SWORD

UPGRADE YOUR BUSINESS

2021 Financial Report
(FREE TRANSLATION OF THE ORIGINAL REPORT IN FRENCH)

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To the Shareholders of
SWORD GROUP S.E.
Société Européenne

R.C.S. Luxembourg B 168.244

2-4, rue d'Arlon
L-8399 WINDHOF

AUDITOR'S REPORT RELATED TO THE AGREEED UPON PROCEDURES PERFORMED ON THE TRANSLATED CONSOLIDATED FINANCIAL STATEMENTS AND STATUTORY FINANCIAL STATEMENTS

We have performed the procedures agreed with you and enumerated below with respect to the translated consolidated financial statements prepared under IFRS as adopted by the European Union and statutory financial statements prepared in accordance with Luxembourg legal and regulatory requirements of Sword Group S.E. as at 31 December 2021, set forth in the accompanying schedules.

Our engagement was undertaken in accordance with the International Standard on Related Services applicable to agreed-upon procedures engagements. The procedures were performed solely to assist you in evaluating the validity of the translated consolidated financial statements prepared under IFRS as adopted by the European Union and statutory financial statements prepared in accordance with Luxembourg legal and regulatory requirements for the year ended 31 December 2021 and are summarized as follows:

1. We obtained and read the free translation from French to English of the consolidated financial statements prepared under IFRS as adopted by European Union and the statutory financial statements prepared in accordance with Luxembourg legal and regulatory requirements, and we identified the discrepancies which could be misleading for the users of these financial statements.
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 respect to item 1, 2 and 3 we find the Sword Group 2021 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 version, only 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, we do not express any assurance on the translated consolidated financial statements prepared under IFRS as adopted by the European Union and statutory financial statements prepared in accordance with Luxembourg legal and regulatory requirements for the year ended 31 December 2021. Had we performed additional procedures or had we performed an audit or review of the financial statements 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 or to be distributed to any other parties.

Luxembourg, 20 June 2022

For MAZARS LUXEMBOURG, Cabinet de révision agréé
5, rue Guillaume J. Kroll
L-1882 Luxembourg

Olivier BIREN
Réviseur d'entreprises agréé

MESSAGE FROM THE CHAIRMAN

Looking at the situation in early 2022, we can take real pride in the strong position of the Group in terms of not only the quality of its services and products but also its financial performance.

Specifically, 2021 ended with organic growth of more than 20%, and we expect to see organic growth of 15% in 2022, while maintaining the same level of profitability.

In 2022 and for the next three years, we will be pushing ahead with our investment strategy, which includes:

- human investment, i.e. training, development and promotion of our staff;
- R&D investment in our products and services;
- investment in minor acquisitions to supplement our offering or consolidate our position.

Early 2022 has seen the sale of our Governance, Risk and Compliance (GRC) business, in consultation with the management teams. This has strengthened our net cash position and so our investment capacity.

Bearing in mind the progress made in 2021, the 2025 business plan as originally presented remains unchanged.

We will be taking further initiatives to leverage our talent.
This year, we will continue to develop our corporate social responsibility (CSR) initiatives, ensuring that those employees who want to get involved can do so.

We reassert our full confidence in our employees, clients and investors, and will pursue further growth for the benefit of all these stakeholders.

Jacques Mottard
Chairman and Founder of Sword Group

1 SWORD GROUP AS AT 31 DECEMBER 2021

1.1 THE GROUP AND ITS ACTIVITIES

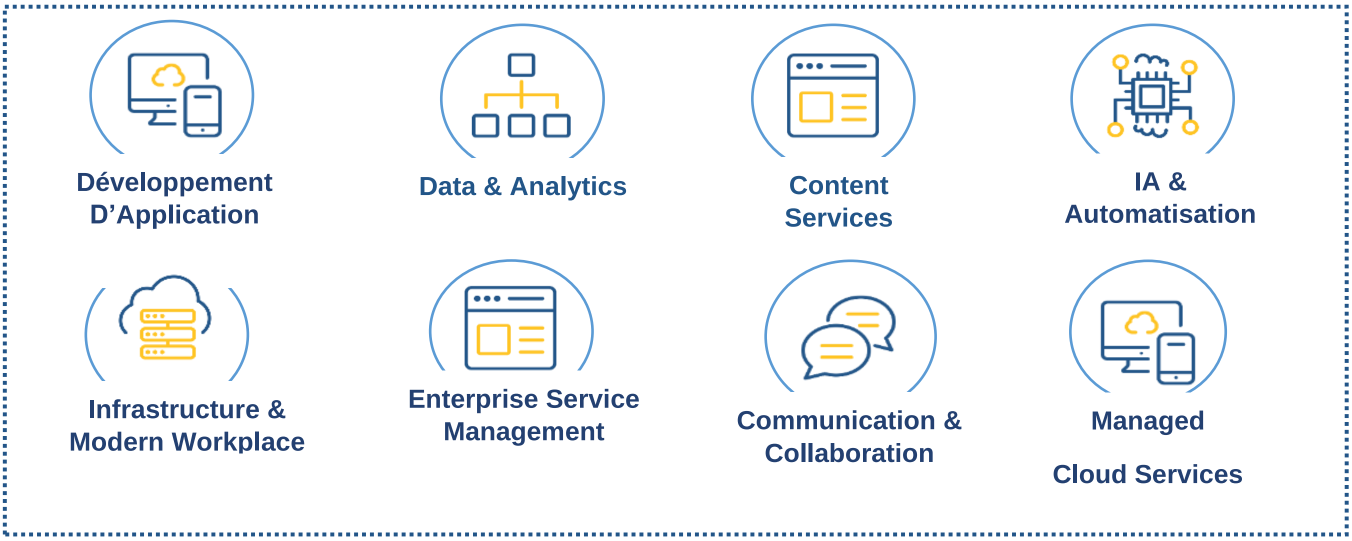
Sword Group is an international services and software company. The Group assists global leaders with their technological and digital transformation programmes.

Founded in November 2000, the Group now has more than 2,300 employees operating in over 50 countries. We offer our clients solutions tailored to their business and strategy.

To meet its clients' strategic challenges and their need both to make changes to their technological environments and to update their business processes, Sword is divided into specialist competence centres (Business Units). We provide our clients with a local presence, high-value-added know-how, a high production capacity and an optimised economic approach.

1.1.1 Services

Creating value through technology and innovations



Services: Sword advises companies on implementing innovative solutions, technically develops and integrates these solutions, and accelerates internal and external digital transformation programmes.

1.1.2 Software

Adding value through innovative software solutions

Software: Sword offers comprehensive solutions for Governance, Risk and Compliance (GRC) and for event planning, collaboration and organisation.

1.1.3 Markets

Sword's range of services is designed for the local and international operations of all key accounts and public institutions. With its technological and methodological expertise, Sword is a market leader in a number of countries.

Sword has developed unique expertise in the following targeted markets:

In these markets Sword is a day-to-day partner for these organisations across its entire range of services, providing them with support for their IT strategy and key operational issues. As a rule of thumb, Sword operates in highly regulated markets where knowledge of current regulations is critical.

1.2 KEY DATA AND INDICATORS 2021

A sustainable, growing, financially secure company listed on Euronext Paris.

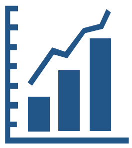
International group founded in **2000**

1,000+ clients in more than **50** countries

3 offshore support centres

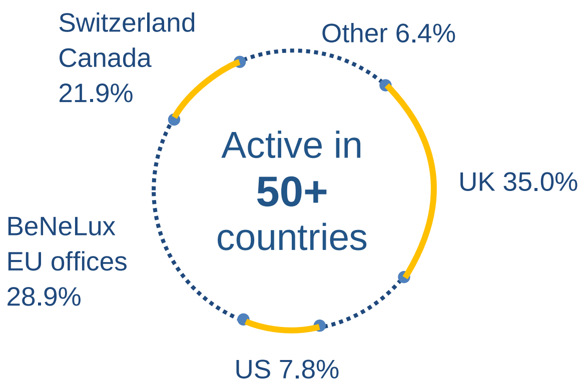
2,300+ employees

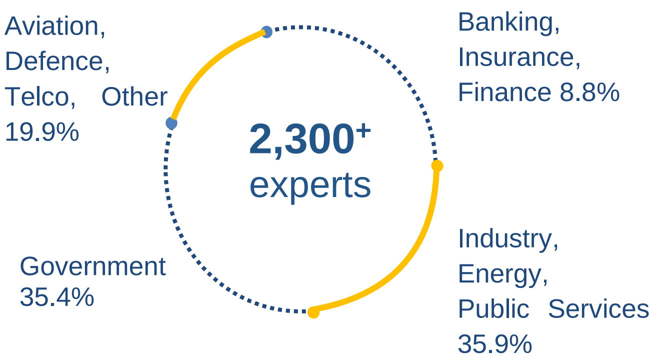
1.2.1 2021 | Performance



Consolidated revenue:
€214.6m
Revenue excluding acquisitions:
€205.6m
Pro-forma revenue (unaudited):
€223.6m

1.2.2 Breakdown of 2021 revenue | By country & by market





1.2.3 Consolidated financial statements | Condensed

In thousands of €	31/12/2021	31/12/2020	31/12/2019 (restated)
Revenue	214,534	212,534	213,182
EBITDA	29,274	29,476	28,624
Profit for the year	17,874	53,397	13,503
Non-current assets	101,063	82,340	110,812
Cash and cash equivalents	55,295	105,842	71,657
Equity	94,328	135,942	149,963
Balance-sheet total	225,676	235,255	257,297

1.3 HISTORY

2000 November – **Fundation of Sword Sword**

2002 March – **Initial public offering of the company**

Paris Stock Exchange

2002 April – **Acquisition dof Text Solution**

Company specialised in electronic document management (EDM)

2002 December – **Acquisition de la société Cronos Technologies**

IT services company specialised mainly in projects related to the European Community

2003 December – **Acquisition of Zen and Art**

IT Services Company which manly targets major New York accounts in the fields of banking and insurance

2003 December – **Acquisition of FI System Belgium**

Company dedicated to the content of the communication of large Organizations and European Institutions

2004 May – **Acquisition of Global Software Services Ltd.**

Company based in Great Britain for its commercial activities and in India in Chennai (Madras) for its production activities.

2004 July – **Acquisition of CIMAGE**

Company specialised in the field of content management

2005 July – **Acquisition of LINKVEST**

Company specialised in ECM and EAI

2005 September – **Sale of the logistics consulting business**

2005 November – **Acquisition of INTECH**

Company designing, building and delivering software for the English insurance market

2006 January – **Sale of Sword Nord**

Sword Group sells its subsidiary Sword Nord to its management

Acquisition of Nextech

Company specialised in Content Management

2006 September – **Sale of Sword Consulting France**

2006 November – **Acquisition of Real Time Engineering**

Company specialised in Content Management

2007 July – **Acquisition of APAK**

Company specialised in GRC

2007 December – **New acquisitions and Sale of Business Unit**

2008 March – **Acquisition of Graham Technology**

2009 September – **Sale of Sword Business Technology Solutions**

2009 November – **Acquisition of AgencyPort**

Leading company in the insurance industry

2011 May – **Cession de deux lignes de produits**

2011 November – **Sale of Sword CTSpace**

2012 April – **Transfer of the head office**

2012 July – **Sale of Ciboodle**

2013 August – **Acquisition of Active Risk**

Company specialised in Enterprise Risk Management Software

2014 January – **Acquisition of Charteris**

Company specialized in the development of Microsoft applications

2015 October – **Acquisiton of AAA**

Company specialized in project outsourcing IT

2016 December – **Sale of Simalaya**

2018 April – **Sale of the company based in Bâle**

2018 October – **Sale of Apak**

2019 January – **Acquisition of Magique Gallileo**

Company specialized in GRC

2019 November – **Acquisition of DataCo**

Company specialized in data management

2020 March – **Acquisition of Codify**

Company specialized in database software

2020 August – **Acquisition of Lemonade Software Development**

Company specialized in software related to digital strategy

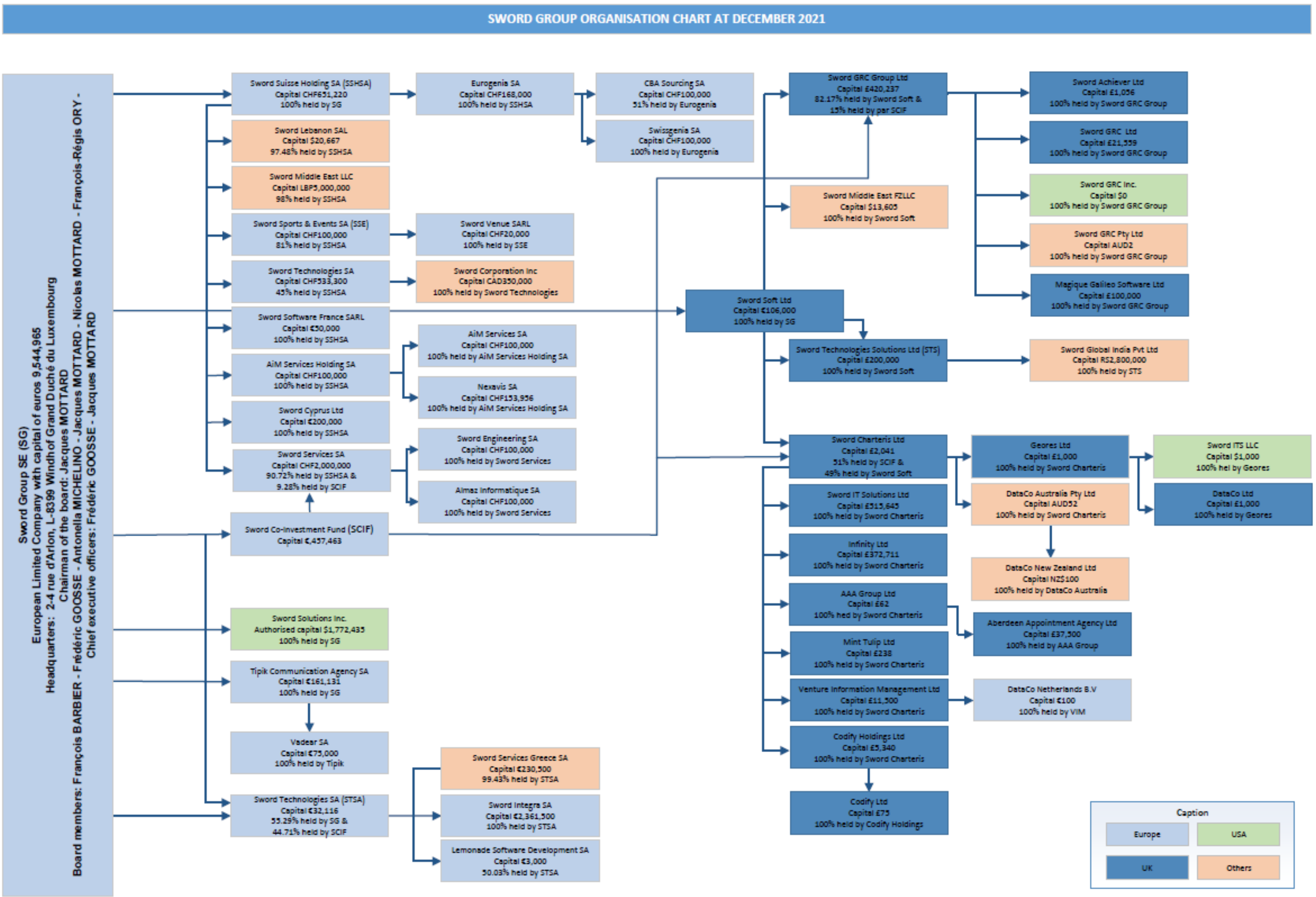
2020 September – **Sale of French Activities**

Sale to Argos Wityu and to Local Management

2021 July – **Acqusition of AiM in Switzerland**

Company sepcialised in the Cloud & Infrastructure, Mobility, Business Solutions & Data Intelligence.

1.4 SIMPLIFIED GROUP ORGANISATION CHART



As at 31 December 2021, the Group has offices in 20 countries or special administrative regions (Australia, Belgium, Canada, Cyprus, England, France, Greece, Hong Kong, India, Lebanon, Luxembourg, the Netherlands, New Zealand, Scotland, Singapore, South Africa, Spain, Switzerland, the United Arab Emirates and the United States) and is working on projects in some 50 nations.
The subsidiaries hire high-level experts and provide work for more than 2,300 people in Luxembourg and elsewhere as employees or subcontractors.

1.5 THE GROUP'S ORGANISATION

The Group is organised around the following senior management and administrative bodies:

- the Board of Directors, comprising six members;
- the Audit Committee, made up of two directors;
- the Remuneration Committee and Appointments, Governance, Ethics and Corporate Responsibility Committee (combined into a single committee);
- the Executive Management, comprising the two Managing Directors; and
- the Management Committee, consisting of six members, including the two Managing Directors.

The mission, composition and modus operandi of the senior management and administrative bodies are set out in the management report.

1.6 STRATEGY AND OUTLOOK

Sword Group's strategy is, in essence, centred on a policy of specialising in certain lines of business. As such, for the Software segment, the Group specialises in Governance, Risk and Compliance (GRC) activities. In the Services segment, it focuses on data management covering technologically innovative solutions aimed at e.g. local government, the healthcare sector, the world of sport, the EU institutions and the oil and gas industry. This strategy promotes organic rather than external growth.

The Group forecasts organic growth of 15% in 2022.

The budgeted revenue for 2022 is €256 million with an EBITDA margin of 13%.

However, this 2022 budget has been affected by events after the reporting period, namely the sale of the Governance, Risk and Compliance | Sword GRC business, so that the revenue is now forecast to be €233 million and profitability (EBITDA margin) 12%.

Acquisitions will remain an additional means of consolidating the Group's competitive position.

The Group's management does not rule out the possibility of micro-acquisitions, which can be integrated into other entities that already exist.

2 CONSOLIDATED MANAGEMENT REPORT

Shareholders are kindly informed that they are convened to an Ordinary and Extraordinary General Meeting to be held at the registered office on **28 April 2022 at 11 a.m.**, to deliberate on the following agenda:

Within the competence of the General Meeting taking decisions under the quorum and majority conditions required for Ordinary General Meetings:

- reading of the Board of Directors' management report, including the Group management report and the report on the conclusion of agreements covered by Article L.441-7 of the Law of 10 August 1915, as amended, relating to the year ended 31 December 2021;
- reading of the statutory auditor's report on the 2021 financial statements, the Group's consolidated financial statements and the performance of its duties;
- approval of the corporate accounts as at 31 December 2021;
- approval of the consolidated financial statements as at 31 December 2021;
- the allocation of profit or loss for the year ended 31 December 2021;
- discharge granted to the directors for their management duties for the year 2021;
- reading of and advisory vote on the Company's 2021 annual compensation report;
- approval of the remuneration policy;
- directors' remuneration;
- discharge granted to the statutory auditor for its duties for the year 2021;
- the reappointment of the statutory auditor or appointment of a new statutory auditor;
- the authority to complete formalities.

Any shareholder, regardless of how many shares they hold, is entitled to participate in General Meetings or to be represented by proxy or vote by post there.

In light of the Law of 23 September 2020, as amended, introducing measures concerning meetings of companies, brought in because of the global coronavirus pandemic, shareholders are informed that this meeting will be held without physical attendance. Therefore, participation in person will not be possible, and all shareholders are invited to participate in this meeting and to exercise their rights exclusively by postal voting or by proxy or through a designated representative.

2.1 ABOUT SWORD GROUP

To meet its clients' strategic challenges and their need both to make changes to their technological environments and to update their business processes, Sword is divided into specialist competence centres (Business Units). We provide our clients with a local presence, high-value-added know-how, a high production capacity and an optimised economic approach.

The business comprises two divisions:

- Services: this is organised into competence centres and accounts for 90% of the Group's revenue;
- Software: this is responsible for 10% of the Group's revenue.

Services: Sword advises companies on implementing innovative solutions, technically develops and integrates these solutions, and accelerates internal and external digital transformation programmes.

Software: Sword offers comprehensive solutions for Governance, Risk and Compliance (Sword GRC) and for event planning, collaboration and organisation (Sword Venue).

One of the key factors in Sword's success is the local service we foster with our clients.

2.2 HIGHLIGHTS OF THE YEAR 2021

- On 1 March 2021, the Group acquired 100% of the capital of Almaz Informatique S.A., a company incorporated in Switzerland, for CHF 2,520,000 (equivalent to €2,293,000), excluding additional payments.
- On 20 July 2021, the Group acquired 100% of the shares in AiM Services Holding S.A., a company incorporated in Switzerland, for CHF 5,780,000 (equivalent to €5,264,000), excluding additional payments.

2.3 CORPORATE RESPONSIBILITY AND NON-FINANCIAL PERFORMANCE

2.3.1 Sword's corporate responsibility commitments

We chose people-centred objectives from the outset and have since made the following additional **commitments**:

- **Combating climate change**
  Since 2016, when the company introduced its electric vehicle policy, we have worked to constantly reduce our greenhouse gas emissions, bearing in mind the requirement of carbon neutrality by 2030.

- **Increasing our proportion of female staff**
  While we operate in what has traditionally been a very male-dominated sector, we are aiming for gender parity in our teams so that we can achieve parity at management level in the future, through internal promotions.
  We have now reached the milestone of 42% of women in our overall workforce.

- **Supporting a cause that can unite all our cultures**
  The Group is committed to promoting women's interests at all levels, and has invested in patronage and sponsorship in Europe and Africa aimed at encouraging women's sport and their integration through sport.
  For example, our current programme in Senegal aims to integrate 300 women a year into society through football.

- **Applying our three core values every day**
  To secure staff buy-in to our three core values, we have again avoided top-down management in favour of a less structured approach whereby we promote a range of local initiatives that support our goal.

- **Having a clear and quantified vision of our future**
  We have kept our employees and the market regularly updated about our four-year business plans. Our latest business plan takes us up to 2025 and includes initiatives to outperform the plan by the end of that period.

- **Ensuring our Group's long-term future**
  Since 2018, we have drawn up Business Unit risk analyses, which are consolidated at Group level then presented and discussed, and then finalised by the Board of Directors.
  We have also, through the Group's decentralisation, promoted independent BU directors, who are themselves managed by general managers, thereby reducing the risk of isolation of these managers.

2.3.2 Sword | Involvement at all levels

Rather than setting up environmental, social and governance (ESG) committees and making this approach '**functional**', we decided to apply an '**operational**' approach instead. Consequently, from 2022, all levels of the business, from the Board of Directors to the project teams, will have to propose and implement a policy of continuous improvement. That means:

- **in terms of labour/employment: internal promotions, respect for others, diversity, dialogue.** Note that this strategy has been applied successfully for a very long time, and is integral to the nature of a wholly globalised and decentralised group with employees from all backgrounds;

- **in terms of business operations**: customer satisfaction, safety/security, responsible sourcing;

- **in terms of society**: digital protection for all stakeholders, civic engagement and ethics;

- **in terms of the environment**: aiming for carbon neutrality throughout the chain, among both clients and suppliers.
  An ad hoc committee will be established in 2022. It will report to the Board of Directors and will be responsible for ensuring that the whole Group not only endorses these principles, but actually applies them.

2.3.3 Ongoing monitoring

- **Major awards and certifications**
  - The vast majority of our subsidiaries are ISO 27001, ISO 9001 and ISO 20000 certified, and we will start by extending all these certifications to the entire Group.

  - At Group level:

In 2011 Sword Group joined the United Nations Global Compact, thereby pledging to abide by the 10 principles related to human rights and labour, the environment and corruption.

By joining, the company was keen to show it was a socially responsible stakeholder in the global economy. The United Nations Global Compact was chosen as it provides a globally recognised framework as well as sustainability. Sword Group therefore complies with the 10 principles set out by the Compact:

- Universal Declaration of Human Rights;
- International Labour Organization Declaration on Fundamental Principles and Rights at Work;
- Rio Declaration on Environment and Development;
- United Nations Convention against Corruption.

Human Rights

- Businesses should support and respect the protection of internationally proclaimed human rights; and
- make sure that they are not complicit in human rights abuses.

Labour

- Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- the elimination of all forms of forced and compulsory labour;
- the effective abolition of child labour; and
- the elimination of discrimination in respect of employment and occupation.

Environment

Businesses should:

- support a precautionary approach to environmental challenges;
- undertake initiatives to promote greater environmental responsibility; and
- encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

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

THE GLOBAL COMPACT

WE SUPPORT

www.unglobalcompact.org

Sword Group's social responsibility means viewing the company not only as a centre of production and a profit-making entity but also as having a responsibility for its wider environment (people inside and outside the company, the natural environment, etc.).

This general principle is implemented through various actions tailored to the specific circumstances of Sword Group, its businesses, its employees and its subsidiaries.

Similarly, the Group participates in assessments by non-financial rating agencies, such as:

ecovadis

Gaïa RATING

EthiFinance ANALYSE & CONSEIL EXTRA-FINANCIERS

The Group started updating all these assessments in 2021 and will continue with this in the years ahead.

2.3.4 Social and environmental responsibility

2.3.4.1 Combating climate change

Since the Group has no industrial operations as such, a much more subtle approach was needed:

- **Day-to-day actions of our employees**
  We have provided financial assistance to our employees wishing to switch to clean vehicles, with help to hire electric cars and/or bikes.
  Car sharing is also encouraged, with local partnerships put in place.
- **People management**
  We are in the process of systematically reducing journeys and investing heavily in all digital tools enabling remote communication. Examples include:
  - paying for home-working facilities for our Indian staff;
  - installing extensive and sophisticated videoconferencing systems at all our sites;
  - taking into account proximity criteria entailing an inherent reduction in energy consumption.
- **Premises management**
  We have taken a range of steps to reduce our energy consumption (presence detectors for turning power on and off, better office insulation, reducing unnecessary heating/air conditioning during staff absences, systematically reusing heat emitted by our data centres in order to cut our heating bills).
  After the first two years of applying this policy, power consumption per employee is down by 22%.
- **Operations management**
  We have put in place a management policy for all our material assets, including:
  - increasing the lifespan of our equipment;
  - managing electrical and electronic equipment waste;
  - managing our paper/cardboard waste, with systematic recovery by specialised companies employing staff with disabilities;
  - systematically reusing end-of-life equipment, primarily through donations to NGOs;
  - maximising the use of digital tools, especially for communication, in order to reduce paper use.

	60% of the energy we consume is green		97% of our IT equipment is recycled
	80% of our waste is recycled		92% of purchases are from local suppliers **excluding IT equipment*

2.3.4.2 Increasing our proportion of female staff

This goal cannot be achieved at the expense of fairness. In other words, we have to recruit and promote female staff based wholly on merit and not on numbers.
With this in mind, we have followed our usual approach of implementing an improvement policy, which will allow us to move towards a better gender balance little by little and level by level.
Until the 2000s, the IT world was extremely male-dominated, which meant that some companies were unable to promote women at all levels.

In conclusion, the Board of Directors has decided on the following approach:
- where women and men have equal skill sets, prioritise the recruitment of the former in order to increase the proportion of women in the company from 42% to 50%;
- undertake internal promotions coupled with training, in order to achieve gender parity among BU directors within seven years;
- increase female representation on the Executive Management Committee, through either internal promotion or recruitment;
- propose female directors to the General Meeting.

2.3.4.3 Supporting causes that can unite all our cultures

This initiative was proposed by our sports market teams and originally involved providing assistance to a women's football team (e.g. Olympique Lyonnais Féminin), in order to promote the sport at the professional level.

The strategy has since evolved in terms of:
- countries (e.g. Senegal);
- form (e.g. amateur football);
- objectives (e.g. providing assistance to 300 women a year in Senegal in order to reintegrate them into society through sport).

At the same time, we have helped women's teams in charity marathons through sponsorship, and have entered Sword teams in charity races.

In addition, we are involved in the following initiatives:
- recruitment of refugees for non-essential operational activities, in partnership with Powercoders;
- partnerships with the Red Cross, Terre des Hommes, Médecins Sans Frontières and UNICEF;
- help for people with disabilities;
- coaching young students through a mentoring programme in three countries: the UK, Lebanon and France.

2.3.4.4 Applying our three core values

We felt that the success of our CSR strategy would depend on employees being able to get behind the same set of objectives.

As our three values are simple, and compatible with all the criteria of a good CSR policy, our preferred approach was to support a raft of local initiatives that promote our values, based on ideas and suggestions from our teams.

- **Respect**

Respect for others has been bolstered by projects such as *Nos collaborateurs ont du talent* ('Our employees have got talent'), which showcases the non-work-related talents of our employees and so encourages mutual respect and sharing.

- **Rigour**

Motivating teams around the word 'rigour' is not easy. However, if it is seen as a way for someone to reach their full potential within a team by giving them the space and freedom they need, it becomes a shared value.
We have introduced an ongoing challenge that can be summed up as 'more delegation versus more rigour'. Above all, we have greatly simplified our rules.

- **Involvement**

'Involvement' begins with details, but the sum of the details enables everyone to succeed. Whether it be in our communication, our business activities or the success of our projects, all of our employees are involved, considered and thanked.
Here too, the initiatives must come from the teams on the ground.

2.3.5 Non-financial performance indicators

The table below presents for each non-financial domain the policies implemented by the Group, the results achieved and the future objectives.

Domain	Objectives	Policies implemented	Results/Objectives
Staff	Recruitment process	Increasing attractiveness to universities and engineering schools	Increase in hires in 2021
	Staff retention	Maintaining a high-quality work environment	Absenteeism is low
		Giving each employee the tools to evolve and develop their skills through training programmes	In 2021, 55% of Software employees and 48% of Services employees completed internal or external training.
Information Technology	Security, reliability and continuity of our systems	Protecting our data	Lead the roll-out of ISO 27001 (and related technologies/policies) across the Group Produce a comprehensive set of standards, processes and documents Deploy management tools to ensure that IT and information security is maintained
Ethics and Governance	Amendments to laws and regulations	Strengthening the internal control system	In 2021, the Group set up a Governance, Ethics and Responsibility Committee to strengthen its oversight in these areas
Environment	Energy and carbon emissions	Using green energy	In 2021, 60% of the energy consumed was green

2.3.6 HR figures

2.3.6.1 Consolidated workforce

2021	Billable workforce			Non-billable workforce	Total
	Staff	Subcontractors	Total		
Software	124	-	124	24	148
IT Services	986	690	1,676	159	1,835
Offshore	185	142	327	14	341
Holding company	-	-	-	5	5
Total	1,295	832	2,127	202	2,329

2.3.6.2 Number of hires | By country - by division

Governance, Risk & Compliance	52
BeLux-Greece-Spain	235
Switzerland-Canada	116
UK-US	140
Other	103
Total	**646**

By way of comparison, 225 new employees were hired in 2020.

2.3.6.3 Staff rotation

In 2021, excluding acquisitions, staff rotation was 8.4%, i.e. a net increase of 487.
By division, this equated to 8% in Software and 9.3% in Services.
By way of comparison, staff rotation in 2020 was 10% in Software and 9% in Services.

2.3.6.4 Staff training

Training amounted to 40 hours per full-time equivalent (FTE) in Software and 31 hours per FTE in Services. In 2021, 55% of Software employees and 48% of Services employees completed internal or external training.

2.3.6.5 Research & Development

Research & Development (R&D) activities are concentrated in the following domains:

SOFTWARE
R&D on existing products and on the development of new GRC modules accounted for 30.1% of Software revenue in 2021.

SERVICES
Capitalised R&D accounted for 0.9% of Services revenue.

2.4 BUSINESS ETHICS

On 20 December 2010, the Board of Directors of Sword Group adopted an Ethical Charter. The Charter aims, in particular, to lay down the key values and principles shared by the whole of Sword Group and its employees and to affirm the ethical commitment of Sword Group in all its areas of activity, vis-à-vis shareholders, members of the company, clients, suppliers and partners.

2.4.1 Sword Group's commitments

- Shareholders: Sword Group wants to assure shareholders of the profitability of their investment and to regularly provide them with transparent and complete, fair and true information.
- Clients: In its dealings with clients, Sword Group complies with principles of integrity and fairness and undertakes to provide quality products and services and to respect the commitments it has made. Therefore, Sword Group's expertise, experience and infrastructure are made available to its clients to help them improve their performance, boost their efficiency and maximise their returns on investment. The success of its products and solutions is based on a unique combination of experts from the fields of industry and technology who fully understand the challenges facing the business and are committed to providing innovative solutions through close collaboration. The talent running through Sword Group's teams and its robust network of affiliated partners are key to the lasting success of our company. An Anti-Bribery Policy has also been put in place to raise employee awareness.
- Suppliers: In its dealings with suppliers, Sword undertakes through its Responsible Purchasing Charter to favour local suppliers and service providers and to develop long-term relationships.
- Employees: Sword Group respects employees' rights and working conditions and ensures they develop their professional skills. Sword Group fosters its employees' personal development while respecting their privacy and aims to promote their creativity and initiative. Sword Group seeks to develop a trusting, respectful and frank relationship with each of its employees. The Group has implemented a Whistle-Blower Policy to cover concerns that are in the public interest.
- Civil society: Sword Group is involved in the economic and social development of the countries where it operates, complying with the legislation in force there. In particular, Sword Group abides by the principles of the 1948 Universal Declaration of Human Rights and of the International Labour Organization. Sword Group follows the rules surrounding free competition and supports the fight against corruption in all its forms. Sword Group does not make political interventions or fund political parties. In the context of its activities, Sword Group ensures respect for the environment and sustainable development. In keeping with its values, Sword Group is a signatory to and participant in the United Nations Global Compact.

2.4.2 Sword Group employees' commitments

Sword Group employees are expected to reflect the Group's principles and values in their day-to-day activities by:

- complying with applicable legislation;
- being fair and honest in their relations with Sword Group and ensuring good relationships within work teams and in particular, as part of this, not accepting or soliciting gifts or benefits going beyond standard or commercial practice and that are likely to influence their behaviour;
- meticulously applying health, safety and environmental protection rules;
- forging clearly defined, honest and professional relationships with Sword Group's clients and partners, meaning that they must provide their clients and partners with a top-class commercial approach and a high level of technical know-how;
- refraining from disclosing to third parties or unauthorised Group employees confidential business information to which they are privy;
- respecting the confidentiality of the information to which they are privy and in particular, refraining from directly or indirectly using for personal ends privileged information that may come into their possession in the course of their duties, and not engaging in any insider trading;
- avoiding any conflict of interests between Sword Group and their personal interest; and
- refraining from engaging in any political activity except as a private individual, in which case this must be undertaken outside working hours and away from the workplace and without mentioning that they are a Sword Group employee.

2.5 CONSOLIDATED FINANCIAL REVIEW

The table below presents Sword Group's simplified consolidated income statement for the year ended 31 December 2021 compared with that for the year ended 31 December 2020.

	Year		
€m	**2021**	**2020**	**Organic growth**
Revenue	**214.6**	**212.5**	**+21.5%**
EBITDA	**29.3**	**29.5**	**+21.0%**
EBITDA margin	**13.6%**	**13.9%**	**-**

The following analyses are based on a comparison of 2021 with 2020.

2.5.1 Activity and revenue

Consolidated revenue stood at €214.6 million in 2021 with profitability of 13.6% (EBITDA). The backlog as at 31 December 2021 was 24.1 months of revenue vis-à-vis the budgeted revenue for 2022 on a like-for-like basis.

Detailed breakdown of revenue and EBITDA:
The percentages are calculated based on the figures in thousands of euros.

BY DIVISION

€m	Revenue	EBITDA	%
Software	**19.7**	**5.4**	**27.3%**
Governance, Risk & Compliance	19.7	5.4	27.3%
IT Services	**194.8**	**23.8**	**12.3%**
BeNeLux-Greece-EU offices	62.1	5.2	8.4%
Switzerland-Canada	46.9	4.3	9.2%
UK-US	75.0	11.3	15.1%
Other *(including offshore)*	10.8	3.0	28.0%
Total	**214.6**	**29.3**	**13.6%**

SOFTWARE

€m	Consolidated	
	2021	2020
Revenue	19.7	16.4
EBITDA	5.4	4.1
%	27.3%	25.3%

This division brings together the GRC products.

It recorded organic growth of +20% in 2021. The development of new modules achieved thanks to the investment in R&D is in line with forecasts and is expected to bear fruit in 2022.

SERVICES

(A) BeNeLux - Greece - EU offices

€m	Consolidated	
	2021	2020
Revenue	62.1	50.6
EBITDA	5.2	4.9
%	8.4%	9.7%

The profit margin for BeLux continued to surpass expectations, with an organic growth rate of +22.7%. The order book grew faster than revenue.

(B) Switzerland - Canada

€m	Consolidated	
	2021	2020
Revenue	46.9	29.8
EBITDA	4.3	3.0
%	9.2%	10.2%

Switzerland recorded organic growth of +27.3%.

A new company was integrated into the scope in July 2021 and is already in line with Group standards.

(C) UK - US

€m	Consolidated	
	2021	2020 (i)
Revenue	75.0	63.2
EBITDA	11.3	10.0
%	15.1%	15.8%

Organic growth for this division was +18.7%. The Houston (Texas) entity outperformed the Business Plan.

(D) Other (Offshore + Other)

€m	Consolidated	
	2021	2020 (i)
Revenue	10.8	9.1
EBITDA	3.0	1.6
%	28.0%	17.6%

Organic growth was +17.6% in 2021. The establishment of the Cyprus entity will safeguard our Lebanese activities.

(i) An activity generating €2.3 million was transferred from the 'Offshore + Other' entity to the 'UK-US' entity on 1 January 2021.

GRAND TOTAL

	Consolidated	
€m	2021	2020
Revenue	214.6	169.2
EBITDA	29.3	23.7
%	13.6%	14.0%

2.5.2 Earnings before interest, taxes, depreciation and amortisation, excluding non-recurring items (EBITDA)

Consolidated EBITDA in 2021 was €29,274,000, i.e. 13.6% of 2021 revenue.

2.5.3 Debt, cash flow and investments

The Group's net cash (active cash – debt) fell from €105.8 million as at 31 December 2020 to €55 million (excluding the impact of IFRS 16) as at 31 December 2021.
The cash flow generated by operating activities came to €17,329,000.
Gross investments for the year, both intangible (excluding goodwill, market shares and business capital) and tangible, stood at €10,284,000.

2.5.4 Acquisitions and disposals

The operations are detailed in the 'Highlights' and 'Subsequent events' sections of this report.

2.5.5 Provisioning policy

The level of provisions for risks and contingencies is due to Business Unit Directors' rigorous approach regarding the risks covered.
Provisions are recognised for these risks and contingencies on the basis of the best estimate of costs likely to be incurred. The total sum of provisions for risks and contingencies stood at €1,086,000 in the consolidated financial statements as at 31 December 2021.

2.6 ALTERNATIVE PERFORMANCE INDICATORS

The non-IFRS financial indicators presented in the annual report do not fall under a set of accounting standards or principles and must not be considered a substitute for the accounting aggregates presented in accordance with the IFRS standards. The non-IFRS financial indicators must be read in conjunction with the consolidated financial statements prepared in accordance with the IFRS standards. It is also possible that Sword Group's non-IFRS financial indicators will not be comparable with other non-IFRS data used by other companies.

Management use non-IFRS financial indicators, in addition to IFRS financial information, to assess their operating performance, evaluate their ability to generate cash flow, take strategic and operational decisions and plan and set their growth objectives. The Group believes that the non-IFRS financial indicators also provide investors and financial analysts with a relevant basis for assessing the Group's operational performance over time and comparing it with that of other companies in its sector, as well as for meeting its development needs.

The Group mainly uses two non-IFRS financial indicators, i.e. **the organic growth rate** and **a measure of profitability calculated on the basis of the EBITDA**.

Organic growth is defined as revenue growth on a like-for-like basis. Organic growth on a constant exchange-rate basis corresponds to revenue growth on a like-for-like basis and at constant exchange rates.

To measure revenue growth on a like-for-like basis, the Group takes as its starting point the consolidation scope at the end of the benchmark year (in this case 31 December 2021). Therefore, the consolidated revenue for the year under review (year N) and the previous year (year N-1) has been restated as follows:

- it includes revenue generated by entities acquired during year N prior to the date on which the Group took control;
- it does not include revenue generated for year N-1 and year N by companies sold during year N.

When reference is made to changes in revenue at constant exchange rates, the impact of exchange rates is eliminated by recalculating the revenue for year N-1 on the basis of exchange rates used for year N.

Organic growth can be used to assess the Group's ability to generate internal growth, in other words its ability to develop its business activities and create added value.

This report presents growth in revenue in terms of historical value before restatement, or on a like-for-like or constant exchange-rate basis.

Group profitability is defined as a gross margin rate by comparing current EBITDA with revenue.

Current EBITDA corresponds to revenue less purchases, personnel expenses, other external charges, allocations to provisions and other current operating expenses, plus write-backs on provisions and other current operating income, as presented in the consolidated income statement. In the income statement, reference is made to 'Earnings before interest, taxes, depreciation and amortisation, excluding non-recurring items'.

This profitability indicator has two objectives:

- to assess the Group's development in the medium term (excluding non-recurring costs);
- to assess the Group's capacity to generate cash flow arising from day-to-day operations (in other words, its self-financing capacity).

In addition to the indicators described above, the Group uses **current EBIT** (see definition below) as a starting point for assessing free cash flow when it conducts goodwill impairment tests. A sensitivity analysis is conducted in the context of these tests. It aims to ensure fluctuations, within a reasonable range, in the scenarios used as a basis for estimated financial forecasts, including EBIT expressed as a percentage of revenue.

Current EBIT (listed as 'Earnings before interest and taxes, excluding non-recurring items' in the consolidated income statement) is an aggregate similar to current EBITDA, if only in so far as it provides an indication of the Group's operating margin after deducting depreciation charges, i.e. after taking account of its investment structure.

2.7 RISK FACTORS AND CONTROLS

2.7.1 Risks related to the Group's activities

An overview of the most significant risks is provided below, divided into three levels of occurrence, from high (***) to low (*):

	Degree of importance
Risks related to the performance of fixed-price projects and to the recognition of associated income	***
Risks related to hiring personnel as a result of strong organic growth	***
Risks related to technological obsolescence	**
Risks related to system security and protection	*
Risks related to ethics and legal compliance	*

As set out below, the Group's structure and the measures it has taken aim to mitigate the effects of the above risks if they occur.

Risks related to the performance of fixed-price projects

Sword Group's industrial methodological approach makes it possible to guarantee results while keeping to the budget and the schedule. This approach is based on the quality-assurance system accompanying a set of certifications tailored to each division, and has the following features:

- compliance with ISO 9001;
- a strong commitment by Sword's Executive Management;
- the day-to-day involvement of all engineers during project execution.

For Sword Group, project quality assurance is not limited to simply drafting a Quality Assurance Plan (QA Plan). This plan's effectiveness depends on its full adoption by the various project stakeholders and on quality monitoring. During the project, various participants are involved and take action that contributes to the quality of the end product.

A Quality Assurance approach to a project entails:

- the documentation of the project's priority objectives;
- the implementation of the rules and the means deployed to achieve them;
- the implementation of the rules and the means deployed to monitor them;
- the proper targeting of actions required for the project, thereby increasing the effectiveness and level of the service provided.

However, teamwork is required to achieve a quality product. Quality Assurance channels all the project stakeholders' actions to ensure the success of the project and achieve the required level of quality. However, this is no substitute for everybody having the appropriate expertise and motivation, which are the basic prerequisites for a quality product.

A progress report is provided each month by the Business Unit Directors. This is then checked by the local CFOs and validated by the parent company. If there are doubts about any revenue recognition for fixed-price projects, an external audit is carried out.

In the year 2021, the total of days gained and lost vis-à-vis the initial estimates for the cost of projects was positive as a result of the systematic application of our quality-focused approach.

However, any delay in a project means that all overruns estimated with respect to the project's initial budget are immediately recognised in profit or loss in the form of commercial concessions (= excess time assigned to the project not recognised in revenue).

Risks related to hiring employees

Due to its strong organic growth, the Group is always on the lookout for new employees, as they are instrumental to its success. As a result, the Group places particular emphasis on its attractiveness and ability to retain talent. This is demonstrated specifically by the following:

- investment in training, enabling skills to be maintained and knowledge to be shared;
- involvement with universities and engineering schools through internships and regular contributions to training courses;
- the balance between work, family and leisure activities;
- equal treatment of all employees;
- access for managers to incentive plans related to their local company's performance.

Risks related to technological obsolescence

By capitalising on our know-how with our software components, we have a firm grasp of the technological advances of our partners and suppliers.

Risks related to system security and protection

The upkeep of our infrastructure and the storage of daily backups are managed by an outside company.

A civil-liability insurance policy allows us to cover all risks relating to damage caused by our employees at client sites.

The following steps are planned over the next three years to ensure the security and governance of the Group's IT systems:

- roll out documented processes and tools in order to obtain ISO 27001 accreditation;
- perform (and act on) regular external penetration testing and internal vulnerability scans;
- move all the Group's external connectivity to a centrally managed secure portal;
- deploy a document classification and protection system (Microsoft AIP/DLP);
- consolidate all connections to software/services on Azure AD (secure single sign-on);
- consolidate system management and security tools (Microsoft Defender/Azure Sentinel).

Risks related to ethics and legal compliance

The Group has an Ethical Charter. The Charter aims, in particular, to lay down the key values and principles shared by the whole of Sword Group and its employees and to affirm the ethical commitment of Sword Group, in all its areas of activity, vis-à-vis shareholders, members of the company, clients, suppliers and partners.

The Group's Finance Department is made up of two people who have worked in chartered accountancy and statutory auditing. Their remuneration is not based on the Group's performance.

2.7.2 Financing structure and policy

Since 2018, the Group has no longer had any bank debt. Sword Group SE's management plans to maintain substantial lines of bank credit. Available lines of credit amounted to €90 million as at 31 December 2021.

These are intended to finance internal and external growth based on market opportunities, while maintaining a sound financial structure.

2.7.3 Financial risks

The Group adopts a cautious policy when it comes to managing its market risks, of which the main one is foreign-currency risk. The financial risks to which the Group is exposed and the policies to address them are detailed in Note 4 to the consolidated financial statements.

2.7.4 Insurance

The general insurance policy for civil liability and employees on assignment involves three main areas:

- operations/post-delivery/professional civil liability for all Group companies;
- liability for the senior executives and corporate officers of Sword Group and its subsidiaries;
- All Travel Risks for employees on assignment.

The general policy aims to cover risks having a significant financial impact and for which the Group is unable to insure itself financially.

The guarantee levels of the civil-liability insurance contracts are as follows:

- Professional/post-delivery civil liability

Amount of guarantee | All types of damage: €15,000,000 per claim and per year of insurance

- Operations civil liability

Amount of guarantee | All types of damage: €10,000,000 per claim
Including:

- Consequential material and non-material damage: €1,500,000 per claim
- Negligence: €1,500,000 per claim and per year of insurance
- Accidental damage to the environment: €1,500,000 per claim and per year of insurance
- Other non-material damage: €1,500,000 per claim and per year of insurance
- Property in care, custody and control: €2,500,000 per claim and per year of insurance
- Claims by neighbours and third parties/Rental risks: €2,000,000 per claim
- Criminal defence and recourse within the limit of the fees approved by GIE CIVIS: €20,000 per claim and €50,000 per year of insurance

- Civil liability for senior executives and corporate officers

The civil-liability insurance covers senior executives, de jure and de facto, including corporate officers of Sword Group and of the subsidiaries in which it is the majority shareholder. The purpose of this insurance is to cover, on behalf of the insured parties, the defence costs and financial consequences of legal action against them incurring their personal liability in their role, up to the policy limit: €15,000,000 per claim and per year of insurance.

All Travel Risks insurance covers employees on business trips.

Other insurance policies cover damage to Sword Group property.

An analysis of the main risks involved in the Group's activities and which can and must be insured reveals that these are normally covered by insurance contracts taken out with companies known to be solvent.

2.7.5 Internal control system

The Group's internal control procedures have the following aims:

- on the one hand, to ensure that the operational management, transactions and employees' conduct comply with the framework provided by the broad sweep of the Company's activities as defined by the corporate bodies and by the applicable laws and regulations and by the values, standards and internal rules of the Group;
- on the other hand, to check that the accounting, financial and management information provided to the management of the Company accurately reflects the Group's operations and financial position.

One of the objectives of the internal control system is to prevent and manage the risks resulting from the Company's business activity, as well as the risk of errors and fraud, in particular in accounting and finance.

The internal control procedures are decided on by Sword Group's Board of Directors and an internal control officer was appointed to monitor the different risks identified by the Board of Directors, in accordance with the X Principles of Corporate Governance of the Luxembourg Stock Exchange.
The internal control procedures focus on operational and financial activities. All the bodies involved in corporate governance participate in implementing internal control processes.

In terms of internal control procedures relating to the preparation of financial and accounting information, the Group has introduced the following measures:

- reporting financial information in the form of monthly analytical reporting to identify and analyse deviations from the objectives set by the Group's Finance Department;
- making the consolidation process more reliable and reducing the time frames for producing and communicating financial information, based on:
    - empowering the heads of subsidiaries;
    - using consolidation software to secure data processing and eliminate intra-group transactions;
    - introducing a module on IFRS 16, covering commitments related to buildings and vehicles;
    - an in-depth review by the Group's Finance Department;
- systematising the review of quarterly financial information by the Audit Committee and the Board of Directors.

While not providing a cast-iron guarantee that these risks will be completely eliminated, the internal country system aims to identify risks and prevent their occurrence.

2.7.6 Extraordinary events and litigation

To the Company's knowledge, apart from litigation that has been provided for in the accounts, there have not been any events or litigation that could lead to such a situation and could have or have had a significant impact on the results in the last 12 months, the financial position or the assets of Sword Group SE or any of its subsidiaries.

2.8 CORPORATE GOVERNANCE

2.8.1 Introduction

From 11 April 2012 onwards, the Board of Directors decided to adhere voluntarily to the X Principles of Corporate Governance of the Luxembourg Stock Exchange.

2.8.2 Corporate Governance Charter

The Governance Charter presents the governance framework for the activities of Sword Group, pursuant to the 10 Principles of Corporate Governance of the Luxembourg Stock Exchange which the Company has subscribed to. Its aim is to clarify the powers and responsibilities of the different entities that constitute the governance of Sword Group.

This Governance Charter complements the following existing 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;
- a manual of the IFRS accounting principles, drafted by an independent firm;
- a technical handbook for each country that includes the quality standards in force (CMM, ISO);
- an Ethical Charter that was approved by Sword Group's Board of Directors on 20 December 2010;
- Rules of Procedure of the Board of Directors, which are regularly updated;
- an Audit Committee Charter;
- an Anti-Bribery Policy;
- a Data Protection Policy;
- a Whistle-Blower Policy.

These documents are regularly subject to a review procedure initiated by the Board of Directors.

The charters and policies are available on the company's website.

2.8.3 Board of Directors

2.8.3.1 Mission

The Board of Directors is the body responsible for the management of Sword Group. It meets as many times as is necessary to perform its duties.

The Board of Directors is a collegiate body that is responsible for making all decisions and performing any actions that are necessary or useful for the achievement of the Company's corporate purpose, with the exception of powers explicitly reserved by law or the Memorandum and Articles of Association for the General Meeting of Shareholders.

The Board of Directors has the task of managing the general course of the organisation.
As such:

- it makes the Company's strategic decisions;
- it handles any issues that need to be addressed to ensure the proper operation of the Company;
- it checks and verifies all aspects that in its opinion require monitoring.

2.8.3.2 Composition

The Board of Directors has the following members:

Jacques Mottard - Chairman
Term expires in: 2024

François Barbier - Independent Director - member of the other two Committees
Term expires in: 2024

François-Régis Ory - Independent Director - member of the other two Committees
Term expires in: 2024

Frédéric Goosse - Director
Term expires in: 2024

Nicolas Mottard - Director
Term expires in: 2024

Antonella Michelino - Independent Director - Appointed in 2021
Term expires in: 2024

The members of the Board of Directors were chosen for their financial and/or technical expertise and their variety of professional backgrounds, ensuring that they bring a wealth of experience to the Board.

François Barbier, as CEO at 21 Centrale Partners, has acquired financial experience that is extremely useful for the Group, particularly in the context of our M&A strategy.

François-Régis Ory, as the founder of a listed company, has acquired through experience the operational expertise required by medium-sized companies that have to communicate with the market as listed entities.

Frédéric Goosse, as the founder of his own fiduciary company in Luxembourg, brings knowledge of the management of international holding companies in Luxembourg and the optimisation of financial flows between countries.

Nicolas Mottard, as an anaesthetist involved in several research programmes, brings to the Group essential know-how in the field of health.

Antonella Michelino, as CEO of Midas Wealth Management, brings to the Group expertise in the search for acquisition targets.

The Board of Directors' makeup reflects the Company's desire to have top-class directors on its Board with a varied skillset and proven expertise in a range of fields.
The Board has always taken care to maintain a balanced makeup, in particular by including independent directors.

The Memorandum and Articles of Association of Sword Group provide for a Board of Directors which shall have a minimum of three members and a maximum of eighteen members, except when the temporary derogation provided for mergers applies, appointed for a maximum duration of four years. The Board of Directors comprises competent and well-informed persons who have been chosen based on the specific features of the Company and its activities.

In accordance with the recommendations of the Luxembourg Stock Exchange, 50% of the Board of Directors are independent directors. Moreover, none of the above Directors have a significant holding in the share capital of the clients or suppliers of Sword Group, or in the subsidiaries of the latter.

No Directors are elected by the staff.

Given the size of the Company, and in order to improve the efficiency of the Board's decisions, the functions of the Chairman and Chief Executive Officer are not separate. For the same reasons, the appointment of a compliance officer is not considered necessary.

2.8.3.3 Other offices held by corporate officers in listed companies

No members of the Board of Directors held offices or positions in listed companies other than Sword Group during the year in question.

2.8.3.4 Modus operandi

The Board meets, carries out its functions and takes decisions in compliance with applicable statutory and regulatory provisions, as complemented by the provisions of Sword Group's Memorandum and Articles of Association. Currently there are Rules of Procedure, which are published on the Group's website, but no teller.

In the absence of a Works Council, no staff representative of the Company or the Group takes part on a regular basis in the Board of Directors' meetings.

The budgets are forwarded to the Board annually. The Board also receives the analytical accounts on a monthly basis and the general accounting every quarter.

The Board is informed ahead of time of any acquisition or activity creation project and more generally speaking of all significant financial operations.

For each meeting of the Board of Directors, the relevant documents in relation to the agenda are sent to the members prior to the meeting. The Directors may request, at any time of the year, any information that they consider useful on the way in which the Company goes about its business.

All the Directors, executive or otherwise, have the same access to the information and resources that are necessary for the performance of their duties.

Sword Group's Memorandum and Articles of Association provide for a Board of Directors' meeting to be held as often as the Company's interests require this.
The Group uses its law firm to send out the invitations to attend the Board meetings. The Board generally meets at the registered office and the law firm assists the Chairman with drafting the minutes.

Within the scope of the reinforcement of the governance rules, Sword Group has laid down a set of Rules of Procedure that specify how the Board of Directors works, set up a number of committees, and laid down obligations of the Directors within the scope of their functions, in particular their ethical obligations.

The Board of Directors completes its assessment every year. The Directors consider as at the reporting date that the current functioning of the Board of Directors enables them to perform their role properly.

In 2021, the Board met six times with an attendance rate of 95%.

2.8.4 Audit Committee

In specific domains, the Board of Directors may be assisted, in an advisory capacity, by specialist committees established by the Board, which also determines their role, responsibilities, composition and modus operandi.

As such, it established an Audit Committee,

which assists Sword Group's Board of Directors in its tasks of supervising the financial reporting, external audit and internal control processes.

The Audit Committee has the following members:

- François-Régis Ory, Chairman;
- François Barbier.

The Committee's main duties include:

- monitoring the process of preparing and processing accounting and financial information;
- reviewing the financial statements and off-balance-sheet commitments;
- monitoring the consistency and appropriateness of accounting policies;
- reviewing financial policy;
- assessing the effectiveness of the systems put in place by management to identify, assess, manage and control financial and non-financial risks;
- monitoring the operation of the internal control and risk management systems with respect to the preparation and processing of accounting and financial information;
- monitoring the operation of the internal control and risk management systems with respect to the prevention of bribery/corruption and influence peddling;
- periodically reviewing the various risk maps, bribery/corruption and influence-peddling risks, and social and environmental risks;

- monitoring Internal Audit and its work, particularly with regard to procedures for the preparation and processing of accounting, financial and non-financial information;
- monitoring the statutory audit of the statutory auditors;
- checking that the principle of the statutory auditors' independence is complied with;
- giving prior authorisation for services other than the certification of accounts;
- issuing a recommendation to the Board of Directors concerning the statutory auditors proposed for appointment by the General Meeting.

The issues dealt with by the Committee in 2021 included:

- the sale of the Group's French subsidiary and the implications of this in terms of IT, communication and CSR;
- the impact of "booster" on the 2021-2024 Business Plan;
- the situation in 2025, to gain some idea of the trend after the share deals expire;
- the budgets allocated to the R&D plan in the GRC division;
- the acquisition of AiM in Switzerland;
- management and controls at Group level;
- risk management.

2.8.5 Remuneration Committee and Appointments, Governance, Ethics and Corporate Responsibility Committee

These two Committees are merged and have the following duties:

- recommending to the Board of Directors the remuneration policies applying to corporate officers;
- checking application of the rules used to calculate their variable remuneration;
- where applicable, making recommendations to the Executive Management about the remuneration of the Company's top executives;
- familiarising themselves with the salary policy and ensuring that it is compatible with the smooth running of the Company and the achievement of its objectives;
- preparing decisions on employee shareholding and employee savings plans;
- preparing the policy on allocation of performance shares;
- checking the quality of the information sent to shareholders concerning the remuneration, benefits and options granted to corporate officers as well as:
- the remuneration policy for the Company's senior executives;
- the remuneration of the Chairman as well as any commitment concerning him/her, the remuneration of the directors and, where applicable, of the other corporate officers;
- applications for directorships;
- the independence of directors;
- the evaluation of the Board of Directors and the functioning of corporate governance;
- that the values of the Group are respected, defended and promoted by its corporate officers, senior executives and employees;
- the existence of rules of good conduct in terms of competition and ethics, training, the whistle-blowing system and the disciplinary system relating to transparency, combating bribery/corruption, and the modernisation of business practice;
- the proper functioning of anti-bribery/corruption mechanisms and the suitability of the Company's Code of Conduct;
- the Company's policy on sustainable development and corporate responsibility and its consistency with Sword Group's commitments on human rights, international labour standards, the environment and the fight against corruption;
- the implementation of a non-discrimination and diversity policy.

The issues dealt with by the Committees in 2021 included:

- the Executive Management Committee and the implementation of a share deal for each country;
- the existing charters for managing the functions and hence the powers of representation of Group managers;
- the certifications obtained by each division;
- the additional charters required by new regulations;
- the Group's plan for BCR and BCP issues;
- GDPR policy within the Group;
- recruitment;
- the Belgian subsidiary Tipik.

2.8.6 Executive Management and Management Committee

The Board of Directors has delegated the day-to-day management of Sword Group and representation of the Company in this regard to two of its members, who make up the Executive Management.

Sword Group SE's Executive Management consists of Jacques Mottard, Managing Director, and Frédéric Goosse, Managing Director and Group CFO.

The Executive Management is assisted in its task by a Management Committee, also called the 'Executive Management Committee', or 'EMC'.

The expanded EMC has the following members:

- Jacques Mottard | Chairman and CEO
- Frédéric Goosse | Chief Financial Officer
- Dave Bruce | CEO UK/US Services
- Nasser Hammoud | Operation Director Middle East/India
- Guillaume Mottard | COO Switzerland
- Phil Norgate | CEO M&A
- Olivier Perrotey | COO Switzerland
- Dieter Rogiers | CEO BeLux/Greece/Spain
- Nick Scully | CEO Software

The members of the EMC are selected for their managerial, technical and professional attributes and come from a range of countries and cultures, thereby providing the Group with a global outlook.

The EMC sets out the annual guidelines, monitors the business activity, defines the long-term strategy, sets the policy for the year, manages the annual budget and supervises the profit centres known as 'Business Units'.

Operational managers
They are responsible for all aspects of the subsidiaries they manage (administrative, accounting/finance, legal, operational), with a target of achieving above-market profitability and sustained double-digit growth over four years.

Share deals
The management teams and key personnel in Group entities have access to a plan whereby they invest, at their own risk, in the capital of their respective local company. Two exit scenarios are possible: either the shares are repurchased by the Group on one or more specified dates, or they are sold to an external party unrelated to the Group.

In the case of a share repurchase by the Group, the potential profit from an investment plan granted to minority investors generally corresponds to the cumulative surplus EBIT in the years covered by the plan over the EBIT in the year prior to the plan being granted. If the valuation is less than the initial plan valuation, the minority investor will incur a capital loss when the shares are repurchased by the Group.

2.8.7 Directors' remuneration and benefits

Corporate officers are paid according to their experience and their know-how specifically within the context of the European and global markets.

The remuneration package of the senior management and administrative bodies may be made up of various components such as the granting of shares, stock options or any other right to acquire shares, attendance fees, retirement and departure conditions and other specific benefits, whether they are granted by Sword Group or its subsidiaries or companies within the Group.

The fixed and variable parts of the remuneration package are determined in a balanced manner.
If stock options are granted, the Board of Directors sets performance conditions as well as the number of shares resulting from each option that must be kept by the corporate officer until the end of his or her term of office.

2.8.8 Remuneration policy

Remuneration of the Chairman of the Board of Directors | Jacques Mottard

In 2022, his remuneration will be deferred as follows:

- €11,450 for Switzerland, in respect of his position as CEO for that country, together with estimated directors' fees of €13,650.

This remuneration should remain constant until 2025.

Financière Sémaphore remuneration

The Financière Sémaphore remuneration allows this holding company to:

- cover the day-to-day operational costs of Jacques Mottard;
- cover the day-to-day operational costs of Financière Sémaphore employees;
- remunerate performance recognised by the Board of Directors.

This remuneration has been fixed for many years at €350,000 per annum, and should remain at this level until the end of the business plan.

The presentation of 2021/2020 remuneration for corporate officers below is consistent with the relevant recommendation (No. 8) of the Principles of Corporate Governance of the Luxembourg Stock Exchange relating to information on remuneration for such officers.

Table 1: Table setting out the remuneration and options and shares allocated to each corporate officer

Jacques Mottard	**31/12/2021**	**31/12/2020**
Remuneration due for the year *(detailed in Table 2)*	€32,653 (1)	€70,175 (1)
Valuation of the options allocated during the year		N/A
Valuation of the performance shares allocated during the year		N/A
TOTAL	€32,653	€70,175

(1) Financière Sémaphore S.à r.l., a company owned by Jacques Mottard, billed Sword Group SE for services and recharged miscellaneous fees for a total amount of:

- €550,000 (excl. tax) for the year ended 31 December 2021;
- €950,000 (excl. tax) for the year ended 31 December 2020.

Nicolas Mottard	**31/12/2021**	**31/12/2020**
Remuneration due for the year	€25,000	€15,000
Valuation of the options allocated during the year	N/A	N/A
Valuation of the performance shares allocated during the year	N/A	N/A
TOTAL	€25,000	€15,000
	31/12/2021	**31/12/2020**

Frédéric Goosse		
Remuneration due for the year	€25,000	€20,000
Valuation of the options allocated during the year	N/A	N/A
Valuation of the performance shares allocated during the year	N/A	N/A
TOTAL	€25,000	€20,000

François Barbier	31/12/2021	31/12/2020
Remuneration due for the year	€25,000	€20,000
Valuation of the options allocated during the year	N/A	N/A
Valuation of the performance shares allocated during the year	N/A	N/A
TOTAL	€25,000	€20,000

François-Régis Ory	31/12/2021	31/12/2020
Remuneration due for the year	€25,000	€20,000
Valuation of the options allocated during the year	N/A	N/A
Valuation of the performance shares allocated during the year	N/A	N/A
TOTAL	€20,000	€20,000

Antonietta Michelino	31/12/2021	31/12/2020
Remuneration due for the year	€25,000	-
Valuation of the options allocated during the year	N/A	N/A
Valuation of the performance shares allocated during the year	N/A	N/A
TOTAL	€25,000	-

Table 2: Table providing a detailed breakdown of the remuneration of the Chairman and CEO

Jacques Mottard	Amount as at 31/12/2021		Amount as at 31/12/2020	
	Due	Paid	Due	Paid
Fixed remuneration	€6,400	€6,400	€17,760	€17,760
Directors' fees	€14,090	€14,090	€13,985	€13,985
Benefits in kind	€12,163	€12,163	€38,430	€39,430
TOTAL	€32,653	€32,653	€70,175	€70,175

Table 2 is only completed for Jacques Mottard because for the other officers the sums are solely made up of directors' fees.

Table 3: Share subscription or purchase options allocated during the year to each corporate officer by the Company or by any Group company

Not applicable

Table 4: Share subscription or purchase options exercised during the year by each corporate officer
Not applicable

Table 5: Performance shares allocated to each corporate officer
Not applicable

Table 6: Performance shares that became available during the year for each corporate officer
Not applicable

Table 7: History of allocations of share subscription or purchase options
No share subscription or purchase option schemes are currently in place.

Table 8: Share subscription or purchase options allocated to the top 10 employees who are not corporate officers and options they have exercised
Not applicable

Table 9: Other information about the corporate officer

	Employment contract		Top-up retirement plan		Allowances or benefits due or likely to be due as a result of termination or a change of role		Allowances related to a non-competition clause	
Corporate officers	Yes	No	Yes	No	Yes	No	Yes	No
J. Mottard – Chairman & CEO		X		X		X		X

Directors' fees
The directors' fees paid to members of the Board of Directors totalled €125,000.

Financial risks
The Group adopts a cautious policy when it comes to managing its market risks, of which the main one is foreign-currency risk. The financial risks to which the Group is exposed and the policies to address them are detailed in Note 4 to the consolidated financial statements.

2.9 OUTLOOK FOR 2022

The Group forecasts organic growth of 15% in 2022.
The budgeted revenue for 2022 on a like-for-like basis is €256 million with an EBITDA margin of 13%.
However, this 2022 budget has been affected by events after the reporting period, namely the sale of the Governance, Risk and Compliance | Sword GRC business, so that the revenue is now forecast to be €233 million and profitability (EBITDA margin) 12%.

2.10 ASSESSMENT OF THE VALUE OF GOODWILL AND OTHER INTANGIBLE ASSETS

An accountancy firm assisted the Group with goodwill impairment testing. The results of these tests are set out in Note 15.3 to the consolidated financial statements.

2.11 APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

We invite you to approve the consolidated financial statements for the year ended 31 December 2021 (balance sheet, income statement and notes) as submitted to you and which reveal a total consolidated profit of €17,874,000 (of which the Group share is €17,653,000).

2.12 PROPOSED ALLOCATION OF PROFIT OR LOSS

We invite you to approve the corporate accounts for the year ended 31 December 2021 (balance sheet, income statement and notes) as submitted to you and which reveal a profit of €10,611,626. We remind you that the sum of €159,283 appears under *'Reserve for treasury shares'* as the Company held 3,804 treasury shares as at 31 December 2021.

Profit for the year	€10,611,626.68
with the addition of the following items:	
Distributable profit or loss carried forward:	€171,940,840.09
Share premium:	€70,676,064.46
resulting in a distributable profit of:	**€253,228,531.23**
which is appropriated to the following items:	
Profit or loss carried forward	€157,778,881.23
Dividend payout	€95,449,650.00

The gross dividend per share proposed to the General Meeting of Shareholders on 28 April 2022 will be €10.

In terms of taxation, in accordance with Luxembourg law, dividend payouts are in principle subject to 15% withholding tax in Luxembourg.

However, this rate can be reduced under both tax treaties signed by Luxembourg and European law, depending on the tax residence of the beneficiary and under the beneficiary's own responsibility. In such a case, a refund request shall be sent to the Luxembourg tax authorities no later than 31 December of the year following the payment of the withholding tax, using Form 901bis (https://impotsdirects.public.lu/dam-assets/fr/formulaires/retenue_a_la_source/pluriannuel/901bis-FR-EN.pdf).

In addition, subject to tax treaties and the legislation applicable in the beneficiary's country of residence, any withholding tax in Luxembourg will be eligible for a tax credit of the same amount on the tax due in that country of residence.

For information purposes, in the view of the French authorities, conventional tax credits related to the proceeds of securities of European companies registered in a PEA share savings plan and whose issuers do not have their headquarters in France are not entitled to reimbursement, in so far as income from shares invested in the PEA is tax-exempt income (see e.g. BOI-RPPM-RCM-40-50-30-20150115 of 15 January 2015).

2.13 SHARE AND SHAREHOLDER STRUCTURE

2.13.1 Share capital

The share capital is €9.545 million, or more precisely €9,544,965 (nine million five hundred and forty-four thousand nine hundred and sixty-five euro). It is divided into 9,544,965 shares worth €1 each, fully paid up and all of the same category. There were no reported cases of a threshold being crossed in 2021.

2.13.2 Breakdown of capital and control

- Main shareholders

Jacques Mottard holds (including Financière Sémaphore) 17.9% of voting rights.
Eximium holds 16.4% of voting rights.
The floating shareholders represent 64.1% of the capital.

- Breakdown of capital as at year end (31 December 2021)

Shareholders	Number of shares	% of voting rights
Financière Sémaphore	1,706,280	17.9%
Eximium	1,570,066	16.4%
Treasury shares	3,804	0.04%
Employees and miscellaneous registered shareholders	148,657	1.6%
Floating stock	6,116,158	64.1%
Total	9,544,965	-

2.13.3 Dividends

The dividend per share proposed to the General Meeting of Shareholders on 28 April 2022 will be €10.

2.13.4 Stock-market performance

The Company's shares are listed on Euronext Paris (Compartment B). There are 9,544,965 shares in circulation.
Information concerning the Company's share price is available on its website (https://www.sword-group.com/investors/).
Sword Group SE shares are part of the following main indices: ICB: 9530 Software & Computer Services, Indices CAC® Small, CAC® Mid & Small, CAC® All-Tradable, CAC® All-Share.

- Variations in the share price:

2021	**As at 31 January 2022**
Highest closing price: €45.35 (on 30 July 2021)	Highest closing price: €44.25 (on 3 January 2022)
Lowest closing price: €30.70 (on 4 January 2021)	Lowest closing price: €38.10 (on 24 January 2022)
Number of shares traded on the stock market: 10,330 (1)	Number of shares traded on the stock market: 6,515 (2)

(1) This is the average number of shares traded daily in 2021, a year in which in total 2,665,265 shares were traded.
(2) This is the average number of shares traded in January 2022, a month in which 143,329 shares were traded.

2.13.5 Repurchase of treasury shares

The Company may end up holding treasury shares under the share repurchase programme authorised by the Extraordinary General Meeting on 28 April 2020, up to a maximum of 5% of its share capital for a period of five (5) years. The objectives of share ownership under this programme are as follows:

- to provide stability for the market or liquidity as part of a liquidity contract entered into with a certified provider;
- to purchase for exchange or payment as part of external growth operations;
- to cancel shares up to a maximum of 5% of the Company's share capital, over a period of 24 months, subject to its Extraordinary General Meeting of Shareholders authorising its capital reduction.

The same Extraordinary General Meeting on 28 April 2020 authorised the Board of Directors to reduce the share capital by cancelling shares acquired through the Company's treasury share repurchase programme, up to a maximum of 5% of its share capital and for a period of five (5) years.

Information on the acquisition and sale by the Company of treasury shares as at 31 December 2021:

Number of shares held by the Company as at 31 December 2020	12,601
Number of shares purchased in 2021	116,887
Number of shares sold in 2021	125,684
Number of shares held by the Company as at 31 December 2021	3,804

The Company acquired treasury shares in accordance with the authorisation granted to the Board of Directors by the Extraordinary General Meeting of 28 April 2020 in its Resolution 17, in connection with the objectives agreed by that meeting.

Issuer's statement regarding transactions involving treasury shares as at 31 December 2021:

Percentage of capital held by the issuer either directly or indirectly	0.04%
Number of shares cancelled in the past 24 months	-
Number of portfolio shares held	3,804
Portfolio carrying amount as at 31 December 2021	€166,045
Portfolio market value as at 31 December 2021	€166,045

	Accumulated gross flows in 2021		Outstanding positions as at 31 December 2021	
Number of shares	Purchases 116,887	Sales 125,684	For purchase	For sale
Maximum average	-	-	-	-
Average price	€39.7503	€39.7271	-	-
Average exercise price	-	-	-	-
Amounts	€4,646,297.63	€4,993,056.11	-	-

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

2.13.6 Information relating to transactions involving shares held by Sword Group senior executives

Sword Group's senior executives comply with all the legislative and regulatory provisions relating to transactions involving listed companies' shares.

Sword Group's senior executives regularly declare the transactions they perform involving Sword Group shares under the legal and regulatory provisions and refrain from any transactions involving Sword Group shares if they hold privileged information.

Sword Group alerts the CSSF to any offences relating to the holding of privileged information, using a list of insiders it has drawn up pursuant to the legal provisions. This gives the names of all those who hold privileged information and are employed by Sword Group and of third parties who have access to such information as part of their collaboration with the Group.

During the most recent year ended, the senior executives performed no transactions involving securities.

2.13.7 Authorisation of shares issued to the Board of Directors

None

2.13.8 Information on public takeover bids

Sword Group's share capital stands at €9,544,965, represented by 9,544,965 shares without par value, fully paid up.

There are no other classes or categories of shares or of options or pre-emptive rights entitling the holders to the issue of shares of another class which could have a dilutive effect on the number of shares issued.

All shares issued entitle the holders to the same rights both in terms of their right to vote at Ordinary and Extraordinary General Meetings and their right to the dividend voted on by shareholders at General Meetings.

Note that there are no restrictions on the transfer of securities or any special right of control by certain holders of these securities. No agreement has been made between shareholders that could lead to restrictions on the transfer of securities or on voting rights.

The members of Sword Group's Board of Directors are appointed by the General Meeting following nomination by the Board of Directors. They are appointed for a maximum term of four years, which is also their normal term of office. This term is renewable.

As a rule, their term of office expires at the end of the General Meeting choosing their replacement. The General Meeting may dismiss them at any time.
If a vacancy arises on the Board of Directors, this body may nominate somebody to fill this, in accordance with the rules governing such appointments. At the next General Meeting, the shareholders will make a final decision on the appointment, whose term of office will, as a rule, run for the rest of the term of the person being replaced.

2.14 SUBSEQUENT EVENTS

On 28 February 2022, the Group signed a Share Purchase Agreement (SPA) with Riskonnect, providing for the disposal of the GRC business within approximately six weeks to allow time for regulatory approvals.
This deal will provide considerable leverage for the Group's future investments.

On 21 March 2022, the Group signed an agreement to purchase 100% of Ping Network Solutions Limited, a company incorporated in the UK, for GBP 8,416,000 (equivalent to €10,033,000), excluding additional payments. Ping Network Solutions Limited is a service company specialising in the design, supply, integration and management of networking solutions for a global customer base, spanning sectors including energy, financial services, education, public sector, manufacturing and construction. Its acquisition will allow the Group to forge organisational synergies, deliver a broader range of services and expand its customer base.

The Board of Directors does not expect the Russia-Ukraine war to have a direct impact on the Group's activities.

3 CONSOLIDATED FINANCIAL STATEMENTS as at 31 December 2021

3.1 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

(in thousands of €)	Notes	31 December 2021	31 December 2020
ASSETS			
NON-CURRENT ASSETS			
Goodwill	13	66,503	52,053
Other intangible assets	14	19,032	10,759
Property, plant and equipment	15	3,171	1,748
Right-of-use assets	16	7,860	6,154
Financial assets at fair value through other comprehensive income	17	3,011	2,964
Deferred tax assets	26	743	362
Other assets	19	743	8,300
TOTAL NON-CURRENT ASSETS		101,063	82,340
CURRENT ASSETS			
Trade and other receivables	18	32,415	22,874
Work in progress	8	21,727	16,905
Current tax assets		664	515
Other assets	19	10,760	5,413
Cash and cash equivalents	20	55,295	105,842
Prepaid expenses		3,752	1,366
TOTAL CURRENT ASSETS		124,613	152,915
TOTAL ASSETS		**225,676**	**235,255**

The notes hereinafter form an integral part of the consolidated financial statements.

As at 31 December 2021

(in thousands of €)	**Notes**	**31 December 2021**	**31 December 2020**
EQUITY AND LIABILITIES			
EQUITY			
Share capital	34	9,545	9,545
Share premiums		70,676	70,676
Reserves		8,181	2,547
Retained earnings		4,510	51,382
TOTAL EQUITY – GROUP SHARE		92,912	134,150
Non-controlling interests (minority interests)	10	1,416	1,792
TOTAL EQUITY		**94,328**	**135,942**
NON-CURRENT LIABILITIES			
Lease obligations	16	6,220	5,324
Pension provisions	21	222	235
Other provisions	22	337	25
Deferred tax liabilities	26	1,634	1,414
Other liabilities	25	48,882	48,436
TOTAL NON-CURRENT LIABILITIES		57,295	55,434
CURRENT LIABILITIES			
Lease obligations	16	2,784	2,528
Other financial debts	23	278	35
Other provisions	22	749	125
Trade and other payables	24	24,963	19,454
Current tax liabilities		932	899
Other liabilities	25	30,794	10,949
Prepaid services	8	13,553	9,889
TOTAL CURRENT LIABILITIES		74,053	43,879
TOTAL LIABILITIES		**131,348**	**99,313**
TOTAL EQUITY AND LIABILITIES		**225,676**	**235,255**

The notes hereinafter form an integral part of the consolidated financial statements.

3.2 CONSOLIDATED STATEMENT OF NET INCOME

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2021

(in thousands of €)	Notes	31 December 2021	31 December 2020
Revenue	7, 8	**214,564**	**212,534**
Purchases		(11,995)	(9,421)
Personnel expenses	27	(97,052)	(98,577)
Other external charges		(77,616)	(75,843)
Reversals of provisions/(allocations to provisions), net	28	836	227
Other current operating expenses		(1,350)	(1,102)
Other current operating income		1,887	1,658
EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTISATION, EXCLUDING NON-RECURRING ITEMS (EBITDA)		**29,274**	**29,476**
EBITDA in %		**13.64%**	**13.87%**
Charges for depreciation of property, plant and equipment	15	(1,176)	(1,885)
Charges for depreciation of right-of-use assets	16.1	(2,436)	(3,687)
Charges for depreciation of intangible assets arising from business combinations		(1,499)	(1,297)
Charges for depreciation of other intangible assets		(1,581)	(1,900)
EARNINGS BEFORE INTEREST AND TAXES, EXCLUDING NON-RECURRING ITEMS (EBIT)		**22,582**	**20,707**
EBIT in %		**10.53%**	**9.74%**
Income from disposals of assets and subsidiaries	29	393	52,716
Impairment loss on assets	30	(30)	(578)
Other non-recurring items	31	(3,800)	(4,053)
OPERATING PROFIT (OP)		**19,145**	**68,792**
OP in %		**8.92%**	**32.37%**
Financial income		8,203	1,642
Financial expenses		(5,818)	(13,350)
Financial result	**32**	**2,385**	**(11,708)**
PROFIT BEFORE TAX		**21,530**	**57,084**
Income tax	26	(3,656)	(3,687)
PROFIT FOR THE YEAR		**17,874**	**53,397**
Of which:			
Group share		17,653	53,283
Non-controlling interests (minority interests)		221	114
Earnings per share for the profit for the year – Group share			
Basic earnings per share *(in €)*	33	1.85	5.59
Diluted earnings per share *(in €)*	33	1.85	5.59

The notes hereinafter form an integral part of the consolidated financial statements.

3.3 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

(in thousands of €)	**Notes**	**31 December 2021**	**31 December 2020**
PROFIT FOR THE YEAR		**17,874**	**53,397**
OTHER COMPREHENSIVE INCOME			
Recyclable items in profit or loss			
Translation differences			
- during the year		5,201	(2,045)
Total recyclable items in profit or loss		5,201	(2,045)
Non-recyclable items in profit or loss			
Defined-benefit plans			
- Actuarial gains and losses on post-employment benefits	21	3	(10)
Financial assets at fair value through other comprehensive income			
- Gain related to remeasurement at fair value	17	158	(3)
Total non-recyclable items in profit or loss		161	(13)
TOTAL OTHER COMPREHENSIVE INCOME, NET OF TAX		**5,362**	**(2,058)**
COMPREHENSIVE INCOME FOR THE YEAR		**23,236**	**51,339**
Of which:			
Group share		22,940	51,298
Non-controlling interests (minority interests)		296	41

The notes hereinafter form an integral part of the consolidated financial statements.

3.4 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

(in thousands of €)	Share capital	Share premium	Treasury shares	Reserve for remeasurement of financial assets	Defined-benefit plans	Foreign-currency translation reserve	Retained earnings	Total	Non-controlling interests (minority interests)	Total equity
BALANCE AS AT 1 JANUARY 2020	**9,545**	**70,676**	**2,045**	**529**	**(205)**	**2,463**	**61,904**	**146,957**	**3,006**	**149,963**
Profit for the year	-	-	-	-	-	-	53,283	53,283	114	53,397
Other comprehensive income	-	-	-	(3)	(10)	(1,972)	-	(1,985)	(73)	(2,058)
Comprehensive income for the year	-	-	-	(3)	(10)	(1,972)	53,283	51,298	41	51,339
Repurchase/resale of ordinary shares (2)	-	-	(300)	-	-	-	-	(300)	-	(300)
Payment of dividends (3)	-	-	-	-	-	-	(22,881)	(22,881)	(21)	(22,902)
Transactions between shareholders (1)	-	-	-	-	-	-	(40,924)	(40,924)	(1,234)	(42,158)
BALANCE AS AT 31 DECEMBER 2020	**9,545**	**70,676**	**1,745**	**526**	**(215)**	**491**	**51,382**	**134,150**	**1,792**	**135,942**
Profit for the year	-	-	-	-	-	-	17,653	17,653	221	17,874
Other comprehensive income	-	-	-	158	3	5,126	-	5,287	75	5,362
Comprehensive income for the year	-	-	-	158	3	5,126	17,653	22,940	296	23,236
Repurchase/resale of ordinary shares (2)	-	-	347	-	-	-	-	347	-	347
Payment of dividends (3)	-	-	-	-	-	-	(45,809)	(45,809)	(29)	(45,838)
Transactions between shareholders (1)	-	-	-	-	-	-	(18,716)	(18,716)	(643)	(19,359)
BALANCE AS AT 31 DECEMBER 2021	**9,545**	**70,676**	**2,092**	**684**	**(212)**	**5,617**	**4,510**	**92,912**	**1,416**	**94,328**

(1) See Note 10.
(2) See Note 35.
(3) See Note 36.

The notes hereinafter form an integral part of the consolidated financial statements.

3.5 CONSOLIDATED STATEMENT OF CASH FLOWS

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

(in thousands of €)	**31 December 2021**	**31 December 2020**
Cash flows from operating activities		
Profit for the year	17,874	53,397
Adjustments:		
Depreciation charges	6,692	8,769
Impairment loss on property, plant and equipment and intangible assets	30	578
Impairment losses on trade receivables, net of reversal	(932)	75
Allocations to/(reversals of) other provisions	630	(646)
Provision charges for employee benefits	(10)	344
Net capital losses/gains on disposals of non-current assets, net of transaction costs	(393)	(52,716)
Changes in fair value of additional payments	(1,520)	10,045
Interest income	-	(303)
Interest expenses on lease obligations	161	139
Interest expenses on loans and other financial debt	194	395
Income tax	3,656	3,687
Change in working capital	(5,093)	14,947
Cash flow generated by operating activities	21,289	38,711
Tax paid	(3,960)	(5,871)
NET CASH FLOWS FROM OPERATING ACTIVITIES	17,329	32,840
Cash flows from investment activities		
Acquisitions/new consolidations:		
- Intangible assets generated internally	(7,626)	(2,348)
- Other intangible assets	(110)	(465)
- Property, plant and equipment	(2,548)	(1,394)
- Financial assets at fair value through other comprehensive income	-	(2,853)
Disposals/deconsolidations:		
- Property, plant and equipment	14	14
- Financial assets at fair value through other comprehensive income	111	103
Interest received	-	303
Acquisition of control of subsidiaries, net of cash and cash equivalents acquired	(8,499)	(3,509)
Loss of control of subsidiaries, net of cash and cash equivalents disposed of	(96)	63,207
NET CASH FLOWS FROM/(ALLOCATED TO) INVESTMENT ACTIVITIES	(18,754)	53,058

The notes hereinafter form an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended 31 December 2021

(in thousands of €)	**31 December 2021**	**31 December 2020**
Cash flows from financing activities		
Payment related to the repurchase and resale of ordinary shares	347	(300)
Acquisitions of non-controlling interests (minority interests)	(1,251)	(26,231)
Consideration received from non-controlling interests (minority interests)	1,431	4,356
Repayment of lease obligations	(3,093)	(4,379)
New loans and use of lines of credit	-	93
Repayment of loans	(2,392)	(352)
Interest paid on loans and other financial debt	(194)	(403)
Interest paid on lease obligations	(157)	(132)
Dividends paid to shareholders in the parent company	(45,809)	(22,881)
Dividends paid to non-controlling interests	(33)	(21)
NET CASH FLOWS ALLOCATED TO FINANCING ACTIVITIES	(51,151)	(50,250)
Net change in cash and cash equivalents	**(52,576)**	**35,648**
Cash and cash equivalents as at opening	105,807	71,045
Change in foreign exchange rate effect	1,786	(886)
CASH AND CASH EQUIVALENTS AS AT YEAR END	**55,017**	**105,807**

The notes hereinafter form an integral part of the consolidated financial statements.

3.6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. GENERAL INFORMATION

1.1 Company presentation

Sword Group SE ("the Company") is a European company (*Societas Europaea*, or SE) established under Luxembourg law, having its headquarters at 2 Rue d'Arlon, Windhof (Luxembourg). The Company is registered in the Register of Commerce and Companies of Luxembourg under number B 168.244.

Sword Group, comprising the Company and the companies it controls, specialises in the global delivery of software and IT services, primarily to public institutions and international groups.

Sword Group's activities are organised and managed around two businesses:
- IT Services (also called "Solutions"); and
- Software (also called "Products").

The Group offers a wide range of services, including strategic and operational consulting, solution engineering and application development, project ownership support and project management support, infrastructure management and application maintenance for third parties, and resource outsourcing.

The Company's shares are listed on Euronext Paris (Compartment B).

The consolidated financial statements are available on the website of the Luxembourg Stock Exchange.

The consolidated financial statements were approved by the Board of Directors on 8 March 2022. The consolidated financial statements will be finalised once approved by the General Meeting of Shareholders on 28 April 2022.

1.2 Major events in 2021

On 1 March 2021, the Group acquired 100% of the capital of Almaz Informatique S.A., a company incorporated in Switzerland, for CHF 2,520,000 (equivalent to €2,293,000), excluding additional payments. See Note 11.

On 20 July 2021, the Group acquired 100% of the shares in AiM Services Holding S.A., a company incorporated in Switzerland, for CHF 5,780,000 (equivalent to €5,264,000), excluding additional payments. See Note 11.

NOTE 2. BASIS FOR PREPARATION AND ACCOUNTING PRINCIPLES

2.1 Basis for preparation

The consolidated financial statements are presented in thousands of euros (the Company's functional currency), rounded off to the nearest thousand, unless otherwise indicated. They are prepared on the basis of the historical cost, with the exception of derivatives and financial assets held for sale that were valued at their fair value.

As per EU Regulation No. 1606/2002 of 19 July 2002, the consolidated financial statements as at 31 December 2021 were prepared in accordance with International Financial Reporting Standards (IFRS) as published by the International Accounting Standards Board (IASB) and adopted by the European Union (hereinafter "IFRS" or "IFRS standards").

Assets and liabilities, expenses and income were not offset, unless permitted or required by IFRS standards.

2.2 Change of accounting methods

2.2.1. New and revised IFRS standards impacting the amounts presented or the disclosures to be provided in the consolidated financial statements

During the year under review, the Group adopted no new or revised IFRS standards which had to be mandatorily applied for the year commencing on 1 January 2021 and which were likely to have a significant impact on the Group's consolidated financial statements.

2.2.2. New and revised IFRS standards, published but not yet applicable

None of the new IFRS standards or IFRIC interpretations or amendments thereto that had been issued by the IASB/IFRS Interpretations Committee (IFRS IC) by the date of approval of these consolidated financial statements but which were not yet applicable and for which the Group has not opted for early application, are likely to impact the Group's financial statements, except for the following standard:

Amendments to IAS 1, Presentation of Financial Statements – Classification of Liabilities as Current or Non-current

The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position, not the amount or timing of recognition of any asset, liability, income or expense, or the information disclosed about those items. The amendments clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The amendments must be applied retrospectively for annual reporting periods beginning on or after 1 January 2023.

2.3 Use of estimates

Preparing consolidated financial statements in accordance with IFRS requires management to make estimates and select scenarios in the process of applying accounting principles. Those areas involving a higher level of judgement or complexity, or those for which the estimates and scenarios are significant with respect to the consolidated financial statements, are presented in Note 3.

2.4 'Current' and 'non-current' presentation

The consolidated statement of financial position is presented according to the 'current' and 'non-current' distinction defined by IAS 1. Current assets and liabilities are those which the Group expects to realise, consume or settle during the normal operating cycle, which may extend beyond 12 months after the reporting date. All other assets and liabilities are non-current.

2.5 Translation methods

2.5.1. Translation of the financial statements of foreign subsidiaries

The functional currency of each of the Group's entities is the currency of the economy in which the entity is operating. The accumulated impact of the translation of financial statements of foreign operations is recognised in equity under 'Foreign-currency translation reserve'. The assets and liabilities of foreign operations are translated at the closing rate and their income and expenses at the average rate for the year.

Translation differences on monetary items which comprise a receivable or a payable from/to a foreign subsidiary, the settlement of which is not planned or is unlikely, and which constitute a share of the net investment in the foreign subsidiary, are initially recognised in other comprehensive income and recognised in profit or loss at the time of reimbursement of monetary items.

At the time of the disposal of a foreign subsidiary, all accumulated translation differences in equity are recognised in profit or loss.

2.5.2. Transactions in foreign currencies

Transactions denominated in foreign currencies are converted into the functional currency at the exchange rate prevailing at the time of the transaction. At the year end, any accounts receivable or accounts payable in foreign currency are converted at the closing exchange rate.

Translation differences arising when these transactions are settled and when monetary assets and liabilities denominated in foreign currencies are converted at the closing exchange rate are reported in the income statement. Exchange rate of the euro to the most significant foreign currencies as at 31 December 2021 and 31 December 2020:

	Closing rate		Average rate	
(Currency)	**2021**	**2020**	**2021**	**2020**
Pound sterling	0.8403	0.8990	0.8600	0.8892
Danish krone	7.4365	7.4409	7.4368	7.4547
US dollar	1.1326	1.2271	1.1835	1.1413
Australian dollar	1.5615	1.5896	1.5747	1.6554
Canadian dollar	1.4393	1.5633	1.4835	1.5294
New Zealand dollar	1.6579	-	1.6725	-
Swiss franc	1.0331	1.0802	1.0814	1.0703
Colombian peso	-	4,484.30	-	4,237.29
Indian rupee	84.2318	89.6620	87.4891	84.5809

2.6 Consolidation method

The consolidated financial statements include the financial statements of the Company and its subsidiaries (together constituting "the Group"), prepared as at 31 December 2021. A list of consolidated companies is provided in Note 10.1.

2.6.1. Subsidiaries

A subsidiary is a company over which the Group has direct or indirect control. Subsidiaries are consolidated using the full consolidation method as of the date on which the Group acquires control, and are deconsolidated as of the date on which such control ends.

Control is considered to exist if and only if:

- the Group exerts power over the subsidiary;
- it is exposed or entitled to variable returns due to its links with the subsidiary; and
- it is able to exert its power over the subsidiary in such a way as to influence the amount of returns it obtains.

Controlled entities are those where the Group has the power to direct their financial and operational policies.

The financial statements of subsidiaries are prepared for the same reference period as those of the Group, using uniform accounting principles.

All intra-group transactions and balances are eliminated in the consolidation process. The profits and losses realised due to the disposal of assets within the Group are fully eliminated.

Profit or loss and each item in other comprehensive income are allocated to shareholders in the parent company and to non-controlling interests (i.e. minority interests), even if this results in a deficit balance.

Changes in the Group's ownership interest in a consolidated subsidiary that do not result in a loss of control only affect equity.

As a result, when acquiring an additional interest in a consolidated subsidiary, the difference between the purchase price and the carrying amount of the minority interests acquired is recognised as a change in equity – Group share.

2.6.2. Loss of control in a subsidiary

When the Group loses control over a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the total fair value of the consideration received and the fair value of any interest retained, and (ii) the former carrying amount of the assets (including goodwill) and liabilities of the subsidiary, as well as any non-controlling interest. All amounts previously recognised in other comprehensive income pertaining to the subsidiary in question are recognised in profit or loss for the year or transferred to another category of equity, where appropriate, as if the Group had directly deconsolidated the subsidiary's assets and associated liabilities. The fair value of an interest retained in the former subsidiary on the date of loss of control must be considered as being the fair value at the time of initial recognition for the purposes of subsequent recognition under IFRS 9.

2.7 Business combination

When the Group takes control of an entity, the identifiable assets and liabilities are recognised at their fair value on the date of acquisition.

The consideration transferred in a business combination corresponds to the fair value of assets transferred (including cash), liabilities assumed and equity instruments issued by the Group in exchange for control of the acquired entity. The costs directly related to the acquisition are recognised in profit or loss.

Goodwill is measured as the positive difference between the following two items:

- the sum of (i) the consideration transferred and, where appropriate, (ii) the amount of non-controlling interests (minority interests) in the acquired entity and (iii) the fair value of interests already held by the Group prior to acquiring control; and
- the net amount on the acquisition date of the fair value of identifiable assets and liabilities acquired and assumed.

If, after confirmation of the values, this difference is negative, the amount is immediately recognised in the profit as a gain on a bargain purchase.

Goodwill is recognised on the assets side of the consolidated statement of financial position under 'Goodwill' and is subject to an annual impairment test (see section 2.8 below).

In addition, in the goodwill measurement explained below, the amount of non-controlling interests can be measured, on a case-by-case basis with the Group being able to choose, either at fair value ('full goodwill' option) or the share of the acquired entity's identifiable net assets ('partial goodwill' option).

Acquisition differences are recognised in the functional currency of the acquiree.
Any additional payments are included in the acquisition price at their fair value on the date on which control was acquired. This takes the form of a consideration in equity or debts depending on how the additional payments are settled. The subsequent recognition of changes in the fair value of any contingent consideration depends on its classification in the consolidated financial statements.

Any contingent consideration classified as an asset or liability is remeasured on the subsequent reporting dates in accordance with IFRS 9 or IAS 37, depending on the case, and the ensuing gain or loss is recognised in the profit for the year.

Acquiring control through consecutive purchases is analysed as a twofold operation: first, a disposal of the entire previously held interest; and second, an acquisition of all shares with recognition of an acquisition difference (goodwill) on the entire interest (old batch and new acquisition).

If the initial recognition of a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group shall report in its financial statements provisional amounts for the items for which there is incomplete recognition.

During the measurement period, the provisional amounts are adjusted retrospectively to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognised on that date. However, the measurement period shall not exceed one year from the acquisition date.

2.8 Goodwill

Goodwill arising from the acquisition of a business is recognised at the cost established on the acquisition date (see Note 2.7), less any accumulated impairment losses.

For the purposes of impairment testing, goodwill is allocated to cash-generating units (CGUs), namely those likely to benefit from the synergies expected of the business combination and representing, within the Group, the lowest level at which goodwill is monitored for internal management purposes. CGUs correspond to operating segments.

The recoverable amount of a CGU is the higher of its fair value less costs to sell and its value in use, determined using the cash-flow discounting method. When the recoverable amount is lower than the carrying amount, an impairment loss must be recognised.

The impairment loss is then allocated, firstly as a decrease in the carrying amount of any goodwill allocated to the CGU, and then, for the remainder, as a decrease in the carrying amount of the CGU's other assets pro rata on the basis of the carrying amount of each asset in the CGU.

Goodwill is not depreciated and is subject to impairment testing at least once a year by comparing the carrying amount with the recoverable amount as at the reporting date, determined on the basis of three-year cash-flow forecasts. Impairment testing may occur more frequently if events or circumstances indicate that the carrying amount is not recoverable.

2.9 Intangible assets other than goodwill

Intangible assets other than goodwill comprise mainly software, SaaS (software as a service) contracts, software maintenance contracts and production backlog, business combination activities, the amount paid to buy out a non-competition clause (see Note 14) and development costs for upgrading existing software solutions.

2.9.1. Intangible assets acquired separately

Intangible assets acquired separately mainly comprise the non-competition clause. It has an indefinite useful life and is consequently recognised at its acquisition cost less any accumulated impairment losses.

2.9.2. Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill if they meet the definition of an intangible asset. The cost of intangible assets corresponds to their fair value on the date of acquisition.

After initial recognition, these intangible assets are depreciated using the straight-line method over an expected useful life of the following duration:

- Software (and associated contracts): 5-10 years
- Order books: 3 months to 5 years

2.9.3. Intangible assets generated internally

Research costs are recognised as an expense in the period in which they are incurred.

Development costs are capitalised when they meet the following criteria:

- the technical feasibility needed for completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- the probability that the Group will accrue future economic benefits as a result of the intangible asset;
- the availability of adequate technical, financial and other resources to realise the intangible asset;
- the ability to reliably measure the expenditure attributable to the intangible asset during its development.

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 over the expected useful life, as of the project marketing date.

Bearing in mind the specific characteristics of the Group's activities, the crucial criterion is technical feasibility, since that is generally the last criterion to be met. The risks and uncertainties involved in the development of new software are such that it is impossible to demonstrate a product's technical feasibility until shortly before it is launched. Consequently, costs incurred in this phase of development, which are likely to be capitalised, are not significant and are therefore recognised in profit or loss as they are incurred.

Internal and external direct expenses incurred for major updates to marketed software and upgrades delivering additional functionalities are capitalised.

2.9.4. Derecognition of intangible assets

An intangible asset is derecognised when it is disposed of or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognition of an intangible asset (determined as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in profit or loss.

2.10 Property, plant and equipment

Property, plant and equipment are recognised at their acquisition cost, including directly attributable costs less accumulated depreciation and any impairment losses.

Subsequent expenditure is capitalised if it is likely that the future economic benefits associated with the item will be enjoyed by the Group and if its cost can be estimated reliably. All other expenditure is recognised immediately as expenses as it is incurred.

Items are depreciated using the straight-line method in accordance with the expected useful life of the item in question. An impairment loss is recognised, where appropriate, when the carrying amount exceeds the recoverable amount (see Note 2.11).

The estimated useful lives are as follows:

- Facilities and fixtures: 10 years
- Transport equipment: 5 years
- Office equipment: 3-5 years
- Computer hardware: 3 years
- Office furniture: 10 years

The depreciation arrangements for property, plant and equipment are reviewed annually and can be altered prospectively depending on the circumstances.

A property, plant and equipment item is derecognised when it is disposed of or when no future economic benefits are expected from the continuing use of the asset. The gain or loss arising from the disposal or decommissioning of a property, plant and equipment item is the difference between the sale proceeds and the carrying amount of the asset, and is recognised in profit or loss.

2.11 Impairment of intangible assets and property, plant and equipment

As at each reporting date, the Group reviews the carrying amounts of its intangible assets and property, plant and equipment in order to determine if there is any indication of an impairment loss. If there is, then the recoverable amount is estimated with a view to determining the amount of the impairment loss.

If it is not possible to estimate the recoverable amount of the individual asset, the Group shall determine the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. When measuring value in use, estimated future cash flows are discounted by applying a pre-tax rate that reflects the current assessment of the time value of money and the risks specific to the asset for which the future cash-flow estimates have not been adjusted.

If the recoverable amount of an asset (or CGU) is less than its carrying amount, the carrying amount of the asset (or CGU) shall be reduced to its recoverable amount. Any impairment loss is recognised immediately in profit or loss.

If an impairment loss is reversed subsequently, the carrying amount of the asset or CGU is increased in line with the revised estimated recoverable amount provided the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years. The reversal of an impairment loss is recognised immediately in profit or loss. However, no reversal is possible for impairments of goodwill.

2.12 Fair value

The Group measures financial instruments, such as derivative instruments and financial assets held for sale, at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair-value measurement entails the transaction to sell the asset or transfer the liability taking place either in the principal market for the asset or liability, or, in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal (or most advantageous) market must be accessible to the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The measurement of an asset takes into account a market participant's ability to generate an economic benefit by using the asset in its highest and best use or by selling it to another market participant that will use the asset in its highest and best use. Highest and best use takes into account the use of the asset that is physically possible, legally permissible and financially feasible, as follows:

The Group uses measurement techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All of the assets or liabilities for which a fair value is measured or presented in the consolidated financial statements are classified in the fair-value hierarchy (see Note 5.1).

2.13 Financial instruments

2.13.1. Classification

Financial assets are divided into the following categories:

- Financial assets at depreciated cost
- Financial assets at fair value through profit or loss
- Financial assets at fair value through other comprehensive income

Financial assets are measured at depreciated cost if the following two conditions are met:

- holding them forms part of a business model where the aim is to hold assets to collect the contractual cash flows arising from them;
- their contractual terms give rise, on specified dates, to cash flows that correspond solely to repayments of the principal and interest payments on the outstanding principal.

Financial assets at depreciated cost comprise trade and other receivables, deposits and guarantees, and cash and cash equivalents.

On initial recognition, equity instruments are classified by default as financial assets at fair value through profit or loss unless the Group makes an irrevocable decision to present those not held for trading as financial assets at fair value through other comprehensive income. This decision is made on an investment-by-investment basis. This is the case for non-consolidated interests in listed and unlisted companies.

Financial liabilities are classified either as financial liabilities at depreciated cost or as financial liabilities at fair value through profit or loss.

Financial liabilities at depreciated cost comprise bank borrowings, and trade and other payables.
Derivatives with a negative value are included in financial liabilities at fair value through profit or loss.

2.13.2. Initial measurement

Financial assets/liabilities are recognised initially at fair value, plus/less directly attributable transaction costs in the case of financial instruments which are not at fair value through profit or loss.

2.13.3. Subsequent measurement

After initial recognition, financial assets at depreciated cost are measured at depreciated cost using the effective interest method, less impairment provisions.

Discounting is omitted for short-term loans and receivables, in view of the negligible impact thereof.

The effective interest method is a method for calculating the amortised cost of a financial instrument and allocating interest income during the period in question. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, where appropriate, over a shorter period, to the net carrying amount.

Financial assets at fair value through other comprehensive income are measured subsequently at fair value with recognition of latent gains or losses in other comprehensive income and accumulated in an item called 'Remeasurement reserve'.

Financial assets at fair value through profit or loss are measured subsequently at fair value, with gains and losses being recognised in profit or loss.

All financial liabilities are subsequently measured at depreciated cost using the effective interest method or fair value through profit or loss.

2.13.4. Impairment of financial assets

In accordance with IFRS 9, the Group applies the 'expected credit losses' model. This impairment model mainly relates to financial assets measured at depreciated cost and contract assets.

The Group measures over a 12-month period the risk of default to which instruments with the following characteristics are exposed:

- debt instruments that are established to have a low credit risk as at the reporting date; and
- other debt instruments whose credit risk (i.e. the risk of default over the expected life of the financial instrument) has not increased significantly since their initial recognition.

In other cases, the credit risk is calculated over the life of the assets concerned.

The Group considers that a debt instrument has a low credit risk if its credit rating is equivalent to that resulting from an 'investment grade' classification, i.e. if its credit rating is higher than or equal to BAA3 (Moody's) or BBB- (S&P).

The Group assumes that the credit risk associated with a financial asset has increased significantly if payments have been in arrears for more than 30 days.

The Group considers a financial asset to be in default when:

- it is unlikely that the borrower will settle all its credit obligations to the Group without the Group resorting to actions such as realising the collateral (if any); or
- the financial asset has matured more than 90 days previously.

Measurement of expected credit losses

Expected credit losses are an estimate of credit losses using a model predicting the probability of a default. Credit losses are measured based on the present value of all estimated cash flow deficits (i.e. the difference between the cash flows that are due to the Group under the terms of the contract and the expected cash flow).

Expected credit losses are discounted at the effective interest rate of the financial asset, unless the impact of discounting is considered immaterial.

When the Group assesses trade receivables and contract assets collectively for impairment, the provisioning requirements are measured based on the Group's credit loss history, following any adjustment for changes in macroeconomic indicators such as inflation, interest rates, unemployment rates or GDP.

Credit-impaired financial assets

At each reporting date, the Group measures whether financial assets recognised at depreciated cost are likely to be credit-impaired.

Therefore, financial assets are impaired if one or more events occur that have an adverse effect on the estimated future cash flows of these assets, such as a default on payment by a debtor.

Any receivable that has been outstanding for more than 90 days is fully provisioned unless the Group has information indicating that full or partial recovery is likely.

Presentation of impairment losses

In the balance sheet, loss allowances related to financial assets measured at depreciated cost are deducted from the assets' gross carrying amount.

Impairment losses on trade receivables and other receivables, including contract assets, are presented separately in the income statement.

2.13.5. Derecognition

A financial asset is derecognised if and only if the contractual rights to cash flows related to the financial asset mature or if the Group substantially transfers all of the risks and benefits involved in ownership of the asset.

Upon the derecognition of a financial asset measured at depreciated cost, the difference between the carrying amount of the asset and the sum of the consideration received or due to be received is recognised in profit or loss.

However, at the time of the derecognition of an investment in an equity instrument which the Group has elected to measure at fair value through other comprehensive income on initial recognition, the profit or loss accumulated previously in 'Remeasurement reserve' is not reclassified to profit or loss but transferred to retained earnings.

A financial asset is derecognised if and only if the obligation stated in the contract is settled or cancelled or if it matures. The difference between the carrying amount of the derecognised financial liability and the consideration paid and due is recognised in profit or loss.

If the Group exchanges a debt instrument with an existing lender for another debt instrument with substantially different terms, this exchange is recognised as eliminating the original financial liability, with this being replaced with the recognition of a new financial liability. Similarly, the Group recognises a material change in the terms of an existing financial liability or part of the existing financial liability as eliminating the original financial liability, with this being replaced with the recognition of a new financial liability.

2.13.6. Offsetting

A financial asset and a financial liability are offset and the net amount is presented in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and it is intended either to settle them on a net basis, or to realise the asset and settle the liability simultaneously.

2.14 Trade receivables

Trade receivables are amounts receivable from clients for goods sold or services rendered in the normal course of business. They are part of current assets provided they are realised during the normal operating cycle. Otherwise, they are part of non-current assets.

2.15 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank, short-term deposits originally maturing in less than three months and any monetary investment subject to a negligible risk of change in value.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents comprise cash and cash equivalents as defined above, net of current bank overdrafts. Current bank overdrafts are presented on the liabilities side of the balance sheet under 'Financial debt' in current liabilities.

2.16 Trade payables

Trade payables are obligations to pay for goods and services acquired in the normal course of business. They are part of current liabilities provided they are settled during the normal operating cycle. Otherwise, they are part of non-current liabilities.

2.17 Commitments to repurchase non-controlling interests

When the Group grants minority shareholders of certain fully consolidated subsidiaries commitments to repurchase their investments, a financial debt is recognised in accordance with IAS 32.

The debt is initially recognised at its fair value corresponding to the current value of the estimated repurchase price at maturity, with a corresponding cancellation of the related non-controlling interests.

When the value of the debt exceeds the carrying amount of the non-controlling interests, the balance is recognised in equity in terms of the Group share.

Financial debt is remeasured at fair value as at each reporting date in accordance with the relevant contractual clauses and in the absence of any clarification provided by IFRS, with a corresponding adjustment to the financial result.

The Group has adopted a similar accounting policy when minority shareholders have an option to sell all or some of their shares to the Group.

2.18 Provisions

2.18.1. General remarks

A provision must be recognised if:

- the Group has a current legal or implicit obligation as a result of past events;
- resources will probably have to be used to meet the obligation;
- the amount of the obligation can be estimated reliably.

The provisions are recognised at the current value of the expected expenditure of resources. The provisions are discounted if there is a significant time impact. The impact of the discount realised as at each reporting date is recognised in financial expenses.

2.18.2. Onerous contracts

The current obligations arising from onerous contracts are recognised and measured as provisions.
A contract is considered onerous when the Group has concluded a contract for which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from it.

2.19 Taxes

Tax expense includes current and deferred tax.

2.19.1. Current tax

Current tax comprises the estimated amount of tax payable (or receivable) on the taxable profit (or loss) for a year for the Company and its subsidiaries, and any adjustments to the current tax for previous years. It is calculated on the basis of the tax rates that have been enacted or substantively enacted by the reporting date.

Management will rely on their own judgement and estimates in situations where the tax regulations are open to interpretation. These positions are reviewed regularly.

2.19.2. Deferred tax

Deferred tax is recognised using the liability method for the temporary differences between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. No deferred tax is recognised if it arises from the initial recognition of an asset or liability in a transaction, other than a business combination, which at the time of the transaction affects neither accounting profit(/loss) nor taxable profit(/tax loss). In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred taxes are determined using tax rates and tax regulations which have been enacted or substantively enacted by the reporting date and which are intended to apply when the deferred tax asset in question is realised or when the deferred tax liability is settled.

Deferred tax assets are recognised only in so far as an actual future taxable profit, which will allow the charging of temporary differences, is likely.

To assess the Group's ability to recover these assets, the following are taken into account: forecasts of future tax results, the share of non-recurring charges that will not recur in the future included in past losses, the history of taxable profits for prior periods, and, if applicable, the tax strategy such as the proposed disposal of undervalued assets.

Deferred tax assets are recognised for temporary differences linked to investments in subsidiaries, save when the timetable for reversal of these temporary differences is controlled by the Group and when it is likely that such reversal will not take place in the near future.

Deferred tax assets and liabilities are offset per tax entity when the tax entity is entitled to offset its current tax assets and liabilities, and when the deferred tax assets and liabilities in question are levied by the same tax authority.

2.20 Leases – the Group as a lessee

At the effective date of a contract, the Group assesses whether it is, or contains, a lease. The Group recognises a right-of-use asset and a corresponding lease obligation for all leases in which it is a lessee, except short-term leases (with a term of up to 12 months) and leases where the underlying asset is of low value. For these leases, the Group recognises lease payments as operating expenses using the straight-line method over the term of the lease.

2.20.1. Lease obligations

A lease obligation is initially measured at the present value of the lease payments not paid at the start of the lease, discounted at a specific debt rate for leases under car-rental contracts, measured based on ranges of values obtained from leasing companies for similar transactions and at the marginal debt rate of the subsidiaries, acting as a lessee, for real-estate leases, calculated based on an implicit rating they have been given, plus a country risk premium based on the real estate's location.

Lease payments contributing to the measurement of a lease obligation include:

- fixed lease payments, less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the exercise price of purchase options the Group will certainly exercise; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease obligation is subsequently measured at amortised cost using the effective interest method. The Group remeasures the lease obligation (along with an adjustment corresponding to the asset associated to the related right of use) if future lease payments are modified in the event of new negotiations or changes to an index or rate, or in the event of the remeasurement of options.

The Group made no such adjustments during the reporting period.

2.20.2. Right-of-use asset

The right-of-use asset comprises the initial measurement of the corresponding lease obligation, lease payments made at or before the commencement date and any initial direct costs.

The right-of-use asset is subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of the lease term and useful life of the underlying asset. The depreciation starts on the commencement date of the lease. Right-of-use assets are subject to impairment testing if there is an indicator for impairment, in accordance with IAS 36. See Note 2.11.

Right-of-use assets are presented under a separate item in the consolidated statement of financial position.

2.21 Principles of revenue recognition

The Group's revenue comes mainly from the following activities:

- consulting and engineering services;
- infrastructure management, application management and resource outsourcing services;
- sales of licences (software) via a single licence, maintenance services related to the sales of licences mentioned above, comprising updates and technical support, SaaS contracts (see the definition below) and the development of additional functionality for standard products commissioned by clients.

SaaS (Software as a Service) sales are based on the principle of providing access to an application over the Internet. Users pay for the service via a service subscription, unlike the traditional model of providing software under a single licence and installing it on the client's own servers.

Revenue is recognised when the Group transfers control of the goods or services sold to the client, either on a given date or gradually.

2.21.1. Consulting and engineering services

Consulting and engineering contracts are based on deliverables and are remunerated at a fixed price. The resulting services include systems integration and the design and development of customised computer systems and associated processes. The contract term is generally between six and 15 months.

The contract prices may be subject to bonuses or penalties based on the achievement of specified performance goals or benefit levels provided to the client.

Revenue is generally recognised on a percentage-of-completion basis, as at least one of the following conditions is met: (i) the Group's service enhances an asset that the client obtains control of as and when the service is provided; (ii) the Group constructs an asset that has no other use (e.g. it is client-specific) and has an enforceable right to payment for the service performed to date in case of termination by the client.

The Group applies the costs incurred method to measure progress. The percentage of completion is based on the costs incurred on the date considered compared with the total estimate of costs on termination of the contract. The estimate of the total costs of the contract is reviewed if new information has come to light. Changes in the estimate of the corresponding percentage of completion are recognised in the income statement as adjustments to revenue in the period in which the items giving rise to the revised estimate became known.

Contract costs based on deliverables are recognised as expenses when they are incurred.

The Group contractually acquires the right to issue a bill on achievement of specified milestones or on the client's acceptance of the work performed.

The difference between accumulated billing and recognised accumulated revenue is reflected in the consolidated statement of financial position under contract assets (if the revenue exceeds the amount billed) or contract liabilities (if the amount billed exceeds the revenue).

2.21.2. Infrastructure management, application management and resource outsourcing services

Infrastructure management, application management and resource outsourcing contracts are remunerated on the basis of a fixed price per work unit, or based on monthly fixed prices that can be adjusted in line with changes in volumes or scope. Services are billable on a monthly basis. In certain cases, the contract may include penalties related to the level of service provided.

The contract term is generally between three and 12 months.

In general, revenue from service-based contracts is recognised as and when the Group acquires the right to invoice, except for special cases where the billing procedure does not reflect the value for the client of the services provided to date in relation to the value of the remaining services to be provided. Bonuses or penalties related to the level of service are, where appropriate, fully recognised in the period in which the performance targets are met or missed, as the case may be.

The amounts initially received from clients are, where appropriate, deferred and staggered over the period of the services, even if they are non-refundable. Initial amounts payable to clients, if they exceed the fair value of the assets transferred by the client, are capitalised (presented as contract assets) and depreciated over the contract period as a deduction from revenue.

2.21.3. Sales of licences, maintenance contracts, provision of SaaS applications and other software sales

If supplying a licence is identified as a distinct performance obligation, control can be transferred to the client at a specific point in time (right of use) or gradually (right of access).

The sale of software in SaaS mode gives rise to a right of access. In this situation, revenue is recognised as and when the client receives and uses the benefits of the service.

Conversely, in case of a right of use being granted, the revenue of the licence will be recognised on delivery if it complies with all the obligations stipulated in the contract.

Maintenance contracts (including updates and technical support) are concluded when the client acquires the licence for the underlying software. Such contracts can be renewed by the client at the end of each fixed term. Maintenance revenue is recognised on a straight-line basis over the term of the contract, with the Group having a constant duty to provide its services.

Services to develop additional functionality commissioned by the client for standard products are recognised on a percentage-of-completion basis, taking account of the contractual limitations preventing the Group from aiming the product at another client and of the enforceable right to payment for the work performed.

Revenue from other software sales mainly relates to the development of additional features requested by clients for standard products, and is recognised once this is completed. Recurring revenue from subscriptions and support is recognised in 'software sales'.

Revenue from agreements with multiple performance obligations, which generally include licences, support and/or services, is allocated to each distinct performance obligation based on their specific sale price.

2.21.4. Resale activities

If analysis of a contract makes it possible to identify the purchase of goods or services for resale as a distinct performance obligation, it should be determined whether the Group is acting as an agent or as a principal.
It is an agent if it is not liable to the client for the performance of the service and its acceptance by this client, if it has no transformative impact on the goods or services and if it does not bear any inventory risk. In this situation, it recognises the revenue for a net amount corresponding to its margin or commission. Otherwise, if it takes control of the goods or services before they are resold to the end client, it is acting as a principal. Revenue is recognised on a gross basis and external purchases are fully recognised as operating expenses.

2.21.5. Multi-component contracts

A performance obligation must be distinguished from other obligations if the following two conditions are met simultaneously:

- First and foremost, the underlying goods or services must be distinct in absolute terms. They can be sold on their own or the client can benefit from them through resources readily available on the market.
- The goods or services must be distinct in the context of the contract, which requires the transformative relationship between the various goods and services in the contract to be analysed. This relationship does not exist if the goods or services in question are not used to produce the other goods or services that are the subject of the contract, if they do not substantially alter or adjust other goods or services promised in the contract or if they are not closely related or are heavily dependent on other goods or services promised in the contract.

If several separate performance obligations are identified within a single contract, the specific sale prices of those obligations are deemed to be the contractual sale prices.

2.21.6. Variable considerations

Variable considerations relate in particular to the provision of SaaS software and services provided on a cost-plus basis. Part of the variable remuneration corresponds to the price per work unit multiplied by the number of work units (number of incident tickets, number of users, number of servers, volumes of processed data, etc.) used by the client during each reference period.

2.21.7. Costs of obtaining contracts

The costs of obtaining a contract are recognised in assets if two conditions are met: they would not have been incurred if the contract had not been obtained, and they are recoverable.

They may relate to sales commissions if they are specifically and solely related to obtaining a contract, i.e. they have not been paid on a discretionary basis. Commissions are not capitalised if the depreciation period is one year or less.

2.21.8. Costs of executing contracts

Costs incurred prior to the signing of an enforceable contract are capitalised only if they are directly attributable to the design or implementation phase of a specifically identified contract, if the contract is likely to be signed and the costs can be recovered under the contract.

Costs incurred for the performance of a contract are recognised as expenses when they are incurred, except for certain up-front implementation costs, such as transition and processing costs, where the latter do not represent a separate performance obligation, which are capitalised if they create a resource that the Group will use to provide the promised services. An 'onerous contracts' provision is recognised if the unavoidable costs of performing the contract outweigh the relevant benefits.

2.21.9. Presentation in the consolidated statement of financial position

The Group provides counter-performance in exchange for products or services transferred to a client in the form of either trade receivables or contract assets. A receivable is an unconditional counter-performance, unlike a contract asset, which is a counter-performance conditioned by factors other than the passage of time.

The majority of the Company's contract assets arise from amounts not invoiced on fixed-price service contracts, when the recognised revenue exceeds the amount billed to the client, and when counter-performance is subordinated to achievement of a milestone or subjected to the client's acceptance.

The billing amount exceeding the recognised revenue is presented in contract liabilities.

2.21.10. Financing components

A financing component included in the transaction price is identified if it is significant and if the period between the completion of the service and payment for this service is greater than 12 months or if the time curve for the completion of services diverges significantly from that laid down by the rules and regulations. The Group has not identified any contracts with a significant financial component.

The Group applies the simplification measure provided for by the standard, meaning that the price does not have to be adjusted when the time lag does not exceed 12 months.

2.22 Distribution of dividends

The dividends to be distributed to the shareholders of the parent company are recognised as a liability in the Group's financial statements in the period in which the dividend distribution was approved by the General Meeting of Shareholders, until the payment thereof.

2.23 Earnings per share

Earnings per share are calculated by dividing profit or loss (attributable to the shareholders of the parent company) by the weighted average number of ordinary shares in circulation during the year. Treasury shares are ignored in the calculation of earnings per share or diluted earnings per share.

The diluted earnings per share are calculated by dividing profit or loss (attributable to the shareholders of the parent company) by the average weighted number of ordinary shares in circulation, plus all dilutive potential ordinary shares (subscription options, warrants, etc.), less treasury shares.

A share subscription plan is considered dilutive when it results in the issue of ordinary shares at a price lower than the average market price during the year.

2.24 Share capital

2.24.1. Ordinary shares

Ordinary shares are classified as equity instruments. Ancillary costs directly attributable to the issue of ordinary shares or share options are recognised as a deduction from equity, net of taxes.

2.24.2. Treasury shares

All of the treasury shares held by the Group are recognised at their acquisition cost taken from equity. The income (or expense) from any disposal of treasury shares is charged directly to the increase (or decrease) of equity (net of taxes), so that any gains or losses do not affect the profit or loss for the year.

2.25 Employee benefits

2.25.1. Short-term benefits

Expenses relating to short-term benefits comprise gross pay, social security contributions, paid leave and other short-term benefits.

They are recognised as an expense in the period in which the services are rendered by the staff. Sums unpaid as at the reporting date are recognised in 'Other current liabilities'.

2.25.2. Defined-contribution pension plans

Expenses relating to defined-contribution pension plans are recognised in profit or loss on the basis of contributions paid or payable for the year in which the associated services were rendered by the beneficiaries. Sums unpaid as at the reporting date are recognised in 'Other current liabilities'.

2.25.3. Defined-benefit pension plans

Defined-benefit pension plans are post-employment benefit plans other than defined-contribution plans, including mainly retirement obligations defined by collective agreements or company-level agreements with employees based in Greece and France.

The Group's commitments relating to defined-benefit plans are measured using a single actuarial technique, called the 'projected unit credit method'. This method is based mainly on a projection of future pension levels payable to employees, anticipating the impact of their future salary increases, and on specific assumptions, detailed in Note 21, which are updated periodically by the Group.

The Group does not outsource the management or financing of retirement benefits to an outside fund.

2.25.4. Compensation for termination of employment contract

Termination benefits are recognised as an expense when the Group is demonstrably engaged, without any real possibility of withdrawing, in a formal, detailed plan either for dismissal prior to the normal retirement date or offers encouraging voluntary retirement with a view to reducing staff numbers.

NOTE 3. ACCOUNTING ESTIMATES AND JUDGEMENTS

In preparing consolidated financial statements, management issues judgements, performs estimates and formulates assumptions likely to have an impact on the amount of assets, liabilities, income and expenses recognised in the consolidated financial statements, as well as on the information in the notes on contingent assets and liabilities as at the reporting date.

3.1 Critical judgements made in connection with applying accounting policies

The following analysis presents the critical judgements made in connection with applying the Group's accounting principles, excluding those which involve estimates, having the most significant impact on the amounts recognised in the consolidated financial statements.

3.1.1. Revenue recognition

The Group's management makes judgements in applying IFRS 15, in particular in assessing the distinctness or otherwise of the undertakings contained in a contract and the classification as an agent or a principal.

Distinctness or otherwise of goods or services

A judgement must be made when assessing the distinctness or otherwise of the undertakings contained in a contract.

If an activity classified as a pre-production activity (such as configuration, testing or design) generates income, the Group's management assesses whether this activity is distinct in the context of the contract.

If there are strong interdependencies between the execution of the pre-production and production phases, the Group considers that the two phases are not distinct in the context of the contract and therefore constitute a single performance obligation.

The entity will then have to determine a single method for measuring percentage of completion for the purposes of the performance obligation, covering all pre-production and production phases.
On the other hand, if the pre-production phase can be considered to be distinct in the context of the contract, it will be treated as a separate performance obligation.

In the case of SaaS contracts, the contract allows the client to have Internet access to computer processing functions hosted by the Group. The contract generally provides for an implementation phase and an operation phase.

In this case, the licence is not distinct from the hosting service since the client cannot derive any benefit from the licence without the service providing continuous access to the entity's Internet platform. A judgement must be made when assessing whether the initial implementation service is distinct from the continuous access service. The Group considers that activities which are not separable from the initiation of the continuous access service, which are essential for enabling the client to access the continuous service and which can only be performed by the entity do not represent a distinct service provided to the client.

Classification as an agent or a principal

For the classification as an agent or a principal, the Group uses indicators such as the Group's responsibility to meet its undertakings to the end client, any transformative action performed by the Group with regard to sold goods or services and the inventory risk and, where appropriate, in the case of goods and services sold separately, the freedom to set prices. In any case, it is necessary to make a judgement and to take into consideration all the facts and circumstances specific to each transaction, bearing in mind that only the intermediation margin is recorded in revenue if the Group acts as an agent.

3.1.2. Determining cash-generating units (CGUs) for goodwill impairment testing

As recommended in IAS 36, the goodwill arising from a business combination is allocated to a CGU likely to benefit from business combination synergies. Given the impact of synergies based on organisational and commercial criteria and the level at which the goodwill is managed and its performance assessed by the Group, the CGUs selected by the Group for the needs of impairment testing correspond to the Group's business segments, i.e. IT services and software.

3.1.3. Term of leases

The lease liability is recognised as an amount equal to the present value of the leases over the term of the contract.

The term of the contract mainly takes into account the period thereof that cannot be terminated. The Group adjusts this, as appropriate, by adding the period associated with a renewal or extension option that could be exercised or, conversely, by deducting the period which has become surplus to requirements after an early termination option has been exercised in the event that the associated penalties (contractual penalties and economic costs of abandonment) would be more than negligible. For real estate leases with such a clause, management considered that the associated penalties were negligible and that the term to be taken into account by the Group should be limited to the fixed term of the lease.

Real-estate leases are generally concluded for a term of nine to 15 years. Meanwhile, the average contractual term of a car-rental lease is three years.

3.1.4. Financial transactions involving managers in certain subsidiaries

The Group's management assessed the nature and scope of share subscription and repurchase transactions in an internal fund established by the Group involving managers in certain subsidiaries (hereinafter "Co-investors") within the framework of an employee stock ownership plan (see Note 10.2.3) and concluded that the transactions in question are financial transactions and that therefore eligible persons are not remunerated for services provided in their capacity as employees. Therefore, IFRS 2 does not apply.

This conclusion is based on compliance with the following criteria:

- the Co-investors acquired shares at a price reflecting market conditions;
- the shares issued will be repurchased at a price reflecting market conditions, exposing them to the risk of a loss of capital during the holding period;
- no conditions or incentives (i.e. service conditions, performance conditions or early departure provisions) are attached to the shares; in this regard, the Co-investors are entitled to the shares until the repurchase date, whether they are still in place or leave in the meantime;
- the Co-investors are required to make up any shortfall up to the maximum unfunded commitment to allow the internal fund to repay Sword Group SE for any loans.

In some cases, put options have been granted to Co-investors, allowing them to reduce their participation at market conditions in advance. According to management, the granting of such options does not result in the re-characterisation of financial transactions, as the Co-investors involved remain exposed to a risk of loss for the shares they hold.

3.2 Main sources of uncertainty about estimates

The estimates and assumptions which could have an impact on the amounts of assets and liabilities as at the reporting date as well as on the consolidated financial statements are liable to change over time.

3.2.1. Goodwill impairment testing

Goodwill is subject to impairment testing at least annually, in accordance with the accounting principles set out in Note 2.11. The CGUs' recoverable amounts are determined on the basis of the calculation of their value in use and, where appropriate, their fair value less costs to sell.

The CGUs' value in use is determined using the discounted future net cash flows method, which is influenced by parameters such as estimated medium- and long-term revenue growth, expected rate of profitability and discount rate applied. The main assumptions selected by the Group for performing tests are presented in Note 13. Any change to these assumptions could have a significant impact on the recoverable amount.

3.2.2. Measurement of intangible assets arising from business combinations

The Group uses valuation techniques and assumptions to determine the fair value of intangible assets arising from a business combination. The valuation techniques and assumptions used are described in Note 5. The adoption of a different valuation model and any change to underlying variables could have a significant impact on the value attributed to these assets.

3.2.3. Useful life of intangible assets acquired in business combinations

Depreciable intangible assets acquired in business combinations are valued and depreciated taking into account their useful life forecast by the Group.

Uncertainties regarding these estimates are related mainly to the technical obsolescence that could affect software intended for sale or leased under SaaS arrangements and to the erosion rate of clients or contract renewals that could impact assets such as contracts to deliver Software as a Service (SaaS), support contracts and, where appropriate, client relations.

3.2.4. Intangible assets with indefinite lives

The Group is of the opinion that the fee paid by the Group to the former majority shareholder in Tipik to cancel a restraint of trade agreement (see Note 14) is comparable to an open-ended operating licence granted to the Group, an authorisation without which the Group would be unable to generate any cash flow within the scope of business activities subject to the restraint of trade agreement. Consequently, the fee paid was classified as an asset with an indefinite useful life that is subject to impairment testing at least once a year.

3.2.5. Recognition of deferred tax assets

Deferred tax assets can be recognised only in so far as the tax losses recorded can be used to reduce the tax burden on taxable profits. The Group's management use budgets and medium-term growth and profitability assumptions to recognise deferred tax assets. A downward revision of the projections established by management can significantly influence the recoverable nature of deferred tax assets.

3.2.6. Revenue recognition

Group management makes estimates for the application of IFRS 15, in particular for the measurement of the percentage of completion of ongoing performance obligations satisfied over time.

For each ongoing performance obligation satisfied over time, in particular consulting and engineering contracts based on deliverables and remunerated on a fixed-price basis, revenue is recognised as and when services are provided, using methods based on progress evaluation inputs. According to these methods, income is recognised on the basis of the efforts already made or the inputs already used by the entity, such as hours of work or expenses incurred, compared with the estimated total for the inputs required to meet the performance obligation.

3.2.7. Measurement of expected credit losses on trade receivables and work in progress

The Group measures the relative importance of expected credit losses on the basis of historical net losses recognised in profit or loss over a three-year period. If the historical net losses (expressed as a percentage of revenue) are deemed significant, the Group uses a provision matrix to determine differentiated loss rates based on the age of the receivables outstanding as at the reporting date, except where receivables are individually measured using a statistical model to determine the probability of default.

Average net historical losses over a three-year period came to €215,000 (compared with €362,000 in 2020), accounting for 0.4% (as opposed to 0.2% in 2020) of the average revenue calculated for the period under consideration.

Although the estimates provided above are based on historical data, the Group's management believes it is very unlikely that they will differ significantly from the actual losses that could be recorded in 2022.

3.2.8. Measurement of commitments to repurchase non-controlling interests

The fair value of the commitments to repurchase shares subscribed by minority shareholders/co-investors following the adoption of employee stock ownership plans (see Note 10.2) is based on an EBIT multiple or a formula combining EBIT multiple and revenue multiple, applied to a share of the securities issued by the subsidiaries in question, whereby this share is characterised as an underlying investment and serving as a measurement basis for these plans, adjusted to take account of the discount effect. The estimate of the fair value of the price to be paid calculated on the basis of revenue forecasts and profit margin is likely to deviate from the price that will actually be paid at maturity for the repurchase of the shares.

NOTE 4. FINANCIAL RISK MANAGEMENT POLICY

The Group is exposed to credit risk, liquidity risk and market risk (including interest-rate risk and foreign-currency risk) with respect to the use of financial instruments. Financial risk management is handled by the Finance Department and consists of minimising the potentially unfavourable impact of these risks on the Group's performance. This note gives information on the Group's exposure to various risks as well as on how the Group addresses and manages these risks.

4.1 Credit risk

The credit risk is the Group's risk of financial loss if a client or any other counterparty of a financial instrument is inadequate in the performance of its obligations. The main credit risk identified by the Group pertains to trade receivables, accrued income for work in progress and cash in financial institutions.

The Group's maximum exposure to credit risk by category of financial asset can be analysed as follows:

(in thousands of €)	31 December 2021	31 December 2020
Trade receivables	32,415	22,874
Work in progress	21,727	16,905
Other assets	7,780	11,504
Cash and cash equivalents	55,295	105,842
TOTAL	**117,217**	**157,125**

In addition to the credit risk exposure involved in holding financial assets, i.e. trade receivables and cash, there is the risk of default represented by accrued income for work in progress, the balance of which stood at €21,727,000 as at 31 December 2021 (compared with €16,905,000 as at 31 December 2020).

The Group rigorously selects its counterparties on the basis of their credit standing, measured on the basis of multiple criteria including ratings from agencies and financial ratios.

In addition to the clients' acceptance conditions, the Group's Finance Department determines the maximum payment deadlines and sets client credit limits applied by the business units.

Client credit risk is managed by the Finance Department of each Group entity. Trade receivables due are reviewed regularly at each reporting date by the business units. Each significant delayed payment is monitored and, if necessary, made the subject of an action plan.

As a simplification measure, under Group policy, receivables that have been outstanding for more than 90 days must be fully provisioned unless the Group has reliable information (time limits imposed when awarding a public procurement contract, for example) indicating that full or partial recovery is possible, in which case the provisioned amount is adjusted.

In addition to losses recognised on the basis of objective loss indicators, the Group estimates the risk of expected credit losses that should be provisioned on the basis of historical default data (see Note 3.2.7).

As at 31 December 2021 (in line with the position as at 31 December 2020), no provision was recognised for expected losses, given the non-significant nature of the historical losses expressed as a function of revenue.

The Group's Finance Department regularly reviews trade receivables on the basis of aged balances.

The Group's trade receivables classified by client category are as follows:

(in thousands of €)	31 December 2021	31 December 2020
State-owned companies	27,862	15,306
Large companies and multinationals	20,132	16,244
SMEs	7,559	9,953
TOTAL	**55,553**	**41,503**

There is no significant concentration of credit risk at Group level on the basis of trade receivables as at 31 December 2021 (also reflecting the position as at 31 December 2020).

No client accounts for more than 10% of the Group's revenue. The top 10 clients together account for 40% of the Group's revenue (compared with 31% in 2020).

See Note 18 for more information about credit risk exposure such as the breakdown of 'Trade and other receivables', aged balances and details of the change in allowance for doubtful accounts.

Cash, cash equivalents and short-term investments are invested with seven financial institutions having an S&P rating of AA- or higher. With respect to managing its cash surpluses, the Group adopts a cautious short-term investment policy. Given the default-risk exposure that is considered insignificant, these assets have not been subject to allowances for expected credit losses within 12 months.

4.2 Liquidity risk

The liquidity risk is the risk that the Group will not be able to meet its financial obligations.

The Board of Directors of the Parent Company is ultimately responsible for managing liquidity risk. It has established a framework for managing this risk based on proposals set out by the Group's Finance Department.

The Group manages liquidity risk by maintaining adequate reserves and banking facilities, closely monitoring projected and actual cash flows and adjusting, if necessary, the maturities of financial assets and liabilities. The details of the lines of credit available to the Group to further reduce its liquidity risk are described in Note 23.2.

The Group's Finance Department has established tools for monitoring projected cash flows for each of the Group's business units, enabling it to manage the liquidity risk with full knowledge of the situation.

The tables below provide an analysis by class of maturity, according to the amount of time until the contractual maturity date, of the Group's non-derivative financial liabilities.

The tables were prepared on the basis of undiscounted cash flows according to the earliest date by which the Group could be required to make a payment. These flows can differ from the carrying amounts of the assets and liabilities in question as at the reporting date.

The tables include cash flows related to interest and the principal. In so far as interest flows are floating rate, the undiscounted amount is obtained on the basis of market conditions prevailing as at the reporting date.

As at 31 December 2021 and 31 December 2020 respectively, the contractual maturities for the Group's financial liabilities (including interest payments) were as follows:

As at 31 December 2021

(in thousands of €)	<1 year	>1 year, <2 years	>2 years, <3 years	>3 years, <5 years	>5 years	TOTAL
Bank overdrafts	(278)	-	-	-	-	(278)
Lease obligations	(2,784)	(1,731)	(1,472)	(1,898)	(1,119)	(9,004)
Trade and other payables	(24,963)	-	-	-	-	(24,963)
Other liabilities	(452)	(107)	-	-	-	(559)
Commitments to repurchase securities held by minority shareholders/Co-investors (*)	(15,929)	(9,650)	(6,838)	(32,287)	-	(64,704)
Contingent considerations	(1,813)	-	-	-	-	(1,813)
TOTAL	**(46,219)**	**(11,488)**	**(8,310)**	**(34,185)**	**(1,119)**	**(101,321)**

As at 31 December 2020

(in thousands of €)	<1 year	>1 year, <2 years	>2 years, <3 years	>3 years, <5 years	>5 years	TOTAL
Bank overdrafts	(35)	-	-	-	-	(35)
Lease obligations	(2,528)	(1,916)	(1,110)	(1,694)	(604)	(7,852)
Trade and other payables	(19,454)	-	-	-	-	(19,454)
Other liabilities	(271)	(112)	-	-	-	(383)
Commitments to repurchase securities held by minority shareholders/Co-investors (*)	(1,072)	(42,467)	(4,505)	-	-	(48,044)
Contingent considerations	(665)	(1,352)	-	-	-	(2,017)
TOTAL	**(24,025)**	**(45,847)**	**(5,615)**	**(1,694)**	**(604)**	**(77,785)**

(*) *Net of receivables worth a total amount of €25,779,000 (2020: €22,287,000), which is the subject of netting arrangements (see Note 10.3). Where Co-investors can request the early repurchase of their shares in Sword Co-Investment Fund SCSp on an annual basis, the repurchase commitments, net of receivables, have been classified at the earliest repayment date, i.e. between one and two years.*

4.3 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to developments in market prices. The market risk arises from open positions in foreign currencies and interest-bearing assets and liabilities.

4.3.1. Foreign-currency risk

Exposure to foreign-currency risk arises from sales and purchases made by the Group abroad, mainly denominated in US dollars, pounds sterling and Swiss francs, and the resulting outstandings.

With a view to managing its exposure to foreign-currency risk, the Company's Board of Directors adopted limits for each currency and each maturity, pursuant to a proposal by the Finance Department.

With a view to mitigating the Group's exposure to such risk, the Group's net foreign-currency positions classified by maturity, both real and estimated on the basis of budgets and financial forecasts, are monitored and foreign-exchange spot or forward contracts are concluded, where appropriate, to comply with the limits set.

The table below shows the carrying amounts of monetary assets and liabilities denominated in foreign currencies as well as the overall net position for each currency as at the reporting date. Non-significant currencies as at the reporting date have been grouped together.

(in thousands of €)	Assets		Liabilities		Net position	
	2021	2020	2021	2020	2021	2020
Pound sterling	76,677	44,609	(39,200)	(34,610)	37,477	9,999
US dollar	7,079	8,521	(3,957)	(3,664)	3,122	4,857
Swiss franc	45,417	26,656	(33,436)	(14,202)	11,981	12,454
Other	8,251	6,417	(6,990)	(2,192)	1,261	4,225

The table below illustrates the sensitivity of profit or loss and equity to fluctuations against the euro of exchange rates applied to the Group's financial assets and liabilities denominated in foreign currencies and held by the Group as at the reporting date, i.e. the Group's net position in the currency, with all other variables remaining constant.

It assumes a fluctuation in the exchange rate in line with the historical volatility of exchange rates on the market, calculated on the basis of the previous 12 months.

(In thousands of €)	31 December 2021			31 December 2020		
Currency	Exchange-rate changes	Impact on earnings	Impact on equity	Exchange-rate changes	Impact on earnings	Impact on equity
Pound sterling	4%	388	2,269	6%	770	2,406
US dollar	5%	120	241	7%	106	230
Swiss franc	4%	78	1,065	1%	(3)	250

The above exchange-rate changes represent management's best estimate, bearing in mind historical volatility within one year.

4.3.2. Interest-rate risk

The Group's financial debt mainly consists of commitments to repurchase shares under employee stock ownership plans (Note 10.2) and lease liabilities.

The Group does not expect a reasonable change in interest rates to have a material impact on the fair value of the lease obligations or on the repurchase commitments. Similarly, the Group does not expect such a change to have a direct and material impact on the cash flows associated with the repurchase commitments, as the discount rate is not the main component of the valuation model.

In addition, the Group has lines of credit to ensure its continued growth, with any outstanding balances subject to variable rates of interest. The applicable variable rates are calculated on the basis of a reference rate (Euribor, for example), which cannot fall below 0%, to which a margin is added.

As at 31 December 2021 and 31 December 2020, the Group did not have recourse to bank loans.

To avoid negative interest rates being applied to its cash at bank, the Group has negotiated thresholds with its bank counterparties below which the invested amounts are not subject to negative interest rates and takes care to diversify its investments to ensure it is not penalised.

4.4 Capital management

The Group manages its capital in such a way that it can ensure ongoing operations while maximising return for stakeholders by optimising the gearing ratio (net debt to equity).
The Group is not subject to any external capital requirements, apart from complying with the financial ratios imposed by the banks (see Note 23.2).

As at 31 December 2021 and 31 December 2020, the financial structure ratio was as follows:

(in thousands of €)	31 December 2021	31 December 2020
Lease obligations	(9,004)	(7,852)
Commitments to repurchase securities held by minority shareholders/Co-investors (*)	(64,704)	(48,044)
Cash and cash equivalents	55,017	105,807
Net cash	**(18,691)**	**49,911**
Equity	94,170	135,942
NET DEBT RATIO	**(19.85%)**	**36.71%**

(*) *Net of any loans made directly to Co-investors*

Net debt, as presented above, consists of lease obligations and debt related to the repurchase of securities held by minority shareholders/Co-investors, less cash and cash equivalents. As indicated in Note 4.2, the share of lease obligations and debt related to the repurchase of securities maturing in less than one year amounts to €18,713,000.

NOTE 5. FAIR-VALUE MEASUREMENT

5.1 Fair-value hierarchy

To reflect the importance of the data used in fair-value measurements, the Group classifies these measurements on the basis of a two-tier hierarchy:

- Level 1: (unadjusted) prices quoted on asset markets for identical assets or liabilities;
- Level 2: data other than the quoted prices targeted at Level 1 that are observable for the asset or liability in question, either directly (i.e. prices) or indirectly (i.e. data derived from prices); and
- Level 3: data relating to the asset or liability which are not based on observable market data (unobservable data).

The tables below provide an analysis of assets and liabilities recognised at fair value in the balance sheet by hierarchical level.

In thousands of €	Level 1	Level 2	Level 3	Total as at 31 December 2021
Assets at fair value				
Financial assets at fair value through other comprehensive income				
Shares in Coexya Group (formerly AW FG Carré)	-	-	3,011	**3,011**
Financial assets at fair value through profit or loss				
Contingent consideration on sale (Note 12.2)	-	-	6,060	**6,060**
TOTAL ASSETS AT FAIR VALUE	**-**	**-**	**9,071**	**9,071**

(in thousands of €)	Level 1	Level 2	Level 3	Total as at 31 December 2021
Liabilities at fair value				
Financial liabilities at fair value through profit or loss				
Contingent considerations on acquisitions	-	-	1,813	1,813
Commitments to repurchase securities held by minority shareholders/Co-investors (*)	-	-	64,704	64,704
TOTAL LIABILITIES AT FAIR VALUE	**-**	**-**	**66,517**	**66,517**

(*) *Net of any loans made directly to Co-investors*

(In thousands of €)	Level 1	Level 2	Level 3	Total as at 31 December 2020
Assets at fair value				
Financial assets at fair value through other comprehensive income				
Shares in SBT	111	-	-	**111**
Shares in Coexya Group (formerly AW FG Carré)	-	-	2,853	**2,853**
Financial assets at fair value through profit or loss				
Contingent consideration on sale (Note 12.2)	-	-	8,000	**8,000**
TOTAL ASSETS AT FAIR VALUE	**111**	**-**	**10,853**	**10,964**

(in thousands of €)	Level 1	Level 2	Level 3	Total as at 31 December 2020
Liabilities at fair value				
Financial liabilities at fair value through profit or loss				
Contingent considerations on acquisitions	-	-	1,707	**1,707**
Commitments to repurchase securities held by minority shareholders/Co-investors (*)	-	-	48,044	**48,044**
TOTAL LIABILITIES AT FAIR VALUE	**-**	**-**	**49,751**	**49,781**

(*) *Net of any loans made directly to Co-investors*

Should a fair-value level transfer be necessary, the Group would change the classification (bearing in mind the consequences in terms of measurement) on the date of the triggering event or on the date of the change of circumstances leading to the transfer. There was no transfer between Levels 1 and 2 during the year.

5.2 Measurement techniques

5.2.1. For business combinations, transactions with minority interests and sales of subsidiaries

Intangible assets

The fair value of software for third parties, SaaS contracts, software maintenance contracts, order books and client relations acquired in a business combination is calculated using the most appropriate method under the circumstances, including the multi-period excess earnings method, which consists of measuring the asset in question after deducting a reasonable return for the other assets generating cash flows. The valuation is a function of variables such as the rate of technological obsolescence, the client erosion rate (or even the contract renewal rate) and the discount rate.

Contingent considerations (liabilities) in connection with business combinations

The explanation below provides details of the techniques for measuring the fair value of contingent considerations (liabilities) and the main non-observable data used. Contingent considerations are classified as Level 3 of the fair-value hierarchy taking account of the use of non-observable data specific to the companies/interests acquired.

Codify Holding Ltd

Measurement technique	Main non-observable data	Estimated values	
		2021	**2020**
EBITDA multiple, calculated as at 31 December 2020 and 31 December 2021	- Annual revenue growth rate - EBITDA margin	34% 26%	53% 27%

The estimated fair value for Codify Holding Ltd is expected to evolve in line with the revenue growth rate, given a probability considered to be high that the EBITDA margin (expressed as a percentage of revenue) will remain stable.

A change of +10% in EBITDA would result in a €280,000 increase in the contingent consideration relating to Codify Holding Ltd as at 31 December 2021 (2020: €317,000). A change of -10% in EBITDA would result in a €280,000 decrease in the contingent consideration relating to Codify Holding Ltd as at 31 December 2021 (2020: €317,000).

Almaz Informatique S.A.

The fair value of the additional payment for Almaz Informatique S.A. is based on the best estimate of the number of contracts in place on 1 January 2022. Given the due date, the additional payment is unlikely to fluctuate.

AiM Services Holding S.A. (AiM)

The fair value of the additional payment for AiM is based on the best estimate of the number of contracts signed from the acquisition date until 31 March 2022 and the share of the sale price to be returned to the seller for the disposal of non-core activities. No significant change is expected by the due date.

Contingent considerations (assets) in connection with sales

The table below lists the techniques for measuring the fair value of contingent considerations (assets) and the main non-observable data used. Contingent considerations are classified as Level 3 of the fair-value hierarchy taking account of the use of non-observable data specific to the companies/interests sold.

Sword Sol

Measurement technique	Main non-observable data	Estimated values	
		2021	**2020**
EBITDA multiple and revenue multiple, calculated as at 31 December 2020 and 31 December 2021	- Annual revenue growth rate - EBITDA margin	12.0% 12.6%	12.0% 12.8%

The estimated fair value is expected to increase if the annual revenue growth rate exceeds the above estimate, assuming that the EBITDA margin (expressed as a percentage of revenue) remains stable or increases.

A change of +10% in revenue would result in a €12,576,000 increase in the contingent consideration resulting from the sale of Sword Sol as at 31 December 2021, assuming that the EBITDA margin remained constant. A change of -10% in revenue would result in a €440,000 decrease in the contingent consideration relating to Sword Sol as at 31 December 2021.

Commitments to repurchase securities held by minority shareholders (also reported as 'non-controlling interests')/Co-investors

The repurchase commitments are included at their fair value in the consolidated statement of financial position. The table below lists the techniques used for measuring both the fair value of debt related to commitments to repurchase securities held by minority shareholders/Co-investors and the main non-observable data used by the Group. Debts are classified as Level 3 of the fair-value hierarchy taking account of the use of non-observable data specific to the subsidiaries involved.

Company	**Measurement technique**	**Key non-observable data**	**Range of estimated values**	
			2021	**2020**
Sword Co-Investment Fund	EBIT/EBITDA multiple or average of an EBIT/EBITDA multiple and a revenue multiple	- Annual revenue growth rate - EBIT/EBITDA margin	6% - 20% 6% - 30%	9% - 18% 6% - 14%
Sword GRC Group Ltd	EBIT multiple	- Annual revenue growth rate - EBIT margin	20% 17.8%	19% 15.2%

The estimated fair value is expected to increase if the annual revenue growth rate goes above current estimates and the EBITDA margin (expressed as a percentage of revenue) remains stable or increases.

A change of +25% in the growth rate of revenue generated by investments held by Sword Co-Investment Fund SCSp would result in a €67,597,000 increase in debt related to repurchases of securities held by Co-investors as at 31 December 2021, assuming that the EBITDA margin remained constant. A change of -25% in the growth rate would result in a €58,891,000 decrease in debt related to repurchases of securities held by Co-investors as at 31 December 2021.

A change of +10% in the margin rate (EBITDA) of investments held by Sword Co-Investment Fund SCSp would result in a €73,672,000 increase in debt related to repurchases of securities held by Co-investors as at 31 December 2021, assuming that revenue remained constant. A change of -10% in the margin rate would result in a €53,414,000 decrease in debt related to repurchases of securities held by Co-investors as at 31 December 2021.

A sensitivity analysis has not been provided for the repurchase commitments related to GRC securities due to their upcoming maturity.

Gross debt related to repurchases of securities held by Co-investors with an early repurchase clause (47% payable by June 2022 at the earliest, with the balance payable after 31 December 2022, where applicable) amounted to €61,388,000 (2020: €63,463,000).

The fair value of the debt on the Sword Co-Investment Fund as at 31 December 2021 does not differ significantly from the price at which the shares were subscribed.

5.2.2. In the ordinary course of business

Financial assets at fair value through other comprehensive income

Equity instruments at Level 1 are measured at the stock-exchange rate as at the reporting date. Other equity instruments belong to Level 3 and are measured on the basis of their net asset, as communicated by the management of the company in question. The Group makes adjustments if it notes, on the basis of the available information, that the net asset differs significantly from the fair value.

5.3 Reconciliation of Level 3 fair-value measurements

Financial assets at fair value through other comprehensive income

(in thousands of €)	31 December 2021	31 December 2020
Balance as at opening	**2,853**	**880**
Acquisitions	-	2,853
Disposals/deconsolidations	-	(880)
Total gains and losses	158	-
BALANCE AS AT YEAR END	**3,011**	**2,853**
Total gains and losses relating to assets held as at year end	158	-

Total gains and losses relating to assets held as at year end are included in other comprehensive income under 'Financial assets at fair value through other comprehensive income - Gain related to remeasurement at fair value'. The cumulative impact is recorded in 'Reserve for remeasurement of financial assets'.

Contingent considerations (assets)

(in thousands of €)	31 December 2021	31 December 2020
Balance as at opening	**8,000**	**-**
Acquisitions	-	8,000
Payments	(2,427)	-
Total gains and losses	487	-
BALANCE AS AT YEAR END	**6,060**	**8,000**
Total gains and losses relating to contingent considerations	487	-

Total gains and losses relating to contingent considerations (assets) are included in income for the year under 'Income from disposals of assets and subsidiaries'.

Contingent considerations (liabilities)/debts related to commitments to repurchase securities held by minority shareholders/Co-investors

(in thousands of €)	31 December 2021	31 December 2020
Balance as at opening	**49,751**	**15,305**
Acquisitions (*)	21,275	47,239
Disposals/payments	(1,158)	(2,748)
Total gains and losses	(3,351)	(10,045)
BALANCE AS AT YEAR END	**66,517**	**49,751**
Total gains and losses relating to contingent considerations/debts related to commitments to repurchase securities held by minority shareholders/ Co-investors	1,351	(55)

(*) *Net of any loans made directly to Co-investors*

Total gains and losses relating to contingent considerations (liabilities) and *debts related to commitments to repurchase securities held by minority shareholders/Co-investors* are included in income for the year under 'Financial result'.

NOTE 6. FINANCIAL ASSETS AND LIABILITIES BY ACCOUNTING CATEGORY

As at 31 December 2021

(in thousands of €)	Financial instruments at depreciated cost	Financial instruments at fair value through profit or loss	Financial instruments at fair value through other comprehensive income	TOTAL
ASSETS				
Financial instruments at fair value through other comprehensive income	-	-	3,011	3,011
Other assets	743	-	-	743
Long-term investments	**743**	-	**3,011**	**3,754**
Trade and other receivables	32,415	-	-	32,415
Other assets	977	6,060	-	7,037
Cash and cash equivalents	55,295	-	-	55,295
Current financial assets	**88,687**	**6,060**	-	**94,747**
TOTAL FINANCIAL ASSETS	**89,430**	**6,060**	**3,011**	**98,501**
LIABILITIES				
Lease obligations	6,220	-	-	6,220
Other liabilities	107	48,775	-	48,882
Non-current financial liabilities	**6,327**	**48,775**	-	**55,102**
Lease obligations	2,784	-	-	2,784
Other financial debts	278	-	-	278
Trade and other payables	24,963	-	-	24,963
Other liabilities	452	17,742	-	18,194
Current financial liabilities	**28,477**	**17,742**	-	**46,219**
TOTAL FINANCIAL LIABILITIES	**34,804**	**66,517**	-	**101,321**

As at 31 December 2020

(in thousands of €)	Financial instruments at depreciated cost	Financial instruments at fair value through profit or loss	Financial instruments at fair value through other comprehensive income	TOTAL
ASSETS				
Financial instruments at fair value through other comprehensive income	-	-	2,964	2,964
Other assets	889	7,411	-	8,300
Long-term investments	**889**	**7,411**	**2,964**	**11,264**
Trade and other receivables	22,874	-	-	22,874
Other assets	2,615	589	-	3,204
Cash and cash equivalents	105,842	-	-	105,842
Current financial assets	**131,331**	**589**	**-**	**131,920**
TOTAL FINANCIAL ASSETS	**132,220**	**8,000**	**2,964**	**143,184**
LIABILITIES				
Lease obligations	5,324	-	-	5,324
Other liabilities	233	48,203	-	48,436
Non-current financial liabilities	**5,557**	**48,203**	**-**	**53,760**
Lease obligations	2,528	-	-	2,528
Other financial debts	35	-	-	35
Trade and other payables	19,454	-	-	19,454
Other liabilities	460	1,548	-	2,008
Current financial liabilities	**22,477**	**1,548**	**-**	**24,025**
TOTAL FINANCIAL LIABILITIES	**28,034**	**49,751**	**-**	**77,785**

NOTE 7. BREAKDOWN OF REVENUE

Software segment

Breakdown by product type	**31 December 2021**	**31 December 2020**
Governance, Risk & Compliance (GRC)	19,672	16,448
Intellectual Property (IP)	-	4,263
Other	67	524
TOTAL	**19,739**	**21,235**

IT Services segment

Breakdown by market type	**31 December 2021**	**31 December 2020**
Health, telecommunications and others	35,940	40,217
Insurance and finance	17,495	18,469
Industry	72,764	68,448
Governments/European institutions	68,626	64,165
TOTAL	**194,825**	**191,299**

See Note 9 for a breakdown of revenue by geographical area.

NOTE 8. ASSETS AND LIABILITIES RELATING TO REVENUE RECOGNITION

The table below provides information on trade receivables, work in progress and prepaid services.

(in thousands of €)	31 December 2021	31 December 2020
Trade and other receivables (assets)	32,415	22,874
Work in progress (assets)	21,727	16,905
Costs of executing contracts activated following a deferral of revenue (assets) [(1)] (Note 8.4)	575	199
Prepaid services (liabilities)	13,553	9,889

[(1)] *Included in prepaid expenses*

IFRS 15 uses the terms 'contract assets' and 'contract liabilities' to refer to the items commonly known as 'Work in progress' and 'Deferred income'. However, this standard does not prevent an entity using other terms in its statement of financial position. The Group has used the terms 'Work in progress' and 'Deferred income' to label these items in assets and liabilities.

The Group records in deferred charges under 'Assets relating to the costs of executing contracts' costs related to installation and configuration services for certain software packages, whose revenues and associated costs are only recognised when the software is commissioned, regardless of whether this is marketed as licences or in SaaS mode. These assets are included in 'Prepaid expenses'.

In accordance with IFRS 15, revenue recognised before the date when it is billed to clients is recognised as 'Work in progress'. Interim payments exceeding the revenue recognised as at the reporting date are recorded as 'Prepaid services'.

8.1 Analysis of significant changes in assets and liabilities relating to revenue recognition

The change in work in progress, costs of executing the activated contracts and prepaid services is proportional to revenue recognition.

8.2 Revenues relating to prepaid services

(in thousands of €)	31 December 2021	31 December 2020
Revenues recognised during the year and included in the opening balance of prepaid services	9,638	17,533
Revenues recognised during the year and relating to the performance obligations met in previous years [(1)]	-	-

[(1)] *This may include in particular the impact of changes in estimates on the measurement of the variable considerations and of such changes on the progress of the performance obligations recognised over time.*

8.3 Outstanding performance obligations

Schedule of outstanding performance obligations on long-term and fixed-price contracts

(in thousands of €)	31 December 2021	31 December 2020
Less than 1 year	146,782	109,573
Between 1 and 2 years	85,215	11,140
Between 2 and 3 years	139,036	18,968
Share of revenue allocated to outstanding performance obligations as at reporting date	**371,033**	**139,681**

The above schedule corresponds to the order-book schedule (also known as the 'production backlog').

8.4 Assets relating to costs of executing contracts

(in thousands of €)	31 December 2021	31 December 2020
Assets relating to costs of executing contracts (gross balance)	575	199
Depreciation and impairment losses	-	-
Net balance of assets relating to costs of executing contracts	**575**	**199**

NOTE 9. SEGMENT INFORMATION

In accordance with IFRS 8, the segment information presents operating segments roughly corresponding to industries identified on the basis of the Group's business components. This segment information is based on the organisation of the Group's internal management, which leads to the preparation – in each business component – of management tools used by the Group's management.

Taking a business approach, the Group defined two operating segments, i.e. 'IT Services' and 'Software', both of which influence the Group's performance measurement and strategic approach.

Around the operating segments gravitate support functions, such as sales, finance, human resources and logistics.

The industries are defined as follows:

- **IT Services (Solutions)**:
  This is a division specialising in information systems integration and engineering services, including strategic and operational consulting, solution engineering and application development, project ownership support and project management support, infrastructure management and application maintenance for third parties, and resource outsourcing.

- **Software (or Products):**
  This division covers software, mainly for Governance, Risk & Compliance (GRC) activities.

9.1 Information by geographical area

The table below shows the breakdown of revenue by geographical market, excluding intra-segment revenue and information on non-current assets by geographical area:

	Revenue from external clients		*Non-current assets (*)*	
(in thousands of €)	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Benelux and Greece	62,070	50,305	8,710	13,189
France	-	35,091	1,133	21
Switzerland	47,035	29,850	44,959	28,703
United Kingdom	75,057	64,760	43,377	37,716
United States	16,791	12,975	542	569
Other	13,611	19,553	1,599	1,780
TOTAL	**214,564**	**212,534**	**100,320**	**81,978**

(*) *Non-current assets exclude financial instruments and deferred tax assets.*

9.2 Information by segment

9.2.1. Analysis of the income statement as at 31 December 2021

(in thousands of €)	IT Services	Software	Non-allocated	Consolidated total
Revenue				
- Outside the Group *(external clients)*	194,825	19,739	-	214,564
Total revenue	**194,825**	**19,739**	**-**	**214,564**
Earnings before interest, taxes, depreciation and amortisation, excluding non-recurring items (EBITDA)	23,885	5,389	-	**29,274**
Depreciation charges	(4,788)	(1,881)	(23)	(6,692)
Earnings before interest and taxes, excluding non-recurring items (EBIT)	**19,097**	**3,508**	**(23)**	**22,582**
Income from disposals of assets	(1,345)	-	1,738	393
Impairment losses on assets	(30)	-	-	(30)
Other non-recurring items	(1,995)	(265)	(1,540)	(3,800)
Operating profit (OP)	**15,727**	**3,243**	**175**	**19,145**
Financial result				2,385
Income tax				(3,656)
Profit for the year				**17,874**
Non-controlling interests				221
Group share				**17,653**

9.2.2. Analysis of the income statement as at 31 December 2020

(in thousands of €)	IT Services	Software	Non-allocated	Consolidated total
Revenue				
- Outside the Group *(external clients)*	191,299	21,235	-	212,534
Total revenue	**191,299**	**21,235**	**-**	**212,534**
Earnings before interest, taxes, depreciation and amortisation, excluding non-recurring items (EBITDA)	**24,294**	**5,182**	**-**	**29,476**
Depreciation charges	(6,603)	(1,892)	(274)	(8,769)
Earnings before interest and taxes, excluding non-recurring items (EBIT)	**17,691**	**3,290**	**(274)**	**20,707**
Income from disposals of assets	52,701	15	-	52,716
Impairment losses on assets	(578)	-	-	(578)
Other non-recurring items	(3,980)	(73)	-	(4,053)
Operating profit (OP)	**65,834**	**3,232**	**(274)**	**68,792**
Financial result				(11,708)
Income tax				(3,687)
Profit for the year				**53,397**
Non-controlling interests				114
Group share				**53,283**

9.2.3. Analysis of assets and liabilities as at 31 December 2021

(in thousands of €)	**IT Services**	**Software**	**Non-allocated**	**Adjustments and eliminations**	**Consolidated total**
Segment assets	168,906	40,028	-	-	208,934
Non-allocated assets	-	-	16,742	-	16,742
TOTAL ASSETS	**168,906**	**40,028**	**16,742**	**-**	**225,676**
Segment liabilities	53,712	13,524		134,649	201,885
Non-allocated liabilities	-	-	64,112	(134,649)	(70,537)
TOTAL LIABILITIES	**53,712**	**13,524**	**64,112**	**-**	**131,348**
Investments in intangible assets and in property, plant and equipment during the year	*7,208*	*6,591*	*423*	*-*	*14,222*

9.2.4. Analysis of assets and liabilities as at 31 December 2020

(in thousands of €)	**IT Services**	**Software**	**Non-allocated**	**Adjustments and eliminations**	**Consolidated total**
Segment assets	129,874	32,116	-	-	161,990
Non-allocated assets	-	-	73,265	-	73,265
TOTAL ASSETS	**129,874**	**32,116**	**73,265**	**-**	**235,255**
Segment liabilities	40,387	11,822	-	120,364	172,573
Non-allocated liabilities	-	-	47,104	(120,364)	(73,260)
TOTAL LIABILITIES	**40,387**	**11,822**	**47,104**	**-**	**99,313**
Investments in intangible assets and in property, plant and equipment during the year	*8,073*	*3,422*	*-*	*-*	*11,495*

See Note 13.2 for allocation of goodwill to cash-generating units.

All of the assets are allocated to the segments, except assets which cannot be allocated to a CGU, which comprise mainly cash and cash equivalents held by the Company.

All of the liabilities are allocated to the segments, except liabilities which cannot be allocated to a CGU, which comprise mainly financial debt related to commitments to repurchase equity securities granted to non-controlling interests.

NOTE 10. GROUP INFORMATION

10.1 Scope of consolidation

Company	Main business /operating segment	Method	% control 31 December 2021	% control 31 December 2020	% interest 31 December 2021	% interest 31 December 2020
Luxembourg						
Sword Group SE	Parent company					
Sword Co-Investment Fund SCSp	-	FC	100%	100%	100%	100%
Sword Technologies S.A.	IT Services	FC	100%	100%	100%	100%
Australia						
DataCo Australia Pty Ltd	IT Services	FC	100%	100%	100%	100%
Sword GRC Pty Ltd	Software	FC	100%	100%	97%	94%
Belgium						
Sword Integra S.A.	IT Services	FC	100%	100%	100%	100%
Tipik Communication Agency S.A.	IT Services	FC	100%	100%	100%	100%
Vadear S.A.	IT Services	FC	100%	100%	100%	100%
Canada						
Sword Corporation Inc.	IT Services	FC	100%	100%	45%	45%
Cyprus						
Apak Beam Ltd (1)	Software	FC	-	100%	-	100%
Sword Cyprus Ltd (2)	Software	FC	100%	-	100%	-
Denmark						
DataCo Denmark Aps (3)	IT Services	FC	-	100%	-	100%
Dubai						
Sword Middle East FZ LLC	IT Services	FC	100%	100%	100%	100%
United States						
DataCo Services USA LLC	IT Services	FC	100%	100%	100%	100%
Sword GRC Inc.	Software	FC	100%	100%	97%	94%
Sword Solutions Inc.	IT Services	FC	100%	100%	100%	100%
Spain						
Lemonade Software Development S.L.	IT Services	FC	50%	50%	50%	50%
France						
Le Connecteur S.à r.l.	-	FC	100%	100%	100%	100%
Sword Software France S.à r.l.	-	FC	100%	100%	100%	100%
Greece						
Sword Services Greece S.A.	IT Services	FC	99%	99%	99%	99%
India						
Sword Global India Pvt Ltd	IT Services	FC	100%	100%	100%	100%
Lebanon						
Sword Lebanon S.A.L.	IT Services	FC	97%	97%	97%	97%
Sword Middle East LLC	IT Services	FC	98%	98%	98%	98%
Netherlands						
DataCo Netherlands B.V.	IT Services	FC	100%	100%	100%	100%
New Zealand						
DataCo New Zealand Ltd	IT Services	FC	100%	100%	100%	100%

Company	Main business /operating segment	Method	% control 31 December 2021	% control 31 December 2020	% interest 31 December 2021	% interest 31 December 2020
United Kingdom						
AAA Group Ltd	Holding company	FC	100%	100%	100%	100%
AAA Ltd	IT Services	FC	100%	100%	100%	100%
Codify Holding Ltd	IT Services	FC	100%	100%	100%	100%
Codify Ltd	IT Services	FC	100%	100%	100%	100%
Geores Ltd *(previously DataCo Global Ltd)*	IT Services	FC	100%	100%	100%	100%
DataCo Ltd	IT Services	FC	100%	100%	100%	100%
Infinity Ltd	IT Services	FC	100%	100%	100%	100%
Magique Galileo Software Ltd	Software	FC	100%	100%	97%	94%
Minttulip Ltd	IT Services	FC	100%	100%	100%	100%
Sword Achiever Ltd	Software	FC	100%	100%	97%	94%
Sword Charteris Ltd	Holding company	FC	100%	100%	100%	100%
Sword IT Solutions Ltd	IT Services	FC	100%	100%	100%	100%
Sword GRC Group Ltd (4)	Holding company	FC	97%	94%	97%	94%
Sword GRC Ltd	Software	FC	100%	100%	97%	94%
Sword Soft Ltd	Holding company	FC	100%	100%	100%	100%
Sword Technologies Solutions Ltd	IT Services	FC	100%	100%	100%	100%
Venture Information Management Ltd	IT Services	FC	100%	100%	100%	100%
Switzerland						
Almaz Informatique S.A. (5)	IT Services	FC	100%	-	100%	-
AiM Services Holding S.A. (6)	IT Services	FC	100%	-	100%	-
AiM Services S.A. (6)	IT Services	FC	100%	-	100%	-
Nexavis S.A.(6)	IT Services	FC	100%	-	100%	-
CBA Sourcing S.A.	IT Services	FC	51%	51%	51%	51%
Eurogenia S.A.	Holding company	FC	100%	100%	100%	100%
Sword Engineering S.A. *(previously Sword S.à r.l.)*	IT Services	FC	100%	100%	100%	100%
Sword Technologies S.A. (7)	IT Services	FC	45%	45%	45%	45%
Swissgenia S.A.	IT Services	FC	100%	80%	100%	80%
Sword Services S.A.	IT Services	FC	100%	100%	100%	100%
Sword Sports & Events S.A.	IT Services	FC	81%	85%	81%	85%
Sword Suisse Holding S.A.	Holding company	FC	100%	100%	100%	100%
Sword Venue S.à r.l.	IT Services	FC	100%	100%	81%	85%

(1) Liquidated with effect from 1 January 2021.
(2) Incorporated on 12 October 2021.
(3) Liquidated on 2 June 2021.
(4) During the year 2021, the Group repurchased 3% of the shares held by minority shareholders in accordance with the employee stock ownership plan for managers at Sword GRC Group Ltd. See Note 10.
(5) On 1 March 2021, the Group acquired 100% of the share capital of Almaz Informatique S.A. See Note 11.
(6) On 20 July 2021, the Group acquired 100% of the shares in AiM Services Holding S.A. and its subsidiaries AiM Services S.A. and Nexavis S.A. See Note 11.
(7) The Group signed a shareholders' agreement taking effect on 1 January 2014 that gave it control over Sword Technologies S.A. (Switzerland). Consequently, the company is fully consolidated.

10.2 Transactions with non-controlling interests (minority interests)

10.2.1. Impact of transactions with minority interests on equity – Group share for the years ended 31 December 2021 and 31 December 2020

(in thousands of €)	31 December 2021	31 December 2020
Changes in reserves, in terms of the Group share, due to:		
- Acquisitions/repurchases of securities in:		
Other	(277)	(133)
- Disposals without loss of control of securities in:		
Sword Greece	-	(805)
- Acquisitions of stakes by Co-investors in:		
Sword Co-Investment Fund (Note 10.2.3)	1,425	28,620
- Commitments to repurchase securities held by Co-investors in:		
Sword Co-Investment Fund (Note 10.2.3)	(20,597)	(67,968)
- Changes in put options over minority interests relating to Sword GRC Group Ltd (Notes 10.2.2 and 10.3)	733	689
- Deconsolidations		
Sword Sol (Note 12.2)	-	(1,327)
NET IMPACT ON EQUITY – GROUP SHARE	**(18,716)**	**(40,924)**

10.2.2. Sword GRC Group Ltd

An employee stock ownership plan for managers at Sword GRC Group Ltd had been implemented by Sword Soft Ltd, a Group subsidiary. Under the plan, minority shareholders can obtain financing from Sword Soft Ltd, allowing them to pay up the subscribed capital and reimburse Sword Soft Ltd within five years. This financing gave rise to receivables from the minority shareholders amounting to €683,000 as at 31 December 2021 (compared with €788,000 as at 31 December 2020).

These receivables have an interest rate of 3%. The price of subscribed shares is calculated based on a multiple applied to EBIT. In addition, Sword Soft Ltd undertook to buy back the shares acquired by minority shareholders if they request this.

The repurchase price is calculated on a similar basis to that used for the subscription price. The estimated repurchase price corresponds to the fair value of the commitments listed in Note 10.3.

10.2.3. Sword Co-Investment Fund

The Group has established a special investment fund called the Sword Co-Investment Fund (hereinafter "the Fund") to bring together all the Group's employee stock ownership plans. During 2021, two new plans (one in the Software segment and the other in the IT Services segment) attracted subscriptions of €16,409,000 and €4,188,000 respectively.

The Fund is open only to managers in certain subsidiaries (the "Co-investors").

The goal of the Fund is to harmonise the rules that apply to plans spread across several jurisdictions and to use a centralised platform to increase the efficiency of the subscription process.

The Fund is managed by Sword Group SE in its capacity of general partner.

By subscribing for Fund shares, Co-investors are exposed to the financial performance of their subsidiaries. Therefore, whenever a plan is put in place for Co-investors from a subsidiary, a share of the subsidiary's securities, which are classified as underlying securities, are transferred to the Fund in exchange for the subscribed shares, at their fair value calculated on the basis of an EBIT multiple applied to the securities of the subsidiary involved.

The Group co-finances the investment up to a level of 85%, in the form of a loan either to the Fund or to the Co-investors. This loan is subject to an interest rate of 2%.

Under these plans, at the end of a period generally ranging from three to five years, the shares held by the Co-investors will be repurchased by the Fund at their fair value at the time of the repurchase, calculated on the basis of an EBIT multiple applied to the securities of the subsidiary involved. In some cases, put options are granted to Co-investors, allowing them to request the early repurchase of their securities.

The repurchase price of the shares will be paid to the Co-investors after deduction of the loan amounts, if applicable.

The amount invested in the plans via the Fund stood at €40,627,000 (2020: €31,129,000), of which €30,045,000 had been paid up as at 31 December 2021 (€28,620,000 as at 31 December 2020).

In the event of a negative performance of the underlying subsidiary, the plan states that the Co-investors cover the deficit up to the amount either of the sums the Group has lent to them, or of the sums they have subscribed but not paid up.

The repurchase commitment gives rise to the recognition of a financial debt, with a corresponding cancellation of the related non-controlling interests. Financial debt is remeasured at its fair value as at each reporting date, with a corresponding charge to the financial result.

10.3 Commitments to repurchase non-controlling interests

Commitments to repurchase equity securities granted to non-controlling interests were as follows as at 31 December 2021:

(in thousands of €)	**Share (%) held by minority shareholders**	**Minority interests included in the repurchase plan**	**Measurement method**	**Fair value of commitments (current debts)**	**Fair value of commitments (non-current debts)**
Sword GRC Group Ltd	3%	3%	EBIT multiple	1,556	-
Sword Co-Investment Fund	-	-	EBITDA/revenue multiple	28,937 (*)	59,989 (*)

(*) Excluding the impact of offsetting with the receivable worth €14,565,000 (current portion) and €11,214,000 (non-current portion) respectively

(**) It should be noted that the non-controlling interests were cancelled following the repurchase commitment. See Note 10.2.

Commitments to purchase equity securities granted to non-controlling interests were as follows as at 31 December 2020:

(in thousands of €)	**Share (%) held by minority shareholders**	**Minority interests included in the repurchase plan**	**Measurement method**	**Fair value of commitments (current debts)**	**Fair value of commitments (non-current debts)**
Sword GRC Group Ltd	6%	6%	EBIT multiple	1,072	1,291
Sword Co-Investment Fund	-	-	EBITDA/revenue multiple	-	67,968 (*)

(*) Excluding the impact of offsetting with the receivable worth €22,287,000

(**) It should be noted that the non-controlling interests were cancelled following the repurchase commitment. See Note 10.2.

For the method used to measure the fair value of commitments, see Note 5.2.

NOTE 11. BUSINESS COMBINATIONS AND ACQUISITIONS

11.1 Acquisitions in 2021

11.1.1. Description

Almaz Informatique S.A. (Almaz)

On 1 March 2021, the Group acquired 100% of the capital of Almaz, a company incorporated in Switzerland, for CHF 2,520,000 (equivalent to €2,293,000), excluding additional payments. Almaz is a company specialising in the installation of middleware and the integration of business applications. The tie-up will allow the Group to acquire programming expertise and to strengthen its presence in the public sector.

AiM Services Holding S.A. (AiM)

On 20 July 2021, the Group acquired 100% of the shares in AiM Services Holding S.A., a company incorporated in Switzerland, for CHF 5,780,000 (equivalent to €5,264,000), excluding additional payments. AiM Services S.A., a subsidiary of AiM Services Holding S.A., is a service company based in Geneva, Lausanne and Sion, specialising in infrastructure management and application maintenance for third parties as well as resource outsourcing. As a secondary business, AiM specialises in software development and integration. The acquisition of AiM will enable the Group to forge organisational synergies, deliver a broader range of services and expand its customer base.

11.1.2. Consideration transferred

(in thousands of €)	**Almaz**	**AiM**	**TOTAL**
Consideration settled in cash	2,293	7,081	**9,374**
Less:			
Balance of cash and cash equivalents acquired	460	806	**1,266**
NET CASH OUTFLOW	**1,833**	**6,275**	**8,108**

In addition to the basic price, the Almaz purchase agreement provides for an additional payment of up to CHF 300,000, payable on 1 January 2022, depending on the number of contracts in place on that date. The fair value of this liability was €290,000 as at 31 December 2021. See also Note 5.2.

In addition to the basic price (including price paid in cash and deferred price of CHF 2,000,000), the AiM purchase agreement provides for an additional payment based on the number of new contracts concluded by 1 March 2022 and the return to the seller of a share of the sale price that the Group could secure for the disposal of non-core activities. The fair value was €193,500 for each of these liabilities as at 31 December 2021. See also Note 5.2.

11.1.3. Assets acquired and liabilities recognised on the acquisition date

(in thousands of €)	**Almaz**	**AiM**	**TOTAL**
Non-current assets			
Intangible assets	113	2,617	2,730
Property, plant and equipment	11	1	12
Deferred tax assets	-	370	370
Other assets	1	102	103
Current assets			
Trade and other receivables	70	2,179	2,249
Work in progress	131	529	660
Current tax assets	-	21	21
Other assets	64	986	1,050
Cash and cash equivalents	460	806	1,266
Prepaid expenses	-	984	984
Non-current liabilities			
Deferred tax liabilities	(17)	(366)	(383)
Other liabilities	-	(490)	(490)
Current liabilities			
Financial debt	-	(2,328)	(2,328)
Trade and other payables	(308)	(3,458)	(3,766)
Current tax	(5)	(17)	(22)
Other liabilities	(135)	(878)	(1,013)
Prepaid services	(89)	(2,015)	(2,104)
IDENTIFIABLE NET ASSETS ACQUIRED	**296**	**(957)**	**(661)**

11.1.4. Goodwill arising from the acquisition

(in thousands of €)	**Almaz**	**AiM**	**TOTAL**
Consideration transferred	**2,293**	**7,081**	**9,374**
Less: Fair value of identifiable net assets acquired	296	(957)	(661)
Plus: Contingent consideration	274	369	643
GOODWILL ARISING FROM THE ACQUISITION	**2,271**	**8,407**	**10,678**

The goodwill arising on the acquisition of Almaz and AiM is related mainly to growth and profitability forecasts, acquired expertise, cost reductions implemented at the acquired companies, and medium-term synergies resulting from the support provided to these companies by the Group via support functions.

Goodwill should not be deductible for tax purposes.

11.1.5. Impact of acquisitions on the Group's profit or loss

If the above business combination had been in place as at 1 January 2021, the revenue and profit or loss for the period of the acquired entity would have been as follows:

(in thousands of €)	**Almaz**	**AiM**	**TOTAL**
Revenue	1,572	18,048	19,620
Profit or loss	225	(2,647)	(2,422)

For the period from their acquisition date until 31 December 2021, the companies acquired through business combinations contributed to the Group's revenue and profit or loss in the following proportions:

(in thousands of €)	**Almaz**	**AiM**	**TOTAL**
Revenue	1,331	8,163	9,494
Profit or loss	221	67	288

11.2 Acquisitions in 2020

11.2.1. Description

Codify

On 6 March 2020, the Group acquired 100% of Codify Holding Ltd, a company incorporated in the UK, for GBP 1,946,000 (equivalent to €2,322,000), excluding additional payments. Codify is a group specialising in the development of software applications for the oil and gas industry. This complements other Sword Group SE subsidiaries' activities, allowing the Group to strengthen its sectoral presence, broaden its range of services and gain access to new expertise.

Lemonade Software Development S.L.

On 31 August 2020, Sword Technologies S.A. acquired 50% of the capital plus one share in Lemonade Software Development S.L., a company incorporated in Spain that provides software engineering services mainly for the public sector, for €755,000. The idea behind this tie-up was to allow the Group to acquire IT and business expertise deemed critical to be able to access European contracts.

Other acquisitions not constituting a business combination

On 6 April 2020, the Group acquired 100% of the shares in Arolla SCI, SCI Decan and Ormelune SCI, property companies incorporated in France, at a total cost of €1,610,000.

Other business combinations

During 2020, the Group acquired 90% of the shares in Sword Venue S.à r.l. (previously Vsummit S.à r.l.) and 85% of the shares in Le Connecteur for CHF 150,000 and €50,000 respectively. Following this transaction, the Group will now fully consolidate these two companies, which had previously been recognised in the Group's accounts as financial assets at fair value through other comprehensive income.

Since the amounts associated with those acquisitions were not significant at Group level, the information to be provided under IFRS 3 has not been presented.

11.2.2. Consideration transferred

(in thousands of €)	**Lemonade**	**Codify**	**Property companies**	**TOTAL**
Consideration settled in cash	566	2,322	1,610	**4,498**
Less:				
Balance of cash and cash equivalents acquired	106	839	196	**1,141**
NET CASH OUTFLOW	**460**	**1,483**	**1,414**	**3,357**

The Codify purchase agreement envisages an additional payment corresponding to a multiple of EBITDA, obtained for 2020 and 2021, respectively. The fair value of this liability was €1,658,000 as at 31 December 2021. See also Note 5.2.

11.2.3. Assets acquired and liabilities recognised on the acquisition date

(in thousands of €)	Lemonade	Codify	Property companies	TOTAL
Non-current assets				
Intangible assets	376	323	-	699
Property, plant and equipment	30	52	8,034	8,116
Financial assets	13	-	-	13
Deferred tax assets	-	-	105	105
Current assets				
Trade and other receivables	144	440	28	612
Other assets	-	112	77	189
Cash and cash equivalents	106	839	196	1,141
Non-current liabilities				
Financial debt	-	-	(5,791)	(5,791)
Deferred tax liability	(94)	(55)	-	(149)
Other liabilities	-	-	(154)	(154)
Current liabilities				
Financial debt	-	-	(495)	(495)
Trade and other payables	(11)	(293)	(23)	(327)
Current tax	-	(63)	-	(63)
Other liabilities	(58)	(88)	(367)	(513)
Prepaid services	-	(90)	-	(90)
IDENTIFIABLE NET ASSETS ACQUIRED	**506**	**1,177**	**1,610**	**3,293**

The above intangible assets consist of order books and client relations acquired and measured at their fair value at the time of a business combination. These assets are depreciated over one to three years depending on their expected useful life.

11.2.4. Goodwill arising from the acquisition

(in thousands of €)	Lemonade	Codify	Property companies	TOTAL
Consideration transferred	**566**	**2,322**	**1,610**	**4,498**
Less: Fair value of identifiable net assets acquired	506	1,177	1,610	3,293
Plus: Deferred payment	189	-	-	189
Plus: Contingent consideration	-	1,658	-	1,658
Plus: Non-controlling interests	253	-	-	253
GOODWILL ARISING FROM THE ACQUISITION	**502**	**2,803**	**-**	**3,305**

The goodwill on the acquisition of these companies is related mainly to growth forecasts, to expected future profitability, to cost reductions implemented as a result of the acquisitions and to medium-term synergies resulting from the support provided to these companies by the Group via support functions. Goodwill should not be deductible for tax purposes.

11.2.5. Impact of acquisitions on the Group's profit or loss

If the above business combinations had been in place as at 1 January 2020, the revenue and profit or loss for the period of the acquired entities would have been as follows:

(in thousands of €)	Lemonade	Codify	Property companies	TOTAL
Revenue	1,939	1,721	661	4,321
Profit or loss	183	221	146	550

For the period from their acquisition date until 31 December 2020, the companies acquired through business combinations contributed to the Group's revenue and profit or loss in the following proportions:

(in thousands of €)	Lemonade	Codify	Property companies	TOTAL
Revenue	517	1,233	133	1,883
Profit or loss	91	(86)	50	55

NOTE 12. DISPOSALS

12.1 Disposals in 2021

None

12.2 Disposals in 2020

Sword Sol

On 29 September 2020, the Group sold its stake in Sword Sol to Coexya Group (formerly AW FG Carré) for a price of €73,000,000, excluding additional payments.

The transaction includes the services activities of French subsidiaries, international software activities at national trademark and patent offices, and software for the French market in the fields of health, intelligence and client relations. This sale covered the subsidiaries Sword Colombia S.A.S., Sword Orizon S.A.S., Sword Insight S.A.S., Sword S.A.S., Sword Kami S.A.S. and Sword Connect S.A.S.

Concurrent with the transfer of the Sword Sol shares sold, the Group subscribed, by way of set-off against a due and payable claim on the purchaser, to ordinary shares and preference shares representing 5% of the share capital of the purchaser worth a total of €2,853,000 (see Note 17).

Property companies

Following the sale of the French activities, the Group sold, effective from 8 December 2020, 100% of its shares in the property companies Arolla SCI, SCI Decan and Ormelune SCI for €1,610,000.

12.2.1. Consideration received

(in thousands of €)	Sword Sol and its subsidiaries	Property companies	TOTAL
Consideration received in cash and cash equivalents	73,000	1,610	74,610
Contingent consideration receivable	8,000	-	8,000
TOTAL CONSIDERATION	**81,000**	**1,610**	**82,610**

The agreement on the sale of Sword Sol securities envisages an additional payment corresponding to a multiple of EBITDA, obtained for 2020 and 2021, respectively. The fair value of this asset was €8,000,000 as at 31 December 2020. See also Note 5.2.

12.2.2. Net cash outflow on disposal

(in thousands of €)	Sword Sol and its subsidiaries	Property companies	TOTAL
Consideration received in cash and cash equivalents	73,000	1,610	74,610
Less:			
Balance of cash and cash equivalents disposed of	8,127	201	8,328
NET CASH OUTFLOW	**64,873**	**1,409**	**66,282**

12.2.3. Analysis of assets and liabilities over which control was lost

(in thousands of €)	Sword Sol and its subsidiaries	Property companies	TOTAL
Non-current assets			
Goodwill	23,530	-	23,530
Other intangible assets	1,201	-	1,201
Property, plant and equipment	2,981	7,789	10,770
Right-of-use assets	4,124	-	4,124
Financial assets	913	-	913
Deferred tax assets	1,014	86	1,100
Other assets	363	-	363
Current assets			
Trade and other receivables	9,534	28	9,562
Work in progress	10,112	28	10,140
Current tax assets	1,186	-	1,186
Other assets	663	77	740
Cash and cash equivalents	8,127	201	8,328
Prepaid expenses	1,401	7	1,408
Non-current liabilities			
Lease obligations	(2,805)	-	(2,805)
Other financial debts	(354)	(5,438)	(5,792)
Provisions for employee benefits	(1,640)	-	(1,640)
Other provisions	(835)	-	(835)
Deferred tax liability	(45)	-	(45)
Other liabilities	(21)	(156)	(177)
Current liabilities			
Lease obligations	(1,476)	-	(1,476)
Other financial debts	-	(494)	(494)
Trade and other payables	(3,326)	(50)	(3,376)
Current tax liability	(31)	(13)	(44)
Other liabilities	(14,359)	(363)	(14,722)
Prepaid services	(15,183)	(42)	(15,225)
NET ASSETS DISPOSED OF	**25,074**	**1,660**	**26,734**

12.2.4. Profit/(loss) generated on disposal

(in thousands of €)	Sword Sol and its subsidiaries	Property companies	TOTAL
Total consideration	**81,000**	**1,610**	**82,610**
Less: Net assets disposed of	25,074	1,660	26,734
PROFIT/(LOSS) GENERATED ON DISPOSAL	**55,926**	**(50)**	**55,876**

NOTE 13. GOODWILL

13.1 Changes in goodwill

(in thousands of €)	31 December 2021	31 December 2020
GROSS AMOUNT		
Balance as at opening	**77,053**	**98,354**
Additional amounts recognised following business combinations arising during the year	10,678	3,725
Disposals/deconsolidations	-	(23,607)
Translation difference	3,772	(1,419)
Balance as at year end	**91,503**	**77,053**
ACCUMULATED IMPAIRMENT LOSSES		
Balance as at opening	(25,000)	(25,000)
Balance as at year end	**(25,000)**	**(25,000)**
GOODWILL, NET CARRYING AMOUNT	**66,503**	**52,053**

13.2 Allocation of goodwill by cash-generating units (CGUs)

(in thousands of €)	31 December 2021	31 December 2020
CGU 1 – Software	13,309	12,440
CGU 3 – IT Services (Solutions)	53,194	39,613
TOTAL	**66,503**	**52,053**

13.3 Goodwill impairment testing

In 2021, without modifying the valuation methods used in the previous year, the Group re-examined the value of the goodwill associated with its cash-generating units (CGUs) by comparing the recoverable amount of the CGUs with their net carrying amount, including goodwill. In accordance with IAS 36, only the value in use in respect of the recoverable amount was included.

The forecast cash flows used by the Group to estimate value in use came from the 2022 budget and from an extrapolation for 2023 and subsequent years. Based on the 2022 budget, the Group's revenue rose by approximately 10.41% on a like-for-like basis (i.e. restated to take into account the sale of the French activities).

The key assumptions adopted in the valuation model used by the Group are (i) medium-term growth in revenue, (ii) an operating margin corresponding to the EBIT/revenue ratio, (iii) the infinite growth rate used to calculate the final value, and (iv) the discount rate.

	CGU 1 – Software		CGU 3 – Solutions	
	2021	2020	2021	2020
Medium-term revenue growth	10%	10%	10%	10%
Operating margin	18%	19%	9%	9%
Infinite growth rate	2%	2%	2%	2%
Discount rate after tax (*) (**)	6.61%	5.74%	8.29%	6.87%

(*) The pre-tax discount rates for 2021 were 7.99% (2020: 7.18%) and 10.78% (2020: 9.28%) for CGU 1 and CGU 3 respectively.
(**) For the year ended 31 December 2021, the risk-free rate embedded in the discount rate has been adjusted upwards to reflect expected economic growth and the central bank's inflation target.

Given the health crisis, the values attributed to medium-term revenue growth and to the operating margin were determined with due diligence and are consistent with the Group's historical and budgetary data.

The Group opted for a single scenario based on revenue growth rates in 2022 and in the medium term of 10.41% and 10% respectively.

The medium-term forecasts and the profit outlook were prepared taking into account in particular the order book, the growing demand for GRC products, the market shares and references acquired in certain strategic sectors (aerospace and defence, energy, public institutions, banks), sustained demand for long-term software engineering projects in Belux, Switzerland and the UK, and the establishment of key partnerships, particularly in the field of IT infrastructure management.

The discount rates used for annual impairment tests were the weighted average cost of capital (WACC) rates specific to each CGU.

In 2021, the Group launched an R&D programme to increase product functionality in the GRC segment and hence the size of Sword's target market. The budget allocated to this activity is GBP 10 million. Since the value in use of the CGUs is determined based on the cash flows that the CGUs are likely to generate in their current state, the costs associated with the R&D investment plan and the benefits expected to arise from it have not been taken into account.

The Group's management is of the opinion that no reasonably possible change in key assumptions on which the recoverable amount of each CGU is based would cause the carrying amount allocated to them to exceed their recoverable amount.

NOTE 14. OTHER INTANGIBLE ASSETS

(in thousands of €)	Software	Client contracts	Non-competition clause	Other intangible assets	TOTAL
GROSS AMOUNT					
As at 31 December 2019	**16,031**	**6,087**	**1,113**	**11,759**	**34,990**
Inflows of assets generated internally	2,706	-	-	-	2,706
Acquisitions	-	-	-	465	465
Acquisitions via business combinations	154	699	-	-	853
Disposals	(1,273)	-	-	-	(1,273)
Deconsolidations	(2,865)	-	-	(3,225)	(6,090)
Translation difference	(630)	(308)	-	39	(899)
Other movements	(388)	-	-	(88)	(476)
As at 31 December 2020	**13,735**	**6,478**	**1,113**	**8,950**	**30,276**
Inflows of assets generated internally	7,626	-	-		7,626
Acquisitions	-	-	-	110	110
Acquisitions via business combinations	-	2,730	-	-	2,730
Translation difference	1,130	582		(48)	1,664
AS AT 31 DECEMBER 2021	**22,491**	**9,790**	**1,113**	**9,012**	**42,406**
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES					
As at 31 December 2019	**(6,777)**	**(5,195)**	-	**(10,249)**	**(22,221)**
Depreciation charges	(2,130)	(696)	-	(372)	(3,197)
Scope changes	2,162	-	-	2,566	4,728
Recognised impairment losses	(495)	-	-	-	(495)
Reversals of impairment losses	748	-	-	-	748
Translation difference	230	246	-	(44)	433
Other movements	488	-	-	-	488
As at 31 December 2020	**(5,774)**	**(5,645)**	**-**	**(8,098)**	**(19,517)**
Depreciation charges	(1,858)	(922)	-	(300)	(3,080)
Translation difference	(437)	(388)	-	48	(777)
AS AT 31 DECEMBER 2021	**(8,069)**	**(6,955)**	**-**	**(8,350)**	**(23,374)**
NET AMOUNT					
As at 31 December 2020	**7,961**	**833**	**1,113**	**852**	**10,759**
AS AT 31 DECEMBER 2021	**14,422**	**2,835**	**1,113**	**662**	**19,032**

Software includes development costs related to the improvement of existing software solutions and software acquired through business combinations.

'Client contracts and client relations' comprise SaaS contracts and software maintenance contracts, as well as non-contractual relationships acquired through business combinations.

Until September 2014 the Group had undertaken, during the sale of a business unit, to refrain from providing digital communication services to the European institutions.
Subsequently, given the growth prospects in the public sector and following a change in strategy, the Group secured the cancellation of the relevant non-competition clause. This cancellation was valued at €1,113,000.

The other intangible assets comprise mainly services to be provided under contracts in the 'IT Services' segment, also known as the 'order book' or the 'production backlog'.

Impairment testing for the non-competition clause

As at the reporting date, the Group compared the net carrying amount of CGU 3 – IT Services, to which the amount for buying out the non-competition clause worth €1,113,000 was allocated, including the carrying amount of that agreement, and its recoverable amount, which was determined on the basis of its value in use.

Since the recoverable amount of CGU 3 exceeded its net carrying amount, no impairment loss was recognised. See Note 13 for key assumptions used to calculate value in use.

NOTE 15. PROPERTY, PLANT AND EQUIPMENT

(in thousands of €)	Land and buildings	Facilities, developments and fixtures	Transport equipment	Office and IT equipment	Office furniture	TOTAL
GROSS AMOUNT						
As at 31 December 2019	**421**	**5,249**	**219**	**9,343**	**2,100**	**17,332**
Acquisitions	-	523	-	814	58	1,395
Acquisitions via business combinations	8,160	646	-	232	15	9,053
Disposals	-	(575)	-	(171)	-	(746)
Deconsolidations	(8,153)	(3,233)	-	(4,750)	(935)	(17,071)
Translation difference	(23)	(77)	1	(129)	(39)	(267)
Other movements	-	3	-	-	(3)	-
As at 31 December 2020	**405**	**2,536**	**220**	**5,339**	**1,196**	**9,696**
Acquisitions	-	1,119	6	1,026	397	2,548
Acquisitions via business combinations	-	-	12	-	-	12
Disposals	-	-	-	-	(14)	(14)
Deconsolidations	-	(18)	(12)	(43)	-	(73)
Translation difference	28	113	7	200	51	399
AS AT 31 DECEMBER 2021	**433**	**3,750**	**233**	**6,522**	**1,630**	**12,568**
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES						
As at 31 December 2019	**(420)**	**(2,995)**	**(78)**	**(7,220)**	**(1,530)**	**(12,243)**
Depreciation charges	(202)	(718)	(14)	(851)	(100)	(1,885)
Scope changes	195	1,156	-	3,404	585	5,340
Recognised impairment losses	-		(31)	(52)	-	(83)
Reversals of impairment losses	-	566	-	166	1	733
Translation difference	23	31	-	105	31	190
Other movements	-	(3)	-	-	3	-
As at 31 December 2020	**(404)**	**(1,963)**	**(123)**	**(4,448)**	**(1,010)**	**(7,948)**

(in thousands of €)	Land and buildings	Facilities, developments and fixtures	Transport equipment	Office and IT equipment	Office furniture	TOTAL
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES						
As at 31 December 2020	**(404)**	**(1,963)**	**(123)**	**(4,448)**	**(1,010)**	**(7,948)**
Depreciation charges	(1)	(505)	(5)	(565)	(100)	(1,176)
Scope changes	-	19	-	43	15	77
Recognised impairment losses	-	-	(30)	-	-	(30)
Translation difference	(28)	(87)	(6)	(155)	(44)	(320)
AS AT 31 DECEMBER 2021	**(433)**	**(2,536)**	**(164)**	**(5,125)**	**(1,139)**	**(9,397)**
NET AMOUNT						
As at 31 December 2020	**1**	**573**	**97**	**891**	**186**	**1,748**
AS AT 31 DECEMBER 2021	**-**	**1,214**	**69**	**1,397**	**491**	**3,171**

As at 31 December 2021, no guarantees had been issued regarding property, plant and equipment (the same had been the case in 2020).

NOTE 16. LEASES

16.1 Right-of-use assets by category

(in thousands of €)	Land and buildings	Transport equipment	TOTAL
GROSS AMOUNT			
As at 1 January 2020	**33,397**	**2,285**	**35,682**
New contracts	6,568	362	6,930
Disposals/exits from contracts	(10,099)	(688)	(10,787)
Deconsolidations	(11,371)	(764)	(12,135)
Translation difference	(714)	-	(714)
As at 31 December 2020	**17,781**	**1,195**	**18,976**
New contracts	3,236	701	3,937
Disposals/exits from contracts	(1,542)	(309)	(1,851)
Translation difference	820	2	822
AS AT 31 DECEMBER 2021	**20,295**	**1,589**	**21,884**
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES			
As at 1 January 2020	**(20,056)**	**(1,202)**	**(21,258)**
Depreciation charges	(3,085)	(602)	(3,687)
Disposals/exits from contracts	3,021	688	3,709
Deconsolidations	7,490	486	7,976
Translation difference	438	-	438
As at 31 December 2020	**(12,192)**	**(630)**	**(12,822)**
Depreciation charges	(1,977)	(459)	(2,436)
Disposals/exits from contracts	1,538	309	1,847
Translation difference	(612)	(1)	(613)
AS AT 31 DECEMBER 2021	**(13,243)**	**(781)**	**(14,024)**
NET AMOUNT			
As at 31 December 2020	**5,589**	**565**	**6,154**
AS AT 31 DECEMBER 2021	**7,052**	**808**	**7,860**

16.2 Maturities of lease obligations

(in thousands of €)	31 December 2021	31 December 2020
Less than one year	2,784	2,528
Between one and two years	1,731	1,916
Between two and three years	1,472	1,110
Between three and five years	1,898	1,694
More than five years	1,119	604
TOTAL	**9,004**	**7,852**

16.3 Items recognised in profit or loss

(in thousands of €)	31 December 2021	31 December 2020
Charges for depreciation for right-of-use assets	(2,436)	(3,687)
Interest expenses on lease obligations	(161)	(139)
Lease expenses for short-term leases	(160)	(38)
Lease expenses for leases for low-value underlying assets	(45)	(89)
TOTAL	**(2,802)**	**(3,953)**

The Group's leases do not include variable payments, apart from adjustments for inflation.

Total cash outflows relating to leases were €3,250,000 in 2021 (compared with €4,511,000 in 2020).

NOTE 17. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

17.1 Balance as at the reporting date

(in thousands of €)	31 December 2021	31 December 2020
Interest in SBT	-	111
Interest in Coexya Group (formerly AW FG Carré)	3,011	2,853
TOTAL	**3,011**	**2,964**

17.2 Changes during the year

(in thousands of €)	31 December 2021	31 December 2020
Balance as at opening	**2,964**	**1,099**
Acquisitions	-	2,853
Disposals	(111)	(103)
Scope changes	-	(880)
Changes in fair value	158	(3)
Translation difference	-	(2)
BALANCE AS AT YEAR END	**3,011**	**2,964**

NOTE 18. TRADE AND OTHER RECEIVABLES

(in thousands of €)	31 December 2021	31 December 2020
Trade receivables	33,826	24,598
Allowances for doubtful accounts	(1,411)	(1,724)
TRADE RECEIVABLES, NET	**32,415**	**22,874**

Due to their short-term maturity, the carrying amount of trade and other receivables is close to the fair value.

Aged balance

(in thousands of €)	0-3 months	3-6 months	6-12 months	>1 year	Total
As at 31 December 2021	22,634	1,033	114	917	24,698
As at 31 December 2020	18,912	18	394	204	19,528

The trade receivables presented above comprise amounts due as at the reporting date and for which the Group has not created an allowance for doubtful accounts, since it has no information on the solvency status of the relevant receivables and since these amounts are still considered recoverable.

Change in allowance for doubtful accounts

(in thousands of €)	31 December 2021	31 December 2020
Balance as at opening	**(1,724)**	**(2,737)**
Impairment losses recognised during the year	(97)	(2,243)
Impairment losses subject to a reversal	1,029	2,168
Scope change	(529)	1,061
Translation difference	(90)	27
BALANCE AS AT YEAR END	**(1,411)**	**(1,724)**

Aged balance of impaired receivables

(in thousands of €)	0-3 months	3-6 months	6-12 months	>1 year	Total
As at 31 December 2021	450	378	353	230	1,411
As at 31 December 2020	901	435	136	252	1,724

NOTE 19. OTHER ASSETS

(in thousands of €)	31 December 2021	31 December 2020
Deposits and guarantees	731	479
Consideration receivable on the capital increase in Sword GRC (see Note 10)	-	394
Contingent consideration receivable on the disposal of Sword Sol (see Note 12.2)	-	7,411
Other non-current receivables	12	16
Total other non-current assets, gross amount	**743**	**8,300**
Provisions for other non-current assets	-	-
TOTAL OTHER NON-CURRENT ASSETS, NET AMOUNT	**743**	**8,300**
Tax and social security receivables	3,723	2,209
Consideration receivable on the capital increase in Sword GRC (see Note 10)	683	394
Consideration receivable on the capital increase in Sword Co-Investment Fund (see Note 10.2)	-	1,976
Contingent consideration receivable on the disposal of Sword Sol (see Note 12.2)	6,060	589
Other current receivables	294	245
Total other current assets, gross amount	**10,760**	**5,413**
Provisions for other current assets	-	-
TOTAL OTHER CURRENT ASSETS, NET AMOUNT	**10,760**	**5,413**

The fair value of 'other non-current assets' was determined on the basis of cash flows discounted at the Group's borrowing cost. The fair value of all financial assets making up this section was €584,000 (compared with €8,184,000 as at 31 December 2020) and was classified as Level 2 in the fair-value hierarchy. The net carrying amount of the financial assets included in 'other current assets' is a reasonable approximation of their fair value due to their short-term maturity.

NOTE 20. CASH AND CASH EQUIVALENTS

(in thousands of €)	31 December 2021	31 December 2020
Cash and cash equivalents	55,276	105,842
Marketable securities	19	-
TOTAL	**55,295**	**105,842**

For the purposes of the consolidated statement of cash flows, cash and cash equivalents comprise the following:

(in thousands of €)	31 December 2021	31 December 2020
Cash and cash equivalents	55,295	105,842
Bank overdrafts (*)	(278)	(35)
TOTAL	**55,017**	**105,807**

(*) *Included in other current financial debt*

NOTE 21. PENSION PLANS

At the year end, the provisions for employee benefits consisted solely of provisions for post-employment benefits totalling €222,000 (compared with €235,000 in 2020). Post-employment benefits fall under defined-contribution pension plans and defined-benefit pension plans.

21.1 Defined-benefit pension plans

This type of plan aims to award certain Group employees, under certain conditions, pension benefits when they decide to retire. There were 202 such employees as at 31 December 2021 (compared with 142 as at 31 December 2020).

The pension obligations were not subject to external coverage.

Pension obligations and similar benefits are valued internally under the supervision of the Group's Finance Department.

Items relating to post-employment benefits in comprehensive income can be analysed as follows:

(in thousands of €)	31 December 2021	31 December 2020
Cost of services rendered during the year	8	(287)
Financial cost	2	(72)
Items recognised in profit or loss for the year	**10**	**(359)**
TOTAL	**10**	**(359)**

The cost of services rendered during the year are recognised in staff expenses in the income statement. The financial costs are recognised in the financial result.

21.2 Actuarial assumptions

The obligations were measured internally on the basis of assumptions updated regularly and reviewed annually. The following assumptions were adopted:

	31 December 2021	31 December 2020
Discount rate (*)	0.87%	0.45%
Adjustment rate for annual salaries	1.50% and 1.70%	1.50%
Social security contribution rate	45%	45%
Retirement age	60-67 years old	60-67 years old
Staff rotation	(**)	(**)
Mortality table	INSEE 2019/ EVK 2000	INSEE 2019

(*) *The discount rate is based on the iBoxx AA corporate bond index 10+.*
(**) *Variable depending on geographical area*

The average duration of the obligation in respect of services as at 31 December 2021 is less than one year (the same as in 2020).

21.3 Change in the present value of obligations

(in thousands of €)	31 December 2021	31 December 2020
Balance as at opening	**235**	**1,534**
Cost of services rendered during the year	(8)	287
Financial cost	(2)	72
Scope changes	-	(1,653)
Other changes	(3)	(5)
BALANCE AS AT YEAR END	**222**	**235**

Since the amounts provided are not significant at Group level, other disclosures under IAS 19 were omitted, specifically a sensitivity analysis showing the impact of changes made to certain actuarial assumptions on the value of pension-benefit commitments.

NOTE 22. OTHER PROVISIONS

(in thousands of €)	31 December 2021	31 December 2020
Balance as at opening	**150**	**1,639**
Charges for provisions	630	145
Write-backs on used provisions	(25)	(792)
Deconsolidations	-	(842)
Translation differences	34	-
Other movements	297	-
BALANCE AS AT YEAR END	**1,086**	**150**
Current	749	125
Non-current	337	25

Provisions mainly consist of provisions for restructuring (€607,000), for empty premises (€150,000) and for other risks and contingencies (€329,000).

Provision charges/write-backs on provisions for litigation risks are included in 'Other non-recurring items' in the consolidated income statement.

NOTE 23. OTHER FINANCIAL DEBTS

23.1 Breakdown of other financial debts by type

(in thousands of €)	31 December 2021	31 December 2020
Bank overdrafts	278	35
Other current financial debts (due within one year)	**278**	**35**
TOTAL OTHER FINANCIAL DEBTS	**278**	**35**

23.2 Available lines of credit

(in thousands of €)	31 December 2021	31 December 2020
Authorised amount	**90,000**	**130,000**
Less than one year	-	20,000
Between one and five years	90,000	110,000
More than five years	-	-
Amount drawn down	**-**	**-**
Less than one year	-	-
Between one and five years	-	-
More than five years	-	-
Available amount	**90,000**	**130,000**
Less than one year	-	20,000
Between one and five years	90,000	110,000
More than five years	-	-

If borrowings are needed, the Group's banking arrangements require compliance with financial ratios: a 'net consolidated financial debt/consolidated EBITDA' ratio of less than 3 or 3.5 depending on the contracts, and a 'net consolidated financial debt/consolidated equity' ratio of less than 1. These financial ratios do not take into account changes brought about by the adoption of IFRS 16.

23.3 Change in financial debt

The change in financial debts (including lease obligations) during the years 2021 and 2020 is included in cash flows from financing activities (see the consolidated statement of cash flows).

NOTE 24. TRADE AND OTHER PAYABLES

(in thousands of €)	31 December 2021	31 December 2020
Suppliers	8,957	6,343
Accrued invoices	14,301	12,579
Other	1,705	532
TOTAL	**24,963**	**19,454**

NOTE 25. OTHER LIABILITIES

(in thousands of €)	31 December 2021	31 December 2020
Deposits and guarantees	-	9
Commitments to repurchase securities held by minority shareholders/Co-investors (see Note 10) (*)	48,775	46,972
Deferred consideration on the acquisition of DataCo	-	121
Contingent consideration on the acquisition of Codify	-	1,231
Other	107	103
TOTAL OTHER NON-CURRENT LIABILITIES	**48,882**	**48,436**
Value-added tax and other taxes	7,175	5,360
Social security and other social bodies	5,425	3,581
Commitments to repurchase securities held by minority shareholders/Co-investors (see Note 10)	15,929	1,072
Deferred consideration on the acquisition of Lemonade (see Note 11.2)	-	189
Contingent consideration on the acquisition of:		
- Almaz Informatique S.A. (Note 11.1)	290	-
- AiM Holding S.A. (Note 11.1)	387	-
- Codify (Note 11.2)	1,136	382
- ID&O S.à r.l., renamed Sword Engineering S.A.	-	94
Other	452	271
TOTAL OTHER CURRENT LIABILITIES	**30,794**	**10,949**

(*) Under netting arrangements, the amounts to be reimbursed to Sword Group SE come to €25,779,000 (2020: 22,287,000) and have been presented as a deduction from financial debts related to commitments to repurchase securities valued at €88,927,000 (2020: €69,259,000). See Note 10.2.3.

NOTE 26. TAXES

26.1 Breakdown of tax expense

(in thousands of €)	31 December 2021	31 December 2020
Tax on profit recognised in the profit for the year		
Current tax	3,830	3,682
Deferred tax	(174)	5
TOTAL	**3,656**	**3,687**

26.2 Reconciliation between theoretical and actual tax

(in thousands of €)	31 December 2021	31 December 2020
Profit before tax	21,530	57,084
Average tax rate in force in Luxembourg	28.00%	28.00%
Effective tax burden	**6,028**	**15,984**
Impact:		
- Expenses not deductible in determining taxable profit	2,191	4,523
- Revenue exempt from taxation	(172)	(112)
- Differences in tax rate on profit of foreign subsidiaries	(2,075)	(749)
- Gain on disposal at reduced rate	-	(16,770)
- Use of previously non-capitalised tax losses	(3,034)	(13)
- Non-capitalised tax on losses	355	457
- Tax credit	-	(232)
- Miscellaneous	363	599
Effective tax burden	**3,656**	**3,687**
EFFECTIVE TAX RATE	**16.98%**	**6.46%**

26.3 Breakdown of deferred tax assets and liabilities by type

(in thousands of €)	Balance as at 31 December 2020 (restated)	Recognised in profit or loss	Recognised in other comprehensive income	Scope change	Balance as at 31 December 2021
Deferred tax assets/(liabilities)					
Intangible assets	(1,315)	231	(39)	(381)	**(1,504)**
Deferred income	(99)	(25)	(6)	-	**(130)**
Provisions	58	(4)	-	-	**54**
	(1,356)	**202**	**(45)**	**(381)**	**(1,580)**
Tax losses	304	(27)	42	370	**689**
DEFERRED TAX ASSETS/(LIABILITIES)	**(1,052)**	**175**	**(3)**	**(11)**	**(891)**

26.4 Balance of deferred tax assets and liabilities

(in thousands of €)	31 December 2021	31 December 2020
Deferred tax assets	743	362
Deferred tax liabilities	(1,634)	(1,414)
NET DEFERRED TAXES	**(891)**	**(1,052)**

As at 31 December 2021, recognised deferred tax assets mainly included tax losses carried forward related to the acquisitions of AAA Ltd (a company incorporated in the UK) in 2015, amounting to €253,000 (2020: €238,000), and of AiM in 2021, amounting to €384,000. The recognition of this deferred tax asset is justified by the synergy operations implemented following this acquisition, which were aimed at improving the profit of the companies affected.

26.5 Unrecognised tax deficits

As at the reporting date, the Group had, in various tax jurisdictions, tax losses of around €25,977,000 (2020: €30,634,000) that are available to offset the future taxable profits of companies in which the tax losses arose, and for which no deferred tax asset was recognised due to the uncertainty of it being recovered. These unrecognised tax losses expire as follows:

(in thousands of €)	31 December 2021	31 December 2020
No expiry	13,815	20,968
Less than one year	22	144
Between one and two years	97	82
Between two and three years	59	35
Between three and five years	1,212	998
More than five years	10,772	8,407
TOTAL	**25,977**	**30,634**

NOTE 27. STAFF EXPENSES

(in thousands of €)	31 December 2021	31 December 2020
Gross remuneration	(83,986)	(80,331)
Social security contributions	(12,308)	(17,013)
Other	(758)	(1,233)
TOTAL	**(97,052)**	**(98,577)**

The Group's average head count is:

Average head count	31 December 2021	31 December 2020
Billable workforce	1,165	1,156
Non-billable workforce	184	190
TOTAL	**1,349**	**1,346**

Employee benefits for which provisions have been made as at the reporting date are presented in Note 21.

As at 31 December 2021 and 31 December 2020, the Group had no stock-option plans in place.

NOTE 28. PROVISION CHARGES AND REVERSALS

(in thousands of €)	31 December 2021	31 December 2020
Provision charges for retirement benefits	(4)	(349)
Write-backs on pension provisions	14	5
Charges for other provisions	(106)	(145)
Reversals on other provisions	-	791
Allowances for doubtful accounts	(97)	(2,243)
Reversals on allowances for doubtful accounts	1,029	2,168
TOTAL	**836**	**227**

NOTE 29. INCOME FROM DISPOSALS OF ASSETS AND SUBSIDIARIES

(in thousands of €)	31 December 2021	31 December 2020
Disposal costs	(96)	(3,019)
Income from the disposal of non-consolidated securities	1	12
Income from the disposal of consolidated securities	487	55,890
Income from the disposal of property, plant and equipment	2	-
Income from the disposal of intangible assets	-	(167)
TOTAL	**393**	**52,716**

NOTE 30. IMPAIRMENT LOSS ON ASSETS

(in thousands of €)	31 December 2021	31 December 2020
Impairment loss on intangible assets [*]	(30)	(578)
TOTAL	**(30)**	**(578)**

[*] *Related to product obsolescence*

NOTE 31. OTHER NON-RECURRING ITEMS

(in thousands of €)	31 December 2021	31 December 2020
Litigation costs [1]	(596)	(1,911)
Restructuring costs	(969)	(3)
Acquisition costs	(955)	(1,019)
Other expenses	(1,389)	(1,120)
Other income	109	-
TOTAL	**(3,800)**	**(4,053)**

[1] *The litigation is mainly commercial and social.*

NOTE 32. FINANCIAL RESULT

(in thousands of €)	31 December 2021	31 December 2020
Gains on disposals of marketable securities and income from marketable securities	-	26
Interest on term deposits	-	277
Income from cash and cash equivalents	**-**	**303**
Interest expense on loans and financial debt	(194)	(395)
Interest expenses on lease obligations	(161)	(139)
NET FINANCIAL DEBT COST	**(355)**	**(231)**
Foreign-exchange gain	2,346	1,339
Foreign-exchange loss	(5,190)	(2,654)
Changes in fair value of contingent considerations	576	(10,100) [1]
Changes in fair value for commitments to repurchase securities held by minority shareholders/Co-investors	4,488	59
Other financial income	635	-
Other financial expenses	(115)	(117)
NET FINANCIAL RESULT	**2,385**	**(11,708)**

(1) Amount mainly made up of an adjustment to the additional payment made to minority shareholders for repurchasing their shares in Sword Charteris Ltd.

NOTE 33. EARNINGS PER SHARE

(in thousands of € and units of account)	31 December 2021	31 December 2020
Profit for the year attributable to the Company's owners	**17,653**	**53,283**
Weighted average number of ordinary shares in circulation	9,539,576	9,534,987
Impact of dilutive instruments	-	-
Diluted weighted average number of shares	9,539,576	9,534,987
Earnings per share		
Base net earnings per share	1.85	5.59
Diluted net earnings per share	1.85	5.59

NOTE 34. SHARE CAPITAL

As at 31 December 2021, the share capital stood at €9,545,000 (unchanged from 31 December 2020), represented by 9,544,965 shares (also unchanged from 31 December 2020) with a par value of €1 each, fully paid up.

NOTE 35. TREASURY SHARES

During 2021, 116,887 treasury shares (2020: 100,703 treasury shares) were acquired, costing in total €4,646,298 (2020: €3,075,000), and 125,684 treasury shares (2020: 92,142 treasury shares) were sold, bringing in a total of €4,993,056 (2020: €2,774,000).

As at 31 December 2021, there were 3,804 treasury shares (compared with 12,601 treasury shares as at 31 December 2020).

NOTE 36. DIVIDENDS

2021
The Board of Directors' meeting held on 3 March 2021 decided to allocate to the shareholders a dividend of €4.80 per share, giving rise to a payout of €45,809,000.

2020
The Board of Directors' meeting held on 28 August 2020 decided to allocate to the shareholders a dividend of €2.40 per share, giving rise to a total payout of €22,902,000 following the sale of Sword Sol.

NOTE 37. RELATED PARTY TRANSACTIONS

37.1 Remuneration for members of the Board of Directors and management

(in thousands of €)	31 December 2021	31 December 2020
Short-term benefits:		
- Gross (excluding benefits in kind)	1,001	1,190
- Employer contributions	131	274
- Benefits in kind	88	103
Directors' fees	153	123
TOTAL	**1,373**	**1,690**

Such remuneration pertained to 13 members of the Board of Directors and management (the same number as in 2020).

37.2 Other

Financière Sémaphore, which holds a 17.9% interest in the Group, provides the following services:

(in thousands of €)	31 December 2021	31 December 2020
Management fees	350	350
Fees related to acquisitions and disposals	200	600
TOTAL	**550**	**950**

During the year ended 31 December 2021, a company controlled by a Company director supplied Group companies with accounting and administrative services totalling €285,000 (2020: €460,000).

The Group granted loans of €16,042,000 (2020: €13,808,000) to members of the Group's management to finance the acquisition of minority interests held by these members in certain subsidiaries. These loans are reimbursed at a rate of between 2% and 3% per annum and will mature between 2022 and 2025. See Notes 10.2 and 10.3.

Ruitor S.à r.l., a company controlled by Financière Sémaphore, provided the Group with offices in Luxembourg at a cost of €163,000 (the same amount as in 2020).

NOTE 38. OFF-BALANCE-SHEET COMMITMENTS

(in thousands of €)	31 December 2021	31 December 2020
Sureties for third parties	**36**	**-**
Less than one year	-	**-**
Between one and five years	36	**-**
More than five years	-	**-**
Other guarantees issued [1]	**511**	**233**
Less than one year	11	11
Between one and five years	500	222
More than five years	-	-
TOTAL	**547**	**233**

[1] *Including performance guarantees*

NOTE 39. CONTINGENT LIABILITIES

As at 31 December 2021 and 31 December 2020, there was no significant risk of contingent liabilities.

NOTE 40. AUDITORS' FEES

The table below details the levels of auditors' fees for 2021 and 2020:

	Mazars Luxembourg		Other	
(in thousands of €)	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Auditors & certification (separate & consolidated)	265	257	469	423
Legal, tax and management consulting	-	-	76	39
Other	-	-	7	5
TOTAL	**265**	**257**	**552**	**467**

NOTE 41. SUBSEQUENT EVENTS

On 26 February 2022, two Group subsidiaries, namely Sword Soft Limited and Sword Co-Investment Fund SCSp, signed a Sales and Purchase Agreement (SPA) with Riskonnect, providing for the disposal of the GRC business within a period between 31 March and 31 May 2022.

The sale will only take effect if the UK competition authority gives its approval.

The parties have undertaken to refrain from disclosing the financial terms of the deal until the above condition has been met.

In the event that the disposal materialises, given that the divested GRC business represents almost the entirety of the Software segment, the disposal would be considered a discontinued operation from an IFRS 5 perspective.

However, the Group considers that the conditions for the application of IFRS 5 were not met as at 31 December 2021, based on the following in particular:

- The Group did not initiate an active programme to locate a buyer, its strategy being to implement the R&D plan (see Note 13.3).
- The Group was approached by a group specialising in mergers and acquisitions, resulting in a non-binding offer, to which the Group agreed in early January 2022.
- The SPA was signed on 25 February 2022 and is subject to a condition precedent (see above).

To assess the impact that the transaction might have had on the Group's main aggregates if it had occurred before 31 December 2021, see Note 9.2 on segment information, which provides an analysis of the assets, liabilities and income statement items included in the Software segment – which mainly comprises the business due to be sold – as at 31 December 2021 and for the year then ended.

On 21 March 2022, the Group signed an agreement to purchase 100% of Ping Network Solutions Limited, a company incorporated in the UK, for GBP 8,416,000 (equivalent to €10,033,000), excluding additional payments. Ping Network Solutions Limited is a service company specialising in the design, supply, integration and management of networking solutions for a global customer base, spanning sectors including energy, financial services, education, public sector, manufacturing and construction. Its acquisition will allow the Group to forge organisational synergies, deliver a broader range of services and expand its customer base.

As the acquisition occurred close to the date of approval of the consolidated financial statements and there was not enough time to complete the work on initial recognition, it was not possible to present the other disclosures required for a business combination.

The Board of Directors does not expect the Russia-Ukraine war to have a direct impact on the Group's activities.

No other significant events have occurred since the reporting date for the consolidated financial statements.

3.7 REPORT OF THE *RÉVISEUR D'ENTREPRISES AGRÉÉ* (STATUTORY AUDITOR) ON THE CONSOLIDATED FINANCIAL STATEMENTS

mazars

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To the Shareholders of
Sword Group S.E.
Société européenne
R.C.S. Luxembourg B 168.244

2-4, rue d'Arlon
L-8399 WINDHOF

REPORT OF THE REVISEUR D'ENTREPRISES AGREE

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of **Sword Group S.E.** (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2021, 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 on the audit profession ("Law of 23 July 2016") and with International Standards on Auditing ("ISAs") as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" ("CSSF"). Our responsibilities under the EU regulation No 537/2014, the Law of 23 July 2016 and ISAs as adopted for Luxembourg by the CSSF are further described in the « Responsibilities of "réviseur d'entreprises agréé" for the Audit of the Consolidated Financial Statements » section of our report. We are also independent of the Company Group in accordance with the International Code of Ethics for Professional Accountants, including International Independence Standards, issued by the International Ethics Standards Board for Accountants (IESBA Code) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the consolidated financial statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Reasons for which a key audit matter has been raised	**Response to the identified key audit matter**
Goodwill impairment	
As at 31 December 2021, goodwill stands at a net value of KEUR 66,503. Under the IFRS standards as adopted by the EU, the Company must perform a goodwill impairment test at least once a year. Impairment tests are significant for our audit in light of the complexity of the valuation process and the judgement and the assumptions adopted which are subject to economic developments and future business conditions.	We checked the cash-flow forecasts included in the annual goodwill impairment tests by considering the exact nature of previous forecasts. For our audit, we also critically examined and tested the key assumptions, methodologies, weighted average cost of capital and other data used and issued by management, for example comparing them with external and historical data, such as external market growth forecasts. We performed a sensitivity analysis within the framework of the valuation model used by the Group. Our department specialised in assessing valuations was integrated into the audit team to assist us with these activities. We focused on the sensitivity of the available margin in cash-generating units, evaluating whether any reasonable change in the assumptions could cause the net carrying amount to exceed the estimated value. We assessed the accuracy of previous estimates made by the Board of Directors. We also verified the appropriacy of the information in Note 13.3 to the consolidated financial statements.
Key observations communicated to those charged with governance	We have no comment based on the audit procedures carried out on this key audit matter.

Reasons for which a key audit matter has been raised	Response to the identified key audit matter
Revenue recognition	
As detailed in Note 7 to the financial statements, the Group sells its services to various customers and operates in a range of geographical and business sectors. International Standards on Auditing require auditors to assume a fraud risk in revenue recognition when initially assessing the risk of material misstatements. Some of the Group's revenue is generated by large-scale, complex contracts. As a result, it is necessary to assess the conditions under which risks and benefits are transferred to the buyer, in order to evaluate whether the income and expenses should be recognised in the current period.	Our activities include assessing the revenue recognition method for complex contracts. Drawing on the work already carried out by the subsidiaries' auditors, we tested the design and effectiveness of the controls implemented by management relating to analysing revenue recognition and identifying unusual contractual clauses Our activities included random testing of documentation indicating the delivery of licences or services, including contracts and correspondence with third parties, with a view to ensuring the accuracy and completeness of revenue recognition. We assessed the appropriacy of previous estimates made by management regarding the work in progress.
Key observations communicated to those charged with governance	We have no comment based on the audit procedures carried out on this key audit matter.

Reasons for which a key audit matter has been raised	Response to the identified key audit matter
Commitments to repurchase securities held by Co-investors	
As detailed in note 25 of the appendices to the consolidated financial statements, the commitments to repurchase securities held by co-investors amounted to a net value of KEUR 63,148 as at 31 December 2021, detailed in note 25 to the consolidated financial statements. We considered that the valuation of the financial liability is significant for our audit, given the very significant impact of this financial liability on the group's total liabilities and on the degree of judgment involved in the valuation of this base, including the estimates on the basis of the achievement of future objectives	Our procedures include, among others, the valuation of the method of the various commitments in place to repurchase securities held by co-investors. We have carried out procedures including the reconciliation of historical data, the evolution of data in the medium term, the reasonableness of the assumptions made by the Board of Directors. We have carried out procedures relating to the existence of liabilities via direct confirmation with certain participations or reconciliation to contracts with certain participants. We have assessed the appropriateness of the estimates made by management
Key observations communicated to those charged with governance	We have no comment based on the audit procedures carried out on this key audit matter.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information stated in the consolidated management report and the Corporate Governance Statement but does not include the consolidated financial statements and our report of the “réviseur d’entreprises agréé” thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and Those Charged with Governance for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for presenting and marking up the consolidated financial statements in compliance with the requirements set out in the Delegated Regulation 2019/815 on European Single Electronic Format (“ESEF Regulation”).

Responsibilities of the “réviseur d’entreprises agréé” for the Audit of the Consolidated Financial Statements

The objectives of our audit are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of the “réviseur d’entreprises agréé” that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- Conclude on the appropriateness of Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the "réviseur d'entreprises agréé" to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of the "réviseur d'entreprises agréé". However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate to them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes public disclosure about the matter.

Our responsibility is to assess whether the consolidated financial statements have been prepared in all material respects with the requirements laid down in the ESEF Regulation.

Report on Other Legal and Regulatory Requirements

We have been appointed as "réviseur d'entreprises agréé" by the General Meeting of the Shareholders on 28 April 2021 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 10 years.

The consolidated management report is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

The Corporate Governance Statement, as published on the Company's website **http://www.sword-group.com**, is the responsibility of the Board of Directors. The information required by Article 68ter paragraph (1) letters c) and d) of the law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended, is consistent, at the date of this report, with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

We confirm that the audit opinion is consistent with the additional report to the Audit Committee or equivalent.

We confirm that the prohibited non-audit services referred to in the EU Regulation No 537/2014 were not provided and that we remained independent of the Group in conducting the audit.

We have checked the compliance of the consolidated financial statements of the Group as at 31 December 2021 with relevant statutory requirements set out in the ESEF Regulation that are applicable to financial statements.

For the Group it relates to:

- Financial statements prepared in a valid XHTML format;
- The XBRL markup of the consolidated financial statements using the core taxonomy and the common rules on markups specified in the ESEF Regulation.

In our opinion, the consolidated financial statements of the Group as at 31 December 2021, identified as swordgroup-2021-12-31.zip, have been prepared, in all material respects, in compliance with the requirements laid down in the ESEF Regulation.

Luxembourg, 02 June 2022

For MAZARS LUXEMBOURG, Cabinet de révision agréé
5, rue Guillaume J. Kroll
L – 1882 LUXEMBOURG

Olivier BIREN
Réviseur d'entreprises agréé

4 FINANCIAL STATEMENTS OF THE PARENT COMPANY AS AT 31 DECEMBER 2021

4.1 BALANCE SHEET AS AT 31 DECEMBER 2021

BALANCE SHEET AS AT 31 DECEMBER 2021

ASSETS

		Reference(s)		Current year		Previous year
A. Subscribed capital unpaid	1101		101	0,00	102	0,00
I. Subscribed capital not called	1103		103	0,00	104	0,00
II. Subscribed capital called but unpaid	1105		105	0,00	106	0,00
B. Formation expenses	1107		107	0,00	108	0,00
C. Fixed assets	1109		109	186 678 183,93	110	183 258 771,94
I. Intangible assets	1111		111	0,00	112	10 143,46
1. Costs of development	1113		113	0,00	114	0,00
2. Concessions, patents, licences, trade marks and similar rights and assets, if they were	1115	4.1	115	0,00	116	10 143,46
a) acquired for valuable consideration and need not be shown under C.I.3	1117		117	0,00	118	10 143,46
b) created by the undertaking itself	1119		119	0,00	120	0,00
3. Goodwill, to the extent that it was acquired for valuable consideration	1121		121	0,00	122	0,00
4. Payments on account and intangible assets under development	1123		123	0,00	124	0,00
II. Tangible assets	1125	4.2	125	422 043,96	126	0,00
1. Land and buildings	1127		127	0,00	128	0,00
2. Plant and machinery	1129		129	0,00	130	0,00
3. Other fixtures and fittings, tools and equipment	1131		131	5 731,22	132	0,00
4. Payments on account and tangible assets in the course of construction	1133		133	416 312,74	134	0,00
III. Financial assets	1135	5	135	186 256 139,97	136	183 248 628,48
1. Shares in affiliated undertakings	1137	5.1	137	183 230 365,68	138	180 284 715,68
2. Loans to affiliated undertakings	1139		139	0,00	140	0,00
3. Participating interests	1141		141	0,00	142	0,00
4. Loans to undertakings with which the undertaking is linked by virtue of participating interests	1143		143	0,00	144	0,00
5. Investments held as fixed assets	1145	5.2	145	2 852 746,80	146	2 963 912,80
6. Other loans	1147		147	173 027,49	148	0,00

The notes hereinafter form an integral part of the financial statements.

ASSETS (CONTINUED)

		Référence(s)		Exercice courant		Exercice précédent
D. Current assets	1151		151	80 484 595,51	152	122 849 114,44
I. Stocks	1153		153	0,00	154	0,00
1. Raw materials and consumables	1155		155	0,00	156	0,00
2. Work in progress	1157		157	0,00	158	0,00
3. Finished goods and goods for resale	1159		159	0,00	160	0,00
4. Payments on account	1161		161	0,00	162	0,00
II. Debtors	1163		163	70 062 435,05	164	59 458 417,41
1. Trade debtors	1165		165	582 000,00	166	0,00
a) becoming due and payable within one year	1167		167	582 000,00	168	0,00
b) becoming due and payable after more than one year	1169		169	0,00	170	0,00
2. Amounts owed by affiliated undertakings	1171		171	37 596 733,87	172	29 171 169,00
a) becoming due and payable within one year	1173	9.1	173	37 596 733,87	174	29 171 169,00
b) becoming due and payable after more than one year	1175		175	0,00	176	0,00
3. Amounts owed by undertakings with which the undertaking is linked by virtue of participating interests	1177		177	0,00	178	0,00
a) becoming due and payable within one year	1179		179	0,00	180	0,00
b) becoming due and payable after more than one year	1181		181	0,00	182	0,00
4. Other debtors	1183	6	183	31 883 701,18	184	30 287 248,41
a) becoming due and payable within one year	1185		185	21 494 262,89	186	589 024,15
b) becoming due and payable after more than one year	1187		187	10 389 438,29	188	29 698 224,26
III. Investments	1189		189	159 282,95	190	395 041,35
1. Shares in affiliated undertakings	1191		191	0,00	192	0,00
2. Own shares	1209	7.4	209	159 282,95	210	395 041,35
3. Other investments	1195		195	0,00	196	0,00
IV. Cash at bank and in hand	1197		197	10 262 877,51	198	62 995 655,68
E. Prepayments	1199		199	302 343,18	200	156 298,53
TOTAL (ASSETS)			201	267 465 122,62	202	306 264 184,91

The notes hereinafter form an integral part of the financial statements.

EQUITY AND LIABILITIES

		Reference(s)		Current year		Previous year
A. Capital and reserves	1301	7, 7.3	301	263 887 275,68	302	299 084 538,96
I. Subscribed capital	1303	7.1, 7.3	303	9 544 965,00	304	9 544 965,00
II. Share premium account	1305	7,1, 7,3	305	70 676 064,46	306	70 676 064,46
III. Revaluation reserve	1307		307	0,00	308	0,00
IV. Reserves	1309		309	1 113 779,45	310	1 349 537,85
1. Legal reserve	1311	7.2, 7.3	311	954 496,50	312	954 496,50
2. Reserve for own shares	1313	7.3, 7.4	313	159 282,95	314	395 041,35
3. Reserves provided for by the articles of association	1315		315	0,00	316	0,00
4. Other reserves, including the fair value reserve	1429		429	0,00	430	0,00
a) other available reserves	1431		431	0,00	432	0,00
b) other non available reserves	1433		433	0,00	434	0,00
V. Profit or loss brought forward	1319	7.3	319	171 940 840,09	320	162 695 482,58
VI. Profit or loss for the financial year	1321	7.3	321	10 611 626,68	322	77 699 601,87
VII. Interim dividends	1323	7.3	323	0,00	324	-22 881 112,80
VIII. Capital investment subsidies	1325		325	0,00	326	0,00
B. Provisions	1331		331	0,00	332	0,00
1. Provisions for pensions and similar obligations	1333		333	0,00	334	0,00
2. Provisions for taxation	1335		335	0,00	336	0,00
3. Other provisions	1337		337	0,00	338	0,00
C. Creditors	1435		435	3 577 846,94	436	7 179 645,95
1. Debenture loans	1437		437	0,00	438	0,00
a) Convertible loans	1439		439	0,00	440	0,00
i) becoming due and payable within one year	1441		441	0,00	442	0,00
ii) becoming due and payable after more than one year	1443		443	0,00	444	0,00
b) Non convertible loans	1445		445	0,00	446	0,00
i) becoming due and payable within one year	1447		447	0,00	448	0,00
ii) becoming due and payable after more than one year	1449		449	0,00	450	0,00
2. Amounts owed to credit institutions	1355	8.1	355	32 667,81	356	35 195,89
a) becoming due and payable within one year	1357		357	32 667,81	358	35 195,89
b) becoming due and payable after more than one year	1359		359	0,00	360	0,00

The notes hereinafter form an integral part of the financial statements.

EQUITY AND LIABILITIES (CONTINUED)

		Reference(s)		Current year		Previous year
3. Payments received on account of orders in so far as they are not shown separately as deductions from stocks	1361		361	0,00	362	0,00
a) becoming due and payable within one year	1363		363	0,00	364	0,00
b) becoming due and payable after more than one year	1365		365	0,00	366	0,00
4. Trade creditors	1367		367	1 204 227,78	368	2 428 404,35
a) becoming due and payable within one year	1369	8.2	369	1 204 227,78	370	2 428 404,35
b) becoming due and payable after more than one year	1371		371	0,00	372	0,00
5. Bills of exchange payable	1373		373	0,00	374	0,00
a) becoming due and payable within one year	1375		375	0,00	376	0,00
b) becoming due and payable after more than one year	1377		377	0,00	378	0,00
6. Amounts owed to affiliated undertakings	1379	9.1	379	1 940 134,92	380	4 334 101,49
a) becoming due and payable within one year	1381		381	1 940 134,92	382	4 334 101,49
b) becoming due and payable after more than one year	1383		383	0,00	384	0,00
7. Amounts owed to undertakings with which the undertaking is linked by virtue of participating interests	1385		385	0,00	386	0,00
a) becoming due and payable within one year	1387		387	0,00	388	0,00
b) becoming due and payable after more than one year	1389		389	0,00	390	0,00
8. Other creditors	1451		451	400 816,43	452	381 944,22
a) Tax authorities	1393		393	370 181,79	394	379 375,88
b) Social security authorities	1395		395	5 634,64	396	2 568,34
c) Other creditors	1397		397	25 000,00	398	0,00
i) becoming due and payable within one year	1399		399	25 000,00	400	0,00
ii) becoming due and payable after more than one year	1401		401	0,00	402	0,00
D. Deferred income	1403		403	0,00	404	0,00
TOTAL (CAPITAL, RESERVES AND LIABILITIES)			405	267 465 122,62	406	306 264 184,91

The notes hereinafter form an integral part of the financial statements.

4.2 INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

PROFIT AND LOSS ACCOUNT

		Reference(s)		Current year		Previous year
1. Net turnover	1701	9.1, 10	701	4 486 998,00	702	5 000 039,00
2. Variation in stocks of finished goods and in work in progress	1703		703	0,00	704	0,00
3. Work performed by the undertaking for its own purposes and capitalised	1705		705	0,00	706	0,00
4. Other operating income	1713	11	713	51 529,24	714	9 538,44
5. Raw materials and consumables and other external expenses	1671		671	-3 139 508,33	672	-6 752 818,43
a) Raw materials and consumables	1601		601	0,00	602	0,00
b) Other external expenses	1603	11	603	-3 139 508,33	604	-6 752 818,43
6. Staff costs	1605	12	605	-248 366,51	606	-176 852,00
a) Wages and salaries	1607		607	-223 496,33	608	-160 266,56
b) Social security costs	1609		609	-24 870,18	610	-16 585,44
i) relating to pensions	1653		653	-15 436,91	654	-10 281,60
ii) other social security costs	1655		655	-9 433,27	656	-6 303,84
c) Other staff costs	1613		613	0,00	614	0,00
7. Value adjustments	1657		657	-391 003,84	658	-1 477 709,14
a) in respect of formation expenses and of tangible and intangible fixed assets	1659	4	659	-11 003,84	660	-17 709,14
b) in respect of current assets	1661	9.1, 13.1	661	-380 000,00	662	-1 460 000,00
8. Other operating expenses	1621	17	621	-156 645,87	622	-157 707,16

The notes hereinafter form an integral part of the financial statements.

PROFIT AND LOSS ACCOUNT (CONTINUED)

		Reference(s)		Current year		Previous year
9. Income from participating interests	1715		715	2 361 140,94	716	76 241 890,36
a) derived from affiliated undertakings	1717	14	717	2 361 140,94	718	76 241 890,36
b) other income from participating interests	1719		719	0,00	720	0,00
10. Income from other investments and loans forming part of the fixed assets	1721		721	284 452,25	722	0,00
a) derived from affiliated undertakings	1723		723	0,00	724	0,00
b) other income not included under a)	1725		725	284 452,25	726	0,00
11. Other interest receivable and similar income	1727		727	3 231 348,00	728	1 068 864,79
a) derived from affiliated undertakings	1729	9.1	729	885 579,86	730	876 584,07
b) other interest and similar income	1731		731	2 345 768,14	732	192 280,72
12. Share of profit or loss of undertakings accounted for under the equity method	1663		663	0,00	664	0,00
13. Value adjustments in respect of financial assets and of investments held as current assets	1665	13.2	665	4 997 285,55	666	4 871 482,15
14. Interest payable and similar expenses	1627		627	-271 607,75	628	-686 191,14
a) concerning affiliated undertakings	1629	9.1	629	-2 119,42	630	-6 165,69
b) other interest and similar expenses	1631		631	-269 488,33	632	-680 025,45
15. Tax on profit or loss	1635	15	635	0,00	636	0,00
16. Profit or loss after taxation	1667		667	11 205 621,68	668	77 940 536,87
17. Other taxes not shown under items 1 to 16	1637	15	637	-593 995,00	638	-240 935,00
18. Profit or loss for the financial year	1669		669	10 611 626,68	670	77 699 601,87

The notes hereinafter form an integral part of the financial statements.

4.3 NOTES FOR THE YEAR ENDED 31 DECEMBER 2021

Note 1: General information

Sword Group SE, hereinafter referred to as "the Company", is a European company (*Societas Europaea*, or SE) whose registered office was transferred on 26 March 2012 from France to Luxembourg.

The Company's purpose is:

- to acquire by way of participation, contribution, subscription, underwriting, option or negotiation or in any other manner any securities, titles, rights, patents and licences and other rights in rem, personal rights and interests, such as the Company deems necessary;

- generally to hold, manage, develop and sell them in whole or in part, for the price that the Company deems fit and in particular in return for shares or securities of any company purchasing them;

- to conclude, assist with 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 with the Company or any company belonging to the same group of companies (the "Associate") any assistance, loans, advances, guarantees or sureties (in the last two cases, including to third parties lending to the Associate);

- to borrow or raise funds in any manner whatsoever and to guarantee the repayment of any borrowed funds;

- to provide administrative consultancy and other services or carry out any research, development and supervisory activities; any consultancy and production activities in the field of information systems;

- generally to conduct any type of activity that might seem incidental or facilitate the attainment of any or all of the aforementioned purposes;

- to conduct any commercial, technical and financial tasks, directly or indirectly connected to the areas described above, to facilitate the accomplishment of its purpose;

- to 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 to do so in any form;

- to acquire interests and shareholdings in any companies or business deals of any nature whatsoever, and generally to hold, manage, develop and sell them in full or in part, for the price that the Company deems fit and in particular in return for shares or securities of any company purchasing them;

The Company, having its registered office in Windhof, was established for an indefinite period on 22 June 2001.

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, as amended (hereinafter referred to as "the Law of 19 December 2002, as amended"). The Company is listed on NYSE Euronext in Paris under ISIN number FR0004180578.

The consolidated financial statements are available on the Company's website at http://www.sword-group.com/investors/ and on the website of the Luxembourg Stock Exchange.

Note 2: Accounting principles

The Company keeps its books in euros. The financial statements have been prepared in accordance with Luxembourg legal and regulatory requirements under the historical-cost convention. The financial year coincides with the calendar year.

Accounting policies and measurement rules are – besides the ones laid down by the Law of 19 December 2002, as amended – defined by the Board of Directors. The preparation of the financial statements requires the use of certain critical accounting estimates by the Board of Directors which exercises its judgement in the process of applying the accounting principles. Any change in accounting estimates can give rise to a significant impact on the financial statements. The Board of Directors believes that the assumptions associated with these estimates are appropriate and that the financial statements present the Company's financial position and results fairly.

The Company makes estimates and assumptions that may affect the reported amounts of assets and liabilities in the next period. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The years 2020 and 2021 were marked by the COVID-19 pandemic. Unlike in 2020, the pandemic had no negative impact on the activities of Group subsidiaries in 2021. The Group experienced organic growth of 21.5% on a like-for-like basis, generating a consolidated EBITDA of 13.64%.

Consequently, the going concern basis remains appropriate.

Note 3: Measurement rules

3.1 Intangible assets

Intangible assets are recognised on the assets side of the balance sheet at historical cost, including incidental expenses, less depreciation calculated based on the estimated lives of property and allowances. Allowances are not continued if the reasons behind them no longer apply. This item, depreciated at a straight-line rate of 33%, is represented by a software licence and a website.

3.2 Property, plant and equipment

Property, plant and equipment is recognised on the assets side of the balance sheet at historical cost, including incidental expenses, less depreciation calculated based on the estimated lives of property and allowances. Allowances are not continued if the reasons behind them no longer apply. This item is depreciated at a straight-line rate of 20% and is represented by computer hardware.

3.3 Financial assets

Financial assets are valued at historical cost, including incidental expenses or par value (loans and receivables). In the event of an impairment which, in the opinion of the Board, is of a permanent nature, financial assets are subject to allowances. Allowances are not continued if the reasons behind them no longer apply.

To determine the existence of any allowances relating to investments in associates, the Board of Directors took as its basis the difference between the net carrying amount of each investment and the relevant recoverable amount, determined on the basis of three-year cash-flow forecasts.

3.4 Receivables

Receivables are recognised at their par value. They are subject to allowances when their recovery is compromised. Allowances are not continued if the reasons behind them no longer apply.

3.5 Securities

The securities represented by shares in money market funds are measured at their fair value which is the latest price available as at the reporting date. Unrealised gains and losses are recognised in the profit and loss account.

The securities represented by treasury shares in the Company are measured at their acquisition price, including incidental expenses. An allowance is recognised when the historical cost is less than the market price. According to the provisions of Article 430-18 of the Law of 10 August 1915 on commercial companies, as amended, an unavailable reserve with the value of treasury shares included in the balance sheet has been established on the liabilities side.

The market value corresponds to the latest price available on the day of valuation for securities officially allowed to be listed on the exchange or on another regulated market.

3.6 Cryptocurrencies

The Company engaged in cryptocurrency trading during the year ended 31 December 2021. The result of these transactions is recognised in the financial result, with income totalling €66,548.00. The Company did not hold any cryptocurrency as at 31 December 2021.

3.7 Deferred charges and accrued income

This item comprises expenses recognised during the year but which are attributable to a subsequent year.

3.8 Provisions

At the end of each year, provisions are made to cover losses or debts which are clearly defined in nature but which as at the reporting date are either probable or certain and yet the amount or date of payment is uncertain, for all foreseeable risks and costs. Provisions relating to previous years are reviewed regularly and recognised in profit or loss if they are no longer required.

3.9 Payables

Payables are recognised at their reimbursement value. Payables are recognised as contingent liabilities when their status is subject to unsecured debts.

3.10 Conversion of foreign-currency accounts

All transactions denominated in a currency other than the euro are recognised at the exchange rate prevailing as at the transaction date. As at the reporting date:

- all assets denominated in currencies other than the euro, with the exception of bank deposits, securities, short-term receivables and fixed assets, are individually valued at the lower of the value based on the historical exchange rate or the value based on the exchange rate prevailing as at the reporting date;

- all liabilities denominated in currencies other than the euro, with the exception of short-term debt, are valued individually at the higher of the value based on the historical exchange rate or the value based on the exchange rate prevailing as at the reporting date;

- bank deposits, securities, receivables and short-term debt, by their liquid nature, denominated in currencies other than the euro, are valued at the exchange rate prevailing as at the reporting date;

- all fixed assets denominated in currencies other than the euro are converted into euros at the historical exchange rate prevailing as at the transaction date. As at the reporting date, these fixed assets are converted at the historical exchange rate.

Income and expenses in currencies other than the euro are converted into euros at the exchange rate prevailing as at the transaction date. Therefore, only realised foreign-exchange gains and losses and unrealised foreign-exchange losses are recognised in the profit and loss statement.

3.11 Revenue

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

Note 4: Intangible assets and property, plant and equipment

4.1 Intangible assets

In the year ended 31 December 2021, intangible assets developed as follows:

	Concessions, patents and licences	Advances paid	TOTAL
Purchase price as at opening	317,448.53	-	317,448.53
Acquisitions	-	-	-
Transfers	-	-	-
Purchase price as at year end	317,448.53	-	317,448.53
Allowances as at opening	(307,305.07)	-	(307,305.07)
Charges for the year	(10,143.46)	-	(10,143.46)
Reversals for the year	-	-	-
Allowances as at year end	(317,448.53)	-	(317,448.53)
Net amount as at year end	**-**	**-**	**-**
Net amount as at opening	**10,143.46**	**-**	**10,143.46**

4.2 Property, plant and equipment

In the year ended 31 December 2021, property, plant and equipment developed as follows:

	Investments held as fixed assets	Other fixtures, tools and furniture	Advances paid	TOTAL
Purchase price as at opening	19,294.00	40,592.04	-	59,886.04
Acquisitions	-	6,591.60	416,312.74	422,904.34
Disposals	-	-	-	-
Purchase price as at year end	19,294.00	47,183.64	416,312.74	482,790.38
Allowances as at opening	(19,294.00)	(40,592.04)	-	(59,886.04)
Charges for the year	-	(860.38)	-	(860.38)
Reversals for the year	-	-	-	-
Allowances as at year end	(19,294.00)	(41,452.42)	-	(60,746.42)
Net amount as at year end	**-**	**5,731.22**	**416,312.74**	**422,043.96**
Net amount as at opening	**-**	**-**	**-**	**-**

Note 5: Financial assets

In the year ended 31 December 2021, financial assets developed as follows:

	Shares in associates	Investments held as fixed assets	Other loans	TOTAL
Purchase price as at opening	204,226,323.68	4,071,242.17	-	208,297,565.85
Acquisitions	-	-	173,027.49	173,027.49
Disposals	(2,051,454.00)	(172,719.64)	-	(2,224,173.64)
Transfers	-	-		-
Purchase price as at year end	202,174,869.68	3,898,522.53	173,027.49	206,246,419.70
Allowance as at opening	(23,941,608.00)	(1,107,329.37)	-	(25,048,937.37)
Charges for the year	(3,012,511.00)	-	-	(3,012,511.00)
Reversals for the year	8,009,615.00	61,553.64	-	8,071,168.64
Amount carried forward from the year	-	-		-
Allowance as at year end	(18,944,504.00)	(1,045,775.73)	-	(19,990,279.73)
Net amount as at year end	**183,230,365.68**	**2,852,746.80**	**173,027.49**	**186,256,139.97**
Net amount as at opening	**180,284,715.68**	**2,963,912.80**	**-**	**183,248,628.48**

5.1 Investments in associates

During 2021, the Company performed the following transactions:

- the sale on 31 December 2021 of 1,189 shares in Sword Technologies S.A., a company incorporated in Luxembourg, equivalent to 22.95% of the company's capital, for €3,919,026.12, i.e. a capital gain of €1,867,561.

As at 31 December 2021, the Board of Directors believed that:

- for Sword Technologies S.A., Sword Solutions Inc. and Sword Suisse Holding, the value of the companies exceeded the historical acquisition price, so no allowance was recorded on these securities as at 31 December 2021 and 31 December 2020;
- for Tipik Communication Agency, an allowance of €3,008,922 was recorded, bringing the total allowance to €3,008,922 as at 31 December 2021 (€0.00 as at 31 December 2020);
- for Sword Soft Ltd, an allowance reversal of €8,009,615.00 was recorded, bringing the total allowance to €15,904,945.00 as at 31 December 2021 (€23,914,560.00 in 2020);
- for Le Connecteur S.à r.l., securities worth €3,589.00 were impaired, bringing the total allowance to €30,637.00 as at 31 December 2021 (€27,048.00 in 2020).

5.1 Investments in associates (continued)

To determine the existence of any allowances relating to investments in associates, the Board of Directors took as its basis the difference between the net carrying amount of each investment and the relevant recoverable amount, determined on the basis of three-year cash-flow forecasts.

As at 31 December 2021, investments in associates were represented by:

Subsidiary name	% held	Purchase price	Share of equity as at 31/12/2021 (in EUR)	Share of profit or loss as at 31/12/2021 (in EUR)
Sword Soft Ltd, 1000 Great West Road, Brentford, Middlesex, TW8 9DW, England	100%	161,366,200.00	44,395,321.00	3,183,060.00
Sword Suisse Holding S.A., 19 Avenue des Baumettes, CH-1020 Renens, Switzerland	100%	31,013,650.42	20,249,036.00	444,913.00
Sword Technologies S.A., 2 Rue d'Arlon, 8399 Windhof, Luxembourg	55.29%	4,941,436.44	1,860,883.00	669,614.00
Tipik Communication Agency S.A., 270 Avenue de Tervueren, B-1150 Brussels, Belgium	100%	3,500,771.82	944,219.00	36,156.00
Sword Solutions Inc., 30 Broad Street, 14th Floor, New York, NY 10004, United States	100%	1,302,000.00	1,704,134.00	30,480.00
Le Connecteur S.à r.l., 6 Rue Claude Chappe, 69370 Saint-Didier-au-Mont-d'Or, France	100%	50,810.00	20,173.00	(3,589.00)
Sword Co-Investment Fund SCSp, 2 Rue d'Arlon, 8399 Windhof, Luxembourg	0.01%	1.00	PM	PM
		202,174,869.68		

5.2 Investments held as fixed assets

During 2021, the Company sold the remaining 20,212 shares in Scientific Brain Training for €111,772.36, entailing a realised capital gain of €606.36 and an allowance reversal of €61,553.64.

As at 31 December 2021, the Board of Directors decided to:

- maintain the allowance of €1,045,775.73 for securities in Lyods Engineering Limited (formerly Lyodssoft HK), a company having its registered office in Hong Kong.
- In the case of Coexya Group (formerly AW FG Carré), the company's value exceeds the historical acquisition price. Part of the Coexya Group securities generates a fixed annual return of 10%. As at 31 December 2021, capitalised and accrued interest amounted to €173,027.49.

Note 6: Other receivables

During 2020 and 2021, the Company granted new loans in foreign currency to senior executives of Group subsidiaries in connection with financing the acquisition of interests in Group subsidiaries. As at 31 December 2021, the amount of the loans and interest was €25,560,891.19, of which €10,389,438.29 was repayable in more than one year. The revaluation of these short-term receivables generated a foreign exchange gain of €1,070,782.97. For the year ended 31 December 2021, these loans generated interest of €530,058.04.

During 2020, the Company sold all of the French service activities grouped within the parent entity, the Luxembourg company Sword Sol S.à r.l. The first additional payment received in 2021 amounted to €2,426,892.00, i.e. an additional €1,837,867.65 compared with the provision for 2020. This additional amount is recorded under 'Income from shareholdings'. The Board of Directors estimates that the second and final additional payment will be €6,066,676.82, to be received during the 2022 financial year. This will entail a negative adjustment of €1,344,299.03 compared with the 2020 provision, this adjustment being recorded under the same item 'Income from shareholdings'.

Note 7: Equity

7.1 Subscribed capital

As at 31 December 2021 and 31 December 2020, share capital stood at €9,544,965, represented by 9,544,965 shares with a par value of €1 each, fully paid up. The share capital is accompanied by a share premium of €70,676,064.46.

7.2 Legal reserve

Each year, a fixed percentage of 5% of the net profit, after absorption of deferred losses, if applicable, will be allocated to the legal reserve. The deduction will no longer be compulsory when the reserve reaches 10% of the share capital. The reserve cannot be distributed.

7.3 Changes in equity accounts

For the period ended 31 December 2021, the changes were as follows:

	01/01/2021	Allocation of profit or loss	Profit for the year	Dividends paid	Treasury shares	31/12/2021
Share capital	9,544,965.00					9,544,965.00
Share premium	70,676,064.46					70,676,064.46
Legal reserve	954,496.50					954,496.50
Reserve for treasury shares	395,041.35				(235,758.40)	159,282.95
Profit or loss carried forward	162,695,482.58	54,818,489.07		(45,808,889.96)	235,758.40	171,940,840.09
Interim dividends	-22,881,112.80	22,881,112.80				-
Profit for the year	77,699,601.87	(77,699,601.87)	10,611,626.68			10,611,626.68
TOTAL	**299,084,538.96**	**-**	**10,611,626.68**	**(45,808,889.96)**	**-**	**263,887,275.68**

7.4 Treasury shares

As at 31 December 2021, there were 3,804 treasury shares recognised, amounting to a total of €159,282.95, recognised under 'Securities'.

According to the provisions of Article 430-18 of the Law of 10 August 1915 on commercial companies, as amended, an unavailable reserve for the amount of treasury shares included in the balance sheet has been established on the liability side, i.e. a total amount of €159,282.95.

Treasury shares listed as securities were acquired to support the market price of the Sword Group share.

Note 8: Debts

8.1. Amounts owed to credit institutions

No bank debt has a maturity of over five years. No debt is covered by collateral. As at 31 December 2021, the breakdown of bank debt was as follows:

	Amount drawn down	Authorised amount
Bank debt due in more than one year	-	90,000,000.00
Bank debt due within one year	-	-
Interest and commission payable	32,667.81	-
	32,667.81	

Classification of amounts owed to credit institutions due in more than one year:
Bank debt due in more than one year comprises floating-rate syndicated loans that are subject to drawdowns by the Company in the form of promissory notes whose term can vary from one to six months. To classify outstanding promissory notes as at year end as financial debt due in more than one year, the following aspects were taken into account:

- the ability of 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 as at 31 December 2021 cannot be reduced by the banks within a 12-month period);
- the Company's desire to utilise that form of funding within the 12 months ahead.

Bank covenants
The Company pledges to maintain, in accordance with the covenant clauses:

- a net consolidated debt/consolidated EBITDA ratio of less than 3.5 or 3, depending on the agreement;

- a net consolidated financial debt/consolidated equity ratio of less than 1.

Should the Company fail to comply with the aforementioned covenants, the lending banks can demand the reimbursement of the outstanding loan. As at 31 December 2021, the Company complied with these covenants, as there were no outstanding loans.

8.2. Debts on purchases and services

As at 31 December 2021, the decrease in debts on purchases and provision of services compared with 31 December 2020 was mainly associated with the costs related to the sale of Sword Sol S.à r.l. in 2020.

Note 9: Related-party transactions

9.1 In respect of associates

As at 31 December 2021, balance-sheet items in respect of associates were as follows:

	Amounts owed by associates falling due in less than one year	**Amounts owed to associates falling due in less than one year**
Sword Technologies S.A. (LU)	16,585,190.77	-
Sword Co-Investment Fund SCSp (LU)	10,704,015.71	-
Sword Suisse Holding (CH)	6,821,120.78	-
Sword Soft Ltd (UK)	2,097,727.57	-
Tipik Communication Belgium (BE)	632,726.11	-
Sword Software France (FR)	544,530.53	-
Sword Sol Inc. (USA)	-	1,476,438.92
Sword Technologies Ltd (UK)	-	416,312.74
Miscellaneous associates	211,423.00	47,383.26
	37,596,733.87	1,940,134.92

The main balance-sheet items listed above were generated primarily by cash pooling. The main current accounts between Group companies were paid at rates ranging between 0.15% and 2.25%, corresponding to the market conditions applicable to each subsidiary.

During the year ended 31 December 2021, the following events occurred:

- The Company took back €320,000.00 under a clawback provision vis-à-vis the current account of Sword Technologies S.A. As at 31 December 2021, there was a current-account waiver with a clawback provision vis-à-vis Sword Technologies amounting to €7,635,000.00. The Sword Technologies current-account total of €16,585,190.77 factors in this current-account waiver.

- The Company wrote off €700,000 under a clawback provision vis-à-vis the current account of Tipik Communication Agency S.A. As at 31 December 2021, there was a current-account waiver with a clawback provision vis-à-vis Tipik Communication Agency amounting to €11,154,381.96. The Tipik Communication Agency current-account total of €632,726.11 factors in this current-account waiver.

For the year ended 31 December 2021, the main types of income and expenses in respect of associates were as follows:

	Expenses	Income
Management services	-	4,486,998.00
Income from disposal of investments in associates	-	2,361,140.94
Subcontracting/miscellaneous fees	432,029.00	-
Other miscellaneous expenses/income	300,166.42	-
Interest on cash-pooling current account	2,119.42	885,579.86
Current-account waiver/reversal with clawback provision	700,000.00	320,000.00
	1,434,314.84	8,053,718.80

Note 9: Related-party transactions (continued)

9.2 In respect of non-consolidated companies sharing common senior executives

For the year ended 31 December 2021, Financière Sémaphore S.à r.l., a company incorporated in Luxembourg, invoiced the following services:

- assistance with the Company's general management: €349,999.92;
- success fees related to sales/acquisitions: €150,000.00.

The Group used transport services worth a total of €172,131.99 provided by a subsidiary of Financière Sémaphore.

Note 10: Net revenue

During the year ended 31 December 2021, revenue was €4,486,998.00 and comprised services for all of the Group's subsidiaries.

The breakdown by geographical area was as follows:

- Europe: 89%;
- America: 5%;
- Asia: 4%;
- Oceania: 2%.

Note 11: Other external charges

During the years ended 31 December 2021 and 31 December 2020, other external charges comprised acquisition and sale fees, amounting to €521,898.50 and €4,204,480.98 respectively, and fees relating to managing the holding company and its subsidiaries, amounting to €2,617,609.83 and €2,548,337.45 respectively.

Note 12: Staff

During the year ended 31 December 2021, the number of Company employees averaged 1.5 (compared with 1 in 2020).

Note 13: Allowances (charges and write-backs)

13.1 Allowances on current assets

For the year ended 31 December 2021, allowances on current assets comprised the following items:

- a waiver with current-account clawback provision in respect of associates: €700,000.00 (see Note 9.1);

- a reversal of a waiver with current-account clawback provision in respect of associates: €320,000.00 (see Note 9.1).

13.2 Allowances on financial assets and on securities that are part of current assets

For the year ended 31 December 2021, allowances on financial assets and on securities that were part of current assets comprised the following items:

- an allowance on Tipik Communication Agency S.A. securities (€3,008,922.00) and one on Le Connecteur securities (€3,589.00) (see Note 5.1);
- a reversal of an allowance on investments in associates for Sword Soft Ltd (€8,009,615.00) (see Note 5.1);
- a reversal of an allowance on investments held as fixed assets (€61,553.64) (see Note 5.2);
- a reversal of an allowance on treasury shares recognised under 'Securities' (€181.55).

Note 14: Income from financial assets

Income from financial assets was represented by, on the one hand, net additional-price adjustments on the sale of a subsidiary in 2020 (€493,568.82) (see Note 6), and, on the other hand, a capital gain on the sale of investments in associates (€1,867,572.12).

Note 15: Taxation

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

Note 16: Off-balance-sheet commitments

As at 31 December 2021, the Company had no specific off-balance-sheet commitments. In general, the Company issues letters of financial support on behalf of Group subsidiaries as part of their client contracts which require a performance guarantee.

Note 17: Board of Directors' remuneration

For the year ended 31 December 2021, the directors received fees amounting to €125,000 (2020: €95,000). This amount is included in 'Other operating expenses'.

For the year ended 31 December 2021, no advance or credit was paid to members of the administrative bodies.

Note 18: Fees received by the *Réviseur d'Entreprisés Agréé* (statutory auditor)

In accordance with Article 65(1), 16° of the Law of 19 December 2002, as amended, the specified information has been omitted. Information on the audit fees is given in the consolidated financial statements and includes the audit fees for the financial statements.

Note 19: Subsequent events

On 26 February 2022, one of the Company's subsidiaries signed a Sales and Purchase Agreement with Riskonnect, providing for the disposal of the GRC business within approximately six weeks to allow time for regulatory approvals.

The Board of Directors has not identified any impacts related to the Russia-Ukraine war in the financial statements.

4.4 REPORT OF THE *RÉVISEUR D'ENTREPRISES AGRÉÉ* (STATUTORY AUDITOR) ON THE FINANCIAL STATEMENTS

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Société européenne
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REPORT OF THE REVISEUR D'ENTREPRISES AGREE

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Sword Group S.E (the "Company"), which comprise the balance sheet as at 31 December 2021, and the profit and loss account for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.
In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2021, and of the results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the financial statements.

Basis for Opinion

We conducted our audit in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 on the audit profession (Law of 23 July 2016) and with International Standards on Auditing (ISAs) as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" (CSSF). Our responsibilities under those Regulation, Law and standards are further described in the « Responsibilities of the "Réviseur d'Entreprises Agréé" for the Audit of the Financial Statements » section of our report. We are also independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the financial statements and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of the audit of the financial statements as whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Reasons for which a key audit matter has been raised	Response to the identified key audit matter
Shares in associates and other interests	
As at 31 December 2021, the Company owns a number of subsidiaries, recognised at acquisition cost, which may be subject to value adjustments in case of a permanent decrease in their value. The valuation of these investments is significant for our audit, given the carrying amount thereof and the judgement required in assessing the permanent nature of any value adjustment.	Tests of substantive details have been conducted to ensure the existence of investments as well as the reconciliation of movements of shareholders' funds in the course of the year. We assessed management's handling of indicators of potential losses. In this assessment, the net carrying amount is used as a starting point for evaluating whether a loss is permanent, in addition to a qualitative analysis. We have also reviewed the adequacy of the information in Notes 5.1 'Shares in affiliated undertakings' and 5.2 'Investments held as fixed assets'.
Key observations communicated to those charged with governance	We have no comment based on the audit procedures carried out on this key audit matter.

Reasons for which a key audit matter has been raised	Response to the identified key audit matter
Revenue recognition	
The Company provides management services, as described in note 10 the financial statements, to various subsidiaries. International Standards on Auditing require auditors to assume a fraud risk in revenue recognition when initially assessing the risk of material misstatements.	Our procedures included evaluating the income recognition method for management services contracts and the design and effectiveness of management controls regarding income-recognition analysis and the identification of unusual contractual conditions. Detailed substantive procedures have been carried out with regard to the cost-plus analysis and testing of the calculation of management fees and margin validation.
Key observations communicated to those charged with governance	We have no comment based on the audit procedures carried out on this key audit matter.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the management report and the Corporate Governance Statement but does not include the financial statements and our report of the "Réviseur d'Entreprises Agréé" thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and Those Charged with Governance for the Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the financial statements, 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.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for presenting the financial statements in compliance with the requirements set out in the Delegated Regulation 2019/815 on European Single Electronic Format ("ESEF Regulation").

Responsibilities of the "Réviseur d'Entreprises Agréé" for the Audit of the Financial Statements

The objectives of our audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of the "Réviseur d'Entreprises Agréé" that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- Conclude on the appropriateness of Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the "Réviseur d'Entreprises Agréé" to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of the "Réviseur d'Entreprises Agréé". However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes public disclosure about the matter

Our responsibility is to assess whether the financial statements have been prepared in all material respects with the requirements laid down in the ESEF Regulation.

Report on Other Legal and Regulatory Requirements

We have been appointed as "Réviseur d'Entreprises Agréé" by the General Meeting of the Shareholders on 28 April 2021 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 10 years.

The management report is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

The Corporate Governance Statement, as published on the Company's website http://www.sword-group.com , is the responsibility of the Board of Directors. The information required by Article 68ter paragraph (1) letters c) and d) of the amended law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended, is consistent, at the date of this report, with the financial statements and has been prepared in accordance with applicable legal requirements.

We confirm that the audit opinion is consistent with the additional report to the Audit Committee or equivalent.

We confirm that the prohibited non-audit services referred to in the EU Regulation No 537/2014, on the audit profession were not provided and that we remain independent of the Company in conducting the audit.

We have checked the compliance of the financial statements of the Company as at 31 December 2021 with relevant statutory requirements set out in the ESEF Regulation that are applicable to financial statements.

For the company it relates to the financial statements prepared in a valid XHTML format.

In our opinion, the financial statements of the Company as at 31 December 2021, identified as swordgroup-2021-12-31.zip, have been prepared, in all material respects, in compliance with the requirements laid down in the ESEF Regulation.

Luxembourg, 02 June 2022

For MAZARS LUXEMBOURG, Cabinet de révision agréé
5, rue Guillaume Kroll
L – 1882 Luxembourg

Olivier BIREN
Réviseur d'entreprises agréé

5 ADDITIONAL INFORMATION

5.1 MEMORANDUM AND ARTICLES OF ASSOCIATION

Capital and Shares
The share capital is €9.545 million, or more precisely €9,544,965 (nine million five hundred and forty-four thousand nine hundred and sixty-five euro). It is divided into 9,544,965 shares worth €1 each, fully paid up and all of the same category.

The shares shall be issued in paperless format.

Any shareholder, acting alone or in concert, who owns more than 5%, 10%, 15%, 20%, 25%, a third, half or two thirds of the capital or the voting rights is obliged to inform the Company of the total number of shares and voting rights held, by registered letter with acknowledgement of receipt, within four stock exchange trading days starting on the day where they learn that they have exceeded these shareholding thresholds. The same will apply whenever the person's holding falls below one of the said thresholds.

This information will also be provided to the Financial Sector Supervisory Commission within (i) 6 trading days of any transaction and (ii) 4 trading days of the date the said shareholding thresholds are crossed due to an event that modifies the distribution of the voting rights.

If shares have not been properly disclosed, voting rights shall be withdrawn from those shares exceeding the number that should have been declared until proper notification is provided.

The shares are freely tradable, notwithstanding any legal or regulatory provisions to the contrary.

Modifications of the Share Capital
1 – The share capital may be increased by whatever means and according to all the procedures provided for by the law.

Payment for newly created shares may be made in cash, either by offsetting these against claims for liquidated amounts due from the Company or by incorporating reserves, profits or share premiums or by a contribution in kind or through the conversion of bonds.

Only the Extraordinary General Meeting shall have the power to decide on any increase in capital. It may also delegate this power to the Board of Directors in relation to the capital authorised by the Memorandum and Articles of Association.

The Board of Directors may decide to restrict increases in capital only for payments in cash corresponding to the amount subscribed.

In the event of a capital increase through the issue of shares for cash, pre-emptive rights shall be granted to the owners of the existing shares in accordance with the provisions laid down by law.

However, shareholders may individually renounce their pre-emptive right during the General Meeting that decides on or authorises the share capital increase. In addition, the shareholders may, in the General Meeting, cancel this pre-emptive right in accordance with legal requirements.

2 – A capital increase may also arise following a request made by any shareholder to receive payment of all or some of the dividends to be distributed, in the form of shares when shareholders have been granted the right to do so by a resolution of the General Meeting or by the Board of Directors within the scope of a capital increase up to the amount of the authorised capital as defined under Article 8 of the Memorandum and Articles of Association and under Article 2.1 of this charter.

In such a case, the Board of Directors shall, within the statutory time limit, record the number of shares issued by virtue of the previous paragraph and shall record changes to the Memorandum and Articles of Association by means of a notarial deed.

The Extraordinary General Meeting may also delegate to the Board of Directors the power to actually reduce the share capital.

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

Powers and General Meetings
The shareholders shall be given notice to attend General Meetings in accordance with the legal provisions and those of the Memorandum and Articles of Association. Article 18 of the Memorandum and Articles of Association lays down general rules for the General Meetings of Shareholders.

Convening Notices

The shareholders shall convene at the Annual General Meeting on 28 April of each year at 11 a.m. in the municipality where the Company has its registered office or at any other venue indicated in the convening notice.

If the meeting date coincides with a bank holiday, the meeting shall be held the next working day.

Ordinary General Meetings may be called by the Board of Directors at any time during the year with a special notice to this effect.

One or more shareholders holding at least a total of 10% of the subscribed capital may request that a General Meeting be called. The notice to convene such a meeting shall state the items on the agenda.

The form of the meeting and the notice period shall be as required by law. Convening notices must indicate the venue for the meeting, which may be held at the registered office or at any other location, and the agenda.

Agenda
The agenda is set by the person calling the meeting. It shall include, if appropriate, proposals made by one or more of the shareholders owning a total of at least 5% of the subscribed capital. These shareholders may request that one or more new items be included in the agenda of any General Meeting, subject to the time limits and procedures provided by law.

When a meeting has not been able to deliberate validly due to the absence of the required quorum, a second meeting shall be convened in the same way as the first, with the convening notice referring to the date of the first meeting.

Admission to the Meetings – Powers
All shareholders shall be entitled to attend the General Meetings personally or by proxy, regardless of how many shares they hold, on supplying proof of identity and share ownership, in the form:

- either of a registration in their name;
- or of an entry of the shares in an account in the name of the shareholder or of the intermediary who is registered to represent them, as at the third working day preceding the General Meeting at midnight, Paris time.

However, the Board of Directors may reduce or waive such a notice period if this is in the interests of all the shareholders.

The shareholders may submit their vote by post but must request a postal vote form from the Company in order to do so. This form will include the information relating to the General Meeting in question and will be drafted in such a way that shareholders will be able to cast their vote for each of the resolutions proposed, in the order in which they are presented at the meeting. The request for the form must be addressed to the Company by any means and must be deposited or received at the registered office at least six days prior to the meeting.

To be valid, the ballot paper must include the following information:

- the shareholder's first name, surname and place of residence;
- an indication of the form in which the shares are held, the number of shares held and confirmation of the registration of the shares either in the registered share accounts or in the share accounts held by the authorised financial intermediary;
- the signature of the shareholder or his/her legal representative.

Postal votes must, in order to be taken into account, reach the Company at least three days before the General Meeting.

A shareholder can be represented by a third party in accordance with the conditions laid down by the regulations in force.

Holding of the Meeting – Meeting Committee (Secretary of the Meeting) – Minutes
The General Meeting is chaired by the Chairman of the Board of Directors or by a Director designated by the Board, if the convening notice comes from the latter, or failing that, by a person appointed by the meeting. It shall be chaired by the statutory auditor or company auditor as the case may be and by the court officer or by the liquidator in the other cases. Scrutineer duties are performed by the two Board members having the most votes, as long as they agree to these responsibilities. The committee appoints a secretary (who may be a non-shareholder).

The deliberations are recorded in minutes signed by the members of the committee and signed by the shareholders requesting them.

Copies or extracts of these minutes, to be submitted in court or elsewhere, are duly certified in the case of Ordinary General Meetings by the Chairman of the Board of Directors or a Director or the Secretary of the General Meeting and in the case of Extraordinary General Meetings, by the Notary who is the depository for the minutes in question.

The conditions for exercising voting rights – Majority quorum
1 – The quorum shall be calculated taking into account all the shares that comprise the share capital, less those shares from which voting rights have been withdrawn by law.

For postal votes, only forms duly completed and comprising a reference to the certificate of deposit of the shares, received by the Company at least three days before the meeting is held, will be taken into consideration when determining the quorum.

2 – The Ordinary General Meeting cannot validly conduct business on the basis of the first convening notice, unless the shareholders present, represented or voting by post own at least a quarter of the share capital. In the absence of such a quorum, a second General Meeting will be called, without the need for a quorum, in the form envisaged within the provisions of Article 450-3 of the Law of 10 August 1915 on commercial companies, as amended.

The Extraordinary General Meeting cannot validly conduct business unless the shareholders present, represented or voting by post own at least half of the share capital at the time of the first convening notice. In the absence of such a quorum, a second General Meeting will be called, without the need for a quorum, in the form envisaged within the provisions of Article 450-3 of the Law of 10 August 1915 on commercial companies, as amended.

3 – In General Meetings, each member of the Meeting shall have the same number of votes as the number of shares he/she owns or represents without any limitation, with the sole exception of the cases provided for by law.

4 – At General Meetings, voting shall take place on a show of hands, by names being called out or by secret ballot or through the use of telecommunications, such as video-conferencing systems or any other means of teletransmission that make it possible to identify the shareholder taking part in the General Meeting, as may be decided by the committee for the meeting or by the shareholders.

Resolutions of Ordinary General Meetings shall be made by a majority of the validly cast votes. The validly cast votes do not include those associated with the shares for which the shareholder has not taken part in the vote, abstained from voting or returned a blank or invalid vote.

Resolutions of Extraordinary General Meetings shall be by a majority of two thirds of the validly cast votes.

Dividend Policy
In accordance with Article 23 of the Memorandum and Articles of Association, the following items shall initially be deducted from the profits of the accounting year less any losses from the previous years:

- at least five percent (5%) to constitute the legal reserve; such a deduction will cease to be mandatory when the said reserves will have reached a sum equal to one tenth of the capital, but will resume if for any reason whatsoever this percentage is no longer reached;
- and any amounts to be allocated to the reserve account by law.

The balance, plus profits carried forward, shall comprise the distributable profit that the General Meeting, on proposal from the Board of Directors, may resolve to distribute in full or in part as dividends, or allocated to reserve accounts, capital amortisation or carry forward.

The Extraordinary General Meeting may, subject to legal provisions, decide on the full or partial amortisation of the shares that will proportionally lose the right to a dividend and to the reimbursement of their par value.

This meeting may also, subject to legal provisions, decide to convert into capital shares those shares that have been fully or partially amortised.

In general, Sword Group shall pursue a dividend policy linked, on the one hand, to the profits of the year in question and, on the other, to the foreseeable development of the Group and its profitability.

5.2 DOCUMENTS AVAILABLE TO THE PUBLIC

All accounting, legal and other documents are available at the Company's registered office.

5.3 PERSON IN CHARGE OF THE ANNUAL FINANCIAL REPORT

The person in charge of the annual financial report is Jacques Mottard.

5.4 STATUTORY AUDITORS OF THE ACCOUNTS

Statutory audits of the accounts are carried out by Mazars Luxembourg S.A., *Cabinet de Révision Agréé* (approved audit firm), having its registered office at 5 Rue Guillaume J. Kroll, LU-1882 Luxembourg,

appointed on an annual basis by the Ordinary General Meeting since the meeting held on 3 May 2013. This appointment was renewed by the Ordinary General Meeting on 28 April 2021 for a term expiring at the General Meeting called to approve the financial statements for the year ended 31 December 2021 (its renewal will be proposed at the General Meeting on 28 April 2022).

6 STATEMENT BY THE PERSON IN CHARGE OF THE ANNUAL FINANCIAL REPORT

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, as amended, we declare that these financial statements were prepared in accordance with applicable accounting standards and that, to the best of our knowledge, they give a true and fair view of the assets and financial position of Sword Group SE ("the Company") as at 31 December 2021 and of the results of its operations for the year then ended, and a description of the main risks and uncertainties facing the Company. The management report, to the best of our knowledge, presents truly and fairly the development, results and financial position of the Company.

Windhof, 23 March 2022

Jacques Mottard
Executive Chairman

7 OFFICES AND CONTACT DETAILS

SERVICES

Sword in Johannesburg	Waterfall Crescent North, Waterfall Park, Vorna Valley, Midrand, South Africa
Sword in London	We Work, 30 Stamford Street, Southbank Central, London, SE1 9LQ, England
Sword in Brentford (London)	1000 Great West Road, Brentford, Middlesex, TW8 9DW, England
Sword in Staines (London)	Staines One, Station Approach, Staines-Upon-Thames, TW18 4LY, England
Sword in Perth	Suite 3, Level 1, Ord Street, West Perth, WA 6005, Australia
Sword in Brussels	Avenue de Tervueren 270, 1150 Brussels, Belgium
Sword in Montreal	630 Boulevard René-Lévesque Ouest, Bureau 2800, Montreal, QC, H3B 1S6, Canada
Sword in Nicosia	121 Prodromou Str., Hadjikyriakion 1, 7th Floor, Office 401, 2064 Nicosia, Cyprus
Sword in Aberdeen (1/3)	Deebridge House, 4 Leggart Terrace, Aberdeen, AB12 5US, Scotland
Sword in Aberdeen (2/3)	Johnstone House, 4th Floor, 50-54 Rose Street, Aberdeen, AB10 1UD, Scotland
Sword in Aberdeen (3/3)	Migvie House, 23 N Silver St, Aberdeen, AB10 1RJ, Scotland
Sword in Glasgow	3rd Floor, 20 Buchanan Street, Glasgow, G1 3LB, Scotland
Sword in Dubai (1/2)	Dubai Internet City, Building 02, 1st Floor, Office 11 PO Box 500406, United Arab Emirates
Sword in Dubai (2/2)	Dubai Business Bay, Binary Tower, 4th Floor, Office 27, PO Box 413706, United Arab Emirates
Sword in Barcelona	Carrer d'Ausiàs Marc 7, 4th Floor, 08010 Barcelona, Spain
Sword in Saint-Didier-au-Mont-d'Or (Lyon)	11 Rue Voie Lactée, 69370 Saint-Didier-au-Mont-d'Or, France

Sword in Athens	Pyrna Complex, Building C, 3rd Floor, 15 Andrea Metaxa Street, 14564 Kifisia, Greece
Sword in Hong Kong	6A 6F, Yeung Chung, 2 Fung Yip Street, Chai Wan, Hong Kong
Sword in Chennai	Elnet Software City, 3rd Floor, TS 140, Block 2 & 9, Rajiv Gandhi Salai, Taramani, Chennai, 600 113, India
Sword in Beirut	Berytech Technology & Health, Sodeco Road, Beirut, Lebanon
Sword in Windhof (Luxembourg)	2 Rue d'Arlon, 8399 Windhof, Luxembourg
Sword in Auckland	Monteck Carter LP, Level 1, Building 5, 15 Accent Drive, East Tamaki, Auckland 2013, New Zealand
Sword in Rijswijk (The Hague)	Monfor Offices, Sir Winston Churchilllaan 299a, 2288 DC, Rijswijk, Netherlands
Sword in Eysin (Nyon)	Route de Crassier 7, Building A1, 1262 Eysins (Nyon), Switzerland
Sword in Plan-les-Ouates (Geneva)	Skylab, Chemin du Pré-Fleuri 5, 1228 Plan-les-Ouates, Switzerland
Sword in Renens (Lausanne)	Avenue des Baumettes 19, 1020 Renens, Switzerland
Sword in Sion	Econopôle, Route de la Drague 18, 1950 Sion, Switzerland
Sword in New York	30 Broad Street, 14th Floor, New York, NY 10004, United States
Sword in Houston	2925 Richmond Avenue, 14th Floor, Houston, Texas 77098, United States

SOFTWARE

Sword in Bristol	Redwood House, Brotherswood Court, Almondsbury Business Park, Bristol, BS32 4QW, England
Sword in London	201 Borough High Street, London, SE1 1JA, England
Sword in Maidenhead (London)	1 Grenfell Road, Maidenhead, Berks., SL6 1HN, England
Sword in Melbourne	Level 14, 333 Collins Street, Melbourne, VIC 3000, Australia
Sword in Singapore	31 Rochester Drive, Level 2, Suite 59, Singapore 138637, Singapore
Sword in Herndon (Washington)	13221 Woodland Park Road, Suite 440, Herndon, VA 20171, United States

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