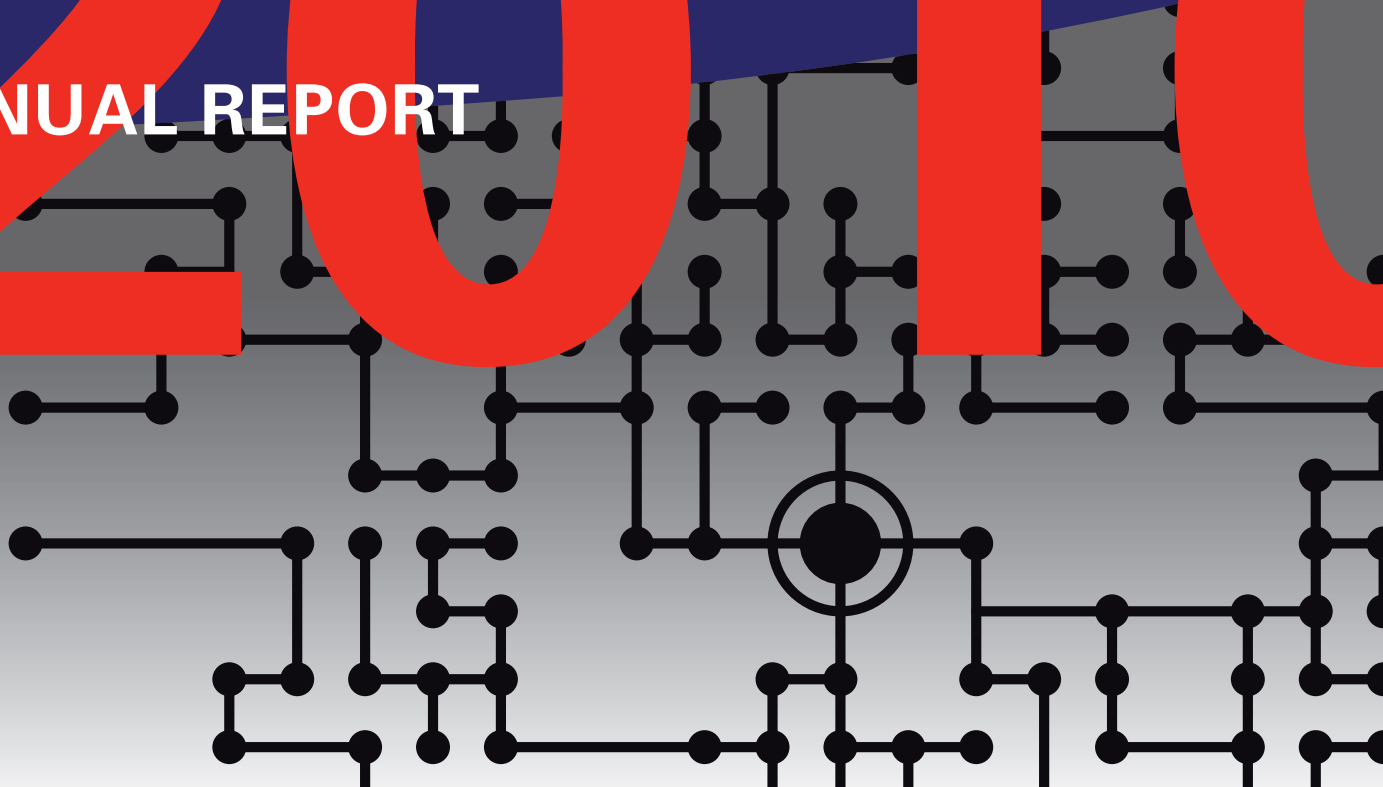




NEDSENSE
enterprises n.v.

2010

ANNUAL REPORT





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Trade register Utrecht Chamber of Commerce under number 23092326

001 Message from the CEO

Dear Stakeholder,

The past year has been stimulating and inspiring as we built on the strong foundations laid for NedSense enterprises n.v. When the name change from Blue Fox Enterprises to NedSense enterprise n.v. legally came into force in January 2010, we were already benefiting from a more pro-active and vigorous company mentality. The organizational change that took place in 2009 creating a flatter and more effective company continued further in 2010. We have succeeded in smoothly separating product management, where our intellectual property lies, and product development, enabling us to more finely customize our products, and accelerate time to market. What's more, a capital injection in June 2010 created by the emission of new shares and the renegotiation of the financiers' loan have strengthened our working capital and enabled us to continue investing in the LOFT™ innovation.

The overall strategy for 2010 concerned the third phase of the value triangle business plan in which we aim to expand within and beyond our current markets, and invent, dictate and define the direction in which we are going. My move as NedSense CEO to the United States

brought me closer to our operations there, and I am proud of the success we have attained in the American markets. Not only has our market share increased strongly, but the NedSense subsidiary Dynamic Perspectives Inc. has undergone a turnaround that has brought new focus and energy to the company. New alliances, a broader client base and positive financial results are just a few of its successes.

In the second quarter of 2010, LOFT™ became a reality. Its launch was celebrated in a successful event in November 2010 in the United States, although we had already obtained our first order in the American market in October 2010. Close partnerships with launching customers Rubelli and Donghia continued to result in innovations for the product, as did our adoption of the Apple platform.

We have achieved the goals we set for ourselves in 2010 and are proud that the profitability of NedGraphics and DPI has provided support for investments in the newly founded LOFT™. We can boast that NedSense enterprises n.v. has realized a break-even result at the end of 2010, excluding additional investments in the

We have achieved the goals
we set for ourselves in 2010

LOFT™ product suite. Our knowledge heritage remains a vital element in our continuing growth, and we are confident we can strengthen our current markets and firmly root in new markets so as to realize a positive EBIT in 2011.

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

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

Vianen, April 25, 2011

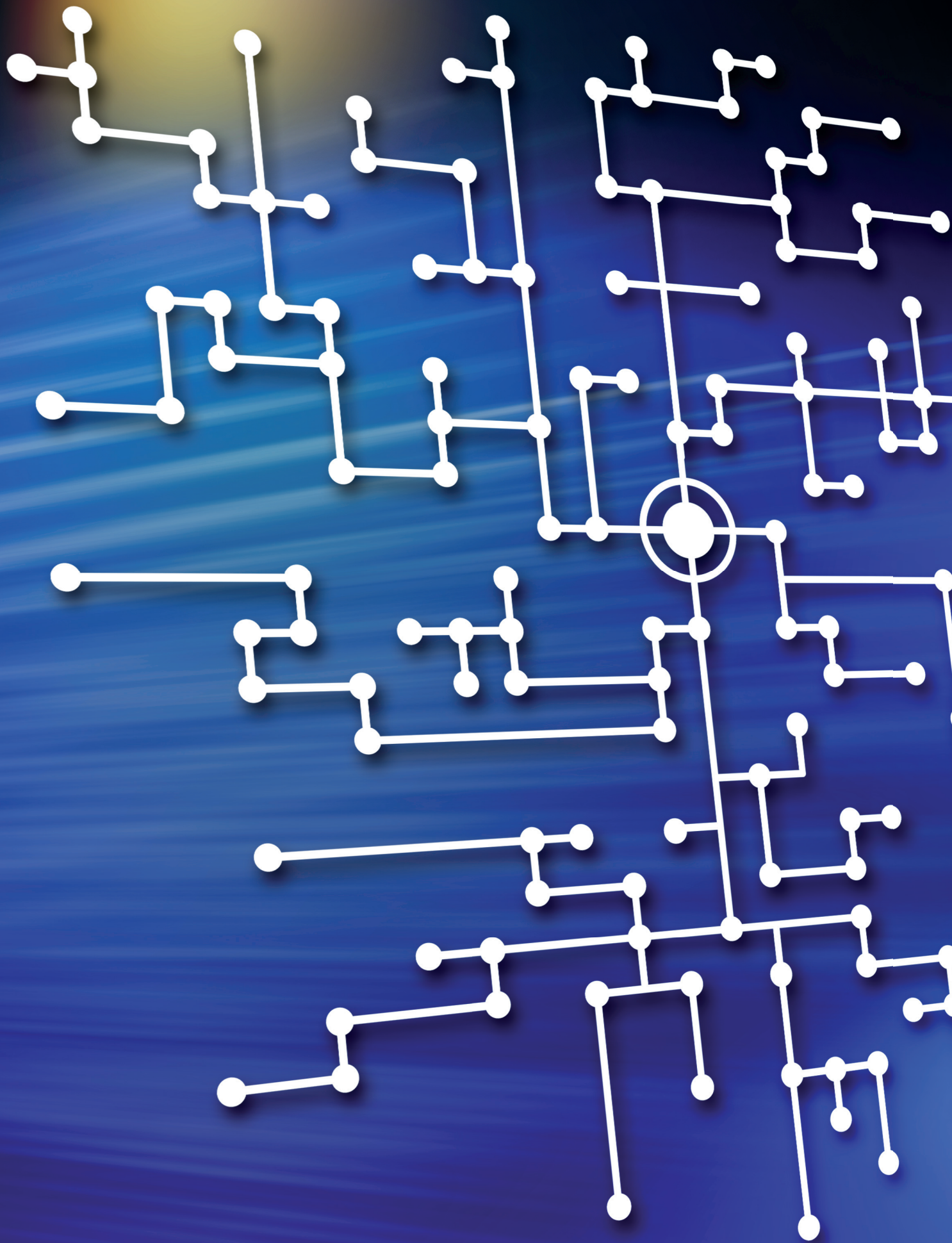
Pieter Aarts, Chief Executive Officer

Our
knowledge
heritage
remains
a vital
element
in our
continuing
growth

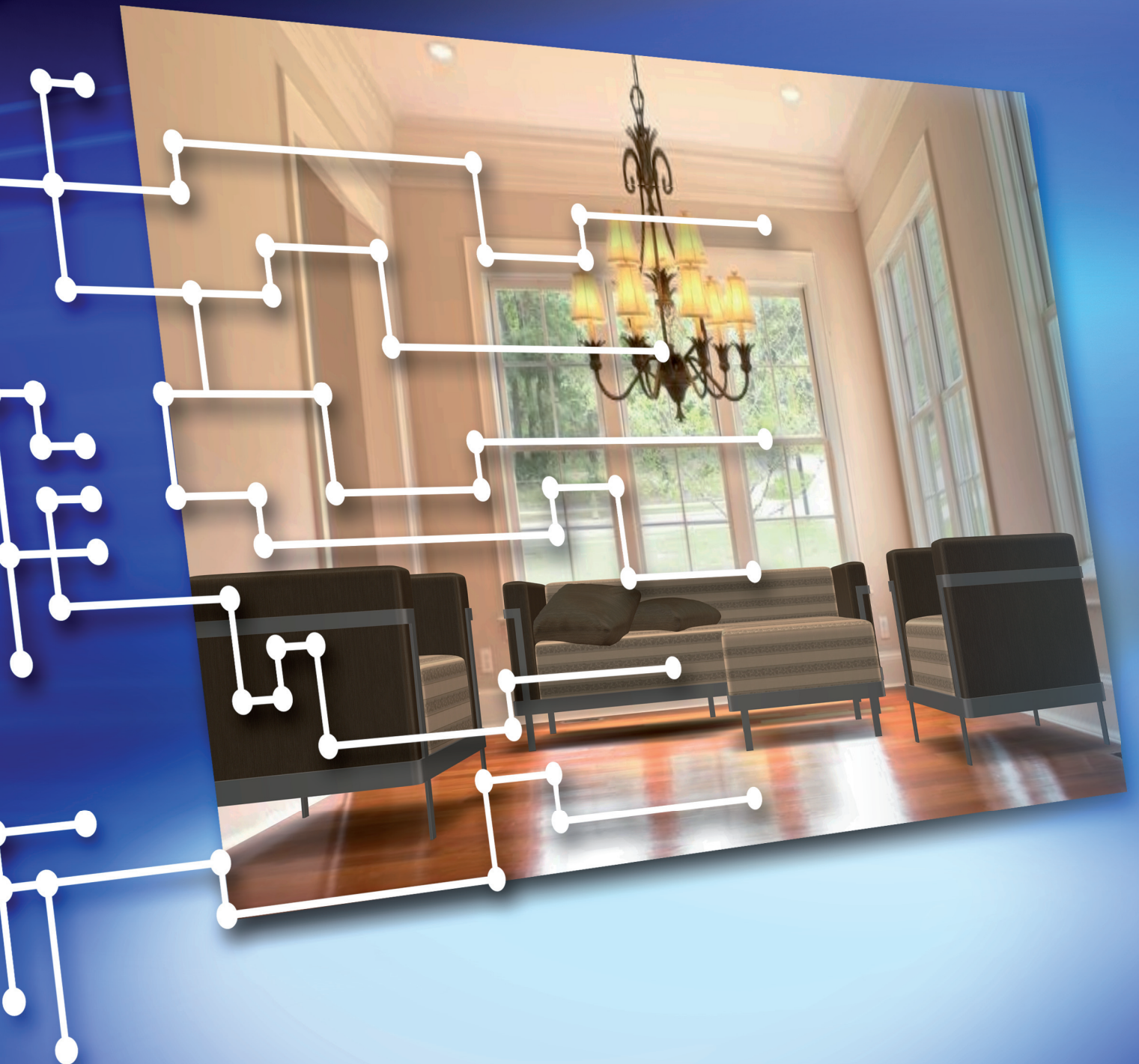
002 Key figures

	2010	2009
Results from continued operations (in thousands of euros)		
Net revenue	9,518	8,123
Operating result	(360)	(1,574)
Net result	(733)	(1,680)
Cash flow	305	(973)
Employees (in FTE's)		
Average number of staff in continued operations, including staff hired out	114	112
Balance sheet information (in thousands of euros)		
Balance sheet total	13,896	12,674
Shareholders' equity	5,125	4,316
Guarantee capital	5,125	4,316
Ratios (in %)		
Operating result / net revenue	(3.8)	(19.4)
Net result / net revenue	(7.7)	(20.7)
Solvency (based on guarantee capital)	36.9	34.1
Liquidity	1.6	1.0
Figures per share (amounts in euros)		
Average number of shares outstanding	11,711,485	7,884,917
Result per share	(0.06)	(0.21)
Cash flow per share	0.03	(0.12)





003 Profile



003 Profile

Our profile

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

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

History

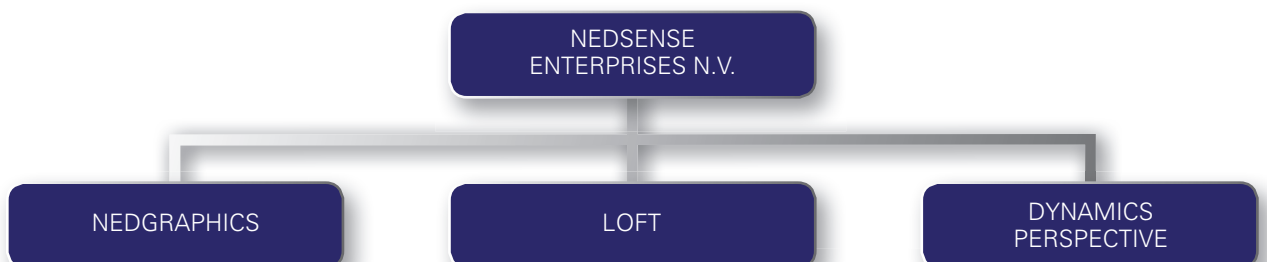
NedSense was founded as Blue Fox in early 1999 and has been listed on NYSE Euronext Amsterdam NV since 21 May 1999. The company grew rapidly as a result of its buy-and-build strategy until it encountered financial challenges in 2006. As a means of thwarting these challenges, the company initiated a new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

activities. In 2009, Blue Fox underwent a complete transformation program to prepare the company, and our market, for a new era as NedSense.

Current situation

NedSense enterprises n.v. serves more than 3,500 customers through a global network of over 42 resellers and agents. Its 14 offices are ideally located in the leading textile, fashion and production centers of the world. It is organized into three operating divisions, namely NedGraphics, LOFT, and Dynamics Perspective.

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



the input from partner knowledge institutions and an ambassador network that recommends our products to the market.

At the end of 2010, the NedSense enterprises n.v. organizational structure had evolved from that of a set of separate entities to a group of collaborating business units each with their own products and services but serving the same target market, namely the Fashion, Textile, Retail and Interior industry. Our sales and go-to-market strategy, and our innovation and product development processes are applied and managed company wide so as to attain maximum synergy between the business units. Our strategies and processes remain flexible in order to be able to respond to trends in our industry. At present, NedSense enterprises n.v. and its business units aim to meet the current global trends by increasing speed-to-market for our customers, developing the market for product experiences which merge reality with virtuality, and recognizing the rise of emerging markets.

Our mission

In today's experience economy, customer experiences are transformed when reality transcends into virtuality and back into reality. It is this transformation that creates economic value for designers, producers, retailers, resellers and consumers. NedSense is cultivating a leading role in providing innovative IT solutions that orchestrate these experiences for its customers.

Our mission is to provide solutions that make sense and create tangible value to the commercial activities of our customers, leveraging our key assets in combination with today's market and technology innovations. We aim to become the expert and a global leader in our markets offering state-of-the art technology and solutions.

Our divisions

NedGraphics

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

NedGraphics has over 30 years of experience in developing, marketing and supporting the leading CAD CAM software for thousands of companies. Our products are seen as A-brand in the market because of their continuous innovativeness, optimal functionality and

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

LOFT

LOFT is our most innovative and emergent subsidiary. The LOFT™ suite of products currently provide an online sales tool for designers and manufacturers in the textile and apparel industry, enabling them to co-create personalized virtual showrooms with their customers. The products help create an engaging online showroom experience at any time, reduce sampling costs, and accelerate the purchase decision time.

Solutions that make sense and create tangible value

broad applicability. They enable our clients to improve their sales through minimizing time to market, optimizing product development flow, and reducing sampling costs. Each software solution is offered in a fully integrated modular system to guarantee current and future operational performance.

NedGraphics' integrated software solutions are used around the world in three main market segments:

- Fashion design
- Floor coverings
- Home furnishings

LOFT was formed in the first quarter of 2010 to take on the development and sales of the LOFT™ suite of products. Until then, the research and development of LOFT™ products had come under the responsibility of NedGraphics. Ideas for LOFT™ had initially been sparked in 2009 and had rapidly taken form although they were clearly innovative and represented unfamiliar territory for NedSense. A working prototype was available by the end of the year 2009, and a LOFT™ launching customer program was created in which NedSense customers could commit to the

Andrea Favaretto Rubelli, CEO of Donghia US and Rubelli:

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

project and work with us in developing the LOFT™ products by sharing their functional requirements. These market demands were key to setting the priorities for research and the LOFT™ functionality.

The specialized research and development team at LOFT continues to work closely with knowledge institutes and customers on developing the current LOFT™ products. It draws on our own in-house expertise and our partner's insights and network so as to meet an industry demand for greater creativity and flexibility in using internet as a medium, and for technologies that boost customer revenue.

Dynamics Perspective

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

garment) and importers of apparel, footwear, textile, home furnishings, outdoor and fashion accessories.

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

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

In 2010, Dynamics Perspective underwent a turnaround in culture and philosophy bringing it closer to NedSense. Collaboration between the two companies has intensified with Dynamics Perspective rationalizing its product range and developing a new focus on product life cycle solutions servicing both the DPI and NedSense client base.

NedSense technology – merging reality with virtuality

Facebook, TomTom, Twitter, Google Earth, Wii, Alternate Reality Games. There is an ever increasing list of ways in which we merge reality with virtuality on an almost daily basis. As consumers, we're growing to expect experiences that merge the here and now with virtual dimensions, whether it's trying out new fashion styles online by uploading a photo or being guided round an exhibition. The experiences can transform our behavior in such a way that they can affect a decision about a purchase or investment.

Enabling consumers to make guided decisions about their investments

For many years, economists have focused on three economic values, namely commodities, goods and services. According to B. Joseph Pine in his book *The Experience Economy*, as our society, particularly in the developed markets, has transcended into a more mature and affluent economy, we have added two new dimensions: experiences and transformations. With each step of development, there has been an increase in the level of customization and therefore in the level of personal experi-

ence involved. This has created two important economic values, one in which the price is no longer set by the cost of the commodities and labor but by the perceived value, and a second in which the more lasting and impactful the experience, the more the customer binds with the product.

As customers have become aware of the new economic reality, they have also demanded more customization; in many ways they have changed faster than the companies serving them. Both consumers and businesses have gained more access to channels, and a wider variety of technology. They have become researchers, developers and designers of their own experiences. Hopping from a high street store to the internet and on to a contact center through a range of devices, customers subconsciously rate their experience on cost-benefit, usability, time consumption, and so on. To add to the complexity, the range of influencers has also increased. Where first only the personal network was referred to during decision making, customers now also turn to Google intelligence, social network communities, comparison sites, and the like. In addition, the devices themselves, from desktop to Smartphone and iPad are adding an extra dimension to channels. As they become more converged, networked and location-aware, they further break down the barriers between the real and the virtual world.

NedSense innovations, and particularly the LOFT™ products, are a response to these changes, enabling customers to experience what their home or office interior will look like before an order or even a decision is made. An original environment such as a picture of a room is injected into a virtual space in order to create a real and visible experience, for instance, displaying the customer's room with the designer's flooring, wall paper, furniture and fabrics. The customer is then able to make a guided decision based on how they experience this virtual space and then, by placing an order, make it a reality.

Commodities
make *Goods* which
deliver *Services* that
stage *Experiences*
which guide
Transformations

B. Joseph Pine II, co-author of the Experience Economy, e.g.:

“Those companies that wish to offer their customers an experience need to see themselves as stagers of events”

004 Composition of the Boards

Board of Directors

**Pieter Aarts (1967, Dutch, male),
Chairman of the Board of Directors
(since January 2009)**

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

**Jan-Hein Pullens (1972, Dutch, male),
Member of the Board of Directors
(since January 2009)**

Mr. Pullens graduated from the Faculty of Economics and Management at the University of Applied Sciences in Utrecht in 1997 having already started his professional career in the previous year as an Account Manager in the software industry. He was then recruited by Unisys Netherlands where he held various management and sales executive positions

within Unisys' Global Industry and Global Infrastructure divisions. In 2004, Mr. Pullens became Division Director for Outsourcing at Inter Access, where he led the development and growth of this new division. Three years later, in 2007, he joined Hewlett-Packard's EMEA Strategic Outsourcing team as an Engagement Lead focusing on the large international IT outsourcing deals. Since 2005, Mr. Pullens has held various advisory management positions with a number of organizations.

Supervisory Board

**Mr. Servaas L.M. Houtakkers (1959, Dutch,
male), Chairman Supervisory Board
(since August 2005)**

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

managing partner with a Brussels-based corporate services company. In 2003 he became managing partner of TMF (Belgium) N.V. Mr. Houtakkers has been active as a corporate consultant since January 2005. He is a member of the advisory board of Greening International Partners and was a member of the managing board of Burani Designer Holding BV until February 2007. He was Chairman of the Board of Directors of Prolion Holding NV from 2002 until September 2004, and of Interbanca International Holding SA from 2003 until March 2005. As from May 1, 2011 onwards Mr. Houtakkers will serve as chairman of the supervisory board of IS Interned Services B.V.

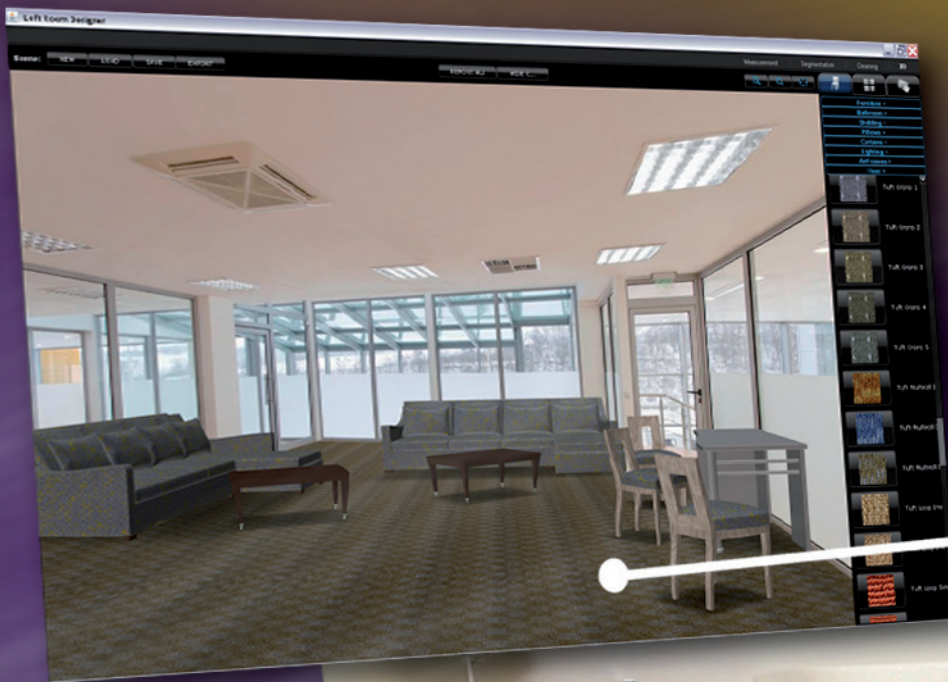
**Mr. Henk Huisman (1944, Dutch, male),
Member Supervisory Board
(since May 2009)**

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

**Mr. Dirk Lindenberg (1949, Dutch, male),
Member Supervisory Board
(since January 2009)**

Mr. Lindenberg has been an entrepreneur throughout his career, founding an international operating business in the gaming industry which he later, in 2000, sold to ABN Amro equity and NPM Capital. He continued as board member for the newly formed company for another six years.

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





005 Report of the Board of directors

005 Report of the Board of Directors

Critical analysis helped us recognize the full potential of our products and people

The NedSense strategy

The name NedSense enterprises n.v. legally came into force in January 2010. Signaling the end of an era as Blue Fox Enterprises NV, the name change underlined the strategic direction and invigorating corporate culture embraced in 2009. The success achieved by the continuation of this strategy over the past year will enable us to further build on our value triangle of revenue growth, performance improvement, market deployment, and sustainability.

In 2010, the American textile and apparel market was recovering well from the effects of the economic crisis. Although the European market was still struggling to emerge from the recession, NedSense has fared competently in both markets with the company breaking even, excluding the additional investments

Highlights

- Official rebranding of holding name to NedSense enterprises n.v.
- Issuance of new stock and renegotiation of financier's loan
- Modification of production process to distinguish product development from product manufacture and increase speed of time to market
- Upgrading of software security system to fight piracy
- Turnaround of Dynamics Perspective so as to fuse with NedSense philosophy
- Development of alliances to augment status of networked organization
- Gain in market share and of major deals in US
- Attainment of break-even excluding additional investments in LOFT across the board by year end

made in LOFT, across the board at year end. Phases 1 and 2 of the value triangle business plan had quickly borne fruit in 2009, enabling us to focus on phase 3 of the plan in 2010.

The transition phase of 2009 was fast-paced and comprehensive, and has resulted in a company mentality that is far more pro-active and aggressive. During the first phase of the value triangle, we focused on creating sustainability in the company, partly by reviving our sales and marketing efforts and intensifying customer loyalty. In the second phase, we built on the newly strengthened foundations and shifted focus to structural performance improvement, revenue growth, and market development. An organizational change coupled with a critical analysis of our strengths and weaknesses, our markets, and our opportunities enabled us to recognize ways in which we could use the full potential of our products and people, and took us into the third phase of the value triangle.

Value triangle phase 3

The third phase of the value triangle business plan aims to see NedSense expand within and beyond our current markets, and invent, dictate and define the direction in which we are going. It is a phase that transcends 2010 simply by the nature of its goals. Expanding market share and conquering new markets are longer term objectives, and as our society is continually developing and changing, so

will our direction also need to be modified accordingly. One aspect of inventing, dictating and defining the direction in which we are going has concerned the name change to NedSense enterprises n.v. The subsequent rebranding process has been initiated with a new logo and website being the most visual developments so far.

One of the major changes in 2010 concerned the production process. As part of a modernization program, product management has been separated from product development, allowing each area to focus on applying their knowledge and skills specifically. At NedSense,

Our intellectual property is our product and market knowledge

our intellectual property is our knowledge of the markets, its processes and its business rules. We now outsource part of the actual building of the software to our product development partners. The result is not only a shorter time-to-market and higher quality software, but also an increased agility to respond and appeal to market needs, and improved efficiency in the

production process overall. As our intellectual property is our competitive edge, improved software encryption technologies were rolled out in 2010 as a means to combat piracy.

Building on the trend set in 2009, NedSense continued to reach out to partners in the market. The transformation of the company into a networked organization enables us to draw on the expertise and resources of partner institutions, including universities, as well as create an ambassador network that recommends our products in the market. Our alliances with PTC and Adobe have enabled us

per share for the issuance in order to obtain extra capital of € 1.5 million.

NedSense and its financier agreed that NedSense would cancel the option to convert a portion of the outstanding loan of € 2.1 million into NedSense shares. The loan is now repayable in installments with € 0.5 million to be repaid by 1 January 2012, € 1 million by 1 January 2013, and € 0.6 million by 31 December 2013.

Financing will continue to be one of our top priorities in 2011. The expected operational cash flows are not sufficient to redeem the

NedGraphics recorded positive results over 2010

to further develop our strategy of optimizing our product and services portfolio.

In June of 2010, an agreement was reached with our major shareholders on a private issuance of shares, and the credit facility was renegotiated with the company's financier. This stronger capital structure is required to finance and facilitate the strategic growth plan to bring the LOFT start-up division to its full potential. NedSense agreed a share price of € 0.40

first installment of the debt. Discussions are currently ongoing with potential investors who appear to be willing to fund the growth strategy of the Company.

NedGraphics

The value triangle growth strategy reaped rewards in 2010 with NedGraphics emerging from the recession stronger and with better results. The current applications

from NedGraphics continue to be the most widely used in the industry today, and 2010 has proved to be an exceptional year. The challenging economic climate has meant that many companies have been reassessing the value offered by their existing technologies to determine if they are in line with industry best practices. The pro-active culture developed within NedGraphics has paid off and a number of major deals have been closed in the US market. By differentiating our product offering and providing a high level of customer friendly support, NedGraphics has successfully gained market share from its competition. Many of these companies opting for the technology upgrades are first time NedGraphics users, and have migrated from using alternative CAD technology offerings. The majority of the new customers are some of the most well known brands in the retail, apparel and home fashions markets, and are listed on the Fortune 500.

In 2010, NedGraphics launched its virtual sampling solution enabling its customers to communicate quickly and effectively with prospects by displaying digital samples directly on screen. The solution is a clear response to the current major market trend of greatly reducing time-to-market of new collections. It not only accelerates the production process, but also reduces sampling costs, optimizes relationships and communication with prospects, and reduces response time.

We are
committed
to developing
unparalleled
personalized
experiences

Dynamics Perspective

The organizational gap that had developed over the years between NedSense and Dynamics Perspective Inc (DPI) has been effectively diminished over the past year. In the first half of 2010, NedSense enterprises n.v. examined DPI's positioning and assessed its strengths and shortcomings. The knowledge and experience built up within DPI has been recognized and reapplied through product rationalization and focus. On an organizational level, the company has been right-sized. Staff have been empowered and have become more proactive as a result, accepting accountability for their decisions and actions.

The turnaround in culture and philosophy has brought DPI closer to its NedSense base. Collaboration between the two companies has intensified with DPI developing a new focus on product life cycle solutions servicing both the DPI and NedSense client base.

In keeping with NedSense's concept of a networked organization, DPI has also entered into new alliances to provide a robust concept-to-counter product management suite of solutions.

LOFT

In the first quarter of 2010, the research and development team has been reformed to include the team members involved in the inception phase of the LOFT™ products. This reorganization was fully in line with the importance NedSense places on recognizing knowledge and expertise. Throughout the year, LOFT has benefited from external sounding boards as it continues through an open innovation stage of development. Partnerships created in 2010 with Rubelli and Donghia, as well as the adoption of the Apple platform illustrate LOFT™'s commitment to developing unparalleled personalized experiences.

The NedSense name

In December 2008, Blue Fox Enterprises N.V. embarked on a new strategic direction, combining the strengths of the company with a drive for innovation. We felt a name change would underline our commitment to this new strategy, and strengthen our position in the textile and apparel market. As NedSense enterprises n.v., we maintain the name recognition and reputation our core business entity NedGraphics enjoys in the market, and illustrate our aim to offer solutions that truly make sense to our customers. NedSense enterprises n.v. will serve as the umbrella brand for all company activities.

Evolution

NedSense is confident that prolongation of the current strategy will continue to generate revenue growth. We have achieved a commendable level of stability over a short period and are ready to enter a new more aggressive phase of development. In the coming year, we will continue to build on the company's strengths, and expand and maximize market leadership. This will include building market share in emerging markets such as Brazil and China.

The initial concept of a networked organization for research and development purposes has matured into a networked organization across the board, partnering for instance at a sales level with companies which might ordinarily be competition. We will continue to foster these alliances, so as broaden our sales base and marketing channels.

We want to continue to build on our knowledge heritage and cultivate relevant partnerships, so that we can innovate and lead, and create real economic value for our customers.

Pieter Aarts
Jan-Hein Pullens

Vianen, April 25, 2011

The NedSense philosophy

Experience your design

Our company knowledge revolves around means of merging reality and virtuality to create software platforms that create real economic value for our customers. No matter how real the virtuality in software may appear, we maintain a pragmatic nature as a company with both feet truly on the ground. By listening carefully to our customer's needs, we can provide solutions that make sense and create tangible value.

Financial results 2010

Report by the Board of Directors – Financial Information 2010

Financial results

NedSense ended 2010 with a net loss of € 0.73 million (2009: € 1.68 million loss).

The improved result of 2010 was mainly due to the successful implementation of the Value Triangle Strategy initiated in 2009, and improved economic conditions. The operating result for 2010 amounted to € 0.36 million negative (2009: € 1.57 million negative).

Activities include the CAD CAM activities of NedGraphics and the ERP activities of Dynamics Perspective. The net revenue of NedGraphics increased by 17.3%, to € 8.6 million (2009: € 7.35 million) driven by a 43.2% increase in software sales as a result of the company's new go-to-market strategy and improved economic conditions. The higher revenue had an immediate impact on the operating result, which increased from a loss of € 0.10 million in 2009 to a profit of € 1.12 million in 2010. The revenue from the ERP activities of Dynamics Perspective increased from € 0.76 million in 2009 to € 0.80 million in 2010. The operating result of Dynamics Perspective increased from a loss of € 0.14 million in 2009 to breakeven in 2010. Other activities include the holding company and LOFT. Operating expenses increased from € 1.09 million in 2009 to € 1.73 million in 2010 including € 0.75 million in expenses for LOFT (2009: € 0.23 million), and € 0.22 million for

share-based, equity settled payments (2009: € 0.05 million).

Cash flow, investments, financing

The operational cash flow in 2010 amounted to € 1.25 million positive (2009: € 0.06 million negative). The increase from 2009 was mainly due to the improved operating result.

The cash flow from investments in 2010 was € 2.34 million negative (2009: € 1.93 million negative). The decline in 2010 was mainly due to the investments made in the software development of the new LOFT™ product line. The cash flow from financing in 2010 was € 1.39 million positive (2009: € 1.02 million positive). The total change in cash and cash equivalents in 2010 amounted to € 0.31 million positive (2009: € 0.97 million negative).

Balance sheet

From 31 December 2009, fixed assets increased from € 8.64 million to € 9.25 million as of 31 December 2010. This was mainly due to the capitalization of developed software for the new LOFT™ product line.

Due to the negative results in the past few years, NedSense has losses that may be carried forward. These tax assets are not capitalized in the balance sheet as management is currently not certain that sufficient taxable profits will be made in the

near future to realize the value of these tax assets.

Shareholders' equity increased from € 4.32 million as of 31 December 2009 to € 5.13 million as of December 31, 2010. This € 0.81 million increase was mainly caused by the issue of new shares in the net amount of € 1.39 million, the net loss in 2010 of € 0.73 million, and the € 0.22 million for share-based, equity settled payments. As a result of these changes, solvency increased to 36.9% at December 31, 2010, from 34.1% at December 31, 2009.

The number of outstanding ordinary shares, with a nominal value of € 0.10 each, was 13,581,343 as of December 31, 2010. Please see the accompanying financial statements and the notes to those statements for additional information.

006 Report of the Supervisory Board





006 Report of the Supervisory Board 2010

This annual report includes the financial statements for the financial year 2010 as prepared by the Board of Directors and adopted by the Supervisory Board, as well as other information concerning NedSense enterprises n.v.

Composition of the Supervisory Board

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

The members of the Supervisory Board correspond with the required profiles of Supervisory Board members. Detailed profiles of the Supervisory Board members can be found on the company's website www.nedsense.com.

Terms of reference

A member of the Supervisory Board will not be available for appointment or reappointment if that

member has already served three consecutive periods of 3 years as a board member. A supervisory director will retire according to the following schedule:

	Year elected	Term end
Mr. Servaas L.M Houtakkers	2005	2011
Mr. Dirk Lindenbergh	2009	2012
Mr. Henk Huisman	2009	2012

At the next annual AGM the second term of Mr. Servaas Houtakkers will expire. He has been acting as Chairman of the Company since the AGM of May 2005. The Supervisory Board proposes to reappoint Mr. Houtakkers for a final three-year term.

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

- The role of the Supervisory Board is to supervise the policies of the Board of Directors and the general affairs of NedSense.
- Members of the Supervisory Board have full and free access to NedSense management

and, if necessary and appropriate, independent advisors.

The Supervisory Board attaches great importance to the independence of its members. As a rule, all members, with the exception of no more than one, should be independent in the meaning of provision III.2.1 of the Dutch Corporate Governance Code. With the exception of Dirk Lindenbergh, who through Blikkenburg B.V. holds more than 10% of all outstanding shares in the company, the Supervisory Board members are independent. The members of the Supervisory Board were not granted and do not possess any NedSense options or shares, with the exception of Dirk Lindenbergh. During a separate meeting, the Supervisory Board discussed its own performance, its composition and the need to create committees. Items assessed and discussed included: (i) the Board's size, profile, mix of skills and experience; (ii) meeting frequency, decision-making, follow-up of and discussion during meetings; (iii) performance; (iv) the relationship with the Board of Directors; and (v), the performance of the Chairman. The Supervisory Board concluded that all of these items were unanimously assessed positively. The Supervisory Board Chairman also conducted one-to-one meetings with each individual board member to discuss his or her own functioning and the functioning of the board on the whole.

Supervision in 2010

The Supervisory Board and the Board of Directors met ten times during 2010. In addition, there have been formal telephone conferences and various informal contacts, both between the Supervisory Board and the Board of Directors and between the members of the Supervisory Board. Three formal meetings were held amongst the Supervisory Board members themselves. These meetings were held to discuss the review of the remuneration policy, the remuneration of the Board of Directors and incentives for key staff members. The external auditor was invited to two meetings to discuss the preparations and results of the annual report and accounts. None of the Supervisory Board members were regularly absent during 2010.

During the joint meetings and calls with the Board of Directors, the Supervisory Board was updated regarding market developments in the main countries NedSense is operating in, product development, company reorganization and performance plans. Strategy was placed at the top of the agenda during a number of meetings, so enabling the Supervisory Board members to participate in the discussion on the future scope of the company. Considerable time was spent on in-depth discussions of the overall strategy of the company within its competitive environment. Due to this competitive environment, it is inappropriate to expand in detail on the topics discussed.

Recurring items on the agenda included:

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

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

The Chairman of the Supervisory Board and the members of the company's Board of Directors met on a regular basis and had frequent contact during the year. The year 2009 was a year of change, and 2010 was characterized by

further building on the new organization, the rebranding, the boost of the US activities, and further development of LOFT.

The financing of the working capital and the company's liquidity continued, as they were in 2009, to appear on the agenda in 2010. During the Extraordinary Meeting of Shareholders on June 30, 2010, a subsequent private issuance of shares from the company to its major shareholders was approved. Simultaneously, the financier of the company agreed to further extend the term of the credit facility, and as such provided the company with more room to focus on the development of its business. The further development and go-to-market of LOFT™ were partly financed by this emission.

This latest emission opened a new discussion with respect to the consequences for the remuneration policy of the company as agreed by the Board of Directors and the Supervisory Board, and approved at the AGM of May 26, 2009.

Committees of the Supervisory Board

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

Remuneration Committee and the Selection & Nomination Committee in collegiality.

Audit Committee

In 2010, the Audit Committee consisted of the entire Supervisory Board. The Audit Committee controls and assesses the financial reporting processes of the company, as well as the expert investigation carried out by the external auditor. Two meetings were held with the external auditor KPMG Accountants N.V. to discuss the preparation and the content of the financial report.

The main topics discussed at those meetings in 2010 included:

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

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

External Auditor

KPMG, represented by its partner Frank van het Kaar, acted as auditor of the company. Its nomination was approved by the Annual General Meeting of Shareholders on May 25, 2010. The Supervisory Board wishes to thank KPMG Accountants N.V. for its constructive contributions and work in 2010.

Remuneration Policy

The Supervisory Board sets the level of remuneration for the Board of Directors in line with the approved remuneration policy. Remuneration for the Chairman and other members of the Supervisory Board is set by the Annual General Meeting of Shareholders.

The main objective of the remuneration policy is to attract and retain qualified managers against market conditions for an international listed company with activities in the field of software development. The remuneration policy 2009-2011 is published on the company's website. The remuneration policy aims to provide the members of the Board of Directors, both jointly and individually, and certain, yet to be confirmed, key employees of NedSense enterprises n.v. with a level of compensation that:

- Aligns performance with the financial targets and the strategy of NedSense and its subsidiaries
- Attracts and retains top managers as management of NedSense enterprises n.v.

The remuneration policy for the members of the NedSense Board of Directors has four elements:

- Base salary (including pension scheme)
- Variable income
- Long term incentive plan
- Secondary employment conditions

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

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

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

Directors, and the Board of Directors will grant options to key personnel on the Supervisory Board's approval.

A detailed report of the remuneration policy can be found on the company website www.nedsense.com.

Remuneration Report

In 2010, the Supervisory Board applied the remuneration policy 2009-2011 as follows:

Base salary

The base salary for the members of the Board of Directors of NedSense enterprises n.v. was set in 2009 for a period of 3 years, ending on December 31, 2011. There were no increases in base salary levels for 2010. Specific figures are provided on page 136.

Variable income

Variable income comprises two components, namely a bonus and share options. For the period 2009-2011, the Board of Directors is entitled to a maximum of 20% of the number of outstanding shares following the emission in 2008 that was exercised in 2009. In concrete terms, this 20% is divided into four phases, as represented in Option Plan C.

The first phase of the Option Plan, a granting of 5% of the outstanding shares, was to be exercised following the realization of the 100-day plan. This was paid out on June 30, 2009.

The second phase concerning 5% of the shares granted as of December 31, 2009, was on provision of a number of defined criteria,

namely the Company's EBIT, certain individual objectives and an allowance awarded at the Supervisory Board's discretion. The Supervisory Board has granted 2.5%, i.e. 50%, on the basis of the individual objectives and discretionary allowance.

The planned granting of 10% as of December 31, 2009 was not exercised. This is not a reflection of the efforts made by the Board of Management, but a reflection of the market the Company is currently operating in. External factors have meant that, objectively, there are only 50% of the shares to be granted. The individual objectives concerning the organization, the launch of LOFT, finance and reporting were all attained in 2009, and the members of the Supervisory Board are fully aware of the conditions under which these objectives were attained. As such, the Supervisory Board calls on its right to award the discretionary allowance in full.

The objectives for 2010 that were set for the Board of Management as conditions for receiving further options to a maximum of 5% of the outstanding shares are related to:

- The EBIT level and profitability of the Company. For this purpose, the EBIT level excludes investments in LOFT. The objective was for the Company to achieve operational break-even.
- The further streamlining of management within the Company, particularly regarding the position of second line management and the development of an incentive plan, namely

Plan D. This formed the strategy aspect of the objective. The tactical aspect concerned the further financing and refinancing of the current line of credit, while the operational aspect of the objective focused on the working and interpretation of the financial department and the monthly reports. Individual objectives were set concerning LOFT, with particular attention being placed on the go-to-market activities, the launch in the American market and the integration of the product development units.

In addition to the criteria listed above, the Supervisory Board may use its authority to grant share options at its own discretion.

Based on the achievements of the members of the Board of Directors, the Supervisory Board has concluded that the above criteria have been achieved to 92.5%, which therefore entitles a granting of share options as stated in Plan C to the value of 4.63% of the defined number of outstanding shares.

Long-term incentive plan

A number of conditional share options have been granted to the members of the Board of Directors and key staff based on the Policy's Option Plan D. These options become unconditional (i.e. vest) after three years, depending on certain market-related criteria. In the period 2012-2014, the share value must be at least €0.90-€1.10 at any given moment. This is linked to a sliding scale. The liquidity of NedSense shares in the

stock market is minimal; NedSense shares are sensitive to the sentiment of the day. If the criteria are not met when the price is set, granting may be retracted. Therefore, in contrast to Plan C, Plan D is linked to the level of a previously determined fair price for NedSense enterprises n.v. shares.

Secondary employment conditions

The pension arrangements for members of the Board of Directors are based on a defined contribution plan and are managed by an insurance company. Details of this plan are provided on pages 123 and 136 of this annual report. Additional arrangements include expense allowances, a company car and accident insurance.

The company has issued no loans or guarantees to members of the Board of Directors.

Adjustments

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

During the summer of 2010, extensive discussions took place between the members

of the Supervisory Board and the Board of Directors concerning the feasibility and fairness of the Remuneration Policy 2009-2011, particular regarding Plans C and D. When this policy was drawn up in 2008 and 2009, consideration was made of both the Company's financial situation and the policy's capacity to attract qualified management. It was resolutely agreed with the current management that a fixed salary would be set at a reasonable level and with the incentive to take on the management task at hand created primarily in the form of Plan C in which they would be able to acquire 20% of NedSense share capital. The exercise price was set at € 0.64. The exercise price was not a criteria but a random indication. The Supervisory Board has become aware that sustaining this exercise price impairs the initial purpose and wishes to use its right to implement a one-off correction regarding the level of the exercise price. A second potential problem in this respect concerns the anti dilution clause. At the time when the employment contracts were signed and the option plans agreed upon, it could not have been anticipated that there would be extra issuances in 2009 and 2010. In order to deal with both these problems, the Supervisory Board has decided to decrease the exercise price to € 0.40, thus bringing it in line with the level of the issue price applied in January 2009. The positive and negative effects of this decision for the Company practically cancel each other out, whereas the consequences bring it more in line with the initial purpose for which the

arrangement had been agreed at the end of 2008 with the current management.

This was communicated on September 8, 2010 to the members of the Board of Directors and is recorded in the minutes of the joint meeting of the Supervisory Board and the Board of Directors of October 26, 2010.

Selection and nomination

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

Remuneration of the Board of Directors in 2011

No changes will be made in 2011 to the remuneration policy as described above for members of the Board of Directors, and their base salary will not be adjusted.

Remuneration of the Supervisory Board in 2011

The Annual General Meeting of Shareholders determines the remuneration of the members of the Supervisory Board. Remuneration has remained unchanged since 2005 and will not change in 2011. The remuneration of the members of the Supervisory Board consists of one component only, being a fixed cash payment, and is not linked to any financial or operational performance of

NedSense. In addition to this fixed payment, the members of the Supervisory Board receive a monthly expense allowance. Details of the remuneration of the Supervisory Board members are listed on page 136 of this report. Members of the Supervisory Board who have shares in the company have adhered to the company's insider dealing rules.

Remuneration policy 2012-2015

The remuneration policy 2012-2015 will be presented in brief during the Annual General Meeting of Shareholders on June 7, 2011. Following approval, further elaboration of the policy will follow based on the strategy as determined in the business plan 2011-2015.

Report of the Annual General Meeting of Shareholders May 25, 2010

During the Annual General Meeting of Shareholders held in Vianen, the members of the Board of Directors gave extensive presentations on the financial situation of NedSense enterprises n.v. and the general state of affairs of the Company. The 2009 remuneration report was discussed with shareholders and approved. The 2009 financial statements were approved and adopted in the presence of the company's auditor KPMG Accountants NV represented by Frank van het Kaar. The members of the Board of Directors were granted discharge of liability for their management and the members of

the Supervisory Board for their supervision thereof.

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

Financial Statements 2010

The Financial Statements 2010 have been audited and provided with an unqualified opinion by KPMG Accountants NV (please see the auditor's report on page 138) and were extensively discussed with the auditors in the meeting of the Supervisory Board and the Board of Directors on April 19th, 2011. The Supervisory Board is of the opinion that the Financial Statements 2010 meet all requirements for correctness and transparency and recommends that the Annual General Meeting of Shareholders adopts the financial statements and the appropriation of net income proposed by the Board of Directors. The financial statements were authorized for issuance on April 25th, 2011.

The Supervisory Board proposes that the Annual General Meeting of Shareholders grants discharge to the members of the Board of Directors for their management and to the members of the Supervisory Board for their supervision in 2010.

In conclusion

Following two years of reorganization, and the management of the downturn marked by the credit crises, which started in 2009 when

the current Board of Directors was appointed, 2010 was a year spent on the constructive building of a new business model, supported by the strong performance and improved results of the existing NedGraphics operations. The Supervisory Board wishes to express its thanks to the members of the Board of Directors for their efforts in getting the company to where it is today. A new business model will bring new opportunities. In addition, the Supervisory Board would like to explicitly include the employees of NedSense enterprises n.v. in its thanks. Naturally, a word of thanks is also extended to our stakeholders and others who, despite the many setbacks of the past few years, have continued to show their faith in the company and its management.

Servaas Houtakkers (Chairman)

Dirk Lindenbergh

Henk Huisman

007 Corporate Governance

General

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

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

Corporate governance declaration

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

In accordance with the recommendation of the Dutch Corporate Governance Code Monitoring Committee to 'comply or explain', NedSense's corporate governance practice was placed on the agenda of the Annual General Meeting of Shareholders in May 2007, in order to give shareholders the opportunity to voice their opinion on the way the company interprets compliance with the Code. A description of NedSense Corporate Governance Code, including the relevant regulations and reports, can be found on the website www.nedsense.com. For the application of the NedSense Code, we follow to the greatest extent possible the guidance provisions provided by the Dutch Corporate Governance Code Monitoring Committee in its reports on compliance with the Dutch Corporate Governance Code.

The Board of Directors and the Supervisory Board, which are jointly responsible for the corporate governance structure of NedSense, are of the opinion that the vast majority of the principles and best practice provisions of the code are being applied. As the code is based on the 'comply or explain' principle,

deviations which are deemed necessary in the interests of NedSense have been explained to shareholders and are described in this report.

Corporate Governance Structure

Board of Directors

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

The Board of Directors takes into account the interests of the Company and its affiliated enterprises as well as the interests of NedSense's shareholders and other

stakeholders when taking decisions about the operation of the business. The members of the Board of Directors are required to put the interests of the Company ahead of their own interests and to act critically and independently when carrying out their responsibilities.

The Board of Directors is also charged with providing the Supervisory Board all material information required to permit the Supervisory Board to exercise its duties. The NedSense Articles of Association provide that certain resolutions of the Board of Directors require prior approval of the Supervisory Board. Pursuant to Dutch law and the Articles of Association, decisions taken by the Board of Directors involving a major change in the Company's identity or character are subject to the approval of the General Meeting of Shareholders.

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

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

Supervisory Board

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

A member of the Supervisory Board should limit the number of Supervisory Board memberships and other positions at listed and non-listed companies in such a way as

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

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

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

Committees of the Supervisory Board

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

External Communication

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

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

Shareholders and the General Meeting of Shareholders

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

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

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

The Annual General Meeting of shareholders, which is normally held at the end of May, is recorded on tape. This tape will be used to

produce the minutes of the meeting. The minutes are posted on the corporate website within three months after the meeting.

External Audit

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

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

Internal risk management and control systems

The Company's internal control function plays an important role in assessing and testing our internal risk management and control systems. This function operates under the responsibility of the Board of Directors, and consists of a formal framework defining key risks and key

controls over financial reporting. NedSense's finance staff carries out internal control activities and reports its findings to the Audit Committee.

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

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

The Board of Directors strongly believes that the existing risk management and control

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

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

Decree on Article 10 Information Required Directive on Takeover Bids

Members of the Board of Directors are appointed, suspended and dismissed by the Supervisory Board (Articles of Association, article 13). Members of the Supervisory Board are appointed by the General Meeting of Shareholders, suspended by the Supervisory Board and dismissed by the Enterprise Section of the Amsterdam Court of Appeal (Articles of Association, articles 19 and 20). The General Meeting of Shareholders can effect the dismissal of the Supervisory Board (Articles of Association, article 22). Amendments of

the Articles of Association are effected by the General Meeting of Shareholders (Articles of Association, article 31.5).

The powers of the Board of Directors relating to the issue of shares of the company are set out in article 4 of the Articles of Association and those relating to the acquisition by the company of shares in its own capital are set out in article 6 of the Articles of Association.

Deviations from the Dutch Corporate Governance Code

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

Provisions III.1.1 and III.5.1: division of tasks by the Supervisory Board and regulation for the audit committee:

Due to the size of NedSense, these provisions have not been implemented and, consequently, the regulations concerned are not disclosed on the NedSense website.

Provision III.2.1: independence of the members of the Supervisory Board:

Mr. Dirk Lindenbergh has been a shareholder of the company since fall 2007. He holds over 10% of the shares of the company and is, as such, not to be considered independent.

Provision III.4.3: company secretary

The Supervisory Board believes such

organizational and administrative support of its work is currently unnecessary.

Provision IV.3.1: advance announcements of Investor Relations Meetings

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

008 Shareholders Information

General

The shares of NedSense enterprises n.v. have been listed on Euronext Amsterdam by NYSE Euronext since 21 May 1999. As of 31 December 2010, the number of outstanding shares was 13,581,343 (2009: 9,831,354).

In July 2010, additional capital was raised to fund the Company's growth strategy. An additional € 1,500 thousand (€ 1,389 thousand net proceeds) was raised and 3,749,989 new shares were issued.

The number of shares outstanding as of 31 December 2010 was therefore 13,581,343 with a nominal value of € 0.10, resulting in a share capital of € 1,358,134 at the end of 2010. Share premium as of 31 December 2010 was € 33,477,321.

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

Pursuant to the 'Wet Melding Zeggenschap' (WMZ, the Act on Disclosure of Major Holdings in Listed Companies), an interest of 5% or more in the capital of Dutch listed companies must be reported. In addition, the passing of certain boundaries of percentage ranges in shareholdings must be reported. The table provided on page 49 is a review of the interests as of 31 December 2010, based on the latest information received.

Staff Options

The table on pages 50 to 51 presents an overview of option rights granted and outstanding options at year-end 2010. In chapter 11, Notes to the company annual accounts, detailed information is provided on the outstanding options.

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

Contact details

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

Dividend policy

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

Prevention of insider trading

NedSense has drawn up Insider Trading Regulations in accordance with the model of the VEVO (Vereniging van Effecten Uitgevende Organisaties – the association of share issuing organizations), which has been

approved by the Netherlands Authority for the Financial Markets (AFM).

NedSense has made a large group of staff members and advisors sign the Insider Trading Regulations. The Insider Trading Regulations of NedSense include a ban on trading in NedSense shares during an eight-week period prior to the first publication of full-year results and a three-week period prior to the publication of half-year results. There is also

a ban on reversing a transaction within six months, in order to reduce or eliminate the risk. An exemption in writing from this ban can be given by the Compliance Officer. No exemptions were given during 2010.

Investor relations

NedSense greatly values a good relationship with its shareholders. In the interest of fair disclosure, all new material information is disclosed through the timely and simultaneous

Shareholders

31-12-2010

Todlin N.V.	23.9%
D. Lindenbergh (through Blikkenburg B.V.)	11.6%
F.L.H. van Delft (through Bibiana Beheer B.V.)	10.3%
A. Strating (through TWE Beheer B.V.)	7.4%
Via Finis Invest B.V. (formerly De Kolk Beheer B.V.)	7.0%
Florijn Investments BV (formerly Driessen Beleggingen B.V.)	6.1%
West-End B.V.	5.2%
Generali Holding Vienna AG (through BV Algemene Holding en Financierings Maatschappij)	5.0%

Key figures per share (based on average number of outstanding shares)

	2010	2009
Net result	(€ 0.06)	(€ 0.21)
Shareholders' equity	€ 0.44	€ 0.55
Highest share price	€ 0.68	€ 1.01
Lowest share price	€ 0.35	€ 0.34
Closing price as of 31 December	€ 0.50	€ 0.60
P/E ratio as of 31 December	(8.33)	(2.86)
Market capitalization as of 31 December	6,790,672	5,898,812
average trading volume per day	11,144	16,852
average number of outstanding shares	11,711,485	7,884,917
number of shares at 31 December	13,581,343	9,831,354

Options

31-12-2009 Date granted	Granted to	Term	Issued options	Outstanding options	Forfeited	Exercise price (€)
June 2009	Pieter Aarts	2014	183,284	183,284	0	0.64
June 2009	Jan-Hein Pullens	2014	183,284	183,284	0	0.64
December 2009*	Pieter Aarts	2014	245,784	245,784	0	0.64
December 2009*	Jan-Hein Pullens	2014	245,784	245,784	0	0.64
December 2009*	Key employees	2014	294,941	294,941	0	0.53
Total			1,153,077	1,153,077	0	

*Formally to be approved by Supervisory Board and Shareholders in 2010.

Adjustments to 2009 options in 2010 Date granted	Granted to	Term	Issued options	Outstanding options	Forfeited	Exercise price (€)
December 2009*	Pieter Aarts	2014	-122,892	-122,892	0	0.64
December 2009*	Jan-Hein Pullens	2014	-122,892	-122,892	0	0.64
Jun 2009 adjusted Sep 2010	Pieter Aarts	2014	-183,284	-183,284	0	0.64
Jun 2009 adjusted Sep 2010	Jan-Hein Pullens	2014	-183,284	-183,284	0	0.64
Jun 2009 adjusted Sep 2010	Pieter Aarts	2014	183,284	183,284	0	0.40
Jun 2009 adjusted Sep 2010	Jan-Hein Pullens	2014	183,284	183,284	0	0.40
Dec 2009 adjusted Sep 2010	Pieter Aarts	2014	-122,892	-122,892	0	0.64
Dec 2009 adjusted Sep 2010	Jan-Hein Pullens	2014	-122,892	-122,892	0	0.64
Dec 2009 adjusted Sep 2010	Pieter Aarts	2014	91,642	91,642	0	0.40
Dec 2009 adjusted Sep 2010	Jan-Hein Pullens	2014	91,642	91,642	0	0.40
December 2009**	Key employees	2014	-294,941	-294,941	0	0.53
December 2009**	Key employees	2014	294,941	294,941	0	0.46
Total			-308,284	-308,284	0	

*50% of potential options formally approved by Supervisory Board and Shareholders in 2010.

**Exercise price of these options is the average price of shares in NedSense during a period of 15 trading days. The period starts on the second trading day after the annual meeting of shareholders in 2010, whereafter the option package is formally granted. The exercise price for these options is € 0.46.

Adjusted 2009 options Date granted	Granted to	Term	Issued options	Outstanding options	Forfeited	Exercise price (€)
June 2009	Pieter Aarts	2014	183,284	183,284	0	0.40
June 2009	Jan-Hein Pullens	2014	183,284	183,284	0	0.40
December 2009	Pieter Aarts	2014	91,642	91,642	0	0.40
December 2009	Jan-Hein Pullens	2014	91,642	91,642	0	0.40
December 2009	Key employees	2014	294,941	294,941	0	0.46
Total			844,793	844,793	0	

31-12-2010 Date granted	Granted to	Term	Issued options	Outstanding options	Forfeited	Exercise price (€)
December 2010*	Pieter Aarts	2015	169,721	169,721	0	0.40
December 2010*	Jan-Hein Pullens	2015	169,721	169,721	0	0.40
December 2010*,**	Key employees	2015	407,440	407,440	0	0.49
Total			746,882	746,882	0	

*Formally to be approved by Supervisory Board and Shareholders in 2011.

**Exercise price of these options is the average price of shares in NedSense during a period of 15 trading days. The period starts on the second trading day after the annual meeting of shareholders in 2011, whereafter the option package is formally granted. The exercise price shown here is an estimate.

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

Important dates

Presentation full year results 2010	26 April 2011*
Annual General Meeting of Shareholders 2011	7 June 2011
Presentation first half-year results 2011	1 September 2011*/**

*) before trading hours

***) provisional

009 Risk & control





009 Risk & control

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

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

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

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

• **Economic developments**

General economic developments have affected our customers' business relatively positive in 2010. Investment decisions and R&D budgets have been brought in line with market opportunities in relation to a recovering market, but still recognizing the still weak recovery from the global credit crisis, and the threat of a fall back.

• **Technological developments**

Fast technological developments, changing customer demands and evolving software standards are typical of the software market. NedSense's success depends on its ability to adapt to these changes and keep its employees knowledge up to date. The 2009 development followed by the 2010 roll out of LOFT™ is an example of how the Company is taking advantage of the market's fast-moving technological developments. Protecting know-how and products necessitates constant attention and priority.

• **Software piracy**

The illegal copying of software developed by NedSense forms a persistent threat. Product development, processes and security continue to be set up with the highest possible levels of protection, but illegal copying cannot be completely avoided. In line with the continuing prioritization to combat piracy, further attention was paid in 2010 to implementing procedures and involving external specialists to detect the illegal use of the Company's software.

- **Employee dependency**

In order to carry out its business operations and expand as intended, NedSense is to a large extent dependent on the availability of sufficient personnel, in particular sufficient highly-qualified personnel. Incentive programs have been further developed in 2010.

- **Financial risks and policies**

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

- **Credit risk**

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

- **Interest risk**

As in the previous year, interest risk is estimated to be at a minimum as the current credit facility runs at a fixed interest rate for a fixed period.

- **Currency risk**

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

- **Liquidity risk**

The Company's liquidity position is under constant control and will be tightly managed in the coming periods.

010 Management statement

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

- the annual financial statements for the year ended 31 December 2010 give a true and fair view of the assets, liabilities, financial position, and profit and loss of NedSense enterprises n.v. and its consolidated companies
- the additional management information presented in the annual report gives a true and fair view of NedSense enterprises n.v. and its consolidated companies as of 31 December 2010
- the additional management information presented in the annual report gives a true and fair view of the state of affairs at NedSense enterprises n.v. and its consolidated companies during the financial year to which the report relates
- the annual report describes the principal risks facing NedSense enterprises n.v. These are described in detail in chapter 9.

Corporate Governance Statement

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

Corporate Governance Statement

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

- Information on compliance with the principles and best practice provisions of the corporate governance code (article 3 of the Decree) is to be found in the section Corporate Governance.
- Information on the main elements of the internal risk management and control framework for the group's financial reporting process (article 3a (a) of the Decree) is to be found in the section Risk & control.
- Information on the functioning of NedSense's General Meeting of Shareholders and its main powers, and the rights of shareholders and how these can be exercised (article 3a (b) of the Decree), is to be found in the relevant parts of the section Corporate Governance.

- Information on the composition and functioning of the Board of Directors, Supervisory Board and its Committees (article 3a (c) of the Decree) is to be found in the section Corporate Governance and the Report of the Supervisory Board.
- The information as referred to in the Decree Article 10 EU Takeover Directive (article 3b of the Decree) is to be found in the section Corporate governance.

Vianen, April 25, 2011

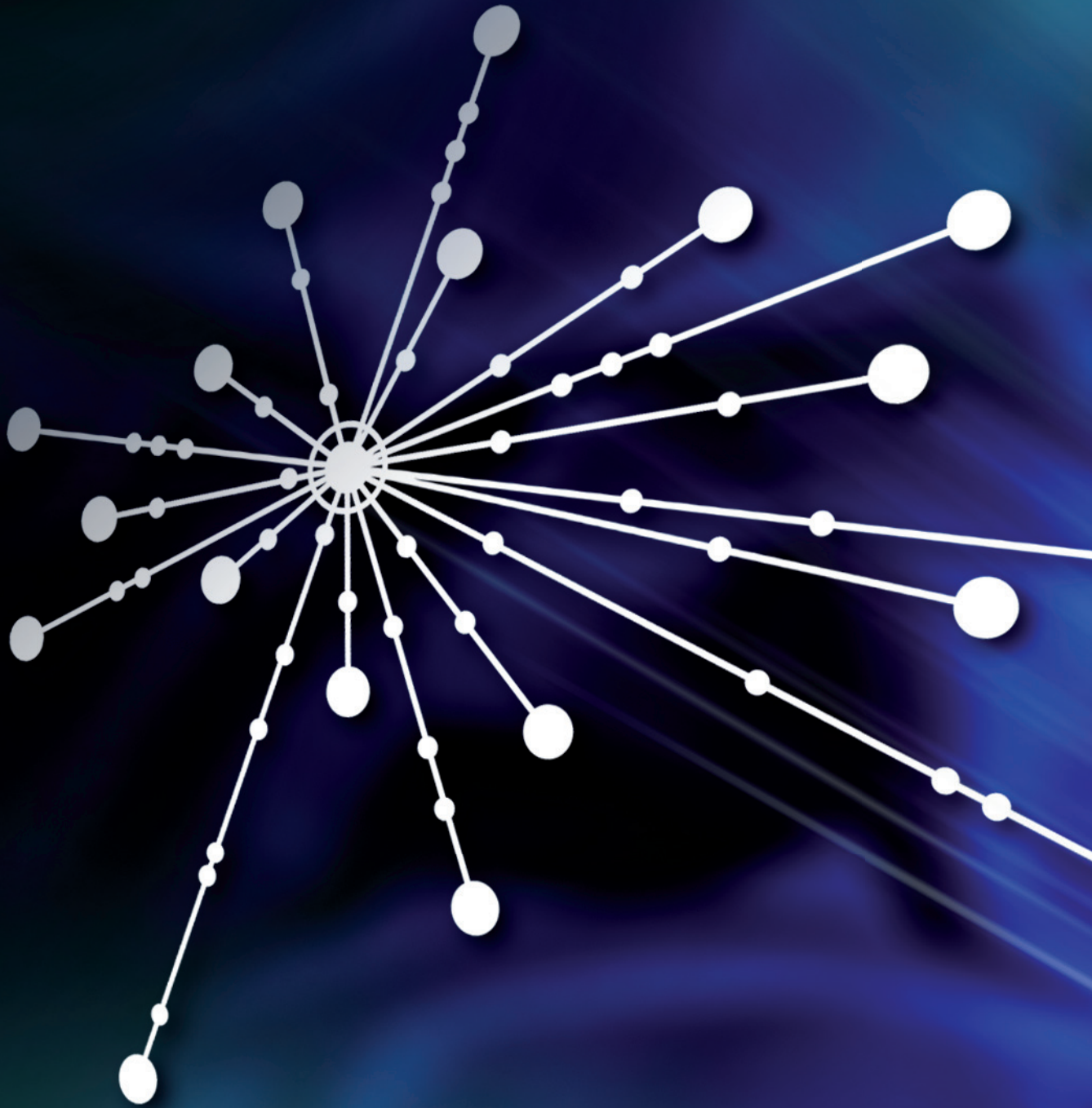
Pieter Aarts,
Chief Executive Officer

Servaas Houtakkers,
Chairman of the Supervisory Board

Jan-Hein Pullens,
Chief Operating Officer

Henk Huisman,
Member of the Supervisory Board

Dirk Lindenbergh,
Member of the Supervisory Board



011 Financial statements 2010



011 Financial statements 2010

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Consolidated statement of financial position

As of 31 December

In thousands of euros

	Notes	2010	2009
Assets			
Property, plant, and equipment	11	146	118
Intangible fixed assets	10	9,103	8,520
Total non-current assets		9,249	8,638
Inventories	13	7	5
Work in progress	14	69	99
Trade and other receivables	15	3,519	3,184
Corporate income tax	12	0	1
Cash and cash equivalents	16	1,052	747
Total current assets		4,647	4,036
Total assets	6	13,896	12,674
Equity			
Issued capital		1,358	983
Share premium		33,477	32,463
Legal reserves		4,914	4,131
Translation reserves		(109)	(42)
Accumulated deficit		(33,782)	(31,539)
Current year's result		(733)	(1,680)
Total equity	17	5,125	4,316
Liabilities			
Interest-bearing loans and borrowings	20	1,600	0
Employee benefits	21	102	88
Total non-current liabilities		1,702	88
Interest-bearing loans and borrowings	20	500	1,997
Trade and other payables	24	2,450	2,218
Deferred income	24	4,119	4,055
Total current liabilities		7,069	8,270
Total liabilities	6	8,771	8,358
Total equity and liabilities		13,896	12,674

The notes on page 68 to page 123 are an integral part of these consolidated financial statements

Consolidated statement of comprehensive income

For the year ended 31 December

In thousands of euro

	Notes	2010	2009
Net revenue	6	9,518	8,123
Cost of sales		(283)	(316)
Gross profit		9,235	7,807
Wages and salaries	7	5,262	5,107
Social security charges	7	1,189	886
Amortization and depreciation	10, 11	1,657	1,586
Other operating costs	8	3,357	3,257
Capitalized production	10	(1,870)	(1,455)
Profit (loss) from operations		(360)	(1,574)
Finance income		5	33
Finance costs	20	(313)	(116)
Net finance costs		(308)	(83)
Profit (loss) before income tax		(668)	(1,657)
Income tax expense	9	65	23
Profit (loss) for the period		(733)	(1,680)
Other comprehensive income			
Foreign currency translation differences for foreign operations	17	(67)	29
Other comprehensive income for the period, net of income tax		(67)	29
Total comprehensive income (loss) for the period		(800)	(1,651)
Profit (loss) attributable to:			
Owners of the Company		(733)	(1,680)
Non-controlling interests		0	0
Profit (loss) for the period	17	(733)	(1,680)
Total comprehensive income (loss) attributable to:			
Owners of the Company		(800)	(1,651)
Non-controlling interests		0	0
Total comprehensive income (loss) for the period		(800)	(1,651)
Earnings per share			
Basic earnings per share (in euros)	18	(0.06)	(0.21)
Diluted earnings per share (in euros)	19	(0.06)	(0.21)

The notes on page 68 to page 123 are an integral part of these consolidated financial statements

Consolidated statement of changes in equity

In thousands of euros

	Notes
Balance at 1 January 2009	
Total comprehensive income (loss) for the period	
Profit or (loss)	
Other comprehensive income	
Foreign currency translation differences	
Total other comprehensive income	
Total comprehensive income (loss) for the period	
Transactions with owners, recorded directly in equity	
Contributions by and distributions to owners	
Reduction of nominal value of the shares from € 2.00 to € 0.10 per share	
Issue of convertible notes (net of tax)	
Issue of new shares	
Share-based payments	27
Total contributions by and distributions to owners	
Total transactions with owners	
Transfer to other reserves	
Balance at 31 December 2009	
Balance at 1 January 2010	
Total comprehensive income (loss) for the period	
Profit or (loss)	
Other comprehensive income	
Foreign currency translation differences	
Total other comprehensive income	
Total comprehensive income (loss) for the period	
Transactions with owners, recorded directly in equity	
Contributions by and distributions to owners	
Issue of new shares (net of transaction costs)	
Share-based payments	27
Total contributions by and distributions to owners	
Total transactions with owners	
Transfer to other reserves	
Balance at 31 December 2010	

The notes on page 68 to page 123 are an integral part of these consolidated financial statements

Share capital	Share premium	Translation reserve	Accumulated deficit	Other legal reserves	Total equity
8,867	22,709	(71)	(30,956)	3,499	4,048
0	0	0	(1,680)	0	(1,680)
0	0	29	0	0	29
0	0	29	0	0	29
0	0	29	(1,680)	0	(1,651)
(8,424)	8,424	0	0	0	0
290	580	0	0	0	870
250	750	0	0	0	1,000
0	0	0	49	0	49
(7,884)	9,754	0	49	0	1,919
(7,884)	9,754	0	49	0	1,919
0	0	0	(632)	632	0
983	32,463	(42)	(33,219)	4,131	4,316
983	32,463	(42)	(33,219)	4,131	4,316
0	0	0	(733)	0	(733)
0	0	(67)	0	0	(67)
0	0	(67)	0	0	(67)
0	0	(67)	(733)	0	(800)
375	1,014	0	0	0	1,389
0	0	0	220	0	220
375	1,014	0	220	0	1,609
375	1,014	0	220	0	1,609
0	0	0	(783)	783	0
1,358	33,477	(109)	(34,515)	4,914	5,125

Consolidated statement of cash flows

For the year ended 31 December

In thousands of euros

	Notes	2010	2009
Profit (loss) from operations		(360)	(1,574)
Adjustments for:			
Amortization and depreciation	10, 11	1,657	1,586
Change in inventories and work in progress		28	34
Change in trade and other receivables		(335)	1,188
Change in trade and other payables		232	(510)
Change in provisions and employee benefits		14	16
Change in deferred income		64	(667)
Equity settled share based payment	27	220	49
Net finance costs		(205)	(166)
Corporate income tax		(64)	(12)
Cash flow from (used in) operating activities	29	1,251	(56)
Investments:			
Intangible fixed assets		(2,143)	(1,911)
Property, plant, and equipment		(123)	(54)
Disposals:			
Property, plant, and equipment		1	2
Other		(70)	31
Cash flow from (used in) investment activities	30	(2,335)	(1,932)
Net proceeds from issuance of shares	2	1,389	1,000
Redemption loans		0	15
Cash flow from (used in) financing activities	31	1,389	1,015
Change in liquid assets		305	(973)
Cash and cash equivalents		747	1,720
Bank overdraft		0	0
Balance at 1 January		747	1,720
Cash and cash equivalents		1,052	747
Bank overdraft		0	0
Balance at 31 December		1,052	747
Change in liquid assets		305	(973)

The notes on page 68 to page 123 are an integral part of these consolidated financial statements

Notes to the consolidated financial statements

1. Reporting entity

NedSense enterprises n.v. (the "Company") is domiciled in the Netherlands with registered office at Ir. D.S. Tuijnmanweg 10, 4131 PN Vianen, the Netherlands. The consolidated financial statements of the Company as of and for the year ended 31 December 2010 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities") and the Group's interests in associates and jointly controlled entities.

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

2. Basis of preparation

(a) Statement of compliance

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

The consolidated financial statements were authorized for publication by the Board of Directors on 25 April 2011.

(b) Basis of measurement

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

- derivative financial instruments are measured at fair value

Going concern

In preparing these accounts on a going concern basis, Management used their best estimates to forecast cash movements over the next twelve months from the date of these financial statements. In 2010, additional funding of €1,500 thousand was raised through the issue of 3,749,989 new shares (July 2010). The outstanding loan to the Financer of €2,100 thousand was amended in June

2010. The loan is currently to be repaid as follows: 1 January 2012 €500 thousand, 1 January 2013 €1,000 thousand, 31 December 2013 €600 thousand. The expected operational cash flows are not sufficient to redeem this debt.

Management of the Company believes that it remains appropriate to prepare the financial statements on a going concern basis as it believes that the required additional funding will be arranged during the next twelve months. The Company has been able to refinance its debt in the past and also the Company has a positive equity of €5.1 million. Furthermore, discussions are currently ongoing with potential investors who appear to be willing to fund the growth strategy of the Company. However, if the additional funding is not arranged, the uncertainty regarding going concern remains.

Share issues

The shares of the Company have been listed on the official market of Euronext Amsterdam N.V. since 21 May 1999. As of 31 December 2010, the number of outstanding shares was 13,581,343 (2009: 9,831,354).

In July 2010, additional capital was raised to fund the Company's growth strategy. An additional € 1,500 thousand (€ 1,389 thousand net proceeds) was raised and 3,749,989 new shares were issued.

The number of shares outstanding as of 31 December 2010 was therefore 13,581,343 with a nominal value of € 0.10, resulting in a share capital of € 1,358,134 at the end of 2010. Share premium as of 31 December 2010 was € 33,477,321.

Changes in Group entities in 2010 and 2009

No sales or acquisitions of Group entities were made in 2010 or 2009.

(c) Functional and presentation currency

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

(d) Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with IFRSs requires management to make judgments, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses.

Actual results may differ from these estimates.

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

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- Note 10 – impairment test for intangible assets
- Note 12 – deferred tax assets and liabilities

(e) Changes in accounting policies

(I) Accounting for business combinations

From 1 January 2010, the Group has applied IFRS 3 Business Combinations (2008) in accounting for business combinations. The change in accounting policy has been applied prospectively and has had no impact on earnings per share.

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

Acquisitions on or after 1 January 2010

For acquisitions on or after 1 January 2010, the Group measures goodwill at the acquisition date as:

- The fair value of the consideration transferred; plus
- The recognized amount of any non-controlling interests in the acquiree; plus if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- The net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity

securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognized at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognized in profit or loss.

When share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and/or future service.

Acquisitions between 1 January 2004 and 1 January 2010

For acquisitions between 1 January 2004 and 1 January 2010, goodwill represents the excess of the cost of the acquisition over the Group's interest in the recognized amount (generally fair value) of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess was negative, a bargain purchase gain was recognized immediately in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurred in connection with business combinations were capitalized as part of the cost of the acquisition.

Acquisitions prior to 1 January 2004 (date of transition to IFRSs)

In respect of acquisitions prior to this date, goodwill is included on the basis of its deemed cost, which represents the amount recorded under the Group's previous accounting framework, Dutch generally accepted accounting principles (Dutch GAAP). The classification and accounting treatment of business combinations that occurred prior to 1 January 2004 has not been reconsidered in preparing the Group's opening IFRS balance sheet at 1 January 2004.

(II) Accounting for acquisitions of non-controlling interests

From 1 January 2010, the Group has applied IAS 27 Consolidated and Separate Financial Statements (2008) in accounting for acquisitions of non-controlling interests. The change in

accounting policy has been applied prospectively and has had no impact on earnings per share.

Under the new accounting policy, acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognized as a result of such transactions. The adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary.

3. Significant accounting policies

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

(a) Basis of consolidation

(I) Business combinations

The Group has changed its accounting policy with respect to accounting for business combinations. See note 2(e)(i) for further details. As the Group has not acquired any businesses in 2010 this change has no impact on the financial statements.

(II) Subsidiaries

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

The consolidation includes NedSense enterprises n.v. and the following Group entities:

		2010	2009
NedSense enterprises b.v.	the Netherlands (Vianen)	100%	100%
NedSense IPR B.V.	the Netherlands (Vianen)	100%	100%
NedSense NedGraphics B.V.	the Netherlands (Vianen)	100%	100%
NedSense LOFT B.V.	the Netherlands (Vianen)	100%	100%
TOPCAD B.V.	the Netherlands (Vianen)	100%	100%
NedGraphics CAD/GIS B.V.	the Netherlands (Vianen)	100%	100%
NedGraphics BvBa	Belgium (Deerlijk)	100%	100%
NedGraphics SA	France (Paris)	100%	100%
NedGraphics Ltd.	UK (Dukinfield)	100%	100%
NedGraphics Srl	Italy (Lomazzo)	100%	100%
NedSense Srl	Romania (Bucharest)	100%	100%
NedGraphics, Inc.	USA (New York)	100%	100%
NedGraphics of Tennessee, Inc.	USA (Chattanooga)	100%	100%
NedGraphics (Shanghai) Software for Textile and Fashion Co., Ltd.	China (Shanghai)	100%	100%
Dynamics Perspective, Inc.	USA (Los Angeles)	100%	100%

Consolidation criteria

(III) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(b) Foreign currency

(I) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency (euro) at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortized cost in foreign currency translated at the exchange rate at the end of the year. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognized in profit or loss.

(II) Foreign operations

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

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

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

Net investment in foreign operations

Exchange differences arising from the translation of the net investment in foreign operations are recognized in the translation reserve. When a net investment is disposed of, the relevant amount in the translation reserve is transferred to profit or loss as part of the profit or loss on disposal.

(c) Financial instruments

(I) Non-derivative financial assets

The Group initially recognizes loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date, which is the date that the Group becomes a party

to the contractual provisions of the instrument.

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

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

The Group has the following non-derivative financial assets:

- Loans and receivables
- Cash and cash equivalents

Loans and receivables

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

Loans and receivables comprise trade and other receivables.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

(II) Non-derivative financial liabilities

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

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

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

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

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

(III) Share capital

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

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

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

(IV) Compound financial instruments

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

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

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition.

Interest and gains and losses relating to the financial liability are recognized in profit or loss. On conversion, the financial liability is reclassified to equity; no gain or loss is recognized on conversion.

(V) Derivative financial instruments

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

Separable embedded derivatives

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

(d) Property, plant and equipment

(I) Recognition and measurement

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

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

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

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and is recognized net within other income / other expense in profit or loss. When revalued assets are sold, any related amount included in the revaluation reserve is transferred to retained earnings.

(II) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

(III) Depreciation

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

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

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

(e) Intangible assets*(I) Goodwill*

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. For the measurement of goodwill at initial recognition, see note 2(e)(i).

Goodwill is measured at cost less accumulated impairment losses.

(II) Research and development

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

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalized only if development cost can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources

to complete development and to use or sell the asset. The expenditure capitalized includes the cost of materials, direct labor, overhead costs that are directly attributable to preparing the asset for its intended use, and capitalized borrowing costs, if applicable. Other development expenditure is recognized in profit or loss as incurred.

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

(III) Other intangible assets

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

(IV) Subsequent expenditure

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

(V) Amortization

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

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

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

(f) Leased assets

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

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

(g) Inventories

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

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

(h) Work in progress

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

If progress billings exceed costs incurred plus recognized profits, then the difference is presented as deferred income in the statement of financial position.

(i) Impairment***(l) Non-derivative financial assets***

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

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

Loans and receivables

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

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

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

(II) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time. An impairment loss is recognized if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group

of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU. Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

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

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

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

(k) Employee benefits

(l) Defined contribution plans

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

(II) Share-based payment transactions

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

(I) Provisions

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

(I) Restructuring

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

(II) Onerous contracts

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

(m) Revenue

Net revenue from sales in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts, volume rebates, agents' commissions, bonuses, and sales taxes. Revenue is recognized when persuasive evidence

exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible returns can be estimated reliably, there is no continuing management involvement with the goods, software, and services sold, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized.

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

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

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

(1) Sale of software

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

The license fee income from standard software is recognized when all of the following conditions are met:

- the software license contract has been signed;
- the software and accompanying documentation have been delivered;
- there are no material uncertainties regarding customer acceptance; and
- there are no material uncertainties regarding payment of the account receivable.

(II) Software services

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

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

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

(III) Maintenance and support revenue

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

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

(IV) Goods sold and services rendered

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

(n) Capitalized production for own company

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

(o) Lease payments

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

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Determining whether an arrangement contains a lease

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

At inception or upon reassessment of the arrangement, the Group separates payments and other consideration required by such an arrangement into those for the lease and those for

other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognized at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognized using the Group's incremental borrowing rate.

(p) Finance income and finance costs

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

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

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

(q) Income tax

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

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

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

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

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

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

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

(r) Earnings per share

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

(s) Segment reporting

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

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

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

(t) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2010, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except for IFRS 9 Financial Instruments, which becomes mandatory for the Group's 2013 consolidated financial statements and could change the classification and measurement of financial assets. The Group does not plan to adopt this standard early and the extent of the impact has not been determined.

4. Determination of fair values

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

(I) Intangible assets

The fair value of intangible assets for impairment testing is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

(II) Trade and other receivables

The fair value of trade and other receivables, including work in progress, is not materially different from the carrying amounts presented in the statement of financial position.

(III) Non-derivative financial liabilities

The fair value of trade and other payables is not materially different from the carrying amounts presented in the statement of financial position.

(IV) Deferred income

The fair value of deferred income is not materially different from the carrying amounts presented in the statement of financial position.

(V) Share-based payment transactions

The fair value of services received in return for share options granted is based on the fair value of share options granted, assessed at the reporting date using the Black-Scholes model. The Black-Scholes model is a so-called closed form model that evaluates options via a formula based on fixed data, including start and end dates to estimate the option's present value. The most important assumptions used in the model are: historical stock prices, share price, exercise price, valuation date, time to maturity, risk-free interest rate (based on government bonds), volatility (based on an evaluation of the company's historic volatility), dividend, and forfeiture rate.

In addition to the Black-Scholes model, and due to the provisionally granted options of one of the options plans, the binominal model is also used for the purpose of calculating the weighted average granting percentage.

5. Financial risk management

Overview

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk
- operational risk

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

Risk management framework

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

Credit risk

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

Trade and other receivables

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

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

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

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

Liquidity risk

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

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

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

Liquidity risk: Non-derivative financial liabilities

31 December 2010

<i>In thousands of euros</i>	Carrying amount	Contractual cash flows	6 months or less	6 - 12 months	1 - 2 years	2 - 5 years
Non-derivative financial liabilities						
Secured loans	2,100	(2,487)	(95)	(595)	(1,144)	(653)
Trade and other payables	2,450	(2,450)	(2,450)	0	0	0
	4,550	(4,937)	(2,545)	(595)	(1,144)	(653)

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Group's income.

Currency risk

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

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

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

Exposure to currency risk

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

Currency risk: Exposure to currency risk

<i>In thousands of euros</i>	31 December 2010				31 December 2009			
	euro	USD	GBP	RON	euro	USD	GBP	RON
Trade receivables	1,452	1,535	65	0	1,564	1,133	34	0
Secured loans	(2,100)	0	0	0	(1,997)	0	0	0
Trade payables	(630)	(58)	(15)	0	(542)	(97)	(7)	0
Gross statement of financial position exposure	(1,278)	1,477	50	0	(975)	1,036	27	0
Next month's forecast sales	150	222	55	0	227	240	15	0
Next month's forecast purchases	(208)	(62)	(4)	(11)	(237)	(60)	(6)	(15)
Gross exposure	(58)	160	51	(11)	(10)	180	9	(15)
Net exposure	(1,336)	1,637	101	(11)	(985)	1,216	36	(15)

Sensitivity analysis

A strengthening of the euro, as indicated below, against the USD, GBP, and RON at 31 December would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the reporting date. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecasted sales and purchases. The analysis is performed on the same basis for 2009, albeit that the reasonably possible foreign exchange rate variances were different, as indicated below.

Currency risk: Sensitivity analysis

Effect in thousands of euro	Strengthening		Weakening	
	Equity	Profit or loss	Equity	Profit or loss
31 December 2010				
USD (10% movement)	80	(188)	(80)	188
GBP (8% movement)	(1)	(4)	1	4
RON (3% movement)	(1)	29	1	(29)
31 December 2009				
USD (12% movement)	127	(139)	(127)	139
GBP (10% movement)	(1)	(7)	1	7
RON (5% movement)	1	50	(1)	(50)

Interest rate risk

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

Operational risk

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

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

Capital management

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

The Company monitors capital on the basis of cash flow prognoses and the solvency and liquidity ratio. The solvency ratio is calculated as total equity attributable to equity holders of

the parent divided by the balance sheet total. The liquidity ratio is calculated as current assets divided by current liabilities excluding deferred income. During the year, the solvency ratio increased from 34.1% to 36.9%, and the liquidity ratio increased from 1.0 to 1.6. The increases in solvency and liquidity are primarily due to the raising of additional capital.

6. Operating segments

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

- NedGraphics makes and sells CAD/CAM software for the textile and apparel industries
- Dynamics Perspective sells ERP software and related services for the apparel industry

Other operations include the results of the holding company and the start-up LOFT activities. These segments do not meet the quantitative thresholds for determining reportable segments in 2010 or 2009. The accounting policies of the reportable segments are the same as described in notes 2 and 3.

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

Business segment reporting*in thousands of euros*

Operating segments Profit, loss, assets and liabilities	NedGraphics		DPI	
	2010	2009	2010	2009
Software	3,873	2,704	67	25
Maintenance	4,140	4,182	466	506
Other	604	460	267	230
External revenues	8,617	7,346	800	761
Inter-segment revenue	25	0	0	0
Cost of sales	267	262	18	48
Operating expenses	7,301	7,309	778	855
Capitalized production	(1,325)	(1,455)	0	0
Amorization and depreciation	1,279	1,333	2	2
Impairment of segment assets	0	0	0	0
Segment operating profit (loss)	1,120	(103)	2	(144)
Interest revenue	16	19	0	0
Interest expense	(2)	(2)	0	0
Segment profit (loss) before tax	1,134	(86)	2	(144)
Corporate income tax	64	22	1	1
Intangible segment assets	4,412	4,197	0	0
Other segment assets	7,257	5,668	103	78
Segment liabilities	6,022	6,096	1,271	1,144
Revenue external customers Netherlands	228	184	0	0
Non-current assets Netherlands	4,441	4,272	0	0

Other		Total	
2010	2009	2010	2009
38	4	3,978	2,733
0	0	4,606	4,688
63	12	934	702
101	16	9,518	8,123
0	0	25	0
(2)	6	283	316
1,729	1,086	9,808	9,250
(545)	0	(1,870)	(1,455)
376	251	1,657	1,586
0	0	0	0
(1,482)	(1,327)	(360)	(1,574)
(11)	14	5	33
(311)	(114)	(313)	(116)
(1,804)	(1,427)	(668)	(1,657)
0	0	65	23
4,691	4,323	9,103	8,520
1,509	1,473	4,793	4,154
5,554	4,183	8,771	8,358
0	0	228	184
4,720	4,327	9,161	8,598

The operating segments operate on a global scale. Revenue from external customers in the Netherlands was € 228 thousand in 2010 (2009: € 184 thousand). Non-current assets related to the Netherlands amounted to € 9,161 thousand (2009: € 8,598 thousand). Revenue from external customers in the United States of America was € 4,701 thousand in 2010 (2009: € 3,925 thousand). Non-current assets related to the United States of America amounted to € 52 thousand (2009: € 37 thousand). The Company and its operating segments have a diverse customer base of over 3,500 customers in many countries and of various sizes. The Company and its segments do not rely on a single customer or a single group of customers for its operations.

7. Wages and salaries and social security charges

<i>In thousands of euros</i>	2010	2009
Wages and salaries	5,262	5,107
Social security charges	891	767
Contribution to defined contribution plans	284	103
Increase in liability for long service benefits	14	16
Total wages and salaries and social security charges	6,451	5,993

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

Staff

During 2010, the group had an average of 114 staff members (2009: 112). This staff can be divided as follows over the various divisions:

Staff over the various divisions

<i>(in average FTE)</i>	2010	2009
Management and staff holding company	1	3
NedGraphics	101	101
Dynamics Perspective	7	8
LOFT	5	0
Total number of staff members	114	112
Netherlands	36	33
Rest of Europe	46	44
USA	27	29
Asia	5	6
	114	112

8. Other operating costs

The other operating costs can be specified as follows:

<i>In thousands of euros</i>	2010	2009
Sales costs	231	355
Housing costs	801	847
Car costs	339	294
Other staff costs	710	378
General costs	1,238	1,364
Currency and exchange rate differences	38	19
Total other operating costs	3,357	3,257

9. Income tax expense

The activities of the Company group are subject to corporate income taxes of various countries, with tax rates between 21% and 40%. In the case of a relatively low nominal tax rate, not all the costs incurred are tax deductible. The various tax rates and the presence of unrealized tax loss carry forwards are the cause of a deviation of the actual weighted tax pressure and the nominal tax rate in the Netherlands (25.5%).

For the fiscal unit for corporate income tax with respect to the Dutch entities all years up until 2008 have been filed and accepted.

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

Income tax expense

In thousands of euros

	2010	2009
Result from ordinary activities before taxation	(668)	(1,657)
Amortization of acquisition goodwill (non-deductible)	0	0
Result sale of participating interests	0	0
Of which related to taxable result on asset sale	0	0
Taxable income	(668)	(1,657)
Weighted average taxation	(203)	(519)
Valuation adjustment fiscal losses carryforward	217	473
Non deductible items	51	69
Tax for the year	65	23
Current year tax	65	23
Deferred tax	0	0
Total tax for the year	65	23

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

10. Intangible fixed assets

Movements were as follows:

	Goodwill	Costs of software development	Costs of obtained rights and patents	Total 2010	Total 2009
<i>In thousands of euros</i>					
Costs 1 January	21,106	18,836	43	39,985	38,074
Accumulated amortization 1 Jan.	(17,052)	(14,370)	(43)	(31,465)	(29,986)
Book value as of 1 January	4,054	4,466	0	8,520	8,088
Changes:					
Investments	0	2,142	0	2,142	1,911
Amortization	0	(1,559)	0	(1,559)	(1,479)
	0	583	0	583	432
Costs 31 December	21,106	20,978	43	42,127	39,985
Accumulated amortization 31 Dec.	(17,052)	(15,929)	(43)	(33,024)	(31,465)
Book value as of 31 December	4,054	5,049	0	9,103	8,520

Investments in 2010 include capitalized production of € 1,869 thousand and third party of € 273 thousand (2009: € 1,455 thousand and € 456 thousand respectively).

The following amortization/depreciation percentages are used:

Amortization percentages

Costs of software development
Costs of obtaining rights and patents

10-20%
20%

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

Impairment test for intangible assets

Intangible assets primarily comprise software and goodwill on NedGraphics, and software on LOFT. The recoverable amount of cash-generating units (CGU's) is based on value-in-use calculations. This calculation is based on the budget for 2011 and estimated market developments for the period thereafter.

Cash flows NedGraphics for further periods are extrapolated using a 5% growth rate for 2012 through 2015 and 2% for 2016 and forward in the case of gross margin, and a 2% growth rate for 2012 through 2015 and 1% for 2016 and forward in the case of operating expenses. A pre-tax discount rate of 14.7% (2009: 14.9%) has been used in discounting the projected cash flows. Allocated holding expenses have also been incorporated in the calculations. Key assumption in the 2011 budget is that revenue will continue to recover substantially post-recession, and if not, that sufficient cost savings can be achieved compared to the budget 2011, so that the effect of lower revenue will be offset.

Management's approach in determining the key revenue assumption in the 2011 budget noted above is based on trends noted in the marketplace in late 2010 and early 2011. The Group has directly experienced an improving economic climate during this timeframe, and this experience is also reflected in media reports on the broader economy. Other key assumptions are the expected growth rate of revenues and operating expenses.

The revenue growth assumptions have resulted in a NedGraphics CGU value in the impairment test that is higher than the carrying value of approximately €5,900 thousand.

Sensitivity to changes in assumptions

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

NedGraphics impairment sensitivity

<i>In percent</i>	Change required for carrying amount to equal the recoverable amount
Pre-tax discount rate	113.7
Forecasted EBIT growth	62.6

2010

Based on the impairment test as described above, the recoverable amount of this cash-generating unit is not lower than the carrying amount. As a result, no impairment has been recorded in 2010.

Cash flows LOFT for further periods are extrapolated using the following growth rates in the case of gross margin: 2012 25%, 2013 20%, 2014 15%, 2015 through 2017 10%, 2018 and forward 5%, and the following growth rates in the case of operating expenses: 2012 through 2015 2%, 2016 and forward 1%. A pre-tax discount rate of 13.1% has been used in discounting the projected cash flows. Allocated holding expenses have not been incorporated in the calculations for this start-up. Key assumption in the 2011 budget is that this start-up will start generating material revenue.

Management's approach in determining the key revenue assumption in the 2011 budget noted above is based on trends noted recently in the marketplace, and on the level of developed maturity and stability of the LOFT product. Other key assumptions are the expected growth rate of revenues and operating expenses.

The revenue growth assumptions have resulted in a LOFT CGU value in the impairment test that is higher than the carrying value of approximately €900 thousand. A minor adverse change in the key assumptions would result in an impairment charge.

Sensitivity to changes in assumptions

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

LOFT impairment sensitivity

<i>In percent</i>	Change required for carrying amount to equal the recoverable amount
	2010
Pre-tax discount rate	19.1
Forecasted EBIT growth	20.9

Based on the impairment test as described above, the recoverable amount of this cash-generating unit is not lower than the carrying amount. As a result, no impairment has been recorded in 2010.

11. Property, plant and equipment

Movements were as follows:

(in thousands of euros)

	Total 2010	Total 2009
Costs 1 January	5,606	5,554
Accumulated depreciation 1 January	(5,488)	(5,379)
Book value as of 1 January	118	175
Changes:		
Investments	123	54
Disposals	(3,806)	(2)
Depreciation	(97)	(106)
Depreciation on disposals	3,805	0
Currency influences	3	(3)
	28	(57)
Costs 31 December	1,923	5,606
Accumulated depreciation 31 December	(1,777)	(5,488)
Book value as of 31 December	146	118

The following depreciation percentages are used:

Depreciation percentages

Refurbishing
Computer equipment and programs
Other assets

10-12%
33%
33%

12. Deferred tax assets and liabilities

The corporate income tax assets on the consolidated statement of financial position relate to current corporate income tax receivables.

Deferred tax assets and liabilities are attributable to the following:

Recognized deferred tax assets and liabilities

<i>(in thousands of euros)</i>	Assets 2010	Assets 2009	Liabilities 2010	Liabilities 2009
Intangible assets	0	0	(34)	(85)
Interest-bearing loans and borrowings	0	0	0	0
Tax value of loss carryforward recognized	34	85	0	0
Tax assets/liabilities	34	85	(34)	(85)
Netting of tax	(34)	(85)	34	85
Net tax assets and liabilities	0	0	0	0

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

Unrecognized deferred tax assets

<i>(in thousands of euros)</i>	2010	2009
Tax Losses	5,886	5,890

The tax losses expire in the period from 2011 through 2019. Deferred tax assets have only been recognized to the level of deferred tax liabilities which are available to offset the deferred tax assets within the same fiscal unit for corporate income tax purposes. The amount of deferred tax assets that exist in excess of these deferred tax liabilities has not been recognized for the time being, as management is insufficiently certain that taxable profit will be available in the near future against which the temporary difference can be utilized.

Net 2010	Net 2009
(34)	(85)
0	0
34	85
0	0
0	0
0	0

Movement in deferred tax during the year

<i>(in thousands of euros)</i>	1 Jan. 2010	Recognized in income	Recognized in equity	Balance 31 Dec. 2010
Intangible assets	(85)	51	0	(34)
Tax value of loss carryforward utilized	85	(51)	0	34
	0	0	0	0

	1 Jan. 2009	Recognized in income	Recognized in equity	Balance 31 Dec. 2009
Intangible assets	(154)	69	0	(85)
Tax value of loss carryforward utilized	154	(69)	0	85
	0	0	0	0

13. Inventories

(in thousands of euros)

	31 Dec. 2010	31 Dec. 2009
Trade goods	7	5
	7	5

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

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

14. Work in progress

(in thousands of euros)

	31 Dec. 2010	31 Dec. 2009
Work in progress	69	99
	69	99

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

15. Trade and other receivables

(in thousands of euros)

	31 Dec. 2010	31 Dec. 2009
Trade receivables	3,054	2,731
Prepaid expenses	272	263
Other receivables and accrued income	193	190
	3,519	3,184

Aging of the trade receivables as of 31 December

(in thousands of euros)

	Gross trade debtors	2010 Impairment	Net trade debtors
Number of days outstanding			
0 - 30 days	1,684	0	1,684
31 - 60 days	132	0	132
61 - 90 days	44	0	44
> 90 days	1,246	(52)	1,194
Total	3,106	(52)	3,054

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

(in thousands of euros)

	2010	2009
Balance at 1 January	87	280
Impairment loss recognized	(35)	(193)
Disposal of participations	0	0
Balance at 31 December	52	87

16. Cash and cash equivalents

With the exception of the bank guarantees discussed in note 25, the cash and cash equivalents are at the free disposal of the Company.

(in thousands of euros)

	31 Dec. 2010	31 Dec. 2009
Bank balances	1,051	746
Cash and cash equivalents	1	1
	1,052	747

	2009	
Gross trade debtors	Impairment	Net trade debtors
1,266	0	1,266
215	0	215
217	0	217
1,120	(87)	1,033
2,818	(87)	2,731

17. Shareholders' equity capital and reserves

Share capital and share premium

At 31 December 2010, the issued share capital comprised 13,581,343 ordinary shares (2009: 9,831,354) with nominal value € 0.10, which have been fully paid up.

Legal reserves

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

Translation reserves

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

18. Earnings per share

The calculation of earnings per share at 31 December 2010 was based on the result attributable to ordinary shareholders of € 733 thousand negative (2009: € 1,680 thousand negative) and a weighted average number of ordinary shares outstanding during the year ended 31 December 2010 of 11,711,485 (2009: 7,884,917), calculated as follows:

Weighted average number of ordinary shares

<i>(number of shares)</i>	31 Dec. 2010	31 Dec. 2009
Issued ordinary shares at 1 January	9,831,354	4,433,702
New shares issued (March 2009)	0	2,897,652
New shares issued (July 2009)	0	2,500,000
New shares issued (July 2010)	3,749,989	0
Issued ordinary shares at 31 December	13,581,343	9,831,354
Issued ordinary shares at 1 January	9,831,354	4,433,702
Effect of shares issued in March 2009	0	2,389,571
Effect of shares issued in July 2009	0	1,061,644
Effect of shares issued in July 2010	1,880,131	0
Weighted average number of ordinary shares	11,711,485	7,884,917
Profit (loss) for the period	(733)	(1,680)
Profit (loss) attributable to ordinary shareholders	(733)	(1,680)
Earnings per share	(€ 0.06)	(€ 0.21)

19. Diluted earnings per share

In 2010 and 2009, instruments that could potentially dilute earnings per share in the future were not included in the calculation of diluted earnings per share, because they were not dilutive for the period presented.

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

Weighted average number of ordinary shares (diluted)

<i>(in thousands of euros)</i>	31 Dec. 2010	31 Dec. 2009
Weighted average number of ordinary shares at 31 December	11,711,485	7,884,917
Effect of share options on issue	887,772	184,790
Weighted average number of ordinary shares (diluted) at 31 December	12,599,257	8,069,707
Profit attributable to ordinary shareholders	(733)	(1,680)
Profit attributable to ordinary shareholders	(733)	(1,680)
Diluted earnings per share	(€ 0.06)	(€ 0.21)

20. Interest-bearing loans and borrowings

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

Interest-bearing loans and borrowings

<i>(in thousands of euros)</i>	31 Dec. 2010	31 Dec. 2009
Non-current liabilities		
Secured loans	1,600	0
	1,600	0
Current liabilities		
Current portion of secured loans	500	1,997
	500	1,997

Terms and debt repayment schedule

In June 2010 the € 2,100 thousand loan agreement with the Financer Holding II B.V. was again amended, and this amendment was approved by the shareholders at the extraordinary meeting of shareholders in June 2010. This new amendment deletes the changes made in the amendment of June 2009. In addition, the new amendment states that:

- the interest rate will be retroactively increased from 6% to 8.5% for the period 9 July 2009 through 30 June 2010;
- the interest rate payable will be 8% effective 1 July 2010;
- the loan is to be repaid according to the following schedule:
 - 1 January 2012 € 500 thousand
 - 1 January 2013 € 1,000 thousand
 - 31 December 2013 € 600 thousand;
- additional interest at the rate of 2% will be paid at the time of each repayment, on the amount repaid, for the period 1 July 2010 through the date of repayment, if the loan is repaid according to the schedule;
- additional interest at the rate of 1% will be paid at the time of each repayment, on the amount repaid, for the period 1 July 2010 through the date of repayment, if the loan is repaid in advance of the schedule; and
- no additional interest will be paid at the time of repayment, if the entire loan is repaid no later than 31 December 2011.

The interest increase of 2.5% for the period 9 July 2009 through 30 June 2010, and 9% interest from 1 July 2010 through 31 December 2010 has been recognized in these consolidated financial statements as of and for the period ending 31 December 2010. Management expects that the loan will be repaid or refinanced in time to be able to apply the 8% interest plus 1% additional interest rate applicable from 1 July 2010 forward.

The deletion in June 2010 of the amendment of June 2009 removed the option to convert any portion of the loan to shares. The 31 December 2009 derivative conversion option fair value of € 103 thousand positive has therefore been reduced to zero, and the carrying amount of the loan as of 31 December 2010 has increased to € 2,100 thousand. Finance costs in profit and loss were increased by the same amount.

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

21. Employee benefits

(in thousands of euros)

Liability for long service benefits

31 Dec. 2010	31 Dec. 2009
102	88
102	88

Movement in the net liability for employee benefits

<i>(in thousands of euros)</i>	31 Dec. 2010	31 Dec. 2009
Net liability for employee benefits at 1 January	88	72
Expense recognized in the income statement	14	16
Net liability for employee benefits at 31 December	102	88

22. Provisions

As of 31 December 2010, the Group has no provisions (2009: none).

23. Bank overdraft

As of 31 December 2010, the Group has no current account credit facilities (2009: none).

24. Trade and other payables

<i>(in thousands of euros)</i>	31 Dec. 2010	31 Dec. 2009
Trade creditors	703	646
Tax and social security charges	351	269
Accrued staff expenses	696	599
Accrued sales expenses	33	25
Other debts and accruals	667	679
	2,450	2,218

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

Maturity date financial liabilities

(in thousands of euro's)

	Bookvalue	Contractual amounts	< 6 months
31-12-2010			
Secured loans	2,100	2,100	0
Deferred income	4,119	4,119	2,041
Trade and other payables	2,450	2,450	2,450
	8,669	8,669	4,491
31-12-2009			
Secured loans	1,997	2,100	0
Deferred income	4,055	4,055	2,003
Trade and other payables	2,218	2,218	2,218
	8,270	8,373	4,221

25. Off-balance sheet commitments

As of 31 December 2010, bank guarantees were issued to third parties in the amount of € 83 thousand (year-end 2009: € 83 thousand).

Operating leases

Non-cancellable operating lease rentals are payable as follows:

<i>(in thousands of euros)</i>	31 Dec. 2010	31 Dec. 2009
Less than one year	959	991
Between one and five years	909	1,659
	1,868	2,650

6-12 months	1-2 year	> 2 years
500	1,000	600
2,041	37	0
0	0	0
2,541	1,037	600

6-12 months	1-2 year	> 2 years
2,100	0	0
2,003	21	28
0	0	0
4,103	21	28

26. Fair values

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

Carrying values

(in thousands of euros)

	31 Dec. 2010	31 Dec. 2009
Trade and other receivables	3,519	3,184
Cash and cash equivalents	1,052	747
Interest-bearing loans and borrowings (non-current)	(1,600)	0
Interest-bearing loans and borrowings (current)	(500)	(1,997)
Trade and other payables	(2,450)	(2,218)

27. Share-based payment

Description of the share-based payment arrangements

At 31 December 2010 the Group has the following share-based payment arrangements:

Share option program (equity settled).

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

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

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

In addition to the Black-Scholes model, and due to the now provisionally granted options of one of the options plans (Plan D), the binomial model is also used for the purpose of calculating the weighted average granting percentage.

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

For option valuations, the volatility represents the expected movements of the price of the underlying share during the time to maturity. The expected movements during the time to maturity are based on movements in a past period. For options granted in 2009, the period of 1 January 2005 through 31 December 2009 was used, and the volatility was calculated to be approximately 79%. For options granted in 2010, the period of 30 December 2005 through 31 December 2010 was used, and the volatility was calculated to be approximately 83%.

The Company expects no dividend payments before time to maturity.

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

The closing share price of the Company as of 31 December 2009, the valuation date for options granted in 2009, was € 0.60. The closing share price of the Company as of 31 December 2010, the valuation date for options granted in 2010, was € 0.50.

Plan C

For Plan C, 100% of the first package (June 2009) and 50% of the second package (December 2009) was formally granted to management by the Supervisory Board and Shareholders at the Annual General Meeting of Shareholders in May 2010. The content of those two packages consists of 7.5% (3.75% each) of the outstanding shares of the Company.

In September 2010, it was agreed that Plan C would be altered. The number of options granted will be based on the number of outstanding shares of the Company as of 30 June 2009. Outstanding shares on this date were 7,331,354. In addition, the exercise price will be € 0.40 and not the average price of shares of the Company during a period 15 trading days before and 15 trading days after 27 November 2008 (€ 0.64). These changes are retroactive to all options granted under Plan C.

In 2010, it is expected that 92.6% of the third package (December 2010) will be formally approved for grant to management by the Supervisory Board and Shareholders at the Annual General Meeting of Shareholders in June 2011. The content of this package consists of 4.63% (2.315% each)

The remaining option package will be granted on 30 December 2011. The Plan C options have a remaining vesting period of 1 year (until 31 December 2011).

At the time of original valuation, the options granted in June 2009 had an expected time to maturity of 3.25 years. The risk free interest rate on a 3.25 year Dutch government bond amounted to approximately 1.98%. As a result of the foregoing assumptions and information, the Black-Scholes model determined a price of a call option at the original valuation date of € 0.3146. In September 2010, these options were revalued in light of the retroactive changes made to this plan. At the time of revaluation, the options had an expected time to maturity of 2.56 years. The risk free interest rate on a 2.56 year Dutch government bond amounted to approximately 0.78%. As a result of the foregoing assumptions and information, the model determined a price of a call option at the revaluation date of € 0.3092 (using the new exercise price). This compared to the September 2010 revaluation of the original options which generated a call price of € 0.2449 (using the original exercise price). The difference between the two revaluations has been used to adjust the costs to be amortized over the remaining vesting period.

5% of the number of outstanding shares (7,331,354 shares) in June 2009 was equivalent to 366,568 options issued. Based on the foregoing, the fair value of the options granted in June 2009, and altered in September 2010, equals approximately € 128 thousand. These costs have been amortized over the vesting period.

At the time of original valuation, the options granted in December 2009 had an expected time to maturity of 3.5 years. The risk free interest rate on a 3.5 year Dutch government bond amounted to approximately 2.10%. As a result of the foregoing assumptions and information, the Black-Scholes model determined a price of a call option at the valuation date of € 0.3258. In September 2010, these options were revalued in light of the retroactive changes made to this plan. At the time of revaluation, the options had an expected time to maturity of 2.81 years. The risk free interest rate on a 2.81 year Dutch government bond amounted to approximately 0.83%. As a result of the foregoing assumptions and information, the model determined a price of a call option at the revaluation date of € 0.3186 (using the new number of options and the new exercise price). This compared to the September 2010 revaluation of the original options which generated a call price of € 0.2571 (using the original number of options and the original exercise price). The difference between the two revaluations has been used to adjust the costs to be amortized over the remaining vesting period.

5% of the number of outstanding shares (7,331,354 shares) as of June 2009 was equivalent to 366,568 options. 50% or 183,284 of these options were formally approved and issued at the Annual General Meeting of Shareholders in May 2010. Based on the foregoing, the fair value of the options granted in December 2009, and altered in September 2010, equals approximately € 78 thousand. These costs have been amortized over the vesting period.

The options granted in December 2010 have an expected time to maturity of 4 years. The risk free interest rate on a 4 year Dutch government bond amounted to approximately 1.47%. As a result of the foregoing assumptions and information, the Black-Scholes model determined a price of a call option at the valuation date of € 0.3228.

4.63% of the number of outstanding shares (7,331,354 shares) as of June 2009 was equivalent to 339,442 options issued. Based on the foregoing, the fair value of the options granted in December 2010 equals approximately € 110 thousand. These costs have been amortized over the vesting period.

For the remaining package to be issued in 2011 (5%), a valuation was made based on the same assumptions as for the options granted in 2010. The fair value of these options to be granted equals approximately € 118 thousand. These costs have been amortized over the vesting period.

Plan D

For Plan D, 100% of the first package (December 2009) was formally granted to key employees by the Supervisory Board and Shareholders at the Annual General Meeting of Shareholders in May 2010. The content of this package consists of 3% of the outstanding shares of the Company.

In 2010, it is expected that 100% of the second package (December 2010) will be formally approved for grant to key employees by the Supervisory Board and Shareholders at the Annual General Meeting of Shareholders in June 2011. The content of this package consists of 3% of the outstanding shares of the Company.

The remaining option package will be granted on 30 December 2011 (4%). The Plan D options have a vesting period of 3 years, and the expected time to maturity amounts to 4 years.

In September 2010, it was agreed that Plan D would be altered. Except for the options granted and expected to be granted to one key employee (2009: 30,000 options, 2010: 30,000 options,

2011: 40,000 options), an additional criterion has been added before the options will be permanently granted. If, at any time between 26 May 2012 and 26 May 2014, the Company's stock price reaches certain levels specified here, the options will be granted permanently as follows:

- at least a level of € 1.10, then 100% of the options will be granted permanently,
- at least a level of € 1.00 but not € 1.10, then two thirds of the options will be granted permanently,
- at least a level of € 0.90 but not € 1.00, then one third of the options will be granted permanently,
- a maximum level under € 0.90, then no options will be granted.

These changes are retroactive to all options, except for the 100,000 options mentioned above, granted under Plan D.

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

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

The valuation date used to revalue the December 2009 affected options, was 8 September 2010. The closing share price of that date is used (€ 0.54) as the starting point of the model. The binomial tree contains 120 time steps.

The valuation date used to value the December 2010 affected options, was 31 December 2010. The closing share price of that date is used (€ 0.50) as the starting point of the model. The binomial tree contains 104 time steps.

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

The assumptions are as follows:

Number of periods: The binomial model uses a “discrete-time framework” to trace the evolution of the option’s key underlying variable via a binomial lattice (tree) for a given number of time steps between valuation date and option expiration. Therefore, the number of time steps have to be determined. Since the remaining contractual term of the options at valuation date 8 September 2010 is 4.31 years, 120 steps are taken into account (implying two weekly decision moments). Since the remaining contractual term of the options at valuation date 31 December 2010 is 4.0 years, 104 steps are taken into account (implying two weekly decision moments). Considering the contractual term, these amounts of steps are assumed to be fair.

Volatility: For option valuation, the volatility represents the expected movements of the price of the underlying share during the time to maturity. The expected movements during the time to maturity are based on movements in a past period. This period should preferably be a period of two to five years. Therefore, for the calculation of the volatility of the options revalued at 8 September 2010, the period of 9 September 2005 through 8 September 2010 (5 year period) is used. Based on these calculations, the volatility of the share price of the Company in this period is approximately 83%. For the calculation of the volatility of the options valued at 31 December 2010, the period of 1 January 2006 through 31 December 2010 (5 year period) is used. Based on these calculations, the volatility of the share price of the Company in this period is approximately 83%.

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

This binomial model and the aforementioned assumptions result in a weighted average granting percentage of 27% for both the 8 September 2010 revaluation date and for the 31 December 2010 valuation date.

At the time of original valuation, the options granted in December 2009 had an expected time to maturity of 4 years. The risk free interest rate on a 4 year Dutch government bond amounted to approximately 2.28%. In accordance with this program, options granted in 2009 are exercisable at the average price of shares of the Company during a period of 15 trading days that starts on the second day of trading after the annual meeting of shareholders in 2010. Therefore at the time of original valuation, the exercise price of the option depended on future share prices. The best estimate for this exercise price was the latest closing price per share of the Company available at the date this calculation was originally made, which was the closing price as of 16 February 2010 of € 0.53 (actual exercise price is € 0.46). As a result of the foregoing assumptions and information, the Black-Scholes model determined a price of a call option at the original valuation date of € 0.3699.

In September 2010, these options were revalued (excluding the 30,000 options to which the changes did not apply) in light of the retroactive changes made to this plan. At the time of revaluation, the options had an expected time to maturity of 3.31 years. The risk free interest rate on a 3.31 year Dutch government bond amounted to approximately 0.99%. As a result of the foregoing assumptions and information, the model determined a price of a call option at the revaluation date of € 0.3193.

3% of the number of outstanding shares (9,831,354 shares) as of December 2009 was equivalent to 294,941 options issued. Based on the foregoing, the fair value of the options granted in December 2009 equals approximately € 51 thousand. These costs have been amortized over the vesting period.

The options granted in December 2010 have an expected time to maturity of 4 years. The risk free interest rate on a 4 year Dutch government bond amounted to approximately 1.47%. In accordance with this program, options granted in 2010 are exercisable at the average price of shares of the Company during a period of 15 trading days that starts on the second day of trading after the annual meeting of shareholders in 2011. Therefore at the time of this valuation, the exercise price of the option depends on future share prices. The best estimate for this exercise price was the latest closing price per share of the Company available at the date this calculation was made, which was the closing price as of 17 March 2011 of € 0.49. As a result of the foregoing assumptions and information, the Black-Scholes model determined a price of a call option at the valuation date of € 0.3029.

3% of the number of outstanding shares (13,581,343 shares) as of December 2010 was equivalent to 407,440 options issued. Based on the foregoing, the fair value of the options granted in December 2010 equals approximately € 40 thousand. These costs have been amortized over the vesting period.

For the remaining package to be issued in 2011 (4%), a valuation was made based on the same assumptions as for the options granted in 2010. The fair value of these options to be granted equals approximately € 53 thousand. These costs have been amortized over the vesting period.

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

28. Related parties

Transactions with executive board

Executive board compensation

In addition to their salaries, the Group also provides non-cash benefits to the executive board, and contributes to a post-employment defined contribution pension plan on their behalf.

In accordance with the terms of this available premium system plan, the premium varies depending on the age of the employee.

The executive board (and key employees) also participate in the Group's share option program (see note 27).

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

The executive board controls less than 1% of the voting shares of the Company. Supervisory board members of the Company control 11.6% of the voting shares of the Company.

29. Cash flow from (used in) operating activities

The cash flow from operating activities amounted to € 1,251 thousand (2009: € 56 thousand negative).

30. Cash flow used in investment activities

The cash flow used in investment activities was € 2,335 thousand (2009: € 1,932 thousand). The investments in tangible and intangible fixed assets amounted to € 123 thousand (2009: € 54 thousand) and € 2,143 thousand (2009: € 1,911 thousand) respectively. The investments in intangible fixed assets relate to software development.

31. Cash flow from financing activities

The cash flow from financing activities amounted to € 1,389 thousand (2009: € 1,015 thousand).

Company balance sheet

As of 31 December before appropriation of result

<i>(in thousands of euros)</i>	Notes	31 Dec. 2010	31 Dec. 2009
Fixed assets			
Intangible fixed assets	34	3,713	3,913
Tangible fixed assets	35	4	4
Financial fixed assets	36	6,120	4,842
Total fixed assets		9,837	8,759
Current assets			
Other receivables	37	610	659
Cash and cash equivalents		62	9
Total current assets		672	668
Current liabilities, accruals and deferred income	38	(3,416)	(4,125)
Current assets less current liabilities		(2,744)	(3,457)
Assets less current liabilities		7,093	5,302
Long-term liabilities	39	(1,600)	0
Provisions	40	(368)	(986)
Shareholders' equity		5,125	4,316
Issued capital		1,358	983
Share premium		33,477	32,463
Legal reserve		4,914	4,131
Translation reserve		(109)	(42)
Accumulated deficit		(33,782)	(31,539)
Current year's result		(733)	(1,680)
Shareholders' equity	41	5,125	4,316

The notes on page 125 to page 137 are an integral part of these company financial statements.

Company profit and loss account

For the year ended 31 December

<i>(in thousands of euros)</i>	2010	2009
Company result	(2,385)	(1,226)
Result from participating interests	1,652	(454)
Net result	(733)	(1,680)

The notes on page 125 to page 137 are an integral part of these company financial statements.

Notes to the Company financial statements

32. General

The separate financial statements are part of the 2010 financial statements of NedSense enterprises n.v. (the "Company"). With reference to the separate profit and loss account of the Company, use has been made of the exemption pursuant to Section 402 of Book 2 of the Netherlands Civil Code.

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

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

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

34. Intangible fixed assets

Movements were as follows:

<i>(in thousands of euros)</i>	Goodwill	Costs of software development	Total 2010	Total 2009
Costs 1 January	20,579	2,265	22,844	22,844
Accumulated amortization 1 January	(17,000)	(1,931)	(18,931)	(18,731)
Book value as of 1 January	3,579	334	3,913	4,113
Changes:				
Amortization	0	(200)	(200)	(200)
	0	(200)	(200)	(200)
Costs 31 December	20,579	2,265	22,844	22,844
Accumulated amortization 31 December	(17,000)	(2,131)	(19,131)	(18,931)
Book value as of 31 December	3,579	134	3,713	3,913

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

Impairment test for intangible assets

Intangible assets primarily comprise software and goodwill on NedGraphics. The recoverable amount of cash-generating units (CGU's) is based on value-in-use calculations. This calculation is based on the budget for 2011 and estimated market developments for the period thereafter.

Cash flows NedGraphics for further periods are extrapolated using a 5% growth rate for 2012 through 2015 and 2% for 2016 and forward in the case of gross margin, and a 2% growth rate for 2012 through 2015 and 1% for 2016 and forward in the case of operating expenses. A pre-tax discount rate of 14.7% (2009: 14.9%) has been used in discounting the projected cash flows. Allocated holding expenses have also been incorporated in the calculations. Key assumption in the 2011 budget is that revenue will continue to recover substantially post-recession, and if not, that sufficient cost savings can be achieved compared to the budget 2011, so that the effect of lower revenue will be offset.

Management's approach in determining the key revenue assumption in the 2011 budget noted above is based on trends noted in the marketplace in late 2010 and early 2011. The Group has directly experienced an improving economic climate during this timeframe, and this experience is also reflected in media reports on the broader economy. Other key assumptions are the expected growth rate of revenues and operating expenses.

The revenue growth assumptions have resulted in a NedGraphics CGU value in the impairment test that is higher than the carrying value of approximately €5,900 thousand.

Sensitivity to changes in assumptions

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

NedGraphics impairment sensitivity

NedGraphics	Change required for carrying amount to equal the recoverable amount
<i>In percent</i>	2010
Pre-tax discount rate	113.7
Forecasted EBIT growth	62.6

Based on the impairment test as described above, the recoverable amount of this cash-generating unit is not lower than the carrying amount. As a result, no impairment has been recorded in 2010.

35. Tangible fixed assets

Movements were as follows:

Tangible assets

(in thousands of euros)

	2010	2009
Costs 1 January	673	673
Accumulated depreciation 1 January	(669)	(664)
Book value as of 1 January	4	9
Changes:		
Investments	4	0
Depreciation	(4)	(5)
	0	(5)
Costs 31 December	677	673
Accumulated depreciation 31 December	(673)	(669)
Book value as of 31 December	4	4

The following depreciation percentages are used:

Depreciation percentages

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

36. Financial fixed assets

(in thousands of euros)

	31 Dec. 2010	31 Dec. 2009
Participations in group companies	6,120	4,842
	6,120	4,842
Movements in participations:		
Net asset value as of 1 January	4,842	4,440
Result from participations	1,652	(454)
Exchange rate differences	(67)	29
Change in provisions for negative net asset value	(307)	827
Net asset value as of 31 December	6,120	4,842

37. Other receivables

(in thousands of euros)

	31 Dec. 2010	31 Dec. 2009
Receivables from group companies	525	531
Deferred taxation	34	85
Other accounts receivable, prepayments and accrued income	51	43
	610	659

The deferred tax asset of € 34 thousand (2009: € 85 thousand) is based on the tax loss carry-forward facilities for the fiscal unit for corporate income taxes (in the Netherlands). This deferred tax asset is offset by deferred tax liabilities recognized for other companies within the fiscal unit for corporate income taxes. No deferred tax asset has been recognized for the fiscal unit as a whole as management is currently insufficiently certain that sufficient future profit will be made to realize the value of the tax assets.

38. Current liabilities, accruals and deferred income

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

(in thousands of euros)

	31 Dec. 2010	31 Dec. 2009
Short term portion of loans	500	1,997
Trade creditors	136	177
Debts to group companies	2,466	1,555
Taxation and social security charges	18	23
Other debts, accruals and deferred income	296	373
	3,416	4,125

As of 31 December 2010, the Company had no current account credit facilities (2009: none).

39. Long-term liabilities and subordinated loans

<i>(in thousands of euros)</i>	31 Dec. 2010	31 Dec. 2009
Secured loans	1,600	0
	1,600	0

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

40. Provisions

<i>(in thousands of euros)</i>	31 Dec. 2010	31 Dec. 2009
Provision for negative equity group companies	350	969
Liability for long service benefits	18	17
	368	986



41. Shareholders' equity

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

Shareholders' equity capital and reserves

	Notes	Share capital
<i>(in thousands of euros)</i>		
Balance at 1 January 2009		8,867
Appropriation of result		0
Total comprehensive income (loss) for the period		
Profit or (loss)		0
Other comprehensive income		
Foreign currency translation differences		0
Total other comprehensive income		0
Total comprehensive income (loss) for the period		0
Transactions with owners, recorded directly in equity		
Contributions by and distributions to owners		
Reduction of nominal value of the shares from € 2.00 to € 0.10 per share		(8,424)
Issue of convertible notes (net of tax)		290
Issue of new shares		250
Share-based payments	27	0
Total contributions by and distributions to owners		(7,884)
Total transactions with owners		(7,884)
Transfer from other reserves		0
Balance at 31 December 2009		983
Balance at 1 January 2010		983
Appropriation of result		0
Total comprehensive income (loss) for the period		
Profit or (loss)		0
Other comprehensive income		
Foreign currency translation differences		0
Total other comprehensive income		0
Total comprehensive income (loss) for the period		0
Transactions with owners, recorded directly in equity		
Contributions by and distributions to owners		
Issue of new shares (net of transaction costs)		375
Share-based payments	27	0
Total contributions by and distributions to owners		375
Total transactions with owners		375
Transfer from other reserves		0
Balance at 31 December 2010		1,358

Attributable to equity holders of the Company

Share premium	Trans-lation reserve	Accum-ulated deficit	Unallocated current year's result	Other legal reserves	Total equity
22,709	(71)	(24,774)	(6,182)	3,499	4,048
0	0	(6,182)	6,182	0	0
0	0	0	(1,680)	0	(1,680)
0	29	0	0	0	29
0	29	0	0	0	29
0	29	0	(1,680)	0	(1,651)
8,424	0	0	0	0	0
580	0	0	0	0	870
750	0	0	0	0	1,000
0	0	49	0	0	49
9,754	0	49	0	0	1,919
9,754	0	49	0	0	1,919
0	0	(632)	0	632	0
32,463	(42)	(31,539)	(1,680)	4,131	4,316
32,463	(42)	(31,539)	(1,680)	4,131	4,316
0	0	(1,680)	1,680	0	0
0	0	0	(733)	0	(733)
0	(67)	0	0	0	(67)
0	(67)	0	0	0	(67)
0	(67)	0	(733)	0	(800)
1,014	0	0	0	0	1,389
0	0	220	0	0	220
1,014	0	220	0	0	1,609
1,014	0	220	0	0	1,609
0	0	(783)	0	783	0
33,477	(109)	(33,782)	(733)	4,914	5,125

Before 2009 the authorized share capital consisted of 10,000,000 ordinary shares and 5,000,000 preference shares of € 2 nominal value per share, together representing an authorized share capital of € 30 million. On the extraordinary meeting of shareholders that was held on 12 December 2008, it was decided to change the authorized share capital to 20,000,000 ordinary shares and 10,000,000 preference shares of € 0.10 nominal value per share, representing an authorized share capital of € 3 million. This decision was effectuated in March 2009. On 31 December 2010 13,581,343 ordinary shares (2009: 9,831,354) were issued and paid up.

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

The unallocated current year's loss amounting to € 733 thousand will be added to the accumulated deficit.

42. Off-balance sheet commitments

The company has entered into lease agreements with the total annual costs amounting to € 23 thousand (year-end 2009: € 39 thousand). The average remaining term of the lease agreements is 2 years.

The Company heads a fiscal unity for corporate income tax purposes, to which all the Dutch wholly-owned subsidiaries at year-end 2010 belong. On this basis, the company is wholly and severally liable for the tax commitments of the fiscal unity as a whole.

43. Options

31-12-2009 Date granted	Granted to	Term	Issued options	Outstanding options	Forfeited	Exercise price (€)
June 2009	Pieter Aarts	2014	183,284	183,284	0	0.64
June 2009	Jan-Hein Pullens	2014	183,284	183,284	0	0.64
December 2009*	Pieter Aarts	2014	245,784	245,784	0	0.64
December 2009*	Jan-Hein Pullens	2014	245,784	245,784	0	0.64
December 2009*	Key employees	2014	294,941	294,941	0	0.53
Total			1,153,077	1,153,077	0	

* Formally to be approved by Supervisory Board and Shareholders in 2010.

Adjustments to 2009 options in 2010 Date granted	Granted to	Term	Issued options	Outstanding options	Forfeited	Exercise price (€)
December 2009*	Pieter Aarts	2014	-122,892	-122,892	0	0.64
December 2009*	Jan-Hein Pullens	2014	-122,892	-122,892	0	0.64
Jun 2009 adjusted Sep 2010	Pieter Aarts	2014	-183,284	-183,284	0	0.64
Jun 2009 adjusted Sep 2010	Jan-Hein Pullens	2014	-183,284	-183,284	0	0.64
Jun 2009 adjusted Sep 2010	Pieter Aarts	2014	183,284	183,284	0	0.40
Jun 2009 adjusted Sep 2010	Jan-Hein Pullens	2014	183,284	183,284	0	0.40
Dec 2009 adjusted Sep 2010	Pieter Aarts	2014	-122,892	-122,892	0	0.64
Dec 2009 adjusted Sep 2010	Jan-Hein Pullens	2014	-122,892	-122,892	0	0.64
Dec 2009 adjusted Sep 2010	Pieter Aarts	2014	91,642	91,642	0	0.40
Dec 2009 adjusted Sep 2010	Jan-Hein Pullens	2014	91,642	91,642	0	0.40
December 2009**	Key employees	2014	-294,941	-294,941	0	0.53
December 2009**	Key employees	2014	294,941	294,941	0	0.46
Total			-308,284	-308,284	0	

* 50% of potential options formally approved by Supervisory Board and Shareholders in 2010.

** Exercise price of these options is the average price of shares in NedSense during a period of 15 trading days. The period starts on the second trading day after the annual meeting of shareholders in 2010, whereafter the option package is formally granted. The exercise price for these options is € 0.46.

Adjusted 2009 options Date granted	Granted to	Term	Issued options	Outstanding options	Forfeited	Exercise price (€)
June 2009	Pieter Aarts	2014	183,284	183,284	0	0.40
June 2009	Jan-Hein Pullens	2014	183,284	183,284	0	0.40
December 2009	Pieter Aarts	2014	91,642	91,642	0	0.40
December 2009	Jan-Hein Pullens	2014	91,642	91,642	0	0.40
December 2009	Key employees	2014	294,941	294,941	0	0.46
Total			844,793	844,793	0	

31-12-2010 Date granted	Granted to	Term	Issued options	Outstanding options	Forfeited	Exercise price (€)
December 2010*	Pieter Aarts	2015	169,721	169,721	0	0.40
December 2010*	Jan-Hein Pullens	2015	169,721	169,721	0	0.40
December 2010*,**	Key employees	2015	407,440	407,440	0	0.49
Total			746,882	746,882	0	

* Formally to be approved by Supervisory Board and Shareholders in 2011.

** Exercise price of these options is the average price of shares in NedSense during a period of 15 trading days. The period starts on the second trading day after the annual meeting of shareholders in 2011, whereafter the option package is formally granted. The exercise price shown here is an estimate.

For more details on this matter we refer to note 27 of the notes to the consolidated financial statements.

44. Staff

In 2010, the company had an average of 2 staff members (2009: 3 staff members).

45. Remuneration of the Supervisory Board and Board of Directors

The remuneration in 2010 of managing directors and supervisory directors was as follows:

<i>(in euros)</i>			Gross compensation 2010	2009	Charges option plan 2010
	Regular	Temporary US housing	Total	Total	
Supervisory Board					
Servaas L.M. Houtakkers	24,000	0	24,000	24,000	0
Leon P.E.M. van den Boom ¹⁾	0	0	0	7,500	0
Dirk Lindenbergh	19,000	0	19,000	19,000	0
Henk Huisman ²⁾	19,000	0	19,000	11,083	0
	62,000	0	62,000	61,583	0
Board of Directors					
Pieter Aarts	194,848	49,221	244,069	186,000	109,491
Jan-Hein Pullens	183,600	0	183,600	175,667	109,491
	378,448	49,221	427,669	361,667	218,982

The compensation of Pieter Aarts in 2010 included € 49 thousand for ten months of 'grossed up' housing costs due to his temporary relocation to the United States for business purposes.

46. Audit fees

<i>(in thousands of euros)</i>	2010	2009
Audit fees		
Audit by KPMG Accountants N.V.	85	80
Audit by foreign KPMG offices	39	36
Audit related services	0	0
Tax services	36	45
Other services	18	7
Total	178	168

2009	Pension expenses 2010	2009
0	0	0
0	0	0
0	0	0
0	0	0
0	0	0
23,633	8,469	8,469
23,633	6,825	6,825
47,266	15,294	15,294

Gross compensation is exclusive of bonuses, social security charges, and pension expenses. Please see note 27 for information regarding share-based payments and note 43 for information regarding options provided to the Board of Directors.

¹⁾ Leon P.E.M. van den Boom resigned from the supervisory board effective 26 May 2009

²⁾ Henk Huisman joined the supervisory board as of 26 May 2009

Vianen, 25 April 2011

The Board of Directors
 Pieter Aarts
 Jan-Hein Pullens
 The Supervisory Board
 Servaas Houtackers, Chairman
 Dirk Lindenbergh
 Henk Huisman

012 Other information

Independent auditor's report

To: The Annual General Meeting of Shareholders of NedSense enterprises n.v.

Report on the financial statements

We have audited the accompanying financial statements 2010 of NedSense enterprises n.v., Vianen. The financial statements include the consolidated financial statements and the company financial statements. The consolidated financial statements, set out on pages 60 to 137 comprise the consolidated statement of financial position as at 31 December 2010, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes, comprising a summary of the significant accounting policies and other explanatory information. The company financial statements comprise the company balance sheet as at 31 December 2010, the company profit and loss account for the year then ended and the notes, comprising a summary of the accounting policies and other explanatory information.

Management's responsibility

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code and for the preparation of the management board report in accordance with Part 9 of Book 2 of the Netherlands Civil Code. Furthermore,

management is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

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

made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion with respect to the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position of NedSense enterprises n.v. as at 31 December 2010 and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code.

Opinion with respect to the company financial statements

In our opinion, the company financial statements give a true and fair view of the financial position of NedSense enterprises n.v. as at 31 December 2010 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

Emphasis of uncertainty with respect to the going concern assumption

We draw attention to note 2.(b) Going concern and note 20 to the financial statements which indicate that the company has a loan of €2.1 million which matures in installments starting from 1 January 2012. Additional financing will be necessary as the operating cash flow is insufficient to redeem this debt. This condition indicates the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as

a going concern. Our opinion is not qualified in respect of this matter.

Report on other legal and regulatory requirements

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

Rotterdam, 25 April 2011
KPMG ACCOUNTANTS N.V.
F.J. van het Kaar RA

Statutory provisions concerning result appropriation

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

Proposal for result appropriation 2010

The unallocated current year's result amounting to € 733,107 negative will be added to the accumulated deficit.

Group offices

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

Company	Based in	Business address	Managing Director(s)
NedSense enterprises n.v.	the Netherlands (Vianen)	Ir. D.S. Tuijnmanweg 10 4131 PN Vianen telephone +31 347 329 755 fax +31 347 329 736	P.A.J.J. Aarts H.J.J. Pullens
NedSense enterprises b.v.	the Netherlands (Vianen)	Ir. D.S. Tuijnmanweg 10 4131 PN Vianen telephone +31 347 329 755 fax +31 347 329 736	P.A.J.J. Aarts H.J.J. Pullens
NedSense IPR b.v.	the Netherlands (Vianen)	Ir. D.S. Tuijnmanweg 10 4131 PN Vianen telephone +31 347 329 755 fax +31 347 329 736	NedSense enterprises b.v.
NedSense NedGraphics b.v.	the Netherlands (Vianen)	Ir. D.S. Tuijnmanweg 10 4131 PN Vianen telephone +31 347 329 696 fax +31 347 329 699	NedSense enterprises b.v.
NedSense LOFT b.v.	the Netherlands (Vianen)	Ir. D.S. Tuijnmanweg 10 4131 PN Vianen telephone +31 347 329 696 fax +31 347 329 699	NedSense enterprises b.v.
NedGraphics BvBa	Belgium (Deerlijk)	Nijverheidslaan 54b 8540 Deerlijk telephone +32 56 78 28 00 fax +32 56 78 28 08	H.J.J. Pullens NedSense enterprises b.v.
NedGraphics SA	France (Paris)	79-81, rue du Faubourg Poissonnière 75009 Paris telephone +33 1 53 26 26 26 fax +33 1 53 26 26 10	P.A.J.J. Aarts H.J.J. Pullens G.H.M Haverkort
NedGraphics Ltd.	UK (Dukinfield)	8 Parkin Close Dukinfield Cheshire, SK16 4DD telephone +44 161 343 84 01 fax + 44 161 343 84 01	H.J.J. Pullens
NedGraphics Srl	Italy (Lomazzo)	Via Trento 7 (3e piano) 22074 Lomazzo CO telephone +39 02 96 77 81 18 fax +39 02 96 37 94 61	P.A.J.J. Aarts

Company	Based in	Business address	Managing Director(s)
NedSense Srl	Romania (Bucharest)	Str. Badea Cartan, Nr. 15 Sector 2 020000-024500 Bucharest telephone +40 21 212 24 17 fax +40 21 212 21 74	H.J.J. Pullens
NedGraphics, Inc.	USA (New York)	104 West 40th Street Floor 12 New York, NY 10018 telephone +1 212 921 2727 fax +1 212 768 4488	P.A.J.J. Aarts M. Sherman
NedGraphics of Tennessee, Inc.	USA (Charlotte)	10130 Mallard Creek Road Suite 300 Charlotte, NC 28262 telephone +1 704 357 3580 fax +1 704 357 3583	P.A.J.J. Aarts M. Sherman
NedGraphics (Shanghai) Software for Textile and Fashion Co., Ltd.	China (Shanghai)	Room 4301, X2 Space No.20 Chaling Road North Xuhui District 200032 Shanghai telephone +86 21 6422 0670 fax +86 21 6422 0672	H.J.J. Pullens
NedGraphics Turkey Liaison Office	Turkey (Bursa)	Buttim Is Merkezi Kat 5 No. 1585 16080 Bursa Turkey telephone +90 224 211 00 86 fax +90 224 211 00 87	H.J.J. Pullens
Dynamics Perspective, Inc.	USA (Los Angeles)	31416 Agoura Road Suite 150 Westlake Village, CA 91361 telephone +1 818 887 0840 fax +1 818 313 7900	P. Jennings
Dynamics Perspective, Inc.	USA (New York)	104 West 40th Street Floor 12 New York, NY 10018 telephone +1 212 827 7990 fax +1 212 768 4488	P. Jennings



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