NEDSENSE™

ANNUAL REPORT 2014

Contents

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001 Message from the CEO

Dear Stakeholder,

2014 was a full and dynamic year, and the changes that have taken place reflect the strength of the NedSense team and technology. The biggest changes have of course been the sale of the NedGraphics division and the implementation of rooomy. NedGraphics had for a long time been the steady ship at NedSense, reliable, strong and able to power on whatever the environment. It made letting go a tough decision, but I am confident it will continue to flourish and prosper under its new owners.
Over the past years, our growth strategy has focused on the development of LOFT, and the sale of NedGraphics was fully in line with this strategy. The proceeds of the sale have been used to reduce debt and improve the funding for LOFT. Nantahala and Bertoia, two existing shareholders in the company, have agreed to invest additional capital in the company to provide growth capital however financing will have to remain an area of focus in 2015. The NedGraphics sale also means we can completely focus on managing the LOFT growth potential. We already have a strong footing in the retail market, and this will be reinforced by our activities in the real estate industry. In the coming years, we will be able to monetize the LOFT technology to its full potential.

LOFT is continuing to prove its worth, and 2014 saw new partnerships being formed and standing partnerships strengthened. We're proud of the LOFT technology that is increasingly being applied across multiple sales platforms, creating real omni-channel experiences. Our solutions for the furniture industry create a real emotional connection for consumers, and we worked on some challenging and rewarding projects in 2014.

Rooomy will take us even forward.
In terms of innovation, 2014 proved a significant year in the development of rooomy. We're enthusiastic about the potential it offers and are convinced it will take the company forward. The decrease in revenue in 2014, excluding NedGraphics, is due to the company transitioning from customized implementations of LOFT and one-off license fees to focus on the development of rooomy, based on a subscription and referral fee model, and the related generic version of LOFT.
A first version of the rooomy platform is being launched in April 2015. Rooomy connects home furnishings retailers and the real-estate community with consumers at the moment when they are considering a home purchase or property rental, creating a new sales channel for brokers, developers and retailers. Real-estate brokers and property owners can use rooomy by subscription to virtually stage their listings at low cost using furnishing products from participating brands. Rooomy's virtual staging technology is a breakthrough for the real estate industry, where it is widely acknowledged that staged properties sell better. In turn, consumers can view 3D room environments of real estate listings in rooomy, and re-decorate them in a few clicks with furnishings from participating brands. Many US retail brands have already signed on as affiliates, making their products available for 'e-decoration' and promotion in the rooomy app.

We've worked on challenging and rewarding projects in 2014.

On behalf of the Board of Directors, I would like to thank our shareholders for their commitment. Their constant efforts, trust and input 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 look forward to continuing these fruitful relationships and exploring new alliances.

Vianen, 22 April 2015
Pieter Aarts, Chief Executive Officer

We're proud of our latest developments. Rooomy will take us even forward.

002 Key figures

	2014	2013 Restated*
Results from continued operations (in thousands of euros)		
Net revenue	479	822
Operating result	2,690-	1,909-
Net result	3,195-	1,704-
Cash flow	3,734	141
Employees (in FTE's)		
Average number of staff in continued operations, including staff hired out	19	19
Balance sheet information (in thousands of euros)		
Balance sheet total	9,066	17,119
Shareholders' equity	3,302	6,293
Guarantee capital	3,302	6,293
Ratios (in %)		
Operating result / net revenue	561.6-	232.2-
Net result / net revenue	667.0-	207.3-
Solvency (based on guarantee capital)	36.4	36.8
Liquidity	1.2	2.5
Figures per share (amounts in euros)		
Average number of shares outstanding	28,682,566	25,116,877
Result per share	0.11-	0.07-
Cash flow per share	0.13	0.01

**See Note 6 of the financial statements*

003 Profile

003 Profile

Our profile

NedSense is a global provider of high quality software solutions and services for retailers, 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. We aim to offer solutions that make sense and create tangible value to the commercial activities of existing and new customers.

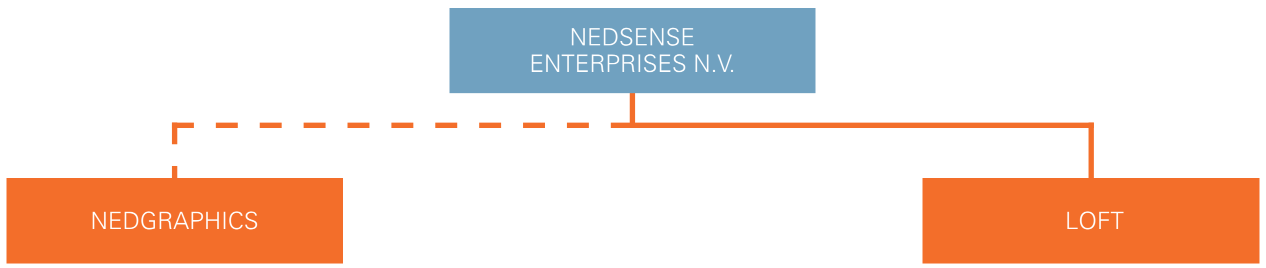
The NedSense portfolio encompasses the unique customer experience solution LOFT™. The LOFT core technology enables easy conversion of 2D photos into an interactive 3D environment which can be decorated with real products of leading retail brands. The rooomy platform connects Real Estate with Retail and Consumers providing Real Estate agents the service to virtually stage their property listings resulting in increased conversions at higher valuations. For retailers, the platform offers the digital opportunity to connect with home shoppers at the right point in time. For consumers, rooomy is an user friendly App to view and decorate their (future) homes.

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. The company then continued with three distinct subsidiaries, NedSense NedGraphics b.v., and NedSense LOFT b.v., and Dynamics Perspective Inc. The latter subsidiary ceased to exist in 2013.

Current situation

At the beginning of 2014, NedSense, as operating company, had two wholly owned subsidiaries, namely NedSense NedGraphics b.v., and NedSense LOFT b.v. In the second half of 2014, NedSense finalized the sale of the NedGraphics division to Constellation Software Inc. (CSI) in Canada. The sale marks an important milestone in the transformation of the company to allow full focus on the development of the LOFT division. The decision to divest NedGraphics was taken fully in line with our strategic objective. While representing a significant improvement to



funding for NedSense, it also secures a sustainable future for NedGraphics.

Fostering new initiatives

In its position as an innovative and networked company, NedSense enterprises applies volume-driven business models and short development cycles so as to generate a creative environment which fosters new initiatives. These initiatives are supported by the input from partner knowledge institutions, consumers and an ambassador network that recommends our products to the market. Our sales and go-to-market strategy, and our innovation and product development

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.

processes are applied and managed company wide so as to attain maximum synergy. This has continued to be the case throughout 2014 and our strategies and processes have remained flexible in order to be able to respond to trends in our industry. NedSense aims to meet current global trends by continuing to increase speed-to-market for our customers, and further developing the market for customer and product experiences, which merge reality with 3D virtuality.

NedSense LOFT b.v.

NedSense LOFT b.v. is the subsidiary that takes NedSense into the life and lifestyle of consumers through its LOFT™ experience engine. LOFT enables designers, retailers and manufacturers in the textile and home furnishing 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 a 3D scene of their own home. A few simple clicks turn a 2D photo into a 3D environment that is easy to manipulate by any user, from professional to first-time user.

LOFT b.v. is a prime example of heritage-based innovation. It is a combination of our vast experience in optimal visualization of textiles and apparel and a relentless dedication to detail. Embraced by leading international manufacturers, LOFT enables the industry to face the most critical market challenges of today: cost of sampling, cost of physical showrooms, widening of distribution network, enriching of the agency relationship, fast time to market with new collections, and a 'true to the eye' quality experience. In line with current technology developments and on & 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 cloud-based service for more mobile use. Customers can access and use the product through multiple Internet supported devices, be it PC's or iPad tablets.

Clarence Smith, CEO Havertys

"LOFT will build on our customer focused strategy and will offer enhanced support for our sales team through integration to our existing CRM system. We will have a deeper connection with our customer by being able to show just how our teams' suggestions will look in their home."

The LOFT solutions

There are three main LOFT solutions, LOFT Web, LOFT Mobile and rooomy. These solutions form the foundations of our industry-specific applications.

LOFT Web can be integrated into a retailers website to provide customers with a 24/7 showroom. It offers all the LOFT functionality, creating a 3D image of a room cleared of existing furniture that can then be redecorated with the store's brand products.

LOFT Mobile is a fully branded and customized 3D visualization iPad app that can be used by both the customer and store sales personnel wherever they are.

Rooomy is a virtual staging solution for Real Estate, home furnishings Retailers and the Consumer. Real-estate companies use rooomy to virtually stage their listings with products from leading furniture brands providing the customer with a visualization of the house as their new home, helping swing the decision making. In turn, consumers view properties in 3D in the rooomy App and personalize and (re) decorate them in a few clicks. At the same time, rooomy creates a compelling sales channel for home furnishings retailers.

3D selling power

It's one thing for shoppers to see a chair or coffee table they like online. It's another to figure out if it will look too big or too small in their family room, if they'll like one fabric better than another, or if it will go with the rug they've already put in their shopping cart. With rooomy, consumers can experiment with as many products and furniture layouts as they like in a 3D rendering of their actual room. This provides major new sales opportunities for the home goods retailing and real estate sectors.

Pieter Aarts, CEO NedSense

"Rooomy's virtual staging technology is unique in the market. Staged properties result into higher conversion % and increased sales commissions for Real Estate agent."

004 Composition of the Boards

Board of Directors

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

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

Supervisory Board

Macky McCleary (1978, American, Male), Chairman of the Supervisory Board (since June 2013)
Mr. McCleary graduated from Yale University in 2000 and attained a Master's Degree in Architecture in 2003. While at Yale, his study was bracketed by interests in computer interface and 3-D environment design as well as energy and infrastructure. He began his career working on the World Trade Center redesign project after the 9/11 attacks on New York City. After a public policy fellowship, he and a colleague founded EmPower CES, a clean energy and alternative fuels development and consulting company. Then, in 2006, he joined McKinsey & Company, where he focused on change management for global industries, and worked on environment and sustainability issues for municipal authorities. In 2011, Mr. McCleary took on the position of Deputy Commissioner of the Connecticut Department of Energy and Environmental Protection, and head of the Environmental Quality branch. Mr. McCleary is also Vice-Chair of the board for The Providence Plan, and serves as a board director for the Now Ensemble, and Achievement First Rhode Island.

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
- Rationalization of company strategy
- Sale of NedGraphics
- Development of rooomy

The NedSense Strategy
The success of NedSense enterprises n.v. has prevailed over the past years thanks to the clear strategy that is in place. In August 2014, agreement was reached with Constellation Software Inc. (CSI) on the sale of the NedGraphics division, and the decision was unanimously approved by the extraordinary shareholders' meeting held on October 7, 2014. The sale secures a future for NedGraphics, whilst also creating funding for the LOFT technology. The proceeds of the transaction have been used to reduce debt and further invest in LOFT so as to enter new markets and stay ahead of competition. Nantahala and Bertoia, two existing shareholders in the company, have agreed to invest additional capital in the company to provide growth capital however financing will have to remain an area of focus in 2015. Although growth for the LOFT division was foreseen, revenue for the full year 2014 equals EUR 479k, a decrease of EUR 343k versus 2013. The decrease in revenue in 2014 is due to the company transitioning away from customized implementations of LOFT, to focus on the development of rooomy, based on a subscription and referral fee model, and the related generic version of LOFT. Mainly as a result of increased professional fees, NedSense's operating expenses excluding NedGraphics, increased by approximately 4% resulting in an operating result of approximately EUR -2.7 million. Including the divested NedGraphics division, NedSense's operating result in 2014 is almost unchanged from 2013. The number of employees in the holding company and in LOFT have remained the same from 2013 to 2014. With the launch of rooomy, a growth in the number of employees is expected in 2015.

NedSense is focusing all its efforts and capital on the further development of LOFT.

The NedSense Market
With mobile commerce expected to grow by 55% over the next five years, and 70% of consumers using smartphones, there are clear opportunities for retailers to create rich in-store experiences. Experiences that enable consumers to truly visualize the furniture or décor in their own home before making a purchase decision. At the same time, consumers are demanding a better online shopping experience that gives them a real feel for the products they are viewing, letting them see how the product fits in their home environment. This is where the strength of the LOFT technology lies, with it helping consumers turn their ideas into virtual design and on to reality. LOFT is continuing to increase its market share in the furniture retail market, and its global client list includes leading brands such as Wayfair (US), Havertys (US), DFS (UK), Carpet Court (AUS), Crate and Barrel (US), Donghia and Rubelli (IT), Kravet (US) and Trendhopper (NL).

LOFT
LOFT is available through a variety of media, from in-house enterprise and web deployment with full functionality across the entire product range to an App for mobile use. Customers can access and use the products through multiple internet supported devices, be it PC's or tablets.

LOFT connects the home furnishing retail market and the real estate market to help them connect to the customer – and swing the decision making.

LOFT
Furniture retail is, however, not the only market with potential. In 2014, we launched LOFT technology to couple the worlds of real estate and furniture retail, so that retailers can connect to the customer exactly when they need to; at the moment when they are looking to buy or rent a new house. At the same time, the realtor is able to provide the customer with a visualization of the house as their new home, helping swing the decision making. Although year-over-year revenue did not improve in 2014, the opportunities offered in the real estate market will enable us to monetize the LOFT technology to its full potential.

Over the past year, we have continued to enhance the LOFT experience engine thanks to the cooperation between our growing base of clients, and our technology and marketing partners in the industry. The technology is in continual development and regular updates and additional features continue to be added.

With rooomy, consumers can experiment with as many products and furniture layouts as they like in a 3D rendering of their actual room.

The rooomy app
The LOFT technology is innovative software we are proud of and should declare ownership of. In the spring of 2015, we will declare this ownership by launching rooomy. This first-of-its-kind app connects Real Estate and Home

Furnishings Retail while providing consumers an unique experience. Real Estate brokers, agents and REITs will be able to upload their properties into the app by subscription, enabling consumers to experience each space in 3D as well as visually remove the current owner's furniture and replace it with new items from rooomy's retail partners. The technology can also be used to stage rooms by merging retailers' products with select properties. Over 15 retail brands have already signed on as affiliates, making their products available for "e-decoration" in the rooomy app. Users will be able to test different options, move items around, see what fits, and even change materials and colors with a tab, viewing each permutation in a virtual 3D

replica of their room. They will also be able to collect and share ideas, get inspiration from interior designers, and more with the app's social features.

With the rooomy app consumers can convert a photo of their own room into an interactive, photorealistic 3D scene. They can then decorate the space from a database of home furnishings that can be moved around to create their perfect interior design. These designs can be simply saved or shared with friends and contacts through social media. The launch of rooomy as a consumer app creates a new revenue model for NedSense. At present, the rooomy revenue model through real estate partners covers a subscription fee and add-on staging services. The new model offering rooomy as an app directly to the consumer will enable revenue to also be generated through qualified leads and a share of sales revenue.

Forward

Our goal continues to be growth, and the sale of NedGraphics enables us to focus our efforts on the LOFT technology and take rooomy forward. We greatly appreciate and value the international ecosystem we have in place to aid us in this. It brings partners together to share knowledge, resource knowledge and apply skills, and reinforces the conviction the Board of Directors has in LOFT. We will continue to draw from and capitalize on this network of organizations, ranging from universities to strategic consultants to consumer communities, so as to ensure LOFT continues to be such a strong product.

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, 22 April 2015

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 2014

Report by the Board of Directors – Financial Information 2014

Financial results
NedSense ended 2014 with a net loss of € 3.20 million (2013: € 1.70 million loss). The lower result of 2014 was primarily due to a decrease in net revenue of € 0.34 million, an increase in capitalized production and related amortization of € 0.30 million, and a decrease in results from discontinued operations of € 0.64 million due to the sale of NedGraphics as of September 30th, 2014. The operating result for 2014 amounted to € 2.69 million negative (2013: € 1.91 million negative).

Activities focus on the LOFT development of software. LOFT net revenue decreased from € 0.82 million in 2013 to € 0.48 million in 2014. Operating result decreased to a loss of € 1.52 million (2013: € 0.89 million loss) as LOFT continues to further develop its products. The discontinued activities of NedGraphics and Dynamics Perspective resulted in a net profit of € 0.08 million in 2014 (full year 2013: € 0.72 million).

Cash flow, investments, financing
The operational cash flow in 2014 amounted to € 0.50 million positive (2013: € 0.25 million positive). The cash flow from investments in 2014 was € 3.15 million positive (2013: € 2.61 million negative). The increase from 2013 was primarily due to the disposal of NedGraphics. The cash flow from financing in 2014 was € 0.09 million positive (2013: € 2.51 million positive). The total change in cash and cash equivalents in 2014 amounted to € 3.75 million positive (2013: € 0.11 million positive).

As a result of the NedGraphics divestment, the company agreed in March and April 2015 with convertible note holders to repay an amount of € 1.7 million, and with the Dutch Government, to repay an amount of € 0.9 million in relation to the innovation credit loan. At the same time, the company also reached agreement regarding the issuance of new convertible bonds to existing shareholders Nantahala and Bertoia for an amount of € 0.8 million. These new convertible bonds are subject to shareholder approval at the annual meeting of shareholders to be held on 9 June 2015. It was also agreed that a further repayment of the convertible notes will take place for an amount of € 1.7 million as of 31 December 2015 at the latest.

To be able to repay the convertible notes in 2015 and to be able to fund the investments and growth of the new LOFT rooomy business, the company will have to obtain new financing in the second half of 2015, and is currently in discussion with financers and is confident that new financing will be obtained.

Balance sheet
From 31 December 2013, non-current assets decreased from € 11.69 million to € 3.13 million. The decrease is mainly due to the disposal of NedGraphics. 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 € 6.29 million as of 31 December 2013 to € 3.30 million as of 31 December 2014. This € 2.99 million decrease was mainly caused by the negative result. Solvency decreased to 36.4% at 31 December 2014 from 36.8% at 31 December 2013.

The number of outstanding ordinary shares, with a nominal value of € 0.10 each, was 29,423,232 as of 31 December 2014. 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 2014 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 calendar year 2014 the Supervisory Board comprised two members, Mr. S. McCleary (1978, American, 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 members of the Supervisory Board was selected on the basis of his specific knowledge and experience which is considered 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. McCleary
Elected 2013:
First Term 11/6/13 – 11/6/17
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/rules-supervisory-board/) describes 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 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.

Supervision in 2014

The Supervisory Board and the Board of Directors met on a regular basis during 2014, and have held various additional telephone conferences. This was particularly necessary due to the ongoing strategic reorientation of the NedSense Group and the accompanying consequences of such a reorientation as well.

Recurring as well as incidental but relevant items on the agenda in 2014 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 2014 has been at once challenging and promising. The Company has tried to build upon the strategic foundations for rapid expansion of the LOFT product in US markets whilst managing the divestment of NedGraphics. These activities have been accompanied by continuous monitoring of financial performance and cash flows, personnel related issues, the strategic options for the NedSense Group, and shareholder relations, and all associated risks.

As a result of the divestment of NedGraphics, the Supervisory Board, in collaboration with the Board of Directors, has concluded that a Finance Director will not be necessary to manage the operational financial responsibilities associated with all aspects of the company going forward.

The Supervisory Board again spent significant time maintaining appropriate relationship with key shareholders, with an aim to keep 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). Pivotal to the future success of the NedSense Group is the continued roll-out of software releases which meet the continuously changing requirements and wishes of clients.

Committees of the Supervisory Board

Under the Dutch Corporate Governance Code, it is common 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 collectively.

Audit Committee topics

In 2014, the full 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 audit of the financial statements carried out by the external auditor. Two meetings were held with the external auditor KPMG Accountants N.V. to discuss the audit of the preparation and the content of the financial report. The main topics discussed at the Audit Committee 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 Accountants N.V. acted as external auditor of the company. Its nomination was approved by the Annual General Meeting of Shareholders on 11 June, 2014.
The Supervisory Board wishes to thank KPMG Accountants N.V. for its continuous constructive contributions and work in 2014.

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 2014, 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 2014 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 22% of the maximum bonus available. As the NedSense cash flow was negative for the financial year 2014 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 scheme as an add-on to the base fee. Additional arrangements included expense allowances, company car and accident insurance.

Selection and nomination

In the Annual General Meeting of Shareholders of October 31, 2012 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 four years prior to 2013 both members of the Board of Directors have entered into engagement agreements with NedSense in accordance with the changed regulations.

Report of the Annual General Meeting of Shareholders June 11, 2014

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 2013 remuneration report was discussed with the shareholders and the shareholders approved the report. The 2013 financial statements were approved and adopted without the presence of the Company's auditor KPMG Accountants NV, who was available for questions on the next Meeting of Shareholders. 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.

Contingent Liabilities

On 24 April 2013 the company entered into a subscription agreement with the new investor Nantahala in relation to the investment in new shares by Nantahala. The subscription agreement also contains certain new remuneration arrangements which were conditional to the investment by Nantahala. The arrangements have been approved by General Meeting in June 2013. One of the new remuneration arrangements was that the Investors agreed that the loans of Management members
with the company shall be written-off. The Supervisory board however has postponed a final decision as it seeks to minimize tax consequences of this write-off for both the company and Management Board members personally.

Financial Statements 2014

The Financial Statements 2014 have been audited and provided with an unqualified opinion by KPMG Accountants NV (please see the auditor's report on page 122 and were extensively discussed with the auditors in the meetings of the Supervisory Board and the Board of Directors on April 15, 2015 and April 22, 2015. The Supervisory Board is of the opinion that the Financial Statements 2014 meet all requirements 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 2014.

In conclusion

The reform of the NedSense business model which began in 2009, has continued in 2014 with the divestment of NedGraphics. Since the divestment Management focus can be completely on further developing the LOFT technology to maintain our lead position in the market of 3D visualization. In 2014 however the Loft division posted a decrease in sales revenue against the previous year and it proved to be yet another challenging year. It has resulted in a strategic rethinking about the Loft business model. Clearly, the NedSense Group has not yet reached its profitability goals despite the necessary continued investments in LOFT.

The continuous efforts of the management and staff at NedSense form a strong foundation for the continued success of the Company in 2015. 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 with both of its major products.

Macky McCleary (Chairman)
Richard Louwers (member)
Vianen, 22 April 2015

007 Corporate Governance

General

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

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

Corporate governance declaration

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

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

Corporate Governance Structure

Board of Directors

The Board of Directors is responsible for the day-to-day management of the Company, and is accountable to the Supervisory Board and to the shareholders of the Company. It is responsible for ensuring that NedSense is achieving its operational, strategic and financial goals, for overseeing its 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 annually 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. As approved in the Extraordinary General Meeting of Shareholders held on 31 October 2012 the members of the Board of Directors have been appointed for another term of four 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 fulfil 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 a management letter 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, since 2009, the Board of Directors consists of 2 male members. To maximize diversity of gender in the Board of Directors, both boards will do the utmost to find and select a female candidate within the context of an emerging vacancy.

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 2014, the number of outstanding shares was 29,423,232 (2013: 28,596,495).

The shares outstanding as of 31 December 2014 have a nominal value of € 0.10, resulting in a share capital of € 2,942 thousand at the end of 2014. Share premium as of 31 December 2014 was € 37,565 thousand.

As far as NedSense can ascertain, most of the shares are held by Dutch and US 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 2014, based on the latest information received.

Shareholders	31-12-14 including shares related to convertible loans and warrants	31-12-14 excluding shares related to convertible loans and warrants	31-12-13 including shares related to convertible loans and warrants	31-12-13 excluding shares related to convertible loans and warrants
Project Holland Beheer B.V.	27.3%	21.2%	27.8%	21.9%
Nantahala Capital Management. LLC	17.9%	15.7%	18.3%	16.2%
Bertoia LLC	12.3%	11.3%	11.4%	10.1%
Todlin N.V.	9.6%	11.0%	9.8%	11.3%
TWE Beheer B.V.	4.9%	6.8%	5.0%	7.0%
Bibiana Beheer B.V.	3.9%	4.8%	4.0%	4.9%

Key figures per share (based on average number of outstanding shares)	2014	2013
Net result	€ 0.11-	€ 0.07-
Shareholders' equity	€ 0.12	€ 0.25
Highest share price	€ 0.38	€ 0.40
Lowest share price	€ 0.16	€ 0.21
Closing price as of 31 December	€ 0.16	€ 0.25
P/E ratio as of 31 December	1.45-	3.57-
Market capitalization as of 31 December	4,707,717	7,149,124
Average trading volume per day	8,874	8,404
Average number of outstanding shares	28,682,566	25,116,877
Number of shares at 31 December	29,423,232	28,596,495

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 2014. 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 VEUO (Vereniging van Effecten Uitgevende

Share Based Payments

Options

31-12-13 Date granted and approved	Granted to	Vesting Date	Issued options	Outstanding options	Forfeited / expired	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	0	294,941	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
June 2012	key employees	2015	526,588	504,088	22,500	0.36
Total			**1,537,253**	**1,099,812**	**437,441**	

31-12-14 Date granted and approved	Granted to	Vesting Date	Issued options	Outstanding options	Forfeited	Exercise price (€)
None						
Total			**1,537,253**	**1,099,812**	**437,441**	

Shares

31-12-13 Date granted and approved	Granted to	Vesting Date	Issued	Outstanding	Forfeited
June 2012[1]	Pieter Aarts	2014	394,230	394,230	0
June 2012[1]	Jan-Hein Pullens	2014	290,154	290,154	0
June 2012[2]	Pieter Aarts	2015	82,001	82,001	0
June 2012[2]	Jan-Hein Pullens	2015	60,352	60,352	0
June 2012[3]	Pieter Aarts	2016	281,873	281,873	0
June 2012[3]	Jan-Hein Pullens	2016	207,458	207,458	0
June 2012[4]	Pieter Aarts	2017	640,625	640,625	0
June 2012[4]	Jan-Hein Pullens	2017	471,500	471,500	0
August 2013	key employees	2016	200,000	200,000	0
Total			**2,628,193**	**2,628,193**	**0**

31-12-14 Date granted and approved	Granted to	Vesting Date	Issued	Outstanding	Forfeited
None					
Total			**2,628,193**	**2,628,193**	**0**

[1] *Formally approved by the Supervisory Board and Shareholders in 2013.*
[2] *Formally 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 many 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 2014.

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 2014	23 April 2015*
Annual General Meeting of Shareholders 2015	9 June 2015**
Presentation first half-year results 2015	25 August 2015*/**
Presentation full year results 2015	26 April 2016*/**
Annual General Meeting of Shareholders 2016	7 June 2016**
Presentation first half-year results 2016	30 August 2016*/**

**) 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 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 with the Supervisory Board. The Company distinguishes the following main areas of risk:

• **Economic developments**
General economic developments improved in 2014. However, the Company remains cautious as it recognizes that the market continues to recover at a slow pace due to 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.

• **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 2014 and remains average. Nonetheless, the consequences of the global credit crisis have meant that clients are 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 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 2015, but cash management will remain a critical responsibility of the management.

Reference is made to the financial statements in the section "Financial instruments", where an overview is given with respect to the contractual maturities of financial liabilities, including estimated interest payments, as well as to section "Subsequent events".

Reference is also made to the section "Going concern" of note 2 to the financial statements.

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 2014 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 2014;
- 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 22, 2015

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 2014 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 2014 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 22, 2015

Pieter Aarts,
Chief Executive Officer

Jan-Hein Pullens,
Chief Operating Officer

011 Financial statements 2014

011 Financial statements 2014

Consolidated statement of financial position

Before appropriation of result

As of 31 December

In thousands of euro

	Notes	2014	2013
Assets			
Property, plant, and equipment	11	56	271
Intangible assets	10	3,070	10,961
Other receivables	14	0	455
Total non-current assets		**3,126**	**11,687**
Inventories	13	18	13
Trade and other receivables	14	1,229	4,477
Cash and cash equivalents	15	4,693	942
Total current assets		**5,940**	**5,432**
Total assets	**5**	**9,066**	**17,119**
Equity			
Issued capital		2,942	2,860
Share premium		37,565	37,565
Legal reserves		3,070	6,905
Translation reserves		7-	126-
Accumulated deficit		40,268-	40,911-
Total equity	**16**	**3,302**	**6,293**
Liabilities			
Interest-bearing loans and borrowings	19	859	4,342
Employee benefits	20	55	134
Total non-current liabilities		**914**	**4,476**
Interest-bearing loans and borrowings	19	3,927	0
Trade and other payables	21	831	2,141
Deferred income		92	4,209
Total current liabilities		**4,850**	**6,350**
Total liabilities	**5**	**5,764**	**10,826**
Total equity and liabilities		**9,066**	**17,119**

The notes on page 58 to page 112 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	2014	2013 Restated*
Net revenue	5	479	822
Cost of sales		154-	104-
Gross profit		**325**	**718**
Wages and salaries	7	1,354	1,519
Social security charges	7	269	266
Amortization and depreciation	10, 11	1,076	842
Other operating costs	8	1,056	809
Capitalized production	10	740-	809-
Profit (loss) from operations		**2,690-**	**1,909-**
Finance income		24	42
Finance costs	19	602-	556-
Net finance costs		**578-**	**514-**
Profit (loss) before income tax		**3,268-**	**2,423-**
Income tax expense	9	2	0
Profit (loss) for the period		**3,270-**	**2,423-**
Discontinued operations			
Income (loss) from discontinued operations (net of income tax)	6	75	719
Profit (loss) for the period		**3,195-**	**1,704-**
Other comprehensive income			
Items that are or may be reclassified to profit or loss			
Foreign currency translation differences for foreign operations	16	119	10-
Other comprehensive income for the period, net of income tax		**119**	**10-**
Total comprehensive income (loss) for the period		**3,076-**	**1,714-**
Profit (loss) attributable to:			
Owners of the Company		3,195-	1,704-
Profit (loss) for the period	16	**3,195-**	**1,704-**
Total comprehensive income (loss) attributable to:			
Owners of the Company		3,076-	1,714-
Total comprehensive income (loss) for the period		**3,076-**	**1,714-**
Earnings (loss) per share			
Basic earnings (loss) per share (in euros)	17	0,11-	0,07-
Diluted earnings (loss) per share (in euros)	18	0,10-	0,06-
Earnings (loss) per share continued operations			
Basic earnings (loss) per share (in euros)	6	0,11-	0,10-
Diluted earnings (loss) per share (in euros)	6	0,10-	0,09-

**See Note 6*

The notes on page 58 to page 112 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 2013		2,108	36,167	116-	39,015-	6,540	5,684
Total comprehensive income (loss) for the period							
Profit or (loss)		0	0	0	1,704-	0	1,704-
Other comprehensive income - Items that are or may be reclassified to profit or loss							
Foreign currency translation differences		0	0	10-	0	0	10-
Total other comprehensive income		0	0	10-	0	0	10-
Total comprehensive income (loss) for the period		0	0	10-	1,704-	0	1,714-
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Issue of new shares (net of transaction costs)		752	1,398	0	0	0	2,150
Share-based payments	24	0	0	0	173	0	173
Total contributions by and distributions to owners		752	1,398	0	173	0	2,323
Total transactions with owners		752	1,398	0	173	0	2,323
Transfer to other reserves		0	0	0	365-	365	0
Balance at 31 December 2013		2,860	37,565	126-	40,911-	6,905	6,293
Balance at 1 January 2014		2,860	37,565	126-	40,911-	6,905	6,293
Total comprehensive income (loss) for the period							
Profit or (loss)		0	0	0	3,195-	0	3,195-
Other comprehensive income - Items that are or may be reclassified to profit or loss							
Foreign currency translation differences		0	0	119	0	0	119
Total other comprehensive income		0	0	119	0	0	119
Total comprehensive income (loss) for the period		0	0	119	3,195-	0	3,076-
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Share-based payments	24	82	0	0	3	0	85
Total contributions by and distributions to owners		82	0	0	3	0	85
Total transactions with owners		82	0	0	3	0	85
Transfer to other reserves		0	0	0	3,835	3,835-	0
Balance at 31 December 2014		2,942	37,565	7-	40,268-	3,070	3,302

The notes on page 58 to page 112 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	2014	2013
Profit (loss) for the period		3,195-	1,704-
Adjustments for:			
- Amortization and depreciation	10, 11	2,029	2,135
- Change in inventories		15-	6-
- Change in trade and other receivables		2,373	623-
- Change in trade and other payables		6-	6-
- Change in provisions and employee benefits		25-	15
- Change in deferred income		2,238-	90-
- Equity settled share-based payment	24	85	173
- Net finance costs		578	484
- Loss on disposal of discontinued operations, net of tax		1,056	0
- Corporate income tax		2	9
Interest paid		144-	133-
Corporate income tax paid		2-	9-
Cash flow from (used in) operating activities	**26**	**498**	**245**
Investments:			
Intangible assets		2,073-	2,485-
Property, plant, and equipment		67-	210-
Disposals:			
Property, plant, and equipment		5	61
Disposals of discontinued operations, net of cash disposed of	6	5,274	0
Other		9	24
Cash flow from (used in) investment activities	**27**	**3,148**	**2,610-**
Net proceeds from issuance of shares		0	2,150
Proceeds from grant		152	356
Redemption loans		64-	0
Cash flow from (used in) financing activities	**28**	**88**	**2,506**
Change in liquid assets		**3,734**	**141**
Cash and cash equivalents at 1 January		942	830
Effect of movements in exchange rates on cash held		17	29-
Cash and cash equivalents at 31 December		**4,693**	**942**

The notes on page 58 to page 112 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 2014 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 high-quality software solutions and services globally to furniture retailers and manufacturers, and the real estate industry.

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 22 April 2015.

(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 2014, € 5,883 thousand was received from the sale of the NedGraphics operating segment. In addition, funding of € 152 thousand was received from an innovation credit from the Dutch government in 2014. The total amount received from the innovation credit is € 1,718 thousand. Repayment is taking place from 2014 through 2018.

As of the end of the year, the Company had equity of € 3,302 thousand, interest bearing loans of € 4,786 thousand, and a solvency rate of 36.4%. In 2014, the Company incurred a net loss of € 3,195 thousand.

Cash and cash equivalents as of 31 December 2014 amount to € 4,693 thousand, mainly as a result of the received proceeds from the divestment of the NedGraphics activities. As a result of the NedGraphics divestment, the Company agreed in March and April 2015 with convertible note holders to repay an amount of € 1,700 thousand, and with the Dutch Government, to repay an amount of € 900 thousand in relation to the innovation credit loan. At the same time, the Company also reached agreement regarding the issuance of new convertible bonds to existing shareholders Nantahala and Bertoia for an amount of € 800 thousand. These new convertible bonds are subject to shareholder approval at the annual meeting of shareholders to be held on 9 June 2015. It was also agreed that a further repayment of the convertible notes will take place for an amount of € 1,700 thousand as of 31 December 2015 at the latest.

After the divestment of the NedGraphics activities, the Company solely has activities that are in an introduction phase. The Company plans to realize significant improvement in revenue, due in large part to the roll-out of the "rooomy" LOFT application in 2015 and 2016. This will require significant investments in 2015 and 2016, and will result in negative cash flows. A risk exists that the increase in revenues in 2015 and 2016 does not occur at the forecasted pace or that the required investments are higher than expected.

The ability to continue as a going concern in the years 2015 and 2016, as well as thereafter, will depend on the ability to obtain new financing and on the future profitability and positive cash flows of the Company. Cost saving contingency plans are in place in case revenue does not develop as expected.

To be able to repay the convertible notes in 2015 and to be able to fund the investments and growth of the new rooomy business, the Company will have to obtain new financing in the second half of 2015. Management is currently in discussion with financers and is confident that new financing will be obtained.

These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. Management of the Company believes that it remains appropriate to prepare the financial statements on a going concern basis as it believes this uncertainty will be resolved.

Share issues

The shares of the Company have been listed on the official market of Euronext Amsterdam N.V. since 21 May 1999. 826,737 shares were issued in 2014 for share-based payments.

As of 31 December 2014, the number of outstanding shares was 29,423,232 (2013: 28,596,495) with a nominal value of € 0.10, resulting in a share capital of € 2,942,323 at the end of 2014. Share premium as of 31 December 2014 was € 37,565 thousand.

Changes in Group entities in 2014 and 2013

NedGraphics was sold as of 30 September 2014. Dynamics Perspective was discontinued as of 30 June 2013. Reference is made to note 6, Discontinued operations.

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

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

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

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

- Note 10 – impairment test for intangible assets
- Note 12 – deferred tax assets and liabilities
- Note 19 – fair value of convertible loans and government grant (innovation credit)
- Note 24 – Share-based payment

(e) Changes in accounting policies

Except for the newly applied standards (as described below), the accounting policies applied by the Group in the 2014 financial statements are those applied in previous year financial statements. These new standards did not have an impact on the financial statements.

IFRS 10 replaces the parts of IAS 27 that deal with consolidated financial statements and SIC-12 Consolidation – Special Purpose Entities. In essence IFRS 10 changes the definition of control. This change in definition of control has had no impact on the composition of the Group.

IFRS 12 is a new disclosure standard and is applicable to entities that have interest in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. The application of IFRS 12 has had no financial impact on the financial statements 2014 of the Group.

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:

List of subsidiaries

		2014	2013
NedSense enterprises b.v.	the Netherlands (Vianen)	100%	100%
NedSense LOFT B.V.	the Netherlands (Vianen)	100%	100%
Topcad B.V.	the Netherlands (Vianen)	100%	100%
Loft, Inc.	USA (New York)	100%	100%
NedSense IPR B.V.	the Netherlands (Vianen)	0%	100%
NedSense NedGraphics B.V.	the Netherlands (Vianen)	0%	100%
NedGraphics CAD/GIS B.V.	the Netherlands (Vianen)	0%	100%
NedGraphics BvBa	Belgium (Deerlijk)	0%	100%
NedGraphics SA	France (Paris)	0%	100%
NedGraphics Ltd.	UK (Dukinfield)	0%	100%
NedGraphics Srl	Italy (Lomazzo)	0%	100%
NedSense Srl	Romania (Bucharest)	0%	100%
NedGraphics, Inc.	USA (New York)	0%	100%
NedGraphics of Tennessee, Inc.	USA (Chattanooga)	0%	100%
NedGraphics (Shanghai) Software for Textile and Fashion Co., Ltd.	China (Shanghai)	0%	100%
Dynamics Perspective, Inc.	USA (Los Angeles)	0%	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) Discontinued operation
A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- represents a separate major line of business or geographical area of operations;
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale.

When an operation is classified as a discontinued operation, the comparative figures of the consolidated statement of comprehensive income are re-presented as if the operation had been discontinued from the start of the comparative year.

(c) 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.

(d) 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 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.

(e) 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.

(f) 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.

Software development activities involve a plan or design for the production of new or substantially improved products and processes. Software development expenditure is capitalized only if software 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 external development, the cost of materials, direct labor, overhead costs that are directly attributable to preparing the asset for its intended use, and capitalized borrowing costs for qualifying assets (whereas the Company currently does not have qualifying assets for which the commencement date for capitalization of these assets was before the effective date (of IAS 23) to capitalize 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.

(g) 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.

(h) 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.

(i) 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.

(j) 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 dispose. 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 were utilized by more than one CGU. Corporate assets were 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 in 2013. As only one CGU remains as of 31 December 2014, all corporate assets have been allocated to LOFT in 2014.

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 statement of comprehensive income 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, 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, of which the commencement date for capitalization of the asset is after the effective date to capitalize borrowing costs (of IAS 23), 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 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 2015, 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.

IFRS 9 *Financial Instruments*

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018 with early adoption permitted.

IFRS 15 *Revenue from Contracts with Customers*
IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and IFRIC 13 *Customer Loyalty Programmes.*

IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2017, with early adoption permitted.

The extent of the impact of these standards 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.

(a) 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. Discounting is performed at the market rate of interest at the reporting date (weighted average cost of capital).

(b) 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.

(c) 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.

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

- LOFT is focused on the development of software that allows 3-dimensional reproduction in a personal environment
- NedGraphics makes and sells CAD/CAM software for the textile and apparel industries. See note 6, Discontinued operations, for more information regarding this segment.

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	Loft		NedGraphics		Other		Elimination		Total	
	2014	2013	2014	2013 discontinued*	2014	2013	2014	2013	2014	2013
Software	0	530	2,604	3,282	0	0	0	0	2,604	3,812
Maintenance	148	81	3,236	4,376	0	0	0	0	3,384	4,457
Other	331	211	485	432	0	0	0	0	816	643
External revenues	**479**	**822**	**6,325**	**8,090**	**0**	**0**	**0**	**0**	**6,804**	**8,912**
Cost of sales	154	104	122	169	0	0	0	0	276	273
Operating expenses	1,510	1,576	4,731	6,753	1,169	1,019	0	0	7,410	9,348
Capitalized production	740-	809-	591-	838-	0	0	0	0	1,331-	1,647-
Amorization and depreciation	1,071	839	952	1,293	5	3	0	0	2,028	2,135
Segment operating profit (loss)	**1,516-**	**888-**	**1,111**	**713**	**1,174-**	**1,022-**	**0**	**0**	**1,579-**	**1,197-**
Interest revenue	2	0	18	30	4	12	0	0	24	42
Interest expense	0	1-	2	1-	584-	524-	0	0	582-	526-
Segment profit (loss) before tax	**1,514-**	**889-**	**1,131**	**742**	**1,754-**	**1,534-**	**0**	**0**	**2,137-**	**1,681-**
Corporate income tax	2	178-	20	9	0	178	0	0	22	9
Intangible segment assets	3,070	2,878	0	8,083	0	0	0	0	3,070	10,961
Other segment assets	673	674	0	10,846	16,188	939	10,865-	6,301-	5,996	6,158
Segment liabilities	11,285	9,609	0	6,012	5,344	1,506	10,865-	6,301-	5,764	10,826
Revenue external customers Netherlands	47	298	114	176	0	0	0	0	161	474
Non-current assets Netherlands	3,111	2,920	0	4,566	15	4,050	0	0	3,126	11,536

**See note 6*

Revenue from external customers in the Netherlands was € 161 thousand in 2014 (2013: € 474 thousand). Non-current assets related to the Netherlands amounted to € 3,126 thousand in 2014 (2013: € 11,536 thousand). Revenue from external customers in the United States of America was € 3,395 thousand in 2014 (2013: € 4,527 thousand). Non-current assets related to the United States of America amounted to € 1 thousand in 2014 (2013: € 113 thousand).

6. Discontinued operations

NedGraphics
In September 2014, the Company sold the entire NedGraphics operating segment. Management decided to sell this segment following a strategic decision to place greater focus on further developing the LOFT activities.

The NedGraphics segment was not classified as held-for-sale or as a discontinued operation in the 2013 financial statements. The comparative consolidated statement of comprehensive income has been restated to show the discontinued operation separately from continuing operations.

There is currently disagreement between the Company and the buyer of NedGraphics regarding the final sale price after covering claims of the buyer. As the Company and the buyer cannot agree, the matter might be referred to an independent expert according to the terms of the sale and purchase agreement. Reference is also made to note 22 in relation to a claim regarding alleged non-compliance with tax regulations by the buyer. The maximum additional payment to be received is € 500 thousand, the minimum additional payment to be received is € 0. Management has an expectation that an additional € 400 thousand will be received from the buyer, whilst the buyer claims an adjustment of € 474 thousand, which would only result in an additional payment of € 26 thousand. The difference between the calculation as made by the Company versus the calculation as made by the buyer is mostly related to the assessment of an amount of € 333 thousand related to receivables in the closing balance that will be received in view of management, but were not received by early January, as well as several smaller items for a total of € 141 thousand. Management has taken some contingencies into account when determining the transaction result.

(a) Results of discontinued operation
For the year ended 31 December
(in thousands of euros)

	2014	2013
Net revenue	6,325	8,091
Expenses	5,194-	7,349-
Profit (loss) from operations	**1,131**	**742**
Income tax expense	20-	9-
Profit (loss) from operations, net of tax	**1,111**	**733**
Loss on disposal of discontinued operation	971-	0
Income tax on loss on disposal of discontinued operation	0	0
Profit (loss) for the year	**140**	**733**
Earnings (loss) per share		
Basic earnings (loss) per share (in euros)	0.04	0.03
Diluted earnings (loss) per share (in euros)	0.04	0.03

The profit from the discontinued operation is attributable entirely to the owners of the Company,

(b) Cash flows from (used in) discontinued operation
For the year ended 31 December
(in thousands of euros)

	2014	2013
Net cash flow from (used in) operating activities	355	1,147
Net cash flow from (used in) investment activities	4,489	1,173-
Net cash flow for the year	**4,844**	**26-**

(c) Effect of disposal on the financial position of the Group
(in thousands of euros)

	2014
Property, plant, and equipment	210-
Intangible assets	7,926-
Inventories	10-
Trade and other receivables	1,580-
Cash and cash equivalents	301-
Employee benefits	54
Trade and other payables	1,304
Deferred income	1,879
Translation reserve	5-
Net assets and liabilities	**6,795-**

The consideration for the disposal of NedGraphics amounts to € 5,825 thousand, of which € 5,575 thousand is satisfied in cash, and € 250 thousand is to be received. The cash and cash equivalents disposed of amounts to € 301 thousand, resulting in a net cash inflow of € 5,274 thousand.

Dynamics Perspective

In June 2013, the Company decided to discontinue the activities of its wholly owned subsidiary Dynamics Perspective, Inc. (DPI). The decision to discontinue the activities was made to allow the Company to further focus on its core activities. After carefully weighing all options and given current economic conditions, it was determined that continuing the DPI activities was no longer viable.

(a) Results of discontinued operation
For the year ended 31 December
(in thousands of euros)

	2014	2013
Net revenue	0	183
Expenses	20	197-
Profit (loss) from operations	**20**	**14-**
Income tax expense	0	0
Profit (loss) from operations, net of tax	**20**	**14-**
Loss on disposal of discontinued operation	85-	0
Income tax on loss on disposal of discontinued operation	0	0
Profit (loss) for the year	**65-**	**14-**
Earnings (loss) per share		
Basic earnings (loss) per share (in euros)	0.00	0.00
Diluted earnings (loss) per share (in euros)	0.00	0.00

The loss from the discontinued operation is attributable entirely to the owners of the Company.

(b) Cash flows from (used in) discontinued operation
For the year ended 31 December
(in thousands of euros)

	2014	2013
Net cash flow from (used in) operating activities	8-	2-
Net cash flow for the year	**8-**	**2-**

(c) Effect of disposal on the financial position of the Group
(in thousands of euros)

	2014
Trade and other receivables	0
Cash and cash equivalents	0
Trade and other payables	0
Translation reserve	85-
Net assets and liabilities	**85-**
Consideration received, satisfied in cash	0
Cash and cash equivalents disposed of	0
Net cash inflow	**0**

7. Wages and salaries and social security charges

(in thousands of euros)	2014	2013 Restated*
Wages and salaries	1,269	1,348
Social security charges	167	168
Contribution to defined contribution plans	103	83
Increase (decrease) in liability for long service benefits	1-	15
Equity-settled share-based payment transactions	85	171
Total wages and salaries and social security charges	**1,623**	**1,785**

*See Note 6

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

Staff

During 2014, the group had an average of 75 staff members (2013: 103). This staff can be divided as follows over the various divisions:

Staff over the various divisions

(in average FTE)	2014	2013
Management and staff holding company	2	2
NedGraphics	56	81
Dynamics Perspective	-	3
LOFT	17	17
Total number of staff members	**75**	**103**
Netherlands	37	45
Rest of Europe	23	34
USA	15	21
Asia	-	3
Total number of staff members	**75**	**103**

8. Other operating costs

The other operating costs can be specified as follows:

(in thousands of euros)	2014	2013 Restated*
Sales costs	23	94
Housing costs	142	107
Car costs	124	137
Other staff costs	45	83
General costs	633	445
Currency and exchange rate differences	89	57-
Total other operating costs	**1,056**	**809**

**See Note 6*

9. Income tax expense

The activities of the 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 unrecognized 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 2012 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)		2014		2013 Restated*
Result from ordinary activities before tax		3,268-		2,423-
Tax using the Company's domestic tax rate	25,00%	817-	25,00%	606-
Effect of tax rates in foreign jurisdictions	-0,06%	2	0,00%	0
Recognition of tax effect previously unrecognized losses	0,00%	0	0,00%	0
Current year losses for which no deferred tax asset recognized	-25,00%	817	-25,01%	606
Convertible notes tax benefit recognized	0,00%	0	0,00%	0
	-0,06%	**2**	**0,00%**	**0**

**See Note 6*

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

10. Intangible assets

Movements were as follows:

(in thousands of euros)	Goodwill	Costs of software develop-ment	Total 2014	Total 2013
Costs 1 January	17,256	24,099	41,355	38,944
Accumulated amortization 1 January	13,200-	17,194-	30,394-	28,349-
Book value as of 1 January	**4,056**	**6,905**	**10,961**	**10,595**
Changes:				
Investments	0	2,073	2,073	2,485
Disposals	17,256-	17,985-	35,241-	0
Amortization	0	1,953-	1,953-	2,045-
Amortization on disposals	13,200	14,114	27,314	0
Deduction government grant	0	84-	84-	74-
	4,056-	**3,835-**	**7,891-**	**366**
Costs 31 December	0	8,103	8,103	41,355
Accumulated amortization 31 December	0	5,033-	5,033-	30,394-
Book value as of 31 December	**0**	**3,070**	**3,070**	**10,961**

Investments in 2014 include capitalized production of € 1,332 thousand and third party of € 741 thousand (2013: € 1,647 thousand and € 838 thousand respectively).

The following amortization/depreciation percentages are used:

Amortization percentages

Costs of software development	20%

Impairment test for intangible assets

Intangible assets comprise software on LOFT. The recoverable amount of the cash-generating unit (CGU) is based on a fair value less cost to dispose calculation for LOFT. This calculation is based on a discounted cash flow calculation which is based on the budget for 2015 and estimated market developments for the period thereafter.

Cash flows for LOFT for further periods are extrapolated using the following growth rates in the case of gross margin: 2015 55%, 2016 119%, 2017 120%, 2018 65%, 2019 63%, 2020 through 2023 2%. The terminal value growth rate is 1%. The following growth rates are used in the case of operating expenses: 2015 11%, 2016 29%, 2017 35%, 2018 and 2019 1%, and 2020 through 2023 2%. The terminal value growth rate is 1%. A pre-tax discount rate of 19.1% (2013: 13.3%) has been used in discounting the projected cash flows. Allocated holding expenses have also been incorporated in the calculations. Key assumption in the 2015 budget is that these activities in an introduction phase will start generating more material revenue levels.

Management's approach in determining the key revenue assumption in the 2015 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 dispose of approximately € 6,015 thousand as compared to a carrying value of approximately € 3,100 thousand. Furthermore, if the current market capitalization of the Company is used as a fair value less cost to dispose indication also significant headroom exists. As a result, no impairment has been recorded in 2014.

Sensitivity to changes in assumptions

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

Loft impairment sensitivity

	Change required for carrying amount to equal the recoverable amount	
In percent	**2014**	**2013**
Pre-tax discount rate	22,5	37,5
Forecasted EBIT growth	(21.5)	(36.2)

11. Property, plant and equipment

Movements were as follows:

(in thousands of euros)	**2014**	**2013**
Costs 1 January	1,874	1,848
Accumulated depreciation 1 January	1,603-	1,662-
Book value as of 1 January	**271**	**186**
Changes:		
Investments	67	210
Disposals	1,145-	184-
Depreciation	78-	70-
Depreciation on disposals	931	123
Currency influences	10	6
Other movements	0	0
	215-	85
Costs 31 December	796	1,874
Accumulated depreciation 31 December	740-	1,603-
Book value as of 31 December	**56**	**271**

The following depreciation percentages are used:

Depreciation percentages

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

12. Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Recognized deferred tax assets and liabilities

(in thousands of euros)	Assets 2014	Assets 2013	Liabilities 2014	Liabilities 2013	Net 2014	Net 2013
Tax asset / liability related to government grant	59	56	59-	56-	0	0
Tax liability related to convertible loan	0	0	124-	186-	124-	186-
Tax value of loss carryforward recognized	124	186	0	0	124	186
Tax assets/liabilities	**183**	**242**	**183-**	**242-**	**0**	**0**
Netting of tax	183-	242-	183	242	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

(in thousands of euros)	2014	2013
Tax Losses	2,720	4,632

The tax losses expire in the period from 2018 through 2023. 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.

In 2014, € 1,100 thousand of unrecognized deferred tax assets were used to offset a taxable transfer of intangible assets relating to NedGraphics software from the parent company to NedGraphics. This transfer was made as part of the disposal of NedGraphics.

Movement in deferred tax during the year

(in thousands of euros)	Balance 1 Jan. 2014	Recognized in income	Recognized in equity	Balance 31 Dec. 2014
Intangible assets	56	3	0	59
Convertible loans	186-	62	0	124-
Government grant	56-	3-	0	59-
Tax value of loss carryforward utilized	186	62-	0	124
	0	0	0	0

(in thousands of euros)	Balance 1 Jan. 2013	Recognized in income	Recognized in equity	Balance 31 Dec. 2013
Intangible assets	54	2	0	56
Convertible loans	241-	55	0	186-
Government grant	54-	2-	0	56-
Tax value of loss carryforward utilized	241	55-	0	186
	0	0	0	0

13. Inventories

(in thousands of euros)	31 Dec. 2014	31 Dec. 2013
Trade goods	18	13

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 3D software models for 2014 and the small hardware devices through which the NedGraphics software was distributed for 2013.

14. Trade and other receivables

(in thousands of euros)	31 Dec. 2014	31 Dec. 2013
Trade receivables	268	3.688
Work in progress	0	241
Corporate income tax	1	2
Prepaid expenses	75	188
Loans to directors	477	455
Other receivables and accrued income	408	358
	1,229	**4,932**
Non current	0	455
Current	1,229	4,477
	1,229	**4,932**

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 2014 is € 477 thousand. The interest income will be 7.5% of the carrying amount for the coming year.

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

Aging of the trade receivables as of 31 December

(in thousands of euros)		2014			2013	
Number of days outstanding	Gross trade debtors	Impairment	Net trade debtors	Gross trade debtors	Impairment	Net trade debtors
0 - 30 days	241	0	241	2,093	0	2,093
31 - 60 days	0	0	0	1,157	0	1,157
61 - 90 days	4	0	4	95	0	95
> 90 days	84	61-	23	416	73-	343
Total	**329**	**61-**	**268**	**3,761**	**73-**	**3,688**

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

(in thousands of euros)	2014	2013
Balance at 1 January	**73**	**46**
Impairment loss recognized	84	27
Disposal of participations	96-	0
Balance at 31 December	**61**	**73**

15. Cash and cash equivalents

With the exception of the bank guarantees discussed in note 22, the cash and cash equivalents are at the free disposal of the Company.

(in thousands of euros)	31 Dec, 2014	31 Dec, 2013
Bank balances	4,693	941
Cash and cash equivalents	0	1
	4,693	**942**

16. Shareholders' equity capital and reserves

Share capital and share premium

At 31 December 2014, the issued share capital comprised 29,423,232 ordinary shares (2013: 28,596,495) with nominal value € 0.10, which have been fully paid up.

In 2014, 826,737 ordinary shares were issued as a result of share-based payments arising from the 2012 and 2013 share program granted to the board of directors (see Note 24).

4,509,091 warrants, each exercisable at € 0.33 per ordinary share, issued in 2013 remain outstanding.

Regarding the warrants:
- The warrants are exercisable through 18 June 2019.
- Mandatory exercise of the warrants is required if the publicly available market price of the ordinary shares listed on NYSE Euronext Amsterdam is above € 1.00 for a continuous period of 6 months.
- In the event that ordinary shares are split or in case of a stock dividend in the form of ordinary shares or similar transaction, the exercise price of the warrants will be reduced based on the ratio of ordinary shares outstanding before and after the transaction.
- In the event that ordinary shares are consolidated, the exercise price of the warrants will be increased based on the same ratio.
- In the event that the Company issues additional ordinary shares, the warrant owners will be entitled to additional warrants in order to avoid dilution.

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.

17. Earnings per share
The calculation of earnings per share at 31 December 2014 was based on the result attributable to ordinary shareholders of € 3,195 thousand negative (2013: € 1,704 thousand negative) and a weighted average number of ordinary shares outstanding during the year ended 31 December 2014 of 28,682,566 (2013: 25,116,877), calculated as follows:

Weighted average number of ordinary shares

(number of shares)	31 Dec, 2014	31 Dec, 2013
Issued ordinary shares at 1 January	28,596,495	21,081,343
New shares issued (November 2014, June 2013)	826,737	7,515,152
Issued ordinary shares at 31 December	**29,423,232**	**28,596,495**
Issued ordinary shares at 1 January	28,596,495	21,081,343
Effect of shares issued (November 2014, June 2013)	86,071	4,035,534
Weighted average number of ordinary shares	**28,682,566**	**25,116,877**
(in thousands of euros)		
Profit (loss) for the period	3,195-	1,704-
Profit (loss) attributable to ordinary shareholders	**3,195-**	**1,704-**
Earnings per share	**(€ 0.11)**	**(€ 0.07)**

18. Diluted earnings per share

In 2013 and 2014, 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)

(number of shares)	31 Dec, 2014	31 Dec, 2013
Weighted average number of ordinary shares at 31 December	28,682,566	25,116,877
Effect of share-based payments on issue	2,306,631	2,088,197
Effect of convertible notes on issue	7,500,000	7,500,000
Effect of warrants on issue	4,509,091	2,421,320
Antidilusive effect	14,315,722-	12,009,517-
Weighted average number of ordinary shares (diluted) at 31 December	**28,682,566**	**25,116,877**
(in thousands of euros)		
Profit (loss) attributable to ordinary shareholders	3,195-	1,704-
After-tax effect of interest on convertible loans	320	272
Profit (loss) attributable to ordinary shareholders	**2,875-**	**1,432-**
Diluted earnings per share	**(€ 0.10)**	**(€ 0.06)**

19. 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 July of 2014, additional funding of € 152 thousand was obtained through a grant (innovation credit) from the Dutch government for LOFT software development. The total amount of the grant, which has been fully received, is € 1,718 thousand. 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 market interest rate is determined at 12.0% for funds received in 2013 and the part of 2014 prior to the disposal of the NedGraphics operating segment, based on a CCC+ rating (13.75% for funds received in 2012 based on a comparable basket rating between B and CCC).

This implies that the debt value of the face value of € 1,718 thousand is originally reduced to € 1,400 thousand (of which € 126 thousand was recorded in 2014, € 314 thousand was recorded in 2013, and € 960 thousand in 2012), 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 12.0% of the carrying amount for the amounts received in 2013 and July 2014, and 13.75% of the carrying amount for the amounts received in 2012.

In addition to the government grant, there are outstanding convertible loans with a face value of € 3,600 thousand. The coupon on the loans is 4% payable annually over the outstanding amount at year end. The 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 market interest is determined at 13.75%. This implies that fair value of the liability was recognized initially at € 2,468 thousand and the remainder of the value was recognized as equity. The interest charge equals 13.75% of the carrying amount.

Interest-bearing loans and borrowings

(in thousands of euros)	31 Dec, 2014	31 Dec, 2013
Non-current liabilities		
Convertible loans	172	2,855
Government grants	687	1,487
	859	**4,342**
Current liabilities		
Convertible notes	2,931	0
Government grants	996	0
	3,927	**0**
Convertible notes		
Proceeds from issue of convertible notes	3,600	3,600
Transaction costs*	35-	35-
Net proceeds	**3,565**	**3,565**
Amount classified as equity	1,097-	1,097-
Accreted amount	635	387
Carrying amount of liability at 31 December	**3,103**	**2,855**

** All transaction 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 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 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 were renegotiated in 2014 and are as follows:

€ 32 thousand on each of the following dates:
1 October 2014
1 January 2015
1 April 2015
1 July 2015
1 October 2015

€ 175 thousand on each of the following dates:
1 January 2016
1 April 2016
1 July 2016
1 October 2016

€ 310 thousand on each of the following dates:
1 January 2017
1 April 2017
1 July 2017
1 October 2017

Balance of interest on 1 January 2018.

The carrying amount of the grant was reduced by a total of € 153 thousand at year-end to take the revised repayment terms into account.

It is management's intention to repay the convertible loans and government grant ahead of schedule. This intention is reflected in the current vs. non-current amounts. See note 29 for more information.

20. Employee benefits

(in thousands of euros)	31 Dec. 2014	31 Dec. 2013
Liability for long service benefits	55	134
	55	**134**

Movement in the net liability for employee benefits

(in thousands of euros)	31 Dec. 2014	31 Dec. 2013
Net liability for employee benefits at 1 January	134	119
Disposal of participations	78-	0
Expense recognized in the income statement	1-	15
Net liability for employee benefits at 31 December	**55**	**134**

21. Trade and other payables

(in thousands of euros)	31 Dec. 2014	31 Dec. 2013
Trade creditors	336	493
Tax and social security charges	135	365
Accrued staff expenses	63	673
Accrued sales expenses	30	30
Other debts and accruals	267	580
	831	**2,141**

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

22. Off-balance sheet commitments

Bank guarantees

As of 31 December 2014, bank guarantees were issued to third parties in the amount of € 45 thousand (year-end 2013: € 45 thousand).

Contingent Liabilities

On 24 April 2013 the company entered into a subscription agreement with the new investor Nantahala in relation to the investment in new shares by Nantahala. The subscription agreement also contains certain new remuneration arrangements which were conditional to the investment by Nantahala. The arrangements have been approved by General Meeting in June 2013. One of the new remuneration arrangements was that the Investors agreed that the loans of Management members with the company shall be written-off. The Supervisory board however has postponed a final decision as it seeks to minimize tax consequences of this write-off for both the company and Management Board members personally. The postponement by the Supervisory board has resulted in the postponement of charges to the amount of € 300 thousand as of 31 December 2014, excluding interest and taxes (€ 200 thousand as of 31 December 2013).

The buyer of NedGraphics issued a claim to an amount of some € 800 thousand after the transaction in relation to alleged non-compliance with foreign tax regulations. Management disagrees with this claim and assesses it as unlikely that this claim will result in cash outflows in the future and as such has not provided for it.

Operating leases

Non-cancellable operating lease rentals are payable as follows:

(in thousands of euros)	31 Dec. 2014	31 Dec. 2013
Less than one year	125	660
Between one and five years	172	1.509
More than five years	0	172
	297	**2,341**

23. 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 was significant concentration of credit risk. The three largest clients represent 62 percent of the accounts receivable balance as of 31 December 2014. 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 € 4,693 thousand at 31 December 2014 (2013: € 942 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 2014, one external guarantee was outstanding of € 45 thousand (2013: € 45 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. See note 29 for additional information.

31 December 2014 *(in thousands of euros)*	**Carrying amount**	**Contractual cash flows**	**6 months or less**	**6 - 12 months**	**1 - 2 years**	**2 - 5 years**
Non-derivative financial liabilties						
Convertible loans	3,103	3,840-	0	144-	3,696-	0
Government grants	1,683	2,171-	32-	64-	700-	1,375-
Trade and other payables	831	831-	831-	0	0	0
	5,617	**6,842-**	**863-**	**208-**	**4,396-**	**1,375-**

31 December 2013 *(in thousands of euros)*	**Carrying amount**	**Contractual cash flows**	**6 months or less**	**6 - 12 months**	**1 - 2 years**	**2 - 5 years**
Non-derivative financial liabilties						
Convertible loans	2,855	3,984-	0	144-	144-	3,696-
Government grants	1,487	1,978-	0	0	522-	1,456-
Trade and other payables	2,141	2,141-	2,141-	0	0	0
	6,483	**8,103-**	**2,141-**	**144-**	**666-**	**5,152-**

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:

(in thousands of euros)	euro	USD	GBP	RON	euro	USD	GBP	RON
	31 December 2014				31 December 2013			
Trade receivables	79	188	0	0	1,702	1,899	88	0
Convertible loans	3,103-	0	0	0	2,855-	0	0	0
Government grants	1,683-	0	0	0	1,487-	0	0	0
Trade payables	336-	0	0	0	420-	47-	26-	0
Gross statement of financial position exposure	5,043-	188	0	0	3,060-	1,852	62	0
Next month's forecast sales	8	11	0	0	280	187	28	0
Next month's forecast purchases	81-	13-	0	0	255-	57-	4-	9-
Gross exposure	73-	2-	0	0	25	130	24	9-
Net exposure	**5,116-**	**186**	**0**	**0**	**3,035-**	**1,982**	**86**	**9-**

The following significant exchange rates applied during the year.

	Average rate		Reporting date spot rate	
euro	2014	2013	2014	2013
USD 1	0.753	0.753	0.823	0.726
GBP 1	1.241	1.179	1.283	1.202
RON/000 1	0.225	0.226	0.223	0.224

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 2013.

	Strengthening		Weakening	
Effect in thousands of euros	Equity	Profit or loss	Equity	Profit or loss
31 December 2014				
USD (20% movement)	15	6-	36-	6
GBP (10% movement)	0	3-	0	3
RON (5% movement)	0	0	0	0
31 December 2013				
USD (10% movement)	47-	115-	47	115
GBP (8% movement)	31-	7-	31	7
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 36.8% to 36.4%, and the liquidity ratio decreased from 2.5 to 1.2.

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. 2014	31 Dec. 2013
Trade and other receivables	1,229	4,932
Cash and cash equivalents	4,693	942
Interest-bearing loans and borrowings	4,786-	4,342-
Trade and other payables	831-	2,141-

24. Share-based payment

Description of the share-based payment arrangements

At 31 December 2014 the Group has the following share-based payment arrangements:

Share option program (equity settled)

Option plans: input fair values

	C4	C4-1	C4-2	D2	D3
options granted as % of shares	2.5%	-	-	3%	2.5%
fair value at grant date	0.3228	0.1848	0.1952	0.2853	0.2397
share price at grant date	0.37	0.32	0.32	0.45	0.38
exercise price	0.40	0.40	0.40	0.44	0.36
expected volatility	83%	86%	86%	86%	87%
expected life (years)	3	4	4.5	4	4
expected dividends	0	0	0	0	0
risk free interest rate	0.52%	1.26%	1.41%	2.30%	0.55%
weighted average granting %	-	-	-	24%	17%

Option costs

(costs in euros)		2013		2014
Plan	**issued**	**costs**	**issued**	**costs**
C1		0		0
C2		0		0
C3		0		0
C4		0		0
C4 employee		0		0
D1		6,040		0
D2		6,561		3,280
D3	15,000-	6,767	7,500-	6,616
total		**19,368**		**9,896**

Options

(price in euros)	2014	2013	2014	2013
	nr of options		Weighted average exercise price	
outstanding 1 January	**1,372,253**	**1,387,253**	**0.41**	**0.40**
exercised	0	0	0	0
forfeited	7,500-	15,000-	0.36	0.36
expired	264,941-	0	0.46	0
granted	0	0	0	0
outstanding 31 December	**1,099,812**	**1,372,253**	**0.39**	**0.41**
exercisable	1,099,812	573,225	0.39	0.43

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.

The fair value of the options has been determined on grant date. No options have been granted in 2014. Total costs related to this plan in 2014 amount to € 10 thousand.

Share program (equity settled)

Share program: input fair values

	F1
Fair value at grant date (average)	0.0204
share price at grant date	0.25
expected volatility	72%
expected time to maturity (years. average)	30
expected dividends	0
risk free interest rate	2.05%
weighted average granting % (average)	8.15%

Share program costs

(costs in euros)

	2012	2013		2014		2015
Plan	**issued**	**issued**	**costs**	**(exp,) issue**	**costs**	**(exp,) issue**
E1	684,384		68,880		68,880	
E2		142,353	10,344		8,525-	
E3			38,823	489,331	17,342-	
E4			31,869		31,869	1,112,125
F1		200,000	4,074		0	
total			**153,990**		**74,882**	

Share program shares

	2014 nr of shares	2013
outstanding 1 January	**2,341,873**	**2,141,873**
granted (expected)	286,320	200,000
outstanding 31 December	**2,628,193**	**2,341,873**
vested	684,384	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 for the CEO and 80% of fixed salary for the COO. 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, 50% of the potential variable remuneration of Plan E available for 2012 was approved at the Annual General Meeting (AGM) of Shareholders in June 2013. The number of shares to be issued for 2012 is determined based on the average stock price 15 days before and 15 days after the 2013 AGM, and accordingly 684,384 shares were issued in 2014.

For 2013, 12% of the potential variable remuneration of Plan E available for 2013 was approved at the Annual General Meeting (AGM) of Shareholders in June 2014. The number of shares to be issued for 2013 is determined based on the average stock price 15 days before and 15 days after the 2014 AGM, and accordingly 142,353 shares were issued in 2014.

For 2014, it is expected that 22% of the potential variable remuneration of Plan E available for 2014 will be issued in the form of shares and approved at the Annual General Meeting of Shareholders in June 2015. For the purpose of calculating the costs associated with the new plan, an expectation of 50% has been applied to 2015.

Further for 2013, 200,000 shares have been provisionally granted 1 August 2013 (valuation date) under Plan F to key personnel. The shares will be permanently granted subject to the following criteria:

- 50% of the shares if stock price at € 0.46 or higher for a continuous period of 6 months,
- 50% of the shares if stock price at € 0.80 or higher for a continuous period of 6 months,
- If performance of key personnel is in line with expectations, at the discretion of the Executive Board,
- The employee agreement is not terminated at the request of the employee before January 1, 2016.

To calculate the fair value of the Plan F shares, and due to the provisional nature of the grant, the binomial model is used to determine the weighted average granting percentage. The most important assumptions used in the model are: historical stock prices, valuation date (grant date), share price, granting criteria, time to maturity, risk-free interest rate (based on government bonds), volatility (based on an evaluation of the company's historic volatility), and weighted average granting percentage.

The time to maturity lasts from the moment the share plan is issued (1 August 2013) until the expected retirement date of the employee.

The volatility represents the expected movements of the price of the share during the time to maturity. The expected movements during the time to maturity are based on movements in a past period. For shares provisionally granted in 2013, the period of 1 August 2009 through 1 August 2013 was used.

The fair value of services received in return for shares granted is based on the fair value of shares granted. Total costs related to this plan in 2014 amount to € 75 thousand.

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 14). In addition, interest receivable related to this loan in the amount of € 41 thousand is included in the current portion of other receivables.

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 approximately 6% of the voting shares of the Company. Supervisory board members of the Company control no voting shares of the Company.

26. Cash flow from operating activities

The cash flow from operating activities amounted to € 498 thousand positive (2013: € 245 thousand positive).

27. Cash flow from investment activities

The cash flow from investment activities was € 3,148 thousand positive (2013: € 2,610 thousand negative). The investments in tangible and intangible fixed assets amounted to € 67 thousand (2013: € 210 thousand) and € 2,073 thousand (2013: € 2,485 thousand) respectively. The investments in intangible fixed assets relate to software development. The cash flow from disposal of discontinued operations in 2014 is from disposal of the NedGraphics operating segment.

28. Cash flow from financing activities

The cash flow from financing activities amounted to € 88 thousand (2013: € 2,506 thousand).

29. Subsequent events

Early repayment of debt

At the end of the first quarter of 2015, management has negotiated early repayment of the convertible loans and government grant.

As a result of these negotiations, 50% or € 1,700 thousand of € 3,400 thousand of the convertible loans was repaid in March 2015. The remaining € 1,700 thousand of these convertible loans will be repaid by 31 December 2015 at the latest, subject to a call option by a third party. If the call option is exercised, this additional € 1,700 thousand payment will not be due until 31 August 2016. Negotiations regarding € 200 thousand of the convertible loans are ongoing.

€ 900 thousand of the government grant was repaid in April 2015. Repayment terms of the innovation credit are renegotiated as follows:

€ 32 thousand on each of the following dates:
1 October 2014
1 January 2015
1 April 2015
1 July 2015
1 October 2015

€ 175 thousand on each of the following dates:
1 January 2016
1 April 2016
1 July 2016
1 October 2016

€ 310 thousand on 1 January 2017

Balance of interest on 1 April 2017

As the carrying value of the notes is lower than the nominal value, the early repayments will result in an additional charge of some € 300 thousand in 2015. This charge will partly have to be recorded as finance expense and partly as reversal of the equity component related to the conversion option.

Bond issue
Two existing shareholders of the Company, Nantahala and Bertoia, have agreed to invest € 800 thousand of additional capital in the Company. The investment will be structured as a subordinate bond that pays no interest, is due in June 2020, and is convertible to equity at a price of € 0.16 per bond. The bond is subject to approval at the general meeting of shareholders in June 2015. The Company's major shareholders, representing approximately 59% of the issued share capital, have already confirmed that they will vote in favor of the investment.

Company balance sheet as of 31 December

before appropriation of result

(in thousands of euros)	**Notes**	**31 Dec. 2014**	**31 Dec. 2013**
Assets			
Property, plant, and equipment	33	15	15
Intangible assets	32	0	3,579
Financial fixed assets	34	9	10,420
Total non-current assets		**24**	**14,014**
Other receivables	35	4,163	3,272
Cash and cash equivalents		4,459	60
Total current assets		**8,622**	**3,332**
Total assets		**8,646**	**17,346**
Equity			
Issued capital		2,942	2,860
Share premium		37,565	37,565
Legal reserves		3,070	6,905
Translation reserves		7-	126-
Accumulated deficit		40,268-	40,911-
Total equity	**39**	**3,302**	**6,293**
Liabilities			
Interest-bearing loans and borrowings	37	859	4,342
Provisions	38	0	372
Employee benefits		23	23
Total non-current liabilities		**882**	**4,737**
Interest-bearing loans and borrowings	37	3,927	0
Trade and other payables	36	535	6,316
Total current liabilities		**4,462**	**6,316**
Total liabilities		**5,344**	**11,053**
Total equity and liabilities		**8,646**	**17,346**

Company profit and loss account

(in thousands of euros)	*2014*	**2013**
Company result	2,958-	3,080-
Result from participating interests	237-	1,376
Net result	**3,195-**	**1,704-**

The notes on page 114 to page 121 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 2014 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 net asset value. 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 assets

Movements were as follows:

(in thousands of euros)	**Goodwill**	**Costs of software development**	**Total 2014**	**Total 2013**
Costs 1 January	16,779	2,000	18,779	18,779
Accumulated amortization 1 January	13,200-	2,000-	15,200-	15,200-
Book value as of 1 January	**3,579**	**0**	**3,579**	**3,579**
Changes:				
Disposals	16,779-	2,000-	18,779-	0
Amortization on disposals	13,200	2,000	15,200	0
	3,579-	0	3,579-	0
Costs 31 December	0	0	0	18,779
Accumulated amortization 31 December	0	0	0	15,200-
Book value as of 31 December	**0**	**0**	**0**	**3,579**

33. Property, plant and equipment

Movements were as follows:

(in thousands of euros)	**2014**	**2013**
Costs 1 January	695	681
Accumulated depreciation 1 January	680-	678-
Book value as of 1 January	**15**	**3**
Changes:		
Investments	5	14
Disposals	0	0
Depreciation	5-	2-
Depreciation on disposals	0	0
	0	**12**
Costs 31 December	700	695
Accumulated depreciation 31 December	685-	680-
Book value as of 31 December	**15**	**15**

The following depreciation percentages are used:

Depreciation percentages

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

34. Financial fixed assets

(in thousands of euros)	31 Dec. 2014	31 Dec. 2013
Participations in group companies	9	9,965
Granted loans to Directors	0	455
	9	**10,420**
Movements in participations:		
Net asset value as of 1 January	**9,965**	**8,755**
Capital injections	37	0
Sale/divestment of group companies	8,055-	0
Dividends received	2,715-	0
Result from participations	237-	1,376
Exchange rate differences	122	10-
Change in provisions for negative net asset value	892	156-
Net asset value as of 31 December	**9**	**9,965**

35. Other receivables

(in thousands of euros)	31 Dec. 2014	31 Dec. 2013
Receivables from group companies	3,323	3,131
Granted loans to Directors	477	0
Other accounts receivable, prepayments and accrued income	363	141
	4,163	**3,272**

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 2014 is € 477 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.

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. Trade and other payables

(in thousands of euros)	31 Dec. 2014	31 Dec. 2013
Short term portion of loans	3,927	0
Trade creditors	164	113
Debts to group companies	0	6,059
Taxation and social security charges	114	29
Other debts, accruals and deferred income	257	115
	4,462	**6,316**

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

As of 31 December 2014, the Company had no current account credit facilities (2013: none).

37. Loans and borrowings

(in thousands of euros)	31 Dec. 2014	31 Dec. 2013
Convertible notes	172	2,855
Government grants	687	1,487
	859	**4,342**

For more details on this matter we refer to note 19 of the notes to the consolidated financial statements.

38. Provisions

(in thousands of euros)	31 Dec. 2014	31 Dec. 2013
Provision for negative equity group companies	0	372
	0	**372**

39. Shareholders' equity

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

Shareholders' equity capital and reserves

(in thousands of euros)	Notes	Attributable to equity holders of the Company					
		Share capital	**Share premium**	**Translation reserve**	**Accumulated deficit**	**Other legal reserves**	**Total equity**
Balance at 1 January 2013		2,108	36,167	116-	39,015-	6,540	5,684
Total comprehensive income (loss) for the period							
Profit or (loss)		0	0	0	1,704-	0	1,704-
Other comprehensive income – Items that are or may be reclassified to profit or loss							
Foreign currency translation differences		0	0	10-	0	0	10-
Total other comprehensive income		0	0	10-	0	0	10-
Total comprehensive income (loss) for the period		0	0	10-	1,704-	0	1,714-
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Issue of new shares (net of transaction costs)		752	1,398	0		0	2,150
Share-based payments	25	0	0	0	173	0	173
Total contributions by and distributions to owners		752	1,398	0	173	0	2,323
Total transactions with owners		752	1,398	0	173	0	2,323
Transfer to other reserves		0	0	0	365-	365	0
Balance at 31 December 2013		2,860	37,565	126-	40,911-	6,905	6,293
Balance at 1 January 2014		2,860	37,565	126-	40,911-	6,905	6,293
Total comprehensive income (loss) for the period							
Profit or (loss)		0	0	0	3,195-	0	3,195-
Other comprehensive income – Items that are or may be reclassified to profit or loss							
Foreign currency translation differences		0	0	119	0	0	119
Total other comprehensive income		0	0	119	0	0	119
Total comprehensive income (loss) for the period		0	0	119	3,195-	0	3,076-
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Share-based payments	25	82	0	0	3	0	85
Total contributions by and distributions to owners		82	0	0	3	0	85
Total transactions with owners		82	0	0	3	0	85
Transfer to other reserves		0	0	0	3,835	3,835-	0
Balance at 31 December 2014		2,942	37,565	7-	40,268-	3,070	3,302

The notes are an integral part of these company financial statements

The authorized share capital consists of 70,000,000 ordinary shares and 35,000,000 preference shares of € 0.10 nominal value per share, representing an authorized share capital of € 10.5 million. On 31 December 2014 29,423,232 ordinary shares (2013: 28,596,495) 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 € 3,071 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 € 187 thousand (year-end 2013: € 564 thousand). The average remaining term of the lease agreements is approximately 3 years.

The Company heads a fiscal unity for corporate income tax purposes, to which all the Dutch wholly-owned subsidiaries at year-end 2014 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 2014, the company had an average of 2 staff members (2013: 2 staff members).

43. Remuneration of the Supervisory Board and Board of Directors

The remuneration in 2014 of managing directors and supervisory directors was as follows:

	Gross compensation		Charges share based payment plans		Pension expenses		Crisis levy	
(in euros)	2014	2013	2014	2013	2014	2013	2014	2013
Supervisory Board								
Macky McCleary	24,000	12,000	0	0	0	0	0	0
Richard Louwers	20,800	19,000	0	0	0	0	0	0
Chris Jansen	0	10,733	0	0	0	0	0	0
	44,800	**41,733**	**0**	**0**	**0**	**0**	**0**	**0**
Board of Directors								
Pieter Aarts	205,000	205,000	46,944	93,754	40,000	40,000	15,851	15,852
Jan-Hein Pullens	188,600	188,600	35,556	70,956	30,400	30,400	7,449	7,448
	393,600	**393,600**	**82,500**	**164,710**	**70,400**	**70,400**	**23,300**	**23,300**

Gross compensation is exclusive of bonuses, social security charges, pension expenses, and crisis levy, Please see note 25 for information regarding share based payments, and for information regarding share based payments provided to the Board of Directors,

Outstanding options, Board of Directors	C4		D1		D2		D3		Total	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Pieter Aarts	91,642	91,642	0	132,471	128,720	128,720	178,294	178,294	398,656	531,127
Jan-Hein Pullens	91,642	91,642	0	132,470	128,720	128,720	178,294	178,294	398,656	531,126
	183,284	**183,284**	**0**	**264,941**	**257,440**	**257,440**	**356,588**	**356,588**	**797,312**	**1,062,253**

See note 24 for more information regarding these options

44. Audit fees

(in thousands of euros)	2014	2013
Audit fees		
Audit by KPMG the Netherlands	88	92
Audit related services by KPMG the Netherlands	4	0
Audit by foreign KPMG offices	0	19
Tax services	0	52
Total	**92**	**163**

Vianen, April 22, 2015

The Board of Directors
Pieter Aarts
Jan-Hein Pullens

The Supervisory Board
Macky McCleary, 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 2014

Our opinion

In our opinion:

- the consolidated financial statements as set out on pages 50 – 112 give a true and fair view of the financial position of NedSense enterprises N.V. as at December 31, 2014, and of its result and its cash flows for 2014 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of The Netherlands Civil Code.
- the company financial statements as set out on pages 113 – 121 give a true and fair view of the financial position of NedSense enterprises N.V. as of December 31, 2014, and of its result for 2014 in accordance with Part 9 of Book 2 of The Netherlands Civil Code.

What we have audited

We have audited the financial statements 2014 of NedSense enterprises N.V. (the Company), based in Vianen, The Netherlands. The financial statements include the consolidated financial statements and the company financial statements.

The consolidated financial statements comprise:

- the consolidated statement of financial position as at December 31, 2014;
- the following consolidated statements for 2014: the statements of comprehensive income, changes in equity and cash flows; and
- the notes comprising a summary of the accounting policies and other explanatory information.

The company financial statements comprise:

- the company balance sheet as of December 31, 2014;
- the company profit and loss account for 2014; and
- the notes comprising a summary of the accounting policies and other explanatory information.

Material uncertainties related to going concern assumption

We draw attention to note 2 to the consolidated financial statements which indicates the existence of material uncertainties which may cast significant doubt about the entity's ability as a going concern. Our opinion is not qualified in respect of this matter.

For our audit of the going concern assumption as disclosed in note 2 to the consolidated financial statements we evaluated and tested the assumptions and data used by the Company, for example by comparing them to the agreements made in 2015 in relation to the re-payments to be performed to the holders of the convertible loans, as well as to agreements made with the Dutch government in relation to the innovation credit. We also compared management's assumptions with the agreements made for the new convertible loans that will be provided by Nantahala and Bertoia in 2015, after shareholder approval is obtained.

In relation to the going concern assumption we noted that after the divestment of the Nedgraphics activities the Company solely has activities that are in an introduction phase. The Company plans to realize significant improvement in revenue, amongst others as a result of the roll-out the "rooomy" LOFT application in 2015 and 2016. This will require significant investments in 2015 and 2016, and further financing will have to be obtained. We noted a risk that no new financing will be obtained or that the increase in revenues in 2015 and 2016 do not occur at the forecasted pace or that the required investments are higher than expected. Discussions about additional financing are currently ongoing and options are available to mitigate pressure on the liquidity, but we note that a material uncertainty remains.

The basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the financial statements" section of our report.

We are independent of NedSense enterprise N.V. in accordance with the "Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO)" and other relevant independence requirements in The Netherlands. Furthermore, we have complied with the "Verordening gedrags- en beroepsregels accountants (VGBA)".

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

Materiality

Misstatements can arise from fraud or errors and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

Based on our professional judgment we determined the materiality for the financial statements as a whole at EUR 100.000, with reference to a benchmark of profit before tax from continuing operations, of which it represents 3%. We consider this benchmark to be the most relevant benchmark given the nature and business of the Company. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for qualitative reasons for the users of the financial statements.

We communicated to the Supervisory Board that uncorrected misstatements in excess of EUR 5.000, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

The scope of our group audit

The consolidated financial statements comprise the Company and 4 subsidiaries (together referred to as the 'Group' and individually as 'Group entities'). All 5 entities have been audited by the Group audit team. This resulted in a coverage of 100 percent of the consolidated assets and consolidated revenues from continuing operations.

By performing audit procedures at all 5 Group entities, we have been able to obtain sufficient and appropriate audit evidence about the Group's financial information to provide an opinion about the (consolidated) financial statements.

Key audit matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the Supervisory Board. The key audit matters are not a comprehensive reflection of all matters discussed.
These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of capitalized costs in relation to software development
Capitalized costs in relation to the development of the LOFT software represent 34% of the total assets. As explained in note 2 and note 10 these costs are capitalized as they meet the applicable criteria, including the assessment of recoverability, and are amortized over a period of 5 years. The current negative results of the Company are a trigger for testing of impairment. As part of the impairment test performed, management assessed the fair value less cost to dispose of the capitalized LOFT software. Procedures over management's impairment test were significant to our audit because the assessment process is complex and imposes estimates.
The Company uses assumptions in respect of future market- and economic conditions. We assessed and tested the assumptions, the discount rate, methodologies and data used by the Group, for example by comparing them to external data such as the current market capitalization of the Company, as well as external data of a peer group for the determination of the discount rate, and by analysing sensitivities in the Company's valuation model.
We included in our team a valuation expert to assist us with the audit of management's impairment test. We specifically focused on the sensitivity in the available headroom, where a reasonably possible change in assumptions could cause the carrying amount to exceed its recoverable amount. We also assessed the historical accuracy of management's estimates. We evaluated the adequacy of the Company's disclosures included in note 10 about those assumptions to which the outcome of the impairment test is most sensitive.

We observed that most of the future cash flows are related to the new strategy of the Company to roll out the new "rooomy" LOFT application in 2015 and 2016. As the launch of the new "rooomy" LOFT application is planned for April 2015, the available data to challenge these future cash flows is limited. We observed that the results of the impairment test by management, as well as the valuation based on the market capitalization of the Company indicate that headroom exists and that no impairment has to be recorded.

Discontinued operations
The Group divested its Nedgraphics activities during the course of 2014. The transaction resulted in a loss as disclosed in note 6. There is currently disagreement between the Company and the buyer of the Nedgraphics activities. As the Company and the buyer cannot agree, the matter might result into arbitration whereby an independent expert will determine the final amount to be received. Furthermore, as disclosed in note 22, the buyer has issued a claim after the transaction in relation to alleged non-compliance with foreign tax regulations. The dispute and the claim represent a significant uncertainty in relation to the final proceeds to be received by the Company.

We have performed procedures to verify managements' assertions in relation to the likelihood of obtaining the last estimated payment, which might be based on the determination of the independent expert as part of the arbitration. We read the correspondence and legal documents related to the dispute regarding the final payment and claimed amounts by the buyer to challenge management's assumptions and information included in note 6 and note 22. We corroborated the expected total proceeds with supporting evidence such as the sale contract and confirmation of receipts of cash already received. Furthermore, we assessed the adequacy of the disclosures of the existing uncertainties in note 6 and note 22 and verified that these are sufficient.

Share based payments
The Company has awarded share based payments to management and other staff. Management has performed calculations to record the related costs, also with the help of an external expert for the existing option plan. Procedures over management's calculations related to share based payments were significant to our audit because the assessment process is complex and imposes estimates.
The Company uses assumptions in respect of future market- and economic conditions. We determined that the Company uses the binomial model for the equity settled share program and we assessed and tested the most important assumptions used in this model, being historical stock prices, grant date, share price, granting criteria, time to maturity, interest rate, volatility and average granting percentage. We also determined whether the disclosure in note 24 is adequate and observed that the calculations and disclosures are in accordance with the applicable accounting standards.

Responsibilities of management and the Supervisory Board for the financial statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and 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 management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to errors or fraud. As part of the preparation of the financial statements, management is responsible for assessing the Company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. Management should disclose events and circumstances that may cast significant doubt on the Company's ability to continue as a going concern in the financial statements.
The Supervisory Board is responsible for overseeing the Company's financial reporting process.

Our responsibilities for the audit of the financial statements
Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all errors and fraud. We have exercised professional judgment and have maintained professional scepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to errors or fraud, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from errors, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company ceasing to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

We provide the Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
From the matters communicated with the Supervisory Board, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not mentioning it is in the public interest.

Report on other legal and regulatory requirements

Our report on the management board report and the other information
Pursuant to legal requirements of Part 9 of Book 2 of the Netherlands Civil Code (concerning our obligation to report about the Report of the Board of Directors and other information):

- We have no deficiencies to report as a result of our examination whether the Report of the Board of Directors, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of the Netherlands Civil Code, and whether the information as required by Part 9 of Book 2 of the Netherlands Civil Code has been annexed.
- We report that the Report of the Board of Directors, to the extent we can assess, is consistent with the financial statements.

Our engagement
We were appointed as external auditor of the Company before 2008 and were re-appointed as external auditor of NedSense enterprises N.V. for the last time for the year 2014 at the General Meeting of Shareholders at 11 June 2014.

Rotterdam, 22 April 2015
KPMG Accountants NV

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 2014

The unallocated current year's result amounting to € 3,195 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 +31 347 760 011	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 +31 347 760 011	P.A.J.J. Aarts H.J.J. Pullens
NedSense LOFT B.V.	the Netherlands (Amsterdam)	Ertskade 107 1019 BB Amsterdam telephone +31 347 760 014 fax +31 347 760 015	NedSense enterprises b.v.
LOFT Inc.	USA (San Jose)	99 S. Almaden Blvd. Suite 640 San Jose, CA 95113 telephone +1 917 623 3572	P.A.J.J. Aarts H.J.J. Pullens

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