NEDSENSE™




ANNUAL REPORT

2011

Contents

NedSense enterprises n.v.
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001 Message from the CEO

Dear Stakeholder,

The past year has been stimulating and inspiring as we continue to built on the strong foundations laid for NedSense enterprises n.v. (NedSense). The organizational change that took place in 2009 creating a flatter and more effective company, continued further in 2011. The overall strategy for 2011 concerned the final phase of the value triangle business plan in which we aim to expand within and beyond our current markets, and invent, dictate and define the direction in which we are going.

In the year 2011, LOFT™ continued to be successful. In addition to nurturing our existing partnerships with launching customers Rubelli and Donghia, we continued to innovate products such as the LOFT@Web and LOFT@iPad concepts. We were able to present multi-channel home furnishings retailer, Crate and Barrel, a member of the Otto Group, as a LOFT customer. It will use the company's LOFT@Web and LOFT@iPad customer experience engines. We were also able to close deals with NLF and a Dutch bedding company.

This success has been recognized by Project Holland Fonds and the current shareholders. A capital injection in September 2011 of in total EUR 6.1 million has been arranged, partly in equity and partly in convertible loans. Most of the proceeds will be used for LOFT investments. Moreover, the Dutch Ministry of Economic Affairs granted a loan of EUR 1.7 million to the Company to further enable developments in LOFT.

We continued to build on our modernized hybrid delivery model and we use outsourcing partners such as SMT Software and Euvision Technologies to develop parts of our technology. Acquisitions did not take place, we continue to look at opportunities. We build on our knowledge heritage and cultivate relevant partnerships, so that we can innovate and lead, and create real economic value for our customers. Transition costs effected our results in 2011 and are non-recurring.

Although we have not achieved the financial goals we set for ourselves in 2011, we are nevertheless pleased that we were able to comparably maintain the high 2010 sales levels for NedGraphics taking currency (EUR 0.2 million) and order book effects (EUR 0.2 million) into account. The economic recession in Southern Europe and political circumstances in the Arabic countries have been compensated by growing sales numbers in emerging countries. We continued to invest in LOFT, despite the difficult environment. We are confident we can strengthen our current markets and firmly root in new markets so as to realize our ambitious financial objectives for the coming period. After a successfull period of 2 years in the US, I moved back to the Netherlands on December 31th 2011.

The single strategy that is in place across all of the NedSense companies provides the strength to build further. NedSense is a stable company and in the coming period we aim to evolve a more aggressive nature for promoting further growth.

On behalf of the Board of Directors, I would like to thank our shareholders for their commitment. Their constant efforts and trust are of great value to us as we enter into our next stage of development. We would also like to thank our clients, business partners, Supervisory Board and employees for their contribution and loyalty. We are looking forward to continuing fruitful relationships and exploring new alliances.

Vianen, April 23, 2012

Pieter Aarts, Chief Executive Officer

The single strategy that is in place across all of the NedSense companies provides the strength to build further

002 Key figures

	2011	2010
Results from continued operations (in thousands of euros)		
Net revenue	9,116	9,518
Operating result	(1,735)	(360)
Net result	(1,781)	(733)
Cash flow	66	305
Employees (in FTE's)		
Average number of staff in continued operations, including staff hired out	109	114
Balance sheet information (in thousands of euros)		
Balance sheet total	16,381	13,896
Shareholders' equity	6,643	5,125
Guarantee capital	6,643	5,125
Ratios (in %)		
Operating result / net revenue	(19.0)	(3.8)
Net result / net revenue	(19.5)	(7.7)
Solvency (based on guarantee capital)	40.6	36.9
Liquidity	1.7	1.6
Figures per share (amounts in euros)		
Average number of shares outstanding	15,944,356	11,711,485
Result per share	(0.11)	(0.06)
Cash flow per share	0.00	0.03

003 Profile

003 Profile

Our profile

NedSense is a global provider of high-quality software solutions and services for manufacturers and designers of the products, designs and brands which surround us in our day-to-day lives, from fashion items and accessories to furniture, carpets and other woven materials.

The NedSense portfolio ranges from market leading CAD CAM technology to the unique customer experience solution LOFT™ . Our aim is to offer solutions that make sense and create tangible value to the commercial activities of existing and new customers.

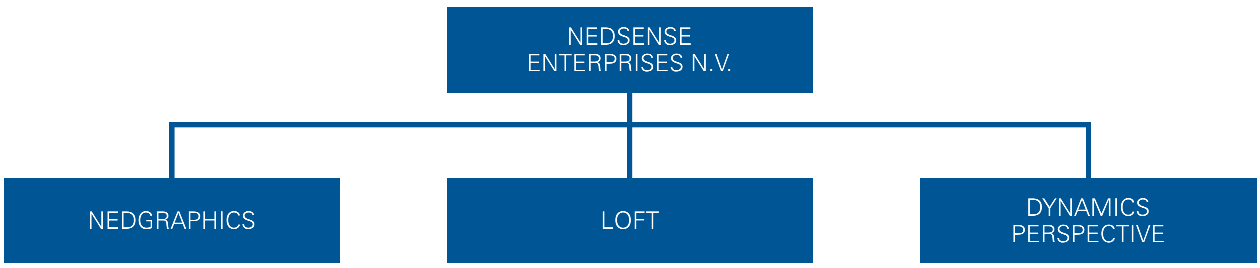
History

NedSense was founded as Blue Fox in early 1999 and has been listed on NYSE Euronext Amsterdam NV since 21 May 1999. The company grew rapidly as a result of its buy-and-build strategy until it encountered financial challenges in 2006. As a means of thwarting these challenges, the company initiated a new strategic direction and disposed of non-core activities. In 2009, Blue Fox underwent a complete transformation program to prepare the company, and our market, for a new era as NedSense.

Current situation

NedSense serves more than 3,500 customers through a global network of over 42 resellers and agents. Its 14 offices are ideally located in the leading textile, fashion and production centers of the world. As the operating company, NedSense has three wholly owned subsidiaries, namely NedSense NedGraphics b.v., NedSense LOFT b.v. and Dynamics Perspective Inc.

NedSense enterprises came into force in January 2010 following a name change from Blue Fox Enterprises. In the two years previous, a major organizational and cultural transformation had taken place to create an innovative, networked, international software company. Volume-driven business models and short development cycles aim to generate a creative environment which fosters new initiatives. These initiatives are supported by



the input from partner knowledge institutions and an ambassador network that recommends our products to the market. In 2011 this approach has resulted in exciting new innovative products and several big wins.

During 2011, NedSense further evolved in a group of collaborating business units each with their own products and services but serving the same target market, namely the Fashion, Textile, Retail and Interior industry. Our sales and go-to-market strategy, and our innovation and product development processes are applied and managed company wide so as to attain maximum synergy between the business units. Our strategies and processes remain flexible in order to be able to respond to trends in our industry. At present, NedSense and its business units aim to meet the current global trends by increasing speed-to-market for our customers, developing the market for customer and product experiences which merge reality with 3D virtuality, and recognizing the rise of emerging markets.

Our mission

In today's experience economy, customer experiences are transformed when reality transcends into virtuality and back into reality. It is this transformation that creates economic value for designers, producers, retailers, resellers and consumers. NedSense is cultivating a leading role in providing innovative IT solutions that orchestrate these experiences for its customers.
Our mission is to provide solutions that make sense and create tangible value to the commercial activities of our customers, leveraging our key assets in combination with today's market and technology innovations. We aim to become the expert and a global leader in our markets offering state-of-the art technology and solutions.

NedSense NedGraphics b.v.
NedGraphics forms our core business entity delivering CAD CAM software solutions to the fashion and textile industry and leading the innovation program by continually investing in highly qualified staff, market research, and product development.

NedGraphics has over 33 years of experience in developing, marketing and supporting the leading CAD CAM software for thousands of companies. Our products are seen as A-brand in the market because of their continuous innovativeness, optimal functionality and broad applicability. They enable our clients to improve their sales through minimizing time to market, optimizing product development flow, and reducing sampling costs. Each software solution is offered in a fully integrated modular system to guarantee current and future operational performance.
NedGraphics' integrated software solutions are used around the world in three main market segments:

- Fashion design
- Floor coverings
- Home furnishings

In all segments, the NedGraphics software actively supports customers throughout the entire textile value chain, from freelance designers to large-scale production facilities and from yarn manufacturing to weaving and pattern.

Solutions that make sense and create tangible value

NedSense LOFT b.v.
NedSense LOFT b.v. is the subsidiary that extends the reach of NedSense into the life and lifestyle of end-customer through its LOFT™ experience engine (patent pending), which enables designers and manufacturers in the textile and apparel industry, to co-create personalized virtual showrooms with their customers. Rather than demonstrating fabrics and products in pre-designed and styled showrooms, the LOFT suite of solutions allows end customers to select products of their choice and display them in the image of their own home. A simple click turns a 2D photo into a 3D environment that is easy to manipulate by any user, ranging from professional to first time user.
In line with current technology developments and (online) customer behavior the technology is available in a variety of deployments. From an in-house enterprise deployment with full functionality across the entire product range to a slim 'cloud' based service for more agile use. Consumers can access and use the product through any internet supported device, be it PC, iPad or mobile phone.
LOFT b.v. is a prime example of heritage based innovation. Over thirty years of

Andrea Favaretto Rubelli, CEO of Donghia US and Rubelli:

"We have been looking for a tool like LOFT™ for the past ten years. We found that only NedSense has the experience needed to simulate our fabrics on screen in the appropriate way."

technology experience (NedGraphics) in ultimate visualization of textiles and apparel paired with a relentless dedication to detail have formed a strong basis for the LOFT experience engine. Embraced by leading international manufacturers, LOFT enables the industry to face the most critical market challenges of today: cost of sampling, widening of distribution network, enriching of the agency relationship, fast time to market with new collections and a 'true to the eye' quality experience.
The LOFT experience engine will be continuously enhanced as a result of cooperation with the growing base of new clients and technology/marketing partners in the industry with the mantra: simple, fun and a stunning real life experience in your own home.

Dynamics Perspective Inc.
Dynamics Perspective Inc. provides integrated product life cycle (PLM) solutions for the textile & apparel industry. Its tools facilitate creativity, speed to market, and operational excellence for thousands of clients worldwide in almost every segment of the trade, including vertical producers (fiber to finished garment) and importers of apparel, footwear, textile, home furnishings, outdoor and fashion accessories.

Dynamics Perspective boasts a worldwide presence with local focus, assuring clients the security of knowing their local and global needs will be met. Its suite of applications help organizations optimize activities and results associated with:

- forecasting
- planning and scheduling
- product development
- production monitoring
- sales and order management
- sourcing
- supply chain

A networked organization
Global provider of high-quality software solutions and services for manufacturers and designers of the products, designs and brands which surround us in our day-to-day lives

John Seebeck, VP eCommerce at Crate and Barrel

"Our customer panels confirmed our choice by selecting LOFT of NedSense as the most user friendly tool with the highest impact in turns of experience."

004 Composition of the Boards

Board of Directors

Pieter Aarts (1967, Dutch, male), Chairman of the Board of Directors (since January 2009)
Mr. Aarts graduated from the Technical University Eindhoven (NL) in 1989 before obtaining a Master in Business Administration from Kingston University in London (UK). He started his professional career in 1989 with one of the PinkRoccade Group subsidiaries as a consultant in logistics. In 1994, Mr. Aarts was made Managing Director of PinkRoccade Industry, and continued in various Managing and Executive positions, including member of the Board of Directors, within PinkRoccade until 2004. He then moved to Hewlett-Packard Netherlands as member of the Board of Directors before continuing as an interim manager for companies such as Inter Access and Ordina. Since 2002, Mr. Aarts has held a number of advisory management positions with a variety of organizations, mainly in the ICT industry.

Jan-Hein Pullens (1972, Dutch, male), Member of the Board of Directors (since January 2009)
Mr. Pullens graduated from the Faculty of Economics and Management at the University of Applied Sciences in Utrecht in 1997 having already started his professional career in the previous year as an Account Manager in the software industry. He was then recruited by Unisys Netherlands where he held various management and sales executive positions within Unisys' Global Industry and Global Infrastructure divisions. In 2004, Mr. Pullens became Division Director for Outsourcing at Inter Access, where he led the development and growth of this new division. Three years later, in 2007, he joined Hewlett-Packard's EMEA Strategic Outsourcing team as an Engagement Lead focusing on the large international IT outsourcing deals. Since 2005, Mr. Pullens has held various advisory management positions with a number of organizations.

Supervisory Board

Mr. Servaas Houtakkers (1959, Dutch, male), Chairman Supervisory Board (since August 2005)
Mr. Houtakkers graduated from Nijmegen University and started his professional career as a corporate lawyer at Hendrix International, now better known as Nutreco NV, before moving to the legal department of MeesPierson NV in Amsterdam. In the early 1990s, he pioneered the banking and trust activities of MeesPierson in Belgium, before being appointed Managing Director of MeesPierson Trust Luxembourg in 1994, and subsequently Managing Director of MeesPierson (Luxembourg) Banquiers. After a brief appointment as Chief Operating Officer of EASDAQ NV/SA, he returned to Amsterdam in 1998 to continue his career at Merrill Lynch NV. In 2001, he was appointed managing

partner with a Brussels-based corporate services company. Mr. Houtakkers has been active as a corporate consultant since January 2005. He is a member of the advisory board of Greening International Partners and was a member of the managing board of Burani Designer Holding BV until February 2007. He was Chairman of the Board of Directors of Prolion Holding NV from 2002 until September 2004, and of Interbanca International Holding SA from 2003 until March 2005. As from May 2011 onwards he acts as chairman of the Supervisory Board of IS Group BV, Purmerend.

Mr. Henk Huisman (1944, Dutch, male), Member Supervisory Board (since May 2009)
Mr. Huisman worked from the mid-sixties until his retirement in 2002 in the IT industry, fulfilling several positions at management level within Dutch and international companies. During the last ten years before his retirement, Mr. Huisman was a member of the Executive Board of PinkRoccade. Mr. Huisman is a member of the Advisory Boards of several companies in the IT and Telecom business and also active as a strategic consultant in M & A projects.

Mr. Dirk Lindenbergh (1949, Dutch, male), Member Supervisory Board (since January 2009)
Mr. Lindenbergh has been an entrepreneur throughout his career, founding an international operating business in the gaming industry which he later, in 2000, sold to ABN Amro equity and NPM Capital. He continued as board member for the newly formed company for another six years.

Mr. Lindenbergh studied philosophy part-time at Groningen University, and Business Valuation at Erasmus University Rotterdam. He is also a graduate in Business Administration from Nyenrode University. In 2004, he followed the Advanced Management Program at Nyenrode University and returned in 2005 to follow a strategic course for non-executive board members. He has been a member of the boards of Docdata N.V. since 2006, Midlin N.V. since 2007, and Astor Participaties (Private Equity) since 2008. In 2009 he joined the non-executive board of BE Semiconductor Industries N.V., and in 2010 he joined the non-executive board of DPA Group N.V.

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Report of the Board of directors

005 Report of the Board of Directors

During the first phase of the value triangle, we focused on creating sustainability in the company, partly by reviving our sales and marketing efforts and intensifying customer loyalty. In the second phase, we built on the newly strengthened foundations and shifted focus to structural performance improvement, revenue growth, and market development. An organizational change coupled with a critical analysis of our strengths and weaknesses, our markets, and our opportunities enabled us to recognize ways in which we could use the full potential of our products and people. This took us into phase 3 of the value triangle were we expanded within and beyond our current markets, and invent, dictate and define the direction in which we are going. Partnerships created in 2010 with Rubelli and Donghia, as well as the adoption of the Apple platform illustrate LOFT's commitment to developing unparalleled personalized experiences. In 2011 this was further shaped with customers as Crate and Barrel, NLF and a Dutch bedding company. Acquisitions did not take place in 2011, we continue to look to potential businesses that really create value on the long term.

In 2011, the American textile and apparel market remained stable as compared to 2010. The European market including the Arabic countries were still struggling to emerge from the recession. NedGraphics was able to achieve similar sales levels on a like for like basis (including currency and order book effects) and was able to make a profit in 2011. Crate and Barrel selected LOFT as it is easy to use and because it is a solution that subsequently visualizes the Crate and Barrel experience in the quality finishes and touches in a photo realistic manner. That delights us in our partnership with Crate and Barrel, is that Crate and Barrel's vision seamlessly maps the original concept and goal of LOFT: creating a rich, personalized and lasting experience for end customers in his or her environment of choice. Crate and Barrel is known for its exclusive collections of contemporary home furnishings and has more than 110 brick-and-mortar locations throughout the U.S., Canada and Dubai and its products are available online in more than 90 countries.
LOFT stands out in terms of visualization and 3D experience on the basis of your own home environment and user friendliness. This advantage can only be maintained and widened when we accelerate the research & develop centric solution in step with, and often even ahead of our customers.

We are very happy that the LOFT success has been recognized by investors. Additional capital was raised to fund the Company's growth strategy. We reached a financing agreement with our existing major shareholders and a new shareholder, Project Holland Fonds (PHF) through the placement of new shares, the issue of convertible loans and a standby convertible loan. The financing amounted to € 6.1 million and consists of a private placement of €2.5 million in shares from Project Holland Fonds and the issue of a convertible loan with a total value of €1.2 million to existing shareholders and investors and a non-transferable stand-by convertible loan of €2.4 million from Project Holland Fonds.

We, as Board of Directors also felt confident to invest each € 250 thousand in shares.
In January 2012, Agentschap NL, the innovation agency of the Dutch Ministry of Economic Affairs has awarded NedSense an innovation credit to develop the LOFT experience engine across a range of platforms and devices. The agency, whose aim it is to support the excellent implementation of international, innovation and sustain policy, and thus a leading innovative position for the Netherlands, has awarded the credit to NedSense on the basis of an innovation plan and a R&D roadmap submitted in 2011. The roadmap includes detailed plans for the expansion of the core LOFT experience engine across a range of platforms, such as iPad, Web, and delivery models such as on-site and Software as a Service (SaaS).

The turnaround in culture and philosophy has brought Dynamics Perspective (DPI) closer to its NedSense base. Collaboration between the companies has intensified with DPI developing a new focus on product life cycle solutions servicing both the DPI and NedSense client base. In keeping with NedSense's concept of a networked organization, DPI has also entered into new alliances to provide a robust concept-to-counter product management suite of solutions.

NedSense is confident that prolongation of the current strategy will continue to generate revenue growth. We have achieved a commendable level of stability over a short period of time and are ready to enter into a new and more aggressive phase of development. In the coming year, we will continue to build on the company's strengths, and expand and maximize market leadership.

The initial concept of a networked organization for research and development purposes has matured into a networked organization across the board, partnering for instance at a sales level with companies. We will continue to foster these alliances, so as broaden our sales base and marketing channels. We have a modernized hybrid delivery model and outsourcing partners such as SMT Software and Euvision Technologies develop parts of our software. We want to continue to build on our knowledge heritage and cultivate relevant partnerships, so that we can innovate and lead, and create real economic value for our customers.

Pieter Aarts
Jan-Hein Pullens
Vianen, April 23, 2012

Financial results 2011

Report by the Board of Directors – Financial Information 2011

Financial results

NedSense ended 2011 with a net loss of € 1.78 million (2010: € 0.73 million loss). The lower result of 2011 was mainly due to decrease in net revenue of € 0.40 million and an increase in other operating costs (€ 0.62 million) mostly due to increase of ongoing R&D activities in LOFT and non recurring transition cost of a considerable portion of our R&D activities from internal to external sources. The operating result for 2011 amounted to € 1.735 million negative (2010: € 0.36 million negative).

Activities include the CAD CAM activities of NedGraphics and the ERP activities of Dynamics Perspective. The net revenue of NedGraphics decreased by 5.1%, to € 8.2 million (2010: € 8.6 million). The USD effect on sales was € 0.2 million negative and the orderbook at year end was € 0.23 million higher as compared to last year. The lower revenue and higher costs especially related to onetime transition cost of part of our R&D activities from internal to external sources resulted in a decrease of profit of € 1.12 million in 2010 to a profit of € 0.07 million in 2011. The revenue from the ERP activities of Dynamics Perspective decreased from € 0.80 million in 2010 to € 0.71 million in 2011. The operating result of Dynamics Perspective decreased with € 27 thousand to a small loss of € 17 thousand in 2011. LOFT sales increased from € 38 thousand to €151 thousand in 2011 and LOFT incurred € 1.06 million in expenses (2010: € 0.75 million) to further develop its products. The costs in 2012 will increase.

Cash flow, investments, financing

The operational cash flow in 2011 amounted to € 0.77 million negative (2010: € 1.25 million positive). The decrease from 2010 was mainly due to the lower operating result. The cash flow from investments in 2011 was € 2.89 million negative (2010: € 2.34 million negative). The decline in 2011 was mainly due to the investments made in the software development of the new LOFT™ product line. The cash flow from financing in 2011 was € 3.727 million positive (2010: € 1.39 million positive) as a result of the financing obtained by Project Holland Fonds and the current investors. The total change in cash and cash equivalents in 2011 amounted to € 0.06 million positive (2010: € 0.31 million positive).

Balance sheet

From 31 December 2010, fixed assets increased from € 9.25 million to € 10.76 million. This was mainly due to the capitalization of developed software for the new LOFT™ product line.
Due to the negative results in the past few years, NedSense has losses that may be

carried forward. These tax assets are not capitalized in the balance sheet as management is currently not certain that sufficient taxable profits will be made in the near future to realize the value of these tax assets.

Shareholders' equity increased from € 5.13 million as of December 31, 2010 to € 6.64 million as of December 31, 2011. This € 1.52 million increase was mainly caused by the issue of new shares as a result of the investment of Project Holland Fonds and the recognition of equity of the convertible loans. As a result of these changes, solvency increased to 40.6% at December 31, 2011, from 36.9% at December 31, 2010.

The number of outstanding ordinary shares, with a nominal value of € 0.10 each, was 21.081.343 as of December 31, 2011. Please see the accompanying financial statements and the notes to those statements for additional information.

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Report of the Supervisory Board

006 Report of the Supervisory Board 2011

This annual report includes the financial statements for the financial year 2011 as prepared by the Board of Directors and adopted by the Supervisory Board, as well as other information concerning NedSense

Composition of the Supervisory Board

The Company's Articles of Association stipulate that the Supervisory Board must be composed of a minimum of two members. Currently the Supervisory Board comprises three members. Each member of the Supervisory Board has a broad range of experience and expertise in the various disciplines encountered by the Company in its current stage of development and strategy.

The members of the Supervisory Board correspond with the required profiles of Supervisory Board members. Detailed profiles of the Supervisory Board members can be found at chapter 4 of this report and on the company's website www.nedsense.com.

Terms of reference

The members of the Supervisory Board will retire according to the following schedule:

	First year elected	Term end
Mr. S. Houtakkers	2005	2014
Mr. D. Lindenbergh	2008	2012
Mr. H. Huisman	2009	2012

Mr. Huisman has indicated that he is not available for appointment for a second consecutive period. The other members regret this decision but would like to thank Mr. Huisman for the way in which he has carried out his mandate over the past three years. Mr. Lindenbergh is available for re-appointment as of the Annual General Meeting of Shareholders on June 5, 2012. The Supervisory Board will submit a nomination for succession to Mr. Huisman at the AGM.

The NedSense Supervisory Board terms of reference set the regulations for the Supervisory Board regarding its duties and responsibilities. The regulations are designed to ensure that NedSense is operated and managed in a manner consistent with the best interests of the Company and the best interests of its shareholders and other stakeholders. The NedSense Supervisory Board regulations stipulate, amongst others, that:

- The role of the Supervisory Board is to supervise the policies of the Board of Directors and the general affairs of NedSense.
- Members of the Supervisory Board have full and free access to NedSense management and, if necessary and appropriate, independent advisors.

The Supervisory Board attaches great importance to the independence of its members. As a rule, all members, with the exception of no more than one, should be independent in the meaning of provision III.2.1 of the Dutch Corporate Governance Code. During a separate meeting, the Supervisory Board discussed its own performance, its composition and the need to create committees. Particular attention was paid to defining a profile for Mr. Huisman's successor. Items assessed and discussed included: (i) the Board's size, profile, mix of skills and experience; (ii) meeting frequency, decision-making, follow-up of and discussion during meetings; (iii) performance; (iv) the relationship with the Board of Directors; and (v), the performance of the Chairman. The Supervisory Board concluded that all of these items were unanimously assessed positively. The Supervisory Board Chairman also conducted one-to-one meetings with each individual board member to discuss his or her own functioning and the functioning of the board on the whole.

Supervision in 2011

The Supervisory Board and the Board of Directors met ten times during 2011. In addition, there have been formal telephone conferences and various informal contacts, both between the Supervisory Board and the Board of Directors and between the members of the Supervisory Board. Several formal meetings were held amongst the Supervisory Board members themselves. As in 2010, these meetings were held to discuss the review of the remuneration policy, the remuneration of the Board of Directors and incentives for key staff members, the issue of convertible bond loans in September 2011 and the associated specified conditions. An additional joint meeting was held to discuss the profile of the future Supervisory Board member as a result of Mr. Henk Huisman's announcement to retire from the Board. The external auditor was invited to two meetings to discuss the preparations and results of the annual report and accounts. None of the Supervisory Board members were regularly absent during 2011.

During the joint meetings and calls with the Board of Directors, the Supervisory Board was updated regarding market developments in the main countries NedSense is operating in, product development, company reorganization and performance plans. Strategy was placed at the top of the agenda during a number of meetings, so enabling the Supervisory Board members to participate in the discussion on the future scope of the Company. Considerable time was spent on in-depth discussions of the overall strategy of the Company within its competitive environment. Due to this competitive environment, it is inappropriate to expand in detail on the topics discussed. During the second and third quarter of 2011, considerable time and attention was paid to the proposed issue of convertible bond loans. The Supervisory Board is pleased with Project Holland Fonds' share in the Company's capital, and welcomes the new shareholder.

Recurring items on the agenda included:

- The financial performance of the Company as a whole, and key issues per operating company
- The balance sheet, profit & loss account, and the cash position of the Company
- Business performance, including new projects and potential divestments
- Operational changes in the organization
- Potential strategic alliances
- General risks associated with the operations of the Company
- Assessment and review of the structure and operation of the Company's subsidiaries NedGraphics b.v. in the Netherlands, and DPI Inc. in the USA
- The performance and internal division of tasks of the Board of Directors
- Composition of the Supervisory Board
- Analyst and investor views, and contact with financial parties
- Developments related to corporate governance
- The preparation and evaluation of the AGM

In the light of the items above, it was decided that the position of a financial director should be created. The position was filled by the appointment of Mr. Jaap Bastiaansen on September 15, 2011.

The Supervisory Board further underlines the importance of the possibility of reporting internal misconduct and related internal procedures, and shares responsibility for these issues with the Board of Directors.

The Chairman of the Supervisory Board and the members of the Company's Board of Directors met on a regular basis and had frequent contact during the year. The year 2011 was characterized by further building on the new organization, the continuing boost to the US NedGraphics activities, and the further development of LOFT.

The financing of the working capital and the Company´s liquidity continued, as they were in 2010, to appear on the agenda in 2011. During the Extraordinary Meeting of Shareholders on September 7, 2011, a subsequent private issuance of shares from the Company to a number of major shareholders and Project Holland Fonds was approved.

This latest emission opened a new discussion with respect to the consequences for the remuneration policy of the Company as agreed by the Board of Directors and the Supervisory Board, initially approved at the AGM of May 26, 2009 and then amended at the Annual General Meeting of Shareholders on June 7, 2011. The main points of the remuneration policy for 2012-2015 were also presented during this AGM.

Committees of the Supervisory Board

Under the Dutch Corporate Governance Code, it is usual for the Supervisory Board to appoint a number of permanent committees. Due to the size of the company and the limited number of members of the Supervisory Board it was decided not to delegate tasks but to carry out the tasks related to the Audit Committee, Remuneration Committee and the Selection & Nomination Committee in collegiality.

Audit Committee topics

In 2011, the entire Supervisory Board acted in the capacity of the Audit Committee. The Audit Committee controls and assesses the financial reporting processes of the Company, as well as the expert investigation carried out by the external auditor. Two meetings were held with the external auditor KPMG Accountants N.V. to discuss the preparation and the content of the financial report.

The main topics discussed at those meetings in 2011 included:

- the financial performance of the company as a whole, which were discussed every 6 months and focused on the quality of earnings, productivity, the balance sheet, financing, provisions and taxes, impairments and the outlook for the subsequent period
- the auditor's reports for the full year, as well as the follow-up of the raised issues, client service plan, audit planning and fees
- a review of fiscal, treasury (including financing policy), and legal developments as provided by the Board of Directors
- the performance review of the finance function and its key people

Except for January and July, the internal financial reports were presented and discussed on a monthly basis with the Board of Directors.

External Auditor

KPMG acted as auditor of the company. Its nomination was approved by the Annual General Meeting of Shareholders on June 7, 2011. The Supervisory Board wishes to thank KPMG Accountants N.V. for its continual constructive contributions and work in 2011.

Remuneration Policy

The Supervisory Board sets the level of remuneration for the Board of Directors in line with the approved remuneration policy. Remuneration for the Chairman and other members of the Supervisory Board is set by the Annual General Meeting of Shareholders. The remuneration policy 2009-2011 was approved in the Annual General Meeting of Shareholders of May 25, 2009. During the AGM of June 7, 2011, approval was given for an amendment to the exercise price of the C options to €0.40, and the main points of the remuneration policy 2012-2015 were explained. Approval was given to these additional changes concerning the conditions under which the convertible bond loan may be issued during the Extraordinary Meeting of Shareholders on September 7, 2011. The long-term options awarded to the members of the Board of Directors were then converted into venture capital in the form of shares.

The main objective of the remuneration policy is to attract and retain qualified managers against market conditions for an international listed company with activities in the field of software development. The remuneration policy aims to provide the members of the Board of Directors, both jointly and individually, and certain, yet to be confirmed, key employees of NedSense with a level of compensation that:

- Aligns performance with the financial targets and the strategy of NedSense and its subsidiaries

- Attracts and retains top managers as management of NedSense

The remuneration policy 2009-2011 for the members of the NedSense Board of Directors has four elements:
- Base salary (including pension scheme)
- Variable income
- Long term incentive plan
- Secondary employment conditions

The long term incentive plan comprises an option plan for the members of the Board of Directors and key employees. Assuming 30% of the outstanding shares between 2009 and 2011 are granted to the Board of Directors and key employees in the form of share options, two-thirds of this 30% will be given to the Board of Directors as a bonus based on the principles of their variable income scheme.

The Board of Directors will receive an options package granting them the right to 20% of NedSense outstanding share capital following the conversion of the convertible loan of EUR 850,000 issued in December 2008. The options package will be distributed equally amongst the Board of Directors and issued by NedSense on the day the Board of Directors takes up its duties.

A maximum of 10% of the outstanding shares will be granted to the Board of Directors and those NedSense employees that have had a particular effect on the Company's strategy and its implementation (in other words key personnel) in 2009, 2010 and 2011 provided the criteria are attained. The Supervisory Board will grant the options to the Board of Directors, and the Board of Directors will grant options to key personnel on the Supervisory Board's approval.

The remuneration policy 2009-2011 and a detailed report of the remuneration policy can be found on the company website www.nedsense.com.

Amendments

During the Annual General Meeting of Shareholders of June 7, 2011 the following amendment was proposed and approved by the shareholders.

According to the Governance Code, if a variable remuneration component conditionally awarded in a previous financial year would, in the opinion of the Supervisory Board, produce an unfair result due to extraordinary circumstances during the period in which the predetermined performance criteria have been or should have been achieved, the Supervisory Board has the power to adjust the value downwards or upwards.

During the summer of 2010, extensive discussions took place between the members of the Supervisory Board and the Board of Directors concerning the feasibility and fairness of the Remuneration Policy 2009-2011, particular regarding Plans C and D. When this policy was drawn up in 2008 and

2009, consideration was made of both the Company's financial situation and the policy's capacity to attract qualified management.
It was resolutely agreed with the current management that a fixed salary would be set at a reasonable level and with the incentive to take on the management task at hand created primarily in the form of Plan C in which they would be able to acquire 20% of NedSense share capital. The exercise price was set at € 0.64. The exercise price was not a criteria but a random indication. The Supervisory Board became aware that sustaining this exercise price impaired the initial purpose and wished to use its right to implement a one-off correction regarding the level of the exercise price. A second potential issue in this respect concerned the anti-dilution clause. At the time when the employment contracts were signed and the option plans agreed upon, it could not have been anticipated that there would be extra issuances in 2009 and 2010. In order to deal with this, the Supervisory Board decided to bring down the exercise price to €0.40, thus bringing it in line with the level of the issue price applied in January 2009 and cancelled the anti-dilution clause. The positive and negative effects of this decision for the Company practically cancel each other out, whereas the consequences bring it more in line with the initial purpose for which the arrangement had been agreed at the end of 2008 with the current management.

This was communicated on September 8, 2010 to the members of the Board of Directors and is recorded in the minutes of the joint meeting of the Supervisory Board and the Board of Directors of October 26, 2010.
During the Extraordinary Meeting of Shareholders on September 7, 2011, further amendments to the remuneration policy 2009-2011 were proposed to the shareholders. These amendments primarily concerned the conditions under which the new convertible bonds would be issued.
One of the conditions under which a limited group of large shareholders and the new shareholder would be able to apply for these bonds was that the C options to be awarded to the members of the Board of Directors would be converted into shares. In this way, the bonds would become venture capital.
A loan was issued by the Company to the management so as to be able to realize this conversion.

The criteria for the awarding of C options remained unchanged for 2011.

The objectives for 2011 that were set for the Board of Directors as conditions for receiving further options to a maximum of 5% of the outstanding shares are related to financial performance and personal targets.

Remuneration Report

In 2011, the Supervisory Board applied the remuneration policy 2009-2011 as follows:

Base salary

The base salary for the members of the Board of Directors of NedSense was set in 2009 for a period of 3 years, ending on December 31, 2011. There were no increases in base salary levels for 2011. Specific figures are provided on page 120.

Variable income

Variable income comprises two components, namely a bonus and share options. For 2011, the Board of Directors is entitled to a maximum of 5% of the number of outstanding shares following the emission in 2008 that was exercised in 2009. These 5% of the shares granted as of December 31, 2011, was on provision of a number of defined criteria, namely the Company's EBIT, certain individual objectives and an allowance awarded at the Supervisory Board's discretion.
The financial objectives for 2011 that were set for the Board of Directors were related to the EBIT level and profitability of the Company. For this purpose, the EBIT level excludes investments in LOFT. The objective was for the Company to achieve an operational break-even result. The strategy aspect of the objective were the further streamlining of management within the Company, particularly regarding the position of second line management and the development of an incentive plan, namely Plan D. The tactical aspect concerned the further financing of the company, while the operational aspect of the objective focused on the working and organization of the financial department and the financial reports. Individual objectives were set concerning LOFT, with particular attention being placed on the go-to-market activities including the roll out of LOFT@Web and LOFT@ iPad, the launch in the Dutch market and the further integration of the product development units. In addition to these criteria the Supervisory Board has exercised its authority to grant share options at its own discretion.

Based on the achievements of the members of the Board of Directors, the Supervisory Board has concluded that the above criteria have been achieved to 50% and therefore entitled a granting of share options as stated in Plan C to the value of 2,5% of the defined number of outstanding shares.

Long-term incentive plan

A number of conditional share options have been granted to the members of the Board of Directors and key staff based on the Policy's Option Plan D. These options become unconditional (i.e. vest) after three years, and may be converted to cash depending on certain market-related criteria. In the period 2012-2014, the share value must be at least €0.90-€1.10 at any given moment. This is linked to a sliding scale. The liquidity of NedSense shares in the stock market is minimal; NedSense shares are sensitive to the sentiment of the day. If the criteria are not met when the price is set, granting may be retracted. Therefore, in contrast to Plan C, Plan D is linked to the level of a previously determined fair price for NedSense shares.

Secondary employment conditions
The pension arrangements for members of the Board of Directors will be based on a defined contribution plan. Additional arrangements include expense allowances, housing expenses for employment purposes in foreign country, company car and accident insurance. Details are provided on page 120 of this annual report.

Loans

On September 7, 2011, an Extraordinary Meeting of Shareholders approved a loan of €250,000 each to Pieter Aarts and Jan-Hein Pullens. The aim of the loan is to convert the C options granted during the period 2009-2010 into shares by way of obtaining convertible bonds issued in September 2011 to the same amount.

Selection and nomination
Pieter Aarts and Jan-Hein Pullens were elected members of the Board of Directors as of January 1, 2009, for a period of four years.

Report of the Annual General Meeting of Shareholders June 7, 2011
During the Annual General Meeting of Shareholders held in Vianen, the members of the Board of Directors gave extensive presentations on the financial situation of NedSense and the general state of affairs of the Company. The 2010 remuneration report was discussed with shareholders and approved. The 2010 financial statements were approved and adopted in the presence of the company's auditor KPMG Accountants NV represented by Frank van het Kaar. The members of the Board of Directors were granted discharge of liability for their management and the members of the Supervisory Board for their supervision thereof.

The whole meeting was recorded on tape and the minutes were published on the Company's website within 3 months after the meeting.

Financial Statements 2011
The Financial Statements 2011 have been audited and provided with an unqualified opinion by KPMG Accountants NV (please see the auditor's report on page 122) and were extensively discussed with the auditors in the meeting of the Supervisory Board and the Board of Directors on April 23 2012. The Supervisory Board is of the opinion that the Financial Statements 2011 meet all requirements for correctness and transparency and recommends that the Annual General Meeting of Shareholders adopts the financial statements and the appropriation of net income proposed by the Board of Directors.

The Supervisory Board proposes that the Annual General Meeting of Shareholders grants discharge to the members of the Board of Directors for their management and to the members of the Supervisory Board for their supervision in 2011.

In conclusion

The reform of the NedSense business model that was initiated in 2010 was continued in 2011. With fervent management spread over two continents, the Company has proved itself able to deploy its objectives for 2011 despite an adverse economic climate. Although the financial objectives were not attained, this was mainly due to additional and accelerated investments in LOFT. A lead on the market must, after all, be maintained.

Once more, the additional efforts of the management and staff at NedSense have clearly proved to form a strong foundation for the further development of LOFT in 2011. Intellectually and technically challenging developments have been further evaluated, often under immense pressure. The Supervisory Board therefore wishes to express its thanks to all employees, shareholders and other stakeholders who through their efforts, confidence and support have enabled the management and the Company to attain the position of market leader it now enjoys. A new business model will bring new opportunities and challenges in a dynamic market in which technological advantage constitutes a principal asset.

Servaas Houtakkers (Chairman)
Dirk Lindenbergh
Henk Huisman

007 Corporate Governance

General

NedSense enterprises attach great importance to corporate governance. In recent years, we have discussed in detail the Dutch Code on Corporate Governance. The Board of Directors and the Supervisory Board of NedSense endorse the Code and the amendments made to the code by the Monitoring Committee that entered into force on January 1, 2009. Within the framework of this Code, a company's stakeholders include staff members, shareholders and other providers of capital, financiers, suppliers, customers, as well as government authorities, social groups and factions. The Board of Directors and the Supervisory Board of NedSense are responsible for striking a balance between the interests of these stakeholders, while taking into account the continuity of the company. Therefore, best practice principles with regard to corporate governance are reflected in the management structure and the company's Articles of Association, as far as these are deemed applicable and are in the interest of all stakeholders.

Any substantial changes in NedSense's corporate governance structure and its compliance with the code will be submitted to the Annual General Meeting of Shareholders.

Corporate governance declaration

The NedSense enterprises' ordinary shares are listed on Euronext Amsterdam by NYSE Euronext. Accordingly, the company complies with all applicable listing rules of Euronext Amsterdam.

In accordance with the recommendation of the Dutch Corporate Governance Code Monitoring Committee to 'comply or explain', NedSense's corporate governance practice was placed on the agenda of the Annual General Meeting of Shareholders in previous years, in order to give shareholders the opportunity to voice their opinion on the way the company interprets compliance with the Code. A description of NedSense's corporate governance policy, including the relevant regulations and reports, can be found on the website. For the application of the NedSense Code, we follow to the greatest extent possible the guidance provisions provided by the Dutch Corporate Governance Code Monitoring Committee in its reports on compliance with the Dutch Corporate Governance Code.
The NedSense Code is posted on our website at www.nedsense.com.

The Board of Directors and the Supervisory Board, which are jointly responsible for the corporate governance structure of NedSense, are of the opinion that the vast majority of the principles and best practice provisions of the code are being applied. As the code is based on the 'comply or explain' principle, deviations which are deemed necessary in the interests of NedSense have been explained to shareholders and are described in this report.

Corporate Governance Structure

Board of Directors

The Board of Directors is responsible for the day-to-day management of the Company, and is accountable to the Supervisory Board and to the shareholders of the Company. It is responsible for ensuring that NedSense is achieving its operational, strategic and financial goals, for overseeing our compliance with all applicable rules and regulations that govern the Company, for managing the risks associated with our business activities, and for ensuring that the Company is properly capitalized. The Board of Directors informs the Supervisory Board of internal risk management and control systems, and any updates or developments related thereto. Any conflicts of interest or apparent conflicts of interest between the Company and members of the Board of Directors shall be avoided. Any transaction that would give rise to a conflict of interest or appearance of a conflict of interest requires the approval of the Supervisory Board.

The Board of Directors takes into account the interests of the Company and its affiliated enterprises as well as the interests of NedSense's shareholders and other stakeholders when taking decisions about the operation of the business. The members of the Board of Directors are required to put the interests of the Company ahead of their own interests and to act critically and independently when carrying out their responsibilities. The Board of Directors is also charged with providing the Supervisory Board all material information required to permit the Supervisory Board to exercise its duties. The NedSense Articles of Association provide that certain resolutions of the Board of Directors require prior approval of the Supervisory Board. Pursuant to Dutch law and the Articles of Association, decisions taken by the Board of Directors involving a major change in the Company's identity or character are subject to the approval of the General Meeting of Shareholders.

The responsibility for the management of the Company is vested collectively in the Board of Directors as of January 1, 2009. The members of the Board of Directors have been appointed for a term of four years, which is extendable for a subsequent period of 4 years.

The division of tasks between the board members requires the approval of the Supervisory Board. Any board position at another company requires the prior approval of the Supervisory Board. In any event, a member of the Board of Directors may not be a member of the Supervisory Board of more than two listed companies or serve as chairman of the Supervisory Board of another listed company.

Supervisory Board

The role of the Supervisory Board is to supervise the Board of Directors and oversee the general affairs of the Company and its affiliated enterprises. The Supervisory Board annually evaluates its own performance. Supervisory Board members are required to put the best interests of NedSense ahead of their own interests and to act critically and independently when carrying out their responsibilities as Supervisory Board members. The NedSense Corporate Governance Code exempts no more than one Supervisory Board member from being independent. Each Supervisory Board member has the expertise required to fulfill the duties assigned to the role designated to him within the framework of the Supervisory Board profile, and the composition of the Supervisory Board shall be such that it is able to carry out its duties properly. Appointments and reappointments to the Supervisory Board are considered on the basis of a profile, taking into account the nature of NedSense's business and activities as well as the desired background and expertise of candidates. Diversity is an important criterion in order to establish a balance in experience and background of each member. A Supervisory Board member shall be reappointed only after careful consideration.

A member of the Supervisory Board should limit the number of Supervisory Board memberships and other positions at listed and non-listed companies in such a way as to guarantee the proper performance of his or her duties, and may not hold more than five Supervisory Board memberships in Dutch listed companies, with a chairmanship counted twice. Supervisory Board remuneration is determined by the Annual General Meeting of Shareholders, and is not dependent on the company's results. NedSense ensures that there are structured reporting lines to the Supervisory Board, and key departments and operating companies work according to reporting frameworks that facilitate monitoring by both the Board of Directors and the Supervisory Board. The Supervisory Board meets regularly throughout the year, according to a pre-arranged schedule, both with and without the Board of Directors. In addition to these meetings, the members of the Supervisory Board are available to the Board of Directors at all times. By way of frequent informal consultation with, and updates from the members of the Board of Directors in between meetings, the Supervisory Board remains well informed about the general state of affairs within NedSense and offers advice on a variety of matters. At the end of each year, the Supervisory Board extensively assesses the composition, performance and functioning of the Board of Directors and the Supervisory Board, as well as its individual members. The chairman of the Supervisory Board ensures the proper functioning of the Board as the main contact for the Board of Directors.

Any conflicts of interest or apparent conflicts of interest between the Company and Supervisory Board members shall be avoided.

The Supervisory Board must approve any arrangement that would give rise to a conflict of interest or the appearance of a conflict of interest, provided that a member of the Supervisory Board with an interest in such matter shall not participate in determining or granting such approval. The Supervisory Board is responsible for deciding how conflicts of interest are resolved between members of the Board of Directors, members of the Supervisory Board, major shareholders or the external auditor on the one hand, and the Company on the other hand.

The Supervisory Board regulations are posted on our website at www.nedsense.com.

Committees of the Supervisory Board

Under the Dutch Corporate Governance Code, it is usual for the Supervisory Board to appoint a number of permanent committees. Due to the size of the company and the limited number of members of the Supervisory Board it was decided not to delegate tasks but to carry out the task related to the Audit Committee, Remuneration Committee and the Selection & Nomination Committee in collegiality.

External Communication

The Board of Directors or the Supervisory Board provides shareholders and other parties in the financial markets with equal and simultaneous information about matters that may influence the company's share price. Contacts between the Board of Directors on the one hand, and the press and analysts on the other are carefully handled and structured, and the Company is prohibited from engaging in any acts that compromise the independence of analysts in relation to the Company and vice versa. If price sensitive information is provided during a General Meeting of Shareholders or if a response to a shareholder's question results in the disclosure of price-sensitive information, then such information will be made public without delay.

Both the Board of Directors and the Supervisory Board have their own by-laws, which set rules with regard to objectives, composition, duties, responsibilities and working methods. These regulations are posted on the corporate website. Any shareholding in the company must be for the purpose of long-term investment. Board members must at all times comply with the provisions contained in the NedSense insider dealing rules.

Shareholders and the General Meeting of Shareholders

Good corporate governance requires the full participation of shareholders. It is in the interest of the Company that as many shareholders as possible participate in the Company's decision-making at the Annual General Meeting of Shareholders or at any Extraordinary General Meeting of Shareholders.

The Board of Directors and the Supervisory Board shall provide the General Meeting of Shareholders with the information that it requires for the exercise of its powers, subject to such limitations as are allowed under Dutch law.

Pursuant to Dutch law, any decisions taken by the Board of Directors on a major change in the identity or character of the Company or its enterprise shall be subject to the approval of the General Meeting of Shareholders. Further details about the proposals that the Board of Directors or the Supervisory Board can submit to the meeting, and the procedure according to which shareholders themselves (if representing at least 1% of the issued capital) can submit matters for consideration by the meeting are specified in the company's Articles of Association.

The Annual General Meeting of shareholders, which is normally held at the end of May, is recorded on tape. This tape will be used to produce the minutes of the meeting. The minutes are posted on the corporate website within three months after the meeting.

External Audit

The Board of Directors is primarily responsible for the quality and completeness of publicly disclosed financial reports. The Supervisory Board oversees the Board of Directors as it fulfills this responsibility. The General Meeting of Shareholders appoints the external auditor after recommendation for appointment by the Supervisory Board. The Supervisory Board also approves the remuneration of the external auditor and instructions to the external auditor with respect to non-audit services.

The Board of Directors ensures that the external auditors can properly perform their audit work. The Annual General Meeting of shareholders charges the external auditors with the task of auditing NedSense's annual accounts.

Internal risk management and control systems

The Company's internal control function plays an important role in assessing and testing our internal risk management and control systems. This function operates under the responsibility of the Board of Directors, and consists of a formal framework defining key risks and key controls over financial reporting. NedSense's finance staff carries out internal control activities and reports its findings to the Audit Committee.

The Board of Directors is responsible for the development, implementation and operating effectiveness of the risk management and control systems aligned to NedSense business activities. These systems are designed with a view to identifying significant risks in a timely manner and managing them as adequately as possible. They provide insight with reasonable assurance of the extent to which strategic, operational and financial objectives will be attained, financial reporting is reliable, and relevant statutory and regulatory requirements are complied with. These systems have been developed on the basis of the COSO framework.

For a description of NedSense's risk management and risk profile reference is made to the section 'Risk & Control'. The periodic risk assessments and the discussions with management are an integral part of the risk management approach. Once a year, the overall design will be discussed along with operating effectiveness of existing risk management and control systems as well as any significant shortcomings identified, and improvement measures already implemented or intended.

The Board of Directors strongly believes that the existing risk management and control systems provide reasonable assurance that the financial reporting does not contain any errors of material importance, and that the risk management and control systems relating to financial reporting risks operated properly in the year under review.

The external auditor attends meetings of the Supervisory Board, at which the annual accounts results are reviewed for subsequent approval by the Supervisory Board. The external auditor reports its findings from the audit of the annual accounts and issues management letters if required.

Deviations from the Dutch Corporate Governance Code

NedSense complies with the majority of the main recommendations and provisions of the Code. The main deviations from best practice provisions are listed below.

Provisions III.1.1 and III.5.1: division of tasks by the Supervisory Board and regulation for the audit committee:
Due to the size of NedSense, these provisions have not been implemented and, consequently, the regulations concerned are not disclosed on the NedSense website.

Provision III.4.3: company secretary
The Supervisory Board believes such organizational and administrative support of its work is currently unnecessary.

Provision IV.3.1: advance announcements of Investor Relations Meetings
The NedSense Investor Relations policy is aimed at complying with the best practice provisions in the code. However, the cost associated with the use of the infrastructure required for this are deemed to be disproportionate in view of the size of the company and the limited number of investors who are expected to actually use these facilities.

008 Shareholders Information

General

The shares of NedSense have been listed on Euronext Amsterdam by NYSE Euronext since 21 May 1999. As of 31 December 2011, the number of outstanding shares was 21.081.343 (2010: 13,581,343).

In September 2011, additional capital was raised to fund the Company's growth strategy. It reached financing agreement with both its existing major shareholders and a new shareholder, Project Holland Deelnemingen B.V. ("Project Holland Fonds") through the placement of new shares, the issue convertible bonds and a standby convertible loan.

The financing amounts to € 6.1 million and can be used for acquisitions, refinancing of existing loans, investments in LOFT, plus other investments in line with the Company's existing activities. The financing is structured as follows:

- Private placement of €2.5 million in shares to be newly issued to Project Holland Fonds, or 6.25 million ordinary shares at €0.40 per share.
- Issue of convertible bonds in denominations of €50,000 with a total value of €1.2 million to existing shareholders and investors, with a term of five years, an annually payable coupon of 4.0% and a conversion premium of 120% (conversion price of €0.48);
- A non-transferable stand-by convertible loan of €2.4 million from Project Holland Fonds, with a term of five years, an interest rate of 4.0% and a conversion premium of 120% (conversion price €0.48).

The convertible bonds and convertible loan can be converted from January 1, 2013. The portion over €1.0 million which has not been withdrawn on January 1, 2013 will be nullified.

In addition the Board of Directors invested each € 250 thousand (in total 1.25 million shares). NedSense has granted a loan to the Board of Directors.

In total 7.499.999 new shares were issued.

The number of shares outstanding as of 31 December 2011 was therefore 21,081,343 with a nominal value of € 0.10, resulting in a share capital of € 2.108 million at the end of 2011. Share premium as of 31 December 2011 was € 35.882 million.

As far as NedSense can ascertain, most of the shares are held by Dutch institutional and private investors.

Pursuant to the 'Wet Melding Zeggenschap' (WMZ, the Act on Disclosure of Major Holdings in Listed Companies), an interest of 5% or more in the capital of Dutch listed companies must be reported. In addition, the passing of certain boundaries of percentage ranges in shareholdings must be reported. The following table is a review of the interests as of 31 December 2011, based on the latest information received.

Shareholders	31-12-2011 including shares related to convertible loans	31-12-2011 excluding shares related to convertible loans	31-12-2010
Project Holland Beheer B.V.	39.6%	29.6%	-
Todlin N.V.	18.8%	15.4%	23.9%
TWE Beheer B.V.	9.3%	9.3%	7.4%
Bibiana Beheer B.V.	7.6%	6.6%	10.3%
Blikkenburg B.V.	6.4%	-	11.6%
Via Finis Invest B.V.	4.5%	4.5%	7.0%
Florijn Investments B.V.	3.9%	3.9%	6.1%
West-End B.V.	3.6%	3.6%	5.2%

Key figures per share (based on average number of outstanding shares)	2011	2010
Net result	(€ 0.11)	(€ 0.06)
Shareholders' equity	€ 0.42	€ 0.44
Highest share price	€ 0.54	€ 0.68
Lowest share price	€ 0.25	€ 0.35
Closing price as of 31 December	€ 0.37	€ 0.50
P/E ratio as of 31 December	(3.36)	(8.33)
Market capitalization as of 31 December	7,800,097	6,790,672
average trading volume per day	5,477	11,144
average number of outstanding shares	15,944,356	11,711,485
number of shares at 31 December	21,081,343	13,581,343

Options

12/31/2010 **Date granted and approved**	**Granted to**	**Term**	**Issued options**	**Outstanding options**	**Exercized**	**Exercise price (€)**
June 2009	Pieter Aarts	2014	183,284	0	183,284	0.40
June 2009	Jan-Hein Pullens	2014	183,284	0	183,284	0.40
June 2009	Pieter Aarts	2014	91,642	0	91,642	0.40
June 2009	Jan-Hein Pullens	2014	91,642	0	91,642	0.40
June 2010	Key employees	2014	294,941	294,941	0	0.46
June 2009	Pieter Aarts	2015	169,721	0	169,721	0.40
June 2009	Jan-Hein Pullens	2015	169,721	0	169,721	0.40
June 2009*	Pieter Aarts	2015	91,642	91,642	0	0.40
June 2009*	Jan-Hein Pullens	2015	91,642	91,642	0	0.40
Total			**1,367,519**	**478,225**	**889,294**	

12/31/2011 **Date granted and approved**	**Granted to**	**Term**	**Issued options**	**Outstanding options**	**Exercized**	**Exercise price (€)**
September 2011*	key employee	2015	125,000	125,000	0	0.40
June 2011	Key employees	2015	407,440	407,440	0	0.37
Total			**532,440**	**532,440**	**0**	

* *Formally to be approved by Supervisory Board and Shareholders in 2012.*

Staff Options

The table above presents an overview of option rights granted and outstanding options at year-end 2011. In chapter 11, Notes to the company annual accounts, detailed information is provided on the outstanding options.

The Amsterdam Effecten Kantoor (AEK) acts as liquidity provider for NedSense shares.

Contact details

Amsterdam Effecten Kantoor (AEK)
Herengracht 208-214
1016 BS Amsterdam
The Netherlands
Telephone + 31 (0)20 530 63 00

Dividend policy

In view of NedSense's situation, the company has paid no dividends in the past year. A healthy balance between the company's capital and borrowings, in relation to the assets that can be financed within the company, is of great importance in this respect. Given the current solvency and financing structure, it is prudent for the company not to pay out a dividend.

Prevention of insider trading

NedSense has drawn up Insider Trading Regulations in accordance with the model of the VEUO (Vereniging van Effecten Uitgevende Organisaties – the association of share issuing organizations), which has been approved by the Netherlands Authority for the Financial Markets (AFM).

NedSense has made a large group of staff members and advisors sign the Insider Trading Regulations. The Insider Trading Regulations of NedSense include a ban on trading in NedSense shares during an eight-week period prior to the first publication of full-year results and a three-week period prior to the publication of half-year results. There is also a ban on reversing a transaction within six months, in order to reduce or eliminate the risk. An exemption in writing from this ban can be given by the Compliance Officer. No exemptions were given during 2011.

Investor relations

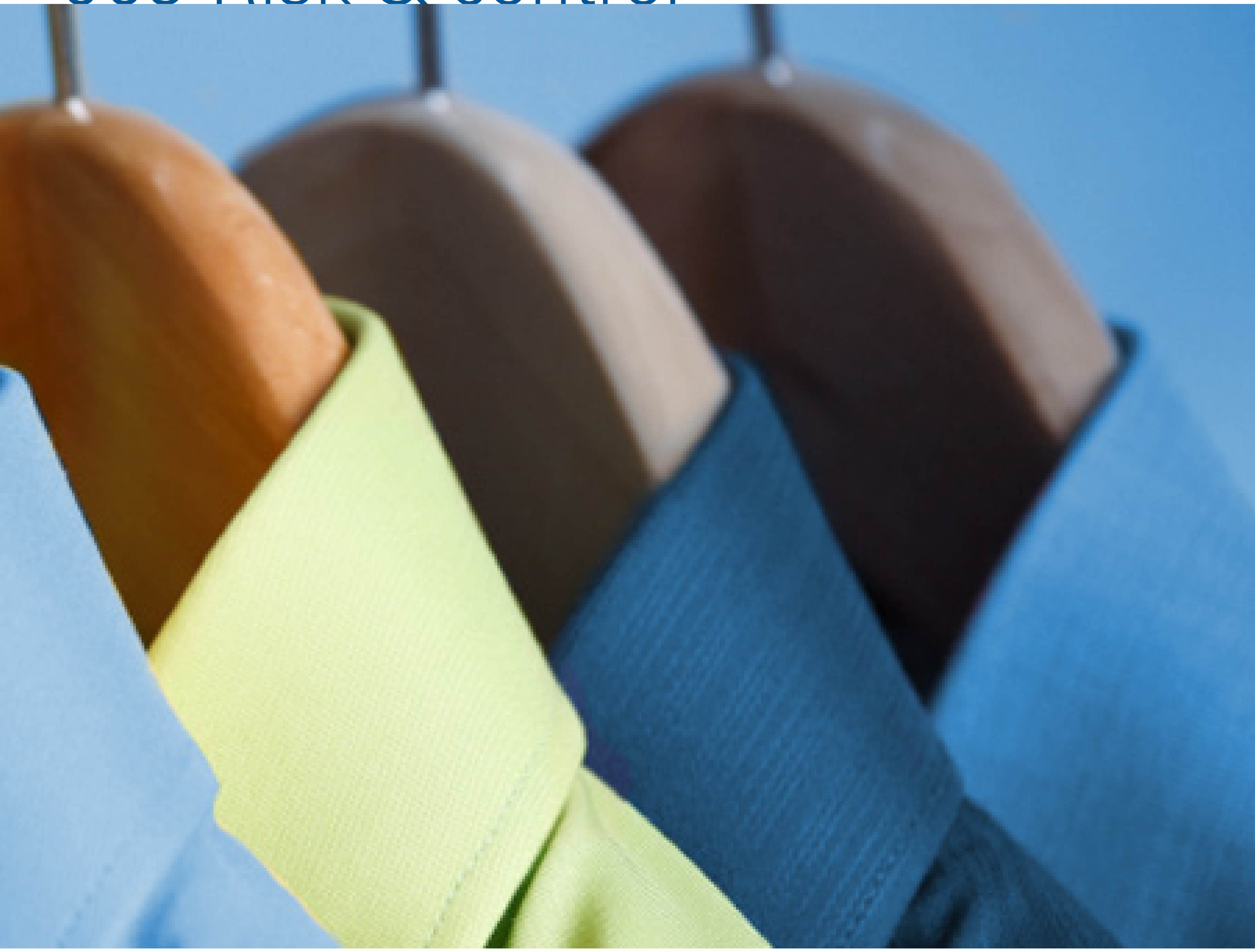
NedSense greatly values a good relationship with its shareholders. In the interest of fair disclosure, all new material information is disclosed through the timely and simultaneous distribution of press releases on relevant issues concerning NedSense. In addition to the financial results, the company also provides much information on its strategic choices and objectives. NedSense observes a 'silent' period during which it holds no road shows or interviews with potential or current investors. For the annual figures, this period covers the eight-week period prior to the first publication of full-year results and a three-week period prior to the publication of half-year results. Relevant information for potential and current shareholders may be found on the NedSense website under the link 'Investor Relations'. Direct questions from investors may be directed by e-mail to info@nedsense.com.

Important dates

Presentation full year results 2011	24 April 2012*
Annual General Meeting of Shareholders 2011	5 June 2012
Presentation first half-year results 2011	28 August 2012*/**

*) *before trading hours*
**) *provisional*

009 Risk & control



009 Risk & control

NedSense has internal risk management processes and control systems in place that aim to minimize operational and financial risks for the Company, and limit the extent to which unexpected events may adversely affect the balance sheet and profit.

NedSense sees risk management as an ongoing activity, and embedding such control systems and processes is essential at every level of the organization. The Company has manuals in use containing guidelines regarding the procedure and structure for financial reporting, and the binding instructions and procedures for staff concerning financial activities. The further improvement and development of internal control systems is a continuous process, and NedSense is confident that the risk management and internal control measures in place are adequate and effective. In the second half of the year, an internal audit assessment will take place to evaluate the internal controls again.

Important elements of the risk management and internal control processes are budget control, project monitoring procedures, and financial reporting of both the development and the results of the Company's operations. In addition, NedSense has an employee evaluation and assessment system in place.

NedSense is a relatively small company and operates in several countries. It does not have the full resources as compared to a large company to perform an optimized audit function.

All of the activities concerning internal risk management and control are discussed regularly with the Supervisory Board. The Company distinguishes the following main areas of risk:

- **Economic developments**
  General economic developments have affected our customers' business negatively in 2011. On the negative side Investment decisions and R&D budgets have been brought in line with market opportunities in relation to a recovering market, but still recognizing the still weak recovery from the global credit crisis, and the threat of a fall back. Contingency plans are in place if developments will worsen.

- **Technological developments**
  Fast technological developments, changing customer demands and evolving software standards are typical of the software market. NedSense's success depends on its ability to adapt to these changes and keep its employees knowledge up to date. Protecting know-how and products necessitates constant attention and priority.

- **Software piracy**
  The illegal copying of software developed

by NedSense forms a persistent threat. Product development, processes and security continue to be set up with the highest possible levels of protection, but illegal copying cannot be completely avoided. In line with the continuing prioritization to combat piracy, further attention was paid in 2011 to implementing procedures and involving external specialists to detect the illegal use of the Company's software. Licenses are secured by activation and locking the software.

- **Employee dependency**
  In order to carry out its business operations and expand as intended, NedSense is to a large extent dependent on the availability of sufficient personnel, in particular sufficient highly-qualified personnel. Incentive programs have been further developed in 2011.

- **Financial risks and policies**
  The Company's financial risk policy continued to focus on managing risks such as interest, currency, liquidity and credit.

- **Credit risk**
  The solvency and creditworthiness of the majority of NedSense's customers mean that debtor's risk for the Company has not increased in 2011 and remains average. Nonetheless, the consequences of the global credit crisis have meant that clients are, as they were in 2010 and 2009, still taking longer time to meet their obligations. Proper attention to debtors' payment performance remains a priority.

- **Interest risk**
  As in the previous year, interest risk is estimated to be at a minimum as the current credit facility has been repaid in 2012 and the convertible loan runs at a fixed interest rate for a fixed period.

- **Currency risk**
  Currency risk for NedSense concerns mainly US dollar and Euro exchange rate fluctuations. No currency contracts have been closed to cover currency fluctuations.

- **Liquidity risk**
  The Company's liquidity position is under constant control and is tightly managed. Funding has been attracted in 2011, however cash management will remain critical responsibility of the management.

Reference is made to the financial statements in the section "Financial instruments". An overview is given with respect to the contractual maturities of financial liabilities, including estimated interest payments.

Sensitivity analysis has been performed with regard to currency fluctuations.

010 Management statement

In accordance with the EU Transparency Directive as incorporated in chapter 5.25c paragraph 2 sub c of the Dutch Financial Supervision Act (Wet op het financieel toezicht), the Board of Directors and the Supervisory Board confirm to the best of its knowledge that:

- the annual financial statements for the year ended 31 December 2011 give a true and fair view of the assets, liabilities, financial position, and profit and loss of NedSense and its consolidated companies
- the additional management information presented in the annual report gives a true and fair view of NedSense and its consolidated companies as of 31 December 2011
- the additional management information presented in the annual report gives a true and fair view of the state of affairs at NedSense and its consolidated companies during the financial year to which the report relates
- the annual report describes the principal risks facing NedSense These are described in detail in chapter 9.

Vianen, April 23, 2012

Pieter Aarts,
Chief Executive Officer

Jan-Hein Pullens,
Chief Operating Officer

Corporate Governance Statement

The Tabaksblat Code on Corporate Governance was updated by the Monitoring Committee Corporate Governance ('Frijns Committee') in December 2008. On 10 December 2009 the updated Code ('Frijns Code' or 'Code') was designated by a governmental decree as the new code of conduct as referred to in Book 2, Section 391 of the Dutch Civil Code.

Corporate Governance Statement
This is a statement concerning corporate governance as referred to in article 2a of the decree on additional requirements for annual reports as last amended on 1 January 2010 ('Decree'). This statement forms part of NedSense's 2011 annual report. The information required to be included in this corporate governance statement, as referred to in articles 3, 3a and 3b of the Decree, can be found in the following sections, parts and pages of NedSense's 2011 annual report, and is to be considered incorporated and repeated here:

- Information on compliance with the principles and best practice provisions of the corporate governance code (article 3 of the Decree) is to be found in the section Corporate Governance.
- Information on the main elements of the internal risk management and control framework for the group's financial reporting process (article 3a (a) of the Decree) is to be found in the section Risk & control.
- Information on the functioning of NedSense's General Meeting of Shareholders and its main powers, and the rights of shareholders and how these can be exercised (article 3a (b) of the Decree), is to be found in the relevant parts of the section Corporate Governance.
- Information on the composition and functioning of the Board of Directors, Supervisory Board and its Committees (article 3a (c) of the Decree) is to be found in the section Corporate Governance and the Report of the Supervisory Board.
- The information as referred to in the Decree Article 10 EU Takeover Directive (article 3b of the Decree) is to be found in the section Corporate governance.

Vianen, April 23, 2012

Pieter Aarts,
Chief Executive Officer

Jan-Hein Pullens,
Chief Operating Officer

Servaas Houtakkers,
Chairman of the Supervisory Board

Henk Huisman,
Member of the Supervisory Board

Dirk Lindenbergh,
Member of the Supervisory Board

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Consolidated statement of financial position

As of 31 December

In thousands of euro

	Notes	2011	2010
Assets			
Property, plant, and equipment	10	181	146
Intangible fixed assets	9	10,142	9,103
Trade and other receivables	13	435	0
Total non-current assets		**10,758**	**9,249**
Inventories	12	3	7
Trade and other receivables	13	4,502	3,588
Corporate income tax	11	0	0
Cash and cash equivalents	14	1,118	1,052
Total current assets		**5.623**	**4,647**
Total assets	**5**	**16,381**	**13,896**
Equity			
Issued capital		2,108	1,358
Share premium		35,882	33,477
Legal reserves		6,088	4,914
Translation reserves		(135)	(109)
Accumulated deficit		(35,519)	(33,782)
Current year's result		(1,781)	(733)
Total equity	**15**	**6,643**	**5,125**
Liabilities			
Interest-bearing loans and borrowings	18	1,494	1,600
Employee benefits	19	118	102
Total non-current liabilities		**1,612**	**1,702**
Interest-bearing loans and borrowings	18	1,000	500
Trade and other payables	22	2,538	2,450
Deferred income		4,588	4,119
Total current liabilities		**8,126**	**7,069**
Total liabilities	**5**	**9,738**	**8,771**
Total equity and liabilities		**16,381**	**13,896**

The notes on page 60 to page 108 are an integral part of these consolidated financial statements

Consolidated statement of comprehensive income

For the year ended 31 December

In thousands of euro

	Notes	2011	2010
Net revenue	5	9,116	9,518
Cost of sales		(278)	(283)
Gross profit		**8,838**	**9,235**
Wages and salaries	6	5,492	5,482
Social security charges	6	1,201	1,189
Amortization and depreciation	9, 10	1,792	1,657
Impairment of goodwill	9	0	0
Other operating costs	7	3,756	3,137
Capitalized production	9	(1,668)	(1,870)
Profit (loss) from operations		**(1,735)**	**(360)**
Finance income		10	5
Finance costs	18	(196)	(313)
Net finance costs		**(186)**	**(308)**
Profit (loss) before income tax		**(1,921)**	**(668)**
Income tax expense	8	(140)	65
Profit (loss) for the period		**(1,781)**	**(733)**
Other comprehensive income			
Foreign currency translation differences for foreign operations	15	(26)	(67)
Other income through equity	15	0	0
Other comprehensive income for the period, net of income tax		**(26)**	**(67)**
Total comprehensive income (loss) for the period		**(1,807)**	**(800)**
Profit (loss) attributable to:			
Owners of the Company		(1,781)	(733)
Non-controlling interests		0	0
Profit (loss) for the period	**15**	**(1,781)**	**(733)**
Total comprehensive income (loss) attributable to:			
Owners of the Company		(1,807)	(800)
Non-controlling interests		0	0
Total comprehensive income (loss) for the period		**(1,807)**	**(800)**
Earnings per share			
Basic earnings per share (in euros)	16	(0.11)	(0.06)
Diluted earnings per share (in euros)	17	(0.11)	(0.06)
Earnings per share continued operations			
Basic earnings per share (in euros)	16	(0.11)	(0.06)
Diluted earnings per share (in euros)	17	(0.11)	(0.06)

The notes on page 60 to page 108 are an integral part of these consolidated financial statements

Consolidated statement of changes in equity

(in thousands of euros)

	Notes	Share capital	Share premium
Balance at 1 January 2010		983	32,463
Appropriation of result		0	0
Total comprehensive income (loss) for the period			
Profit or (loss)		0	0
Other comprehensive income			
Foreign currency translation differences		0	0
Total other comprehensive income		0	0
Total comprehensive income (loss) for the period		0	0
Transactions with owners, recorded directly in equity			
Contributions by and distributions to owners			
Issue of new shares		375	1,014
Share-based payments	26	0	0
Total contributions by and distributions to owners		375	1,014
Total transactions with owners		375	1,014
Transfer to other reserves		0	0
Balance at 31 December 2010		**1,358**	**33,477**
Balance at 1 January 2011		1,358	33,477
Appropriation of result		0	0
Total comprehensive income (loss) for the period			
Profit or (loss)		0	0
Other comprehensive income			
Foreign currency translation differences		0	0
Total other comprehensive income		0	0
Total comprehensive income (loss) for the period		0	0
Transactions with owners, recorded directly in equity			
Contributions by and distributions to owners			
Issue of new shares (net of transaction costs)		625	1,501
Share options exercised		125	375
Issue of convertible notes net of taxes		0	529
Share-based payments	26	0	0
Total contributions by and distributions to owners		750	2,405
Total transactions with owners		750	2,405
Transfer to other reserves		0	0
Balance at 31 December 2011		**2,108**	**35,882**

The notes on page 60 to page 108 are an integral part of these consolidated financial statements

Attributable to equity holders of the Company

Translation reserve	Accum-ulated deficit	Other legal reserves	Total equity
(42)	(33,219)	4,131	4,316
0		0	0
0	(733)	0	(733)
(67)	0	0	(67)
(67)	0	0	(67)
(67)	(733)	0	(800)
0	0	0	1,389
0	220	0	220
0	220	0	1,609
0	220	0	1,609
0	(783)	783	0
(109)	**(34,515)**	**4,914**	**5,125**
(109)	(34,515)	4,914	5,125
0	0	0	0
0	(1,781)	0	(1,781)
(26)	0	0	(26)
(26)	0	0	(26)
(26)	(1,781)	0	(1,807)
0	0	0	2,126
0	0	0	500
0	0	0	529
0	170	0	170
0	170	0	3,325
0	170	0	3,325
0	(1,174)	1,174	0
(135)	**(37,300)**	**6,088**	**6,643**

Consolidated statement of cash flows

For the year ended 31 December

(in thousands of euros)

	Notes	2011	2010
Profit (loss) from operations		(1,735)	(360)
Adjustments for:			
Amortization and depreciation	9, 10	1,792	1,657
Change in inventories		4	28
Change in trade and other receivables		(1,349)	(335)
Change in trade and other payables		88	232
Change in provisions and employee benefits		16	14
Change in deferred income		469	64
Equity settled share based payment	26	170	220
Net finance costs		(186)	(205)
Corporate income tax		(37)	(64)
Cash flow from (used in) operating activities	**28**	**(768)**	**1,251**
Investments:			
Intangible fixed assets		(2,739)	(2,143)
Property, plant, and equipment		(126)	(123)
Disposals:			
Property, plant, and equipment		0	1
Other		(27)	(70)
Cash flow from (used in) investment activities	**29**	**(2,892)**	**(2,335)**
Net proceeds from issuance of shares	2	2,126	1,389
Proceeds from exercise of share options		500	0
Proceeds from issue of convertible notes	18	2,200	0
Redemption loans		(1,100)	0
Cash flow from (used in) financing activities	**30**	**3,726**	**1,389**
Change in liquid assets		**66**	**305**
Cash and cash equivalents		1,052	747
Bank overdraft		0	0
Balance at 1 January		**1,052**	**747**
Cash and cash equivalents		1,118	1,052
Bank overdraft		0	0
Balance at 31 December		**1,118**	**1,052**
Change in liquid assets		**66**	**305**

The notes on page 60 to page 108 are an integral part of these consolidated financial statements

Notes to the consolidated financial statements

1. Reporting entity

NedSense (the "Company") is domiciled in the Netherlands with registered office at Ir. D.S. Tuijnmanweg 10, 4131 PN Vianen, the Netherlands. The consolidated financial statements of the Company as of and for the year ended 31 December 2011 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities") and the Group's interests in associates and jointly controlled entities.

The Company is a holding company, which holds 100% of companies providing integrated, specialized design, production, and planning software to the textile and apparel industries globally.

2. Basis of preparation

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code.

The consolidated financial statements were authorized for publication by the Board of Directors on 23 April 2012.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position:

- derivative financial instruments are measured at fair value

Going concern

In 2011, additional funding of € 2,500 thousand was raised through the issue of 6.249.999 new shares (Sept 2011). In addition convertible notes were issued with a total value of € 1,200 thousand and a stand-by convertible loan facility has been issued with a total value of € 2,400 thousand of which € 1,000 thousand has been drawn in 2011. The convertible loans can be converted as of January 2013 and have a term of 5 years. Interest of 4% is payable annually and repayment is due in 2016. The conversion premium is 120% (conversion price of € 0.48). The loan of Dinvest has been repaid with € 1,100 thousand. As of the end of the year, the Company had equity of € 6,643 thousand, interest bearing loans of € 2,494 thousand, and a solvency rate of 40.6%. In 2012, the

Company received a grant from the Dutch Government of in total € 1.7 million. The grant will be paid in several installments until mid 2013. Repayment will take place in 2014 to 2017. Interest rate is 6.5% and will be accrued and paid in 2017.

Based on the Company's financial position, planned additional funding, its assets and the current outlook of the financial performance for the forthcoming year, the financial statements have been prepared based on the going concern assumption.

Share issues
The shares of the Company have been listed on the official market of Euronext Amsterdam N.V. since 21 May 1999. As of 31 December 2011, the number of outstanding shares was 21,081,343 (2010:13,581,343).

In September 2011, additional capital was raised to fund the Company's growth strategy. An additional € 2,500 thousand (€ 2,126 thousand net proceeds) was raised and 6,249,999 new shares were issued. The 2 directors invested € 250 thousand each and in addition 1,250,000 new shares were issued.

The number of shares outstanding as of 31 December 2011 was 21,081,343 with a nominal value of € 0.10, resulting in a share capital of € 2,108,134 at the end of 2011. Share premium as of 31 December 2011 was € 35,882 thousand.

Changes in Group entities in 2011 and 2010
No sales or acquisitions of Group entities were made in 2011 or 2010.

(c) Functional and presentation currency
These consolidated financial statements are presented in euro, which is the Company's functional currency. All financial information presented in euro has been rounded to the nearest thousand unless otherwise stated.

(d) Use of estimates and judgments
The preparation of the consolidated financial statements in conformity with IFRSs requires management to make judgments, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:
- Note 10 – impairment test for intangible assets
- Note 12 – deferred tax assets and liabilities

(e) Changes in accounting policies

There were no significant changes in accounting policies in 2011.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

(a) Basis of consolidation

(I) Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

The Group measures goodwill at the acquisition date as:
- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts generally are recognised in profit or loss. Transactions costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

(II) Subsidiaries
Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

The consolidation includes NedSense and the following Group entities:

Consolidation criteria

		2011	2010
NedSense enterprises b.v.	the Netherlands (Vianen)	100%	100%
NedSense IPR B.V.	the Netherlands (Vianen)	100%	100%
NedSense NedGraphics B.V.	the Netherlands (Vianen)	100%	100%
NedSense LOFT B.V.	the Netherlands (Vianen)	100%	100%
TOPCAD B.V.	the Netherlands (Vianen)	100%	100%
NedGraphics CAD/GIS B.V.	the Netherlands (Vianen)	100%	100%
NedGraphics BvBa	Belgium (Deerlijk)	100%	100%
NedGraphics SA	France (Paris)	100%	100%
NedGraphics Ltd.	UK (Dukinfield)	100%	100%
NedGraphics Srl	Italy (Lomazzo)	100%	100%
NedSense Srl	Romania (Bucharest)	100%	100%
NedGraphics, Inc.	USA (New York)	100%	100%
NedGraphics of Tennessee, Inc.	USA (Chattanooga)	100%	100%
NedGraphics (Shanghai) Software for Textile and Fashion Co., Ltd.	China (Shanghai)	100%	100%
Dynamics Perspective, Inc.	USA (Los Angeles)	100%	100%

(III) Transactions eliminated on consolidation
Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(b) Foreign currency
(I) Foreign currency transactions
Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency (euro) at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of

the year, adjusted for effective interest and payments during the year, and the amortized cost in foreign currency translated at the exchange rate at the end of the year. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognized in profit or loss.

(II) Foreign operations
The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to euro at exchange rates at the reporting date. The income and expenses of foreign operations are translated to euro at exchange rates at the dates of the transactions.

Foreign currency differences are recognized in other comprehensive income. Since 1 January 2004, the Group's date of transition to IFRS, such differences have been presented in the foreign currency translation reserve (translation reserve) in equity. When a foreign operation is disposed of such that control or significant influence is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognized in other comprehensive income, and presented in the translation reserve in equity.

(c) Financial instruments
(I) Non-derivative financial assets
The Group initially recognizes loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Group has the following non-derivative financial assets: loans and receivables.

Loans and receivables
Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Loans and receivables comprise cash and cash equivalents, and trade and other receivables.

Cash and cash equivalents
Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value and are used by the Group in the management of its short-term commitments.

(II) Non-derivative financial liabilities
The Group initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognizes a financial liability when its contractual obligations are discharged, cancelled, or expire.

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

Other financial liabilities comprise loans and borrowings, and trade and other payables.

(III) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity, net of any tax effects.

Repurchase, disposal and reissue of share capital (treasury shares)

When share capital recognized as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the reserve for own shares. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is presented in share premium.

(IV) Compound financial instruments

Compound financial instruments issued by the Group comprise convertible notes that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and other equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition. Interest and gains and losses relating to the financial liability are recognized in profit or loss. On conversion, the financial liability is reclassified to equity; no gain or loss is recognized on conversion.

(V) Derivative financial instruments

Derivatives are recognized initially at fair value; attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

Separable embedded derivatives

Changes in the fair value of separable embedded derivatives are recognized immediately in profit or loss, and the carrying amount of the derivative is adjusted.

(d) Property, plant and equipment

(I) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalized borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

(II) Subsequent costs

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Group. Ongoing repairs and maintenance is expensed as incurred.

(III) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

Depreciation methods, useful lives, and residual values are reviewed at each reporting date and adjusted if appropriate.

(e) Intangible assets

(I) Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. For the measurement of goodwill at initial recognition, see note 3(a)(i).

Goodwill is measured at cost less accumulated impairment losses.

(II) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized in profit or loss as incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalized only if development cost can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalized includes the cost of materials, direct labor, overhead costs that are directly attributable to preparing the asset for its intended use, and capitalized borrowing costs. Other development expenditure is recognized in profit or loss as incurred.

Capitalized development expenditure is measured at cost less accumulated amortization and accumulated impairment losses.

(III) Other intangible assets

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization and accumulated impairment losses.

(IV) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

(V) Amortization

Amortization is based on the cost of an asset less its residual value.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

Amortization methods, useful lives, and residual values are reviewed at each reporting date and adjusted if appropriate.

(f) Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and are not recognized in the Group's statement of financial position.

(g) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their existing location and condition.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(h) Work in progress

Work in progress represents the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognized to date less progress billings and recognized losses. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Group's contract activities based on normal operating capacity.

Work in progress is presented as part of trade and other receivables in the statement of financial position for all contracts in which costs incurred plus recognised profits exceed progress billings. If progress billings exceed costs incurred plus recognized profits, then the difference is presented as deferred income in the statement of financial position.

(i) Impairment

(I) Non-derivative financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the Group, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

Loans and receivables
The Group considers evidence of impairment for loans and receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant loans and receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables that are not individually significant are collectively assessed for impairment by grouping together loans and receivables with similar risk characteristics.

In assessing collective impairment the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognized. When a subsequent event (e.g. repayment by a debtor) causes the amount of impairment loss to decrease, the decrease in impairment loss is revised through profit or loss.

(II) Non-financial assets
The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill and indefinite-lived intangible assets are tested annually for impairment. An

impairment loss is recognised if the carrying amount of an asset or cash-generating unit (CGU) exceeds its recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU. Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

The Group's corporate assets do not generate separate cash inflows and are utilized by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(k) Employee benefits

(I) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available. Contributions to a defined contribution plan that are due more than 12 months after the end of the period in which the employees render the service are discounted to their present value.

(II) Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits other than pension plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate is the yield at the reporting date on AA credit-rated bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the currency in which the benefits are expected to be paid. The calculation is performed using the projected unit credit method. Any actuarial gains and losses are recognised in profit or loss in the period in which they arise.

(III) Share-based payment transactions

The grant-date fair value of share-based payment awards granted to employees is recognized as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

(l) Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

(I) Restructuring

A provision for restructuring is recognized when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating losses are not provided for.

(II) Onerous contracts

A provision for onerous contracts is recognized when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognizes any impairment loss on the assets associated with that contract.

(m) Revenue

Net revenue from sales in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts, volume rebates, agents' commissions, bonuses, and sales taxes. Revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible returns can be estimated reliably, there is no continuing management involvement with the goods, software, and services sold, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized.

The timing of the transfers of risks and rewards varies depending on the individual terms of the sales agreement. For sales of goods, software, and services that do not involve significant modifications or customization, transfer occurs upon shipment of the goods or software, and upon provision of services. Profit on work in progress is recognized pro rata to the progress of the project ('percentage of completion method'). The performance achieved during the reporting period, including the costs of supplied raw materials, directly and indirectly attributable wage and overhead costs as well as a mark-up for profit pro rata to the progress of the project are stated as sales.

A large part of net revenue concerns income from the selling of software licenses, as well as providing related services such as maintenance, support, and training with regard to in-house developed software. In addition, revenue is generated by performing and supervising software and hardware implementations as well as tailoring in-house developed software to specific customers' needs.

Software and related services sales range from those that provide a license for a single software product ('standard software') to those that, in addition to the delivery of software or a software system, require significant modification or customization of the software. If a sale to deliver software or a software system, either alone or together with other products or services, requires significant modification or customization of the software, the entire sale has to be accounted for in conformity with contract-accounting (for construction contracts).

(I) Sale of software
License fee revenue from standard software is recognized in the income statement when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognized if there are significant uncertainties regarding recovery of the consideration due, associated costs, or the possible return of the software.

The license fee income from standard software is recognized when all of the following conditions are met:
- the software license contract has been signed;
- the software and accompanying documentation have been delivered;
- there are no material uncertainties regarding customer acceptance; and
- there are no material uncertainties regarding payment of the account receivable.

(II) Software services
If a sale to deliver software or a software system requires significant modification or customization of the software, revenue is recognized using the 'percentage of completion' method. The actual delivery of the non-standard software is therefore not regarded as the realization moment for software that requires significant modification or customization. Revenue related to the delivery of non-standard software is accounted for pro rata to the progress of the project, which comprises the complete installation, modification and customizing of the software in the client's environment.

When the outcome of a project can be estimated reliably, contract revenue and expenses are recognized in profit or loss in proportion to the stage of completion of the contact. The stage of completion is assessed by reference to surveys of work performed. If such estimates can not be made reliably or surveys regarding the work performed are not available, all contract revenue is deferred and is accounted for on the basis of completed contract.

No revenue is recognized if there are significant uncertainties regarding recovery of the consideration due, associated costs, or the possible return of the software. An expected loss on a contract is immediately recognized in profit or loss.

(III) Maintenance and support revenue
Services with regard to performing maintenance and support of licensed software are provided to customers per agreement. Maintenance and support includes support provided over the telephone by a helpdesk, and upgrades (new versions) and updates of licensed software.

Revenue from maintenance and support is recognized over and attributed to the period to which the revenue relates. This period is generally a 12-month period. Unrealized revenue, consisting of the unrealized and therefore deferred part of the revenue from maintenance and support is presented under deferred income in the statement of financial position.

(IV) Goods sold and services rendered
Revenue from the sale of goods is recognized in profit or loss when the significant risks and rewards of ownership have been transferred to the buyer. Revenue from the sale of goods and services is recognized in profit or loss in proportion to the stage of completion of the transaction. The stage of completion is assessed by reference to surveys of work performed. No revenue is recognized if there are significant uncertainties regarding recovery of the consideration due, associated costs, the possible return of goods, or continuing management involvement with the goods.

(n) Capitalized production for own company
The income from capitalized production for own company relates to the capitalization of software development costs with regard to in-house developed software and is accounted for in operating costs.

(o) Lease payments
Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.
Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Determining whether an arrangement contains a lease
At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfillment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Group the right to control the use of the underlying asset.

At inception or upon reassessment of the arrangement, the Group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognized at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognized using the Group's incremental borrowing rate.

(p) Finance income and finance costs

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-sale financial assets, fair value gains on financial assets at fair value through profit or loss, and gains on the remeasurement to fair value of any pre-existing interest in an acquiree. Interest income is recognized as it accrues in profit or loss, using the effective interest method. Dividend income is recognized in profit or loss on the date that the Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions and contingent consideration, losses on disposal of available-for-sale financial assets, dividends on preference shares classified as liabilities, fair value losses on financial assets at fair value through profit or loss, and impairment losses recognized on financial assets (other than trade receivables).

Borrowing costs that are not directly attributable to the acquisition, construction, or production of a qualifying asset are recognized in profit or loss using the effective interest method.

(q) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax is recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;

- temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

In determining the amount of current and deferred tax the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Company believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Company to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(r) Earnings per share

The Group presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

(s) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's CEO to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment, and intangible assets other than goodwill.

(t) New standards and interpretations not yet adopted
A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2011, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except for IFRS 9 Financial Instruments, which becomes mandatory for the Group's 2013 consolidated financial statements and could change the classification and measurement of financial assets. The Group does not plan to adopt this standard early and the extent of the impact has not been determined.

4. Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(I) Intangible assets
The fair value of intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

(II) Trade and other receivables
The fair value of trade and other receivables, excluding construction work in progress, is estimated at the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes or when such assets are acquired in an business combination.

(III) Non-derivative financial liabilities
Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. In respect of the liability component of convertible notes, the market rate of interest is determined by reference to similar liabilities that do not have a conversion option. For finance leases the market rate of interest is determined by reference to similar lease agreements.

(IV) Share-based payment transactions
The fair value of share options granted is measured using the Black-Scholes model. The Black-Scholes model is a so-called closed form model that evaluates options via a formula based on fixed data, including start and end dates to estimate the option's present value. The most important assumptions used in the model are: historical stock prices, share price, exercise price, valuation date, time to maturity, risk-free interest rate (based on government bonds), volatility (based on an evaluation of the company's historic volatility), dividend, and forfeiture rate. Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.
In addition to the Black-Scholes model, and due to the provisionally granted options of one of the options plans, the binominal model is also used for the purpose of calculating the weighted average granting percentage.

5. Operating segments

The Group has three reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the Group's CEO (the chief operating decision maker) reviews internal management reports on a monthly basis. The following summary describes the operations in each of the Group's reportable segments:

- NedGraphics makes and sells CAD/CAM software for the textile and apparel industries
- LOFT is focused on the development of software that allows 3 dimensional reproduction in a personal environment
- Dynamics Perspective sells ERP software and related services for the apparel industry

Other operations include the results of the holding company. The accounting policies of the reportable segments are the same as described in notes 2 and 3.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment operating profit (loss), as included in the internal management reports that are viewed by the Group's CEO. Segment operating profit (loss) is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Inter-segment pricing is determined on an arm's length basis.

Business segment reporting

(in thousands of euros)

Operating segments	**NedGraphics**		**Loft**	
Profit, loss, assets and liabilities	**2011**	**2010**	**2011**	**2010**
Software	3,354	3,873	151	38
Maintenance	4,215	4,140	-	0
Other	610	604	80	63
External revenues	**8,179**	**8,617**	**231**	**101**
Inter-segment revenue	0	25	0	0
Inter-segment revenue	0	25	0	0
Cost of sales	266	267	33	(2)
Operating expenses	7,514	7,301	1,069	732
Capitalized production	(962)	(1,325)	(706)	(545)
Amorization and depreciation	1,290	1,279	364	172
Impairment of segment assets	0	0	0	0
Segment operating profit (loss)	**71**	**1,120**	**(529)**	**(281)**
Interest revenue	49	16	0	0
Interest expense	(1)	(2)	0	0
Segment profit (loss) before tax	**119**	**1,134**	**(529)**	**(281)**
Corporate income tax	36	64	(133)	(72)
Intangible segment assets	4,788	4,412	1,775	978
Other segment assets	8,367	7,257	1,015	751
Segment liabilities	6,739	6,022	6,369	4,901
Revenue external customers Netherlands	198	228	0	0
Non-current assets Netherlands	4,947	4,441	1,792	1,003

DPI		**Other**		**Elimination**		**Total**	
2011	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
78	67	0	0			3,583	3,978
422	466	0	0			4,637	4,606
206	267	0	0			896	934
706	**800**	**0**	**0**	**0**	**0**	**9,116**	**9,518**
0	0	0	0	0		0	25
0	0	0	0	0	0	0	25
(21)	18	0	0			278	283
741	778	1,125	997			10,449	9,808
0	0	0	0			(1,668)	(1,870)
3	2	135	204			1,792	1,657
0	0	0	0			0	0
(17)	**2**	**(1,260)**	**(1,201)**			**(1,735)**	**(360)**
(27)	0	(12)	(11)			10	5
0	0	(195)	(311)			(196)	(313)
(44)	**2**	**(1,467)**	**(1,523)**	**0**	**0**	**(1,921)**	**(668)**
1	1	(44)	72			(140)	65
0	0	3,579	3,713			10,142	9,103
174	103	1,597	758	(4.914)	(4.076)	6,239	4,793
1,430	1,271	114	653	(4.914)	(4.076)	9,738	8,771
0	0	0	0			198	228
0	0	3,582	3,717	0	0	10,320	9,161

The operating segments operate on a global scale. Revenue from external customers in the Netherlands was €198 thousand in 2011 (2010: € 228 thousand). Non-current assets related to the Netherlands amounted to € 10,320 thousand (2010: € 9,161 thousand). Revenue from external customers in the United States of America was € 4,147 thousand in 2011 (2010: € 4,701 thousand). Non-current assets related to the United States of America amounted to € 41 thousand (2010: € 52 thousand). The Company and its operating segments have a diverse customer base of over 3,500 customers in many countries and of various sizes. The Company and its segments do not rely on a single customer or a single group of customers for its operations.

6. Wages and salaries and social security charges

(in thousands of euros)	**2011**	**2010**
Wages and salaries	5,322	5,262
Social security charges	915	891
Contribution to defined contribution plans	270	284
Increase in liability for long service benefits	16	14
Equity-settled share-based payment transactions	170	220
Total wages and salaries and social security charges	**6,693**	**6,671**

For the remuneration of key management we refer to note 45.

Staff

During 2011, the group had an average of 109 staff members (2010: 114). This staff can be divided as follows over the various divisions:

Staff over the various divisions

(in average FTE)	**2011**	**2010**
Management and staff holding company	2	1
NedGraphics	96	101
Dynamics Perspective	5	7
LOFT	6	5
Total number of staff members	**109**	**114**
Netherlands	34	36
Rest of Europe	43	46
USA	29	27
Asia	3	5
	109	**114**

7. Other operating costs

The other operating costs can be specified as follows:

(in thousands of euros)	2011	2010
Sales costs	274	231
Housing costs	740	801
Car costs	330	339
Other staff costs	613	490
General costs	1,823	1,238
Currency and exchange rate differences	(24)	38
Total other operating costs	**3,756**	**3,137**

8. Income tax expense

The activities of the Company group are subject to corporate income taxes of various countries, with tax rates between 21% and 40%. In the case of a relatively low nominal tax rate, not all the costs incurred are tax deductible. The various tax rates and the presence of unrealized tax loss carry forwards are the cause of a deviation of the actual weighted tax pressure and the nominal tax rate in the Netherlands (25%).

For the fiscal unit for corporate income tax with respect to the Dutch entities all years up until 2009 have been filed and accepted.

The reconciliation of the nominal and the effective tax is as follows:

Income tax expense

(in thousands of euros)	2011	2010
Result from ordinary activities before taxation	**(1,921)**	**(668)**
Result sale of participating interests	0	0
Of which related to taxable result on asset sale	0	0
Taxable income	**(1,921)**	**(668)**
Weighted average taxation	(527)	(203)
Current year losses for which no deferred tax asset recognised	353	217
Non-deductible items	34	51
Tax for the year	**(140)**	**65**
Current year tax	37	65
Deferred tax	(177)	0
Total tax for the year	**(140)**	**65**

Tax recognized directly in equity

	2011			**2010**		
	before tax	Tax (expense) benefit	Net of tax	before tax	Tax (expense) benefit	Net of tax
Convertible notes	706	(177)	529	0	0	0

Deferred tax assets have been recognized in the annual accounts for as far as they can be reasonably expected to be realized within the foreseeable future. The deferred tax effect on the tax charge for the year relates to changes in (un-)recognized temporary differences.

9. Intangible fixed assets

Movements were as follows:

(in thousands of euros)	Goodwill	Costs of software develop-ment	Costs of obtained rights and patents	Total 2011	Total 2010
Costs 1 January	21,106	20,978	43	42,084	39,985
Accumulated amortization 1 Jan.	(17,052)	(15,929)	(43)	(32,981)	(31,465)
Book value as of 1 January	**4,054**	**5,049**	**0**	**9,103**	**8,520**
Changes:					
Investments	0	2,739	0	2,739	2,142
Disposals	0	0	0	0	0
Amortization	0	(1,700)	0	(1,700)	(1,559)
	0	**1,039**	**0**	**1,039**	**583**
Costs 31 December	21,106	23,717	43	44,823	42,127
Accumulated amortization 31 Dec.	(17,052)	(17,629)	(43)	(34,681)	(33,024)
Book value as of 31 December	**4,054**	**6,088**	**0**	**10,142**	**9,103**

Investments in 2011 include capitalized production of € 1,668 thousand and third party of €1,071 thousand (2010: € 1,869 thousand and € 273 thousand respectively).

The following amortization/depreciation percentages are used:

Amortization percentages

Costs of software development	10-20%
Costs of obtaining rights and patents	20%

Costs of software development include an amount of € 2,000 thousand, relating to the software obtained by the acquisition of NedGraphics. Contrary to in-house developed software, which is depreciated in five years, this third-party obtained software is depreciated in ten years. At 31 December 2011, the carrying amount of this software is equal to nil (2010: € 134 thousand)

Impairment test for intangible assets

Intangible assets primarily comprise software and goodwill on NedGraphics, and software on LOFT. At LOFT an impairment trigger was identified as the costs in 2011 were higher than income and income was lower than the carrying amount. The recoverable amount of cash-generating units (CGU's) is based on a value-in-use calculation for NedGraphics and a fair value less cost to sell calculation for LOFT. These calculations are based on the budget for 2012 and estimated market developments for the period thereafter.

Cash flows NedGraphics for further periods are extrapolated using a 5% growth rate for 2013 through 2016 and 2% for 2017 and forward in the case of gross margin, and a 2% growth rate for 2013 through 2016 and 1% for 2017 and forward in the case of operating expenses. The terminal value growth rate is 1%. A pre-tax discount rate of 14.3% (2010: 14.7%) has been used in discounting the projected cash flows. Allocated holding expenses have also been incorporated in the calculations. Key assumption in the 2012 budget is that revenue will continue to recover substantially post-recession, and if not, that sufficient cost savings can be achieved compared to the budget 2012, so that the effect of lower revenue will be offset.

Management's approach in determining the key revenue assumption in the 2012 budget noted above is based on trends noted in the marketplace. The Group has directly experienced an improving economic climate during this timeframe, and this experience is also reflected in media reports on the broader economy. Other key assumptions are the expected growth rate of revenues and operating expenses.

The revenue growth assumptions have resulted in a positive NedGraphics CGU value using discounted cash flows of approximately € 14,050 thousand as compared to a carrying value of approximately € 6,500 thousand. As a result, no impairment has been recorded in 2011.

Sensitivity to changes in assumptions

Management has identified two key assumptions for which there could be a reasonably possible change that could cause the carrying amount to exceed the recoverable amount. The table below shows the amount that these two assumptions are required to change individually in order for the estimated recoverable amount to be equal to the carrying amount.

NedGraphics impairment sensitivity

	Change required for carrying amount to equal the recoverable amount	
In percent	**2011**	**2010**
Pre-tax discount rate	81.6	113.7
Forecasted result from operations	(52.7)	(62.6)

Cash flows LOFT for further periods are extrapolated using the following growth rates in the case of gross margin: 2013 40%, 2014 30%, 2015 30%, 2016 20%, 2017 through 2018 10% and forward 5%. The terminal value growth rate was 1%. The following growth rates in the case of operating expenses: 2013 through 2016 2%, 2017 and forward 1%. A pre-tax discount rate of 12.6% (2011: 13.1%) has been used in discounting the projected cash flows. Allocated holding expenses have also been incorporated in the calculations. Key assumption in the 2012 budget is that this start-up will start generating material revenue.

Management's approach in determining the key revenue assumption in the 2012 budget noted above is based on trends noted recently in the marketplace, and on the level of developed maturity and stability of the LOFT product. Other key assumptions are the expected growth rate of revenues and operating expenses.

A minor adverse change in the key assumptions would result in an impairment charge. The revenue growth assumptions have resulted in a LOFT CGU fair value less costs to sell of approximately € 2,600 thousand as compared to a carrying value of approximately € 1,800 thousand. As a result, no impairment has been recorded in 2011.

Sensitivity to changes in assumptions

Management has identified two key assumptions for which there could be a reasonably possible change that could cause the carrying amount to exceed the recoverable amount. The table below shows the amount that these two assumptions are required to change individually in order for the estimated recoverable amount to be equal to the carrying amount.

LOFT impairment sensitivity

	Change required for carrying amount to equal the recoverable amount	
In percent	**2011**	**2010**
Pre-tax discount rate	11.2	19.1
Forecasted result from operations	(12.4)	(20.9)

10. Property, plant and equipment

Movements were as follows:

(in thousands of euros)	**Total 2011**	**Total 2010**
Costs 1 January	1,923	5,606
Accumulated depreciation 1 January	(1,777)	(5,488)
Book value as of 1 January	**146**	**118**
Changes:		
Investments	127	123
Disposals	0	(3,806)
Depreciation	(93)	(97)
Depreciation on disposals	0	3,805
Currency changes	1	3
	35	**28**
Costs 31 December	2,050	1,923
Accumulated depreciation 31 December	(1,869)	(1,777)
Book value as of 31 December	**181**	**146**

The following depreciation percentages are used:

Depreciation percentages

Refurbishing	10-12%
Computer equipment and programs	33%
Other assets	33%

11. Deferred tax assets and liabilities

The corporate income tax assets on the consolidated statement of financial position relate to current corporate income tax receivables.
Deferred tax assets and liabilities are attributable to the following:

Recognized deferred tax assets and liabilities

(in thousands of euros)	Assets 2011	Assets 2010	Liabilities 2011	Liabilities 2010
Intangible assets	0	0	0	(34)
Interest-bearing loans and borrowings	0	0	0	0
Tax asset related to convertible loan	0	0	(177)	0
Tax value of loss carryforward recognized	177	34	0	0
Tax assets/liabilities	**177**	**34**	**(177)**	**(34)**
Netting of tax	(177)	(34)	177	34
Net tax assets and liabilities	**0**	**0**	**0**	**0**

Deferred tax assets have not been recognized in respect of the following items:

Unrecognized deferred tax assets

(in thousands of euros)	2011	2010
Tax Losses	6,219	5,886

The tax losses expire in the period from 2012 through 2020. Deferred tax assets have only been recognized to the level of deferred tax liabilities which are available to offset the deferred tax assets within the same fiscal unit for corporate income tax purposes. The amount of deferred tax assets that exist in excess of these deferred tax liabilities has not been recognized for the time being, as management is insufficiently certain that taxable profit will be available in the near future against which the temporary difference can be utilized.

Net 2011	Net 2010
0	(34)
0	0
(177)	0
177	34
0	**0**
0	0
0	**0**

Movement in deferred tax during the year

(in thousands of euros)	1 Jan. 2011	Recognized in income	Recognized in equity	Balance 31 Dec. 2011
Intangible assets	(34)	34	0	0
Convertible loans	0	0	(177)	(177)
Tax value of loss carryforward utilized	34	143	0	177
	0	**177**	**(177)**	**0**

	1 Jan. 2010	Recognized in income	Recognized in equity	Balance 31 Dec. 2010
Intangible assets	(85)	51	0	(34)
Tax value of loss carryforward utilized	85	(51)	0	34
	0	**0**	**0**	**0**

12. Inventories

(in thousands of euros)	31 Dec. 2011	31 Dec. 2010
Trade goods	3	7
Provision for obsolescence	0	0
	3	**7**

The valuation of inventories on the basis of net realizable value is not materially different from the valuation above.

The Company only sells software licenses and related services. Any hardware that is sold, belongs to third parties for which the Company holds no inventories. Inventories mentioned in this table relate to the small hardware devices through which our software can be distributed.

13. Trade and other receivables

(in thousands of euros)	**31 Dec. 2011**	**31 Dec. 2010**
Trade receivables	3,847	3,054
Work in progress	103	69
Corporate income tax	13	0
Prepaid expenses	273	272
Loans to directors	435	0
Other receivables and accrued income	266	193
	4,937	**3,588**
Non current	435	0
Current	4,502	3,588
	4,937	**3,588**

Non-current receivables

In 2011, management has invested € 500 thousand in the share capital of the Company. At the same time the Company has provided a loan to management of € 500 thousand with an interest rate of 2.5%. These loans have been recognized at fair value taking the market interest rate into account (7.5%). Cash flows to be received (at 2.5%) and the total sum have been discounted over the expected life time of the loan (3 years). With the assumptions, the initial value of the receivables is € 435 thousand. The difference with the original amount has been taken as a employee benefit charge in 2011. The interest income will be 7.5% of the carrying amount for the coming years.

The valuation of work in progress includes losses and possible future losses, as far as these can be foreseen as of balance sheet date. The stage of completion of contracts has been determined based on hours worked and realized production.

Aging of the trade receivables as of 31 December

(in thousands of euros)		**2011**	
	Gross trade debtors	**Impairment**	**Net trade debtors**
Number of days outstanding			
0 - 30 days	2,560	0	2,560
31 - 60 days	108	0	108
61 - 90 days	109	0	109
> 90 days	1,130	(59)	1,070
Total	**3,907**	**(59)**	**3,847**

Movement in the allowance for impairment in respect of trade receivables during the year

(in thousands of euros)	2011	2010
Balance at 1 January	**52**	**87**
Impairment loss recognized	7	(35)
Disposal of participations	0	0
Balance at 31 December	**59**	**52**

14. Cash and cash equivalents

With the exception of the bank guarantees discussed in note 23, the cash and cash equivalents are at the free disposal of the Company.

(in thousands of euros)	31 Dec. 2011	31 Dec. 2010
Bank balances	1,113	1,051
Cash and cash equivalents	5	1
	1,118	**1,052**

2010		
Gross trade debtors	Impairment	Net trade debtors
1,684	0	1,684
132	0	132
44	0	44
1,246	(52)	1,194
3,106	**(52)**	**3,054**

15. Shareholders' equity capital and reserves

Share capital and share premium
At 31 December 2011, the issued share capital comprised 21,081,343 ordinary shares (2010: 13,581,343) with nominal value € 0.10, which have been fully paid up.

Issue of ordinary shares consisted of a private placement of €2.5 million in shares issued to Project Holland Fonds, or 6.25 million ordinary shares at €0.40 per share. In addition the Board of Directors invested each €250 thousand or 1.25 million ordinary shares at €0.40 per share. In total 7.5 million new shares were issued.

Legal reserves
In conformity with the Netherlands Civil Code, a legal reserve is recognized for the carrying amount of internally developed capitalized software development costs at the statement of financial position date.

Translation reserves
The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations that are not integral to the operations of the company, as well as – for as far applicable – from the translation of liabilities that hedge the Company's net investment in a foreign subsidiary.

16. Earnings per share

The calculation of earnings per share at 31 December 2011 was based on the result attributable to ordinary shareholders of € 1,781 thousand negative (2010: € 733 thousand negative) and a weighted average number of ordinary shares outstanding during the year ended 31 December 2011 of 15,944,356 (2010: 11,711,485), calculated as follows:

Weighted average number of ordinary shares

(number of shares)	**31 Dec. 2011**	**31 Dec. 2010**
Issued ordinary shares at 1 January	13,581,343	9,831,354
New shares issued (Sept 2011)	7,500,000	0
	0	0
New shares issued (July 2010)	0	3,749,989
Issued ordinary shares at 31 December	**21,081,343**	**13,581,343**
Issued ordinary shares at 1 January	13,581,343	9,831,354
Effect of shares options exercized in Sept 2011	393,836	0
Effect of shares issued in Sept 2011	1,969,177	0
Effect of shares issued in July 2010	0	1,880,131
Weighted average number of ordinary shares	**15,944,356**	**11,711,485**
Profit (loss) for the period	(1,781)	(733)
Dividends on non-redeemable preference shares	0	0
Profit (loss) attributable to ordinary shareholders	**(1,781)**	**(733)**
Earnings per share	**(€ 0.11)**	**(€ 0.06)**

17. Diluted earnings per share

In 2010 and 2011, instruments that could potentially dilute earnings per share in the future were not included in the calculation of diluted earnings per share, because they were not dilutive for the period presented.

The diluted weighted average number of ordinary shares can be calculated as follows:

Weighted average number of ordinary shares (diluted)

(in thousands of euros)	**31 Dec. 2011**	**31 Dec. 2010**
Weighted average number of ordinary shares at 31 December	15,944,356	11,711,485
Effect of share options on issue	1,305,571	887,772
Effect of convertible notes on issue	1,200,000	
Antidilusive effect	(2,505,571)	(887,772)
Weighted average number of ordinary shares (diluted) at 31 December	**15,944,356**	**11,711,485**
Profit attributable to ordinary shareholders	(1,781)	(733)
After-tax effect of interest on convertible loans	27	0
Profit attributable to ordinary shareholders	**(1,754)**	**(733)**
Diluted earnings per share	**(€ 0.11)**	**(€ 0.06)**

18. Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings. For more information about the Group's exposure to interest rate and foreign currency risk, see notes on interest risk and foreign currency risk.

In 2011 the Company has been able to attract new financing. € 1.2 million has been raised as a convertible note in 2011 and € 1 million has been drawn under a convertible loan facility of in total € 2.4 million. The coupon is 4% payable annually over the outstanding amount at year end. Both convertible loans can be converted as of January 2013 and have a term of 5 years. The conversion premium is 120% (conversion price of € 0.48). These loans have been recognized at fair value, taken the market interest rate into account. The interest rate of the liability part is equal to the market interest rate, in the case of NedSense this is determined at 13.75 % based on a comparable basket rating (B-CCC+). This implies that the debt value of the original amount of € 2,2 million is reduced to € 1.494 thousand and the remainder of the value is recognized as equity. The interest charge will be 13,75% of the carrying amount.

Interest-bearing loans and borrowings

(in thousands of euros)	31 Dec. 2011	31 Dec. 2010
Non-current liabilities		
Convertible notes	1,494	0
Secured loans	0	1,600
	1,494	**1,600**
Current liabilities		
Current portion of secured loans	1,000	500
	1,000	**500**
Convertible notes		
Proceed from issue of convertible notes	2,200	0
Transaction costs*	0	0
Net proceeds	**2,200**	**0**
Amount classified as equity	(706)	0
Accreted amount	0	0
Carrying amount of liability at 31 December 2011	**1,494**	**0**

** All transactions costs amounting to € 349 thousand relating to financing received in 2011 has been allocated to the issue of ordinary shares.*

Terms and debt repayment schedule

From the €2,100 thousand loan agreement with Dinvest Holding II B.V., €1,100 thousand has been repaid in 2011 and €1,000 thousand has been repaid in the first quarter of 2012. The interest rate payable is 9% effective 1 July 2010, including additional interest at the rate of 1% which has been paid at the time of each repayment.

This loan was securitized with a lien on the shares, receivables, and intellectual property rights of NedSense NedGraphics B.V. and NedSense IPR B.V.

19. Employee benefits

(in thousands of euros)	31 Dec. 2011	31 Dec. 2010
Liability for long service benefits	118	102
	118	**102**

Movement in the net liability for employee benefits

(in thousands of euros)	31 Dec. 2011	31 Dec. 2010
Net liability for employee benefits at 1 January	102	88
Expense recognized in the income statement	16	14
Net liability for employee benefits at 31 December	**118**	**102**

20. Provisions

As of 31 December 2011, the Group has no provisions (2010: none).

21. Bank overdraft

As of 31 December 2011, the Group has no current account credit facilities (2010: none).

22. Trade and other payables

(in thousands of euros)	31 Dec. 2011	31 Dec. 2010
Trade creditors	797	703
Tax and social security charges	344	351
Accrued staff expenses	776	696
Accrued sales expenses	25	33
Other debts and accruals	596	667
	2,538	**2,450**

All short-term debts have a term of less than one year.

23. Off-balance sheet commitments

The Company has entered into lease agreements with the total annual costs amounting to € 1,444 thousand (2010: € 1,868 thousand). The average remaining term of the lease agreements is 1.5 years.

As of 31 December 2011, bank guarantees were issued to third parties in the amount of € 83 thousand (year-end 2010: € 83 thousand).

24. Financial instruments

Financial risk management
The Group has exposure to the following risks from its use of financial instruments:
- credit risk
- liquidity risk
- market risk
- operational risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Supervisory Board oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed or advanced down payments are requested on all customers requiring credit over a certain amount. The Group does not require collateral in respect of financial assets.

At the reporting date, there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

Cash and cash equivalents
The Group held cash and cash equivalents of €1,118 thousand at 31 December 2011 (2010: €1,052 thousand), which represents its maximum credit exposure on these assets. The cash and cash equivalents are held with bank and financial institution counterparties, which are rated AA at a minimum based on rating agency Standard & Poors ratings.

Guarantees
The Group's policy is to provide financial guarantees only to wholly-owned subsidiaries. At 31 December 2011, one external guarantee was outstanding of € 83 thousand (2010: € 83 thousand).

Liquidity risk
Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The following are the contractual maturities of financial liabilities, including estimated interest payments.

31 December 2010 *(in thousands of euros)*	**Carrying amount**	**Contractual cash flows**	**6 months or less**	**6 - 12 months**	**1 - 2 years**	**2 - 5 years**
Non-derivative financial liabilties						
Secured loans	2,100	(2,487)	(95)	(595)	(1,144)	(653)
Trade and other payables	2,450	(2,450)	(2,450)	0	0	0
	4,550	**(4,937)**	**(2,545)**	**(595)**	**(1,144)**	**(653)**

31 December 2011 *(in thousands of euros)*	**Carrying amount**	**Contractual cash flows**	**6 months or less**	**6 - 12 months**	**1 - 2 years**	**2 - 5 years**
Non-derivative financial liabilties						
Secured loans	1,000	(1,011)	(1,011)	0	0	0
Convertible loans	2,200	(2,640)	(44)	(44)	(88)	(2,464)
Trade and other payables	2,538	(2,538)	(2,538)	0	0	0
	5,738	**(6,189)**	**(3,593)**	**(44)**	**(88)**	**(2,464)**

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Group's income or the value of its holdings or financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

The Group is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than the euro. The currency primarily giving rise to this risk is the U.S. dollar.

In respect of other monetary assets and liabilities held in currencies other than the euro, the Group ensures that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances.

The Group has not entered into forward exchange contracts hedging forecasted transactions.

Exposure to currency risk

The Group's exposure to foreign currency risk was as follows:

(in thousands of euros)	euro	USD	GBP	RON	euro	USD	GBP	RON
	31 December 2011				31 December 2010			
Trade receivables	1,737	2,040	71	0	1,452	1,535	65	0
Convertible Loans	(2,200)	0	0	0	0	0	0	0
Secured loans	(1,000)	0	0	0	(2,100)	0	0	0
Trade payables	(740)	(46)	(11)	0	(630)	(58)	(15)	0
Gross statement of financial position exposure	(2,203)	1,994	60	0	(1,278)	1,477	50	0
Next month's forecast sales	213	251	25	0	150	222	55	0
Next month's forecast purchases	(276)	(81)	(4)	(11)	(208)	(62)	(4)	(11)
Gross exposure	(63)	170	21	(11)	(58)	160	51	(11)
Net exposure	**(2,266)**	**2,164**	**81**	**(11)**	**(1,336)**	**1,637**	**101**	**(11)**

The following significant exchange rates applied during the year.

	Average rate		Reporting date spot rate	
euro	**2011**	**2010**	**2011**	**2010**
USD 1	0,718	0,755	0,773	0,748
GBP 1	1,153	1,166	1,197	1,16
RON 1	0,236	0,238	0,23	0,234

Sensitivity analysis

A strengthening of the euro, as indicated below, against the USD, GBP, and RON at 31 December would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the reporting date. The analysis assumes that all other variables, in particular interest rates, remain contact and ignores any impact of forecasted sales and purchases. The analysis is performed on the same basis for 2010, albeit that the reasonably possible foreign exchange rate variances were different, as indicated below.

	Strengthening		Weakening	
Effect in thousands of euro	**Equity**	**Profit or loss**	**Equity**	**Profit or loss**
31 December 2011				
USD (12% movement)	76	14	(76)	(14)
GBP (5% movement)	(12)	(3)	12	3
RON (3% movement)	(3)	0	3	0
31 December 2010				
USD (10% movement)	80	(188)	(80)	188
GBP (8% movement)	(1)	(4)	1	4
RON (3% movement)	(1)	29	1	(29)

Interest rate risk

Interest-bearing loans and borrowings have a fixed interest rate. The Group has not entered into interest rate swaps to mitigate the risk of interest rate fluctuations.

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore a change in interest rates at the reporting date would not affect profit or loss.

Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all of the Group's operations.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

Capital management

The primary objective when managing capital is to safeguard the Group's ability to continue as a going concern. The Company does not have an explicit return on capital policy. There have been no changes in the capital management policies during the year. Capital is considered by the Company to be equity as shown in the statement of financial position.

The Company monitors capital on the basis of cash flow prognoses and the solvency and liquidity ratio. The solvency ratio is calculated as total equity attributable to equity holders of the parent divided by the balance sheet total. The liquidity ratio is calculated as current assets divided by current liabilities excluding deferred income. During the year, the solvency ratio increased from 36.9% to 40,6%, and the liquidity ratio decreased from 1.6 to 1.2. This excludes the potential drawings of the stand-by facility of EUR 1.4 million, including this facility, the ratio would be 1.5.

Accounting classifications and fair values

The fair values of financial instruments are not materially different from the carrying amounts shown in the balance sheet.

Carrying values

(in thousands of euros)	31 Dec. 2011	31 Dec. 2010
Trade and other receivables	4,937	3,588
Cash and cash equivalents	1,118	1,052
Interest-bearing loans and borrowings (non-current)	(1,494)	(1,600)
Interest-bearing loans and borrowings (current)	(1,000)	(500)
Trade and other payables	(2,538)	(2,450)

25. Operating leases

Non-cancellable operating lease rentals are payable as follows:

(in thousands of euros)	31 Dec. 2011	31 Dec. 2010
Less than one year	794	959
Between one and five years	586	909
More than five years	0	0
	1,380	**1,868**
Off balance sheet commitments		
Bank guarantees	83	83

26. Share-based payment

	C1	C2	C3	C4	C4-1
options granted as % of shares*	5%	2.5%	4.63%	2.5%	-
Fair value at grant date	0,3092	0,3186	0,1807	0,1807	0,1848
share price at grant date	0,3146	0,3258	0,3228	0,37	0,32
exercise price	0,40	0,40	0,40	0,40	0,40
expected volatility	83%	83%	83%	83%	86%
expected life (years)	2,56	2,81	4	3	4
expected dividends	0	0	0	0	0
risk free interest rate	0,78%	0,83%	1,47%	0,52%	1,26%
weighted average granting %	-	-	-	-	-

**Plan C 2009, Plan D preceding year of granting, C4 estimated*

Plan	**issued**	**2009 costs**	**issued**	**2010 costs**	**(exp.) issue**	**2011 costs**
C1	366,568	23,064		49,059		55,557
C2	183,284	16,015		31,434		30,112
C3		21,914	339,442	43,829		43,829
C4		11,833		23,666	183,284	23,666
C4 employee		0		0	125,000	2,076
D1		0	264,941	9,935		12,081
D1 employee		0	30,000	1,850	-30,000	-1,850
D2		0		0	377,440	4,307
D3		0		0		0
total		**72,827**		**159,772**		**169,778**

Description of the share-based payment arrangements

At 31 December 2011 the Group has the following share-based payment arrangements:

Share option program (equity settled)

Since the shareholders have asked an extra effort of the management and key personnel, the Company established a share option program on 25 May 2009 that entitles management and key personnel to purchase shares in the Company. The terms and conditions relating to these grants of the share options are as follows; all options are to be settled by physical delivery of shares:

During the years 2009-2011, options are granted to management and key personnel based on performance criteria as set by the Supervisory Board of the Company. There is a separate

C4-2	D1	D2
-	3%	3%
0,1952	0,3193	0,285
0,32	0,54	0,45
0,40	0,46	0,44
86%	83%	86%
4,5	3,31	4
0	0	0
1,41%	0,99%	2,30%
-	27%	24%

	2010	2011	2010	2011
	nr of options		Weighted average exercize price	
outstanding 1/1	**1.255.862**	**1,550,803**	**0.40**	**0.41**
exercized	0	-889,294	0	0.40
forfeited	0	-60,000	0	0.45
expired	0	0	0	0
granted	294.941	532,440	0.46	0.38
outstanding 31/12	**1.550.803**	**1,133,949**	**0.41**	**0.39**
exercisable	0	183,284	0	0.40

plan for management (“Plan C”) and key personnel (“Plan D”). The basis of the plan is that the Company will issue a maximum of 30% of the outstanding shares available to: the management 20% (“Plan C”) and key personnel 10% (“Plan D”). Both option plans are divided into several packages. Each package will be granted if the Group reaches certain targets. Targets have been set for the years 2009, 2010 and 2011 as defined in the remuneration policy.

In September 2011 the shareholders agreed to the amendment of the option plan and the execution of the options of management related to Plan C for the years 2009 and 2010. The amendment of the option plan did not lead to revaluation of the options granted. In total 1.250.000 shares have been issued. As a result all options issued to management in 2009 and 2010 have been exercised. The remaining option package of Plan C will be issued and it is expected that 50% will be issued of 5% of the outstanding shares that are available, at the shareholders meeting of 5 June 2012.

As part of Plan C, in September 2011, one employee was granted 25.000 options at signing in September 2011 and 100.000 options to be awarded in March 2012. Certain specific conditions need to be met to issue the second tranche of the options.

As also described in notes 3.(k)(ii) and 4.(vii) Share-based payment transactions, the fair value of services received in return for share options granted is based on the fair value of share options granted, assessed at the reporting date using the Black-Scholes model. The Black-Scholes model is a so-called closed form model that evaluates options via a formula based on fixed data, including start and end dates to estimate the option’s present value. The most important assumptions used in the model are: historical stock prices, share price, exercise price, valuation date, time to maturity, risk-free interest rate (based on government bonds), volatility (based on an evaluation of the company’s historic volatility), dividend, and forfeiture rate.
In addition to the Black-Scholes model, and due to the provisionally granted options of one of the options plans (Plan D), the binominal model is also used for the purpose of calculating the weighted average granting percentage.

The expected life of the options is set as the weighted average of the vesting period for each vested installment of options and the contractual term for those options. The expected term for the options was therefore computed by averaging the vesting schedule of the options and the contractual term. The contractual term of all options is 5 years, and both plans also include a “Lock-up period” whereby all shares acquired through these options must be held for at least three years after acquisition.
For option valuations, the volatility represents the expected movements of the price of the

underlying share during the time to maturity. The expected movements during the time to maturity are based on movements in a past period. For options granted in 2010, the period of 30 December 2005 through 31 December 2010 was used, and the volatility was calculated to be approximately 83%. For options granted in 2011, the period of 31 December 2006 through 31 December 2011 was used, and the volatility was calculated to be approximately 86%.

The Company expects no dividend payments before time to maturity.

The expected annual pre-vesting forfeiture rate (the percentage of options cancelled every year prior to vesting), affects the number of exercisable options. The Company expects that this rate will be very low since the options are granted to the two directors and key personnel. It is assumed that a forfeiture rate of 0% can be used for the valuation of all the option plans.

For Plan D, 100% of the first package was formally granted to key employees by the Supervisory Board and Shareholders at the Annual General Meeting of Shareholders in May 2010. The content of this package consists of 3% of the outstanding shares of the Company.

In 2010, 100% of the second package was formally approved to grant to key employees, by the Supervisory Board and Shareholders at the Annual General Meeting of Shareholders in June 2011. The content of this package consists of 3% of the outstanding shares of the Company.

The remaining option package will be granted at the Annual General Meeting of Shareholders in June 2012 (4%). The Plan D options have a vesting period of 3 years, and the expected time to maturity amounts to 4 years.

In September 2010, it was agreed that Plan D would be altered. If, at any time between 26 May 2012 and 26 May 2014, the Company's stock price reaches certain levels specified here, the options will be granted permanently as follows:
- at least a level of € 1.10, then 100% of the options will be granted permanently,
- at least a level of € 1.00 but not € 1.10, then two thirds of the options will be granted permanently,
- at least a level of € 0.90 but not € 1.00, then one third of the options will be granted permanently,
- a maximum level under € 0.90, then no options will be granted.

These changes are retroactive to all options granted under Plan D, except for 100,000 options to one key employee who meanwhile left the Company.

In order to determine the effect of the provisional character of the changed Plan D option plan, a binomial model was used to calculate the weighted average granting percentage. In contrast to the Black – Scholes model, the binomial model is an open form, inductive model. It allows for multiple (theoretically, unlimited) branches of possible outcomes on a 'tree' of possible price movements and induces the option's price. As compared to the Black – Scholes model approach, this relaxes the constraint on exercise time. The binomial model is executed following a three step process:

- Setting up a stock price tree.
- Calculation of the granting percentage at each node.
- Progressive calculation of weighted average granting percentage at each earlier node. The percentage at the first node is the weighted average granting percentage.

The valuation date used to value the first package was 8 September 2010. The closing share price of that date is used (€ 0.54) as the starting point of the model.
The valuation date used to value the second package was 7 June 2011. The closing share price of that date is used (€ 0.44) as the starting point of the model.

The binomial model calculates, via the below mentioned assumptions, the expected future share prices at each step of time.

The assumptions are as follows:

Number of periods: The binomial model uses a "discrete-time framework" to trace the evolution of the option's key underlying variable via a binomial lattice (tree) for a given number of time steps between valuation date and option expiration.

Volatility: For option valuation, the volatility represents the expected movements of the price of the underlying share during the time to maturity. The expected movements during the time to maturity are based on movements in a past period. This period should preferably be a period of two to five years. Therefore, for the calculation of the volatility of the options revalued at 8 September 2010, the period of 9 September 2005 through 8 September 2010 (5 year period) is used. Based on these calculations, the volatility of the share price of the Company in this period is approximately 83%. For the calculation of the volatility of the options valued at 7 June 2011, the period of 31 December 2006 through 31 December 2011 (5 year period) is used. Based on these calculations, the volatility of the share price of the Company in this period is approximately 86%.

Dividend: The Company expects no dividend payments before time to maturity.

This binomial model and the aforementioned assumptions result in a weighted average granting percentage of 27% for 8 September 2010 valuation date and of 24% for the 7 June 2011 valuation date.

The fair value of services received in return for share options granted is based on the fair value share options granted, measured using primarily the Black-Scholes formula and as further discussed in notes 3.(k)(ii) and 4.(vi).

27. Related parties

Transactions with executive board

Executive board compensation

In addition to their salaries, the Group also provides non-cash benefits to the executive board, and contributes to a post-employment defined contribution pension plan on their behalf. In accordance with the terms of this available premium system plan, the premium varies depending on the age of the employee.

In 2011 management has invested € 500 thousand in the share capital of the Company. At the same time the Company has provided a loan to management of € 500 thousand with an interest rate of 2.5% (see note 13).

The executive board (and key employees) also participate in the Group's share option program (see note 26).

See note 45 for additional information regarding remuneration of the boards.

The executive board control less than 1% of the voting shares of the Company. Supervisory board members of the Company control no voting shares of the Company.

28. Cash flow from (used in) operating activities

The cash flow from operating activities amounted to € 768 thousand negative (2010: € 1,251 thousand positive). The operating result adjusted for depreciation and amortization resulted in a positive cash flow of € 57 thousand (2010: € 1,297 thousand).

29. Cash flow used in investment activities

The cash flow used in investment activities was € 2,892 thousand (2010: € 2,335 thousand). The investments in tangible and intangible fixed assets amounted to € 126 thousand (2010: € 123 thousand) and € 2,739 thousand (2010: € 2,143 thousand) respectively. The investments in intangible fixed assets relate to software development.

30. Cash flow from financing activities

The cash flow from financing activities amounted to € 3,726 thousand (2010: € 1,389 thousand).

31. Subsequent events

In 2012 the Company received a grant from the Dutch Government of in total € 1.7 million. The grant will be paid in several installments until mid 2013. Repayment will take place in 2014 to 2017. Interest rate is 6.5% and will be accrued and paid in 2017.

Company balance sheet
as of 31 December 2011 before appropriation of result

(in thousands of euros)	Notes	31 Dec. 2011	31 Dec. 2010
Fixed assets			
Intangible fixed assets	34	3,579	3,713
Tangible fixed assets	35	2	4
Financial fixed assets	36	7,546	6,120
Total fixed assets		**11,127**	**9,837**
Current assets			
Other receivables	37	1,338	610
Cash and cash equivalents		222	62
Total current assets		**1,560**	**672**
Current liabilities, accruals and deferred income	**38**	**(4,332)**	**(3,416)**
Current assets less current liabilities		**(2,340)**	**(2,744)**
Assets less current liabilities		**8,355**	**7,093**
Loans and borrowings	39	(1,494)	(1,600)
Provisions	40	(197)	(350)
Employee benefits		(21)	(18)
Shareholders' equity		**6,643**	**5,125**
Issued capital		2,108	1,358
Share premium		35,882	33,477
Legal reserve		6,088	4,914
Translation reserve		(135)	(109)
Accumulated deficit		(35,519)	(33,782)
Current year's result		(1,781)	(733)
Shareholders' equity	**41**	**6,643**	**5,125**

The notes on page 110 to page 121 are an integral part of these company financial statements

Company profit and loss account for 2011

(in thousands of euros)	2011	2010
Company result	(2,488)	(2,385)
Result from participating interests	707	1,652
Net result	**(1,781)**	**(733)**

The notes on page 110 to page 121 are an integral part of these company financial statements

Notes to the Company financial statements

32. General

The separate financial statements are part of the 2011 financial statements of NedSense (the "Company"). With reference to the separate profit and loss account of the Company, use has been made of the exemption pursuant to Section 402 of Book 2 of the Netherlands Civil Code.

33. Principles for the measurement of assets and liabilities and the determination of the result

For setting the principles for the recognition and measurement of assets and liabilities and determination of the result for its separate financial statements, the Company makes use of the option provided in section 2:362 (8) of the Netherlands Civil Code. This means that the principles for the recognition and measurement of assets and liabilities and determination of the result (hereinafter referred to as principles for recognition and measurement) of the separate financial statements of the Company are the same as those applied for the consolidated financial statements. Participating interests, over which significant influence is exercised, are stated on the basis of the equity method. These consolidated financial statements are prepared in conformity with International Financial Reporting Standards (IFRS) as adopted by the European Union. Please see the notes to the consolidated financial statements for a description of these principles.

The share in the result of participating interests consists of the share of the Company in the result of these participating interests. Results on transactions, where the transfer of assets and liabilities between the Company and its participating interests and mutually between participating interests themselves, are not incorporated insofar as they can be deemed to be unrealized.

34. Intangible fixed assets

Movements were as follows:

(in thousands of euros)	Goodwill	Costs of software development	Total 2011	Total 2010
Costs 1 January	20,579	2,265	22,844	22,844
Accumulated amortization 1 January	(17,000)	(2,131)	(19,131)	(18,931)
Book value as of 1 January	**3,579**	**134**	**3,713**	**3,913**
Changes:				
Amortization	0	(134)	(134)	(200)
	0	(134)	(134)	(200)
Costs 31 December	20,579	2,265	22,844	22,844
Accumulated amortization 31 December	(17,000)	(2,265)	(19,265)	(19,131)
Book value as of 31 December	**3,579**	**0**	**3,579**	**3,713**

The costs of software development include an amount of € 2,000 thousand (market value on acquisition date), relating to the software obtained by the acquisition of NedGraphics. Contrary to in-house developed software, which is depreciated in five years, this third-party obtained software is depreciated in ten years. At 31 December 2011, the carrying amount of this software is equal to nil (2010: € 134 thousand).

Impairment test for intangible assets

Intangible assets primarily comprise goodwill on NedGraphics. The recoverable amount of cash-generating units (CGU's) is based on a value-in-use calculation. This calculation is based on the budget for 2012 and estimated market developments for the period thereafter.

Cash flows NedGraphics for further periods are extrapolated using a 5% growth rate for 2013 through 2016 and 2% for 2017 and forward in the case of gross margin, and a 2% growth rate for 2013 through 2016 and 1% for 2017 and forward in the case of operating expenses. The terminal value growth rate is 1%. A pre-tax discount rate of 14.3% (2010: 14.7%) has been used in discounting the projected cash flows. Allocated holding expenses have also been incorporated in the calculations. Key assumption in the 2012 budget is that revenue will continue to recover substantially post-recession, and if not, that sufficient cost savings can be achieved compared to the budget 2012, so that the effect of lower revenue will be offset.

Management's approach in determining the key revenue assumption in the 2012 budget noted above is based on trends noted in the marketplace in late 2011 and early 2011. The Group has directly experienced an improving economic climate during this timeframe, and this experience is also reflected in media reports on the broader economy. Other key assumptions are the expected growth rate of revenues and operating expenses.

The revenue growth assumptions have resulted in a positive NedGraphics CGU value using discounted cash flows of approximately € 14,050 thousand as compared to a carrying value of approximately € 6,500 thousand. As a result, no impairment has been recorded in 2011.

Sensitivity to changes in assumptions

Management has identified two key assumptions for which there could be a reasonably possible change that could cause the carrying amount to exceed the recoverable amount. The table below shows the amount that these two assumptions are required to change individually in order for the estimated recoverable amount to be equal to the carrying amount.

NedGraphics

Change required for carrying amount to equal the recoverable amount

In percent	**2011**	**2010**
Pre-tax discount rate	81.6	113.7
Forecasted result from operations	(52.7)	(62.6)

35. Tangible fixed assets

Movements were as follows:

(in thousands of euros)	**2011**	**2010**
Costs 1 January	677	673
Accumulated depreciation 1 January	(673)	(669)
Book value as of 1 January	**4**	**4**
Changes:		
Investments	1	4
Disposals	0	0
Depreciation	(3)	(4)
	(2)	**0**
Costs 31 December	678	677
Accumulated depreciation 31 December	(676)	(673)
Book value as of 31 December	**2**	**4**

The following depreciation percentages are used:

Depreciation percentages

	%
Refurbishing	12
Fixtures and fittings	20
Computer equipment	33
Other assets	33

36. Financial fixed assets

(in thousands of euros)	**31 Dec. 2011**	**31 Dec. 2010**
Participations in group companies	7,111	6,120
Granted loans to Directors	435	0
	7,546	**6,120**
Movements in participations:		
Net asset value as of 1 January	**6,120**	**4,842**
Result from participations	707	1,652
Exchange rate differences	(26)	(67)
Change in provisions for negative net asset value	310	(307)
Net asset value as of 31 December	**7,111**	**6,120**

In 2011, management has invested € 500 thousand in the share capital of the Company. At the same time the Company has provided a loan to management of € 500 thousand with an interest rate of 2.5%. These loans have been recognized at fair value taking the market interest rate into account (7.5%). Cash flows to be received (at 2.5%) and the total sum have been discounted over the expected life time of the loan (3 years). With the assumptions, the initial value of the receivables is € 435 thousand. The difference with the original amount has been taken as a employee benefit charge in 2011. The interest income will be 7.5% of the carrying amount for the coming years.

37. Other receivables

(in thousands of euros)	31 Dec. 2011	31 Dec. 2010
Receivables from group companies	1,262	525
Corporate income tax	0	34
Other accounts receivable, prepayments and accrued income	76	51
	1,338	**610**

The deferred tax asset was € 177 thousand (2010: € 34 thousand) and is based on the tax loss carry-forward facilities for the fiscal unit for corporate income taxes (in the Netherlands). This deferred tax asset is completely offset by deferred tax liabilities for corporate income taxes. No deferred tax asset has been recognized for the fiscal unit as a whole as management is currently insufficiently certain that sufficient future profit will be made to realize the value of the tax assets. All receivables are due within one year.

38. Current liabilities, accruals and deferred income

(in thousands of euros)	31 Dec. 2011	31 Dec. 2010
Short term portion of loans	1,000	500
Trade creditors	242	136
Debts to group companies	2,816	2,466
Taxation and social security charges	19	18
Other debts, accruals and deferred income	255	296
	4,332	**3,416**

All short-term debts have a term of less than one year.

As of 31 December 2011, the Company had no current account credit facilities (2010: none).

39. Loans and borrowings

For more details on this matter we refer to note 20 of the notes to the consolidated financial statements.

(in thousands of euros)	**31 Dec. 2011**	**31 Dec. 2010**
Secured loans	0	1,600
Convertible notes	1,494	0
	1,494	**1,600**

40. Provisions

(in thousands of euros)	**31 Dec. 2011**	**31 Dec. 2010**
Provision for negative equity group companies	197	350
	197	**350**

41. Shareholders' equity

Movements of the shareholders' equity can be stated as follows:

Shareholders' equity capital and reserves

(in thousands of euros)	**Notes**	**Share capital**
Balance at 1 January 2010		983
Appropriation of result		0
Total comprehensive income (loss) for the period		
Profit or (loss)		0
Other comprehensive income		
Foreign currency translation differences		0
Total other comprehensive income		0
Total comprehensive income (loss) for the period		0
Transactions with owners, recorded directly in equity		
Contributions by and distributions to owners		
Issue of new shares		375
Share-based payments	27	0
Total contributions by and distributions to owners		375
Total transactions with owners		375
Transfer from other reserves		0
Balance at 31 December 2010		**1,358**
Balance at 1 January 2011		1,358
Appropriation of result		0
Total comprehensive income (loss) for the period		
Profit or (loss)		0
Other comprehensive income		
Foreign currency translation differences		0
Total other comprehensive income		0
Total comprehensive income (loss) for the period		0
Transactions with owners, recorded directly in equity		
Contributions by and distributions to owners		
Issue of new shares (net of transaction costs)		625
Share options exercised		125
Issue of convertible notes net of tax		0
Share-based payments	27	0
Total contributions by and distributions to owners		750
Total transactions with owners		750
Transfer from other reserves		0
Balance at 31 December 2011		**2,108**

The notes are an integral part of these consolidated financial statements

Attributable to equity holders of the Company

Share premium	Translation reserve	Accumulated deficit	Unallocated current year's result	Other legal reserves	Total equity
32,463	(42)	(31,539)	(1,680)	4,131	4,316
0	0	(1,680)	1,680	0	0
0	0	0	(733)	0	(733)
0	(67)	0	0	0	(67)
0	(67)	0	0	0	(67)
0	(67)	0	(733)	0	(800)
1,014	0	0	0	0	1,389
0	0	220	0	0	220
1,014	0	220	0	0	1,609
1,014	0	220	0	0	1,609
0	0	(783)	0	783	0
33,477	**(109)**	**(33,782)**	**(733)**	**4,914**	**5,125**
33,477	(109)	(33,782)	(733)	4,914	5,125
0	0	(733)	733	0	0
0	0	0	(1,781)	0	(1,781)
0	(26)	0	0	0	(26)
0	(26)	0	0	0	(26)
0	(26)	0	(1,781)	0	(1,807)
1,501	0	0	0	0	2,126
375	0	0	0	0	500
529	0	0	0	0	529
0	0	170	0	0	170
2,405	0	170	0	0	3,325
2,405	0	170	0	0	3,325
0	0	(1,174)	0	1,174	0
35,882	**(135)**	**(35,519)**	**(1,781)**	**6,088**	**6,643**

The authorized share capital consists of 20,000,000 ordinary shares and 10,000,000 preference shares of € 0.10 nominal value per share, representing an authorized share capital of € 3 million. On 31 December 2011 21,081,343 ordinary shares (2010: 13,581,343) were issued and paid up.

The legal reserve is made on account of the capitalization of costs of developed software.

The unallocated current year's loss amounting to € 1,781 thousand will be added to the accumulated deficit.

42. Off-balance sheet commitments

The company has entered into lease agreements with the total annual costs amounting to € 167 thousand (year-end 2010: € 53 thousand). The average remaining term of the lease agreements is 2 years.

The Company heads a fiscal unity for corporate income tax purposes, to which all the Dutch wholly-owned subsidiaries at year-end 2011 belong. On this basis, the company is wholly and severally liable for the tax commitments of the fiscal unity as a whole.

43. Options

For more details on this matter we refer to note 26 of the notes to the consolidated financial statements.

44. Staff

In 2011, the company had an average of 2 staff members (2010: 2 staff members).

45. Remuneration of the Supervisory Board and Board of Directors

The remuneration in 2011 of managing directors and supervisory directors was as follows:

(in euros)				Gross compensation 2011	Gross compensation 2010
	Regular	Temporary US housing	Advantage loan	Total	Total
Supervisory Board					
Servaas L.M. Houtakkers	24,000	0	0	24,000	24,000
Dirk Lindenbergh	19,000	0	0	19,000	19,000
Henk Huisman	19,000	0	0	19,000	19,000
	62,000	**0**	**0**	**62,000**	**62,000**
Board of Directors					
Pieter Aarts	195,924	59,519	34,976	290,419	244,069
Jan-Hein Pullens	183,600	0	34,976	218,576	183,600
	379,524	**59,519**	**69,952**	**439,043**	**427,669**

Gross compensation is exclusive of bonuses, social security charges, and pension expenses. Please see note 26 for information regarding share-based payments and for information regarding options provided to the Board of Directors.

The compensation of Pieter Aarts in 2011 included € 60 thousand for twelve months of 'grossed up' housing costs due to his temporary relocation to the United States for business purposes.

46. Audit fees

(in thousands of euros)	2011	2010
Audit fees		
Audit by KPMG Accountants N.V.	90	85
Audit by foreign KPMG offices	38	39
Audit related services	0	0
Tax services	46	36
Other services	54	18
Total	**228**	**178**

Charges option plan		Pension expenses	
2011	2010	2011	2010
0	0	0	0
0	0	0	0
0	0	0	0
0	**0**	**0**	**0**
84,000	109,491	8,459	8,469
84,000	109,491	6,817	6,825
168,000	**218,982**	**15,276**	**15,294**

Vianen, 23 April 2012

The Board of Directors
Pieter Aarts
Jan-Hein Pullens

The Supervisory Board
Servaas Houtakkers, Chairman
Dirk Lindenbergh
Henk Huisman

012 Other information

Independent auditor's report

To: The Annual General Meeting of Shareholders of NedSense

Report on the financial statements

We have audited the accompanying financial statements 2011 of NedSense, Vianen. The financial statements include the consolidated financial statements and the company financial statements. The consolidated financial statements, set out on pages 51 to 121 comprise the consolidated statement of financial position as at 31 December 2011, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes, comprising a summary of the significant accounting policies and other explanatory information. The company financial statements comprise the company balance sheet as at 31 December 2011, the company profit and loss account for the year then ended and the notes, comprising a summary of the accounting policies and other explanatory information.

Management's responsibility

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code and for the preparation of the management board report in accordance with Part 9 of Book 2 of the Netherlands Civil Code. Furthermore, management is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion with respect to the consolidated financial statements
In our opinion, the consolidated financial statements give a true and fair view of the financial position of NedSense as at 31 December 2011 and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code.

Opinion with respect to the company financial statements
In our opinion, the company financial statements give a true and fair view of the financial position of NedSense as at 31 December 2011 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements
Pursuant to the legal requirements under Section 2:393 sub 5 at e and f of the Netherlands Civil Code, we have no deficiencies to report as a result of our examination whether the management board report, to the extent we can assess, has been prepared in accordance with part 9 of Book 2 of this Code, and if the information as required under Section 2:392 sub 1 at b - h has been annexed. Further, we report that the management board report, to the extent we can assess, is consistent with the financial statements as required by Section 2:391 sub 4 of the Netherlands Civil Code.

Rotterdam, 23 April 2012
KPMG ACCOUNTANTS N.V.

F.J. van het Kaar RA

Statutory provisions concerning result appropriation

Pursuant to article 28 of the Articles of Association, the profit is at the disposal of the Annual General Meeting of Shareholders.

Proposal for result appropriation 2011

The unallocated current year's result amounting to € 1,781 thousand negative will be added to the accumulated deficit.

Group offices

The following offices with operating activities are part of the Group:

Company	Based in	Business address	Managing Director(s)
NedSense enterprises n.v.	the Netherlands (Vianen)	Ir. D.S. Tuijnmanweg 10 4131 PN Vianen telephone +31 347 329 755 fax +31 347 329 736	P.A.J.J. Aarts H.J.J. Pullens
NedSense enterprises b.v.	the Netherlands (Vianen)	Ir. D.S. Tuijnmanweg 10 4131 PN Vianen telephone +31 347 329 755 fax +31 347 329 736	P.A.J.J. Aarts H.J.J. Pullens
NedSense IPR B.V.	the Netherlands (Vianen)	Ir. D.S. Tuijnmanweg 10 4131 PN Vianen telephone +31 347 329 755 fax +31 347 329 736	NedSense enterprises b.v.
NedSense NedGraphics B.V.	the Netherlands (Vianen)	Ir. D.S. Tuijnmanweg 10 4131 PN Vianen telephone +31 347 329 696 fax +31 347 329 699	NedSense enterprises b.v.
NedSense LOFT B.V.	the Netherlands (Vianen)	Ir. D.S. Tuijnmanweg 10 4131 PN Vianen telephone +31 347 329 755 fax +31 347 329 699	NedSense enterprises b.v.
NedGraphics BvBa	Belgium (Deerlijk)	Nijverheidslaan 54b 8540 Deerlijk telephone +32 56 78 28 00 fax +32 56 78 28 08	H.J.J. Pullens NedSense enterprises b.v.
NedGraphics SA	France (Paris)	79-81, rue du Faubourg Poissonnière 75009 Paris telephone +33 1 53 26 26 26 fax +33 1 53 26 26 10	P.A.J.J. Aarts H.J.J. Pullens G.H.M Haverkort
NedGraphics Ltd.	UK (Lancashire)	177 Minto Street Ashton Under Lyne Lancashire, OL7 9BG telephone +44 161 343 84 01 fax + 44 161 343 84 01	H.J.J. Pullens
NedGraphics Srl	Italy (Lomazzo)	Via Trento 7 (2e piano) 22074 Lomazzo CO telephone +39 02 96 77 81 18 fax +39 02 96 37 94 61	P.A.J.J. Aarts

Company	Based in	Business address	Managing Director(s)
NedSense Srl	Romania (Bucharest)	Str. Badea Cartan, Nr. 15 Sector 2 020000-024500 Bucharest telephone +40 21 212 24 17 fax +40 21 212 21 74	H.J.J. Pullens
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