Solucom

Half-year results report at 30.09.2011

solucom
management & IT consulting

Content

Half-year report certificate

I confirm, to the best of my knowledge,

That the short-form accounts for the past half-year have been prepared in accordance with applicable accounting principles, in particular with standard IAS 34, and provide a reliable picture of the assets, financial situation and operating results of the company and all the companies included within the consolidation, and

That the attached half-year report presents an accurate picture of the main events that took place during the first six months of the financial year and their impact on the half-year financial statements, the main transactions between related parties, and a description of the main risks and uncertainties for the remaining six months of the period.

Drawn up in Paris La Défense on 21 November 2011

Pascal Imbert, Chairman of the Board

Half-year report

1. Analysis of Solucom results

The half-year financial statements to 30 September 2011 consolidate Solucom, Idesys, Solucom DV, New'Arch, KLC and Cosmosbay~Vectis for 6 months.

The financial statements to 31 March 2011 and to 30 September 2010, which are referred to herein, consolidate Solucom, Idesys, Arcome SAS, Solucom DV, New'Arch, KLC and Cosmosbay~Vectis respectively for 12 and 6 months.

The financial statements to 30 September 2011, and those to 30 September 2010 and 31 March 2011, have been prepared in accordance with IFRS, the international financial reporting standards. The financial statements follow CNC recommendation No. 2009-R0.03 dated 2 July 2009. The interim management balances that appear in the accounts and which are commented on later in this document are those defined by the CNC.

Consolidated turnover to 30 September 2011 was EUR 50,048K as compared with EUR 52,376K for the first half of the previous financial year, representing an overall decrease of 4%.

EBIT was EUR 4,090K (after employee profit-sharing). It is down 43% as compared with the first half of the previous financial year, when it was EUR 7,183K. The current operating margin, obtained by dividing the EBIT by the turnover, was 8.2%, as compared with 13.7% in the first half of the previous financial year.

Operating profit was EUR 4,089K, down 43% on the operating profit for the first half of the previous financial year, which was EUR 7,1837K.

The net cost of borrowings was EUR 15 K for the period. This balance includes EUR 41 K in financial income and EUR 56 K in financial expenses for the period. This figure should be compared with a net cost of borrowing of EUR 81 K for the first half of the previous financial year.

Pre-tax profit was EUR 4,067K, down 43% on the pre-tax profit for the first half of the previous financial year, which was EUR 7,089K.

Net profit for the period was EUR 2,018K, representing a margin of 4.0%. This profit was down 52% as compared with the first half of the previous financial year, for which the net profit for the period was EUR 4,202K, representing a net margin of 8.0%.

There were no minority interests. Thus the Group’s net profit was also EUR 2,018K, as compared with EUR 4,202K for the first half of the previous financial year, down 52%.

Equity stood at EUR 40,663K at 30 September 2011, as compared with EUR 40,040K at 31 March 2011.

Solucom's net cash stood at EUR 7,947K, as compared to net cash of EUR 9,489K at 31 March 2011 and net borrowings of EUR 2,499K at 30 September 2011. The change in net cash since 31 March 2011 reflects the increase of EUR 2,151K in working capital requirements for the period.

At 30 September 2011 working capital requirements represented 4.3% of turnover on an annualised basis, as compared with 2.4% at 31 March 2011 and 10.7% at 30 September 2010.

Finally, the separate financial statements of Solucom itself showed turnover of EUR 29,285K, down 4%, as against EUR 30,437K for the first half of the previous financial year. Solucom's own operating profit came to EUR 2,949K, representing an operating margin of 10.1%, up 10.1%. It should be recalled that the operating profit for the first half of 2010/11 was EUR 4,331K, representing profitability of 14.2%.

2. Solucom's business activity during the half-year

In the first half of 2011/12 Solucom achieved a turnover of EUR 50.0M, down 4%, penalised as expected by a drop of 6% in its staff during the half-year.

The activity rate remained at 85%, the same level as that of the previous financial year. This figure is just a bit higher that the firm's normal activity rate, between 82% and 84%.

The daily average sales price was slightly up at EUR 716 as against EUR 713 for the entire last financial year. This growth is in line with a general direction started at the end of the last financial year.

In terms of human resources, the actions taken a year ago have borne fruit.

The 2011/12 recruitment campaign can already be considered a success. At the end of September 2011, despite a very difficult employment market, 179 people have already been recruited, as against 100 to the end of September 2010.

At the same time, staff churn has continued to reduce at 16% on an annualised basis, as compared with 20% in 2010/11.

These results are the fruits of HR initiatives taken over the last twelve months: a new human resources strategy, strengthening the human resources and recruiting teams, new sourcing methods and boosting the salary policy.

The success of these initiatives, which were a major issue for the firm in 2011/12, have allowed Solucom to start increasing its staff again, with 919 employees at 30 September 2011, as against 915 at 31 March.

As already stated, the current period marks the return to the firm's usual seasonality, with current operating margin in the first half-year lower to that expected for the entire financial year.

EBIT was EUR 4.1M, which represents a current operating margin of 8.2%, which is in line with the company's forecasts.

This margin is the result, on the one hand, of good performance indicators, and on the other of a speeding up of investments related to the "Solucom 2015" strategic plan.

After taking into account the net cost of borrowings and corporation tax, which for the record includes CVAE (Tax on Companies' Added Value), the Group's share of net income for the half-year was EUR 2.0M, as against EUR 4.2M for the corresponding period in the previous year. The net margin for the half-year was 4.0%.

As at 30 September 2011 Solucom's net cash stood at EUR 7.9M, as against net borrowings of EUR 2.5M at the end of the first half of 2010-11. Equity continued to increase to EUR 40.7M at 30 September 2011, as against EUR 40.0M at 31 March 2011.

3. Forecast development of Solucom's business activity until year end

The 2nd half-year started in troubled circumstances due to the financial crisis and increasingly concrete fears of an economic slowdown. In the first instance the effects were concentrated on the banking sector, but gradually they have spread to other sectors with the outlook of a reduction in spending in 2012 and even from the end of 2011.

Solucom believes that the first months of 2012 will be marked by a difficult market, with a slowdown in business activity already to be seen from the end of 2011.

There are, however, some items that relieve this gloomy picture. The by now key role of the IT system within the company's core business and the bringing back of cost reduction projects ought to play a mitigating role. At the same time, the engines of corporate change are also present: competitive pressure, technological developments and changes in the regulatory environment.

The context of a drop in demand and the more marked wait and see policy of clients has led to a reduction in the orders book over recent months, being at 2.8 months at the end of September 2011 as against 3.2 months at the end of June.

Despite this economic situation, Solucom has decided to retain the key elements of its growth programme. In particular, the company is continuing to recruit, while nonetheless using some caution in its recruiting plan. Solucom is also continuing to pursue external growth, while tightening up its decision-making criteria. Efforts abroad have been maintained through partnerships and efforts for targeted prospects are already underway.

At the same time, the company has decided to intensify its business development activity by strengthening its sales teams, by getting management more involved in presales and by giving a higher profile to its business decisions.

In order to take account of the rapid toughening of its market, the firm prefers to be cautious and adjust its annual turnover target, putting it between EUR 108M and EUR 112M on a fixed scope, as against EUR 110M to EUR 115M initially.

The target of achieving an annual current operating margin of between 10% and 12% has been confirmed.

In terms of the legal structure of the firm, Solucom is continuing its gradual simplification. As part of this programme and following consultations with the representative bodies of the companies in question, the two legal entities Idesys and KLC will be absorbed into Solucom, the parent company, by a full transferral of assets that should take place on 31 December 2011. This transaction will in no way alter the firm's operational organisation.

4. Information on risks and uncertainties for the second half of the year

The risks stated in this section are those that in the company's opinion offer the most potentially significant impacts or have the highest probability of happening.

Risk associated with current economic environment

Economic cycles that are closer and closer together, and possibly very marked, can weigh heavily on the uncertainties facing Solucom's business. This can be reflected in budgetary restrictions among clients, halting projects, and more generally, in a reduction in demand at the same time as an increase in competition.

In such cases, Solucom has historically always taken steps to minimise the impact of these difficulties.

Since the summer the 2011/12 financial year has seen a slowdown, which has led the firm's clients to treat very cautiously their 2012 investments budget. To mitigate the effects of the crisis, Solucom has taken several measures including strengthening its sales team. Solucom too reserves the possibility to alter its investments in recruitment and growth abroad.

Risk related to human resources

The success of Solucom's growth depends absolutely on recruiting and maintaining the loyalty of those employees with strong potential. Solucom's recruitment model is based upon taking on young graduates from the best universities and colleges.

In the medium-term recruitment is a major challenge for Solucom, taking account of the strong competition there exists in the recruitment of the profiles sought by the company.

In order to stay on top of this key success factor, Solucom each year approves a major investment in recruiting. It was unfortunately necessary to sharply reduce this investment during the crisis, and in 2010/11 Solucom is faced with a certain amount of inertia in getting its recruitment level going again.

Beyond recruitment, controlling staff turnover remains a second challenge, since personnel with experience in consulting companies are in heavy demand, especially in the field of new technologies.

Controlling staff turnover is the joint responsibility of management and the Group's Human Resources managers. Staff turnover went down sharply over the last two financial years, being at 8% in 2009/10, on account of the economic situation.

Solucom has noted since the end of the 2009/10 financial year a strong upturn in turnover, part of which can perhaps be explained by a catch-up effect after two years in a row of low churn. Thus staff turnover at 30 September 2010 was 19% annualised, which is particularly high.

The success of the recruitment plan and controlling staff churn represent more than ever a major challenge for the company. The many initiatives taken in 2010/11 allow Solucom to significantly reduce its turnover rate during the 2011/12 financial year (16% annualised as at 30 September 2011).

Risks associated with acquisitions

Solucom's external growth strategy leads regularly to the incorporation of new companies. For each acquisition, Solucom systematically seeks to ensure that the management of the acquired company signs on to the shared industrial plan. Such early stage thinking facilitates the integration process and limits the risk that key personnel will leave.

When a new company is being integrated into Solucom ensures:

- To rapidly deploy the firm's management systems within the new entity, in order to obtain as quickly as possible the most detailed picture of its operations.
- To activate revenue-generating synergies, especially by deploying the know-how of the acquired company to the firm's existing clients.
- To standardise operational procedures, for enhanced efficiency and to seek where efforts can be shared in order to reduce costs.

The integration model as refined by Solucom has generally demonstrated its effectiveness and has facilitated achieving a noticeable series of improvements in the operational performance of the acquired companies.

Notwithstanding, there are inherent risks attached to each external growth transaction, and Solucom can not guarantee systematic effectiveness of its integration model.

It is true that Cosmosbay~Vectis, the last company to be taken over by the firm, has seen a major drop in performance during its integration, within a particularly difficult economic situation.

In the context of a market slowdown in 2011/12, Solucom has decided to tighten up its target criteria for external growth in order to avoid repeating such difficulties.

Monitoring goodwill

There have been no grounds for questioning the value of goodwill of New'Arch, Solucom DV and Idesys, whether from the point of view of the strategic interest of these companies within the company's business (client base and skills), or in terms of their outlook for the future.

An indication of loss of value has been identified at KLC, which posted an operating loss of EUR 78K for the half-year. New impairment tests for this company, as part of the IFRS accounting standards, show that there has not been an impairment of goodwill of KLC as at 30 September 2011.

Legal risk

Solucom's business is not subject to special regulations.

Solucom's business is not subject to special regulations. Operating management, especially in human resources (in the field of company law) and financial management (in the field of commercial law) provide support to operational staff when faced with special cases that are not covered by an internal procedure. Operating management in turn relies upon outside, specialist advice.

As part of the services carried out for its clients, Solucom regularly has to make contractual commitments that require special monitoring. This involves, for example, undertakings of confidentiality, exclusivity and others.

These commitments are the responsibility of the directors of each of the firm's entities, with where applicable the possibility to delegate to certain managers. These directors are responsible for ensuring the traceability of these undertakings and the implementation of steps to ensure they are complied with.

Risks on fixed-price projects

Fixed-price services each year represent about 30 - 40% of the company’s consolidated turnover (39% in 2010/11, 32% at 30/09/11).

Solucom has set up a rigorous system for project monitoring, with the management tools used in the company being used to support this follow-up. In recent years the average overrun has never exceeded 2% of the total number of attendance days of productive teams (excluding holidays).

Each fixed-price project is broken down into independent batches. A project leader is always assigned to each batch. The project leader is responsible for how the services are carried out and for supervising the staff working on the job.

Each month, he or she analyses the costs incurred by each employee on the job and revises the forecast for the balance to be done, which allows arriving at a rate of progress, the turnover for the month, and where applicable, the days that have gone over budget on this batch.

This analysis, which automatically goes to management in the first days of the month, allows identifying deviations as quickly as possible and so to activate any necessary corrective actions.

In recent years the average overrun has never exceeded 2% of the total number of attendance days of productive teams, excluding holidays (0% in 2010/11, -1.1% at 30/09/11).

Risks associated with IT systems

With growth the IT system represents an increasingly important asset for Solucom. It facilitates managing sales and operations, producing the financial statements, internal and external communications, and consolidating and organising the knowledge bases that are spread about among all the Group’s employees.

An IT contingency plan has been implemented to restart in short order each of the essential services of the system, irrespective of the incident that occurs, except in the event of an overall disaster. In addition, to protect against the effects of an overall disaster, back-up is carried out daily, with a copy of the back-up being sent outside of the premises once a week.

Lastly, the system is protected against intrusions and external attacks using state of the art IT security techniques.

Risks in carrying out projects

To ensure the quality of projects carried out, the firm has a range of methods and project managers get special training to let them develop more advanced skills in their areas of activity. These project managers ensure the most scrupulous compliance with the project specification as confirmed by the client and management of the project, working directly with the operational staff on the client side.

Solucom has set up quality risk management in order to monitor monthly suspected or confirmed incidents and their solution by way of implementing special action plans.

It can of course be shown that the difficulty of carrying out the project had been underestimated and/or that certain items had not been clearly defined in the project specification. Such problems, if not identified in good time, can cause major budget overruns on certain projects, damages for which Solucom might be held responsible but for which it carries professional liability insurance, and which could harm the firm's reputation.

Main transactions with related parties

During the first half of the 2011/12 financial years, Solucom hasn't made any material transaction with related parties. Prior transactions have been continued under the same conditions and have been mentioned in Note 25 in the appendix to the consolidated half-year financial statements.

Consolidated financial statement

Consolidated income statement

(000€)

In € 000	30/09/2011	30/09/2010	31/03/2011
REVENUES	**50,048**	**52,376**	**108,022**
Other operating income			
Purchases consumed	1,709	1,269	3,426
Personnel costs (including profit share)	36,439	37,482	75,987
External costs	6,799	5,231	12,882
Taxes	778	838	1,931
Net depreciation and provision charges	226	385	1,198
Other income and expenses on ordinary activities	7	(12)	(23)
OPERATING PROFIT ON ORDINARY ACTIVITIES	**4,090**	**7,183**	**12,621**
Other income and expenses from operations	(1)	-	-
OPERATING PROFIT	**4,089**	**7,183**	**12,621**
Financial income and expenses	41	3	7
Gross borrowing costs	56	84	150
NET BORROWING COSTS	**15**	**81**	**144**
Other financial income and expenses	(8)	(13)	69
PROFIT BEFORE TAX	**4,066**	**7,089**	**12,548**
Corporation tax	2,048	2,886	5,612
NET PROFIT FOR THE YEAR	**2,018**	**4,202**	**6,935**
Minority interests			
NET PROFIT (GROUP SHARE)	**2,018**	**4,202**	**6,935**
Basic earnings (group) per share (€) (1) (3)	0.41	0.86	1.42
Diluted earnings (group) per share (€) (2) (3)	0.41	0.85	1.40

(1) Weighted average number of shares during the year excluding treasury shares.
(2) The number of shares of diluted earnings includes distributed share options and non-exercised options.
(3) In accordance with IAS 33, earnings per share for the years ended 31 March 2011 and 31 March 2010 were recalculated based on the number of shares as at 30 September 2011.

Consolidated balance sheet

(000€)

In € 000	**30/09/2011**	**31/03/2011**
NON-CURRENT ASSSETS	**30,910**	**31,018**
Goodwill	24,364	24,364
Intangible fixed assets	248	295
Tangible fixed assets	2,407	2,430
Long-term investments	686	648
Other non-current assets	3,205	3,280
CURRENT ASSETS	**51,200**	**53,736**
Trade receivables	33,942	33,617
Other receivables	5,768	6,092
Cash and cash equivalents	11,490	14,027
TOTAL ASSETS	**82,110**	**84,754**

SHAREHOLDERS' EQUITY	**40,663**	**40,040**
Share capital	497	497
Issue, merger and contribution premiums	11,219	11,219
Consolidated reserves and retained earnings	28,947	28,325
Minority interests		
TOTAL SHAREHOLDERS' EQUITY	**40,663**	**40,040**
NON-CURRENT LIABILITIES	**3,326**	**3,984**
Long-term provisions	1,840	1,674
Borrowings (due in more than a year)	1,266	2,233
Other non-current liabilities	220	77
CURRENT LIABILITIES	**38,121**	**40,730**
Short-term provisions	910	1,341
Borrowings (due in less than a year)	2,277	2,305
Trade payables	5,748	4,007
Tax and social security liabilities	23,594	28,712
Other current liabilities	5,592	4,365
TOTAL LIABILITIES	**82,110**	**84,754**

Consolidated Cash Flow statement

(000€)

In € 000	**30/09/2011**	**31/03/2011**
Total net consolidated profit	**2,018**	**6,935**
Elimination of non-cash items:		
Depreciation and provision charges	362	1,641
Expense/income from stock-options and similar items		
Post tax capital losses/gains on sales of assets	38	7
Other non-cash income and expenditure	100	92
Free cash-flow after borrowing costs and tax	**2,518**	**8,675**
Exchange differences on free cash-flow		
Change in working capital	(1,921)	1,163
Cash-flow from operating activities	**597**	**9,838**
Purchase of intangible and tangible fixed assets	(562)	(939)
Sale of fixed assets	0	1
Change in long-term investments	(577)	(475)
Change in consolidation scope		
Other cash-flow from investing activities		
Net cash-flow from investing activities	**(1 139)**	**(1 413)**
Capital increase –proceeds from exercise of stock		
Purchase and sale of treasury shares		
Dividends paid to shareholders of the parent company	(1,031)	(937)
Dividends paid to minority interests of subsidiaries		
Other cash-flow from finance activities	(978)	(2,142)
Net cash-flow from financing activities	**(2,009)**	**(3,079)**

Net change in cash and cash equivalents	**(2,551)**	**5,346**

Changes in Shareholders' equity

	Equity	Share premium	Consolidated reserves	Profit for the period	Exchange difference	Total shareholders' equity
Consolidated equity at 31/03/2010	**497**	**11,219**	**19,329**	**3,252**	**0**	**34,296**
						0
Consolidated income for period				4,202		**4,202**
Setting the fair value of assets available for sale						**0**
IAS 19 actuarial variances			(241)			**(241)**
Group's overall net earnings			**(241)**	**4,202**		**3,961**
Earnings appropriation			3,252	(3,252)		**0**
Variations in equity of the parent company						**0**
Distributions of the parent company			(936)			**(936)**
Treasury shares			(16)			**(16)**
Restatement of the provision for free allocation of shares			(34)			**(34)**
Consolidated equity at 30/09/2010	**497**	**11,219**	**21,354**	**4,202**		**37,271**
Consolidated income for period				2,733		**2,733**
Setting the fair value of assets available for sale						**0**
IAS 19 actuarial variances			233			**233**
Group's overall net earnings			**233**	**2,733**		**2,966**
Variations in equity of the parent company						
Distributions of the parent company			(1)			**(1)**
Treasury shares			(371)			**(371)**
Restatement of the provision for free allocation of shares			174			**174**
Variation in exchange differences						
Consolidated equity at 31/03/2011	**497**	**11,219**	**21,389**	**6,935**	**0**	**40,040**
Consolidated income for period				2,018		**2,018**
Setting the fair value of assets available for sale						
IAS 19 actuarial variances			(60)			**(60)**
Group's overall net earnings			**(60)**	**2,018**		**1,958**
Earnings appropriation			6,935	(6,935)		**0**
Variations in equity of the parent company						
Distributions of the parent company			(1,030)			**(1,030)**
Treasury shares			(519)			**(519)**
Restatement of the provision for free allocation of shares			214			**214**
Consolidated equity at 30/09/2011	**497**	**11,219**	**26,929**	**2,018**		**40,663**

The dividend distributed during the half year came to EUR 0.21 per share, being a total of EUR 1.03M. Equity contains no item that would be taxable. Accumulated, deferred tax credits in respect of items accounted for in equity since the very beginning, come to EUR 18K and are generated by the actuarial variances in IAS 19.

PROFIT AND LOSS DIRECTLY RECORDED AGAINST EQUITY

(In € '000)

	Note	30/09/2011	30/09/2010	31/03/2011
Net income		**2,018**	**4,202**	**6,935**
Setting the fair value of assets available for sale				
IAS 19 actuarial variances		(60)	(241)	(8)
Total revenue and expenses accounted for in equity		**(60)**	**(241)**	**(8)**
Overall net profit (Group's share)		**1,958**	**3,961**	**6,927**

Notes to the consolidated financial statement

Solucom is a limited liability company under French law subject to regulations governing trading companies in France, and in particular the provisions of the French Business Law. The company's registered office is at Tour Franklin – 100/101 terrasse Boieldieu – 92042 Paris La Défense Cedex. The company is listed on NYSE Euronext Paris, compartment C, in the Next Economy segment.

Financial statements have been validated by the management Board on 21 November 2011.

1. Accounting policies and methods

All amounts given in the notes are stated in thousand euros.

Consolidation policies

As from 1 April 2005, the consolidated financial statements of Solucom have been established according to the IFRS international accounting standards as adopted in the European Union and European regulation 1606/2002 of 19 July 2002. These standards consist of IFRS, IAS and their interpretations, which were adopted by the European Union as of 30 September 2011.

The short-form interim financial statements of Solucom for the 6-month period ending 30 September 2010 have been prepared in accordance with IAS 34, "Interim Financial Reporting".

Being short-form accounts, they do not include all the information required by the IFRS for preparing annual financial statements and should accordingly be read together with group's consolidated financial statements prepared in accordance with the IFRS standard as adopted in the European Union for the period ending 31 March 2011.The accounting policies applied for these financial statements are identical to those applied by the group for its consolidated financial statements for the year ended 31 March 2011.

In particular, IFRS standards and IFRIC interpretations, as adopted by the European Union for annual periods commencing from 1st April 2011, (that can be found on the European commission website http://ec.europa.eu/internal_market/accounting/ias_fr.htm#adopted-commission) have been applied by the group and have not involved significant changes in the assessment methods and presentation of the financial statements.

The standards and interpretations adopted by the IASB or IFRIC and adopted by the European Union applicable and that applied by Solucom are:

- Amendment to IAS 24, "Related Party Disclosures"

This standard became effective for financial years open from 01/01/11. The text was adopted by the European Union on 19/07/10.

- Amendments to IFRIC 14, "The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction"

This standard became effective for financial years open from 01/01/11. The text was adopted by the European Union on 19/07/10.

- IFRIC 19, "Extinguishing Financial Liabilities with Equity Instruments"

This standard became effective for financial years open from 01/07/10. The text was adopted by the European Union on 23/07/10.

The application of these new standards will have no material effect on Solucom's financial statements.

Standards and interpretations adopted by IASB or IFRIC but not yet adopted by the European Union have not been applied early. The company is in the process of analysing the possible impact of these standards on the consolidated financial statements. Thus, in accordance with the option offered to Solucom, the documents that have been applied ahead of time are:

- IFRS 9, "Financial instruments" (phase 1: classifying and measuring financial assets)

This standard will become effective from 01/01/13. This text has not yet been adopted by the European Union.

Amendment to IAS 12, "Income taxes", covering the various taxes

This standard will only become effective for financial years open from 01/01/12. This text has not yet been adopted by the European Union.

- Revision of IAS 27 (2011), "Separate financial statements"

This standard will only become effective for financial years open from 01/01/13. This text has not yet been adopted by the European Union.

- Revision of IAS 28 (2011), "Investments in Associates and Joint Ventures"

This standard will only become effective for financial years open from 01/01/13. This text has not yet been adopted by the European Union.

- Amendments to IFRS 7, "Disclosures - Transfer of financial assets"

This text has not yet been adopted by the European Union. These amendments will improve the understanding of transfer transactions of financial assets (for example, securitisation) and require additional information. This standard defines the control that is the basis for consolidation of all entities.

- IFRS 10 "Consolidated financial statements"

This standard will only become effective for financial years open from 01/01/13. This text has not yet been adopted by the European Union. This standard presents a single model for consolidation, which identifies control as being the basis for consolidation of every sort of entity.

- IFRS 11, "Joint Arrangements"

This standard will only become effective for financial years open from 01/01/13. This text has not yet been adopted by the European Union. This standard focuses more on the rights and obligations of a joint arrangement than on its legal form.

- IFRS 12, "Disclosure of interests in other entities"

This standard will only become effective for financial years open from 01/01/13. This text has not yet been adopted by the European Union. This standard includes within a single document the disclosures to be made concerning holdings in subsidiaries, joint arrangements, associate companies and structured entities.

- IFRS 13, "Fair Value Measurement"

This standard will only become effective for financial years open from 01/01/13. This text has not yet been adopted by the European Union. This standard applies to IFRS standards that require or permit fair value measurements or the provision of information concerning fair value except for transactions whose payment is based upon shares (IFRS 2), rental transactions according to IAS 17, "Leases", and measurements that bear similarities to fair value but are not fair value, such as net realisable value in IAS 2, "Inventories", or recoverable value as employed in IAS 36, "Impairment of assets".

- Amendment IAS 1, "Presentation of items of other elements in the overall comprehensive income (OCI)"

This standard will only become effective for financial years open from 01/07/12. This text has not yet been adopted by the European Union.

- Amendment to IAS 19, "Employee benefits"

This standard will only become effective for financial years open from 01/01/13. This text has not yet been adopted by the European Union.

Consolidation principles

Solucom is the consolidating company.

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. Solucom does not control any *ad hoc* 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 30 September 2011.

The consolidated financial statements to 30 September 2011 include all group companies for six months.

Use of estimate

The financial statements in accordance with IFRS standards require to proceed to estimates and to make hypothesis that deal with the evaluation of certain amounts that the accounts, especially for the following items:

- Amortisation periods for assets
- Measurement of provisions and commitments for pensions
- Measurements employed for loss of value tests
- The valuation of financial instruments at their fair value
- The estimation of receivables and payables
- The valuation of share-based payments
- The determination of deferred tax liability
- The recognition of sales revenues on fixed-price contracts

Problems of sovereign debt and the drop on stock exchanges during the summer might impact on clients' behaviour. Management remains vigilant for signs of a possible come back in the market. Solucom is constantly assessing its estimates and assessments based on its experience and the various other factors deemed reasonable, which are the basis if its assessments. Future income may vary significantly based upon various assumptions and conditions.

Segment reporting

Since Solucom only markets one type of service (IT infrastructure consulting 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.

Seasonal nature of interim accounts

The only seasonal impact is from the concentration of holidays taken in certain months of the year. These are July and August, as well as May. The impact of these months when a lot of holidays are taken affects the first half of the Solucom financial year (April – September). This phenomenon has no material impact on Solucom’s business, because its effect is relatively known in advance (with a comparable effect from one year to another).

Other information

- Each consolidated company represents a cash generating unit since it is the smallest unit having independent and identifiable cash inflows.
- The depreciation periods generally used are as follows:
    - Software: 3 years
    - Installations and fittings: 6 or 9 years
    - Vehicles: 4 years
    - IT hardware: 3 years
    - Office furniture: 9 years

- The discount rate used is 2.62%.
- Solucom holds its own treasury shares as part of its shares repurchase programme as authorised by the Shareholders' General Meeting.
- In accordance with IAS 19, "Employee benefits", commitments arising from defined benefits plans, together with their costs, are assessed by independent actuaries according to projected credit units. The only commitments the Group has are for retirement payments. Solucom has no other long-term commitments or compensation for end of contracts. The discount rate for valuing rights is 3.90% (source: AA iboxx)
- Tax on items posted directly to shareholders' equity is accounted for in shareholders' equity.
- No development expenses were capitalised during the half-year.
- The definition of operating profit is in accordance with the CNC 2009-R-03 recommendation dated 2 July 2009.
- In accordance with the provisions of IAS 12, the qualification of the Contribution on Companies' Added Value (CVAE) as a tax on profits has led to its recognition since 31/03/10:
    - The total amount of the current expense in respect of the provision for CVAE;
    - Deferred taxes in respect of timing differences at that date, in consideration of a net charge to the income statement for the period. This deferred taxation charge is shown under the "Taxation" line item.

2. Scope of consolidation

Breakdown of the firm

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

Company	% interest	Nationality	Number of months Consolidated
Solucom	Parent company	France	6
Idesys	100%	France	6
Solucom DV	100%	France	6
New'Arch	100%	France	6
KLC	100%	France	6
Cosmosbay~Vectis	100%	France	6

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

3. Notes on certain Balance sheet and income statement accounts

Note 1 – Capitalised goodwill

(000€)	Book value at 31/03/2011	Change in consol.	Impairment for the year	Gross at 30/09/2011
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 indication of a loss of value has been noted for goodwill on the balance sheet.

In accordance with IAS 36, "Impairment of assets", goodwill must be tested for impairment at least once a year and from when there is an indication of impairment.

Solucom has identified an indication of loss of value at 30 September 2011 in respect of KLC, with an operating loss of EUR 78K for the period. An impairment test has accordingly been carried out, which confirmed the value of goodwill for KLC recorded in the Solucom consolidated financial statements.

Note 2 – Intangible fixed assets

Gross	31/03/2011	Change in consol.	Additions	Reductions	30/09/211
Software	1 503		32	1	1 534
Total	**1 503**		**32**	**1**	**1 534**

Depreciation	31/03/2010	Change in consol.	Additions	Reductions	30/09/2010
Software	1 207		80	1	1 286
Total	**1 207**		**80**	**1**	**1 286**

Total net book value	296		(48)		248

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 leases.

Gross	31/03/2011	Change in consol.	Additions	Reductions	30/09/2011
Other tangible fixed assets	4 470		84	1	4 553
Other leased fixed assets	2 448		218	38	2 628
Fixed assets in progress			270	182	88
Total	**6 918**		**571**	**221**	**7 268**

Depreciation	31/03/2011	Change in consol.	Augmentation	Diminution	30/09/2011
Other tangible fixed assets	2534		229	1	2762
Other leased fixed assets	1954		145	-	2099
Total	4488		374	1	4861
Total net book value	**2430**		**197**	**220**	**2407**

Note 4 – Leases

Book value by asset category:

Asset category	30/09/2011	31/03/2011
IT and office equipment	529	494
Total	**529**	**494**

Impact on the income statement

Income statement	30/09/2011	31/03/2011
Depreciation charge per income statement	145	361
Impairment charges recorded		
Financial expenses	9	19
Gains in value posted to income		
Lease instalments for the year adjusted	160	388
Total	**6**	**8**

Lease instalments:

Lease instalments	30/09/2011	31/03/2011
Initial value of assets	**2 628**	**2 448**
Instalments paid :		
- in prior years	2 123	1 735
- during the year	160	388
Total	**2 283**	**2 123**
Outstanding instalments payable		
- due in less than 1 year	263	274
- due in more than 1 year and less than 5 years	261	224
- due in more than 5 years		
Total instalments	**524**	**497**
Of which future interest charges	*23*	*24*
Residual value at the end of contract	26	24

Note 5 – Long-term investments

Evolution on the first semester 2011/12:

(000€)	31/03/2011	Changes in consol.	Additions	Reductions	30/09/2011
Deposit and sureties	661	0	46	7	700
Hedging instruments					
Free shares					
Total	**661**	**0**	**46**	**7**	**700**

No depreciation of deposits and sureties has been carried out over the past three financial years.

Maturity:

Deposit and sureties	30/09/2011	31/03/2011
Due in less than 1 year (1)	13	13
Due in more than 1 year and less than 5 years	392	370
Due in more than 5 years	294	278
Total	**700**	**661**

(1) Reclassified under « Other receivables »

Impact on the income statement:

Impact of discounting deposits	30/09/2011	31/03/2011
Initial values	783	776
Accumulated discounting brought forward	122	111
Discounting expense	0	5
Discounting income	39	1
Net book value (1)	**700**	**661**

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

A rise in the discount rate of security deposits of 1% would represent a € 28 K reduction in income for a whole year against, in the event of a decrease in the discount rate of 1%, a rise in income of €30K.

Note 6 – Operating leases

Future lease payments as at 30/09/2011:

(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	7 847	3 126	4 586	135
Total	**7 847**	**3 126**	**4 586**	**135**

Future lease payments as at 30/09/2009:

(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	10 573	2 960	7 445	168
Total	**10 573**	**2 960**	**7 445**	**168**

For real estates leases, the maturity period stated above corresponds to the earliest possibility to cancel the various leases.

Note 7 – Non-current assets

Evolution during first half 2010/2011:

Gross	31/03/2011	Change in consol.	Variation	30/09/2011
Deferred tax assets	3 280		(75)	3 205
Total	**3 280**		**(75)**	**3 205**

Note 8 – current asset

Evolution during first semester 2011/12:

Gross	31/03/2011	Change in consol.	Variation	30/09/2011
Trade receivables	33 637		307	33 944
Sub-total « Trade receivables »	***33 637***		***307***	***33 944***
Advances and payment on account	142		5	147
Employees receivables	235		(33)	202
Tax receivables	3 985		(440)	3 545
Deposit and sureties	13		-	13
Trade receivables	38		67	105
Prepaid expenses	1 682		74	1 756
Sub-total « other receivables »	***6 095***		***(327)***	***5 768***
Money market Sicav (uni trust) – cash equivalent				
Cash				
Sub-total « financial assets »				
Cash equivalent	8 919		(747)	8 172
Other cash assets	5 108		(1 790)	3 318
Sub-total «Cash and cash equivalent »	***14 027***		***(2 537)***	***11 490***
Total	**53 759**		**(2 557)**	**51 202**

Impairment	31/03/2011	Change in consol.	Variation	30/09/2011
Trade receivables	20		(18)	2
Sub-total « Trade receivables »	***20***		***(18)***	***2***
Miscellaneous receivables	3		(3)	-
Sub-total « other receivables »	***3***		***(3)***	***-***
Total	**23**		**(21)**	**2**

Net	31/03/2011	Change in consol.	Variation	30/09/2011
Sub-total « Trade receivables »	***33 617***		***325***	***33 942***
Sub-total « other receivables »	***6 092***		***(324)***	***5 768***
Sub-total « Financial assets »				
Sub-total « Cash and cash equivalent »	***14 027***		***(2 537)***	***11 490***
Total net	**53 736**		**(2 536)**	**51 200**

The firm analyses client debt on a case-by-case basis and impairment is recognised individually, taking into account the client's circumstances and delays in payment. No impairment is recognised on an overall basis.

Note 9 – Marketable securities

Type of marketable securities	30/09/2011		
	Value at cost	Gain/loss	Consolidated book value
Money market Sicav – cash equivalent	8 153	19	8 172
Total	**8 153**	**19**	**8 172**

Type of marketable securities	31/03/2011		
	Value at cost	Gain/loss	Consolidated book value
Money market Sicav – cash equivalent	8 915	4	8 919
Total	**8 915**	**4**	**8 919**

Note 10 – Share capital

At 30 September 2011, the capital of the Solucom parent company was made up of 4,966,882 fully paid-up shares of EUR 0.10 each. The number of Treasury shares held at 30 September 2011 was 81,894 shares.

Further, with the authorisation of the General Meeting, Solucom's Board of Directors decided at its meeting on 1 July 2011 to allocate existing free shares or issue such for the Group's senior management. This plan involves the actual allocation of free shares at the end of an acquisition period subject to the presence and personal investment of the director in Solucom shares; the number of shares allocated will also be based on a performance criterion of achieving a predefined level of consolidated Group EBIT. Further, Solucom's Board of Directors decided at that same meeting to allocate existing free shares or issue such for members of Solucom or group staff or for certain categories among them, as part of an employee provident programme set up at Solucom.

The respective advantages of each of the plans awarded to beneficiaries were the subject of a special allocation with an impact on equity in the financial statements to 30 September 2011.

Note 11 – Provisions

Provisions mainly relate to one-time compensation paid on retirement and calculated by an actuary, and industrial tribunal litigation, which is valued based on the amount claimed and the status of the legal proceedings.

(000€)	31/03/11	Change in consol.	Change in deferred tax	Increases	Reductions		30/09/11
					Paid	Written-back	
Short-term provisions							
Provisions for risks	1 262			129	386	145	861
Provisions for penalties	79				4	25	50
Provisions for charges							
Total	**1 341**			**129**	**390**	**170**	**910**
Non-current liabilities							
Provisions for IFC	1 674			189	23	-	1 840
Provisions for risks							
Total	**1 674**			**189**	**23**	**-**	**1 840**
Total	**3 015**			**318**	**413**	**170**	**2 750**

Impact of provisions on earnings at 30/09/2011:

(000€)	Change in deferred tax	Increases	Reductions	
			Paid	Written-back
Operating profit on ordinary activity Operating profit		258	413	170
Total		**258**	**413**	**170**

Note 12 – Non-current liabilities

Evolution during first semester 2011/12 :

Gross	31/03/2011	Change in consol.	Variation	30/09/2011
Long-term provision	1 674		166	1 840
Financial debt (Leases due in + 1year)	224		37	261
Financial debt (Loans due in + 1year)	2 009		(1 004)	1 005
Other liabililities				
Tax payables	77		143	220
Deferred tax liabilities				
Total	**3 984**		**(658)**	**3 326**

Note 13 – Borrowings

Evolution during first semester 2011/2012 :

(000€)	31/03/2011	Change in consol.	Variation	30/09/2011
Due in more than 1 year	**2 233**		**(967)**	**1 266**
Financial debt	224		37	261
Loans from financial institutions (due in more than 1 year)	2 009		(1 004)	1 005
Due in less than 1 year	**2 305**		**(29)**	**2 277**
Loans from financial institutions	2 009			2 009
Miscellaneaous loans and borrowings				
Financial debt	274		(12)	263
Current account bank overdraft	5		(1)	4
Accrued interest	17		(16)	1
Total	**4 538**		**(996)**	**3 543**

By interest rate category :

	Au 30/09/2011		Au 31/03/2011	
(000€)	Fixed rate	Variable rate	Fixed rate	Variable rate
Non-current liabilities	261	1 005	224	2 009
Current liabilities	268	2 009	296	2 009
Total	**529**	**3 014**	**520**	**4 018**

With the group's borrowing level and its contracted rates, an increase of 1% in Euribor 6 months would represent a € 25K reduction in income for a full year. On the other hand, if this rate were to drop 1%, that would mean an increase in income of € 25K.

Maturity at 30/09/2011 :

(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	1 266		1 266	
Current liabilities	2 277	2 277		
Total	**3 543**	**2 277**	**1 266**	

Maturity at 31/03/2010 :

(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	2 233		2 233	
Current liabilities	2 305	2 305		
Total	**4 538**	**2 305**	**2 233**	

Securities granted to guarantee these loans are described in note 24.

The loans have not been subject to any repayment defaults during the financial year and no covenants are associated with this debt.

Note 14 – Net debt

At 30/09/11	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	**3 014**	2 009	1 005	
Financial liabilities arising from accounting adjustements to finance leases	**524**	263	261	
Loans and borrowing	**1**	1		
Loans and borrowing	**3 539**	**2 273**	**1 266**	
Current account bank overdrafts	**(4)**	(4)		
Cash equivalents stated at cost	**8 153**	8 153		
Cash	**3 318**	3 318		
Cash net of bank overdrafts (1)	**11 467**	**11 467**		
Fair value adjustement on cash equivalents	**19**	**19**		
Net consolidated cash and equivalent	**11 486**	**11 486**		
Net financial debt	**(7 947)**	**(9 213)**	**1 266**	

(1) cf Cash flow statement.

Note 15 – Current liabilities

All liabilities are denominated in €.

(000€)	31/03/2011	Change in consol.	Variation	30/09/2011
Short-term provisions	1 341		(431)	910
Borrowings (due in less than 1 year)	2 305		(29)	2 276
Trade payables	4 007		1 741	5 748
Advances and payments on account	512		278	790
Social security liabilities	17 434		(3 893)	13 541
Tax payables	10 763		(710)	10 053
Fixed asset payables	351		(140)	211
Tax payables (corporation tax)	515		(515)	0
Sundry liabilities	1 045		938	1 983
Deferred income	2 457		151	2 608
Total	**40 730**		**(2 609)**	**38 121**

Note 16 – Revenues

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

Note 17 – Purchases consumed

(000€)	30/09/2011	30/09/2010
Sub-contracting costs	1 709	1 268
Other purchases consumed	0	1
Total	**1 709**	**1 269**

Note 18 – Personnel costs

(000€)	30/09/2011	30/09/2010
Wages and salaries	24 437	25 650
Social security charges	12 001	11 832
Total	**36 439**	**37 482**

Average number of FTE	30/09/2011	30/09/2010
Engineers and managers	851	886
Employees	36	38
Total	**887**	**924**

Note 19 – Directors remuneration

(000€)	30/09/2011	30/09/2010
Board of Directors remuneration	186	194
Supervosory Board remuneration	38	21
Other employee remuneration		
Post retirement benefits		
Other long-term benefits		
One-time retirement compensation		
Share-based remuneration		
Number of stock options held by directors		

Note 20 – Financial items

(000€)	30/09/2011	30/09/2010
Net gains on sale of cash equivalents	26	3
Loan interest	(56)	(84)
Fair value adjustements on cash equivalents	15	
Net borrowing costs	(15)	(81)
Fair value adjustements on other long-term investments	(8)	(13)
Net Financial items	(23)	(94)

Note 21 – Corporation tax

Net corporation tax charge

(000€)	30/09/2011	30/09/2010
Current tax charge	1 936	2 998
Deferred tax	112	(112)
Total	**2 048**	**2 886**

As at 30 September 2011, taxes deferred for more than a year stood at EUR 2.484 M.

All deferred taxes due to transactions during the period have been accounted except those from Cosmosbay~Vectis. Even if the return to profitability of this company is confirmed, according to the targets set, its net income will still represent a loss at 30/09/11. To err on the side of caution and allowing for the time theoretically required to absorb the carried forward losses of Cosmosbay~Vectis that appear on the consolidated balance sheet at the start of the financial year (EUR 1.89M), it was decided from the financial year ended 31/03/11 not to activate the additional, deferred taxes for this subsidiary. Nevertheless, the cash flow forecasts for this company for the coming years are based upon realistic assumptions and do not put into question refunds of prior deferred tax credits.

The Finance Law for 2010 has cancelled in France the professional tax from 2010 and to replace it with two new ones, the Companies' Contributions (CFE) and the Contribution on Companies' Added Value (CVAE).

In accordance with the CNC notice dated 14 January 2010, Solucom has opted to account for CVAE as corporation tax as from 2010. The amount of CVAE accounted for in the "Corporation Tax" line item was EUR 710,000 as at 30/09/11, as against EUR 662,000 in 30/09/10. The deferred tax liability for CVAE came to EUR 25,000 and the deferred tax credit for CVAE came to EUR 1,000.

Note 22 – Diluted earnings per share

Earnings per share	30/09/2011	30/09/2010
Net profit for the year (Group share)	2 018	4 202
Return on revenues	4.0%	8.0%
Weighted average number of share in issue (1)	4 884 988	4 884 988
Basic earnings per share, group share	0.41	0.86
Number of shares in issue at 31 march (1)	4 966 882	4 966 882
Number of potential shares - Stocks options	0	0
Total number of potential and issued shares	4 966 882	4 966 882
Diluted earnings per share, group share	0.41	0.85

(1) excluding treasury shares

In compliance with IAS 33, a retrospective restatement was carried out for the calculation of the net earnings per share on 30 September 2010, on the basis of the number of shares on 30 September 2011.

Note 23 – Financial instruments

Solucom holds the following financial instruments:

- investments in money market funds, exclusively indexed on the EONIA not involving any identified risks
- its own shares.

Note 24 – Off-balance sheet commitments

By category

Off-balance sheet commitments	30/09/2011	31/03/2011
Pledges, mortgages and actual sureties	22 182	22 182
- of which pledges shares in subsidiaries	*22 182*	*22 182*
Endorsements and guarantees given	0	0
- of which guarantees given as security for loans	*0*	*0*
Other commitments given	7 847	9 419
- of which operating leases	*7 847*	*9 419*
Endorsements and guarantees received	6 117	7 482
- of which endorsements and bank guarantees received for liabilities	*0*	*1 249*

Maturity :
The pledge of shares in subsidiaries relates to Solucom DV, New'Arch and Cosmosbay~Vectis shares.

For the periods of commitments given for operating leases refer to Note 6 – Operating leases.

Bank securities and guarantees received (€6,117 k) were in guarantee of:

- opening of loans of EUR 6,000 thousand for the acquisition of Cosmosbay~Vectis, and of € 117K for financing the refurbishment of premises.

Note 25 – Related parties

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

Note 26 – Post balance sheet events

None.

Note 27 – 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
Solucom DV	86, boulevard Voltaire 93100 Montreuil sous bois	423049162 00062	SAS	France
New'Arch	Tour Franklin 100-101 Terrasse Boieldieu 92042 La Défense Cedex	48015758500021	SAS	France
KLC	Tour Franklin 100-101 Terrasse Boieldieu 92042 La Défense Cedex	37866964200035	SA	France
Cosmosbay~Vectis	Le parc de Villeurbanne 107 bd Stalingrad 69 628 Villeurbanne Cedex	34906243000062	SA	France

Auditors' report

Dear Shareholders,

In carrying out the task given us by your General Meeting and in accordance with Article L.451-1-2 III of the Monetary and Financial Code, we have carried out:

- A limited review of the consolidated, short-form, half-year financial statements of Solucom for the period 1st April 2011 to 30 September 2011, as attached hereto;
- A verification of the information provided in the half-year report.

These consolidated short-form, half-year financial statements have been drawn up at the responsibility of the Board of Directors. Based upon our limited examination, we must state our conclusions concerning these financial statements.

1. Closing of financial statements

We have carried out our limited review in accordance with French GAAP. A limited review of interim accounts consists in obtaining the necessary information, mainly from accounting and financial management, and carrying out analyses as well as any other applicable procedure. A review of this type does not include all the checks of an audit carried out according to French GAAP. It does not facilitate ensuring having identified all the material points that would have been identified in an audit, and accordingly we cannot express an audit opinion.

Based upon our limited review, we have not identified any major anomalies that would question compliance, in all material senses, of the consolidated, half-year, short-form financial statements with IAS 34, one of the IFRS standards adopted by the European Union in respect of interim financial reporting.

2. Specific check

We have checked the information provided in respect of the half-year report, with explanations of the consolidated, half-year, short-form financial statements on which our limited review took place.

We have no observations to make in respect of their truthfulness and their agreement with the consolidated, half-year, short-form accounts.

Paris and Neuilly-sur-Seine, 29 November 2011

The auditors

SLG EXPERTISE	Constantin Associés
Arnaud BERNARD	Laurent LEVESQUE