Technology is a Service

Annual Report 2014

CONNECT GROUP
INTEGRATED SUBCONTRACTORS

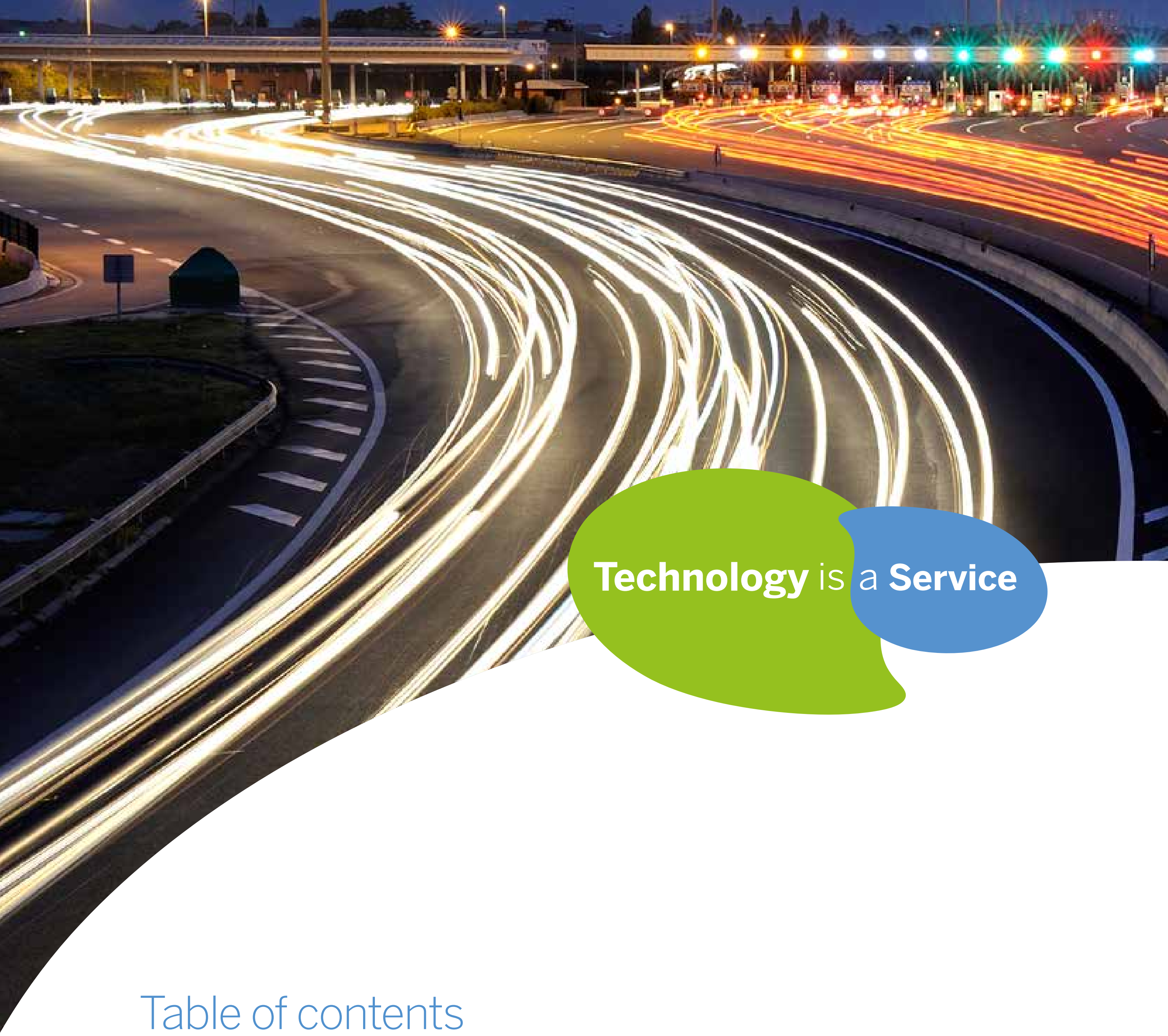
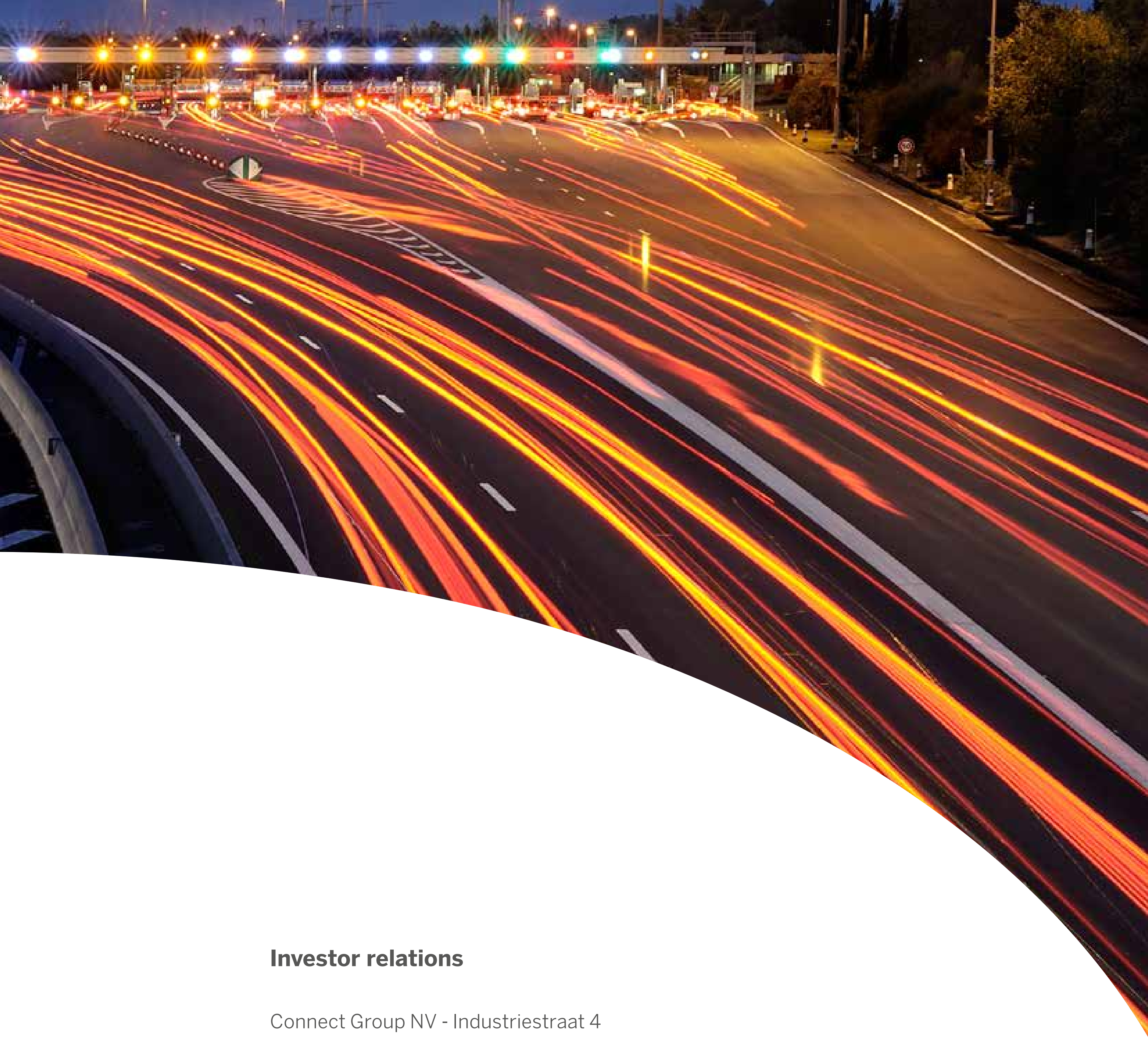


Table of contents



Investor relations

Connect Group NV - Industriestraat 4
1910 Kampenhout - Belgium
Tel: + 32 (0)16 61 89 20 - Fax: +32 (0)16 61 78 82
www.connectgroup.com
e-mail: ir@connectgroup.com

Hugo Ciroux, CFO, Connect Group NV

Business profile

Connect Group is a leading certified supplier of technology, production systems, printed circuit boards and cable assembly services to Europe's industrial markets. Connect Group develops products to User Requirement Specifications from the concept stage onwards with optimal production, price and quality results. Connect Group NV has its operational headquarters in Kampenhout, Belgium. Connect Group has production facilities in Belgium, the Netherlands, Germany, the Czech Republic and Romania, and serves its customers from sales offices in Belgium, the Netherlands, Germany, the Czech Republic and Romania.

The company was founded in 1992 and its shares have been traded on Euronext Brussels since 2000.

Connect Group in Europe

Being
where our
clients need us

Connect Group provides total EMS (Electronic Manufacturing Services) solutions for the industrial markets. Its activities divide into four main pillars – technology, module building, PCB assembly, cable assembly – with interaction between the pillars offering a unique range of possibilities.

Connect Group customers come from different industrial markets, ranging from automotive, semiconductor to healthcare.

Added value

Connect Group accompanies customers through the entire product lifecycle, from the development and concept stage onwards to production to logistics support. Delivery of added value is central to this process. Our companies in the Western European countries serve as competence centers, closely linked to customers, both product-wise and geographically. Our production volume is mainly allocated to the Czech Republic and Romanian plants.

This geographical spread gives customers confidence in the proximity of Western European factories, giving support during the startup phase in which engineering support and prototype development feature large, and the Eastern European factories at the production phase, offering advantageous pricing and sufficient capacity to guarantee continuity.

Keyfigures

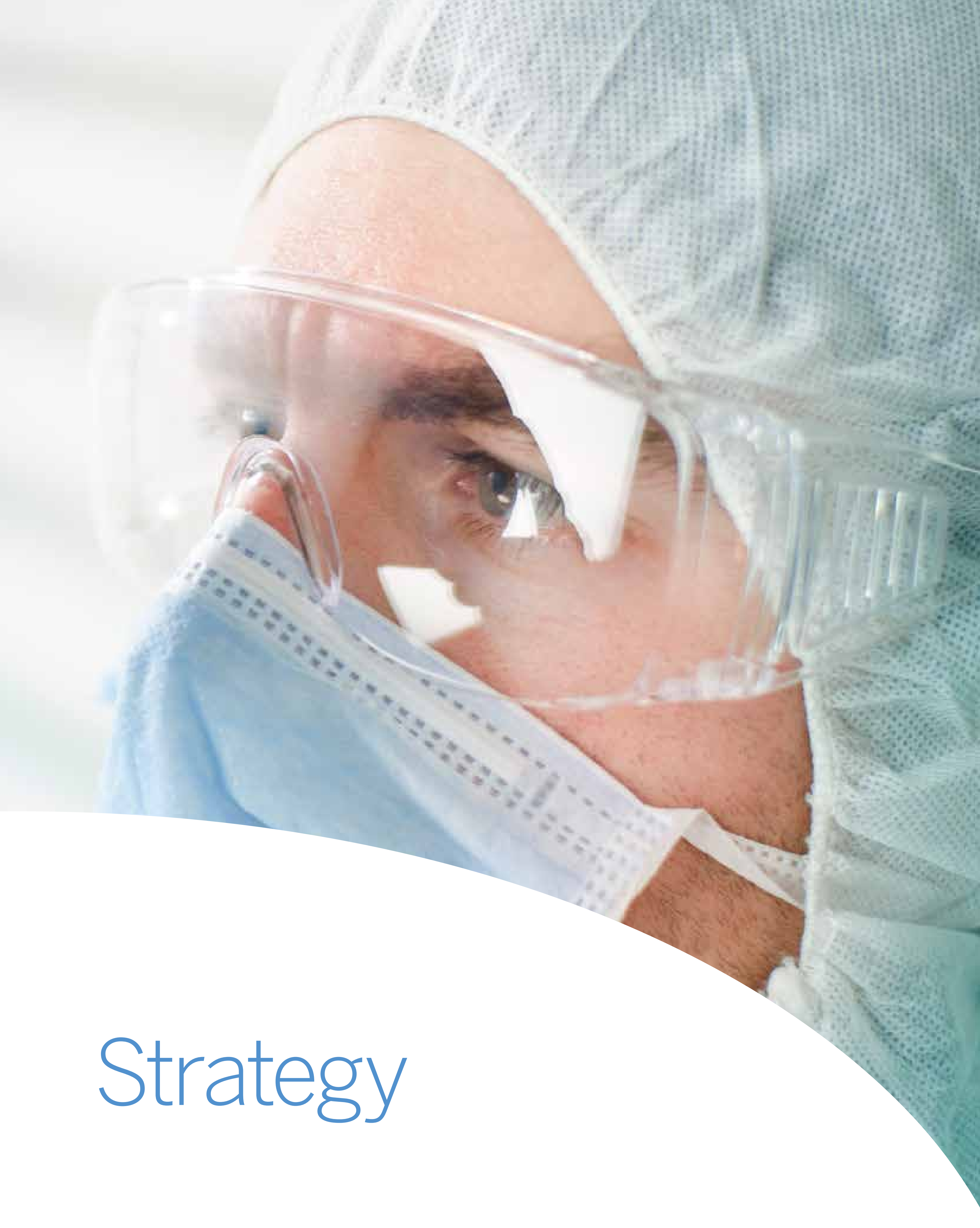
ANNUAL RESULTS CONNECT GROUP FOR THE 12 MONTH PERIOD ENDING 31 DECEMBER (IN 000 EUR)

	2014	%	2013	%	2012	%
Sales	120,984	100.0	124,988	100.0	141,638	100
Cost of sales	(106,969)	(88.4)	(110,058)	(88.1)	(125,421)	(88.5)
Gross profit	14,015	11.6	14,930	11.9	16,217	11.5
Research and development, general and administrative, selling and other expenses / (income), restructuring expenses	(17,651)	(14.6)	(14,259)	(11,4)	(14,759)	(10.4)
Operating profit/(loss) continuing operations before goodwill impairment	(3,636)	(3.0)	671	0.5	1,458	1.1
Goodwill impairment	-	-	-	-	(1,633)	(1.2)
Operating profit/(loss) continuing operations	**(3,636)**	**(3.0)**	**671**	**0.5**	**(175)**	**(0.1)**
Financial income / (charges)	(985)	(0.8)	(581)	(0.5)	(1,291)	-
Taxes	(25)	-	(8)	-	-	-
Profit / (loss) for the year from continuing operations	(4,646)	(3.8)	82	0.1	(1,466)	(1.0)
Profit / (loss) from discontinued operations	-	-	-	-	4,500	3.2
Profit / (loss) for the year	**(4,646)**	**(3.8)**	**82**	**0.1**	**3,034**	**2.1**
Atrributable to:						
Equity holders of the parent	(4,646)	**(3.8)**	82	0.1	3,034	2.1
Minority interest	-		-		-	
Earnings per share						
Basic earnings / (loss) per share continuing operations	(0.45)		0.01		(0.14)	
Basic earnings / (loss) per share from continuing plus discontinued operations	(0.45)		0.01		0.29	

BALANCE SHEET CONNECT GROUP AT 31 DECEMBER (IN 000 EUR)

	2014	2013	2012
Assets			
Current assets:			
Cash and cash equivalents	209	263	1,089
Trade receivables	17,191	18,577	18,785
Other receivables	1,147	865	906
Inventories	31,617	32,964	33.525
Other current assets	2	1	100
Total current assets	**50,166**	**52,670**	**54,405**
Non-current assets:			
Other receivables	394	800	-
Deferred tax assets	1,500	1,500	1.500
Property, plant and equipment	10,478	9,429	9,868
Intangible assets	443	595	909
Goodwill	4,549	4,549	4,549
Total non-current assets	**17,364**	**16,873**	**16,826**
Total assets	**67,530**	**69,543**	**71,231**

	2014	2013	2012
Liabilities and equity			
Current liabilities:			
Bank loans and overdrafts	17,668	13,101	13,201
Current portion of long-term debt	2,740	2,245	2,264
Trade payables	14,282	18,662	16,210
Accrued expenses, payroll and related taxes and deferred income	5,587	5,840	6,634
Provisions	4,117	304	327
Other current liabilities	747	522	904
Total current liabilities	**45,141**	**40,674**	**39,540**
Non-current liabilities:			
Long-term debt less current portion	741	2,575	5,478
Total non-current liabilities	**741**	**2,575**	**5,478**
Equity attributable to equity holders of the parent	**21,648**	**26,294**	**26,213**
Total liabilities and equity	**67,530**	**69,543**	**71,231**



Strategy

Our **mission**

Connect Group is a technology company with manufacturing services and tailored solutions for the challenges encountered during the complete life cycle of products. In the area of technical knowledge and skills, effective and efficient production, and new developments and "cross-fertilisation", Connect Group provides its added value.

Connect Group is committed to long-lasting relationships with its customers, suppliers and employees. This translates into development opportunities for employees, reliability for customers and suppliers and long-term value creation for its customers.

Contributing to a **better, healthier and safer world**

“To continuously improve the success of our customers in the high-end markets throughout Europe by supplying the **best Technology Services over the entire lifecyle of their products”.**

The **mission** that Connect Group stands for:

- Create sustainable growth
- Evolve from subcontracting sales to sales of solutions, added value and TiaS®

Connect Group's **ambitions**:

- Be recognised as a leading company in our industry
- Ensure all Connect Group employees in every job category work and collaborate as a team involving customers, industry and themselves

Connect Group's **intentions**:

- Achieve growth for future stability
- Work to strengthen the connection between the operational organisation and market needs

"How can I be sure that my product remains **competitive in the future?**"

How can I fully focus my resources on **New Product Development?**

Technology is a **Service** (TiaS®)

Today, regulations, innovations and supply chain may influence the life cycle of our client's product.

This may impact their operations. Connect Group supports the customer in designing easy-to-produce devices and ensures that they remain easy to produce. This influences the relation between EMS and vendor and asks for increasingly integrated systems. Including added value considerations in product life cycle management requires specialised knowledge and skills.

With our focused certification and skills strategy, our customer empathy, the commitment of our employees and our ability to adapt to developments in the selected segments, we are ideally placed to provide our customers with technological advice and support. Technology is no longer something static, but is instead something subject to permanent and rapid change, often out of sync with the previously charted life cycle of products and solutions. Reconciling these circumstances to enable customers to always have the right technology to keep their products relevant and attractive in the market is a competence we have honed and cultivated over the years. We offer 'Technology as a Service'.

Connect Group supports their customers in the:

- **Creation phase**
- Designing the product
- Testing the product
- Making the product reliable

- **industrialisation phase**
- Cost down programs
- Appropriate testing
- Stabilising the product

- **Maintaining phase**
- Life cycle management
- Change management
- Stretching the life cycle

Our **technology**

Connect Group uses the latest materials, production techniques, technical consultation and evaluation of new trends to support total customer fulfillment versus simply selling a standalone product or service.

Connect Group focuses on four areas of technology:

- **sensing:** technologies that sense and collect inputs, ranging from touch screens to medical testing;
- **power:** technologies that harness energy, from batteries to body heat;
- **data communications:** technologies that manage and analyse big data;
- **visualisation:** technologies that "see" and collect information, ranging from data patterns to 4D medical imaging.

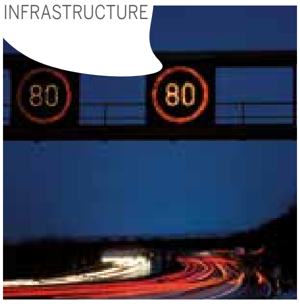
Our **markets**

Connect Group customers come from different industrial markets, ranging from semiconductor, railway to healthcare.

INDUSTRIAL

SEMICON

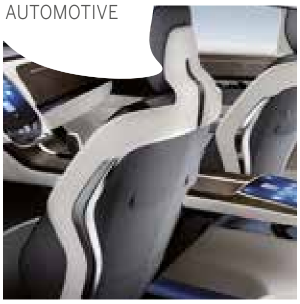
INFRASTRUCTURE



AGRI/FOOD

RAILWAY

AUTOMOTIVE



HEALTHCARE

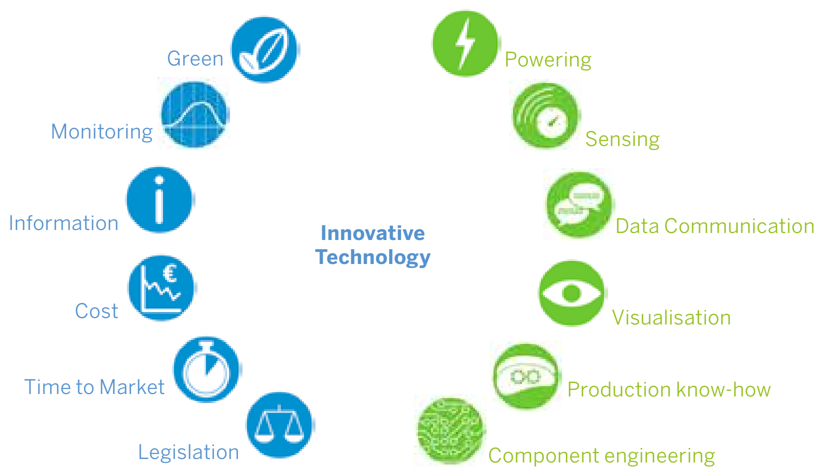
General
markets trends

A **focused** market approach

Connect Group has the recognised experience and discerning expertise to address general trends and challenges affecting development of today's new technology. In addition to the trends illustrated in the figure below, there are more specific changes directly impacting PCB design, production and functionality that will have a profound impact across all market segments:

- Rapidly changing communications technology;
- Enhanced energy efficiency and energy storage of devices and controls;
- Increased use of electronic sensors
- Growth of "big data";
- Greater importance of devices to users (Bring Your Own Device).

We can analyse, implement and optimise technology change for our clients. We can help them minimise missteps when designing or implementing advances within a product line.



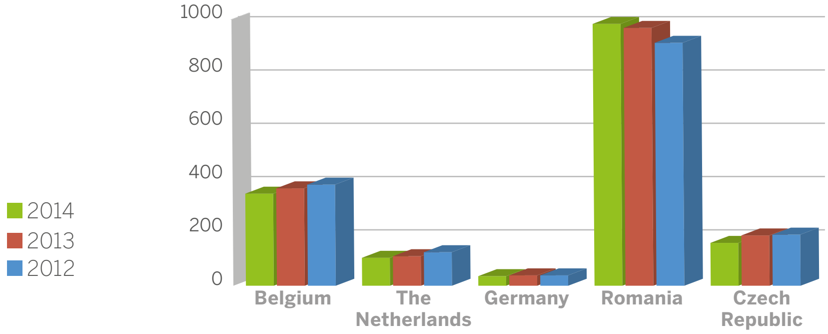
People in **partnership**

Being
where **our clients**
need us

As an EMS (Electronic Manufacturing Services) provider Connect Group is totally dependent on the quality and the performance of its employees. From buying to selling; whether production, test engineering or administration – each individual is indispensable for implementing our customers' projects.

All Connect Group employees, whether in sales, engineering, assembly, logistics, technical or other support functions as well as management, represent a team-based effort focused on innovation and value in exchange for the trust customers place in us.

Staff – Number of Employees



HR Connect Group

Headcount on 31/12	2014	2013	2012
Belgium	**346**	366	380
The Netherlands	**105**	111	126
Germany	**36**	39	39
Romania	**984**	969	913
Czech Republic	**161**	189	192
Total	**1632**	**1674**	**1650**

Activities

Technology

Connect Group offers its customers added value with industrialisation and engineering services, plus advice on materials and component selection and layout for the assembly of cables, printed circuit boards and modules.

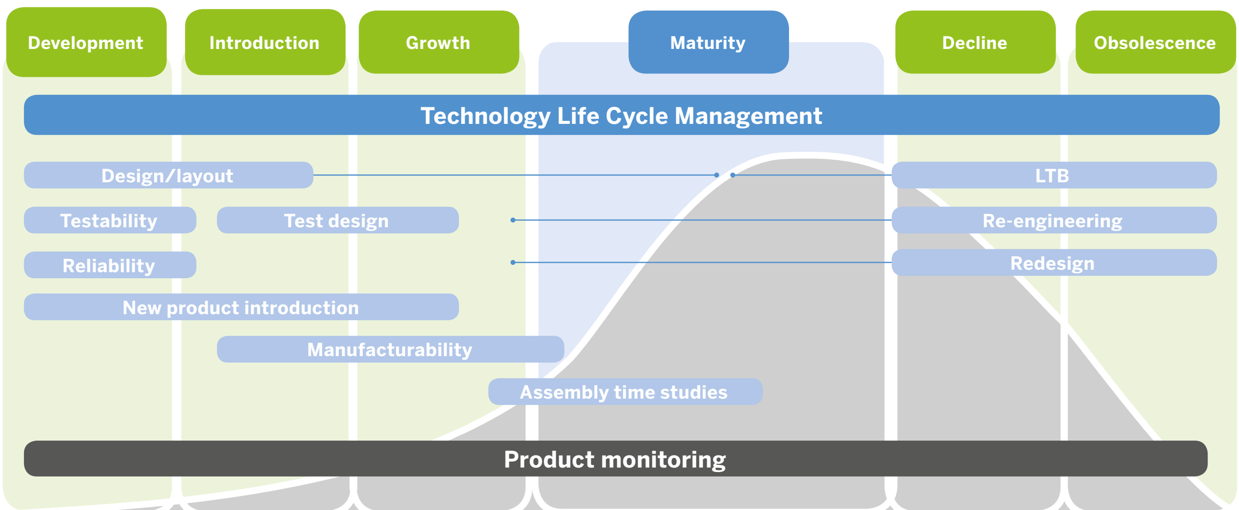
With the extensive expertise our engineers have developed over the past twenty years, Connect Group is fully qualified to offer its customers the specific technical support they are looking for. The sooner we are involved in the development of your project, the higher the added value of our engineering team will be.

With our broad knowledge of technical and manufacturing possibilities, we can accompany your product development process from the concept stage onwards, to give optimal production, price and quality.

Connect Group's engineering activities function here as an extension of its customers' own design teams, with open communication, sharing of knowledge and proactive search for solutions to support our customers' success.

In whatever product group or market your company operates, Connect Group engineers can provide development, industrialisation and production support. Very fast prototyping, drawing and specifications writing allows us to move quickly into (volume) production and considerably narrow lead times from drawing board to market.


Human
design
Added
value


Development
Introduction
Growth
Maturity
Decline
Obsolescence
Technology Life Cycle Management
Design/layout
LTB
Testability
Test design
Re-engineering
Reliability
Redesign
New product introduction
Manufacturability
Assembly time studies
Product monitoring

Module building

The module building activity pools the best of Connect Group's cabling, electronic and mechanical expertise to offer customers production possibilities ranging from subassemblies to fully-tested finished products.

For complex modules, fully wired racks and cabinets, Connect Group has versatile, modular production facilities that handle customer projects right through from co-development to after sales service.

Our flexible structure enables us to handle very varying requirements and respond rapidly to volume and product changes. Kanban, safety stock and many other logistical concepts can also be introduced to ensure product continuity.

Flex-Ops

The Flex-Ops team takes care of all customer oriented end-to-end services that are undertaken on a project basis. Flex-Ops stands for proactive cooperation between Connect Group and the customer, to whom we offer our full range of competences in cabling, printed circuit boards and module assembly, both at our own production facilities and on-site.

Our module building services include:

- Project management
- On-site support by Flex-Ops
- Versatile and modular production locations
- Mechanical purchase support
- Supply chain management
- Technical product documentation
- Electronic & mechanical assembly
- Rack & cabinet assembly
- Functional test
- Safety test
- After sales service

PCB assembly

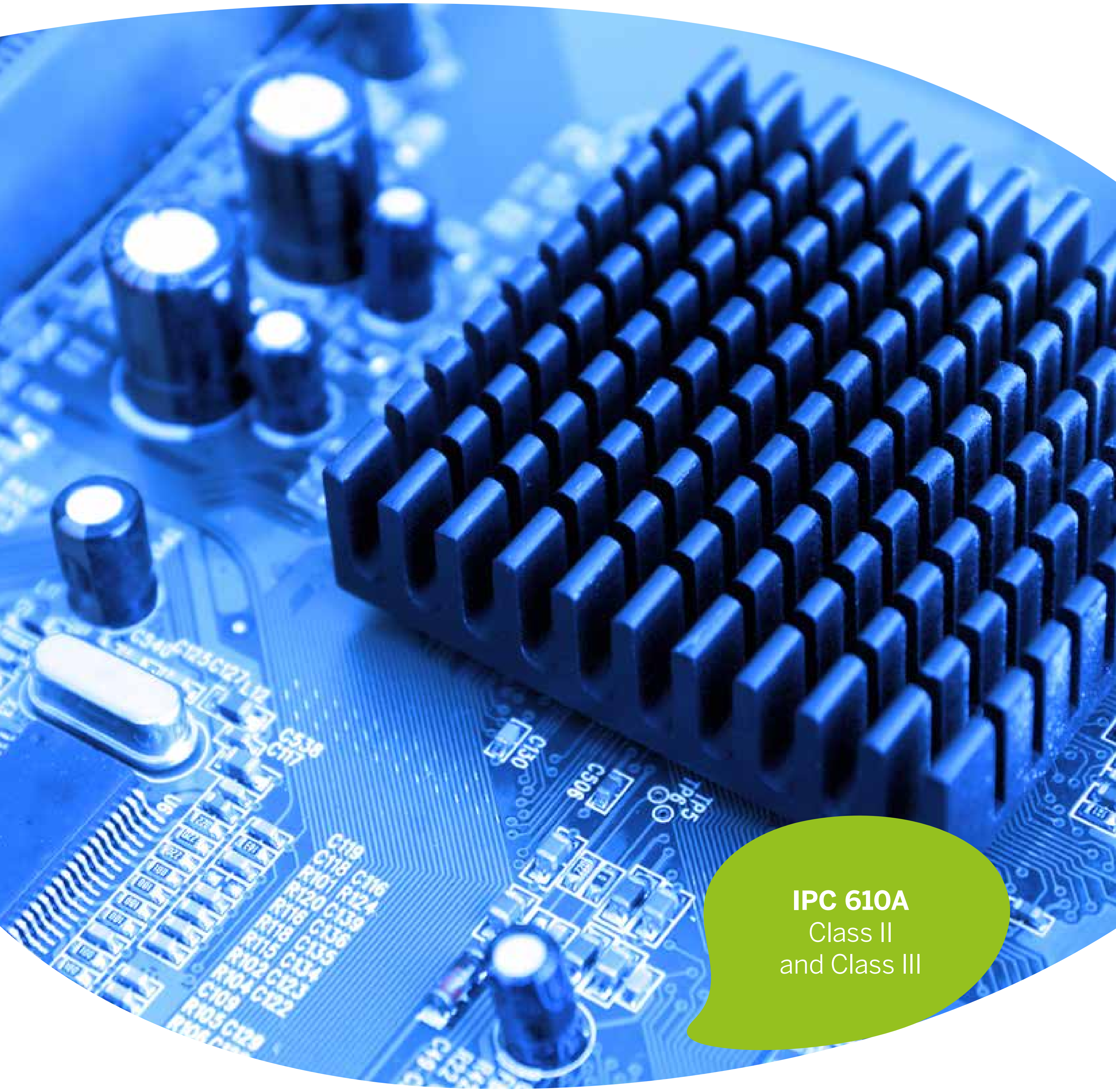
100%
traceability

With four different production sites across Europe, Connect Group offers fast, cost effective electronic manufacturing services (EMS) for state-of-the-art electronic products. Combining high level technology with a stringent quality programme and customer specific logistics, our factories offer innovative solutions tailored to individual requirements.

Our unique combination of Eastern and Western European manufacturing sites ensures a high level of customer support and allows us to offer competitively priced PCB mounting from proto runs via our industrialisation process into mid and large volume production.

Our clients can count on us for full lifecycle electronic manufacturing services, including technology, purchasing, industrialisation process, manufacturing, testing and after sales service. Our production facilities offer an extensive technology mix, including PCB surface mounting (01005 SMD, µBGA, press fit and die & wire bonding) and throughhole assembly processes. These are further supported by tropicalisation, potting, programming, etc.

For testing, Connect Group again stands at the top of the supply chain. Besides standard tests (AOI, flying probe, in-circuit testing, final testing including boundary scan test, stress testing, etc.), our test engineering services offer design services and support for developing fixtures and product-specific test systems, allowing complex functional tests to be carried out before integrating PCBs into larger systems.



Our PCB assembly services include:

- 100% traceability (at component level)
- IPC 610A Class II and III
- NPI-process
- Dedicated logistics
- SMD placement
- Manual and automated THT
- Die & wire bonding
- THT
- Selective soldering
- Press fit
- High precision coating
- Cleanroom ISO class 7
- Testing: AOI, ICT,
  functional test,
  boundary scan
  HASS and HALT

Cable assembly

Dedicated **logistics**

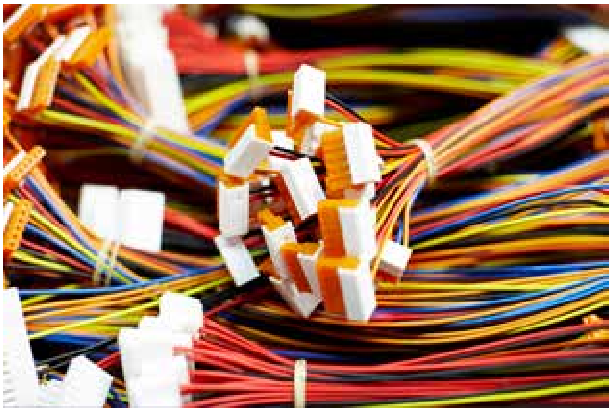
Connect Group is one of the leading European contract manufacturers for cable harnesses.

Our production activities provide a unique combination of manual and automated cable assembly solutions for various markets, from complex prototypes in cleanroom conditions to large series production.

Our cabling services, using copper, coaxial and fibre technologies, provide a comprehensive answer to the interconnection needs of OEM's and equipment installers. Our qualified employees are fully conversant with all frequently occurring signal, power and coaxial cables, including the most complex structures.

Connect Group offers a wide range of production technologies, from manual wire wrap, soldering and crimping, to semi-automated processes like ultrasonic welding, insulation displacement for discrete wire and cable sets and moulding, to fully automated machinery for dual end applications.

We are continuously searching for innovations and possibilities to boost our customers' success. Genuine involvement in projects, customer-specific logistics concepts and volume flexibility thanks to our European network of production sites are just some of the ways we seek to offer optimal support to our customers.



Our cable assembly services include:

- Dedicated logistics
- Cutting
- Stripping
- Crimping
- Printing
- Resistor and ultrasonic welding
- Moulding and potting
- Braiding
- Cable harnesses
- High level of automation
- Cleanroom ISO class 8
- 100% test
- Flex-Ops

Quality

Service beyond customer expectations

Our services are backed by a comprehensive quality programme. We strive to deliver flawless products that exceed our customers' expectations. The latest test systems, strong relationships with our suppliers and professionalism based on more than twenty years experience are our guarantee.

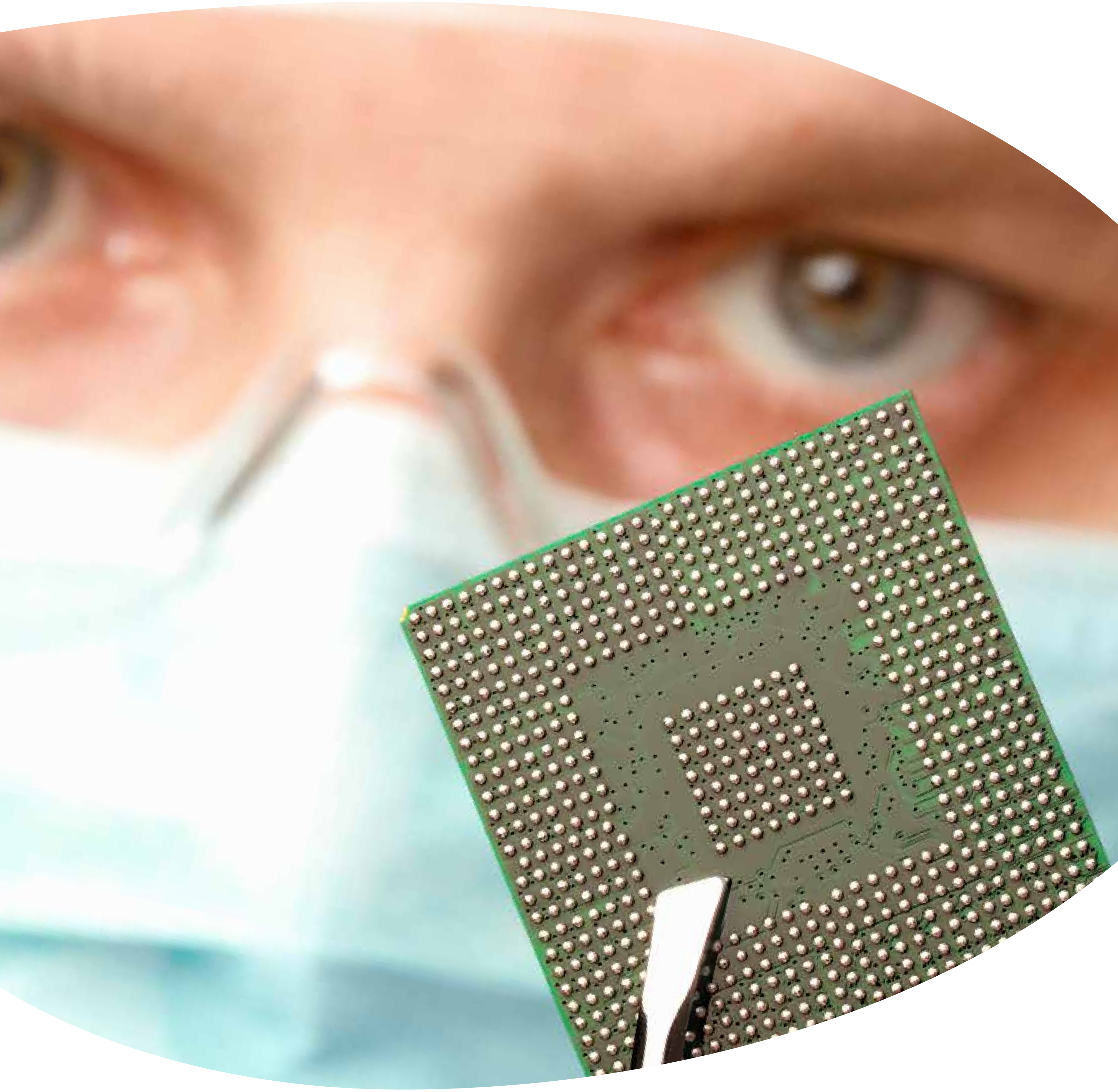
Within Connect Group we make sure that every employee has the necessary tools and know-how to offer customers a first class job every day. An internal training programme keeps employee skill levels high and permits continuous improvement.

Together with our customers we make a preliminary assessment of the required test procedures and quality analysis. We can even develop customer-specific testing where appropriate.

Our centralised approach to testing and quality is based on open communication with our customers, regular customer satisfaction studies, external audits and investments in the latest test systems. All this results in a continuous process of improvement.

The Connect Group quality programme:

- ISO 9001:2008
- ISO 14001
- ISO 13485
- IRIS
- UL
- RoHS
- CSA
- Complete ESD control
- IPC 610A classes II and III
- IPC/WHMA - A620 class II
- Cleanroom cable and module assembly ISO class 8
- Cleanroom PCB and module assembly ISO class 7
- 100% traceability (at component level)



Report Board of Directors

Report of the Board of Directors

1. Report on the consolidated financial statements

At the closing of the financial year 2013, we were positive about the upcoming year 2014. We felt that 2014 could be a good year for Connect Group for the following reasons:

- The group's overheads have been reduced to ensure positive results, even with lower sales levels;
- We had won several new customers to end the year with a strong order book of over EUR 84 million. Despite market/ customer fickleness with regard to delivery dates, we believed that we could return to growth in 2014;
- The introduction of our TiaS® (Technology is a Service) programme into the market had been very positively received by our customers. Customers are keen to obtain more technology from us. We see a strong demand for this service and have already logged a number of successes with certain customers that strengthen customer loyalty. We also observe that new customers view this service as an additional argument to order from us;
- Our additional focus on a number of target markets like Railway was producing clear results. Long-term agreements with a number of customers have secured revenue streams for several years out.

Despite the general economic slowdown, the first half of 2014 was in line with expectations. Compared to 2013, sales increased slightly (see table 'Evolution sales figures') and the results were positive. Both the order book as well as order intake remained at a high level and gave no cause for concern.

Evolution sales figures

H1 2013	H2 2013	H1 2014	H2 2014
63.0 million	61.9 million	64.7 million	56.1 million

Order intake during the first six months of 2014 was positive and the order book amounted to EUR 88.8 million. Hence, the first half of 2014 was completely in line with the expectations at the end of 2013.

As a result of the general economic downturn and the less positive evolution of some customers, the order intake during the entire second half of the year remained below expectations and the orderbook decreased to EUR 82.8 million at yearend.

This slowdown in order intake had an immediate impact on the sales in the second half of the year and the profitability of the company, as a result of which it became necessary to take more stringent measures in the 4th quarter of 2014. In addition to previous restructurings in 2014, the group took the decision to carry out a major restructuring at its plant in Poperinge. In recent years, this plant has evolved from a purely subcontracting company producing mainly standard products to a more project-driven technology company focusing on prototype activities. This evolution is the result of a number of factors:

- The historically largest customer of the Poperinge plant has relocated his production;
- The overall economic situation in Western Europe has changed. High wage costs have meant that mass production has been shifted to Eastern Europe, with the focus in Western Europe now being put on technological competence. Our plant in Poperinge thus needs to develop into a technology company focusing on the production of prototypes and specialising in certain sectors;
- As a result of the high-wage structure existing in Belgium and Western Europe and in an effort to maintain competitiveness, Connect Group has been forced to relocate all mass production to its Eastern European production plants in Oradea (Romania) and Kladno (Czech Republic);
- New potential customers want to fully benefit from the Eastern European plants, demanding that all mass production automatically takes place there.

As a result of the restructuring at the Poperinge plant, the number of personnel in this plant will decrease by 58 employees. In addition, as part of the restructuring, all activities in the leased plant at Poperinge will be discontinued and transferred to the factory in Ieper in the period April – June 2015. This move will generate further savings (in terms of rent, heating costs, etc.) from the second half of 2015.

In addition to the restructuring at Poperinge, the Group also took the decision at the beginning of 2015 to carry out a limited personnel reduction at the facility in the Netherlands. The argument for the restructuring in the Netherlands is similar to that cited above for the Poperinge plant.

Both restructuring exercises, along with the natural staff turnover and the already implemented restructuring in 2014 at our Western European facilities in the past year, will lead to a permanent annual decrease of more than EUR 3 million in our total personnel costs in Western Europe. This is an important and essential element for returning to a positive Group result in 2015.

In summary, we can say that 2014 did not deliver the expected results. The speed at which our markets evolve makes it necessary for us to react at the same speed and obliges us to take painful measures. This is what we had to do at the end of 2014, with a significantly negative impact on the results of 2014 but the belief that we will emerge stronger in 2015 and in the subsequent years as a result of these measures. Our market position with our customers has improved overall, our skills have increased and our cost structure has been significantly adjusted based on the ever-changing market. We look forward to 2015 and hope that our customers perform strongly so that we too can reap the benefits of all the efforts made.

Analysis of the consolidated statements

Consolidated income statement

Connect Group NV reports annual sales of EUR 121 million compared with EUR 125 million in 2013 (down 3.2 %). The sales decline completely took place in the 2nd half of 2014. During the 1st half of the year, there was a slight increase from EUR 63 million to EUR 64.7 million (an increase of 2.7 %). In the 2nd half of the year, sales decreased from EUR 61.9 million to EUR 56.1 million (a decrease of 9.4 %).

The gross margin on sales decreased from 12,6 % to 11,6 %, as a result of underfunding caused by the decrease in sales in the second half of the year. The costs for research and development, sales and administration, amounting to EUR 14 million, remained almost unchanged compared with 2013.

Other operating income included an income of EUR 712K for a customer receivable that had been fully written off in the past and which was eventually recovered via the court in 2014.

The operating result decreased from a profit of EUR 671K in 2013 to a loss of EUR 3,636K after the already taken restructuring costs of EUR 4.5 million in 2014.

The Board of Directors conducts an annual impairment analysis for the entire Group and decided that no impairment booking was required for either 2014 or 2013.

The net financial result deteriorated by EUR 404K in total; EUR 117K as a consequence of higher financing costs and by EUR 287K as a consequence of foreign exchange losses. The company makes only limited use of foreign currency hedging contracts.

Hence, the net result of the Group decreased from a profit of EUR 82K to a loss of EUR 4,646K.

The order book year at the end of 2014 amounted to EUR 82.8 million (EUR 84 million at the end of 2013).

Balance sheet

Trade receivables decreased from EUR 18.6 million at end-2013 to EUR 17.2 million owing to decreasing sales in the 4th quarter 2014.

Inventories reduced slightly from EUR 33 million at end-2013 to EUR 31.6 million at end-2014.

In 2014, EUR 3.8 million of new investments (both replacement and technology investments) were undertaken. The most important investments of the year included a new EUR 1.2 million production line at the plant in Poperinge, the renovation of the office building in Ieper amounting to EUR 700K and investments in various software packages amounting to EUR 500K. With annual depreciations of EUR 2.9 million, tangible and intangible fixed assets increased from EUR 10 million at the end of 2013 to EUR 10.9 million at the end of 2014.

The total bank financing capacity of the Group remained unchanged in 2014. The Group uses factoring for its customer receivables. It has a short-term credit line of EUR 12 million and a short-term outstanding amount of 1.5 million relating to a long-term loan. Total financial debt increased from EUR 17.9 million at the end of 2013 to EUR 21.1 million at the end of 2014.

Trade payables decreased from EUR 18.7 million at the end of 2013 to EUR 14.2 million at the end of 2014, as a result of lower purchases at the end of the year.

The Group received a waiver from its banks before the year-end for failing to meet the required ratios at the end of 2014. The waivers received include a clause whereby the banks will re-assess the ratios after six months (June 2015). Due to the application of IAS 1, requiring a one year suspension period for the compliance with the covenants and the fact that there is no assurance the company will be able to meet the required ratio's after six months, a long-term debt of EUR 644K was booked as a short-term financial debt, though the repayment schedule for this debt remains a long-term schedule.

2. Report on the individual financial statements

In accordance with article 95 and 96 of the Company Law, we are pleased to report to you on the activities of our company during the past financial year and on the individual financial statements, closed on 31 December 2014.

The individual financial statements have been drawn up pursuant to the stipulations of the Royal Decree of 30 January 2001 implementing the Companies' Code, in particular book II, section I on the annual accounts of enterprises, and in accordance with the particular legal and regulatory provisions that apply to the company.

Capital and ownership

End 2014, the issued capital amounted to EUR 637,981.49 represented by 10,290,024 shares without nominal value. All shares are fully paid-in.

Activities

Connect Group NV is a European supplier of cost-effective, high quality Electronic Manufacturing Services to the professional industry. The activities include the production of cable and cable trees, PCB assembly and testing, production of semi-manufactured products and final product assembly.

Commentary on the individual annual accounts

Financial situation on 31 December 2014

The financial year 2014 ended with a loss of EUR 8,119K versus a loss of EUR 2,903K the year before.

Key figures are as follows:

In kEuro	2014	2013
Balance sheet total	88,531	93,582
Sales	39,072	51,062
Result of the year	**(8,119)**	**(2,903)**

Balance sheet

In EUR K	31/12/2014	31/12/2013
ASSETS		
Intangible assets	274	535
Tangible assets	2,391	987
Financial assets	61,856	61,856
Amounts receivable > 1 year	394	800
Stocks and contracts in progress	2,588	3,256
Amounts receivables < 1 year	20,765	26,040
Cash at bank and in hand	9	24
Deferred charges	254	84
Total assets	**88,531**	**93,582**
LIABILITIES		
Capital and reserves	23,347	31,466
Provisions	3,911	290
Amounts payabe > 1 year	39,214	39,798
Amounts payable < 1 year	20,700	20,843
Accrued charges	1,359	1,185
Total liabilities	**88,531**	**93,582**

New investments amount to EUR 2,000K, of which EUR 1,005K is related to the investment in a state of the art production line at the EMS plant in Poperinge. The under construction renovation of the new production facility at the Ieper plant amounted to EUR 628K.

The Board of Directors did an impairment analysis on the investments and the net realizable value of the receivables on subsidiaries and has decided not to record a permanent less-value as a result of the integrated operational structure and the current business outlook for the group as a whole.

Amounts receivable higher than one year include a loan to a customer who agreed on a 5 year payment plan of his debt. The Board of Directors made an assessment of this customer and believes that no impairment loss needs to be recorded.

The decrease of the trade receivables is attributable to the lower sales of the last quarter and a better credit collection at the end of the year. Additionally an temporarily advance towards the Czech subsidiary was decreased with EUR 3,000K.

Amounts payable after one year contain intercompany loans of EUR 38,500K and a leasing debt of EUR 714K, related to the financial lease of the new SMD production line.

The amounts payable within one year are in line with the previous year. These payables mainly include debt to credit institutions for EUR 8,500K, debt to subsidiaries for EUR 7,500K, debts to external suppliers for EUR 2,865K and social related debt for EUR 1,679K.

Equity (after result appropriation) is EUR 23,346,764 compared to EUR 31,466,166 in 2013.

This decrease of EUR 8,119,402 is the result of the loss of the year.

Income statement

In EUR K	31/12/2014	31/12/2013
Operating income	**39,721**	**51,117**
Turnover	39,072	51,062
Movement in inventories	185	(498)
Other operating income	464	553
Operating charges	**(42,829)**	**(52,661)**
Raw materials, consumables and goods for resale	(29,618)	(37,171)
Services and other goods	(4,180)	(4,041)
Personnel costs	(8,987)	(10,355)
Depreciation	(841)	(815)
Other operating charges/ income	797	(279)
Operating profit / (loss)	**(3,108)**	**(1,544)**
Financial income / (charges)	(1,490)	(1,413)
Profit / (loss) on ordinary act. before taxes	(4,598)	(2,957)
Extraordinary income	93	57
Extraordinary (charges)	(3,607)	-
Profit (loss) for the year before taxes	(8,112)	(2,900)
Income taxes	(7)	(3)
Profit / (loss) for the year available for appropriation	**(8,119)**	**(2,903)**

The decrease in turnover is the result of a decrease in sales of the largest customer and the fact that within the Connect Group, group companies invoice the end customer more and more directly instead of passing the invoicing through the parent company.

During 2014 personnel costs decreased with 13.2% in comparison with a decrease of 7.5 % during 2013. This decrease can be explained by the reduction in employees to 164 FTE's (180 FTE's in 2013) and an increase in the unemployment rate of 31 % in comparison with 2013. During 2014 management decided to start-up the unemployment regime on white collar workers for some specific functions.

As of 31 December 2014 other operation income mainly includes an income for a customer receivable that was fully written off in the past and which was recovered through court during 2014.

The extra-ordinary charges are related to the intention of management to carry out a major restructuring at the Poperinge plant. This would result in the collective dismissal of 23 white-collar and 60 blue collar workers. After the approval of the social plan with the unions during March 2015, the collective dismissal has been decreased to 11 white-collar and 47 blue collar workers.

The financial year 2014 ended with a loss of EUR 8.1 million versus a loss of EUR 2.9 million the year before.

Appropriation of the result

The Board of Directors proposes that the loss for the year (EUR -8,119,402) will be added to the loss carried forward from the previous year (EUR -12,059,247) as follows (in EUR):

In EUR	31/12/2013	Profit/(loss) carried forward	31/12/2014
Capital	637,981	-	637,981
Share premium account	42,844,439	-	42,844,439
Legal reserve	42,993	-	42,993
Profit/(loss) carried forward	(12,059,247)	(8,119,402)	(20,178,649)
Total shareholders' equity	**31,466,166**	**(8,119,402)**	**23,346,764**

3. Going concern

Pursuant to Article 96 §6 of the Companies Code, the Board of Directors has evaluated the preparation of the consolidated and individual annual accounts in accordance with the principle of going concern. The Board of Directors has prepared a three-year budget with a strategic plan for the future. Although the restructuring has a negative impact on the financial statements in 2014 and partially in 2015, overall this will have a permanent positive impact on the profitability of the company as from 2015 onwards. Connect Group is positive about her market position at current and also at new clients, and expects the first results in 2015 of the reorganisation and other various measures taken in 2014 , but stays dependent as subcontractor on the general evolution of her clients.

At December 31, 2014, Connect Group did not meet the required bank covenants. The group however received a waiver with remeasurement after six months from its banks before year end, confirming the existing credit lines for 2015.

Taking into account the various measures taken to improve the profitability on a sustainable basis, the Board is confident that in case additional financing would be needed, or if bank covenants would still be in breach in 2015, continued financial support from its main lenders will be received.

4. Important events after the closing of the financial year

The company announced a restructuring of its Poperinge plant in December 2014. Within the legal requirements, consultations with the works council of Connect Group and the unions took place in the period January – March 2015.

The negotiations were concluded in March 2015. This resulted in the dismissal of 11 employees and 47 workers.

5. Most significant risks for the group

The most significant risks for the company are:

1. The production is completely dependent on the availability of all components at the moment that production starts up. If component availability slows down, sales too will be delayed.
2. Currency risk:
    a. The group buys a portion of its components in US dollars/yen, the exchange rate risk on which is only partially covered in the selling price.
    b. Production takes place partly in Romania and the Czech Republic: large fluctuations of these currencies against the Euro can impact costs.
    c. Since foreign currency needs cannot be accurately timed, the group does not cover its foreign currency positions.
3. The group has a credit agreement with its bankers that includes a minimum solvency ratio, equity, cash flow, inventory and maximum consolidated leverage (total net financial debt/EBITDA) covenants. The Group received a waiver from its banks before the year-end for failing to meet the required ratios at the end of 2014. In 2015 new credit letters were agreed with the financial institutions.
4. Customer insolvency can have a major impact on the results.
5. Risk of order postponements, leading to a temporary under-coverage of costs incurred.

6. Announcements

Branches

The company has its registered office at Industriestraat 4, B-1910 Kampenhout (headquarters) and an operational site at Frankrijklaan 18-22, B-8970 Poperinge (PCB assembly).

Financial risk management

Fluctuations in market prices, exchange rate differences on sales and purchases and intercompany loans are risks inherent to the company's activity. The company is seeking constantly to minimize the financial risks inherent to its activities. The group does not enter into or trades financial instruments for speculative purposes. The group has engaged into interest rate cap agreements of 1% on Euribor 1M in order to limit its exposure to interest rate risks. The agreement was made for a period of 3 years for a total outstanding debt of EUR 15 million. Per yearend, the group has evaluated the market to market valuation of the interest rate cap. The market value was not recorded in profit and loss, as the impact on the financial statements was considered to be immaterial.

All outstanding receivables and payables are recorded at the year-end rate in the accounts.

Research and development

As a subcontractor, Connect Group is not involved in the development of new products that are offered directly to a target market. Connect Group's development activities consist of supporting the development of its customer's products (getting them ready for production) and of developing an efficient production apparatus.

Consolidation

The group uses a consolidation system whereby all financial data of each company included in the consolidation scope are introduced on a monthly basis.

All monthly data are analyzed by management, compared with the budget data and discussed with local management. The consolidated annual accounts are derived directly from the management's consolidation system.

7. Attest and non-attest fees charged by the Statutory Auditor

In accordance with the law of 20 July 2006, article 101, please find below a summary of the attest fees and non attest fees of the statutory auditor Deloitte Bedrijfsrevisoren and its network of professional service firms.

In EUR	Individual	Consolidated
Attest fees	78,480	145,265
Other legal missions	-	-
Other non attest fees	9,725	12,156
Tax advise	9,798	13,000

On consolidated level the non attest fees do not exceed the attest fees.

8. Announcement pursuant to articles 95 and 96 (and 119) of the Companies Code

1. With respect to the capital structure we refer to the first item of this report.
2. There are no legal or statutory limitations on the transfer of securities.
3. There are no holders of securities to which special rights of control are attached.
4. There are no share plans for employees.
5. There are no legal or statutory limitations to the exercise of voting rights.
6. There are no shareholder agreements which could limit the exercise of voting rights.
7. The company is governed by a Board of Directors composed of at least 5 directors, who may or may not be shareholders. They are appointed by the General Meeting of Shareholders. The mandates of departing directors who are not reelected end immediately after the annual meeting of the year in which their mandate ends. Directors may be dismissed at any time by the General Meeting. Departing directors may be reelected. Any Board member may resign by written notification to the Board of Directors. At least 3 directors must be independent directors.

   A person is viewed as an independent director when he:

   - is not a member of the executive management of the Company, nor of the control bodies or of the executive management of the other companies of the group;
   - has no family ties with the other directors that could influence his independent judgment;
   - is not part of the executive management or Board of Directors of one of the dominating shareholders, nor has been elected upon the proposal of one of the dominating shareholders, nor has business, financial or other relationships with these persons that are such as could influence his opinion;
   - maintains no other relationship with the Company which, in the opinion of the Board of Directors, is such as could potentially influence his judgment; such influence is not deemed to lie in the remuneration that this director receives, nor in his limited personal ownership of shares in the Company;
   - is not more than 3 consecutive terms appointed as a non-executive director on the Board of Directors.

   Only the extraordinary general meeting is authorized to make amendments to the articles of association and, in particular, to decide on the accelerated dissolution of the company, on any increase or decrease of company capital, any merger with one or more companies, changes in the company purpose and the conversion of the company into a company having another legal form.

8. The Board of Directors is authorized to acquire the shares of the company by purchase or exchange, directly or via a person acting in his own name but for the company's account, in order to avoid imminent and serious detriment to the company, without the prior decision of the General Meeting

by way of application of the provisions of the Companies Code. The Board of Directors is authorized to sell treasury shares without the prior decision of the General Meeting on the stock market or as the consequence of an offer for sale directed at all shareholders at the same conditions, in order to avoid imminent and serious detriment to the company, without the prior decision of the General Meeting by way of application of the provisions of the Companies Code. On 27 April 2010 the General Meeting moreover renewed the authorization of the Board of Directors to acquire own shares, by purchase or exchange, directly or via a person acting in his own name but for the company's account, and more specifically:

- this acquisition can cover up to 1,386,884 shares;
- the buying in shall take place at a price not lower than EUR 1 and not higher than EUR 6 per share.

This authorization shall be valid for a period of no more than 5 years.

9. There are no significant agreements to which the issuer is a party and which come into effect, undergo changes or expire in the event of a change in control of the issuer after a public takeover bid, or the consequences of the same, except if they are of such that publication of the same would seriously damage the issuer; this derogatory regulation not being applicable in those cases where the issuer is specifically obliged to publish such information under other legal requirements.

10. There are no agreements concluded between the issuer and its directors or employees which provide for remuneration in the event that, as the result of a public takeover bid, directors resign or are required to take redundancy without valid reason or the employment of employees is terminated.

11. At least one member of the Audit Committee is independent and is an expert in audit and accounting.

9. Corporate Governance Statement

Connect Group complies with the Belgian Corporate Governance Code published on 12 March 2009, which is the Company's reference code.

However, in 2014 the company has deviated from the following provisions:

- Gender diversity in the composition of the board of directors is not yet implemented;
- The composition of the audit committee does not consist out of a majority of independent directors; Dominique Moorkens is strictly not an independent board director as he has been reappointed already three times. However the company considers him to be working fully independent because he has no relationship with any shareholder or management of the company and is financially completely independent from the Group;
- Appointment of a secretary.

The Connect Group Corporate Governance Charter can be consulted on the website (www.connectgroup.com) of the company. The Belgian Corporate Governance Code can be consulted on www.corporategovernancecommittee.be.

Composition of the Board of Directors

The Board of Directors consists of 7 members in 2014, 2 of whom are nominated by the principal shareholders. The Chairman and the Chief Executive Officer are never the same individual. The Chief Executive Officer is the only Board member with an executive function. All other members are non-executive Directors. Three of the Directors are independent in accordance with the criteria of Article 526ter of the Companies Code and provision 2.3 of the Belgian Corporate Governance Code.

The Board of Directors has not taken any specific actions yet with regard to the composition requirement that at least one third of the members of the Board of Directors consists of the other gender than that of the other members, but intends to do so before 1 January 2017.

In 2014, the Board of Directors was composed of the following members:

Name	Appointed	End of mandate	Principal occupation of director or permanent representative	Number of board meetings taken place	Number of board meetings attended
Chairman of the Board					
Dominique Moorkens	2012	2016	Director of companies	7	7
Independent Directors					
Mentofacturing bvba, permanently represented by Willy Hendrickx	2011	2015	Director of companies	7	6
Condor NV, permanently represented by Peter Watteeuw	2014	2015	Director of companies	7	6
BC Conseil, permanently represented by Bernard Delvaux	2013	2017	Director of companies	7	6
Chief Executive Officer					
Luc Switten BVBA, permanently represented by Luc Switten	2014	2018	CEO Connect Group NV	7	7
Directors nominated by the principal shareholders					
Dimitri Duffeleer BVBA, permanently represented by Dimitri Duffeleer (representing QuaeroQ cvba)	2014	2017	Director of companies	7	6
Stokklinx BVBA, permanently represented by Guy van Dievoet (representing LRM NV)	2014	2018	Director of companies	7	7

Remark: In March 2014, the mandate of Peter Watteeuw as member of the Board was changed in Condor NV, permanently represented by Peter Watteeuw. In October 2014, the mandate of At Infinitum NV as member of the Board, permanently represented by Dimitri Duffeleer was changed in Dimitri Duffeleer BVBA, permanently represented by Dimitri Duffeleer. Luc Switten BVBA, permanently represented by Luc Switten and Stokklinx BVBA, permanently represented by Guy Van Dievoet (representing LRM NV) were already members of the Board in 2014, but have been reappointed by the Annual Shareholdersmeeting on 29/04/2014.

Operation of the Board of Directors

In 2014 the Board of Directors met on 10/02, 24/03, 07/05, 26/08, 23/09, 10/10 and 01/12. In addition to its statutory powers and powers under the Articles of Association and the Connect Group Corporate Governance Charter, the Board of Directors considered the following matters, among others in 2014:

- the debt position of the Group;
- the 2015 budget;
- the follow-up of the long term-strategy of the Group and its major components;
- the acquisition policy;
- the composition and the functioning of the Board of Directors and committees.

Committees formed by the Board of Directors

The Board of Directors has established two advisory Committees.

Audit Committee

The Audit Committee is composed as required by Article 526bis §2 of the Companies Code. In 2014 the Audit Committee was composed of the following three directors or its permanent representatives, all being non-executive directors:

- Chairman : Dimitri Duffeleer
- Members : Dominique Moorkens and Bernard Delvaux

Dominique Moorkens and Bernard Delvaux are independent directors. Dimitri Duffeleer has the required expertise in respect of accounting and audit based on his former and other functions. The Audit Committee is chaired by Dimitri Duffeleer.

The company considers Dominique Moorkens as an independent director. According Article 526ter, a board member is no longer independent after being two times reappointed as board member. Dominique Moorkens has been appointed already three times as board member, but he has no investment in Connect Group, no relations with any shareholder or management of the company and is financially completely independent from Connect Group. Therefore Dominique Moorkens is fully independent in his way of working. However, technically speaking, since Dominique Moorkens is legally no longer considered as an independent director, the Audit Committee does not consist out of a majority of independent directors, which is a deviation of the Corporate Goverance Code.

The Chief Executive Officer and the Chief Financial Officer are not members of the Committee, but are invited to attend its meetings. This arrangement guarantees the essential interaction between the Board of Directors and the executive management.

The Audit Committee met four times in 2014.

Name director or permanent representative	End of mandate	Number of meetings attended
Dominique Moorkens	2016	4
Dimitri Duffeleer	2017	4
Bernard Delvaux	2017	4

According its powers regulated by law, the Audit Committee discussed the following main subjects:

- monitoring of financial reporting;
- monitoring of the efficiency of the systems for internal control and risk management of the company;
- monitoring of the statutory audit of annual accounts and consolidated accounts including responses to questions and recommendations formulated by the external auditor;
- assessment and monitoring the independence of the external auditor with particular attention for the provision of additional services to the company;
- specific control regarding revenue cycle;
- budget structure.

Remuneration and Nomination Committee

The Remuneration and Nomination Committee is composed as required by Article 526quarter §2 of the Companies Code. In 2014, the Remuneration and Nomination Committee was composed of the following directors or its permanent representatives:

- Chairman : Peter Watteeuw
- Members : Willy Hendrickx and Dimitri Duffeleer

All its members are non-executive directors. Willy Hendrickx and Peter Watteeuw are independent directors within the meaning of article 526ter of the Companies Code. The Remuneration and Nomination Committee is chaired by Peter Watteeuw.

All its members have professional experience as business managers in other groups and have sufficient experience in remuneration matters.

The Remuneration and Nomination Committee met two times in 2014.

Name director or permanent representative	End of mandate	Number of meetings attended
Peter Watteeuw	2015	2
Willy Hendrickx	2015	2
Dimitri Duffeleer	2017	2

According its powers regulated by law, the Committee discussed the following subjects:

- remuneration of the Chairman of the Board and Board members for 2014;
- remuneration of the management for 2014;
- preparing the annual remuneration report;
- explaining the remuneration report during the statutory general meeting.

The Chief Executive Officer does not attend the meeting of the Remuneration and Nomination Committee when it decides upon the remuneration of the members of the Executive Management.

Evaluation

The main features of the process for evaluating the Board of Directors, its Committees and the individual Directors are described in chapter 3, 4 & 5 of the Connect Group Corporate Governance Charter.

The Board of Directors reviews its own composition and modus operandi, and the composition and the modus operandi of the committees created by it on a regular basis. This evaluation includes:

- the degree to which timely and complete information is made available to directors, and the way any questions and comments are answered by management;
- the discussion and decision-making processes in the Board of Directors, and in particular whether all points of view can be formulated and taken into consideration;
- the evaluation and participation of individual directors in the discussions and the sufficient contribution by the director of his specific expertise during discussions;
- the way meetings are led by the Chairman of the Board of Directors, with particular attention to the complete exercise of everyone's right to speak.

Executive Management

Luc Switten has been appointed Chief Executive Officer in charge of daily management. He is supported by Hugo Ciroux, Chief Financial Officer, Flor Peersman, Chief Operations Officer and Herman Struiwigh, Chief Commercial Officer. Together these persons represent the Executive Management*. The Executive Management meets monthly and is responsible for finance and administration, operations and sales, the preparation of the meetings of the Board of Directors and the supervision of daily management.

The Executive Management of Connect Group is not a management committee as described in Article 524bis of the Companies Code.

Name *	Position
Luc Switten	Chief Executive Officer
Hugo Ciroux	Chief Financial Officer
Flor Peersman	Chief Operations Officer
Herman Struiwigh	Chief Commercial Officer

* in their own names or via management companies

Remuneration Report

Procedure

The remuneration policy for directors and executive management is evaluated annually in the Remuneration and Nomination Committee. The Remuneration and Nomination Committee makes relevant proposals to the Board of Directors and on such matters that need to be submitted to the General Shareholders Meeting. The proposals formulated by the Remuneration and Nomination Committee are discussed by the Board of Directors. Any adjustment has to be submitted to the next General Shareholders Meeting.

Remuneration policy for non-executive Directors

The remuneration policy for non-executive Directors is described in paragraph 3.4 of the Connect Group Corporate Governance Charter.

Non-executive directors receive from Connect Group NV a fixed annual remuneration and attendance fees:

- there is a set annual remuneration for the members of the Board of Directors;
- participation in a board meeting entitles the Director to an attendance fee;
- there is a fixed additional annual remuneration for members of the Remuneration and Nomination Committee;
- there is no additional remuneration for the members of the Audit Committee.

This remuneration structure is aimed at encouraging directors' active participation in both Board and committee meetings.

The objective and independent judgment of non-executive directors is further encouraged by the fact that they do not draw any other remuneration from the company than their fixed directors' remuneration and their attendance fees. There is no performance-related remuneration provided for the non-executive directors.

The fees for 2014 were maintained at the level of 2013, namely an annual fixed fee of EUR 12,000, an attendance fee of EUR 1,250 per board meeting and an annual fixed fee of EUR 6,000 for the Remuneration and Nomination Committee (all fixed fees are paid pro rata). The fixed remuneration of the Chairman of the Board of Directors is twice the remuneration amount of the members. The Chief Executive Officer does not receive a board attendance fee.

The remuneration policy of the Board is evaluated annually by the Remuneration and Nomination Committee. The level of remuneration is tested against the specific properties of the group. It shall in particular take into account the existing fees in companies of comparable size. Based on information from Guberna the fees were assessed in 2012.

The remuneration policy for non-executive directors will in principle not substantially be modified in the next two years.

Remuneration policy for Executive Management

The remuneration policy for Executive Management is described in paragraph 5.5 of the Connect Group Corporate Governance Charter.

The remuneration policy of the executive management is reviewed annually by the Remuneration and Nomination Committee, after which it is submitted to the Board of Directors. The level of remuneration is tested against the specific properties of the group. In this context, the Board commissioned the Hay Group to make a comparison study with other companies in 2011.

Bonus targets for the executive management are set annually when preparing the budget for the coming year.

Payments of the bonuses of the executive management are based for 70 % on the company performances (achievement of EBT budget), 20 % on the gross margin generated by TiaS® and 10 % on the presentation and acceptance by the Board of Directors of a vision document. In this document management should indicate how they see the further evolution from a subcontractor to a technology partner. These performance criteria are evaluated per calendar year (which is also the accounting period). For 2014, none of the objectives were achieved and as a result no bonus was paid out.

For the Executive Management and the CEO there are no specific provisions entitling the company to recover variable remuneration granted on the basis of incorrect financial data.

The remuneration policy for the executive management will in principle not substantially be modified in the next two years.

Remuneration of the Board of Directors

The remuneration of the Board of Directors of 2014 is reflected in the table below (in EUR).

Name	Fixed remuneration	Board attendance fee	Committee fee	Other remuneration	Total gross 2014
Chairman					
Dominique Moorkens	24,000	8,750	-	-	32,750
Directors					
Stokklinx BVBA, permanently represented by Guy van Dievoet	12,000	8,750	-	-	20,750
Mentofacturing bvba, permanently represented by Willy Hendrickx	12,000	7,500	6,000	-	25,500
Condor NV, permanently represented by Peter Watteeuw	12,000	7,500	6,000	-	25,500
Dimitri Duffeleer BVBA, permanently represented by Dimitri Duffeleer	12,000	7,500	6,000	-	25,500
BC Conseil, permanently represented by Bernard Delvaux	12,000	7,500	-	-	19,500
Luc Switten BVBA, permanently represented by Luc Switten	-	-	-	-	-
Total	**84,000**	**47,500**	**18,000**	**-**	**149,500**

Remuneration of the Chief Executive Officer

In 2014, Connect Group paid a remuneration of EUR 334,400 in respect of the CEO, Luc Switten.

The payments to his management company includes:

- a fixed remuneration of EUR 284,000;
- a cost reimbursement of EUR 24,400;
- a variable remuneration of EUR 26,000 (In the form of a bonus paid relating to 2013);
- no retirement allowance;
- no other remuneration.

For 2014 no variable remuneration was granted.

Remuneration of the Executive Management

The Executive Management consists of the CEO, CFO, COO and CCO. In 2014, Connect Group paid a total joint remuneration of EUR 1,028,074 to the Executive Management. This includes:

- a total joint remuneration of EUR 893,200;
- a cost reimbursement of EUR 75,458;
- a variable remuneration of EUR 59,416 (In the form of a bonus paid relating to 2013);
- no retirement allowance;
- no other remuneration.

Longterm-cash bonus plans on more than one year

There are no longterm-cash bonus plans on more than one year granted to the members of the Board of Directors and the Executive Management.

Shares and stock options

The company has not granted any shares, share options or other rights to acquire shares.

Exit bonus

Except for the legal severance regulations, there is no exit bonus plan for the CEO and the Executive Management.

Shares and shareholders

Share identification

The Connect Group share is listed on NYSE Euronext Brussels as ISIN BE0003786036 (CONN) and was first listed in May 2000.

The Connect Group share in 2014

Shares	
Highest price	2.04 EUR
Lowest price	1.42 EUR
Average price (accounting average)	1.77 EUR
Price at 31/12/2014	1.57 EUR
Number of shares	10,290,024
Average volume traded per day	2,068
Stock market capitalisation at 31/12/2014	16,155,338 EUR

Connect Group closing prices and volumes traded in 2014

The average daily traded volume was 2,068 shares in 2014. In 2013, the average daily traded volume was 2,463 shares.

Issued capital and reserves (at 31/12/2014)

Shareholders' equity (at 31/12/2014)

Origin Name	Number issued	Declared total	%
Equity	10,290,024	7,103,476	69.03 %

Shareholder Name	Number declared (*) 2014	% 2014	Number declared (*) 2013	% 2013
QuaeroQ cvba	2,229,874	21.67 %	2,214,971	21.53 %
Huub Baren (**)	2,166,155	21.05 %	2,166,155	21.05 %
LRM NV	1,870,786	18.18 %	1,870,786	18.18 %
Luc Switten	426,369	4.14 %	426,369	4.14 %
Het Beste Brood Holding SA (***)	410,292	3.99 %	410,292	3.99 %
Other below the reporting threshold	3,186,548	30.97 %	3,201,451	31.11 %
Total	**10,290,024**	**100 %**	**10,290,024**	**100 %**

(*) Shareholders holding 3% or more need to declare their interests
(**) companies controlled by Huub Baren
(***) company controlled by Guy van Dievoet

For the information regarding the rights attached to the shares we refer to 1.3.7.n.

Dividend policy

The company does not pursue any strictly defined dividend policy. Connect Group wants to use all its generated cash to reduce its financial debts in the coming years.

General Meetings of Shareholders

The Annual General Meeting was held on 29 April 2014. The resolution of this meeting is available at www.connectgroup.com.

Risk management and internal control

Connect Group's Board of Directors is responsible for assessing risks inherent to the company and the effectiveness of internal control.

Belgian legal frameworks related to the internal control and risk management consists of the law of 17 December 2008 and the law of 6 March 2010. The Belgian Corporate Governance code also includes provisions on those matters.

Connect Group has set up an internal control system adapted to its functioning and to the environment in which it operates, based on the COSO model. The COSO methodology is based on five areas: the control environment, risk analysis, control activities, information and communication, and supervision and monitoring.

Control environment

- Audit Committee

Connect Group has set up an Audit Committee in charge, among other things, of monitoring the effectiveness of the Company's internal control and risk management systems. The Chairman of the Audit Committee is not the Chairman of the Board of Directors.

- Professional ethics

Connect Group has adopted a Corporate Governance Charter with a view to ensuring honest, ethical and law-abiding conduct respectful of good governance principles and a Trading Regulations Code to avoid illegal use of privileged information by the group's directors, shareholders, senior management and key employees in the exercise of their duties.

Risk analysis

Connect Group has carried out a risk analysis for its activities. This analysis identified the following main risks:

- Market risk

The Connect Group operates in a European market where price competitiveness is very high.

- Production technology risk

New production technologies play a major role to win future projects.

- Financial risk

The Connect Group capital structure makes the group largely dependent on external financing.

- Customer bankruptcy risk

Bankruptcy or failure of a larger customer has an impact not only on outstanding receivables but also on the inventory and the purchase commitments specifically related to that customer.

- Planning / budgeting risk

Budgets and projections are important for decision making and management control. Their reliability and relevance can influence the company's performance.

- Risk related to human resources

This relates to the company's capacity to find and retain the human capital required to ensure that it operates effectively and achieves its objectives.

- Risk related to the financial statements (management information, registration of trans-actions in accounts, consolidation)

The production of complete, reliable and relevant financial information is an essential element of management and governance.

Control activities

Control activities include all the measures taken by Connect Group to ensure that the principal risks it has identified are appropriately controlled and mitigated.

- Market risk

The group has since many years invested in production facilities in Eastern Europe to counter price pressure.

- Production technology risk

Management permanently evaluates existing production facilities to ensure that production capacities and technologies remain in line with market expectations.

- Financial risk

The introduction of factoring significantly improves management of working capital. Working capital requirements are monitored on a daily basis.

- Customer bankruptcy risk

Specific procedures are set in place to follow up the individual total customer risks.

- Risks related to the financial statements

Connect Group publishes consolidated financial statements on a half yearly basis in accordance with legislation. A trading update is made every quarter and full consolidated financial statements are made on an annual basis. These are approved, with the related press release, by the Board. The Board analyses significant transactions and key events under the period in review, and examines the latest budget and performance projections.

Financing, cash management and access to liquidities are generally central to these discussions.

Complex accounting subjects, in particular the application of IFRS requirements, are also identified and discussed by the Board.

The Statutory Auditor (Deloitte) reports to the Audit Committee with its audit conclusions and any comments on the audit process.

Information and communication

In order to transmit reliable financial information to shareholders without delay, a standardized information flow process is defined. Connect Group has applied IFRS since 2000. Its valuation rules are published every year in its report. Uniform reporting of accounts is used both upstream and downstream in order to ensure the consistency of data and to detect potential anomalies. A financial calendar for this reporting is established every year.

Computerized data backup operations are organized on a daily basis and a monthly storage process prevents a total loss of financial data. Restricted access to software (accounts, consolidation, payment and remuneration) is also applied.

Supervision and monitoring

The supervision activity is exercised by the Board through the Audit Committee's activities. Given the size of Connect Group's activities, there is no internal auditor's post.

The Statutory Auditor (Deloitte) also reviews on an annual basis the internal control procedure for risks related to Connect Group's financial statements. This review of internal control forms part of the assignment of certifying Connect Group's statutory and consolidated accounts in conformity with audit standards applicable in Belgium.

More specifically, the Statutory Auditor tests on the basis of a triennial rotation plan the operating effectiveness of internal control for risks deemed critical in relation to the establishment process of financial statements. Its work consists of discussions with members of the organization and tests on a limited number of transactions.

The conclusion of this work, presented in a report submitted to the Audit Committee of Connect Group.

Conduct policy

Statutory conflicts of interests in the Board of Directors

In accordance with Article 523 of the Companies Code, a member of the Board of Directors should give the other members prior notice of any agenda items in respect of which he has a direct or indirect conflict of interests of a financial nature with the company, and should refrain from participating in the discussion of and voting on those items. No such conflict of interests arose in 2014.

Other transactions with Directors and Executive Management

The Connect Group Corporate Governance Charter contains conduct guidelines with respect to direct and indirect conflicts of interests of those members of the Board of Directors and the Connect Group Executive Management that fall outside the scope of Article 523 of the Companies Code. These persons are deemed to be related parties to Connect Group, and have to report, on an annual basis, their direct or indirect transactions with Connect Group or its subsidiaries.

There were no related party transactions in 2014.

Protocol to prevent abuse of advance information and insider trading

During its meeting on 15 November 2000 the Board of Directors of the Connect Group drew up a protocol to avoid the illegal use of privileged information – or creating the impression of its illegal use – by directors, shareholders, senior managers and key employees (insiders). The protocol consists of a number of prohibitions, intended primarily to protect the market.

The practice of insiders dealing in company shares whilst in possession of insider information affects the market. If insiders are seen to make (or are suspected of making) financial benefit from insider knowledge, investors will turn their back on the market. This could reduce the liquidity of the listed shares and limit access to new cash resources. The protocol also includes a number of preventive measures to assure compliance with the legal stipulations and to protect the company's reputation.

The stringent procedures of the protocol require that the persons involved:

- do not deal in Connect Group shares during the two months prior to publication of annual results;
- do not deal in Connect Group shares during the 21 days prior to publication of quarterly results;
- do not sell shares within six months of purchase;
- inform the company of all intended operations before undertaking them.

Declaration regarding the information given in this annual report 2014

In accordance with Article 12 § 2 of the Decree of 14 November 2007 on the obligations of issuers of financial instruments, admitted to trading on a Belgian regulated market, the undersigned declare that:

- the annual accounts, which are in line with the standards applicable for annual accounts, give a true and fair view of the capital, the financial situation and the results of the issuer and the consolidated companies;
- the annual report gives a true and fair view of the development and the results of the company and the position of the issuer and the consolidated companies, as well as a description of the main risks and uncertainties they are faced with.


subdivisions

Financial report

1. CONSOLIDATED FINANCIAL STATEMENTS

1.1 Statutory auditor's report to the shareholders' meeting on the consolidated financial statements for the year ended 31 December 2014

To the shareholders

As required by law, we report to you in the context of our appointment as the company's statutory auditor. This report includes our report on the consolidated financial statements together with our report on other legal and regulatory requirements. These consolidated financial statements comprise the consolidated statement of financial position as at 31 December 2014, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, as well as the summary of significant accounting policies and other explanatory notes.

Report on the consolidated financial statements – Unqualified opinion

We have audited the consolidated financial statements of Connect Group NV ("the company") and its subsidiaries (jointly "the group"), prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium. The consolidated statement of financial position shows total assets of 67.530 (000) EUR and the consolidated income statement shows a consolidated loss (group share) for the year then ended of 4.646 (000) EUR.

Board of directors' responsibility for the preparation of the consolidated financial statements

The board of directors is responsible for the preparation and fair presentation of consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium, and for such internal control as the board of directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Statutory auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Unqualified opinion

In our opinion, the consolidated financial statements of Connect Group NV give a true and fair view of the group's net equity and financial position as of 31 December 2014, and of its results and its cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium.

Emphasis of Matter

Without modifying our unqualified opinion, we draw the attention to explanatory note 1.3.5.a. of the consolidated financial statements for the justification of the going concern principle. In addition, we refer to note 1.3.5.b. of the consolidated financial statements which describes the important sensitivity of the underlying assumptions of the business plan that are used in the impairment test of the realizable value of the goodwill, intangible assets and property, plant and equipment.

Report on other legal and regulatory requirements

The board of directors is responsible for the preparation and the content of the directors' report on the consolidated financial statements.

As part of our mandate and in accordance with the Belgian standard complementary to the International Standards on Auditing applicable in Belgium, our responsibility is to verify, in all material respects, compliance with certain legal and regulatory requirements. On this basis, we make the following additional statement, which does not modify the scope of our opinion on the consolidated financial statements:

- The directors' report on the consolidated financial statements includes the information required by law, is consistent with the consolidated financial statements and is free from material inconsistencies with the information that we became aware of during the performance of our mandate.

Antwerp, 25 March 2015
The statutory auditor

DELOITTE Bedrijfsrevisoren / Reviseurs d'Entreprises
BV o.v.v.e. CVBA / SC s.f.d. SCRL
Represented by Dirk Cleymans

1.2 Detailed Consolidated Financial Statements (in EUR)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER

CONNECT GROUP NV	2014	2013	2012
Assets			
Current assets:			
Cash and cash equivalents (notes 1.3.7.a)	208,684	262,697	1,089,110
Trade receivables (notes 1.3.7.b)	17,191,380	18,576,855	18,785,359
Other receivables (notes 1.3.7.c)	1,146,762	865,140	905,461
Inventories (notes 1.3.7.d)	31,617,012	32,963,986	33,524,997
Other current assets	1,533	1,483	100,122
Total current assets	**50,165,371**	**52,670,161**	**54,405,049**
Non-current assets:			
Other receivables (notes 1.3.7.e)	394,286	800,000	-
Deferred tax assets (notes 1.3.7.o)	1,500,000	1,500,000	1,500,000
Property, plant and equipment (notes 1.3.7.f)	10,478,298	9,429,320	9,868,249
Intangible assets (notes 1.3.7.g)	442,908	594,569	909,039
Goodwill (notes 1.3.7.h)	4,548,712	4,548,712	4,548,712
Total non-current assets	**17,364,204**	**16,872,601**	**16,826,000**
Total assets	**67,529,575**	**69,542,762**	**71,231,049**
Liabilities and equity			
Current liabilities:			
Bank loans and overdrafts (notes 1.3.7.j)	17,667,594	13,101,279	13,201,277
Current portion of long-term debt (notes 1.3.7.k)	2,740,078	2,244,890	2,263,903
Trade payables	14,281,540	18,661,704	16,209,969
Accrued expenses, payroll and related taxes and deferred income (notes 1.3.7.i)	5,587,471	5,840,381	6,634,400
Provisions (notes 1.3.7.l)	4,116,643	303,666	327,370
Other current liabilities (notes 1.3.7.m)	747,218	521,504	903,996
Total current liabilities	**45,140,544**	**40,673,424**	**39,540,915**
Non-current liabilities:			
Long-term debt less current portion (notes 1.3.7.k)	740,930	2,574,906	5,477,567
Deferred tax liability (notes 1.3.7.o)	-	-	-
Total non-current liabilities	**740,930**	**2,574,906**	**5,477,567**
Equity (notes 1.3.7.n)			
Shareholders' capital	637,981	637,981	637,981
Legal reserve	42,993	42,993	42,993
Share premium	42,091,544	42,091,544	42,091,544
Retained earnings	(21,191,288)	(16,544,957)	(16,626,822)
Cumulative translation adjustment	66,871	66,871	66,871
Equity attributable to equity holders of the parent	**21,648,101**	**26,294,432**	**26,212,567**
Total equity	**21,648,101**	**26,294,432**	**26,212,567**
Total liabilities and equity	**67,529,575**	**69,542,762**	**71,231,049**

The accompanying notes to these statements of financial position form an integral part of these consolidated financial statements.

CONSOLIDATED INCOME STATEMENT FOR THE 12 MONTH PERIOD ENDING 31 DECEMBER (IN EUR)

CONNECT GROUP NV	2014	2013	2012
Continuing operations			
Sales	120,984,323	124,987,618	141,638,435
Cost of sales (notes 1.3.7.p)	(106,969,205)	(109,166,990)	(124,446,256)
Gross Profit	14,015,118	15,820,628	17,192,179
Research and development expenses (notes 1.3.7.q)	(1,232,063)	(1,256,715)	(1,358,231)
General and administrative expenses (notes 1.3.7.r)	(6,300,719)	(6,296,399)	(6,821,673)
Selling expenses (notes 1.3.7.s)	(6,506,597)	(6,569,675)	(7,208,799)
Other operating expenses (notes 1.3.7.t)	(137,970)	(301,833)	(96,044)
Other operating income (notes 1.3.7.t)	1,002,093	166,067	725,428
Restructuring expenses (notes 1.3.7.v)	(4,475,943)	(890,794)	(974,874)
Operating profit /(loss) continuing operations before goodwill impairment	**(3,636,081)**	**671,279**	**1,457,985**
Goodwill impairment	-	-	(1,633,359)
Operating profit /(loss) continuing operations	**(3,636,081)**	**671,279**	**(175,374)**
Financial income (notes 1.3.7.x)	226,315	313,337	235,239
Financial charges (notes 1.3.7.x)	(1,211,371)	(894,803)	(1,525,452)
Profit/(loss) before taxes	**(4,621,137)**	**89,813**	**(1,465,587)**
Income taxes (notes 1.3.7.y)	(25,194)	(7,948)	42
Profit/(loss) for the year from continuing operations	**(4,646,331)**	**81,865**	**(1,465,545)**
Profit/(loss) for the year from discontinued operations (notes 1.3.7.aa)	-	-	**4,500,000**
Profit / (loss) for the year	**(4,646,331)**	**81,865**	**3,034,455**
Profit / (loss) attributable to:			
Equity holders of the parent	(4,646,331)	81,865	3,034,455
Non-controlling interest (notes 1.3.7.n)	-	-	-
Earnings per share			
Basic earnings per share continuing operations (note 1.3.7.z)	(0.45)	0.01	(0.14)
Diluted earnings per share continuing operations (note 1.3.7.z)	(0.45)	0.01	(0.14)
Basic earnings per share continuing plus discontinued operations (notes 1.3.7.z)	(0.45)	0.01	0.29
Diluted earnings per share continuing plus discontinued operations (notes 1.3.7.z)	(0.45)	0.01	0.29

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (IN EUR)

	2014	2013	2012
Profit / (loss) of the year	**(4,646,331)**	**81,865**	**3,034,455**
Other comprehensive income			
Elements not subsequently reclassified to profit/loss	-	-	-
Elements that can be subsequently reclassified to profit/loss	-	-	**(21,109)**
Exchange difference on translating foreign operations	-	-	(21,109)
Total comprehensive income for the year	**(4,646,331)**	**81,865**	**3,013,346**
Total comprehensive income attributable to:			
Equity holders of the parent	(4,646,331)	81,865	3,013,346
Non-controlling interest (notes 1.3.7.n)	-	-	-

The accompanying notes to these income statements form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (IN EUR)

Date	Number of shares outstanding	Capital	Legal reserve	Share premium	Profit/loss carried forward	Cumulative translation adjustment	Total attributable to equity holders of the parent
31/12/2011	**10,290,024**	**637,981**	**42,993**	**42,091,544**	**(19,661,277)**	**87,980**	**23,199,221**
Net result of the year					3,034,455		3,034,455
Other comprehensive income						(21,109)	(21,109)
Total comprehensive income					3,034,455	(21,109)	3,013,346
31/12/2012	**10,290,024**	**637,981**	**42,993**	**42,091,544**	**(16,626,822)**	**66,871**	**26,212,567**
Net result of the year					81,865		81,865
Other comprehensive income							-
Total comprehensive income					81,865		81,865
31/12/2013	**10,290,024**	**637,981**	**42,993**	**42,091,544**	**(16,544,957)**	**66,871**	**26,294,432**
Net result of the year					(4,646,331)		(4,646,331)
Other comprehensive income							-
Total comprehensive income					(4,646,331)		(4,646,331)
31/12/2014	**10,290,024**	**637,981**	**42,993**	**42,091,544**	**(21,191,288)**	**66,871**	**21,648,101**

CONSOLIDATED CASH FLOW STATEMENT FOR THE 12 MONTH PERIOD ENDING 31 DECEMBER (IN EUR)

CONNECT GROUP NV	2014	2013	2012
Operating profit / (loss)	**(3,636,081)**	**671,279**	**(175,374)**
Adjustments for:			
Gain/(loss) on sale of property, plant and equipment	-	-	(38,410)
Recognition of an impairment loss on goodwill	-	-	1,633,359
Allowance for doubtful receivables and obsolete stock	(904,711)	371,125	(13,211)
Depreciation and amortization	2,948,485	2,895,035	3,526,554
Provisions	3,812,977	(23,704)	116,895
Operating profit before changes in working capital continued operations	**2,220,670**	**3,913,735**	**5,049,813**
Inventories	1,476,222	459,938	3,773,199
Trade receivables	2,159,938	(61,557)	10,394,285
Trade payables	(4,380,164)	2,451,735	(6,090,359)
Accrued expenses, payroll and related taxes and deferred income	(252,914)	(794,008)	(237,178)
Other current assets	124,042	(661,040)	(61,623)
Other payables	225,714	(382,492)	118,163
Cash flow from operating activities continued operations	**1,573,508**	**4,926,311**	**12,946,300**
Taxes	(25,194)	(7,948)	42
Exchange differences	(292,702)	54,028	(176,891)
Financial charges	(205,556)	(193,861)	(899,944)
Interests	(691,912)	(562,220)	(284,335)
Other	1,003	(2)	(21,107)
Net cash from/(used in) operating activities continued operations	**359,137**	**4,216,308**	**11,564,065**
Net cash from/(used in) operating activities discontinued operations (1.3.7.aa)	**-**	**-**	**6,500,000**
Cash flows from investing activities continued operations			
Investments in intangible assets	(343,451)	(202,024)	(19,543)
Purchases of property, plant and equipment	(3,502,351)	(1,939,612)	(2,471,306)
Interests received	205,124	120,587	70,957
Net cash outflow on acquisitions of subsidiaries	-	-	(373,168)
Cash flows used in investing activities continued operations	**(3,640,678)**	**(2,021,049)**	**(2,793,060)**
Cash flows from financing activities			
Proceeds/(repayments) from long-term debts	(1,189,974)	(2,902,661)	(1,792,226)
Proceeds/(repayments) from current portion of long term debt	(148,813)	(19,013)	(288,235)
Proceeds/(repayments) from bank loans and overdrafts	4,566,315	(99,998)	(12,844,309)
Net cash provided by financing activities	**3,227,528**	**(3,021,672)**	**(14,924,770)**
Increase/(decrease) in cash and cash equivalents	**(54,013)**	**(826,413)**	**346,235**
Cash and cash equivalents at the beginning of the period	262,697	1,089,110	742,875
Cash and cash equivalents at the end of the period	208,684	262,697	1,089,110

The accompanying notes to these cash flow statements form an integral part of the consolidated financial statements.

1.3 Notes to the Consolidated Financial Statements of Connect Group

1.3.1. General

Connect Group NV is a limited liability company incorporated under Belgian law, with subsidiaries in Belgium (Connectsystems NV, Connectsystems International NV and Connect Systems Holding NV), the Netherlands (Connect Group Nederland BV), Germany (Connect Group GmbH), Romania (Connectronics Romania SRL) and the Czech Republic (Connectronics sro). The company is a subcontractor for the electronics industry (contract manufacturing business).

The number of employees at year end 2014 amounted to 1,632 compared to 1,674 in 2013 and 1,650 in 2012.

The registered office address of the group is located at Industriestraat 4, 1910 Kampenhout, Belgium. The financial statements were authorized for issue by the Board of Directors subsequent to their meeting held on 24 March 2015 in Kampenhout.

1.3.2. Basis of preparation

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union.

These consolidated statements have been prepared under the historical cost convention except for certain accounts for which IFRS requires another convention. Such deviation from historical cost is disclosed in the notes.

1.3.3. Adoption of new and revised International Financial Reporting Standards

Standards and interpretations applicable for the annual period beginning on 1 January 2014

- IFRS 10 *Consolidated Financial Statements* (applicable for annual periods beginning on or after 1 January 2014)
- IFRS 11 *Joint Arrangements* (applicable for annual periods beginning on or after 1 January 2014)
- IFRS 12 *Disclosures of Interests in Other Entities* (applicable for annual periods beginning on or after 1 January 2014)
- IAS 28 *Investments in Associates and Joint Ventures* (applicable for annual periods beginning on or after 1 January 2014)
- Amendments to IFRS 10, IFRS 12 and IAS 27 – *Consolidated Financial Statements and Disclosure of Interests in Other Entities: Investment Entities* (applicable for annual periods beginning on or after 1 January 2014)
- Amendments to IAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities* (applicable for annual periods beginning on or after 1 January 2014)
- Amendments to IAS 36 – *Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Asset* (applicable for annual periods beginning on or after 1 January 2014)
- Amendments to IAS 39 – *Financial Instruments – Novation of Derivatives and Continuation of Hedge Accounting* (applicable for annual periods beginning on or after 1 January 2014)

Standards and interpretations published, but not yet applicable for the annual period beginning on 1 January 2014

- IFRS 9 *Financial Instruments and subsequent amendments* (applicable for annual periods beginning on or after 1 January 2018, but not yet endorsed in EU)
- IFRS 15 *Revenue from Contracts with Customers* (applicable for annual periods beginning on or after 1 January 2017, but not yet endorsed in EU)
- Improvements to IFRS (2010-2012) (applicable for annual periods beginning on or after 1 February 2015)
- Improvements to IFRS (2011-2013) (applicable for annual periods beginning on or after 1 January 2015)
- Improvements to IFRS (2012-2014) (applicable for annual periods beginning on or after 1 July 2014, but not yet endorsed in EU)
- Amendments to IFRS 10, IFRS 12 and IAS 28 – *Investment Entities: Applying the Consolidation Exception* (applicable for annual periods beginning on or after 1 January 2016, but not yet endorsed in EU)
- Amendments to IAS 1 – *Presentation of Financial Statements – Disclosure Initiative* (applicable for annual periods beginning on or after 1 January 2016, but not yet endorsed in EU)
- Amendments to IAS 16 and IAS 38 *Property, Plant and Equipment and Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation* (applicable for annual periods beginning on or after 1 January 2016, but not yet endorsed in EU)
- Amendments to IAS 19 *Employee Benefits – Employee Contributions* (applicable for annual periods beginning on or after 1 February 2015)
- IFRIC 21 – *Levies* (applicable for annual periods beginning on or after 17 June 2014)

Except for IFRIC 21 levies, the directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the group in the period of initial application. Based on its current assessment, the group believes that several levies will no longer be allowed to be spread over the calendar year, as the obligating event occurs at a specific point in time and after which the group can no longer avoid the outflow of economic benefit by its own actions. This might impact the group's quarterly reporting.

The company is currently in process of assessing the potential impact of IFRS 15 – *Revenue from contracts with Customers*.

1.3.4. Summary of principal accounting policies

a. Basis of consolidation

The consolidated financial statements include all the subsidiaries that are controlled by the group. Control exists when the company has the power to govern the financial and operating policies and obtains the benefits from the entity's activities. Control is presumed to exist when the company owns, directly or indirectly, more than 50 % of an entity's voting rights of the share capital. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date that control ceases.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interest;
- Derecognises the cumulative translation differences, recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss;
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

b. Business combinations and goodwill

As of January 1, 2010, the following accounting policies were applied for business combinations and goodwill.

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be re-measured until it is finally settled within equity.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Cash-generating units to which goodwill has been allocated are tested annually for impairment, or more frequently when there are indications that the carrying amount of the unit exceeds the recoverable amount. If the recoverable amount of a cash generating unit is less than its carrying value, the impairment is first deducted from the carrying amount of the goodwill allocated to the cash-generating unit. Then, the impairment is assigned to the other fixed assets belonging to the unit, and this in proportion to their book value. Once an impairment loss has been recognized for goodwill, this will not be reversed in a later period.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

List of subsidiaries consolidated as of 31 December

Entity	2014	2013	2012
Connect Group NV		**% owned**	
Connect Systems Holding NV	100	100	100
Connectsystems NV	100	100	100
Connect Group Nederland BV	100	100	100
Connectsystems International NV	100	100	100
Connectronics Romania SRL	100	100	100
Connect Group GmbH	100	100	100
Connectronics sro	100	100	100

c. Foreign currency translation

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Euro, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

Foreign currency transactions

Foreign currency transactions are recognized initially at exchange rates prevailing at the date of the transactions. Subsequently, at closing, monetary assets and liabilities denominated in foreign currencies are translated at the statement of financial position currency rate. Gains and losses resulting from the settlement of foreign currency transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are included in the income statement as a financial result. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

Foreign entities

As of 2012, the functional currency of all group entities is EUR. As a result no cumulative translation adjustment for foreign entities is recorded anymore in other comprehensive income.

The year end exchange rates (used to translate assets and liabilities in the financial statements) are as follows:

Date	GBP/ EUR	SGD/ EUR	USD/ EUR	RON/ EUR	CHF/ EUR	CZK/ EUR	JPY/ EUR
31/12/2014	1.284	0.623	0.824	0.223	0.832	0.036	0.007
31/12/2013	1.199	0.574	0.725	0.224	0.815	0.036	0.007
31/12/2012	1.225	0.621	0.758	0.225	0.828	0.040	0.009

The weighted average rates (used to translate revenues and expenses in the financial statements) are as follows:

Year	GBP/ EUR	SGD/ EUR	USD/ EUR	RON/ EUR	CHF/ EUR	CZK/ EUR	JPY/ EUR
2014	1.238	0.592	0.749	0.225	0.823	0.036	0.007
2013	1.178	0.604	0.754	0.227	0.815	0.039	0.008
2012	1.229	0.620	0.775	0.225	0.830	0.040	0.010

d. Intangible Assets

Acquired intangible assets

Licences, patents, trademarks, similar rights and software are measured initially at cost.

Intangible assets obtained in a business combination are initially measured at fair value. After initial recognition, intangible assets are carried at cost less accumulated amortisation and impairment losses. They are amortised on a straight-line basis over their estimated useful life which is not considered to exceed 5 years. At the end of each annual reporting period the amortisation method and period are reviewed.

Internally-generated intangible assets - research and development expenditure

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge, is recognised in the income statement as an expense as incurred.

Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when the asset can be clearly identified, when the development costs can be measured reliably and to the extent that it is probable that the asset created will generate future economic benefits. Other development expenditures are recognised as an expense as incurred. Development cost previously recognised as an expense is not recognised as an asset in a subsequent period. Development costs that have been capitalised are amortised from the commencement of the commercial production of the product on a straight-line basis over the period of its expected benefit which normally does not exceed 5 years.

The group does not have intangible assets with an indefinite useful life.

e. Property, plant and equipment

Land is carried at cost less accumulated impairment. All other property, plant and equipment are carried at cost less accumulated depreciation and impairment losses except for property, plant and equipment under construction which is carried at cost less accumulated impairment losses. Cost includes all directly attributable costs of bringing the asset to working condition for its intended use.

Depreciation is charged so as to write off the cost or valuation of assets, other than land and properties under construction, over their estimated useful lives, using the straight-line method to their estimated residual value. The depreciation is computed from the date the asset is ready to be used.

The residual value and the useful life of an asset is reviewed at least at each financial year end and, if expectations differ from previous estimates, the change(s) is/are accounted for as a change in an accounting estimate in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

The following useful lives are applicable to the main property, plant and equipment categories:

Buildings	10-20 years
Machinery and equipment	4-5 years
Furniture and office equipment	5 years
Computer equipment	3 years
Vehicles	3-5 years

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

f. Leasing

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The company as lessee

Finance leases

Assets held under finance leases are recognised as assets of the group at the lower of their fair value and the present value of the minimum lease payments less cumulative depreciation and impairment losses. The corresponding liability to the lessor is included in the statement of financial position as obligations under finance leases.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

The depreciable amount of a leased asset is allocated to each accounting period during the period of expected use on a systematic basis consistent with the depreciation policy the lessee adopts for depreciable assets that are owned. If there is reasonable certainty that the lessee will obtain ownership by the end of the lease term, the period of expected use is the useful life of the asset; otherwise the asset is depreciated over the shorter of the lease term and its useful life.

Operating lease

Lease payments under an operating lease are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

g. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

h. Impairment of property, plant and equipment and intangible assets excluding goodwill

At each reporting date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. 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.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

i. Inventories

Inventories are stated at the lower of cost and net realizable value.

Raw materials, consumables and goods purchased for resale are valued at the lower of their cost or their net realizable value. Cost is determined using the moving weighted average cost method. The cost of work in process and finished goods comprise all the costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The conversion costs include the cost of production and the related fixed and variable production overhead costs. Net realizable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

j. Financial instruments

Receivables

Receivables are measured at initial recognition at fair value. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Amounts deemed uncollectible are written off against the allowance account for receivables at each reporting date. This analysis is based on an individual assessment. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of amount of cash and are subject to an insignificant risk of changes in value.

Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability. The accounting policies adopted for specific financial liabilities are set out below.

Bank borrowings

Bank borrowings, are initially measured at fair value, net of transaction costs.

They are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Trade payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Derivative financial instruments

The group uses sometimes derivative financial instruments to manage its exposure to interest rate risks and the foreign exchange rate risk (USD). The group does not engage in pure speculative transactions nor does it issue or hold financial instruments for trading purposes.

Derivatives are initially recorded at fair value and re-measured at the subsequent reporting dates.

Derivatives that do not qualify for hedge accounting

The changes in the fair value of derivatives which do not qualify for hedge accounting under the specific rules in IAS 39 are recognised immediately in the income statement.

Financial risk factors

Fluctuations in foreign currency exchange rates on foreign currency payables and receivables are inherent risks in the performance of the business. The group entities seek to minimise potential adverse effects on the financial performance from their local business.

Foreign exchange risks:

Due to the international character of the group, the group is exposed to different foreign exchange risks arising from various currency exposures primarily with respect to the USD. The group uses sometimes derivatives to manage part of its exposure to the USD (see note 1.3.7. ae).

Credit risks:

The group has policies in place to monitor the credit risks on customers. One customer represents 9.20 % of revenue realized in 2014 (13.01 % in 2013 and 15.14 % in 2012). 10 customers represent in 2014 54.2 % of the business (51.8 % in 2013 and 52.8 % in 2012). Customers are closely monitored (see note 1.3.7. ae and note 1.3.7. b).

Liquidity risk:

Liquidity risk is linked to the evolution of our working capital. The group monitors the change in working capital through focused actions. Further information can be found in note 1.3.7.j.

Interest rate risk:

Historically, the group does not use any significant derivative financial instruments to manage its exposure to fluctuation in interest rates on their short-term loans. All loans are at commercial Belgian banks and are concluded based on Euribor + bankers margin. Bankers margin is based on financial debt / EBITDA (*) ratio and fluctuates between 0.99 and 2.75% interest.

(*) EBITDA = Earnings Before Interest, Taxes, Depreciation and Amortization = Operating result + amortisation + provisions for liabilities and other risks + depreciation.

k. Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of the assets' previous carrying amount and fair value less costs to sell.

l. Government grants

Government grants are recognised when there is a reasonable assurance that:

- the group will comply with the conditions attached to them;
- the grants will be received.

Government grants are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. A government grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support with no future related costs are recognised as income of the period in which it becomes receivable.

Government grants related to assets are presented as deferred income.

Government grants related to income are presented as a deduction to the related expense.

m. Provisions

Provisions are recognised in the statement of financial position when:

- there is a present obligation (legal or constructive) as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation;
- a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the expenditure to settle the present obligation at the reporting date. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

A restructuring provision is recognised when the group has a detailed formal plan and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

Onerous contracts

The group recognises a provision for onerous contracts when the expected benefits to be derived from a contract are less than the unavoidable costs of meeting the obligations under the contract.

n. Revenue recognition

Revenue is recognised when it is probable that future economic benefits associated with the transaction will flow to the entity and that these benefits can be measured reliably.

Turnover is reported net of sales taxes and rebates.

Sale of goods

Revenue from sales of goods is recognised when:

- The significant risks and rewards of the ownership of goods is transferred to the buyer;
- The group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the entity;
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Provisions for rebates and discounts are recorded as a reduction of revenue at the time the related revenues are recorded or when the incentives are offered.

Interest

Interest is recognised on a time proportion basis that takes into account the effective yield on the asset.

Dividends

Dividends are recognised when the shareholder's right to receive the payment is established.

o. Income taxes

The income tax charge is based on the results for the year and includes current and deferred taxation. They are recorded in the income statement except when they relate to items directly recorded in equity, in which case they are directly recorded in equity.

Current tax is the amount of tax to pay based on the taxable profit of the period, as well as any adjustments relating to previous years. It is calculated using local tax rates adopted (or substantially enacted) at the reporting date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the group intends to settle its current tax assets and liabilities on a net basis.

p. Employee benefits

Pension obligations

The group operates a number of defined contribution retirement benefit plans. Payments to defined contribution benefit plans are charged as an expense as they fall due.

Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. A liability for termination benefits is recognized at the earlier of when the group can no longer withdraw the offer of the termination benefit and when the group recognizes any related restructuring costs. Benefits falling due more than 12 months after reporting date are discounted to present value.

Profit-sharing and bonus plans

The group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the company's shareholders after certain adjustments. The group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

q. Segment reporting

The group has not defined separate segments within its activities as the group provides one type of service to its customers, being contract manufacturing within the electronics industry. Consequently, there are no business segments to report.

1.3.5. Critical accounting judgments and key sources of estimation uncertainty

a. Judgments

Going concern

The Board of Directors has evaluated the preparation of the consolidated and individual annual accounts in accordance with the principle of going concern. The Board of Directors has prepared a three-year budget with a strategic plan for the future. Although the restructuring has a negative impact on the financial statements in 2014 and partially in 2015, overall this will have a permanent positive impact on the profitability of the company as from 2015 onwards. Connect Group is positive about her market position at current and also at new clients, and expects the first results in 2015 of the reorganisation and other various measures taken in 2014 , but stays dependent as subcontractor on the general evolution of her clients.

At December 31, 2014, Connect Group did not meet the required bank covenants. The group however received a waiver with remeasurement after six months from its banks before year end, confirming the existing credit lines for 2015.

Taking into account the various measures taken to improve the profitability on a sustainable basis, the Board is confident that in case additional financing would be needed, or if bank covenants would still be in breach in 2015, continued financial support from its main lenders will be received.

b. Estimates and assumptions

Impairment of goodwill, intangible assets and property, plant and equipment

An impairment exists when the carrying value of an asset or cash generating unit (CGU) exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use.

The recoverable amount of the contract manufacturing operations has been determined based on a value in use calculation which uses cash flow projections based on the financial budget approved by the Board of Directors covering a three-year period. The sales growth rate applied for the cumulative future periods after three-year budget period is 2.5 % on an annual basis (2.5 % in 2013). The growth rate applied in determining the terminal value is set at 0 % (0 % in 2013) and does not exceed the long term average growth rate for this type of industry (subcontractors in the electronics industry). The target EBITDA percentage on sales amounts to 5.6 % in 2014 (5.6 % in 2013). The normalized EBITDA percentage on sales amounts to 2.4 % per 2014 (3.9 % in 2013). Management determines these assumptions based on past performance and its expectations for the market development. The pre-tax discount rate applied to cash flow projections is determined on the weighted average cost of capital (WACC), amounting to 9.5 % (last year 9.5 %). The components for the determination of the WACC are based on sector specific parameters.

The value in use exceeds the carrying amount of the cash generating unit with EUR 2.8 million (2013 a headroom of EUR 9 million). In 2012, the Board of Directors decided to write off the goodwill with EUR 1.6 million.

Stress test on impairment

Management applied a sensitivity test on the assumptions used in the impairment test in order to indicate risk limits. The impact on the significant variables for the CGU is shown below.

CGU contract manufacturing	Scenario 1	Scenario 2	Scenario 3	Scenario 4
Sales growth (impact on all future projected cash flows)	-1%			-1%
EBITDA % on sales		-1%		-1%
WACC			+1%	+1%
Headroom (*)	-4.3 Mio	-12.3 Mio	-4.2 Mio	-17.8 Mio

(*) The negative amounts give the impact of a change in the assumptions on the headroom.

The company cannot predict whether other events that trigger goodwill impairment will occur, when they will occur or how they will affect the asset values reported. Connect Group believes that all of its estimates are reasonable: they are consistent with the internal reporting, external market data and reflect management's best estimates. However, inherent uncertainties exist that management may not be able to control. We refer to note 1.3.7.h for additional disclosures on goodwill.

1.3.6. Changes in organization

Acquisitions and disposals 2014

There were no acquisitions and disposals in 2014.

Acquisitions and disposals 2013

There were no acquisitions and disposals in 2013.

Acquisitions and disposals 2012

On 6 January 2012 the transfer of 100 % of the Halin Group shares to Connect Group took place.

The acquisition price was set at EUR 1,100,000. For further disclosure on this acquisition, we refer to note 1.3.7.aa.

1.3.7. Notes

a. Cash and cash equivalents

	2014	2013	2012
Cash at bank and on hand	208,684	262,697	1,089,110
Cash equivalents	-	-	-
Total	**208,684**	**262,697**	**1,089,110**

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash. Connect Group does not have such cash equivalents.

b. Trade receivables - net

	2014	2013	2012
Trade receivables	17,761,409	20,511,828	20,888,388
Allowance for doubtful accounts	(570,029)	(1,934,973)	(2,103,029)
Trade receivables (net)	**17,191,380**	**18,576,855**	**18,785,359**

The decrease within the trade receivables per year end 2014 compared to 2013 entirely relates to the lower turnover of the second semester of 2014.

Trade receivables per year end 2013 remained in line with year end 2012, due to the comparable turnover level in the last quarter of 2013 in comparison to 2012.

The average credit period on sales is 54 days in 2014, 56 days in 2013 and 51 days in 2012. In the event of overdue payment, Connect Group shall have the right to levy interest at a rate of 1 % per month over the total amount overdue.

Credit risks arise from the possibility that customers may not be able to settle their obligations as agreed. To manage this risk, the group periodically assesses the financial reliability of its customers. Allowances for bad debtors are recorded in case indications exist that recoverability is doubtful.

As of year end 2011, the company had one major outstanding receivable of EUR 2.8 million on one customer who did not pay its invoices of 2009 and 2010. This receivable was fully reserved.

In 2012, the group made an agreement with this customer. EUR 594,251 of the receivable was reversed (credit notes made) and the remaining of EUR 2,175,000 was going to be paid over a period of 22 months (starting April 30, 2012 till January 31, 2014). At the end of 2012, the open receivable and provision for this customer amounted to EUR 1,284,000.

In 2013, some payments from this customer were received. As of the 3rd quarter, the customer ceased making payments. As a result, the provision amounted to EUR 789,000 at the end of 2013. The group went to court in order to obtain the remaining receivable.

In 2014, the remaining payments were received and the remaining recorded allowance for doubtful accounts was reversed. We refer also to the other operating income (notes 1.3.7.t).

Aging of receivables:

2014	Receivables not impaired	Impaired receivables	Total gross receivables
Current (not past due)	13,005,127	-	13,005,127
1-30	3,309,584	(4,759)	3,304,825
31-60	380,654	-	380,654
61-90	161,199	-	161,199
91-180	202,635	-	202,635
>180	73,649	633,320	706,969
Total	**17,132,848**	**628,561**	**17,761,409**

2013	Receivables not impaired	Impaired receivables	Total gross receivables
Current (not past due)	14,425,372	2,390	14,427,762
01-30	3,523,218	1,160	3,524,378
31-60	242,687	91,673	334,360
61-90	111,479	114,942	226,421
91-180	29,084	-	29,084
>180	31,473	1,938,350	1,969,823
Total	**18,363,313**	**2,148,515**	**20,511,828**

2012	Receivables not impaired	Impaired receivables	Total gross receivables
Current (not past due)	13,931,824	-	13,931,824
1-30	3,291,665	106	3,291,771
31-60	515,306	(2,658)	512,648
61-90	616,645	16,122	632,768
91-180	182,656	41,679	224,335
>180	129,721	2,165,321	2,295,042
Total	**18,667,817**	**2,220,571**	**20,888,388**

The group does not have any other financial receivables which are past due.

Allowance for doubtful accounts:

Balance at 31 December 2011	**2,871,802**
Acquired from third parties	268,323
New impairment losses recognised on receivables	233,536
Amounts written off (used) during the year	(676,381)
Amounts reversed during the year	(594,251)
Balance at 31 December 2012	**2,103,029**
New impairment losses recognised on receivables	159,808
Amounts written off (used) during the year	(2,495)
Amounts reversed during the year	(325,369)
Balance at 31 December 2013	**1,934,973**
New impairment losses recognised on receivables	106,226
Amounts written off (used) during the year	(590,481)
Amounts reversed during the year	(880,689)
Balance at 31 December 2014	**570,029**

Total impairments (new and amounts reversed) of the continuing operations recorded in the profit and loss statement in 2014 amount to EUR (774,463).

As mentioned in note 1.3.7.j. the group has concluded a factoring agreement with one financial institution in the course of 2010. The factored receivables amount to EUR 15,689,602 per end 2014, EUR 14,332,221 per end 2013 and EUR 15,962,098 per end 2012.

c. Other receivables

	2014	2013	2012
VAT receivables	436,607	302,851	367,340
Personnel related payroll cost	644	842	1,198
Insurance	10,902	20,237	10,581
Deferrals and accruals	353,271	316,392	388,813
Other	345,338	224,818	137,528
Total	**1,146,762**	**865,140**	**905,460**

d. Inventories

	2014	2013	2012
Raw materials and supplies, at cost	26,806,365	28,716,865	29,017,856
Work in progress, at cost	6,896,865	7,223,018	5,579,635
Finished goods, at cost	2,806,868	2,046,437	4,001,442
Goods purchased for resale	-	-	-
Contracts in progress	-	-	-
Reserve for obsolete inventories	(4,893,086)	(5,022,334)	(5,073,936)
Net	**31,617,012**	**32,963,986**	**33,524,997**

During 2012 initiatives were taken to structurally reduce inventories. As a result inventories decreased from EUR 34.4

million at the end of 2011 to EUR 33.5 million at the end of 2012. Given that at the start of 2012 another EUR 4 million of inventory entered the books as a result of the Halin Group acquisition, this is an inventory reduction of more than 10 percent.

Per year end 2013, inventory levels are comparable to prior year.

Per year end 2014, inventory levels slightly decreased compared to prior year.

In a contract manufacturing business model, inventories are purchased based upon firm customer orders or forecasts for specific customer products within a specific time frame. Consequently more than 80 % of the inventory is customer specific. In case customers cancel forecasts, the company has the right to get indemnification for all inventory items specifically purchased for the cancelled forecast.

For further information on the cost of inventories recognized as an expense during the period in respect of continuing operations, we refer to note 1.3.7.p. Impairment losses on inventory are recorded as cost of sales.

e. Long-term other receivables

	2014	2013	2012
Other receivables	394,286	800,000	-

In May 2013, the group had a receivable on a customer of EUR 1,438,000. In October of that year, this customer went into bankruptcy. The acquirer of the bankrupt customer agreed to take over EUR 1,000,000 of the payable towards Connect Group, resulting in a write-off of EUR 438,000 recorded under "Other operating expenses" for Connect Group in 2013. The remaining payable is transferred into a 5 year interest-bearing loan, repayable in an amount of EUR 200,000 per year. Therefore, EUR 800,000 is recorded under "Long-term other receivables" while EUR 200,000 is recorded under "Other receivables" (note 1.3.7.c) at the end of 2013.

In 2014, the acquirer paid back EUR 510,000. The remaining interest-bearing loan of EUR 490,000 is payable over the remaining 4 year period. Therefore, EUR 394,286 is recorded under "Long-term other receivables" while EUR 95,714 is recorded under "other receivables" (note 1.3.7.c).

f. Property, plant and equipment

	Land and buildings	Machinery and equipment	Furniture and vehicles	Fixed asset under construction	Total
Year ended December 2014					
Cost:					
Beginning of the period	**8,840,667**	**22,906,627**	**3,115,964**	**16,403**	**34,879,661**
Additions of the year	605,338	2,006,121	346,610	627,760	3,585,829
Disposals	(21,650)	(2,183,291)	(133,533)	(7,884)	(2,346,358)
Transfers	(23,796)	(84,310)	1,019	(1,019)	(108,106)
End of the period	**9,400,559**	**22,645,147**	**3,330,060**	**635,260**	**36,011,026**
Accumulated depreciation and impairment:					
Beginning of the period	**4,639,129**	**18,343,989**	**2,467,223**	**-**	**25,450,341**
Depreciation expense	456,313	1,684,839	312,221	-	2,453,373
Eliminated on disposals	(15,313)	(2,126,580)	(121,375)	-	(2,263,268)
Transfers	(23,407)	(84,311)	-	-	(107,718)
End of the period	**5,056,722**	**17,817,937**	**2,658,069**	**-**	**25,532,728**
Net book value at December 2014	**4,343,837**	**4,827,210**	**671,991**	**635,260**	**10,478,298**

	Land and buildings	Machinery and equipment	Furniture and vehicles	Fixed asset under construction	Total
Year ended December 2013					
Cost:					
Beginning of the period	**8,732,593**	**21,689,964**	**3,035,363**	**5,239**	**33,463,159**
Additions of the year	93,577	1,587,739	252,926	16,403	1,950,645
Acquired from third parties	-	50,112	23,109	-	73,221
Disposals	-	(390,746)	(216,618)	-	(607,364)
Transfers	14,497	(30,442)	21,184	(5,239)	-
End of the period	**8,840,667**	**22,906,627**	**3,115,964**	**16,403**	**34,879,661**
Accumulated depreciation and impairment:					
Beginning of the period	**4,235,127**	**16,994,080**	**2,365,703**	**-**	**23,594,910**
Depreciation expense	392,147	1,703,030	284,996	-	2,380,173
Impairment losses	-	-	-	-	-
Eliminated on disposals	-	(320,220)	(204,522)	-	(524,742)
Transfers	11,855	(31,901)	21,046	-	-
End of the period	**4,639,129**	**18,343,989**	**2,467,223**	**-**	**25,450,341**
Net book value at December 2013	**4,201,538**	**4,562,638**	**648,741**	**16,403**	**9,429,320**

	Land and buildings	Machinery and equipment	Furniture and vehicles	Fixed asset under construction	Total
Year ended December 2012					
Cost:					
Beginning of the period	**8,596,101**	**20,541,965**	**3,289,253**	**-**	**32,427,319**
Additions of the year	90,962	2,571,270	296,469	5,239	2,963,940
Acquired from third parties	144,492	4,703,320	-	-	4,847,812
Disposals	(98,823)	(5,913,522)	(674,504)	-	(6,686,849)
Transfers	3,843	(213,069)	158,246	-	(50,980)
Effect of exchange differences	(3,982)	-	(34,101)	-	(38,083)
End of the period	**8,732,593**	**21,689,964**	**3,035,363**	**5,239**	**33,463,159**
Accumulated depreciation and impairment:					
Beginning of the period	**3,790,424**	**16,487,236**	**2,536,010**	**-**	**22,813,670**
Depreciation expense	393,086	2,152,085	342,430	-	2,887,601
Acquired from third parties	53,165	3,930,916	-	-	3,984,081
Eliminated on disposals	(4,422)	(5,362,633)	(638,992)	-	(6,006,047)
Transfers	3,843	(213,524)	158,701	-	(50,980)
Effect of exchange differences	(969)	-	(32,446)	-	(33,415)
End of the period	**4,235,127**	**16,994,080**	**2,365,703**	**-**	**23,594,910**
Net book value at December 2012	**4,497,466**	**4,695,883**	**669,661**	**5,239**	**9,868,249**

The gross carrying amount of all items that are fully depreciated but still in active use is EUR 19,061,433 per 31 December 2014, EUR 17,335,542 per 31 December 2013 and per year end 2012, the gross carrying amount of such items was EUR 15,160,439.

The company has financial leases for a total amount of EUR 1,024,520 mainly related to machinery and equipment per end of 2014. At year end 2013, the company had financial leases for a total amount of EUR 293,096 and at year end 2012, the company had financial leases for a total amount of EUR 547,397.

We refer to note 1.3.7.k for additional disclosures regarding the financial leases.

There are mortgages (see note j.) on the buildings of Connect-systems NV, Connect Group NV and Connect Group Nederland BV. These buildings have a net book value of EUR 3,360,362 at the end of 2014.

For an impairment analysis on property, plant and equipment, we refer to note 1.3.5. where an impairment analysis of goodwill, intangible assets and property, plant and equipment has been disclosed on the level of the cash generating units.

g. Intangible assets

	Development Costs	Licenses	Other	Total
Year ended December 2014				
Cost:				
Beginning of the period	**1,952,648**	**1,582,540**	**45,018**	**3,580,206**
Additions of the year	-	343,063	-	343,063
Transfers	-	108,106	-	108,106
End of the period	**1,952,648**	**2,033,709**	**45,018**	**4,031,375**
Accumulated amortization and impairment:				
Beginning of the period	**1,559,629**	**1,386,951**	**39,057**	**2,985,637**
Depreciation expense	387,424	102,390	5,298	495,112
Impairment losses	-	-	-	-
Transfers	-	107,718	-	107,718
End of the period	**1,947,053**	**1,597,059**	**44,355**	**3,588,467**
Net book value December 2014	**5,595**	**436,650**	**663**	**442,908**

	Development Costs	Licenses	Other	Total
Year ended December 2013				
Cost:				
Beginning of the period	**1,952,648**	**1,393,669**	**45,018**	**3,391,335**
Additions of the year	-	200,394	-	200,394
Acquisitions through business combinations	-	-	-	-
Transfers	-	(11,523)	-	(11,523)
Effect of exchange differences	-	-	-	-
End of the period	**1,952,648**	**1,582,540**	**45,018**	**3,580,206**
Accumulated amortization and impairment:				
Beginning of the period	1,165,287	1,286,222	30,787	2,482,296
Depreciation expense	394,342	112,252	8,270	514,864
Impairment losses	-	-	-	-
Transfers	-	(11,523)	-	(11,523)
End of the period	**1,559,629**	**1,386,951**	**39,057**	**2,985,637**
Net book value December 2013	**393,019**	**195,589**	**5,961**	**594,569**

	Development Costs	Licenses	Other	Total
Year ended December 2012				
Cost:				
Beginning of the period	**1,952,648**	**1,329,656**	**43,774**	**3,326,078**
Additions of the year	-	14,801	1,244	16,045
Transfers	-	50,980	-	50,980
Effect of exchange differences	-	(1,768)	-	(1,768)
End of the period	**1,952,648**	**1,393,669**	**45,018**	**3,391,335**
Accumulated amortization and impairment:				
Beginning of the period	**757,588**	**1,021,524**	**18,519**	**1,797,631**
Depreciation expense	407,699	217,844	13,408	638,951
Impairment losses	-	-	-	-
Transfers	-	52,120	(1,140)	50,980
Effect of exchange differences	-	(5,266)	-	(5,266)
End of the period	**1,165,287**	**1,286,222**	**30,787**	**2,482,296**
Net book value December 2012	**787,361**	**107,447**	**14,231**	**909,039**

For an impairment analysis on intangible assets, we refer to note 1.3.5. where an impairment analysis of goodwill, intangible assets and property, plant and equipment has been disclosed on the level of the cash-generating units.

The weighted average remaining useful life of the licenses is 5 years.

h. Goodwill

The group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. For further details on the results of the impairment analysis, we refer to note 1.3.5.

The book value of the total goodwill at 31 December 2014, 2013 and 2012 is as follows:

	Acquisition value	Accumulated impairment losses	Net carrying amount
Goodwill on 31 December 2012	**10,886,309**	**(6,337,597)**	**4,548,712**
Goodwill on 31 December 2013	**10,886,309**	**(6,337,597)**	**4,548,712**
Goodwill on 31 December 2014	**10,886,309**	**(6,337,597)**	**4,548,712**

Based on the impairment analysis of 2014 and 2013, the Board of Directors decided that no further impairment loss needs to be recorded.

In 2012, the Board of Directors decided to record a write-off of EUR 1,633,359 based on the impairment analysis in 2012, showing a negative headroom of EUR 1.6 million and resulting in total accumulated impairment losses of EUR 6,337,597.

For an impairment analysis on goodwill, we refer to note 1.3.5. where an impairment analysis of goodwill, intangible assets and property, plant and equipment has been disclosed on the level of the cash generating unit.

i. Accrued expenses, payroll and related taxes and deferred income

	2014	2013	2012
Vacation pay accruals	1,974,362	1,973,801	1,830,562
Other social debt	1,696,889	1,984,647	3,125,288
VAT debt	598,808	648,447	469,009
Withholding taxes	744,503	848,779	793,403
Accrued interests	39,722	33,683	74,305
Deferred income	299,860	11,847	40,573
Other	-	339,177	301,260
Total	**5,587,471**	**5,840,381**	**6,634,400**

Accrued interests relate to interests on current bank loans and overdrafts.

j. Current bank loans and overdrafts

	2014	2013	2012
Secured	17,667,594	13,101,279	13,201,277
Financial institutions	4,347,043	1,200,078	-
Factoring of receivables	13,320,551	11,901,201	13,201,277

The fair value of the financial loans and overdrafts amounts to EUR 17,667,594 in 2014, EUR 13,101,279 in 2013 and EUR 13,201,277 in 2012.

Year end December 2014, 2013 and 2012 the company has credit lines for a total amount of EUR 12 million at different Belgian commercial banks and no credit lines at foreign banks.

Per end 2014 EUR 4,347,043, per end 2013 EUR 1,200,078 and per end 2012 EUR 0 of the credit lines at the Belgian commercial banks were used.

All bank borrowings are in Euro. Average interest rate on credit lines is based on Euribor plus a bankers margin which is based on the ratio between EBITDA (*) and financial debt. The average bankers margin amounted to 2.75 % in 2014, 1.5 % in 2013 and 1,75 % in 2012.

(*) EBITDA = Earnings Before Interest, Taxes, Depreciation and Amortization = Operating result + amortization + provisions for liabilities and other risks + depreciation

Guarantees

In current year the credit letters from all financial institutions were not renewed and as a result the most recent letters of 2013 are applicable. Based on these letters, following guarantees were given by the company:

- Mortgage on the buildings of Connect Group NV and Connectsystems NV (Kampenhout) each for EUR 785,860 at one financial institution, and EUR 550,000 at two other financial institutions;
- Mortgage on the buildings of Connect Group NV and Connectsystems NV (Kampenhout) each for EUR 965,000 at one financial institution, EUR 1,375,000 at two other financial institutions;
- Pledge on the commercial funds of Connect Group NV, Connectsystems NV and Connectsystems International NV for a total value of EUR 10,000,000 at one financial institution and EUR 5,500,000 at two other financial institutions;
- Pledge on the commercial funds of Connect Group NV, Connectsystems NV and Connectsystems International NV for a total value of 8,000,000 at one financial institution, EUR 9,350,000 at two other financial institutions;
- Mortgage on the buildings of Connect Group Nederland BV for a total value of EUR 480,000 at one financial institution and EUR 360,000 at two other financial institutions.

All financial institutions obtained following guarantees in parity with their credit lines:

- A 'Zessionsvertrag' and 'Raumsicherungsubereignungsvertrag' on Connect Group GmbH;
- A pledge on the inventories of Connect Group GmbH;
- A pledge on the receivables and the inventories of Connect Group Nederland BV;
- A pledge on the factoring agreements with KBC Commercial Finance;
- A pledge on the shares of Connect Group NV in Connect Systems Holding NV;
- A pledge on the shares of Connect Systems Holding NV in Connectsystems NV;
- A pledge on the shares of Connectsystems NV in Connectsystems International NV;
- Subordination of the receivable on Connectronics Romania SRL of EUR 2 mio by Connect Group NV in the advantage of the banks.

Covenants

According to these credit letters, the following 2014 bank covenants need to be respected on a consolidated level:

- A solvency ratio (*) of minimum 25 % as of 31 December 2014;
- The consolidated cash flow (**) over the last four quarters needs to be positive;
- A maximum consolidated leverage (***) of 3;
- A consolidated tangible equity of EUR 14 million at two financial institutions and EUR 17 million at one financial institution;
- A consolidated inventory above EUR 24 million.

The group received a waiver from its banks before the year end for failing to meet the required covenants at the end of 2014. The waivers received include a clause whereby the banks will re-assess the ratios after six months (June 2015). Due to the application of IAS 1, requiring a one year period of grace for the compliance with the covenants and the fact that there is no assurance the company will be able to meet the required ratio's after six months, a long-term debt of EUR 644,000 was booked as a short-term financial debt, though the repayment schedule for this debt remains a long-term schedule.

In the beginning of 2015, the existing credit letters were renewed. The waivers obtained and the new conditions were subject to:

- Commitment of the shareholders to grant a subordinated loan of EUR 800,000;
- Extension of mortgage on the buildings of Connect Group NV and Connect Systems NV (Kampenhout) each for EUR 1,000,000 EUR at one financial institution, and EUR 750,000 at two other financial institutions;
- Extension pledge on all present and future movable assets of Connect Group Nederland BV including stock and inventory, machinery, installations and equipment;
- New pledge on all present and future movable assets of Connectronics SRO including stock and inventory, machinery, installations and equipment;
- New pledge on all present and future movable assets of Connectronics Romania SRL including stock and inventory, machinery, installations and equipment.

Per 30 June 2015, the ratio's indicated above need to be respected again. Based on the budget for 2015 management expects to be able to comply with these covenants or in case one of the covenants would not be met to obtain a waiver.

(*) Defined as tangible equity / modified total balance sheet (tangible equity = equity plus subordinated loan, less goodwill and intangible assets, modified total balance sheet = total balance sheet - goodwill and intangible assets, netting cash on bank with short term financial debt, netting deferred taxes)

(**) Defined as net income of the consolidation period + depreciation on fixed and intangible assets + amortization of goodwill

(***) Defined as total net financial debt / EBITDA (total net financial debt = long and short term loans less cash and cash equivalents)

Factoring

The group concluded a factoring agreement with a financial institution in 2010. The agreement is a pure financing agreement without risk transfer or administration at the factoring company. The average financing throughout the year was limited to 85 % of all accepted receivables not older than 60 days overdue. The financing cost is based on Euribor plus a fixed margin. The factored receivables amount to EUR 15,689,602 per end 2014, EUR 14,332,221 per end 2013 and EUR 15,962,098 per end 2012.

k. Long-term debt

	2014		2013		2013	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Secured debt	**3,481,008**	**3,481,008**	**4,819,796**	**4,819,796**	**7,741,471**	**7,741,471**
Bank loans	2,472,241	2,472,241	4,521,824	4,521,824	7,270,867	7,270,867
Finance lease liabilities	1,008,767	1,008,767	297,972	297,972	470,603	470,603
Unsecured debt	-	-	-	-	-	-
Subordinated debt	-	-	-	-	-	-
Total long term debt	**3,481,008**	**3,481,008**	**4,819,796**	**4,819,796**	**7,741,471**	**7,741,471**
Less current maturities	(2,096,078)	(2,096,078)	(2,244,890)	(2,244,890)	(2,263,903)	(2,263,903)
Less application IAS 1 (*)	(644,000)	(644,000)	-	-	-	-
Long term portion	**740,930**	**740,930**	**2,574,906**	**2,574,906**	**5,477,567**	**5,477,567**

(*) see note 1.3.7.j

Breakdown of maturities:

The following tables detail the group's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on undiscounted cash flows of financial liabilities based on the earliest date on which the group can be required to pay. The table includes both interest and principal cash flows.

2014

	Bank loans repayment	Bank loans interest payments	Total
2016	313,170	6,249	**319,419**
2017	310,000	6,121	**316,121**
2018	24,000	678	**24,678**
2019	-		-
2020	-	-	-
Beyond 2020	-	-	-

	Finance lease payments	Finance lease interest payments	Total
2016	277,304	29,540	**306,844**
2017	218,508	17,708	**236,216**
2018	241,948	6,904	**248,852**
2019	-	-	-
2020	-	-	-
Beyond 2020	-	-	-

2013

	Bank loans repayment	Bank loans interest payments	Total
2015	1,847,343	48,648	**1,895,991**
2016	249,721	10,384	**260,105**
2017	247,948	5,516	**253,464**
2018	26,812	736	**27,548**
2019	-	-	-
Beyond 2019	-	-	-

	Finance lease payments	Finance lease interest payments	Total
2015	114,871	6,328	**121,199**
2016	71,779	1,907	**73,686**
2017	16,432	174	**16,605**
2018	-	-	-
2019	-	-	-
Beyond 2019	-	-	-

2012

	Bank loans repayment	Bank loans interest payments	Total
2014	2,405,343	112,098	**2,517,442**
2015	1,903,721	59,075	**1,962,796**
2016	401,984	15,710	**417,658**
2017	400,708	1,488	**402,196**
2018	-	-	-
Beyond 2018	-	-	-

	Finance lease payments	Finance lease interest payments	Total
2014	149,968	23,251	**173,220**
2015	127,666	6,571	**134,237**
2016	71,780	1,907	**73,687**
2017	16,432	174	**16,605**
2018	-	-	-
Beyond 2018	-	-	-

Long-term debts are in Euro. Average interest rate on long-term bank loans is quarterly revised based on Euribor 3 month plus bankers margin between 0.99 % and 2.75 %. There is no difference between the book value and the fair value of the long-term debts.

The long term bank loans are secured with a mortgage on the buildings of Connect Group NV, Connect Systems NV (Kampenhout), Connect Group Nederland BV and other guarantees. For further information, we refer to note 1.3.7.j.

l. Provisions

	Restructuring	Pensions	Other	Total
Balance at 31 December 2011	**-**	**185,041**	**-**	**185,041**
Acquired from third parties	-	-	30,314	30,314
New provisions recorded in 2012	234,198	143,603	2,302	380,103
Provisions used in 2012	(222,248)	(29,641)	(16,199)	(268,088)
Provisions reversed in 2012	-	-	-	-
Provisions related to discontinued operations	-	-	-	-
Balance at 31 December 2012	**11,950**	**299,003**	**16,417**	**327,370**
Acquired from third parties	-	-	-	-
New provisions recorded in 2013	13,500	39,341	-	52,841
Provisions used in 2013	(11,950)	(48,178)	-	(60,128)
Provisions reversed in 2013	-	-	(16,417)	(16,417)
Provisions related to discontinued operations	-	-	-	-
Balance at 31 December 2013	**13,500**	**290,166**	**-**	**303,666**
Acquired from third parties	-	-	-	-
New provisions recorded in 2014	3,758,764	121,218	-	3,879,982
Provisions used in 2014	(13,500)	(53,505)	-	(67,005)
Provisions reversed in 2014	-	-	-	-
Provisions related to discontinued operations	-	-	-	-
Balance at 31 December 2014	**3,758,764**	**357,879**	**-**	**4,116,643**

Provisions have been presented as current liabilities as of 31 December 2014, 2013 and 2012 as the costs are expected to be incurred in the next accounting year.

The company recorded a restructuring provision of EUR 3,416,375 for:

- lay-off of personnel in the Veldhoven plant concluded in 2014
- a restructuring of the Poperinge plant as decided by the Board of Directors and communicated to the employees in December 2014. The restructuring relates to approximately 80 people.

Further, all activities of the Poperinge plant will be transferred to the Ieper plant in the period April-June 2015. The company recorded a provision EUR 342,389 for the rent obligation of the leased building and an impairment of the building improvements.

In total, the provision for restructuring of personnel and leased activities amounts to EUR 3,758,764.

m. Other current liabilities

	2014	2013	2012
Advances received on contracts in progress	741,426	509,190	273,015
Fair value of financial instruments	-	-	-
Acquisition price Halin group (remaining balance)	-	-	625,000
Other	5,792	12,314	5,981
Total	**747,218**	**521,504**	**903,996**

The remaining balance in 2012 of EUR 625,000 relating to the acquisition price of the Halin Group was paid during the year 2013 and is a result not recognized anymore on the balance sheet at the end of 2013.

n. Shareholders' equity and rights attached to the shares

As of 31 December 2014 the common stock consisted of 10,290,024 issued and outstanding ordinary shares without face value.

Each holder of shares is entitled to one vote per share, without prejudice to specific restrictions on the shareholders' voting rights in the company's Articles of Association and Belgian Company Laws, including restrictions for non-voting shares and the suspension or cancellation of voting rights for shares which have not been fully paid up at the request of the Board of Directors.

Under Belgian Company Laws, the shareholders decide on the distribution of profits at the annual shareholders' meeting, based on the latest audited accounts of the company. Dividends may be paid in cash or in kind. Legally, there are no restrictions in place for paying out a dividend.

The group's objectives when managing capital are:

- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders;
- to provide the capital allowing to continue the growth strategy of the group;
- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The group sets the amount of capital in proportion to risk. The group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the group may adjust the amount of dividend paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

The group monitors capital on the basis of financial debt-to-adjusted capital ratio. This ratio is calculated as net financial debt / adjusted capital. Net financial debt is calculated as total financial debt, less cash and cash equivalents. Adjusted capital comprises all components of equity (i.e. share capital, share premium, minority interest, retained earnings and revaluation reserve) other than amounts accumulated in equity relating to cash flow hedges, and includes some forms of subordinate debt.

The group's strategy is to maintain the debt-to-adjusted capital ratio, in order to secure access to financing at a reasonable cost. The net financial debt-to-adjusted capital ratio has increased compared to prior year due to a decrease in equity as a result of current year loss and an increase in financial debt as a result of an increase in overdraft used.

The debt-to-adjusted-capital ratios at 31 December 2014, 2013 and 2012 were as follows:

	2014	2013	2012
Total financial debt	21,148,602	17,921,075	20,942,747
Less cash and cash equivalents	(208,684)	(262,697)	(1,089,110)
Net financial debt	**20,939,918**	**17,658,378**	**19,853,637**
Total equity	21,648,101	26,294,432	26,212,567
Add subordinated loan	-	-	-
Adjusted capital	**21,648,101**	**26,294,432**	**26,212,567**
Net financial debt to adjusted capital ratio	0.97	0.67	0.76

o. Deferred taxes

Deferred tax balances are presented in the statement of financial positions as follows:

	2014	2013	2012
Deferred tax assets	1,500,000	1,500,000	1,500,000
Non-current assets held for sale	-	-	-
Deferred tax liabilities	-	-	-
Liabilities directly associated with assets classified as held for sale	-	-	-

Components of deferred tax balances are as follows:

2014	Opening balance	Recognised in profit or loss	Closing balance
Deferred tax assets	**1,500,000**	-	**1,500,000**
- Tax losses or notional interest deduction carried forward of consolidated companies	1,500,000	-	1,500,000

Deferred taxes arise in the following circumstances:

- Intangible assets: accelerated tax depreciations lead to tax bases lower than the carrying amounts;
- Property, plant and equipment: accelerated tax depreciations lead to tax bases lower than the carrying amounts;
- Inventories may have carrying amounts higher than the fiscal accepted value resulting from the completed contract method in the fiscal books;
- Provisions recorded in the financial statements which are disallowed for fiscal reasons in local books;
- Companies reporting losses: deferred tax assets are recognized when it is probable that sufficient taxable profits will be available against which the deferred tax assets can be utilized.

At the end of 2014 there are no material differences for the items described above. So no deferred taxes for these items are recorded.

The group has unrecognized tax losses of EUR 43,400,000, EUR 46,800,000 and EUR 45,500,000 respectively at 31 December 2014, 2013 and 2012 with no expiry date resulting in unrecognized deferred tax assets for EUR 14,500,000, EUR 14,600,000 and EUR 12,300,000 as at 31 December 2014, 2013 and 2012. Further the group has also minimal unrecognized tax losses of EUR 19,700,000 at 31 December 2014 with expiry date resulting in unrecognized deferred tax assets for EUR 5,100,000.

Expire dates unrecognized tax losses:

Expiry date	In EUR
2015	4,097,080
2016	4,254,560
2017	3,993,225
2018	3,421,710
2019	1,007,629
2020	1,648,742
2021	1,067,155
2022	176,428
Total	**19,666,529**

Temporary differences on investments in subsidiaries (undistributed earnings) were approximately EUR 40,619,000, EUR 37,499,000 and EUR 35,389,000 at respectively 31 December 2014, 2013 and 2012 resulting in unrecognized deferred tax assets for EUR 13,100,000, EUR 12,100,000, EUR 11,400,000 as at 31 December 2014, 2013 and 2012. Since it is the intention of the company to indefinitely reinvest these earnings, no deferred tax liability has been accounted for.

p. Cost of sales

	2014	2013	2012
Purchases of material	76,802,509	78,271,025	90,928,869
Personnel expenses (note 1.3.7.u)	23,497,582	23,799,565	25,444,029
Depreciation/amortization (note 1.3.7.w)	2,771,576	2,721,273	3,314,961
Repair and maintenance	402,567	572,688	789,075
Other	3,494,971	3,802,439	3,969,322
Total	**106,969,205**	**109,166,990**	**124,446,256**

q. Research and development expenses

	2014	2013	2012
Personnel expenses (note 1.3.7.u)	1,002,091	1,023,967	1,116,292
Depreciation/amortisation (note 1.3.7.w)	58,970	57,920	70,531
Other	171,002	174,828	171,408
Total	**1,232,063**	**1,256,715**	**1,358,231**

r. General and administrative expenses

	2014	2013	2012
Personnel expenses (note 1.3.7.u)	4,008,366	4,095,868	4,465,167
Depreciation/amortization (note 1.3.7.w)	58,970	57,921	70,531
Professional and Directors fees	820,947	788,982	1,069,643
Other	1,412,436	1,353,628	1,216,332
Total	**6,300,719**	**6,296,399**	**6,821,673**

Other general and administrative expenses mainly include various office supplies, IT and communication services and supplies as well as general taxes such as real estate taxes and community taxes.

s. Selling expenses

	2014	2013	2012
Personnel expenses (note 1.3.7.u)	4,676,427	4,778,513	5,209,361
Representation and travel expenses	394,272	416,887	461,963
Depreciation/amortization (note 1.3.7.w)	58,969	57,921	70,531
Transportation costs	693,848	589,434	693,295
Fairs, exhibitions, Publicity and other	683,081	726,920	773,649
Total	**6,506,597**	**6,569,675**	**7,208,799**

t. Other operating income and other operating expenses

	2014	2013	2012
Gain on disposal of fixed assets	167,521	166,067	134,454
Subsidy	60,109	-	-
Other	774,463	-	590,974
Other operating income	**1,002,093**	**166,067**	**725,428**
Loss on disposal of fixed assets	26,543	6,752	96,044
Other	111,427	295,081	-
Other operating expenses	**137,970**	**301,833**	**96,044**

In 2012, the operating income is influenced by the payment of EUR 550,000 on a receivable that had been fully written down in 2011. The other operating expenses amounted to EUR 295,081 in 2013 and mostly consist out of further payments received from this client and a new allowance on a receivable for a client that had filed for bankruptcy. In 2014, the operating income mainly includes the remaining payments received on the same receivable that had been fully written down in 2011.

u. Personnel expenses and average number of employees

	2014	2013	2012
Hire personnel	1,033,924	928,804	1,427,517
Wages and salaries	30,021,768	30,626,453	32,504,483
Wages and salaries restructuring (note 1.3.7.v)	4,133,554	890,794	974,874
Insurance	824,069	875,911	905,686
Other	1,304,705	1,266,745	1,397,162
Total	**37,318,020**	**34,588,707**	**37,209,722**

The average number of employees of the group in 2014 amounted to 1,685 compared to 1,643 in 2013 and 1,790 in 2012.

In 2014, the company recorded a restructuring provision as part of a global plan of EUR 3,758,764 (note 1.3.7.v). Additionally the company incurred for EUR 717,179 restructuring costs during the year.

Defined contribution plans

By law, defined contribution pension plans in Belgium are subject to minimum guaranteed rates of return. Hence, strictly speaking, those plans classify as defined benefit plans. The IASB recognized that the accounting for such so-called "contribution-based plans" in accordance with the currently applicable defined benefit methodology is problematic. Considering as well the uncertainty with respect to the future evolution of the minimum guaranteed rates of return in Belgium, the Company adopted a retrospective approach whereby the net liability recognized in the statement of financial position is based on the sum of the positive differences, determined by individual plan participant, between the minimum guaranteed reserves and the accumulated contributions based on the actual rates of return at the closing date (i.e. the net liability is based on the deficit measured at intrinsic value, if any).

The company's employees participate in defined contribution plans, funded through group insurance .

The company provides defined contribution plans for some employees. The plan provides for contributions ranging from 2 % to 15 % of the salary. These contributions, partly paid by the employer and partly paid by the employee, are calculated by an insurance company and the costs are charged to income statement in the year to which they relate. Defined contribution costs were EUR 824,069, EUR 875,911 and EUR 905,686 respectively at 31 December 2014, 2013 and 2012.

By law, employers are required to provide an average minimum guaranteed rate of return over the employee's career, currently equal to 3.75% on employee contributions and 3.25% on employer contributions paid as from January 1, 2004 onwards. Those rates may be modified in the future by Royal Decree in which case legislation currently foresees that the new rates also apply to the accumulated past contributions as from the date of modification onwards. There is a risk that the Company may have to pay additional contributions related to past service. Any such additional contributions will depend on the actual investment returns as well as the future evolution of the minimum guaranteed rates of return.

The minimum guaranteed reserves (EUR 5,899,000) per year end 2014 were not entirely covered by the plan assets, however as total deficit is immaterial, no amounts were recognized in the statement of financial position at December 31, 2014.

v. Restructuring expenses

	2014	2013	2012
Provision rent obligation of the building	342,389	-	-
Provision personnel restructuring (note 1.3.7.u)	3,416,375	-	-
Provision restructuring (note 1.3.7.l)	3,758,764	-	-
Paid personnel restructuring (note 1.3.7.u)	717,179	890,794	974,874
Total	**4,475,943**	**890,794**	**974,874**

In 2014, the company recorded a restructuring provision as part of a global plan of EUR 3,758,764 (note 1.3.7.l). Additionally the company incurred for EUR 717,179 restructuring costs during the year.

w. Depreciation charges, amortization charges

	2014	2013	2012
Property, plant and equipment	**2,453,373**	**2,380,173**	**2,887,604**
Cost of sales	2,276,464	2,206,411	2,676,011
General and administration costs	58,970	57,921	70,531
Selling expenses	58,970	57,921	70,531
Research and development costs	58,969	57,920	70,531
Intangible fixed assets	**495,112**	**514,862**	**638,951**
Cost of sales	495,112	514,862	638,951
Total depreciation charges and amortization charges	**2,948,485**	**2,895,035**	**3,526,555**

x. Financial results

	2014	2013	2012
Interest income	23,883	48,266	53,163
Exchange differences	81,300	190,011	164,282
Other	121,132	75,060	17,794
Total financial income	**226,315**	**313,337**	**235,239**
Interest charges	691,912	562,220	899,944
Bank charges	205,566	193,861	284,335
Exchange differences	313,893	138,722	341,173
Total financial charges	**1,211,371**	**894,803**	**1,525,452**
Net financial results	**(924,947)**	**(581,466)**	**(1,290,213)**

y. Income taxes

Income taxes are calculated on the basis of the taxable profit of the individual companies included in the consolidation. The company recognizes deferred taxes according to IAS 12. Income taxes recognized in the income statement:

	2014	2013	2012
Income taxes of the current year	(3,602)	-	(13)
Income taxes of the prior year	(21,592)	(7,948)	55
Deferred tax expense/(income)	-	-	-
Total	**(25,194)**	**(7,948)**	**42**

In 2014, 2013 and 2012 no income taxes were recognized in other comprehensive income.

The reconciliation of the effective tax rate to the statutory tax rate is as follows:

	2014	2013	2012
Profit/(loss) before taxes from continuing operations	(4,621,137)	89,813	3,034,413
Income tax expense calculated at 33.99%	(1,570,725)	30,527	1,031,397
Effect of income that is exempt from taxation	(689,187)	(689,187)	(1,709,697)
Effect of expenses that are not deductible in determining taxable profit	202,583	161,496	536,284
Effect of notional interest deduction	(372,073)	(380,493)	(410,196)
Effect of unused tax losses and tax offsets not recognized as deferred tax assets	2,454,596	885,605	552,170
Income tax expense recognised in profit or loss (relating to continuing operations)	**25,194**	**7,948**	**(42)**
Effective tax rate	0%	0%	0%

The deferred taxes recognized in the statement of financial position are the result of temporary differences in the recognition of income and expenses in the annual report on the one hand and the fiscal books on the other hand.

z. Earnings per share

Basic earnings per share are calculated by dividing the net profit for the period attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

	2014	2013	2012
Net profit/(loss) for the year from continuing operations	(4,646,331)	81,865	(1,465,545)
Net profit/(loss) for the year	(4,646,331)	81,865	3,034,455
Weighted average number of shares – basic	10,290,024	10,290,024	10,290,024
Earnings per share – basic/net profit available for distribution continuing operations	(0.45)	0.01	(0.14)
Earnings per share – basic/net profit available for distribution continuing plus discontinued operations	(0.45)	0.01	0.29
Weighted average number of shares – diluted	10,290,024	10,290,024	10,290,024
Earnings per share - diluted/net profit available for distribution continuing operations	(0.45)	0.01	(0.14)
Earnings per share - diluted/net profit available for distribution continuing plus discontinued operations	(0.45)	0.01	0.29

aa. Business combinations and discontinued operations

Business combinations

On 16 December 2011, the shareholders of Halin Group at Veldhoven (Netherlands) and Connect Group announced that they have reached agreement for Connect Group to acquire 100 percent of the shares of Halin Group. The transfer of the shares and the closing took place at 6 January 2012 (being the date of acquisition).

Subsidiaries acquired

Halin Group consists of 4 companies: Halin Group BV, Halin Electronics BV, Halin Industrial Solutions BV and Halin Communication Technology BV. Halin Communication Technology BV is not included in the takeover. Just like Connect Group, Halin Group is an electronics - mechatronics subcontractor, operating primarily on the Dutch market. The Halin Group employs around 120 people at Veldhoven, Netherlands, and has an annual turnover of around EUR 15 million. The strategic decision for the acquisition relates to the further development of the market in the Netherlands, revenue growth and expected synergies.

The subsidiaries acquired can be summarized as follows:

	Proportion of voting equity interests acquired (%)
Halin Group BV	100%
Halin Industrial Solutions BV	100%
Halin Electronics BV	100%

Consideration transferred

The acquisition price is set at EUR 1,100,000. Acquisition related costs amounting to EUR 50,000 have been excluded from the consideration transferred and are being recognized as incurred as an expense in 2012 within other expenses in the consolidated income statement.

Fair value of assets acquired and liabilities recognized at the date of acquisition

Assets	
Cash and cash equivalents	101,832
Trade receivables	3,112,543
Other receivables	94,335
Inventories	3,255,578
Total current assets	**6,564,288**
Property, plant and equipment	670,899
Total non-current assets	**670,899**
Total assets	**7,235,187**

Liabilities	
Bank loans and overdrafts	3,087,395
Current portion of long-term debt	113,647
Trade payables	2,431,864
Accrued expenses, payroll and related taxes and deferred income	628,726
Provisions	25,434
Other current liabilities	361,688
Total current liabilities	**6,648,754**
Long-term debt less current portion	1,019,793
Total non-current liabilities	**1,019,793**
Total liabilities	**7,668,547**

Goodwill arising on the acquisition

Consideration transferred	1,100,000
Fair value of identifiable net assets acquired	(433,360)
Goodwill arising on acquistion	1,533,360

The consideration paid for the combination effectively includes amounts in relation to the benefit of expected synergies, revenue growth and future market development. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.

Net cash outflow on acquisition of subsidiary per 31/12/2012

Consideration paid in cash	1,100,000
Less cash and cash equivalent balances acquired	101,832
Less outstanding amount to pay	625,000
= Net cash out-flow	373,168

Impact of acquisition on the result of the group (in 2012)

The impact of the Halin Group acquisition on the results of the group is unmeasurable as all Halin Group companies were fully integrated in Connect Group Nederland BV before the end of the year. If Halin Group remained independent, the result of the year would certainly have been negative.

Discontinued operations

In December 2012, a settlement was concluded with the purchasers of the Automation activity in connection with their contractual obligation to pay to Connect Group 50 percent of the adjusted profit of the acquired business for the period 2010-2012. As a result of this settlement, the buyer paid to Connect Group at 28 December 2012 the sum of EUR 4.5 million as final settlement for this contractual obligation and EUR 2 million as payment for the outstanding debt to Connect Group. The EUR 4.5 million was recorded as a result from the discontinued automation activity.

ab. Segment reporting

Operating segments

The group consists solely of the contract manufacturing activity, with no further segmentation.

Geographical information

The group operates in four principal geographical areas: Belgium (country of residence), The Netherlands, Germany and France. The geographical spread of revenues by major country is as follows (based on invoicing):

	2014		2013		2012	
	In EUR	**In %**	**In EUR**	**In %**	**In EUR**	**In %**
Belgium	44,562,656	37	50,589,611	40	59,445,719	42
The Netherlands	44,929,476	37	45,791,633	37	54,143,203	38
Germany	13,529,085	11	12,138,292	10	12,080,552	9
France	6,703,184	6	6,385,889	5	8,304,087	6
Other Europe	11,259,922	9	10,082,193	8	7,664,875	5
Total	**120,984,323**	**100**	**124,987,618**	**100**	**141,638,435**	**100**

The property, plant and equipment and intangible assets of the Connect Group by location are as follows:

	2014		2013		2012	
	In EUR	**In %**	**In EUR**	**In %**	**In EUR**	**In %**
Belgium	5,586,984	51	4,401,909	44	5,041,724	47
The Netherlands	1,663,517	15	1,450,536	14	1,760,679	16
Germany	183,642	2	260,476	3	275,383	3
Czech Republic	903,940	8	1,031,015	10	1,015,094	9
Romania	2,583,124	24	2,879,953	29	2,684,408	25
Total	**10,921,207**	**100**	**10,023,889**	**100**	**10,777,288**	**100**

Information about major customers

The company has one customer counting for 10.88 % in 2014, 13.01 % of its sales in 2013 and 15.14 % in 2012. 10 customers account for approximately 52,6 %, 51.8 % and 52.8 % respectively of the group's net sales of the continued operations in 2014, 2013 and 2012. Beside these 10 largest customers, no other customer accounts for 2.5 % or more of the group's total net sales. The 10 highest amounts of trade receivables for a single customer account for approximately 54.2 % of the group's trade accounts receivable at 31 December 2014 whereas this was 53.4 % at 31 December 2013 and 51.8 % at 31 December 2012.

ac. Contingent liabilities

Neither the company, nor its subsidiaries are subject to any legal proceeding that can have or may have a significant negative impact on the consolidated financial position of the company.

ad. Issued capital and reserves

Shareholders' Equity (at 31/12/2014)

Origin Name	Number Issued	Declared total	%
Equity	10,290,024	7,103,476	69.03 %

Shareholder name	Number declared (*)	%
QuaeroQ cvba	2,229,874	21.67 %
Huub Baren (**)	2,166,155	21.05 %
LRM NV	1,870,786	18.18 %
Luc Switten	426,369	4.14 %
Het Beste Brood Holding SA (***)	410,292	3.99 %
Other below the reporting threshold	3,186,548	30.97 %
Total	**10,290,024**	**100 %**

(*) Shareholders holding 3% or more of the shares need to declare their interests
(**) companies controlled by Huub Baren
(***) company controlled by Guy van Dievoet

During 2014 there have been no changes in the authorized shares, ordinary shares issued and fully paid, share premium or treasury shares.

ae. Financial instruments

Categories of financial instrument

	2014	2013	2012
Financial assets at amortized cost			
Cash and cash equivalents	208,684	262,697	1,089,110
Trade receivables	17,191,380	18,576,855	18,785,359
TOTAL Financial assets at amortized cost	**17,400,064**	**18,839,552**	**19,874,469**
Financial liabilities			
Financial liablities at amortized cost			
Bank loans and overdrafts	17,667,594	13,101,279	13,201,277
Long term debt (incl. ST)	3,481,008	4,819,796	7,741,470
Accrued interest	39,722	33,683	74,305
Trade payables	14,281,540	18,661,704	16,209,969
TOTAL Financial liabilities at amortized cost	**35,469,864**	**36,616,462**	**37,227,621**
Financial liabilities at fair value through profit or loss			
Derivative financial instruments	-	-	-
TOTAL Financial liabilities at fair value through profit or loss	-	-	-

Financial risk management objectives

The group's Corporate Treasury function coordinates access to domestic and international financial markets and monitors and manages the financial risks relating to the operations of the group. These risks include market risk (including currency risk, interest rate risk), credit risk and liquidity risk.

The group sometimes seeks to minimise the effects of its interest rate risks and USD exchange risks by using derivative financial instruments to manage these risk exposures.

The group does not enter into or trades financial instruments, including derivative financial instruments, for speculative purposes.

Market risk management

The group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates (see note A below) and interest rates (see note B below). The group sometimes enters into derivative financial instruments to manage its exposure to foreign currency risk on the US Dollar using foreign currency option contracts. Foreign currency risks that do not influence the group's cash flows (the risks resulting from the translation of assets and liabilities of foreign operations in to the group's reporting currency) are not hedged.

A. Foreign currency risk management

The group undertakes purchase transactions denominated in foreign currencies. Hence, exposure to exchange rate fluctuations arises. Exchange rate exposures are sometimes managed within approved policy parameters utilising foreign currency derivative contracts for US Dollars only. To this effect, within an accounting year, the group purchased options to buy US Dollars and entered into forward contracts to buy US Dollars. No commitments exists as of year end. The group does not use any significant derivative financial instruments to manage its exposure to other foreign currencies.

The carrying amounts of the group's foreign currency denominated monetary assets and monetary liabilities (versus the functional currencies of the reporting entity and including intercompany financial assets and liabilities) at the reporting date are as follows:

	2014	2013	2012
Assets			
GBP	425	425	-
RON	127,039	220,396	151,953
USD	23,035	107,126	32,456
CZK	1,520,495	172,203	84,290
Liabilities			
GBP	19,684	24,196	12,535
JPY	5,495,527	5,813,676	1,185,022
USD	2,002,187	2,631,329	1,873,322
CZK	3,403,056	4,888,823	5,147,117
RON	1,935,859	2,255,137	2,649,029
CHF	6,756	21,749	117,091

Foreign currency sensitivity analysis

The group is mainly exposed to the USD.

The group's business is more than 95 % an EUR sales business. Purchasing of material is partially US Dollar driven. In 2014, the company purchased materials for approximately 17.1 million US Dollar (12.0 % of sales). In 2013, the company purchased materials for approximately 17.6 million US Dollar (10.7 % of sales). In 2012, the company purchased materials for approximately 24.1 million US Dollar (13.2 % of sales). These purchases are mainly for electronic components. The impact on future financial statements of a 10 % increase or decrease of the US Dollar against the EUR is difficult to measure and unpredictable for the following reasons:

- Product price setting for customers is based on the US Dollar/EUR exchange rate at the moment the contract is negotiated. Prices are typically negotiated for a 1 year period;
- Customer contracts regularly include clauses allowing Euro price adaptation in case impact of the US Dollar content of the product changes with a certain percentage;
- During the lifespan of a product, price may change (including the impact of US Dollar/EUR effects) as a consequence of minor product changes / revisions;
- The company sells several thousands of different products which each have their own lifespan, starting date and revision of price history.

The combination of all these elements makes the impact of the US Dollar/EUR exchange rate exposure unpredictable. The impact will always be limited to the percent movement of the US Dollar/EUR exchange rate on the total US Dollar purchases in both directions. It can however have a material impact on the financial performance of the company.

The sensitivity analysis below represents the sensitivity of a 10 % change in the foreign currency rates of the USD, including only the outstanding US Dollars at year end. This sensitivity analysis includes external loans as well as loans to foreign operations within the group where the denomination of the loan is in a currency other than the currency of the lender or the borrower. A positive number below indicates an increase in profit where the EUR strengthens against the USD.

Currency impact USD	2014	2013	2012
	EUR	**EUR**	**EUR**
Profit or loss	148,194	166,393	126,839

Foreign currency option contracts

Per 31 December 2014, 2013 and 2012 the group has no such outstanding derivative contracts.

B. Interest rate risk management and sensitivity analysis

The group is exposed to interest rate risk as entities in the group borrow funds at floating interest rates (mostly Euribor plus bankers margin). The effect on the financial statements of a 1 % change in interest rate amounts to approximately EUR 210,000 based on the total outstanding financial debt of EUR 21 million at the end of 2014. For 2013 a 1 % change in interest rate would have amounted to approximately EUR 180,000 based on a total outstanding amount of debt of EUR 18 million at the end of 2013. For 2012 a 1 % change in interest rate would have amounted to approximately EUR 210,000 based on a total outstanding amount of debt of EUR 21 million at the end of 2012. An increase in interest rates would result in a decrease of the company's net result.

A sensitivity in interest rates would not impact equity significantly.

In 2013, the group has engaged into interest rate cap agreements of 1% on Euribor 1M in order to limit its exposure to interest rate risks. The agreement was made for a period of 3 years for a total outstanding debt of EUR 15 million. Per year end 2014, the group has evaluated the market to market valuation of the interest rate cap. Based on the market value reports obtained from bankers, the market value was not recorded in profit and loss, as the impact on the financial statements is considered to be immaterial.

Credit risk management

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the group. The group uses publicly available financial information and its own trading records to rate its major customers. The group's exposure is continuously monitored.

Maximum exposure to credit risk can be detailed as follows:

	2014	2013	2012
Financial assets at amortized cost			
Cash and cash equivalents	208,684	262,697	1,089,110
Loans and receivables	17,191,380	18,576,855	18,785,359
TOTAL Financial assets at amortized cost	**17,400,064**	**18,395,552**	**19,874,469**

The main focus for credit risk management relates to trade receivables (see note 1.3.7 b) for an amount of EUR 17,191,380, EUR 18,576,855 and EUR 18,785,359 as at 31 December 2014, 2013 and 2012 respectively.

The company has one customer counting for 9.2 % of the outstanding receivables. 10 customers count for 54.2 % of the outstanding receivables. We refer to note 1.3.7. b for an analysis of the aging of trade receivables and discussions on impairment.

The company closely follows up their customers to monitor their credit risk. Customers are on one side worldwide international electronic manufacturing firms of which financial data is available on a quarterly basis and credit ratings assigned by international credit rating agencies and on the other side, local electronic manufacturing firms for which no explicit credit rating exists. For these customers, the company closely monitors their customer's business to identify potential credit risk in advance. As manufacturing partner of these companies, adequate control exists to manage this credit risk. The company does not use credit risk insurance.

The group does not hold any collateral for any of its financial assets.

Liquidity risk management

The company secured at its bankers credit lines of EUR 12 million (on average EUR 6.5 million of this credit line was used) and obtained factoring financing on its receivables (on average 85 % of accepted receivables factored is financed) for working capital needs (see note 1.3.7. j). The credit lines at the bankers are in principal renewable every year. We refer to note 1.3.7. k. for a breakdown of the maturities of long term debt.

A breakdown of the cash flows of all financial liabilities at amortized cost is as follows:

2014

	Financial liabilities at amortized cost
Current	34,565,141
2016	626,263
2017	552,337
2018	273,530
2019	-
2020	-
Beyond 2020	-

2013

	Financial liabilities at amortized cost
Current	34,349,846
2015	2,017,191
2016	333,792
2017	270,069
2018	27,548
2019	-
Beyond 2019	-

2012

	Financial liabilities at amortized cost
Current	32,112,886
2014	2,517,442
2015	1,962,796
2016	417,658
2017	402,196
2018	-
Beyond 2018	-

Fair value measurement

IFRS 7 requires an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

There are no financial assets and liabilities subsequently measured at fair value on level 1, 2 or 3 fair value measurement as the board of directors considers the carrying amounts of financial assets and liabilities recognised in the consolidated financial statements to be the same as their fair values.

af. Commitments

At the end of 2013, Connect Group has a commitment for approximately EUR 1 million for the acquisition of a new production line. In the beginning of 2014, the finance lease agreement related to that production line was concluded. See current year increase in finance lease liabilities in note 1.3.7.k.

At the end of 2014, the company has for EUR 14,9 million purchase orders outstanding at suppliers (EUR 17,1 million in 2013; EUR 17,9 million in 2012). These purchases are based on fixed sales orders or forecasts provided by the customers. As such the customers have the obligation to purchase the components.

The ultimate risk relating to the purchase orders is for the customers of Connect Group.

ag. Related party transactions

In December 2012, a settlement was concluded with the purchasers of the Automation activity in connection with their contractual obligation to pay to Connect Group 50 percent of the adjusted profit of the acquired business for the period 2010-2012. As a result of this settlement, the buyer paid to Connect Group at 28 December 2012 the sum of EUR 4.5 million as final settlement for this contractual obligation and EUR 2 million as payment for the outstanding debt to Connect Group. The EUR 4.5 million was recorded as a result from the discontinued automation activity.

Further there are no related party transactions in 2012.

In 2014 and 2013 there are no related party transactions.

Compensation of key management personnel

The total amount of emoluments to the members of the Board of Directors and management amount to EUR 1,177,574 in 2014, EUR 1,164,845 in 2013 and EUR 1,313,012 in 2012. The total amount of shares held by the members of the Board of Directors amounted to 3,066,535 in 2014 and 3,051,632 in 2013 and 2012. There were no warrants held by members of the Board of Directors in 2014, 2013 and 2012.

The remuneration of members of the Board of Directors and management during the year was as follows:

	2014	2013	2012
Short-term benefits	1,177,574	1,164,845	1,313,012
Post-employment benefits	-	-	-
Other long-term benefits	-	-	-
Share-based payments	-	-	-
Total	**1,177,574**	**1,164,845**	**1,313,012**

ah. Disclosure attest and non attest fees charged by the Statutory Auditor

In accordance with the law of 20 July 2006, article 101, please find below a summary of the attest fees and non attest fees of the statutory auditor Deloitte Bedrijfsrevisoren and its network of professional service firms.

Attest fee (consolidated level)	2014	2013	2012
Agreed fee	145,265	143,110	140,285

Non Attest fees (consolidated level)	2014	2013	2012
Tax advice	13,000	20,968	45,895
Other non-attest services	12,156	11,925	20,344
Legal missions	-	-	3,000
Acquisition Due diligence services (which are outside the scope of the 1 to 1 rule)	-	-	-
Total non attest fees	**25,156**	**32,893**	**69,239**

ai. Operational lease commitments

Location	Legal entity	Lease Start Date	Lease End Date	Review Date	Annual Rent	Area (square meters)
Belgium	Connect Group NV Frankrijklaan 18-22, 8970 Poperinge	01/01/2007	31/12/2015	01/1/2011	277,764	10,365
Germany	Connect Group GmbH Siemensstr. 11, 72636 Frickenhausen	01/11/2000	31/12/2015	31/12/2014	197,528	4,320
Romania	Connectronics Romania SRL Soseaua Borsului 40, 3700 Oradea	01/01/2008	31/12/2023	-	674,664	15,400
Romania	Connectronics Romania SRL Soseaua Borsului 40, 3700 Oradea	01/08/2014	31/12/2019	30/06/2019	221,616	4,860
Czech Republic	Connectronics sro, Billundska 2756, 272 01 Kladno	01/01/2007	31/12/2016	01/1/2012	263,753	5,285
The Netherlands	Connect Group Nederland BV De Run 4281, 5503 LM Veldhoven	01/03/2000	31/08/2020	01/05/215	726,493	5,763
IT infrastructure		01/12/2012	30/12/2015	01/12/2015	168,612	

Payments recognized as an expense

	2014	2013	2012
Minimum lease payments	2,242,508	2,300,412	2,082,866
Contingent rentals	-	-	-
Sub-lease payments received	(97,429)	(84,253)	(75,154)
Total	**2,145,079**	**2,216,159**	**2,007,712**

Non-cancellable operating lease commitments

	2014	2013	2012
Not later than 1 year	2,511,784	2,303,508	2,085,765
Later than 1 year and not later than 5 years	6,329,388	7,820,376	7,152,071
Later than 5 years	3,111,680	3,857,648	5,813,691
Total	**11,952,852**	**13,981,532**	**15,051,528**

aj. Interests in subsidiaries

According to IFRS 12, interests in subsidiaries, we disclose below the nature and extent of significant restrictions on its ability to access or use assets, and settle liabilities, of the group. For an overview of the subsidiaries we refer to note 1.3.4.b.

With respect to the restrictions on the realization of assets we refer to comments in note 1.3.7.f and guarantees disclosed in 1.3.7.j. Apart from that, there are no other material elements present that could have significant restrictions on its ability to access or use assets and settle liabilities.

2. INDIVIDUAL FINANCIAL STATEMENTS

In accordance with article 105 of the Company Law, this annual report includes the directors' report (see pg 32), the statutory auditor's opinion and a condensed version of the individual statutory accounts of Connect Group NV.

The directors' report, the statutory auditor's opinion and the full annual accounts of Connect Group NV are available at the registered office of the company at no cost.

2.1 Statutory auditor's report to the shareholders' meeting on the annual accounts for the year ended 31 December 2014

To the shareholders,

As required by law and the company's articles of association, we report to you in the context of our appointment as the company's statutory auditor. This report includes our report on the annual accounts together with our report on other legal and regulatory requirements. These annual accounts comprise the balance sheet as at 31 December 2014 and the income statement for the year then ended, as well as the summary of accounting policies and other disclosures.

Report on the annual accounts – Unqualified opinion

We have audited the annual accounts of Connect Group NV ("the company"), prepared in accordance with the financial reporting framework applicable in Belgium, which show total assets of 88.531 (000) EUR and a loss for the year of 8.119 (000) EUR.

Board of directors' responsibility for the preparation of the annual accounts

The board of directors is responsible for the preparation and fair presentation of annual accounts in accordance with the financial-reporting framework applicable in Belgium, and for such internal control as the board of directors determines is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

Statutory auditor's responsibility

Our responsibility is to express an opinion on these annual accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the statutory auditor's judgment, including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error. In making those risk assessments, the statutory auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the board of directors, as well as evaluating the overall presentation of the annual accounts. We have obtained from the company's officials and the board of directors the explanations and information necessary for performing our audit.

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

Unqualified opinion

In our opinion, the annual accounts of Connect Group NV give a true and fair view of the company's net equity and financial position as of 31 December 2014 and of its results for the year then ended, in accordance with the financial reporting framework applicable in Belgium.

Emphasis of Matter

Without modifying our unqualified opinion, we draw the attention to F 7 of the financial statements for the justification of the going concern principle.

Report on other legal and regulatory requirements

The board of directors is responsible for the preparation and the content of the directors' report on the annual accounts, as well as for maintaining the company's accounting records in compliance with the legal and regulatory requirements applicable in Belgium and for the company's compliance with the Companies Code and the company's articles of association.

As part of our mandate and in accordance with the Belgian standard complementary to the International Standards on Auditing applicable in Belgium, our responsibility is to verify, in all material respects, compliance with certain legal and regulatory requirements. On this basis, we make the following additional statements, which do not modify the scope of our opinion on the annual accounts:

- The directors' report includes the information required by law, is consistent with the annual accounts and is free from material inconsistencies with the information that we became aware of during the performance of our mandate.
- Without prejudice to certain formal aspects of minor importance, the accounting records are maintained in accordance with the legal and regulatory requirements applicable in Belgium.
- The appropriation of results proposed to the general meeting is in accordance with the relevant requirements of the law and the company's articles of association.
- There are no transactions undertaken or decisions taken in violation of the company's articles of association or the Companies Code that we have to report to you.

Antwerp, 25 March 2015
The statutory auditor

DELOITTE Bedrijfsrevisoren / Reviseurs d'Entreprises
BV o.v.v.e. CVBA / SC s.f.d. SCRL
Represented by Dirk Cleymans

2.2 Condensed financial statements (in EUR)

1. BALANCE SHEET

	2014	2013
ASSETS		
FIXED ASSETS	**64,521,709**	**63,377,417**
I.FORMATION EXPENSES	**-**	**-**
II.INTANGIBLE ASSETS	**274,301**	**534,558**
III.TANGIBLE ASSETS	**2,391,008**	**986,859**
A. Land & buildings	231,685	251,407
B. Plant, macchinery & equipment	274,596	236,394
C. Furniture and vehicles	76,264	96,944
D. Leasing and other similar rights	973,203	194,615
E. Other tangible assets	200,000	200,000
F. Assets under construction	635,260	7,500
IV.FINANCIAL ASSETS	**61,856,400**	**61,856,000**
A. Affiliated enterprises	61,856,000	61,856,000
1.Participating interests	61,856,000	61,856,000
2.Amounts receivable	-	-
B. Other enterprises linked by particip. interests	-	-
1.Participating interests	-	-
2.Amounts receivable	-	-
C. Other financial assets	400	-
1.Shares	-	-
2.Amounts receivable and cash guarantees	400	-
CURRENT ASSETS	**24,009,169**	**30,204,937**
V.AMOUNTS RECEIVABLE AFTER ONE YEAR	**394,286**	**800,000**
A.Trade debtors	-	-
B. Other amounts receivable	394,286	800,000
VI.STOCKS AND CONTRACTS IN PROGRESS	**2,588,319**	**3,256,013**
A.Stocks	2,588,319	3,256,013
1.Raw materials	760,338	1,613,285
2.Work in progress	453,439	856,085
3.Finished goods	1,374,543	786,644
4.Goods purchased for resale	-	-
5.Immovable property acquired or constructed for resale	-	-
6.Advance payments	-	-
B.Contracts in progress	-	-
VII.AMOUNTS RECEIVABLE WITHIN ONE YEAR	**20,764,815**	**26,039,843**
A. Trade debtors	10,979,003	13,249,343
B. Other amounts receivable	9,785,812	12,790,500
VIII.INVESTMENTS	**-**	**-**
A. Own shares	-	-
B. Other investments and deposits	-	-
IX.CASH AT BANK AND IN HAND	**8,957**	**23,644**
X.DEFERRED CHARGES AND ACCRUED INCOME	**252,792**	**85,436**
TOTAL ASSETS	**88,530,878**	**93,582,354**

	2014	2013
LIABILITIES		
CAPITAL AND RESERVES	**23,346,764**	**31,466,166**
I.CAPITAL	**637,981**	**637,981**
A. Issued capital	637,981	637,981
B. Uncalled capital	-	-
II.SHARE PREMIUM ACCOUNT	**42,844,439**	**42,844,439**
	-	-
III.REVALUATION SURPLUS	**-**	**-**
	-	-
IV.RESERVES	**42,993**	**42,993**
A. Legal reserves	42,993	42,993
B. Reserves not available for distribution	-	-
1. In respect of own shares hold	-	-
2. Other	-	-
C. Untaxed reserves	-	-
D. Reserves available for distribution	-	-
V.PROFIT/LOSS CARRIED FORWARD	**(20,178,650)**	**(12,059,247)**
VI.INVESTMENT GRANTS	**-**	**-**
PROVISIONS AND DEFERRED TAXATION	**3,910,934**	**290,166**
VII. A. PROVISION FOR LIABILITIES AND CHARGES	**3,910,934**	**290,166**
1. Pension and similar rights	312,545	290,166
2. Taxation	-	-
3. Major repair and maintenance	-	-
4. Other liabilities and charges	3,598,389	-
B. DEFERRED TAXATION	**-**	**-**
CREDITORS	**61,273,180**	**61,826,021**
VIII.AMOUNTS PAYABLE AFTER ONE YEAR	**39,213,981**	**39,797,527**
A. Financial debts	39,213,981	39,797,527
1. Subordinated loans	-	-
2. Unsubordinated debentures	-	-
3. Leasing and other similar obligations	713,981	137,527
4. Credit institutions	-	1,560,000
5. Ohter loans	38,500,000	38,100,000
B.Trade debts	-	-
1. Suppliers	-	-
2. Bills of exchange payable	-	-
C. Advances received on contracts in progress	-	-
D. Other amounts payable	-	-
IX.AMOUNTS PAYABLE WITHIN ONE YEAR	**20,699,980**	**20,843,024**
A. Current portion of amounts payable after one year	1,801,928	2,077,611
B. Financial debt	13,045,804	12,635,856
1. Credit institutions	6,695,804	6,385,856
2. Other loans	6,350,000	6,250,000
C. Trade debts	4,009,081	4,061,776
1. Suppliers	4,009,081	4,061,776
2. Bills of exchang payable	-	-
D. Advances received on contracts in progress	164,261	121,837
E. Taxes, remuneration and social security	1,678,906	1,945,944
1. Taxes	258,809	310,392
2. Remuneration and social security	1,420,097	1,635,551
F. Other amounts payable	-	-
X.ACCRUED CHARGES AND DEFERRED INCOME	**1,359,219**	**1,185,471**
TOTAL LIABILITIES	**88,530,878**	**93,582,354**

2. INCOME STATEMENT

	2014	2013
I.OPERATING INCOME	**39,721,229**	**51,116,581**
A. Turnover	39,072,054	51,061,724
B. Variations in inventory	185,253	(498,211)
C. Fixed assets own construction	-	-
D. Other operating income	463,923	553,069
II.OPERATING CHARGES	**42,829,728**	**52,660,80**
A. Raw materials, consumables and goods for resale	29,617,559	37,171,457
1. Purchases	28,788,542	35,896,602
2. Movements in stock	829,018	1,274,855
B. Services and other goods	4,179,734	4,041,424
C. Remuneration, social security and pensions	8,986,832	10,354,656
D. Depreciation, write off formation expenses	840,626	814,637
E. Write off of inventory, receivables	(1,064,573)	213,460
F. Increase/decrease in prov. for liabil. & charges	22,379	(8,836)
G. Other operating charges	247,172	74,006
H. Operating charges capitalised as reorganization costs	-	-
III.OPERATING PROFIT/(LOSS)	**(3,108,499)**	**(1,544,222)**
	-	-
IV.FINANCIAL INCOME	**107,231**	**340,697**
A. Income from financial fixed assets	23,784	48,001
B. Income from current assets	-	-
C. Other financial income	83,446	292,697
V.FINANCIAL CHARGES	**1,597,156**	**1,753,155**
A. Interests and other debt charges	1,392,988	1,374,646
B. Increase/decrease in amounts written off on current assets	-	-
C. Other financial charges	204,168	378,509
VI.PROFIT/(LOSS) ON ORDINARY ACT. BEFORE TAXES	**(4,598,424)**	**(2,956,680)**
	-	-
VII.EXTRAORDINARY INCOME	**92,700**	**55,998**
A. Adjustments to depreciation of and to other amounts intang. & tangibl. assets	-	-
B. Adjustments to amounts written off financial fixed assets	-	-
C. Adjustments to provisions for extraordinary liabilities and charges	-	-
D. Gain on disposal of fixed assets	92,700	55,998
E. Other extraordinary income	-	-
VIII.EXTRAORDINARY CHARGES	**3,606,686**	**-**
A. Extraord. deprec. of & extraord. amounts written off form.	-	-
expenses, tang. and intang. assets		
B. Amounts written off financial fixed assets	-	-
C. Provisions for extraord. liabilities and charges	3,598,389	-
D. Loss on disposal of fixed assets	8,297	-
E. Other extraordinary charges	-	-
F. Extraordinary costs capitalised as restructuring costs	-	-
IX.PROFIT (LOSS) FOR THE YEAR BEFORE TAXES	**(8,112,410)**	**(2,900,682)**
A. Transfers from deferred taxes	-	-
B. Transfers to deferred taxes	-	-
X.INCOME TAXES	**6,992**	**2,759**
A. Income taxes	6,992	2,759
B. Adjustment of income taxes and write-back of tax provisions	-	-
XI.PROFIT (LOSS) FOR THE YEAR	**(8,119,402)**	**(2,903,441)**
XII.TRANSFER TO UNTAXED RESERVES	**-**	**-**
XIII.PROFIT (LOSS) FOR THE YEAR AVAIL. FOR APPROPRIATION	**(8,119,402)**	**(2,903,441)**

APPROPRIATION ACCOUNT

	2014	2013
A. PROFIT/(LOSS) TO BE APPROPRIATED	**(20,178,650)**	**(12,059,248)**
1. Profit/(loss) for the period avalable for appropriation	(8,119,402)	(2,903,44)1
2. Profit/(loss) brought forward	(12,059,248)	(9,155,807)
B. TRANSFERS FROM CAPITAL AND RESERVES	-	-
1. From capital and share premium account	-	-
2. From reserves	-	-
C. TRANSFERS TO CAPITAL AND RESERVES	-	-
1. To capital and share premium account	-	-
2. To legal reserve	-	-
3. To other reserves	-	-
D. RESULT TO BE CARRIED FORWARD	-	-
1. Profit to be carried forward	(20,178,650)	(12,059,248)
2. Loss to be carried forward	-	-
E. SHAREHOLDERS' CONTRIBUTION IN RESPECT OF LOSSES	-	-
F. DISTRIBUTION OF PROFIT	-	-
1. Dividends	-	-
2. Directors' emoluments	-	-
3. Other allocations	-	-

2.3 Summary of the valuation rules

1. ASSETS

I. Formation Expenses

Formation expenses are expensed as incurred.

II Intangible fixed assets

Intangible fixed assets are valued at acquisition cost. These assets are amortized over the contractual period, if any, or the estimated useful life, using the straight-line method:

Research and Development Costs:	20 %- 33 %
Goodwill:	20 %
Software:	20 %
Brands:	10 %

III. Tangible fixed assets

Tangible fixed assets are valued at acquisition cost or production cost in case of own construction. Tangible fixed assets are depreciated over their estimated useful economic lives using the following:
Annual depreciation rates are:

- Buildings: 5 % double-declining
- Plant, machinery and equipment: 20 % straight-line
- Furniture: 20 % straight-line
- Vehicles: 25 % straight-line
- Computer equipment: 33 % straight-line
- Second-hand equipment: 50-100 % straight-line

Fixed assets under construction:

- Formation expenses related to buildings: 20 % double-declining
- Buildings: 5 % double-declining
- Furniture: 20 % straight-line

IV. Financial fixed assets

Financial fixed assets are valued at acquisition cost. The Board of Directors evaluates with sincerity, prudence and good faith whether impairment is permanent in nature and determines the corresponding write down.

V. Inventories and Work in progress

Raw materials and materials are valued at acquisition cost according to the weighted moving average pricing method. Work in progress and finished goods are valued at construction value (including directs costs). Obsolete or slow-moving inventories are written down if the book value exceeds the net realizable value. The production costs include the costs of raw materials and consumables; direct labour costs and other direct attributable production costs.

VI. Receivables

Receivables are recorded at their face value. They are written down in case their estimated realizable value at closing date is below their book value.

Receivables in foreign currencies are valued at the year end exchange rates. Exchange gains or losses resulting from the conversion are included in the profit and loss statement.

VII. Cash and cash equivalents

Cash and cash equivalents are recorded at their face value.

2. LIABILITIES

I. Short-term and long-term debts

These debts are recorded at their face value.

Debts in foreign currencies are valued at the year end exchange rates. Exchange gains or losses resulting from the conversion are included in the profit and loss statement.

II. Provisions for liabilities and charges

At the end of the year, the Board of Directors determines with sincerity, prudence and good faith the provisions necessary to cover risks or potential losses arising from the current period or from the prior periods.

Glossary

PCB:
Printed Circuit Board.

EMS:
Electronic Manufacturing Services, the assembly of electronic parts and devices for third parties.

DFM:
Designed for Manufacturing, optimizing design for easier production.

PBA:
Print Board Assembly, components mounted and soldered on a PCB.

PBA surface mounting:
mounting of electronic components on the surface of a PCB.

FMEA:
Failure Mode and Effect Analysis, a method used for systematic risk analysis and for improving processes and products in various stages of development.

IDC crimping:
insulation-displacement connection technology (cable technology).

Braiding:
A woven protection around a set of cables.

μBGA:
Micro Ball Grid Array, electrical connections are at the bottom of the component.

Press fit:
Electrical connector pressed into the PCB.

Die & wire bonding:
Circuit connections made with very small silicium wires directly onto the PCB.

Tropicalisation:
Coating of PCB to protect against hazardous conditions.

AOI:
Automatic Optical Inspection.

Flying probe:
Electronic testing of PCB's with XY-moving test needles.

UL / CSA:
Safety standard, products and their components are tested to UL's rigorous safety standards with the result that consumers live in a safer environment.

RoHS:
EU directive restricting the use of hazardous substances in electrical and electronic components.

Kanban:
Effective system to control the production process and the supply chain, it detects when an item should be ordered.

CONNECT GROUP (HEADQUARTERS)
Industriestraat 4
1910 Kampenhout
Belgium
Phone +32 (0)16 61 89 20
Fax +32 (0)16 60 78 82
Email: info@connectgroup.com

BELGIUM
Industriestraat 4
1910 Kampenhout
Belgium
Phone +32 (0)16 61 89 20
Fax +32 (0)16 60 78 82
Email: info@connectgroup.com

Bargiestraat 2
8900 Ieper
Belgium
Phone +32 (0)57 344 411
Fax +32 (0)57 344 510
Email: info@connectgroup.com

THE NETHERLANDS
De Run 4281
5503 LM Veldhoven
The Netherlands
Phone +31 (0)40 84 44 999
Fax +31 (0)40 84 44 990
Email: info@connectgroup.com

GERMANY
Siemensstrasse 11
72636 Frickenhausen
Germany
Phone +49 (0)7022 9446-0
Fax +49 (0)7022 9446-99
Email: info@connectgroup.com

CZECH REPUBLIC
Billundska 2756
272 01 Kladno
Czech Republic
Phone +420 312 518 311
Fax +420 312 518 314
Email: info@connectgroup.com

ROMANIA
Sos. Borsului 40
410605 Oradea
Romania
Phone +40 (0) 259 457 681
Fax +40 (0) 259 457 689
Email: info@connectgroup.com