

## Management report on the financial year ending 31 December 2003

### **SWORD GROUP**

Limited Liability Company with capital of 6,161,215 euros  
Head office: 9 avenue Charles de Gaulle  
69370 SAINT DIDIER AU MONT D'OR  
438 305 054 RCS LYON

### **MANAGEMENT REPORT DRAFTED BY THE BOARD OF DIRECTORS AND PRESENTED AT THE ORDINARY AND EXTRAORDINARY SHAREHOLDER MEETING OF 26 APRIL 2004**

Ladies and Gentlemen,

We have brought you together at this Annual Combined Shareholder Meeting, in application of the legal provisions, to submit the annual financial statements and consolidated financial statements for the financial year ending 31 December 2003 for your approval.

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

The required notifications were sent to you on a regular basis and all the documentation required by current rules have been made available to you at the mandatorily prescribed times.

#### **Important Events**

- Acquisitions made during the financial year ending 31 December 2003:

Acquisition by SWORD INC, the American subsidiary of the SWORD GROUP, on 4 December 2003 of the intangible assets and certain fixed assets of the US company **ZEN & ART** OF CLIENT SERVER COMPUTER INC, registered in NEW JERSEY.

This acquisition will strengthen the SWORD GROUP's position with major US accounts and increase its turnover by 12%.

Acquisition by decision of the PARIS Commercial Court dated 15 December 2003, of **FI SYSTEM BELGIUM**, the holding company of ASCII.

This acquisition will increase the consolidated turnover of the SWORD GROUP by 9% and augment the Group's know-how in the field of Content Management. It should be noted that the transfer of shares will take place in the current financial year commenced 1 January 2004.

Acquisition on 9 September 2003 by SWORD SA, a subsidiary of the SWORD GROUP, of a business area of FILENET FRANCE, for a price of €58,500 for various tangible and intangible items.

- Companies set up during the financial year ending 31 December 2003:

Registration on 4 September 2003 of **SWORD SOUTH AFRICA Ltd**, whose head office is located at 17, Philirene Avenue, Raslouw Estate, Centurion, 0149 SOUTH AFRICA. This company is owned 60% by SWORD CREATION INFORMATIQUE Ltd, a wholly owned subsidiary of the SWORD GROUP.

Creation on 26 February 2003 of **SWORD SECURITY SA**, whose head office is located at 105, Route d'Arlon - L-8809 Strassen, Luxembourg, owned 60% by FIRCOSOFT, which in turn is indirectly owned 88.96% by SWORD GROUP.

### **COMPARABILITY OF THE FINANCIAL STATEMENT - ACCOUNTING RULES AND METHODS**

The consolidated financial statements have been established according to the same rules and methods as for those of the previous financial year, closing on 31 December 2002. They comply with the provisions of rule No 99-02 of the Accounting Rules Committee.

Annual financial statements for 2003 were established on a similar basis to those of the previous financial year.

In the aim of maintaining the comparability of consolidated financial statements, pro forma data is presented next to the consolidated financial statements:

- Pro forma accounts to 31 December 2002 drawn up with ECM and SWORD TECHNOLOGIES, both acquired during 2002, shown for 12 months.

**THE GROUP'S ACTIVITIES – PRESENTATION OF INCOME STATEMENTS FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2003**

The table below presents a simplified income statement for the SWORD group for the financial year ending 31 December 2003, as well as the pro forma income statement.

<b>In thousands of euros</b>	<b>2003 consolidated</b>	<b>2002 consolidated</b>	<b>2002 Proforma 31/12/2002 perimeter (1)</b>
<b>Turnover</b>	55,544	33,441	47,815
<b>Operating margin</b>	16.1%	16.4%	12.9%
<b>Profit before goodwill amortisation</b>	5,205	3,813	3,946
<b>Net profit after goodwill amortisation</b>	5,091	3,778	3,911
<b>Group's share of net profit</b>	4,893	3,662	3,780

- (1) trading accounts that consolidate for the entire year 2002 the companies acquired during that year, namely SWORD ECM and SWORD TECHNOLOGIES SA.

**List of consolidated companies**

<b>COMPANY CONTROLLED</b>	<b>UNDER GROUP CONTROL</b>	<b>GROUP STAKE</b>	<b>CONSOLIDATION</b>	<b>METHOD CHOSEN</b>
SWORD GROUP	100%	100%	100%	FC (Full consolidation) FC FC FC FC FC FC FC FC FC FC FC FC FC FC
DDS EUROPE Ltd	99.42%	99.42%	100%	
SWORD ECM Ltd	94.39%	93.84%	100%	
SWORD CREATION INFORMATIQUE Ltd	100%	100%	100%	
SWORD SOUTH AFRICA Ltd	60%	60%	100%	
SWORD TECHNOLOGIES SA	93%	93%	100%	
SWORD SUISSE	94.80%	94.80%	100%	
SWORD CONSULTING	100%	99.78%	100%	
SWORD DDS FRANCE	99.88%	99.66%	100%	
SWORD Inc	100%	100%	100%	
SWORD SAS	100%	99.78%	100%	
SWORD SA	99.78%	99.78%	100%	
FIRCOSOFT	98.22%	98.03%	100%	
FIRCOSOFT Inc	100%	98.03%	100%	
SWORD SECURITY SA	60%	58.82%	100%	

## 1- Activities and turnover

Overall change:

In 2003, SWORD GROUP posted a 38.07% increase in pro forma turnover compared to 2002 (2003 pro forma turnover with the perimeter as it stood on 31/12/2003 compared with pro forma turnover for 2002 with the perimeter as it stood on 31/12/2002).

### **The increase of 38.07% is divided as follows:**

- a) internal growth: 14.91%
- b) growth linked to the acquisition of ZEN & ART: 13.05%
- c) growth linked to the acquisition of ASCII: 10.11%

In 2003, the group share of net profit for the consolidated companies as a whole was 8.8% of turnover.

With the perimeter as it stood on 31/12/2003, the group share of net profit was 7.6% of the turnover in 2003 and 7.3% of the turnover in 2002.

The group has:

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

## A. Internationalisation

The Group continued its internationalisation:

- In terms of the number of countries where it operates (more than 30)
- In terms of the number of nationalities of its employees (33)
- In terms of the number of countries where SWORD has a production centre (8)
- In terms of turnover breakdown:

	As compared to the pro forma turnover	As compared to the consolidated turnover
France	22%	26%
Belgium	23%	19%
UK	13%	15%
Luxembourg	15%	18%
USA	11%	3%
Others	16%	19%

## B. Specialisation

The Group's service offering has been built around three areas that today represent the Group's strong points:

- Consulting, which includes organisation consulting and change management consulting  
17% of the pro forma turnover  
20% of the consolidated turnover
- E-Content Management, which now includes the following areas of specialisation:
  - \* Document Management
  - \* GIS
  - \* Data management
  - \* Web Content Management79% of the pro forma turnover  
75% of the consolidated turnover
- Security, which includes Straight Through Processing, the fight against money laundering, and the security of money transfers  
4% of the pro forma turnover  
5% of the consolidated turnover

These groupings were made because the specialists in each area are totally involved in global projects, without any division possible.

The industrial approach has intensified thanks to the policy of software components, particularly in the fields of E-Content Management and Security.

## C. Expansion

In terms of pro forma turnover, expansion can be set out as follows:

2001 turnover            €25,418,000    (12/01 pro forma with the 12/2001 perimeter)

2002 turnover	€47,815,000	(12/02 pro forma with the 12/2002 perimeter)
2003 turnover	€66,016,000	(12/03 pro forma with the 12/2003 perimeter)

On a like-for-like basis (perimeter of December 2002), the 2003 turnover amounts to €54,942,000, i.e. organic expansion of 15%.

Contributions to the 2003 pro forma turnover

The contributions to the 2003 pro forma turnover were as follows:

a) Turnover of the perimeter as at 31/12/2002	
€54,942,000	
b) Pro forma turnover of ZEN & ART over 1 month	€603,000
(acquisition of 03/12/2003)	
<i>Consolidated subtotal</i>	
€55,544,000	
d) Turnover of ZEN & ART over the 11 non-consolidated months	
	€5,636,000
e) Turnover of FI SYSTEM BELGIUM over the 12 non-consolidated months	€4,835,000
<i>Pro forma total</i>	
€66,016,000	

## 2- Operating profit

2003 operating profit from all the consolidated companies stands at €8,920,000, that is 16.1% of turnover.

The operating margin continues to be the Group's main strength and demonstrates its ability to acquire less profitable companies and bring them into line with SWORD's standards within a year of their acquisition.

## 3- Financial result and income from ordinary operations

The financial result rose to -€504,000, i.e. 0.9% of turnover.

This can be broken down mainly into net interest payable on loans of €368,000, exchange rate losses of €74,000, reserve allocations for the depreciation of marketable securities of €184,000, costs of €248,000 linked to the repurchasing of SWORD SA shares with the scope of the stock options agreement, and revenues from the sale of marketable securities of €2,000.

Income from ordinary operations therefore stands at €8,417,000, i.e. 15.15% of turnover.

## 4- Extraordinary profit

Extraordinary profit is constituted mainly of non-recurring revenue from previous financial years of €239,000.

## 5- Income tax and net profit

Corporation tax at consolidated level amounts to €2,974,000, with an effective tax rate of 36.88% (see analysis of income tax expenses (note 4.7 in the annexe to the consolidated financial statements)).

After corporation tax, net profit for the consolidated companies stands at €5,091,000, that is 9.2% of turnover, the group share of net profit stands at €4,893,000, that is 8.8% of turnover, and net profit allocated to minority shareholders is €198,000.

## 6- Debt, cash flow and investments

Net debt, in other words total gross debt from which cash reserves on 31 December 2003 are deducted, stands at €6,975,000.

Cash flow (see cash flow table) stands at €5,372,000.

Gross investments for the financial year, both intangible (excluding goodwill and market shares) and tangible, stand at €1,180,000.

## 7- External growth

This concerns the incorporation of SWORD SOUTH AFRICA Ltd and SWORD SECURITY SA, and the acquisition of ZEN & ART, FILENET and FI SYSTEM BELGIUM.

- a) The ZEN & ART was acquired on 03/12/2003 and its contribution to the proforma consolidated operating financial statement over 11 months is as follows:

Turnover	€5,636,000
Operating profit	€396,000

- b) By decision of the Paris Commercial Court dated 15 December 2003, the SWORD GROUP was authorised to acquire 100% of FI SYSTEM BELGIUM. Its contribution to the pro forma consolidated operating financial statement over 12 months is as follows:

Turnover	€4,835,000
Operating profit	€128,000

## 8- Changes in the group's main subsidiaries (SWORD SA, SWORD CREATION INFORMATIQUE LIMITED, SWORD TECHNOLOGIES SA, SWORD SUISSE, SWORD INC, DDS EUROPE LIMITED)

SWORD SA's turnover stands at €19,528,000, a 25% increase as compared to the previous financial year. Its net profit of €2,010,000 was 2.75 times higher than the previous year's total.

SWORD CREATION INFORMATIQUE LIMITED's turnover stands at €8,000, versus €187,000 for the previous financial year. Its net loss comes out to -€9,000, versus a net profit of €30,000 for the previous year.

SWORD TECHNOLOGIES SA's turnover stands at €21,699,000, a 48.5% increase as compared to the previous financial year. Its net profit of €2,317,000 was 3.3 times higher than the previous year.

SWORD SUISSE's turnover stands at €1,108,000, i.e. 2.5 times higher than the previous financial year. Its net profit of €61,000 increased by €123,000 from the previous year's figure.

SWORD INC's turnover stands at €1,489,000, a 10.5% increase as compared to the previous financial year. Its net loss comes out to -€59,000, up €288,000 as compared to the previous year's figure.

DDS EUROPE LIMITED's turnover stands at €4,288,000, down 45.7% as compared to the previous financial year. Its net profit of €236,000 was 6.1 times lower than the previous year's total.

#### **9- Important events occurring after year-end**

FI SYSTEM BELGIUM, the parent company of ASCII, was wholly acquired on 6 February 2004 by SWORD GROUP. It is expected that the managers of the former will receive 30% of the equity. In order to carry out this transaction, SWORD GROUP will resell its shares to a Belgian Holding Company created for the purpose, owned 70% by SWORD GROUP and 30% by the employees.

SWORD NORD was set up at the beginning of 2004 by the SWORD GROUP to strengthen the group's position in the north of France.

#### **10- Outlook**

The group aims to continue its internal and external expansion:

- geographically, the following choices are available:
  - a) FRANCE will have to limit its expansion because of the crisis currently hitting IT service companies and in order to maintain its profitability;
  - b) Benelux, which benefits from the stability of European Community markets, is currently experiencing rapid expansion due to the enlargement of the EU. It should lead the group's internal expansion policy, in particular by enabling penetration into the Document Management market;
  - c) the United Kingdom will be an area of sustained expansion, on account of the current economic pick-up there;
  - d) the USA will benefit from the purchase of ZEN & ART, and will be a strong expansion area;
  - d) SWITZERLAND will continue the expansion commenced in 2003;
  - e) SOUTH AFRICA is in a position in 2004 to generate profits according to the Group's criteria.
  - f) an acquisitions policy will be implemented in countries that we do not yet cover.
- strategically:
  - GREECE is expected to become a production centre for the EU;
  - the industrial approach will be continued based on software components;
  - acquisitions for approx. €20 million in turnover will be made during 2004.

#### **11- Estimated value of market shares in the consolidated financial statements**

No provision was set up after it was checked that the evaluation criteria for market shares had been met.

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

## **12- Research and development**

R&D expenses are entered directly into the costs for the financial year in which they were borne.

Internal expenses devoted to the R&D effort represent around 4% of the group's turnover and are entered in the "wages and social security contributions" item.

## **13- Approval of the consolidated financial statements**

We would ask you to approve the consolidated financial statements for the year ended 31 December 2003 (balance sheet, profit and loss statement, and annexes) as they are submitted and which show a total consolidated profit of €5,091,000 (of which the group's share of the profit is €4,893,000).

## **ACTIVITIES OF SWORD GROUP – PRESENTATION OF THE CORPORATE FINANCIAL STATEMENTS**

### **1- Company activities over the financial year 2003 – Balance sheet and income statement**

Over 2003, SWORD GROUP carried out its operational, strategic and financial supervision role for the Group.

Its staffing has gone from four people in 2002 (Chairman, Managing Director, Finance Director and one Assistant) to nine in 2003: in particular, three Directors of Operations joined the team.

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

### **2- Important events occurring after year-end**

After year-end, SWORD GROUP acquired all the shares of FI SYSTEM BELGIUM, in anticipation of their allocation to a Belgian Holding Company owned 70% by the Group and 30% by the managers of ASCII.

SWORD NORD was set up at the beginning of 2004 by the SWORD GROUP to strengthen the group's position in the north of France.

### **3- Outlook for 2004**

Contrary to overly optimistic forecasts, 2004 will remain a difficult year.

Difficult in countries where business is picking up, since expansion will be progressive and will mainly affect the second half.

Difficult in France, since structural problems have not been solved.

Accordingly:

- a) the Group will not give preference to investments in acquisitions in France;
- b) the Group will select acquisitions that can become quickly profitable, focused on the Anglo-Saxon countries;
- c) management will work according to the usual guiding principles of the Group: rigour, excellence and employee involvement;
- d) clientele will be major international accounts;
- e) there is a strategic question concerning the possible acquisition of an offshore platform.

#### **4- Description of human resources and the corporate environment**

The salaried staff of the Company numbers nine people, of whom all are members of the Board Management Committee with the exception of the assistant.

Accordingly, the list of formal information on corporate matters as provided by the Decree of 20 February 2002 is of little interest.

#### **5- Industrial and environmental risks**

In application of regulations No 98-01 and No 95-01, we would like to point out to you that, because of its area of activity, the company is not exposed to environmental issues.

#### **6- Information on market risks**

##### **6.1 – Commercial risk due to fixed price services**

Fixed price services reduce the commercial risk of finding ourselves in an intercontract situation from one day to the next. On the other hand, they increase project completion risks and raise the question of keeping the team busy between projects.

This illustrates the importance of having an order book. Particular attention has been paid to increasing its size.

On 31 December 2003, it amounted to 8.85 months worth of turnover. Each project is monitored on a monthly basis. To date, the difference between days gained and days lost compared with initial estimates for the cost of projects is close to 0, thanks to the systematic application of the Isopro method.

Nevertheless, in the event of likely slippage at a site, all estimated overruns by comparison to the original site budget are immediately tracked by means of subcontracting (additional time on site not reflected in the sales turnover).

Lastly, billing for components is a major element of safety in SWORD GROUP's quoting policy, given that the resulting turnover does not generate direct costs and may alleviate the consequences of overspending on projects.

##### **6.2 – Technological risk**

As far as hardware and local networks are concerned, a five-person team is dedicated to

maintaining our infrastructures and, in particular, the daily backup of data, which is placed in fireproof cabinets.

In addition, a civil liability insurance policy allows us to cover all risks relating to damage caused by our employees at customer sites.

Lastly, exploiting our know-how through our software components allows us to confidently grasp the technological advances of our partners and suppliers.

### 6.3 – Competition risk

The competition risk is very low thanks to:

- SWORD GROUP's technological advantage,
- its functional knowledge of its customers' areas of work,
- the dispersion of its competitors, all of whom display marked differences,
- the nature of its customers (e.g. the UN), which makes a considerable investment necessary from the outset.

This wide spectrum of competition is actually a very positive point, especially when the customer requires a wide range of skills for its integration projects, for instance.

## 6.4 – Currency risk

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

In countries where we have costs resulting from transactions in different currencies (e.g. USA with a few European employees), we take out annual currency cover based on the budgeted turnover for the year.

In countries with extremely volatile currencies (e.g. the Rand in South Africa), we have a systematic insurance policy, given that very few costs are charged in the local currency.

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

## 7- Activities and results of the subsidiaries and companies we control

Below, in accordance with the provisions of Article L 233-6 paragraphs 1 and 2 of the Commercial Code, we will report to you on the following:

- the activities and results of our company's subsidiaries and the companies it controls;
- significant stakes acquired or takeovers of companies headquartered in France.

## 8- Significant stakes acquired or takeovers occurring over the course of the financial year

By decision of the Paris Commercial Court dated 15 December 2003, the SWORD GROUP was authorised to acquire 100 % of FI SYSTEM BELGIUM, the holding company of ASCII. The actual transfer of ownership of the shares took place on 6 February 2004.

## 9- Activities and results of the subsidiaries in the sense of Article L 233-1 of the Commercial Code

<i>COMPANY</i>	<b>STAKE HELD AS A PERCENTAGE</b>	<b>TURNOVER</b>	<b>RESULTS</b>	<b>ACTIVITY</b>
<b>SWORD SA</b>	99.78%	€19,529,000	€2,010,000	ECM
<b>SWORD INC</b>	100%	€1,489,000	- €59,000	ECM
<b>SWORD SUISSE</b>	94.80%	€1,108,000	€61,000	ECM
<b>SWORD TECHNOLOGIES SA</b>	93%	€21,699,000	€2,317,000	ECM
<b>SWORD CREATION INFORMATIQUE LIMITED</b>	100%	€8,000	- €9,000	ECM
<b>DDS EUROPE LIMITED</b>	99.42%	€4,288,000	€236,000	Consulting

**10- Activities and results of the companies we control in the sense of Article L°233-3 of the Commercial Code**

<i>COMPANY</i>	<b>STAKE HELD AS A PERCENTAGE</b>	<b>TURNOVER</b>	<b>RESULTS</b>	<b>ACTIVITY</b>
<b>SWORD ECM LIMITED</b>	94.39%	€3,277,000	€531,000	ECM
<b>SWORD SOUTH AFRICA LIMITED</b>	60%		- €30,000	ECM
<b>SWORD CONSULTING</b>	100%	€3,651,000	€578,000	Consulting
<b>SWORD DDS FRANCE</b>	99.88%	€362,000	€61,000	Consulting
<b>SWORD SAS</b>	100%		-€3,000	
<b>FIRCOSOFT</b>	98.22%	€1,698,000	€264,000	Security
<b>FIRCOSOFT INC</b>	100%	€193,000	€11,000	Security
<b>SWORD SECURITY SA</b>	60%		- €11,000	Security

**11- SWORD GROUP employee equity interest**

In application of the provisions of Article L 225-102 paragraph 1 of the Commercial Code we must report to you on the state of employee stakes in the company's capital stock at year-end.

At the end of the financial year, employees held no stake in the Company's capital as part of joint management.

**12- Breakdown of the SWORD GROUP capital at the close of the financial year (in %)**

<b>Forename-Surname</b>	<b>% capital</b>	<b>% voting rights</b>
Jacques Mottard	29.93	30.24
21 CENTRALE PARTNERS et FCPR 21 DEVELOPPEMENT	32.74	33.08
Françoise Fillot	1.73	1.74
Christian Tapia	1.59	1.61
SWORD GROUP	1.03	0
Employees	3.95	3.99
Non employees	1.73	1.75
Free float	27.30	27.59
<b>TOTAL</b>	<b>100.00</b>	<b>100.00</b>

**13- Variations in the share price**

<b>2003</b>	<b>2004</b>
Highest price €88.55 (on 17/12/2003)	Highest price €93.40 (on 14/01/2004)
Lowest price €20.00 (on 27/01/2003)	Lowest price €78.00 (on 05/02/2004)
Number of shares traded on the stock market 946	Number of shares traded on the stock market 1,436

#### 14- Information on the acquisition and sale by the company of its own shares

Number of shares held by the Company on 31 December 2002	12,363
Number of shares purchased in 2003	5,674
Number of shares transferred from the liquidity agreement	3,238
Number of shares sold in 2003	8,642
Number of shares held by the Company on 31 December 2003	12,633

#### 15- Profit allocation proposal

##### Profit allocation

We request that you approve the corporate financial statements for the financial year ending 31 December 2003 (balance sheet, income statement and annexes) such as they are presented to you, which show profits of €3,077,041.38.

The distributable profit stands at €2,980,478.10 given the discharging of previous losses of €96,563.22.

We propose that this sum be allocated as follows:

- €149,024 to the legal reserve,
- a distribution of dividends of € 0.90 per share (this dividend creating for eligible shareholders a tax credit of € 0.45)
- the balance to "other reserves".

The dividend attributable to shares owned by the company at date of payment will be posted to a deferment account.

In order to comply with the provisions of Article 243 bis of the General Tax Code, we remind you that the value of the dividend placed in circulation during the first two financial years and the corresponding tax credit were as follows:

Financial year ending	Net dividend	Tax credit
31 December 2001	0	0
31 December 2002	924,182.25	462,091.12

#### 16- Non-tax-deductible expenses

In accordance with the provisions of Article 223 quarter of the General Tax Code, we point out that the financial statements of the year elapsed do not support non-tax-deductible expenses.

### **17- Table of results for the five previous financial years**

Attached to this annual report is a table of results in compliance with Article 148 of the Decree of 23 March 1967.

### **18- Auditors' Report**

In accordance with legal and regulatory provisions, we make available to you the reports of the Auditors.

We would ask you, in accordance with Article L 225-40 of the Commercial Code to approve the agreements specified in Article L 225-38 of the same code and concluded or pursued during the past financial year after having been duly authorised by your Board.

The auditors were duly advised of these agreements, which they detailed in their special report.

We would also inform you that the list and purpose of current agreements concluded at normal conditions, on account of their purpose or financial implications being significant for the parties, were communicated to the Directors and the Auditors.

## 19- Mandates of the members of the Board of Directors

POSITION	DURATION OF MANDATE	COMPANY	EXPIRY DATE (Shareholder meeting ruling on the financial statements for the last financial year)
<b>Jacques Mottard</b>			
Chairman and CEO	3 years	SWORD GROUP	31.12.03
Chairman and CEO	6 years	SWORD SA	31.12.08
Chairman	unlimited	SWORD CONSULTING	Unlimited duration
Chairman	unlimited	SWORD DDS	Unlimited duration
Chairman	unlimited	FIRCOSOFT	Unlimited duration
Manager	unlimited	LE DAVID	Unlimited duration
Chairman	unlimited	SWORD SAS	Unlimited duration
Manager	unlimited	SCI FI	Unlimited duration
Chairman	unlimited	DDS EUROPE Ltd	Unlimited duration
Chairman	unlimited	SWORD Inc	Unlimited duration
Chairman		SWORD CREATION INFORMATIQUE Ltd	
Director		SWORD SOUTH AFRICA Ltd	
Chairman	1 year	SWORD SUISSE	31.12.03
Chairman	6 years	SWORD TECHNOLOGIES SA	31.12.08
Chairman	unlimited	FIRCOSOFT Inc	Unlimited duration
Chairman	unlimited	SWORD ECM Ltd	Unlimited duration
Chairman		SWORD SECURITY SA	
<b>Nicolas MOTTARD</b>			
Director	3 years	SWORD GROUP	31.12.03
<b>21 CENTRALE PARTNERS</b>			
Director	3 years	SWORD GROUP	31.12.03
<i>Mandates held outside of SWORD</i>			
	3 years	LE GOUT DE LA VIE	31.12.06
	6 years	ASTEEL	31.12.07
	1 years	EMINENCE (supervisory committee)	31.12.04
	6 years	CARRERE GROUP (supervisory committee)	31.12.07
	1 year	FINATHEM	31.12.04
	6 years	LE PUBLIC SYSTEME	31.12.05
	6 years	EGIDE	31.12.05
	4 years	HARMONY	31.12.05
	6 years	SAFIG	31.12.06
	3 years	COTHERM	31.12.05
	6 years	FAP (supervisory committee)	31.12.04
	6 years	AFE	31.12.04
	6 years	FONTAINE PAJOT	31.08.06
	6 years	MECCANO	31.12.08

	6 years	GROUPE ELECTROPOLI	31.12.08
	6 years	FINANCIERE IMPALA	31.12.08

## 20- Remuneration of executive officers

Total remuneration for the members of the Board of Directors stood at €36,587.76.

This table gives the total remuneration, excluding benefits in kind, plus the director's fees paid to each executive officer over the year.

<b>EXECUTIVE OFFICER</b>	<b>REMUNERATION</b>	<b>DIRECTOR'S FEES</b>
Jacques Mottard	By the company: €36,587.76 By companies controlled as per Article L°233-16 of the Commercial Code: 0	By the company: €14,000
21 CENTRALE PARTNERS	By the company: 0 By companies controlled as per Article L°233-16 of the Commercial Code: 0	By the company: €15,000
François Barbier permanent representative	By the company: 0 By companies controlled as per Article L°233-16 of the Commercial Code: 0	By the company: 0
Nicolas Mottard	By the company: 0 By companies controlled as per Article L°233-16 of the Commercial Code: 0	By the company: €2,000

## 21- Status of Directors' appointments

The Directors' appointments of:

- Mr Jacques Mottard,
- Mr Nicolas Mottard,
- 21 CENTRALE PARTNERS,

expire at this Meeting, we propose that these be renewed for a further period of 6 years, until the Shareholders' Meeting called to rule on the accounts for the financial year ending 31.12.2009.

## 22- Increase of capital: Authority of the Board of Directors

1 – We would bring to your attention that since the start of the financial year, the company's business has proceeded as follows:

In respect of the financial year 2003, we refer you to the presentation of business activities and the Company's results, made above. Since the end of the financial year, the SWORD GROUP has continued its task of leading the Group in its growth transactions, particularly with the 100% acquisition of the stock of FI SYSTEM BELGIUM.

2 – We propose that the renewal of the authorisations for the Board of Directors agreed to by the Shareholders Meeting on 27 February 2002, which expire on 27 April 2004, to increase the capital by the offering of every sort of security and stock. The same ceiling of €5,000,000, exclusive of premiums, shall be retained.

Moreover, subject to the adoption of the resolutions that will be submitted to you, the Meeting may:

- assign to the Board of Directors full authority to proceed, in one or several

- times, by way of a public offering on the Stock Exchange, in amounts and at dates that it will determine, both in France and abroad, to the offering of Company's shares and all securities of whatever sort, that provide immediate and/or eventual access to the Company's shares;
- decide that the nominal amount of increase in capital that can be carried out with or without retaining preferential subscription rights, cannot exceed a global ceiling of €5,000,000, to which could be added if required the nominal value of new shares to be issued in order to preserve, in accordance with the law, the rights of holders of securities that assure capital stock;
  - decide that if subscriptions (if the right of preferential subscription is not cancelled, for application as of right for new shares, and if the Board authorises such not as of right), do not take up all the share or security offerings as defined above, the Board could use, in the order in which it so determines, one and/or other of the following possibilities:
    - limit the offering to the value of subscriptions received, subject to these reaching at least three-quarters of the offering;
    - share freely, to the subscribers, whether or not shareholders at its choice, all or part of the unsubscribed shares and/or securities.
    - offer the public all or part of the unsubscribed shares and/or securities.
  - decide that the Board can also automatically and in every case limit the offering to the amount reached where the unsubscribed shares and/or other securities represent less than 3% of the said offering;
  - decide, in accordance with Article L 228-93 and/or L 228-95 of the Commercial Code, so that aforementioned authorisation shall include, of right, for the benefit of holders of securities that, upon maturity, become shares in the Company that can be issued as part of this authority, the renunciation by holders of preferential subscription right shares to shares to which such securities would entitle;
  - decide that in the event of the offering of independent equity warrants, the company can intervene, whether by a subscription offer according to the terms specified above, or by free allocation of old shares to shareholders;
  - decide, in accordance with the law, to cancel shareholders' preferential subscription rights for shares that will be issued by conversion of debentures or by the exercise of same;
  - decide that the Board should have full authority, with possibility of sub-delegation to the Chairman in accordance with the conditions determined in law for the implementation of such delegation, in order in particular to set the dates and methods of the offer, the date of entitlement to stocks, to set the manner of paying up of shares or other securities and, if applicable, to have the possibility of suspending the rights of allocation of shares attached to securities that upon maturity provide shares of the Company, all in accordance with legal and regulatory rules;
  - decide that the Board or its Chairman can proceed, as applicable, to any application on the premium of the costs incurred by the offering. It may make all proper arrangements and make all agreements to ensure the successful outcome of the planned offerings. It shall have full authority to determine the increase/s in capital caused by the use of this authority and can address changes to the by-laws as well as subsequent formalities;

- decide that in the event of the offering of debentures or other debt securities, the Board shall have full authority including the possibility of sub-delegation to the Chairman, in particular to determine their subordinate or otherwise nature, fix the interest rates, period, redemption price, methods of amortisation and the conditions in which these debentures and/or other debt securities shall provide rights to the Company's shares.
- decide that the maximum, nominal value of debt securities on the company that can be issued based upon this resolution cannot exceed €100,000,000.

In order to be able to make offerings with or without cancellation of preferential subscription rights, two resolutions will be submitted one after the other for a vote, specifying that in the event of the cancellation of preferential subscription rights, the Board may confer upon shareholders the possibility of priority subscription on all or a part of the offering during the period and in according to the conditions that it will set, except that it has recourse to a sub-delegation of authority to the Chairman. We hereby state that your Board is in favour of the resolutions in question.

### **23- Increase in capital for employees**

In accordance with the provisions of Article L 225-129-VII of the Commercial Code, we shall present a resolution to authorise the Board to make an increase in capital for employees of the Company who are members of a Partners Saving Plan (PPE) or a Voluntary Employees' Partners Saving Plan (PPESV) and to sub-delegate this authority to the Chairman.

We hereby state that your Board is in not favour of adopting this resolution.

### **24- Harmonisation of the by-laws with the law on financial security**

We hereby inform you of the content of various texts that have recently altered the legal and regulatory provisions applicable to limited companies. It would be appropriate to harmonise the Company's by-laws with the recent provisions, and in particular with those resulting from Law No 2003-706 dated 1 August 2003.

This provides in respect of regulated agreements:

- the holdings threshold from which a shareholder is subject to the procedure when s/he contracts with the company is henceforth fixed at 10% of the voting rights,
- are excluded from the control procedure for current agreements that are not significant for any of the parties.

It also provides in respect of the Auditors:

- his/her appointment must be accompanied by a statement sent by him/her to the shareholders, describing the tasks in which s/he has been involved within the group;
- the Auditor must be invited to all Board Meetings that deal with the accounts, whether of the company or consolidated, annual or periodic;
- the Auditor shall draw up a report in respect of internal monitoring procedures, particularly in regard to the preparation and processing of accounting and financial information;

- it is forbidden for a firm of auditors, or for an individual auditor, to certify the accounts of publicly quoted companies for more than six consecutive financial years.

This text also stipulates that the Chairman is to draw up a report and submit it to the Annual Ordinary General Meeting. In this report, s/he describes the internal procedures employed, the operation of the Board, and the limitations it has imposed on the powers of the Managing Director.

Accordingly, we propose to proceed with the harmonisation of the by-laws, modifying them as follows:

(i) Adding a paragraph 7 to Article 13: *"The Chairman of the Board of Directors prepares accounts under his responsibility and submits to the Shareholders' Meeting for approval of the accounts, a report on the internal control procedures within the company, the operation of the Board and limitations on powers imposed by the Board on the Managing Director."*

Modification to the first paragraph of Article 17:

Old text: *The Board authorises in accordance with legal conditions, the agreements between the company, its Chairman, its Directors, its Managing Directors and its Deputy Managing Directors, those of shareholders holding more than 5% of the voting rights or acting for a corporate shareholder, the company that controls it in accordance with Article L 233-3 of the Commercial Code. Agreements that are direct or through another party are subject to prior authorization. Notification of this authorisation is brought to the attention of the Company's auditors within one month of the Board of Director's decision.*

New text: *The Board authorises in accordance with legal conditions, the agreements between the company, its Chairman, its Directors, its Managing Directors and its Deputy Managing Directors, those of shareholders holding more than 10% of the voting rights or acting for a corporate shareholder, the company that controls it in accordance with Article L 233-3 of the Commercial Code. Agreements that are direct or through another party are subject to prior authorisation. Notification of this authorisation is brought to the attention of the Company's auditors within one month of the Board of Director's decision.*

(ii) Addition of a fourth paragraph to Article 18, as follows: *"By derogation, the provisions in this Article do not apply to agreements that are not significant for any of the parties"*.

Modification to the last paragraph of Article 22:

Old text: *Every Auditor is called to each Shareholders' General Meeting and to the Board Meeting that approves the accounts for the previous financial period.*

New text: *Every Auditor is called to each Shareholders' General Meeting and to the Board Meeting for which the agenda includes the consideration and approval of the corporate and consolidated accounts, both annual and periodic.*

#### **25- Directors' fees**

We suggest setting the directors' fees paid to the members of the Board at €42,000.

Your Board invites you after reading the reports presented by the Auditors, to adopt the resolutions submitted for the vote.

#### **The Board of Directors**

Jacques Mottard - Chairman and CEO SWORD GROUP