KEYWARE TECHNOLOGIES NV

N°1 TERMINALS & TRANSACTIONS

ANNUAL REPORT 2010

SHAREHOLDERS' MEETING

The Annual General Meeting of Shareholders of Keyware Technologies NV will be held on Friday, 27 May 2011 at 2 pm at the Company's registered office on the Ikaroslaan 24 at 1930 Zaventem.

AVAILABILITY OF THE ANNUAL REPORT

This annual report is available in Dutch, French and English. Keyware has checked the translation and the correspondence between the official Dutch version, the French version and the English. In the event of contradictions between the Dutch, French and English versions, the Dutch version will prevail.

In addition, an electronic version of this annual report is available on the website of Keyware Technologies NV (www.keyware.com).

SUBSIDIARIES

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Company number 0458.430.512

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ANNUAL REPORT COMMERCIAL SECTION

CONTENTS – COMMERCIAL SECTION

INTRODUCTION

NYSE Euronext℠

LETTER TO OUR SHAREHOLDERS

Dear Shareholder,

2010 was a turning point in the history of Keyware, financially and with regard to the market positioning and organisation. An exceptional year, whereby the objectives were realised that enabled us to expand the company further into a leading company in the field of electronic payments.

The management of Keyware, supported by the majority shareholders, succeeded in transforming the company into a profitable respected player on the Belgian market.

For the first time since its founding, Keyware realised a substantial positive net result. An end-to-end integrated and computerised organisation structure, high quality services and the constantly growing market demand are the drivers underlying this positive development. The Keyware model, whereby first-rate terminals of international partners are combined with customised transaction services ensures that Keyware can rapidly and profitably capitalise on new market segments and changing customer expectations.

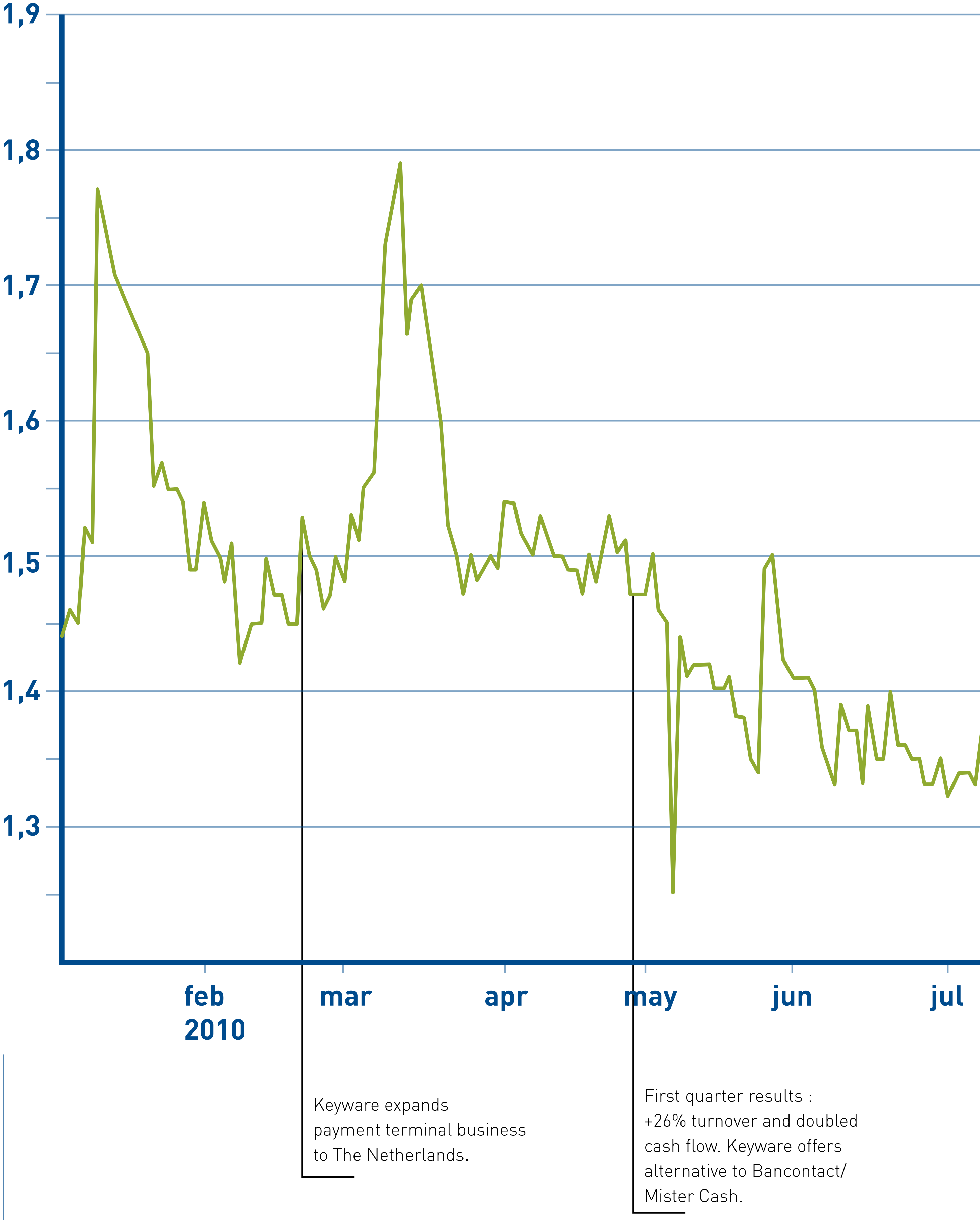
With its PayFix, PayAway and PayMobile payment terminal range, Keyware now offers the widest range of terminals on the Belgian market. As a result, we can offer an optimal solution for each market segment. In addition, our PayService transaction services are becoming increasingly successful, also because Keyware, due to its cooperation with various operators can offer a solution that corresponds with the requirements of its respective customers to a maximum extent.

For 2011, Keyware will continue to focus on profitable growth with a significant added value creation for all stakeholders. Without taking into account potential non-recurring income or projects, this profitability must come from our regular electronic payment services activities. While the company is increasingly being noticed by international players and various forms of partnerships are proposed to us, we certainly also continue to rely on our own strengths to continue to report an excellent performance in various operational areas.

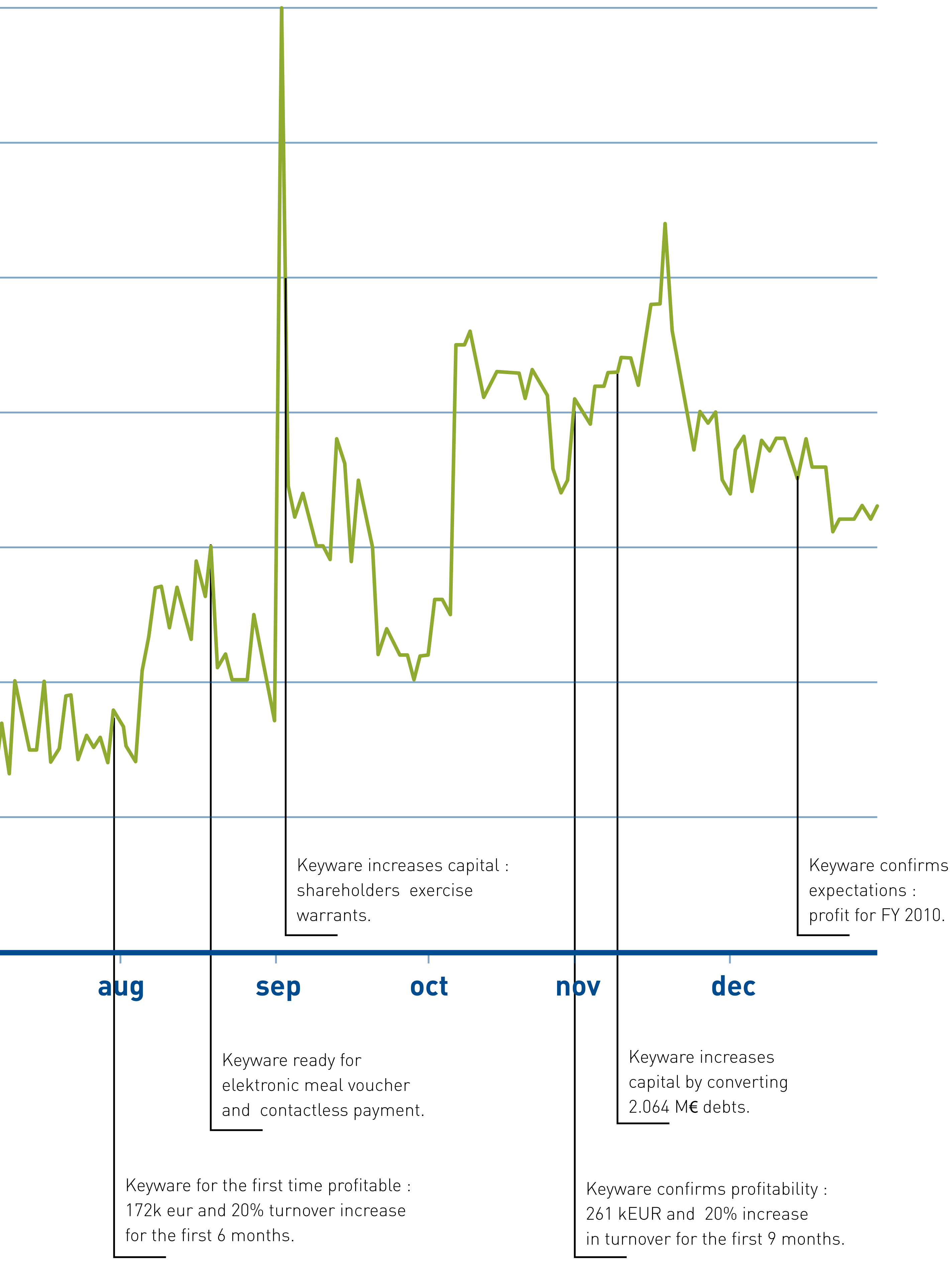
Finally, I am proud to be able to inform our shareholders that, as of 21 March 2011, Keyware forms part of the BEL Small-index on NYSE Euronext Brussels.

Guido Van der Schueren,
Chairman of the Board of Directors

MILESTONES 2010



2/12/2010 Keyware Technologies 1,57 EUR



COMPANY PRESENTATION

From challenger to established player

Only a few years ago, the market for electronic payments with payment cards in Belgium was characterised by a (semi-) monopoly. The vision of Europe with regard to the liberalisation of the national markets for payment transactions created room for new initiatives. Keyware took up the challenge and started renting out electronic payment terminals.

As from the beginning, the strategy was clear: no in-house development of terminals, but cooperation with international players to be able to market high quality products at an acceptable price, with the emphasis on a good service level and customer satisfaction.

Over a period of five years, Keyware built up its position from a small-scale price fighter to a leading payment specialist. This was based on a clear vision and strategy, recurring and substantial investments, and the mutual trust between the management, investors, personnel, suppliers and customers.

As the only independent Belgian company, Keyware now ranks third in the market with regard to turnover. With regard to product range and service level, the company considers itself the undisputed market leader. Based on this, Keyware aims to further expand its position.

From mono product to widest range of payment solutions

Keyware penetrated in the payment market with two types of terminals from the Thales Artema product range: a fixed terminal (Artema Desk) and a portable terminal (Artema Dect). With its lean and mean approach, Keyware was able to position both terminals successfully in the retail and hotel, restaurant and café market.

The evolution from a terminal supplier to a payment service provider took place on different levels:

- expansion of the terminal product range
- offering transaction contracts
- setting up the company's own payment platform
- maintaining a professional help desk and a highly qualified intervention team
- end-to-end management and the computerisation of all operational processes.

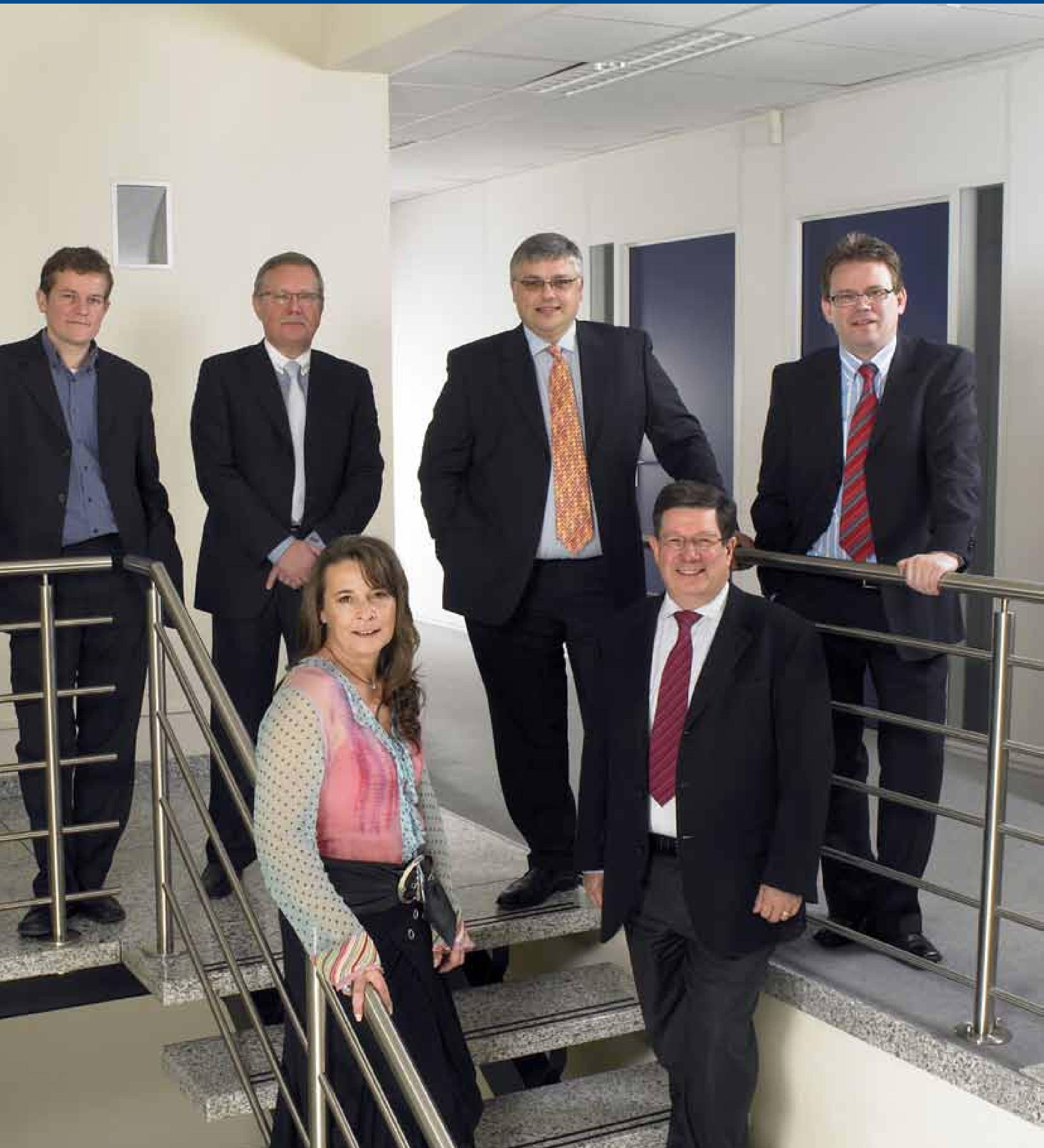
As a result, new markets opened up so that Keyware is now also a highly valued partner of cities, municipalities, retail chains, professionals, installation companies and door-to-door suppliers.

Integrated, streamlined and technologically advanced

As a result of its investments in integrated operational processes and the continued monitoring of results and performance, Keyware can offer a high quality and customised payment service at extremely sharp conditions.

Keyware's business model allows the company to quickly capitalise on new market conditions or new electronic payment technologies.

ORGANISATION



MANAGEMENT TEAM

- Wim Verfaille, COO
- Guido Van der Schueren, Chairman Board of Directors
- Chantal Moerenhout, Sales Manager
- Stéphane Vandervelde, CEO
- Johan Hellinckx, CFO
- Pierre Ghyssens, Business Development Manager

Keyware Technologies NV

Keyware Smart Card Division NV

Keyware Transaction And Processing NV

Customer Operations

- Help desk
- Support
- Interventions
- Installations
- Stock management

Development

- Software for:
  - electronic payments
  - loyalty
  - terminals
- Porting
- Transaction systems

Transaction Processing

- Payment transactions and authorisation services
- Transaction management for third parties
- Switching
- Private card processing
- Loyalty processing & analysis services

Commercial Services

- Rental & sale of terminals or card applications
- Transaction and authorisation contracts

Consulting Services

- Payment applications and services
- Loyalty
- Card or terminal-related projects

VISION & MISSION

KEYWARE'S VISION

"To reduce the cost of cash by promoting electronic payment"

While retailers often require extensive information on the costs of electronic payments (rent or purchase costs of a payment terminal, price of payment subscriptions, ...) only a few closely examine the real costs and various cost components of cash payments. Offering payment possibilities by bank card or credit card is more than just at the convenience of the user.

Electronic payment

- is safer than keeping large amounts of cash in your shop. It is also safer for the consumer to be carrying less cash
- allows consumers to spend more. Often customers are not able to buy something, because they do not have sufficient cash
- leads to less traffic to and from bank terminals and thus reduces transport costs
- is more hygienic than receiving and exchanging cash.
- ensures that retailers do not have to go to the bank each time to deposit the cash that they receive into their bank accounts. Moreover, it simplifies the administration
- often results in shorter queues before the cash register, certainly in combination with contact-fee payment

Keyware's -mission

"To be a leading provider of Value Added Payment Services for banks, merchants, professionals and businesses"

Keyware aims to be a leading company for the transaction processing of electronic payments with added value for banks, merchants, professionals and businesses. Keyware regards its market as a service market rather than a product market. Providing an optimum payment service is what is important, not the payment terminal as such.

For the retailer, for example, this payment service comprises a variety of components : renting the payment terminal to the retailer; the retailer's subscription to be able to receive payments with debit cards, credit cards or PROTON; maintenance and repairs; and any additional services for the retailer such as a programme to process loyalty cards, etc.

In general, Keyware's "Value Added Payment Services" or VAPS comprise the following :

- rental and sale of multi-functional payment terminals
- development, licensing, adaptation, installation and maintenance of the software for electronic payments and loyalty applications
- processing of payment transactions and authorisations
- maintenance of the customers' payment infrastructure
- giving advice and participating in research and development programmes related to payment applications

THE KEYWARE CHARTER

Keyware : your reference for choosing the right terminal and payment subscription.

Keyware is the only independent player with respect to payment terminals and transactions. Offering a wide range of terminals and transaction partners, Keyware ensures that retailers get the best solution that is both tailer made and evolves together with their business, and this at the best conditions.

Keyware's conviction and continuous striving to be the best has been translated into the Keyware Charter: a guarantee for an excellent payment service, summarised in 7 points:

1

Quality

Keyware offers companies the choice from the widest range of payment terminals and transaction processors on the Belgian market. To this end, Keyware has concluded agreements with leading suppliers in the field of payment terminals. Because of their size and specialisation, these companies guarantee a continuous investment in innovation and quality and they uphold strict quality control standards. All terminals are extensively retested by Keyware before being installed at the customer. As Keyware is not bound to one type of terminal or supplier, it can always offer the customer a high quality terminal:

PayFix:	our range of counter terminals. Small, design or high speed...
PayAway:	our range of portable terminals. Interruption free and low costs payment processing at the table or on the patio, Bluetooth instead of GPRS or GSM.
PayMobile:	our mobile payment terminals. On-site payment processing at the customer!

2

Price

Keyware is a price setter on the Belgian market, thanks to its agreements with international payment-terminal manufacturers. The prices have decreased by more than half since Keyware introduced its terminals a few years ago. Today, Keyware still has the most affordable alternative on offer.

This price advantage does not only apply to payment terminals: Keyware also offers Visa, MasterCard or other credit-card authorisation contracts at excellent terms and conditions.

3

Service

At Keyware, it is standard procedure to offer its customers a help desk that is easily and quickly accessible. Our response time is one of the best in the sector: 94% of all problems are solved by telephone. An additional service agreement can be concluded for customers who desire super fast on-site intervention. For customers who rent terminals, Keyware ensures that the terminals automatically comply with the applicable legal standards and adjustments. That is the big difference between renting or buying!

4

Flexibility

When a contract is signed, a note is immediately made of the most convenient time for the installation team to install the terminal at the customer's site. If another payment terminal is to be replaced, the Keyware intervention team will complete all the required documents for the customer and Keyware ensures that if any compensation has to be paid (expressed in number of months' rent), it will be compensated by free rent from Keyware. In this manner, the customer never pays double.

5

Focus on the future

Keyware recommends renting rather than buying a terminal. In this way retailers are not automatically required to pay for changes that are imposed by legislation.

It also makes it easer to switch from one type of terminal to another as the retailer's working conditions change or there are new technological developments.

As a dynamic company, Keyware regularly introduces new products or services to the market, which the customer can then benefit from optimally.

6

Clear and transparent agreements

Keyware opts for clear and transparent agreements and for long-term customer relationships.

This is why a high quality service is included in the standard price and a separate contract can be concluded for customers who want customised service. In this way, retailers avoid unexpected costs for interventions or repairs.

7

Strong position on the Belgian market

With over 12,000 customers, Keyware is one of the fastest growing companies on the Belgian market.

Every day, new retailers are switching to Keyware because of the clear and lasting advantages of our products and our high service level.

WORKING AT KEYWARE

Although Keyware is a highly computerised company that has been built up on supporting systems and end-to-end business processes, it is clear that the ultimate success of the company is achieved through skilled and committed employees.

This is why Keyware provides for a pleasant working atmosphere and we offer our employees the opportunity to develop themselves both professionally and personally.

Education and training

When entering the employment of Keyware, each employee receives a personal training programme consisting of theory and practice. Depending on the employee's development an additional training programme is provided. The sharing of knowledge and experience between colleagues is stimulated.

Sessions are organised regularly per working area or department with the objective of transferring new knowledge, discussing results, formulating objectives and the perfection of methods and techniques.

In this manner, Keyware also creates opportunities for people without specific schooling or training and for people who are interested in a career switch. When people want something, they can do it!

Career development

Practically each job offers opportunities for advancement, both horizontally and vertically. Creativity and dynamism are clearly stimulated. By means of regular contacts between the personnel of the various departments, business presentations and business meetings, Keyware employees learn about the company's business operations and its stakeholders and discover the possibility to enrich their jobs with valuable contributions.

Information culture

Keyware employees are informed practically on a daily basis about the course of affairs. Formal meetings, e-mail flashes, briefings .... both with respect to practical information that is necessary for providing correct services to our customers and information about very specific subjects or general background information about specific strategic choices.

This ensures that employees can carry out their tasks optimally with the necessary knowledge, well informed and with confidence.

No-nonsense approach

At Keyware, achievements, initiatives and creativity are more important than degrees. All employees address each other using first names and are easily accessible for each other. Customers are given clear and direct answers to their questions, presentations are concise and to-the-point.

Diversity

Already since it was founded, Keyware has employed employees with various cultural and social backgrounds, of various ages and educational levels. This is based on mutual respect, whereby the selection and appraisal of employees takes place based on objective criteria. Everyone speaks his or her own language or a language that all involved parties understand.

Financial participation

Employees are regularly given the opportunity to participate in Keyware through warrant plans. In this manner, they are given the opportunity to share in the company's success.

ENVIRONMENTAL ASPECTS

With customers spread all over Belgium, Keyware's sales, installation and support teams have, of course, a direct impact on the environment, more specifically in connection with emissions and traffic.

In order to limit the negative effects of this as much as possible, Keyware strives to achieve the following objectives, taking into account SLAs or other contracts / commitments vis-à-vis customers:

- matching the living and working area of these employees as much as possible
- to a maximum extent grouping appointments according to geographical area
- investing in a greener vehicle fleet
- making use of modern means of communication

For on-site personnel, taking into account the responsabilities, the emphasis is on:

- flexible schedules and home connections
- attention to packaging material
- economical printing, reduction of paper consumption

In this manner, Keyware strives to make a contribution towards a greener economy.

PRODUCTS

PAYMENT TERMINALS

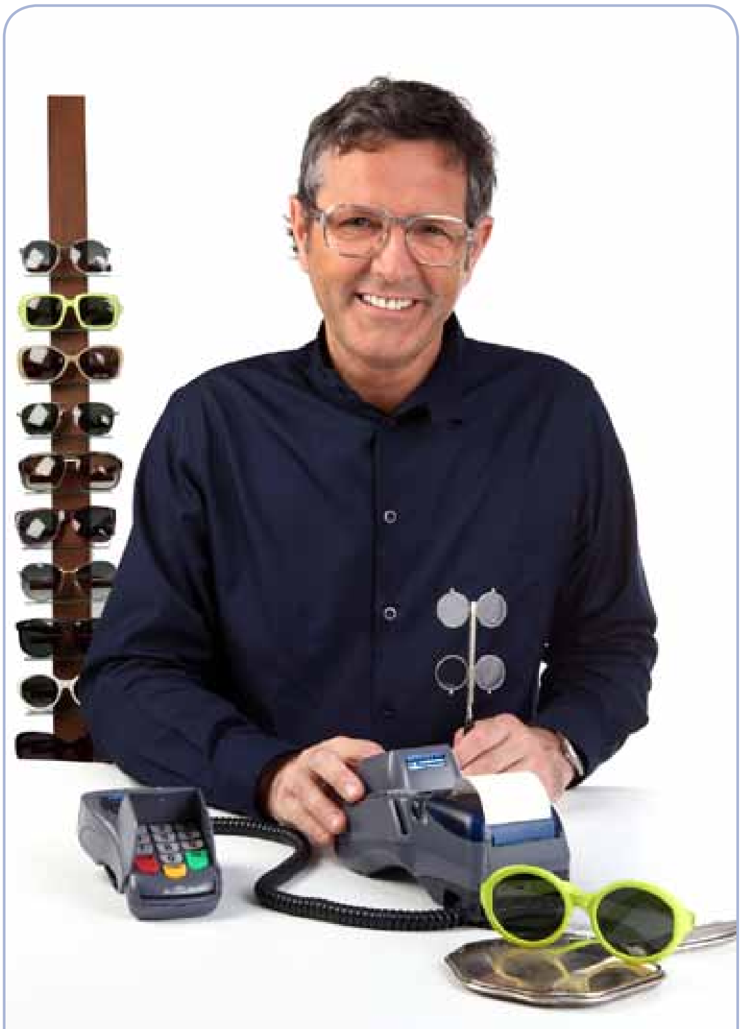
Keyware rents and sells multi-functional terminals. These terminals offer both payment functionalities and other application possibilities, such as reading loyalty cards.

Keyware divides its terminal range into the following three main categories: fixed, portable and mobile terminals.

- **PayFix**
  Fixed terminals: there is a fixed connection via a communication cable from the terminal to the telephone network or an Internet modem. Fixed terminals are mostly found in shops.

- **PayAway**
  Portable terminals: the terminal consists of a base station and a portable device. The base station has a fixed connection via a communication cable from the terminal to the telephone network or an Internet modem. The portable device may be separated from the base station by approximately 150 meters to receive customers' payments. Such terminals are used particularly in restaurants and cafés: customers can pay by debit card at their table.

- **PayMobile**
  Mobile terminals: the terminal can be taken anywhere within Belgium to receive payments. These terminals make use of GSM or GPRS communication technology instead of the telephone network or Internet. These terminals are ideal for mobile occupations such as door-to-door suppliers, taxi drivers, etc.



PayFix

PFV1

With this basic configuration, you can start using the system quickly and economically. A standard telephone line is all that is required.

Your advantages

- You can accept all standard payment cards at economical prices: Bancontact/MisterCash, Domestic Maestro, Visa, MasterCard etc.
- Your ergonomic terminal, equipped with a ticket printer, is secure and reliable
- The paper rolls last longer, are standardised and economical
- You have an extra customer keypad, so that you do not always have to turn the terminal around and present it to the customer
- You benefit from the much-praised Keyware Charter: personalised and affordable service

PFV2

This is the right choice if you have a fast Internet connection: substantial savings on communication costs and super-fast payment-transaction processing. If you have several terminals in your shop, several customers can make payments at the same time.

Your advantages

- You can accept all standard payment cards (Bancontact/MisterCash, Domestic Maestro, Visa, MasterCard etc.) at extremely low costs: you only pay the costs of your Internet connection and you do not have to pay any communication costs per transaction
- Ultra-fast processing of payment transactions
- Your ergonomic terminal, equipped with a ticket printer, is secure and reliable
- The paper rolls last longer, are standardised and economical
- You benefit from the much-praised Keyware Charter: personalised and affordable service

PayFix

PFV3

If you have a regular telephone line now, but you are thinking of switching to an Internet connection. Or you have an Internet connection, but you would also like to have a customer keypad with your payment terminals. Then you can opt for this terminal.

Your advantages

- You can accept all standard payment cards: Bancontact/MisterCash, Domestic Maestro, Visa, MasterCard etc.
- Ultra-fast processing of payment transactions
- Your terminal, equipped with a ticket printer and customer keypad, is secure and reliable
- You benefit from the much-praised Keyware Charter: personalised and affordable service

PFV4

Do you only have an Internet connection? Would you like a customer keypad with your payment terminal and would you like to accept payment cards in the most economical manner possible? Then this terminal is the right solution for you!

Your advantages

- You can accept a wide range of standard payment cards: Domestic Maestro (as replacement for Bancontact/MisterCash), Visa, MasterCard etc. at extremely low costs: you only pay the costs of your Internet connection and you do not have to pay any communication costs per transaction
- Ultra-fast processing of payment transactions
- Your terminal, equipped with a ticket printer and customer keypad, is secure and reliable
- You benefit from the much-praised Keyware Charter: personalised and affordable service

PayFix

PFV5

If you have a regular telephone line now, but you are thinking of switching to an Internet connection. or if you have an Internet connection. Then you can opt for this terminal.

Your advantages

- You can accept all standard payment cards: Bancontact/MisterCash, Domestic Maestro, Visa, MasterCard etc.
- Ultra-fast processing of payment transactions
- Your terminal, equipped with a ticket printer is secure and reliable
- You benefit from the much-praised Keyware Charter: personalised and affordable service

PFV6

If you only have an Internet connection and you would like to accept payment cards in the most economical manner possible. Then this terminal is the right solution for you!

Your advantages

- You can accept a wide range of standard payment cards: Domestic Maestro (as replacement for Bancontact/MisterCash), Visa, MasterCard etc. at extremely low costs: you only pay the costs of your Internet connection and you do not have to pay any communication costs per transaction
- Ultra-fast processing of payment transactions
- Your terminal, equipped with a ticket printer is secure and reliable
- You benefit from the much-praised Keyware Charter: personalised and affordable service

PayAway

PAV1

If you want to enable your customers to pay at their tables, at different locations in your shop, or on a patio, this terminal is ideal. A traditional telephone line is all you need to get started.

Your advantages

- You can accept payments up to approximately 150 m from the base station (= the part of the terminal that is connected to your telephone line by a cable)
- You can accept all standard payment cards (Bancontact/MisterCash, Domestic Maestro, Visa, MasterCard etc.) at extremely low costs
- Your ergonomic terminal, equipped with a ticket printer, is secure and reliable
- The paper rolls last longer, are standardised and economical
- You benefit from the much-praised Keyware Charter: personalised and affordable service

PAV2

Would you like to enable your customers to pay at their tables, at different locations in your shop, or on a patio? Would you prefer a fast Internet connection, or would you also like to be able to accept bank cards as well as credit cards without having to pay a subscription fee for Bancontact/MisterCash? Then you should certainly look into this terminal.

Your advantages

- You can accept payments up to approximately 100 m from the base station (= the part of the terminal that is connected to your telephone line by a cable)
- You can accept a wide range of payment cards at economical prices: Domestic Maestro (as replacement of Bancontact/MisterCash), Visa, MasterCard etc.
- Your ergonomic terminal, equipped with a ticket printer and a colour screen, is secure and reliable
- The paper rolls last longer, are standardised and economical
- You benefit from the much-praised Keyware Charter: personalised and affordable service

PayMobile

PMV1

Are you looking for the smallest, mobile, all-in-one payment terminal? Wherever you go, you have your cash point with you!

Your advantages

- You can accept all standard payment cards: Bancontact/MisterCash, Domestic Maestro, Visa, MasterCard, etc., at extremely low costs: you will only pay a fixed communication charge per month irrespective of the number of transactions
- Small size, lightweight, clear display
- The batteries are rechargeable and offer a high degree of autonomy
- The ticket is the proof of payment for the customer
- You benefit from the much-praised Keyware Charter: personalised and affordable service

PMV2

Wherever you go, do you want to make it possible for your customers to pay from there? This payment terminal is the travelling companion for mobile service providers: doctors, home delivery suppliers, installers, market vendors, courier services, taxi companies, etc. You will also enjoy the most economical rates for accepting payment cards.

Your advantages

- You can accept a wide range of standard payment cards: Domestic Maestro (as replacement for Bancontact/MisterCash), Visa, MasterCard etc. at extremely low costs: you only pay a fixed monthly communication charge irrespective of the number of transactions
- Ultra-fast processing of payment transactions
- Your terminal is secure, sound and reliable. Its exclusive design and colour screen underline the quality of your services.
- The paper rolls last longer, are standardised and economical
- The batteries are rechargeable and offer a high degree of autonomy
- The ticket is the proof of payment for the customer
- You benefit from the much-praised Keyware Charter: personalised and affordable service

PAYMENT SERVICES


DENTAL-BONE
FARMFOOD RAWHIDE
De natuurlijke "tandenborstel" voor uw hond!

PayService

Debit, credit and other payment cards

A large number of electronic transactions take place between the moment that the consumer inserts his debit card (MasterCard, Visa, BC/MC) into the payment terminal and enters his PIN code and the moment that a message appears on the screen of the terminal that the payment has been accepted. The combination of all of these transactions (checking PIN code, calling the payment network, checking the status of the card (stolen or blocked), verifying the available balance, etc.) is called "the payment transaction".

A retailer who rents or buys a payment terminal cannot yet, on his own, have payment transactions executed with the terminal. To be able to do so, he must take out one or several subscriptions, depending on what types of debit cards he wants to accept: whether he wants to accept Visa and Maestro cards, or just Visa, or just normal debit cards, etc. A subscription is therefore required per type of payment transaction. Keyware offers payment subscriptions under the name PayService.

The majority of payment transactions in the Belgian market can be divided into three categories:

Electronic wallet

The available amount of money is loaded (for example via an ATM point) onto the chip of the debit card. This is then typically used to make small payments. The chip can be reloaded. PROTON is used for this in Belgium.

Debit card

In the case of a debit card, the money is immediately deducted from the customer's bank account when a payment is made rather than at a later date as is the case with credit card payments. The most well-known debit card system in Belgium is Bancontact/MisterCash (BC/MC). Most people therefore also call their debit card their Bancontact card.
Internationally, the most well-known debit card systems are Maestro and V-Pay. Keyware has been offering Local Maestro subscriptions since the first quarter of 2010. Most Belgian debit cards have a Maestro function in addition to the BC/MC function. If the retailer opts for Local Maestro, nothing will change for the customer, but the retailer can benefit, in certain cases, from a less expensive formula than would be the case if he was to use BC/MC.

Credit Card

There are many different names and types of credit cards. The most well-known in Belgium are Visa and Mastercard. Characteristic for these cards is the fact that when payment is made, the money is not transferred from the account immediately; this takes place later.

There are also private solutions that are customised to the customer's situation. This often concerns schools, company restaurants or closed communities. Examples include student passes for paying all expenses at the school and in the school canteen.

In 2008 - 2010, various initiatives were launched to replace the paper meal voucher with an electronic meal voucher card. More than 1.3 million employees receive meal vouchers in Belgium.

With the publication in the Belgian Official Gazette of 23 November 2010, the electronic meal voucher was officially introduced. This chip card makes it possible to process the allocation of vouchers and the payment completely electronically.

Candidate issuers can apply for accreditation as from 1 January 2011. In addition to the well-known suppliers Sodexo and Edenred, two new issuers have entered the market: E-ve and Monizze. It is the intention that the electronic meal voucher can be read on the existing terminals. Low cost card readers will also be introduced on the market for retailers who do not yet have a payment terminal.

Keyware offers a choice of different payment partners

On 13 August 2009, Keyware announced its cooperation with the Dutch PaySquare, with the objective of being able to offer payment transaction agreements in addition to its payment terminals. Via this agreement, Keyware can offer payment subscriptions to its own customers and to third parties for the acceptance of debit cards (Maestro, V Pay) and credit card transactions (Visa, MasterCard).

As each transaction processor optimises its price/income model in certain market segments, volumes or average payment amounts and Keyware wishes to optimise its payment solutions for specific vertical markets, the company decided in 2010 to also enter into agreements with other payment partners.

As a result, Keyware now occupies a unique position on the Belgian market: customers cannot only choose out of a wide range of high quality payment terminals but they can also choose the transaction agreements that are most suitable for their situation. The brand promise: "For each sector a high quality and affordable solution" has thus been further fulfilled.

Keyware

PayService, the ideal solution for electronic payments

Retailers, professionals, government services, etc., electronic payments play an important role in various sectors, for payments via debit cards as well as electronic money transfers, providing credit card information by telephone or payments via a web shop.

In addition to an efficient solution for the processing of payments via debit cards, credit cards or meal voucher cards on payment terminals, PayService is also a software that allows the processing of debit card transactions that makes optimal use of the Internet and can be set up as an ASP-service (Application Service Providing). As a result, no local installation or maintenance of software is required and the customer always has the latest version of the software at his disposal. Both small shops and large retail chains can make optimal use of this payment service. Payment authorisations are processed real time, so that the retailer or service provider immediately receives a payment guarantee with regard to its customer.

TRANSACTION MANAGEMENT - NSP

FROM ELECTRONIC PAYMENTS TO BONUS POINTS

Keyware has more than 13 years of experience with transaction management in the area of electronic payments and loyalty cards.

Given the positive developments in legislation, its extensive technological capabilities and recent partnerships, Keyware has positioned itself as the total supplier of electronic payment services to the end customer: payment terminals, payment subscriptions for debit and credit cards, supplies, service and infrastructure.

To this end, Keyware has at its disposal:

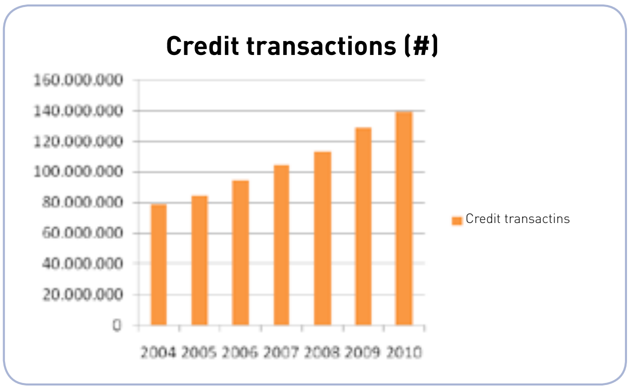
- an extensive network of terminals
- an authorisation centre
- a tele-collection centre
- a back office that takes care of the complete processing of the authorised transactions: consolidation, compensation, invoicing of the retailers or cardholders, monitoring of statistics, etc.
- a reporting centre
- a help desk that is available 24/7.

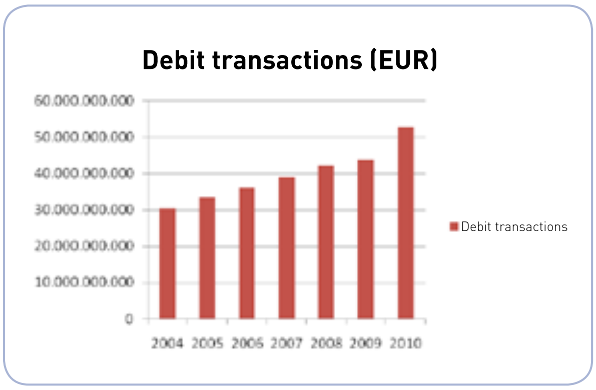
The Belgian market for electronic payments also grew substantially in 2010. For example, Atos Worldline announced for 2010 that the use of Visa and MasterCard rose by 8.3% (to approximately 140 million transactions) in comparison to 2009 and the number of transactions with Bancontact/MisterCash grew by 7.1% (to approximately 960 million transactions). According to the same source, the average amount per transaction amounted to EUR 101 for the first group of transactions and EUR 55 for the second group, which corresponds with the 2009 level.

In line with campaigns in the past, retailers have taken more and more initiatives to promote the use of payment cards instead of cash. Characteristic for this is also the expansion of 'cards only' payment queues in department stores, not accepting payments with large denominations, etc.

Keyware's wide range of transaction agreements generate a growing monthly recurring source of income for the company. Keyware expects to be able to capitalise on the organic market growth and also to be able to take over market share at the existing terminal owners due to is segmented offer.

The recent market development can be illustrated as follows (source: based on data supplied by Atos Worldline):





KEYWARE PCI-DSS CERTIFICATION

The Payment Card Industry Data Security Standards (PCI-DSS) include a range requirements to increase the security with respect to the processing of payment and bank account data. These requirements have been prepared by the PCI Security Counsel. The Counsel has been installed by American Express, Discover Financial Services, JCB International, MasterCard Worldwide and Visa International in order to ensure compliance with the security requirements for the whole industry. The PCI DSS requirements with respect to security management, policies, procedures, network management, software development and other essential guidelines have been designed to proactively secure bank account data of clients. The certification therefore takes place at various levels. Level 1 relates to Payment Service Providers (PSP), such as Keyware, which process more than 300,000 transactions per year. They are subject to a yearly audit by an external party that has been certified for this purpose by Visa and Mastercard, a Qualified Security Assessor (QSA). This certification has to be verified each three months.

The electronic payment traffic continues to increase significantly and along with this there is also an increase in the related risks such as credit card fraud – the most common way of identity theft – and the misuse of stolen credit card data. The security of company critical information in the Keyware data centre is very essential in order to ensure an adequate and secure management. Through this, Keyware guarantees its customers a simple PCI-DSS compliance, allowing them to focus on their core business.
Keyware's security procedures are thoroughly checked each year. This includes a check on the compliance with all technical rules on data protection as well as the monitoring of the physical access to the infrastructure.

IN THE SPOTLIGHT

A further expansion of the existing range of payment terminals was realised in 2010, resulting in Keyware to become the market leader in sector-oriented payment solutions. In combination with an extensive range of transaction agreements for debit and credit card payments, the fixed (PayFix range), the portable (PayAway range) and the mobile payment terminals (PayMobile range) provide an adequate solution for the specific requirements of each market segment.

As each transaction processor optimises its price/income model in certain market segments, volumes or average payment amounts, Keyware decided in 2010 to also enter into agreements with various specialised payment partners.

As a result, Keyware now occupies a unique position on the Belgian market: customers cannot only choose from a wide range of high quality payment terminals but they can also choose the transaction agreements that are most suitable for their situation.

This vertical market approach resulted in a further penetration in Keyware's market segments in 2010, including the hotel, restaurant and café sector, local government institutions (cities, municipalities, OCMWs, etc.) and the retail sector.

Keyware also focuses on starters: whoever starts a new business or does not yet have a payment terminal, receives excellent starter's terms and conditions. Keyware believes that electronic payments make your business safer and that you can generate substantial extra turnover by offering customers additional payment possibilities.

Keyware regularly launches marketing campaigns such as mailings, outdoor campaigns or trade fair events to support its commercial activities. In addition, Keyware sponsors various sports and cultural events.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ANNUAL REPORT – FINANCIAL SECTION

CONTENTS – FINANCIAL SECTION

SHARES AND SHAREHOLDERS

SHAREHOLDERS' STRUCTURE

Authorised share capital and shares

As of 31 December 2010, the authorised share capital of Keyware Technologies NV amounted to EUR 6,745,297.84, represented by 16,703,279 outstanding shares, which are all entitled to a dividend and which all have the same par value. The number of outstanding shares can be increased to 18,611,779 if outstanding warrants are exercised.

Share regrouping in 2007

The Extraordinary General Shareholders' Meeting of 26 September 2007 decided on a combination of existing shares (reverse split) of the company, in which 50 shares give the right to one new share in the company. In addition, the Board of Directors was authorised to implement this reverse split. Following the decision by the Board of Directors on 6 November 2007, the reverse split was executed on 6 November 2007. This decision also had an impact on the outstanding warrants.

Warrant plans

The Extraordinary General Shareholders' Meeting of 24 April 2007 approved the "2007 Warrant Plan" and authorised the issue of 7,000,000 warrants. Of these 7,000,000 warrants, 1,100,000 warrants were reserved for employees. These warrants were offered within a period of three months as from the date of the Extraordinary Shareholders' Meeting, allocation and definitive issue thereof (by notarial deed). 5,900,000 warrants were allocated to specific persons (directors, consultants and managers).
The issued warrants give the right to subscribe to an equivalent number of shares. The exercise price of these warrants is EUR 8 (EUR 0.16 x 50) and was determined based on the average of the closing prices of Euronext Brussels during the thirty days prior to the day on which the issue commences. The period of validity of these warrants is five years.
Of the 1,100,000 warrants allocated to employees, 900,000 warrants were not subscribed. At the end of December 2007, the 150,000 subscribed warrants expired. In addition, of the warrants allocated to specific persons, 200,000 warrants had expired as of 31 December 2007. During 2008, another 22,000 "2007 Warrants" (1,100,000/50) expired. In 2010, another 1,000 warrants expired. As of 31 December 2010, 91,000 (4,550,000/50) "2007 Warrants" are still exercisable at an exercise price of EUR 8.00 (being EUR 0.16x50).

At the time of the issue of the convertible bond in 2008, each subscriber also received 25,000 warrants for each EUR 50,000 Bond. These warrants can be exercised at any time during a period of four (4) years as from the date of issue. The subscription price per share when exercising the warrant equals the lowest amount of (i) EUR 1.25 or (ii) the issue price of other securities that the Company may have issued since the issue of the warrants and that can be exchanged for, exercised or converted into shares of the Company. These 222,500 warrants were exercised by means of a notarial deed executed on 20 May 2009 resulting in a capital increase of EUR 278k and 222,500 new shares were issued. 187,500 warrants were exercised by means of a notarial deed executed on 30 April 2010 resulting in a capital increase of EUR 235k and 187,500 new shares were issued and 160,000 warrants were exercised by means of a notarial deed executed on 17 September 2010 resulting in a capital increase of EUR 200k and 160,000 new shares were issued. As of 31 December 2010, 1,355,000 warrants (linked to the convertible bond 2008) are still exercisable. The exercise price is EUR 1,25.

The Extraordinary General Shareholders' Meeting of 17 March 2010 approved the "2010 Warrant Plan" and authorised the issue of 550,000 warrants. Of these 550,000 warrants, 390,000 warrants were allocated to specific persons (directors, consultants and managers) and 160,000 were reserved for employees. These warrants were offered within a period of three months as from the date of the Extraordinary Shareholders' Meeting, allocation and definitive issue thereof (by notarial deed). In total 82,500 warrants were subscribed. In 2010, 10,000 warrants expired, so that 462,500 warrants were still exercisable at the end of December 2010.
The issued warrants give the right to subscribe to an equivalent number of shares. The exercise price of these warrants is EUR 1.56 and was determined based on the average of the closing prices of Euronext Brussels during the thirty days prior to the day on which the issue commences. The period of validity of these warrants is five years.

Shareholder structure

The table below provides an overview of the shareholders of the company as at 31 December 2010 based on notifications that the company received from parties who have informed the company, by means of a transparency statement, that they have acquired Keyware Technologies shares.

Shareholder	Shares	%
Parana Management BVBA/Powergraph NV/Guido Van der Schueren	6.463.285	38,69%
Federal Invest NV/Guido Wallebroek	1.398.242	8,37%
Big Friend NV/Stéphane Vandervelde	973.339	5,83%

KEYWARE ON EURONEXT

Euronext Brussels

In June 2010, the Company concluded an initial public offering (IPO) with a listing of 23,098,831 shares on EASDAQ under the symbol "KEYW".

Following the closure of NASDAQ Europe (formerly EASDAQ), the Keyware shares were listed on the First Market of Euronext Brussels, segment double fixing since 3 September 2003.
As of 1 September 2005, the listing migrated from double fixing to continuous trading.

The company only has ordinary shares listed on Euronext Brussels.

Capitalisation

As at 31 December 2010, a total of 16,703,279 ordinary shares were outstanding. Based on the listing on 31 December 2010 on Euronext (EUR 1.51), this corresponds to a market capitalisation of EUR 25,222k.

Chart

The chart below shows the monthly development of the Keyware Technologies share on Euronext Brussels during the period from 1 January 2010 through 31 December 2010 (price on the last trading day of the month).

Highest and lowest

The highest and lowest share prices during the financial years 2008 through 2010 were as follows:

	Highest	Lowest
Financial year 2010	1,90 euro	1,25 euro
Financial year 2009	3,05 euro	0,36 euro
Financial year 2008	4,13 euro	0,38 euro

CORPORATE GOVERNANCE

BELGIAN CORPORATE GOVERNANCE CODE

The Company uses the Belgian Corporate Governance Code of 12 March 2009 as reference code.

CORPORATE GOVERNANCE

Board of Directors

As at 31 December 2010, the Board of Directors has seven members, three of whom are independent directors. The members of the Board of Directors are:

Director	Position	Main Function	End date of mandate after AGM of financial year ending on	Number of meetings attended
Guido Van der Schueren	Non-executive	Chairman	31 December 2011	5
Guido Wallebroek	Non-executive	Director	31 December 2010	6
Luc Pintens	Independent	Director	31 December 2012	4
Bruno Kusters	Independent	Director	31 December 2011	3
Pierre Delhaize	Non-executive	Director	31 December 2012	2
Sofia BVBA represented permanently by Chris Buyse	Independent	Director	31 December 2012	4
Big Friend NV represented permanently by Stéphane Vandervelde	Executive - CEO	Director	31 December 2012	6

Guido Van der Schueren, Chairman of the Board of Directors

Guido Van der Schueren, co-founder of Artwork Systems, was Managing Director of Artwork Systems Group NV until the end of 2007. Since the takeover of Artwork Systems by Esko, Guido Van der Schueren was first CCO of Esko Artwork and subsequently Vice-Chairman of the Board. From 1982 to April 1992, he held various positions, including Sales and Marketing Director at DISC NV (later Barco Graphics NV), a company that develops and markets pre-press systems. From 1974 to 1982, Guido Van der Schueren was the "Compugraphic" Sales Manager at BONTE NV, a distributor of equipment for the graphic sector. Guido Van der Schueren holds degrees in Graphic Arts, Education and Marketing. He is also a director at the companies EskoArtwork (Denmark), Powergraph NV (Sint-Martems-Latem), Parana Management BVBA (Sint-Martens-Latem), Think Media NV (Antwerp), Portolani NV (Antwerp), Nexus NV (Gent), Explio NV (Sint-Denijs-Westrem) and Pinnacle Investments NV.

Pierre Delhaize, Director

Pierre Delhaize has extensive experience in international business, in particular in the retail and distribution sectors. He currently plays an active role as director in several companies such as Sogedel France and Sogedel Lux. He is also "Maître de Conférences" at the Ecole de Commerce Solvay.

Guido Wallebroek, Director

Guido Wallebroek has gained extensive professional experience in the paper wholesale sector. In 1971, he founded the companies NV Olympia Papier (Aartselaar) and NV Data Papier (Gent). At the beginning of 2007, Mr Wallebroek sold his companies to Inapa, the European paper group from Portugal. Guido Wallebroek is currently Managing Director of Federal Invest NV and Drupafina NV and Director at Sucraf NV.

Luc Pintens, Independent Director

Luc Pintens has more than 30 years of experience in the IT and telecommunication industry. He has held management positions in Europe, Africa and Asia, including "marketing and sales director" at Xerox Belgium, managing director of Siemens Atea, Senior Vice President of Nortel Networks Europe and Chief Executive Officer of Cable and Wireless Europe and Econocom Group NV. Luc Pintens holds university degrees in mathematics, physics, computer sciences and he received a MBA from the University of London.

Bruno Kusters, Independent Director

Bruno Kusters has more than 14 years of experience in IT and business consulting with references such as KKR, Avaya/Tenovis, Philips, Telindus, Unilever, Mitsubishi and Artesia. He obtained a degree in Commercial Engineering at the Catholic University of Leuven (KUL) and a Bachelor in Quantitative Methods at KUL.

Sofia BVBA, represented permanently by Chris Buyse, Independent Director

Sofia BVBA is the management company of Chris Buyse and acts as an independent director of the Company.

Chris Buyse, the permanent representative of Sofia BVBA, has more than 20 years of experience in various financial and general management positions.

He graduated with a Licentiate Degree in Applied Economics (University of Antwerp) and a Degree in Management (Vlerick School). He gained experience at, among others, Unilever and Sita, before he helped realise the turnaround of Keyware between 2001 and 2003.

Chris Buyse is director and CFO of the stock-listed biotechn company ThromboGenics since 2006. Chris Buyse also holds several directorships in other promising biotech companies such as Cardio 3 Biosciences, Promethera and Amakem.

Big Friend NV, represented permanently by Stéphane Vandervelde, Director

Big Friend NV is the management company of Stéphane Vandervelde. Stéphane Vandervelde has more than 20 years of experience in the software industry. He is currently President and CEO of Keyware. Stéphane Vandervelde graduated as an Engineer in Electronics and completed an additional specialisation in Micro-Electronics and Chip Design at the Catholic University of Leuven (KUL). He is also a director at several other companies, such as Pinnacle Investments NV, Immo David NV, Pay&Save NV, Creabuild NV, NiXPS NV, Nexus Investments NV and Big Friend NV.

The Board of Directors convened six times in 2010. This number of meetings enabled the Board of Directors to carry out its tasks in an effective manner and to fulfil its duties as the Company's consultation and decision-making body. The meetings of the Board of Directors took place on the following dates:

	3 March 2010	21 May 2010	29 July 2010 (1)	24 August 2010	21 September 2010 (1)	16 November 2010
Guido Van der Schueren	X	-	X	X	X	X
Guido Wallebroek	X	X	X	X	X	X
Luc Pintens	X	X	-	X	-	X
Bruno Kusters	X	X	-	-	X	-
Pierre Delhaize	-	-	-	-	X	X
Big Friend NV	X	X	X	X	X	X
Sofia BVBA	(2)	(2)	X	X	X	X

(1) Board of Directors via conference call

(2) Sofia BVBA was appointed at the general meeting of 28 May 2010.

During its meetings in 2010, the Board of Directors dealt with, among others, the following matters:

- financial results on a quarterly basis
- discussion on the recommendations of the Audit Committee
- financing of the Group
- capital increase by means of contribution in kind
- budget 2011 and strategic plan 2011-2017
- the grant of new warrants
- the settlement of a number of legal disputes and claims
- conflicts of interest
- operational items (cooperation with new partners, etc.)

The company is duly represented by two directors acting jointly. The company does not have a delegated director ("afgevaardigd bestuurder").

With regard to the remuneration of the non-executive directors, we refer to that which was discussed under Remuneration of directors and members of the executive management.

Day-to-Day Management

In accordance with Article 23 of the Articles of Association, the Board of Directors has delegated the day-to-day management of the Company to a collegiate body that is referred to as the "management committee".

The Board of Directors has appointed the management committee of the Company. The powers of the management committee are specified by the Board of Directors. Stéphane Vandervelde is the chairman of the management committee.

At the end of December 2010, the management committee was comprised of the following members:

- CEO Stéphane Vandervelde – via Big Friend NV
- CFO Johan Hellinckx – via JH Consulting BVBA
- COO Wim Verfaille – via IQuess BVBA

Stéphane Vandervelde has more than 20 years of experience in the software industry. He is currently President and CEO of Keyware. Stéphane Vandervelde graduated as an Engineer in Electronics and completed an additional specialisation in Micro-Electronics and Chip Design at the Catholic University of Leuven (KUL).

Johan Hellinckx holds a Licentiate Degree in Commerce and Financial Sciences, with a specialisation in Accountancy and Taxation. He was an auditor at BDO Bedrijfsrevisoren from 1992 to 2004 and acted as certified public auditor ("bedrijfsrevisor") from 1998 to 2004. He has fulfilled the position of CFO at Keyware Technologies since 2004.

Wim Verfaille is an Industrial Engineer Electricity. He worked as Operations Manager at Modular Lighting Industries between 1994 and 2003. He has worked as an Operational Business Consultant and interim manager since 2003. In this capacity, he was involved in a number of long-term projects at, among others, Tenovis (Telecom) and Maxeda (Retail). He has fulfilled the position of COO at Keyware Technologies since 2007.

With regard to the remuneration of the management committee, we refer to that which was discussed under Remuneration of directors and members of the executive management.

Auditor

BDO Bedrijfsrevisoren CVBA, with registered offices at Da Vincilaan 9 – Box E.6 Elsinore Building, 1935 Zaventem, duly represented by Koen De Brabander, with offices at Guldensporenpark 100 (block k), 9820 Merelbeke, has been appointed as the auditor of Keyware Technologies NV for a period of three years, which shall end after the General Shareholders' Meeting of 2011.
The Board of Directors proposes to reappoint BDO Bedrijfsrevisoren CVBA, represented by Bert Kegels, as the Company auditor.

The total annual remuneration of the auditor amounts to EUR 43 k, of which EUR 29 k for the statutory and consolidated annual accounts of the Company and EUR 14 k for the statutory annual accounts of the Belgian subsidiaries.

During the financial year 2010, the auditor, and the companies with which he has a professional relationship, have carried out additional assignments for the Company and its subsidiaries for an amount of EUR 34 k. These activities include work in connection with additional reporting, regarding the issue of warrants, contributions in kind, advice on IFRS and taxation matters.

Audit Committee

Up to 31 December 2010, the Audit Committee consisted of the following members:

- Guido Van der Schueren, Chairman
- Luc Pintens, Independent Director
- Guido Wallebroek, Director
- Big Friend NV, represented by Stéphane Vandervelde

The Audit Committee convened twice in 2010. The meetings of the Audit Committee took place on 17 February 2010 and 30 November 2010. All members of the Audit Committee were present each time.

As from 1 January 2011, the Audit Committee shall consist of the following non-executive members:

- Sofia BVBA, represented by Chris Buyse, Chairman and Independent Director
- Luc Pintens, Independent Director
- Guido Wallebroek, Director

Remuneration Committee

Up to 31 December 2010, the Remuneration Committee consisted of the following members:

- Guido Van der Schueren, Chairman
- Luc Pintens, Independent Director
- Big Friend NV, represented by Stéphane Vandervelde

The Remuneration Committee convened three times in 2010. The meetings of the Remuneration Committee took place on 12 January 2010, 23 March 2010 and 12 October 2010. All members of the Remuneration Committee were present at each meeting, with the exception of the meeting on 12 January 2010, where Luc Pintens was not present and was excused.

As from 1 January 2011, the Remuneration Committee shall consist of the following members:

- Guido Van der Schueren, Chairman and Chairman of the Board of Directors
- Luc Pintens, Independent Director
- Sofia BVBA, represented by Chris Buyse, Independent Director

INSIDER TRADING DIRECTIVE

In accordance with the Royal Decree of 5 March 2006 regarding market abuse, the company has drawn up a guideline with regard to insider trading. As of June 2006, this guideline is applicable to the directors, persons with a management responsibility and other employees who have access to inside information.

CONFLICTS OF INTEREST

Article 523 of the Company Code provides for an extraordinary procedure in the event that a director, directly or indirectly, has an interest of a proprietary nature that conflicts with a decision or a transaction that falls within the competence of the Board of Directors.
Article 524, paragraph 1, stipulates that the procedure that is specified in the paragraphs 2 and 3 must be applied in advance for each decision taken or each transaction executed in connection with the implementation of a decision of a stock-listed company.
Article 524, paragraph 2, stipulates that all decisions, specified in paragraph 1, must be subject to the prior assessment of a committee of three independent directors. This committee is assisted by one or several independent experts, appointed by the committee.
The committee describes the nature of the decision or transaction and assesses the commercial advantage or disadvantage for the company and its shareholders. It estimates the proprietary effects and determines whether or not the decision or transaction is of a nature that the company suffers a disadvantage that, in the context of the policy that the company implements, is manifestly unlawful. If the committee does not consider the decision or transaction to be manifestly unlawful, but the committee is of the opinion that the decision or transaction is to the disadvantage of the company, the committee will make clear which advantages the decision or transaction will charge as compensation for the aforementioned disadvantages.

The committee shall submit a substantiated advice to the Board of Directors, outlining each of the aforementioned assessment elements.
Article 524, paragraph 3, specifies that the Board of Directors, after taking note of the advice of the committee as stipulated in paragraph 2, proceeds to deliberate the proposed decision or transaction. In this case, Article 523 is applicable.
The Board of Directors states in its minutes of the meeting whether the procedure described above was complied with, and, if this should be the case, on which grounds the committee's advice was departed from.
The auditor delivers an opinion on the correctness of the information that is stated in the committee's advice and in the minutes of the meeting of the Board of Directors. This opinion is attached to the minutes of the meeting of the Board of Directors.
The committee's decision, an extract from the minutes of the meeting of the Board of Directors and the auditor's opinion are printed in the annual report.

During the financial year 2010, this procedure was applied with regard to the following decision: existing loan provided to the Company by Parana Management BVBA.

(a) Description of the transaction and application of Article 523 and 524 of the Company Code

The Company received a loan from Parana Management Corp BVBA for an amount of EUR 600,000 on 15 January 2009 (the Parana Management Transaction). Parana Management Corp BVBA is a company under the laws of Belgium of which the majority of the shares are held by Guido Van der Schueren, shareholder and Chairman of the Board of Directors of Keyware Technologies NV.

The proprietary consequences of the transaction can be explained as follows: the loan agreement has a term of five (5) years as from the commencement date and interest is due on the loan at an interest rate of 8% on an annual basis. The interest must be paid at the time of the repayment of the principal amount. In addition, the loan agreement provides for compulsory early repayment in specific cases.

The following justification of the transaction is given: the Board of Directors justifies the Parana Management Transaction as this contributes to reducing the future financial costs of the Company. This loan was used to reduce the existing financing of the Keyware Group provided by Parfip Benelux NV, via a factoring arrangement. Concretely, this means that the Keyware Group will use the loan that has been provided to purchase payment terminals that will be leased to customers.

Guido Van der Schueren reported that, in connection with this transaction, he could have an interest of a proprietary nature that is in conflict with a decision or a transaction that falls under the authority of the Board of Directors, within the meaning of Article 523 of the Company Code.

As the approval of the proposed transaction concerns relations of the Company with one of its affiliated companies within the meaning of Article 524, paragraph 1, of the Company Code, as set out in the minutes of the meeting of the Board of Directors of 21 May 2010, the Board of Directors has put this possible conflict of interest before a committee of independent directors, comprised of the following independent directors:

- Bruno Kusters;
- Luc Pintens; and
- Chris Buyse.

The committee was assisted by an independent expert, VGD, represented by Peter Bruggeman, certified public auditor ("bedrijfsrevisor").

(b) Decision of the committee

The decision and the advice of the committee of independent directors is as follows:

> "After deliberating, the Committee arrives at the following findings: based on what is described above, it is clear that by concluding the financing agreement with Parana Management Corp BVBA the company will reduce its (future) interest expenses.
>
> The Company will therefore only experience positive proprietary consequences in connection with the Parana Management Transaction.
>
> In other words, the Committee determines that the Parana Management Transaction is not of a nature that this transaction causes any disadvantage to the Company.
>
> The opinion of the independent expert, VGD, represented by Peter Bruggeman, confirms the above analysis.

In the conclusion of his report he states that:

> "In connection with the application of Article 524 of the Company Code and based on our analysis, taking into account the current market conditions, we are of the opinion that the loan transaction with Parana Management Corp BVBA for an amount of EUR 600,000, as described, is at arm's length. Therefore, this will not result in abnormal advantages or disadvantages for the director in question".
>
> The advantages and consequences of the Parana Management Transaction for the shareholders of the Company are in line with the above-mentioned advantages and consequences for the Company itself.
>
> The Committee therefore issues a positive advice with regard to the Parana Management Transaction.

(c) Excerpt from the minutes of the meeting of the Board of Directors

The Board of Directors quotes the following company interest in its minutes:

> "In view of the above explanation, the directors are of the opinion that the Parana Management Transaction is in the interest of the Company, as the Company will reduce its (future) interest expenses by concluding the financing agreement with Parana Management Corp BVBA".

The Board of Directors reports the following decisions in its minutes:

> "The Board of Directors decides to approve the terms of, and the intended transactions following from the transaction;
>
> The Board of Directors decides to grant Big Friend NV, represented by Stéphane Vandervelde, authority of substitution and sub-delegation, in connection with the transaction, the loan agreement in question and the intended transactions resulting from this, all other documents in connection there with, and to which reference is made therein or which is intended therein, to further negotiate, sign and hand over, and to draw up, execute, sign and hand over all documents, instruments and deeds, to fulfil all formalities, to give all necessary and useful instructions and to do everything that is necessary or recommended to execute the decisions of this meeting, including, but not limited to, signing the loan agreement in question."

(d) Opinion of the auditor

The decision of the auditor is as follows:

> Based on our analysis, no information has come to our attention that would cause us to decide that the information contained in the advice of the committee of independent directors or in the minutes of the meeting of the Board of Directors would not be correct.
>
> The present report was prepared for the use of the Board of Directors of the Company in connection with the application of Article 524, paragraph 3, of the Company Code. Therefore, it cannot be used for any other purpose.

EVALUATION BOARD OF DIRECTORS, COMMITTEES AND INDIVIDUAL DIRECTORS

The evaluation of the Board of Directors and its functioning takes place within the Company by the Remuneration Committee. The performance of the individual directors is also taken into account in the general assessment.

The Audit Committee and the Remuneration Committee periodically evaluate (self-assessment) their own performance and effectiveness.

REMUNERATION IN THE FORM OF SHARES, STOCK OPTIONS AND ANY RIGHT TO ACQUIRE SHARES

In the past, the Company has issued warrant plans at irregular dates, where directors, executive management and employees were offered the opportunity to subscribe to these warrant plans.

At the Extraordinary Shareholders' Meeting of 17 March 2010 of Keyware Technologies NV the decision was taken to proceed with:

- (i) the granting of, and subscription to, three hundred and ninety thousand (390,000) 2010 Warrants by Parana Management BVBA, Big Friend NV, Pardel SA, Federal Invest NV, Luc Pintens, JH Consulting BVBA, Iquess BVBA, Checkpoint X BVBA, Arn Clemhout and MV Services BVBA ("the Specified Persons"), in the ratio as set out in the special report of the Board of Directors,
- and (ii) the offering by the Board of Directors of the Company of the remaining 2010 Warrants to employees of the Company and its subsidiaries within a period of three months after the date of the extraordinary general shareholders' meeting and allocation and definite issue thereof (by means of a notarial deed) to the employees who have accepted such an offer.

With regard to the allocation of warrants to the directors and executive management, we refer to what was discussed under Remuneration of directors and members of the executive management.

REMUNERATION OF DIRECTORS AND THE EXECUTIVE MANAGEMENT

(a) Policy

The following principles are applied by the Company for the development of the remuneration policy and for determining the remuneration level for the non-executive directors:

- non-executive directors do not receive a fixed annual remuneration;
- non-executive directors do not receive an attendance fee;
- non-executive directors may subscribe for the warrants allocated to them by the Board of Directors in the event of the issue of a warrant plan;
- These principles can be departed from by a decision of the remuneration committee.

This remuneration policy has remained unchanged during the financial year 2010.

The following principles are applied by the Company for the development of the remuneration policy and for determining the remuneration level for the members of the executive management:

- members of the executive management receive a fixed annual remuneration;
- members of the executive management receive a variable annual remuneration;
- members of the executive management may subscribe for the warrants allocated to them by the Board of Directors in the event of the issue of a warrant plan;
- members of the executive management may receive a refund of expenses that they have incurred in connection with the performance of their duties;
- These principles can be departed from by a decision of the remuneration committee.

This remuneration policy has remained unchanged during the financial year 2010.

(b) Remunerations

As stated above, non-executive directors can receive a remuneration in the form of warrants.

The Extraordinary General Shareholders' Meeting of 17 March 2010 has approved the issue of the Warrant Plan 2010, whereby the decision was taken to grant, and subscribe to, three hundred and ninety thousand (390,000) 2010 Warrants by "Specific Persons", being non-executive directors, members of the executive management and consultants. In accordance with the above, the following warrants were allocated to non-executive directors:

Warrant holder	**Represented by**	**Number** (number of warrants)
Parana Management BVBA	Guido Van der Schueren	100.000
Pardel NV	Pierre Delhaize	20.000
Federal Invest NV	Guido Wallebroek	20.000
Luc Pintens	-	20.000

Contrary to that which is stipulated under (a) Policy, the Remuneration Committee has allocated the following remuneration to the non-executive directors in 2010:

Non-executive director	**Represented by**	**Remuneration** (en kEUR)
Powergraph NV	Guido Van der Schueren	64
Sofia BVBA	Chris Buyse	12

The executive management received the following remunerations in 2010:

2010	Fixed	Variable	Pension	Expenses	Total (in kEUR)	Warrants Number
Big Friend NV	282	144	-	35	461	100.000
JH Consulting BVBA	101	40	-	2	143	50.000
IQuess BVBA	135	40	-	13	188	50.000

The variable remuneration for the members of the executive management is based, on the one hand, on the consolidated results of the Group and, on the other hand, on the assessment by the Remuneration Committee of the individual performance of each member of the executive management.

The management agreement with Big Friend NV, CEO of the Company, provides for a notice period of eighteen months, in the event of a termination of the agreement by the Company without giving reasons. This notice period may also be replaced, in mutual consultation between both parties, by a termination fee.

The management agreement with JH Consulting BVBA, CFO of the Company, provides for a notice period of six months, in the event of a termination of the agreement by the Company without giving reasons. This notice period may also be replaced, in mutual consultation between both parties, by a termination fee.

The management agreement with IQuess BVBA, COO of the Company, provides for a notice period of six months, in the event of a termination of the agreement by the Company without giving reasons. This notice period may also be replaced, in mutual consultation between both parties, by a termination fee.

The Company has not departed from its remuneration policy substantially during the financial year 2010.

TRANSACTIONS WITH RELATED PARTIES

The Company has not formulated a specific policy for transactions and contractual relations between the Company (including its affiliated companies), on the one hand, and its directors and members of the executive management, on the other hand, which do not fall under the conflict of interest regulations.
Should such situations occur, the Board of Directors will assess this situation and take the necessary measures based on this assessment.

AUGMENTATION DE CAPITAL PAR APPORT EN NATURE

During the Extraordinary General Shareholders' Meeting of 29 November 2010, the decision was taken to convert amounts owed to lenders amounting to EUR 1,511 K into 927,634 new shares. In addition, the decision was taken to convert amounts owed to suppliers amounting to EUR 552 k into 339,266 new shares.
As a result of these debt conversions, the capital was increased by EUR 2,063 k.

The conversion of loans partially concerns the following related parties:

Party making the contribution	Amount of the contribution	Number of shares
Parana Management BVBA	648 kEUR	397.790
Johan Hellinckx	102 kEUR	62.880

The conversion of suppliers partially concerns the following affiliated parties:

Party making the contribution	Amount of the contribution	Nombre d'actions
Powergraph NV	96 kEUR	59.051
Sofia BVBA	12 kEUR	7.673
Big Friend NV	82 kEUR	50.138
JH Consulting BVBA	44 kEUR	27.174
IQuess BVBA	71 kEUR	43.824

INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS

Keyware's internal control structure consists out of a number of guidelines that determine the main operational processes and that apply to the whole group. The Group has introduced various instruments for a constant monitoring of the effectiveness and efficiency of the system and the functioning of the internal control structure in connection with the financial reporting.

Keyware regularly evaluates the Group's risk position, the possible financial impact and the necessary actions to monitor and control risks.

CONSOLIDATED INFORMATION

MANAGEMENT DISCUSSION AND AND ANALYSIS OF THE FINANCIAL SITUATION AND THE OPERATING RESULTS

(1) Basis of presentation

The following discussion and analysis is based on the audited consolidated financial statements of Keyware Technologies NV and its subsidiaries ("the Group") for the financial year ending on 31 December 2010.

All intra-group balances and transactions were eliminated in the consolidation.

(2) Historical overview and financial year 2010

(a) History

Keyware Technologies NV was founded in June 1996 as a public limited liability company under Belgian law. The Company originally developed security technologies based on biometric verification.

Four years later, in June 2000, the shares of the company were traded publicly for the first time on the EASDAQ, later renamed NASDAQ Europe. After a decision of the Extraordinary Shareholders' Meeting of NASDAQ Europe to cease its activities, it was decided to have the Keyware shares ("KEYW") listed on Euronext. The shares of Keyware Technologies NV were listed for the first time on Euronext on 3 September 2003.

There was great confidence in the breakthrough of biometric authentication technology when Keyware was established in 1996. This confidence was still intact when the Group was listed on the EASDAQ technologies exchange in June 2000.
Strengthened by this confidence, Keyware Technologies quickly took over a number of companies that were all active in biometrics to a greater or lesser extent or in the world of authentication.
The operational integration of these entities and the remodelling into one company that would be able to profit from synergies was never completely realised. The period of 18 months between the flotation on the stock market and the end of 2001 showed that the market for biometric security was far from mature.

When at the end of 2001 it became apparent that the market acceptance of biometrics was slower than expected and the losses for this activity were increasing, it was decided to cut back and sell these activities. During the year 2002, the Group was thoroughly reorganised and the activities were concentrated around the smart card.

The Group offered products and services in which the use of smart cards played a central role. The areas of application were access control, time registration and alarm monitoring, on the one hand, and loyalty and payment software on cards, on the other hand.

The year 2003 was a year of consolidation and further focusing on the Group's core activities. In March and April 2003, the last divestment was completed. The remaining assets related to the previous biometric activities were taken over by Bitwise NV and the shares of Able NV were sold to the former shareholders.

In July 2003, Keyware's payment software was certified by the EPCI (Electronic Payment Certificate Institute) (Bancontact/MisterCash and credit software such as VISA, MasterCard, American Express, Aurora and Diners Club).
The sale of this payment software together with the accompanying payment terminal was started in the fourth quarter of 2003.

Since February 2004, Keyware has focused completely on the payment terminals rentals market. After a gradual start, this activity really took off in the last quarter of 2004 with approximately 1,000 new customers.

In 2005, the Group successfully continued to focus on the payment terminals market, and at the end of December 2005, the milestone of 5,000 customers was exceeded.

In 2005, Keyware focused on two product groups:

- identification and applications for physical security (access control, time registration, alarm management and CCTV);
- identification and applications on terminals (electronic payment, loyalty applications and ID cards).

Keyware also offered transaction services for both product groups: authorising, processing and analysing the transactions generated by these applications. The contracts with existing customers were extended in 2004. Keyware authorises transactions for Diners Club, Cetelem (Aurora and PASS cards), American Express and Citibank.

Digital Access Control (DAC) was acquired in March 2005, which gave Keyware access to the technology of electronic keys and electromagnetic locks via the eKeys product.

On 7 June 2006, Keyware Technologies NV announced that the Security & Time Management division would be sold to the Risco Group as of 1 June 2006.
On 6 June 2006, Risco Group assumed the ownership of the Security & Time Management division by purchasing 100% of the shares of the legal entities that constitute this division, being Keyware SA, Keyware France SA and Keyware Technologies Suisse SA.

Keyware passed the milestone of 10,000 payment terminals at the end of April 2006. It was clear that the Belgian market for payment terminals was still growing, but Keyware was growing even faster.

Until the end of 2006, Keyware only sold its product through a number of independent sales organisations on a commission basis. In view of the further professionalization of the market segments and the increased sales volumes, these sales channels were expanded in 2007 with Keyware's own sales teams. Besides an increase in the quality and quantity of contracts in certain segments, it appeared that the new structure also resulted in lower operational costs.

On 26 April 2007, Keyware announced that a takeover agreement had been reached with the shareholders of B.R.V. Transactions NV. B.R.V. Transactions NV holds a licence from RBS (Royal Bank of Scotland) for the direct offering of credit card authorisation for Visa and MasterCard on the Belgian market.
Through the collaboration with RBS, Keyware can now also offer end-to-end solutions to retailers: from payment terminals to the processing of credit card authorisations for Visa and MasterCard and the processing of debit card authorisations for V Pay and Maestro.

In 2008, the emphasis within the payment terminals division was on the further expansion of the installed base for contracts related to the rental of payment terminals. The focus was on Keyware's retention policy through which almost all customers opted for a 48 or 60-month extension at the end of their contract.
With regard to the authorisation division, the focus in 2008 was on offering authorisation services for non-EMV transactions. However, the intended offering of authorisation services for EMV transactions was not realised.

In 2009, the planned expansion of the existing range of fixed and portable terminals with GRPS and IP terminals was realised. As from March 2009, the first contacts were concluded for the rental of IP terminals and as from September 2009, the first contacts were concluded for the rental of GPRS terminals.

On 13 August 2009, Keyware announced that it had concluded a unique cooperative venture for the Belgian electronic payments market with the Dutch company PaySquare.
With this cooperative venture, Keyware and PaySquare aim to offer a unique service to Belgian retailers and self-employed professionals. Via the agreement with PaySquare, Keyware has its own payment platform to offer payment authorisations for credit cards (Visa, MasterCard) and debit cards (V Pay and Maestro) with respect to both its own terminals as terminals of third parties.
The collaboration with PaySquare is a milestone in the history of Keyware. As from August 2009, Keyware is now able to offer its customers a total solution in the form of a payment terminal in combination with a subscription for payment transactions.

(b) The financial year 2010

A. TERMINALS

A further expansion of the existing range of payment terminals was realised in 2010, causing Keyware to become the market leader in sector-oriented payment solutions. In combination with an extensive range of transaction agreements for debit and credit card payments, the fixed (PayFix range), the portable (PayAway range) and the mobile payment terminals (PayMobile range) provide an adequate solution for the specific requirements of each market segment. This vertical market approach resulted in a further penetration in Keyware's market segments in 2010, including the hotel, restaurant and café sector, local government institutions (cities, municipalities, OCMWs, etc.) and the retail sector.

With the Keyware Charter, a seven points programme regarding quality, price, service level, flexibility, innovation, local presence and clear contracts, Keyware was able to convince the majority of its customers to renew their contracts at the end of the initial contract period for periods of 48 or 60 months. In addition, the introduction of the "Peterschap" programme whereby existing customers were stimulated to bring in new customers, was a success and resulted in many new leads in 2010.

B. TRANSACTIONS

On 13 August 2009, Keyware announced its cooperation with the Dutch PaySquare, with the objective of being able to offer payment transaction agreements in addition to its payment terminals. Via this agreement, Keyware can offer payment subscriptions to its own customers and to third parties for the acceptance of debit cards (Maestro, V Pay) and credit card transactions (Visa, MasterCard). As each transaction processor optimises its price/income model in certain market segments, volumes or average payment amounts and Keyware wishes to optimise its payment solutions for specific vertical markets, the company decided in 2010 to also enter into agreements with other payment partners.

As a result, Keyware now occupies a unique position on the Belgian market: customers cannot only choose out of a wide range of high quality payment terminals but they can also choose the transaction agreements that are most suitable for their situation. The brand promise: "For each sector a high quality and affordable solution" has thus been further fulfilled.

The Belgian market for electronic payments also grew substantially in 2010. For example, Atos Worldline announced for 2010 that the use of Visa and MasterCard rose by 8.3% (to approximately 140 million transactions) in comparison to 2009 and the number of transactions with Bancontact/MisterCash grew by 7.1% (to approximately 960 million transactions). According to the same source, the average amount per transaction amounted to EUR 101 for the first group of transactions and EUR 55 for the second group, which corresponds with the 2009 level.

In line with campaigns in the past, retailers have taken more and more initiatives to promote the use of payment cards instead of cash. Characteristic for this is also the expansion of 'cards only' payment queues in department stores and not accepting payments with large denominations, etc. Keyware's wide range of transaction agreements generate a growing monthly recurring source of income for the company. Keyware expects to be able to capitalise on the organic market growth and also to be able to take over market share at the existing terminal owners due to is segmented offer. Therefore, Keyware also expects that this service will have a positive effect on both the net result and the cash flow in 2011.

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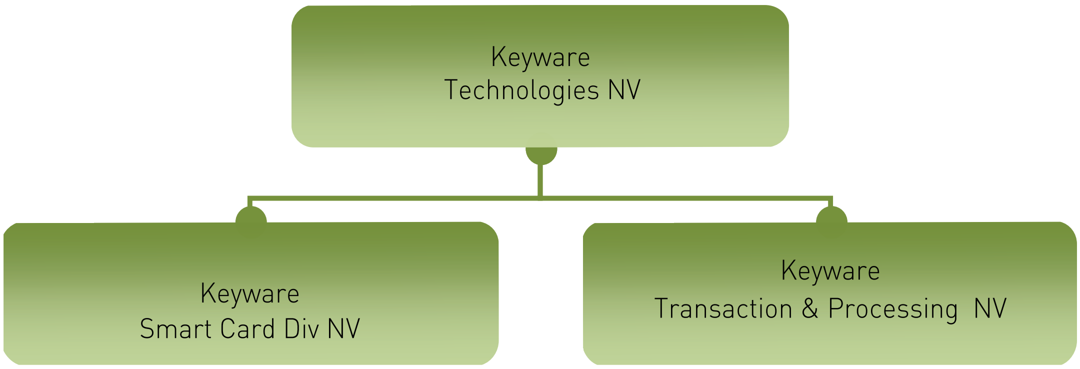
C. LOYALTY

As a major supplier of software for card applications, Keyware develops and sells applications in the area of loyalty and identity programmes (for example, the Gezinsbond Card, the Fun Card, etc.). Keyware's multifunctional payment terminals combine various applications in combination with payment options for debit card payments (Maestro, BC/MC), credit card payments (Visa, MasterCard, Amex, JCB, Diners, etc.) or Proton. Specialised sales teams promote these profitable product combinations.

(c) Organisation chart

The organisation chart below provides an overview of the current group structure.



All subsidiaries are fully-owned by Keyware Technologies NV.

(d) Financing of the Group

The Group required additional financing in 2009 and 2010 for the realisation of its activities.

In 2009, the Group filled in the existing financing requirement as follows:

- On 21 January 2009, the Group received an advance of EUR 600 k from Parana Management BVBA.
- In January 2009, the Group concluded a financing agreement - financing of the lease agreement - with Parfip Benelux NV for a total amount of EUR 249 k.
- As from March 2009, the Group called on the financing agreement concluded with Parfip Benelux NV again, whereby the Group has the possibility to assign payment terminal rental contracts to Parfip Benelux NV.
- During 2009, a number of warrant holders confirmed their confidence in the Group and proceeded to exercise their outstanding warrants:
  - following the exercising of 480,000 "B Warrants", the capital was increased for an amount of EUR 167 k and 480,000 new shares were issued via a notarial deed executed on 22 May 2009.
  - following the exercising of 222,500 Warrants 2008, the capital was increased for an amount of EUR 278 k and 222,500 new shares were issued via a notarial deed executed on 16 June 2009.

In 2010, the Group filled in the existing financing requirement as follows:

- During 2010, the Group concluded the following loan agreements:
  - on 15 June with Johan Hellinckx for an amount of EUR 100 k;
  - on 13 July 2010 with Congra SA (Luxembourg) for an amount of EUR 1,000 k.
- On 17 May 2010, the Group concluded an investment loan with ING Bank for an amount of EUR 750 k. In 2010, the first portion of this loan amounting to EUR 250 k was taken up.
- In 2010, the Group was also able to call on the credit line at Parfip Benelux and this under the form of the assignment of contracts. For the fiscal year 2010, contracts were assigned to Parfip Benelux N.V. for a total amount of 2.9 million euros.
- During 2010, a number of warrant holders confirmed their confidence in the Group and proceeded to exercise their outstanding warrants:
  - following the exercising of 187,500 Warrants 2008, the capital was increased for an amount of EUR 235 k and 187,500 new shares were issued via a notarial deed executed on 30 April 2010;
  - following the exercising of 160,000 Warrants 2008, the capital was increased for an amount of EUR 200 k and 160,000 new shares were issued via a notarial deed executed on 17 September 2010.
- During the Extraordinary General Shareholders' Meeting of 29 November 2010, the decision was taken to convert amounts owed to lenders amounting to EUR 1,511 K into 927,634 new shares. In addition, the decision was taken to convert amounts owed to suppliers amounting to EUR 552 k into 339,266 new shares. The converted loans also concerned the loan provided by Johan Hellinckx and Congra SA (converted for an amount of EUR 750 k).

(3) Operating results

The financial data below were derived from the consolidated financial statements (in accordance with IFRS) of Keyware Technologies ending on 31 December 2010 and 2009.

Consolidated profit and loss account for the period ending on	31.12.2010	31.12.2009
	kEUR	kEUR
	(audited)	(audited)
Continuing operations		
Turnover	5.806	5.683
Other profits and losses	1.366	225
Raw materials and consumables	(1.137)	(1.082)
Salaries and employee benefits	(1.552)	(1.530)
Depreciation	(253)	(243)
Net impairment of current assets	(746)	(720)
Other expenses	(3.206)	(2.872)
Operating profit / (operating loss)	**278**	**(539)**
Result before taxes	**211**	**(622)**
Profit/(loss) for the period from continued operations	**446**	**(794)**

(a) Turnover and gross margin

The turnover, in this case the operating revenues without other operating income, can be specified as follows:

Gross Margin	31.12.2010	31.12.2009	Change
	kEUR	kEUR	
Turnover	5.806	5.683	2,16%
Raw materials and consumables	(1.137)	(1.082)	5,08%
Gross Margin	**4.669**	**4.601**	**1,48%**
Gross margin in percentages	80,42%	80,96%	

The consolidated turnover for the financial year 2010 amounts to EUR 5,806 k compared to EUR 5,683 k for the same period in 2009, which represents an increase of 2.16%. The increase in turnover was manifest in the payment terminals division as a result of the expansion of the payment terminals product range. During the financial year 2010, the Group concluded contracts for the rental of GPRS terminals. In 2009, the first contracts for GPRS terminals were only concluded in September.
Moreover, the retention policy carried out by Keyware has contributed to more than 90% of the existing customers opting for a contract renewal at the end of their contract period.

(b) Operating expenses

The operating expenses can be summarised as follows:

Operating expenses for the period ending on	31.12.2010	31.12.2009
	kEUR	kEUR
	(audited)	(audited)
Raw materials and consumables	(1.137)	(1.082)
Salaries and employee benefits	(1.552)	(1.530)
Depreciation	(253)	(243)
Net impairment of current assets	(746)	(720)
Other expenses	(3.206)	(2.872)
Operating expenses	**(6.894)**	**(6.447)**

The following conclusions can be drawn:

- personnel costs rose by 1.44%.
- impairments on current assets rose from EUR 720 k to EUR 746 k. This concerns impairments booked on receivables from financial leasing. These impairments are the consequence of bankruptcies, termination of the activities by the customer or termination of the contract by the customer.
- Other expenses rose by 11.63%, due to higher communication costs and payments to consultants in connection with fees and the allocation of warrants.

(c) Net profit

Net profit for the financial year amounts to EUR 446 k in comparison to a net loss of (EUR 794 k) as at 31 December 2009.
The higher result was due to a higher gross margin and the realisation of one-off other operating income, which was partially compensated by higher costs, whereby other expenses and impairment losses on current assets both rose.

(d) Net cash flow

Net cash flow amounts to EUR 1,013 k in comparison to EUR 542 k as at 31 December 2009. The higher net cash flow is mainly due to an improvement of the net result, from a net loss of (EUR 794 k) as at 31 December 2009 to a net profit of EUR 446 k as at 31 December 2010.

(4) Personnel and branches

The Group had 40 employees (personnel and consultants) on 31 December 2010.

(1) Consolidated balance sheet

Consolidated balance sheet on		31.12.2010	31.12.2009
		kEUR	kEUR
		(audited)	(audited)
Assets			
Goodwill	(6)	5.248	5.248
Other intangible fixed assets	(7)	359	510
Property, plant and equipment	(8)	132	70
Deferred tax assets	(9)	1.685	1.450
Finance lease receivables	(10)	9.049	7.791
Other assets	(11)	57	111
Non-current assets		**16.530**	**15.180**
Inventories	(12)	593	492
Trade receivables and other receivables	(13)	824	352
Financial leasing receivables	(14)	1.096	1.407
Deferred income and accrued expenses	(15)	117	312
Cash and cash equivalents	(16)	148	34
Current assets		**2.778**	**2.597**
Total assets		**19.308**	**17.777**
Equity and liabilities			
Issued capital	(17)	6.069	18.063
Share premiums		4.522	4.522
Other reserves		287	119
Retained earnings		446	(14.492)
Equity attributable to owners of the parent company		**11.324**	**8.212**
Borrowings		429	721
Leasing obligations	(18)	892	1.483
Trade payables	(19)	3.154	2.956
	(20)		
Total non-current liabilities		**4.475**	**5.160**
Trade payables and other payables		2.521	3.487
Borrowings	(21)	166	60
Lease obligations	(22)	623	567
Other liabilities	(23)	199	291
	(24)		
Current liabilities		**3.509**	**4.405**
Total liabilities		**7.984**	**9.565**
Total equity and liabilities		**19.308**	**17.777**

(2) Consolidated profit and loss account

Consolidated profit and loss account for the period ending on		31.12.2010	31.12.2009
		kEUR	kEUR
		(audited)	(audited)
Continuing operations			
Turnover	(26)	5.806	5.683
Other profits and losses	(28)	1.366	225
Raw materials and consumables		(1.137)	(1.082)
Salaries and employee benefits	(29)	(1.552)	(1.530)
Depreciation	(30)	(253)	(243)
Net impairment of current assets	(31)	(746)	(720)
Other expenses	(32)	(3.206)	(2.872)
Operating profit / (operating loss)		**278**	**(539)**
Financial income	(33)	685	580
Financial expenses	(33)	(752)	(663)
Result before taxes		**211**	**(622)**
Taxes on the result	(34)	235	(172)
Profit/(loss) for the period from continuing operations		**446**	**(794)**
Profit/(loss) for the period from discontinued operations		-	-
Profit/(loss) for the period		**446**	**(794)**
Weighted average number of issued ordinary shares		15.408.986	14.802.968
Weighted average number of shares for the diluted result per share		17.214.849	16.639.368
Profit/(loss) per share from the continuing and discontinued operations		-	-
Profit/ (loss) per share (basic)	(38)	0,0289	(0,0536)
Profit/ (loss) per share (diluted)	(38)	0,0259	(0,0536)

overview of comprehensive income for the period ending on	31.12.2010	31.12.2009
	kEUR	kEUR
	(audited)	(audited)
Profit/(loss) for the period	**446**	**(794)**
Other comprehensive income		
Translation differences	-	-
Revaluation at fair value of "financial fixed assets available for sale"	-	-
Cash flow hedges	-	-
Taxes on other comprehensive income	-	-
Other comprehensive income (net of taxes)	**-**	**-**
Total of the comprehensive income of the period	**446**	**(794)**
Profit/(loss) for the period allocatable to:		
Owners of the parent company	446	(794)
Non-controlling interests	-	-
Total of the other comprehensive income of the period allocatable to:		
Owners of the parent company	-	-
Non-controlling interests	-	-
Weighted average number of issued ordinary shares	15.408.986	14.802.968
Weighted average number of shares for the diluted result per share	17.214.849	16.639.368
Profit/(loss) per share from the continuing and discontinued operations		
Profit/ (loss) per share	0,0289	(0,0536)
Profit/ (loss) per diluted share	0,0259	(0,0536)

Consolidated statement of changes in equity over the period	Number of shares	Share capital	Share premium	Other re-serves	Retained earningst	Attributable to the shareholders of the parent company	Non-controlling interests	Total
		kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
Balance sheet as of 1 January 2009	**14.386.379**	**17.618**	**4.522**	**119**	**(13.698)**	**8.561**		**8.561**
Result for the period	-	-	-	-	(794)	(794)	-	(794)
Total comprehensive income of the period	**-**	**-**	**-**	**-**	**(794)**	**(794)**	**-**	**(794)**
Issue of warrants	702.500	445	-	-	-	445	-	445
Balans per 31.12.2009	**15.088.879**	**18.063**	**4.522**	**119**	**(14.492)**	**8.212**	**-**	**8.212**

Consolidated statement of changes in equity over the period	Number of shares	Share capital	Share premium	Other reserves	Retained earningst	Attributable to the shareholders of the parent company	Non-controlling interests	Total
Balance Sheet as at 1 January 2010	**15.088.879**	**18.063**	**4.522**	**119**	**(14.492)**	**8.212**	**-**	**8.212**
Result for the period	-	-	-	-	446	446	-	446
Total comprehensive income of the period	**-**	**-**	**-**	**-**	**446**	**446**	**-**	**446**
Capital increase								
Valuation of warrants	1.266.900	2.064	-	168	-	2.064	-	2.064
Issue of warrants	-	-	-	-	-	168	-	168
Incorporation of loss in capital	347.500	434	-	-	-	434	-	434
(1)	-	(14.492)	-	-	14.492	-	-	-
Balance sheet as at 31 December 2010	**16.703.279**	**6.069**	**4.522**	**287**	**446**	**11.324**	**-**	**11.324**

(1) The Extraordinary General Shareholders' Meeting of 29 November 2010 also decided to reduce the capital by EUR 19,839 k by offsetting the (statutory) losses. The consolidated transferred result as at 31 December 2009 amounted to (EUR 14,492 K). In accordance with the decision of the Extraordinary General Shareholders' Meeting regarding the statutory transferred losses, the consolidated transferred losses are incorporated entirely in the consolidated capital.

(4) Consolidated cash flow statement

Consolidated cash flow statement for the period ending on	31.12.2010	31.12.2009
	kEUR	kEUR
	(audited)	(audited)
Cash flow from operating activities		
Result for the period	446	(794)
Financial income (1)	(685)	(580)
Financial expenses (1)	752	663
Depreciation and amortization	253	243
Impairment of financial lease receivables	503	585
Impairment	-	135
Warrants recognised as employee benefit expenses	198	30
Depreciation of capitalised commissions	48	171
Deferred tax assets and liabilities	(235)	172
Operating cash flow before movements in the working capital components	1.280	625
Decrease / (Increase) of inventories	(101)	(200)
Decrease / (increase) of financial lease receivables (long-term and short-term)	(1.438)	(3.320)
Decrease / (increase) of trade and other receivables	(484)	82
Decrease / (Increase) of prepaid expenses	117	(155)
Increase / (decrease) of trade debts (long-term and short-term)	(768)	2.051
Increase / (decrease) of other liabilities	(92)	(19)
Changes in the working capital components	(2.766)	(1.561)
Interest paid (1)	(412)	(428)
Interest received (1)	345	345
Cash flow from operating activities	**(1.553)**	**(1.019)**
Cash flow from investment activities		
Investments in intangible and tangible fixed assets	(164)	(40)
Disposals of intangible and tangible fixed assets	-	115
(Increase) / decrease of issued warranties	54	-
Cash flow from investment activities	**(110)**	**75**
Cash flow from financial activities		
Capital contribution	2.498	445
(Repayment) / proceeds long-term and short-term borrowings	(186)	552
(Repayment) / proceeds long-term and short-term lease obligations	(535)	(312)
Cash flow from financial activities	**1.777**	**685**
Net (decrease) / increase in cash and cash equivalents	**114**	**(259)**
Cash and cash equivalents at the beginning of the period	**34**	**293**
Cash and cash equivalents at the end of the period	**148**	**34**

(1) Presentation for 2009 was changed compared with last year

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(1) Identificatie

Keyware Technologies NV was founded in June 1996 as a public limited liability company under Belgian law. The Company has its registered offices at Ikaroslaan 24, 1930 Zaventem, Belgium. Its company registration number is 0458.430.512

The annual report was adopted by the Board of Directors on 28 April 2011.

(2) Statement of Conformity

Stéphane Vandervelde (CEO) and Johan Hellinckx (CFO) declare that the financial statements, which were prepared in accordance with IFRS standards, as adopted by the European Union, give a true and fair view of the equity, the financial position and the results of the issuer and the companies included in the consolidation. The annual report gives a true and fair view of the developments and the results of the company and the position of the issuer and the companies included in the consolidation, as well as a description of the principal risks and uncertainties with which the companies are confronted.

In this context, reference is also made to the auditor's opinion.

(3) Companies included in the consolidation

The consolidated financial statements for the period ending on 31 December 2010 include Keyware Technologies NV and its subsidiaries.

The companies to be included in the consolidation was determined as follows:

Subsidiary	**Consolidated up to**	**Method**
Keyware Smart Card NV	31.12.2010	Full
Keyware Transaction&Processing NV	31.12.2010	Full

(4) Going concern of continuïteit

The consolidated financial statements have been prepared on the basis of going concern, which assumes that the assets are realised and the liabilities are paid as in normal course of business. As of 31 December 2010, the Group had retained earnings amounting to EUR 446 k.

For the further growth and realisation of the 2011-1017 strategic plan, the Group will require additional financing primarily for further financing and expansion of activities related to payment terminals and also for carrying out the necessary investments for the authorisation of payment transactions.

As stated under Management Discussion and Analysis of the financial situation and the operating results - (2) Historical overview and financial year 2010, the Group has been able to call on various financing sources in 2010. This concerns loans provided by investors, bank loans, the assignment of contracts to Parfip, the exercising of warrants by warrant holders and a capital increase through contributions in kind of loans and debts.
During March 2011, the Group concluded a loan agreement with Big Friend NV, the management company of the CEO, for an amount of EUR 500 k. In addition, the Group drew down the 2nd and last portion of the bank loan (ING) amounting to EUR 500 k.

At the end of March 2011, the Group was negotiating with various financial institutions in connection with obtaining additional bank financing for the Group.

Furthermore, the Group will still be able to call on the credit line at Parfip in 2011 under the form of the assignment of contracts. At the end of March 2011, contracts were assigned to Parfip Benelux NV for a total amount of 0.5 million euros.

In February 2011, a warrant holder proceeded to exercise his outstanding warrants, whereby 105,000 warrants were exercised which lead to a capital increase of EUR 131 k. Subsequently, a number of other warrant holders made a verbal promise to exercise their outstanding warrants completely or partially during 2011.

On the basis of the above, the Board of Directors is convinced that the Group is able to continue its activities on a going concern basis over a reasonable length of time, and it confirms the application of the valuation principles for a going concern.

The financial statements do not therefore contain any adjustments to the collectability and classification of the amounts booked as assets or the amounts and classification of the liabilities, which would be required if the Company were no longer able to continue its activities as a going concern. The continuation of the Group as a going concern depends on its ability to generate sufficient cash flow to fulfil its obligations on time or to maintain adequate financing and finally on realising successful operations.

(5) Most important accounting principles for the financial reporting

(a) Basic principles

The consolidated financial statements are expressed in thousands of euros (kEUR). The preparation of the financial statements in accordance with IFRS requires the management of the Group to make assessments, estimates and assumptions. These assessments, estimates and assumptions have an impact on the application of the accounting principles and thus on the reported values of assets and liabilities and of income and expenses.

The estimates and related assumptions are based on past experience and various other elements that are considered to be reasonable given the circumstances. The outcomes of these estimates and assumptions form the basis for the assessment of the book value of assets and liabilities that cannot easily be derived from other sources. Actual results may differ from these estimates and assumptions.
The estimates and underlying assumptions are reviewed annually and adjusted if necessary. Revisions of estimates are recognised in the period in which the estimate is revised, provided that the revision only has an effect on that period. If the revision has an effect on both the reporting period and the future period(s) then the revision is recognised in the period of the revision and the future period(s).

(b) Statement of compliance

The consolidated interim financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board and adopted by the European Union, up to and including 31 December 2010.

(c) Consolidation principles

The consolidated financial statements of Keyware Technologies NV comprises Keyware Technologies as well as the subsidiaries that it controls. Control exists if the Group has an interest of more than half of the voting rights connected to the shares of the company, or if it has the power, directly or indirectly, to determine the financial and operational policy of a company in order to benefit from its activities.
The financial statements of the subsidiaries are included in the consolidated financial statements as from the date on which the control commences until the date on which the control ceases to exist.
The acquisition of subsidiaries is processed in the accounts as an acquisition. The cost of an acquisition is the consideration paid in cash or cash equivalents or the fair value, on the exchange date, of any other compensation that the acquiring party provides in exchange for the control over the assets and liabilities of the other company, plus any expenses that can be directly attributed to the acquisition.

Intra-group balances and transactions and any unrealised profits from transactions within the Group are eliminated when preparing the consolidated financial statements.

(d) Reporting currency

The reporting currency of Keyware Technologies NV is the EURO.

(e) Foreign currency conversion

TRANSACTIONS IN FOREIGN CURRENCY

Transactions denominated in foreign currencies are converted into euros based on an exchange rate that is determined on a monthly basis. Exchange rate differences that occur when settling monetary items or when reporting monetary items are included in the profit and loss account of the period in which they occur.

FINANCIAL STATEMENTS OF SUBSIDIARIES

Assets and liabilities of subsidiaries, expressed in a currency other than the euro, are converted using the exchange rate that applies at the end of the reporting period. Income and expenses are converted using the average exchange rate during that period. Components of shareholders' equity are converted using historical exchange rates. Gains and losses resulting from these conversions are recognised in the balance sheet item "translation differences", processed as a separate component of the shareholders' equity.

(f) Goodwill

The additional acquisition value upon the acquisition of an interest in a company and the fair value of the underlying net asset acquired on the date of the transaction is booked as goodwill (consolidation difference) and recognised as an asset in the balance sheet. Identifiable assets and liabilities recognised at the time of the acquisition are valued at the fair value at that time.
Goodwill is recognised as an asset and initially valued at cost. After the initial recognition, goodwill is valued at cost less accumulated impairments.

In order to test for impairment, goodwill is allocated to the cash flow generating units of the Group. Cash flow generating units to which goodwill is allocated are tested annually for impairment and also during the year when there are indications that the book value of the unit may possibly exceed the realisable value.
Once an impairment of goodwill is recognised, this will not be reversed in a later period.

(g) Intangible fixed assets

LICENSE, PATENTS AND SIMILAR RIGHTS

Expenses for purchased licences and similar rights are capitalised and depreciated in accordance with the straight-line method over the period of the contract, if applicable, or over the estimated period of use, which is normally estimated at five years.

COMPUTER SOFTWARE

External expenses for the purchase of computer software are capitalised and depreciated in accordance with the straight-line method over a period of five years.

(h) Tangible fixed assets

The tangible fixed assets are valued at acquisition costs, less cumulative depreciation and, if applicable, taking into account impairments.

Depreciation is calculated according to the straight-line method in accordance with the estimated economic life, which can be specified as follows:

buildings	20 years
machinery and equipment	3.5 years
vehicles	4 years
computers and peripherals	3 years
furniture	5-10 years
other tangible fixed assets	9 years

The depreciation method, period of use and residual value are re-evaluated each reporting date.

ACQUISITION COSTS AND MAINTENANCE AND REPAIR COSTS

The costs of repairing and replacing a part of a tangible fixed asset are capitalised subject to the condition that:

- the cost price of the asset can be determined in a reliable manner, and;
- the costs will result in a future economic advantage.

Costs that do not satisfy these conditions are immediately recognised in the profit and loss account.

DERECOGNITION OF TANGIBLE FIXED ASSETS

The cost price of assets that are no longer in use, and the total depreciation charges related to these assets, are recognised in the profit and loss account as part of the profit or loss on disposal in the year in which the disposal took place.

(i) Inventory

The inventories are recognised at cost or net realisable value if this is lower. The net realisable value is the estimated sales price in the context of normal business operations, less the estimated costs of completion and sales costs.
For newly purchased terminals, the cost is the purchase value of the terminal. For used terminals, the cost is the individual price of the terminal. This price is the purchase price less accumulated depreciation whereby the economic life of a terminal is estimated at five years.
The cost is determined based on the individual price of each article.
Unsalable inventories are written-off completely.

(j) Financial instruments

Financial assets and financial liabilities are recognised in the balance sheet of the Group when the Group becomes a party to the contractual provisions of the financial instrument in question. When the contractual rights to the cash flow of the financial asset expire or when the asset is transferred and the transfer qualifies no longer to be recognised, to the extent that the risks and rewards of the entitled parties are saved or transferred, the financial assets are no longer recognised in the balance sheet.
Financial obligations are no longer recognised in the balance sheet when they cease to exist, that is when the obligation laid down in the contract has been fulfilled or terminated or has expired. At present, the Group only maintains non-derivative financial instruments.

The Group does not have any security or other credit protection with regard to the financial assets.

RECEIVABLES FROM FINANCE LEASES

Assets that are rented to customers in the context of finance lease contracts are recognised in the balance sheet and presented as a receivable, for an amount equal to the net investment in the lease.

The lease price of a contract is divided into net rent and maintenance. After which the present value of the net rent for the full term of the contract, being 48 months, is calculated. This entire present value amount is recorded as turnover in the month in which the contract starts. The revenue related to maintenance is spread over the duration of the contract. Financial income equal to the difference between the total value of the contract and the discounted value is recorded each month.

RECEIVABLES

Receivables are non-derivative financial instruments with fixed or specific payments that are not listed on an active market. After the initial recognition, such financial assets are recognised at amortised cost using the effective interest method, less any impairments. Impairments of receivables are recognised in the event that the book value is higher than the realisable value and are processed through the profit and loss account.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents are included in the balance sheet at nominal value. They comprise cash and bank balances, as well as bank deposits and cash investments that can immediately be converted into cash and that furthermore are not subject to significant risks of fluctuations in value.

TRADE PAYABLES

Trade payables are initially recognised at fair value and subsequently at amortised cost based on the effective interest method.

INTEREST BEARING LIABILITIES

Interest bearing liabilities include financial obligations and loans and are initially recognised at the fair value of the cash received, after the deduction of transaction costs. Later they are recognised at amortised cost based on the effective interest method. Differences between the amount received (after the deduction of transaction costs) and the to be repaid amount on the maturity date are recognised in the profit and loss in accordance with the straight-line method over the term of the obligation.

(k) Impairments

At each balance sheet date the Group is performing an impairment test with respect to the carrying value of its financial assets in order to determine if there is an indication that this asset has suffered an impairment. If such an indication exists, the realisable value of the asset is estimated in order to determine the amount of the impairment (if necessary). When it is not possible to estimate the realisable value of an individual asset, the Group will determine the realisable value of the cash generating unit to which the asset belongs.
The realisable amount is the highest of the fair value and the value in use. In order to determine the value in use the expected future cash flows are discounted to the present value at a discounting rate that reflects the current market valuations of the time value of money and the specific risks of the asset. If the realisable value of an asset (or the cash generating unit) is estimated at lower than its book value, the book value of the asset (cash generating unit) is reduced to its realisable value. An impairment is immediately recognised in the profit and loss account, unless the asset in question has been revalued at an earlier occasion. In that case, the impairment is accounted for as a reduction of the revaluation surplus. When an impairment is then subsequently reversed, the carrying value of the asset (cash generating unit) will be increased to the revised estimate of its realisable value, but only in the manner that the increased carrying value does not exceed the carrying value of the asset (cash generating unit) before impairment at the end of the previous year. The reversal of an impairment is immediately recognised in the profit and loss account, unless the relevant asset is valued at a revalued amount, in which case the reversal of the impairment is treated as a revaluation gain.

(l) Equity instruments

The equity instruments that are issued by the Group are recognised at the received income. Direct issue costs are deducted from the equity.

(m) Benefits in the form of equity instruments

The Group provides for the settlement of payments to employees in equity instruments based on shares. Payments settled in equity instruments based on shares are recognised at fair value (without taking into account the effect of non-market regulated granting conditions) on the grant date. The fair value of payments settled in equity instruments based on shares determined on the grant date is booked in the profit and loss account with a corresponding increase in equity.
For payment transactions based on shares with parties, other than employees, the Group values the received services and corresponding increase in equity directly at the fair value of the services received, unless the fair value cannot be estimated in a reliable manner. In this last case, the services received are valued at the fair value of the allocated equity instruments based on the Black and Scholes valuation model.

(n) Provisions

A provision is booked if:

- the Group has an existing obligation;
- it is likely that an outflow of funds is required to settle the obligation; and
- the amount of the obligation can be estimated reliably.

The amount of the provision is determined by the best estimate of the amounts that are required to settle the obligations existing on the balance sheet date.

(o) Recognition of revenues

Revenues are recognised if it is likely that the economic benefits with regard to the transaction shall flow to the company and if the revenue amount can be estimated in a reliable manner. Turnover is recorded after the deduction of sales tax and discounts. Revenues from the sale of goods are recorded when the delivery as well as the complete transfer of risks and benefits have taken place.

Revenues with regard to contracts for the rental of payment terminals are processed in accordance with IAS 17 - Lease Contracts. We refer to that which was discussed under financial lease receivables for more information.

Revenues related to maintenance contracts and other contracts for which a specific service is provided during a agreed contract period, are recognised according to the straight-line method during the term of the contract.

(p) Financial income and expenses

Financial income includes the interest income on invested funds. Interest income is recorded in the profit and loss account insofar as received and over the period to which the interest income pertains. Financal income also includes the financial revenues recorded in accordance with what was discussed under financial lease receivables.
Financial expenses pertain to interest on loans and interest on financial leasing repayments. All financial expenses are booked at the time that they occur.

(q) Taxes

The taxes on the result of the financial year concern current as well as deferred taxes and are reported in accordance with IAS 12 "Income Taxes".

CURRENT TAXES
Current taxes are taxes that are expected to be paid on the taxable result of the financial year, based on the tax rates and tax laws of which the legislation process has been finalised (substantially) on the balance sheet date, as well as each correction of the taxes payable over the previous financial years.

DEFERRED TAXES

Deferred income tax is provided in full using the "balance sheet liability method", on temporary differencesbetween the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax liabilities are booked for all taxable temporary differences, except when these are the result of a goodwill impairment. Deferred tax liabilities are not recognised for taxable, temporary differences that relate to investments in subsidiaries and interests in joint ventures, when the time on which the temporary difference can be settled can be determined by the parent company and it is likely that the temporary difference will not be settled in the near future.

A deferred tax asset must be included for all offsettable, temporary differences, tax losses and tax credits insofar as it is likely that a taxable profit will be available against which the offsettable, temporary differences, tax losses and tax credits can be offset. Offsettable temporary differences that result from investments in subsidiaries and interests in joint ventures are only included if the temporary difference will be settled in the near future (five years) and if taxable profit is available that can be used for the temporary difference. The carrying value of the deferred tax assets is revised on each balance sheet date and reduced insofar as it is no longer likely that there is sufficient taxable profit available to make use of the entire or part of the deferred tax asset.

Deferred tax assets and liabilities are valued at the tax rates that are expected to apply in the period in which the tax asset will be realised or the tax liability will be settled, based on the tax rates and the tax laws of which the legislation process has been finalised (substantially) on the balance sheet date.

(r) Segment information

The Group makes a distinction between, on the one hand, results in connection with activities regarding payment terminals and, on the other hand, results in connection with activities regarding credit card authorisations. Corporate expenses, which cannot be allocated, are reported separately.

(s) Net profit / loss per share

The basic profit per ordinary share is calculated by dividing the net profit or net loss over the period, which can be allocated to ordinary shareholders, by the weighted average number of outstanding ordinary shares during the period.

The diluted profit or loss per share is calculated by dividing the net profit or net loss over the period that can be allocated to ordinary shareholders, by the sum of the weighted average number of outstanding ordinary and potential shares. Potential ordinary shares are considered as having been converted into ordinary shares at the beginning of the reporting period, or on the date of issue of the potential ordinary shares, if later.

(t) Events after the balance sheet date

Events after the balance sheet date that have an impact on the result of the financial year or that provide more information about the position of the company on the balance sheet date are reported in the financial statements. Events after the balance sheet date that do not have an impact on the result are included in the explanatory notes, provided that they are of importance.

(u) New standards, interpretations and amendments

APPLICATION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS BY THE COMPANY

During the present financial year, the company applied all new and revised standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Committee (IFRIC), that are relevant for its activities and that became applicable for the accounting period starting on 1 January 2010.

The following new standards, interpretations and amendments issued by the International Financial Reporting Interpretations Committee apply with regard to the present financial year:

- Improvements to the International Standards 2009 issued in April 2009
- IFRS 1 (revised 2009) Additional exemptions for the initial application of IFRS
- IFRS 2 (revised 2009) Share-based payments
- IFRS 3 (revised 2008) Business combinations – amendment of application acquisition method
- IAS 27 (revised 2008) The consolidated financial statements and the separate financial statements - Amendment following amendments of IFRS 3
- IAS 28 (revised 2008) Investments in associates - Amendment following amendment of IFRS 3
- IAS 31 (revised 2008) Investments in joint ventures - Amendment following amendment of IFRS 3
- IAS 39 (revised 2009) Financial Instruments: Recognitions and valuation
- IFRIC 17 Dividend payments in kind
- IFRIC 18 Transfers of assets from customers

The application of the above standards, interpretations and amendments did not lead to important movements in the company's valuation principles.

ISSUED STANDARDS AND INTERPRETATIONS NOT YET APPLICABLE TO THE FINANCIAL YEAR 2010

The company does not intend to early adopt these new standards, guidelines and interpretations. These standards were published by IASB and adopted by the EU but these standards are not yet obligatory for the present accounting period:

- Improvements to the International Standards issued in May 2010
- IAS 24 (revised 2009) Related party disclosures. Revision of the definition of related parties, applicable as of 1 January 2011.
- IAS 32 (revision 2009) Financial instruments: presentation - classification of rights issue, applicable for financial years that start on or after 1 February 2010.
- IFRIC 14 Minimum funding requirements, applicable as from 1 January 2011. Early application is allowed. The movements must be applied retroactively to the earliest comparable period presented.
- IFRIC 19 Extinguishing financial liabilities with equity instruments, applicable for financial years starting as from 1 July 2010.

(6) Goodwill

This item can be specified as follows:

Amounts in kEUR	31.12.2010	31.12.2009
	kEUR	kEUR
Keyware Smart Card	5.248	5.248
Total	**5.248**	**5.248**

In accordance with IFRS 3 - Business combinations, goodwill is no longer amortised but tested for impairment and this for each cash generating unit to which the goodwill belongs. The market value of each cash generating unit is determined based on the present value of the entity. In order to calculate the present value of the entity, the cash flow forecasts are used as specified in the strategic plan 2011 -2017, which has been approved by the Board of Directors.

In accordance with IFRS 3 - Business combinations, goodwill that is included in the consolidation is tested annually for impairment. Based on these tests, the decision was taken on 31 December 2010 that no impairment needed to be booked.
No impairment had to be booked as well as of 31 December 2009.

(7) Other intangible fixed assets

This item pertains to software, licences and distribution rights, whereby the cost of the intangible asset can be determined in a reliable manner.

The movements for the financial year 2010 can be specified as follows.

Amounts in kEUR	Software	Patents and licences	Tot al
Gross book value as at 1 January 2010	520	1.047	1.567
Additions	70	-	70
Disposals	-	-	-
Translation differences	-	-	-
Gross book value as at 31 December 2010	**590**	**1.047**	**1.637**
Accumulated depreciation and impairments (-) on 1 January 2010	205	852	1.057
Depreciation costs of the financial year	106	115	221
Addition of amortisation	-	-	-
Withdrawal due to disposals	-	-	-
Translation differences	-	-	-
Accumulated depreciation and impairments (-) on 31 December 2010	**311**	**967**	**1.278**
Net book value on 1 January 2010	**315**	**195**	**510**
Net book value on 31 December 2010	**279**	**80**	**359**

The software pertains to the SAP ERP package and the licences pertain to the RBS licence following the acquisition of BRV (authorisation services).

The investments in 2010 in software concern the software developments for the new payment

terminals, which were released in the fourth quarter of 2010.
The movements for the financial year 2009 can be specified as follows.

Amounts in kEUR	Software	Patents and licences	Total
Gross book value on 1 January 2009	606	1.047	1.653
Additions	29	-	29
Disposals	(115)	-	(115)
Translation differences	-	-	-
Gross book value on 12 December 2009	**520**	**1.047**	**1.567**
Accumulated depreciation and impairments on 1 January 2009	117	765	882
Depreciation costs of the financial year	103	87	190
Addition of amortisation	-	-	-
Withdrawal due to disposals	(15)	-	(15)
Translation differences	-	-	-
Accumulated depreciation and impairments on 31 December 2009	**205**	**852**	**1.057**
Net book value on 1 January 2009	**489**	**282**	**771**
Net book value on 31 December 2009	**315**	**195**	**510**

The investments in 2009 in software concern the investments in a new transaction platform for offering authorisation services for EMV transactions.

The divestment concerns the credit notes for previously invoiced software developments, of which

(8) Tangible fixed assets

The movements in tangible fixed assets for the financial year 2010 can be summarised as follows.

Amounts in kEUR	Land and buildings	Fixtures and machinery	Furniture and vehicles	Leasing	Other	Total
Gross book value as at 1 January 2010	-	65	475	102	8	650
Additions	-	-	4	-	90	94
Disposals	-	-	-	-	-	-
Translation differences	-	-	-	-	-	-
Gross book value as at 31 December 2010	**-**	**65**	**479**	**102**	**98**	**744**
Accumulated depreciation and impairments on 1 January 2010	-	65	444	68	3	580
Depreciation costs of the financial year	-	-	14	17	1	32
Addition of amortisation	-	-	-	-	-	-
Withdrawal due to disposals	-	-	-	-	-	-
Translation differences	-	-	-	-	-	-
Accumulated depreciation and impairments (-) on 31 December 2010	**-**	**65**	**458**	**85**	**4**	**612**
Net book value on 1 January 2010	**-**	**-**	**31**	**34**	**5**	**70**
Net book value on 31 December 2010	**-**	**-**	**21**	**17**	**94**	**132**

Other tangible fixed assets concern mainly the furnishing of rented buildings.

The movement in tangible fixed assets for the financial year 2009 can be summarised as follows.

Amounts in kEUR	Land and buildings	Fixtures and ma-chinery	Furniture and vehicles	Leasing	Other	Total
Gross book value on 1 January 2009	-	65	464	124	8	661
Additions	-	-	11	-		11
Disposals	-	-	-	(22)	-	(22)
Translation differences	-	-	-	-	-	-
Gross book value on 12 December 2009	**-**	**65**	**475**	**102**	**8**	**650**
Accumulated depreciation and impairments (-) on 1 January 2009	-	65	415	53	2	535
Depreciation costs of the finan-cial year	-	-	29	23	1	53
Addition of amortisation	-	-	-	-	-	-
Withdrawal due to disposals	-	-	-	(8)	-	(8)
Translation differences	-	-	-	-	-	-
Accumulated depreciation and impairments on 31 December 2009	**-**	**65**	**444**	**68**	**3**	**580**
Net book value on 1 January 2009	**-**	**-**	**49**	**71**	**6**	**126**
Net book value on 31 December 2009	**-**	**-**	**31**	**34**	**5**	**70**

(9) Deferred tax assets

The deferred tax assets can be specified as follows:

Amounts in kEUR	31.12.2010	31.12.2009
	kEUR	kEUR
Deferred tax assets as at 1 January	1.450	2.197
Capitalisation of deferred tax assets	622	-
Impairment of deferred tax assets	-	-
Deferred tax liabilities (within the same company)	(387)	(747)
Total	**1.685**	**1.450**

Based on the 2011-217 strategic plan, the Board of Directors has re-assessed the deferred tax assets related to deductible fiscal losses as of 31 December 2010. Based on this re-assessment, an additional deferred tax asset of EUR 622 k has been recognised.

In addition, the Group still has deferred tax assets that relate entirely to tax loss carry forwards, which were not recognised in the financial statements as of 31 December 2010 or 31 December 2009. At the end of December 2010, this concerned a gross amount of 72.1 million euros of losses carried forward, which corresponds with a deferred tax asset of 24.5 million euros.

The deferred tax liabilities amounting to EUR 387 k with regard to Keyware Smart Card Div. NV following the IFRS amendment are deducted from the deferred tax assets and concern all recognitions of temporary differences.

The applicable tax rate is 33.99%.

The movement in the profit and loss account can be summarised as follows:

Amounts in kEUR	31.12.2010	31.12.2009
	kEUR	kEUR
Capitalisation of deferred taxes with respect to tax losses	622	-
Deferred tax liabilities with respect to IFRS amendments	(387)	(172)
Reversal of deferred tax liabilities with respect to IFRS amendments	-	-
Impairment of deferred tax assets	-	-
Total	**235**	**(172)**

(10) Long-term finance lease receivables

This item can be summarised as follows:

Amounts in kEUR	31.12.2010	31.12.2009
	kEUR	kEUR
Outstanding capital contracts	6.005	4.835
Outstanding capital financing Parfip	3.154	2.956
Fees for the termination of outstanding contracts	(110)	-
Total	**9.049**	**7.791**

The finance lease receivables include the long-term portion of the receivables with regard to the finance leases in accordance with IAS 17 - Lease contracts for payment terminals. As at 31 December 2010, these receivables amounted to EUR 6,005 k, as at 31 December 2009, these receivables amounted to EUR 4,835 k. This concerns net amounts, in other words, after the impairment of the outstanding capital in respect of receivables from financial leases in connection with customers who are in default, have terminated their activities or have terminated their contract (compare (31) Net impairments on current assets).

In addition, the long-term trade receivables pertaining to the financing agreement with Parfip Benelux NV are also included in this item.
The Group concluded a financing agreement with Parfip Benelux NV, whereby the Group has the possibility to assign payment terminal rental contracts to Parfip Benelux NV. In connection with this agreement, the contracts regarding the rental of payment terminals can be sold to Parfip Benelux NV at a present value based on a discounting rate that varies between 10 and 16 percent. In other words, at the beginning of the contract, the Group receives the entire discounted sum of the rent payments and Parfip Benelux NV shall collect the rental income during the whole period of the contract (regarding the rental of the payment terminal). At the end of the contract the equipment, provided payment of a small residual value, again becomes the property of the Group. In accordance with this contract, the ultimate debtor risk is borne by the Group. Concretely, this means that in the event of insolvency of a debtor, Parfip Benelux NV reserves the right to re-invoice this contract to the Group. In that case, the Group will have to repay the outstanding capital with regard to the discounted amount received in advance from Parfip Benelux NV, but the Group itself will be able to invoice the remaining duration of the contract to the end customer. As a result, the Group has a potential receivable on the one hand and a potential debt on the other hand.
At the end of December 2010, the Group had a deferred receivable/debt corresponding to the total amount of the outstanding sum of the contracts sold in 2006, 2007, 2008, 2009 and 2010. This involves a total amount of EUR 4,153 k, of which EUR 3,145 k is long term and EUR 999 k is short term.

As stated above, the debtor risk in connection with the financing agreement with Parfip Benelux NV is borne by the Group. In connection with this, a provision was made as of 31 December 2010 amounting to EUR 137 k, of which EUR 110 k is for the long term and EUR 27 k for the short term. At the end of December 2009, the provision amounted to EUR 100 k and was entirely for the short term.

(11) Other assets

This item pertains entirely to guarantees in cash.

(12) Inventories

This item can be specified as follows:

Amounts in kEUR	31.12.2010	31.12.2009
	kEUR	kEUR
Gross value of stock of terminals	872	771
Write offs	(279)	(279)
Total	**593**	**492**

The goods for resale concern products purchased from third parties. No additional write offs were booked during the financial years 2010 and 2009 therefore the total write off at the end of December 2010 amounted to EUR 279 k.

Write offs and reversals of write offs are recognised in the profit and loss account under the item "Provisions and write offs".

(13) Trade receivables and other receivables

This item can be specified as follows:

Amounts in kEUR	31.12.2010	31.12.2009
	kEUR	kEUR
Trade receivables	120	201
Credit notes to be received	-	100
Credit notes to be issued	(72)	-
Prepayments	50	-
Bad debts	848	958
Write offs	(665)	(963)
Other receivables	543	56
Total	**824**	**352**

The item trade receivables concerns trade receivables that are not related to financial lease receivables. This concerns, in part, invoicing for third party costs, invoicing related to loyalty and authorisations.

The due dates of the trade receivables can be specified as follows:

Amounts in kEUR	Not yet due	1m-6m	>6m	Total
	kEUR	kEUR	kEUR	kEUR
As at 31.12.2010	59	-	61	120
As at 31.12.2009	140	-	61	201

The credit notes to be issued pertain to an out-of-court settlement of a dispute with a trading partner. In connection with this dispute, the Group wrote off the entire amount of an outstanding receivable at the end of 2007 amounting to EUR 280 k. The outstanding debt vis-à-vis the same party remained outstanding. The counter party was summoned by the Court. At the end of September 2010, the parties reached an out-of-court settlement whereby the Group will ultimately recoup an amount of EUR 193 k (partially in cash and partially the acquittal of debts owed to the same party). As a result, the originally booked write off was reversed and also a definitely lost receivable (for the acquitted part), under the form of a credit note to be issued, was registered.

The credit notes to be received as at 31 December 2009 pertained to the credit entry of previously invoiced software developments, of which the software will never be used (has never been operational).

The write offs comprise the write-off in connection with bad debts and concern entirely the trade receivables from the past that are not related to financial leasing receivables, but still relate to the previously carried out loyalty activities. During the financial year 2010, additional impairments were booked on trade receivables.

Other receivables can be specified as follows:

Amounts in kEUR	31.12.2010	31.12.2009
	kEUR	kEUR
VAT to be reclaimed	17	13
Amounts owed to employees	18	42
Other	2	1
Settlement receivable	506	-
Total	**543**	**56**

In March 2010, the Management Board confirmed the mutual agreement that was concluded in connection with a legal dispute with a trading partner. As a result, Keyware is entitled to a compensation of 1 million euros.

During the fourth quarter of 2010, the first terminals of this supplier were marketed. In connection with the settlement agreement, this supplier will pay an amount of 1 million euros to Keyware in the form of discounts on future orders. This concerns a discount of 50% on all software and 25% on all hardware purchased from this supplier.
As at 31 December 2009, this out-of-court settlement was not taken into account in the financial statements and was regarded as a "contingent asset". As of 31 December 2010, an amount of EUR 559 k was taken into account under other operating income based on already realised contracts, on the one hand, and the budgeted contracts for the coming three years, on the other hand. Of this amount, EUR 506 k still had to be recouped as at 31 December 2010.

(14) Short-term finance lease receivables

This item can be specified as follows:

Amounts in kEUR	31.12.2010	31.12.2009
	kEUR	kEUR
Outstanding capital contracts	124	331
Fees for the termination of outstanding contracts	(27)	(100)
Outstanding capital financing Parfip	999	1.176
Total	**1.096**	**1.407**

The item "outstanding capital contracts" concerns the balance of all adjustments related to financel lease receivables. This item therefore contains both positive and negative adjustments. The item also includes the short-term portion of the receivables with regard to the financial leases in accordance with IAS 17 - Lease contracts for payment terminals.

As stated under (10),long-term finance lease receivables, the debtor risk in connection with the financing agreement with Parfip Benelux NV is borne by the Group. In connection with this, a provision was made as of 31 December 2010 amounting to EUR 137 k, of which EUR 110 k is for the long term and EUR 27 k for the short term. At the end of December 2009, the provision amounted to EUR 100 k and was entirely for the short term.

(15) Prepaid expenses and accrued income

This item can be specified as follows:

Amounts in kEUR	31.12.2010	31.12.2009
	kEUR	kEUR
Prepaid rent	6	28
Prepaid marketing expenses	16	42
Prepaid insurance	2	3
Prepaid commissions	6	55
Prepaid communication expenses	21	28
Prepaid subscriptions	12	-
Interest expenses warrants relating to future years	52	82
Other	2	1
Accrued revenues	-	73
Total	**117**	**312**

The prepaid commissions concern commission paid - in the past - to an independent third party responsible for the conclusion of the rental contracts. For each legally correct concluded contract this party received a commission, of which, in accordance with the valuation principles of the Group, 75% was immediately recognised in the result and 25% was recognised in the result in accordance with the term of the contract. This amount relates to this 25%.

The interest expenses warrants relate to the valuation of the 1,925,000 warrants that were issued following the issue of the convertible loan. An amount of EUR 119 k is included under equity in connection with the valuation of the warrants linked to the convertible bond. The counterpart of this amount is recognised in the result over the exercise period of these warrants.

Furthermore, this concerns the prepaid rent and rent expenses and the expenses in connection with maintenance contracts, marketing and insurance that should be transferred to the next accounting period.

(16) Cash and cash equivalents

In connection with its activities such as NSP (Network Service Provider), the Group is confronted with the fact that cash movements take place over so-called client accounts.

As at 31 December 2010, this concerns an amount of EUR 9 k that is recorded on this client account and that is therefore not at Keyware's disposal. As at 31 December 2009 this concerned an amount of EUR 4 k.

(17) Capital structure

As of 31 December 2008, the issued authorised share capital of the Group amounted to EUR 23,641 K, represented by 14,386,379 ordinary shares without nominal value.

During 2009, a number of warrant holders confirmed their confidence in the Group and proceeded to exercise their outstanding warrants:

- following the exercising of 480,000 "B Warrants", the capital was increased for an amount of EUR 167 k and 480,000 new shares were issued via a notarial deed executed on 22 May 2009.
- following the exercising of 222,500 Warrants 2008, the capital was increased for an amount of EUR 278 k and 222,500 new shares were issued via a notarial deed executed on 16 June 2009.

As of 31 December 2009, the issued authorised share capital of the Group amounted to EUR 24,085 K, represented by 15,088,879 ordinary shares without nominal value.

During 2010, a number of warrant holders confirmed their confidence in the Group and proceeded to exercise their outstanding warrants:

- following the exercising of 187,500 Warrants 2008, the capital was increased for an amount of EUR 235 k and 187,500 new shares were issued via a notarial deed executed on 30 April 2010;
- following the exercising of 160,000 Warrants 2008, the capital was increased for an amount of EUR 200 k and 160,000 new shares were issued via a notarial deed executed on 17 September 2010.

During the Extraordinary General Shareholders' Meeting of 29 November 2010, the decision was taken to convert amounts owed to lenders amounting to EUR 1,511 K into 927,634 new shares. In addition, the decision was taken to convert amounts owed to suppliers amounting to EUR 552 k into 339,266 new shares.
As a result of these debt conversions, the capital was increased to EUR 2,063 k.
The same Extraordinary General Shareholders' Meeting also decided to reduce the capital by EUR 19,839 k by settling the losses.

As of 31 December 2010, the issued authorised share capital of the Group amounted to EUR 6,745 K, represented by 16,703,279 ordinary shares without nominal value.

The General Shareholders' Meeting of 17 March 2010 decided to renew the authorisation granted to the Board of Directors regarding the allowed capital with a maximum amount equal to the authorised capital of the Company for a period of five years, in accordance with Section 603 of the Company Code. The authorisation of the Board of Directors also applies for capital increases by contribution in kind and in cash, by converting reserves, or issue premiums, with or without issuing shares, and includes the authority to issue convertible loans, warrants that are or are not linked to another security, and bods with warrants.
The General Shareholders' Meeting also resolved to renew the power of the Board of Directors for a period of three years from the date of this Shareholders' Meeting, to increase the issued capital of the Company in one or several stages, as from the date of the notification by the Banking, Finance and Insurance Commission of a public takeover bid for the shares of the Company by contribution in cash with the lifting of the limitation of the priority rights of the existing shareholders or by contribution in kind in accordance with the relevant legal provisions.

The Board of Directors is authorised, within the framework of the authorised capital and in the interest of the company and provided that the relevant statutory provisions are complied with, to cancel or limit the priority rights attributed by law to the shareholder. The Board of Directors is authorised to limit or cancel the priority right in favour of one or several specific persons, even if these persons are not employees of the Company or of its subsidiaries. The above-mentioned authorisations can also be used for the transactions specified in Section 605 of the Company Code, in particular (i) the issue of convertible bonds or warrants whereby the priority right of the shareholders is limited or excluded, (ii) the issue of convertible bonds whereby the priority right of the shareholders is limited or excluded in favour of one or more specific persons, other than employees of the Company or of its subsidiaries, and (iii) the capital increases that occur as a result of the conversion of the reserves.
The General Shareholders' Meeting then resolved to a corresponding change of the transition provisions of the articles of association.

Furthermore, the General Shareholders' Meeting of 17 March 2010 resolved:

- (i) to authorise the Board of Directors to acquire a maximum amount of twenty (20) percent of the shares of the Company at a minimum price equal to the closing price of the share on Euronext Brussels on the trading day immediately prior to the acquisition less twenty (20) percent and at a maximum price equal to the closing price of the share on Euronext Brussels on the trading day immediately prior to the acquisition increased by twenty (20) percent, all of the above in compliance with Sections 620 through 625 of the Company Code. The authorisation for acquisition is valid for a period of five (5) years, calculated from the date of the publication of the above-mentioned resolution in the annexes of the Belgian Gazette, and can be renewed. The resolution that this authorisation also applies for the acquisition of shares of the Company by one of its directly controlled subsidiaries in accordance with Section 627 of the Company Code. The resolution to authorise the Board of Directors to dispose of its own shares, whereby the Board of Directors, to the degree permitted by law, is not bound by the aforementioned limitations in time and duration and whereby this authorisation also applies to the disposal of shares of the Company by one of its directly controlled subsidiaries within the meaning of Section 627 of the Company Code; and
- (ii) to authorise the Board of Directors for a period of three (3) years form the date of notification of this amendment to the Articles of Association to acquire, to take as security or to dispose of a minimum of twenty (20) percent of the registered shares, if such acquisition, taking as security or disposal is necessary to prevent a serious potential disadvantage for the Company.

The Board of Directors has the authority to amend the Articles of Association of the Company in accordance with the capital increase that was determined within the framework of it authority.

Each share entitles the holder to one vote. Under Belgian legislation, the capital structure of the Company, with the number of issued and authorised shares is laid down in the Articles of Association of the Company and can be amended by the shareholders provided that a specific majority of the votes is attained.

(18) Borrowings - long-term liabilities

This item can be specified as follows:

Amounts in kEUR	31.12.2010	31.12.2009
	kEUR	kEUR
ING financing	217	90
Parana Management BVBA financing	19	631
Congra SA financing	193	-
Total	**429**	**721**

In connection with the purchase of the shares of B.R.V Transactions NV, ING provided an investment loan for an amount of EUR 300 k to Keyware Transactions & Processing NV. This loan is repayable in 20 trimester payments of EUR 15 k. The applicable interest rate is 3-month EURIBOR increased by 2%. This loan is secured by a guarantee issued by Keyware Technologies NV for an amount of EUR 300 k in principal.

Keyware Smart Card NV signed a loan agreement with Congra SA on 13 July 2010. Congra SA is an investment company with its registered office in Luxembourg. Congra SA made an amount of EUR 250,000 available. This loan is repayable in 60 monthly payments of EUR 5 k (including interest). The applicable interest rate is 8%.

On 17 May 2010, Keyware Smart Card NV concluded an investment loan with ING Bank for an amount of EUR 750,000. In August 2010, the first portion of this loan amounting to EUR 250,000 was taken up.
The total loan (EUR 750 k) is repayable in 16 trimester payments of EUR 46 k (including interest). The applicable interest rate is 3-month EURIBOR increased by a margin of 4.5% per year.

This loan is secured by:

- a guarantee issued by Keyware Technologies NV and Keyware Transaction & Processing NV for an amount of EUR 750 k in principal;
- a guarantee issued by the "Waarborgbeheer NV", for an amount of 75% of the loan;
- a cash deficiency clause, signed by Parana Management BVBA;.

The loan provided by Parana Management BVBA in 2009 was concluded for an indefinite period. The applicable interest rate was 8%. This loan was converted into capital on 29 November 2011 following the decision of the Extraordinary Shareholders' Meeting.

The future repayment obligations as of 31 December 2010 in respect of long-term and short-term loans can be specified as follows:

Amounts in kEUR	31.12.2010
	kEUR
2011	166
2012	159
2013	113
2014	118
2015	39
Total	**595**

(19) Obligations under finance lease arrangements - long-term

This item can be specified as follows:

Amounts in kEUR	31.12.2010	31.12.2009
	kEUR	kEUR
Sale and lease back Parfip	889	1.465
Finance lease vehicles	3	18
Total	**892**	**1.483**

Between June and December 2008, the Group concluded seven financing agreements - financing of the lease agreement - with Parfip Benelux NV for a total amount of EUR 2,029 k. These financing agreements can be summarised as follows:

date	amount	term	interest	repayment/month
28/05/2008	151 kEUR	50 months	11,48%	EUR 3 k
30/06/2008	260 kEUR	53 months	11,91%	EUR 6 k
01/08/2008	281 kEUR	60 months	11,91%	EUR 6 k
01/09/2008	298 kEUR	57 months	13,00%	EUR 7 k
06/10/2008	372 kEUR	60 months	13,48%	EUR 8 k
30/10/2008	384 kEUR	60 months	13,48%	EUR 9 k
01/12/2008	283 kEUR	60 months	13,48%	EUR 6 k

In January 2009, the Group concluded a financing agreement - financing of the lease agreement - with Parfip Benelux NV for a total amount of EUR 249 k. The monthly repayment amounts to EUR 6 k and the applicable interest rate is 14.17%.

The total outstanding debt amounted to EUR 1,494 k on 31 December 2010 of which EUR 889 k was recorded as long term and EUR 605 k was recorded as short term.

The total outstanding debt amounted to EUR 2,013 k on 31 December 2009 of which EUR 1,465 k was recorded as long term and EUR 548 k was recorded as short term.

In addition, the Group has concluded various finance lease agreements for, inter alia, vehicles. The total outstanding debt as of 31 December 2009 amounted to EUR 37 k, of which EUR 18 k was recorded as long term and EUR 19 k as short term.

The future repayment obligations as of 31 December 2010 in respect of long-term and short-term lease obligations payable to Parfip can be specified as follows:

Amounts in kEUR	31.12.2010
	kEUR
2011	623
2012	531
2013	361
Total	**1.515**

(20) Trade payables - long-term obligations

This item can be specified as follows:

Amounts in kEUR	31.12.2010	31.12.2009
	kEUR	kEUR
Financiering Parfip Benelux	3.154	2.956
Total	**3.154**	**2.956**

As stated under (10) Long-term finance lease receivables, the Group has conclude a financing agreement with Parfip Benelux NV, whereby the Group has the possibility to assign the contracts in respect of the rental of payment terminals to Parfip Benelux NV. In connection with this agreement, the contracts regarding the rental of payment terminals can be sold to Parfip Benelux NV at a present value based on a discounting rate that varies between 10 and 16 percent. In other words, at the beginning of the contract, the Group receives the entire discounted sum of the rent payments and Parfip Benelux NV shall collect the rental income during the whole period of the contract (regarding the rental of the payment terminal). At the end of the contract, the equipment, provided payment of a small residual value, again becomes the property of the Group.
In accordance with this contract, the ultimate debtor risk is borne by the Group. Concretely, this means that in the event of insolvency of a debtor, Parfip Benelux NV reserves the right to re-invoice this contract to the Group. In that case, the Group will have to repay the outstanding capital with regard to the discounted amount received in advance from Parfip Benelux NV, but the Group itself will be able to invoice the remaining duration of the contract to the end customer. As a result, the Group has a potential receivable on the one hand and a potential debt on the other hand.
At the end of December 2010, the Group had a deferred receivable/debt corresponding to the total amount of the outstanding sum of the contracts sold in 2006, 2007, 2008, 2009 and 2010. This involves a total amount of EUR 4,153 k, of which EUR 3,145 k is long term and EUR 999 k is short term.

(21) Trade and other payables - short-term obligations

This item can be specified as follows:

Amounts in kEUR	31.12.2010	31.12.2009
	kEUR	kEUR
Trade payables	1.154	1.615
Deferred liability Parfip	999	1.176
Invoices to be received	303	365
Credit notes to be received	(215)	-
Withholding tax	40	63
Social security contributions	68	106
Salaries to be paid	54	26
Provision for holiday pay	118	136
Total	**2.521**	**3.487**

The total amount of outstanding trade payables contains an amount of EUR 263 k of overdue trade debts. This may concern suppliers with repayment schedules, suppliers with whom a dispute is pending, a supplier who is currently unable to claim his debts or suppliers who are also customers.

The outstanding trade payables can be specified as follows:

Amounts in kEUR	31.12.2010		31.12.2009	
	Aantal	kEUR	Aantal	kEUR
Current suppliers	-	867	-	715
Pending disputes	2	54	7	166
Repayment schedules	1	39	2	61
Unclaimed amounts	1	110	1	110
Internal consultants	5	56	6	443
Supplier and also customer	2	28	3	120
Total		**1.154**		**1.615**

At the end of December 2010, there was one repayment schedule for a total outstanding debt of EUR 39 k. This amount was repaid in full at the beginning of 2011.

At the end of December 2010, there were two pending disputes with suppliers for a total outstanding debt of EUR 54 k.

The 'unclaimed amount' concerns one supplier for an amount of EUR 110 k. This amount relates to services that still have to be rendered by the supplier.

The internal consultants concern six suppliers, who are independent suppliers who render services to the Group, such as the CEO, CFO, COO, marketing director and a "business developer".

As stated under (10) Finance lease receivables over more than one year, on 31 December 2010, the Group had a deferred receivable/debt corresponding to the total amount of the outstanding sum of the contracts sold to Parfip NV in 2006, 2007, 2008, 2009 and 2010. This involves a total amount of EUR 4,153 k, of which EUR 3,145 k is long term and EUR 999 k is short term.

The due dates of the trade payables can be specified as follows:

Amounts in kEUR	‹1year	1year - 5year	› 5year	Total
	kEUR	kEUR	kEUR	kEUR
As at 31.12.2010	894	247	13	1.154
As at 31.12.2009	1.110	492	13	1.615

(22) Borrowings - short-term obligations

This item can be specified as follows:

Amounts in kEUR	31.12.2010	31.12.2009
	kEUR	kEUR
Financiering ING	122	60
Congra SA	44	-
Total	**166**	**60**

For the explanatory notes to this item, we refer to (18) Borrowings - long-term obligations.

(23) Obligations under finance lease - short-term

This item can be specified as follows:

Amounts in kEUR	31.12.2010	31.12.2009
	kEUR	kEUR
Sale&lease back Parfip	605	548
Financiële leasing rollend material	18	19
Total	**623**	**567**

For the explanatory notes to this item, we refer to (19) Obligations under finance lease - long-term.

(24) Other payables

This item can be specified as follows:

Amounts in kEUR	31.12.2010	31.12.2009
	kEUR	kEUR
Balance debt acquisition of BRV	-	62
Disputed debts	97	172
Accruals	51	25
Deferred income	49	30
Other	2	2
Total	**199**	**291**

The disputed debts as of 31 December 2009 relate to two debts that are disputed by the company. In the course of the third quarter of 2010, the Group concluded an out-of-court settlement for one of these cases. As a result of this out-of-court settlement, an amount of EUR 38 k was paid and an amount of EUR 64 k was received.

As of 31 December 2010, one disputed debt still remains outstanding for an amount of EUR 97 k. The Court of Appeal sentenced the Company to the payment of the compensation demanded by the counter party. The Company agreed a repayment schedule with the counter party. Up to and including 31 March 2011, EUR 57 k has been repaid.

The accruals relate to rent and interest expenses.

The deferred income relates to deferred maintenance income.

(25) Business Segment Information

The Group makes a distinction between, on the one hand, results in connection with activities regarding payment terminals and, on the other hand, results in connection with activities regarding credit card authorisations.

The breakdown of the results for the financial year 2010 is as follows:

Consolidated profit and loss account	31.12.2010	31.12.2010	31.12.2010	31.12.2010
	kEUR	kEUR	kEUR	kEUR
Segment information	Terminals	Authorisations	Corporate	
	(audited)	(audited)	(audited)	(audited)
Continuing operations				
Turnover	5.693	113	-	5.806
Other profits and losses	717	536	113	1.366
Raw materials and consumables	(1.059)	(78)	-	(1.137)
Salaries and employee benefits	(1.357)	(10)	(185)	(1.552)
Depreciation	-	(118)	(135)	(253)
Net impairment of current assets	(746)	-	-	(746)
Other expenses	(2.279)	(357)	(570)	(3.206)
Operating profit / (operating loss)	**969**	**86**	**(777)**	**278**
Financial income	685	-	-	685
Financial expenses	(604)	(6)	(142)	(752)
Result before taxes	**1.050**	**80**	**(919)**	**211**
Taxes on the result	235	-	-	235
Profit/(loss) for the period from continuing operations	**1.285**	**80**	**(919)**	**446**
Profit/(loss) for the period from discontinued operations	-	-	-	-
Profit/(loss) for the period	**1.285**	**80**	**(919)**	**446**

The majority of the turnover realised by the segments comprises sales to external customers. The transactions between the segments are minimal.

The breakdown of the balance sheet for the financial year 2010 is as follows:

Consolidated balance sheet	31.12.2010	31.12.2010	31.12.2010	31.12.2010
	kEUR	kEUR	kEUR	kEUR
Segment information	Terminals	Authorisations	Corporate	
	(audited)	(audited)	(audited)	(audited)
Assets				
Goodwill	5.248	-	-	5.248
Other intangible fixed assets	70	85	204	359
Property, plant and equipment	1	90	41	132
Deferred tax assets	1.685	-	-	1.685
Receivables from finance leases	9.049	-	-	9.049
Other assets	5	5	47	57
Non-current assets	**16.058**	**180**	**292**	**16.530**
Inventories	593	-	-	593
Trade receivables and other receivables	707	105	12	824
Receivables from finance leases	1.096	-	-	1.096
Deferred income and accrued expenses	44	-	73	117
Cash and cash equivalents	51	66	31	148
Current assets	**2.491**	**171**	**116**	**2.778**
Total assets	**18.549**	**351**	**408**	**19.308**
Equity and liabilities				
Issued capital	-	-	6.069	6.069
Share premiums	-	-	4.522	4.522
Other reserves	-	-	287	287
Retained earnings	1.285	80	(919)	446
Equity	**1.285**	**80**	**9.959**	**11.324**
Borrowings	380	30	19	429
Lease obligations	889	-	3	892
Trade payables	3.154	-	-	3.154
Total non-current liabilities	**4.423**	**30**	**22**	**4.475**
Trade payables and other payables	1.996	143	382	2.521
Borrowings	106	60	-	166
Lease obligations	605	-	18	623
Other liabilities	62	1	136	199
Total current liabilities	**2.769**	**204**	**536**	**3.509**
Total equity and liabilities	**8.477**	**314**	**10.517**	**19.308**

The breakdown of the results for the financial year 2009 is as follows:

Consolidated profit and loss account	31.12.2009	31.12.2009	31.12.2009	31.12.2009
	kEUR	kEUR	kEUR	kEUR
Segment information	Terminals	Authorisations	Corporate	
	(audited)	(audited)	(audited)	(audited)
Continuing operations				
Turnover	5.546	137	-	5.683
Other profits and losses	160	7	58	225
Raw materials and consumables	(1.004)	(78)	-	(1.082)
Salaries and employee benefits	(1.299)	(70)	(161)	(1.530)
Depreciation	-	(95)	(148)	(243)
Net impairment of current assets	(585)	-	(135)	(720)
Other expenses	(2.349)	(172)	(351)	(2.872)
Operating profit / (operating loss)	**469**	**(271)**	**(737)**	**(539)**
Financial income	551	11	18	580
Financial expenses	(543)	(11)	(109)	(663)
Result before taxes	**477**	**(271)**	**(828)**	**(622)**
Taxes on the result	(172)	-	-	(172)
Profit/(loss) for the period from continuing operations	**305**	**(271)**	**(828)**	**(794)**
Profit/(loss) for the period from discontinued operations	-	-	-	-
Profit/(loss) for the period	**305**	**(271)**	**(828)**	**(794)**

The breakdown of the balance sheet for the financial year 2009 is as follows:

Consolidated balance sheet	31.12.2009	31.12.2009	31.12.2009	31.12.2009
	kEUR	kEUR	kEUR	kEUR
Segment information	Terminals	Authorisations	Corporate	
	(audited)	(audited)	(audited)	(audited)
Assets				
Goodwill	5.248	-	-	5.248
Other intangible fixed assets	-	203	307	510
Property, plant and equipment	2	-	68	70
Deferred tax assets	1.450	-	-	1.450
Receivables from finance leases	7.791	-	-	7.791
Other assets	5	5	101	111
Non-current assets	**14.496**	**208**	**476**	**15.180**
Inventories	492	-	-	492
Trade and other receivables	139	184	29	352
Receivables from finance leases	1.407	-	-	1.407
Deferred income and accrued expenses	153	28	131	312
Cash and cash equivalents	22	3	9	34
Current assets	**2.213**	**215**	**169**	**2.597**
Total assets	**16.709**	**423**	**645**	**17.777**
Equity and liabilities				
Issued capital	-	-	18.063	18.063
Share premiums	-	-	4.522	4.522
Other reserves	-	-	119	119
Retained earnings	(22.443)	(2.764)	10.715	(14.492)
Equity	**(22.443)**	**(2.764)**	**33.419**	**8.212**
Borrowings	-	90	631	721
Lease obligations	1.465	-	18	1.483
Trade payables	2.956	-	-	2.956
Total non-current liabilities	**4.421**	**90**	**649**	**5.160**
Trade payables and other payables	2.189	180	1.118	3.487
Borrowings	-	60	-	60
Lease obligations	548	-	19	567
Other liabilities	33	62	196	291
Total current liabilities	**2.770**	**302**	**1.333**	**4.405**
Total equity and liabilities	**(15.252)**	**(2.372)**	**35.401**	**17.777**

(26) Geographic segment information

The geographic segment information can be specified as follows:

Amounts in kEUR	31.12.2010	31.12.2009
	kEUR	kEUR
Turnover in Belgium.	5.708	5.683
Turnover in the Netherlands	98	-
Total	**5.806**	**5.683**

The turnover realised in the Netherlands was realised by the Belgian branches and with personnel and resources from Belgium.

(27) Revenue categories

The various revenue categories, in respect of turnover, can be specified as follows:

Amounts in kEUR	31.12.2010	31.12.2009
	kEUR	kEUR
Discounted rental income	4.151	4.051
Sale of goods	162	204
Providing services	1.262	1.251
Termination fees	231	177
Interest	-	-
Royalties	-	-
Dividends	-	-
Total	**5.806**	**5.683**

The Company has more than 10,000 active customers. The most important customer represents less than 1% of the Company's turnover.

(28) Other operating income

This item can be specified as follows:

Amounts in kEUR	31.12.2010	31.12.2009
	kEUR	kEUR
Recovery of meal vouchers	12	12
Withholding company cars	47	48
Recovery of insurance - damage	-	13
Double payments customers	58	33
Compensation for damages RBS	450	-
Compensation for damages "settlement"	559	-
Out-of-court settlement suppliers (acquittal)	151	91
Release of debt no longer requiring payment	63	-
Other	26	28
Total	**1.366**	**225**

In June 2009, the Royal Bank of Scotland (RBS) announced that it would terminate its acquisition activities at the end of 2009. As a result, the Group had to find a different solution for its existing customers, on the one hand, and an alternative solution for the planned EMV project with RBS, on the other hand.

In July 2009, Keyware gave Royal Bank of Scotland a notice of default whereby compensation was demanded for the unilateral termination of the collaboration agreement. Following the notice of default, both parties commenced negotiations in order to arrive at an out-of-court settlement. At the beginning of August 2010, both parties reached an agreement on the amount of this out-of-court settlement, being EUR 450,000. This amount has been accounted for under other operating income.

The compensation for damages "settlement", concerns the mutual agreement that was approved by the Board of Directors in March 2010 that was concluded in connection with a legal dispute with a trading partner. As a result, Keyware is entitled to a compensation of one million euros.
During the fourth quarter of 2010, the first terminals of this supplier were marketed. In connection with the settlement agreement, this supplier will pay an amount of one million euros to Keyware in the form of discounts on future orders. This concerns a discount of 50% on all software and 25% on all hardware purchased from this supplier.
As at 31 December 2009, this out-of-court settlement was not taken into account in the financial statements and was regarded as a "contingent asset". As of 31 December 2010, an amount of EUR 559 k was taken into account under other operating income based on already realised contracts, on the one hand, and the budgeted contracts for the coming three years, on the other hand.

(29) Personnel costs and personnel remunerations

Personnel costs can be specified as follows::

Number	31.12.2010	31.12.2009
	kEUR	kEUR
Employees - excluding management	35	39
Management	-	-

Amounts in kEUR	31.12.2010	31.12.2009
	kEUR	kEUR
Salaries	1.120	1.157
Social security contributions	289	283
Group insurance	29	13
Various benefits	54	56
Valuation of employee warrants	34	-
Other	26	21
Total	**1.552**	**1.530**

(30) Depreciation

This item can be specified as follows:

Amounts in kEUR	31.12.2010	31.12.2009
	kEUR	kEUR
Depreciation of intangible fixed assets	221	190
Depreciation of tangible fixed assets	32	53
Total	**253**	**243**

(31) Write offs on current assets

This item can be specified as follows:

Amounts in kEUR	31.12.2010	31.12.2009
	kEUR	kEUR
Write off finance lease receivables	808	585
Write off other receivables	-	135
Reversal of earlier write offs	(62)	-
Total	**746**	**720**

For further details regarding write offs on finance lease receivables, we refer to (10) Finance lease receivables (long-term) and (14) Finance lease receivables (short-term).

(32) Other operating expenses

This item can be specified as follows:

Amounts in kEUR	31.12.2010	31.12.2009
	kEUR	kEUR
Accommodation	142	143
Car expenses	297	299
Material costs	51	45
Communication costs	115	96
Fees	1.628	1.252
Stock market listing	78	62
Presentation and representation	80	78
Sales and marketing	393	519
Interim	28	101
Administration	123	125
Non-deductible VAT	81	75
Other	190	77
Total	**3.206**	**2.872**

(33) Financial income and expenses

Financial income can be specified as follows:

Amounts in kEUR	31.12.2010	31.12.2009
	kEUR	kEUR
Financing income from payment terminal contracts	685	552
Other	-	28
Total	**685**	**580**

As stated in explanatory note (5) Main accounting principles governing the financial reporting – (j) Financial instruments – Finance lease receivables, the rental price of a contract is divided into net rent and maintenance. Subsequently, the present value for the full term of the contract, which is 60 months, is calculated (i.e. discounted). This entire present value amount is recorded as turnover in the month in which the contract starts. The revenue related to maintenance is incorporated in turnover spread over the duration of the contract. Financial income equal to the difference between the total value of the contract and the discounted value is recorded each month. The financial income concerns the financing income in respect of the contracts for payment terminals.

Financial expenses can be specified as follows:

Amounts in kEUR	31.12.2010	31.12.2009
	kEUR	kEUR
IInterest on shareholders' advances	56	46
Interest on financial debts	16	7
Interest Parfip	568	524
Interest on leasing	17	16
Interest on late payments	42	29
Other	53	41
Total	**752**	**663**

(34) Winstbelastingen

Amounts in kEUR	31.12.2010	31.12.2009
	kEUR	kEUR
Result before taxes	278	(621)
Taxes at the normal rate	95	(211)
Capitalised deferred taxes in respect of tax loss carryforwards	(622)	-
Non-capitalised deferred taxes in respect of tax loss carry-forwards fiscal losses	-	211
Valuation allowances in respect of deferred tax assets	-	-
Tax corrections previous financial years	-	-
Permanent differences and other	292	172
Total	**(235)**	**172**

(35) Benefits in the form of equity instruments

(a) Overview

An overview for the past two years can be specified as follows.

Amounts in kEUR	31.12.2010		31.12.2009	
	Warrants	Exercise price	Warrants	Exercise price
Outstanding at the beginning of the period	1.836.400	1,71	2.538.900	1,41
Allocated	472.500	1,56	-	-
Exercised	347.500	1,25	702.500	0,634
Expired	52.900	5,59	-	-
Outstanding and exercisable at the end of the period	**1.908.500**	**1,65**	**1.836.400**	**1,71**

The outstanding and exercisable warrants as at 31 December 2010 and 2009 can be specified as follows:

Amounts in kEUR	31.12.2010		31.12.2009	
	Warrants	Exercise price	Warrants	Exercise price
2005 Warrants	-	-	41.900	6,50
2007 Warrants	91.000	8,00	92.000	8,00
2008 Warrants – convertible bond	1.355.000	1,25	1.702.500	1,25
2010 Warrants	462.500	1,56	-	-
Outstanding and exercisable at the end of the period	**1.908.500**	**1,65**	**1.836.400**	**1,71**

(b) 2005 Warrants

The Extraordinary Shareholders' Meeting decided on 27 May 2005 to issue 7,000,000 "2005 Warrants" and to issue 750,000 "DAC Warrants".
These warrants give the right to subscribe to an equivalent number of shares. The exercise price of these warrants is EUR 0.13 and was determined based on the average of the closing prices of Euronext Brussels during the thirty days prior to the day on which the issue commences.
The period of validity of these warrants is five years.

The warrants were valued in accordance with the Black and Scholes method, based on an exercise price of EUR 6.5 (being EUR 0.13 * 50), an underlying share price of EUR 0.40, a volatility of 35%, an estimated exercise period of five years, no anticipated dividend and a risk-free interest rate of 6.25%. This resulted in a value lower than EUR 100.

As of 31 December 2009, 41,900 (2,095,000/50) "2005 Warrants" are still exercisable at an exercise price of EUR 6.50 (being EUR 0.16x50).

As of 31 December 2010, all of these warrants were expired.

(c) 2007 Warrants

The Extraordinary General Shareholders' Meeting of 24 April 2007 approved the "2007 Warrant Plan" and authorised the issue of 7,000,000 warrants. Of these 7,000,000 warrants, 1,100,000 warrants were reserved for employees. These warrants were offered within a period of three months as from the date of the Extraordinary Shareholders' Meeting, allocation and definitive issue thereof (by notarial deed). 5,900,000 warrants were allocated to specific persons (directors, consultants and managers).

The issued warrants give the right to subscribe to an equivalent number of shares. The exercise price of these warrants is EUR 8 (EUR 0.16 x 50) and was determined based on the average of the closing prices of Euronext Brussels during the thirty days prior to the day on which the issue commences.
The period of validity of these warrants is five years.
The warrants were valued in accordance with the Black and Scholes method, based on an exercise price of EUR 8.00 (being EUR 0.16 * 50), an underlying share price of EUR 0.40, a volatility of 35%, an estimated exercise period of five years, no anticipated dividend and a risk-free interest rate of 6.25%. This resulted in a value, lower than EUR 100.

Of the 1,100,000 warrants allocated to employees, 900,000 warrants were not subscribed. At the end of 2007, the 150,000 subscribed warrants were expired.
In addition, of the 2007 Warrants allocated to specific persons, 200,000 warrants had expired as of 31 December 2007.
As of 31 December 2007, 114,000 (5,700,000/50) "2007 Warrants" are still exercisable at an exercise price of EUR 8.00 (being EUR 0.16x50).

In addition, in the course of 2008, another 22,000 of the "2007 Warrants" granted to specific persons expired.

As of 31 December 2009, 92,000 (5,700,000/50) "2007 Warrants" are still exercisable at an exercise price of EUR 8.00 (being EUR 0.16x50).

In addition, in the course of 2010, another 1,000 of the "2007 Warrants" granted to specific persons expired.

As of 31 December 2010, 91,000 (5,700,000/50) "2007 Warrants" are still exercisable at an exercise price of EUR 8.00 (being EUR 0.16x50).

(d) 2008 Warrants

The Extraordinary General Shareholders' Meeting that was held on 18 August 2008 approved the issue of a convertible loan for an amount between four and six million euros. The subscription to the convertible bonds in the amount of EUR 3,850 k and 1,925,000 warrants was recorded by means of a notarial deed on 18 September 2008.

In connection with the subscription to the convertible bond, each subscriber also received 25,000 warrants for each Bond of EUR 50,000. These warrants can be exercised at any time during a period of four (4) years as from the date of issue. The subscription price per share when exercising the warrant equals the lowest amount of (i) EUR 1.25 or (ii) the issue price of other securities that the Company may have issued since the issue of the warrants and that can be exchanged for, exercised or converted into shares of the Company.
Each warrant shall entitle the holder to subscribe to one share of the Company bearing no par value, with the rights as described in the Articles of Association.

The warrants were valued in accordance with the Black and Scholes method, based on an exercise price of EUR 1.25 (being EUR 0.16 * 50), an underlying share price of EUR 0.40, a volatility of 35%, an estimated exercise period of four years, no anticipated dividend and a risk-free interest rate of 6.25%. This resulted in a value lower than EUR 38 k.

As of 31 December 2008, 1,925,000 "2008 Warrants" are still exercisable at an exercise price of EUR 1.25.

During 2009, a number of warrant holders confirmed their confidence in the Group and proceeded to exercise 222,500 "2008 Warrants". Via a notarial deed executed on 16 June 2009, the capital was increased for an amount of EUR 278 k and 222,500 new shares were issued.

As of 31 December 2009, 1,702,500 "2008 Warrants" are still exercisable at an exercise price of EUR 1.25.

During 2010, a number of warrant holders again confirmed their confidence in the Group and proceeded to exercise their outstanding warrants:

- following the exercising of 187,500 Warrants 2008, the capital was increased for an amount of EUR 235 k and 187,500 new shares were issued via a notarial deed executed on 30 April 2010;
- following the exercising of 160,000 Warrants 2008, the capital was increased for an amount of EUR 200 k and 160,000 new shares were issued via a notarial deed executed on 17 September 2010.

As of 31 December 2010, 1,355,000 "2008 Warrants" are still exercisable at an exercise price of EUR 1.25.

(e) 2010 Warranten

At the Extraordinary Shareholders' Meeting of 17 March 2010 of Keyware Technologies NV the decision was taken to proceed with:

- (i) the granting of, and subscription to, three hundred and ninety thousand (390,000) 2010 Warrants by Parana Management BVBA, Big Friend NV, Pardel SA, Federal Invest NV, Luc Pintens, JH Consulting BVBA, Iquess BVBA, Checkpoint X BVBA, Arn Clemhout and MV Services BVBA ("the Specified Persons"), in the ratio as set out in the special report of the Board of Directors,
- and (ii) the offering by the Board of Directors of the Company of the remaining 2010 Warrants to employees of the Company and its subsidiaries within a period of three months after the date of the extraordinary general shareholders' meeting and allocation and definite issue thereof (by means of a notarial deed) to the employees who have accepted such an offer.

The issued warrants give the right to subscribe to an equivalent number of shares. The exercise price of these warrants is EUR 1.56 and was determined based on the average of the closing prices of Euronext Brussels during the thirty days prior to the day on which the issue commences.
The period of validity of these warrants is five years.

The warrants were valued in accordance with the Black and Scholes method, based on an exercise price of EUR 1.56, an underlying share price of EUR 1.50, a volatility of 30%, an estimated exercise period of five years, no anticipated dividend and a risk-free interest rate of 2.80%. This resulted in a value of EUR 168 k.

In 2010, no warrants were exercised and another 10,000 warrants expired.

As of 31 December 2010, 462,500 "2010 Warrants" are still exercisable at an exercise price of EUR 1.56.

(36) Lease agreements

The subsidiary Keyware Smart Card Div. is active in the rental of payment terminals. In this context, lease contracts are concluded with customers for a term of 60 months.

The lease price of a contract is divided into net rent and maintenance. After which the present value of the net rent for the full term of the contract, being 48 months, is calculated. This entire present value amount is recorded as turnover in the month in which the contract starts. The revenue related to maintenance is incorporated in turnover spread over the duration of the contract. Financial income equal to the difference between the total value of the contract and the discounted value is recorded each month.
The assets corresponding with the financial lease contracts are recognised in the balance sheet and presented as a receivable, for an amount equal to the net investment in the lease.

Amounts in kEUR	31.12.2010	31.12.2009
	kEUR	kEUR
Gross investment	9.726	8.096
- not longer than one year	2.650	2.755
- longer than one year, but not longer than five years	7.076	5.341
- longer than five years	-	-
Net investment	8.018	6.703
- not longer than one year	2.013	1.868
- longer than one year, but not longer than five years	6.005	4.835
- longer than five years		-
Unearned financing income	1.708	1.393
Residual values	-	-
Write offs (-) for non-collectible receivables ‹ 1 year	27	100
Write offs (-) for non-collectible receivables › 1 year and › 5 years	110	-
Lease payments recorded as income in 2009	-	4.030
Lease payments recorded as income in 2010	4.101	-

(37) Impairment of fixed assets

In accordance with IFRS 3 - Business combinations, goodwill that is included in the consolidation is tested annually for impairment. It can be necessary to do this more frequently if there are indications that the goodwill has not been valued correctly in accordance with IAS 36 - Impairments of assets. Moreover, this standard requires that goodwill be allocated to the cash generating units as from the acquisition date, which are assumed to benefit from the synergy of the business combinations. The cash generating unit to which the goodwill is allocated, is tested for impairment on the balance sheet date by comparing the carrying value of the unit to the recoverable value of the unit.

The Group uses cash flow estimates for the individual cash generating units as specified under (25) Business segment information. The most important parameters included in the calculation are the discount rate, the anticipated future operational cash flows and the anticipated growth. The discount rate applied to the anticipated cash flows is the weighted average cost of capital (WACC), which amounted to 8.62% as of 31 December 2010.

Based on the impairment test carried out on 31 December 2010, the Board of Directors is of the opinion that no additional impairments have to be recorded.

Based on the impairment test carried out on 31 December 2009, the Board of Directors was of the opinion that no additional impairments had to be recorded.

(38) Profit per share

The basic profit/loss per share is calculated by dividing the net result attributable to the Group by the weighted average of the number of issued ordinary shares during the year.

The profit/loss per diluted share is calculated by dividing the net result attributable to the Group by the weighted average of the number of issued ordinary shares during the year, both figures corrected for any effect of dilution of potential ordinary shares.

Amounts in kEUR	31.12.2010	31.12.2009
	kEUR	kEUR
Weighted average issued shares	15.408.986	14.802.968
Weighted average issued shares diluted	17.214.849	16.639.368
Profit/ (loss) per share - basic	0,0289	(0,0536)
Profit/ (loss) per share – diluted	0,0259	(0,0536)

As, in accordance with IAS 33, it only constitutes diluting shares when their conversion would result in a decrease in the profit per share or an increase of the loss per share, the negative result over 2009 causes the diluted result to equal the ordinary result per share.

(39) Related party transactions

(a) Management and consultancy agreements with directors

The Group has concluded a management agreement with Big Friend NV, the management company of Stéphane Vandervelde. Pursuant to the agreement with Big Friend NV, a total fee (excluding VAT) was paid amounting to EUR 285 k and EUR 282 k for the years 2010 and 2009. A variable fee amounting to EUR 144 k and EUR 60 k was paid in 2010 and 2009.

The agreements contain provisions regarding the form of the services, non-competition, confidentiality and the transfer of intellectual property rights to the Group. These agreements were entered into for an indefinite period and can be terminated by either party. In the event of termination by the Group, a period of notice of 18 months must be observed for Big Friend NV.

In the event of termination by Big Friend NV, a period of notice of 6 months must be observed. No additional compensation is payable to Big Friend NV, other than the reimbursement of proven expenses in the context of the execution of the management services. These expenses amounted to EUR 35 k and EUR 37 k for the years 2010 and 2009.
During the financial years 2009 and 2010, fixed fees amounting to EUR 60 k and EUR 64 k respectively were invoiced by the management company Powergraph NV, represented by Guido Van der Schueren.

During the financial year 2010, fixed fees amounting to EUR 12 k were invoiced by the management company Sofia BVBA, represented by Chris Buyse.

The Extraordinary Shareholders' Meeting of 17 March 2010 approved the issue of the Warrant Plan 2010, whereby 100,000 warrants were allocated to Parana Management BVBA (Guido Van der Schueren), 20,000 warrants to Pardel NV (Pierre Delhaize), 20,000 warrants to Federal Invest NV (Guido Wallebroek), 20,000 warrants to Luc Pintens, 100,000 warrants to Big Friend NV(Stéphane Vandervelde), 50,000 warrants to JH Consulting BVBA (Johan Hellinckx) and 50.000 warrants to IQuess BVBA (Wim Verfaille).

(b) Investors

On 21 January 2009, the Group received and advance of EUR 600 k from Parana Management BVBA. A interest rate of 8% was paid on this advance.

On 15 June 2010, the Group concluded a loan agreement with Johan Hellinckx (CFO) for an amount of EUR 100 k. A interest rate of 8% was paid on this loan.

During the Extraordinary General Shareholders' Meeting of 29 November 2010, the decision was taken to convert both loans into capital and, in other words, to issue new shares.

(c) Long-term and short-term debts payable to related parties

Amounts in kEUR	31.12.2010	31.12.2009
	kEUR	kEUR
Parana Management BVBA	19	631
Total	**19**	**631**

(40) Commitments and contingent liabilities

Provisions for contingent liabilities arising from claims, assessments, legal proceedings, fines and penalties, and other sources are recorded when it is likely that the liability exists and the amount of the liability can be estimated in a reliable manner. The Group is involved in certain legal proceedings and claims in the context of its normal business operations.

The management has assessed all these legal proceedings and has created provisions in the cases for which it felt that the liability existed and the amount of the liability could be estimated in a reliable manner.

Furthermore, the management is of the opinion that the outcome of all other cases will not have a material effect on the Group's financial position or operating results.

(41) Operational lease agreements

The future liabilities with regard to operational lease agreements can be specified as follows.

Amounts in kEUR	1 year	2-5 years	› 5 years
Lease of office space	64	318	-
Operational lease vehicles	153	142	-

LEASE OF BUILDINGS

On 8 September 2006, the Group concluded a lease agreement for an office building located in Zaventem, Ikaros Business Park, Ikaroslaan 24. The total base rent is EUR 84.8 k. The base rent is indexed annually. The lease agreement provides for a rent-free period of 12 months divided as follows:

- six months for the period from 14 September 2006 through 13 March 2007
- six months for the period from 14 September 2010 through 13 March 2011

This lease agreement was concluded for a period of nine consecutive years, commencing on 14 September 2007 and ending ipso jure on 13 September 2015. However, each party may terminate this lease agreement at the end of the sixth year, provided that a prior notice period of six months is taken into account.

LEASE OF VEHICLES

At the end of December 2010, the Group had concluded 21 contracts in respect of operational lease of vehicles. The term of these contracts is, in principle, 48 months. In addition to the lease of the vehicle, all of these contracts provide for maintenance and repairs, insurance and assistance.

(42) Termination of business activities

During the financial years 2009 and 2010, the Group did not terminate any business activities.

(43) Pledge on the trading fund

There is a pledge on the trading fund of Keyware Technologies NV in favour of Dexia and the Flanders Region for the amount of EUR 992 k. As a result of the full repayment of Dexia, this pledge no longer serves a purpose and a request will be submitted to cancel the registration.

(44) Exchange rate and Hedging

During the financial years 2009 and 2010, the Group did not carry out any hedging activities.

(45) Financial instruments

During the financial years, the Group did not make use of any financial instruments in view of the economic environment in which the Group operates.

(46) Important events after the balance sheet date

Apart from that which is stated below, the Company does not have to report any important events after the balance sheet date, which have an impact on the presentation of the present financial statements. With respect to the information below, events which took place after the balance sheet date have been taken into consideration until 31 March 2011.

- During March 2011, the Group concluded a loan agreement with Big Friend NV, the management company of the CEO, for an amount of EUR 500 k. In addition, the Group drew down the second and last portion of the bank loan (ING) amounting to EUR 500 EUR.
- At the end of March 2011, the Group was negotiating with various financial institutions in connection with obtaining additional bank financing for the Group.
- Furthermore, the Group will still be able to call on the credit line at Parfip in 2011 under the form of the assignment of contracts. At the end of March 2011, contracts were assigned to Parfip Benelux NV for a total amount of 0.5 million euros.
- In February 2011, a warrant holder proceeded to exercise his outstanding warrants, whereby 105,000 warrants were exercised which lead to a capital increase of EUR 131 k. Subsequently, a number of other warrant holders made a verbal promise to exercise their outstanding warrants entirely or partially during 2011.

(47) Pending disputes

(a) Kinepolis Group NV

Kinepolis Group NV initiated, by a writ of summons issued on 19 September 2001, a court case before the Commercial Court in Brussels against Keyware Smart Card Div. for the alleged unlawful termination by the latter of an agreement for the development of advanced ticketing software used in various Kinepolis cinema complexes in Belgium and abroad, whereby compensation for damages was claimed amounting to EUR 551 k. Keyware Smart Card Div. NV filed a counter claim whereby a fixed compensation for damages for the amount of EUR 500 k was demanded from Kinepolis Group NV. In a judgement of the Commercial Court of Brussels dated 4 April 2003, both the principal claim and the counter claim were rejected as unfounded.

By deed dated 14 September 2007, Kinepolis submitted appeal against the judgement in the case by the Commercial Court of Brussels dated 4 April 2003, whereby the claims of both parties were rejected. By order dated 2 April 2010, the Court rejected Kinepolis' claim that the agreement was legally dissolved in its favour and rejected its demand to receive payment from Keyware of the amount of EUR 551 k as unfounded. The incidental appeal of Keyware that the contract was unlawfully terminated as well as the demand to receive payment of an amount of provisional compensation for damages of EUR 500 k was also rejected. The claim and counter claim were also rejected in the next appeal and the judgement dated 4 April 2003 was thus confirmed.

In 2002, Keyware Smart Card Div. NV initiated a "descriptive attachment with respect to counterfeiting" action against Kinepolis Group NV, which resulted in an expert opinion. Keyware served a writ of summons dated 18 July 2002 to Kinepolis in order to obtain payment of provisional compensation for damages of EUR 930 k plus interest as from 1 January 2002 for alleged infringement of copyright by Kinepolis with regard to a number of computer programmes developed by Keyware (under reference to the expert opinion). Kinepolis demands the rejection of this claim and payment of compensation for damage so EUR 10 k. The case is pending before the Court of First Instance in Brussels. No new developments have occurred in this case during 2010.

During 2010, no movements have occured in this case.

(b) General

In addition to the above, there are currently a number of claims and legal proceedings pending against the Company and its subsidiaries, which in the opinion of the Group are of secondary importance and fall within the scope of normal business operations. According to the Board of Directors, it is unlikely that these individual claims or legal proceedings could have a substantial negative effect on the financial situation of the Company and its subsidiaries.

(c) Suppliers

At the end of December 2010, there were two pending disputes with suppliers for a total outstanding debt of EUR 54 k.

(d) Other liabilities

As of 31 December 2010, one disputed debt still remains outstanding for an amount of EUR 97 k. The Court of Appeal sentenced the Company to the payment of the compensation demanded by the counter party. The Company agreed a repayment schedule with the counter party. Up to and including 31 March 2011, EUR 57 k has been repaid.

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE CONSOLIDATED FINANCIAL STATEMENTS

In accordance with Section 96 of the Belgian Company Code, we have the honour of reporting to you on the activities of the Company in the financial year covering the period 1 January 2010 to 31 December 2010..

(1) Comments with regard to the financial statements and information about the circumstances that could have a significant influence on the development of the consolidated company

The consolidated financial statements were prepared in accordance with IFRS as adopted by the European Union and were approved by the Board of Directors on 1 March 2011.

(a) Financial statements and important events

The financial year closed with a profit after taxes of EUR 446 k. As a result, the shareholders' equity amounts to EUR 11,324 K after incorporation of the result.

(b) Comments with regard to the main balance sheet items

For the comments with regard to the main balance sheet items, we refer to the Notes to the consolidated financial statements.

(c) Comments with regard to the main items of the profit and loss account

For the comments with regard to the main items of the profit and loss account, we refer to the Notes to the consolidated financial statements.

Besides the elements mentioned in these notes and the risk factors discussed in the paragraph below, there are no issues that could have a substantial impact on the development of the consolidated company.

(2) Risk factors

In accordance with Section 96, subsection 1, of the Belgian Company Code as amended by the Act of 13 January 2006, the Company hereby provides information about the most important risks and uncertainties that could have a negative impact on the development, financial results or market position of the Company.

(a) Products and markets

The Group operates in a market that evolves extremely quickly with regard to technology. These evolutions relate to the changing needs of customers, the need for frequent development of new products, many of which have a short life and the changing industrial standards. The Group expects that turnover growth will depend largely on the degree to which it is able to respond to these new challenges. Not being able to react to this changed context in time can have negative consequences for the results of the Company and its financial situation.

(b) Customer dependence

The Company has more than 10,000 active customers. The most important customer represents less than 1% of the Company's turnover.

(c) Supplier dependence

During 2009, the Group was able to reduce its risk with respect to supplier dependence. In addition to the existing collaboration with Hypercom NV, two new agreements were concluded with two new suppliers of payment terminals, which substantially reduces the risk of discontinuity with respect to the delivery of terminals.

(d) Concentration of credit risks

The concentration of credit risks is limited due to the large number of users, which are spread over Belgium and to a very limited extent over the Netherlands.
The Group does not have any activities in countries with a highly inflationary economy.

(e) Legal proceedings

The Company is involved in a number of legal proceedings that can be regarded as contingent liabilities or contingent receivables. For more information on this item, reference is made to the Notes to the consolidated financial statements - (47) Pending disputes.

(f) Financial position

It is clear that the Group will have to attract additional financial resources in 2011. In this context, we refer to the Notes to the consolidated financial statements - (4) Going-concern or continuity and (46) Important events after the balance sheet date.

(g) Going-concern/continuity

For this item, we refer to the Notes to the consolidated financial statements - (4) Going-concern or continuity.

(h) Information technology risk

The information technology risk contains two aspects:

- SAP/Network management

The entire IT infrastructure was completely optimised in 2010. In the event of discontinuity of the systems, an internal action plan provides for the reactivation of all IT services within four working hours with a loss of dynamic data of no more than one working day.

- Converter and authorisations

The Group has a entirely separate payment network for carrying out the NSP activity, which has been set up completely in accordance with PCI DSS level 1 regulations via a third party server farm. There is a complete parallel structure so that a possible discontinuity of the systems will have no influence on the business operations and whereby in the event of combined discontinuity, all systems will be operational again within four working hours.

(i) Environment

The Group does not have any special remarks with regard to environmental matters.

(j) Personnel

The Group had 40 employees (personnel and consultants) on 31 December 2010. In this context, the Group has no specific remarks.

(3) Justification of the application of valuation principles under the assumption of a going concern

For this item, we refer to the Notes to the consolidated financial statements - (4) Going-concern or continuity.

(4) Information regarding significant events after the financial year

For this item, we refer to the Notes to the consolidated financial statements - (46) Important events after the balance sheet date.

(5) IInformation regarding activities in the area of research and development

These provisions are not applicable to the Group.

(6) Capital increase and capital decreases

For this item, we refer to the Notes to the consolidated financial statements - (17) Capital structure.

(7) Information regarding branch offices

These provisions are not applicable to the Group.

(8) Own shares

These provisions are not applicable to the Group.

(9) Decisions taken with application of legal procedures to avoid conflicts of interest

With regard to this item, we refer to that which is discussed in the section Corporate Governance - Conflict of interest.

(10) Information on the use of financial instruments

The Company does not make use of financial instruments.

(11) Justification of the independence and expertise in the areas of accounting and audit of one independent member of the Audit Committee

The General Shareholders' Meeting of 28 May 2010 has appointed Sofia BVBA, represented by Chris Buyse, as independent director of the Company. Sofia BVBA, represented by Chris Buyse fulfils the criteria for independent directors stipulated in Section 524 subsection 4 and Section 526 of the Belgian Company Code. In addition, the Board of Directors is of the opinion that Chris Buyse has the required professional qualities for this position on the basis of his extensive professional experience.
Chris Buyes, the permanent representative of Sofia BVBA, has more than 20 years of experience in various financial and general management positions.
He graduated with a Licentiate Degree in Applied Economics (University of Antwerp) and a Degree in Management (Vlerick School). He gained experience at, among others, Unilever and Sita, before he helped realise the turnaround of Keyware between 2001 and 2003.
Chris Buyse is director and CFO of the stock-listed biotechn company ThromboGenics since 2006. Chris Buyse also holds several directorships in other promising biotechn companies such as Cardio 3 Biosciences, Promethera and Amakem.

Sofia BVBA, represented by Chris Buyse, will be the Chairman of the Audit Committee as of 1 January 2011.

Statutory auditor's report to the general meeting of shareholders of Keyware Technologies on the consolidated financial statements for the year ended December 31, 2010

In accordance with the legal requirements, we report to you on the performance of the mandate of statutory auditor, which has been entrusted to us. This report contains our opinion on the true and fair view of the consolidated financial statements as well as the required additional statements.

Unqualified audit opinion on the consolidated financial statements

We have audited the consolidated financial statements for the year ended 31 December 2010, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, which show a balance sheet total of EUR 19,307,544 and a consolidated profit of EUR 446,529.

Management is responsible for the preparation and the fair presentation of these consolidated financial statements. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the legal requirements and the Auditing Standards applicable in Belgium, as issued by the Institut des Réviseurs d'Entreprises. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement, as to whether due to fraud or error. In accordance with the above-mentioned auditing standards, we considered the group's accounting system, as well as its internal control procedures. We have obtained from management and the Company's officials, the explanations and information necessary for executing our audit procedures. We have examined, on a test basis, the evidence supporting the amounts included in the consolidated financial statements. We have assessed the appropriateness of the accounting policies and consolidation principles, the reasonableness of the significant accounting estimates made by the Company, as well as the overall presentation of the consolidated financial statements. We believe that these procedures provide a reasonable basis for our opinion.

In our opinion the consolidated financial statements for the year ended 31 December 2010 give a true and fair view of the group's assets and liabilities, its financial position and the results of its operations in accordance with International Financial Reporting Standards as adopted by the European Union.

Additional statements

The preparation of the consolidated Directors' report and its content are the responsibility of management.

Our responsibility is to supplement our report with the following additional statements, which do not modify our audit opinion on the consolidated financial statements:

- The consolidated Directors' report includes the information required by law and is consistent with the consolidated financial statements. We are, however, unable to comment on the description of the principal risks and uncertainties which the consolidated group is facing, and of its financial situation, its foreseeable evolution or the significant influence of certain facts on i ts future development. We can nevertheless confirm that the matters disclosed do not present any obvious inconsistencies with the information that we became aware of during the performance of our mandate.

Zaventem, 22 April 2011

BDO Bedrijfsrevisoren Burg. Ven. CVBA
Statutory Auditor
Represented by Koen de Brabander

STATUTORY INFORMATION

CONDENSED STATUTORY FINANCIAL STATEMENTS OF KEYWARE TECHNOLOGIES NV

This chapter contains a condensed version of the statutory standalone financial statements, as well as the annual report of Keyware Technology NV.
The complete version of the financial statements and the annual report will be filed with the National Bank of Belgium and are also available on the Company's website (www.keyware.com)

(1) Condensed balance sheet after distribution of profits on 31 December

Amounts in kEUR	31.12.2010	31.12.2009
	kEUR	kEUR
Assets		
Non-current assets	**9.023**	**7.986**
Intangible fixed assets	205	307
Tangible fixed assets	40	68
Financial fixed assets	8.778	7.611
Actifs courants	**2.204**	**1.795**
Trade receivables over more than one year	2.140	1.708
Trade receivables	2	2
Other receivables	10	26
Cash and cash equivalents	31	10
Deferred expenses and accrued income	21	49
Total assets	**11.227**	**9.781**
Equity and liabilities		
Equity	**7.616**	**5.940**
Issued capital	6.745	24.086
Share premiums	1.693	1.693
Result carried forward	-	(17.315)
Result of the financial year	(822)	(2.524)
Total liabilities over more than one year	**22**	**649**
Leasing debts over more than one year	3	18
Other debts over more than one year	19	631
Liabilities over less than one year	**3.589**	**3.192**
Debts over less than one year that expire during the year	18	19
Trade payables	362	1.092
Social and tax liabilities	32	27
Other liabilities	3.138	2.031
Deferred income and accrued expenses	39	23
Total equity and liabilities	**11.227**	**9.781**

(2) Profit and loss account of the financial year

Amounts in kEUR	31.12.2010	31.12.2009
	kEUR	kEUR
Operating income	**1.858**	**1.787**
Turnover	1.464	1.443
Other operating income	394	344
Operating expenses	**(2.466)**	**(2.624)**
Goods for resale, raw and auxiliary materials	-	-
Services and other goods	(2.022)	(1.975)
Salaries, social security contributions and pensions	(151)	(161)
Amortisation and depreciation on formation expenses and on intangible and tangible fixed assets	(134)	(147)
Amortisation in inventories, work in progress and trade receivables	-	-
Provisions for risks and charges	-	-
Other operating expenses	(159)	(341)
Operating profit / (loss)	**(608)**	**(837)**
Financial income	-	**1**
Income from financial fixed assets	-	1
Other financial income	-	-
Financial expenses	**(214)**	**(23)**
Costs of debt	(209)	(118)
Amortisation of current assets other than inventories, work in progress and trade receivables	-	100
Other financial costs	(5)	(5)
Profit / (Loss) from ordinary operations before taxes	**(822)**	**(859)**
Extraordinary income	**-**	**-**
Other extraordinary income	-	-
Extraordinary expenses	**-**	**(1.665)**
Amortisation and depreciation on financial fixed assets	-	(1.665)
Losses on disposal of fixed assets	-	-
Other extraordinary expenses	-	-
Profit / (Loss) for the financial year before taxes	**(822)**	**(2.524)**
Tax on the result for the financial year	-	-
Profit / (Loss) for the financial year	**(822)**	**(2.524)**

(3) Distribution of the result

Amounts in kEUR	31.12.2010	31.12.2009
	kEUR	kEUR
Profit / (Loss) balance to be incorporated	**(20.661)**	**(19.839)**
Profit / (Loss) balance for the financial year to be incorporated	(822)	(2.524)
Profit / (Loss) balance for the previous financial year to be carried forward	(19.839)	(17.315)
Withdrawal from shareholders' equity	**19.839**	**-**
Addition to shareholders' equity	**-**	**-**
Profit / (Loss) to be carried forward	**(822)**	**(19.839)**
Profit available for distribution	**-**	**-**

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE STATUTORY FINANCIAL STATEMENTS

In accordance with Section 96 of the Belgian Company Code, we have the honour of reporting to you on the activities of the company in the financial year covering the period 1 January 2010 to 31 December 2010.

(1) Comments with respect to the financial statements

The Company acts as a holding company as well as a financing vehicle for the subsidiaries, for which it also provides management services and administrative assistance. All of the expenses connected with being listed on Euronext Brussels are recognised in the Company's profit and loss account.

(a) Annual figures and important events

The financial year closed with a loss carry forward after taxes of EUR 822 k, the shareholders' equity therefore amounts to EUR 7,616 K after incorporation of the result.

(b) Comments relating to the main balance sheet items

TANGIBLE FIXED ASSETS

The net book value comprises vehicles owned and lease agreements for vehicles that are fully leased to subsidiaries. Other tangible fixed assets primarily relate to furnishings and fixtures of the rented premises.

FINANCIAL FIXED ASSETS - AFFILIATES

The financial fixed assets comprise shareholdings with a net value of EUR 8,731 k.

TRADE RECEIVABLES OVER MORE THAN ONE YEAR

The receivables due in over one year comprise receivables from Group companies due to invoicing for operational expenses.

OTHER RECEIVABLES OVER LESS THAN ONE YEAR

The other receivables relate largely to invoicing of costs of to third parties.

EQUITY

The net equity was negatively influenced by the loss of the financial year in the amount of EUR (822) k.

LIABILITIES OVER MORE THAN ONE YEAR

This item includes financing in the amount of EUR 3 k, which is entirely related to lease obligations. This item also includes the advances received from certain shareholders / investors in the amount of EUR 19 k.

DEBTS OVER LESS THAN ONE YEAR THAT EXPIRE DURING THE YEAR

This item concerns the short-term lease debts in the amount of EUR 18 k

TRADE PAYABLES

The trade payables amount to EUR 362 k and include overdue debts in the amount of EUR 164 k. Some of these overdue debts had not been claimed as of 31 December 2010, and there are repayment schemes for the balance.

SOCIAL AND FISCAL LIABILITIES

As of 31 December 2010, Keyware Technologies employed two employees. The outstanding liabilities involve the liabilities for social security (EUR 5 k), withholding taxes (EUR 3 k) and a provision for holiday pay (EUR 12 k). Finally, there is also an outstanding amount of EUR 12 k for to be paid VAT.

OTHER LIABILITIES

The other liabilities as of 31 December 2009 relate to two debts that are disputed by the company. In the course of the third quarter of 2010, the group concluded an out-of-court settlement for one of these cases. As a result of this out-of-court settlement, an amount of EUR 38 k was paid and an amount of EUR 64 k was received.
As of 31 December, one contested debt still remains outstanding for an amount of EUR 97 k. The Court of Appeal sentenced the company to the payment of the compensation demanded by the counter party. The company agreed a repayment schedule with the counter party. Up to and including 31 March 2011, EUR 57 k has been repaid.
Finally, this item includes the advances in current account received from subsidiaries (EUR 3,040 k).

(c) Commentaire à propos des principaux postes du compte de résultats

TURNOVER

The turnover of the Company consists of management fees and expenses billed to the subsidiaries.

SERVICES AND OTHER GOODS

The expense structure primarily consists of fees (EUR 1,315 k), sales and marketing expenses (EUR 87 k), accommodation expenses (EUR 129 k) and expenses associated with the stock exchange listing (EUR 78 k).
This item also includes car expenses totalling EUR 291 k, which are mainly billed to the subsidiaries.

SALARIES, SOCIAL SECURITY CONTRIBUTIONS AND PENSIONS

As stated above, two people are employed by the company as of 31 December 2010.

PROPOSED DISTRIBUTION OF THE RESULT

The following proposal for incorporation of the loss for the financial year 2010 will be presented to the Shareholders' Meeting (in EUR):

▶ loss for the financial year	(19.838.834)
▶ loss of the previous financial year to be carried forward	(822.599)
▶ loss balance to be distributed	(20.661.433)
▶ withdrawal from the capital	19.838.834
▶ loss to be carried forward to the next financial year	(822.599)

(2) Justification of the application of valuation rules under the assumption of going concern

The Company has incurred a loss during two consecutive financial years, therefore in accordance with Section 96 of the Belgian Company Code, a justification must be given for the application of the valuation rules under the going concern assumption. As at 31 December 2010, the loss to be carried forward is EUR 822 k.
On the basis of what is stated below, the Board of Directors concludes that application of the valuation rules under the assumption of a going concern can be maintained.

(3) Going concern status of the Company and financing

The financial statements have been prepared on the basis of a going concern, which assumes that the assets are realised and the liabilities are paid as in normal course of business. As of 31 December 2010, the Company has incurred accumulated losses totalling EUR 822 k, which have primarily been financed by capital.

The financing requirement for 2010 was filled in follows:

- during 2010, the Company concluded the following loan agreements:
  - on 15 June with Johan Hellinckx for an amount of EUR 100 k;
  - on 13 July 2010 with Congra SA (Luxembourg) for an amount of EUR 750 k.
- during 2010, a number of warrant holders confirmed their confidence in the Group and proceeded to exercise their outstanding warrants:
  - following the exercising of 187,500 Warrants 2008, the capital was increased for an amount of 235 kEUR and 187,500 new shares were issued via a notarial deed executed on 30 April 2010;
  - following the exercising of 160,000 Warrants 2008, the capital was increased for an amount of 200 kEUR and 160,000 new shares were issued via a notarial deed executed on 17 September 2010.
- during the Extraordinary General Shareholders' Meeting of 29 November 2010, the decision was taken to convert amounts owed to lenders amounting to EUR 1,511 K into 927,634 new shares. In addition, the decision was taken to convert amounts owed to suppliers amounting to EUR 552 k into 339,266 new shares. The converted loans also concerned the loan provided by Johan Hellinckx and Congra SA.

For the further growth and realisation of the 2011-1017 strategic plan, the Group will require additional financing primarily for further financing and expansion of activities related to payment terminals and also for carrying out the necessary investments for the authorisation of payment transactions:

- during February 2011, a warrant holder proceeded to exercise his outstanding warrants, whereby 105,000 warrants were exercised which lead to a capital increase of EUR 131 k;
- a number of other warrant holders have made a verbal promise to exercise their outstanding warrants completely or partially during 2011;
- during March 2011 the Group - via the subsidiary Keyware Smart Card NV - concluded a loan agreement with Big Friend NV, the management company of the CEO, for an amount of EUR 500 k;
- in addition,during March 2011, the Group – via the subsidiary Keyware Smart Card NV – drew down the 2nd and last portion of the bank loan amounting to EUR 500 EUR;
- at the end of March 2011, the Group was negotiating with various financial institutions in connection with obtaining additional bank financing for the Group.

On the basis of the above, the Board of Directors is convinced that the Group is able to continue its activities on a going concern basis over a reasonable length of time, and it confirms the application of the valuation rules for a going concern.

The financial statements do not therefore contain any adjustments to the collectability and classification of the amounts booked as assets or the amounts and classification of the liabilities, which would be required if the Company were no longer able to continue its activities as a going concern. The continuation of the Group as a going concern depends on its ability to generate sufficient cash flow to fulfil its obligations on time or to maintain adequate financing and finally on realising successful operations.

On the basis of these measures, the Board of Directors proposes to the General Shareholders' Meeting to maintain the going concern status of the Company.

(4) Information regarding significant events after the financial year

Apart from what is stated above with regard to the going concern status, there are no significant events that impact the presentation of these financial statements that occurred after the balance sheet date that need to be reported by the Company.

(5) Information regarding activities in the area of research and development

Not applicable.

(6) Capital increase and capital decrease

During 2010, a number of warrant holders confirmed their confidence in the Group and proceeded to exercise their outstanding warrants:

- following the exercising of 187,500 Warrants 2008, the capital was increased for an amount of 235 kEUR and 187,500 new shares were issued via a notarial deed executed on 30 April 2010;
- following the exercising of 160,000 Warrants 2008, the capital was increased for an amount of 200 kEUR and 160,000 new shares were issued via a notarial deed executed on 17 September 2010.

During the Extraordinary General Shareholders' Meeting of 29 November 2010, the decision was taken to convert amounts owed to lenders amounting to EUR 1,511 K into 927,634 new shares. In addition, the decision was taken to convert amounts owed to suppliers amounting to EUR 552 k into 339,266 new shares.
As a result of these debt conversions, the capital was increased to EUR 2,063 k.
The same Extraordinary General Shareholders' Meeting also decided to reduce the capital by EUR 19,839 k by settling the losses.

As of 31 December 2010, the issued authorised share capital of the Group amounted to EUR 6,745 K, represented by 16,703,279 ordinary shares without nominal value.

(7) Information regarding branch offices

Not applicable.

(8) Own shares

At present, the Company does not own any of its own shares.

(9) Decisions taken with application of legal procedures to avoid conflicts of interest

Article 523 of the Company Code provides for an extraordinary procedure in the event that a director, directly or indirectly, has an interest of a proprietary nature that conflicts with a decision or a transaction that falls within the competence of the Board of Directors.
Article 524, paragraph 1, stipulates that the procedure that is specified in the paragraphs 2 and 3 must be applied in advance for each decision taken or each transaction executed in connection with the implementation of a decision of a stock-listed company.
Article 524, paragraph 2, stipulates that all decisions, specified in paragraph 1, must be subject to the prior assessment of a committee of three independent directors. This committee is assisted by one or several independent experts, appointed by the committee.
The committee describes the nature of the decision or transaction and assesses the commercial advantage or disadvantage for the company and its shareholders. It estimates the proprietary effects and determines whether or not the decision or transaction is of a nature that the company suffers a disadvantage that, in the context of the policy that the company implements, is manifestly unlawful. If the committee does not consider the decision or transaction to be manifestly unlawful, but the committee is of the opinion that the decision or transaction is to the disadvantage of the company, the committee will make clear which advantages the decision or transaction will charge as compensation for the aforementioned disadvantages.
The committee shall submit a substantiated advice to the Board of Directors, outlining each of the aforementioned assessment elements.

Article 524, paragraph 3, specifies that the Board of Directors, after taking note of the advice of the committee as stipulated in paragraph 2, proceeds to deliberate the proposed decision or transaction. In this case, Article 523 is applicable.
The Board of Directors states in its minutes of the meeting whether the procedure described above was complied with, and, if this should be the case, on which grounds the committee's advice was departed from.
The auditor delivers an opinion on the correctness of the information that is stated in the committee's advice and in the minutes of the meeting of the Board of Directors. This opinion is attached to the minutes of the meeting of the Board of Directors.
The committee's decision, an extract from the minutes of the meeting of the Board of Directors and the auditor's opinion are printed in the annual report.

During the financial year 2010, this procedure was applied with regard to the following decision: existing loan provided to the Company by Parana Management BVBA.

(a) Description of the transaction and application of Article 523 and 524 of the Company Code

The Company received a loan from Parana Management Corp BVBA for an amount of EUR 600,000 on 15 January 2009 (the Parana Management Transaction). Parana Management Corp BVBA is a company under the laws of Belgium of which the majority of the shares are held by Guido Van der Schueren, shareholder and Chairman of the Board of Directors of Keyware Technologies NV.

The proprietary consequences of the transaction can be explained as follows: the loan agreement has a term of five (5) years as from the commencement date and interest is due on the loan at an interest rate of 8% on an annual basis. The interest must be paid at the time of the repayment of the principal amount. In addition, the loan agreement provides for compulsory early repayment in specific cases.

The following justification of the transaction is given: the Board of Directors justifies the Parana Management Transaction as this contributes to reducing the future financial costs of the Company. This loan was used to reduce the existing financing of the Keyware Group provided by Parfip Benelux NV, via a factoring arrangement. Concretely, this means that the Keyware Group will use the loan that has been provided to purchase payment terminals that will be leased to customers.

Guido Van der Schueren reported that, in connection with this transaction, he could have an interest of a proprietary nature that is in conflict with a decision or a transaction that falls under the authority of the Board of Directors, within the meaning of Article 523 of the Company Code.

As the approval of the proposed transaction concerns relations of the Company with one of its affiliated companies within the meaning of Article 524, paragraph 1, of the Company Code, as set out in the minutes of the meeting of the Board of Directors of 21 May 2010, the Board of Directors has put this possible conflict of interest before a committee of independent directors, comprised of the following independent directors:

- Bruno Kusters ;
- Luc Pintens ; and
- Chris Buyse.

The committee was assisted by an independent expert, VGD, represented by Peter Bruggeman, certified public auditor ("bedrijfsrevisor").

(b) Decision of the committee

The decision and the advice of the committee of independent directors is as follows:

> "After deliberating, the Committee arrives at the following findings: based on what is described above, it is clear that by concluding the financing agreement with Parana Management Corp BVBA the company will reduce its (future) interest expenses.
>
> The Company will therefore only experience positive proprietary consequences in connection with the Parana Management Transaction.

In other words, the Committee determines that the Parana Management Transaction is not of a nature that this transaction causes any disadvantage to the Company.

The opinion of the independent expert, VGD, represented by Peter Bruggeman, confirms the above analysis.

In the conclusion of his report he states that:

"In connection with the application of Article 524 of the Company Code and based on our analysis, taking into account the current market conditions, we are of the opinion that the loan transaction with Parana Management Corp BVBA for an amount of EUR 600,000, as described, is at arm's length. Therefore, this will not result in abnormal advantages or disadvantages for the director in question".

The advantages and consequences of the Parana Management Transaction for the shareholders of the Company are in line with the above-mentioned advantages and consequences for the Company itself.

The Committee therefore issues a positive advice with regard to the Parana Management Transaction.

(c) Excerpt from the minutes of the meeting of the Board of Directors

The Board of Directors quotes the following company interest in its minutes:

"In view of the above explanation, the directors are of the opinion that the Parana Management Transaction is in the interest of the Company, as the Company will reduce its (future) interest expenses by concluding the financing agreement with Parana Management Corp BVBA".

The Board of Directors reports the following decisions in its minutes:

"The Board of Directors decides to approve the terms of, and the intended transactions following from the transaction;

The Board of Directors decides to grant Big Friend NV, represented by Stéphane Vandervelde, authority of substitution and sub-delegation, in connection with the transaction, the loan agreement in question and the intended transactions resulting from this, all other documents in connection there with, and to which reference is made therein or which is intended therein, to further negotiate, sign and hand over, and to draw up, execute, sign and hand over all documents, instruments and deeds, to fulfil all formalities, to give all necessary and useful instructions and to do everything that is necessary or recommended to execute the decisions of this meeting, including, but not limited to, signing the loan agreement in question."

(d) Opinion of the auditor

The decision of the auditor is as follows:

> Based on our analysis, no information has come to our attention that would cause us to decide that the information contained in the advice of the committee of independent directors or in the minutes of the meeting of the Board of Directors would not be correct.
>
> The present report was prepared for the use of the Board of Directors of the Company in connection with the application of Article 524, paragraph 3, of the Company Code. Therefore, it cannot be used for any other purpose.

(10) Risk factors

In accordance with Section 96, subsection 1, of the Belgian Company Code as amended by the Act of 13 January 2006, the Company hereby provides information about the most important risks and uncertainties that could have a negative impact on the development, financial results or market position of the Company. As the company does not have any activities, but is a holding company, the risk factors of the subsidiaries also effect the Company. The risk factors below therefore relate to the entire Keyware Group.

PRODUCTS AND MARKETS

he Group operates in a market that evolves extremely quickly with regard to technology. These evolutions relate to the changing needs of customers, the need for frequent development of new products, many of which have a short life, and changing industrial standards. The Group expects that turnover growth will depend largely on the degree to which it is able to respond to these new challenges. Not being able to react to this changed context in time can have negative consequences for the results of the Company and its financial situation.

CUSTOMER DEPENDENCE

The Group has more than 10,000 active customers. The most important customer represents less than 1% of the company's turnover.

SUPPLIER DEPENDENCE

During 2009, the Group was able to reduce its risk with respect to supplier dependence. In addition to the existing collaboration with Hypercom NV, two new agreements were concluded with two new suppliers of payment terminals, which substantially reduces the risk of discontinuity with respect to the delivery of terminals.

CONCENTRATION OF CREDIT RISKS

The concentration of credit risks is limited due to the large number of users, which are spread over Belgium and to a very limited extent over the Netherlands.
The Group does not have any activities in countries with a highly inflationary economy.

LEGAL PROCEEDINGS

The Company is involved in a number of legal proceedings that can be regarded as deferred liabilities. For more information, see the Consolidated Annual Report (47) Pending disputes, which can be found on the website of the Company (www.keyware.com).

FINANCIAL POSITION

It is clear that the Group will have to attract additional financial resources in 2010. In this context, we refer to the Notes to the consolidated financial statements - (4) Going-concern or continuity and (46) Important events after the balance sheet date, which can be found on the website of the Company (www.keyware.com).

GOING-CONCERN/CONTINUITY

In regard to this item, we refer to point III. Continuity of the Company and also that which is stated in the Consolidated Annual Report (4) Going concern or continuity, which can be found on the website of the Company (www.keyware.com).

INFORMATION TECHNOLOGY RISK

The information technology risk is an issue that mainly affects the subsidiaries and it contains a double aspect:

- SAP/Network management

The entire IT infrastructure was completely optimised in 2010. In the event of discontinuity of the systems, an internal action plan provides for the reactivation of all IT services within four working hours with a loss of dynamic data of no more than one working day.

- Converter and authorisations

The Group has a entirely separate payment network for carrying out the NSP activity, which has been set up completely in accordance with PCI DSS level 1 regulations via a third party server farm. There is a complete parallel structure so that a possible discontinuity of the systems will have no influence on the business operations and whereby in the event of combined discontinuity, all systems will be operational again within four working hours.

ENVIRONMENT

The Group does not have any special remarks with regard to environmental matters.

PERSONNEL

The company employed two employees as at 31 December 2010.

(11) Administrateurs

As at 31 December 2010, the Board of Directors has seven members, three of whom are independent directors. The members of the Board of Directors are:

Director	Position	Main Function ending on	End date of mandate after AGM of financial
▶ Guido Van der Schueren	Non-executive	Chairman	31 december 2011
▶ Guido Wallebroek	Non-executive	Director	31 december 2010
▶ Luc Pintens	Independant	Director	31 december 2012
▶ Bruno Kusters	Independant	Director	31 december 2011
▶ Pierre Delhaize	Non-executive	Director	31 december 2012
▶ Sofia BVBA Represented by Chris Buyse	Independant	Director	31 december 2012
▶ Big Friend NV Represented by Stéphane Vandervelde	Executive – CEO	Director	31 december 2012

(12) Justification of the independence and expertise in the areas of accounting and audit of one independent member of the Audit Committee

The General Shareholders' Meeting of 28 May 2010 has appointed Sofia BVBA, represented by Chris Buyse, as independent director of the Company. Sofia BVBA, represented by Chris Buyse fulfils the criteria for independent directors stipulated in Section 524 subsection 4 and Section 526 of the Belgian Company Code. In addition, the Board of Directors is of the opinion that Chris Buyse has the required professional qualities for this position on the basis of his extensive professional experience.
Chris Buyes, the permanent representative of Sofia BVBA, has more than 20 years of experience in various financial and general management positions.
He graduated with a Licentiate Degree in Applied Economics (University of Antwerp) and a Degree in Management (Vlerick School). He gained experience at, among others, Unilever and Sita, before he helped realise the turnaround of Keyware between 2001 and 2003.
Chris Buyse is director and CFO of the stock-listed biotechn company ThromboGenics since 2006. Chris Buyse also holds several directorships in other promising biotechn companies such as Cardio 3 Biosciences, Promethera and Amakem.

Sofia BVBA, represented by Chris Buyse, will be the Chairman of the Audit Committee as of 1 January 2011.

(13) Requests to the Shareholders' Meeting

The Board of Directors requests the General Shareholders' Meeting to:

- approve the financial statements for the financial year 2010 in toto;
- discharge the directors with respect to the exercising of their mandates during the past financial year;
- discharge the Auditor with respect to the exercising of its mandate during the past financial year;

Prepared at Zaventem, on 18 April 2011

The Board of Directors