Sword Group

2012 FINANCIAL REPORT

To the Board of Directors of
Sword Group S.E.

AUDITOR'S REPORT RELATED TO THE AGREED UPON PROCEDURES PERFORMED ON THE SWORD GROUP 2012 FINANCIAL REPORT

We have performed the procedures agreed with you and enumerated below with respect to the Sword Group 2012 financial report. This document is a free translation of financial information intended to investors for the year ended 31 December 2012, prepared in French and bearing the title "Sword Group Rapport Financier 2012", which has been posted onto the Group's website. Our engagement was undertaken in accordance with the International Standard on Related Services applicable to agreed-upon procedures engagements. These procedures were performed solely to assist Sword Group's management in evaluating the consistency of the translated financial information with the original document prepared in French. This information includes notably the consolidated financial statements prepared under IFRS as adopted by European Union and the statutory annual accounts prepared under Luxembourg generally accepted accounting principles of Sword Group S.E. for the year ended 31 December 2012, which were both subject to audit procedures by ourselves, as well as additional information prepared by Sword Group's management, which we checked for consistency with the consolidated financial statements and annual accounts. Our procedures are summarized as follows:

1. We obtained and read the free translation from French to English, and we identified the discrepancies which could be misleading for the users of this information.
2. We suggested a wording deemed more appropriate in the circumstances.
3. We checked the final translation based on our comments.

We report our findings below:

With regards to items 1, 2 and 3 we find the Sword Group 2012 financial report to be consistent with the original French version.

We remind you, in accordance with our engagement terms, that in case of any discrepancy which may be noted between the English translation and the French original text, the French original version shall be considered the legal binding document on which our audit opinions have been signed.

Because the above procedures do not constitute either an audit or a review made in accordance with International Standards on Auditing or International Standards on Review Engagements (or relevant national standards or practices), we do not express any assurance on the Sword Group 2012 financial report. Had we performed additional procedures or had we performed an audit or review of these financial statements and annual accounts in accordance with International Standards on Auditing or International Standards on Review Engagements, other matters might have come to our attention that would have been reported to you.

Our report is solely for the purpose set forth in the first paragraph of this report and for your information and is not to be used for any other purpose.

Luxembourg, 1 July 2013

For MAZARS LUXEMBOURG, Cabinet de révision agréé
10A, rue Henri M. Schnadt
L-2530 LUXEMBOURG

Laurent DECAEN
Réviseur d'entreprises agréé

SUMMARY

1 STATEMENT BY THE PERSONS IN CHARGE OF THE 2012 FINANCIAL REPORT 2012

Pursuant to Article 3 (2) c) of the Law of 11 January 2008 on transparency requirements for information about issuers whose securities are admitted to trading on a regulated market, we declare that these financial statements have been prepared in accordance with applicable accounting standards and that the financial statements present fairly, to our knowledge, a true and fair view of the financial position as at 31 December 2012, financial performance and cash flows of the Company and a description of the principal risks and uncertainties the Company faces. The management report, to our knowledge, describes the true development, results and financial position of the Company.

Luxembourg, 19 February 2013

Jacques Mottard
Executive Chairman

2 INDEPENDENT AUDITORS

Mazars Luxembourg S.A. whose head office is at 10a, rue Henri M. Schnadt, L-2530 Luxembourg

Appointed by the Annual General Meeting of 26 March 2012 for a term expiring at the Annual General Meeting called to approve the financial statements at 31 December 2012 (renewal will be proposed at the AGM on 3 May 2013).

Sword Group SE now has a single auditor (Deloitte Audit resigned with effect from 30 July 2012).

3 DIRECTORS

Board of Directors

Jacques Mottard, Executive Chairman, Director

Françoise Fillot, Executive Vice-President (resigned 28 February 2013), Director

François Barbier, Independent Director

Nicolas Mottard, Director,

François Régis Ory, Independent Director,

Frédéric Goosse, managing director (as of 19 February 2013)

4 COMPANY INFORMATION

Sword Group SE (hereafter “the Company”) is a Europea public limited company whose head office is located at Luxembourg, Route d’Arlon 105, L-8009 Strassen.

The purpose of the Company is to take interests, in any form whatsoever, in any business, industrial, or financial company, group of economic interest or other, whether governed by Luxembourg or foreign law.

The Company was incorporated 22 June 2001 for an indefinite duration.

The Company’s shares are listed on Euronext Paris under ISIN reference: FR0004180578.

5 SELECTED FINANCIAL INFORMATION

Consolidated financial statements:

In €'000	At 31/12/2012	At 31/12/2011	At 31/12/2010
Turnover	117,908	156,193	185,323
EBIT	14,744	23,025	34,005
Consolidated net profit	16,286	1,421	23,235
Non-current assets	77,098	107,518	228,047
Cash and cash equivalents	125,867	111,609	28,020
Consolidated shareholders' equity	137,467	130,293	161,332
Total statement of financial position	267,214	301,351	355,403

Annual accounts:

In €'000	At 31/12/2012	At 31/12/2011	At 31/12/2010
Revenue and other operating income	2,288	6,517	2,816
Operating profit	- 323	- 872	- 899
Net income	-11,951	- 4,744	- 2,022
Non-current assets	194,876	197,437	112,275
Cash and marketable securities	102,148	73,702	2,198
Shareholders' equity	85,419	110,034	136,981
Total balance sheet	323,313	299,337	309,807

6 GROUP ORGANISATION CHART

At 31/12/2012:

SWORD GROUP SE
European limited liability company with share capital of €9,289,965
Registered office and group headquarter : 105, route d'Arlon, L-8009 Strassen, Grand Duchy of Luxembourg
Chairman of the Board: Jacques MOTTARD
Directors: Jacques MOTTARD - François BARBIER - Nicolas MOTTARD - Françoise FILLOT - François-Régis ORY
Managing Directors: Jacques MOTTARD - Françoise FILLOT - Frédéric Goosse

SWORD PARTICIPATIONS Sarl
Private limited company with share capital of €191,641,500
100% held by Sword Group SE

FI SYSTEM BELGIUM (Brussels)
Share capital €6,064,000
100% held by Sword Participations Sarl

Guangzhou Si Wo Ruanjian Keji Cy Ltd (China)
19% held by Sword Group

SCIENTIFIC BRAIN TRAINING (SBT)
2.15% held by Sword Group

SIMALAYA Holding SA with capital of CHF 116,297
9.81% held by Sword Group

MiddleSoft (Hong Kong)
15% held by Sword Group

LYODSSOFT (Hong Kong)
9% held by Sword Group

TOOXME SA with share capital of CHF 100,000
7.36% held by Sword Group

1.618 SA with share capital of CHF 100,000
9.81% held by Sword Group

COSSECO SA with share capital of CHF 300,167.55
3.34% held by Sword Group

Sword Services SA
Limited share company with capital of CHF 2.000.000 (2,000,000 shares with a nominal value of CHF 1)
100% held by Sword Participations Sarl

Sword Solutions Inc. (Delaware)
Authorised capital: $1 (1,000 shares with a nominal value of $0.001 each) 100% held by Sword Participations Sarl

Sword Creation informatique Ltd South Africa
Share capital: 100 rands (100 shares of 1 R each)
100% held by Sword Participations Sarl

Sword SOL
Limited liability share company with capital of € 12,500 (125 shares with a nominal value of €100)
100% held by Sword Participations Sarl

Sword SOFT Ltd
Share capital of €106,000
(1,060,000 shares with a nominal value of €0.10)
99.99% held by Sword Participations Sarl

TIPIK
Share capital €161,131 (1,300 shares)
100% held by FI System Belgium

Sword Technologies SA Luxembourg
Limited company with capital of €31,682 (5,110 shares with a nominal value of €6.20) 100% held by FI System Belgium

Sword IT Solutions
Limited company with capital of €60,000 (6,000 shares with a nominal value of €10) 65% held by Sword Technologies

Sword Integra
Limited company with capital of €2,361,500
99.99% held by Sword Technologies

Sword Lebanon (Beirut)
Share capital $20,000 (3,000 shares)
97.43% held by Sword Services

Sword IF SA
Limited company with share capital of CHF 400,000 (4,000 shares with a nominal value of CHF 100) 57% held by Sword Services

Sword Middle East (Beirut)
98% held by Sword Services

Sword SA
Limited company with share capital of €3,471,250
694,250 shares with nominal value of €5
99.99% held by Sword SOL

Astone Solutions
Limited joint stock company with capital of €25,000 (25,000 shares with a nominal value of €1) 10% held by Sword SOL

Equity stake of 2% in Kay Technology Holdings Inc.

Sword Achiever Ltd
Share capital of £1,056 (1,056 shares with a nominal value of £1)
100% held by Sword SOFT Ltd

Apak Beam Ltd Cyprus
Cap. £10,770 (10,000 shares with a nominal value of £1.077)
100% held by Sword SOFT

Sword General Partners Ltd
Capital £100 (100 shares with a nominal value of £1)
100% held by Sword Technology Solutions

Equity stake of 22.46 % in Amor

Sword Technology Solutions Ltd
Capital of £100 (100 shares with a nominal value of £1)
100% held by Sword SOFT

Sword Global India Pvt Ltd
100% held by Sword Technology Solutions Ltd

Apak Group Ltd
Capital £680,553 (760,000 shares)
100% held by Sword SOFT Ltd

Sword Apak Inc
Capital $1 (100 shares)
100% held by Apak Group Ltd

Caption

Continental Europe	yellow
UK	light blue
USA	purple
Autres	orange
Non-Group companies	white

7 OVERVIEW OF ACTIVITIES

OUR GROUP

Sword is a Service company specializing in Computer Engineering, established in June 2001 and has now over 1,000 employees. It offers to its customers consulting and integration services with high added value.

As part of an IT-oriented approach and relying on powerful methodologies for project management, Sword engages in the implementation of innovative solutions that meet the strategic needs of its clients and adaptation requirements of their information systems.
To achieve this goal, Sword has developed an industrialised production model, organised around specialist service centres to provide its customers with local services, high value-added know-how, high production capacity and optimised economic approaches.

Our business covers three main areas:

- **IT Services**: organised as a centre of excellence, representing 58.7% of the Group's turnover,
- **Solutions**: 8th French software publisher, representing 16.7% of the Group's turnover,
- **Communication Technologies**: this communication agency based in Brussels, represents 24.6% of the Group's turnover.

For the analysis of accounts, IT Services and Communication Technologies are combined.

* Source: PWC's (Price Waterhouse Coopers) June 2012 Report ranks Sword eighth among the French TOP 100.

OUR MARKETS

Sword's offer is for all major accounts and public institutions for their business, both local and international. Our business covers all market sectors.

Sword has developed unique expertise in targeted markets. Combined with our technological and methodological expertise, Sword occupies a leading position in some countries:
Institutions and Government
Healthcare
Banking and insurance
Intellectual Property
Sports Federations

In these markets, Sword is the everyday partner of these organisations for its entire range of services, accompanying both their IT strategy and their most operational issues.
Generally, Sword operates in highly regulated markets for which current knowledge of regulations is a necessity.

OUR SERVICE OFFERING

As an integrator consulting firm, Sword offers a range of solutions and specialist services with high added value. We combine understanding of our customers' business, market knowledge and technical expertise to develop competitive advantages for our customers.

The offering of Sword comes as a wide range of services:
Strategic and operational consulting
Master plan, opportunity study, drafting of specifications, feasibility studies, architectural studies, proof of concept
Assistance to Project ownership and Project management
Assistance to project management, testing support, support for choice of tools, business and/or technical expertise
Application integration and development
Consulting, specification, design, development, implementation on various technical platforms
Change management
Training, user support, communication, change management
Third Party Maintenance
Corrective, adaptive and scalable applications.

Sword achieves more than 80% of its turnover with fixed-price contracts (guaranteed results).

OUR SOFTWARE OFFERING

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.
Our collaborative tools are used by a host of clients and on highly regulated markets.

Sword offers 2 Product lines and 4 Solutions:

SwordAchiever Achievers in Sustainable Growth **Specialises in Governance, Risk and Compliance**	**Sword Connect** **Solution for enterprise information search**
Sword Apak Financial Systems Specialists **Specialises in the management of Assets Funding**	**Sword Excalibur** **Document management solution**
Sword Intellect **Solution for the management of intellectual property rights**	**Sword Seek & Share** **Market monitoring and information sharing solution**

8 THE GROUP'S SOCIAL RESPONSIBILITY

Since 2011, Sword Group has signed the United Nations Global Compact ("Global Compact"), thereby committing to the 10 principles related to human rights and labour, the environment and corruption.

By joining Global Compact, the company wants to show that it is a good corporate citizen in the global economy.

Sword chose the Global Compact as it ensures a globally recognised framework as well as sustainability.

The group ensures compliance with the 10 principles set out by the UN Global Compact.

Human rights
1 Businesses should support and respect the protection of international law on human rights within their sphere of influence; and
2 They should ensure that their own corporations are not accomplices of human right violations.

Labour law
3 Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
4 The elimination of all forms of forced or compulsory labour;
5 The effective abolition of child labour; and
6 The elimination of discrimination in respect of employment and occupation.

Environment
7 Businesses are asked to apply a precautionary approach to environmental challenges;
8 They should undertake initiatives to promote greater environmental responsibility; and
9 They should encourage the development and dissemination of environmentally friendly technologies.

Anti-bribery
10 Businesses should work against corruption in all its forms, including extortion and bribery, kickbacks.

9 CORPORATE GOVERNANCE

Transfer of the head office / Governance

- The General Meeting of shareholders of 26 March 2012 decided to transfer the registered office to the Grand Duchy of Luxembourg, 105, route d'Arlon L-8009 Strassen. The Company has been registered in the Register of Commerce and Companies of Luxembourg since 19 April 2012. Since that date, the Company no longer has offices in France.
- - The Board of Directors on 11 April 2012 appointed:
  - Mr. Jacques Mottard as Chairman of the Board
  - Mr. Jacques Mottard and Mrs. Françoise Fillot as managing directors.
- The Company has established a new organisation in Luxembourg with the creation of an Executive Management Committee (EMC) that replaces the former Corporate Management Committee.
- The Board of Directors on 11 April 2012, resolved:
  - To join the Ten Principles of Corporate Governance of the Luxembourg Stock Exchange, whose latest version dates back to October 2009,
  - To reappoint the previous Audit Committee, namely:
    - Mr. Francis Regis Ory, independent director and chairman of the audit committee
    - Mr. François Barbier, independent director.
- The Board of Directors of 28 August 2012 adopted the Governance Charter and the Internal Rules of the Board of Directors and the Audit Committee.

Following the transfer of the Company's headquarters to the Grand Duchy of Luxembourg, the Board of Directors of Sword Group, on 28 August 2012, adopted the Charter of Governance that provides the framework for governance of Sword Group's activities, as per the ten Principles of corporate Governance of the Luxembourg Stock Exchange that the Company has voluntarily joined, with the exception of certain principles set out in this Charter. It aims to clarify the powers and responsibilities of the various entities that make up the governance for Sword Group.

The Governance Charter supplements the existing following documents:

- 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 Sword Group,
- 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),
- a code of ethics that was adopted by the Board of Directors of Sword Group on 20 December 2010.

Such code of ethics will be regularly updated based on changes in the governance of Sword Group as well as legislative and regulatory changes. It is available on the website of Sword Group.

The Governance Charter is as follows as at 31 December 2012:

I Structure and organisation of the Company and the Group

Sword Group is organised to have foster high responsiveness while maintaining a full management structure allowing for consistent management and controls. A description of the roles of the major group entities is given below:

The management entities

The Board of Directors

Composition

The articles of incorporation of Sword Group provide for a Board of Directors composed of at least three members and a maximum of eighteen, except for temporary derogation in case of merger, appointed for a maximum period of four years. The Board of Directors is composed of competent and informed individuals, who were selected based on the specificities of the Company and its activities. As at 31/12/2012, it consists of five people: Jacques Mottard, Nicolas Mottard, Françoise Fillot, François Régis Ory and François Barbier.

In accordance with recommendations made by the Luxembourg Stock Exchange, the Board of Directors is comprised of up to 40% of "independent directors" in the persons of François Barbier and François Régis Ory. In addition, none of the above holds any significant holding in the share capital of clients or suppliers of Sword Group, or in its subsidiaries.

At 31/12/2012, the Board has one female director, namely Françoise Fillot.

There is no Director elected by the employees.

Should a member of the Board of the Company have or possess any personal interest in one of the Company's transactions, such member shall inform the Board of Directors regarding such interest, and shall not deliberate nor vote regarding such transaction.

Such transaction and that director's personal interest in that transaction shall be subject to a special report to the next general meeting of shareholders before any vote can be expressed by such director for any other resolution.

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. For the same reasons, the designation of a "compliance officer" was not deemed necessary.

Meetings of the Board - Operation of the Board

The Board meets, carries out its work and adopts resolutions in compliance with applicable legal and regulatory provisions, supplemented by the articles of incorporation of Sword Group: there are internal rules of procedure. 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 the Board meetings on a regular basis.

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.

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

All directors, executive or not, has equal access to the information and resources necessary to carry out their mandates.

The articles of incorporation of Sword Group provide for the holding of Board meetings as often as the company's interests require.

The Group makes use of a legal counsel to call board meetings, which generally take place at the company's head offices, and to assist the Chairman in the preparation of minutes.

Sword Group, 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.

Remuneration of the management and administration entities

The corporate officers are remunerated, in addition to their attendance fees, 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.

Board of Directors' evaluation:

The Board conducts an annual self-assessment. The Board members have considered so far that the current operation of the Board enables them to fulfil their task under appropriate conditions.

The Management Committee (CDG) (it was replaced in 2013 by a body called EMC)
It determines annual directives, controls activities and defines the long-term strategy. As at 31 December 2012, it consisted of:

- Jacques Mottard Executive Chairman
- Françoise Fillot Executive Vice-President - CFO (i)
- Two CEOs (Chief Executive Officer) Tony Allen and Juan Arcas.

(i) resigned on 28 February 2013

The Operating 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 four "Directors of Operations":

- Pradeep Banerji
- Anys Boukli
- Philippe Le Calvé
- Dieter Rogiers

Each Director of Operations is at the same time the Director of a Business Unit. To date, there are 12 Business Unit Directors.

Thus, only the Executive Chairman is not involved directly in a profit centre.

The Management 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 General Management.

The Managing directors
Mr. Jacques Mottard and Mrs. Françoise Fillot were appointed as Managing directors, responsible for the daily management for a term expiring at the Annual General Meeting called to approve the accounts of the Company for fiscal year ending 31 December 2015. They will also hold the title of "Executive Vice President".

Mr. Frédéric Goosse replaces Mrs. Fillot in this function as of 19 February 2013.

The business unit, the profit centre around which the group is organised.

The 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:

Analysis, based on:

- a budget submitted before the start of the year, an analytical report prepared at each end of month and sent to the General Management, which includes a breakdown of activities, a summary of sites, the distribution of activities, an analysis of "work in progress" and "prepayment invoices", as well as an analysis of progress per site,
- feedback to the Business Unit by the General Management on the cost accounts.

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.

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

These reports, consolidated at Group level, facilitate:
- managing activities carried out by various players at the same clients,
- quantifying the number of new projects being quoted, quantifying the number of new contracts signed,
- monitoring the number and value of deals lost.

The Operations Committee is responsible for coordinating all the commercial players, which includes the Business Unit Directors.

Technical

The Technical Manager has multiple roles at Sword. Strategically, he participates in the elaboration of technology orientations of the Company in direct cooperation with the top management. As such, he is in charge of part of the technological monitoring via a network 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 proposal is prepared by Project Leaders and monitored by the Technical Department for the number of days, and by the Director of the Business Unit from the financial point of view. The Director of the Business Unit is authorised to enter into commitments up to €300,000 (versus €1,000,000 for the Director of Operations). Beyond that amount the General Management's approval is required.

Each project is run by a Project Leader, who produces a summary of fixed-price projects that allows analysis of the stage of completion on the projects and possible deviations from the initial estimates.

All project follow-up files are monitored by the Technical Department. A summary of program report and of deviations is prepared at Group level, on an operation by operation basis.

All delays (on-site projects) must be immediately recorded. All gains (advances on the initial estimates) are deferred 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.

Reporting, meetings, authorisations

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 5th of each month.

Each Business Unit Director will prepare every half year, with the assistance of the Technical Department, a summary of HR management and of the salaries of its staff, including proposals for salary increases, training or career development for each member of staff, as preparation for the twice-yearly Remuneration Committee.

Each case is reviewed together with the Directors of Operations and the Management Committee.

Each Business Unit Director prepares prior to the 15 November each year a proposed budget for the coming year, which will be examined by the Annual Budget Committee.

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 a 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 matters discussed 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".

Authorisations
- The Sales Engineer is authorised to represent the Company to customers.
- 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. He must ask the Board Management Committee for permission, before undertaking any expenses or recruitments.
- A Business Unit Director cannot undertake investment expenses, for which a purchase requisition must be submitted to the Management Committee, nor commit to expenses that may have a long-term impact, such as rent, for which an equivalent procedure with the top management exists.
- The Director of Operations may validly commit the Company on contracts up to a limit of €1,000,000, and has the authorities previously awarded to Business Unit Directors, after they lost 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.

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.

That is followed by the Project Leader and/or Technical Director, who in due course must provide an opinion on their development potential.

Each quarter, employees attend a unit meeting, to provide them with information on the Company. Each half-year his/her case is reviewed by the "Careers Committee". Once a year, at the least, he/she has a formal interview.

II Shareholding structure and control of Sword Group

Share capital and shares

The share capital is set to €9,289,965 (nine million two hundred eighty nine thousand nine hundred sixty-five euros). It is divided into 9,289,965 shares with a par value of €1 each, fully paid and all of the same category.

The Company's authorised capital is set to €5,000,000 (five million euros), represented by 5,000,000 shares with a par value of €1 each.
However, as part of new shares issued under the securities representing debt that gives access to the capital, the amount of authorised capital is set at €100,000,000 (one hundred million euros) divided into 100,000,000 shares with a face value of €1 each.

Within the limits of the amounts of the above authorised capital, the Board is authorised, for a period expiring five years from the date of publication in the Memorial C, Report of Companies and Associations, of the Company's registration in the Trade Register of Luxembourg, to increase in one or more times the share capital by any means, including by issuing ordinary shares or securities giving access to capital, and by increasing the value of the shares issued. Under the conditions set by the Extraordinary General Meeting, the Board may cancel or limit the preferential subscription rights.

These capital increases can be subscribed to by cash payment or contribution in kind, in accordance with the legal provisions then applicable or by capitalisation of available reserves, deferred profits, distribution of dividends or additional paid-in capital, in each case at an issue price determined by the Board.
The Board may delegate to any authorised board member or attorney of the Company or any other duly authorised person, the right to accept subscriptions and receive payment for shares representing part or all of the amount of such capital increase.

With each increase of capital of the Company by the Board within the limits of the authorised capital, the articles of incorporation will be amended accordingly and the Board shall take or authorise any person to take all steps necessary for the performance and publication of such amendment.

Shares can be either registered shares or bearer shares depending on the choice made by the holder. If Luxembourg law permits, the shares can be dematerialised.

If Luxembourg law authorises the issuance of dematerialised shares, registered shares and bearer shares are mandatorily converted into dematerialised shares within a period of two years from the date when the issuance of dematerialised shares is authorised, under the conditions set by law and implemented by the Board.

Any shareholder, whether acting individually or with another shareholder, who increases their ownership to more than 5%, 10%, 15%, 20%, 25%, a third, a half, two-thirds, 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 becoming aware of their 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 issued to the Supervisory Commission of the Financial Sector within (i) 6 trading days and (ii) 4 trading days as of the crossing of these interest thresholds due to an event changing the distribution of voting rights.

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.

Shares are freely tradable in the absence of any legal or regulatory provisions to the contrary.

Any transfer of registered shares shall the subject of the recording, in the register of shareholders, of a statement of transfer, dated and signed by the transferor and the transferee or their representative(s), as well as in accordance with the rules governing the transfer of debt, set out in Article 1690 of the Luxembourg Civil Code. The Company may also accept and record in the register of shareholders, any transfer referred to in any correspondence or other document mentioning the agreement between the transferor and the transferee.

Changes in capital
1 – The share capital may be increased by any means and in any manner provided by law.

The new shares are paid for either in cash, or by offsetting receivables due and payable to the Company, or by capitalisation of reserves, profits or additional paid-in capital, or by contribution in kind, or by conversion of bonds.

The Extraordinary General Meeting has sole authority to decide a capital increase. It may also delegate such authority to the Board of Directors as part of the capital authorised by the articles of incorporation.

The Board of Directors may decide to limit the capital increase against cash to the amount subscribed.

In case of increase through the issue of shares to be subscribed against cash, a preferential right to subscribe these shares is reserved for owners of existing shares, as permitted by law. However, shareholders may individually waive their preferential rights during the General Meeting that decides or authorises a capital increase. In addition, the shareholders at the General Meeting may cancel such preferential right in accordance with legal requirements.

2 - The capital increase may also result from the request by any shareholder to receive payment in shares of all or part of the dividend distribution where such power was granted to shareholders by a decision taken by the General Meeting or by the Board of Directors as part of a capital increase within the limits of the authorised capital as defined in Article 8 of these by-laws and Article 2.1 of the Charter.

In that case, the Board of Directors, within the statutory period, records the number of shares issued under the preceding paragraph and has the statutory changes implemented via a notarial deed.

The Extraordinary General Meeting may also delegate to the Board of Directors the implementation of the capital decrease.

The Board of Directors may repurchase shares in the Company, within the limits set by law and by the authorisation granted by the Extraordinary General Meeting.

Listing
The Company is listed on EURONEXT Paris (Compartment C). The number of outstanding shares is 9,289,965.

Information about the share price of the Company can be found on its website (www.sword-group.com).
Sword Group SE shares belong to the following indices: ICB: 9530 Logiciels et Services Informatiques, Indices CAC® Small, CAC® Mid & Small, CAC® All-Tradable, CAC® All-Share.

The General Meeting of 26 March 2012 gave the Board a general authorisation to increase the share capital by any means, including through the issuance of shares or securities giving access to share capital with or without preferential subscription rights.

This authorisation was granted for a period of five years from the date of publication in the "Mémorial C, Recueil des Sociétés et Associations", of the Company's registration in the Register of Commerce and Companies of Luxembourg. In the context of this delegation of authority, the Board may limit or cancel any existing pre-emptive subscription rights. The Board may set all the terms and conditions of issue, including the place and date of issue or successive issues, the issue price, with or without additional paid-in capital, and the terms and conditions of subscription and release of new securities. The Board may in particular accept such stock subscription against payment in cash or in kind, under the conditions laid down by law, and the issue of new shares by capitalisation of reserves and/or of the additional paid-in capital, and the free award of shares. The Board may also delegate the authority to accept the subscription of new shares.

The amount of capital increases likely to be carried out immediately and/or eventually under the authority granted by the General Meeting, could not be more than €5 million in nominal.
The face value of debt securities giving access to capital, likely to be issued under the delegation granted under the authority granted by the General Meeting, cannot exceed €100,000,000 or its equivalent in foreign currency on the date of issue.

The Board may use such delegation for any purpose participating to the achievement of the corporate purpose, including to issue shares or other instruments giving access to shares, to employees and/or corporate officers of the Company and/or companies that are included in the consolidation scope of the Company, within the limit of a total of 200,000 shares issued under the authority granted. Other conditions governing the issuance of these shares, including the determination of the beneficiaries of these shares, and the individual and/or collective performance requirements, will be set by the Board of Directors.

Acquisitions and disposals of treasury shares

Sword Group may hold its own shares and conduct transactions on its own shares, within the limits of the law and the authorisation granted by the Annual General Meeting.

The holding objectives provided by this program are as follows:

- market making or the liquidity of the stock through an investment service provider via a liquidity contract;
- Purchase shares to hold them and eventually trade them or use them as payment for potential external growth operations;
- the award to employees or corporate officers of Sword Group or its Group, under the terms set by law;
- Cancel the shares, in the case of the latter, subject to the Extraordinary General Meeting voting for a specific resolution.

Detailed information about these operations are regularly communicated to the CSSF and appear on the website of Sword Group.

Shareholders

Principal shareholders

Jacques Mottard, Nicolas Mottard – including the holdings of Financière Sémaphore –, Françoise Fillot own together 19.10% of the share capital.
The floating stock represents 77.49% of the share capital, including the 14.40% of shares held by the Company Eximium as at 31 December 2012.

Proxies and general meetings
The shareholders are invited to attend the general meetings in accordance with legal and statutory provisions. Article 19 of the articles of incorporation relates to shareholder meetings.

Calling meetings
The shareholders meet at the Annual General Meeting, each 28 April of each year at 11 am in the municipality of the Company's registered office or any other venue, as specified in the notice.
If the meeting date falls on a holiday, it shall take place on the immediately following business day.

Ordinary shareholder meetings may be called extraordinarily at any time of the year by the Board of Directors.

One or more shareholders who together hold at least 10% of the subscribed capital may request the calling of a general meeting. Their request must set those issues to be covered by the agenda.
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 contains, if applicable, proposals from one or several shareholders who together hold at least 5% of the paid capital, who may request the registration of one or several new agenda issues for any general meeting, within the timeframe and in the forms set out by law.

If it has not been possible for the meeting to deliberate regularly, through failure to attain the quorum, a second meeting is called in the same form as the first and the meeting notice will recall the date of the first meeting.

Admission to the meetings - Powers

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.

Shareholders may vote by mail and must, to that effect, ask the Company for a postal voting form. That form will include references to the relevant meeting and will be written so that the shareholder may cast his/her vote on each proposed resolution, according to their order of submission at the meeting. The request must be issued to the Company by any means and must be filed or received by the registered office at least six days before the meeting.

The voting form, to be acceptable, must necessarily include the following:

- indication of the name, surname and domicile of the shareholder,
- indication of the form of the shares (bearer or registered form) and of the number of shares, as well as an statement confirming that the shares are registered, either to registered securities accounts held by the Company, or to bearer securities accounts through the authorised financial intermediary,
- signature of the shareholder or his/her legal representative.

To be taken into account, postal votes must reach the Company at least three days before the date of the meeting.

A shareholder may be represented under the conditions set by applicable regulations.

<u>- Meeting - Board - Minutes</u>

The General Meeting is chaired by the Chairman of the Board or by a board member appointed for that purpose by the Board, if the meeting was called by the Board or, failing that, by an individual designated by the Meeting; it is chaired by the independent auditor where appropriate, by the attorney or the liquidator in other cases. Scrutiny functions are filled by those two members of the meeting who hold the largest number of votes and accept such functions. The officers shall appoint a secretary who need not be a shareholder.

The deliberations are recorded in minutes signed by the officers, as well as by those shareholders who request it.

Copies or extracts of such minutes, to be produced at court or elsewhere, shall be validly certified, regarding ordinary general meetings, by the chairman of the board or a board member or the secretary of the Meeting and, regarding extraordinary general meetings, by the notary who holds the minutes in question.

<u>Terms and conditions that apply to the right to vote – Majority quorum</u>

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 – An ordinary general meeting shall deliberate validly only if the shareholders attending, represented or voting by mail, own at least, on first call, one quarter of the share capital. Failing that, a second general meeting that will not require a quorum, will be convened in the form prescribed by Article 67-1 of the law of 10 August 1915 as amended, on commercial companies.

An extraordinary general meeting shall deliberate validly only if the shareholders attending, represented or voting by mail, own at least, on first call, half of the share capital. Failing that, a second general meeting that will not require a quorum, will be convened in the form prescribed by Article 67-1 of the law of 10 August 1915 as amended, on commercial companies.
3 - 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.
4 - Votes at general meetings are cast by a show of hands, a roll call, a secret ballot, or the use of telecommunication facilities, in other words videoconferencing or any means of telecommunication allowing to identify the shareholder taking part in the Meeting, as determined by the officers or the shareholders.

The Ordinary Meeting shall rule by the majority of votes validly cast. The votes validly cast shall not include those relating to shares for which the shareholder has not taken part in the vote, has abstained or has cast a blank or invalid ballot.

The Extraordinary General Assembly shall rule by a majority of two thirds of valid votes.

<u>Dividend policy</u>
In accordance with Article 24 of the articles of incorporation, out of the profit for the period, minus any previous losses if applicable, the following amounts are levied in priority:

- at least five percent to build up legal reserve, a deduction that will cease to be mandatory when said reserves will have reached a sum equal to one tenth of total share 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.

The Extraordinary General Meeting may, as permitted by law, determine the full or partial depreciation of the shares that will lose, in due proportion, their right to a dividend or the repayment of face value.

That meeting may also, as provided by law, determine the conversion into capital shares of fully or partially amortised shares.

As a general rule, Sword Group pursues a dividend distribution policy linked both to profits for the year in question and to the expected development of the group and its profitability.

III Control structures
Audit committee - Other committees
The Company has an audit committee, composed of Messrs. François Barbier and François-Régis Ory, independent directors, appointed members of the Audit Committee for the duration of their terms as directors.

Mr. Francis Regis Ory, is chairman of the Audit Committee.

Regarding the establishment of a nomination committee and remuneration committee or the creation of other specialised committees, it has been decided not to establish such committees within Sword Group, given the size the Company.

Internal controls
We would remind you that the purposes of the internal control procedures in force in our company are:

- to monitor that management, the implementation of operations and the behaviour of staff are in accordance with the guidelines for businesses as laid down by the company's managing bodies, by the applicable laws and regulations, and by the values, standards and internal rules of the company;
- and to verify that the accounting, financial and managerial information provided to the company's managing bodies truly reflects the activities and the position of the company.

One of the purposes of the internal control system is to prevent and control risks that arise from the business's activities, and risks from errors or fraud, particularly in the accounting and financial areas.
As with all control systems, it cannot provide a total guarantee that such risks are totally eliminated.

The internal control procedures are set by the Board of Directors of Sword Group.

Statutory audit

Since the transfer of the Company's registered office to Luxembourg, the statutory audit has been conducted by Mazars Luxembourg SA, a certified audit firm (cabinet de revision agréé)

IV Conduct of business and trading of Sword Group shares

Conduct of business and ethics

Positioned among the world leaders in the field of business process improvement solutions for regulated industries, Sword Group's puts its skills, infrastructure and experience to serve our clients, and to help them improve their performance, increase their efficiency and maximise their return on investment.

Sword Group operates, worldwide, in compliance with laws and regulations in the various countries where Sword Group and / or the Sword Group subsidiaries are located.

The Board of Directors of Sword Group, on 20 December 2010, adopted a Code of Ethics. Such Code aims, in particular, to formalise the basic common values and principles essential to Sword Group and its employees and to affirm the ethical commitment of Sword Group in all its areas of activity, with respect to shareholders, members of the company, customers, suppliers and partners.

Trading of Sword Group shares

Sword Group managers meet all legislative and regulatory provisions relating to transactions in securities of listed companies.

Sword Group managers conduct regular reporting of transactions conducted on the shares in Sword Group and refrain from any transactions on Sword Group shares when they possess inside information.

In order to prevent the commission of any offences relating to the possession of inside information, Sword Group has established in accordance with the law, a list of insiders identifying those holding privileged information, working in the Sword Group, as well as third parties having access to such information in the course of their professional relationships with Sword Group.

10 MANAGEMENT REPORT

Ladies and Gentlemen,

We have convened you at this Ordinary and Extraordinary General Meeting, in accordance with the applicable legal and statutory provisions, to submit to your approval the annual accounts and consolidated financial statements for the financial year ending 31 December 2012.

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

Under the responsibility of the General Assembly ruling under the quorum and majority conditions required for Ordinary General Meetings:

- Reading of the report of the Board of Directors, including the management report of the group and finding that no agreement under Article 57 of the amended law of 10 August 1915 has been concluded or continued during the year ended 31 December 2012;
- Reading of the Audit Committee's report;
- Reading of the report of the independent auditor on the 2012 annual accounts, the consolidated financial statements of the group and the performance of its engagement;
- Approval of the statutory annual accounts at 31 December 2012;
- Approval of the consolidated financial statements at 31 December 2012;
- Allocation of result for the financial year ending on 31 December 2012;
- Remuneration of directors;
- Discharge to the directors for their management for the year 2012;
- Discharge for the independent auditor and for its assignment for the year 2012;
- Reappointment of the independent auditor;
- Authority to complete formalities.

Under the responsibility of the General Assembly ruling under the quorum and majority conditions required for Extraordinary General Meetings:

- Authorisation to grant to the Board for the repurchase, by the Company, of its own shares;
- Authority to complete formalities.

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

The required notices have been duly sent to you and all documentation required by the regulations in force were made available at the registered office of the Company, as well as on the website of the Company within the legal timeframe.

You will then hear the reading of the independent auditor's report.

1. Important events in the Sword Group during the financial year ending 31 December 2012

Acquisitions / Disposal and equity stakes acquired during the financial year ended 31 December 2012:

- The registered office of Sword Group SE was transferred to Luxembourg after this project was approved by the General Meeting of 26 March 2012.
- Sword Services SA acquired minority stakes in Sword Lebanon for a total of CHF 26k.
- The company Achiever Ltd. was established on 1 January 2012, with no impact on the consolidated statements as at 31 December 2012. Minority shareholders conducted a capital increase in the company Achiever for £45k.
- Minority shareholders conducted a capital increase in the company Apak for £2,053k.
- On 10 July 2012 the companies Ciboodle Ireland Ciboodle Australia, New Zealand Ciboodle, Ciboodle Indonesia, Ciboodle Scotland, Ciboodle Netherland, Ciboodle South Africa, USA Ciboodle, Ciboodle Hong Kong, Ciboodle France, Ciboodle Land and Estates, Sword Soft Inc were sold by Sword Soft. The transfer price stands at $79m for 100% of the securities. The disposal generated a capital gain from consolidation of €22,838k. Part of the disposal price was paid in the form of shares in Kay Technology Holdings Inc.
- The company Vadear was purchased on 1 August 2012 for €1,000k. That company was sold back on 1 December 2012. The consolidated gain on disposal is zero.
- Sword Middle East was acquired on 20 September 2012, with no material impact on the consolidated statements as at 31 December 2012.
- Sword Greece was deconsolidated during the year.

Sword SA, on 29 October 2012, sold its EDM goodwill arm operated in Nantes and Rennes to Astone Solutions.

Transfer of the registered office / Governance

- The General Shareholders' Meeting of 26 March 2012 decided to transfer the registered office to the Grand Duchy of Luxembourg, 105, route d'Arlon L-8009 Strassen. The Company has been registered in the Register of Commerce and Companies of Luxembourg since 19 April 2012. Since that date, the Company no longer has offices in France.

- The Board of Directors on 11 April 2012 appointed:
  - Mr. Jacques Mottard as Chairman of the Board
  - Mr. Jacques Mottard and Mrs. Françoise Fillot as managing directors, responsible for the daily management of the Company.

- The Company has established a new organisation in Luxembourg with the creation of an Executive Management Committee (EMC) that replaces the former Corporate Management Committee).

- The Board of Directors on 11 April 2012, decided:
  - To jointo the Ten Principles of Corporate Governance of the Luxembourg Stock Exchange, whose latest version dates back to October 2009,
  - To reappoint the previous Audit Committee, namely:
    - Mr. Francis Regis Ory, independent director and chairman of the audit committee
    - Mr. François Barbier, independent director.

✓ The Board of Directors of 28 August 2012 adopted the Governance Charter and the Internal Rules of the Board of Directors and the Audit Committee.

Thresholds crossed / Share disposals

- By letter received 31 January 2012, supplemented by letter received on 1 February 2012, Mr Michel Baulé said he crossed upwards, 27 January 2012, directly and indirectly, through the company Eximium (48 avenue des Allobroges, 26100 Romans) and the "société civile" Trefolia (30 rue Francis Chirat, 26100 Romans) which he controls, the threshold of 10% stakes in Sword Group and holds 963,107 shares in Sword Group representing as many voting rights, or 10.37% of the capital and 8.98% of the voting rights of the Company. On this occasion, Eximium crossed the same threshold individually.
  These crossings of threshold came about as a result of the acquisition, by Eximium, of Sword Group shares on the stock market.

That same letter expressed the following intention:
"Mr Michel Baulé states that:
- Eximium acquired its shares on the stock market using its shareholders' equity;
- that he acts alone, via the companies Eximium, which he controls, and that he contemplates continuing his purchased based on market conditions;
- he does not contemplate taking control of Sword Group;
- he does not contemplate changing the strategy of Sword Group;
- he does not contemplate the operations listed in Article 223-17 6° of the General Rules of the AMF;
- he does not intend to apply for a position as board member of Sword Group;
- he has not entered into any leasing agreement regarding the shares and/or voting rights of Sword Group."

- By letter received 30 May 2012, supplemented by letter received on 31 May 2012, Mr Michel Baulé said he crossed upwards, 25 May 2012, directly and indirectly, through the company Eximium (48 avenue des Allobroges, 26100 Romans) which he controls, the threshold of 10% stakes in Sword Group and holds 1,080,841 shares in Sword Group representing as many voting rights, or 11.63% of the capital and 10.17% of the voting rights of the Company. On this occasion, Eximium crossed the same threshold individually.
  These crossings of threshold came about as a result of the acquisition, by Eximium, of Sword Group shares on the stock market.

  That same letter expressed the following intention: "Mr. Michel Baulé states that:
- Eximium acquired its shares on the stock market using its shareholders' equity;
- he acts alone, via the companies Eximium and, which he controls, and that he contemplates continuing his purchased based on market conditions;
- he does not contemplate taking control of Sword Group;
- he does not contemplate changing the strategy of Sword Group;
- he does not contemplate the operations listed in Article 223-17 6° of the General Rules of the AMF;
- he does not intend to apply for a position as board member of Sword Group;
- he has not entered into any leasing agreement regarding the shares and/or voting rights of Sword Group."

- Mrs. Françoise Fillot, director, reported that she sold, on 6 December 2012, 20,000 shares in the Company.

- By letter received 18 March 2013, Mr Michel Baulé said he crossed upwards, 15 March 2013, directly and indirectly, through the company Eximium (48 avenue des Allobroges, 26100 Romans) which he controls, the thresholds of 15% stakes in the capital and voting rights of Sword Group and holds 1,394,009 shares in Sword Group representing as many voting rights, or 15.01% of the capital and voting rights of the Company.
  This crossing of threshold came about as a result of the acquisition of Sword Group shares on the stock market.

By that same letter, supplemented by a letter received 19 March 2013, the following declaration of intent was made: *"Michel Baulé states that:*
- Eximium acquired shares on the stock market using its shareholders' equity;
- he acts alone, via the companies Eximium and Trefolia, which he controls, and that he contemplates continuing his purchased based on market conditions;
- he does not contemplate taking control of Sword Group;
- he does not contemplate changing the strategy of Sword Group;
- he does not contemplate the operations listed in Article 223-17 6° of the General Rules of the AMF;
- he holds none of the financial instruments or agreements listed in paragraphs 4° and 4° bis of Chapter I of Article L. 233-9 of the Commercial Code;
- he does not intend to apply for a position as Board member of Sword Group;
- he has not entered into any leasing agreement regarding the shares and/or voting rights of Sword Group."

2. Comparability of the financial statements - Accounting rules and methods

Accounting standard

As per European Regulation n° 1606/2002 of 19 July 2002 regarding international accounting standards, the consolidated financial statements of Sword Group at 31 December 2012 and the comparative accounts for the financial year 2011 were prepared by applying IFRS (International Financial Reporting 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 2012, whose implementation was mandatory on that date.

This reference document is available on the website of the European http://ec.europa.eu/internal_market/accounting/ias and includes 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).

Standards, amendments to standards and interpretations applicable as of the financial year started 1 January 2012

The Group has applied the following new standards, amendments to standards and interpretations as of the start of the year 2012, i.e. mainly IFRS 7 "Disclosures in connection with transfers of financial assets"
This new standard has no impact on the consolidated statements as at 31 December 2012.

Standards and interpretations that were published but are not yet applicable

TEXTS ADOPTED BY THE EUROPEAN UNION AT YEAR END.

Amendment to IAS 1 – Presentation of Financial Statements (effective for annual periods beginning on or after 1 July 2012),
Amendment to IAS 12 – Deferred Tax: Recovery of Underlying Assets (applicable to the annual periods starting as of 1 January 2013),
Amendment to IAS 19 - Employee Benefits: Accounting for defined benefit pension plans (applicable for annual periods beginning on or after 1 January 2013),
Amendment to IFRS 7 – Presentation - Offsetting financial assets and financial liabilities (applicable for annual periods beginning on or after 1 January 2013),
Amendment to IAS 32 – - Compensation for financial assets and liabilities (applicable to the annual periods opened on or after 1 January 2014),
IFRS 10 – Consolidated Financial Statements (applicable to the annual periods starting as of 1 January 2014),
IFRS 11 - "Joint Arrangements" (effective for annual periods beginning on or after 1 January 2014),
IFRS 12 - Disclosure of interests in other entities (effective for annual periods beginning on or after 1 January 2014),
IFRS 13 - Fair Value Measurement (effective for annual periods beginning on or after 1 January 2013),
IAS 27 revised – Consolidated and Separate Financial Statements(applicable to the annual periods starting as of 1 January 2013,
Revised IAS 28 - Investments in associates and joint ventures (applicable for annual periods beginning on or after 1 January 2013).

The Group has not applied any of these new standards or interpretations in advance and does not anticipate any significant impacts resulting from the first application of these new texts.
The Group does not anticipate any material impact on its financial statements.

3. Group activities - Presentation of the consolidated income statement for the financial year ended 31 December 2012

Presentation of the simplified consolidated income statement at 31 December 2012

The table below presents the simplified income statement of Sword Group for the financial year ending 31 December 2012 compared with that for the 2011 financial year.

In €'000	2012 Consolidated	2011 Consolidated
Turnover	117,908	156,193
EBIT	14,744	23,025
Operating profit	27,088	11,185
Consolidated net profit	16,286	1,421
Group's share of net profit	16,217	1,313

List of main consolidated companies as at 31 December 2012

		31 December 2012		31 December 2011	
Companies	Year end	% controlled	% stake	% controlled	% stake
Sword Group (parent company) 105 Route d'Arlon L-8009 Strassen GD Luxembourg	31/12	100%	100%	100%	100%
Sword SA (France)	31/12	100%	100%	100%	100%
Sword Création Informatique Ltd (South Africa)	31/12	100%	100%	100%	100%
Sword Technologies SA (Benelux)	31/12	100%	100%	100%	100%
Tipik (formerly-ASCII) (Belgium)	31/12	100%	100%	100%	100%
FI System Belgium	31/12	100%	100%	100%	100%
Sword Global India	31/03	100%	99.99%	100%	98.07%
Sword IT Solutions (Greece)	31/12	-	-	65 %	65 %
Sword Services SA (formerly Linkvest SA) (Switzerland)	31/12	100%	100%	100%	100%
Sword Lebanon (Lebanon)	31/12	97.43%	97.43%	96%	96%
Sword Soft Ltd (UK)	31/12	99.99%	99.99%	98.07%	98.07%
Apak (UK)	31/12	100%	99.99%	100%	98.07%
Sword Integra (Belgium)	31/12	100%	100%	100%	100%
Sword Soft Inc (US)	31/12	-	-	100%	98.07%
Buildonline India	31/12	100%	99.99%	100%	98.07%
Buildonline USA	31/12	100%	99.99%	100%	98.07%
Ciboodle (formerly Graham Technology) Ireland	31/03	-	-	100%	93.67%
Ciboodle (formerly Graham Technology) Australia	31/03	-	-	100%	93.67%
Ciboodle (formerly Graham Technology) N.Zealand	31/03	-	-	100%	93.67%
Ciboodle (formerly Graham Technology) Indonesia	31/03	-	-	100%	93.67%
Ciboodle (formerly Graham Technology) Scotland (UK)	31/03	-	-	95.51%	93.67%
Ciboodle (formerly Graham Technology) BV (Netherlands)	31/03	-	-	100%	93.67%
Ciboodle (formerly Graham Technology) South Africa	31/03	-	-	100%	93.67%
Ciboodle Ltd (formerly Graham Technology Land and Estates) (UK)	31/03	-	-	100%	93.67%
Ciboodle (formerly Graham Technology) USA	31/03	-	-	100%	98.07%
Graham Technology France	31/03	-	-	100%	93.67%
Graham Technology Hong Kong	31/03	-	-	100%	91.88%
Apak Beam Ltd (Cyprus)	31/12	100%	99.99%	100%	98.07%
Sword General Partners (UK)	31/12	100%	99.99%	100%	98.07%
Sword Sol (Luxembourg)	31/12	100%	100%	100%	100%
Sword IF (Switzerland)	31/12	57%	57%	57%	57%
Sword Technologies Solutions Ltd (UK)	31/12	100%	99.99%	100%	98.07%
Apak Inc (US)	31/12	100%	99.99%	100%	98.07%
Sword Solutions Inc (US)	31/12	100%	100%	100%	100%
Sword Participations SARL (Luxembourg)	31/12	100%	100%	100%	100%
Sword Achiever Ltd (UK)	31/12	100%	99.99%		
Vadear (consolidated and deconsolidated during the year)	31/12	-	-		
Sword Middle East (Lebanon)	31/12	98%	98%		

All consolidated companies are consolidated according to the full consolidation method.

Activity and turnover
At constant scope, proforma organic growth is 8.7% for sales and 23,2% for EBIT, respectively.

The proforma current operating margin stands at 13.1%.

The backlog at 31 December 2012 stands at 23.1 months of turnover budgeted for 2013, up 6 months since 31 December 2011.

Specialisation
Specialisation of the group is now focused on "the development of information", throughout all the divisions - Software and Solutions (including the IT Services and Communication Technologies divisions).

Internationalisation
The group operates in 50 countries and is actually based through its subsidiaries and offices in 15 countries, covering Asia Pacific, Middle East, Europe, America and South Africa.

Expansion
All of Sword's activities comply with the Group's standards, altogether in terms of turnover, profitability, and growth capacity.
Sword has increased financial resources allowing it to consider selective acquisitions in 2013, in order to maintain the consistency of group deals.

EBIT
EBIT from all consolidated companies for 2012 was €14,744k, i.e. 12.5% of 2012 turnover.

Operating profit
Operating profit from all consolidated companies for 2012 was €27,088k, i.e. 23% of 2012 turnover.

Income tax and net profit
Income tax on consolidated profit was €3,810k, which represents an effective taxation rate of 19%.

After income tax, net profit for the consolidated companies stood at €16,286k, i.e. 13.8% of turnover. The Group share of net profit stood at €16,217k, i.e. 13.8% of turnover, while net profit allocated to minority shareholders was €69k€.

Debt, cash flow and investments
The Group's net cash improved by €39.43 million in twelve months, from €8.4 million as at 1 January 2012 to €47.7 million as at 31 December 2012.

The cash flow of the Group (see cash flow table) amounts to €5,532k, deducted from the cost of net debt and tax.

Gross investments for the financial year, both intangible (excluding goodwill and market shares) and tangible, stood at €5,589k.

Growth transactions

Growth transactions are detailed in paragraph 1 of this report.

Disposal transactions

Disposal transactions are detailed in paragraph 1 of this report.

Breakdown of 2012 proforma turnover

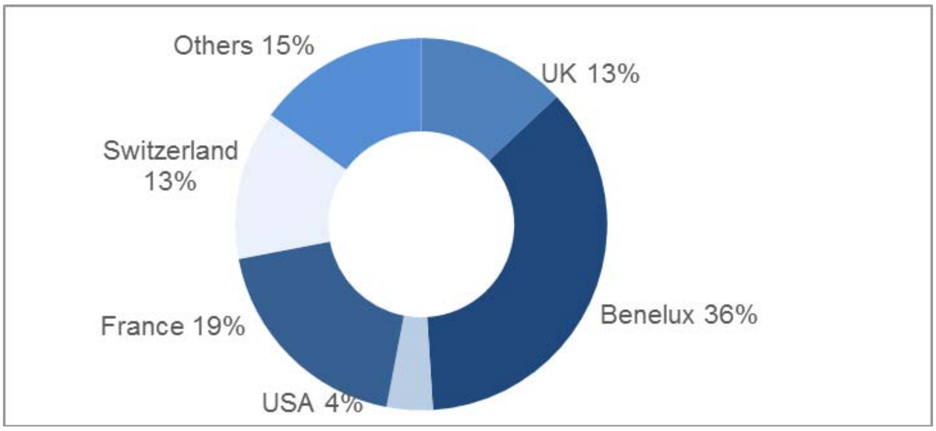
The 2012 proforma turnover breaks down as follows:
Software: 16.7%
IT Services: 58.7%
Communication Technologies: 24.6%

IT Services + Communication Technologies = Solutions

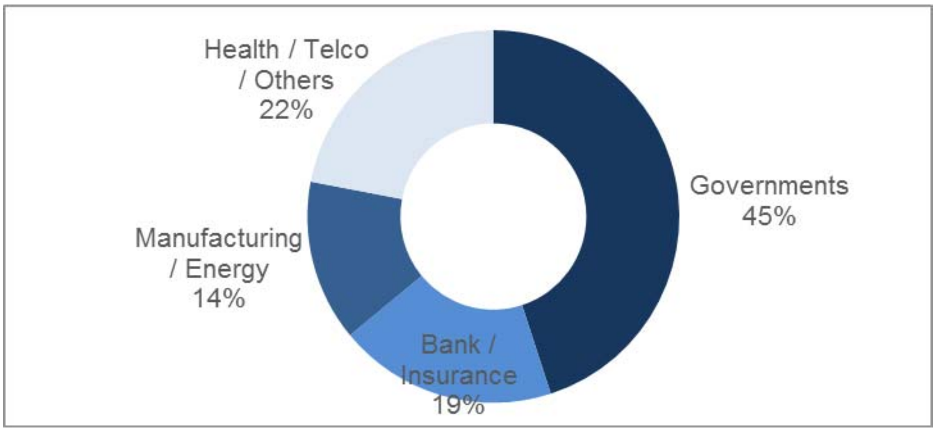
By Division

€ million	Turnover	Current Operating Profit	%	Organic Growth %
Software	16.6	4.2	25.3%	+25.0%
GRC	4.2	0.7	16.7%	
WFS	12.4	3.5	28.2%	
IT Services	58.4	7.3	12.5%	+5.6%
Benelux	11.4	1.4	12.0%	
France	19.5	2.4	12.5%	
Switzerland	12.2	1.5	12.6%	
Other *(including offshore)*	15.2	1.9	12.7%	
Communications Technologies	24.4	2.4	9.6%	+7.0%
Holding company	0	-0.8	-	-
Total	**99.3**	**13.0**	**13.1%**	**+8.7%**
Total (excl. the	**99.3**	**13.8**	**13.9%**	**+8.7%**

By country



By market



Changes in the Group's main subsidiaries - Proforma figures

Software

A / GRC

€ million	2012	2011 [1]
Turnover	4.2	32.2
EBIT	0.7	6.0
%	16.7 %	18.6%

[1] The CRM activity was sold in 2012. (In 2011 figures included GRC and CRM)
The growth of GRC was very high in 2012, at 32%. In parallel, profitability rose from 15.7% to 17.4%.

B / WFS

€ million	2012	2011
Turnover	12.4	10.1
EBIT	3.5	3.0
%	28.2 %	29.7%

That segment is the most regular, as it is based on an ASP model.
The 2012 and 2011 returns are unusually high. Normative profitability stands at 25%.

Solutions (IT Services and Communication Technologies)

A / France

€ million	2012	2011 [1]
Turnover	19.5	18.0
EBIT	2.4	1.0
%	12.5%	5.6%

[1] 2011 turnover does not include the "Ged Ouest" goodwill arm, that was disposed of in 2012.
2012 was marked by a return to profitability. However, we consider that normative profitability should be close to 9%.

B / Benelux (excluding Communication Technologies)

€ million	2012	2011
Turnover	11.4	12.7
EBIT	1.4	1.4
%	12.0%	11.0%

2012 was a stable year, marked by huge investments in tendering efforts.

C / Switzerland

€ million	2012	2011
Turnover	12.2	9.8
EBIT	1.5	1.1
%	12.6%	11.2%

Switzerland took full advantage of its new position in the field of sports.

D / Other

€ million	2012	2011
Turnover	15.2	14.8
EBIT	1.9	1.8
%	12.7%	12.2%

These activities show a rather small increase (2.7%) but significant profitability for the Services business.

E/ Communication Technologies

€ million	2012	2011
Turnover	24.4	22.8
EBIT	2.4	1.8
%	9.6%	7.9%

2012 was a year of sustained growth combined with increased profitability, knowing that we still believe that 9% is normative profitability.

Group head count

2012	Billable count			Non billable head count	Total
	Staff	Subcontractors	Total		
Software	96	8	104	21	125
IT Services	319	106	425	29	454
Communication Technologies	87	103	190	11	201
Offshore	152	49	201	10	211
Holding company	-	-	-	15	15
Total	654	266 (1)	920	86	1.006 (2)

(1) *164 full time equivalent (FTE) staff*

(2) *937 full time equivalent (FTE) staff*

Important events occurring after year-end

Mrs. Françoise Fillot, who was director and Executive Vice-President in charge of the Company's finance, decided to stop her professional activities. She left her operational duties on 28 February 2013. However she remains a director of the Company.

A new company, Sword FS, 100% owned by the company IF SA, was incorporated in January 2013.

As part of a restructuring initiative in Switzerland, Sword Suisse Holding SA was incorporated in February 2013.

The 15% threshold of the share capital of Sword Group SE for the company Eximium was crossed on 15 March 2013 (details in paragraph 1 of this report).

Future outlook

The group is divided between its excellent positioning and difficult economic forecasts. This is the reason why the budget is conservative.

The Group expects 2013 growth of about 5% through its three areas of organic growth: USA, Middle East and India and a stabilisation of the EBIT.

The holding company is set up to handle a wider scope, which impacts the 2013 budgeted profit excluding acquisitions. The new expansion plan would allow a return to balance in 2014.

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.

Research & development
In 2012, R&D consisted of the following:
- Software: R&D accounts for 13.4% of the proforma turnover.
- Solutions segment: R&D accounts for 1.4% of the proforma turnover.

Software R&D in 2012 covers the development of Apak and Achiever products.

Solutions R&D is dedicated to the following software components:
- Google Connectors: secure search connector related to the companies' internal management systems,
- The PTO range: intended for brand and patent offices, the building blocs of an ERP dedicated to that market,
- The Fastaudit range: intended for website developers, it enables them to determine whether such sites are accessible or not.
- The Sharepoint Components and Verticals range: these components are accelerators in the implementation of sharepoint for our customers. Verticals are pre-packaged applications that meet a specific requirement. In 2011/2012 Sword provides the vertical "Seek and share", which is a monitoring tool for R&D departments.

Approval of consolidated financial statements
We request that you approve the consolidated financial statements for the year ended 31 December 2012 (balance sheet, profit and loss statement, and annexes) as they are submitted to you and which show a total consolidated profit of €16,286k (of which the group's share is €16,217k).

4. Activities of Sword Group – presentation of the corporate annual accounts

Company activities over the financial year 2012 – Balance sheet and profit and loss account
In 2012, Sword Group had a head count of 2.

In 2012, 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	Year N-1 (1)	Change in %
Turnover	2,044,218	1,852,656	10%
Revenues from operations	243,958	4,664,591	-95%
Operating expenses	2,611,457	3,683,309	-29%
Operating profit	-323,281	2,833,938	-111%
Financial revenues	10,578,234	21,102,588	-50%
Financing costs	20,452,998	14,360,483	56%
Financial result	- 9,874,764	6,742,105	-246%
Current profit before tax	-10,198,045	9,576,043	-206%
Extraordinary income	-	270,138,383	-
Extraordinary expenses	1,729,631	284,446,334	-99%
Extraordinary result	-1,729,631	- 14,307,951	88%
Income tax	23,486	11,708	101%
Profit / Loss	- 11,951,162(2)	- 4,743,616	152%

(1) Following the transfer of the registered office from France to the Grand Duchy of Luxembourg, the Company changed its list of accounts to the Luxembourg standard chart of accounts. Consequently, the figures for the previous year have been reclassified for comparative purposes
(2) The loss is mainly due to foreign exchange losses whose net amount stands at €5,617,142 and value adjustments on financial assets of €3,094,356.

5. Risk factors

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

Risks related to the activity and fixed-price contracts

In 2012, if we consider the "Services" (IT Services + Communication Technologies) and the "Software" (Products) divisions' portions of fixed price services, the services part 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 a 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 characterised 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.

At 31 December 2012, the backlog totals to 23.1 months of pro forma turnover compared to the budgeted turnover for 2013 (versus 22.5 months of pro forma turnover compared to the actual turnover for 2012).
Naturally, part of this turnover relates to years subsequent to 2013.

Backlog includes " signed + probable + weighted 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 2012, 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.

Customer 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 23.0% of the consolidated turnover for 2012.
The 1st client accounts for 5.8% of the consolidated turnover for 2012.

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.

Liquidity risk
The company has negotiated contracts for the opening of credit lines with several banks to finance general corporate requirements and external growth.

	Unused	Used	Covenants
Total drawing rights	€58,288k	€77,000k	Net consolidated financial debt / consolidated EBITDA less than 3.5 Net consolidated financial debt / consolidated shareholders' equity less than 1

See also notes 15, 20.2 and 20.3 of the consolidated financial statements that complement the previous table.
Promissory note drawing rights: complement see Notes 15 and 20 of the appendix to consolidated financial statements.
Acceleration on default clauses: see Note 15 to consolidated financial statements.
Financial liabilities: see Note 20 to consolidated financial statements.
Other bank loans: see Note 20.2 to consolidated financial statements.
The Group has no difficulty accessing to loans (sustainable relationship with Sword Group's partner banks).

Market risks

Currency risk
See Note 21 of the notes to consolidated financial statements.

Interest rate risk
See Note 21 of the notes to consolidated financial statements.

Equity risk

Assessment of the portfolio
Marketable securities
The securities represented by shares in money market funds are valued at their fair value which is the latest price available at date of closing. The unrealised gains and losses are recognised in the profit and loss account.

Own shares
The company can be led to own its own shares within the share repurchase programme authorised by the General Meeting on 26 March 2012, redeemable at 10% of its share capital. The objectives of share ownership provided by this program are as follows:
- market making or the liquidity of the stock through an investment service provider via a liquidity contract;
- purchase shares to hold them and eventually trade them or use them as payment for potential external growth operations;
- the award to employees or corporate officers of Sword Group or its Group, under the terms set by law;
- Cancel the shares, in the case of the latter, subject to the Extraordinary General Meeting voting for a specific resolution;
- The securities represented by the shares in the Company are stated at their acquisition cost, including incidental expenses, and determined according to the weighted average price method. An impairment is recorded when the purchase price is less than the market price. According to the provisions of Article 49-5 b) of the Law of 10 August 1915 on commercial companies, as amended, an unavailable reserve in the amount of own shares included in the balance sheet, will be established on the liabilities side.

As at 31 December 2011, Sword Group held 139,359 own shares.

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 financial assets (securities available for sale) at 31 December 2012 Sword Group holds interests in the following companies (only significant holdings are listed below):

- 9% of the capital of Lyodssoft for an amount of €1,046k (book value), 100% depreciated,
- 22.48% of the capital of Amor Business Technology Solutions (formerly 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), 100% depreciated,
- 9.81% of the capital of Simalaya for an amount of €1,173k (book value); This company is based in Switzerland and is mainly focused on organisational consulting in the field of Telco.

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

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 acquisition of additional skills,
- The expansion of the geographic scope,
- The strengthening of existing lines of business,

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 notes to the consolidated financial statements.

Legal risks
There are no current legal risks due to the activity, aside from possible commercial or technical risks that may result from the outcome of work in progress. 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 2012, there is no general legal risk associated with the Group's business likely to be subject to a provision, other than those that are already provisioned.

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

As at 31 December 2012 (1), the management is a team comprised of:

- A Corporate Management Committee (CMC) renamed EMC, comprising:
  - an Executive Chairman
  - a Chief Financial Officer (Executive Vice-President in charge of accounts, administrative formalities and finance under French law)
  - two CEOs (Chief Executive Officer)
- An Operations Committee, comprised of the CMC and 4 COOs (Chief Operational Officer).
- Each COO is also Director of a BU; in addition, there are 12 BU Directors.

(1) since then, the Company has established a new organisation in Luxembourg with the creation of an Executive Management Committee (EMC) that replaces the former Corporate Management Committee.

Insurance and risk coverage
The company's general policy on insurance cover revolves around three main areas:
- Coverage of "civil liability" risks for each of the group's companies,
- Coverage of "civil liability" risks for Sword Group's directors,
- The cover of material risks (water damage, fires, vehicle fleet, etc.).

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

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

Sword Group civil liability:
- Operations: bodily, material and immaterial damage: €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	General and professional civil liability	Multi-risk
2012	Excess 150	Excess None

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

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

Provisions setup policy
The level of provisions for risks and contingencies is due to the BU management's rigorous approach regarding the risks covered.
Provisions are booked for these risks and contingencies on the basis of the best estimate of likely costs to be borne. The total sum of provisions for risks and expenses stood at €3,654k in the consolidated statements as at 31 December 2012.

6. Shareholding

Breakdown of capital at year end (31 December 2012)

Forename-Surname	Number of shares	% of capital
Financière Sémaphore	1,706,280	18.37%
Françoise Fillot	66,395	0.72%
Nicolas Mottard	1,395	NA
Treasury own shares	139,359	1.50%
Employees and miscellaneous registered shareholders	177,900	1.92%
Floating stock	7,198,636	77.49%
Total	9,289,965	100%

Variations in the share price

2012	At 31 January 2013
Highest closing price €14.52 (on 25/01/2012)	Highest closing price €13.90 (on 18/01/2013)
Lowest closing price €9.43 (on 31/05/2012)	Lowest closing price €12.57 (on 02/01/2013)
Number of shares traded by stock market: 13,347 [(1)]	Number of shares traded on the stock market from 01/01/2013 to 31/01/2013: 7,541 [(2)]

(1) This is the average number of shares traded in 2012, a year during which 3,416,722 shares were traded.
(2) This is the average number of shares traded in January 2012, a month during which 165,910 shares were traded.

Information on the acquisition and sale by the company of its own shares as at 31 December 2012 [(1)]

Number of shares held by the Company as at 31 December 2011	77,887
Number of shares purchased in 2012	210,483
Number of shares sold in 2012	149,011
Number of shares held by the Company as at 31 December 2012	139,359

(1) including the liquidity contract

The acquisition by the Company of its own shares was conducted in accordance with the authorisation granted by the General Meeting of 26/03/2012 in its 6th resolution within the agreed objectives of the said meeting.
The General Meeting of 3 May 2013 was proposed to rule on a new programme for the company to repurchase its own shares. The main characteristics of the programme are given in Section 19.

Issuer's statement regarding the transactions conducted on its own shares as at 31 December 2012:

Percentage of capital held by the issuer either directly or indirectly	1.50%
Number of shares cancelled in the past 24 months	0
Number of shares held	139,359
Book value of portfolio as at 31 December 2012	€138,841.59
Market value of portfolio as at 31 December 2012	€891,234.63

	Cumulative gross flows at 31/12/2012		Outstanding positions as at 31/12/2012	
Number of shares	Purchases	Sales	For purchase	For sale
Maximum average	-	-	-	-
Average price	11.20	12.38	-	-
Average exercise price	-	-	-	-
Amounts	1,585,707.90	1,701,869.60	-	-

Sword Group did not use derivatives in this share repurchase program.

7. Result allocation proposal

We suggest that you approve the corporate annual accounts for the financial year ending 31 December 2012 (Balance Sheet, Profit and loss account and Notes) such as they are presented to you, which show a loss of €11,951,162.45.

We suggest that the result be allocated as follows:

- To the "Other reserves (retained earnings)" -€1,733,805.16
  Which would be brought down from €1,733,805.16 to €0
- the balance, being: -€10,217,357.29

to the "Share premium",
which would drop from €91,727,314.98 to €81,509,957.69.

We suggest that you distribute to the shareholders, as dividend, €12,820,151.70, i.e. €1.38 per share, which would be taken from the "Share premium", which would thus be brought down from €81,509,957.69 to €68,689,805.99. The total dividend in respect of fiscal 2012, after taking into account the interim dividend of €0.69 per share referred to above, would amount to €1.38 per share.

We remind you that the Board of Directors on 28 August 2012 resolved to distribute an interim dividend of €6,410,075.85, i.e. an interim dividend of €0.69 per share.

The net dividend per share would be €0.69 per share.

We ask you to kindly take note that as of 31 December 2012, the Company held 139,359 treasury shares recorded as assets in the balance sheet for a total of €1,584,632.15 euros (broken down into €1,244,785.45 as "Financial assets" and €339,846.66 as "Marketable securities").

Therefore, in accordance with Article 49-5 of the Law of 10 August 1915, we invite you to take from the "Share premium" the sum of €1,584,632.15, which will be recorded in the balance sheet.

In terms of taxation, in accordance with Luxembourg law, dividend distributions are in principle subject to a withholding tax in the Grand Duchy of Luxembourg, at the rate of 15%.

However, this rate can be reduced by application of international tax treaties signed by the Grand Duchy of Luxembourg and European law, according to the tax residence of the recipient and under his or her own responsibility. A refund request will then be sent to the Administration of Tax Collection of the Grand Duchy of Luxembourg no later than 31 December of the year following the payment of the withholding tax, using Form 901 bis.

In addition, subject to tax treaties and legislation applicable in the State of residence of the recipient, any withholding tax in the Grand Duchy of Luxembourg should be eligible for a tax credit equal to that same amount on the tax due in the State of residence of the recipient.

For information, the French authorities consider that the conventional tax credits attached to the proceeds of securities of European companies registered in a PEA and whose issuers do not have their headquarters in France are not entitled to restitution, insofar as income from shares placed in the PEA are tax-exempt income (see e.g. BOI-RPPM-RCM-40-50-30 of 12 September 2012).

Cross-shareholdings

We inform you that the Company has not had to carry out transfers of shares in order to put an end to cross-ownership prohibited by Article 49bis of the Law of 10 August 1915 on commercial companies.

Transactions conducted by management involving shares during the year

Mrs. Françoise Fillot, on 6 December 2012, sold 20,000 shares in the Company.

Table of delegations for capital increases

The Combined Shareholders' General Meeting held on 26 March 2012 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.

These authorisations are valid for a period of 26 months, that is until 25 May 2014.

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 €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 authorisations were not used in 2012.

Financial instruments

The main loans have been taken out at an interest rate of euribor 3 months + 1 %. Three fixed-rate paying SWAP covers expired during the period.

A first cover through paying swap at a fixed rate of 2.56% (excluding bank margin) was set up as at 2 April 2012 for a period of 36 months and an amount of €10m. This cover is estimated at fair value in the balance sheet at 31 December 2012 for €9,416k.

The Group applies hedge accounting and recognises through shareholders' equity the changes in fair value of the hedging instruments net of income tax, which over the year generated a change in shareholders' equity of €329k.

A second cover through paying swap at a fixed rate of 1.24% (excluding bank margin) was set up as at 30 March 2012 for a period of 54 months and an amount of €7.5m. This cover is estimated at fair value in the balance sheet at 31 December 2012 for €7,325k.

The Group applies hedge accounting and recognises through shareholders' equity the changes in fair value of the hedging instruments net of income tax, which over the year generated a change in shareholders' equity of €97k.

Agreements referred to in Article 57 of the Law of 10 August 1915 on commercial companies

We ask you to take note that the Company has not entered into, in respect of the financial year ended 31/12/2012, nor pursued for previous financial years, any agreement within the scope of Article 57 of the Law of 10 August 1915 on commercial companies.

Offices and positions held by the Company's corporate officers
Following the recommendations of the principles of corporate governance of the Luxembourg Stock Exchange, please find below the list of all offices and positions held in all French or foreign companies by the Company's corporate officers during the financial year ended 31 December 2012.

Function	Term of office	Company	Expiry date
Jacques Mottard: Executive Chairman Board member Delegate to daily management			
Executive Chairman, Director Delegate to daily management	4 years	Sword Group SE	31/12/15 (*)
Executive Chairman board member	6 years	Sword SA	31/12/14 (*)
Chairman	Unlimited	Sword Creation Informatique South Africa	Unlimited duration
Chairman	6 years	Sword Technologies SA	31/12/14 (*)
Chairman and Board Member	6 years max	FI System Belgium	31/12/14 (*)
Chairman and Board Member	6 years	Tipik	31/12/15 (*)
Director	Unlimited	Sword Global India	Unlimited duration
Chairman	Unlimited	Sword Services SA	Unlimited duration
Chairman	Unlimited	Sword Lebanon	Unlimited duration
Board member	5 years	Sword IT Solutions	28/07/16 (*)
Chairman and Director	Unlimited	Sword Soft Ltd	Unlimited duration
Chairman and Board Member	6 years	Sword Integra	31/12/13 (*)
Chairman and Board Member	Unlimited	Sword Apak Inc	Unlimited duration
Chairman and Director	Unlimited	Apak Group Ltd	Unlimited duration
Board member	unlimited	Sword Technology Solutions Ltd	Unlimited
Manager	Unlimited	Sword Sol	Unlimited duration
Chairman and Board Member	1 year	Sword IF SA	31/12/13 (*)
Manager	Unlimited	Sword Participations SARL	Unlimited duration
Chairman	Unlimited	Sword Solutions Inc	Unlimited duration
Director	Unlimited	Sword Achiever Ltd	Unlimited duration
Partner	Unlimited	Sword Middle East	Unlimited duration
Director	Unlimited	Sword General Partners	Unlimited duration

(*) General Meeting ruling on the financial statements for the period

Terms of office exercised outside the Group			
Function	Term of office	Company	Expiry date
Manager	Unlimited	SCI FI	Unlimited duration
Manager	Unlimited	Le Sémaphore	Unlimited duration
Manager	Unlimited	Chinard Investissement	Unlimited duration
Manager	Unlimited	Maya	Unlimited duration
Manager	Unlimited	Financière Sémaphore Sarl	Unlimited duration
Board member	1 year	Ardéva SA	31/12/15 (*)
Chairman of the Board and board member	1 year	Orny Holding SA	31/12/12 (*)
Manager	Unlimited	Ruitor	Unlimited duration

(*) General Meeting ruling on the financial statements for the period

Function	Term of office	Company	Expiry date
Françoise Fillot: Board member Managing director, responsible for daily management activities			
Board member Delegate to daily management	4 years	Sword Group SE	31/12/15 (*)
Board member	6 years	Sword SA	31/12/14 (*)
Executive Vice President	For the Chairman's term of office	Sword SA	31/12/13 (*) Resigned as of 28 February 2013
Board member	6 years	Sword Technologies SA	31/12/14 (*)
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 India	Unlimited duration
Board member	6 years	Sword Integra	31/12/13 (*)
Board member	Unlimited	Sword Technology Solutions Ltd	Unlimited
Board member	1 year	Sword IF SA	31/12/13 (*)
Manager	Unlimited	Sword SOL	Unlimited duration
Board member	Unlimited	Apak Group Ltd	Unlimited duration
Board member	Unlimited	Sword Soft Ltd	Unlimited duration
Board member	Unlimited	Sword Apak Inc	Unlimited duration
Board member	Unlimited	Sword Solutions Inc	Unlimited duration
Manager	Unlimited	Sword Participations SARL	Unlimited duration
Director	Unlimited	Sword Achiever Ltd	Unlimited duration
Director	Unlimited	Sword General Partners	Unlimited duration

(*) General Meeting ruling on the financial statements for the period

Nicolas Mottard: Board member			
Function	Term of office	Company	Expiry date
Board member	4 years	Sword Group SE	31/12/15 (*)
Board member	4 years (**)	Sword SA	31/12/14 (*) Resigned as of 12 March 2013

(*) General Meeting ruling on the financial statements for the period

François-Régis Ory: Board member Chairman, Audit Committee			
Function	Term of office	Company	Expiry date
Chairman, Audit Committee	4 years	Sword Group	31/12/15
Board member	4 years	Sword Group	31/12/14
Terms of office exercised outside the Group			
Chairman	Unlimited	L'Améliane SAS	Unlimited duration
Chairman	Unlimited	Florentiane SAS	Unlimited duration
Chairman	Unlimited	Lypolyane SAS	Unlimited duration
Board member	6 years	Medicrea International SA	31/12/14
Board member	6 years	Olympique Lyonnais Groupe SA	30/06/18
Chairman	Unlimited	ABM Medical SAS	Unlimited duration
Chairman	Unlimited	ABM Ile de France SAS	Unlimited duration
Chairman	Unlimited	ABM Nord SAS	Unlimited duration
Manager	Unlimited	ABM Rhône Alpes SARL	Unlimited duration
Manager	Unlimited	ABM Sud SARL	Unlimited duration
Manager	Unlimited	SCI de Chanas	Unlimited duration
Manager	Unlimited	SCI L'Amaury	Unlimited duration
Manager	Unlimited	SCI L'Amelaïs	Unlimited duration
Manager	Unlimited	SCI Florine	Unlimited duration

(*) General Meeting ruling on the financial statements for the period

François Barbier: Board member Member of the Audit Committee			
Function	Term of office	Company	Expiry date
Board member	4 years	Sword Group	31/12/15
Member of the Audit Committee	4 years	Sword Group	31/12/15
Terms of office exercised outside the Group			
Member of the Management Board	5 years	21 CENTRALE PARTNERS	17/03/14
"Amministratore"	3 years	RSVP Srl (Italian company)	31/12/13
RP of 21 CENTRALE PARTNERS on the Board of Directors	6 years	MECCANO SA	31/03/14
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	1 year	ADVANCED COFFEE INVESTMENT (Swiss company)	31/12/2012
Chairman of the Supervisory Board	Undetermined	DALTYS II SAS	Undetermined duration
Chairman of the Supervisory Board	6 years	FINANCIERE DU GUESCLIN SAS	31/10/2016
Chairman of the Supervisory Board	6 years	FINANCIERE SAINT CORNELY SAS	31/12/2016
Chairman of the Supervisory Board	4 years	FINANCIERE DU GRAND PAVOIS SAS	31/12/2015

(*) General Meeting ruling on the financial statements for the period

Remuneration of corporate officers

The presentation of executive compensation below is consistent with the recommendation (No. 8) of the principles of corporate governance of the Luxembourg Stock Exchange and the AMF recommendation of 22 December 2008 relating to information on the remuneration of corporate officers.

Table°1: summary table of compensation and options and shares allocated to each corporate officer

Jacques Mottard	**31/12/2012**	**31/12/2011**
Compensation due for the period *(detailed in Table Nr.2)*	€ 51,000 (1)	€49,000 (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	€ 51,000	€ 49,000

(1) The remuneration of Mr. Jacques Mottard is charged to the Company by Financière Semaphore, in accordance with a services contract. This charge back stood at:

- For the period ended 31 December 2011 at €700,000 excl. tax.
- For the period ended 31 December 2012 at €791,810 excl. tax.

The Board of Directors at its meeting of 18 April 2011, decided to give Mr Jacques Mottard, for his chairmanship, a gross monthly amount of €500. This compensation amounted to a total of €6,000 in respect of the year ended 31 December 2012.

Françoise Fillot	**31/12/2012**	**31/12/2011**
Compensation due for the period *(detailed in Table Nr.2)*	€ 135,555	€ 118,175
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)*	€0	€0
TOTAL	€ 135,555	€ 118,175

Nicolas Mottard	**31/12/2012**	**31/12/2011**
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	**31/12/2012**	**31/12/2011**
Compensation due for the period *(detailed in Table Nr.2)*	€ 55,000	€ 55,000
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	€ 55,000	€ 55,000

François-Régis Ory	31/12/2012	31/12/2011
Compensation due for the period *(detailed in Table Nr.2)*	€ 5,000	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	€ 5,000	N/A

Table°2: summary table of compensation of each corporate officer manager

Jacques Mottard	Amount at 31/12/2012		Amount at 31/12/2011	
	Due	Paid	Due	Paid
Fixed compensation	€ 6,000	€ 6,000	€4,000	€ 4,000
Variable compensation	€0	€0	€0	€0
Exceptional compensation	€0	€0	€0	€0
Directors' fees	€45,000	€45,000	€ 45,000	€ 45,000
Benefits in kind	None	None	None	None
TOTAL	€ 51,000	€ 51,000	€ 49,000	€ 49,000

Françoise Fillot	Amount at 31/12/2012		Amount at 31/12/2011	
	Due	Paid	Due	Paid
Fixed compensation	€ 72,355	€ 72,355	€73,175	€ 73,175
Variable compensation	€0	€0	€0	€0
Exceptional compensation	€ 18,200	€ 18,200	€0	€ 0
Directors' fees	€ 45,000	€45,000	€ 45,000	€ 45,000
Benefits in kind	None	None	None	None
TOTAL	€ 135,555	€ 135,555	€118,175	€ 118,175

Nicolas Mottard	Amount at 31/12/2012		Amount at 31/12/2011	
	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

François Barbier	Amount at 31/12/2012		Amount at 31/12/2011	
	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	€55,000	€55,000	€55,000	€55,000
Benefits in kind	N/A	N/A	N/A	N/A
TOTAL	€55,000	€55,000	€ 55,000	€55,000

François-Régis Ory	Amount at 31/12/2012		Amount at 31/12/2011	
	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	€5,000	€5,000	N/A	N/A
Benefits in kind	N/A	N/A	N/A	N/A
TOTAL	N/A	N/A	N/A	N/A

Table°3: Table of directors' fees and other remunerations paid to the corporate officers

Members of the Board of Directors	Directors' fees paid at 31/12/2012	Directors' fees paid at 31/12/2011
Jacques Mottard	€ 45,000	€45,000
Nicolas Mottard	€10,000	€10,000
Françoise Fillot	€45,000	€45,000
François Barbier	€55,000	€55,000
François Régis Ory	€5,000	N/A
TOTAL	€160,000	€155,000

Table°4: Share subscription or purchase options granted during the period to each corporate officer manager by the Company or by any Group company

For the period ended 31 December 2012, no share subscription option has been awarded to corporate officer managers.

Table°5: Share subscription or purchase options exercised during the period by each corporate officer manager

For the period ended 31 December 2012, no share subscription option has been exercised.

Table°6: performance shares allocated to each corporate officer manager

Not applicable

Table°7: performance shares that became available during the period for each corporate officer manager

Not applicable.

Table°8: History of allocations of share subscription or purchase options

Information about share subscription or purchase options			
		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 cancelled or lapsed options		100,000	50,000
Share subscription or purchase options remaining at the end of the period		0	40,000(1)

(1) 0 At 31/01/2013

Information about share subscription or purchase options					
		Plan Nr.1	Plan Nr.2	Plan Nr.3	Plan Nr.4
General Meeting		**17th May 2011**			
Date of the Board Meeting		6 October 2011			
Total number of options allocated		188,000			
Number of options that can be subscribed		63,000	87,000	30,000	8,000
Beneficiaries	Clara Van Heck	9,000			
	Deborah Young	9,000			
	Pradeep Banerji	15,000			
	Phil Norgate	12,000			
	Terry Coyne	9,000			
	Nick Ginn	9,000			
	Philippe Le Calvé		12,000		
	Jean-Louis Vila		9,000		
	Olivier Leblanc		9,000		
	Philippe Blanchard		12,000		
	Fabrice Liénart		9,000		
	Alain Broustail		9,000		
	Laurent Fromont		9,000		
	Maxime Grinfeld		9,000		
	Pierre Gachon		9,000		
	Philippe Demay			9,000	
	Jörg Schorr			9,000	
	Anys Boukli			12,000	
	Lalitha Balakrishan				5,000
	Kamal Kumar Rajanbabu				1,500
	Rex Mohan Kumar				1,500
Option exercise start date		6/10/14	6/10/15	6/10/14	6/10/14
Expiry date		6/10/15	6/10/16	6/10/15	6/10/15
Subscription price		12,115			
Number of cancelled or lapsed options		21,000	12,000	9,000	0
Number of options exercised at 31/12/12		0	0	0	0
Share subscription or purchase options remaining at 31/12/2012		42,000	75,000	21,000	8,000

Information about share subscription or purchase options		
Date of the General Meeting		17th May 2011
Date of the Board Meeting		16 December 2011
Total number of options allocated		9,000
Number of options that can be subscribed		9,000
Beneficiary	Guy de San	9,000
Option exercise start date		01/01/15
Expiry date		31/12/21
Subscription price		12.40
Number of cancelled or lapsed options		0
Number of options exercised at 31/12/_		0
Share subscription or purchase options remaining at 31/12/12		9,000

Table°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.

Table°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		X		X		X

Directors' fees
We propose that directors' fees paid to members of the Board be set at €160,000.

Reappointment of the independent auditor
The mandate of Mazars Luxembourg S.A., an independent auditor, is due to expire at this meeting. Therefore, we invite you to renew its mandate for a further period of one year or for a term expiring after the meeting called to approve the accounts for the year ended 31 December 2013.

Delegation of authority and powers to be granted to the Board of Directors in order for the company to repurchase its own shares
As part of the authorisation referred to above for the Company to purchase its own shares, we offer:

- to authorise the Board of Directors to cancel in one or more times, all or part of the shares of the Company that it holds under the authorisation to purchase shares of the Company granted to the Board of Directors and previous authorisations, within the limit of 10% of capital per 24-month period (provided that this limit will be assessed on the date of the decision of the Board) and to reduce the share capital accordingly;

- to authorise the Board of Directors to allocate the difference between the repurchase price of the cancelled shares and their nominal value to the available premiums and reserves;

- to give it all powers to set the conditions and forms, to carry out and record the reduction(s) in capital following cancellation operations authorised by this resolution, handle any oppositions, make the corresponding accounting entries, make the corresponding change to the company articles, and generally to complete all the necessary formalities.

This authorisation would be valid for a maximum period of five (5) years. It would cancel and supersede the authorisation previously granted by the eighth resolution of the Company's General Meeting of 26 March 2012.

Your Board invites you, after reading the various reports that are presented, to adopt the resolutions submitted for your approval.

Jacques Mottard
Executive Chairman, Sword Group

11 INDEPENDENT AUDITOR'S REPORT ON THE ANNUAL ACCOUNTS AS AT 31 DECEMBER 2012

Following our appointment by the General Meeting of Sword Group S.E. dated March 26, 2012, we have audited the accompanying annual accounts of Sword Group S.E., which comprise the balance sheet as at December 31, 2012, and the profit and loss account for the year then ended, and a summary of significant accounting policies and other explanatory information.

Responsibility of the Board of directors' for the annual accounts
The Board of Directors is responsible for the preparation and fair presentation of these annual accounts in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts; and for such internal control as the Board of Directors determines is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

Responsibility of the réviseur d'entreprises agréé
Our responsibility is to express an opinion on these annual accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the Commission de Surveillance du Secteur Financier. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the réviseur d'entreprises agréé's judgement, including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error.

In making those risk assessments, the réviseur d'entreprises agréé considers internal control relevant to the entity's preparation and fair presentation of the annual accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the annual accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the annual accounts give a true and fair view of the financial position of Sword Group S.E. as of December 31, 2012, and of the results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts.

Report on other legal and regulatory requirements

The management report, which is the responsibility of the Board of Directors, is consistent with the annual accounts.

Luxembourg, 27 March 2013

For MAZARS LUXEMBOURG S.A., Cabinet de révision agréé
10A, rue Henri M. Schnadt
L-2530 Luxembourg

Laurent DECAEN
Réviseur d'entreprises agréé

12 ANNUAL ACCOUNTS AS AT 31 DECEMBER 2012

PROFIL AND LOSS ACCOUNT AS AT 31 DECEMBER 2012

A. CHARGES

	Code	Financial year	Code	Previous financial year
1. Raw materials and consumables	601	7.046,92	602	301,57
2. Other external charges	603	2.323.065,05	604	3.308.695,01
3. Staff costs	605	101.781,99	606	137.402,55
a) Wages and salaries	607	79.316,13	608	80.165,92
b) Social security costs	609	22.465,86	610	57.236,63
c) Social security costs relating to pensions	611		612	
d) Other social security costs	613		614	
4. Value adjustments	615	4.807,30	616	8.175,33
a) on formation expenses and on tangible and intangible fixed assets	617	4.807,30	618	8.175,33
b) on elements of current assets	619		620	
5. Other operating charges	621	174.755,45	622	228.734,84
6. Value adjustments and fair value adjustments on financial fixed assets	623	3.094.356,00	624	525.535,00
7. Value adjustments and fair value adjustments on financial current assets. Loss on disposal of transferable securities	625	1.075,84	626	3.975,99
8. Interest payable and similar charges	627	17.357.565,84	628	13.830.972,41
a) concerning affiliated undertakings	629	6.719.987,47	630	10.036.236,10
b) other interest payable and similar charges	631	10.637.578,37	632	3.794.736,31
9. Extraordinary charges	633	1.729.631,16	634	284.446.333,71
10. Tax on profit or loss	635		636	5.605,00
11. Other taxes not included in the previous caption	637	23.486,51	638	6.102,78
12. Profit for the financial year	639	0,00	640	0,00
TOTAL CHARGES	641	24.817.572,06	642	302.501.834,19

B. INCOME

		Financial year		Previous financial year
1. Net turnover	701	2.044.218,00	702	1.852.656,00
2. Change in inventories of finished goods and of work and contracts in progress	703		704	
3. Fixed assets under development	705		706	
4. Reversal of value adjustments	707		708	
a) on formation expenses and on tangible and intangible fixed assets	709		710	
b) on elements of current assets	711		712	
5. Other operating income	713	243.957,88	714	4.664.591,24
6. Income from financial fixed assets	715	296.050,88	716	6.839.179,60
a) derived from affiliated undertakings	717		718	
b) other income from participating interests	719	296.050,88	720	6.839.179,60
7. Income from financial current assets	721	151.860,73	722	5.228,94
a) derived from affiliated undertakings	723		724	
b) other income	725	151.860,73	726	5.228,94
8. Other interests and other financial income	727	10.130.322,12	728	14.258.179,47
a) derived from affiliated undertakings	729	3.245.197,63	730	9.775.722,41
b) other interest receivable and similar income	731	6.885.124,49	732	4.482.457,06
9. Extraordinary income	733		734	270.138.383,13
10. Loss for the financial year	735	11.951.162,45	736	4.743.615,81
TOTAL INCOME	737	24.817.572,06	738	302.501.834,19

BALANCE SHEET AT 31 DECEMBER 2012

ASSETS

		Financial year		Previous financial year
A. Subscribed capital unpaid	101		102	
I. Subscribed capital not called	103		104	
II. Subscribed capital called but not paid	105		106	
B. Formation expenses	107		108	
C. Fixed assets	109	194.875.808,47	110	197.437.369,31
I. Intangible assets	111		112	11.833,33
1. Costs of research and development	113		114	
2. Concessions, patents, licences, trade marks and similar rights and assets, if they were	115		116	11.833,33
a) acquired for valuable consideration and need not be shown under C.I.3	117		118	11.833,33
b) created by the undertaking itself	119		120	
3. Goodwill, to the extent that it was acquired for valuable consideration	121		122	
4. Payments on account and intangible fixed assets under development	123		124	
II. Tangible assets	125	35.773,52	126	
1. Land and buildings	127		128	
2. Plant and machinery	129		130	
3. Other fixtures and fittings, tools and equipment	131	35.773,52	132	
4. Payments on account and tangible assets in course of construction	133		134	
III. Financial assets	135	194.840.034,95	136	197.425.535,98
1. Shares in affiliated undertakings	137	191.641.500,00	138	191.641.500,00
2. Loans to affiliated undertakings	139		140	
3. Shares in undertakings with which the company is linked by virtue of participating interests	141		142	
4. Loans to undertakings with which the company is linked by virtue of participating interests	143		144	
5. Investments held as fixed assets	145	1.933.282,31	146	4.866.701,84
6. Loans and claims held as fixed assets	147	20.467,15	148	172.490,85
7. Own shares or own corporate units	149	1.244.785,49	150	744.843,29

		Financial year		Previous financial year
D. Current assets	151	128.353.165,69	152	101.857.620,42
I. Stocks	153		154	
1. Raw materials and consumables	155		156	
2. Work and contracts in progress	157		158	
3. Finished goods and goods for resale	159		160	
4. Payments on account	161		162	
II. Debtors	163	26.127.685,75	164	28.155.162,23
1. Trade debtors	165	21.015,00	166	33.592,15
a) becoming due and payable after less than one year	167	21.015,00	168	33.592,15
b) becoming due and payable after more than one year	169		170	
2. Amounts owed by affiliated undertakings	171	25.907.769,33	172	27.625.567,67
a) becoming due and payable after less than one year	173	25.907.769,33	174	27.625.567,67
b) becoming due and payable after more than one year	175		176	
3. Amounts owed by undertakings with which the company is linked by virtue of participating interests	177		178	
a) becoming due and payable after less than one year	179		180	
b) becoming due and payable after more than one year	181		182	
4. Other debtors	183	198.901,42	184	496.002,41
a) becoming due and payable after less than one year	185	198.901,42	186	496.002,41
b) becoming due and payable after more than one year	187		188	
III. Investments	189	3.397.343,27	190	178.002,60
1. Shares in affiliated undertakings and in undertakings with which the company is linked by virtue of participating interests	191		192	
2. Own shares or own corporate units	193	339.846,66	194	178.002,60
3. Other investments	195	3.057.496,61	196	
IV. Cash at bank and in hand	197	98.828.136,67	198	73.524.455,59
E. Prepayments	199	84.190,13	200	41.498,38
TOTAL (ASSETS)	201	323.313.164,29	202	299.336.488,11

LIABILITIES

	Code	Financial year	Code	Previous financial year
A. Capital and reserves	301	85.418.693,63	302	110.034.436,54
I. Subscribed capital	303	9.289.965,00	304	9.289.965,00
II. Share premium and similar premiums	305	91.727.314,98	306	100.909.097,64
III. Revaluation reserves	307		308	
IV. Reserves	309	928.996,50	310	928.996,50
1. Legal reserve	311	928.996,50	312	928.996,50
2. Reserve for own shares	313		314	
3. Reserves provided for by the articles of association	315		316	
4. Other reserves	317		318	
V. Profit or loss brought forward	319	1.733.805,16	320	19.442.933,21
VI. Result for the financial year	321	-11.951.162,45	322	-4.743.615,81
VII. Interim dividends	323	-6.310.225,56	324	-15.792.940,00
VIII. Investment subsidies	325		326	
IX. Immunised appreciation	327		328	
B. Subordinated creditors	329		330	
C. Provisions	331	80.000,00	332	
1. Provisions for pensions and similar obligations	333		334	
2. Provisions for taxation	335		336	
3. Other provisions	337	80.000,00	338	
D. Non subordinated debts	339	237.814.470,66	340	189.302.051,57
1. Debenture loans	341		342	
a) Convertible loans	343		344	
i) becoming due and payable after less than one year	345		346	
ii) becoming due and payable after more than one year	347		348	
b) Non convertible loans	349		350	
i) becoming due and payable after less than one year	351		352	
ii) becoming due and payable after more than one year	353		354	
2. Amounts owed to credit institutions	355	78.161.999,80	356	100.556.196,25
a) becoming due and payable after less than one year	357	9.161.999,80	358	56.196,25
b) becoming due and payable after more than one year	359	69.000.000,00	360	100.500.000,00
3. Payments received on account of orders in so far as they are not shown separately as deductions from stocks	361		362	
a) becoming due and payable after less than one year	363		364	
b) becoming due and payable after more than one year	365		366	
4. Trade creditors	367	595.205,12	368	1.196.012,45
a) becoming due and payable after less than one year	369	595.205,12	370	1.196.012,45
b) becoming due and payable after more than one year	371		372	

		Financial year		Previous financial year
5. Bills of exchange payable	373		374	
a) becoming due and payable after less than one year	375		376	
b) becoming due and payable after more than one year	377		378	
6. Amounts owed to affiliated undertakings	379	159.030.898,74	380	87.461.551,64
a) becoming due and payable after less than one year	381	159.030.898,74	382	87.461.551,64
b) becoming due and payable after more than one year	383		384	
7. Amounts owed to undertakings with which the company is linked by virtue of participating interests	385		386	
a) becoming due and payable after less than one year	387		388	
b) becoming due and payable after more than one year	389		390	
8. Tax and social security	391	26.367,00	392	88.191,23
a) Tax	393	23.172,02	394	49.528,23
b) Social security	395	3.194,98	396	38.663,00
9. Other creditors	397		398	100,00
a) becoming due and payable after less than one year	399		400	100,00
b) becoming due and payable after more than one year	401		402	
E. Deferred income	403		404	
TOTAL (LIABILITIES)	405	323.313.164,29	406	299.336.488,11

13 NOTES TO THE ANNUAL ACCOUNTS

Note 1: General

Sword Group SE, hereinafter "the Company", is a limited European company whose head office was transferred on 26 March 2012 from France, F-69771 Saint Didier au Mont d'or, Avenue Charles de Gaulle, 9 to the Grand-Duchy of Luxembourg, L-8009 Strassen, route d'Arlon, 105.

The Company's purpose includes:

- To acquire, by way of interests, contribution, subscription, underwriting or option to purchase, negotiation and otherwise, any securities, titles, rights, patents and licenses and other property rights, personal rights and interests, that the Corporation deems appropriate;
- Generally to hold, manage, develop them and sell them in whole or in part, for the price that the Company may think fit and in particular against the shares or securities of any company purchasing them;
- To enter, assist, or take part in financial, business, or other transactions;
- To grant to any holding company, subsidiary or any other company associated in one way or another to the Company or any company belonging to the same group of companies (the "Affiliate"), any assistance, loans, advances, guarantees or sureties (in the latter two cases, including to third parties lenders to the Affiliate);
- To borrow or raise money in any manner whatsoever and to guarantee the repayment of any money borrowed;
- 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.
- Generally to conduct any sort of activity that might seem incidental or facilitate the attainment of the above purposes or any of them.
- The Company may conduct all commercial, technical and financial tasks, in direct or indirect connection with the areas described above in order to facilitate the accomplishment of its purpose.

It may act directly or indirectly and carry out all these operations on its own behalf or on the behalf of third parties, either alone or 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. - Generally to hold, manage, develop them and sell them in whole or in part, for the price that the Company may think fit and in particular against the shares or securities of any company purchasing them;

- To enter, assist, or take part in financial, business, or other transactions;
- To grant to any holding company, subsidiary or any other company associated in one way or another to the Company or any company belonging to the same group of companies (the "Affiliate"), any assistance, loans, advances, guarantees or sureties (in the latter two cases, including to third parties lenders to the Affiliate);
- To borrow or raise money in any manner whatsoever and to guarantee the repayment of any money borrowed;
- 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.
- Generally to conduct any sort of activity that might seem incidental or facilitate the attainment of the above purposes or any of them.
- The Company may conduct all commercial, technical and financial tasks, in direct or indirect connection with the areas described above in order to facilitate the accomplishment of its purpose.

Note 1: General (continued)

It may act directly or indirectly and carry out all these operations on its own behalf or on the behalf of third parties, either alone or 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.

The Company was incorporated 22 June 2001 for an indefinite duration and its head office is established in Strassen.

The Company prepares consolidated financial statements in accordance with the law of 19 December 2002 on the accounting and annual accounts of companies in Luxembourg (hereinafter "the amended Act of 19 December 2002") law. The Company is listed on NYSE EURONEXT in Paris under ISIN number: FR0004180578.

The consolidated statements are available on the Company's website, at the following address: http://www.sword-group.com/French/Investisseurs/informations-reg.

Note 2: Accounting methods
The Company holds its books in euro. The annual accounts have been prepared under the historical cost method in accordance with the accounting principles generally accepted in the Grand Duchy of Luxembourg. The fiscal year coincides with the calendar year.
The accounting rules and valuation policies are, in addition to those imposed by the amended Act of 19 December 2002, as defined by the Board of Directors. The preparation of annual accounts involves use of certain accounting estimates by the Board of Directors to exercise its judgment in the application of accounting principles. Changes in estimates could have a significant impact on the annual accounts. The Board of Directors believes that the assumptions associated with these estimates are adequate and that the annual accounts fairly present the financial position and results of the Company.

Note 3: Valuation rules

3.1. Intangible fixed assets
Intangible assets are recorded to the balance sheet assets at historical cost, including incidental expenses, less depreciation calculated based on the estimated useful lives of assets and value adjustments. Value adjustments are not continued if the reasons which justified them have ceased to exist. This item is depreciated at a straight-line rate of 33% and is represented by a software license.

3.2. Tangible fixed assets
Tangible assets are recorded to the balance sheet assets at historical cost, including incidental expenses, less depreciation calculated based on the estimated useful lives of property and value adjustments. Value adjustments are not continued if the reasons which justified them have ceased to exist. This item is depreciated at a straight-line rate of 20% and is represented by computer hardware.

3.3. Financial fixed assets
Financial assets are valued at acquisition cost, including incidental expenses or nominal value (loans and receivables). In case of a depreciation which, in the opinion of the Board, is of a permanent nature, financial assets are subject to impairment testing. Value adjustments are not continued if the reasons which justified them have ceased to exist.

Note 3: Valuation rules (continued)

3.4. Receivables
Receivables are recorded at their nominal values. They are subject to value adjustments when their recovery is compromised. Value adjustments are not continued if the reasons which justified them have ceased to exist.

3.5. Marketable securities
Marketable securities represented by shares in money market funds are valued at their fair value which is the latest price available at the closing date. The unrealised gains and losses are recognised in the profit and loss account.
The securities represented by treasury shares in the Company are stated at their acquisition cost, including incidental expenses, and determined according to the FIFO method. An impairment is recorded when the purchase price is less than the market price. According to the provisions of Article 49-5 b) of the Law of 10 August 1915 on commercial companies, as amended, an unavailable reserve liabilities in the amount of own shares included in the balance sheet, will be established on the liabilities side.

3.6. Prepayments
This item includes expenses recognised during the period but that are attributable to a subsequent year.

3.7. Provisions
At the end of each fiscal year, provisions are made to cover losses or debts that are clearly defined in nature but are, on the date of the balance sheet, either probable or certain, but uncertain as to amount or the date of payment, for all foreseeable risks and costs. Provisions relating to prior periods are reviewed regularly and included in income if they are no longer required.

3.8. Liabilities
Liabilities are recorded at their redemption value. Liabilities are recorded as contingent liabilities when their status is subject to unsecured debts.

3.9. Conversion of foreign currency accounts

All transactions denominated in a currency other than the euro are recorded at the exchange rate prevailing at the transaction date.

At the balance sheet closing date:

- All items in the balance sheet denominated in a currency other than the euro, with the exception of bank deposits, securities and short-term receivables, are individually valued at the lower of the value, the historic exchange rate, or the value determined on the basis of exchange rates prevailing at the balance sheet closing date.
- All liabilities denominated in a currency other than the euro, with the exception of short-term debt, are valued individually at the higher of the value, the historic exchange rate, or the value determined on the basis of exchange rates prevailing at the balance sheet closing date.
- Bank deposits, securities, receivables and short-term debt, by their liquid nature, denominated in a currency other than the euro, are valued at the exchange rate prevailing at the balance sheet closing date.

Revenues and expenses in currencies other than the euro are translated into euros at the exchange rate prevailing at the transaction dates. Thus, only realised foreign exchange gains and losses and unrealised foreign exchange losses, are recognised in the income statement.

Note 3: Valuation rules (continued)

3.10. Turnover

Turnover includes amounts resulting from services rendered by the Company to related companies, net of any sales rebates and of value added tax and other taxes related to sales.

3.11. Comparability of financial years

The annual accounts for the previous year have been prepared in accordance with French standards applicable to listed companies. In accordance with Article 29 (4) of the Law of 19 December 2002 as amended, the balance sheet and the income statement of the previous year have been presented for purposes of comparability in accordance with the standard chart of accounts prevailing in Luxembourg.

Note 4: Financial fixed assets

For the year ended 31 December 2012, financial assets developed as follows:

	Shares in affiliated undertakings	Investments held as fixed assets	Loanloans and claims held as fixed assets	Own shares or own corporate units	TOTAL
Purchase price at opening	191,641,500.00	6,613,282.41	172,490.85	744,843.29	199,172,116.55
Newly consolidated companies	-	125,505.27	-	499,942.20	625,447.47
Deconsolidations	-	(135,113.40)	(152,023.70)	-	(287,137.10)
Purchase price at year end	191,641,500.00	6,603,674.28	20,467.15	1.244.785.49	199,510,426.92
Impairments at opening	-	(1,746,580.57)	-	-	(1,746,580.57)
Value adjustement	-	(3,000,000.00)	-	-	(3,000,000)
Reversal for the financial year	-	76,188.60	-	-	76,188.60
Value adjustement at year end	-	(4,670,391.97)	-	-	(4,670,391.97)
Net value at year end	**191,641,500.00**	**1,933,282.31**	**20,467.15**	**1.244.785.49**	**194,840,034.95**

The financial assets are represented by:

- shares in affiliated undertakings namely in Sword Participations S.à rl, a Luxembourg company for an amount of €191,641,500.00 representing 100% of the capital and whose value of shareholders' equity amounted to €191,631,233.46 at 31 December 2012;
- securities having the characteristics of capital for a total amount of €1,933,282.31;
- guarantees paid for a total of €20,467.15;
- and own shares for a total of €1,244,785.49.

At 31 December 2012, the Board of directors decided to record a value adjustement of €3,000,000 on securities held as fixed assets, namely the company Guangzhou Wo If Ruanjian Keji Ko Limited, established in China and owned up to 19% for a purchase price of €3,000,000.

Note 5: Shareholders' equity

5.1. Subscribed capital

At 31 December 2012, the share capital amounts to €9,289,965.00 represented by 9,289,965 shares with a nominal value of €1.00 each, fully paid up. The share capital is accompanied by a premium of €91,727,314.98.
As at 31 December 2012, the authorised share capital amounts to €100 million, as part of new shares to be issued under securities representing claims giving access to capital.

5.2. Legal reserve

Each year, a fixed percentage of 5% of the net profit, after absorption of deferred losses, if applicable, should be allocated to the legal reserve. The deduction ceases to be compulsory when the reserve reaches 10% of the share capital. The reserve cannot be distributed.

5.3. Variations in equity accounts.

For the period ending 31 December 2012, the variations are as follows:

	01.01.2012	Earnings appropriation	Profit for the period	Dividends paid	Reimbursed dividends	Interim dividends	31.12.2012
Suscribed capital	9,289,965.00						9,289,965.00
Share premium and similar premiums	100,909,097.64	-2,827,427.76		-6,360,400.68	6,045.78		91,727,314.98
Legal reserve	928,996.50						928,996.50
Profit or loss brought forward	19,442,933.21	-1,916,188.05		-12,965,512.24			1,733,805.16
Result for the financial year	-4,743,615.81	4,743,615.81	-11,951,162.45				-11,951,162.45
Interim dividends	-15,792,940.00			15,792,940.00		-6,310,225.56	-6,310,225.56
TOTAL	110,034,436.54	-	-11,951,162.45	-22,147,294.90	6,045.78	-6,310,225.56	85,418,693.63

As at 26 March 2012, the Annual General Meeting decided to distribute a dividend for the year 2011 for a total amount of €22,147,294.90, of which €15,792,940 had already been paid as an interim dividend during the year ended 31 December 2011.

During the year ended 31 December 2012, the Company distributed an interim dividend for a total amount of €6,310,225.56.

At 31 December 2012, the company held 139,359 treasury shares (77,887 in 2011) recorded for a total of €1,584,632.15, broken down into €1,244,785.45 under "Investments" and €339,846.66 under "Securities."

Note 5: Shareholders' equity (continued)

5.4 Own shares

At 31 December 2012, the Company had 27,166 treasury shares at a net book value of €339,846.66 under the heading "Securities" in Current Assets and 112,193 treasury shares at a net book value of €1,244. 785.49 under the heading Financial Assets.

According to the provisions of Article 49-5 b) of the Law of 10 August 1915 on commercial companies, as amended, an unavailable reserve liabilities in the amount of own shares included in the balance sheet, will be established on the liabilities side €1.584.632.15.

Own shares listed as Securities were acquired to support the market price of the Sword Group share; Own shares listed as Financial Assets are acquired under the management staff incentive programme.

5.5 Options to subscribe for shares in the Company

As at 30 January 2009, the Extraordinary General Meeting of the Company permitted the Board of Directors to grant options entitling their holders to subscribe Company 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 trading days preceding the decision to assign the options and stood at €10.60. The option allocation plan was closed 30 January 2009.
  During the year ended 31 December 2012, no options were exercised. There remain exercisable 40,000 options with maturity dates of no later than 31 January 2013.
  As at 17 January 2011, the Extraordinary General Meeting of the Company permitted the Board of Directors to grant options entitling their holders to subscribe Company shares. This authorisation has been granted for 38 months.
- As at 6 October 2011, the Board of Directors used the permission that was given and granted 188,000 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 €12.115. The option allocation plan was closed on 6 October 2011.
  During the year ended 31 December 2012, no options were exercised. 42,000 options can no longer be exercised. There remain 146,000 exercisable options with maturity dates of no later than 6 October 2016.
- As at 16 December 2011, the Board of Directors used the permission that was given and granted 9,000 share subscription options to the benefit of one employee.
  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 €12.40. The option allocation plan was closed on 16 December 2011.
  During the year ended 31 December 2012, no options were exercised. 42,000 options can no longer be exercised. There remain 9,000 exercisable options with maturity dates of no later than 31 December 2021.

Note 6: Bank debt

No bank debt has a maturity of over five years. No debt is covered by collateral. As at 31 December 2012, bank debt broke down as follows:

	Amount used	Authorised amount
Bank debt due within more than one year	69,000,000.00	120,955,357.14
Bank debt due within one year	9,070,977.80	1.100.000.00
Interest and commissions payable	91,022.00	-
	78,161,999.80	

Classification of amounts owed to credit institutions due within more than one year
Bank debts due within more than one year are composed of variable rate pool credits that are subject to drawdowns by the Company in the form of promissory notes whose duration can vary from 1 to 6 months. For the classification as non-current debt (> 1 year) of outstanding promissory notes at year 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 2012 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.

Swap contracts
The main loans have been suscribed at an interest rate of "Euribor 3 months + 1%".

As at December 31, 2012, there were two fixed-rate paying SWAP covers:
- Paying SWAP at a fixed rate of 2.565% was set up on 2 April 2012 for a period of 36 months and an amount of €10 million.
- Paying SWAP at a fixed rate of 1.24% was set up on 30 March 2012 for a period of 54 months and an amount of €7.5 million.

Bank covenants
The Company 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 financial debt/consolidated shareholders' equity less than 1.

Should the Company fail to comply with the above covenants, lending banks will be able to accelerate the reimbursement of the outstanding loan, amounting €77 million as at 31 December 2012. At 31 December 2012, The Company complied with such covenants.

Note 7: Related-parties transactions

7.1 Within related companies
As at 31 December 2012, balance sheet items concerning related companies were as follows:

	Amounts owed by affiliated undertakings becoming due and payable after less than one year	Amounts owed to affiliated undertakings becoming due and payable after less than one year
Sword Lebanon	1,742.59	-
Apak Beam Ltd	5,874.61	-
Sword Achiever Ltd	10,864.81	-
Buildonline USA	1,018,052.50	-
Sword SA	3,491,577.27	-
Sword Technologies SA	6,353,622.17	-
Tipik SA	7,067,836.55	-
Fi System SA	7,958,198.83	-
CT India	-	39,227.32
SWORD Création Informatique Ltd	-	235,310.84
Sword IF	-	392,834.77
Apak Inc	-	662,083.50
Sword Technologies Solutions Ltd	-	947,969.06
Sword Integra SA	-	989,885.82
Sword Solution Inc.	-	1,193,342.81
Apak Group Ltd	-	1,566,357.49
Sword Services SA	-	2,264,292.33
Sword Soft Ltd	-	150,739,594.80
	25,907,769.33	159,030,898.74

Main balance sheet items listed above are generated primarily by the activity of "cash pooling". Main current accounts between group companies are paid at rates ranging between 1.185% and 3.49%, corresponding to market conditions applicable to each subsidiary.

For the year ended December 31, 2012, the main types of changes and expenses concerning related companies were as follows:

	Charges	Income
Management services	-	2,044,218.00
Rent chargeback	-	222,000.00
Subcontracting	358,180.72	-
Interest on current account	1.884.461.65	763,545.73
Foreign exchange income	4,835,525.82	2,481,651.90
	7,078,168.19	5,511,415.63

7.2 Vis-à-vis non-consolidated companies having common management

For the year ended December 31, 2012 Financière Semaphore Sàrl, a Luxembourg company, invoiced for the following services:

- Assistance to the Senior Management of the Company for €324,999.96;
- Success fees related to sales for an amount of €400,000;
- The chargeback of miscellaneous expenses for €66,810.

Note 8: Net turnover

During the year ended December 31, 2012, turnover amounted to €2,044,218 and is represented by services addressed to all of the Group's subsidiaries.

The breakdown by geographic area is as follows:
- Europe: 94%
- North America: 3%
- Oceania: 2%
- Asia: 1%

Note 9: Staff

During the year ended December 31, 2012, the number of employees of the Company stood at an average of two people.

Note 10: Exceptional items

For the year ended December 31, 2012, the exceptional expenses mainly consisted in fees associated with the transfer of the head office and the acquisition or disposal of interests.

For the year ended December 31, 2011, extraordinary income and expenses were mainly represented by intra-group transactions.

Note 11: Taxation

The Company is subject to all taxes applicable to companies with share capital.

Note 12: Off-balance sheet commitments

At December 31, 2012, are the followingsoff-balance sheet commitments:
- The Company granted a waiver of current account with a clawback provision to its subsidiary Sword Technologies SA for an amount of €2.1 million. At 31 December 2012 the terms of the clawback provision were not satisfactory to cancel fully or partially such waiver.
- The Company gave its guarantee for a bank loan granted to its subsidiary Sword Technologies SA for an amount of €8,000,000 and the residual value of this debt amounted to €844,210.63 as at December 31, 2012.
- The Company gave its guarantee for bank loans granted to its subsidiaries for €3.2 million.
- A bank deposit of GBP15 million has been blocked to guarantee a bank loan granted to a subsidiary, namely Sword Technology Solutions Ltd, for the same amount.
- The Company gave 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
- In the context of Ciboodle selling, the Company guaranteed liabilities up to USD 4 million.

Note 13: Board of Director's remuneration
For the year ended 31 December 2012, the directors received fees amounting to €160,000 and compensation of €23,972.59 in respect of their duties.

Note 14: Audit fees
In accordance with Article 84 (1) of the Law of 18 December 2009, the information specified in Article 65 (1) §16 of the Law has been omitted. Information on the audit fees is given in Note 26 to the consolidated statements.

Note 15: Subsequent events
At the closing date of the financial statements, there are no events occurred after year-end which could have a material impact on the financial statements or the activities of the Company.

14 INDEPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2012

Following our appointment by the General Meeting of Sword Group S.E. dated March 26, 2012, we have audited the accompanying consolidated financial statements of Sword Group S.E., which comprise the consolidated statement of financial position as at December 31, 2012, the consolidated income statement and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Responsibility of the Board of Directors' for the consolidated financial statements
The Board of Directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Responsibility of the réviseur d'entreprises agréé
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the Commission de Surveillance du Secteur Financier. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the réviseur d'entreprises agréé's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the réviseur d'entreprises agréé considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of Sword Group S.E. as of 31 December 2012 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on other legal and regulatory requirements
The management report, which is the responsibility of the Board of Directors, is consistent with the consolidated financial statements.

Other matter
We have no comment to make as to the accuracy and consistency with the consolidated financial statements of the information given in sections 1 to 9 and 17 of the 2012 Financial Report.

Luxembourg, 27 March 2013

For MAZARS LUXEMBOURG S.A., Cabinet de révision agréé
10A, rue Henri M. Schnadt
L-2530 Luxembourg

Laurent DECAEN
Réviseur d'entreprises agréé

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SWORD
UPGRADE YOUR BUSINESS

15 CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2012

CONSOLIDATED INCOME STATEMENT

(In €'000)

	31/12/2012	%	31/12/2011	%
Turnover	**117,908**		**156,193**	
Purchased consumables	-4,926		-3,771	
Other purchases and external charges	-40,803		-50,480	
Taxes and duties	-1,290		-2,048	
Wages and social contributions	-55,984		-76,971	
Depreciation and provisions charges	-1,537		-2,864	
Other operating income and costs	1,376		2,967	
EBIT	**14,744**	**12.5%**	**23,025**	**14.7%**
Earnings on disposals and impairment of assets	16,168		20,853	
Other non-current operating income and costs	-3,824		-7,693	
Provisions for impairment of goodwill			-25,000	
Operating profit	**27,088**	**23.0%**	**11,185**	**7.2%**
Income from cash and cash equivalents	0		3	
Financial costs	216		-2,230	
Net financing charges	**216**		**-2,227**	
Other financial income and costs	-7,208		-2,470	
Profit before income tax	**20,096**		**6,487**	
Income tax expense	-3,810	18.96%	-5,066	78.09%
Total net consolidated profit	**16,286**		**1,421**	
Of which Group share	16,217		1,313	
Of which minority interests	69		108	
Earnings per share	1.77		0.15	
Diluted earnings per share	1.76		0.15	

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED ON DECEMBER 31, 2012

(In €'000)

	31/12/2012	31/12/2011
Total net consolidated profit	**16,286**	**1,421**
Other components of total profit/loss		
• Fixed assets revaluation reserve		
- Change in the reserve for revaluation of fixed assets	-	-
- Reclassification adjustments on the change in the assets revaluation reserve	-	-
- Tax on the change in the assets revaluation reserve	-	-
• Actuarial differences		
- Actuarial differences	-	-
- Reclassification adjustments on actuarial differences	-	-
- Tax on actuarial differences	-	-
• Translation gains and losses in the subsidiaries' financial statements in foreign currency		
- Gains and losses on foreign currency translation in the subsidiaries' financial statements	5,885	3,563
- 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	11	74
- 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 investments 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	-679	1,897
- 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	253	-782
	-	-
Total comprehensive income for the year	**21,757**	**6,174**
Of which Group share	23,036	5,498
Of which minority interests	-1,279	676

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2012 - ASSETS

(In €'000)	Annex note	31/12/2012 Net	31/12/2011 Net
NON CURRENT ASSETS			
Goodwill	**8**	62,122	90,377
Other intangible fixed assets	**9**	3,514	6,518
Tangible fixed assets	**10**	3,101	2,897
Long-term financial assets	**11.1**	820	777
Securities held for sale	**11.2**	6,217	4,899
Other long-term assets	**11.1**	839	932
Deferred tax assets		486	1,117
TOTALCURRENT ASSETS		**77,098**	**107,518**
NON-CURRENT ASSETS			
Assets held for sale	**14**	18,832	24,233
Trade and other receivables	**12**	33,675	44,432
Other current assets	**13**	11,741	13,561
Cash and cash equivalents	**15**	125,867	111,609
TOTAL CURRENT ASSETS		**190,115**	**193,834**
TOTAL ASSETS		**267,214**	**301,351**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2012 - LIABILITIES

(In €'000)	Annex note	31/12/2012	31/12/2011
CONSOLIDATED SHAREHOLDERS' EQUITY			
Share capital	**16**	9,290	9,290
Share premium	**16**	91,727	100,909
Reserves - Group's share	**16**	19,876	19,345
Group's share of net profit		**16,217**	**1,313**
GROUP'S SHARE OF EQUITY		**137,110**	**130,857**
Minority interests		357	-565
TOTAL CONSOLIDATED SHAREHOLDERS' EQUITY		**137,467**	**130,293**
NON CURRENT LIABILITIES			
Post-employment benefits	**17**	264	200
Other non-current provisions	**17**	3,654	1,839
Long-term financial liabilities	**15**	69,003	86,518
Earnout due			
Other long term liabilities		825	1,290
TOTAL NON-CURRENT LIABILITIES		**73,746**	**89,847**
CURRENT LIABILITIES			
Liabilities held for sale	**14**	18,515	23,178
Current provisions	**17**		389
Trade and other payables	**18**	8,625	12,253
Current income tax liabilities	**19**	2,265	5,034
Other current liabilities	**19**	17,426	23,712
Short-term financial liabilities	**15**	9,170	16,646
TOTAL CURRENT LIABILITIES		**56,001**	**81,212**
TOTAL LIABILITIES		**267,214**	**301,351**

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AT 31 DECEMBER 2012

	Share capital	Share premium	Consolidated reserves	Own shares	Profit for the period	Foreign currency translation reserve	Total shareholders' equity - Group's share	Total shareholders' equity - Minority interests	Total shareholders' equity
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**
- Total profit/loss for the period							0		
. Net income					1,313		1,313	108	1,421
. Translation gains and losses						2,996	2,996	567	3,563
. Financial assets held for sale			74				74		74
. Cash flow hedging instruments			1,115				1,115		1,115
- Own share transactions				-923			-923		-923
- Payment in shares							0		0
- Stock option transactions			76				76		76
- Earnings appropriation			23,229		-23,229		0		0
- Dividends paid by the parent			-22,203				-22,203		-22,203
- Change in consolidation scope and miscellaneous			-9,871				-9,871	-4,291	-14,162
Balance at close of accounts 31/12/2011	**9,290**	**100,909**	**21,816**	**219**	**1,313**	**-2,690**	**130,858**	**-565**	**130,293**
- Total profit/loss for the period							0		
. Net income					16,217		16,217	69	16,286
. Translation gains and losses						7,234	7,234	-1,349	5,885
. Financial assets held for sale			11				11		11
. Cash flow hedging instruments			-426				-426		-426
- Own share transactions				-630			-630		-630
- Payment in shares							0		0
- Stock option transactions			197				197		197
- Earnings appropriation			1,313		-1,313		0		0
- Dividends paid by the parent			-12,665				-12,665	-98	-12,763
- Change in consolidation scope and miscellaneous			-3,686				-3,686	2,299	-1,387
Balance at close of accounts 31/12/2012	**9,290**	**100,909**	**6,560**	**-411**	**16,217**	**4,545**	**137,110**	**357**	**137,467**

Expenses and income directly recorded as reserves (changes in translation differentials, capital gains from the disposal of treasury shares and revaluation of securities held for sale) stood at: €43k in 2012 and €74k in 2011.

CONSOLIDATED STATEMENT OF CASH FLOWS AT 31 DECEMBER 2012

(in €'000)	*Annex note*	31/12/2012	31/12/2011
Cash flows from operating activities			
Total net consolidated profit		**16,286**	**1,421**
Expense (income) with no impact on cash			
• Depreciation allowance		2,217	4,596
• Other provision allocation / reversals		5,042	28,192
• Capital gains or loss from the disposal of non current assets		-21,804	-20,853
• Compensation paid in shares		197	76
Net interest expenses		-216	2,227
Taxes and duties (due and deferred)	**7.10**	3,810	5,066
CASH FLOW		**5,532**	**20,726**
Income tax paid		-3,494	-8,016
Interest paid		216	-2,227
Change in working capital	**22**	2,144	6,041
OPERATING CASH FLOWS		**4,399**	**16,524**
Investment operations			
Disbursement on acquisitions			
• intangible fixed assets		-3,316	-5,266
• tangible fixed assets		-2,273	-1,231
• financial assets		-5,421	-409
Income from disposals			
• intangible fixed assets		28	0
• tangible fixed assets		3	58
• financial assets		224	8
Impact of changes in consolidation scope	**22**	59,662	94,883
NET CASH FLOW ON INVESTMENTS		**48,906**	**88,043**
NET OPERATING CASH FLOW AFTER INVESTMENTS		**53,306**	**104,567**
Income from financial transactions			
Dividends paid by the parent company		-12,665	-22,203
Dividends paid to minority interests		-101	0
Net funds received by:		0	0
• Capital and additional share premium increase		0	0
• Subscription of the long-term loan		5,000	46,460
Redemption / disposal of own shares		-630	-923
Long-term debt reimbursement		-30,211	-45,038
TOTAL FINANCING CASH FLOWS		**-38,606**	**-21,704**
TOTAL CASH FLOWS		**14,700**	**82,862**
Net cash at year-end (A)		125,541	111,532
Opening cash position (B)		111,532	27,109
Impact of the change in currency prices		691	-1,561
Change in cash (B)-(A)		**14,700**	**82,862**

Cash and cash equivalents [(1)]		125,867	111,638
Creditor banking facilities		-326	-106
Net cash [(1)]		125,541	111,532

[(1)] of which Graham Land and Estates classified as per IFRS 5 for €29k as at 31/12/2011

16 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2012 (AMOUNTS IN €'000)

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

These notes are an integral part of the consolidated financial statements for the year ended December 31, 2012. The consolidated financial statements were approved by the Board of Directors on February 19, 2013.
These accounts will only be finalised once approved by the Annual General Meeting on May 3, 2013.

Sword Group SE is a European company incorporated under Luxembourg law, located at 105 Route d'Arlon at Strassen (Luxembourg). Sword Group SE is subject to all the laws and regulations governing commercial companies in Luxembourg, and in particular the provisions of the Commercial Code.

Sword Group SE is listed on Euronext Paris (Compartment C).

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 financial year have been:

- ✓ The head office of Sword Group SE was transferred to Luxembourg after this project was approved by the General Meeting of March 26, 2012.
- ✓ Sword Services SA acquired minority interests in Sword Lebanon for a total of CHF 26k.
- ✓ The company Achiever was established on January 1, 2012, with no impact on the consolidated financial statements as at December 31, 2012. Minority shareholders conducted a capital increase in the company Achiever for £45k.
- ✓ Minority shareholders conducted a capital increase in the company Apak for £2,053k.
- ✓ On July 10, 2012 the companies Ciboodle Ireland Ciboodle Australia, New Zealand Ciboodle, Ciboodle Indonesia Ciboodle Scotland Ciboodle Netherland Ciboodle South Africa, USA Ciboodle, Ciboodle Hong Kong Ciboodle France, Ciboodle Land and Estates, Sword Soft Inc were sold by Sword Soft. The transfer price stands at $79m for 100% of the securities. The disposal generated a capital gain from consolidation of €22,838k. Part of the disposal price was paid in the form of shares in Kay Technology Holdings Inc.

  Main aggregates of sold companies

In €'000	30/07/2012	31/12/2011
Turnover	16,721	28,532
EBIT	3,288	5,549
Net income	889	5,477
Total assets / liabilities	-	73,383

- ✓ The company Vadear was purchased on August 1, 2012 for €1,000k. That company was sold back on 1 December 2012. The consolidated gain on disposal is zero.
- ✓ Sword Middle East was acquired on 20 September 2012, with no material impact on the consolidated financial statements as at December 31, 2012.
- ✓ Sword Greece was deconsolidated during the year (liquidation).
- ✓ Sword SA, on October 29, 2012, sold its EDM goodwill arm operated in Nantes and Rennes to Astone Solutions.

1.2. Events subsequent to year-end

Mrs. Françoise Fillot, who was director and Executive Vice-President in charge of the Company's finance, decided to stop her professional activities. She left her operational duties on February 28, 2013. However she remains a director of the Company.

A new company, Sword FS, 100% owned by the company IF SA, was incorporated in January 2013.

As part of a restructuring initiative in Switzerland, Sword Suisse Holding SA was incorporated in February 2013.

NOTE 2: ACCOUNTING POLICIES

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 December 31, 2012 and the comparative accounts for financial 2011 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 December 31, 2012, whose implementation was mandatory on that date.

This reference document is available on the website of the European 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 January 1st, 2012

The Group has applied the following new standards, amendments to standards and interpretations as of the start of the year 2012, i.e. mainly IFRS 7 "Disclosures in connection with transfers of financial assets".
This new standard has no impact on the consolidated statements as at December 31, 2012.

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

TEXTS ADOPTED BY THE EUROPEAN UNION AT YEAR END.

Amendment to IAS 1 –Financial Statements presentation (effective for annual periods beginning on or after 1 July 2012),
Amendment to IAS 12 – Deferred Tax: Recovery of Underlying Assets (applicable to the annual periods starting as of 1 January 2013),
Amendment to IAS 19 - Employee Benefits: Accounting for defined benefit pension plans (applicable for annual periods beginning on or after 1 January 2013),
Amendment to IFRS 7 – Disclosures - Transfers of financial assets (applicable for annual periods beginning on or after 1 January 2013),
Amendment to IAS 32 – Offsetting financial assets and financial liabilities (applicable to the annual periods opened on or after 1 January 2014),
IFRS 10 – Consolidated Financial Statements (applicable to the annual periods starting as of 1 January 2014),
IFRS 11 - "Joint Arrangements" (effective for annual periods beginning on or after 1 January 2014),
IFRS 12 - Disclosure of interests in other entities (effective for annual periods beginning on or after 1 January 2014),
IFRS 13 - Fair Value Measurement (effective for annual periods beginning on or after 1 January 2013),
IAS 27 revised – Separate Financial Statements(applicable to the annual periods starting as of 1 January 2013,
Revised IAS 28 - Investments in associates and joint ventures (applicable for annual periods beginning on or after 1 January 2013).

The Group has not applied any of these new standards or interpretations in advance and does not anticipate any significant impacts resulting from the first application of these new standards.
The Group does not anticipate any material impact on its financial statements.

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

The consolidated balance sheet is presented according to the criterion of distinguishing between "current" and "non-current" as defined in standard IAS 1. Thus borrowings, provisions and financial assets are broken down into that part which is over one year into "Non-Current" and under one year 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 govern 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 (IFRS 3).

2.5. Directors' estimates

The preparation of consolidated 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 Notes.
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 provisions and of share based payments (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 IT 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:
  - GRC (Governance Risk and Compliance management) products
  - This area covers purely GRC activities, document management activities, and large project management activities.
  - 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 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 Luxembourg, i.e. the euro.

The functionnal 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 functionnal 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 recorded as profit/loss 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 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

The business goodwill acquired prior to the transition to international accounting standards, is treated as goodwill as described below.

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 1 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 recorded in the functionnal 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. Reversal of 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 furniture	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 decrease 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 "assets held for sale". In accordance with IAS 27, receivables and liabilities for these activities with the rest of the group continue to be eliminated. Assets and liabilities held for sale are valued at the lower of the net book value and the fair value minus disposal costs.

2.14. Impairment tests

Impairment tests are carried out annually for all non-amortised assets (assets with an indeterminate economic lifetime) and for amortised assets where loss of value evidences 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 includes one CGU (CGU1) which concerns those companies whose products are rented or sold according to a model SaaS.
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: 3.1 %), plus a 6.3% 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 rate stood at 10.92% for CGU1 and 10.91% 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; the change in value of those assets held for sale is recorded as Other components of total profit/loss.

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 revenue recognition

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 recognised 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 when they are performed.

Engineering and consulting services

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

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 related 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 mainly 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 monetary 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 recorded as charges in the financial year in which the services were provided by the employee. Amounts unpaid at year-end are shown in Other Current Liabilities.

Defined services schemes : the Group is obliged to pay the level of services agreed to members of its staff working and to previous members of staff, with the actuarial risks falling on the Group: these are retirement commitments as defined in collective agreements or company-wide agreements. The commitment is calculated using the projected credit units method, taking into account actuarial assumptions (mortality rate, employee turnover 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 amounts involved, the Group has opted to recognise immediately the actuarial gains or losses 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 of the cost of deferred past services. The cost of past services, related to changes in the schemes is shown immediately 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 reversal 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 Notes (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 recorded in Non-Current (long-term) Liabilities for the 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 share based payments and similar (subscription options, etc.).

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

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

The fair value is frozen at date of allocation, is accounted for in Staff Costs for the period of the acquisition of the rights, set against a specific reserves account. The amount recorded 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 Staff Costs.

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

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

A provision must be made if:
- The Group has a present, 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 business risks, linked to claims on contracts. They are determined on a case-by-case basis on their estimated risk.
- Provisions for risks in dispute, referring to litigation following business combinations. Provisions are set based upon the company's estimate of the risk,
- Provisions for claims in industrial tribunals.

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

Information is provided in the Notes 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 temporary 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 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 recover 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 taxable profits 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 recorded in Non-Current Assets and Liabilities.

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

Deferred tax credits and tax due are not updated.

2.21. Regional Economic Contribution

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 processing of which is specified below:

- ✓ The Cotisation Foncière des Entreprises (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 2011 as the latter, i.e. as operating expenses (accounting identical as at 31 December 2010);
- ✓ The Cotisation sur la Valeur Ajoutée des Entreprises (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. 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 €281k at 31 December 2012.

2.22. Financial instruments

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 assessed at their net book values at each year end, as well as derivatives. 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.

Financial assets held for sale:

- ✓ 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 losses.

- ✓ Non listed non consolidated equity interests, valued at their historic 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 losses and can be reversed by earnings only upon the disposal of the securities.

Notes 20 and 21 below, specific to financial instruments, provide 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,
- Other significant impairments.

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

The cost of the net financial debt includes:

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

Other financial income and expenses include:

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

2.27. Earnings per share

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

The diluted earnings per share is calculated by dividing the Group's share of net profit by the average weighted number of ordinary shares outstanding, plus all potential dilutive ordinary shares (subscription options, warrants, etc.), except for 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 statement

The cash flow statement is established according to the indirect method. Thus, it distinguishes between cash flow from ordinary operations and cash flow from investments 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: CHANGES IN CONSOLIDATION SCOPE

The main changes in the consolidated scope in 2012 are described in paragraph 1.1 of Note 1.

Acquisitions

- ✓ The company Vadear was acquired 100% on 1 August 2012 for an amount of €1,000k. That company was sold back on December 1, 2012. The consolidated gain on disposal is zero.

- ✓ Sword Middle East was acquired on September 20, 2012, with no material impact on the consolidated statements as at December 31, 2012.

Disposals

Companies disposed of and their main aggregates are detailed in paragraph 1.1 of Note 1.

The main changes that took place in the course of 2011 regarding the consolidation scope, result from the following events:

- ✓ On 27 May 2011, shares in FircoSoft SAS, FircoSoft Ltd, and FircoSoft Inc were sold by Sword Soft and Sword Soft Inc. The transfer price stands at €32.2m for 100% of the securities. The disposal generated a consolidation gain of €25,074k before disposal costs.

Main aggregates of sold companies

In €'000	27/05/2011	31/12/2010
Turnover	5,055	11,002
EBIT	1,879	3,808
Net income	1,391	2,774
Total assets / liabilities	-	9,885

- ✓ Sword Soft repurchased the minority interests of Ciboodle Scotland for €1,338k.

- ✓ Sword Group SE redeemed the minority interests of Sword Soft for €1,899k.

- ✓ In January 2011, the UK branch was reorganised:
  - 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 businesses (assets and liabilities) were transferred to a new, specially-created company, Sword Technology Solutions Ltd, a subsidiary of Sword Soft Ltd,
  - Sword UK changed its corporate identity to become Sword Insurance Europe.

- ✓ On May 30, 2011, the complete transfer of assets of Sword DDS France into Sword Group was achieved, with no repercussions on the consolidated statements as at December 31, 2011.

- ✓ On July 6, 2011, Agency Port, Sword Insurance Europe Ltd, Sword Bermuda, Sword IPR, Intech Inc (Insurance subgroup) were disposed of by Sword Soft and Sword Soft Inc. The transfer price stands at $113m for 100% of the securities. The disposal generated a capital gain from consolidation of €19,312k.

Main aggregates of the disposed company

In €'000	06/07/2011	31/12/2010
Turnover	19,189	51,090
EBIT	3,307	8,783
Net income	4,406	6,428
Total assets / liabilities	-	107,419

- ✓ On 14 November 2011, the companies Sword Inc, Ct Space Ltd, Build on line Global, Build on line Ireland, Sword Gmbh, Citadon Inc et Ct Space France were disposed of by Sword Soft, Sword Soft Inc and Sword Group. The transfer price stands at £11.58m for 100% of the securities. The disposal generated a capital loss from consolidation of €8,360k.

Main aggregates of the disposed company

In €'000	14/11/2011	31/12/2010
Turnover	10,848	12,437
EBIT	1,698	1,846
Net income	-60	1,433
Total assets / liabilities	-	30,898

- ✓ On October 21, 2011, Sword Sol Inc was set up by Sword Group. Its share capital stands at $1,772k.
- ✓ On December 22, 2011, Sword Participations SARL, a company based in Luxembourg, was created through the contribution, by Sword Group, of FI System Belgium, Sword Services SA, Sword Soft Ltd, Sword Sol, Sword Création Informatique and Sword Sol inc. equity securities. It is a wholly-owned subsidiary of Sword Group. The amount of Sword Group's interests in that company stands at €191,641k.
- ✓ In February 2011, Apak Inc was set up.
- ✓ A goodwill impairment of €25 million on cash-generating unit Nr. 1 (Products) was recorded for the year 2011. This Impairment was approved by the Board of 10 February 2012.
- ✓ The Group has decided to dispose of the company General Partner. Consequently, the assets and liabilities of the company, as well as the loan taken out by Sword Technology Solutions (which was intended to fund General Partners and should be paid back by the potential buyer of General Partners), are recorded as assets and liabilities held for sale, in accordance with IFRS 5.

NOTE 4: ADDITIONAL INFORMATION REGARDING THE ACQUIRED COMPANIES

- ✓ The company Vadear was acquired 100% on August 1, 2012 for an amount of €1,000k. That company was sold back on December 1, 2012. The consolidated gain on disposal is zero.
- ✓ Sword Middle East was acquired on September 20, 2012, with no material impact on the consolidated financial statements as at December 31, 2012.

NOTE 5: RATE USED FOR CONVERTING ELEMENTS IN FOREIGN CURRENCY

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

	Average rate 31/12/2012	Average rate 31/12/2011	Closing rate 31/12/2012	Closing rate 31/12/2011
GBP	0.8111	0.867776	0.8161	0.8353
US Dollar	1.2856	1.391709	1.3194	1.2939
Swiss Franc	1.20532	1.239829	1.2072	1.2156
South African rand	10.5545	10.092956	11.1727	10.482949
Indian rupee	68.6294	64.86767	72.5584	68.714354
Australian dollar	1.24723	1.348158	1.1668	1.2723
Hong Kong dollar	9.9881	10.834	9.49713	10.050958
New Zealand dollar	1.60252	1.760182	1.5133	1.6737

NOTE 6: SEGMENT INFORMATION

Segment information by line of business

(	Solutions		Software		Other activities		Consolidated	
	2012	2011	2012	2011	2012	2011	2012	2011
Turnover	84,248	80,820	33,660	75,373	-	-	117,908	156,193
EBIT	9,210	7,110	6,400	15,915	- 866	-	14,744	23,025
Non-current operating revenue and expenses (including disposals)	- 4,038	- 4,515	- 1,185	- 29,230	17,567	21,905	12,344	- 11,840
Financial expenses (1)					6,992	4,698	6,992	4,698
Taxation					3,810	5,066	3,810	5,066
Net income	5,172	2,595	5,215	-13,315	5,899	12,141	16,286	1,421
Segment assets	109,187	110,861	28,181	62,300	-	-	137,368	173,161
Head office assets and other non-allocated assets					129,846	128,190	129,846	128,190
Total consolidated assets	109,187	110,861	28,181	62,300	129,846	128,190	267,214	301,351
Segment liabilities	109,187	110,861	28,181	62,300			137,368	173,161
Head office liabilities and other non-allocated liabilities					129,846	128,190	129,846	128,190
Total consolidated liabilities	109,187	110,861	28,181	62,300	129,846	128,190	267,214	301,351
Investments	3,448	1,855	2,435	4,637	29	5	5,912	6,497
Depreciation allowance	1,120	1,376	769	1,403	16	13	1,905	2,792
Net expenses calculated without depreciation	1,227	873	-	26,793	3,815	526	5,042	28,192

(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)	12/12	12/11
Short-term benefits / gross wages	46,472	64,144
Short-term benefits / social contributions	8,953	12,390
Benefits related to payments in shares	197	76
Long-term benefits (incentive and profit-sharing)	119	104
Other benefits	243	257
Total	55,984	76,971

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

Average consolidated workforce	12/12	12/11
Billable workforce	804	1,054
Non billable workforce	129	195
Total	933	1,249

7.2. Depreciation and provisions

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

(in €'000)	12/12	12/11
Depreciation of intangible and tangible assets	1,905	2,792
Impairment of trade and other receivables	(42)	(362)
Net provisions	(326)	434
Total	1,537	2,864

7.3. Research and development costs

(in €'000)	12/12	12/11
Total expenses incurred	(4,796)	(9,759)
Activated R&D costs (Note 9) [(2)]	2,429	4,797
Non-activated costs [(1)]	(2,367)	(4,962)
Depreciation of previously activated development costs (Note 9)	(444)	(1,811)
Total	(2,811)	(6,773)

[(1)] Recognised as other purchases and external purchases and as salaries and wages
[(2)] The costs of research and development excluding Ciboodle stood at €660k

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 and impairment of assets

(in €'000)	12/12	12/11
Disposal costs	(5,442)	(14,175)
Income from the disposal of non consolidated securities	(26)	
Income from the disposal of the Fircosoft Sub-Group		25,074
Income from the disposal of the Insurance Sub-Group	(210)	19,312
Income from the disposal of the CT Space Sub-Group		(8,360)
Income from the disposal of the Ciboodle Sub-Group	22,838	
Impairment of intangible fixed assets	(559)	(1,000)
Income from the disposal of tangible fixed assets	(433)	2
Total	16,168	20,853

7.6. Other non-current operating income and expenses

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

(in €'000)	12/12	12/11
Restructuring	(536)	(83)
Disputes	(2,348)	(3,607)
R&D impairment		(1,805)
Other non-current expenses	(940)	(3,227)
Other non-current revenues		1,029
Total	(3,824)	(7,693)

7.7. Income from cash and cash equivalents-

(in €'000)	12/12	12/11
Financial income from non-consolidated interests		
Income from investments		3
Total	0	3

7.8. Cost of gross financial debt

(in €'000)	12/12	12/11
Interest on lease finance contracts		
Interest on borrowings and other debt	(1,274)	(3,777)
Other financial charges		
Other financial income	1,490	1,547
Total	216	(2,230)

7.9. Other financial income and charges

(in €'000)	12/12	12/11
Foreign exchange loss on financial operations	(15,182)	(12,919)
Financial allowance on non-consolidated securities and receivables	(2,934)	(3,497)
Other financial charges	(230)	(287)
Foreign exchange gain financial operations	9,898	12,948
Other financial income	1,240	1,285
Total	(7,208)	(2,470)

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)	12/12	12/11
Current tax (Note 7.10.1.A)		
Current tax on profits for the year	3,744	5,335
Deferred taxes		
Deferred taxes for the period	66	(269)
Miscellaneous		
Total	3,810	5,066

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.

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 31.05%.

7.10.2. Effective tax rate

(in €'000)	12/12	12/11
Profit from consolidated companies before tax	20,096	6,487
Average tax rate in force in France for 2011 and in Luxembourg for 2012	31.05%	33.33%
Expected tax	6,240	2,162
Impact		
▪ Final difference between profit before tax and taxable profit	(319)	(55,958)
▪ Permanent differences on consolidation entries	(5,344)	55,121
▪ Tax rate difference on the disposal of equity interests		
▪ Exchange rate difference for foreign subsidiaries	(508)	(243)
▪ Non-activation of income tax for tax deficits (prudence principle)	3,828	2,297
▪ Use of tax deficits not taken into account at the start of the year	(342)	(144)
▪ Tax credits		
▪ Miscellaneous	255	1,831
Actual assessed tax	3,810	5,066
Effective tax rate	18.96%	78.09%

7.10.3. Deferred taxes recorded to the balance sheet

Balances	2012	2011
Deferred tax assets		
- Deferred taxes that can be activated	486	1,119
- Of which, not recognised		
Recorded deferred tax assets	486	1,119
Deferred tax liabilities	- 623	- 1,290
Net deferred taxes	- 137	- 171

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

i.e., for financial 2012

In €'000	31/12/11	Impact on profit	Impact on net position	Change	Scope	Other	31/12/12
Provisions	43	29					72
Intangible and tangible fixed assets	-464	-152					-616
Temporary differences generated on other balance sheet items	250	57	253	-1	-152		407
Tax loss carryforwards and tax credits	-	-	-	-	-	-	-
Deferred gross assets and liabilities	-171	-66	253	-1	-152		-137

i.e., for financial 2011

In €'000	31/12/10	Impact on profit	Impact on net position	Change	Scope	Other	31/12/11
Provisions	36	15			-8		43
Intangible and tangible fixed assets	-852	-99		35	452		-464
Temporary differences generated on other balance sheet items	-30	852	-782	54	156		250
Tax loss carryforwards and tax credits	500	-500					0
Deferred gross assets and liabilities	-346	268	-782	89	600		-171

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 €	12/12	12/11
Undiluted net earnings per share		
▪ Total average number of shares	9,172,000	9,289,965
▪ Group's share of net profit	16,217,106	1,421,485
▪ Undiluted net earnings per share	1.77	0.15
Net diluted earnings per share		
▪ Total average number of shares	9,172,000	9,289,965
▪ Number of shares related to the stock options	16,730 (share equivalent)	31,892 (share equivalent)
▪ Total number of securities	9,188,730	9,321,857
▪ Group's share of net profit	16,217,106	1,421,485
▪ Net diluted earnings per share	1.76	0.15

NOTE 8: GOODWILL

The item changed as follows in 2012:

(in €'000)	12/11	Disposals	Foreign exchange rate effect	12/12
Net	90,377	(29,742)	1,487	62,122

The item changed as follows in 2011:

(in €'000)	12/10	Impairment	Disposals	Foreign exchange rate effect	12/11
Net	187,347	(25,000)	70,396	-1,574	90,377

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

Goodwill breakdown by cash-generating unit is as follows as at 31 December 2012 and 31 December 2011:

(€'000)	31/12/2012	31/12/2011
CGU1: Products sold as a service (SaaS)	20,865	49,295
CGU3: Services	41,257	41,082
Consolidated total	62,122	90,377

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 additional impairments.

		CGU1 Terminal growth				
		1.0%	**1.5%**	**2.0%**	**2.5%**	**3,0%**
WACC *	**9.9%**	41,588	43,662	45,998	48,649	51,683
	10.4%	39,478	41,319	43,379	45,699	48,332
	10.9%	37,580	39,224	41,053	43,099	45,403
	11.4%	35,864	37,341	38,974	40,790	42,822
	11.9%	34,305	35,637	37,104	38,726	40,530

		CGU3 Terminal growth				
		1.0%	**1.5%**	**2.0%**	**2.5%**	**3,0%**
WACC *	**9.9%**	70,381	73,937	77,942	82,487	87,690
	10.4%	66,771	69,927	73,458	77,436	81,951
	10.9%	63,524	66,343	69,477	72,985	76,936
	11.4%	60,589	63,120	65,919	69,033	72,517
	11.9%	57,923	60,206	62,720	65,501	68,594

* WACC: Weighted Average Cost of Capital.

NOTE 9: INTANGIBLE FIXED ASSETS

Item details and changes for 2012

(in €'000)	12/11	Acquisitions-Allocation	Foreign exchange rate effect	Scope changes	12/12
R&D costs					
Gross values	6,872	2,429	366	(6,083)	3,584
Impairement and amortisation	(1,329)	(444)	(17)	375	(1,415)
Net	5,543	1,985	349	(5,708)	2,169
Other intangible fixed assets					
Gross values	2,545	1,211	10	(444)	3,322
Impairement and amortisation	(1,570)	(826)	(4)	423	(1,977)
Net	975	385	6	(21)	1,345
Total	6,518	2,370	355	(5,729)	3,514

Item details and changes for 2011

(in €'000)	12/10	Acquisitions-Allocation	Disposals	Foreign exchange rate effect	Scope changes	12/11
R&D costs						
Gross values	5,759	4,797	(520)	76	(3,240)	6,872
Impairement and amortisation	(792)	(1,811)	520	15	739	(1,329)
Net	4,967	2,986	-	91	(2,501)	5,543
Other intangible fixed assets						
Gross values	3,693	469		(17)	(1,600)	2,545
Impairement and amortisation	(1,384)	(726)		554	(14)	(1,570)
Net	2,309	(257)		537	(1,614)	975
Total	7,276	2,729	-	628	(4,115)	6,518

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

NOTE 10: TANGIBLE FIXED ASSETS

Item details and changes for 2012

(in €'000)	12/11	Acquisitions-Allocations	Disposals	Foreign exchange rate effect	Scope changes	12/12
Land						
Gross values						
Depreciation						
Net						
Buildings						
Gross values	365	68		7	(297)	143
Depreciation	(152)	(59)		(2)	163	(50)
Net	213	9		5	(134)	93
Transport equipment						
Gross values	330		(9)	7	(76)	252
Depreciation	(190)	(55)	9	(6)	74	(168)
Net	140	(55)	-	1	(2)	84
Fittings-installations						
Gross values	2,008	817	(170)	(3)	-	2,652
Depreciation	(1,551)	(202)	170	(2)	5	(1,580)
Net	457	615	-	(5)	5	1,072
IT and office equipment						
Gross values	7,528	952	(403)	152	(1,872)	6,357
Depreciation	(6,318)	(727)	370	(127)	1,515	(5,287)
Net	1,210	225	(33)	25	(357)	1,070
Office furniture						
Gross values	3,112	437	(44)	102	(1,557)	2,050
Depreciation	(2,235)	(204)	37	(79)	1,213	(1,268)
Net	877	233	(7)	23	(343)	782
Tangible fixed assets						
Gross values	13,342	2,274	(626)	265	(3,802)	11,454
Depreciation	(10,445)	(1,247)	586	(216)	2,970	(8,353)
Net	2,897	1,027	(40)	49	(832)	3,101
Total	2,897	1,027	(40)	49	(832)	3,101

Item details and changes for 2011

(in €'000)	12/10	Acquisitions-Allocations	Disposals	Foreign exchange rate effect	Scope changes	12/11
Land						
Gross values						
Depreciation						
Net						
Buildings						
Gross values	1,361	64		(42)	(1,018)	365
Depreciation	(390)	(176)		10	404	(152)
Net	971	(112)		(32)	(614)	213
Transport equipment						
Gross values	318	127	(85)	7	(37)	330
Depreciation	(210)	(61)	48	(4)	37	(190)
Net	108	66	(37)	3	-	140
Fittings-installations						
Gross values	2,653	4		(3)	(646)	2,008
Depreciation	(1,958)	(221)		3	625	(1,551)
Net	695	(217)		-	(21)	457
IT and office equipment						
Gross values	18,503	994	(282)	(308)	(11,379)	7,528
Depreciation	(15,667)	(1,266)	262	250	10,103	(6,318)
Net	2,836	(272)	(20)	(58)	(1,276)	1,210
Office furniture						
Gross values	6,433	36	(23)	(77)	(3,257)	3,112
Depreciation	(4,405)	(331)	23	48	2,430	(2,235)
Net	2,028	(295)	-	(29)	(827)	877
Tangible fixed assets						
Gross values	29,268	1,225	(390)	(424)	(16,338)	13,342
Depreciation	(22,630)	(2,055)	333	307	13,599	(10,445)
Net	6,638	(830)	(57)	(116)	(2,738)	2,897
Total	6,638	(830)	(57)	(116)	(2,738)	2,897

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. Long-term financial assets and other non-current assets

Non-current financial assets consist mainly of paid and recoverable guarantee deposits posted by Sword SA and Global India.

The other non-current assets are comprised of receivables due within more than one year.

11.2. Securities held for sale

The securities held for sale correspond to:

- The interests held in SBT. At December 31, 2012, Sword Group held 37,296 shares in that company. The average acquisition price stands at €4.25 and the fair value at December 31, 2012 at €159k. The change in fair value was recognised in shareholders' equity.
- 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) and Kana (a non-listed company) for a total of €10,728k of gross value and €6,058k of net value.

Securities held for sale	Year start (at fair value)	Acquisition/ Disposal	Change (at fair value)	Year end (at fair value)
SBT	147		12	159
Guangzhou	3,000		(3,000)	-
Kana		4,279		4,279
Miscellaneous	1,752	(39)	66	1,779
Total	4,899	4,240	(2,922)	6,217

At December 31, 2012

(in €'000)	Dividends	Later evaluation			Income from disposal
		Change in fair value	Foreign exchange rate effect	Impairment	
Shareholders' equity	-	12	-	-	-
Earnings	-	-	-	(2,934)	-
Total	-	12	-	(2,934)	-

At December 31, 2011

(in €'000)	Dividends	Later evaluation			Income from disposal
		Change in fair value	Foreign exchange rate effect	Impairment	
Shareholders' equity	-	74	-	-	-
Earnings	-	-	-	(526)	-
Total	-	74	-	(526)	-

NOTE 12: RECEIVABLES

(in €'000)	12/12	12/11
Gross receivables Impairments	34,049 (374)	44,842 (410)
Net values	33,675	44,432

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

NOTE 13: OTHER CURRENT ASSETS

(in €'000)	12/12	12/11
Tax receivables	456	2,557
Other tax and social contribution receivables	2,915	2,554
Deferred charges	5,340	5,519
Other current assets	3,035	3,708
Total gross values	11,746	14,338
Impairments	(5)	(777)
Total	11,741	13,561

Other receivables are due within less than one year.

NOTE 14: ASSETS AND LIABILITIES HELD FOR SALE

Assets and liabilities held for sale correspond to the companies Ciboodle Land and Estates Ltd and General Partner as at December 31, 2011 and to General Partner as at December 31, 2012.

- As at 12/31/2011, the assets and liabilities of Ciboodle Land and Estates Ltd. consist primarily of the building and the corresponding loan.
- The assets and liabilities that relate to the business of General Partners are composed primarily of securities of the company Amor (formerly BTS) and the claim on that company and the loan taken out by Sword Technology Solution to fund General Partner, which shall be repaid by the potential buyer of General Partner. The sale was delayed due to circumstances. These were partially lifted at year-end. The disposal process is under way.

(in €'000)	12/12	12/11
Assets	18,832	24,233
Ciboodle Land and Estates Ltd General Partner	 18,832	6,349 17,884
Liabilities	18,515	23,178
Ciboodle Land and Estates Ltd General Partner (including the STS loan)	 18,515	4,886 18,292

Ciboodle Land and Estates Ltd belongs to the Products segment.

NOTE 15: NET DEBT

(excluding earnout)

Item breakdown by type

(€'000)	12/12	12/11
Medium- and long-term financial debt	69,003	86,518
Short-term financial debt	8,844	16,540
Current banking facilities	326	106
Total gross debt	78,173	103,164
Marketable securities	100,490	56,286
Cash and cash equivalents	25,377	55,323
Total net debt	(47,694)	(8,445)

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

Net cash (cash and cash equivalents, net of current bank facilities) stood at €125,541k at December 31, 2012 and €111,503k at December 31, 2011.

Most borrowings are denominated in euros.

Breakdown of loans by maturity date

(€'000)	12/12	12/11
Short-term financial debt (< 1 year)	9,170	16,646
1 year < X > 5 years	69,003	86,518
> 5 years	0	0
Long-term financial debt (> 1 year)	69,003	86,518
Total	78,173	103,164

Non-current financial debts as at December 31, 2012 include, up to €69,000k versus €85,643k as at December 31, 2011, variable rate pool credits subject to drawdowns by Sword Group in the form of promissory notes due within 1 to 6 months. For the classification as non-current debt (> 1 year) of outstanding promissory notes at period end, the following aspects have been considered:

- ✓ Ability for the company, without opposition on the part of the banks that granted the loans, to renew the drawdowns for a period of at least one year (all credit openings valid at December 31, 2011 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 expired during the period.
Cover through paying swap at a fixed rate of 2.56% (excluding bank margin) was set up as at April 1, 2012 for a period of 36 months and an amount of €10m. This cover is estimated at fair value in the balance sheet at December 31, 2012 for €9,416k. 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 €329k.

Cover through paying swap at a fixed rate of 1.24% (excluding bank margin) was set up as at April 1, 2012 for a period of 54 months and an amount of €7.5m. This cover is estimated at fair value in the balance sheet at December 31, 2012 for €7,325k. 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 €97k.

Bank covenants

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 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, amounting €77,000k as at December 31, 2012 (versus €100,500k at December 31, 2011).
At December 31, 2012, Sword Group complied with such covenants.

Guarantees on borrowings

See Note 23.

Credit lines available at December 31, 2012

In €'000	12/31/12	Less than one year	Between 1 and 5 years	Older than 5 years old
Outstanding amount authorized	141,326	22,410	114,051	4,865
Outstanding amount used	78,173	9,170	69,003	0
Credit available	63,153	13,240	45,048	4,865

Credit lines available at December 31, 2011

In €'000	12/31/11	Less than one year	Between 1 and 5 years	Older than 5 years old
Outstanding amount authorized	154,536	19,508	130,163	4,865
Outstanding amount used	103,058	16,540	86,518	0
Credit available	51,478	2,968	43,645	4,865

NOTE 16: CHANGE IN SHAREHOLDERS' EQUITY

Issued capital and securities giving access to the capital

Share Capital

At December 31, 2012, capital stock totalled €9,289,965, divided into 9,289,965 shares with a face value of €1.

The Board of Directors on August 28, 2012, it was decided to distribute an interim dividend of €0.69 per share, being a total interim dividend of €6,410,076 paid on September 5, 2012.

The amount of dividends available for distribution at the Annual General Meeting of April 29, 2013 amounts to €1.38 per share, representing a total distribution of €12,820,152, including the interim dividend effected on September 5, 2012 of €0.69 per share, against €2.39 per share in 2011, being a total distribution of €22,203,016.

Class of securities	Face value	Number of shares			
		At year start	Created during the period	Paid back during the period	At year end
2012	1	9,289,965			9,289,965
2011	1	9,289,965			9,289,965

Stock options

Sword Group

As at January 30, 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 January 30, 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 January 30, 2009.

At December 31, 2012, the number of exercisable options stood at 40,000.

Insofar as the beneficiaries of the share subscription options are of various nationalities, the two 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 plan, the options may 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 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 December 31, 2012, no option had been exercised.

The cost generated by that employee benefit stood at €155k on the date of allocation, and was recorded in result for up to €152k at 31 December 2012, of which €39k for the year 2012.

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%.

As at January 17, 2011, the Extraordinary General Meeting of Sword Group permitted the Board of Directors to grant options entitling their holders to subscribe Sword Group shares. This authorisation has been granted for 38 months. As at October 6, 2011, the Board of Directors used the permission that was given and granted 188,000 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 €12.115. The option allocation plan was closed on October 6, 2011.

At December 31, 2012, the number of exercisable options stood at 146,000.

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

Exercising of options

- For the 1st, 3rd and 4th plans, the options may 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.
- For the 2nd plan, the options may be exercised during a period beginning at the end of the 48-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

Shares acquired upon the exercise of the option will be transferable and tradable.

At year end, that is December 31, 2012, no option had been exercised. 42,000 options can no longer be exercised.

The cost generated by that employee benefit stood at €513k on the date of allocation, and was recorded in result for up to €187k at December 31, 2012, of which €150k for the year 2012.

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: 23%
- Planned dividend distribution rate: 0.03%
- No-risk yield rate over the option lifetime: 3.61%.

Plan Nr. 1
As at January 17, 2011, the Extraordinary and Ordinary General Meeting of Sword Group permitted the Board of Directors to grant options entitling their holders to subscribe Sword Group shares. This authorisation has been granted for 38 months. As at December 16, 2011, the Board of Directors used the permission that was given and granted 9,000 share subscription options to the benefit of one employee.
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 €12.40. The option allocation plan was closed on December 16, 2011.
At December 31, 2012, the number of exercisable options stood at 9,000.

The options may be exercised during a period beginning at the end of a 36-month period starting 1 January of the calendar year following the year in which the options were offered, i.e. January 1, 2015, and ending no later than the end of the 10th year following the year in which the options were offered, i.e. December 31, 2021.

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

Shares acquired upon the exercise of the option will be transferable and tradable.

At December 31, 2012, no options were exercised.
The cost generated by that employee benefit stood at €27k on the date of allocation, and was recorded in result for up to €9k at December 31, 2012.

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: 0.05%
- No-risk yield rate over the option lifetime: 3.061%.

Own shares
Sword Group holds for €1,585k of own shares, of which €1,245k as part of a share repurchase programme and €340k as part of a liquidity contract.
In accordance with IAS 32, own shares are deducted from consolidated shareholders' equity. The profit/loss from the sale of these securities is neutralised in the consolidated income statement.

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)	12/31/11	Reserve allocations for the financial year	Carryovers for the financial year		Scope changes	Other	12/31/12
			Used up	Not applicable			
Non-current provisions Litigation risk provisions	1,839	3,444	(408)		(1,229)	8	3,654
Current provisions Other provisions (1)	389		(389)				0
Total	2,228	3,444	(797)		(1,229)	8	3,654

(€'000)	12/31/10	Reserve allocations for the financial year	Carryovers for the financial year		Scope changes	Other	12/31/11
			Used up	Not applicable			
Non-current provisions Litigation risk provisions	179	1,623			(25)	62	1,839
Current provisions Other provisions (1)		389					389
Total	179	2,012			(25)	62	2,228

(1) This item consists primarily of risks on work in progress (cf Note 2.19).

Non-current provisions are within less than 5 years. They have not been discounted, due to their insignificant impact.
At December 31, 2012, a litigation provision of €1.5 million was recognised on Sword Soft.

17.1. Retirement commitments (defined benefit schemes)

(in €'000)	12/12	12/11
Retirement commitments	264	200
Total	264	200

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 charge for the period is described in the table below:

	12/12	12/11
Cost of services rendered	(6)	(13)
Financial cost	(2)	(4)
Compensation paid		
Actuarial differences	(56)	(28)
Change in consolidation scope [1]		29
Total	(64)	(16)

[1] These are the pension commitments of the companies CTSpace France and Fircosoft SAS.

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:

	2012	2011
Discount rate	2.8%	3.89%
Revaluation of annual wages	1.5%	1.5%
Social contribution rate	45%	45%
Retirement age	65 years old	65 years old
Staff rotation	[1]	[1]
Mortality table	INSEE 2012	INSEE 2011

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

NOTE 18: ACCOUNTS PAYABLES

(€'000)	12/12	12/11
Trade payables	8,625	12,253

Accounts payable are due within less than one year.

NOTE 19: TAXES DUE AND OTHER CURRENT LIABILITIES

(€'000)	12/12	12/11
Taxes due on companies	2,265	5,034
Advance payments received	601	862
Taxes and social contributions due (excluding income tax debts)	8,325	10,547
Earnout within less than one year	-	-
Deferred income from worksites	7,682	11,017
Other creditors	818	1,286
Other current liabilities	17,426	23,712

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

NOTE 20: NOTE ON FINANCIAL INSTRUMENTS

20.1. Financial assets

In €'000	Dec. 31, 2012				
	Securities held for sale	Loans and receivables	Financial assets at fair value through profit and loss upon option	Financial assets at fair value through profit and loss	Total balance sheet
Long-term financial derivative instruments					
Other long-term financial assets	6,217	820			7,037
Trade and other receivables		33,675			33,675
Short-term derivatives					
Other short-term financial assets		3,030			3,030
Cash and cash equivalents				125,867	125,867
Total	6,217	37,525		125,867	169,609

In €'000	Dec. 31, 2011				
	Securities held for sale	Loans and receivables	Financial assets at fair value through profit and loss upon option	Financial assets at fair value through profit and loss	Total balance sheet
Long-term financial derivative instruments					
Other long-term financial assets	4,899	777			5,676
Trade and other receivables		44,432			44,432
Short-term derivative instruments					
Other short-term financial assets		2,931			2,931
Cash and cash equivalents				111,609	111,609
Total	4,899	48,140		111,609	164,648

In €'000	Dec. 31, 2012			31 Dec. 2011
	Current	Non current	Total	Total
Securities held for sale		6,217	6,217	4,899
Loans and receivables at amortised cost				
Loans and receivables at amortised cost		820	820	777
Trade and other receivables	33,675		33,675	44,432
Financial assets at fair value through profit and loss				
Derivative financial instruments				
Financial assets at fair value through profit and loss excluding derivatives	3,030		3,030	2,931
Cash and cash equivalents	125,867		125,867	111,609
Total	162,572	7,037	169,609	164,648

Securities held for sale

The securities held for sale by the Group stood at €6,217k at December 31, 2012 (listed securities for €159k versus non listed securities for €6,058k).

The profits and losses recorded as equity and as earnings on securities held for sale were as follows: €12k for the change in fair value of SBT shares.

Loans and receivables at amortised cost

In €'000	Dec. 31, 2012			Dec. 31, 2011		
	Gross	Impairment	Net	Gross	Impairment	Net
Loans and receivables at amortised cost	820		820	777		777
Trade and other receivables	34,049	373	33,675	44,842	410	44,432
Total	34,869	373	34,495	45,619	410	45,209

A net income was recorded as earnings on loans and claims at the depreciated cost in 2011 for an amount of €1,384k. A net income was recorded as earnings on loans and claims at the depreciated cost in 2012 for an amount of €1,487k.

Financial assets estimated at fair value through profit and loss

There are no assets estimated at fair value based on earnings.

The financial instruments have no impact on 2011 and 2012 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 €125,867k at 31 December 2012 against €111,609k at 31 December 2011.

Fair value of financial assets

In €'000	Dec. 31, 2012 (fair value)			Fair value	Balance sheet value
	Listed prices	Models with observable data	Models with non-observable data	Total	Total
Long-term financial derivative instruments					
Other long-term financial assets	159		6,878	7,037	7,037
Trade and other receivables			33,675	33,675	33,675
Short-term derivative instruments					
Other short-term financial assets			3,030	3,030	3,030
Cash and cash equivalents	125,867			125,867	125,867
Total	126,026		43,583	169,609	169,609

In €'000	Dec. 31, 2011 (fair value)			Fair value	Balance sheet value
	Listed prices	Models with observable data	Models with non-observable data	Total	Total
Long-term financial derivative instruments					
Other long-term financial assets	147		5,529	5,676	5,676
Trade and other receivables			44,432	44,432	44,432
Short-term derivative instruments					
Other short-term derivative assets			2,931	2,931	2,931
Cash and cash equivalents	111,609			111,609	111,609
Total	111,756		52,892	164,648	164,648

20.2. Financial liabilities

The different categories of financial liabilities at December 31, 2012 are the following

In €'000	Dec. 31, 2012			Dec. 31, 2011
	Current	Non current	Total	Total
Financial debt	9,170	69,003	78,173	103,164
Financial derivative instruments				
Trade and other accounts payable	8,625		8,625	12,253
Other financial liabilities	1,419		1,419	2,148
Total	19,214	69,003	88,217	117,565

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 through Profit and Loss.

Financial debt

Financial debts are analysed in paragraph 15 "Net financial indebtedness".

In €'000	Dec. 31, 2012			Dec. 31, 2011
	Current	Non current	Total	Total
Bonded debts				
Commercial papers	8,000	69,000	77,000	100,500
Drawdowns on bank facilities				
Lease finance borrowings				
Other bank loans	844		844	2,512
Other borrowings		3	3	46
Total borrowings	8,844	69,003	77,847	103,058
Bank overdrafts and current cash accounts	326		326	106
Total debt	9,170	69,003	78,173	103,164

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

Financial derivative instruments

No derivative financial instruments recorded as liabilities are present in the financial statements of December 31, 2012.

Suppliers and other financial liabilities

In €'000	Dec. 31, 2012	Dec. 31, 2011
Suppliers	8,625	12,253
Advance payments received	601	862
Earnout	-	-
Non-current assets related borrowings	-	-
Other creditors	818	1,286
Suppliers and other financial liabilities	10,044	14,401

Fair value of financial liabilities

In €'000	Dec. 31, 2012			Fair value	Amount outstanding (balance sheet)
	Listed prices	Models with observable settings	Models with non-observable settings	Total	Total
Bonded debts					
Commercial papers	77,000			77,000	77,000
Drawdowns on bank facilities					
Lease finance borrowings					
Other bank loans	844			844	844
Other borrowings	3			3	3
Total borrowings	77,847			77,847	77,847

In €'000	Dec. 31, 2011			Fair value	Amount outstanding (balance sheet)
	Listed prices	Models with observable settings	Models with non-observable settings	Total	Total
Bonded debts					
Commercial papers	100,500			100,500	100,500
Drawdowns on bank facilities					
Lease finance borrowings					
Other bank loans	2,512			2,512	2,512
Other borrowings	46			46	46
Total borrowings	103,058			103,058	103,058

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.

Trade receivables bydue date:

In €'000	December 31, 2012						
	Assets on year end by maturity					Impaired assets	Net assets
	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	32,726	471	69	783	34,049	373	33,675
Total	32,726	471	69	783	34,049	373	33,675

In €'000	December 31, 2011						
	Assets on year end by maturity					Impaired assets	Net assets
	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	43,329	1,087	351	75	44,842	410	44,432
Total	43,329	1,087	351	75	44,842	410	44,432

Liquidity risk

At December 31, 2012, contractual cash flows (principal and interest), not discounted on outstanding financial liabilities by maturity date, are the following:

At December 31, 2012 In €'000	2013	2014	2015	2016	2017	> 5 years	Total	Total Balance sheet value
Bonded debts								
Commercial papers	8,460	50,945	16,673	2,020			78,098	77,000
Drawdowns on bank facilities								
Lease finance borrowings								
Other bank loans	846						846	844
Other borrowings		3					3	3
Bank overdrafts and current cash accounts	327						327	326
Other creditors								
Other financial liabilities								
Total	9,633	50,948	16,673	2,020			79,274	78,173
At December 31, 2011 In €'000	2012	2013	2014	2015	2016	> 5 years	Total	Total Balance sheet value
Total	18,096	16,936	51,366	18,220	2,536	-	107,154	103,118

The variable rate used to estimate the interest cash flows is Euribor 3 months, or a rate of 1.425% for 2011 and 0.187% for 2012.

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 activity 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 12/31/12	Turnover	
Total €		65,465
Total currencies		52,443
Currency details	£	21,316
	CHF	15,388
	Rand	7,351
	$	9,411
	Indian rupee	49,688
	Indonesian rupee	9,875,383
	AUD	4,760
	NZD	2

(K) at 12/31/11	Turnover	
Total €		69,552
Total currencies		86,641
Currency details	£	34,365
	CHF	12,737
	Rand	11,857
	$	38,937
	Indian rupee	35,641
	Indonesian rupee	24,603,867
	AUD	6,735
	NZD	6

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 risk management

12/31/12	£'000	$'000	K Swiss Franc	K Rand	K Indian rupee
Financial assets	40,868	5,815	5,945	2,859	59,832
Financial liabilities	18,042	4,451	297	2,525	10,529
Net position prior to risk management	22,826	1,364	5,648	334	49,303
Risk management derivative					
Net position after risk management	22,826	1,364	5,648	334	49,303

12/31/11	£'000	$'000	K Swiss Franc	K Rand	K Indian rupee
Financial assets	107,180	78,328	5,688	46,953	79,596
Financial liabilities	37,160	21,451	1,067	2,328	9,376
Net position prior to risk management	70,020	56,877	4,621	44,625	70,220
Risk management derivative					
Net position after risk management	70,020	56,877	4,621	44,625	70,220

12/31/11	K Hong Kong Dollar	K Indonesian rupiah	K Australian Dollar	K New Zealand Dollar
Financial assets	67	28,372,525	6,508	576
Financial liabilities	122	27,814,749	598	128
Net position prior to risk management	-55	557,776	5,910	448
Risk management derivative				
Net position after risk management	-55	557,776	5,910	448

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

(€'000) 12/31/12	DD to less than 1 year	1 to 5 years	Beyond
Financial liabilities	9,170	69,003	-
Financial assets			
Net position prior to risk management	9,170	69,003	-
Risk management derivative	9,170	8,330	
Net position after risk management	-	60,673	-

(€'000) 12/31/11	DD to less than 1 year	1 to 5 years	Beyond
Financial liabilities	16,646	86,518	-
Financial assets			
Net position prior to risk management	16,646	86,518	-
Risk management derivative			
Net position after risk management	16,646	86,518	-

<u>Sensitivity analysis: hedging of the currency and interest rate risk</u>

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 €9,259k 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 €607k at December 31, 2012.
(= net variable rate position x 1% change in the short term interest rate x time remaining until the next period, i.e. €607k).

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

At December 31, 2011 In €'000	Impact on earnings	Impact on shareholders' equity
Exchange rate Pound	5,451	9,029
Exchange rate USD	2,987	5,107
Exchange rate Swiss franc	-220	378
Exchange rate Rand	124	288
Exchange rate Indian rupee	-51	110
Exchange rate Indonesian rupee	16	81
Exchange rate HKD	0	-1
Exchange rate AUD	74	348
Exchange rate NZD	0	28

NOTE 22: CASH FLOW STATEMENT

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

In €'000	12/31/12	12/31/11
Scope changes 2012		
Price paid / 2012 acquisitions	-1,000	
Price cashed / 2012 disposals	65,885	
Net active/passive cash acquired	- 1,332	
Prices paid / previous acquisitions	-3,891	
Other changes		
Scope changes 2011		
Price paid / 2011 acquisitions		
Price cashed / 2011 disposals		111,567
Net active/passive cash acquired		-6,607
Prices paid / previous acquisitions		-10,077
Other changes		
Total	59,662	94,883

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

In €'000	12/31/2012	12/31/2011
Change in working capital	**- 2,144**	**- 6,041**
- Change in accounts receivable	-4,073	1,965
- Change in accounts payable	3,317	-186
- Change in other assets	-5,028	-6,690
- Change in other liabilities	3,640	-1,130

NOTE 23: OFF-BALANCE SHEET AND OTHER COMMITMENTS

Reminder: earnout is recorded in the balance sheet as per IFRS standards.

For current operations, the Group was committed for the following amounts:

	12/31/2012				12/31/2011
		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	617	378	239		732
Irrevocable purchase obligations					
Other long-term obligations					
Total	617	378	239		732
Other business commitments					
Credit line					
Letter of credit					
Foreign payment bonds					
Guarantees on rents	65	65			65
Other business commitments	4,348	960	3,355	33	1,347
Total	4,413	1,025	3,355	33	1,412
Commitments received					
Contract guarantees					
Other commitments received					
Total	-	-	-	-	-

The law of May 4, 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. The Individual Training Entitlement (Droit Individuel à la Formation or DIF), not 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 December 31, 2012, the DIF represented an aggregate of 15,163 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 are held by the company's management. Under a shareholders' agreement, the consolidated result of Sword Soft go entirely to Sword Group.

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

The purpose of Financière Semaphore 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 in respect of assistance to the Senior Management provided by Financière Sémaphore stands at €325k for the year 2012 and, in respect of success fees relative to the disposals completed during the period, at €400k for 2012.

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

(€'000)	12/12	12/11
Short-term benefits:		
- Gross (excluding benefits in kind)	1,275	753
- Employer contributions	304	144
- Benefits in kind	32	14
Post-employment benefits:		
- Commitments provisioned by the company		0
- Charges on rights acquired during the period		0
Other long-term benefits:		
Compensation for termination of employment contract		
Payments in shares	39	39
Total	1,650	950

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

NOTE 25: LIST OF CONSOLIDATED COMPANIES

		31/12/2012		31/12/2011	
Companies	Year end	% controlled	% stake	% controlled	% stake
Sword Group (parent company) 105 Route d'Arlon L-8009 Strassen GD Luxembourg	31/12	100%	100%	100%	100%
Sword SA (France)	31/12	100%	100%	100%	100%
Sword Création Informatique Ltd (South Africa)	31/12	100%	100%	100%	100%
Sword Technologies SA (Benelux)	31/12	100%	100%	100%	100%
Tipik (formerly-ASCII) (Belgium)	31/12	100%	100%	100%	100%
FI System Belgium	31/12	100%	100%	100%	100%
Global India	31/03	100%	99.99%	100%	98.07%
Sword IT Solutions (Greece)	31/12	-	-	65 %	65 %
Sword Services SA (formerly Linkvest SA) (Switzerland)	31/12	100%	100%	100%	100%
Sword Lebanon (Lebanon)	31/12	97.43%	97.43%	96 %	96 %
Sword Soft Ltd (UK)	31/12	99.99%	99.99%	98.07%	98.07%
Apak (UK)	31/12	100%	99.99%	100%	98.07%
Sword Integra (Belgium)	31/12	100%	100%	100%	100%
Sword Soft Inc (US)	31/12	-	-	100%	98.07%
Buildonline India	31/12	100%	99.99%	100%	98.07%
Buildonline USA	31/12	100%	99.99%	100%	98.07%
Ciboodle (formerly Graham Technology) Ireland	31/03	-	-	100%	93.67%
Ciboodle (formerly Graham Technology) Australia	31/03	-	-	100%	93.67%
Ciboodle (formerly Graham Technology) N.Zealand	31/03	-	-	100%	93.67%
Ciboodle (formerly Graham Technology) Indonesia	31/03	-	-	100%	93.67%
Ciboodle (formerly Graham Technology) Scotland (UK)	31/03	-	-	95.51%	93.67%
Ciboodle (formerly Graham Technology) BV (Netherlands)	31/03	-	-	100%	93.67%
Ciboodle (formerly Graham Technology) South Africa	31/03	-	-	100%	93.67%
Ciboodle Ltd (formerly Graham Technology Land and Estates) (UK)	31/03	-	-	100%	93.67%
Ciboodle (formerly Graham Technology) USA	31/03	-	-	100%	98.07%
Graham Technology France	31/03	-	-	100%	93.67%
Graham Technology Hong Kong	31/03	-	-	100%	91.88%
Apak Beam (Cyprus)	31/12	100%	99.99%	100%	98.07%
Sword General Partner (UK)	31/12	100%	99.99%	100%	98.07%
Sword Sol (Luxembourg)	31/12	100%	100%	100%	100%
Sword IF (Switzerland)	31/12	57%	57%	57%	57%
Sword Technologies Solutions (UK)	31/12	100%	99.99%	100%	98.07%
Apak Inc (US)	31/12	100%	99.99%	100%	98.07%
Sword Solutions Inc (US)	31/12	100%	100%	100%	100%
Sword Participations SARL (Luxembourg)	31/12	100%	100%	100%	100%
Sword Achiever	31/12	100%	99.99%		
Vadear (consolidated and deconsolidated during the year)	31/12	-	-		
Sword Middle East (Lebanon)	31/12	98%	98%		

All the consolidated companies conduct operations, except for Sword Group, Sword Soft Ltd, FI System Belgium, Sword Sol and Sword Participations SAR, which are holding companies.

All the companies controlled at December 31, 2012 that conducted business during the year, are consolidated.
All companies are consolidated according to the full consolidation method.

Global India does not end its financial year on December 31. Therefore, it has established an intermediate position as at December 31, 2012.

NOTE 26: AUDITORS' FEES

The auditors' fees for the audit amounted to €425,551 for all group entities included in the consolidation scope at December 31, 2012.

Statutory audit of financial and consolidated statements	Other insurance services	Tax advisor	Other services	Total
408,859	5,000	-	11,692	425,551

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