austrian company)	Undetermined duration
Member of the Supervisory Board	6 years	DRIVE PLANET SAS	31/12/13
Chairman board member	Undetermined	ADVANCED COFFEE INVESTMENT (Swiss company)	Undetermined duration

(*) General Meeting ruling on the financial statements for the period

21. Remuneration of corporate officers

The presentation of the remuneration of corporate officers below is in accordance with the AMF's recommendation dated 22 December 2008, regarding the information to be disclosed concerning the remuneration of corporate officers.

21.1 Table Nr.1: summary table of compensation and options and shares allocated to each corporate officer

Jacques Mottard	**31/12/2010**	**31/12/2009**
Compensation due for the period *(detailed in Table Nr.2)*	€30,000 (1)	€30,000 (1)
Valuation of the options allocated during the period *(detailed in Table Nr. 4)*	N/A	N/A
Valuation of the performance shares allocated during the period *(detailed in Table Nr. 6)*	N/A	N/A
TOTAL	€30,000	30 000

(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. This charge back stood at €300,625 for the fiscal year ended 31 December 2010.

Heath Davies	31/12/2010	31/12/2009
Compensation due for the period *(detailed in Table Nr.2)*	€176,026	€171,538
Valuation of the options allocated during the period *(detailed in Table Nr. 4)*	€0 *	€101,904
Valuation of the performance shares allocated during the period *(detailed in Table Nr. 6)*	€0	€0
TOTAL	€176,026	€273,442

(*) Options that lapsed pursuant to resignation

Françoise Fillot	31/12/2010	31/12/2009
Compensation due for the period *(detailed in Table Nr.2)*	€153,175	€123,175
Valuation of the options allocated during the period *(detailed in Table Nr. 4)*	€38,853	€35,618
Valuation of the performance shares allocated during the period *(detailed in Table Nr. 6)*	€	€0
TOTAL	€192,028	€158,793

21 Centrale Partners	31/12/2010	31/12/2009
Compensation due for the period *(detailed in Table Nr.2)*	€50,000	€30,000
Valuation of the options allocated during the period *(detailed in Table Nr. 4)*	N/A	N/A
Valuation of the performance shares allocated during the period *(detailed in Table Nr. 6)*	N/A	N/A
TOTAL	€50,000	€30,000

Nicolas Mottard	31/12/2010	31/12/2009
Compensation due for the period *(detailed in Table Nr.2)*	€10,000	€10,000
Valuation of the options allocated during the period *(detailed in Table Nr. 4)*	N/A	N/A
Valuation of the performance shares allocated during the period *(detailed in Table Nr. 6)*	N/A	N/A
TOTAL	€10,000	€10,000

François Barbier (1)	31/12/2010	31/12/2009
Compensation due for the period *(detailed in Table Nr.2)*	N/A	N/A
Valuation of the options allocated during the period *(detailed in Table Nr. 4)*	N/A	N/A
Valuation of the performance shares allocated during the period *(detailed in Table Nr. 6)*	N/A	N/A
TOTAL	N/A	N/A

(1) François Barbier was appointed board member on 28 April 2010

21.2 Table Nr.2: summary table of compensation of each corporate officer manager

Jacques Mottard	Amount at 31/12/2010		Amount at 31/12/2009	
	Due	Paid	Due	Paid
Fixed compensation	€0 (1)	€0 (1)	€0 (1)	€0 (1)
Variable compensation	€0	€0	€0	€0
Exceptional compensation	€0	€0	€0	€0
Directors' fees	€30,000	€30,000	€30,000	€30,000
Benefits in kind	None	None	None	None
TOTAL	€30,000	€30,000	€30,000	€30,000

(1) Since 1st January 2007, the remuneration of Mr Jacques Mottard and his assistant has been billed to the Company by Sémaphore Investissements as part of a services agreement. This charge back stood at €300,625 for the fiscal year ended 31 December 2010.

Heath Davies	Amount at 31/12/2010		Amount at 31/12/2009	
	Due	Paid	Due	Paid
Fixed compensation	£125,700	£125,700	£125,700	£125,700
Variable compensation	€0	€0	€0	€0
Exceptional compensation	€0	€0	€0	€0
Directors' fees	€30,000	€30,000	€30,000	€30,000
Benefits in kind	None	None	None	None
TOTAL	€176,026 (1)	€176,026 (1)	€171,538	€171,538

(1) Pound sterling exchange rate as at 31/12/2010.

Françoise Fillot	Amount at 31/12/2010		Amount at 31/12/2009	
	Due	Paid	Due	Paid
Fixed compensation	€73,175	73 175	73,175	€73,175
Variable compensation	0	€0	€0	€0
Exceptional compensation	€50,000	€50,000	€50,000	€50,000
Directors' fees	€30,000	€30,000	€0	€0
Benefits in kind	None	None	None	None
TOTAL	€153,175	€153,175	€123,175	€123,175

Nicolas Mottard	Amount at 31/12/2010		Amount at 31/12/2009	
	Due	Paid	Due	Paid
Fixed compensation	€0	€0	€0	€0
Variable compensation	€0	€0	€0	€0
Exceptional compensation	€0	€0	€0	€0
Directors' fees	€10,000	€10,000	€10,000	€10,000
Benefits in kind	None	None	None	None
TOTAL	€10,000	€10,000	€10,000	€10,000

21 Centrale Partners	Amount at 31/12/2010		Amount at 31/12/2009	
	Due	Paid	Due	Paid
Fixed compensation	€0	€0	€0	€0
Variable compensation	€0	€0	€0	€0
Exceptional compensation	€0	€0	€0	€0
Directors' fees	€50,000	€50,000	€30,000	€30,000
Benefits in kind	None	None	None	None
TOTAL	€50,000	€50,000	€30,000	€30,000

François Barbier [1]	**Amount at 31/12/2010**		**Amount at 31/12/2009**	
	Due	Paid	Due	Paid
Fixed compensation	N/A	N/A	N/A	N/A
Variable compensation	N/A	N/A	N/A	N/A
Exceptional compensation	N/A	N/A	N/A	N/A
Directors' fees	N/A	N/A	N/A	N/A
Benefits in kind	N/A	N/A	N/A	N/A
TOTAL	N/A	N/A	N/A	N/A

[1] François Barbier was appointed board member on 28 April 2010

21.3 Table Nr.3: Table of directors' fees and other remunerations paid to the corporate officers

Members of the Board of Directors	**Directors' fees paid at 31/12/2010**	**Directors' fees paid at 31/12/2009**
Jacques Mottard	€30,000	€30,000
Heath Davies	€30,000	€30,000
21 Centrale Partners	€50,000	€30,000
Nicolas Mottard	€10,000	€10,000
Françoise Fillot	€30,000	€0
François Barbier	N/A	N/A
TOTAL	€150,000	€100,000

21.4 Table Nr.4: Share subscription or purchase options allocated during the period to each corporate officer manager by the Company or by any Group company

The Company's Board of Directors of 30 January 2009, making partial use of the authorisation given by the General Meeting the same day, allocated 150,000 share subscription options in the following proportions:

- Heath Davies (Executive Vice President): 100,000 options. Exercise of these options is subject to compliance with certain performance conditions. The Board of Directors set to 10% the minimum percentage of shares resulting from the options that Mr Heath Davies will have to keep up until the end of his office as CFO;

- Mrs Françoise Fillot (CFO): 40,000 options. Exercise of these options is subject to compliance with certain performance conditions which are detailed in the special report referred to in Article L.225-37 of the French Commercial Code. The Board of Directors set to 10% the minimum percentage of shares resulting from the options that Mrs Françoise Fillot will have to keep up until the end of her office as Executive Vice President;

- Mr Jean-Marc Sonjon (employee): 10,000 options. Exercise of these options is subject to compliance with certain performance conditions.

Messrs Heath Davies and Jean-Marc Sonjon having left the Group in the course of 2010, they can no longer exercise their options, which have lapsed.

21.5 Table Nr.5: Share subscription or purchase options exercised during the period by each corporate officer manager

For the period ended 31 December 2010, no share subscription option has been exercised.

21.6 Table Nr.6: performance shares allocated to each corporate officer manager

Not applicable

21.7 Table Nr.7: performance shares that became available during the period for each corporate officer manager

Not applicable.

21.8 Table Nr.8: History of allocations of share subscription or purchase options

Information about share subscription or purchase options			
	Plan Nr.1	Plan Nr.2	Plan Nr.3
General Meeting	28 April 2006		
Date of the Board Meeting	29 December 2006		
Total number of options allocated	60,000		
Number of options that can be subscribed	42,000	4,500	4,500
Beneficiaries Heath Davies	28,500		
Jim Graham	4,500		
John Innes	4,500		
Phil Norgate	4,500		
Juan Arcas		4,500	
Jean-Marc Sonjon			4,500
Option exercise start date	30/12/08	30/12/09	
Expiry date	30/12/09	30/12/10	
Subscription price	35.128		
Number of shares subscribed at 31 December 2010	0	0	0

The options from the three aforementioned plans were not exercised during the subscription period. Consequently, they lapsed on 31 December 2009 and 2010.

	Plan Nr.1	Plan Nr.2
Date of the General Meeting	30 January 2009	
Date of the Board Meeting	30 January 2009	
Total number of options allocated	150,000	
Number of options that can be subscribed	100,000	50,000
Beneficiaries Heath Davies	100,000	
Françoise Fillot		40,000
Jean-Marc Sonjon		10,000
Option exercise start date	30/01/11	30/01/12
Expiry date	30/01/12	30/01/13
Subscription price (1)	10.60	
Number of shares subscribed at 31 January 2011	0	0
Number of cancelled or lapsed options	100,000	10,000
Share subscription or purchase options remaining at the end of the period	0	40,000

21.9 Table Nr.9: Share subscription or purchase option granted to the ten best paid employees who are not corporate officers and options they have exercised

Not applicable.

21.10 Table Nr.10

	Employment contract		Additional pension scheme		Allowances or benefits due or likely to be due as a result of the termination or change in functions		Allowances relative to a non-competition clause	
Corporate officers	Yes	No	Yes	No	Yes	No	Yes	No
J. Mottard - Executive Chairman		X		X		X		X
F. Fillot - Executive Vice President		X (1)		X		X		X
H. Davies - Executive Vice President	X			X		X		X

(1) The Board of Directors, in its sitting of 30 January 2009, decided to comply with the AFEP / MEDEF recommendations of October 2008. In that context, Mrs Françoise Fillot, Executive Vice President, has resigned from her labour contract as Administrative and Financial Director.

22. Directors' fees

We propose that directors' fees paid to members of the Board be set at €155,000.

23. 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 in order to cancel own shares

We remind you that the General Meeting held 28 April 2010 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 27 October 2011.

With regards to the performance of the Company's share price, we we propose that you cancel the authorisation granted by the General Meeting of 28 April 2010 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 as per that authorisation may not represent more than 10% of the equity capital, as adjusted according to operations that may affect it subsequent to the General Meeting's decision, it being pointed out that the number of shares taken into account for the calculation of the 10% limit corresponds to the number of shares purchased, minus the number of shares redeemed during the authorisation period, in accordance with the provisions of Article L.225-209 paragraph 1 of the French Commercial Code. The number of shares acquired by the Company with a view to keeping them and eventually using them as payment or as a means of exchange in the context of a merger, spinoff, or contribution operation, may not exceed 5% of the share capital;
- The shares may be repurchased through transactions on the market or the purchase of batches, with no particular limitations in the latter case;
- The maximum price at which the shares could be acquired would be set to €37,

- This authorisation would be granted for a period of eighteen months, starting from the date of the General Meeting authorising the repurchase of shares;

In order to allow the Board to cancel the shares purchased by the Company in the context of the repurchase programme, we also ask you to allow the Board of Directors to reduce the equity capital by cancelling the Company's own shares and consequently amend the by-laws;

24. <u>Delegation of authority to be granted to the Board to grant share subscription options reserved for all or part of the employees and/or corporate officers of the Company and or the companies related to it in the sense of Article L 225-180 of the Commercial Code</u>

In order to ensure the loyalty and motivation of certain employees and representatives of the Company and/or companies associated with it in the sense of Article L 225-180 of the Commercial Code, we propose to you that a Company share subscription plan be implemented for these employees and representatives.

Such a plan, implemented under the conditions stipulated in Article L 225-177 and subsequent Articles of the Commercial Code, would have the dual advantage of interesting the recipients in the future results of the Company, in particular by offering them the possibility of receiving dividends, without increasing staff costs, while at the same time procuring for the Company additional equity capital capitaux propres which will be of use to its development.

The broad outline of this plan, which the Board of Directors will be responsible for drafting once the General Meeting has given its authorisation, will be as follows:

- The authorisation to be granted to the Board by the General Meeting will be valid for 38 months, starting on the date of said General Meeting;
- In accordance with the provisions of Article L 225-177, paragraph 4 of the Commercial Code, the share subscription price will be set on the date the options are approved by the Board of Directors, in accordance with the methods to be decided by the General Meeting. As part of this process, a suggestion can be made to the General Meeting that the subscription price cannot be less than the average share price on the bourse for the 20 sessions prior to the allocation date, with no discount,
- Options must be exercised no later than 10 years after the date of allocation of these options by the Board of Directors.
- The exercise of options, by the Company's managers, would be subject to individual and/or collective performance conditions, which would be set by the Board of Directors.
- The total number of options to be approved during this period could not result in the subscription of more than 200,000 shares with a face value of €1 each.

In view thereof, you are requested to authorise the Board of Directors, under the provisions of Article L 225-177 and subsequent Articles of the Commercial Code, to grant on one or more occasions to all or some of the employees and/or representatives of the Company and/or associated companies in the sense of Article L 225-180 of the Commercial Code, options that give the holder the right to subscribe 200,000 new shares to be issued as a capital increase.

If you agree to this proposal, your decision will imply ipso facto acceptance of the waiver by shareholders of their pre-emptive right to shares to be issued during the exercise of options.

We also request that you grant the Board of Directors the necessary powers to set other conditions and methods for the allocation and exercising of options, in particular to:

- Determine the names of recipients of the options;
- Set the subscription price, in accordance with the rules described above,
- Set the conditions under which approval will be given for options; Determine the period in which these options must be exercised; Decide the conditions under which the price and number of shares can be changed, in particular under the conditions provided for in Articles 225-137 to 225-142 of the Commercial Code;
- Provide the option to temporarily suspend the exercising of options in the event of financial transactions that imply the exercising of a right attached to the shares,
- Complete or have completed all procedures and formalities that may result from the implementation of this authorisation, modify the by-laws and, in general, do anything necessary,
- Allocate the cost of capital increases to premiums relating to these increases, and deduct from this amount any amounts required to bring the legal reserve up to 10% of share capital after each increase at its own discretion, if he deems it appropriate; and,

- Determine the individual and/or collective performance conditions related to the award of options, to the benefit, if applicable, of the managers, it being pointed out that Mr Jacques Mottard, Executive Chairman, will under no circumstances benefit from share subscription options.
- More generally, establish the rules of the share subscription option plan that will define the conditions governing the allocation and exercise of the options, which will be signed by every recipient at the time of the allocation of these options.

In accordance with the provisions of Article R 225-144 paragraph 2 of the Commercial Code, the Auditors of the Company will present to you a report on the methods proposed for setting the subscription price.

25. 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. 3332-18 of the Labour Code and Articles L 225-129-6 and L 225-138-1 of the Commercial Code, it is for the Board of Directors to submit to the General Meeting of Shareholders, on the occasion of each capital increase operation, a draft resolution designed to conduct a capital increase carried out under the conditions set out in L.3332-18 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 giving 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 225-115 of the Commercial Code, 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 R.225-116 paragraph 2 of the Commercial Code.

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 3.11 above.

26. Harmonisation of the by-laws with recent legal and regulatory provisions

We point out that recent laws and regulations, including those introduced by the Act of 22 October 2010 No.2010-1249 on banking and financial regulations, have changed some provisions of Article L .233-7 of the Commercial Code relating to the crossing of equity holding thresholds, introducing a new legal threshold of 30% in addition to those that already existed and to the timeframe for reporting threshold crossings.

Accordingly, you will have to decide on the harmonisation of the Company's by-laws with these new laws and regulations**.** Article 10 of by-laws would be amended accordingly should you vote favourably on that issue.

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 3332-18 of the Labour Code, which, for now, is not in line with the Company's objectives.

Jacques Mottard
Executive Chairman
Sword Group

APPENDIX TO THE MANAGEMENT REPORT

CURRICULUM VITAE

François Régis Ory

51 years old
Doctor in Pharmacy, former intern in Lyon hospitals
Post-graduate degree (DEA) in biomaterials
Post-graduate degree in management (IAE)

WORK EXPERIENCE

2009 to date:

- Chairman, AMELIANE
- Chairman of ABM MEDICAL, a company specialising in home-based healthcare (PSAD), covering areas such as oxygen therapy, drips, nutrition, and maintenance at home.

2007 - 2009

- Chairman of AMELIANE, stakes held in med-tech and medical organisations

2005 - 2007

- Executive Chairman of FLOREANE MEDICAL IMPLANTS
- Chairman of AMELIANE, an investment company in the medical sector.

2005

- Disposal of the Group FLOREANE MEDICAL IMPLANTS (a group listed on Euronext) to TYCO in November 2005

1996 - 2005

- Setting up of FLOREANE MEDICAL IMPLANTS – A SOFRADIM holding company
- Chairman of FLOREANE MEDICAL IMPLANTS et de SOFRADIM, a company specialising in the design, manufacture, and marketing of surgical implants for the treatment of parietal, visceral urological, gynecological and vascular conditions.

1995 - 1996

- Manager of SOFRADIM

1993 - 1995

- Scientific and technical manager, SOFRADIM PRODUCTION

1989 - 1993

- Marketing and sales manager, BIOMATECH – 38670 CHASSE SUR RHONE. Services company specialising in biomaterials and medical and surgical equipment. Its business, targeted at health professionals, includes assistance in the design and development of innovative products, performance measurement and biocompatibility of materials, scientific, technological and normative information.

1986 - 1989

Intern at the Lyon civil hospices

- Debrousse Hospital Doctor AULAGNER
- Bacteriological department of Pr. FLEURETTE - Neuro-cardiological Hospital
- Digestive functional exploration department of Pr. MINAIRE – E. Herriot Hospital.

EDUCATION

- 1981 - 1986 Pharmacy LYON

- 1986 - 1990 Pharmacy intern at the Lyon hospitals elective course in biological and medical industrial pharmacy
- 1986 - 1989 Post-graduate degree (DES) in industrial, biological, and medical pharmacy
- 1986 Post-graduate degree in biological and medical engineering; elective course in biomaterials

"Study of bacterial fixation on a medium and bacterial pickling"

- 1987 State doctoral thesis for a doctorate in pharmacy (LYON N° 101)
- 1989 - 1990 Post-graduate management studies (C.A.A.E.)

Institut d'administration des entreprises (I.A.E. LYON)

MISCELLANEOUS

- Hippocrates award for healthcare quality (1986) "Infectious catheterism"

26.2 Board's report on stock options (year ended 31/12/2010)

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.

1. 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.

No options were exercised during the subscription period. The plan has therefore expired.

2. We point out that the Board of Directors held 30 January 2009, in accordance with the permission granted by the Extraordinary General Meeting of Shareholders of the Company held 30 January 2009 in its eighth resolution, granted, under the provisions of Articles L 225-177 et seq. of the Commercial Code, options entitling their holders to the subscription of 150,000 new shares of the Company. In the context of that authorisation, two share subscription option plans have been established, it being pointed out that Messrs Heath Davies and Jean-Marc Sonjon, having left the Group in the course of financial 2010, have had their options lapse.

	Plan Nr.1	**Plan Nr.2**
Date of the General Meeting	30 January 2009	
Date of the Board Meeting	30 January 2009	
Total number of options allocated	150,000	
Number of options that can be subscribed	100,000	50,000
Beneficiaries: Heath Davies	100,000	
Françoise Fillot		40,000
Jean-Marc Sonjon		10,000
Option exercise start date	30/01/11	30/01/12
Expiry date	30/01/12	30/01/13
Subscription price	10.60	
Number of shares subscribed at 31 January 2011	0	0
Number of cancelled or lapsed options	100.000	10,000
Share subscription or purchase options remaining at the end of the period	0	40,000

We inform you in that respect that, in accordance with AFEP/MEDEF recommendations, insofar as some of the beneficiaries of the share subscription options are also corporate officers of the Company, the aforementioned decision of the Board of Directors has been covered by a press release.

Further details regarding the exercising of options:

Performance conditions: the beneficiaries may exercise their options only if the two conditions below are fulfilled, for the financial period preceding the exercising of the options:
- Company's consolidated EBIT in excess of 15%
- Consolidated turnover in excess of €220 million (not including the sale of assets)

Shares resulting from the exercising of options to be kept: in accordance with the provisions of article L 225-185 of the Commercial Code, the Board of Directors has decided that the aforementioned corporate officers must keep 10% of the shares resulting from the exercising of the options, up until the end of their mandates.

Allocation of options to employees of the Company or its subsidiaries: in order to comply with the provisions of article L 225-186-1 of the Commercial Code, resulting from the law of 3 December 2008, the Board of Directors has decided to grant 10,000 share subscription options to employees of the Company or its subsidiaries; the aforementioned performance conditions also apply to the exercising of the options.

3. Likewise, we remind you that the Extraordinary General Meeting of Shareholders of FircoSoft SAS dated 4 September 2005 authorised its Chairman to allocate to certain members of the Company personnel, 340 new share subscription options. The Chairman, as per two decisions dated 4 November 2005 and 5 November 2005, made partial use of that authorisation by allocating 340 share subscription options. 240 options were subscribed on 3 November 2009 (100 options can no longer be exercised).

Likewise, we remind you that the Extraordinary General Meeting of Shareholders of FircoSoft SAS dated 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.

Date of the meeting	4 September 2006
Date of Chairman's decision	4 September 2006
Total number of options allocated	1,700
Option exercise start date	09/05/2008
Exercise price	730 (premium of €714)
Discount	None
Beneficiaries / number of options allocated	France Pioger: 300 David Jacquet: 100 Laurent Corbel: 300 Jean Losco: 600 Thierry Haensenberger: 100 Frédéric Casadei: 300
Number of lapsed options	350
Number of options exercised at 31 December 2010	1.350
Expiry date	31/12/2010

All the options allocated under that plan were exercised during the period elapsed. The capital stock of Fircosoft rose from €293,760 to €315,360.

4. Likewise, we inform you that the Board of Directors of Sword Technologies, a Luxembourg subsidiary of our Company, on 15 July 2008, approved and ratified a stock options plan consisting in the granting of options to third party consultants bound to the Company via a service agreement ("freelance" contract) and stock options to the employees of the Company. The Ordinary General Meeting of Sword Technologies held 4 August 2008 approved the terms of the stock options master agreement.

	Plan Nr.1	**Plan Nr.2**
Date of Board meeting	15 July 2008	1st September 2008
Date of the General Meeting	4 August 2008	
Total number of options allocated	240	32
Option exercise start date	01/01/2010	01/10/2010
Exercise price	640	
Discount	None	
Beneficiaries / number of options allocated	Dieter Rogiers: 60 Tony Claes: 70 Thierry Guiot: 25 Paulo Apolinario: 60 Luc Lejoly: 25	Dieter Rogiers: 20 Paul Kaisin: 12

Number of options exercised at 31 December 2010	180	0
Number of lapsed options	60	0
Expiry date	01/01/2011	01/10/2011

At 31 December 2010, all the options from Plan Nr.1 were either exercised, or lapsed. The options from Plan Nr.2 have not been exercised.

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

26.3 Text of draft resolutions at the Ordinary and Extraordinary General Meeting of 17 May 2011

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 31 December 2010, approves the company accounts as they appeared for that year. These accounts show a loss of €2,021,871.18.

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 ended 31 December 2010, approves the consolidated accounts, as they have been presented, prepared in accordance with the provisions of Articles L. 225-100 of the Commercial Code, displaying a profit of €23,234,986 and a Group's share of profit of €23,229,726.

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
(Appropriation of earnings)

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, decides to allocate the loss of €2,021,871.18 as follows:

- To the "Balance brought forward" Which would be brought down from €26,141,075.08 to 24,119,203.90	**-** €2,021,871.18

The general meeting decides to distribute to the shareholders, as dividend, €**6,410,075.85**, which is taken from the "Balance brought forward", which is thus brought down from €24,119,203.90 to €17,709,128.05.

The net dividend per share will be €0.69 per share. This dividend will be paid on 26 May 2011.

In accordance with Article 158 of the General Tax Code, for those private taxpayers not opting for the automatic withholding of 19% not inclusive of social contributions, the above dividend per share is eligible for a 40% rebate on the taxable amount of distributed profit. The Company will handle the corresponding withholding, as per the provisions of Article 136-7 of the Social Security Code.

The General Meeting 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:

Financial year	Net dividend per share
31 December 2009	€0.65
31 December 2008	€0.60
31 December 2007	€0.53

Fifth resolution
(Directors' fees)

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, sets to €155,000 the total directors' fees allocated to the Board of Directors for the current financial year.

Sixth resolution
(Appointment of a new director)

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, decides to appoint as new board member of the Company, for a period of four years due to expire after the Ordinary Meeting of Shareholders to be held in 2015 to rule on the accounts of the financial period ended 31 December 2014:

- Mr François Régis Ory, domiciled 600 chemin de la Ronze, 69480 MORANCE.

Mr François Régis Ory stated that he accepted his mandate and exercised no function and was not subject to any action likely to prevent him from exercising it.

Seventh resolution
(Permission to be given regarding a new programme under which the Company would repurchase its own shares)

The General Meeting, ruling under the quorum and majority conditions required for 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 ability to sub delegate under the conditions set out by law and the by-laws of the Company, to proceed to the purchase, by the Company, of its own shares representing up to 10% of the number of shares that make up the share capital, or 928,996 shares, it being specified that the number of shares taken into account to calculate the limit of 10% represents the number of shares purchased, minus the shares sold back during the validity period of the authorisation, in accordance with the provisions of article L.225-209 paragraph 1 of the Commercial Code. The number of shares acquired by the Company with a view to keeping them and eventually using them as payment or as a means of exchange in the context of a merger, spinoff, or contribution operation, may not exceed 5% of the share capital, in accordance with the provisions of article L. 225-209 paragraph 6, of the Commercial Code;

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
- Allocate shares 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 based on 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 latter case, 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 €37,
- The maximum theoretic amount of funds the Company may allocate to the operation is €34,372,852.

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 was granted by the seventh resolution of the Company's General Meeting of 28 April 2010.

Eighth 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

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

The General Meeting, ruling under the quorum and majority conditions required for extraordinary general meetings, after having become aware 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 seventh 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.

Tenth resolution
(Delegation of authority granted to the Board of Directors for the allocation of share subscription options reserved for all or some employees and/or corporate officers of the Company and/or related companies in the sense of Article L 225-180 of the Commercial Code)

The General Meeting, ruling under the quorum and majority conditions required for extraordinary general meetings, and having become aware of the Board of Directors' report and the Auditors' special report prepared according to Article 225-144 of the Commercial Code:

- Authorises the Board of Directors, within the context of Articles 225-177 set seq. of the Commercial Code, to grant, in one or several instalments, to the benefit of all or some of the employees and/or corporate officers of the Company and/or its related companies in the sense of Article L _-180 of the Commercial Code, options entitling their holders to subscribe new shares in the Company to be issued in the context of a capital increase;
- Decides that this authorisation is granted to the Board of Directors for a period of 38 months from that date, to be used under the following conditions:

    - Rules that in accordance with the provisions of Article L 225-177 paragraph 4 of the Commercial Code, the share subscription price will be fixed for beneficiaries on the date the options are approved by the Board of Directors and be equal to their average price during the 20 trading sessions on the Bourse prior to the decision to allocate the shares, with no discount;
    - Decides that the total number of options to be approved during this period cannot result in the subscription of more than 200,000 shares at a nominal value of €1 each. Under no circumstances can the total number of options to be offered give rise to a right to subscribe a number of shares greater than the limit set in Articles L 225-182 and R 225-143 of the Commercial Code and subject to any other legal limitations;
    - Decides that options must be exercised no later than 10 years after the date of allocation of these options;
    - The exercise of options, by the Company's managers, would be subject to individual and/or collective performance conditions, which would be set by the Board of Directors.

- Decides that this authorisation constitutes the express waiver by shareholders of their preferential subscription right to shares as a result the exercising of options to recipients of subscription options;
- Delegates all powers to the Board of Directors to set the other conditions and methods for the allocation and exercising of options, in particular to:

    - Determine the names of recipients of the options;
    - Set the subscription price, in accordance with the rules described above,
    - Set the conditions under which approval will be given for options; Determine the period in which these options must be exercised; Decide the conditions under which the price and number of shares can be changed, in particular under the conditions provided for in Articles 225-137 to 225-142 of the Commercial Code;

    - Determine the individual and/ collective performance conditions related to the award of options, to the benefit, if applicable, of the managers, it being pointed out that Mr Jacques Mottard, Executive Chairman, will under no circumstances benefit from share subscription options.
    - Provide the option to temporarily suspend the exercising of options in the event of financial transactions that imply the exercising of a right attached to the shares,
    - Complete or have completed all procedures and formalities that may result from the implementation of this authorisation, modify the by-laws and, in general, do anything necessary,
    - Allocate the cost of capital increases to premiums relating to these increases, and deduct from this amount any amounts required to bring the legal reserve up to 10% of share capital after each increase at its own discretion, if he deems it appropriate; and,
    - More generally, establish the rules of the share subscription option plan that will define the conditions governing the allocation and exercise of the options, which will be signed by every recipient at the time of the allocation of these options.

Eleventh 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 having become aware of the Board's report and the Auditors' special report, acknowledging the provisions of Article L. 3332-18 (formerly L 443-5) 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, on one or several occasions, 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 NYSE Euronext's Eurolist market during the twenty trading 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.

Twelfth resolution
(Harmonisation of the by-laws with recent legal and regulatory provisions)

The General Meeting, having become aware of the report of the Board of Directors proposing to harmonise the Company's by-laws with the latest laws and regulations, including with the Law of 22 October 2010 on banking and financial regulations, decides to amend Article 10 of the by-laws as follows:

"Article 10 - Ownership and form of the shares
(…)
The wording of the fifth paragraph now becomes:

Any shareholder, whether acting individually or with another shareholder, who increases their ownership to more than 5%, 10%, 15%, 20%, 25%, 30%, on 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 4 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 4 trading days of exceeding these thresholds. "
(…) **"**

The remainder of the article remains unchanged.

Thirteenth 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

General and Extraordinary Meeting Ordinary of 17 May 2011

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 30 December 2005.

First and foremost, we will therefore prepare the report on the previous share repurchase programme authorised by the General Meeting of 28 April 2010 and present to you the main characteristics of the new share repurchase programme that we will submit for your approval at the General Meeting of 17 May 2011.

1- Report on the previous program

The Ordinary and Extraordinary General Meeting of 28 April 2010 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 2011, to implement a share repurchase programme, in accordance with the provisions described in its seventh resolution.

Statement by the issuer of the operations conducted on own shares dated 28 February 2010 (date of establishment of the previous balance sheet) up until 28 February 2011

Percentage of equity capital held by the Company either directly or indirectly (as at 28 February 2011)	0
Number of shares cancelled in the past 24 months	0
Number of shares held in the portfolio (as at 28 February 2011)	0
Book value of portfolio as at 28 February 2011	€0
Market value of portfolio as at 28 February 2011	€0

	Cumulative gross flows		**Positions open as at 28 February 2011**	
	Purchases	Sales	For purchase	For sale
Number of shares	None	58.885	None	None
Maximum average duration	None	None	None	None
Median price	None	€25.21	None	None
Average exercise price	None	None	None	None
Amounts	None	1,484,819	None	None

Sword Group did not use derivatives in this share repurchase program.

2- Main characteristics of the new share repurchase programme subject to the ordinary and extraordinary general meeting of 17 May 2011

Given the performance of shares in the Company, we propose that the authorisation granted by the General Meeting of 28 April 2010 be cancelled and that it be replaced with a new share repurchase programme with the following characteristics:

Issuer

Sword Group, listed on NYSE Euronext Paris (ISIN code: FR0004180578), Compartment B.

Sword Group belongs to the following indices: SBF 250 and IT CAC.

Share repurchase programme

- Maximum proportion of share capital that can be purchased: 10% of the capital, i.e. a maximum of 928,996 shares. It being specified 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 with a view to keeping them and eventually using them as payment or as a means of exchange in the context of a merger, spinoff, or contribution operation, may not exceed 5% of the share capital;
- The maximum purchase price per unit may not exceed €37,
- The maximum theoretic amount of funds the Company may allocate to the operation is €34,372,852
- 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;
  - Allocate shares 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, subject, in the latter case, to the Extraordinary General Meeting voting on 17 May 2011 on its sixth resolution.
- Duration of the programme: 18 months, starting on the date of the Ordinary and Extraordinary General Meeting of 17 May 2011, i.e. until 16 November 2012.

3- Legal framework of the new share repurchase programme subject to the ordinary and extraordinary general meeting of 17 May 2011

The share repurchase programme will be subject to authorisation by the Extraordinary and Ordinary General Shareholders' Meeting of 17 May 2011, by a vote on the following resolutions (seventh and ninth resolutions);

Seventh resolution
(Permission to be given regarding a new programme under which the Company would repurchase its own shares)

The General Meeting, ruling under the quorum and majority conditions required for 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 ability to sub delegate under the conditions set out by law and the by-laws of the Company, to proceed to the purchase, by the Company, of its own shares representing up to 10% of the number of shares that make up the share capital, or 928,996 shares, it being specified that the number of shares taken into account to calculate the limit of 10% represents the number of shares purchased, minus the shares sold back during the validity period of the authorisation, in accordance with the provisions of article L.225-209 paragraph 1 of the Commercial Code. The number of shares acquired by the Company with a view to keeping them and eventually using them as payment or as a means of exchange in the context of a merger, spinoff, or contribution operation, may not exceed 5% of the share capital, in accordance with the provisions of article L. 225-209 paragraph 6, of the Commercial Code.

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 €37,
- The maximum theoretic amount of funds the Company may allocate to the operation is €34,372,852.

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 was granted by the seventh resolution of the Company's General Meeting of 28 April 2010.

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

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

- Authorises the Board of Directors to cancel, at its sole discretion on one or more occasions, within the limits of 10% of the capital, the shares that the Company may hold under Article L. 225-209 of the Commercial Code, as a result of the repurchase conducted under the seventh 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 financial report will be filed with the AMF in April 2011.

The turnover for Q4 2010 was published in "La Tribune" dated 26/01/2011.

The annual financial statements closed 31 December 2010 were the object of a statement in "La Tribune" and of a SFAF meeting on 9 March 2011.

Jacques Mottard
Executive Chairman

26.5 List of press releases published in 2010 and 2011

25/01/10: Q4 2009 sales

10/03/10: Annual financial statements

12/04/10: 2009 financial report available

12/04/10: 28 April 2010 General Meeting of Shareholders’ notice

20/04/10: Chiffres d’affaires du 1er trimestre 2010

21/04/10: Conditions under which the documents of the General Meeting of 28 April 2010, will be made available

20/07/10: Q2 2010 sales

30/08/10: H1 2010 turnover

30/08/10: 2010 half-yearly financial report available

28/09/10: Announcement of the execution of new contracts throughout the Group's operations

19/10/10: Q3 2010 sales

10/12/10: Changes in governance

23/12/10: Execution of a multi-million Swiss francs contract with UEFA

25/01/11: Q4 2010 sales

08/03/11: 2010 annual financial statements

26.6 Glossary

Developed term	Abbreviation	Meaning
Customer Relationship Management		Strategy, organisation designed to strengthen the relationships and technologies 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 documents 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.