

A N N U A L R E P O R T
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001 Message from the CEO

Dear Stakeholder,

The past year has been dynamic and rewarding, particularly in terms of product development and new engagements. NedSense enterprises n.v. is reaping the benefits of strong product track records with the successes of the LOFT and NedGraphics activities providing evidence of NedSense's stability and quality, which in turn has increased market attention. The overall strategy for 2012 concerned the further strengthening of the capital structure of the company in order to accelerate the development of LOFT™ and the LOFT organization while continuing the success of NedGraphics. We feel we have made excellent progress with LOFT™, and are encouraged by the support of a number of strategic companies that not only understand the LOFT™ concept but also recognize its potential and provide a network for developing and entering markets. Meanwhile NedGraphics has performed very well.

The continued success of LOFT™ over 2012 was reflected in the implementation of LOFT@web and LOFT@iPad by leading designers and manufacturers. In addition to nurturing our existing partnerships with launching customers Rubelli and Donghia, we have closed new agreements with leading

home design retailers. We are especially proud of the LOFT™ technology applied in 2012 across multiple sales platforms by Crate and Barrel, creating a personalized experience for their end customers. In addition, 2012 saw the development of a generic LOFT™ product, LOFT4Brands, which will be launched in the first quarter of 2013.

NedGraphics has also seen a successful year with a remarkable gain in market share and the acquisition of a number of large clients. What's more, our investments in education have led to the NedGraphics CAD/CAM products being recognized as the market norm in design technology across Europe and Asia and in America.

The single strategy that is in place across each of the NedSense companies provides the strength to build further. However, as NedSense enterprises n.v. is not self-financing, the company remains in turbulent waters and relies on the support of its investors and strategic partners. In the coming year, we will work with our partners and interested parties to finalize our assessment of the strategic options open to NedSense for furthering growth,

in particular of the LOFT business. Close collaboration between the Supervisory Board and the Board of Directors forms an essential part of the decision making process.

We were saddened in December 2012 by the passing of our former chairman of the Supervisory Board Mr. Servaas Houtakkers. He had been chairman of the Supervisory Board from May 2005 to October 2012 and his efforts contributed strongly to the success of NedSense. We extend our sincerest condolences to his family.

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

Vianen, April 24, 2013

Pieter Aarts, Chief Executive Officer

NedGraphics is being recognized as the market norm

We are reaping the benefits of strong product track records

002 Key figures

	2012	2011
Results from continued operations (in thousands of euros)		
Net revenue	9,891	9,116
Operating result	1,101-	1,735-
Net result	1,416-	1,781-
Cash flow	288-	66
Employees (in FTE's)		
Average number of staff in continued operations, including staff hired out	110	109
Balance sheet information (in thousands of euros)		
Balance sheet total	15,927	16,381
Shareholders' equity	5,684	6,643
Guarantee capital	5,684	6,643
Ratios (in %)		
Operating result / net revenue	11.1-	19.0-
Net result / net revenue	14.3-	19.5-
Solvency (based on guarantee capital)	35.7	40.6
Liquidity	2.2	1.6
Figures per share (amounts in euros)		
Average number of shares outstanding	21,081,343	15,944,356
Result per share	0.07-	0.11-
Cash flow per share	0.01-	0.00

003 Profile



003 Profile

Our profile

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

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

History

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

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

Current situation

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

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

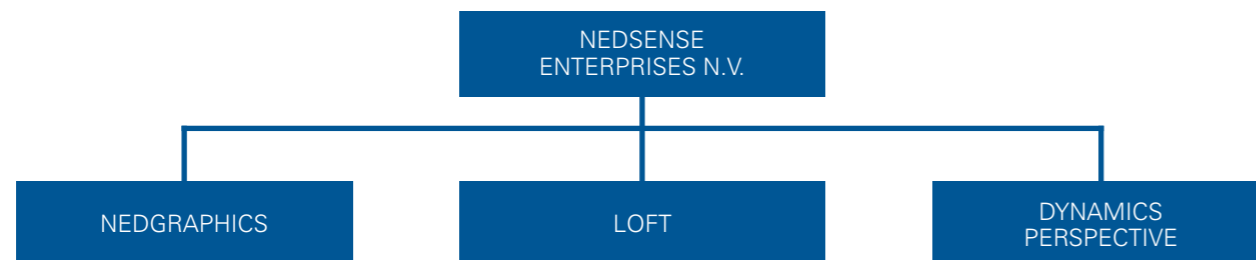
a creative environment which fosters new initiatives. These initiatives are supported by the input from partner knowledge institutions and an ambassador network that recommends our products to the market.

During 2012, NedSense further evolved as a group of collaborating business units each with their own products and services but serving the same target market, namely the Fashion, Textile, Retail and Interior industry. Our sales and go-to-market strategy, and our innovation and product development processes are applied and managed company wide so as to attain maximum synergy between the business units. Our strategies and processes remain flexible in order to be able to respond to trends in our industry. At present, NedSense and its business units aim to meet the current global trends by increasing speed-to-market for our customers, developing the market for customer and product experiences which merge reality with 3D virtuality, and recognizing the rise of emerging markets.

Our mission

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

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



NedSense NedGraphics b.v.

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

NedGraphics has over 34 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 innovativeness, optimal functionality and broad applicability.

Solutions that make sense and create tangible value

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

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

- Fashion design
- Floor coverings
- Home furnishings

In all segments, the NedGraphics software actively supports customers throughout the

entire textile value chain, from freelance designers to large-scale production facilities and from yarn manufacturing to weaving and pattern.

NedSense LOFT b.v.

NedSense LOFT b.v. is the subsidiary that takes NedSense into the life and lifestyle of end-customers through its LOFT™ experience engine (patent pending), which enables designers and manufacturers in the textile and apparel industry to co-create personalized virtual showrooms with their customers. Rather than demonstrating

fabrics and products in pre-designed and styled showrooms, the LOFT suite of solutions allows end customers to select

products of their choice and display them in an image of their own home. A simple click turns a 2D photo into a 3D environment that is easy to manipulate by any user, ranging from professional to first-time user.

In line with current technology developments and on and offline customer behavior, LOFT is available through a variety of media, from in-house enterprise deployment with full functionality across the entire product range to a slim cloud-based service for more mobile use. Consumers can access and use the product through any internet supported device, be it PC, iPad or mobile phone.

LOFT 4Brands combines standard LOFT

Henk Voortman, CEO at VME Nederland

“LOFT simply has no rivals when it comes to photo realism.”

functionality with automatic customization to provide a personalized experience for in-store customers. It can be deployed as needed, growing with a store's multi-channel strategy, with LOFT@Web for use in retail showrooms and LOFT@iPad added to offer a powerful selling aid for in-store staff. For custom or trade only showrooms, LOFT@Enterprise offers a non-public, corporate intranet deployment that works seamlessly with LOFT@iPad.

LOFT b.v. is a prime example of heritage-based innovation. The combination of NedGraphics' vast technology experience in optimal visualization of textiles and apparel and a relentless dedication to detail have formed a strong basis for the LOFT experience engine. Embraced by leading international manufacturers, LOFT enables the industry to face the most critical market challenges of today: cost of sampling, widening of distribution network, enriching of the agency relationship, fast time to market with new collections and a 'true to the eye' quality experience.

The LOFT experience engine will continue to be enhanced thanks to the cooperation between the growing base of new clients and our technology and marketing partners in the

industry. Together we work to the mantra of “creating a simple, fun and stunning real life experience in your own home.”

Dynamics Perspective Inc.

Dynamics Perspective Inc. provides integrated ERP and product life cycle (PLM) solutions for the textile & apparel industry. Its tools facilitate creativity, speed to market, and operational excellence for clients 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.

A networked organization

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

John Seebeck, VP eCommerce at Crate and Barrel

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

004 Composition of the Boards

Board of Directors

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

Mr. Aarts graduated from the Technical University Eindhoven (NL) in 1989 before obtaining a Master in Business Administration from Kingston University in London (UK). He started his professional career in 1989 with one of the PinkRocade Group subsidiaries as a consultant in logistics. In 1994, Mr. Aarts was made Managing Director of PinkRocade Industry, and continued in various Managing and Executive positions, including member of the Board of Directors, within PinkRocade 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

**Chris Jansen (1960, Dutch, male),
Chairman of the Supervisory Board
(since November 2012)**

Mr. Jansen graduated from Nyenrode University in the Netherlands and the University of South Carolina in the USA. He started his career in financial analysis in 1985 with NCR in Dayton Ohio, USA, subsequently moving back to the Netherlands as NCR's Corporate Account Manager for the largest retail client in Europe. He then joined

Hewlett-Packard where he worked for 16 years, 8 of which in the Netherlands and the remainder in various countries in Northern Europe, as Director for Norway (Oslo) and Northern Europe (Oslo/Amsterdam), and as Managing Director for Denmark (Copenhagen). He then joined the listed company Kerfi Group in Iceland (Reykjavik) as Chief Executive Officer, and moved to Stockholm, from where he expanded the Group through acquisitions and introduced a single corporate brand across Scandinavia. In 1999, he returned to the Netherlands whilst continuing to work internationally, joining the Board of Logica Netherlands in 2004 where he worked for 4½ years before joining Ordina in 2009 as their Country Chief Executive Officer/Managing Director Netherlands. Since 2010, he has been working in his own firm Accendium B.V. which he established in 2003. He is engaged in four main activities, namely Management Consulting, Venture Capital & Private Equity, Financial Management, and Management Education & Coaching.

**Richard Louwers (1968, Dutch, male),
Member of the Supervisory Board
(since November 2012)**

Mr. Louwers graduated in 1993 in Business Economics from the University of Amsterdam

(UvA). He started his professional career in 1994 with NIBC Capital as a relationship manager for airline clients in Europe and North-America arranging financing for the clients' aircraft acquisitions. In 1998, he took responsibility for NIBC's aircraft finance activities in Asia and the Pacific operating from the bank's Singapore office. He moved to DVB Bank in 2001 where he held senior positions in the bank's structured finance desk and investment management desk, structuring tax-driven big-ticket asset based transactions for airlines and shipping companies worldwide. In 2006, he accepted the CFO-role at MT&V, a recruitment and secondment specialist for technical professionals, and in 2008 also took on the responsibility of CFO for the entire group of companies to which MT&V belongs. Mr. Louwers is currently managing director of various companies specializing in recruitment, secondment and management for athletes and artists.

005 Report of the Board of directors



005 Report of the Board of Directors

Highlights

- Strong revenue increases for LOFT (+140%) and NedGraphics (+8%)
- EBITDA increase of € 0.7 million
- Cash flow from operations increase of € 1.5 million
- Implementation of LOFT technology in Crate and Barrel stores & online
- Granting of innovation credit to fund LOFT core engine developments
- Development of LOFT4Brands off-the-shelf product
- Deployment of LOFT@Web and LOFT@iPad by largest flooring retailer in Australia
- Increase in use and success of NedGraphics technology in schools and universities worldwide
- Payoff on investments in software security
- Move to new premises in Vianen

The NedSense strategy

The success achieved by NedSense enterprises n.v. over the past three years is a reflection of the solid strategic direction and invigorating corporate culture in place within the organization. Our current strategy is based on a value triangle of revenue growth, performance improvement, market deployment, and sustainability. With the financial structure of the company having strengthened significantly, we are now in a position to move on to the next step, namely to further growth. Exploratory strategy talks on how to raise capital to this end were conducted in 2012 with a number of parties, and with additional advice being provided by BoerCroon. With all possible options having

now been duly considered, we expect to announce our conclusions in the second quarter of 2013.

Throughout 2012, NedSense performed

We've proven our worth: investors are even more enthusiastic about our business

competently across the globe. Although we see markets only slowly recovering from the effects of the economic crisis, NedSense has continued to gain market share and be successful in the American, European and Asian markets. In fact, NedSense has achieved a year-over-year growth in revenue of 8,5% while operating costs increased only slightly compared to 2011. Sales in the second half of 2012 were particularly strong, reinforcing not only the company's financial situation but also its position as a market leader. The engagement with Crate and Barrel announced and implemented in 2012 sparked interest in other markets, and a number of new deployments of LOFT products quickly followed the Crate and Barrel roll out. Not only does NedSense enjoy a clear vision and mission that appeals to investors, its products have now proven their worth to the markets.

The healthy atmosphere alive within NedSense is reflected in the new premises we moved to in July 2012. The open plan layout echoes the transparent nature of the organization, and a

new vibe, culture and professionalism can be clearly felt. It is a positive development from which we can reap the benefits across the board.

LOFT

The LOFT business continues to be the core engine to NedSense, and its innovative nature was confirmed by a Dutch Ministry of Economic Affairs grant of €1.7 million innovation credit in 2012. The investment this has provided in product innovation is essential for maintaining the current competitive advantage and for securing corporate autonomy.

Since the launch of the LOFT platform, we have enjoyed success in every part of the world. Interest has been shown by both users in our target markets and technology innovators. The unique LOFT technology not only enables a faster sales process and lower operational costs, it creates an exceptional experience for customers which enables them to make more informed decisions with a high level of comfort. It also gives the retailer or manufacturer insight into the shopping and browsing behaviour of his visitors and customers, which makes it an omni-channel sales and management tool for the design industry.

LOFT technology is the leading technology in 3D visualization

Over the past year, the technology has been developed such that the LOFT product can be deployed as a standard product across multiple platforms, from a store-based server to an Apple iPad on the road. The LOFT4Brands product has a fast roll-out time while still providing our customers with a personalised look and feel. It was one of the unique selling points in the Crate and Barrel deployment, giving them a true business tool for their go-to-market strategy.

In 2012, LOFT continued to develop both within and beyond its niche markets. The continuation of firm partnerships, such as with Rubelli and Donghia, and the acquisition of new contracts with companies such as Trendhopper in the Netherlands and Carpet Court in Australia confirm LOFT's strong position in the global market. In collaboration with Rubelli, 2012 saw the launch of a distribution platform for LOFT@iPad with Apple's App store hosting the distribution channels and content being supplied by cloud technology. The development of new applications is a clear strategy for continuing to reach out to more potential customers.

NedGraphics

NedGraphics enjoyed a particularly strong 2012, benefiting from the USD rate and securing a number of major contracts, proving that it is a commercial success with an impressive list of customers including Victoria's Secret, Gap, Old Navy, Banana Republic, and Fruit of the Loom. A renowned Scandinavian furniture retailer has also started

to design their textile products using the NedGraphics CAD software, and NedGraphics continues to invest in new functionalities to enhance its leading position in the fashion and textile market. In addition, the division is clearly benefitting from right-sizing measures which are furthering efficiency. NedGraphics has further secured a sustainable place in the market by investing in education. The Turkish market is particularly booming and benefitting from the use of NedGraphics CAD/CAM products in textile design courses at schools and universities. Its use in education at leading establishments, such as in Turkey and at the Fashion Institute of Technology in New York, has made it the market standard, not only in the US and Turkey, but also in other countries in Europe, in India, and in China and Hong Kong.

NedGraphics has developed an impressive list of customers

Further success was attained by NedGraphics thanks to the payoff of its investments in software security. With sophisticated HASP security now in place and deployed on all NedGraphics products launched since 2011, we can be assured that our product range is well protected against piracy.

Dynamics Perspective Inc.

Dynamics Perspective Inc (DPI) continues to operate on a basic level and is maintaining its customer base. Its employees carry with them the sound knowledge and experience

necessary for sustaining customer services and as a result can be acknowledged as effective for the company. Nonetheless, DPI has shown increased losses over 2012 compared to 2011.

Evolution

The organizational changes seen within the company between 2009 and 2012 have enabled us to increasingly apply the potential of our products and people, and this has been furthered by the appointment of additional key management. Our organizational set up is conducive to growth with a strong core staff and an expanding network of reseller partners. Our products are innovative, provide functionality for omni-channel experiences and can be rolled out as standard or customized products. Our goal for the coming period is clearly and logically growth. For LOFT, this growth concerns multi-brand and single brand retailers and manufacturers, and for NedGraphics it concerns emerging markets and winning market share.

Our goal is growth

We continue to capitalize on the international ecosystem we have in place, bringing partners together to share knowledge, resource knowledge and apply skills. We greatly value this network of organizations, ranging from universities to strategic consultants, as it brings together the computer graphic and computer vision technologies that make LOFT such a strong product. By working with a hybrid delivery model for producing our software, with product design and

development being done with our university partners, and production in Poland and India, we are able to realize efficiency and secure cost balancing.

We maintain our approach of building on our knowledge heritage and cultivating relevant partnerships, so that we can innovate and lead, and create real economic value for our customers. Our successes are providing the proof of our quality, thorough strategic planning and investor security.

Pieter Aarts

Jan-Hein Pullens

Vianen, April 24, 2013

The NedSense philosophy

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 2012

Report by the Board of Directors – Financial Information 2012

Financial results

NedSense ended 2012 with a net loss of € 1.42 million (2011: € 1.78 million loss). The improved result of 2012 was mainly due to an increase in net revenue of € 0.78 million. The operating result for 2012 amounted to € 1.10 million negative (2011: € 1.74 million negative).

Activities include the CAD CAM activities of NedGraphics, the LOFT development of software that allows 3-dimensional reproduction in a personal environment, and the ERP activities of Dynamics Perspective. The net revenue of NedGraphics increased by 7.8% to € 8.82 million (2011: 8.18 million). Operating profit increased to € 1.17 million from € 0.07 million in 2011. LOFT net revenue increased from € 0.23 million in 2011 to € 0.56 million in 2012, an increase of over 140%. Operating result decreased to a loss of € 0.78 million (2011: € 0.53 million loss) as LOFT continues to further develop its products. Dynamics Perspective's net revenue declined to € 0.52 million from € 0.71 million in 2011. Operating result decreased from a loss of € 0.02 million to a loss of € 0.12 million in 2012.

Cash flow, investments, financing

The operational cash flow in 2012 amounted to € 0.70 million positive (2011: € 0.77 million negative). The increase from 2011 was mainly due to the improved operating result and lower trade receivables. The cash flow from investments in 2012 was € 2.59 million negative (2011: € 2.89 million negative). The cash flow from financing in 2012 was € 1.61 million positive (2011: € 3.73 million positive) as a result of financing from Project Holland Fonds and receipt of a government grant. The total change in cash and cash equivalents in 2012 amounted to € 0.29 million negative (2011: € 0.07 million positive).

Balance sheet

From 31 December 2011, fixed assets increased from € 10.76 million to € 11.22 million. The increase is mainly due to the capitalization of developed software for the LOFT product line. Due to the negative results in recent 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 decreased from € 6.64 million as of 31 December 2011 to € 5.68 million as of 31 December 2012. This € 0.96 million decrease was mainly caused by the negative result. As a result, solvency decreased to 35.7% at 31 December 2012 from 40.6% at 31 December 2011.

The number of outstanding ordinary shares, with a nominal value of € 0.10 each, was 21,081,343 as of 31 December 2012. 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

This annual report includes the financial statements for the financial year 2012 as prepared by the Board of Directors and adopted by the Supervisory Board, as well as other information concerning NedSense.

Composition of the Supervisory Board

The Company's Articles of Association stipulate that the Supervisory Board must be composed of a minimum of two members. During the majority of the calendar year 2012 the Supervisory Board comprised three members, Mr. S. Houtakkers (1959, Dutch, chairman and member since 2004), Mr. D. Lindenberg (1949, Dutch, member since 2008) and Mr. H. Huisman (1944, Dutch, member since 2009). After careful consideration with major shareholders all members of the Supervisory Board decided to lay down their responsibilities, and whilst Mr. Huisman had already left his post earlier during the year, the two other members were relieved from their duties in the Extraordinary General Meeting of Shareholders on 31 October 2012.

Tragically, shortly after he had laid down his duties at NedSense, Mr. Houtakkers passed away. On behalf of all shareholders, employees and clients of the NedSense Group, the Supervisory Board would like to once again extend our greatest appreciation to Mr. Houtakkers (post mortem),

Mr. Lindenberg and Mr. Huisman for the many years that they have committed themselves to the wellbeing of NedSense and all its stakeholders. They have guided the organisation and its management through many years of dynamic developments.

Currently the Supervisory Board comprises two members, Mr. C. Jansen (1960, Dutch, chairman) and Mr. R Louwers (1968, Dutch, member). Both were appointed in accordance with the Code of Conduct and Governance for a period of four years. Each of the two new members of the Supervisory Board was selected on the basis of his specific knowledge and experience, Mr. Jansen for his ICT market knowledge and operational experience and expertise, and Mr. Louwers for his financial expertise. Their experience is useful for 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 in chapter 4 of this report and on the company's website www.NedSense.com.

Terms of reference

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

Mr. Jansen

Elected 2012: First Term 31/10/12 – 31/10/16

Mr. Louwers

Elected 2012: First Term 31/10/12 – 31/10/16

The NedSense Supervisory Board terms of reference (see <http://www.nedsense.com/investor-relations/corporate-governance/retirement-schedule-supervisory-board-2/>) 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 should be – and both current members are – independent in the meaning of provision III.2.1 of the Dutch Corporate Governance Code. There are no conflicts of interest, and both new members act in good faith and with integrity, serving the overall and long-term interests of all stakeholders involved, such as clients, employees, shareholders and the environment, as of their appointment on 31 October 2012. For the earlier period of the year, one of the members of the Supervisory

Board was also a shareholder in NedSense. The potential conflict of interest or apparent conflict of interest between the Company and this one member of the Supervisory Board was outlined in the Annual report 2011 as follows: ". 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". With the election of an entirely new Supervisory Board on October 31 2012, this issue is no longer present.

Supervision in 2012

The Supervisory Board and the Board of Directors met some 20 times during 2012, and have held various additional telephone conferences. This was particularly necessary due to the strategic re-orientation of the NedSense Group and the accompanying consequences of such a re-orientation as well as the detailed hand-over from the departing Supervisory Board to the new Board.

Recurring as well as incidental but relevant items on the agenda in 2012 included:

- Budgeting, forecasting and reporting procedures and standards
- Rolling financial and operational performance of the individual subsidiaries
- Rolling business outlook including sales funnel, new projects and delivery issues
- Rolling balance sheet, profit & loss accounts, and the cash position of the NedSense Group
- Software development plans, roadmaps & releases
- Personnel performance and changes in the organization
- Performance management, and compensation & remuneration
- Strategic options for the NedSense Group
- General risks associated with the operations of the Company (strategic, operational, financial)
- Developments related to corporate governance & compliance
- Press, analysts and shareholder information & meetings

From the Supervisory Board's perspective, the year 2012 has clearly been dominated by the continuous monitoring of financial & business performance, personnel related issues, the strategic options for the NedSense Group, and shareholder relations, and all associated risks associated with these. Furthermore, software development and release roll-out and acceptance were of major importance.

In terms of financial and business performance, it was pivotal that the business generated enough cash flow on a month-by-month basis for reinvestment in the necessary software development and releases so that new sales volumes could be reached for longterm growth and profitability. A new and even more alert and reliable rolling-forward budgeting, forecasting and reporting structure was introduced to accommodate this. Furthermore, the NedSense Group prepared itself financially for various future strategic options with appropriate accompanying scenarios, so that any one scenario could be met if needed.

At the same time, personnel were appointed to as to place more management focus on the individual business. The CFO left the company, and the Supervisory Board in close collaboration with the Board of Directors decided not to replace him as of yet, there being sufficient financial knowledge within the NedSense Group as well as within the Supervisory Board to accommodate for this. The Supervisory Board furthermore concluded ongoing work with regard to the Board of Directors in terms of transferring their employment to a contractual relations

ship of management for hire, as was required per 2013 in accordance with the Governance Code. Remuneration policies as well as concrete remuneration were also concluded.

In the meantime, the strategic re-orientation went on in full swing, surveying the various options available to the NedSense Group. In light of this, the Supervisory Board concluded in close collaboration with the Board of Directors that appointing a new CFO, if at all, would not be sensible at this moment in time. The Supervisory Board spent intimate and elaborate time with all parties involved to surveying the options and the process is still ongoing.

The Supervisory Board spent quite some time building up a fitting and appropriate relationship with key shareholders, with an aim to gaining their trust and support in the various processes that were ongoing within the NedSense Group and naturally within the boundaries of good governance principles.

The Supervisory Board also spent considerable time with the Board of Directors in surveying and discussing the various areas of risk (strategic, business, financial, organizational, internal control & compliance) associated to the NedSense Group and its current situation, as well as the internal organization (people, structures, systems, processes). Several decisions were made and measures implemented. Finally, software development was a key issue of attention. Pivotal to the success of the NedSense Group is the successful roll-out of a roadmap of software releases which meet the requirements and

wishes of clients. This is true for both the LOFT product line and the NedGraphics product line. The DPI product line however is mature, and will not receive similar attention, but will be served appropriately until end-of-life.

Committees of the Supervisory Board

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

Audit Committee topics

In 2012, the Supervisory Board acted in the capacity of the Audit Committee. The Audit Committee controls and assesses the financial reporting processes of the Company, as well as the expert investigation carried out by the external auditor. Two meetings were held with the external auditor KPMG Accountants N.V. to discuss the preparation and the content of the financial report.

The main topics discussed at those meetings included:

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

External Auditor

KPMG acted as auditor of the company. Its nomination was approved by the Annual General Meeting of Shareholders on May 5, 2012. The Supervisory Board wishes to thank KPMG Accountants N.V. for its continual constructive contributions and work in 2012.

Internal Auditor

Due to the absence of an Audit Committee, as a result of the limited size of the company and the limited number of members of the Supervisory Board, it was also concluded that there was no need to appoint an internal auditor.

Remuneration Policy

The Supervisory Board sets the level of remuneration for the Board of Directors in line with the approved remuneration policy. Remuneration for the Chairman and other members of the Supervisory Board is set by the Annual General Meeting of Shareholders. The remuneration policy 2012-2015 was approved in the Annual General Meeting of Shareholders of June 5, 2012, for which the basis was introduced on June 7, 2011.

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

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

The remuneration policy 2012-2015 for the members of the NedSense Board of Directors has three elements:

- Base compensation
- Variable income (bonus plan)
- Secondary employment conditions

The variable income is maximized for each of the members of the Board and is for 75% based on short term (financial and personal)

targets and for 25% based on long term (financial) targets. Of the short term bonus 67% will be a cash payment and 33% will be in the form of performance shares. The long term bonus will be entirely in the form of performance shares. However, in the event that the NedSense cash flow in a financial year is negative the cash bonus component will be converted into conditional performance shares. The members of the Board of Directors had regular employment agreements with NedSense with a termination date of December 31, 2012. In accordance with the changed regulations and as approved by the General Meeting of Shareholders on October 31, 2012 NedSense entered into an engagement agreement ('Overeenkomst van Opdracht') for a four-year period starting January 1, 2013 with both members of the Board of Directors.

The remuneration policy 2012-2015 can be found on the company website www.NedSense.com.

Remuneration Report

In 2012, the Supervisory Board applied the remuneration policy 2012-2015 as follows:

Base salary

The base salary for the members of the Board of Directors of NedSense was set in 2012 for a period of 4 years, ending on December 31, 2015.

Variable Income

The financial objectives for 2012 that were set for the Board of Directors were related to three areas:

1. Short-term financial: the EBITDA level, revenue growth and NedSense Group cash flow
2. Short-term personal: business objectives, sales engagement, marketing exposure, software development releases, operational improvements
3. Long-term financial: the EBITDA level and revenue growth

Based on the achievements of the members of the Board of Directors and based on the Supervisory Board exercising reasonable discretion, the Supervisory Board has awarded a bonus to each member of the Board of Directors of 50% of the maximum bonus available. As the NedSense cash flow was negative for the financial year 2012 the bonus will be payable only in performance shares.

Secondary employment conditions

In 2012 the pension arrangements for members of the Board of Directors were based on a defined contribution. Due to contractual changes so as to comply with the Governance Code, pension has, as of 2013, become part of a management fee schema as an add-on to the base fee. Additional arrangements included expense allowances, company car and accident insurance. Details are provided on page 116 of this annual report.

Selection and nomination

In the Annual General Meeting of Shareholders of October 31, 2012 the the shareholders decided that the agreements with Pieter Aarts and Jan-Hein Pullens would be renewed for a four year period starting January 1, 2013. Contrary to the previous four years both

members of the Board of Directors will enter into engagement agreements with NedSense in accordance with the changed regulations.

Report of the Annual General Meeting of Shareholders June 5, 2012

During the Annual General Meeting of Shareholders held in Vianen, the members of the Board of Directors gave extensive presentations on the financial situation of NedSense and the general state of affairs of the Company. The 2011 remuneration report was discussed with the shareholders and the shareholders approved the report. The 2011 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 were granted discharge of liability 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 2012

The Financial Statements 2012 have been audited and provided with an unqualified opinion by KPMG Accountants NV (please see the auditor's report on page 120) and were extensively discussed with the auditors in the meeting of the Supervisory Board and the Board of Directors on March 28, 2013. The Supervisory Board is of the opinion that the Financial Statements 2012 meet all requirements for correctness and transparency and recommends that the Annual General

Meeting of Shareholders adopts the financial statements and the appropriation of net income proposed by the Board of Directors.

The Supervisory Board proposes that the Annual General Meeting of Shareholders grants discharge to the members of the Board of Directors for their management and to the members of the Supervisory Board for their supervision in 2012.

In conclusion

The reform of the NedSense business model which was initiated in 2009 has evolved further in 2012. Despite a continued adverse economic climate growth was achieved in all product lines and costs were reduced significantly, enabling bottom-line results to improve further. Clearly, the NedSense Group has not yet reached its overall desired break-even point mainly due to additional and accelerated investments in LOFT. It has been a conscious decision, reinforced in 2012 to achieve and maintain a lead position in this newly emerging market of 3D visualization reality in retail. Major software releases have come out, and lighthouse clients have gone live successfully. At the same time, 2013 is signaled a time to start harvesting. It is imperative that 2013 becomes a year of improved performance and continued growth, albeit with or without strategic changes. The Supervisory Board and the Board of Directors have set direction to achieve this.

Once more, the additional efforts of the management and staff at NedSense have clearly proved to form a strong foundation for the continued success of NedGraphics and

the further development of LOFT in 2012. The Supervisory Board therefore wishes to express its thanks to all employees, and as well its clients, shareholders and other stakeholders who through their efforts, confidence and support have enabled the management and the Company to attain the position of market leader it now enjoys. A new 3D business model will bring new opportunities and challenges in a dynamic market in which technological advantage constitutes a principal asset.

Chris Jansen (Chairman)

Richard Louwers (member)

007 Corporate Governance

General

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

Corporate governance declaration

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

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

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

Corporate Governance Structure

Board of Directors

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

The Board of Directors takes into account the interests of the Company and its affiliated enterprises as well as the interests of NedSense's shareholders and other stakeholders when taking decisions about the operation of the business. The members of the Board of Directors are required to put the interests of the Company ahead of their own interests and to act critically and independently when carrying out their responsibilities. The Board of Directors is also charged with providing the Supervisory Board all material information required to permit the

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

The responsibility for the management of the Company is vested collectively in the Board of Directors as of January 1, 2009. The members of the Board of Directors have been appointed for another term of four years, which is extendable for a subsequent period of 4 years until 31 December 2016.

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

Supervisory Board

The role of the Supervisory Board is to supervise the Board of Directors and oversee the general affairs of the Company and its affiliated enterprises. The Supervisory Board annually evaluates its own performance. Supervisory Board members are required to put the best interests of NedSense ahead of their own interests and to act

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

A member of the Supervisory Board should limit the number of Supervisory Board memberships and other positions at listed and non-listed companies in such a way as to guarantee the proper performance of his or her duties, and may not hold more than five Supervisory Board memberships in Dutch listed companies, with a chairmanship counted twice. Supervisory Board remuneration is determined by the Annual General Meeting of Shareholders, and is not dependent on the company's results. NedSense ensures that there are structured reporting lines to the Supervisory Board, and key departments and operating companies work according to reporting frameworks that facilitate monitoring

by both the Board of Directors and the Supervisory Board. The Supervisory Board meets regularly throughout the year, according to a pre-arranged schedule, both with and without the Board of Directors. In addition to these meetings, the members of the Supervisory Board are available to the Board of Directors at all times. By way of frequent informal consultation with, and updates from the members of the Board of Directors in between meetings, the Supervisory Board remains well informed about the general state of affairs within NedSense and offers advice on a variety of matters. At the end of each year, the Supervisory Board extensively assesses the composition, performance and functioning of the Board of Directors and the Supervisory Board, as well as its individual members. The chairman of the Supervisory Board ensures the proper functioning of the Board as the main contact for the Board of Directors.

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

Board regulations are posted on our website at www.NedSense.com.

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

External Communication

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

Both the Board of Directors and the Supervisory Board have their own by-laws, which set rules with regard to objectives, composition, duties, responsibilities and

working methods. These regulations are posted on the corporate website. Any shareholding in the company must be for the purpose of long-term investment. Board members must at all times comply with the provisions contained in the NedSense insider dealing rules.

Shareholders and the General Meeting of Shareholders

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

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

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

capital) can submit matters for consideration by the meeting are specified in the company's Articles of Association.

The Annual General Meeting of Shareholders, which is normally held in June, is recorded on tape. This tape is used to produce the minutes of the meeting. The minutes are posted on the corporate website within three months of 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 is 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 believes that the existing risk management and control

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

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

Deviations from the Dutch Corporate Governance Code

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

Provisions III.1.1 and III.5.1:

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

Provision III.4.3:

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

Provision IV.3.1:

advance announcements of Investor Relations

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

Finally, as a general remark, The Supervisory Board has in its endeavours to find 2 successors attempted to maximise diversity by searching for a female candidate complying with diversity of gender as well as competences and experience. However, given the fact that there were only 2 new appointments to be made and diversity of competences was at least as important as diversity of gender, it was not possible for the departing Supervisory Board to find a female successor within the given context. The Supervisory Board regrets this, but it happy at the same time with the 2 newly appointed male Members.

Since 2009, the Board of Directors consists of 2 male members. They have been appointed for a second term of four years which ends December 31, 2016. The company does not foresee a vacancy in the Board of Directors. To maximize diversity in the Board of Directors, the company will do the utmost to find and select a female candidate but only in case a vacancy emerges.

008 Shareholders Information

General

The shares of NedSense have been listed on Euronext Amsterdam by NYSE Euronext since 21 May 1999. As of 31 December 2012, the number of outstanding shares was 21,081,343 (2011: 21,081,343).

In 2012, the remainder of the stand-by convertible loan was drawn in the amount of € 1,400 thousand.

The shares outstanding as of 31 December 2012 have a nominal value of € 0.10, resulting in a share capital of € 2,108 thousand at the end of 2012. Share premium as of 31 December 2012 was € 36,167 thousand.

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

Pursuant to the 'Wet Melding Zeggenschap' (WMZ, the Act on Disclosure of Major Holdings in Listed Companies), an interest of 5% or more in the capital of Dutch listed companies must be reported. In addition, the passing of certain boundaries of percentage ranges in shareholdings must be reported. The following table is a review of the interests as of 31 December 2012, based on the latest information received.

Shareholders	31-12-2012 including shares related to convertible loans	31-12-2012 excluding shares related to convertible loans	31-12-2011 including shares related to convertible loans	31-12-2011 excluding shares related to convertible loans
Project Holland Beheer B.V.	39.7%	29.6%	39.6%	29.6%
Todlin N.V.	14.0%	15.4%	18.8%	15.4%
TWE Beheer B.V.	6.9%	9.3%	9.3%	9.3%
Bibiana Beheer B.V.	5.7%	6.6%	7.6%	6.6%
Blikkenburg B.V.	4.8%	0.0%	6.4%	-
Via Finis Invest B.V.	3.3%	4.5%	4.5%	4.5%
Florijn Investments B.V.	2.9%	3.9%	3.9%	3.9%
West-End B.V.	2.6%	3.6%	3.6%	3.6%

Key figures per share (based on average number of outstanding shares)	2012	2011
Net result	€ 0.07-	€ 0.11-
Shareholders' equity	€ 0.27	€ 0.42
Highest share price	€ 0.45	€ 0.54
Lowest share price	€ 0.28	€ 0.25
Closing price as of 31 December	€ 0.30	€ 0.37
P/E ratio as of 31 December	4.29-	3.36-
Market capitalization as of 31 December	6,324,403	7,800,097
average trading volume per day	6,216	5,477
average number of outstanding shares	21,081,343	15,944,356
number of shares at 31 December	21,081,343	21,081,343

Share based payments

The tables on the next page present an overview of option rights granted and outstanding, and share payments granted and outstanding at year-end 2012. In chapter 11, Notes to the company accounts, detailed information is provided on the outstanding options and share payments.

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

Options

31/12/2011 Date granted and approved	Granted to	Vesting Date	Issued options	Outstanding options	Forfeited	Exercise price (€)
June 2009	Pieter Aarts	2012	91,642	91,642	0	0.40
June 2009	Jan-Hein Pullens	2012	91,642	91,642	0	0.40
June 2010	Key employees	2013	294,941	264,941	30,000	0.46
June 2011	Key employees	2014	407,440	287,440	120,000	0.44
September 2011	Key employee	2012	125,000	125,000	0	0.40
Total			1,010,665	860,665	150,000	
31/12/2012 Date granted and approved	Granted to	Term	Issued options	Outstanding options	Forfeited	Exercise price (€)
June 2012	Key employees	2015	526,588	526,588	0	0.36
Total			1,537,253	1,387,253	150,000	

Shares

31/12/2011 Date granted and approved	Granted to	Vesting Date	Issued options	Outstanding options	Forfeited
None					
31/12/2012 Date granted and approved	Granted to	Vesting Date	Issued	Outstanding	Forfeited
June 2012 ¹	Pieter Aarts	2014	341,666	341,666	0
June 2012 ¹	Jan-Hein Pullens	2014	251,467	251,467	0
June 2012 ²	Pieter Aarts	2015	341,666	341,666	0
June 2012 ²	Jan-Hein Pullens	2015	251,467	251,467	0
June 2012 ³	Pieter Aarts	2016	341,666	341,666	0
June 2012 ³	Jan-Hein Pullens	2016	251,467	251,467	0
June 2012 ⁴	Pieter Aarts	2017	341,666	341,666	0
June 2012 ⁴	Jan-Hein Pullens	2017	251,467	251,467	0
			2,372,532	2,372,532	0

¹ Actual number of shares formally to be approved by the Supervisory Board and Shareholders in 2013

² Actual number of shares formally to be approved by the Supervisory Board and Shareholders in 2014

³ Actual number of shares formally to be approved by the Supervisory Board and Shareholders in 2015

⁴ Actual number of shares formally to be approved by the Supervisory Board and Shareholders in 2016

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 2012.

Investor relations

NedSense greatly values a good relationship with its shareholders. In the interest of fair disclosure, all new material information is disclosed through the timely and simultaneous distribution of press releases on relevant issues concerning NedSense. In addition to the financial results, the company also provides much information on its strategic choices and objectives. NedSense observes

a 'silent' period during which it holds no road shows or interviews with potential or current investors. For the annual figures, this period covers the eight-week period prior to the first publication of full year results and a three-week period prior to the publication of half-year results. Relevant information for potential and current shareholders may be found on the NedSense website under the link 'Investor Relations'. Direct questions from investors may be directed by e-mail to info@nedsense.com.

Important dates

Presentation full year results 2013	25 April 2013*
Annual General Meeting of Shareholders 2013	11 June 2013
Presentation first half-year results 2013	27 August 2013**/**

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

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

• Economic developments

General economic developments continued to affect our customers' business negatively in 2012. On the negative side investment decisions and R&D budgets have been brought in line with market opportunities in relation to a slowly recovering market, but still recognizing the still weak recovery from the global credit crisis, and the threat of a further fall back. Contingency plans are in place if developments will worsen.

• Technological developments

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

• Software piracy

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

• Employee dependency

In order to carry out its business operations and expand as intended, NedSense is to a

large extent dependent on the availability of sufficient personnel, in particular sufficient highly-qualified personnel.

• 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 2012 and remains average. Nonetheless, the consequences of the global credit crisis have meant that clients are, as they were in 2010 and 2011, still taking longer time to meet their obligations. Proper attention to debtors' payment performance remains a priority.

• Interest risk

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

• Currency risk

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

• Liquidity risk

The Company's liquidity position is under constant control and is tightly managed. Further funding has been attracted in 2012,

but cash management will remain a critical responsibility of the management.

Reference is made to the financial statements in the section "Financial instruments"

An overview is given with respect to the contractual maturities of financial liabilities, including estimated interest payments. Sensitivity analysis has been performed with regard to currency fluctuations.

The companies policy does not provide in financial instruments to hedge interest- and/or currency risks.

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 2012 give a true and fair view of the assets, liabilities, financial position, and profit and loss of NedSense and its consolidated companies
- the additional management information presented in the annual report gives a true and fair view of NedSense and its consolidated companies as of 31 December 2012
- the additional management information presented in the annual report gives a true and fair view of the state of affairs at NedSense and its consolidated companies during the financial year to which the report relates
- the annual report describes the principal risks facing NedSense These are described in detail in chapter 9.

Vianen, April 24, 2013

Pieter Aarts,
Chief Executive Officer

Jan-Hein Pullens,
Chief Operating Officer

Corporate Governance Statement

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

Corporate Governance Statement

This is a statement concerning corporate governance as referred to in article 2a of the decree on additional requirements for annual reports as last amended on 1 January 2010 ('Decree'). This statement forms part of NedSense's 2012 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 2012 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 24, 2013

Pieter Aarts,
Chief Executive Officer

Jan-Hein Pullens,
Chief Operating Officer

011 Financial statements 2012



011 Financial statements 2012

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Consolidated statement of financial position

As of 31 December

In thousands of euro

	Notes	2012	2011
Assets			
Property, plant, and equipment	10	186	181
Intangible fixed assets	9	10,595	10,142
Trade and other receivables	13	435	435
Total non-current assets		11,216	10,758
Inventories	12	7	3
Trade and other receivables	13	3,874	4,502
Cash and cash equivalents	14	830	1,118
Total current assets		4,711	5,623
Total assets	5	15,927	16,381
Equity			
Issued capital		2,108	2,108
Share premium		36,167	35,882
Legal reserves		6,540	6,088
Translation reserves		116	135
Accumulated deficit		39,015	37,300
Total equity	15	5,684	6,643
Liabilities			
Interest-bearing loans and borrowings	18	3,678	1,494
Employee benefits	19	119	118
Total non-current liabilities		3,797	1,612
Interest-bearing loans and borrowings	18	0	1,000
Trade and other payables	20	2,147	2,538
Deferred income		4,299	4,588
Total current liabilities		6,446	8,126
Total liabilities	5	10,243	9,738
Total equity and liabilities		15,927	16,381

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

Consolidated statement of comprehensive income

For the year ended 31 December

In thousands of euro

	Notes	2012	2011
Net revenue	5	9,891	9,116
Cost of sales		293	278
Gross profit		9,598	8,838
Wages and salaries	6	5,660	5,492
Social security charges	6	1,280	1,201
Amortization and depreciation	9, 10	1,907	1,792
Other operating costs	7	3,519	3,756
Capitalized production	9	1,667	1,668
Profit (loss) from operations		1,101	1,735
Finance income		31	10
Finance costs	18	409	196
Net finance costs		378	186
Profit (loss) before income tax		1,479	1,921
Income tax expense	8	63	140
Profit (loss) for the period		1,416	1,781
Other comprehensive income			
Foreign currency translation differences for foreign operations	15	19	26
Other comprehensive income for the period, net of income tax		19	26
Total comprehensive income (loss) for the period		1,397	1,807
Profit (loss) attributable to:			
Owners of the Company		1,416	1,781
Profit (loss) for the period	15	1,416	1,781
Total comprehensive income (loss) attributable to:			
Owners of the Company		1,397	1,807
Total comprehensive income (loss) for the period		1,397	1,807
Earnings per share			
Basic earnings per share (in euros)	16	0.07	0.11
Diluted earnings per share (in euros)	17	0.06	0.11

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

Consolidated statement of changes in equity

Attributable to equity holders of the Company

(in thousands of euros)

	Notes	Share capital	Share premium	Translation reserve	Accumulated deficit	Other legal reserves	Total equity
Balance at 1 January 2011		1,358	33,477	109-	34,515-	4,914	5,125
Total comprehensive income (loss) for the period							
Profit or (loss)		0	0	0	1,781-	0	1,781-
Other comprehensive income							
Foreign currency translation differences		0	0	26-	0	0	26-
Total other comprehensive income		0	0	26-	0	0	26-
Total comprehensive income (loss) for the period		0	0	26-	1,781-	0	1,807-
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Issue of new shares (net of transaction costs)		625	1,501	0	0	0	2,126
Share options exercised		125	375	0	0	0	500
Issue of convertible notes net of taxes		0	529	0	0	0	529
Share-based payments	24	0	0	0	170	0	170
Total contributions by and distributions to owners		750	2,405	0	170	0	3,325
Total transactions with owners		750	2,405	0	170	0	3,325
Transfer to other reserves		0	0	0	1,174-	1,174	0
Balance at 31 December 2011		2,108	35,882	135-	37,300-	6,088	6,643
Balance at 1 January 2012		2,108	35,882	135-	37,300-	6,088	6,643
Total comprehensive income (loss) for the period							
Profit or (loss)		0	0	0	1,416-	0	1,416-
Other comprehensive income							
Foreign currency translation differences		0	0	19	0	0	19
Total other comprehensive income		0	0	19	0	0	19
Total comprehensive income (loss) for the period		0	0	19	1,416-	0	1,397-
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Issue of convertible notes net of taxes		0	285	0	0	0	285
Share-based payments	24	0	0	0	153	0	153
Total contributions by and distributions to owners		0	285	0	153	0	438
Total transactions with owners		0	285	0	153	0	438
Transfer to other reserves		0	0	0	452-	452	0
Balance at 31 December 2012		2,108	36,167	116-	39,015-	6,540	5,684

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

Consolidated statement of cash flows

For the year ended 31 December

(in thousands of euros)

	Notes	2012	2011
Profit (loss) from operations		1,101-	1,735-
Adjustments for:			
Amortization and depreciation	9, 10	1,907	1,792
Change in inventories		4-	4
Change in trade and other receivables		628	1,349-
Change in trade and other payables		391-	88
Change in provisions and employee benefits		1	16
Change in deferred income		289-	469
Equity settled share based payment	24	153	170
Net finance costs		164-	186-
Corporate income tax		43-	37-
Cash flow from (used in) operating activities	26	697	768-
Investments:			
Intangible fixed assets		2,517-	2,739-
Property, plant, and equipment		98-	126-
Disposals:			
Property, plant, and equipment		2	0
Other		19	27-
Cash flow from (used in) investment activities	27	2,594-	2,892-
Net proceeds from issuance of shares	2	0	2,126
Proceeds from exercise of share options		0	500
Proceeds from issue of convertible notes	18	1,400	2,200
Proceeds from grant		1,209	0
Redemption loans		1,000-	1,100-
Cash flow from (used in) financing activities	28	1,609	3,726
Change in liquid assets		288-	66
Cash and cash equivalents		1,118	1,052
Bank overdraft		0	0
Balance at 1 January		1,118	1,052
Cash and cash equivalents		830	1,118
Bank overdraft		0	0
Balance at 31 December		830	1,118
Change in liquid assets		288-	66

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

Notes to the consolidated financial statements

1. Reporting entity

NedSense (the "Company") is domiciled in the Netherlands with registered office at Laanakkerweg 2b, 4131 PA Vianen, the Netherlands. The consolidated financial statements of the Company as of and for the year ended 31 December 2012 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group 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 24 April 2013.

(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 2012, additional funding was obtained through the stand-by convertible loan facility in the amount of € 1,400 thousand, bringing the total outstanding stand-by convertible loan balance to the maximum € 2,400 thousand. In addition, funding of € 1,209 thousand was obtained through an innovation credit from the Dutch government. The total amount of the innovation credit is € 1,718 thousand, with the balance expected to be received in 2013. Repayment will take place from 2014 through 2017.

The Dinvest loan has been repaid in full in the amount of € 1,000 thousand. As of the end of the year, the Company had equity of € 5,684 thousand, interest bearing loans of € 3,678 thousand, and a solvency rate of 35.7%.

In 2013, the cash balances are expected to be positive throughout the year. This expectation is based on management's forecast and plans for 2013. Cost saving contingency plans are in

place in case revenue does not develop as expected. The trough of the cash position for 2013 does not provide for much headroom for unanticipated developments, but the cash position is expected to improve in the fourth quarter of 2013. On top of that, the Company expects additional financing as an agreement has been reached with a third party to invest in the Company through the issuance of new shares. This investment is yet to be approved by the General Meeting of Shareholders.

The ability to continue as a going concern in the year 2013 and thereafter will depend on the profitability and positive cash flows of the Company and the approval of the existing shareholders of the issuance of the new shares. Management is confident that they will restore profitability and approval will be obtained. Based on the Company's financial position, planned additional funding, its assets and the current outlook of the financial performance for the forthcoming year, the financial statements have been prepared based on the going concern assumption.

Share issues

The shares of the Company have been listed on the official market of Euronext Amsterdam N.V. since 21 May 1999. No shares were issued in 2012.

As of 31 December 2012, the number of outstanding shares was 21,081,343 (2011: 21,081,343) with a nominal value of € 0.10, resulting in a share capital of € 2,108,134 at the end of 2012. Share premium as of 31 December 2012 was € 36,167 thousand.

Changes in Group entities in 2012 and 2011

No sales or acquisitions of Group entities were made in 2012 or 2011.

(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 9 – impairment test for intangible assets
- Note 11 – deferred tax assets and liabilities

(e) Changes in accounting policies

There were no significant changes in accounting policies in 2012.

3. Significant accounting policies

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

(a) Basis of consolidation

(i) Business combinations

Business combinations are accounted for using the acquisition method as 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.

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 pre-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 generally are recognized in profit or loss. Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

(ii) Subsidiaries

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

The consolidation includes NedSense and the following Group entities:

Consolidation criteria

		2012	2011
NedSense enterprises b.v.	the Netherlands (Vianen)	100%	100%
NedSense IPR B.V.	the Netherlands (Vianen)	100%	100%
NedSense NedGraphics B.V.	the Netherlands (Vianen)	100%	100%
NedSense LOFT B.V.	the Netherlands (Vianen)	100%	100%
TOPCAD B.V.	the Netherlands (Vianen)	100%	100%
NedGraphics CAD/GIS B.V.	the Netherlands (Vianen)	100%	100%
NedGraphics BvBa	Belgium (Deerlijk)	100%	100%
NedGraphics SA	France (Paris)	100%	100%
NedGraphics Ltd.	UK (Dukinfield)	100%	100%
NedGraphics Srl	Italy (Lomazzo)	100%	100%
NedSense Srl	Romania (Bucharest)	100%	100%
NedGraphics, Inc.	USA (New York)	100%	100%
NedGraphics of Tennessee, Inc.	USA (Chattanooga)	100%	100%
NedGraphics (Shanghai) Software for Textile and Fashion Co., Ltd.	China (Shanghai)	100%	100%
Dynamics Perspective, Inc.	USA (Los Angeles)	100%	100%

(iii) Transactions eliminated on consolidation

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

(b) Foreign currency

(i) Foreign currency transactions

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

(ii) Foreign operations

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

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

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

(c) Financial instruments*(i) Non-derivative financial assets*

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

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

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

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

Loans and receivables

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

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

Cash and cash equivalents

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

(ii) Non-derivative financial liabilities

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

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

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

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

(iii) Share capital

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

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

When share capital recognized as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the

reserve for own shares. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is presented in share premium.

(iv) Compound financial instruments

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

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

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

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

(v) Derivative financial instruments

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

Separable embedded derivatives

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

(d) Property, plant and equipment

(i) Recognition and measurement

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

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

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

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

(ii) Subsequent costs

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

(iii) Depreciation

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

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

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

(e) Intangible assets

(i) Goodwill

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

Goodwill is measured at cost less accumulated impairment losses.

(ii) Research and development

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

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

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

(iii) Other intangible assets

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

(iv) Subsequent expenditure

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

(v) Amortization

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

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

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

(f) Leased assets

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

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

(g) Inventories

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

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

(h) Work in progress

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

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

(i) Impairment

(i) Non-derivative financial assets

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

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

Loans and receivables

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

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

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

(ii) Non-financial assets

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

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

combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

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

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

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

(k) Employee benefits

(i) Defined contribution plans

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

(ii) Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits other than pension plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate is the yield at the reporting date on AA credit-rated bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the currency in which the benefits are expected to be

paid. The calculation is performed using the projected unit credit method. Any actuarial gains and losses are recognized in profit or loss in the period in which they arise.

(iii) Share-based payment transactions

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

(l) Provisions

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

(m) Revenue

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

The timing of the transfers of risks and rewards varies depending on the individual terms of the sales agreement. For sales of goods, software, and services that do not involve significant modifications or customization, transfer occurs upon shipment of the goods or software, and upon provision of services. Profit on work in progress is recognized pro rata to the progress of the project ('percentage of completion method'). The performance achieved during the reporting

period, including the costs of supplied raw materials, directly and indirectly attributable wage and overhead costs as well as a mark-up for profit pro rata to the progress of the project are stated as sales.

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

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

(i) Sale of software

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

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

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

(ii) Software services

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

When the outcome of a project can be estimated reliably, contract revenue and expenses are recognized in profit or loss in proportion to the stage of completion of the contract. The stage of completion is assessed by reference to surveys of work performed. If such estimates cannot 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) Government grants

Government loans received for funding development activities at below market interest rates, are accounted for by recording the difference between the fair value of the loan at a market interest rate and the face value of the loan at the low interest rate, as a government grant. The grant is deducted from capitalized development costs and amortized over five years, thereby offsetting the costs the grant is intended to compensate.

(p) 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.

(q) 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 re-measurement 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.

(r) Income tax

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

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

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

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

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

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

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the

same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

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

(s) 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.

(t) 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.

(u) 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 2012, and have not been applied in preparing these consolidated financial statements.

Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

(i) IFRS 9 Financial Instruments (2010), IFRS 9 Financial Instruments (2009)

IFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 (2010) introduces additions relating to financial liabilities. The IASB currently has an active project to make limited amendments to the classification and measurement requirements of IFRS 9 and add new requirements to address the impairment of financial assets and hedge accounting.

IFRS 9 (2010 and 2009) are effective for annual periods beginning on or after 1 January 2015 with early adoption permitted. The extent of the impact of these standards has not been determined.

(ii) IFRS 13 Fair Value Measurement (2011)

IFRS 13 provides a single source of guidance on how fair value is measured, and replaces the fair value measurement guidance that is currently dispersed throughout IFRS. Subject to limited exceptions, IFRS 13 is applied when fair value measurements or disclosures are required or permitted by other IFRSs. IFRS 13 is effective for annual periods beginning on or after 1 January 2013 with early adoption permitted. The extent of the impact of this standard has not been determined.

4. Determination of fair values

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

(i) Intangible assets

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

(ii) Trade and other receivables

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

(iii) Non-derivative financial liabilities

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

(iv) Share-based payment transactions

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

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

5. Operating segments

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

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

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

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

Business segment reporting in thousands of euros

Operating segments Profit, loss, assets and liabilities	NedGraphics		Loft		DPI		Other		Elimination		Total	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Software	3,942	3,354	322	151	16	78	0	0			4,280	3,583
Maintenance	4,448	4,215	-	0	381	422	0	0			4,829	4,637
Other	429	610	233	80	120	206	0	0			782	896
External revenues	8,819	8,179	555	231	517	706	0	0	0	0	9,891	9,116
Cost of sales	151	266	135	33	7	21-	0	0			293	278
Operating expenses	7,083	7,514	1,383	1,069	626	741	1,367	1,125			10,459	10,449
Capitalized production	887-	962-	780-	706-	0	0	0	0			1,667-	1,668-
Amorization and depreciation	1,306	1,290	596	364	2	3	3	135			1,907	1,792
Segment operating profit (loss)	1,166	71	779-	529-	118-	17-	1,370-	1,260-			1,101-	1,735-
Interest revenue	55	49	0	0	33-	27-	9	12-			31	10
Interest expense	6-	1-	0	0	0	0	403-	195-			409-	196-
Segment profit (loss) before tax	1,215	119	779-	529-	151-	44-	1,764-	1,467-	0	0	1,479-	1,921-
Corporate income tax	43	36	160-	133-	0	1	54	44-			63-	140-
Intangible segment assets	4,666	4,788	2,350	1,775	0	0	3,579	3,579			10,595	10,142
Other segment assets	9,735	8,367	1,401	1,015	115	174	703	1,597	6,622-	4,914-	5,332	6,239
Segment liabilities	5,965	6,739	7,998	6,369	1,495	1,430	1,407	114	6,622-	4,914-	10,243	9,738
Revenue external customers Netherlands	227	198	0	0	0	0	0	0			227	198
Non-current assets Netherlands	4,776	4,878	2,359	1,792	0	0	4,017	4,017	0	0	11,152	10,687

The operating segments operate on a global scale. Revenue from external customers in the Netherlands was € 227 thousand in 2012 (2011: € 198 thousand). Non-current assets related to the Netherlands amounted to € 11,152 thousand in 2012 (2011: € 10,687 thousand). Revenue from external customers in the United States of America was € 4,581 thousand in 2012 (2011: € 4,147 thousand). Non-current assets related to the United States of America amounted to € 35 thousand in 2012 (2011: € 41 thousand). The Company and its operating segments have a diverse customer base of over 3,500 customers in many countries and of various sizes. The Company and its segments do not rely on a single customer or a single group of customers for its operations.

6. Wages and salaries and social security charges

(in thousands of euros)

	2012	2011
Wages and salaries	5,507	5,322
Social security charges	984	915
Contribution to defined contribution plans	295	270
Increase in liability for long service benefits	1	16
Equity-settled share-based payment transactions	153	170
Total wages and salaries and social security charges	6,940	6,693

For the remuneration of key management we refer to note 43.

Staff

During 2012, the group had an average of 110 staff members (2011: 109). This staff can be divided as follows over the various divisions:

Staff over the various divisions

(in average FTE)

	2012	2011
Management and staff holding company	3	2
NedGraphics	88	96
Dynamics Perspective	6	5
LOFT	13	6
Total number of staff members	110	109
Netherlands	43	34
Rest of Europe	37	43
USA	26	29
Asia	4	3
	110	109

7. Other operating costs

The other operating costs can be specified as follows:

(in thousands of euros)

	2012	2011
Sales costs	238	274
Housing costs	846	740
Car costs	408	330
Other staff costs	232	613
General costs	1,716	1,823
Currency and exchange rate differences	79	24-
Total other operating costs	3,519	3,756

8. Income tax expense

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

For the fiscal unit for corporate income tax with respect to the Dutch entities all years up until 2010 have been filed and accepted.

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

Reconciliation of effective tax rate

(in thousands of euros)

		2012		2011
Result from ordinary activities before tax		1,479-		1,921-
Tax using the Company's domestic tax rate	25.00%	370-	25.00%	480-
Effect of tax rates in foreign jurisdictions	0.68%-	10	0.21 %-	4
Recognition of tax effect previously unrecognized losses	3.65%	54-	4.32%	83-
Current year losses for which no deferred tax asset recognized	30.90%-	457	31.03%-	596
Convertible notes tax benefit recognized	7.19%	106-	9.23%	177-
	4.28%	63-	7.31%	140-

Tax recognized directly in equity

	2012			2011		
	before tax	Tax (expense) benefit	Net of tax	before tax	Tax (expense) benefit	Net of tax
Convertible notes	425	106-	319	706	177-	529

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

9. Intangible fixed assets

Movements were as follows:

	Goodwill	Costs of software development	Costs of obtained rights and patents	Total 2012	Total 2011
<i>(in thousands of euros)</i>					
Costs 1 January	21,106	23,717	43	44,823	42,084
Accumulated amortization 1 Jan.	17,052-	17,629-	43-	34,681-	32,981-
Book value as of 1 January	4,054	6,088	0	10,142	9,103
Changes:					
Investments	0	2,517	0	2,517	2,739
Amortization	0	1,839-	0	1,839-	1,700-
Deduction government grant	0	225-	0	225-	0
	0	453	0	453	1,039
Costs 31 December	21,106	26,009	43	47,115	44,823
Accumulated amortization 31 Dec.	17,052-	19,468-	43-	36,520-	34,681-
Book value as of 31 December	4,054	6,541	0	10,595	10,142

Investments in 2012 include capitalized production of € 1,667 thousand and third party of € 850 thousand (2011: € 1,668 thousand and € 1,071 thousand respectively).

The following amortization/depreciation percentages are used:

Amortization percentages

Costs of software development
Costs of obtaining rights and patents

20%
20%

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 a value-in-use calculation for NedGraphics and a fair value less cost to sell calculation for LOFT. These calculations are based on the budget for 2013 and estimated market developments for the period thereafter.

Cash flows for NedGraphics for further periods are extrapolated using a 2% growth rate for 2014 through 2017 in the case of gross margin and operating expenses. The terminal value growth rate is 1%. A pre-tax discount rate of 15.0% (2011: 14.3%) has been used in discounting the projected cash flows. Allocated holding expenses have also been incorporated in the calculations. Key assumptions in the 2013 budget are modest revenue growth and lower operating expenses.

Management's approach in determining the key assumptions in the 2013 budget noted above is based on trends noted in the marketplace, and expected cost reductions. 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.

The key assumptions have resulted in a positive NedGraphics CGU value using discounted cash flows of approximately € 6,435 thousand as compared to a carrying value of approximately € 6,200 thousand. As a result, no impairment has been recorded in 2012.

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	
	2012	2011
Pre-tax discount rate	3.7	81.6
Forecasted EBIT growth	3.8-	52.7-

Cash flows for LOFT for further periods are extrapolated using the following growth rates in the case of gross margin: 2014 through 2016 75%, 2017 and 2018 50%, 2019 20%, 2020 and 2021 5%. The terminal value growth rate was 1%. The following growth rates are used in the case of operating expenses: 2014 75%, 2015 30%, 2016 26%, 2017 22%, 2018 17%, 2019 through 2021 2%. The terminal value growth rate was 1%. A pre-tax discount rate of 12.6% (2011: 12.6%) has been used in discounting the projected cash flows. Allocated holding expenses have also been incorporated in the calculations. Key assumption in the 2013 budget is that this start-up will start generating material revenue.

Management's approach in determining the key revenue assumption in the 2013 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 positive LOFT CGU fair value less costs to sell of approximately € 6,714 thousand as compared to a carrying value of approximately € 2,350 thousand. As a result, no impairment has been recorded in 2012.

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	
	2012	2011
Pre-tax discount rate	27.0	11.2
Forecasted EBIT growth	24.6-	12.4-

10. Property, plant and equipment

Movements were as follows:

<i>(in thousands of euros)</i>	Total 2012	Total 2011
Costs 1 January	2,050	1,923
Accumulated depreciation 1 January	1,869-	1,777-
Book value as of 1 January	181	146
Changes:		
Investments	98	127
Disposals	300-	0
Depreciation	92-	93-
Depreciation on disposals	298	0
Currency changes	1	1
	5	35
Costs 31 December	1,848	2,050
Accumulated depreciation 31 December	1,662-	1,869-
Book value as of 31 December	186	181

The following depreciation percentages are used:

Depreciation percentages

Refurbishing	20%
Computer equipment and programs	33%
Other assets	20%

11. Deferred tax assets and liabilities

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

Deferred tax assets and liabilities are attributable to the following:

Recognized deferred tax assets and liabilities

<i>(in thousands of euros)</i>	Assets 2012	Assets 2011	Liabilities 2012	Liabilities 2011	Net 2012	Net 2011
Tax asset / liability related to government grant	54	0	54-	0	0	0
Tax liability related to convertible loan	0	0	241-	177-	241-	177-
Tax value of loss carryforward recognized	241	177	0	0	241	177
Tax assets/liabilities	295	177	295-	177-	0	0
Netting of tax	295-	177-	295	177	0	0
Net tax assets and liabilities	0	0	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>	2012	2011
Tax Losses	5,086	6,042

The tax losses expire in the period from 2013 through 2021. 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.

Movement in deferred tax during the year

<i>(in thousands of euros)</i>	Balance 1 Jan. 2012	Recognized in income	Recognized in equity	Balance 31 Dec. 2012
Intangible assets	0	54	0	54
Convertible loans	177-	42	106-	241-
Government grant	0	54-	0	54-
Tax value of loss carryforward utilized	177	64	0	241
	0	106	106-	0
<i>(in thousands of euros)</i>	Balance 1 Jan. 2011	Recognized in income	Recognized in equity	Balance 31 Dec. 2011
Intangible assets	34-	34	0	0
Convertible loans	0	0	177-	177-
Tax value of loss carryforward utilized	34	143	0	177
	0	177	177-	0

12. Inventories

<i>(in thousands of euros)</i>	31 Dec. 2012	31 Dec. 2011
Trade goods	7	3
Provision for obsolescence	0	0
	7	3

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

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

13. Trade and other receivables

<i>(in thousands of euros)</i>	31 Dec. 2012	31 Dec. 2011
Trade receivables	3,096	3,847
Work in progress	246	103
Corporate income tax	13	13
Prepaid expenses	247	273
Loans to directors	435	435
Other receivables and accrued income	272	266
	4,309	4,937
Non current	435	435
Current	3,874	4,502
	4,309	4,937

Non-current receivables

In 2011, management invested € 500 thousand in the share capital of the Company. At the same time the Company provided a loan to management of € 500 thousand with an interest rate of 2.5%. These loans have been recognized at fair value taking the market interest rate into account (7.5%). Cash flows to be received (at 2.5%) and the total sum have been discounted over the expected life of the loan (4 years). With these assumptions, the value of the receivables at 31 December 2012 is € 435 thousand. The revised 4-year term from the initial 3-year term assumption has resulted in a difference with the original fair value and has been taken as an employee benefit charge in 2012. The interest income will be 7.5% of the carrying amount for the coming years.

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

Aging of the trade receivables as of 31 December

<i>(in thousands of euros)</i>	2012			2011		
	Gross trade debtors	Impairment	Net trade debtors	Gross trade debtors	Impairment	Net trade debtors
Number of days outstanding						
0 - 30 days	2,115	0	2,115	2,560	0	2,560
31 - 60 days	143	0	143	108	0	108
61 - 90 days	116	0	116	109	0	109
> 90 days	768	46-	722	1,129	59-	1,070
Total	3,142	46-	3,096	3,906	59-	3,847

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

<i>(in thousands of euros)</i>	2012	2011
Balance at 1 January	59	52
Impairment loss recognized	13-	7
Balance at 31 December	46	59

14. Cash and cash equivalents

With the exception of the bank guarantees discussed in note 21, the cash and cash equivalents are at the free disposal of the Company.

<i>(in thousands of euros)</i>	31 Dec. 2012	31 Dec. 2011
Bank balances	830	1,113
Cash and cash equivalents	0	5
	830	1,118

15. Shareholders' equity capital and reserves

Share capital and share premium

At 31 December 2012, the issued share capital comprised 21,081,343 ordinary shares (2011: 21,081,343) 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 as applicable – from the translation of liabilities that hedge the Company's net investment in a foreign subsidiary.

16. Earnings per share

The calculation of earnings per share at 31 December 2012 was based on the result attributable to ordinary shareholders of € 1,416 thousand negative (2011: € 1,781 thousand negative) and a weighted average number of ordinary shares outstanding during the year ended 31 December 2012 of 21,081,343 (2011: 15,944,356), calculated as follows:

Weighted average number of ordinary shares

<i>(number of shares)</i>	31 Dec. 2012	31 Dec. 2011
Issued ordinary shares at 1 January	21,081,343	13,581,343
New shares issued (Sept 2011)	0	7,500,000
Issued ordinary shares at 31 December	21,081,343	21,081,343
Issued ordinary shares at 1 January	21,081,343	13,581,343
Effect of shares options exercised in Sept 2011	0	393,836
Effect of shares issued in Sept 2011	0	1,969,177
Weighted average number of ordinary shares	21,081,343	15,944,356
Profit (loss) for the period	1,416-	1,781-
Profit (loss) attributable to ordinary shareholders	1,416-	1,781-
Earnings per share	€ 0.07-	€ 0.11-

17. Diluted earnings per share

In 2011 and 2012, 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. 2012	31 Dec. 2011
Weighted average number of ordinary shares at 31 December	21,081,343	15,944,356
Effect of share options on issue	1,531,910	1,305,571
Effect of convertible notes on issue	6,500,570	1,200,000
Antidilutive effect	8,032,480-	2,505,571-
Weighted average number of ordinary shares (diluted) at 31 December	21,081,343	15,944,356
Profit (loss) attributable to ordinary shareholders	1,416-	1,781-
After-tax effect of interest on convertible loans	220	27
Profit (loss) attributable to ordinary shareholders	1,196-	1,754-
Diluted earnings per share	€ 0.06-	€ 0.11-

18. Interest-bearing loans and borrowings

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

In 2012, additional funding was obtained through the stand-by convertible loan facility in the amount of € 1,400 thousand, bringing the total outstanding stand-by convertible loan balance to the maximum € 2,400 thousand. This convertible loan is in addition to the convertible note in the amount of € 1,200 thousand issued in 2011. The coupon on both is 4% payable annually over the outstanding amount at year end. Both convertible loans can be converted as of January 2013 and have a term of 5 years. The conversion premium is 120% (conversion price of € 0.48). These loans have been recognized at fair value, taking the market interest rate into account. The interest rate of the liability part is equal to the market interest rate. In the case of NedSense this is determined at 13.75% based on a comparable basket rating (B-CCC+). This implies that the debt value of the face amount of € 3,600 thousand is originally reduced to € 2,468 thousand and the remainder of the value is recognized as equity. The interest charge will be 13.75% of the carrying amount.

In addition in 2012, further funding of € 1,209 thousand was obtained through a grant from the Dutch government for LOFT software development. The total amount of the grant is € 1,718 thousand, with the balance to be received in 2013. The interest rate is 6.5%. This grant has been recognized at fair value, taking the market interest rate into account. The interest rate of the liability part is equal to the market interest rate. In the case of NedSense this is determined at 13.75% as noted above. This implies that the debt value of the face amount of € 1,209 thousand is originally reduced to € 960 thousand, and the remainder of the value is recognized as a reduction of LOFT intangible asset capitalized production costs and amortized over five years. The interest charge will be 13.75% of the carrying amount.

Interest-bearing loans and borrowings

<i>(in thousands of euros)</i>	31 Dec. 2012	31 Dec. 2011
Non-current liabilities		
Convertible loans	2,636	1,494
Government grants	1,042	0
	3,678	1,494
Current liabilities		
Current portion of secured loans	0	1,000
	0	1,000
Convertible notes		
Proceed from issue of convertible notes	3,600	2,200
Transaction costs*	35-	0
Net proceeds	3,565	2,200
Amount classified as equity	1,097-	706-
Accreted amount	168	0
Carrying amount of liability at 31 December 2012	2,636	1,494

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

Terms and debt repayment schedule

The remaining balance of € 1,000 thousand from the loan agreement with Dinvest Holding II B.V., was repaid in the first quarter of 2012. The interest rate payable was 9% effective 1 July 2010, including additional interest at the rate of 1% which was paid at the time of repayment. The convertible loans are unsecured, subordinated loans. The government grant is securitized with a lien on all tangible and intangible LOFT assets which are co-financed by the grant. Additionally, the government grant terms stipulate that until the grant is fully repaid, no payments for interest, principal, or dividends may be made to shareholders with the exception of the 4% annual payment of interest on the convertible loans.

The government grant repayment terms are as follows:

- 31 January 2014: 20% of principal
- 31 January 2015: 25% of principal
- 31 January 2016: 30% of principal
- 31 January 2017: 25% of principal plus interest

19. Employee benefits

<i>(in thousands of euros)</i>	31 Dec. 2012	31 Dec. 2011
Liability for long service benefits	119	118
	119	118

Movement in the net liability for employee benefits

<i>(in thousands of euros)</i>	31 Dec. 2012	31 Dec. 2011
Net liability for employee benefits at 1 January	118	102
Expense recognized in the income statement	1	16
Net liability for employee benefits at 31 December	119	118

20. Trade and other payables

<i>(in thousands of euros)</i>	31 Dec. 2012	31 Dec. 2011
Trade creditors	404	797
Tax and social security charges	296	344
Accrued staff expenses	819	776
Accrued sales expenses	27	25
Other debts and accruals	601	596
	2,147	2,538

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

21. Off-balance sheet commitments

As of 31 December 2012, bank guarantees were issued to third parties in the amount of € 45 thousand (year-end 2011: € 83 thousand).

Operating leases

Operating lease rentals are payable as follows:

<i>(in thousands of euros)</i>	31 Dec. 2012	31 Dec. 2011
Less than one year	704	794
Between one and five years	1,044	586
	1,748	1,380

22. Financial instruments**Financial risk management**

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

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

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

Risk management framework

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

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

Credit risk

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

Trade and other receivables

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

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

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

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

Cash and cash equivalents

The Group held cash and cash equivalents of € 830 thousand at 31 December 2012 (2011: € 1,118 thousand), which represents its maximum credit exposure on these assets. The cash and cash equivalents are held with bank and financial institution counterparties, which are rated AA at a minimum based on rating agency Standard & Poors ratings.

Guarantees

The Group's policy is to provide financial guarantees only to wholly-owned subsidiaries. At 31 December 2012, one external guarantee was outstanding of € 45 thousand (2011: € 83 thousand).

Liquidity risk

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

expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

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

31 December 2011						
<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	1,000	1,011-	1,011-	0	0	0
Convertible loans	1,494	2,640-	44-	44-	88-	2,464-
Trade and other payables	2,538	2,538-	2,538-	0	0	0
	5,032	6,189-	3,593-	44-	88-	2,464-

31 December 2012						
<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						
Convertible loans	2,636	4,128-	72-	72-	144-	3,840-
Government grants	1,042	1,515-	0	0	242-	1,273-
Trade and other payables	2,147	2,147-	2,147-	0	0	0
	5,825	7,790-	2,219-	72-	386-	5,113-

Market risk

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

Currency risk

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

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

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

Exposure to currency risk

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

<i>(in thousands of euros)</i>	euro	USD	GBP	RON	euro	USD	GBP	RON
	31 December 2012				31 December 2011			
Trade receivables	1,366	1,681	49	0	1,737	2,040	71	0
Convertible Loans	2,636-	0	0	0	1,494-	0	0	0
Government grants	1,042-	0	0	0	0	0	0	0
Secured loans	0	0	0	0	1,000-	0	0	0
Trade payables	372-	19-	13-	0	740-	46-	11-	0
Gross statement of financial position exposure	2,684-	1,662	36	0	1,497-	1,994	60	0
Next month's forecast sales	427	301	28	0	213	251	25	0
Next month's forecast purchases	231-	54-	4-	11-	276-	81-	4-	11-
Gross exposure	196	247	24	11-	63-	170	21	11-
Net exposure	2,488-	1,909	60	11-	1,560-	2,164	81	11-

The following significant exchange rates applied during the year.

euro	Average rate		Reporting date spot rate	
	2012	2011	2012	2011
USD 1	0.779	0.718	0.759	0.773
GBP 1	1.234	1.153	1.227	1.197
RON/000 1	0.224	0.236	0.225	0.230

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 2011, albeit that the reasonably possible foreign exchange rate variances were different, as indicated below.

<i>Effect in thousands of euro</i>	Strengthening		Weakening	
	Equity	Profit or loss	Equity	Profit or loss
31 December 2012				
USD (10% movement)	67	5	67-	5-
GBP (8% movement)	24-	5-	24	5
RON (3% movement)	3-	0	3	0
31 December 2011				
USD (12% movement)	76	14	76-	14-
GBP (5% movement)	12-	3-	12	3
RON (3% movement)	3-	0	3	0

Interest rate risk

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

Fair value sensitivity analysis for fixed rate instruments

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

Operational risk

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

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

Capital management

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

The Company monitors capital on the basis of cash flow prognoses and the solvency and liquidity ratio. The solvency ratio is calculated as total equity attributable to equity holders of the parent divided by the balance sheet total. The liquidity ratio is calculated as current assets divided by current liabilities excluding deferred income. During the year, the solvency ratio decreased from 40.6% to 35.7%, and the liquidity ratio increased from 1.6 to 2.2.

Accounting classifications and fair values

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

Carrying values

(in thousands of euros)

	31 Dec. 2012	31 Dec. 2011
Trade and other receivables	4,309	4,937
Cash and cash equivalents	830	1,118
Interest-bearing loans and borrowings	3,678-	2,494-
Trade and other payables	2,147-	2,538-

23. Operating leases

Non-cancellable operating lease rentals are payable as follows:

	31 Dec. 2012	31 Dec. 2011
<i>(in thousands of euros)</i>		
Less than one year	704	794
Between one and five years	1,044	586
	1,748	1,380

24. Share-based payment**Description of the share-based payment arrangements**

At 31 December 2012 the Group has the following share-based payment arrangements:

Share option program (equity settled)

Option plans input fair values

	C1	C2	C3	C4	C4-1	C4-2	D1	D2	D3
options granted as % of shares*	5%	2.5%	4.63%	2.5%	-	-	3%	3%	2.5%
Fair value at grant date	0.3092	0.3186	0.3228	0.3228	0.1848	0.1952	0.3193	0.2853	0.2397
share price at grant date	0.3146	0.3258	0.3228	0.37	0.32	0.32	0.54	0.45	0.38
exercise price	0.40	0.40	0.40	0.40	0.40	0.40	0.46	0.44	0.36
expected volatility	83%	83%	83%	83%	86%	86%	83%	86%	87%
expected life (years)	2.56	2.81	4	3	4	4.5	3.31	4	4
expected dividends	0	0	0	0	0	0	0	0	0
risk free interest rate	0.78%	0.83%	1.47%	0.52%	1.26%	1.41%	0.99%	2.30%	0.55%
weighted average granting %	-	-	-	-	-	-	27%	24%	17%

*Plan C 2009

Option costs

Plan	issued	2011 costs	issued	2012 costs
C1		55,557		0
C2		30,112		0
C3		43,829		0
C4	183,284	23,666		0
C4 employee	125,000	2,076		22,064
D1	30,000-	10,232		12,081
D2	377,440	4,307	90,000-	5,534
D3		0	526,588	3,534
total		169,778		43,214

Options

	2012	2011	2012	2011
	nr of options		Weighted average exercise price	
outstanding 1 January	950,665	1,367,519	0.39	0.41
exercised	0	889,294-	0	0.40
forfeited	90,000-	60,000-	0.44	0.45
expired	0	0	0	0
granted	526,588	532,440	0.36	0.38
outstanding 31 December	1,387,253	950,665	0.40	0.39
exercisable	308,284	183,284	0.40	0.40

The Company established a share option program on 25 May 2009 that entitled 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 were 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 was granted if the Group reached certain targets. Targets have been set for the years 2009, 2010 and 2011 as defined in the remuneration policy.

For 2011, 50% of the remaining option package of Plan C for the Board of Directors was formally approved to grant by the Supervisory Board and Shareholders at the Annual General Meeting of Shareholders in June 2012. This package therefore consists of 2.5% of the shares of the Company outstanding as of 30 June 2009 (7,331,354 shares) equal to 183,284 options.

As part of Plan C, in September 2011, one employee was granted 25,000 options at signing in September 2011 and another 100,000 options in March 2012 as a result of meeting certain specific conditions. This employee has subsequently left the company but retains the unconditional right to the options.

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

In addition to the Black-Scholes model, and due to the provisionally granted options of one of the options plans (Plan D), the 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 2011 and March 2012, the period of 31 December 2006 through 31 December 2011 was used, and the volatility was calculated to be approximately 86%.

The Company expects no dividend payments before time to maturity.

The expected annual pre-vesting forfeiture rate (the percentage of options cancelled every year prior to vesting), affects the number of exercisable options. The Company expects that this

rate will be very low since the options are granted to the two directors and key personnel. It is assumed that a forfeiture rate of 0% can be used for the valuation of all the option plans.

For Plan D, for 2011, approximately 62% of the remaining option package was formally approved to grant to key employees, by the Supervisory Board and Shareholders at the Annual General Meeting of Shareholders in June 2012. This package consists of approximately 2.5% (526,588 options) of the outstanding shares of the Company. The Plan D options have a vesting period of 3 years, and the expected time to maturity amounts to 4 years.

If, at any time between 26 May 2012 and 26 May 2014, the Company's stock price reaches certain levels specified here, the options for Plan D 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.

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.

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

The assumptions are as follows:

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

Volatility: For option valuation, the volatility represents the expected movements of the price of the underlying share during the time to maturity. The expected movements during the time to maturity are based on movements in a past period. For the calculation of the volatility of the options valued at 7 June 2011, the period of 31 December 2006 through 31 December 2011 (5 year period) is used. Based on these calculations, the volatility of the share price of the Company in this period is approximately 86%. For the calculation of the volatility of the options valued at 5 June 2012, the period of 31 December 2007 through 31 December 2012 (5 year period) is used.

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 24% for the 7 June 2011 valuation date, and 17% for the 5 June 2012 valuation date.

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

Share program (equity settled)

Share program costs

Plan	issued	2011 costs	(exp.) issue	2012 costs	2013 (exp.) issue	2014 (exp.) issue	2015 (exp.) issue
E1	0	0	593,133	40,180			
E2		0		28,969	593,133		
E3		0		22,648		593,133	
E4		0		18,595			593,133
total		0		110,392			

Share program shares

	2012 nr of shares	2011
Outstanding 1 January	0	0
Granted (expected)	2,372,532	0
Outstanding 31 December	2,372,532	0
Vested	0	0

A new remuneration plan is in effect for 2012 through 2015. The plan has a share payment component that provides for the Board of Directors and key employees.

During the years 2012-2015, shares of the Company will be 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 E") and key personnel ("Plan F"). The basis of Plan E is that the Company will provide variable remuneration in the form of shares and cash, calculated in relation to fixed salary. The maximum variable remuneration is capped at 100% of fixed salary. There is both a long-term and a short-term component of the variable remuneration,

and the components will be granted annually if management achieves certain targets. The basis of Plan F is that the Company will provide annual shares of up to 1% of the outstanding share capital to certain key employees. The plans have a vesting period of 3 years.

For 2012, it is expected that 50% of the potential variable remuneration of Plan E available for 2012 will be issued in the form of shares and approved at the Annual General Meeting of Shareholders in June 2013. No shares available for 2012 are expected to be issued for Plan F. For the purpose of calculating the costs associated with the new plans, the expectations for 2012 have been applied to 2012 through 2015.

The fair value of services received in return for shares granted is based on the fair value of shares granted.

25. Related parties

Transactions with executive board

Executive board compensation

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

In 2011 management has invested € 500 thousand in the share capital of the Company. At the same time the Company has provided a loan to management of € 500 thousand with an interest rate of 2.5%. In 2012, the expected date of repayment of the loans has been modified from 3 years to 4 years (see note 13).

The executive board (and key employees) also participate in the Group's share option and share programs (see note 24).

See note 43 for additional information regarding remuneration of the boards.

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

26. Cash flow from (used in) operating activities

The cash flow from operating activities amounted to € 697 thousand positive (2011: € 768 thousand negative). The operating result adjusted for depreciation and amortization resulted in a positive cash flow of € 806 thousand (2011: € 57 thousand positive).

27. Cash flow used in investment activities

The cash flow used in investment activities was € 2,594 thousand (2011: € 2,892 thousand). The investments in tangible and intangible fixed assets amounted to € 98 thousand (2011: € 126 thousand) and € 2,517 thousand (2011: € 2,739 thousand) respectively. The investments in intangible fixed assets relate to software development.

28. Cash flow from financing activities

The cash flow from financing activities amounted to € 1,609 thousand (2011: € 3,726 thousand).

29. Subsequent events

There are no subsequent events.

Company balance sheet

as of 31 December before appropriation of result

<i>(in thousands of euros)</i>	Notes	31 Dec. 2012	31 Dec. 2011
Fixed assets			
Intangible fixed assets	31	3,579	3,579
Tangible fixed assets	32	3	2
Financial fixed assets	33	9,190	7,546
Total fixed assets		12,772	11,127
Current assets			
Other receivables	34	1,431	1,338
Cash and cash equivalents		55	222
Total current assets		1,486	1,560
Current liabilities, accruals and deferred income	35	4,529-	4,332-
Current assets less current liabilities		3,043-	2,772-
Assets less current liabilities		9,729	8,355
Loans and borrowings	36	3,678-	1,494-
Provisions	37	346-	197-
Employee benefits		21-	21-
Shareholders' equity		5,684	6,643
Issued capital		2,108	2,108
Share premium		36,167	35,882
Legal reserve		6,540	6,088
Translation reserve		116-	135-
Accumulated deficit		37,599-	35,519-
Current year's result		1,416-	1,781-
Shareholders' equity	38	5,684	6,643

The notes on page 110 to page 117 are an integral part of these company financial statements

Company profit and loss account

<i>(in thousands of euros)</i>	2012	2011
Company result	2,051-	2,488-
Result from participating interests	635	707
Net result	1,416-	1,781-

The notes on page 110 to page 117 are an integral part of these company financial statements

Notes to the Company financial statements

30. General

The separate financial statements are part of the 2012 financial statements of NedSense (the "Company"). With reference to the separate profit and loss account of the Company, use has been made of the exemption pursuant to Section 402 of Book 2 of the Netherlands Civil Code.

31. 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.

32. Intangible fixed assets

Movements were as follows:

<i>(in thousands of euros)</i>	Goodwill	Costs of software development	Total 2012	Total 2011
Costs 1 January	20,579	2,265	22,844	22,844
Accumulated amortization 1 January	17,000-	2,265-	19,265-	19,131-
Book value as of 1 January	3,579	0	3,579	3,713
Changes:				
Amortization	0	0	0	134-
	0	0	0	134-
Costs 31 December	20,579	2,265	22,844	22,844
Accumulated amortization 31 December	17,000-	2,265-	19,265-	19,265-
Book value as of 31 December	3,579	0	3,579	3,579

Impairment test for intangible assets

For more details on this matter we refer to note 9 of the notes to the consolidated financial statements.

33. Tangible fixed assets

Movements were as follows:

<i>(in thousands of euros)</i>	2012	2011
Costs 1 January	678	677
Accumulated depreciation 1 January	676-	673-
Book value as of 1 January	2	4
Changes:		
Investments	4	1
Disposals	1-	0
Depreciation	3-	3-
Depreciation on disposals	1	0
	1	2-
Costs 31 December	681	678
Accumulated depreciation 31 December	678-	676-
Book value as of 31 December	3	2

The following depreciation percentages are used:

Depreciation percentages

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

34. Financial fixed assets

<i>(in thousands of euros)</i>	31 Dec. 2012	31 Dec. 2011
Participations in group companies	8,755	7,111
Granted loans to Directors	435	435
	9,190	7,546
Movements in participations:		
Net asset value as of 1 January	7,111	6,120
Capital injections	56	0
Result from participations	635	707
Exchange rate differences	19	26-
Change in provisions for negative net asset value	934	310
Net asset value as of 31 December	8,755	7,111

In 2011, management invested € 500 thousand in the share capital of the Company. At the same time the Company provided a loan to management of € 500 thousand with an interest rate of 2.5%. These loans have been recognized at fair value taking the market interest rate into account (7.5%). Cash flows to be received (at 2.5%) and the total sum have been discounted over the expected life of the loan (4 years). With the assumptions, the value of the receivables at 31 December 2012 is € 435 thousand. The revised 4-year term from the initial 3-year term assumption, has resulted in a difference with the original fair value and has been taken as an employee benefit charge in 2012. The interest income will be 7.5% of the carrying amount for the coming years.

35. Other receivables

<i>(in thousands of euros)</i>	31 Dec. 2012	31 Dec. 2011
Receivables from group companies	1,379	1,262
Other accounts receivable, prepayments and accrued income	52	76
	1,431	1,338

No deferred tax asset has been recognized for the fiscal unit as a whole as management is currently insufficiently certain that sufficient future profit will be made to realize the value of the tax assets. All receivables are due within one year.

36. Current liabilities, accruals and deferred income

<i>(in thousands of euros)</i>	31 Dec. 2012	31 Dec. 2011
Short term portion of loans	0	1,000
Trade creditors	87	242
Debts to group companies	4,128	2,816
Taxation and social security charges	27	19
Other debts, accruals and deferred income	287	255
	4,529	4,332

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

As of 31 December 2012, the Company had no current account credit facilities (2011: none).

37. Loans and borrowings

<i>(in thousands of euros)</i>	31 Dec. 2012	31 Dec. 2011
Convertible notes	2,636	1,494
Government grants	1,042	0
	3,678	1,494

For more details on this matter we refer to note 18 of the notes to the consolidated financial statements.

38. Provisions

<i>(in thousands of euros)</i>	31 Dec. 2012	31 Dec. 2011
Provision for negative equity group companies	346	197
	346	197

39. Shareholders' equity

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

Shareholders' equity capital and reserves <i>(in thousands of euros)</i>	Notes	Attributable to equity holders of the Company					Total equity
		Share capital	Share premium	Translation reserve	Accumulated deficit	Other legal reserves	
Balance at 1 January 2011		1,358	33,477	109-	34,515-	4,914	5,125
Total comprehensive income (loss) for the period							
Profit or (loss)		0	0	0	1,781-	0	1,781-
Other comprehensive income							
Foreign currency translation differences		0	0	26-	0	0	26-
Total other comprehensive income		0	0	26-	0	0	26-
Total comprehensive income (loss) for the period		0	0	26-	1,781-	0	1,807-
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Issue of new shares (net of transaction costs)		625	1,501	0	0	0	2,126
Share options exercised		125	375	0	0	0	500
issue of convertible notes net of tax		0	529	0	0	0	529
Share-based payments	24	0	0	0	170	0	170
Total contributions by and distributions to owners		750	2,405	0	170	0	3,325
Total transactions with owners		750	2,405	0	170	0	3,325
Transfer from other reserves		0	0	0	1,174-	1,174	0
Balance at 31 December 2011		2,108	35,882	135-	37,300-	6,088	6,643
Balance at 1 January 2012		2,108	35,882	135-	37,300-	6,088	6,643
Total comprehensive income (loss) for the period							
Profit or (loss)		0	0	0	1,416-	0	1,416-
Other comprehensive income							
Foreign currency translation differences		0	0	19	0	0	19
Total other comprehensive income		0	0	19	0	0	19
Total comprehensive income (loss) for the period		0	0	19	1,416-	0	1,397-
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Issue of convertible notes net of tax		0	285	0	0	0	285
Share-based payments	24	0	0	0	153	0	153
Total contributions by and distributions to owners		0	285	0	153	0	438
Total transactions with owners		0	285	0	153	0	438
Transfer from other reserves		0	0	0	452-	452	0
Balance at 31 December 2012		2,108	36,167	116-	39,015-	6,540	5,684

The notes are an integral part of these consolidated financial statements

The authorized share capital consists of 20,000,000 ordinary shares and 10,000,000 preference shares of € 0.10 nominal value per share, representing an authorized share capital of € 3 million. On 31 December 2012 21,081,343 ordinary shares (2011: 21,081,343) were issued and paid up.

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

The unallocated current year's loss amounting to € 1,416 thousand will be added to the accumulated deficit.

40. Off-balance sheet commitments

The company has entered into lease agreements with the total annual costs amounting to € 768 thousand (year-end 2011: € 167 thousand). The average remaining term of the lease agreements is 3 years.

The Company heads a fiscal unity for corporate income tax purposes, to which all the Dutch wholly-owned subsidiaries at year-end 2012 belong. On this basis, the company is wholly and severally liable for the tax commitments of the fiscal unity as a whole.

41. Share based payment

For more details on this matter we refer to note 24 of the notes to the consolidated financial statements.

42. Staff

In 2012, the company had an average of 3 staff members (2011: 2 staff members).

43. Remuneration of the Supervisory Board and Board of Directors

The remuneration in 2012 of managing directors and supervisory directors was as follows:

<i>(in euros)</i>			Gross compensation		Charges share based payment plans		Pension expenses		Crisis levy	
	Regular	Advantage loan	2012	2011	2012	2011	2012	2011	2012	2011
Supervisory Board			Total	Total						
Servaas L.M. Houtakkers	20,000	0	20,000	24,000	0	0	0	0	0	0
Dirk Lindenbergh	15,833	0	15,833	19,000	0	0	0	0	0	0
Henk Huisman	9,500	0	9,500	19,000	0	0	0	0	0	0
Chris Jansen	4,000	0	4,000	0	0	0	0	0	0	0
Richard Louwers	3,167	0	3,167	0	0	0	0	0	0	0
	52,500	0	52,500	62,000	0	0	0	0	0	0
Board of Directors										
Pieter Aarts	205,000	10,063	215,063	290,419	74,685	84,000	12,000	12,000	7,300	0
Jan-Hein Pullens	188,600	10,063	198,663	218,576	57,897	84,000	12,000	12,000	6,700	0
	393,600	20,126	413,726	508,995	132,582	168,000	24,000	24,000	14,000	0

Gross compensation is exclusive of bonuses, social security charges, pension expenses, and crisis levy. Please see note 24 for information regarding share-based payments and for information regarding options provided to the Board of Directors.

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

44. Audit fees

(in thousands of euros)

	2012	2011
Audit fees		
Audit by KPMG Accountants N.V.	93	90
Audit by foreign KPMG offices	23	38
Audit related services	10	0
Tax services	26	46
Other services	7	54
Total	159	228

Vianen, 24 April 2013

The Board of Directors
Pieter Aarts
Jan-Hein Pullens

The Supervisory Board
Chris Jansen, Chairman
Richard Louwers

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 2012 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 51 to 119 comprise the consolidated statement of financial position as at 31 December 2012, 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 2012, 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.

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 2012 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 2012 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements

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

Rotterdam, 24 April 2013
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 2012

The unallocated current year's result amounting to € 1,416 thousand negative will be added to the accumulated deficit.

Group offices

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

Company	Based in	Business address	Managing Director(s)
NedSense enterprises n.v.	the Netherlands (Vianen)	Laanakkerweg 2b 4131 PA Vianen telephone +31 347 760 010 fax +31 347 76 00 11	P.A.J.J. Aarts H.J.J. Pullens
NedSense enterprises b.v.	the Netherlands (Vianen)	Laanakkerweg 2b 4131 PA Vianen telephone +31 347 760 010 fax +31 347 76 00 11	P.A.J.J. Aarts H.J.J. Pullens
NedSense IPR B.V.	the Netherlands (Vianen)	Laanakkerweg 2b 4131 PA Vianen telephone +31 347 760 010 fax +31 347 76 00 11	NedSense enterprises b.v.
NedSense NedGraphics B.V.	the Netherlands (Vianen)	Laanakkerweg 2b 4131 PA Vianen telephone +31 347 760 010 fax +31 347 76 00 11	NedSense enterprises b.v.
NedSense LOFT B.V.	the Netherlands (Vianen)	Laanakkerweg 2b 4131 PA Vianen telephone +31 347 760 010 fax +31 347 76 00 11	NedSense enterprises b.v.
NedGraphics BvBa	Belgium (Desselgem)	Gentseweg 242a 8792 Desselgem telephone +32 56 78 28 00 fax +32 56 78 28 08	H.J.J. Pullens NedSense enterprises b.v.
NedGraphics SAS	France (Paris)	79-81, rue du Faubourg Poissonnière 75009 Paris telephone +33 1 53 26 26 26 fax +33 1 53 26 26 10	P.A.J.J. Aarts H.J.J. Pullens G.H.M. Haverkort
NedGraphics Ltd.	UK (Lancashire)	177 Minto Street Ashton Under Lyne Lancashire, OL7 9BG telephone +44 161 343 84 01 fax + 44 161 343 84 01	H.J.J. Pullens
NedGraphics Srl	Italy (Lomazzo)	Via Trento 7 (2e piano) 22074 Lomazzo CO telephone +39 02 96 77 81 18 fax +39 02 96 37 94 61	P.A.J.J. Aarts

Company	Based in	Business address	Managing Director(s)
NedSense Srl	Romania (Bucharest)	Str. Badea Cartan, Nr. 15 Sector 2 020000-024500 Bucharest telephone +40 21 212 24 17 fax +40 21 212 21 74	H.J.J. Pullens
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 C. Correa
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 C. Correa
NedGraphics of Tennessee, Inc.	USA (Dalton)	1622 Hickory Street Suite 300 Dalton, GA 30720 telephone +1 704 357 3580 fax +1 704 357 3583	P.A.J.J. Aarts C. Correa
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)	Office 4200 Balat Mah. Sihhiye Cad. No:1 Kat:2, Daire: 22 16140 Nilüfer – 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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