30 June 2011

Solucom

Reports and accounts at 31.03.2011

solucom
management & IT consulting

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Management Board report

Solucom

Société Anonyme (French limited company) with a Management Board and Supervisory Board
and share capital of €496,688.20
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Management Board report to the ordinary and extraordinary annual general meeting dated 28 September 2011

Ladies and Gentlemen,

We have convened this ordinary and extraordinary annual general meeting in accordance with legal requirements and the Company's articles of association.

Formal notices for this meeting as well as all relevant documentation required by current regulations have been sent to you or have been available for you to consult in accordance with legal time periods.

Ordinary General Meeting

Preface

I. Business review

The financial statements for the year ended 31 March 2011 include Solucom SA, Idesys, Arcome SAS, Solucom DV, New'Arch, KLC and Cosmosbay~Vectis over a 12 month period.

For your information, the financial statements for the year ended 31 March 2010 referred to below include Solucom SA, Idesys, Arcome SAS, Solucom DV, New'Arch, KLC and Cosmosbay~Vectis over a 12 month period. Following the September 2009 merger/takeover of Vistali by Dreamsoft, which was backdated to 1 April 2009, Vistali was wound up without liquidation during the year, and Dreamsoft changed its company name to Solucom DV.

I.1 Analysis of Solucom's results

Consolidated revenues amounted to €108,022,000, up 4% from €103,443,000 in the prior year.

Underlying operating profit came in at €12,621,000 (after employee profit share), up 25% on the prior year's figure of €10,057,000. The underlying operating margin, being the underlying operating profit divided by revenues, is 11.7%, compared to 9.7% in the prior year.

Note that part of the new regional tax (*contribution économique territoriale)*, which supersedes the former *taxe professionnelle*, has been reclassified under corporation tax.

After other non-recurring income and expense, **operating profit** amounted to €12,621,000, up 80% on 2009/10 operating profit of €7,013,000.

Net borrowing costs amounted to €144,000 over the year, which comprises €6,000 of interest income and €150,000 of interest costs over the year in view of Solucom's €10,000,000 bank loan repayable over five years that it took out at the end of March 2008. This figure compares with net borrowing costs of €164,000 for the prior year.

Profit before tax amounted to €12,548,000, up 82% on the prior year's profit before tax of €6,908,000.

The **corporation tax charge** came in at €5,612,000**.**

Net profit for the year amounted to €6,935,000 representing a net margin of 6.4%, up 113% on the prior year, for which net profit was €3,252,000, representing a net margin of 3.1%.

Given that there are no minority interests, **net profit Group share** also amounts to €6,935,000, down 113% on the prior year's net profit Group share of €3,252,000.

Consolidated net assets stood at €40,040,000 at 31 March 2011, up 17% from €34,296,000 as at 31 March 2010.

Net cash and cash equivalents, after deducting bank overdrafts and accrued (not due) interest from gross cash, amounted to €14,018,000 at 31 March 2011, compared to €8,672,000 at 31 March 2010.

Borrowings (excluding bank overdrafts and accrued (not due) interest) stood at €4,516,000, which breaks down as €4,018,000 of bank loans and sundry borrowings, and €498,000 of finance lease liabilities. As at 31 March 2010, borrowings amounted to €6,658,000.

Solucom Group's net cash and cash equivalents (i.e. negative net borrowings excluding treasury shares) amounted to €9,490,000 at 31 March 2011 compared to net borrowings of €2,015,000 at the prior year end.

The principal items underlying this increase are **free cash flow** of €8,675,000, up 29% over the year and a €1,163,000 decrease in working capital amounting to €9,838,000 **net cash flow** over the year while €937,000 in dividends and €1,414,000 of capital expenditure were paid out.

Note that the firm does not discount its receivables or use factoring.

I.2 Company accounts of Solucom SA

Solucom SA **revenues** amounted to €63,880,000 up 14% from €56,094,000 in the prior year.

Operating profit before employee profit share amounted to €8,607,000 up 18% from €7,276,000 in 2009/10. Consequently the operating margin came in at 13.5% compared to a margin of 13.0% for the prior year.

Net financial items totalled a gain of €3,627,000, compared to a loss of €3,420,000 for the prior year. Net financial items for the year include €3,730,000 of dividend income from subsidiaries and €191,000 of interest costs.

Net exceptional items totalled a loss of €14,000, compared to a loss of €382,000 for the prior year. The 2008/09 loss largely consists of the expense of the bonus share issue. Note that this expense does not appear in the consolidated financial statements given that it corresponds to a provision included under operating expenses during the vesting period of the relevant schemes.

The **corporation tax charge** amounted to €2,581,000 compared to €2,082,000 for the prior year.

Employee profit share totalled €589,000, down from €606,000 for the prior year.

In view of the above income and expenses, **net profit** amounted to €9,051,000, compared to €787,000 for the prior year.

Shareholders' equity of the Company stood at €38,786,000 at 31 March 2011 compared to €30,672,000 at 31 March 2010.

Net borrowings, excluding treasury shares but including €6,091,000 of bank debt at 31 March 2011, amounted to €3,147,000 compared to net borrowings of €5,475,000 at 31 March 2010.

I.3 Solucom SA and Solucom activities during the year

2010 was a year of recovery for the IT services industry with growth of 1% for the consulting segment according to Syntec Numérique.

This recovery was driven by a catch-up effect in the first half-year following the release of many projects once the economic crisis had passed. While this catch-up effect died down in the second half, it was gradually replaced by new IT projects, which will no doubt turn out to be more sustainable.

In this market environment, Solucom managed to post consolidated revenues of €108.0 million, up 4% like-for-like vs. the prior year.

This growth reflects a sharp improvement in the activity ratio, which increased from 80% in 2009/10 to 85% in 2010/11. Note that the improvement in the activity ratio occurred in all the firm's services.

While sales prices plunged during the prior year, the firm managed to maintain sales prices at €713 in 2010/11, hardly changed from €717 in 2009/10. Indeed, following a continuous decline during the first half, sales prices turned around during the year and began rising again in the second half.

Solucom was able to take advantage of the improved market conditions to reduce the proportion of its largest client, GDF Suez, in the firm's total revenues. Solucom also deliberately rebalanced its industry portfolio of clients during the year by increasing its banking business, compared to during the recession when the firm concentrated on the most promising industries, in particular energy and utilities.

However, commercial visibility has not improved and the order backlog stands at 3.2 months.

With regard to human resources, Solucom was hit by a tight recruitment market during the year.

This was reflected in very slow progress in the firm's recruitment plan. Given that Solucom has decided not to make any compromise in the quality of recruited employees, just 146 staff were hired in 2010/11.

The firm also suffered a high staff turnover[1] rate of 20%, compared to a budgeted rate of 12% to 15%.

These two items led to a decline in headcount which dampened growth in the second half.

To remedy the situation, Solucom launched many human resources initiatives during the year, including defining a new HR strategy, building up the HR and recruitment teams, use of additional staff sourcing channels, and giving a new boost to the salary policy for the coming year. Management believe that the results of these initiatives will progressively be felt as from 2011/12.

The improvement in operating indicators enabled the firm to fund a sharp increase in capital expenditure for the future of nearly 2 percentage points of revenues, while improving the underlying operating margin, which came in at 11.7% in line with objectives and up from 9.7% in 2009/10. 2010/11 underlying operating profit came in at €12.6 million, up 25% compared to 2009/10.

Note that operating profit is stated after the reclassification under corporation tax of part of the new regional tax *contribution économique territoriale*, which supersedes the former *taxe professionnelle*. This reclassification led to an improvement in the operating margin on operating activities between 2009/10 and 2010/11.

[1] Staff turnover: the number of employees resigning divided by the year-end headcount.

In the absence of any material non-recurring items, operating profit also amounted to €12.6 million, up 80% from €7.0 million in 2009/10. In 2009/10, the firm wrote down the value of goodwill by €3.0 million.

Net profit, Group share, amounted to €6.9 million, having surged by 113% compared to the prior year. The net profit margin was 6.4%,

Shareholders' equity amounted to €40.0 million at 31 March 2011.

Backed by operating cash-flow of close to €10 million, the firm's net cash and cash equivalents at 31 March 2011 surged to €9.5 million, up from €2 million as at 31 March 2010 As such, the firm holds the cash resources required to fund its growth.

I.4 Recent developments and future prospects

Between 2000 and 2010, the firm enjoyed rapid growth and progressively built up its range of expertise in order to become the fifth largest IT consulting firm in France pursuant to its strategic objectives.

The new financial year marks the start of a new cycle for the firm, in a market that itself is embarking on a new phase of growth.

Growth will be driven by a constantly overriding need for transformation within large companies: they must transform in order to innovate, boost their competitive edge, expand into new markets and meet the new competitive and regulatory challenges.

IT systems have turned into an unavoidable and most essential tool at the core of these transformations, given that systems have become an integral part of all company procedures, including their core business.

Management are convinced that this overriding need for transformation and key role for information systems in this trend will cause the consulting market to reorganise. The traditional border between management consulting and IT consulting will disappear. And the capacity to intimately combine the two skills, business and IT consulting, will become an essential success factor for transformations.

The "Solucom 2015" strategic plan is based on this conviction. Solucom plans to be at the leading edge of this inevitable reorganisation of the consulting market.

The firm's goal, backed by its strategic plan, is to become the no. 1 independent consulting firm on the French market.

"Solucom 2015" breaks down into three key strategies as follows:

- Take leading market positions with business clients;
- Expand abroad to better support the firm's multinational clients;
- Step up a gear in terms of size backed by €170 to €200 million of revenues by 2015.

Financial year 2011/12 will represent the first stage of this plan.

The year's major challenges will be to return to growth backed by employees, boost growth via mergers and acquisitions, acquire new market positions with business clients and embark on new growth initiatives abroad.

The 2011/12 objectives reflect these challenges while also taking account of the decline in employee numbers, which will dampen revenues for the first two quarters and hold back the firm's growth for the full financial year.

Solucom management have therefore set the 2011/12 like-for-like revenue objective at €110 million to €115 million and to complete at least one targeted acquisition during the year.

With regard to profitability, the firm targets an underlying operating margin before acquisitions, of 10% to 12%, including the first strategic investments under "Solucom 2015".

II. Legal events of the financial year

II.1 Adoption of the December 2009 MiddleNext "corporate governance code for small and medium sized enterprises" by the Supervisory Board on 15 March 2010

Note that, at its 2 June 2009 meeting, the Supervisory Board decided to adopt the December 2008 AFEP-MEDEF "listed company corporate governance code" as its own corporate governance code with specific clauses so as to apply to Solucom's individual situation and features.

At its 15 June 2010 meeting, the Supervisory Board reviewed the MiddleNext corporate governance code published in December 2009, and decided to adopt it as replacement for the AFEP-MEDEF code for the financial year beginning 1 April 2010.

The Supervisory Board considered that the MiddleNext corporate governance code was more suited to Solucom's specific features given that it had been prepared to meet the needs of small and medium-sized companies unlike the AFEP-MEDEF code, which was more designed for very large companies with numerous shareholders.

For further details on this point, please refer to the Report of the Chairman of the Supervisory Board prepared in accordance with Article L 225-68 of the French Commercial Code.

A.2 Introduction of Supervisory Board Bylaws in accordance with the December 2009 MiddleNext "corporate governance code for small and medium sized enterprises" by the Supervisory Board on 31 May 2010

At its 15 March 2010 meeting, the Supervisory Board i) adopted the principle of introducing Supervisory Board Bylaws ii) formally noted the provisions that said bylaws had to include in accordance with the recommendations of said MiddleNext code and iii) decided to adopt it definitively during the 31 May 2010 meeting of the Supervisory Board.

Consequently, the 31 May 2010 meeting of the Supervisory Board adopted the draft final text of the bylaws with immediate effect.

For further details on this point, please refer to the Report of the Chairman of the Supervisory Board prepared in accordance with Article L 225-68 of the French Commercial Code.

II.2. Early wind-up without liquidation of Arcome SAS, a wholly-owned Solucom subsidiary, with transfer of all its assets and liabilities to Solucom SA

During the year, the early wind-up without liquidation of Arcome SAS, a wholly-owned Solucom subsidiary, was carried out following the decision of the single shareholder of Arcome SAS dated 24 February 2011.

This transaction is governed by the provisions of Article 1844-5 (3) of the French Civil Code and is in line with the firm's internal simplification and rationalisation policy.

The transaction became final following a period of potential objection by creditors as specified in legislation and resulted in the transfer of all assets and liabilities of Arcome SAS to Solucom SA as at 31 March 2011.

Arcome SAS was deleted from the French trade and companies registry on 31 March 2011.

II.3. Extension of the employee savings scheme to all Solucom employees and payment of additional Group profit sharing in respect of financial year 2010/11

Extension of the employee savings scheme to all Solucom employees

During the year, Solucom decided to extend the existing employee savings scheme to all Solucom employees by means of a contract amendment, in order that all Group subsidiaries be henceforth included in the scheme.

Note that the Solucom employee savings scheme covers the following:

- A Group profit sharing agreement,
- A *Plan d'Épargne Groupe* (Group Savings Plan - "PEG"), to which the profit sharing is paid, that enables staff to invest it in various financial investments.
- The Solucom *Fond Commun de Placement d'Entreprise* (Company Mutual Fund - "FCPE"), entitled "FCPE Solucom actions", an investment fund of the PEG, which receives employer's contributions in the form of bonus shares on behalf of employees who choose to invest all or part of their profit share in this FCPE.

This extension to the Solucom employee savings scheme has the following advantages:

- It enables all employees to benefit from the same employee savings scheme on a fair basis,
- It increases the feeling of solidarity and cohesion between all the firm's employees in line with Solucom's core values,
- It facilitates employee job transfers from one Group company to another.

Payment of an additional Group profit share in respect of financial year 2010/11

Following on from this extension, during the year Solucom decided to improve the Group profit sharing agreement (applicable for all Group companies since 2 March 2007 and an integral part of the Solucom employee savings scheme) by concluding an agreement that specified procedures for payment of an additional Group profit share with effect from 1 April 2010.

This agreement was signed for financial year 2010/11 and will expire automatically on the last day of the following financial year, 31 March 2012.

In view of closing the accounts, the Management Board decided to pay this additional Group profit share in respect of financial year 2010/11 amounting to €527,000 (see paragraph XII below).

II.4 Bonus shares

Final allocation of the 14 September 2007 "Senior executive plan no. 3

The thirty (36) months vesting period of the "Senior executive plan no. 3 dated 14 September 2007 expired on 14 September 2010 in favour of one beneficiary.

On 14 September 2010, the Management Board established that the beneficiary met all the following conditions and criteria for the allocation to become final:

a) Maintenance of employment under an employment contract

b) Personal investment in Solucom shares

c) Performance criteria based on underlying operating profit

Consequently, the Management Board granted 6,895 Solucom treasury shares on a definitive basis.

Final allocation of the 15 September 2008 "Employee plan no. 3"

The twenty four (24) months vesting period of the "Employee plan no. 3" dated 15 September 2008 expired on 15 September 2010 in favour of Solucom employees.

In accordance with the firm's employee savings plan, the Management Board, having established and verified that the beneficiaries met all the conditions for final allocation of the scheme, on 15 September 2010 decided to allocate irrevocably to 79 employees of the companies involved in the "Employee plan no. 3" (namely Solucom, Arcome SAS, Idesys, Solucom DV and New'Arch) a total of 1,564 Solucom shares held as treasury shares.

Provisional allocation of the 15 October 2010 "Senior executive plan no. 5"

On 15 October 2010, the Management Board made partial use of the authorisation granted by the Extraordinary and Ordinary General Meeting dated 25 September 2009 in its 14th resolution and provisionally allocated 45,540 free shares under terms and conditions that the Management Board established subject to their final allocation on expiry of the 33-month vesting period with effect from 15 October 2010.

Provisional allocation pursuant to the plan dated 15 July 2010 for the employee savings plan "Employee Plan no. 5"

On 15 July 2010, the Management Board made use of the authorisation granted by the Extraordinary and Ordinary General Meeting dated 25 September 2009 in its 14th resolution and introduced a free share plan entitled "Employee Plan no. 5" in accordance with the firm's employee savings plan. This "Employee Plan no. 5" covers employees of Solucom, Arcome SAS, Idesys, Solucom DV, New'Arch and KLC, based on the option that they chose under this employee savings scheme.

Note that at the initial allocation date, there were 119 employee beneficiaries and that 6,017 Solucom shares will be issued under this plan, subject to their final allocation following the vesting period of 24 months with effect from 15 July 2010.

For further details regarding the matters discussed in this paragraph, we recommend you refer to the special report of the Management Board, as required by Article L.225-197-4 of the French Commercial Code.

II.5 Adoption and implementation of Solucom's reorganisation programme

On 12 April 2010, having received a positive opinion from Solucom's various staff representative bodies, the Supervisory Board and the Management Board, Solucom adopted the firm's new operating and structural organisation based on an organisation per practice. The objectives of this organisation are as follows:

- Standardise and improve efficiency of internal operating procedures
- Align the firm's organisation with the major areas of skill presented to clients
- Seamless cooperation between the various teams in order to deliver the firm's services as efficiently as possible, particularly in conjunction with major transformation programmes

Signature of a strategic heads of agreement with Spanish firm Hidra Partners

On 12 January 2011, Solucom and Hidra Partners, an independent consulting firm well-known in Spain for information technologies and communications, signed a strategic heads of agreement in order to better meet the needs of their respective clients in France, Spain and Europe at large.

The agreement includes an operational section to exploit the good fit of the two firms in terms of geography and expertise with a view to providing consulting services and extensive support to their clients.

Furthermore, in order to offer a seamless service to their clients, Solucom and Hidra Partners have also decided to share procedures and expertise and to cooperate in terms of knowledge management.

This signature of this agreement was reported in a press release that Solucom published on its website (http://www.solucom.fr) on 12 January 2011.

III. Important Post-Balance Sheet Events for Solucom SA and the firm

Not applicable.

IV. Research and development activities Solucom and its companies

Solucom does not capitalise any costs relating to research and development. Note that Solucom is acknowledged as an innovative business by the organisation 'OSEO Innovation', which confirms that the Company is at the leading edge of innovation in its activities and that the firm continues to apply its innovation on behalf of its clients.

V. Solucom Subsidiaries and Equity Investments

V.1 Activities of subsidiaries and equity interests

The following table summarises the key figures of Solucom's subsidiaries for the year:

Name	Idesys	Change (*)	Arcome	Change (*)	Solucom DV	Change (*)	New'Arch	Change (*)	KLC	Change (*)	Cosmosbay ~ Vectis	Change (*)
Revenues (€000)	29,906	+18%	10,212	+6%	25,003	-12%	10,573	+24%	2,673	-11%	23,506	+27 %
Operating profit (€000)	1,906	-22%	812	-30%	1,711	-38%	532	-30%	423	+864 %	-608	+75 %
Operating margin (%)	6.4%	-3.4 pts	8.0%	+4.0 pts	6.8%	-2.9 pts	5.0%	-4.0 pts	15.8%	+14.3 pts	-2.6%	+10 pts

Note that, due to the close cooperation between the firm's various entities, the revenues of each consolidated company generally include a large proportion from operations outsourced to other Group companies. As a result, there may be material differences between the revenues and consequently the operating margin of one company, and its effective contribution to the Group's consolidated results.

V.2 Acquisition of equity investments, takeovers

Not applicable.

V.3 Reciprocal or cross equity investments

Not applicable.

V.4 Disposals of equity investments

Not applicable.

VI. Approval of the Company and consolidated financial statements-Solucom SA earnings appropriation

VI.1 Company financial statements

We submit for your approval the company financial statements (balance sheet, income statement and notes to the financial statements) as presented to you, showing a net profit for the year ended 31 March 2011 of €9,050,900.29.

We recommend the distribution of a dividend amounting to €0.21 per share.

Based on the shareholders as at 10 May 2011, 4,907,598 shares are entitled to receive dividends. The total recommended dividend therefore amounts to €1,030,596.

This total dividend represents a 15% dividend payout ratio of net profit, Group share.

The dividend will be posted as follows and in the following order:

Net profit for the year	€9,050,900.29
Reversal of retained earnings brought forward	€-503.00
Retained earnings brought forward	€-8,019,801.29
Total distributable amount to be distributed	**€1,030,596.00**

The dividend will be payable in cash as from 13 October 2011.

Pursuant to Article 158.3.2) of the French General Tax Code, natural persons who are tax resident in France are entitled to a 40% allowance for income tax purposes on the gross dividend provided they have not opted for the fixed rate specified under Article 117 (4) of the French General Tax Code.

It is also specified that dividends entitled to the 40% allowance or the fixed rate of 19% are subject to additional social security charges at the rate of 12.3%, which the Company will deduct at source and pay over to the French Treasury.

If, at the time of the dividend payment, the number of treasury shares without dividend rights held by Solucom has changed, the sum corresponding to the dividends not paid or to be paid by reason of this variation shall be added to or deducted from the “Retained Earnings” account.

As required by law, we hereby set out the dividends distributed in respect of the past three financial years, as follows:

Year	Number of shares receiving dividends	Dividend distributed per share [2]	Proportion of dividends eligible to the 40% allowance
31 March 2010	4,929,782	€0.19	100%
31 March 2009	4,934,177	€0.19	100%
31 March 2008	4,890,385	€0.19	100%

Furthermore, in accordance with Article 223 (4) of the French General Tax Code, we hereby inform you that there were no non-deductible expenses listed under Article 39.4 of the French General Tax Code.

Attached to this report is the table of the Company's financial results of the last five financial years.

VI.2 Group consolidated financial statements

We request that you approve the consolidated Group financial statements as presented with our comments, showing consolidated net profit Group share of €6,935,348.

VII. Breakdown of trade payables

In accordance with regulations introduced on 1 January 2009, the following table shows the balance of trade payables as at the 2009/10 and 2010/11 balance sheet dates per range of maturity dates.

The amounts in this table are stated in euro thousands and relate exclusively to Solucom SA, the parent company.

€000	<30 days		30 to 60 days		Other		Total	
	31/03/10	31/03/11	31/03/10	31/03/11	31/03/10	31/03/11	31/03/10	31/03/11
Trade payables	182	804	1,116	1,956	100	247	1,398	3007
Intercompany payables	-	145	2,427	3,666	-	-	2,427	3,811
Total	**182**	**949**	**3,543**	**5,622**	**100**	**247**	**3,825**	**6,818**
Payables for supplier invoices not received							*4,503*	*1,484*
Balance trade payables							*8,328*	*8,302*

Supplier invoices not received at 31 March 2011 comprise €1,314,000 of trade payables and €170,000 of intercompany payables.

2 Before social security and tax deductions

VIII. Agreements specified under Articles l.225-86 et seq. of the French Commercial Code, including Articles l.225-79-1 and L.225-90-1

In accordance with Articles L.225-86, L.225-86, L225-79-1 and L.225-90-1 of the French Commercial Code, we request that you:

1/ Take formal note that there were no new agreements or commitments approved or signed during the year ended 31 March 2011.

2/ Make formal note of the agreements previously approved in respect of prior years, which resulted in transactions during the year ended 31 March 2011.

The statutory auditors have been duly notified of all the agreements specified under paragraph 2/ above, in compliance with Article R 225-57 of the French Commercial Code, as stated in the special auditors report.

IX. Material ongoing agreements

The list and purpose of the material ongoing agreements specified under Article L. 225-87 of the French Commercial Code have been communicated to the members of the Supervisory Board and the auditors; on request, you may also receive a copy.

X. Share capital

X.1 Notice of crossing shareholder thresholds

17 December 2010:

- Michel Dancoisne has declared that on 16 December 2010 acting individually he went below the thresholds of one third of the voting rights and 25% of Solucom's share capital and individually now holds 1,150,072 Solucom shares representing 2,300,144 voting rights, i.e. 23.15% of share capital and 28.11% of Solucom's voting rights.[3]

- Michel Dancoisne and Pascal Imbert, have declared that on 16 December 2010 acting in concert, they went below the thresholds of two thirds of the voting rights and in concert now holds 2,597,356 Solucom shares representing 5,187,240 voting rights, i.e. 52.29% of share capital and 63.39% of Solucom's voting rights, broken down as follows:

	Shares	% of equity	Voting rights	% of voting rights
Pascal Imbert	1,447,284	29.14	2,887,096	35.28
Michel Dancoisne	1,150,072	23.15	2,300,144	28.11
Total in concert	**2,597,356**	**52.29**	**5,187,240**	**63.39**

The above threshold crossings results from a donation[4] of Solucom shares.

X.2 Breakdown of share capital and voting rights

In accordance with Article L.223-13 of the French Commercial Code and taking account of information received pursuant to Articles L.233-7 and L.233-12 of the French Commercial Code, we hereby list

[3] Based on share capital comprising 4,966,882 shares representing 8,183,062 voting rights pursuant to the second paragraph of Article 223-11 of the AMF's General Regulations.

[4] Donation from Michel Dancoisne to his majority age daughter with whom he declares his is not acting in concert.

below the identity of shareholders holding more than 5%, 10%, 20%, 25%, 33.33%, 50%, 66.66%, 90% and 95% of the share capital or voting rights as at 31 March 2011[5]:

- Mr Pascal Imbert holds more than 25% of the share capital and more than 33.33% of the voting rights,
- Mr Michel Dancoisne holds more than 20% of the share capital and more than 25 % of the voting rights,
- Pursuant to the statement of the French financial markets board (CMF) dated 4 March 2003, Mr. Pascal Imbert and Mr. Michel Dancoisne, acting in concert, hold more than 50% of the share capital and more than 50% of the voting rights,
- Lazard Frères Gestion SAS (acting on behalf of mutual funds) holds more than 5% of the share capital
- To Solucom's knowledge and belief, no other shareholder holds more than 5% of the share capital as at 10 May 2011.

X.3 Collective share retention commitments

Solucom has been notified that certain shareholders, in accordance with Articles 787 B and 885 I (2) of the French general tax code, have signed three collective share retention commitments as follows:

I – On 16 December 2010, a collective share retention commitment pursuant to Article 787 B of the French general tax code, by which they have undertaken to retain a total of 1,192,010 Solucom shares representing, as at the signature date of said commitment, 23.99% of the shares comprising share capital and 29.13% of voting rights attached to the Company's issued shares.

This collective commitment was signed in the form of a legal deed for a term of two years with effect from 16 December 2010 expiring, unless it is extended or renewed, on 16 December 2012.

II – On 18 December 2010, a collective share retention commitment pursuant to Article 787 B of the French general tax code, by which they have undertaken to retain a total of 1,192,010 Solucom shares representing, as at the signature date of said commitment, 23.99% of the shares comprising share capital and 27.67% of voting rights attached to the Company's issued shares.

This collective commitment was signed for a term of two years with effect from 20 December 2010, the date of its registration with the POLE ENREGISTREMENT PARIS 16. Thereafter it will be extended by tacit agreement for an unlimited period, unless it is terminated.

III – On 18 December 2010, a collective share retention commitment pursuant to Article 885 I (2) of the French general tax code, by which they have undertaken to retain a total of 1,312,010 Solucom shares representing, as at the signature date of said commitment, 26.42% of the shares comprising share capital and 29.13% of voting rights attached to the Company's issued shares.

This collective commitment was signed for a term of two years with effect from 20 December 2010, the date of its registration with the POLE ENREGISTREMENT PARIS 16. Thereafter it will be extended by tacit agreement for an unlimited period, unless it is terminated.

It is specified that all three collective share retention commitments stated under points I) to III) above were signed by the following member of Solucom's Supervisory Board and Management Board:

- Mr. Michel Dancoisne, Chairman of the Supervisory Board
- Mr. Pascal Imbert, Chairman of the Management Board

All the aforementioned information was reported in a press release that Solucom published on its website (http://www.solucom.fr) on 22 December 2011.

[5] Based on the shares in circulation and voting rights as declared by Solucom under Article 223-13 of the AMF's General Regulations, and published on its website (http://www.solucom.fr), on 7 April 2011.

X.4 Increases or decreases in share capital

There have been no transactions during the year affecting Solucom's share capital.

X.5 Movement in Solucom share price

The Solucom share price stood at €15.80 at the beginning of the financial year on 1 April 2010, and at €20.45 as at the balance sheet date on 31 March 2011, up 29%.

The prices stated are closing prices on the dates in question.

X.6 Treasury shares - share buy-back programme

Pursuant to authorisations specified below under paragraph XVI entitled “Share buy-back programme” of this report, Solucom purchased its own shares on the stock exchange in accordance with conditions required by law and with the share buy-back programme it has established and fully included in the Reference Document submitted on 30 June 2010 to the AMF under number D.10.0576, and in accordance with the provisions of Article 241-2 of the AMF’s General Regulations.

Pursuant to Article 225-221 of the French Commercial Code, you have been notified of the data as at 31 March 2011 in the notes to Solucom SA’s financial statements; they are also given below under paragraph XVI “Share buy-back programme”.

Apart from steps taken in conjunction with the share buy-back programme, the Company holds no other treasury shares.

X.7 Status of employee shareholdings

In accordance with the provisions of Article L 225-102 of the French Commercial Code, as at 31 March 2011, we hereby declare that current or former employees of Solucom and/or its related companies as defined by Article L 225-180 of the French Commercial Code, hold 51,909 Solucom shares (1.04% of the share capital) via Solucom's PEG (Group savings plan).

XI- Employee shareholdings

XI.1 Staff earnings-based incentives (“Intéressement”)

Within Solucom, there is no *Intéressement* contract currently in force.

XI.2 Stock Options

We confirm that:

- No stock options were granted during the year ended 31 March 2011,
- and no stock options were exercised during the year ended 31 March 2011 given that all former plans had expired.

XI.3 Solucom free share issues

Regarding free share issues, please refer to paragraph II.C and to the special report of the Management Board, pursuant to Article L225-197-4 of the French Commercial Code.

XII. Information relating to directors

XII.1 Corporate management bodies

Solucom is a *Société Anonyme* (French public limited company) with a Management Board and Supervisory Board.

The members of the Company's boards during the year ended 31 March 2011 were as follows:

Management Board

Mr. Pascal Imbert, Chairman of the Management Board

Mr. Patrick Hirigoyen, Member of the Management Board

Supervisory Board

Mr. Michel Dancoisne, Chairman of the Supervisory Board

Mr. Jean-Claude Malraison, Vice-Chairman of the Supervisory Board

Mr. Jacques Pansard, Member of the Supervisory Board

Mr. Jean-François Perret, Member of the Supervisory Board

XII.2 List of appointments and functions of the directors during the year ended 31 March 2011 and during the last 5 years

Name	Date of first appointment and date of renewal	Expiry of term of office	Principal function in the Company	Principal function outside the Company	Other offices and functions in any company	Other offices during the last five years
Pascal Imbert	30/09/2002 26/09/2008	26/09/2014	Chairman of the Management Board	MiddleNext - Chairman	Cosmosbay~Vectis - Director	
Mr Patrick Hirigoyen	30/09/2002 26/09/2008	26/09/2014	Member of the Management Board		Solucom - Deputy Managing Director in charge of operations Cosmosbay~Vectis Director Managing Director	
Michel Dancoisne	30/09/2002 26/09/2008	26/09/2014	Chairman of the Supervisory Board		Solucom - Manager position III with expertise in financial policy, development and acquisitions	
Jean-Claude Malraison	30/09/2002 26/09/2008	26/09/2014	Vice-Chairman of the Supervisory Board	BOpartner Belgique - Director	Kervillen SARL – Managing Director	Critical Eye – Chairman of the board of directors
Jacques Pansard	30/09/2002		Member of the Supervisory	Independent consultant		

	26/09/2008	26/09/2014	Board			
Jean-François Perret	26/09/2008	26/09/2014	Member of the Supervisory Board	Pierre Audoin Consultants – Member of the Supervisory Board	CVMP Conseil – Managing Director	Pierre Audoin Consultants – Chairman of the Management Board Pierre Audoin Consultants - Vice-chairman of the Supervisory Board

The directors individually confirm that in the past five years:

- They have not been condemned for fraud
- They have not been personally associated with any bankruptcy, sequestration or liquidation in which the directors were involved acting in the capacity of members of corporate governing or supervisory bodies
- They have not been indicted and/or subject to an official public sanction levied against the directors by the competent legal or regulatory authorities

The directors declare they are not aware of:

I. Any potential conflicts of interest between their duties towards the Company and their private interests and/or other duties

- Any family links existing between any of the directors

XII.3 Directors and executives' remuneration

Preface

Pursuant to statutory requirements and the MiddleNext code, which Solucom has decided to follow, the following paragraphs report to you the total remuneration including all types of remuneration paid during the past year to each director.

Summary

The following table details all types of remuneration and benefits received by Solucom SA directors from all the firm's companies.

This table includes both remuneration due in respect of the year and remuneration paid during the year. Part of the remuneration due in respect of the year is actually paid during the first few months of the following year.

			Gross annual remuneration 2010/11				Gross annual remuneration 2009/10			
	(€)		Fixed	Variable	Directors Fees	Total	Fixed	Variable	Directors Fees	Total
Mgt board	Pascal Imbert	Due	146,484	51,258		197,742	144,000	28,496		172,496
Mgt board		*Paid*	*146,484*	*28,496*		*174,980*	*144,000*	*54,630*		*198,630*
Mgt board	Patrick Hirigoyen	Due	131,280	45,668		176,948	125,040	46,161		171,201
Supervisory board		*Paid*	*131,280*	*46,161*		177,441	*125,040*	*61,310*		186,350
Supervisory board	Michel Dancoisne	Due	51,490			51,490	49,600			49,600
Supervisory board		*Paid*	*51,490*			*51,490*	*49,600*			*49,600*
Supervisory board	Jean-Claude Malraison	Due			6,000	6,000			5,000	5,000
Supervisory board		*Paid*			*6,000*	*6,000*			*5,000*	*5,000*
Supervisory board	Jacques Pansard	Due			*6,000*	6,000			*5 000*	5,000
Supervisory board		*Paid*			*6,000*	*6,000*			*5,000*	*5,000*
Supervisory board	Jean-François Perret	Due			6,000	6,000			5,000	5,000
Supervisory board		*Paid*			*6,000*	*6,000*			*5,000*	*5,000*
Supervisory board	Pierre Laigle (1)	Due			*0*	0	*42,386*		*1,000*	43,386
Supervisory board		*Paid*			*0*	*0*	*22,410*	*18,272*	*1,000*	*41,682*

(1) Member of the Supervisory Board until 5 August 2009

3.3 Explanations and comments

Change in remuneration between 2009/10 and 2010/11

The remuneration of directors, which was frozen during financial year 2009/10, changed during 2010/11 in line with the salary policy applied to all the firm's employees.

Fixed remuneration

Fixed remuneration is determined by taking into account the director's level and difficulty of responsibilities, experience in office, time with Solucom, and practices observed in groups or companies operating similar businesses.

Variable remuneration

For Pascal Imbert, Chairman of the Management Board, variable remuneration is based on the difference between actual Group earnings and the budgeted objectives set at the beginning of the financial year. This applies to the following lines: underlying operating profit and net profit group share on a like-for-like basis, i.e. excluding changes in scope of consolidation in the year. The value of the variable remuneration based on the budget being achieved amounted to €48,830 gross in 2010/11 and €43,800 gross in 2009/10 The variable portion can vary between 50% and 200% of this amount.

For Patrick Hirigoyen, member of the Management Board, variable remuneration is based on the difference between actual Group earnings and the budgeted objectives set at the beginning of the financial year. This applies to the following lines: underlying operating profit on a like-for-like basis, i.e. excluding changes in scope of consolidation in the year. The value of the variable remuneration based on the budget being achieved amounted to €43,760 gross in 2010/11 and €42,500 gross in 2009/10. The variable portion can vary between 50% and 200% of this amount.

Other information

We would also like to point out that Solucom is not under the control of any company; consequently Solucom directors do not receive any remuneration from such companies.

No Solucom director has received any remuneration other than that stated in the table below, including remuneration specified under Article L.225-102-1 paragraph 1 of the French Commercial Code (controlled companies).

The company has no policy for severance pay, arrival bonuses or deferred pay in respect of departure or change of functions for Solucom directors as defined under Article L.225-90-1 of the French Commercial Code.

Nor is there any supplementary pension scheme specific to Solucom directors as defined under Article L 225-79-1 of the French Commercial Code.

No Solucom director or executive has received any benefits in kind.

In his capacity as an executive of Solucom Group, Mr Hirigoyen, member of the Management Board, during the year received free shares ("Executive Plan no. 5", see paragraphs II.D.3 above, the tables above and the Special Report of the Management Board paragraph II.D.4 above).

Mr Hirigoyen, member of the Management Board, during the year received final allotments of shares in his capacity as a Solucom SA employee under the free share allocation plan ("Employee Plan no. 3") linked to the Group employee savings programme (see paragraphs II.D.2 above, the tables below and the Special Report of the Management Board paragraph II.D.2 above).

No Solucom director has been granted any equity shares or options etc. that may give access or entitlement to the allotment of Solucom shares at present or in the future.

The following tables, prepared in accordance with the recommendation of the AMF, provide all information required by all current regulations.

Summary of remuneration and stock options granted during the year to each executive director (table 1 of the AMF recommendations)

	Gross annual remuneration 2010/11	Gross annual remuneration 2009/10
(€)	Amount due	Amount due
Pascal Imbert Management board chairman		
Remuneration due for the year	197,742	172,496
Value of options granted during the year	n/a	n/a
Value of performance shares allotted during the year	n/a	n/a
Total	197,742	172,496
Patrick Hirigoyen Management board member		
Remuneration due for the year	176,948	171,201
Value of options granted during the year	n/a	n/a
Value of performance shares allotted during the year	n/a	n/a
Total	176,948	171,201

Summary of remuneration of each executive director (table 2 of the AMF recommendations)

(€)	Gross annual remuneration 2010/11		Gross annual remuneration 2009/10	
	Amount paid	Amount due	Amount paid	Amount due
Pascal Imbert				
Management board chairman				
Fixed remuneration	146,484	146,484	144,000	144,000
Variable remuneration	28,496	51,258	54,630	28,496
Exceptional remuneration	n/a	n/a	n/a	n/a
Directors fees	n/a	n/a	n/a	n/a
Benefits in kind	n/a	n/a	n/a	n/a
Total	174,980	197,742	198,630	172,496
Patrick Hirigoyen				
Management board member				
Fixed remuneration	131,280	131,280	125,040	125,040
Variable remuneration	46,161	45,668	61,310	46,161
Exceptional remuneration	n/a	n/a	n/a	n/a
Directors fees	n/a	n/a	n/a	n/a
Benefits in kind	n/a	n/a	n/a	n/a
Total	177,441	176,948	186,350	171,201

Directors' fees and other remuneration received by non-executive directors (table 3 of the AMF recommendations)

	Amount paid during 2010/11	Amount paid during 2009/10
Jean-Claude Malraison		
Directors fees	6,000	5,000
Other remuneration	n/a	n/a
Jacques Pansard		
Directors fees	6,000	5,000
Other remuneration	n/a	n/a
Pierre Laigle (a)		
Directors fees	0	1,000
Other remuneration	0	40,682
Jean-François Perret		
Directors fees	6,000	5,000
Other remuneration	n/a	n/a
Total	18,000	56,682

(a) Member of the supervisory board until 5 August 2009

Information on performance shares granted to each company director (table 6 of the AMF recommendations)

Performance shares allotted by the general meeting during the Year to each director by the issuer & any other group company	No. and date of plan	Number of options granted during the year	Value of options in line with the method used for the financial statements	Date of acquisition	Date of availability	Performance conditions
Pascal Imbert	n/a	n/a	n/a	n/a	n/a	n/a
Management board chairman	15/10/2010	9,102	103,189	15/7/2013	15/7/2015	Yes
Total						

Information on the non-accumulation of directorships (table 10 of the AMF recommendations)

Executive directors	Employment contract		Supplementary pension scheme		Compensation or benefits due or liable to fall due owing to severance or change in function		Non-competition clause	
	Yes	No	Yes	No	Yes	No	Yes	No
Pascal Imbert Management Board Chairman		X		X		X		X

Pursuant to the AMF recommendations, the following information does not apply to Solucom in respect of 2009/10.

- Stock options granted during the year to each company director of the issuer or any company of the group (table 4 of the AMF recommendations)
- Share purchase or subscription options exercised during the year by each company director (table 5 of the AMF recommendations)
- Performance shares that have become available to each company director (table 7 of the AMF recommendations)
- Details of past stock options granted (table 8 of the AMF recommendations)
- Stock options granted to the top ten beneficiaries among employees and directors and options exercised by them (table 9 of the AMF recommendations)

XXII.4 Restrictions on executives pursuant to Articles L 225-185 and L 225-197 II section 4 of the French Commercial Code

On 18 June 2007, in accordance with legal provisions, the Supervisory Board decided to establish a 25% minimum limit of shares that directors of Solucom and all subsidiaries shall be required to retain in registered form until expiry of their term of office, in their capacity as directors under each plan introduced by Solucom for which the directors are beneficiaries.

It is specified that this provision only concerned plans for which the directors are beneficiaries following the effective introduction of the French Act dated 30 December 2006.

XII.5 Transactions in Company shares undertaken by directors and their families

Pursuant to current legal and regulatory provisions, we have set forth below the directors' and senior executives' transactions in the Company's shares and those of persons closely related to them during the financial year.

- **Ms. Pascale Besse - Purchase**

29 November 2010	500 shares	€19.20

- **Mr. Bassam Almoussa, - Sale**

7 June 2010	400 shares	€15.99
9 June 2010	500 shares	€16.19
10 June 2010	500 shares	€16.49
10 June 2010	500 shares	€16.29
10 June 2010	500 shares	€16.24
11 June 2010	500 shares	€16.67
25 October 2010	868 shares	€18.99

27 October 2010	805 shares	€19.79
27 October 2010	1,000 shares	€19.49
2 November 2010	695 shares	€19.79
2 November 2010	1,000 shares	€19.79
17 December 2010	1,500 shares	€18.97
28 January 2011	1,368 shares	€20.48

- **Michel Dancoisne - Sale**

25 November 2010	5,000 shares	€18.40

- **Mr. René Dumoucel - Sale**

6 April 2010	212 shares	€15.99
13 April 2010	482 shares	€15.91
14 April 2010	116 shares	€15.90
19 April 2010	106 shares	€15.94
9 May 2010	387 shares	€15.98
20 December 2010	263 shares	€18.79
21 December 2010	970 shares	€18.83
22 December 2010	767 shares	€18.97

- **Mr Siegfried Günther - Sale**

22 June 2010	1,000 shares	€17.00
10 August 2010	1,000 shares	€17.50

- **Mr. Patrick Hirigoyen - Sale**

7 June 2010	250 shares	€15.50
9 June 2010	250 shares	€15.94
10 June 2010	250 shares	€15.94
11 June 2010	250 shares	€16.32
14 June 2010	250 shares	€16.30
15 June 2010	250 shares	€16.20
16 June 2010	250 shares	€16.58
17 June 2010	250 shares	€16.60
21 September 2010	250 shares	€17.42
22 September 2010	250 shares	€17.51
23 September 2010	250 shares	€17.46
20 October 2010	250 shares	€17.21
16 December 2010	250 shares	€18.55
17 December 2010	250 shares	€18.55
23 December 2010	4,000 shares	€19.10

- **Mr. Laurent Stoupy - Sale**

15 December 2010	900 shares	€18.55

- **Mr. Eric Rabaux - Sale**

4 February 2011	1,927 shares	€20.06

XXII.6 Supervisory Board and Management Board directors' terms of office:

Management Board:

- Mr Pascal Imbert was reappointed Chairman of the Management Board by the Supervisory Board on 26 September 2008 for a period of six years. His term of office will expire on 26 September 2014.
- Mr Patrick Hirigoyen was reappointed member of the Management Board by the Supervisory Board on 26 September 2008 for a period of six years. His term of office will expire on 26 September 2014.

Supervisory Board:

- Michel Dancoisne was reappointed member and Chairman of the Supervisory Board by the annual general meeting on 26 September 2008 for a period of six years. His term of office will expire following the ordinary general meeting, which will approve the financial statements for the year ended 31 March 2014.
- Mr Jean-Claude Malraison was reappointed member and Vice-Chairman of the Supervisory Board by the ordinary general meeting and Supervisory Board on 26 September 2008 for a period of six years. His term of office will expire following the ordinary general meeting, which will approve the financial statements for the year ended 31 March 2014.
- Mr Jacques Pansard was reappointed member of the Management Board by the general meeting on 26 September 2008 for a period of six years. His term of office will expire following the ordinary general meeting, which will approve the financial statements for the year ended 31 March 2014.
- Mr Jean-Frnçois Perret was appointed member of the Supervisory Board by the general meeting on 26 September 2008 for a period of six years. His term of office will expire following the ordinary general meeting, which will approve the financial statements for the year ended 31 March 2014.

XXII.7 Statutory Auditors' terms of office:

- SLG EXPERTISE, principal statutory auditors:

The term of office of the firm SLG EXPERTISE, principal statutory auditors, will expire following the ordinary general meeting which will approve the financial statements for the year ended 31 March 2014.

- CONSTANTIN ET ASSOCIES principal statutory auditors:

The term of office of the firm CONSTANTIN ASSOCIES, principal statutory auditors, will expire following the ordinary general meeting which will approve the financial statements for the year ended 31 March 2013.

- Ms. Valérie Dagannaud secondary statutory auditor:

The term of office of Ms. Valérie Dagannaud, secondary statutory auditor, will expire following the ordinary general meeting, which will approve the financial statements for the year ended 31 March 2014.

- Mr Michel Bonhomme secondary statutory auditor:

Please be informed that Mr Michel Bonhomme has submitted his resignation to the Company as secondary statutory auditor.

Consequently, in accordance with Article L. 225-228 of the French Commercial Code and the recommendation from the supervisory board in its capacity as audit committee during its 30 May

2011 meeting (recommendation made pursuant to Article L. 823-19 of the French Commercial Code), the supervisory board will propose appointing the following new secondary statutory auditor:

BEAS

7, Villa Houssay

92200 Neuilly-sur-Seine

For the remaining term of office of Mr Michel Bonhomme, i.e. until the end of the ordinary general meeting, which will approve the financial statements for the year ended 31 March 2013.

XIII Employee and environmental information

XIII.1 Employment

At 31 March 2011, Solucom employed a total of 915 staff, broken down as follows:

- 10 fixed term employees: 80% of these fixed term employees are foreign nationals waiting for their employee residence permit who will then be able to transfer to unlimited term employment contracts, while the remainder are working on work-study contracts
- 30 part time staff, most of whom are on parental leave for part time education
- 72% men. 24.8% of Solucom managers are women.
- 4% ETAM (French social category below manager level)

Employees joining and leaving the firm during the year are analysed as follows.

	Joiners	Leavers	Details of leavers
Total Firm including secondment	193	257	M = 47, D = 184, R = 1
Total Firm excluding secondment	146	210	F = 10, L = 14

Reasons for leaving:
- Resignation (D)
- Redundancy (L)
- End of contract (fixed-term - trial period) (F)
- Internal transfers (M)
- Retired (R)
- Deceased (DC)

The redundancies mentioned in this table are all for individual reasons.

During the year, five temporary staff were employed by the firm replacing employees on maternity leave, or were hired to cope with a temporary peak in work or to replace employees who had left the firm permanently.

XIII.2 Organisation of working time

All Group companies have implemented the French national reduction in the working week via a branch agreement signed with the Syntec federation.

Procedures applicable to individual staff categories are as follows:

- Engineers and managers
  - Method 2 (215 to 218 days per year and 38.5 hours per week)
  - Method 3 (214 to 218 days per year)

- ETAM (French social category below manager level):
  - Method 1 (between 35 and 39 hours per week capped at 1617 hours per year)

In view of the above working time organisation and the fact that the firm’s business is not of a seasonal nature, there is little overtime.

Solucom only has a limited amount of staff absence.

As an example, the absence rate for chargeable staff in the year ended 31 March 2011 was 2.16% of time excluding holidays. This absence largely relates to illness. Absence due to maternity, paternity and unpaid leave (including full-time parental leave) is excluded from the calculation of the absence rate.

XIII.2 Remuneration

Total gross salaries over the last two financial years were as follows.

	Total gross salaries 2010/11	Total gross salaries 2009/10	Change
Solucom SA	14,807,022	14,044,730	5%
Subsidiaries	34,866,912	35,852,619	-3%
Total Firm	**49,673,934**	**49,897,349**	**0%**

Total social security charges for 2010/11 amounted to €22,362,000 of which €6,673,000 for Solucom SA and €15,689,000 for the subsidiaries.

During the year, all the firm's staff received a profit share calculated based on specific Company principles that is supplemented by an additional profit share agreement, amounting to a total of €1,989,000. During the year, Cosmosbay~Vectis staff received the profit share payment for the first time.

Solucom Group adheres to a strict policy of equality between men and women both in terms of remuneration and promotion.

XIII.3 Employee relations

Solucom SA has staff representatives and a workers council.

Arcome SAS, Solucom DV, Idesys, New'Arch and Cosmosbay~Vectis all have staff representatives and a workers council, which has been established as the sole staff representative body.

KLC has staff representatives.

There is no union representation within the firm.

An amendment to a Group profit sharing agreement and to the Group savings scheme was signed between Arcome, Dreamsoft, Idesys, KLC, New’Arch, Cosmosbay~Vectis and Solucom on 20 September 2010 (backdated to 1 April 2010) in order to enable Cosmosbay~Vectis to be included in the firm's profit share scheme.

XIII.3 Health and Safety

Solucom SA, Arcome, Solucom DV, Idesys, New'Arch and Cosmosbay-Vectis each have a work Health and Safety Committee.

The Group recorded 14 work accidents during the year of which 6 resulted from travel accidents. All the accidents resulted in sick leave amounting to a total absence of 300 man days during the year.

XIII.4 Training

During the calendar year 2010, the firm's staff received 1,659 training days involving both external professional training and internal training provided by Solucom's training institute (excluding self training days).

The 2010/11 cost of professional training amounted to €546,000 (excluding the cost of Group staff time spent in training and excluding training paid for by FAFIEC).

518 employees, or 56.6% of total headcount, received at least one training course during 2010/11 including both internal and external courses.

The number of available 'DIF' (French employee entitlement to training) hours at 31 March 2011 is 50,941 hours.

The firm maintains close relations with around thirty engineering and business colleges, from where it recruits a large number of students. The various conditions of these partnerships include the payment of *taxe d'apprentissage* (French training tax), participation in educational activities (in particular lessons given by senior consultants of the firm), employing apprentices and participation in students associations. During the year, 107 interns were employed by the firm.

XIII.4 Social activities

Social activities are managed by the works councils of the firm's companies.

Social activities organised largely relate to sporting and cultural events.

XII.5 Employment of handicapped employees

At 31 March 2011 the firm employed five handicapped people. The firm's contribution in 2010/11 to employment of handicapped people amounted to €168,200.

XIII.6 Outsourcing

Given that Solucom provides high value-added and specialised services, it does not use external personnel in conjunction with outsourcing contracts.

XII.7 Environmental information

Solucom's business only relates to intellectual services which have a negligible impact on the environment. In particular this applies to use of the firm's fixed assets.

However, Solucom has decided to take the following measures to minimise its impact on the environment even though it is already minimal: printing paper and consumables recycling, use of recycled paper for certain documents published by the Company and application of video-conferencing to reduce travel.

XIV. Risks faced by Solucom SA and the firm

The firm's financial and operational risks are explained in the paragraphs below.

XIV.1 Financial risks

Liquidity risk

Net cash flow from operating activities enables the firm every year to fund organic growth, including changes in working capital, repayment instalments on borrowings and operational capital expenditure excluding acquisitions.

As at 31 March 2011, the firm's gross cash and cash equivalents net of overdrafts amounted to €14,018,000. The firm's policy is to place excess cash exclusively in risk-free money market investments. In addition, at the end of March 2008, the firm took out a €10,000,000 loan, repayable over 5 years, with no covenants. The outstanding balance as at 31 March 2011 amounted to €4,018,000.

Finally, the firm had seven lines of credit with an outstanding balance of €6,233,000 as at 31 March 2011. Of the seven credit lines, three with maximum facilities amounting to €3,900,000 at 31 March 2011 are subject to covenants, with which the firm has always complied since the implementation of these lines, and the lines are currently undrawn.

Interest rate risk

Interest rate risk is analysed by the finance department in liaison with its main banks. Where applicable the firm uses hedges against any rise in its future repayments by using derivative financial instruments contracted with top-ranking banks. A hedge of this type was contracted for the loan taken out at the end of March 2008.

Exchange rate risk

Since virtually all Solucom's clients are located in France or elsewhere in the euro zone, the firm's exposure to exchange rate risk is not material.

Client bad debt risk

Since virtually all Solucom's clients are major corporate accounts, in practice there is little risk of default or client bad debts. However, there is a risk of default or client bad debts when the client is a small business or a foreign company outside the European Union (under 10% of the firm's revenues). In such cases it is the responsibility of the management of the company concerned to take all steps necessary to provide reasonable assurance of payment for services rendered, in coordination with the finance department whenever necessary.

Equity risk

Solucom's treasury shares held in conjunction with its share buy-back programme (see paragraph 16 in respect of the objectives of the share buy-back programme).

At 31 March 2011, Solucom held 58,451 treasury shares representing a market value of €1,195,000.

Please note, in the firm's IFRS consolidated financial statements, treasury shares are accounted for as a deduction from shareholders' equity and any change in value has no impact on consolidated earnings.

XIV.2 Operating risks

The operational risks stated in the paragraphs below are those, which in the Company's opinion represent the greatest risk in terms of potential impact or probability.

Risks arising from the current economic environment

The existence of increasingly frequent and more violent swings in the economy can cause uncertainties weighing on Solucom's business. This may result in budget cuts among its clients, project interruptions and generally a reduction in demand concurrent with a rise in competitive pressures.

In such circumstances, Solucom has traditionally always managed to take steps to minimise their impact. Nevertheless, Solucom cannot guarantee that this risk will not increase in the future.

Human resources risk

Solucom's success is a direct result of its ability to recruit and retain high potential employees. Solucom's approach to recruitment is based on hiring young graduates from the top colleges and universities in the firm's business.

Recruitment is a key challenge for Solucom given the tough underlying competition to hire the profiles that the firm seeks.

In order to meet this key success factor, every year Solucom devotes considerable investment to recruitment. However, the efforts made in 2010/11 were not enough to meet the recruitment objectives the firm had set.

Besides recruitment, controlling staff turnover also represents a challenge since supervisors and managers with experience in a consulting firm are highly sought after.

Controlling staff turnover is the joint responsibility of the company's management and human resources. Staff turnover was 20% in 2010/11, up from 8% in 2009/10.

The firm launched numerous initiatives in 2010/11, which should lead to a reduction in staff turnover during 2011/12. Solucom will pay particular attention to the impact of such initiatives.

Risks arising from acquisitions

Solucom's M&A strategy frequently involves acquiring new companies. For each acquisition, Solucom systematically seeks to ensure that the management of the acquired company follows the joint operational strategy. These efforts in advance later facilitate the integration process and minimise any risk of key people leaving.

As part of the integration process for each company, Solucom ensures it:

- rapidly rolls out the firm's management systems within the new entity in order to be able to closely monitor the operational business as soon as possible;
- implements revenue synergies particularly by working to deploy the Company's know how based on experience with existing clients;
- standardises operational procedures to boost efficiency and identify opportunities sharing resources in order to cut costs.

The integration method developed by Solucom has generally been successful and led to rapid and large improvements in operational performance in the companies acquired.

Risks arising from any acquisition nevertheless remain and Solucom cannot guarantee that its integration method will systematically control such risks in the future.

For example, Cosmosbay~Vectis, the firm's most recent acquisition, suffered a steep fall in results during its integration period, albeit in a particularly depressed economic environment.

Lastly, following the 2010/11 reorganisation based on practices, the firm will no doubt have to adapt its integration approach for future acquisitions. In this respect, it will pay particular attention to sales procedures and human resources practices.

Legal risk

Solucom Group's activities are not subject to any specific regulations.

Functional managers such as human resource managers (regarding employment law), and the finance department (regarding commercial law), represent an additional support for operations when they are faced with specific cases that are not covered under internal policies. These functional managers are also supported by specialist external consultants.

As part of its client services, Solucom often has to make contractual commitments requiring specific monitoring. For example, this may include confidentiality agreements or exclusivity agreements etc...

These commitments are entered into under the responsibility of the senior management of each Group company, including, where applicable, the possibility to delegate to certain managers. The senior managers involved are charged with ensuring that all such commitments are transparent and visible, and that procedures are in place to ensure compliance therewith.

Business liability risk

The firm has taken out business legal liability insurance offering the following coverage:

- Operating liability;
    - Material damage €10.0m per claim,
    - Consecutive or direct material / intangible damage €10.0m per claim,
- Business liability;
    - Consecutive or direct material / intangible damage €5.0m per claim per year.

There is a deductible of €75,000 in conjunction with the business professional liability policy.

Risk on fixed-price projects

Fixed-price projects represent some 30% to 40% of the firm's revenues (39% in 2010/11).

Solucom follows a strict project management approach backed by the firm's management systems.

Each fixed-price project is divided into separate lots. There is always a project manager for every lot. The project manager is responsible for managing the services performed and supervising the people working on the lot.

Every month, he analyses expenses booked by each person to the lot and prepares an updated forecast of the outstanding work that results in a stage of completion, revenues recorded for the month and any days of expenses overrun budgeted on the lot.

This analysis, which is automatically reported to management on the first few days of the month, identifies any variances as soon as possible in order to trigger the necessary corrective action.

Over the last few years, the average level of overruns has never exceeded 2% of the total number of days of the productive staff's on-site presence excluding holidays and leave (0% in 2010/11).

Information systems risk

As the firm grows, information systems represent an increasingly important asset for Solucom. They enable commercial and operational activities, produce the financial statements, enable internal and external communication and allow the firm to consolidate and organise the knowledge management database distributed to all staff.

Steps have been taken to ensure that each of the key areas of the system can be recovered and continue to function within the prescribed deadlines in the event of any incident, except in the case of a major disaster. In order to cope with such disasters, a daily back-up is made and, once a week, a complete back-up is sent to a location outside the premises.

Lastly, the system is protected against external penetration by state-of-the-art IT security technology.

Risks in performing engagements

To ensure top quality when performing engagements, the firm has a range of methods and engagement managers take specific training courses so that they can develop leading skills in their specialisations. Engagement managers ensure strict compliance with the client-approved specifications and the engagement instructions in direct coordination with the client's operational staff concerned.

The firm has introduced a quality risk management system for monthly monitoring of suspected or actual incidents and their resolution via performance of specific action plans.

However, it may turn out that the difficulty of execution is under-estimated and/or that certain items have not been clearly defined in the specifications. If such problems are not identified in time, they may cause major budget overruns on some engagements, losses for which the firm may be held liable but which are covered by a liability policy, and may damage the firm's reputation.

XV. Share buy-back programme

Pursuant to a resolution taken at the Ordinary General Meeting dated 24 September 2010, the Management Board was authorised to implement a new share buy-back programme in accordance with current legislation and regulations.

This programme followed a previous programme authorised by the Ordinary General Meeting dated 25 September 2009.

This represents the twelfth share buy-back programme and was implemented immediately by the Management Board on 24 September 2010, the details of which are specified in the Reference Document submitted to the AMF on 30 June 2010 under number D.10-0576, and was announced in a press release on Solucom's website dated 24 September 2010.

Pursuant to legal provisions, please note that the situation as at 31 March 2011 relating to the two previous programmes carried out during 2010/11 was as follows:

- The number of own shares bought back during the year was 59,754 amounting to €1,062,999, i.e. an average purchase price of €17.79.
- The number of treasury shares sold during the year was 34,307 amounting to €577,803, i.e. an average sale price of €16.84.
- There were no transaction costs.
- The number of shares allocated free of charge to employees during the year was 8,459 amounting to a total value of €114,986, i.e. an average issue price of €13.59

- The number of treasury shares recorded in the balance sheet as at 31 March 2011 is 58,451 with a net book value of €1,195,323, i.e. valued on average at €20.45 per share. The nominal value of these shares is €0.10 per share.

- Treasury shares represent 1.18% of share capital.

The table below sets out details of this share buy-back programme broken down between the various programme objectives:

	Market making	Retention for M&A deals	Issued to employees	Issued on exercise of stock options
Situation at 31/03/2010	11,299	29,795	-	-
Purchases	19,061	40,693	-	-
Sales	(19,307)	-	(15,000)	-
Reallocations	-	(40,000)	40,000	-
Leavers	-	-	(8,459)	-
Situation at 31/03/2011	11,053	30,488	16,910	-
EUR,000,000	208,158	558,474	269,761	-
% of share capital as at 31/03/2011	0.22%	0.61%	0.34%	0.00%

New authorisation

The Management Board seeks new authority in principle from you based on the following key terms and conditions:

In essence this new programme will be as follows:

a) Objectives

- Ensure the liquidity of the secondary market or that of Solucom shares by the involvement of an independent investment services provider pursuant to a liquidity contract in accordance with the Ethics Charter recognised by the Autorité des Marchés Financiers (French financial markets regulator);

- Hold shares with a view to issuing them subsequently as consideration for mergers or acquisitions;

- Allot or transfer shares to employees and/or directors of the Company and/or its Group companies in accordance with legislation, notably in order to financially incentivise employees or directors in the Company's earnings, to implement any company or intercompany savings plan for employees, to introduce or cover any stock option plan or to issue shares free of charge;

- Allot shares on the exercise of securities with entitlement to subscribe to the Company's share capital by any means.

b) Maximum limit

10% of the share capital after deducting existing treasury shares and reduced to 5% in respect of shares acquired to hold and issue in consideration for future share exchanges, mergers and acquisitions.

c) Financial terms for buying shares

Maximum purchase price per share: €40

d) Cancellation of shares

Not applicable, unless authorised thereto at a future extraordinary general meeting.

e) Duration of authorisation

With effect from the Ordinary General Meeting dated 28 September 2011, until the next General Meeting convened to approve the financial statements for the year ended 31 March 2012, and, in all circumstances within 18 months, it being specified that the 28 September 2011 Ordinary General Meeting will supersede the preceding authority, without interruption, until any new authority.

Naturally, the Management Board, with approval of the Supervisory Board, must prepare a new report of the share buy-back programme that is given in the 2010/11 Reference Document.

XVI. Items likely to have an impact during periods of public tender offers

Pursuant to Article L.225-100-3 of the French Commercial Code, we hereby specify the following points:

- The capital structure and the direct or indirect investments, of which Solucom SA is aware, and all information related thereto, are described in this report and in the Reference Document submitted to the AMF on 30 June 2010 under number D 10-0576,
- To Solucom's knowledge, there are no agreements or any other commitments signed between shareholders other than the collective share retention commitments discussed above under paragraph X entitled "Share Capital",
- There are no securities granting special powers of control, with the exception of double voting rights as specified under Article 11-4 of the articles of association in accordance with regulations,
- There are no clauses in the articles of association restricting the exercise of voting rights or transfers of shares,
- Voting rights attached to Solucom shares, with regard to the employee savings plan described under paragraph II.C., are exercised by the "Solucom Actions" Company mutual fund ('FCPE'),
- Rules for the appointment and dismissal of members of the Management Board are based on general law,
- The Management Board's current powers are described in this report under paragraph XVI (share buy-back programme) and in the table of approvals regarding capital increases attached to this report and detailed under paragraph XX below.
- Changes to Solucom's articles of association are made in accordance with current legislation and regulations,
- There are no agreements involving severance compensation in the event of the departure of members of the Management Board.

XVII. Observations of the works council

Not applicable.

XVIII. Report of the Chairman in accordance with the provisions of Article L.225-68 of the French Commercial Code

The report of the Chairman of the Supervisory Board dated 31 May 2011 is attached to this report.

This report, which is presented to you herewith, contains all disclosures specified under Article L.225-68 of the French Commercial Code; it was approved by the Supervisory Board on 30 May 2011, in accordance with current regulations.

Following approval from the Supervisory Board as stated above, this report was given to the statutory auditors pursuant to legislation. The statutory auditors will present their comments on this report from the Supervisory Board Chairman under Article L.225-68 of the French Commercial Code in a report attached to their report on the financial statements.

XIX. Table of approvals regarding capital increases

Pursuant to the provisions of Article L.225-100 section 7 of the French Commercial Code, please find attached to this report a table summarising the currently valid powers related to capital increases as granted by the Extraordinary and Ordinary General Meeting dated 25 September 2009.

XX. Audit by the statutory auditors

We will read the following reports:

- The general auditors report on the Company financial statements,
- The auditors report on the consolidated financial statements,
- The auditors report on regulated agreements and commitments,
- The auditors report on the report of the chairman of the supervisory board under Article l.225-68 of the French commercial code.

Having heard the reading of the reports of the statutory auditors and of the Supervisory Board, the Management Board invites you to adopt the resolutions that it submits to your vote.

Extraordinary General Meeting

Preface

Several draft resolutions have been submitted to your vote as part of this extraordinary general meeting,

as follows:

a) Renew a number of authorisations relating to capital increases and generally financial transactions affecting the Company's share capital immediately or in the future, which were granted to the Management Board by previous extraordinary general meetings, and most recently the extraordinary and ordinary general meeting dated 25 September 2009, for which a summary table is attached to this report in accordance with legislation;

b) "Clean out" Solucom's articles of association by i) changing articles relating both to allocating voting rights between usufructuaries and bare owners if the ownership of Solucom shares is split (Article 12 of the articles of association), and relating to the terms of office of the Company's Supervisory Board members (Article 18 of the articles of association) and ii) updating the articles of association to comply with recent legislation and regulations with regard to shareholders' rights (Articles 26 and 27 of the articles of association).

1. Renewal of financial authorisations

Preface

The following draft resolutions are in line with applicable corporate governance best practices in terms of authorisation of capital increases, in particular the corporate governance recommendations of the French Financial Management Association ("AFG" recommendations) and the AMF (French financial markets regulator).

As such, these resolutions comply with:

- The percentages of share capital the AMF recommends in its January 2011 recommendations in relation to capital increases with or without priority subscription rights and establishing priority subscription rights for shareholders, who have held their shares for at least five days if there are no priority subscription rights.
- The principle of holding separate votes on capital increases with no priority subscription rights depending on whether the capital increase includes a public offering or not (i.e. the issue is exclusively a private placement), as recommended by the AMF in its 6 July 2009 recommendation on the presentation of resolutions concerning delegation of powers to general meetings pursuant to Article L.225-136 of the French Commercial Code, such that a shareholder vote on transactions targeting specific investors, who are subject to different limits, is avoided.

Furthermore, in the draft resolutions that follow, the concept of "investment securities" is derived from the French Monetary and Financial Code, and according to Article L.211-1 of the said Code, includes equities, debt securities (including bonds), shares in mutual funds, which represent marketable securities as defined under the French Commercial Code.

I.1 Authorization of the Management Board to increase the capital (seventh to twelfth resolutions)

We submit to your vote resolutions for the renewal of powers given to the Board to increase the capital through the immediate or future issue of ordinary shares or investment securities giving access to Solucom’s share capital.

Preference shares and marketable securities giving access to preference shares are excluded from these authorisations.

Note that:

- The Management Board has already been authorized to issue shares or investment securities giving access to share capital, that is to say shares with attached warrants, convertible bonds and share warrants, with or without priority subscription rights,
- The Management Board did not use these authorisations which expire in 2011/12.
- These authorizations are intended to provide Solucom with the resources to pursue its development, at the right moment and depending on financial market opportunities,
- The new authorizations will have the immediate effect of terminating the authorizations given by the Ordinary and Extraordinary General Meeting of 25 September 2009 in its seventh, ninth and eleventh resolutions,
- Besides the overall limit which is proposed in the thirteenth resolution, sub-limits in line with the best market practices will apply according to the type of transaction envisaged, under the resolutions set out below,

In accordance with the French Commercial Code (Article L.225-129 et seq.), the Management Board therefore proposes that these authorizations to increase the capital with or without priority subscription rights be renewed for a period of 26 months.

<u>In the seventh resolution</u>, you are asked to authorize the Management Board to issue ordinary shares or any financial security giving access to the equity, as for example convertible bonds or bonds

repayable in shares or bonds with attached share warrants, whose subscription may be in cash or by offset, in France or abroad, in euros or any other currency, with priority subscription rights.

The maximum nominal value of the capital increase with priority subscription rights is limited i) to €248,344.10, or 50% of the ordinary share capital and ii) €30,000,000 for investment securities, which could be debt securities. These amounts are subject to the rights of certain shareholders in the event of a further issue of securities.

In the eighth resolution, you are asked to authorize the Management Board to make a public offer of ordinary shares or any investment security giving access to the Company's shares, subscription for which may be in cash or by offset, in France or abroad, in euros or any other currency, without priority subscription rights.

These investment securities could be issued in consideration for securities contributed as part of a public offer of exchange pursuant to the provisions of Article L.225-148 of the French Commercial Code.

The maximum nominal value of capital increases without priority subscription rights and public offer is limited i) to €124,172.05, or 25% of the ordinary share capital, and ii) to €15,000,000 for debt securities. These amounts are subject to the rights of certain shareholders in the event of a further issue of securities.

The capacity to make issues without priority subscription rights enables the Management Board to carry out transactions where rapidity is an essential condition of success and where in addition there is an advantage in making an offer to a new public by issuing on foreign or international financial markets.

However in this type of transaction, shareholders' rights will be preserved by:

- The possibility for the Management Board to give shareholders a reducible or non-reducible subscription priority for five days,
- The fact that under the French Commercial Code the issue price of the shares must be at least equal to the weighted average share price during the three last trading sessions prior to the price fixing day, with a maximum possible discount of 5%.

In the ninth resolution, you are asked to authorize the Management Board to issue ordinary shares or any investment security giving access to the share capital, subscribed in cash or by offset, without priority subscription rights, through private placement in France or abroad in euros or any other currency.

Note that to enable companies to optimise their access to capital markets and benefit from the best market conditions, the French Monetary and Financial Code offers this possibility of capital increases through private placements. Private placements are share issues without priority subscription rights, addressed exclusively to i) people providing portfolio management services for third party investors and ii)) qualified investors or a restricted group of investors acting on their own behalf.

The maximum nominal value of capital increases without priority subscription rights by private placement is limited to €99,337.64, or 20% of the share capital, given that issues of debt securities through a private placement covered by Article L.411-2 II of the French Monetary and Financial Code are limited by law, and the limit is calculated on that of the eighth resolution in such manner as to respect the 25% limit referred to in the AFG recommendations specified above.

In the tenth resolution, you are asked to authorize the Management Board to increase the value of an issue decided under the terms of the seventh, eighth and ninth resolutions as necessary, in the event of over-subscription.

The additional capital increase that could result within 30 days of closure of the initial subscription may not exceed 15% of the initial issue and must be made at the same price and under the same conditions.

In the eleventh resolution, you are asked to authorize the Management Board to issue ordinary shares or any investment security giving access to the share capital, in accordance with the provisions of the French Commercial Code, up to a limit of 10% of the share capital, in equity securities or securities giving access to the share capital, in consideration for contributions in kind consisting of ordinary shares or investment securities giving access to the share capital of third party companies.

In the twelfth resolution, we propose to set the maximum nominal value of immediate or term increases in company capital liable to be carried out by virtue of the authorizations conferred by the above resolutions at €372,516.15, and to set the maximum nominal value of debt securities liable to be carried out by virtue of the authorizations conferred in the above resolutions at €45,000,000.

Conclusion:

With the above financial authorizations, the Management Board will have great flexibility in the choice of issues to be considered, and will be able to adapt the kind of ordinary shares or any other securities to be issued depending on growth objectives, demand, and current conditions on French, foreign or international financial markets.

1.2 Management Board authorization to increase share capital through capitalisation of reserves, retained earnings, issue premiums or capital contributions in kind (thirteenth resolution)

In the thirteenth resolution, you are asked to authorise capital increases resulting from capitalisation of reserves, retained earnings, premiums or any other items able to be transferred to share capital up to a limit of €400,000, i.e. the same amount as the authorization conferred by the Ordinary and Extraordinary General Meeting dated 25 September 2009.

The existence of a distinct and independent limit of €400,000 is justified by the completely different nature of the capitalisations of reserves or other items, since this occurs either through the allotment of free shares to shareholders, or by increasing nominal value of existing shares, that is to say without dilution for the shareholders and without change to the value of Solucom's shareholders' equity.

1.3 Share capital access for Company or Group employees as part of a "PEG" (group savings plan) (fourteenth resolution)

Note that for some years the Management Board has been authorized to carry out capital increases reserved for employees subscribing to the Group Savings Plan and to carry out capital increases reserved for entities constituted on behalf of Group employees, in accordance with current regulations. The Management Board has not made use of these authorizations.

The authorizations given to the Management Board with a view to increasing the share capital and specified under paragraph I, 1. above carry the obligation to submit a draft resolution to the General Meeting aimed at allowing a possible capital increase reserved for employees subscribing to Company or Group savings schemes.

In the fourteenth resolution, you are therefore requested to authorize the Management Board to carry out one or more increases up to a maximum amount of 5% of share capital, as set out in the provisions of Articles L.225-129 to L.225-129-6 and L.225-138-1 of the French Commercial Code and L.3332-18 et seq. of the French Employment Code.

The limit for this authorization is identical to those of the previous authorizations and remains in line with current market practice, which adjusts the limit according to the employee's equity interest in the share capital; given that this limit is independent and separate from the limit set in the thirteenth resolution in respect of limits to authorizations to increase share capital, but linked to the limit in the sixteenth resolution concerning allotments of free shares and included in a joint limit for these two instruments in order to motivate and retain Solucom's employees.

This authority would be for a period of 26 months.

You will have to terminate the previous authorization with immediate effect and confer on the Management Board all powers to decide, implement, and carry out such transactions, and more generally to do whatever is necessary.

1.4 Allotment of free shares (fifteenth resolution)

The Management Board has already received three previous authorizations on this point.

By virtue of these three authorizations, the Management Board has established eight free share allotment schemes (see special reports from the Management Board for 2007/08, 2008/09 and 2009/10 and paragraph II – C of the Ordinary General Meeting section of this report).

In the fifteenth resolution, you are requested to authorize your Management Board, in accordance with Articles L.225-197-1 et seq. of the French Commercial Code, to carry out the free allotments of existing or future shares to the employees and/or directors of Solucom and the Group.

As required by law, the allotment of free shares cannot concern employees or directors holding more than 10% of the share capital. We inform you that as regards allotments to directors of Solucom and its subsidiaries, the Company will apply the MiddleNext corporate governance code recommendations, the recommendations of the AMF, and the new provisions set out in the Act of 3 December 2008 concerning remuneration.

The maximum value of this authorization will remain at:

- 6% of the Company's share capital for free allotments to employees of Solucom and the Group

- 1% of the Company's share capital for free allotments to directors of Solucom

This percentage is calculated on the day of issue, given that the limit is independent and distinct from that fixed by the thirteenth resolution concerning limits to authorizations to increase share capital, but that it is linked to the limit of the fifteenth resolution concerning capital increases reserved for employees subscribing to a company or group savings scheme, and included in a common limit for these two instruments.

This authority would be for a period of 26 months.

You will have to terminate the previous partially used authorization with immediate effect and confer on the Management Board all powers to decide, implement, and carry out such transactions, and more generally to do whatever is necessary.

Cumulative ceiling with regard to the authorizations of the 14th and 15th resolutions

In the sixteenth resolution, we propose to limit the Management Board's ability to adopt the schemes proposed under the 14th and 15th resolutions to 6% of Solucom's share capital as at the date of completion, in order to limit shareholder dilution while providing the Management Board with all the necessary powers to motivate employees and/or directors of Solucom and the Group through profit sharing and incentives in the Company's and Group's development.

2. Change to the articles of association (seventeenth to nineteenth resolutions)

2.1 Change to distribution of voting rights between the usufructuary and the bare owner (article 12 of the articles of association)

At present, in the event of splitting ownership of the Company shares, Article 12 of the articles of association provides that the voting rights attached to each share shall belong to the usufructuary at ordinary general meetings, and to the bare owner at extraordinary general meetings.

In the seventeenth resolution, we propose to limit the voting rights of usufructuaries to decisions concerning the appropriation of earnings. This change to the articles of association would enable shareholders who so wish to benefit from the favourable tax treatment set out in Article 787 B of the French General Tax Code for estate distribution prior to death with reservation of usufruct. It is proposed to change Article 12 of the articles of association headed "Indivisibility of shares – Bare ownership – Usufruct" accordingly.

2.2 Establishing shorter terms of office for Supervisory Management Board members (Article 18 of the articles of association

The term of office for Supervisory Management Board members is currently set at six years.

The MiddleNext corporate governance code referred to by Solucom recommends that the Supervisory Board ensure that "the terms of office under the articles of association be suited to the Company's specific features within statutory limits" (recommendation R 10).

In the eighteenth resolution, in order to enable Solucom to conform to this recommendation, and given the company's specific features, we propose to establish shorter terms of office of 4 years, in the event of appointments or extended terms of office of Supervisory Board members, and to change paragraph I of Article 18 of the articles of association headed "Supervisory Board" accordingly.

2.3 Update of articles of association to comply with recent statutory and regulatory requirements concerning shareholder rights (articles 26 and 27 of the articles of association)

Statutory instrument 2010-1511 dated 9 December 2010 and its application decree 2010-1619 dated 23 December 2010 concerning the exercise of certain shareholder rights in listed companies provides that under certain conditions, shareholders may i) enter points on the agenda of the meeting, and ii) be represented by any natural or legal person they choose.

In the nineteenth resolution, we propose to modify Articles 26 and 27 of the articles of association so that they comply with these new provisions.

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The Supervisory Board and the Statutory Auditors will express their opinions and comments on these subjects in their reports.

The Management Board recommends you adopt the resolutions that it submits to your vote during the Extraordinary General Meeting.

The Management Board

23 May 2011

Completed 30 May 2011

Supervisory Board report to the Ordinary and Extraordinary General Meeting dated 28 September 2011

Ladies and Gentlemen,

In accordance with our statutory supervisory responsibilities, we are honoured to submit to you our report on the supervision of the Management Board during the year ended 31 March 2011 in conjunction with the Ordinary and Extraordinary General Meeting dated 28 September 2011.

In accordance with legislation, our role is to comment on the management report of the Company's and the Group's activity as prepared by the Management Board, on the Company and consolidated financial statements for the year ended 31 March 2011 and on the other points stated on the agenda included in your meeting notice.

1. Comments on the Company and consolidated financial statements for the year ended 31 March 2011

You have just heard the presentation of the Management Board report and the Company's statutory auditors report.

The Management Board gave us the accounting documents covering the Company and consolidated financial statements for the year ended 31 March 2011, which you will be invited to approve, within the statutory time periods

The Supervisory Board has no comment concerning the Company and consolidated financial statements for the year ended 31 March 2011, as prepared by the Management Board and hereby approves them.

The Supervisory Board recommends that you approve the Company financial statements, approve the earnings appropriation, and decide on the distribution of dividends, as presented by the Management Board.

The Supervisory Board also recommends that you approve the consolidated financial statements including the net profit, Group share appearing therein.

The Supervisory Board also has no comment concerning all the reports prepared by the Management Board.

2. Appointment of a secondary statutory auditor

In accordance with Article L. 225-228 of the French Commercial Code and the recommendation from the Supervisory Board in its capacity as audit committee during its 30 May 2011 meeting (recommendation made pursuant to Article L. 823-19 of the French Commercial Code), the Supervisory Board recommends that in replacement for Mr Michel Bonhomme, you appoint the following new secondary statutory auditor:

Cabinet BEAS
7, Villa Houssay
92200 Neuilly-sur-Seine

for the remaining term of office of Mr Michel Bonhomme, i.e. until the end of the ordinary general meeting, which will approve the financial statements for the year ended 31 March 2013.

Naturally, both Solucom and the secondary statutory auditor will perform all compulsory formalities with regard to the AMF within the statutory deadlines in order to ensure that said appointment be legally valid.

3. Comments on the report of the Supervisory Board Chairman pursuant to the provisions of Article L.225-68 paragraph 7 of the French Commercial Code

We hereby state that during its meeting dated 30 May 2011, the Supervisory Board approved, without qualification or comment, the report of the Supervisory Board Chairman pursuant to the provisions of Article L.225-68 paragraph 7 of the French Commercial Code, as attached to the report of the Management Board.

4. Comments on the other points on the agenda: extraordinary general meeting

The Supervisory Board has no comments on the decisions submitted for your approval and requests that you approve them and vote in favour of all resolutions covering:

- Financial transactions affecting share capital, and authority to be granted to the Management Board in accordance with applicable legislation and regulations;

- Changes to the Company's articles of association (amendment to the division of voting rights between usufructuaries and bare owners if the ownership of Solucom shares is split, establishing shorter terms of office for Supervisory Board members and updating the articles of association to comply with recent legislation and regulations relating to shareholder rights).

Supervisory Board
30 May 2011

Consolidated financial statements for the year ended 31 March 2011

Consolidated income statement

€000

	Note	2010/11	2009/10
REVENUES	16	**108,022**	**103,443**
Other operating income			
Purchases consumed	17	3,426	1,912
Personnel costs (including profit share)	18 & 19	75,987	76,775
External costs		12,882	10,819
Tax other than income tax		1,931	2,597
Net depreciation and provision charges		1,198	1,416
Other underlying income and expenses		(23)	(133)
UNDERLYING OPERATING PROFIT		**12,621**	**10,057**
Other income and expenses from operations		0	(3,044)
OPERATING PROFIT		**12,621**	**7,013**
Financial income	20	7	29
Gross borrowing costs	20	150	193
NET BORROWING COSTS	20	**143**	**164**
Other financial income and expenses	20	69	59
PROFIT BEFORE TAX		**12,547**	**6,908**
Corporation tax	21	5,612	3,656
NET PROFIT FOR THE YEAR		**6,935**	**3,252**
Minority interests		0	0
NET PROFIT (GROUP SHARE)		**6,935**	**3,252**
Basic earnings (Group share) per share (€) (1) (2)	22	1.41	0.66
Diluted earnings (Group share) per share (€) (2)	22	1.40	0.65

(1) Weighted average number of shares during the year excluding treasury shares. (2) In accordance with IAS 33, earnings per share for the years ended 31 March 2011 and 31 March 2010 were calculated based on the number of shares as at 31 March 2011.

Consolidated balance sheet

€000

	Notes	31/3/2011	31/3/2010
NON-CURRENT ASSETS		**31,018**	**30,952**
Goodwill	1	24,364	24,364
Intangible assets	2	296	209
Tangible fixed assets	3 & 4	2,430	2,331
Financial assets	5	648	554
Other non-current assets	7	3,280	3,493
CURRENT ASSETS		**53,736**	**47,794**
Trade receivables	8	33,617	34,770
Other receivables	8	6,092	4,333
Financial assets	5	0	0
Cash and cash equivalents	8 & 9 & 14	14,027	8,691
TOTAL ASSETS		**84,754**	**78,746**
SHAREHOLDERS' EQUITY (GROUP SHARE)		**40,040**	**34,296**
Share capital	10	497	497
Issue, merger and contribution premiums	10	11,219	11,219
Reserves and consolidated retained earnings		28,325	22,581
Minority interests		0	0
TOTAL SHAREHOLDERS' EQUITY		**40,040**	**34,296**
NON-CURRENT LIABILITIES		**3,984**	**5,941**
Long-term provisions	11 & 12	1,674	1,576
Borrowings (due in more than 1 year)	12 & 13 & 14	2,233	4,290
Other non-current liabilities	12	77	75
CURRENT LIABILITIES		**40,730**	**38,508**
Short-term provisions	11 & 15	1,341	989
Borrowings (due in less than 1 year)	13 & 15	2,305	2,386
Trade payables	15	4,007	3,071
Tax and social security liabilities	15	28,712	28,223
Other current liabilities	15	4,365	3,839
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**84,754**	**78,746**

Consolidated cash flow statement

€000

	Note	31/3/2011	31/3/2010
Total consolidated net profit		**6,935**	**3,252**
Elimination of non-cash items:			
Depreciation and provision charges		1,641	4,698
Expense / (income) from stock options and similar items			
Post-tax capital losses / (gains) on sales of assets		7	95
Other non-cash income and expenditure		92	(1,335)
Free cash flow after net borrowing costs and tax		**8,675**	**6,711**
Exchange differences on free cash flow			
Change in working capital		1,163	2,069
Net cash flow from operating activities		**9,838**	**8,780**
Purchase of intangible and tangible fixed assets		(939)	(560)
Sale of fixed assets		1	9
Change in financial assets		(475)	491
Change in consolidation scope		0	(617)
Other cash flow from investing activities			
Net cash flow from investing activities		**(1,413)**	**(676)**
Capital increase - Proceeds from exercise of stock options			
Purchase and sale of treasury shares			
Dividends paid to shareholders of the parent company		(937)	(937)
Dividends paid to minority interests of subsidiaries			
Other cash flows from financing activities		(2,142)	(2,101)
Net cash flow from financing activities		**(3,079)**	**(3,039)**
Net change in cash and cash equivalents	14	**5,346**	**5,065**

Undrawn lines of credit amounted to €6,233,000.

Tax paid amounted to €5,569,000 in 2010/11 and €4,584,000 in 2009/10.

Interest paid amounted to €115,000 in 2010/11 and €165,000 in 2009/10.

Changes in shareholders' equity

€000

	Share capital	Share premium	Consolidated reserves	Net profit for the year	Foreign currency differences	Total shareholders' equity
Consolidated shareholders' equity at 31/3/2009	**497**	**11,219**	**13,327**	**7,015**	**0**	**32,058**
Consolidated net profit for the year				3,252		**3,252**
Fair value adjustment on assets held for sale			86			**86**
Actuarial differences per IAS 19			(191)			**(191)**
Comprehensive net profit			**(105)**	**3,252**		**3,147**
Appropriation of earnings						
Change in parent company share capital			7,015	(7,015)		**0**
Parent company dividends			(937)			**(937)**
Stock options						
Treasury shares						
PAGA provision adjustment			201			**201**
Change in currency differences			(173)			**(173)**
Consolidated shareholders' equity at 31/3/2010	**497**	**11,219**	**19,329**	**3,252**	**0**	**34,296**
Consolidated net profit for the year				6,935		**6,935**
Fair value adjustment on assets held for sale						
Actuarial differences per IAS 19			(8)			**(8)**
Comprehensive net profit			**(8)**	**6,935**		**6,927**
Appropriation of earnings			3,252	(3,252)		**0**
Change in parent company share capital						
Parent company dividends			(937)			**(937)**
Stock options						
Treasury shares			(387)			**(387)**
PAGA provision adjustment			140			**140**
Change in currency differences						
Consolidated shareholders' equity at 31/3/2011	**497**	**11,219**	**21,389**	**6,935**	**0**	**40,040**

The interim dividend paid during the year was €0.19 per share, amounting to a total of €927,000. The final recommended dividend is €0.21 per share, amounting to an estimated total of €1,031,000. There are no items within shareholders' equity that could generate a tax liability. Total accumulated deferred tax assets in respect of items included under shareholders' equity amounted to €18,000 arising from actuarial differences in accordance with IAS 19.

Gains and losses posted to shareholders' equity

€000

	Note	31/3/2011	31/3/2010
Net profit		**6,935**	**3,252**
Fair value adjustment on assets held for sale			86
Actuarial differences per IAS 19		(8)	(191)
Total income and expense posted to shareholders' equity		**(8)**	**(105)**
Comprehensive net profit (Group share)		**6,927**	**3,147**

Notes to the consolidated financial statements

Solucom is a *société anonyme* (public limited company) under French law subject to all regulations governing commercial companies in France, and in particular the provisions of the French Commercial Code. The Company's registered office is located at 100/101 terrasse Boieldieu - 92042 Paris La Défense Cedex. The Company is listed on NYSE Euronext Paris, compartment C

The Group consolidated financial statements comprising Solucom SA and its subsidiaries were approved by the Management Board on 23 May 2011. They will not become final until approval at the Shareholders' General Meeting to be held on 28 September 2011.

I. Highlights for the year

Arcome SAS, a wholly-owned Solucom subsidiary, transferred its entire assets and liabilities to Solucom SA in accordance with a decision of its parent company dated 24 February 2011. This transaction became firm and final on 31 March 2011, following the period of potential opposition from creditors.

This transaction had no impact on the consolidated financial statements.

II. Accounting policies and methods

All amounts given in the notes are stated in thousands of euros.

Consolidation policies

Since 1 April 2005, the consolidated financial statements of Solucom have been established under IFRS accounting standards as adopted in the European Union and European regulation 1606/2002 dated 19 July 2002. These standards consist of IFRS, IAS and their interpretations, which were adopted by the European Union as at 31 March 2011.

The accounting policies applied for these financial statements are identical to those applied by the firm for its consolidated financial statements for the year ended 31 March 2010.

In particular, the firm has applied all IFRS issued by the IASB and all IFRIC interpretations as adopted by the European Union, which can be viewed on the website of the European Union (http://ec.europa.eu/internal_market/accounting/ias_fr.htm#adopted-commission) for financial periods beginning with effect from 1 April 2010; this did not cause a material change in the accounting or presentation policies.

Standards and interpretations adopted by the IASB and the IFRIC and approved by the European Union as at 1 April 2010 and which Solucom have not applied are as follows: - Revision of IFRS 3 “Business Combinations“

This revised standard became mandatory for periods beginning with effect from 1 July 2009. It makes changes to accounting policies for business combinations and to the consolidation scope for subsidiaries following a transfer of control. This amendment was adopted by the European Union on 3 June 2009. Its application has no impact on the 2010/11 consolidated financial statements.

- Amendment to IFRIC 9 “Reassessment of Embedded Derivatives” and IAS 39 “Financial Instruments: Recognition and Measurement".

This standard became mandatory for periods beginning with effect from 30 June 2009. This amendment was adopted by the European Union on 30 November 2009. Its application has no impact on the 2010/11 consolidated financial statements.

- Amendment to IFRS 2 “Group cash-settled share-based payment transactions”

This standard became mandatory for periods beginning with effect from 1 January 2010. This amendment was adopted by the European Union on 23 March 2010. Its application has no impact on the 2010/11 consolidated financial statements.

Revision of IAS 27 “Consolidated and Separate Financial Statements”

This revised standard became mandatory for periods beginning with effect from 1 July 2009. This amendment was adopted by the European Union on 23 January 2009. However, its application has no impact on the 2010/11 consolidated financial statements.

- Amendment to IAS 32 “Financial Instruments: Presentation"
This standard became mandatory for periods beginning with effect from 31 January 2010. This amendment was adopted by the European Union on 23 December 2009. Its application has no impact on the 2010/11 consolidated financial statements.

- Amendments to IAS 39 “Exposures qualifying for hedge accounting”

This amendment was published on 31 July 2008. This revised standard became mandatory for periods beginning with effect from 1 July 2009. This amendment was adopted by the European Union on 15 September 2009. Its application has no impact on the 2010/11 consolidated financial statements.

- IFRIC 16 “Hedges of a Net Investment in a Foreign Operation”

This standard became mandatory for periods beginning with effect from 1 October 2008. This amendment was adopted by the European Union on 4 June 2009. Its application has no impact on the 2010/11 consolidated financial statements.

- IFRIC 17 “Distributions of non-cash assets to owners”

This standard became mandatory for periods beginning with effect from 1 July 2009. This amendment was adopted by the European Union on 26 November 2009. Its application has no impact on the 2010/11 consolidated financial statements.

- IFRIC 18 “Transfers of Assets from Customers”

This standard became mandatory for periods beginning with effect from 1 July 2009. This amendment was adopted by the European Union on 27 November 2009. Its application has no impact on the 2010/11 consolidated financial statements.

Standards and interpretations adopted by the IASB or the IFRIC and adopted by the European Union have not been applied in advance. In accordance with the option offered, standards that Solucom has not applied are as follows:

- Amendment to IAS 24 “Related Party Disclosures”

This revised standard only became mandatory for periods beginning with effect from 1 January 2010. This amendment was adopted by the European Union on 19 July 2010. However, its application will have no impact on the consolidated financial statements.

- Amendment to IFRIC 14 "Limit on a Defined Benefit Asset, Minimum Funding Requirements"

This revised standard only became mandatory for periods beginning with effect from 1 January 2010. This amendment was adopted by the European Union on 19 July 2010. However, its application will have no impact on the consolidated financial statements.

- IFRIC 19 “Extinguishing Financial Liabilities with Equity”

This standard will only become mandatory for periods beginning with effect from□1 July 2009 but early application is permissible. This amendment was adopted by the European Union on 23 July 2010. However, its application will have no impact on the consolidated financial statements.

Standards and interpretations adopted by the IASB and the IFRIC but not yet adopted by the European Union have not been applied in advance. In accordance with the option offered, standards that Solucom has not applied are as follows:

- IFRS 9 "Financial Instruments" (phase 1: classification and measurement of financial assets)

This standard will be mandatory for periods beginning with effect from 1 January 2013. It has not yet been adopted by the European Union. However, its application will have no impact on the consolidated financial statements.

-Amendment to IAS 12 "Income taxes" regarding deferred tax

This revised standard will only become mandatory for periods beginning with effect from 1 January 2012. It has not yet been adopted by the European Union. However, its application will have no impact on the consolidated financial statements.

- Revision to IAS 27 (2011) “Separate Financial Statements”

This revised standard will only become mandatory for periods beginning with effect from 1 January 2013. It has not yet been adopted by the European Union. However, its application will have no impact on the consolidated financial statements.

- Revision to IAS 28 (2011) "Investments in associates and joint ventures"

This revised standard will only become mandatory for periods beginning with effect from 1 January 2013. It has not yet been adopted by the European Union. However, its application will have no impact on the consolidated financial statements.

- Amendment to IFRS 7 “Disclosures about transfers of financial assets”

This revised standard has not yet been adopted by the European Union. However, its application will have no impact on the consolidated financial statements. This amendment enhances understanding about transfers of financial assets (e.g. securitisations) and establishes additional mandatory disclosures. This standard defines control as the determining factor for consolidating all entities.

- IFRS 9 "Financial instruments regarding financial liabilities"

This standard will only become mandatory for periods beginning with effect from 1 January 2013. This standard has not yet been adopted by the European Union. However, its application will have no impact on the consolidated financial statements.

- IFRS 10 “Consolidated Financial Statements”

This standard will only become mandatory for periods beginning with effect from 1 January 2013. This standard has not yet been adopted by the European Union. However, its application will have no impact on the consolidated financial statements. This standard provides a unique consolidation method which identifies the concept of control as the determining factor in the consolidation of all types of entities.

- IFRS 11 "Joint arrangements”

This standard will only become mandatory for periods beginning with effect from 1 January 2013. This standard has not yet been adopted by the European Union. However, its application will have no impact on the consolidated financial statements.

This standard focuses on the rights and obligation of joint arrangements rather than on their legal form.

- IFRS 12 “Consolidated Financial Statements”

This standard will only become mandatory for periods beginning with effect from 1 January 2013. This standard has not yet been adopted by the European Union. However, its application will have no impact on the consolidated financial statements. This standard combines disclosures on investments in subsidiaries, joint arrangements, associates and structured entities into a single standard.

Lastly, stock option plans granted after 7 November 2002 have not been adjusted given that the rights were vested as of 1 April 2004. Since this date, no new stock option plan has been issued.

Consolidation principles

Solucom is the Group’s parent company for purposes of the consolidated financial statements.

The financial statements of companies under the exclusive control of Solucom are consolidated under the full consolidation method.

Solucom does not exercise any major influence or joint control over any company. The firm does not control any special purpose entity either directly or indirectly.

The financial statements of consolidated companies are adjusted where necessary in order to ensure standard accounting and valuation policies.

The financial statements of consolidated companies are all established as at 31 March 2011.

After Arcome SAS, a wholly-owned Solucom subsidiary, transferred its entire assets and liabilities to Solucom SA as of 31 March 2011, Arcome SAS was wound up with no liquidation and Solucom SA did not change its name as a result.

Foreign currency conversion

As no company with foreign currency financial statements has been consolidated since the year ended 31 March 2005, this policy is no longer applied.

Goodwill

The internal organisation of the firm shows that each company included in the consolidation corresponds to a Cash Generating Unit (CGU). Every year end or whenever there is an indication of loss in value, an impairment test is carried out on each of the equity investments that include goodwill. These tests are based on the discounted cash flow method. Cash flows are determined on the basis of forecasts established over a period of 5 years. Infinite growth of 3% is assumed after the sixth year, this rate appearing reasonable in the light of past performance in the IT services sector. Cash flows arising from these forecasts are then discounted at 12%, which takes account of 10-year risk-free rates, a market risk premium, the observed beta coefficient for comparable quoted companies including Solucom, and finally a risk premium specific to Solucom.

In addition, an analysis of the sensitivity of the value to changes in the key assumptions used (in particular rates of growth to infinity and discount rates) provides a check on the impact of reasonably foreseeable changes in these assumptions.

Impairment tests carried out as at 31 March 2011 did not reveal any loss of value.

Use of estimates

Preparing financial statements under IFRS requires the use of estimates and assumptions underlying the valuation of certain accounts in the financial statements, in particular under the following chapters:

- Estimated useful life for fixed asset depreciation
- Valuation of provisions and pension liabilities
- Valuations used for impairment tests
- Valuation of financial instruments at fair value
- Estimate of accrued income and expenses

The firm regularly revises its assessments in the light of historic data and the financial and economic context in which it is operating. Consequently, this could impact the data disclosed in the firm's future financial statements.

Intangible and tangible fixed assets

All fixed assets belong to Solucom, with the exception of leased assets.

Software and tangible fixed assets are stated at cost less accumulated amortisation, depreciation and impairment. Interest costs are not capitalised and therefore are booked as expenses for the year.

Every identified component of a fixed asset is accounted for and depreciated separately.

Depreciation and amortisation are applied on a straight line basis with no deduction for residual value, based on the estimated useful lives of the assets, which are reviewed in respect of material assets every year. The initial estimated useful life is prolonged or shortened if conditions of use change.

Material tangible fixed assets that are held under a leasing contract are capitalised and depreciated according to the asset's estimated useful life.

Depreciation periods generally employed are as follows:

- Software: 3 years
- Fixtures and fittings: 6 or 9 years
- Cars: 4 years
- IT equipment: 3 years
- Office furniture: 9 years

Impairment and recoverable value of non-current assets

Intangible and tangible fixed assets are subject to impairment tests under certain circumstances.

Fixed assets with an indefinite useful life (e.g. goodwill - see note II.4),) are tested at least once a year, and each time there is an indication of loss in value.

For other fixed assets, tests are carried out only when there is an indication of loss in value. The firm writes down the value of intangible and tangible fixed assets (including goodwill) of a cash generating unit whenever the net book value of assets exceeds the recoverable value.

Each company within the consolidation constitutes a cash generating unit, being the smallest entities having independent and definable cash flows.

Finance lease contracts

When the firm finances the acquisition of a material tangible fixed asset through leasing, its value is recorded under fixed assets and depreciated in the manner and for the periods described above. The corresponding debt is entered under liabilities.

Deposits and sureties

Deposits and sureties falling due in over 1 year that do not carry interest are discounted to present value in accordance with IAS 39 "Financial instruments".

The effect of the discounting at the outset together with the progressive write-back each year is posted to financial items.

The discounting rate is 3.61% per year.

Non-current financial assets

Non-current financial assets comprise loans and receivables due in more than 1 year valued at cost less impairment and repayments. Purchases and sales of financial assets are accounted for at the date of settlement.

Receivables

Receivables are stated at face value. A bad debt provision is set aside if the realisable value is lower than book value.

Cash and cash equivalents

Cash and cash equivalents stated in the balance sheet comprise cash, demand deposits and cash equivalents.

Cash equivalents are investment securities that meet the criteria specified under IAS 7, namely short-term investments that are easily converted into a known amount of cash and are exposed to negligible risk of loss.

They are initially recorded at cost, and subsequently restated at fair value corresponding to market price at the balance sheet date (in the case of listed investments). Changes in fair value are taken to net borrowing costs. Net capital gains or losses on sale are also recorded under net borrowing costs.

Treasury shares

Solucom holds treasury shares as part of its share buy-back programme that was authorised at the shareholders general meeting.

The accounting policy for treasury shares under IAS 32-39 specifies that all treasury shares must be deducted from consolidated shareholders' equity, regardless of the reason for buying or holding them and their accounting treatment in the individual companies concerned. Furthermore, any gains on sale of treasury shares and any impairment provisions on them must also be posted to shareholders' equity.

Employee benefits

Pursuant to IAS 19 "Employee benefits", liabilities and expenses arising from defined benefit schemes are valued by independent actuaries based on the projected unit of credit method. The firm only has a liability in respect of one-off compensation paid on retirement.

The assumptions underlying the calculation are as follows:

- Application of the collective agreement for research office staff
- High staff turnover
- Mortality table TF-TH 2000-02 with age offsets to take into account increased life expectancy of recent generations
- Social security rate: 45%
- Salary inflation: 2.00%
- Discount rate: 4.96%
- Retirement age: 65 years
- Leavers on the initiative of the employee

The increase in the liability caused by the change in the retirement indemnity calculation tables (pursuant to amendment no. 28 dated 28 April 2004 to the collective staff agreement) was spread over the forecast average remaining period of employment as at 31 March 2011 of 4.5 years for Solucom, 5.7 years for Idesys and 5.8 years for Arcome. The charge reflected in the income statement for the year is €5,000 and there is no outstanding balance to be charged over future years.

An actuarial gain of €36,000 arose for the year ended 31 March 2011 due to demographic changes, a change in staff turnover, and a change in the discount rate.

Pursuant to the option available under the amendment to IAS 19 - “Employee benefits” applicable to periods beginning with effect from 1 January 2006, Solucom recorded all cumulative backdated actuarial differences within shareholders’ equity as at 31 March 2011. The impact on shareholders’ equity amounted to a €191,000 decrease net of deferred tax for the year ended 31 March 2010 and a €8,000 increase net of deferred tax for the year ending 31 March 2011.

The P&L expense of €134,000 breaks down as follows:

- Cost of services rendered: €177,000
- Interest expense for the year: €72,000
- Cost of past services: €5,000
- Pensions paid: €(120,000)

Certain other employee benefits are also provided under defined contribution schemes. Contributions for such schemes are expensed when incurred.

The firm has no other long-term staff commitments or one-time retirement compensation.

Loans and borrowings

Loans and borrowings include liabilities arising from the capitalisation of finance leases, loans from financial institutions and bank overdrafts. Amounts due in less than 1 year are disclosed under current borrowings. Borrowings are stated at the outstanding principal amount owing based on the actual interest rate method.

Contingent assets and liabilities

Not applicable.

Recognition of revenues

IAS 18 "Revenue Recognition" and IAS 11 "Construction contracts" (in respect of revenue recognition for fixed price projects) are applied for all revenues of Solucom companies. They do not have a material impact on the existing method for accounting for revenues.

Services charged on time spent

Revenues from services charged on time spent are booked as and when the services are rendered. The amounts booked are valued based on the contractual sales price and the billable time spent. Accrued or deferred income is recorded when there is a timing difference between the invoices issued and the stage of completion of the project.

Fixed price services

Revenues are recorded in line with the stage of completion of the projects based on costs incurred and future costs of the project. A provision for loss on completion is set aside on individual contracts when a loss is forecast. Accrued or deferred income is recorded when there is a timing difference between the invoices issued and the stage of completion of the project.

Fixed subscription revenues

These revenues are booked on an accruals basis over the period of the contract. Accrued or deferred income is recorded when there is a timing difference between the invoices issued and the period accrued.

Deferred tax

Deferred tax is calculated for each company separately in respect of timing differences between the book value of the assets and liabilities and their tax value.

Pursuant to IAS 12, deferred tax assets are reviewed for each company separately and are only recorded to the extent that future income is estimated to be sufficient to cover the assets and if they are expected to reverse within ten years.

Adjustments arising from lease contracts give rise to deferred tax.

Deferred tax assets and liabilities are calculated using the tax rates that are expected to apply in the year when the assets will be realised or the liabilities will be settled.

Deferred tax in respect of items booked directly to shareholders' equity is posted to shareholders' equity.

Research and development costs

No development costs were capitalised or expensed during the year.

Segment reporting

Since Solucom only markets one type of service (management consulting and IT services), and all such services are subject to the same risks and generate similar operational margins, no distinct business segments have been defined. Furthermore, virtually all revenues are generated in France.

Accounting treatment of CVAE

The French 2010 Finance Act, which was voted in the French parliament on 30 December 2009, cancelled *taxe professionnelle* (local French tax for businesses) for French tax-paying businesses with effect from 2010 and it was replaced by the following two new taxes:

- *Cotisation Foncière des Entreprises* (C.F.E – business property tax) based on the existing property rental values under *Taxe Professionnelle*;
- *Cotisation sur la Valeur Ajoutée des Entreprises* (C.V.A.E – tax on business added value), based on the added value stated in the company financial statements.

Following the tax change mentioned above, the firm reviewed its accounting of French tax in relation to IFRS, taking account of the most recent analyses available on tax accounting methods, in particular those provided by IFRIC.

Solucom considered that the above tax change in reality represented a replacement of *taxe professionnelle* by two new taxes of different types:

- CFE is calculated based on property rental values and therefore may by capped at a percentage of value added ; this method bears major similarities with *taxe professionnelle* and in 2011 is therefore posted to operating expenses as the expense for *taxe professionnelle* used to be;
- CVAE, based on Solucom's analysis, meets the definition of a tax on income as stated under IAS 12.2 ("Taxation due based on taxable income"). To perform its analysis, the Company took account of IFRIC's May 2006 and May 2009 decisions to reject additions to its agenda in relation to the scope of IAS 12 "Income Taxes". Indeed IFRIC specified that tax must be calculated based on the net amount of income and expenses and this amount must be identical to the net accounting profit. The Group considered that CVAE met the criteria stated in this conclusion, given that the value added represents an intermediary level of profit which is always used as the base under French tax rules, in order to calculate the tax due in respect of CVAE.

Pursuant to IAS 12, classifying CVAE as a tax on income prompted the firm as from the year ended 31 March 2010 to post:

- The total CVAE tax provision as a current tax expense
- Deferred tax on timing differences at 31 March 2010 as a net expense in the income statement for the year. This deferred tax expense is included under the line "Corporation tax".

III SCOPE OF CONSOLIDATION

III.1 Companies included in the consolidation

Arcome transferred its entire assets and liabilities to Solucom SA as at 31 March 2011.

The consolidated financial statements include the accounts of the following companies:

Company	% interest	Nationality	Number of months consolidated
Solucom	Parent company	France	12
Idesys	100%	France	12
Arcome	100%	France	12
Solucom DV	100%	France	12
New'Arch	100%	France	12
KLC	100%	France	12
Cosmosbay~Vectis	95%	France	12

All the above companies were consolidated under the full consolidation method.

IV – NOTES ON CERTAIN BALANCE SHEET AND INCOME STATEMENT ACCOUNTS

Note 1 - Capitalised goodwill

(€000)	Book value at 31/3/2010	Change in consol.	Reduction for the year	Book value at 31/3/2011
Idesys	5,111			5,111
Solucom DV	6,470			6,470
New'Arch	3,245			3,245
KLC	1,786			1,786
Cosmosbay~Vectis	7,752			7,752
Total	**24,364**	**-**	**-**	**24,364**

No impairment of goodwill was posted during the year.

Note 2 – Intangible fixed assets

Gross	31/3/2010	Change in consol.	Increase	Reduction	31/3/2011
Software	1,322		221	40	1,503
Total	**1322**		**221**	**40**	**1,503**
Amortisation	**31/3/2010**	**Change in consol.**	**Increase**	**Reduction**	**31/3/2011**
Software	1,113		134	40	1,207
Total	**1,113**		**134**	**40**	**1,207**
Total net book value	**209**		**87**	**-**	**296**

No intangible fixed assets are subject to restrictions on ownership.

Note 3 - Tangible fixed assets

No tangible fixed assets are subject to restrictions on ownership with the exception of assets held under finance leases.

The change in the account “fixed asset payables” amounted to an increase of €152,000 in the year ended 31 March 2011 compared to an increase of €9,000 in the year ended 31 March 2010.

Gross	31/3/2010	Change in consol.	Increase	Reduction	31/3/2011
Other tangible fixed assets	3,997		642	169	4,470
Other leased fixed assets	2,226		229	7	2,448
Fixed assets in progress			432	432	
Total	**6,223**		**1,303**	**608**	**6,918**
Depreciation	**31/3/2010**	**Change in consol.**	**Increase**	**Reduction**	**31/3/2011**
Other tangible fixed assets	2,299		403	168	2,534
Other leased fixed assets	1,593		362	1	1,954
Total	**3,892**		**765**	**169**	**4,488**
Total net book value	**2,331**		**106**	**7**	**2,430**

Note 4 – Leases

Net book value by asset category:

Asset category	31/3/2011	31/3/2010
IT and office equipment	494	633
Total	**494**	**633**

Impact on the income statement:

Income statement;	31/3/2011	31/3/2010
Depreciation charge recorded	361	391
Impairment charges recorded		
Financial expenses	19	29
Gains in value posted to income		
Lease instalments for the year adjusted	388	416
Total	**8**	**(4)**

Lease instalments:

Lease instalments	31/3/2011	31/3/2010
Initial value of assets	**2,448**	**2,226**
Instalments paid:		
- in prior years	1,735	1,205
- during the year	388	416
Total	**2,123**	**1,621**
Outstanding instalments payable:		
- due in less than 1 year	274	356
- due in more than 1 year and less than 5 years	224	272
- due in more than 5 years	0	0
Total instalments	**497**	**628**
Of which future interest expense	*24*	*25*
Residual value at the end of the contract	24	22

Note 5 – Financial assets

(€000)	31/3/2010	Change in consol.	Increase	Reduction	31/3/2011
Deposits and sureties	612		117	67	661
Hedges	-		-	-	-
Securities held for sale	-		-	-	-
Total	**612**		**117**	**67**	**661**

No deposits and sureties have been written down in the past three financial years.

Solucom acquired a cap to hedge against any future increase in variable interest rates on a €10,000,000 loan taken out at the end of March 2008 and repayable over five years. The premium paid with respect to this cap amounted to €76,000. Its fair value was written off during 2008/09.

By maturity:

Deposits and sureties	31/3/2011	31/3/2010
Due in less than 1 year (1)	13	58
Due in more than 1 year and less than 5 years	370	194
Due in more than 5 years	278	360
Total	661	612

(1) Reclassified under "Other receivables"

Impact on the income statement:

Impact of discounting deposits	31/3/2011	31/3/2010
Initial value	776	723
Accumulated discounting brought forward	111	135
Discounting expense	5	4
Discounting income	1	28
Net book value (1)	661	612

(1) The amount due in less than 1 year has been reclassified under "Other receivables"

A 1% increase in the discount rate for the deposits would result in a €28,000 charge to earnings for the year ended 31 March 2011 compared to a €29,000 increase to earnings in the event of a 1% reduction in the discount rate.

In terms of sensitivity, the fair value of the cap held as an interest rate hedge depends on the market's forecast of how the value will move in the future.

Note 6 - Operating leases

Maturity at 31 March 2011:

(€000)	Total	Due in less than 1 year	Due in more than 1 year and less than 5 years	Due in more than 5 years
Lease payments for the year	**9,419**	3,175	6,110	134
Total	**9,419**	**3,175**	**6,110**	**134**

Maturity at 31 March 2010:

(€000)	Total	Due in less than 1 year	Due in more than 1 year and less than 5 years	Due in more than 5 years
Lease payments for the year	**7,458**	2,555	4,746	157
Total	**7,458**	**2,555**	**4,746**	**157**

For real estate leases, the maturity period stated above is based on the earliest opportunity to cancel the various leases.

Note 7 - Non-current assets

Gross	31/3/2010	Change in consol.	Change	31/3/2011
Deferred tax assets	3,493		(213)	3,280
Total	**3,493**		**(213)**	**3,280**

Note 8 – Current assets

Gross	31/3/2010	Change in consol.	Change	31/3/2011
Trade receivables	34,866		(1,229)	33,637
Sub-total "Trade receivables"	***34,866***		***(1,229)***	***33,637***
Advances and payments on account	59		83	142
Employee receivables	195		40	235
Tax receivables	3,020		965	3,985
Deposits and sureties	58		(45)	13
Other debtors	97		(59)	38
Prepaid expenses	907		775	1,682
Sub-total "Other receivables"	***4,336***		***1,759***	***6,095***
Financial instruments				
Assets held for sale	-		-	-
Sub-total "Financial assets"	***-***		***-***	***-***
Money market SICAV - cash equivalents	7,523		1,396	8,919
Cash	1,168		3,940	5,108
Sub-total "Cash and cash equivalents"	***8,691***		***5,336***	***14,027***
Total	**47,893**		**5,866**	**53,759**
Impairment	**31/3/2010**	**Change in consol.**	**Change**	**31/3/2011**
Trade receivables	96		(76)	20
Sub-total "Trade receivables"	***96***		***(76)***	***20***
Other debtors	3		-	3
Sub-total "Other receivables"	***3***		***-***	***3***
Total	**99**		**(76)**	**23**

Net	31/3/2010	Change in consol.	Change	31/3/2011
Sub-total "Trade receivables"	*34,770*		*(1,153)*	*33,617*
Sub-total "Other receivables"	*4,333*		*1,759*	*6,092*
Sub-total "Financial assets"	*-*		*-*	*-*
Sub-total "Cash and cash equivalents"	*8,691*		*5,336*	*14,027*
Total net book value	**47,794**		**5,942**	**53,736**

The firm reviews each trade receivable separately and if necessary, records a specific bad debt provision taking account of the client's situation and any overdue payments. There is no general bad debt provision in the accounts.

Note 9 – Marketable securities

Type of marketable securities	31/3/2011		
	Value at cost	Gain/loss	Consolidated book value
Money market SICAV - cash equivalents	8,915	4	8,919
Total	**8,915**	**4**	**8,919**

Type of marketable securities	31/3/2010		
	Value at cost	Gain/loss	Consolidated book value
Money market SICAV - cash equivalents	7,521	2	7,523
Total	**7,521**	**2**	**7,523**

Note 10 – Share capital

As at 31 March 2011, the share capital of Solucom SA, the parent company, is made up of 4,966,882 fully paid-up shares, each with a nominal value of €0.10.

58,451 treasury shares were held at 31 March 2011.

Furthermore, with the approval of the extraordinary and ordinary general meetings of 30 September 2005 and 25 September 2009, Solucom's Management Board decided to issue existing or future shares free of charge to senior executives of the firm every year. Under the relevant schemes, free shares will be issued following a period subject to the senior executives being present and investing personally in Solucom shares; the number of shares issued will also depend on performance criteria based on meeting a pre-defined level of consolidated underlying operating profit.

In addition, with the approval of the extraordinary and ordinary general meeting of 28 September 2007, Solucom's Management Board decided to issue, every year, existing or future shares free of charge to Solucom Group employees or certain staff categories, in conjunction with the employee savings plan introduced by the firm.

The expense of the employee benefit arising on each of the plans has been accrued under expenses as a specific provision and under shareholders equity in the financial statements for the year ended 31 March 2011.

Note 11 – Provisions

Provisions mainly relate to one-time compensation paid on retirement as calculated by an independent actuary, industrial tribunal litigation estimated by an independent lawyer based on the most probable risk, and if applicable bad debt provisions.

(€000)	31/3/2010	Change in consol.	Change in deferred tax	Increase	Reductions		31/3/2011
					Paid	Written-back	
Short-term provisions							
Provisions for risks	942			855	356	180	1,262
Provisions for penalties	47			52		20	79
Provisions for charges							
Total	**989**			**908**	**356**	**200**	**1,341**
Long-term liabilities							
Provisions for IFC	1,576			218	120		1,674
Provisions for risks							
Total	**1,576**			**218**	**120**		**1,674**
Total	**2,565**			**1,126**	**476**	**200**	**3,015**

Impact of provisions on earnings for the year ended 31 March 2011:

(€000)	Change in deferred tax	Increase	Reductions	
			Paid	Written-back
Underlying operating profit		1,162	476	200
Operating profit				
Total		**1,162**	**476**	**200**

Note 12 – Non-current liabilities

Gross	31/3/2010	Change in consol.	Change	31/3/2011
Long-term provisions	1,576		98	1,674
Borrowings (Leases due in over 1 yr)	272		(48)	224
Borrowings (Loans due in over 1 yr)	4,018		(2,009)	2,009
Other liabilities	-		-	-
Tax payables	75		2	77
Deferred tax liabilities	-		-	-
Total	**5,941**		**(1,957)**	**3,984**

Note 13 – Borrowings

(€000)	Balance at 31/3/2010	Change in consol.	Change	Balance at 31/3/2011
Due in more than 1 year	**4,290**		**(2,057)**	**2,233**
Borrowings (Leases due in over 1 yr)	272		(48)	224
Loans from financial institutions (due in over 1 yr)	4,018		(2,009)	2,009
Due in less than 1 year	**2,386**		**(81)**	**2,305**
Loans from financial institutions	2,009		-	2,009
Miscellaneous loans and borrowings	2		(2)	-
Borrowings (Leases)	356		(82)	274
Current account bank overdrafts	18		(13)	5
Accrued interest	1		16	17
Total	**6,676**		**(2,138)**	**4,538**

By interest rate category:

	At 31 March 2011:		At 31 March 2010:	
(€000)	Fixed rate	Variable rate	Fixed rate	Variable rate
Non-current liabilities	224	2,009	272	4,018
Current liabilities	296	2,009	377	2,009
Total	**520**	**4,018**	**649**	**6,027**

Given the level of the Group's debt and the fixed rate applied, a 1% increase in EURIBOR 6 months would result in a €70,000 reduction in earnings for the year ended 31 March 2011 compared to a €70,000 increase to earnings in the event of a 1% reduction in EURIBOR 6 months.

Maturity at 31 March 2011:

(€000)	Total	Due in less than 1 year	Due in more than 1 year and less than 5 years	Due in more than 5 years
Non-current liabilities	2,233		2,233	
Current liabilities	2,305	2,305		
Total	**4,538**	**2,305**	**2,233**	**-**

Maturity at 31 March 2010:

(€000)	Total	Due in less than 1 year	Due in more than 1 year and less than 5 years	Due in more than 5 years
Non-current liabilities	4,290		4,290	
Current liabilities	2,386	2,386		
Total	**6,676**	**2,386**	**4,290**	

Sureties granted as security for these loans are described below under Note 24.There was no default on any of the loans during the year.All loans are denominated in euros and the contractual terms and conditions are as follows:

Solucom SA loan contracted with Société Générale:

- Value at the outset: €6,000,000
- Beginning date: 27 March 2008
- Term: 5 years
- Repayment instalments: every half year
- Interest rate: variable (EURIBOR 6 months)

Solucom SA loan contracted with BNP Paribas:

- Value at the outset: €4,000,000
- Beginning date: 28 March 2008
- Term: 5 years
- Repayment instalments: every half year
- Interest rate: variable (EURIBOR 6 months)
- Other: commitment to hedge the interest rate risk on 50% of the loan, over a three year period, against the impact of an increase of more than 150bp in the EURIBOR six months index as of 26 March 2008.

Note 14 – Net debt

At 31 March 2011:

At 31/3/2011:	Total	Due in less than 1 year	Due in more than 1 year and less than 5 years	Due in more than 5 years
Loans from financial institutions	**4,018**	2,009	2009	
Finance lease liabilities	**497**	273	224	
Loans and borrowings	**17**	17		
Loans and borrowings	**4,533**	**2,300**	**2,233**	
Current account bank overdrafts	**(5)**	(5)		
Cash equivalents stated at cost	**8,915**	8,915		
Cash	**5,108**	5,108		
Cash net of bank overdrafts (1)	**14,018**	**14,018**		
Fair value adjustment on cash equivalents	**4**	4		
Consolidated net cash and cash equivalents	**14,022**	**14,022**		
Net debt	**(9,489)**	**(11,722)**	**2,233**	

(1) See cash flow statement

At 31 March 2010:

At 31/3/2010:	Total	Due in less than 1 year	Due in more than 1 year and less than 5 years	Due in more than 5 years
Loans from financial institutions	**6,027**	2,009	4,018	
Finance lease liabilities	**628**	356	272	
Loans and borrowings	**3**	3		
Loans and borrowings	**6,658**	**2,368**	**4,290**	
Current account bank overdrafts	**(17)**	(17)		
Cash equivalents stated at cost	**7,521**	7,521		
Cash	**1,168**	1,168		
Cash net of bank overdrafts (1)	**8,672**	**8,672**		
Fair value adjustment on cash equivalents	**2**	2		
Consolidated net cash and cash equivalents	**8,674**	**8,674**		
Net debt	**(2,016)**	**(6,306)**	**4,290**	

(1) See cash flow statement

Note 15 – Current liabilities

All liabilities are denominated in euros

(€000)	31/3/2010	Change in consol.	Change	31/3/2011
Short-term provisions	989		352	1,341
Borrowings (due in less than 1 year)	2,386		(81)	2,305
Trade payables	3,071		936	4,007
Advances and payments on account	379		133	512
Social security liabilities	16,902		532	17,434
Tax payables	10,656		107	10,763

Fixed asset payables	199		152	351
Tax payables (corporation tax)	665		(150)	515
Other liabilities	998		47	1,045
Deferred income	2,263		194	2,457
Total	**38,508**		**2,222**	**40,730**

Note 16 – Revenues

Virtually all consolidated revenues of the firm are earned in France.

Note 17 – Purchases consumed

(€000)	31/3/2011	31/3/2010
Sub-contracting costs	3,426	1,853
Other purchases consumed	-	59
Total	**3,426**	**1,912**

Note 18 – Personnel costs

(€000)	31/3/2011	31/3/2010
Wages and salaries	51,610	52,229
Social security charges	24,377	24,546
Total	**75,987**	**76,775**
Average number of employees (FTE)	**31/3/2011**	**31/3/2010**
Engineers and managers	894	908
Employees	41	38
Total	**935**	**946**

Note 19 – Directors remuneration

(€000 or number)	31/3/2011	31/3/2010
Remuneration for members of the management board	366	367
Remuneration for members of the supervisory board	69	68
Other remuneration		-
Post retirement benefits		-
Other long-term benefits		-
End of employment compensation		-
Share-based remuneration	-	94
Number of stock options held by directors		-

Note 20 – Financial items

(€000)	31/3/2011	31/3/2010
Net gains on sale of cash equivalents	5	5
Loan interest	(150)	(193)
Net gains on sale of assets held for sale	-	25
Fair value adjustments on cash equivalents	2	(1)
Net borrowing costs	(143)	(164)
Fair value adjustments on other financial assets	71	59
NET FINANCIAL ITEMS	**(74)**	**(105)**

Note 21 – Corporation tax

Net corporation tax charge:

(€000)	31/3/2011	31/3/2010
Current tax charge	5,441	4,611
Deferred tax	171	(955)
Total	**5,612**	**3,656**

At 31 March 2011, the value of deferred tax maturing in more than one year amounts to €2,494,000.

All potential deferred tax has been recognised except for deferred tax relating to Cosmosbay~Vectis, given that even if this company's return to profit continues in line with objectives, it still posted a net loss for the year ended 31 March 2011. For reasons of prudence, in view of the time that would theoretically be necessary to use up the €1,890,000 of unrelieved losses of Cosmosbay~Vectis that are capitalised as assets on the consolidated opening balance sheet for the year, it has been decided not to recognise any additional deferred tax assets in respect of this subsidiary. However, cash flow forecasts for Cosmosbay~Vectis based on realistic assumptions for future years do not cast doubt on the recoverability of the existing deferred tax assets.

Furthermore, the French 2010 Finance Act cancelled *taxe professionnelle* (local French tax for businesses) for French tax-paying businesses with effect from 2010 and replaced it by two new taxes, namely *Cotisation Foncière des Entreprises* (C.F.E – business property tax) and *Cotisation sur la Valeur Ajoutée des Entreprises* (C.V.A.E – tax on business added value).

In accordance with the CNC opinion dated 14 January 2010, Solucom opted to account for C.V.A.E under the line Corporation Tax with effect from 2010. The C.V.A.E. tax charge within Corporation Tax amounted to €1,406,000, the related deferred tax liability was €25,000 and the related deferred tax asset amounted to €1,000.

Sources of deferred tax:

(€000)	Consolidated balance sheet		Income statement;	
	31/3/2011	31/3/2010	31/3/2011	31/3/2010
Timing differences on provisions	812	1,023	213	(807)
Of which capitalised tax losses	1,890	1,890		
Discounting on deposits	39	38	(2)	8
Consolidation entries and other	538	542	(37)	(150)
Total deferred tax assets	**3,280**	**3,493**	**174**	**(949)**
Consolidation entries and other	26	23	3	(6)
Fair value adjustments on marketable securities	-	-	-	-
Total deferred tax liabilities	**26**	**23**	**3**	**(6)**
Deferred tax charge/(income)			**171**	**(955)**

Tax reconciliation:

The difference between the theoretical corporation tax charge and the actual net corporation tax charge is analysed as follows:

€000	31/3/2011	31/3/2010
Consolidated net profit	6,935	3,252
Tax charge (income)	5,612	3,656
CVAE	(1,406)	(332)
Tax credits	(96)	(54)
Profit before tax	11,045	6,522
Statutory tax rate	33.33%	33.33%
Theoretical tax charge	**3,681**	**2,174**
Reconciliation:		
Permanent differences	95	1,093
Deferred tax not capitalised	375	-
Income taxed at a different rate	67	65
Tax credits	(12)	(8)
CVAE	1,406	332
Actual tax charge	**5,612**	**3,656**

Note 22 – Diluted earnings per share

Earnings per share	31/3/2011	31/3/2010
Net profit for the year (Group share)	6,935	3,252
Weighted average number of shares in issue (1)	4,908 431	4,908,431
Basic earnings per share, Group share	1.41	0.66
Number of shares in issue at 31 March (1)	4,908 431	4,908,431
Number of potential shares - stock options	0	0
Total number of potential and issued shares	4,966,882	4,966,882
Diluted earnings per share, Group share	1.40	0.65

(1) Excluding treasury shares

Dilutive financial instruments are specified under Note 10 - Share capital.

In accordance with IAS 33, earnings per share for the years ended 31 March 2010 and 31 March 2011 were recalculated based on the number of shares as at 31 March 2011.

Note 23 – Financial instruments

Solucom holds the following financial instruments:

• Investments in risk-free money market SICAV (French mutual funds), exclusively indexed on EONIA,

• Treasury shares,

• An interest rate cap amounting to €76,000, the fair value of which was written off during 2008/09.

Note 24 – Off-balance sheet commitments

By category:

Off-balance sheet commitments	31/3/2011	31/3/2010
Pledges, mortgages and actual sureties	22,182	25,180
- of which pledged shares in subsidiaries	*22,182*	*25,180*
Endorsements and guarantees given	0	0
- of which guarantees given as security for loans	*0*	*0*
Other commitments given	9,419	7,458
- of which operating leases	*9,419*	*7,458*
Endorsements and guarantees received	7,482	12,333
- of which endorsements and bank guarantees received for liabilities	*1,249*	*1,249*

By maturity:

The pledge of shares in subsidiaries relates to shares of Solucom DV, New'Arch and Cosmosbay~Vectis, which are pledged to banks as security for loans. These loans mature in 2014 and 2015.

See Note 6 - Operating leases for the periods of commitments given for operating leases.

The endorsements and bank guarantees received of €7,482,000 represent security for:

- €1,249,000 of liability guarantees included in the purchase agreements for the shares of Cosmosbay~Vectis,

- Credit facilities amounting to €6,000,000 granted in conjunction with the Cosmosbay~Vectis acquisition and €233,000 to finance the refurbishment of the premises.

Note 25 – Related parties

Solucom Group companies did not conduct any material transactions with companies that could be considered "Related parties" as defined by IAS 24.9.

Note 26 – Post balance sheet events

A total dividend of €1,031,000 (€0.21 per share) will be recommended to the general meeting convened to approve Solucom's financial statements for the year ended 31 March 2011.

Note 27 – Statutory audit fees

	SLG Expertise				Constantin Associés			
	2010/11 fees	2009/10 fees	% of total	% of total	2010/11 fees	2009/10 fees	% of total	% of total
Audit Statutory audit, audit report, review of Company and consolidated financial statements								
> Issuer	56,500	53,735	59%	75%	56,500	59,506	55%	57%
> Fully consolidated subsidiaries	39,000	18,010	41%	25%	31,139	27,985	30%	27%
Other engagements and services related to statutory audit								
> Issuer					15,224	17,344	15%	17%
> Fully consolidated subsidiaries								
Sub-total	95,500	71,745	100%	100%	102,863	104,836	100%	100%
Other services provided by other member firms to fully consolidated subsidiaries								
> Legal, tax and HR								
> Other								
Sub-total								
TOTAL	95,500	71,745	100%	100%	102,863	104,836	100%	100%

Note 28 – List of consolidated companies

Company	Registered office	SIRET No.	Legal form	Country
Solucom	Tour Franklin 100-101 Terrasse Boieldieu 92042 La Défense Cedex	377550249 00041	SA	France
Idesys	Tour Franklin 100-101 Terrasse Boieldieu 92042 La Défense Cedex	381150879 00058	SAS	France
Arcome SAS	Tour Franklin 100-101 Terrasse Boieldieu 92042 La Défense Cedex	349429514 00038	SAS	France
Solucom DV	Tour Franklin 100-101 Terrasse Boieldieu 92042 La Défense Cedex	423049162 00062	SAS	France
New'Arch	Tour Franklin 100-101 Terrasse Boieldieu 92042 La Défense Cedex	480157585 00021	SAS	France
KLC	Tour Franklin 100-101 Terrasse Boieldieu 92042 La Défense Cedex	378669642 00035	SAS	France
Cosmosbay~Vectis	Le Parc de Villeurbanne 107 Bd Stalingrad 69628 Villeurbanne Cedex	349062430 00062	SA	France

Company financial statements for the year ended 31 March 2011

INCOME STATEMENT

€000

	31/3/2011	31/3/2010
Revenues	63,880	56,094
Operating grants	7	24
Write-backs to provisions, impairment and expense transfers	170	337
Other operating income	10,820	6,006
Total operating income	**74,877**	**62,461**
Purchases consumed	29,658	24,135
Staff costs	22,139	21,186
Other operating expenses	12,663	8,295
Miscellaneous taxes	1,083	971
Depreciation, impairment and provision charges	726	598
Total operating expenses	**66,270**	**55,185**
Operating profit	**8,607**	**7,276**
Financial income	3,819	2,907
Financial expenses	191	6,327
Net financial items	**3,627**	**(3,420)**
Underlying net profit	**12,235**	**3,856**
Net exceptional items	(14)	(382)
Net profit before tax and employee profit share	**12,221**	**3,475**
Employee profit share	589	606
Corporation tax	2,581	2,082
Net profit	**9,051**	**787**

Balance sheet

Assets

€000

	31/3/2011			31/3/2010
	GROSS	AMORTISATION/ DEPRECIATION	NET	NET
Fixed assets	**40,455**	**8,212**	**32,243**	**32,378**
Intangible assets	2,337	624	1,713	193
Tangible fixed assets	3,271	1,458	1,813	1,543
Financial assets	34,847	6,130	28,717	30,641
Current assets	**35,351**	**4**	**35,346**	**31,678**
Inventories and WIP	0	0	0	0
Trade receivables	22,524	1	22,523	21,370
Other receivables and prepaid expenses	3,589	3	3,586	2,486
Marketable securities	8,915		8,915	7,521
Cash	323		323	300
Deferred expenditure				
Total assets	**75,806**	**8,216**	**67,589**	**64,056**

Liabilities and shareholders' equity

	31/3/2011	31/3/2010
Shareholders' equity	**38,786**	**30,672**
Share capital	497	497
Issue, merger and contribution premiums	11,218	11,218
Reserves	18,021	18,170
Net profit/ loss	9,051	787
Provisions	**313**	**145**
Payables	**28,490**	**33,239**
Loans and borrowings with financial institutions	6,091	13,296
Trade payables	7,963	8,129
Other liabilities, accruals and deferred income	14,436	11,813
Total liabilities and shareholders' equity	**67,589**	**64,056**

Cash flow statement

€000

	31/3/2011	31/3/2010
Net profit	**9,051**	**787**
Elimination of non-cash and non-operating items:		
- Depreciation and provision charges	726	6,700
- Write-back to depreciation and provisions	(124)	(553)
- Capital gains net of tax	0	316
- Write-backs of Arcome SAS impairment for the total transfer of assets/liabilities	10	
- Write-backs of Arcome SAS provisions for the total transfer of assets/liabilities	20	
Free cash flow from operating activities	**9,683**	**7,251**
- Change in financial expenses	*16*	*(1)*
- Net change in operating items	*66*	*(540)*
- Change in inventories	0	0
- Change in operating receivables	(1,598)	(3,880)
- Change in operating payables	2,253	2,828
- Prepaid expenses and accrued income	(590)	513
- Net change in non-operating items	*0*	*(1,717)*
- Change in non-operating receivables	0	0
- Change in non-operating payables	0	(1,717)
Change in working capital	**81**	**(2,257)**
Net cash flow from operating activities	**9,764**	**4,994**
Cash flow from investing activities		
Purchase of intangible fixed assets	(1,443)	(207)
Purchase of tangible fixed assets	(918)	(287)
Purchase of financial assets	(1,779)	(838)
Purchase of tangible fixed assets	245	
Sale of financial assets	1,256	1,082
Net cash flow from purchases and sales of subsidiaries	2,449	1,133
Net cash flow from investing activities	**(190)**	**883**
Net cash flow from financing activities		
Share issues or capital contributions	0	0
Dividends paid to shareholders	(937)	(937)
Loans received	0	0
Loan repayments	(2,009)	(2,009)
Net cash flow from financing activities	**(2,946)**	**(2,947)**
Change in cash and cash equivalents	**6,629**	**2,930**
Cash and cash equivalents brought forward	553	(2,377)
Cash and cash equivalents carried forward	7,182	553

Notes to the balance sheet and income statement

Accounting policies and methods

(Decree no. 83-1020 of 29 November 1983 - Articles 7,21,24 beginning, 24-1, 24-2 and 24-3)

The financial statements cover the 12 month period from 1 April 2010 to 31 March 2011.

The financial statements for the financial year 2010/11 have been prepared pursuant to French generally accepted accounting principles.

The notes and tables below form an integral part of the annual financial statements, which were approved by the Management Board on 23 May 2011.

1. Highlights of the year

Arcome SAS, a wholly-owned Solucom subsidiary, transferred its entire assets and liabilities to Solucom SA in accordance with a decision of its shareholders dated 24 February 2011. This transaction became firm and final on 31 March 2011, following the period of potential opposition from creditors. The loss on transfer on this transaction amounted to €1,427,000. Under the transaction, Solucom took over Arcome SAS in consideration for its entire assets and liabilities.

2. Material post balance sheet events

Distribution of dividends:

A total dividend of €1,031,000 (€0.21 per share) will be recommended to the general meeting convened to approve Solucom's financial statements for the year ended 31 March 2011.

3. Accounting policies

The company has applied generally accepted accounting principles pursuant to the principle of prudence and the following underlying assumptions:

- Going concern,
- Consistency of accounting principles between financial years,
- Accruals concept,
- And in accordance with generally accepted principles for preparation and presentation of annual financial statements.

The accounts have been prepared under the historical cost principle.

4. Tangible and intangible fixed assets

Intangible fixed assets are stated at cost including purchase price for the assets and related items excluding purchasing expenses.

Tangible fixed assets are stated at cost including purchase price for the assets and related items excluding purchasing expenses, or at production cost.

Interest on loans specifically taken out for the production of fixed assets is not included in the capitalised cost of said fixed assets.

Depreciation is calculated based on the following estimated useful lives:

Software……………………..………………………………………………………….. 3 years

Building improvements……………………………… ……..……….…..…….   9 years

IT equipment………………………………………………………………………   3 years

Office furniture……………………………………………………………………..   9 years

The Company has decided to depreciate the telephone system installed in May 2006 over a period of 6 years.

Depreciation is based on the straight line method.

5. Equity investments, other long-term investments, marketable securities

The gross value reflects the purchase cost excluding related expenses. If the fair value is lower than the gross value, an impairment provision is set aside for the difference.

Equity investments:

An impairment provision is recorded in respect of any excess of cost over value in use. Value in use is established by reference to earnings, medium term outlook and stock market prices of comparable companies and recent transactions.

Treasury shares:

Treasury shares are recorded under long-term investments and are divided into three different categories:

- €558,474.02 of the total are held in order to issue them on the stock exchange or as consideration for merger or acquisition transactions.

- €208,157.72 of the total are held in order to ensure the liquidity contract functions properly.

- €269,761.35 is held in order to issue them to employees and/or directors of the company or other Group companies, in accordance with statutory conditions and procedures.

6. Receivables

Receivables are stated at face value. A bad debt provision is recorded if their realisable value is lower than their book value.

7. Bond redemption premium

Not applicable.

8. Foreign currency transactions

Not applicable.

9. Regulated provisions

Not applicable.

10. Recognition of revenue and unfinished contracts at the balance sheet date

Revenues and related earnings are accounted for based on the state of completion method.

Unfinished contracts at the balance sheet date are billed to the client under two different methods as follows:

- invoicing by batch or stage,

- invoicing based on state of completion.

An additional provision may be recorded in respect of any risk of losses on completion of the contract.

11. Changes in accounting policies

There were no changes in accounting policies during the year.

Fixed assets

€000

TABLE A		GROSS 1/4/10	INCREASES	
			Mergers/ capital contributions	Acquisitions
Intangible fixed assets				
Start-up costs, research and development expenses	**Total I**			
Other intangible fixed assets	**Total II**	**699**	**1,428**	**217**
Tangible fixed assets				
Plant and machinery				
General equipment, fixtures and fittings		**1,676**		**406**
Vehicles				
Office and IT equipment, furniture		1,024	9	195
Tangible assets in progress				432
	Total III	**2,699**	**9**	**1,033**
Financial assets				
Other equity investments (1)		35,518		
Other long-term securities		616		1,673
Loans and other financial assets		639	4	102
	Total IV	**36,772**	**4**	**1,775**
Grand total (I + II + III + IV)		**40,171**	**1,441**	**3,025**

TABLE B		DISPOSALS (SCRAP/ TRANSFER)	DISPOSALS (SALE)	GROSS CARRIED FORWARD	REVALUATIONS
Intangible fixed assets					
Start-up costs, research and development expenses	Total I				
Other intangible fixed assets	Total II		**6**	**2,337**	
Tangible fixed assets					
Plant and machinery					
General equipment, fixtures and fittings				2,082	
Vehicles					
Office and IT equipment, furniture			38	1,189	
Tangible assets in progress			432	0	
	Total III		**470**	**3,271**	
Financial assets					
Other equity investments (1)			2,449	33,069	
Other long-term securities			1,253	1,036	
Loans and other financial assets			3	741	
	Total IV		**3,705**	**34,847**	
Grand total (I + II + III + IV)			**4,182**	**40,455**	

(1) Of which €22,182,000 given as security for credit facilities and loans

Depreciation and amortisation

€000

TABLE A		BALANCES AND CHANGES DURING THE YEAR				
DEPRECIATED FIXED ASSETS		Gross brought forward	Merger/ capital contribution	Charges for the year	Disposals/write-backs	Gross carried forward
Intangible fixed assets						
Start-up costs, research and development expenses	Total I					
Other intangible fixed assets	Total II	**505**	**1**	**125**	**6**	**625**
Tangible fixed assets						
Plant and machinery						
General equipment, fixtures and fittings		675		207		882
Vehicles						
Office and IT equipment, furniture		481	9	124	38	575
	Total III	**1,156**	**9**	**331**	**38**	**1,458**
Grand total (I + II + III)		**1,661**	**10**	**456**	**44**	**2,082**

All fixed assets are depreciated on a straight line basis.

Balance sheet impairment and provisions

€000

		BALANCE BROUGHT FORWARD	MERGER/ CAPITAL CONTRIBUTION	INCREASES CHARGE FOR THE YEAR	REDUCTIONS & WRITE-BACKS FOR THE YEAR	BALANCE CARRIED FORWARD
Regulated provisions						
	Total I					
Provisions (1)						
Provisions for disputes						
Provisions for fines and penalties			20			20
Other provisions for risks and charges (2)		145		271	123	293
	Total II	**145**	**20**	**271**	**123**	**313**
Impairment						
On equity investments		6,130				6,130
On other financial assets		1			1	0
On trade receivables		29	1		29	1
Other impairment provisions			3			3
	Total III	**6,160**	**4**	**0**	**30**	**6,134**
Grand total (I + II + III)		**6,306**	**24**	**271**	**153**	**6,447**
Of which charges and write-backs:	- operating items			271	152	
	- financial items				1	
	- exceptional items					

(1) €115,000 of the reduction in the provision for risks and charges was used during the year.

(2) This relates virtually exclusively to a provision against shares issued free of charge.

Receivables and payables

€000

TABLE A	MATURITY OF RECEIVABLES	GROSS	UP TO 1 YEAR	MORE THAN 1 YEAR
Fixed assets				
Other financial assets		741	4	738
Current assets				
Doubtful and disputed receivables		1	1	
Other trade receivables		22,522	22,522	
Personnel receivables and related amounts		2	2	
Social security		56	56	
Corporation tax		337	337	
Value added tax		1,587	1,587	
Group and shareholders				
Other debtors		46	46	
Prepaid expenses		1,494	1,491	3
Total		**26,787**	**26,046**	**741**

TABLE B MATURITY OF PAYABLES	GROSS	UP TO 1 YEAR	BETWEEN 1 AND 5 YEARS	MORE THAN 5 YEARS
Loans and borrowings with financial institutions due in less than 1 year (1)	2,056	2,056		
Loans and borrowings with financial institutions due in more than 1 year (1)	4,035	2,026	2,009	
Miscellaneous loans and borrowings (1) (2)				
Trade payables	7,963	7,963		
Personnel receivables and related amounts	4,023	4,023		
Social security	3,010	3,010		
Corporation tax	443	443		
Value added tax	4,161	4,161		
Other taxation and related amounts	671	618	53	
Fixed asset payables and related amounts	338	338		
Group and shareholders (2)				
Other payables	994	994		
Deferred income	796	796		
Total	**28,490**	**26,428**	**2,062**	

(1) Of which loans taken out during the year: €0

(1) Of which loans repaid during the year: €2,009

(2) Value of loans and liabilities owing to shareholders €0

Accrued income

€000

(Decree 83-1020 dated 29/11/1983 – Article 23)

ACCRUED INCOME INCLUDED IN THE FOLLOWING BALANCE SHEET ACCOUNTS	31/3/2011	31/3/2010
Trade receivables	7,200	9,221
Other receivables	64	139
Cash	296	31
Total	**7,560**	**9,391**

Accrued expenses

€000

(Decree 83-1020 dated 29/11/1983 – Article 23)

ACCRUED EXPENSES INCLUDED IN THE FOLLOWING BALANCE SHEET ACCOUNTS	31/3/2011	31/3/2010
Loans and borrowings owing to financial institutions	25	1
Trade payables	1,484	4,503
Tax and social security liabilities	6,232	5,063
Other payables	907	356
Total	**8,648**	**9,923**

Deferred income and prepaid expenses

€000

(Decree 83-1020 dated 29/11/1983 – Article 23)

DEFERRED INCOME	31/3/2011	31/3/2010
Operating income	796	732
Financial income		
Exceptional income		
Total	**796**	**732**
PREPAID EXPENSES	**31/3/2011**	**31/3/2010**
Operating expenses	1,494	840
Financial expenses		
Exceptional expenses		
Total	**1,494**	**840**

Exceptional income and expenses

€000

EXPENSE DESCRIPTION	AMOUNT
Loss on purchase of treasury shares	122
Other exceptional expenses	245
TOTAL	**366**
INCOME DESCRIPTION	**AMOUNT**
Gain on purchase of treasury shares	57
Other exceptional income	295
TOTAL	**353**

Leasing

€000

(Decree 83-1020 dated 29/11/1983 – Article 53)

BALANCE SHEET ACCOUNTS	INITIAL VALUE	ACCOUNTING DEPRECIATION AND AMORTISATION		NET BOOK VALUE	LEASE PAYMENTS	
		2010/11	Cumulative		2010/11	Cumulative
Land						
Buildings						
Plant and machinery						
Other tangible fixed assets	1,498	325	960	538	382	1,100
Fixed assets in progress						
Total	**1,498**	**325**	**960**	**538**	**382**	**1,100**

BALANCE SHEET ACCOUNTS	OUTSTANDING LEASE PAYMENTS				RESIDUAL PURCHASE PRICE	EXPENSE RECORDED DURING THE YEAR
	UP TO 1 YEAR	BETWEEN 1 AND 5 YEARS	MORE THAN 5 YEARS	TOTAL		
Land						
Buildings						
Plant and machinery						
Other tangible fixed assets	292	238		529	10	382
Fixed assets in progress						

Breakdown of share capital

(Decree 83-1020 dated 29/11/1983 – Article 24-12)

CLASSES OF SHARES	NOMINAL VALUE (€)	NUMBER OF SHARES			
		Brought forward	Issued during the year	Bought back during the year	Carried forward
Share capital brought forward	0.10	4,966,882			4,966,882
Share capital carried forward	0.10	4,966,882			4,966,882

As at 31 March 2011, all stock option schemes have expired.

At 31 March 2011, share capital amounted to €496,688.20 divided into 4,966,882 fully paid-up shares of the same class.

Change in treasury shares

(€000)

CLASSES OF TREASURY SHARES	NUMBER OF SHARES					TOTAL VALUE CARRIED FORWARD
	Brought forward	Bought back during the year	Sold during the year	Transferred during the year	Carried forward	
Capitalised treasury shares	41,463	59,754	34,307	8,459	58,451	1,036
Total	**41,463**	**59,754**	**34,307**	**8,459**	**58,451**	**1,036**

Breakdown of corporation tax

€000

(Decree 83-1020 dated 29/11/1983 – Article 24-20)

	BEFORE TAX	TAX CHARGE	AFTER TAX
Underlying net profit (after employee profit share)	11,645	2,585	9,060
Net exceptional items	(14)	(5)	(9)
Net profit	**11,631**	**2,581**	**9,051**
The income statement corporation tax charge is broken down as follows:			
- Corporation tax charge for the year		2,686	
- Family tax credit		(93)	
- Sponsorship tax credit		(12)	
Total		**2,581**	

Financial commitments

€000

(Decree 83-1020 dated 29/11/1983 – Articles 24-9 and 24-16)

COMMITMENTS GRANTED	**AMOUNT**
Non-real estate leasing commitments	539
Retirement bonuses (1)	403
Pledge of equity shares (2)	22,182
Total	**23,124**
COMMITMENTS RECEIVED	
Deposits and guarantees (guarantees in conjunction with M&A transactions)	1,249
Interest rate hedges	0
Total	**1,249**
RECIPROCAL COMMITMENTS	**0**

(1) Liabilities from defined benefit schemes are valued by independent actuaries based on the projected unit of credit method.

(2) Of which related companies: €22,182,000

The assumptions underlying the calculation are as follows:

- Application of the collective staff agreement for research office staff (Syntec, 3018)
- High staff turnover
- Mortality table THTF 2000-2002
- Salary inflation: 2%

- Social security rate: 45%
- Discount rate: 4.96%
- Retirement age: 65 years
- Leavers on the initiative of the employee

List of liabilities and commitments

(€000)

CONTRACTUAL LIABILITIES	TOTAL	LESS THAN 1 YEAR	BETWEEN 1 AND 5 YEARS	MORE THAN 5 YEARS
Long term liabilities (including finance leases) (1)	4,557	2,304	2,253	
Operating lease liabilities (2)	8,263	2,909	5,353	
Other liabilities				
Other commercial commitments				
Credit facilities	6,233	2,117	4,117	
Pledge of shares (3)	22,182		22,182	

(1) Long term liabilities include loans amounting to €4,018,000.

(2) The maturity stated above in respect of operating lease liabilities corresponds to the earliest possible cancellation date of the various leases

(3) The pledge of shares relate to commitments to banks as security for loans. These commitments mature in 2014 and 2015.

Increases and reductions in future tax liabilities

(€000)

(Decree 83-1020 dated 29/11/1983 – Article 24-24)

INCREASES IN FUTURE TAX LIABILITIES	AMOUNT
Regulated provisions	
Total	

REDUCTIONS IN FUTURE TAX LIABILITIES	AMOUNT
Provisions not deductible in same year as accounts	
- Provisions for paid holiday	
- Employee profit share	746
- Organic tax (tax on sales)	45
- Employer's contribution to construction effort	83
Other	
- Acquisition costs on subsidiaries	0
- Provision for loss on completion	15
- Unrealised gains on marketable securities	2
Total	**890**
Deferred capital allowances	
Losses carried forward	
Long-term capital losses	

Breakdown of revenues

This does not apply since Solucom SA only markets one type of service, namely management consulting and information systems consulting, and since all such services are subject to the same risks and earn similar margins, separate business segments have not been defined.

Over 90% of the Company’s revenues are generated in France.

Average number of employees

(Decree 83-1020 dated 29/11/1983 – Article 24-22)

	COMPANY EMPLOYEES	THIRD PARTY EMPLOYEES
Managers	285	
Supervisors and technicians		
Employees	17	1
Workers		
Total	**302**	**1**

The average number of employees is calculated based on full time equivalents. In accordance with the collective workers agreement, as from financial year 2007/08, students on a sabbatical year, unlike trainees, are included as employees.
The average number of employees does not take account of the total transfer of assets and liabilities of Arcome SAS dated 31 March 2011. Arcome SAS had 65 employees as at 31 March 2011.

The volume of hours available as at 31 March 2011 in respect of 'DIF' (French employee entitlement to training) is 16,133 hours.

The volume of hours consumed as at 31 March 2011 in respect of DIF is 1,618 hours

Directors remuneration

(€000)

HEADING	MANAGEMENT BOARD	SUPERVISORY BOARD
Remuneration allocated	366	69
Total	**366**	**69**

There were no retirement or pension commitments for any members of the above Boards in respect of their positions as directors.

No advance or loan was granted by any Group company to the members of the Management and Supervisory Boards.

Valuation differences on fungible items

€000

(Decree 83-1020 dated 29/11/1983 – Articles 10 and 24-10)

TYPE OF FUNGIBLE ITEM	BOOK VALUE	MARKET VALUE
FCP (mutual fund) “Atlantique Trésorerie”	444	446
SG technical investment account	8,471	8,473
Total	**8,915**	**8,919**

Fungible items are included under 'Marketable Securities' as balance sheet assets. The unrealised capital gain of €4,000 represents the difference between the market value and value at cost

Changes in shareholders' equity

€000

	Share capital	Share premiu m	Other equity	Net profit for the year	Total shareholder s' equity
Balance at 31/3/10	**497**	**11,218**	**18,170**	**787**	**30,672**
Movements during the first six months					
Appropriation of earnings			(149)	149	
Dividends				(936)	(936)
Movements during the second six months					
Earnings distribution on treasury shares			(1)		(1)
Capital increase					
by exercise of stock options					
Net profit for the year				9,051	9,051
Balance at 31/3/2011	**497**	**11,218**	**18,020**	**9,051**	**38,786**

List of subsidiaries and equity investments

(€000)

(Decree 83-1020 dated 29/11/1983 – Article 24-11)

A - DETAILS OF SUBSIDIARIES AND EQUITY INVESTMENTS	Share capital	Shareholders' equity other than share capital	% equity interest	Net profit/(loss) for the last financial year
1 - Subsidiaries (over 50% equity interest)				
Idesys				
Tour Franklin				
100/101 Terrasse Boieldieu				
92042 Paris La Défense Cedex	206	2,449	100%	1,147
Solucom DV				
Tour Franklin				
100/101 Terrasse Boieldieu				
92042 Paris La Défense Cedex	454	2,165	100%	956
New'Arch				
Tour Franklin				
100/101 Terrasse Boieldieu				
92042 Paris La Défense Cedex	472	1,640	100%	266
KLC				
Tour Franklin				
100/101 Terrasse Boieldieu				
92042 Paris La Défense Cedex	178	528	100%	281
Cosmosbay~Vectis				
Le Parc de Villeurbanne				
107 Bd Stalingrad				
69628 Villeurbanne Cedex	5,566	(2,489)	95%	(1,139)

2 - Equity investments (from 10% to 50% equity interest)				
B - CUMULATIVE DATA CONCERNING OTHER SUBSIDIARIES AND EQUITY INVESTMENTS	**Subsidiaries**		**Equity investments**	
	French	*Foreign*	*French*	*Foreign*
Book value of shares held				
- Gross	33,069			
- Net	26,939			
Loans and advances granted (1)	6,840			
Guarantees and sureties granted				
Dividends received	3,730			

(1) Centralised cash management: these accounts are disclosed as liabilities in Solucom SA's financial statements.

Information concerning related parties and equity investments

(€000)

(Decree 83-1020 dated 29/11/1983 – Articles 10 and 24-15)

	Amounts concerning:		
	Related companies	*Companies with an equity connection*	**Receivables or payables in bills of exchange**
Details covering several balance sheet accounts			
Financial assets			
Equity investments	33,069		
Impairment provision on equity investments	(6,130)		
Total fixed assets	**26,939**		
Receivables			
Trade receivables	5,278		
Other receivables			
Bad debt provisions on other receivables			
Total receivables	**5,278**		
Payables			
Trade payables	3,974		
Other payables	356		
Total payables	**4,330**		
Income			
Income from equity investments	3,730		
Other financial income	31		
Total income	**3,761**		
Expenses			
Financial expenses	4		
Total expenses	**4**		

Transactions between related parties

(€000)

Transaction type	Transaction value	Name of related party	Relationship description
Expert services in financial policy, development and acquisitions	25	Michel Dancoisne	Chairman of the Supervisory Board
Training services in conjunction with the Solucom Institute	6	Jacques Pansard	Member of the Supervisory Board