ANNUAL REPORT 2014

ICONS by category

DRIVE

- CAR
- MOTORCYCLE
- CAMPER & CARAVAN
- TRUCK

SPORT

- RUNNING
- CYCLING
- SWIMMING
- GOLF

PRODUCT-RELATED

- CONNECTED CAR
- DIGITAL MAP
- MULTINET-R
- REAL-TIME TRAFFIC INFORMATION
- NAVKIT NAVIGATION ENGINE
- NAVCLOUD
- CLOUD-BASED PRODUCTS
- WEBFLEET
- TELEMATICS APP CENTER
- FLEET

FINANCE & STRATEGY

- ACCOUNTING POLICIES
- SIGNIFICANT ESTIMATES
- OUTLOOK
- STRATEGY

FORWARD-LOOKING STATEMENTS/IMPORTANT NOTICE

This document contains certain forward-looking statements with respect to the financial condition, results of operations and business of TomTom NV (the company) and certain of the plans and objectives of TomTom and its subsidiaries (together with the company referred to as 'the group') with respect to these items. In particular the words 'expect', 'anticipate', 'estimate', 'may', 'should', 'would', 'believe' and similar expressions are intended to identify forward-looking statements. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. Actual results may differ materially from those expressed in these forward-looking statements, and you should not place undue reliance on them. We have based these forward-looking statements on our current expectations and projections about future events, including numerous assumptions regarding our present and future business strategies, operations and the environment in which we will operate in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements. These factors include, but are not limited to, levels of customer spending in major economies, changes in consumer tastes and preferences, changes in law, the performance of the financial markets, the levels of marketing and promotional expenditures by the group and its competitors, raw materials and employee costs, changes in exchange and interest rates (in particular changes in the USD and GBP versus the euro can materially affect results), changes in tax rates, future business combinations, acquisitions or disposals, the rate of technological changes, political and military developments in countries where the company operates and the risk of a downturn in the market.

Statements regarding market share, including the company's competitive position, contained in this document are based on outside sources such as specialised research institutes, industry and dealer panels in combination with management estimates. Where full year information regarding 2014 is not yet available to the company, these statements may also be based on estimates and projections prepared by outside sources or management. Market shares are based on sales in units unless otherwise stated. The forward-looking statements contained refer only to the date in which they are made, and we do not undertake any obligation to update any forward-looking statement to reflect events or circumstances after the date of this annual report.

Notes to the consolidated financial statements

TomTom is committed to continuously develop its financial reporting and, as part of this development, the order of items in the consolidated financial statements has been restructured to increase the focus on what drives the group's performance. The notes have therefore been grouped into six sections. The notes contain the relevant financial information as well as a description of accounting policy applied for the topic of the individual notes.

SECTION 1 GENERAL INFORMATION AND BASIS OF REPORTING

This section introduces the basis of preparation and the general accounting policy applied to the consolidated financial statements as a whole, as well as a summary of the areas that involve significant judgements and estimates.

1. General

TomTom NV (the company) has its statutory seat and headquarters in Amsterdam, the Netherlands. The activities of the company include the development and sale of navigation and location-based solutions, which include among others: PNDs, sport watches, maps, traffic, navigation software and fleet management services.

The consolidated financial statements comprise the company and its subsidiaries (together referred to as the group). A condensed income statement is presented in the company financial statements in accordance with section 402 of Part 9 of Book 2 of the Dutch Civil Code.

The financial statements have been prepared by the Management Board and authorised for issue on 12 February 2015. The financial statements will be submitted for approval to the General Meeting on 24 April 2015.

2. Basis of preparation

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

The financial statements have been prepared on the historical cost basis, except for financial instruments (including derivatives) classified at fair value through profit or loss and derivatives used for hedging, which are stated at fair value.

Income and expenses are accounted for on an accrual basis.

Summary of significant accounting policy

The general accounting policies applied to the consolidated financial statements as a whole are described below, while other significant accounting policies related to specific line items are described under the relevant note. The description of accounting policy in the notes forms an integral part of the description of the accounting policies in this section. These policies have been consistently applied to all the years presented, unless otherwise stated.

New accounting standards and developments

The following standards that are effective from 1 January 2014 have been adopted earlier by the group as from 1 January 2013:

1. IFRS 10 'Consolidated financial statements'
2. IFRS 11 'Joint arrangements'
3. IFRS 12 'Disclosures of interests in other entities'
4. IFRS 13 'Fair value measurement'
5. IAS28R 'Investments in Associates'

Other than certain additional disclosures, all the abovementioned standards had no material impact on the recognition and measurement of the group's assets, liabilities, income and expenses. All other standards and interpretations issued and effective for the reporting period starting 1 January 2014 did not have a material impact on the group.

All IFRS standards and interpretations that were in issue but not yet effective for reporting periods beginning on 1 January 2014 have not yet been adopted.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and entities controlled by the company (and its subsidiaries). Control is achieved when the parent is exposed to, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policy in line with the group. All intercompany transactions, balances and unrealised gains and losses on transactions between group companies are eliminated.

Foreign currencies

The company's primary activities are denominated in euros. Accordingly, the euro is the company's functional currency, which is also the group's presentation currency. Items included in the financial information of individual entities in the group are measured using the individual entity's functional currency, which is the currency of the primary economic environment in which the entity operates.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges. Foreign exchange gains and losses are presented under 'Other financial result' in the income statement.

Group companies

For consolidation purposes, the assets and liabilities of entities that have a functional currency other than the group's presentation currency are translated at the closing rate at the date of the balance sheet, whereas the income statement is translated at the average exchange rate for the period. Translation differences arising thereon are recognised in 'Other comprehensive income'.

Cash flow statements

Cash flow statements are prepared using the indirect method. Cash flows from derivative instruments are classified consistently with the nature of the instrument.

3. Accounting estimates

The preparation of these financial statements requires management to make certain assumptions, estimates and judgements that affect the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities as of the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of revision and the future periods if the revision affects both current and future periods.

The table below presents the areas that involve a higher degree of judgement or areas where assumptions and estimates are significant to the financial statements:

	Note
Revenue recognition	4
Internally generated intangible assets	12
Impairment of goodwill	14
Income tax	10 - 11
Provisions and contingent assets / liabilities	31 - 32

Detailed explanations of the degree of judgement and assumptions used are included under each of the respective sections in the notes to the financial statements as referenced above.

SECTION 2 RESULTS OF THE YEAR

This section presents the notes related to items in the income statement (except for financial income and expenses) and disclosure on operating segments. If applicable, relevant notes on balance sheet items related to the respective items in the income statement are presented in this section. A detailed description of the results for the year is provided in the Business and financial review by business unit *and* Group financial review *sections in the Management Board report.*

4. Segment reporting and revenue

The operating segments are identified and reported on the basis of internal reports about components of the group that are regularly reviewed by the Management Board to assess the performance of the segments.

As of 1 January 2014, the internal management reporting, which is used as the basis for segment reporting, was changed. The hardware component of sales to automotive customers is reported in Consumer instead of in Automotive in order to clearly identify automotive revenue which comes from content, software and services. Additionally, due to client portfolio redistribution, a minor amount of revenue was moved from Licensing to Automotive. Accordingly, the reported segment information and its comparative figures have been adjusted to reflect these changes, and are not necessarily consistent with the numbers reported previously.

The group's internal management reporting is structured primarily on the basis of the market segments in which the four operating segments - Consumer, Automotive, Licensing and Telematics - operate. Consumer generates revenue mainly from the sale of PNDs, sport watches, maps and related navigation products and services. The Automotive business unit develops and sells navigation software components, services and content, such as maps, traffic and navigation software, to car manufacturers and Tier 1 suppliers worldwide. Licensing generates revenue by licensing digital maps, traffic, navigation software and other content to a wide range of customers, and Telematics provides fleet management services and related solutions to fleet owners including sale and/or rental of hardware products associated with the services.

Management assesses the performance of segments based on the measures of revenue and earnings before interest and taxes (EBIT), whereby the EBIT measure includes allocations of expenses from supporting functions within the group. Such allocations have been determined based on relevant measures that reflect the level of benefits of these functions to each of the operating segments. As the four operating segments serve only external customers, there is no inter-segment revenue. The effects of non-recurring items such as impairment are excluded from management's measurement basis. Interest income and expenses and tax are not allocated to the segments. There is no measure of segment (non-current) assets and/or liabilities provided to the Management Board.

(€ in thousands)	2014	2013[1]
Revenue		
Consumer	619,099	651,845
Automotive	109,409	110,932
Licensing	111,575	116,047
Telematics	110,209	84,630
TOTAL	**950,292**	**963,454**

[1] The reported 2013 Revenue for Consumer, Automotive and Licensing was respectively € 567.0 million, €192.4 million and €119.4 million.

The EBIT of each segment is as follows:

(€ in thousands)	2014	2013[1]
EBIT		
Consumer	36,168	33,223
Automotive	– 28,685	– 11,755
Licensing	– 11,360	– 10,910
Telematics	33,801	26,003
TOTAL	**29,924**	**36,561**

[1] The reported 2013 EBIT for Consumer, Automotive, Licensing and Telematics was respectively €25.7 million, -€0.6 million, -€13.3 million and € 24.8 million.

The EBITDA of each segment is as follows:

(€ in thousands)	2014	2013[1]
EBITDA		
Consumer	55,349	56,675
Automotive	20,093	37,864
Licensing	30,091	31,098
Telematics	39,102	28,343
TOTAL	**144,635**	**153,980**

[1] The reported 2013 EBITDA for Consumer, Automotive, Licensing and Telematics was respectively €50.6 million, €41.6 million, €34.3 million and € 27.1 million.

A reconciliation of the segment performance measure (EBIT) to the group's result before tax is provided below.

(€ in thousands)	2014	2013
Total Segment EBIT	**29,924**	**36,561**
Unallocated expenses	–8,810	–11,015
Interest result	–3,145	–2,945
Other finance result	–3,720	–1,619
Result of associates	374	3,091
RESULT BEFORE TAX	**14,623**	**24,073**

A breakdown of the external revenue to types of products and services and to geographical areas is as follows:

(€ in thousands)	2014	2013
External revenue - by products and services		
Sale of goods[1]	578,086	592,834
Rendering of content and services	188,600	190,072
Royalty revenue	183,606	180,548
TOTAL	**950,292**	**963,454**

[1] Includes navigation software, map and traffic components sold initially in bundle with the Automotive hardware.

(€ in thousands)	2014	2013
External revenue - by geographical areas		
Europe	718,767	710,101
North America	163,461	177,725
Rest of world	68,064	75,628
TOTAL	**950,292**	**963,454**

The geographical split of the group's revenue from sale of goods and content and services is based on the location of the customers, while the split for royalty revenue is based on the coverage of the group's geographical map data and other contents.

Total revenue generated in the Netherlands during 2014 amounted to €74 million (2013: €60 million).

The group has no significant concentration of sales from a particular individual external customer.

The non-current assets within the group include a significant portion of the carrying value of the step up resulting from the Tele Atlas acquisition in 2008. As this step up is not geographically allocated to the respective regions for internal management reporting, it is believed that disclosure of geographic allocation would be highly judgemental and would not give a true representation of geographical spread of the group's assets.

Accounting policy

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for products and/or services delivered in the normal course of business. Revenue is reduced for estimated probable customer returns, rebates and other similar allowances whenever applicable.

The revenue recognition policy for each type of revenue or their combination is presented below:

Sale of goods

Revenue from the sale of goods is only recognised when the risks and rewards of ownership of goods are transferred to the customers, which include distributors, retailers, end users and OEMs. The risks and rewards of ownership are generally transferred at the time the product is shipped and delivered to the customer and, depending on the delivery conditions, title and risk have passed to the customer and acceptance of the product, when contractually required, has been obtained. In cases where contractual acceptance is not required, revenue is recognised when management has established that all aforementioned conditions for revenue recognition have been met.

Royalty revenue

Royalty revenue is generated through licensing of geographic and/or other traffic-/location-based content to customers. Revenue is recognised on an accrual basis based on the contractual terms and substance of the relevant arrangements with the customers.

Sale of services

Services revenue is generated from the sale of traffic and map update services, content sales, connected navigation and fleet management services to commercial fleets. The revenue relating to the service element is recognised over the agreed or estimated service period on a straight-line basis. In arrangements where devices are rented out to the customer in Telematics, the rental revenue is included in the revenue from subscriptions.

Multiple-element arrangements

The group's product and services offerings include arrangements that require the group to deliver equipment (e.g. navigation hardware) and/or a number of services (e.g. map update services) under one agreement, or under a series of agreements that are commercially linked (referred to as 'multiple-element arrangements'). In such multiple-element arrangements, the consideration received is allocated to each separately identifiable element, based on the estimated relative fair values of each identifiable element. To the extent that there is a discount on the arrangement, the discount is allocated between the elements of the contract in such a manner as to reflect the fair value of the elements and the substance of the transaction.

The amount of revenue allocated to the hardware element is recognised in line with the accounting policy for the sale of goods as described above. The revenue relating to the service element is recognised over the agreed or estimated service period on a straight-line basis, which varies on average from 3 months to 48 months (for lifetime services).

Significant estimates

The estimated sales return deduction is based upon historical data on the return rates and information on the inventory levels in the distribution channel. For sales incentives including channel- and end user rebates, the reduction in revenue is based on the group's historical experience, taking into account future expectations on rebate payments. If there is excess stock at retailers when a price reduction becomes effective, the group will compensate its customers on the price difference for their existing stock, provided certain criteria are met. To reflect the costs related to known price reductions in the income statement, an accrual is created against revenue based on an estimate of the inventory levels in the channel and future price reductions.

In the absence of a stand-alone selling price, the fair value of each element under a multiple-element arrangement is estimated using other methods allowed under IFRS, such as the cost plus reasonable margin or the residual method or a combination thereof. In making such estimates, management make use of judgement and assumptions to arrive at an outcome that best reflects a transaction's substance. Total deferred revenue balance relating to the elements deferred under such multiple-element arrangements as at 31 December 2014 amounted to €85 million (31 December 2013: €63 million).

5. Cost of sales

The group's cost of sales consists of material costs for goods sold to customers, royalty and license expenses and fulfilment costs incurred on inventory sold during the year as well as amortisation of certain technologies specifically developed/used for particular customers.

6. Personnel expenses

Included in the operating expenses are, amongst others, the following items:

(€ in thousands)	2014	2013
Salaries	155,771	149,200
Social security costs	26,478	28,572
Pensions	7,758	7,831
Share-based compensation	8,742	7,980
Other[1]	49,596	48,011
PERSONNEL EXPENSES	**248,345**	**241,594**

[1] Other personnel expenses include costs of secondary benefits such as health insurance, vehicle lease costs, sales commissions and bonuses.

The average number of employees in 2014 was 3,888 (2013: 3,491) spread across the following functional areas:

	2014	2013
Research and development	2,602	2,265
Marketing	97	102
Sales, general and administrative	1,189	1,124
TOTAL	**3,888**	**3,491**

At 31 December 2014, the group had 4,172 (2013: 3,671) employees. During 2014, 2,797 of employees worked outside the Netherlands (2013: 2,351).

Pensions

The group's pension plans primarily comprise of defined contribution plans, limiting the employer's legal obligation to the amount it agrees to contribute during the period of employment and a defined benefit plan for a German subsidiary. This defined benefit plan is unfunded and has no plan asset. Management is of the opinion that the plan has limited risks to the group as it was frozen in 2007. In the extraordinary event that the group is unable to meet its obligations, the participants will receive (partial) payments from a state-owned pension protection fund.

The total pension costs of €7.8 million consist of the costs of the defined contribution plans of €7.5 million (2013: €7.6 million) and of the German-defined benefit plan of €0.3 million (2013: €0.2 million).

The movement of the German-defined benefit obligation is presented below:

(€ in thousands)	2014	2013
PRESENT VALUE OF OBLIGATION AS AT 1 JANUARY	6,763	6,572
Current service cost	36	24

(€ in thousands)	2014	2013
Interest cost	229	222
	7,028	6,818
Remeasurements:		
- Experience losses / (gains) due to change in demographical assumptions	59	–10
- Losses / (gains) from change in financial assumptions	1,394	0
	1,453	–10
Benefits paid	–98	–45
PRESENT VALUE OF OBLIGATION AS AT 31 DECEMBER	**8,383**	**6,763**

The service cost and the interest cost are recognised as pension costs, while the actuarial (gains)/losses are credited/charged to 'Other comprehensive income'.

The significant actuarial assumptions were as follows:

	2014	2013
Discount rate	2.30%	3.40%
Average life expectancy[1]	21.0	20.8

[1] The above average life expectancy is the average actual value for males and females retiring at age 65 set in accordance with the common German mortality tables 'Heubeck 2005 G'.

A 0.1% increase or decrease in discount rate would result in a decrease or increase in the defined benefit obligation of approximately €0.1 million and a 1-year increase or decrease in average life expectancy would result in a €0.1 million increase or decrease in the defined benefit obligation.

In Italy, employees are paid a leaving indemnity on termination of their employment. This is a statutory payment based on Italian civil law. An amount is accrued each year based on the employee's remuneration and previously revalued accruals. The indemnity has the characteristics of a defined contribution obligation and is an unfunded, but fully provided liability.

Employees in the United States are offered the opportunity to participate in the 401K pension plan, which involves no contribution or obligation from the group besides withholding and paying the employee's contribution.

Accounting policy

For defined contribution plans, the group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when service has been rendered to the group. Prepaid contributions are recognised as an asset to the extent that a cash refund or reduction of future payments is available.

In relation to the defined benefit plan, the group recognised a liability on the balance sheet based on the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is calculated annually using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and which have terms to maturity approximating to the terms of the related pension obligation.

Service costs and interest costs are charged to the pension expenses. Actuarial gains and losses are charged or credited to equity in 'Other comprehensive income' in the period in which they arise.

7. Share-based compensation

The group operates two equity-settled plans, as well as a cash-settled phantom share plan (previously referred to as 'performance share plan'). The purpose of the share-based compensation is to retain management and employees and align the interests of management and eligible employees with those of shareholders, by providing additional incentives to improve the group's performance on a long-term basis.

Stock option plans

The group has adopted stock option plans for members of the Management Board and eligible employees. Under the schemes, the General Meeting has granted options to members of the Management Board to subscribe for shares. The Management Board in turn has granted options to eligible employees.

(€ in thousands)	2014	2013
Opening balance	29,012	48,818
Stock compensation expense	3,898	4,196
Transfer to retained earnings	–937	–23,426
Stock options excercised	–3,006	–576
CLOSING BALANCE	**28,967**	**29,012**

The group stock option plan qualifies as an 'Equity-settled share-based payment plan'. The options granted from 2011 onwards under the 2009 plan will vest after three years (cliff vesting). The options cannot be transferred, pledged or charged and may be exercised only by the option holder over a period of seven years from the grant date but only after completion of the vesting period. Options expire after the exercise period. The options will be covered at the time of exercise by issuing new shares.

The following table summarises information about the stock options outstanding on 31 December 2014:

Year of grant	Number outstanding at 31-12-2014	Exercise price per share (€)	Weighted average remaining life	Number exercisable at 31-12-2014	Weighted average exercise price (€)
2009	3,744,880	5.71 - 6.00	1.46	3,744,880	5.75
2010	3,137,083	4.81 - 5.48	2.35	3,137,083	5.30
2011	1,634,300	6.08 - 6.20	3.36	1,509,300	6.11
2012	3,215,250	3.34 - 3.88	4.36	0	n.a.
2013	2,770,200	3.36 - 5.90	5.35	0	n.a.
2014	1,960,080	4.93 - 5.28	6.36	0	n.a.

A summary of the group's stock option plans and the movements during the years 2014 and 2013 are presented below:

Option plans	2014		2013	
	No.	Weighted average exercise price (€)	No.	Weighted average exercise price (€)
OUTSTANDING AS AT 1 JANUARY	**17,182,090**	**5.39**	**17,682,662**	**7.21**
Granted	1,960,080	5.24	3,006,000	3.52
Exercised	−1,363,610	5.96	−281,200	4.65
Expired	−691,485	8.30	−1,639,550	27.86
Forfeited	−625,282	5.21	−1,585,822	5.53
OUTSTANDING AS AT 31 DECEMBER	**16,461,793**	**5.41**	**17,182,090**	**5.39**

The fair value of the stock options granted in May 2014 and May 2013 was determined using the binomial tree model. This model contains the input variables, including the risk-free interest rate, volatility of the underlying share price, exercise price, and share price at the date of grant. The fair value calculated is allocated on a straight-line basis over the vesting period, based on the group's estimate of equity instruments that will eventually vest.

	2014	2013
Share price at grant date (€)	5.28	3.52
Exercise price (€)	4.93-5.28	3.36-5.90
Expected volatility	45%	50%
Expected average option life in years	5.3	5.3
Weighted average risk-free rate	0.98%	0.72%
Expected dividends	Zero	Zero

The option valuation models require the input of highly subjective assumptions, including the expected stock price volatility. Volatility is determined using industry benchmarking for listed peer group companies, as well as the historic volatility of the TomTom NV stock. The group's employee stock options have characteristics that are significantly different from those of traded options, and changes in the subjective input assumptions can affect the fair value estimate.

Phantom share plan

The existing Phantom share plan was introduced in 2011. Under this plan, eligible employees are entitled to receive a cash payment equal to the value of the number of shares that have vested. These cash-settled phantom shares are conditional on the employee completing three years of service (the vesting period). On 31 December 2014 the outstanding liability with regard to the phantom share plan was €8.0 million (2013: €5.3 million).

The following table provides the movement in the number of phantom shares.

	2014	2013
OUTSTANDING AS AT 1 JANUARY	**2,356,730**	**1,407,750**
Vested and paid out	−393,300	0
Granted	1,235,855	1,073,680
Forfeited	−204,955	−124,700
OUTSTANDING AS AT 31 DECEMBER	**2,994,330**	**2,356,730**

The fair value of the phantom shares was determined using the applicable share price at the grant date and subsequent reporting date.

Restricted stock plans

As from 2011, the group introduced a restricted stock plan to retain a selected group of talented employees. Each restricted-stock unit gives the right to receive one TomTom share after a three-year vesting period and qualifies as an equity-settled plan. The costs that arise from this plan are spread over the vesting period and have been determined based on TomTom's share price on the grant date. Total 2014 stock compensation expenses charged to the stock compensation reserve for this plan amounted to €228 thousand (2013: €245 thousand). As this plan is not material, no further disclosures are provided.

Accounting policy

Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period. The costs are determined based on the fair value of the granted instruments and the number expected to vest. At each balance sheet date, the group revises its estimates of the number of instruments expected to vest.

Cash-settled share-based payments are initially recognised at the fair value of the liability and are expensed over the vesting period. The liability is remeasured at each balance sheet date to its fair value, with all changes recognised immediately as either a profit or a loss.

8. Depreciation and amortisation

Total depreciation and amortisation for the year was €115 million (2013: €117 million) of which €6.1 million (2013: € 4.9 million) is included in cost of sales.

(€ in thousands)	2014	2013
Amortisation	102,089	100,404
Depreciation	12,622	17,015
TOTAL	**114,711**	**117,419**

Amortisation charge totalling €102.1 million (2013: €100.4 million) are included in the following line items in the Income Statement:

- Cost of sales: €5.7 million (2013: €4.9 million);
- Amortisation of technology and databases: €88.1 million (2013: €81.4 million);
- R&D expenses: €2.2 million (2013: €8.0 million); and
- Selling, general and administration expenses: €6.1 million (2013: €6.1 million).

9. Government grants

In 2014, the group received government grants amounting to €4.7 million, in relation to the research and development activities performed by the group (2013: €6.4 million).

Accounting policy

Government grants are recognised at their fair value when there is a reasonable assurance that the group will comply with the conditions attached to them, and that the grants will be received. Government grants that are receivable as compensation for expenses or losses already incurred, or for the purpose of giving immediate financial support to the group with no future related costs, are recognised as a deduction of the related expense in the period in which they become receivable.

10. Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax. The activities of the group are subject to corporate income tax in several countries, depending on presence and activity. The applicable statutory tax rates vary between 12.5% and 41.0%. The different tax jurisdictions in which the group operates can cause the Effective Tax Rate (ETR) to differ from the Dutch corporate tax rate.

(€ in thousands)	2014	2013
Current tax	4,054	2,398
Deferred tax	−12,086	1,612
INCOME TAX (GAIN) / EXPENSE	**−8,032**	**4,010**

In 2914, the ETR was −54.9% compared to 16.7% last year. The reconciliation between the tax charge on the basis of the Dutch tax rate and the Effective Tax Rate is as follows:

	2014	2013
Dutch tax rate	25.0%	25.0%
Higher weighted average statutory rate of group activities	9.8%	6.9%
Income exempted from tax	−26.2%	−20.8%
Non tax deductible costs	17.7%	15.7%
Utilisation of losses not previously capitalised	−19.6%	−17.3%
Effect of prior years' settlements and/or adjustments	−40.6%	−26.5%
Remeasurement of deferred tax	−25.6%	33.2%
Other	4.7%	0.5%
EFFECTIVE TAX RATE	**−54.9%**	**16.7%**

The income tax credited directly in equity in 2014 amounted to €6.9 million (2013: credit of €0.3 million).

Accounting policy

Current and deferred taxes are recognised as an expense or income in the profit and loss account, except when they relate to items credited or debited directly to equity. In this case, the tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination.

The group's income tax expense is calculated using tax rates that have been enacted or substantively enacted at the balance sheet date.

11. Deferred income tax

As at 31 December 2014, the group had a deferred tax liability of €167 million (2013: €172 million) and a deferred tax asset of €18 million (2013: €10 million). The deferred tax asset and liability result from timing differences between the tax and accounting treatment of the amortisation of intangible assets, tax loss carry forwards, cash-settled share-based payments and certain provisions.

(€ in thousands)	2014	2013
DEFERRED TAX:		
To be recovered after more than 12 months	−147,016	−160,141
To be recovered within 12 months	−1,097	−1,905
TOTAL	**−148,113**	**−162,046**

The movement of deferred tax is as follows:

(€ in thousands)	Stock compensation expense	Other	Intangible assets	Provisions	Assessed losses	Total
BALANCE AS AT 31 DECEMBER 2012	**964**	**−330**	**−207,129**	**9,115**	**40,081**	**−157,299**
Acquisitions through business combination	0	0	−5,279	0	685	−4,594
(Charged)/released to income	362	−265	15,794	−2,662	−14,841	−1,612
Currency translation differences	0	0	1,527	−215	147	1,459
BALANCE AS AT 31 DECEMBER 2013	1,326	−595	−195,087	6,238	26,072	−162,046
Acquisitions through business combination	0	0	−3,705	0	0	−3,705
(Charged)/released to income	668	437	12,899	497	−2,415	12,086
(Charged)/released to equity	0	0	0	436	6,430	6,866
Currency translation differences	0	−200	−4,386	−460	3,732	−1,314
BALANCE AS AT 31 DECEMBER 2014	**1,994**	**−358**	**−190,279**	**6,711**	**33,819**	**−148,113**

Deferred tax balances are presented in the balance sheet as follows:

(€ in thousands)	2014	2013
Deferred tax assets	18,438	9,681
Deferred tax liabilities	−166,551	−171,727
TOTAL	**−148,113**	**−162,046**

The group has in some jurisdictions tax loss carry forwards that have not been recognised as deferred tax assets, as the amounts as well as possible future recovery of these losses against future taxable income are uncertain. As at 31 December 2014, these losses amounted to approximately €90 million (2013: €100 million).

Accounting policy

Deferred taxes are calculated using the liability method. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets and liabilities are measured using the tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled, using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date. The measurement of deferred tax liabilities and deferred tax assets reflects the tax consequences that would follow from the manner in which the group expects, at the balance sheet date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets are recognised when it is probable that sufficient taxable profits will be available against which the deferred tax assets can be utilised. The carrying amounts of deferred tax assets are reviewed at each balance sheet 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.

Significant estimates

The determination of the group's provision for income tax as well as deferred tax assets and liabilities involves significant judgements and estimates on certain matters and transactions, for which the ultimate outcome may be uncertain. If the final outcome differs from the group's estimates, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

SECTION 3 NON-CURRENT ASSETS AND INVESTMENTS

The notes in this section specify the group's non-current assets including investments made during the year either through separate asset acquisitions or business combinations.

12. Intangible assets

(€ in thousands)	2014	2013
Goodwill	381,569	381,569
Other intangible assets	800,583	803,635
TOTAL INTANGIBLE ASSETS	**1,182,152**	**1,185,204**

The movements in the intangible assets are as follows:

(€ in thousands)	Goodwill	Database and tools	Internally generated	Other[1]	Total
BALANCE AS AT 31 DECEMBER 2012					
Investment cost	1,902,489	967,729	131,527	221,612	3,223,357
Accumulated amortisation and impairment	−1,520,920	−236,139	−82,908	−180,588	−2,020,555
	381,569	**731,590**	**48,619**	**41,024**	**1,202,802**
Movements					
Investments	0	29,502	34,040	4,376	67,918
Acquisitions through business combination	0	4,387	0	13,754	18,141
Amortisation charges	0	−64,726	−22,984	−12,694	−100,404
Currency translation differences	0	−3,047	−12	−194	−3,253
	0	−33,884	11,044	5,242	−17,598
BALANCE AS AT 31 DECEMBER 2013					
Investment cost	1,902,489	997,021	143,319	238,172	3,281,001
Accumulated amortisation and impairment	−1,520,920	−299,315	−83,656	−191,906	−2,095,797
	381,569	**697,706**	**59,663**	**46,266**	**1,185,204**
Movements[2]					
Investments	0	38,114	30,434	5,203	73,751
Acquisitions through business combination	0	381	0	24,167	24,548
Disposal (net)	0	−17	−125	−63	−205
Amortisation charges[3]	0	−66,972	−26,801	−8,317	−102,090
Currency translation differences	0	720	82	142	944
	0	−27,774	3,590	21,132	−3,052
BALANCE AS AT 31 DECEMBER 2014					
Investment cost	1,902,489	1,036,892	139,741	250,795	3,329,917
Accumulated amortisation and impairment	−1,520,920	−366,960	−76,488	−183,397	−2,147,765
	381,569	**669,932**	**63,253**	**67,398**	**1,182,152**

[1] Other intangible assets include technology, customer relationships, brand name and software.
[2] During the year we disposed certain intangibles. The total gross amount of the assets disposed across all asset classes was €51.8 million (2013: €23.7 million).
[3] The database as acquired at acquisition date (June 2008) represents geographical content data used for the group's digital maps and has a remaining useful life of 12 years and 5 months.

Accounting policy

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition and is carried at cost less accumulated impairment losses.

Intangible assets other than goodwill

Intangible assets other than goodwill comprise of assets that have been acquired separately either through separate asset acquisitions or business combinations and assets that have been generated internally such as the group's core technology and geographical content database.

Internally generated intangible assets

Internal development costs for core technology are recognised as an intangible asset if, and only if, all of the following have been demonstrated:

- The technical feasibility to complete the project;
- The intention to complete the intangible asset, and use or sell it;
- The ability to use or sell the intangible asset;
- How the intangible asset will generate probable future economic benefits;
- The availability of adequate resources to complete the project; and
- The cost of developing the asset can be measured reliably.

Internally generated databases are capitalised until a certain level of map coverage is reached and ongoing activities focus on maintenance. At this point, capitalisation is discontinued.

Internal software costs relating to development of non-core software with an estimated average useful life of less than one year and engineering costs relating to the detailed manufacturing design of new products are expensed in the period in which they are incurred.

The amount initially recognised for internally generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above.

All expenditures on research activities are expensed in the income statement as incurred.

Acquired intangible assets

Definite-lived intangible assets acquired separately are initially recognised at cost. The cost of assets acquired separately includes directly attributable costs to bring the asset to its intended use. Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, all intangible assets other than goodwill are carried at cost less accumulated amortisation and accumulated impairment losses.

The amortisation of other intangible assets is recorded on a straight-line basis over the following estimated useful lives as follows:
- Internally generated core technology: 3-5 years
- Databases and tools: 5-20 years
- Customer relationships: 5-27 years
- Computer software: 2-5 years
- Acquired technology: 4-5 years

Customer relationships include customers for maps; there is a high cost involved in changing map providers and historically there is a high customer retention.

Significant estimates

Management made use of assumptions and judgement in assessing the expected future economic benefits that can be attributed to the internally generated technology, databases and tools, as well as their expected useful lives. For internally generated databases, assumption is also made on the level of completion, at which point the capitalisation is discontinued and future activities are considered as maintenance.

Such estimates are made on a regular basis, as they can be significantly affected by changes in technology and other factors.

13. Property, plant and equipment

(€ in thousands)	Furniture and fixture	Computer and harware	Other[1]	Total
BALANCE AS AT 31 DECEMBER 2012				
Investment cost	18,069	70,703	43,383	132,155
Accumulated amortisation and impairment	–16,340	–58,404	–30,641	–105,385
	1,729	**12,299**	**12,742**	**26,770**
Movements				
Investments	810	7,467	8,600	16,877
Transfer between categories	25	1,500	–1,525	0
Acquisitions through business combination	0	466	0	466
Disposals (net)	–61	–233	–817	–1,111
Depreciation charges	–643	–8,593	–7,779	–17,015
Currency translation differences	–122	–151	90	–183
	9	456	–1,431	–966
BALANCE AS AT 31 DECEMBER 2013				
Investment cost	14,328	51,638	48,089	114,055
Accumulated amortisation and impairment	–12,590	–38,883	–36,778	–88,251
	1,738	**12,755**	**11,311**	**25,804**
Movements				
Investments	1,945	8,186	6,354	16,485
Transfer between categories	270	297	–567	0
Acquisitions through business combination	6	303	10	319
Disposals (net)[2]	–60	–73	–50	–183
Depreciation charges	–647	–5,859	–6,116	–12,622
Net foreign currency exchange differences	86	242	163	491
	1,600	3,096	–206	4,490
BALANCE AS AT 31 DECEMBER 2014				
Investment cost	10,499	53,769	36,811	101,079
Accumulated amortisation and impairment	–7,161	–37,918	–25,706	–70,785
	3,338	**15,851**	**11,105**	**30,294**

[1] Other assets balance as at 31 December 2014 mainly comprises of leasehold improvements with a carrying value of €4.2 million (31 December 2013: €5.0 million).
[2] The total gross amount of the assets disposed across all asset classes was €31.8 million.

The costs for operating leases in 2014 amounted to €13.0 million (2013: €15.5 million).

Accounting policy

The group leases certain property, plant and equipment. Leases are classified as finance leases whenever the terms of the lease substantially transfer all the risks and rewards of ownership to the group. All other leases are classified as operating leases. Rentals payable under operating leases are charged to income 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.

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment charges. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

- Furniture and fixtures: 4-10 years
- Computer equipment and hardware: 2-4 years
- Vehicles: 4 years
- Tools and moulds: 1-2 years
- Leasehold improvements: 4-10 years

The estimated useful lives, residual values and depreciation methods are reviewed at each year-end, with the effect that any changes in estimate are accounted for on a prospective basis.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset, and is recognised in profit or loss.

14. Impairment testing of non-financial assets

Non-financial assets comprises of goodwill, other intangible assets and property, plant and equipment. No impairment was identified for these assets during the reporting period.

Goodwill is allocated to the operating segments identified according to the core business activities as monitored by management for the purpose of impairment testing. The allocation is made to those operating segments that are expected to benefit from the business combination in which the goodwill arose.

A segment-level summary of the goodwill allocation for the group's segments in 2014 and 2013 is presented below:

(€ in thousands)	2014	2013
Consumer	168,687	168,687
Automotive	83,389	83,389
Licensing	85,217	85,217
Telematics	44,276	44,276
TOTAL	**381,569**	**381,569**

Accounting policy

Assets, such as goodwill, that have an indefinite useful life, which are not subject to amortisation, and intangible assets not yet ready to use are tested for impairment at least annually, or whenever management identifies conditions that may trigger a risk of impairment. Assets that are subject to amortisation/depreciation are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount and is recognised immediately in the income statement. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. In estimating the recoverable amount, management is required to make an estimate of the expected future cash flows from the cash-generating unit in the forecasted period and also to determine a suitable discount rate in order to calculate the present value of those cash flows. Such estimates might be subject to a certain degree of judgement and uncertainty.

Non-financial assets, other than goodwill, which have been subject to an impairment, are reviewed for possible reversal of the impairment at each reporting date.

Significant estimates

Impairment test for goodwill

The recoverable amount of a segment is determined based on the higher of the value in use or fair value less costs of disposal calculations. The fair value less costs of disposal calculation resulted in a higher recoverable amount.

The calculations of fair value less costs of disposal use post-tax cash flow projections based on financial forecasts approved by management covering a five-year period (forecasted period). Management's cash flow projections for each of the segments in the forecasted period are based on management's assumptions on the expected revenue growth rate, gross margin and operating margin after allocation of operating expenses from shared units, taking into account management's expectation of market size and market share development.

The revenue projections of Consumer and Licensing in the forecasted period show a single digit growth rate, while Automotive and Telematics revenues are projected to grow significantly throughout the forecasted period. Given the limited visibility on the longer-term growth, these growth rates do represent a higher level of uncertainty versus the earlier years. Gross margin and operating margin projections of each of the segments are consistent with the expected revenue developments. The growth rates after the forecasted period as well as the discount rate used for each of the segments are presented in the table below. The input to the group's key assumptions include those that are based on non-observable market data (level 3 input in accordance with IFRS 13).

	Consumer	Automotive	Licensing	Telematics
2014				
Revenue - perpetual growth[1]	0.0%	2.0%	0.0%	2.0%
Discount rate[2]	9.5%	9.5%	9.5%	9.5%
2013				
Revenue - perpetual growth[1]	0.0%	1.0%	0.0%	2.0%
Discount rate[2]	10.0%	10.0%	10.0%	10.0%

[1] Weighted average growth rate used to extrapolate cash flows beyond the forecasted period.
[2] Post-tax discount rate applied to the cash flow projections.

Discount rates used are post-tax and reflect specific risks relating to the relevant operating segments. Management considered the effects of applying a pre-tax approach and concluded that this will not materially change the outcome of the impairment test.

Expectations and input to the impairment calculation, as well as the overall outcome, have been compared with the available external information from various analysts and to the extent available with market information on recent comparable transactions.

The impairment test performed resulted in no goodwill impairment for 2014 and 2013 for any of the segments.

Management performed a sensitivity analysis on the relevant key assumptions in the group's 2014 year-end annual impairment testing.

The sensitivity test for the Automotive segment showed that the level of headroom available at year end 2014 (headroom: €41 million, 2013: €52 million) would fall to nil should the compound annual revenue growth rate in the forecasted period decrease from 16.5% to 14.1% or if the discount rate increases from 9.5% to 10.2% while other factors remain constant.

The sensitivity test for the Licensing segment showed that the level of headroom available at year-end 2014 (headroom: €104 million, 2013: €64 million) would fall to nil should the compound annual revenue growth rate in the forecasted period decrease from 7.4% to 3.5% while other factors remain constant. A reasonably possible change in either the perpetual revenue growth rate or discount rate would not reduce the headroom to nil.

For Consumer and Telematics, a reasonably possible change in any of the abovementioned key assumptions as well as other assumptions in the forecasted period would not cause the fair value less costs of disposal of either unit to fall below the level of their respective carrying value.

15. Business combinations

2014

In 2014, the group made several acquisitions for an aggregate consideration of €22.0 million. This consideration includes cash considerations as well as an estimate of contingent consideration, which has been determined based on certain financial and non-financial key performance indicators.

The main acquisitions were the acquisitions of DAMS Tracking in France on 1 June 2014 and Fleetlogic in the Netherlands on 1 December 2014. Both companies are fleet management service providers which in aggregate added approximately 54,000 subscribers to our Telematics subscribers' base.

The Fleetlogic acquisition was effectuated through the acquisition of 100% equity interest of the companies: Fleetlogic BV and Inalise BV, while DAMS Tracking was acquired through a sale and asset purchase agreement.

The main assets and liabilities that arose from all acquisitions combined were intangible assets of €24.5 million and deferred tax liabilities of €3.7 million. None of the acquisitions resulted in goodwill. The fair value of the assets and liabilities acquired have been determined using discounted cash flow technique, which includes inputs that are not based on observable market data (level 3 input).

The acquired businesses contributed a revenue of €3.2 million and a net loss of €0.8 million in 2014. Excluding the impact of the acquisition-related amortisation from the purchase price allocations, the contributed result in 2014 was a net profit of €0.1 million. If the group had acquired all companies from 1 January 2014, the group revenue and net result for 2014 would have been €961 million and €20 million respectively.

As none of the transactions are material individually, they are not disclosed separately in accordance with IFRS 3.

2013

In 2013, the group acquired a 100% equity interest in Coordina (Gestion Electronica Logistica, S.L.) and 51% in mapIT for an aggregated consideration of €15.1 million. This consideration includes a cash consideration as well as an estimated contingent consideration, which has been determined based on certain financial and non-financial key performance indicators.

mapIT is a South Africa-based associate company, in which the group previously held a 49% interest. With this acquisition, which was effective from 1 June 2013, the group gained full control over mapIT. The previously held 49% interest has been remeasured to its fair value, resulting in a gain of €2.5 million, which is included under the line 'Result of associates' in the income statement.

Coordina, which was acquired on 31 July 2013, is the largest fleet management service provider in Spain and has a broad local sales network and a well-established local service hub. This acquisition will enable us to deliver the group's innovative and easy-to-use products in combination with the group's TomTom WEBFLEET SaaS services to more Spanish fleets faster.

The main assets and liabilities that arose from both acquisitions combined were intangible assets of €18.3 million, deferred tax assets of €0.7 million and deferred tax liabilities of €5.3 million. Neither acquisition resulted in goodwill.

The acquired businesses contributed a revenue of €3.8 million and a net loss of €0.7 million in 2013. Excluding the impact of the acquisition-related amortisation from the purchase price allocations, the contributed result in 2013 was a net profit €0.4 million. If the group had acquired both companies from 1 January 2013, the group revenue and net result for 2013 would have been €968 million and €21 million respectively.

As neither transaction is material individually, they are not disclosed separately in accordance with IFRS 3.

Accounting policy

The group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition of additional interest in associates, which results in the group gaining control over the associate, is accounted for as a business combination. The previously held interest in the associate is considered as part of the consideration and hence is remeasured to its fair value.

The gain or loss from this remeasurement is included in the 'Result of associates' in the income statement. The associate is accounted for as a subsidiary and included in the consolidated financial statements from the date the control passes to the group.

16. Investments in associates

As at 31 December 2014, the group held interest in a number of associates: Cyient Ltd. ('Cyient', 2013: Infotech Enterprises Ltd.), Beijing Golden Tom Information Technology Co. Ltd. (Beijing Golden Tom) and WayTag (Pty) Ltd. (WayTag). Cyient provides content development and support services while Beijing Golden Tom provides support in licensing TomTom map and traffic content in the Chinese market. WayTag is a South Africa-based company that allows people and businesses to create a unique location identifier that either refers to a fixed location or to an individual's current location.

The movements in the investments in associates can be specified as follows:

(€ in thousands)	2014	2013
BALANCE AS AT 1 JANUARY	**2,854**	**3,880**
Result of associates[1]	536	3,091
Transfer to subsidiary[2]	0	–2,957
Dividend received	–117	–1,036
Other direct equity movements	16	–124
BALANCE AS AT 31 DECEMBER	**3,289**	**2,854**

[1] Total comprehensive income equalled the net results of the associates as there were no other items recognised in 'Other comprehensive income' of the associates. The 2013 result included a gain of €2.5 million relating to remeasurement of previously held interest in mapIT to its fair value.
[2] Following the acquisition of 51% interest in mapIT in 2013, this associate company is included as a subsidiary in the consolidated financial statements from 2013.

As the associates are not material to the group, no further information is provided other than those detailed below. The (estimated) full year revenues and net profits of the associates and their assets (excluding goodwill) and liabilities are as follows:

Name of associate	Country of incorporation	Assets	Liabilities (€ in thousands)	Revenue	Net result	Interest held (%)
2014						
Cyient Ltd. (prev. Infotech Ent. Ltd.)[1]	India	255,243	46,954	287,021	34,339	1.35%
Beijing Golden Tom	China	788	1,489	1,124	–637	49.00%
WayTag	South Africa	106	596	0	–1,200	16.00%
2013						
Infotech Enterprises Ltd.[1]	India	189,492	33,879	220,454	27,195	1.35%
Beijing Golden Tom	China	5,878	5,401	1,524	–636	49.00%
WayTag	South Africa	167	41	0	–271	16.00%

[1] This associate has a 31 March year-end. Data for calculating the result of associate, based on the equity method, is obtained from January through to December. The summarised financial information presented above is based on financial statements for the year ending 31 March 2014 and 31 March 2013.

Cyient and WayTag are regarded as associates as TomTom is represented on their Board of Directors. The fair value of the investment in Cyient is €10.1 million (2013: €6.2 million).

Accounting policy

Associates are all entities over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights, or other evidence of significant influence. Investments in associates are accounted for using the equity method of accounting, and are initially recognised at cost. The group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

The group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in 'Other comprehensive income' is recognised in 'Other comprehensive income'. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. Unrealised gains on transactions between the group and its associates are eliminated to the extent of the group's interest in the associates. Unrealised losses are also eliminated, unless the transaction provides evidence of an impairment of the asset transferred. Accounting policy of associates has been changed where necessary to ensure consistency with the policy adopted by the group.

SECTION 4 WORKING CAPITAL

The notes in this section specify items that form part of group's working capital. Disclosure on cash and cash equivalents is included in this section.

17. Inventories

(€ in thousands)	2014	2013
Finished goods	24,632	21,492
Components and sub-assemblies	21,943	20,768
INVENTORIES	**46,575**	**42,260**

The amount of inventories recognised as an expense when the inventories are sold and included in cost of sales amounted to €319 million (2013: €320 million).

As a result of the write-down of inventories to their net realisable value, the group recognised a cost of €3.1 million (2013: €2.7 million). The costs are included in cost of sales.

Accounting policy

Inventories are stated at the lower of cost and net realisable value. The cost of inventories comprises costs of purchase, assembly and conversion to finished products. The cost of inventories is determined using the first-in, first-out (FIFO) method, net of reserves for obsolescence and any excess stock. Net realisable value represents the estimated selling price less an estimate of the costs of completion and direct selling costs.

18. Trade receivables

(€ in thousands)	2014	2013
Gross accounts receivables	136,812	118,546
Allowance for doubtful receivables	–3,546	–3,117
TRADE RECEIVABLES (NET)	**133,266**	**115,429**

The group expects to recover all receivables within a year. An allowance has been made for estimated unrecoverable amounts from the sale of goods. The carrying amount of trade receivables approximates their fair value. The group does not hold any collateral over these balances.

The group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. There is some concentration of credit risk with certain of the group's large customers' accounts. Management actively monitors the credit risk related to these customers and takes pro-active action to reduce credit limits if required.

The following table summarises the movement in the allowance for doubtful trade receivables account:

(€ in thousands)	2014	2013
BALANCE AS AT 1 JANUARY	–3,117	–1,863
Additional receivables impairment	–1,321	–2,567
Receivables written off during the year as uncollectible	837	410
Unused amounts reversed	15	654
Translation effects	40	249
BALANCE AS AT 31 DECEMBER	**–3,546**	**–3,117**

The following table sets out details of the age of trade accounts receivable that are not overdue, as the payment terms specified in the terms and conditions established with the group's customers have not been exceeded, and an analysis of overdue amounts and related provisions for doubtful trade accounts receivable:

(€ in thousands)	2014	2013
Of which:		
Not overdue	118,289	94,883
Overdue < 3 months	13,422	20,594
3 to 6 months	2,826	1,463
Over 6 months	2,275	1,606
less provision	–3,546	–3,117
TRADE RECEIVABLES (NET)	**133,266**	**115,429**

The provisions recorded in 2014 and 2013 are mainly related to the overdue amounts.

Trade accounts receivable include amounts denominated in the following major currencies:

(€ in thousands)	2014	2013
EUR	71,358	57,146
GBP	24,785	12,507
USD	22,914	33,193
Other	14,209	12,583
TRADE RECEIVABLES (NET)	**133,266**	**115,429**

Accounting policy

Trade receivables are initially recognised at fair value, and subsequently measured at amortised cost (if the time value is material), using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the group will not be able to collect all amounts due, according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement within 'Cost of sales'. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'Cost of sales' in the income statement.

19. Other receivables and prepayments

(€ in thousands)	2014	2013
Prepayments	12,673	6,247
VAT and other taxes	3,389	6,551
Unbilled revenue	9,475	11,057
Deferred cost of sales	4,721	10,969
Other receivables	2,940	3,297
TOTAL OTHER RECEIVABLES	**33,198**	**38,121**

The carrying amount of the other receivables and prepayments approximates their fair value.

20. Other financial assets/liabilities

Other financial assets/liabilities include derivative financial instruments carried at fair value through profit or loss.

	2014		2013	
(€ in thousands)	**Assets**	**Liabilities**	Assets	Liabilities
Derivatives at fair value through profit or loss	1,186	–23	376	–236

The notional principal amounts of the outstanding forward foreign exchange and option contracts on 31 December 2014 were €54 million (2013: €69 million).

All the group's outstanding options and forwards have a contractual maturity of less than one year.

Accounting policy

Derivatives are initially and subsequently measured at fair value. Gains or losses arising from changes in fair value of derivatives are recognised in the income statement, except for derivatives designated as hedging instruments, in a highly effective hedge relationship, for which cash flow hedge accounting is applied. Transaction costs are expensed in the income statement.

21. Cash and cash equivalents

(€ in thousands)	2014	2013
Cash and equivalents	148,614	119,361
Deposits	4,335	138,424
TOTAL CASH AND CASH EQUIVALENTS	**152,949**	**257,785**

Cash and cash equivalents consist of cash held by the group partly invested in short-term bank deposits with an original maturity of three months or less. The carrying amount of cash and cash equivalents approximates its fair value.

All cash and cash equivalents are available for immediate use by the group.

Accounting policy

Cash and cash equivalents are stated at face value and comprise cash on hand, deposits held on call with banks, and other short-term highly liquid investments that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

22. Trade payables

All trade payable balances have a contractual maturity of less than six months and the carrying amount approximates its fair value.

23. Accruals and other liabilities

Accruals and other liabilities comprise of the following:

(€ in thousands)	**2014**	**2013**
Margin-related accruals	64,238	79,094
Operating expenses accruals	86,456	94,909
TOTAL	**150,694**	**174,003**

SECTION 5 FINANCING, FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

This section includes notes related to financing items such as equity and borrowings as well as financial risk management and financial instruments. Related items such as earnings per share calculation as well as financial income and expenses, are included in this section.

24. Shareholder's equity

	2014		2013	
	No.	(€ in thousands)	No.	(€ in thousands)
AUTHORISED:				
Ordinary shares	600,000,000	120,000	600,000,000	120,000
Preferred shares	300,000,000	60,000	300,000,000	60,000
	900,000,000	**180,000**	**900,000,000**	**180,000**
ISSUED AND FULLY PAID:				
Ordinary shares	223,569,822	44,714	222,176,212	44,435

In 2014, 1,393,610 shares were issued following the exercise of stock options and the restricted stock units by employees (2013: 281,200).

Reserves are freely distributable except for €172.9 million of legal reserves (2013: €130.6 million). Note F. Other reserves in the company financial statements provides an overview of the non-distributable reserves.

All shares have a par value of €0.20 per share (2013: €0.20 per share). Further information on the rights, restrictions and other conditions attached to ordinary and preferred shares is provided in the Corporate Governance section in the annual report.

The Corporate Governance section of this annual report provides a detailed description regarding the use of Foundation Continuity TomTom as a protective measure.

Management is of the opinion that the call option as described in the Corporate Governance section does not represent a significant value as meant in IAS 1, paragraph 31, due to the fact that the likelihood that the call option will be exercised is remote. In the remote event that the call option is exercised, the preferred shares that are issued are intended to be cancelled shortly after issuance (within 1 year period). The option is therefore not accounted for in the annual accounts, nor is any additional information as meant in IAS 32 and 39 provided.

Accounting policy

Share capital

Ordinary shares are classified as share capital.

Share premium

The share premium represents the amount by which the fair value of the consideration received exceeds the nominal value of shares issued. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

25. Earnings per share

The calculation of basic and diluted earnings per share is based on the following data:

(€ in thousands)	2014	2013
Earnings		
Net result attributed to equity holders	22,549	19,539
Adjusted net result		
Net result attributed to equity holders	22,549	19,539
Amortisation of acquired intangibles	50,332	53,895
Acquisition-related gain	0	−2,472
Tax effect of adjustments	−12,583	−12,985
ADJUSTED NET RESULT	**60,298**	57,977

	2014	2013
NUMBER OF SHARES		
Weighted average number of ordinary shares for basic earnings per share	222,689,197	221,950,450
EFFECT OF DILUTIVE POTENTIAL ORDINARY SHARES		
Share options and restricted stock	2,432,734	1,356,832
WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES FOR DILUTED EARNINGS PER SHARE	**225,121,931**	**223,307,282**
EARNINGS PER SHARE (in €)		
Basic	0.10	0.09
Diluted	0.10	0.09
ADJUSTED EARNINGS PER SHARE (in €)[1]		
Basic	0.27	0.26
Diluted	0.27	0.26

[1] Adjusted earnings per share is not an IFRS performance measure and hence is not comparable across companies.

Accounting policy

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all potential dilutive ordinary shares arising from stock options and other equity-settled share-based plans. For the stock options, a calculation is performed to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the company's shares), based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued, assuming the exercise of the stock options. When the effect of the options and other equity-settled share-based plans is anti-dilutive, the number is excluded from the calculation of diluted earnings.

Adjusted earnings per share

Adjusted earnings per share is calculated by dividing the adjusted earnings by the weighted average number of ordinary and diluted shares outstanding during the year.

26. Non-controlling interests (minority interests)

The following table presents the interest held by third parties in the group's consolidated subsidiaries:

Subsidiary	**Country**	**% of non controling interest**	
		31 Dec 2014	**31 Dec 2013**
TomTom Africa (Pty) Ltd.	South Africa	24%	24%
TomTom Navigation Taiwan Co., Ltd.	Rep. of China	30%	30%
Coordina Chile Soluciones de Localizacion Ltda.	Chile	20%	20%
Movilogistica S.A. de CV	Mexico	30%	30%

The movements in the non-controlling interests is presented below.

(€ in thousands)	2014	2013
BALANCE AS AT 1 JANUARY	**2,115**	**2,642**
Non-controlling interests in the net result of subsidiaries	106	524
Dividends paid	–177	–377
Change in share of non-controlling interests	0	18
Currency translation differences	29	–692
BALANCE AS AT 31 DECEMBER	**2,073**	**2,115**

The main part of the balance of the non-controlling interest relates to TomTom Africa (Pty) Ltd. There are no material cash balances or assets held by any of the abovementioned subsidiaries.

27. Borrowings

(€ in thousands)	2014	2013
Non-current	48,925	99,348
Current	0	74,089
TOTAL	**48,925**	**173,437**

On 22 December 2014, the group signed a new credit facility agreement (the 'new facility'), replacing the previous facility agreement. The agreement is effective up to 31 March 2018 and includes two additional one-year extension options.

The new facility comprises of a revolving credit facility for an amount of €250 million, of which €50 million was drawn at the end of December 2014. Netted with the transaction costs of €1.1 million, the carrying amount of the group's outstanding borrowings at 31 December 2014 was €48.9 million. The interest is in line with market conditions and is based on Euribor plus a margin that depends on certain leverage covenants. The average interest paid on borrowings in 2014 was 1.3% (2013: 1.2%).

At 31 December 2014 the outstanding borrowings are presented as a non-current liability, as management expects to maintain at least a similar level of utilisation in the coming twelve months.

As the contractual interest rate is based on market interest rates plus a certain margin, and the fact that there has been no significant change to the group's credit rating, the fair value of the borrowings at the end of 2014 and 2013 is estimated to approximate their carrying value.

Accounting policy

Borrowings are recognised initially at fair value, net of transaction costs incurred. Subsequently, amounts are stated at amortised cost with the difference being recognised in the income statement over the period of the borrowings using the effective interest rate method.

28. Financial risk management

Financial risk factors

The group's activities result in exposure to a variety of financial risks including credit, foreign currencies, liquidity and interest rate risk. Management policies have been established to identify, analyse and monitor these risks, and to set appropriate risk limits and controls. Financial risk management is carried out in accordance with our Corporate Treasury Policy. The written principles and policies are reviewed periodically to reflect changes in market conditions, the activities of the business, and laws and regulations affecting the group's business.

Credit

Credit risk arises primarily from cash and cash equivalents held at financial institutions, and, to a certain extent, from trade receivables relating to wholesale customers.

Cash balances are held with counterparties that have a credit risk rating of at least BBB-, as rated by an acknowledged rating agency. Moreover, to avoid significant concentration of exposure to particular financial institutions, it has been ensured that transactions and businesses are properly spread among different counterparties.

The group's exposure to wholesale customers is managed through establishing proper credit limits and continuous credit risk assessments for each individual customer.

Procedures include aligning credit and trading terms and conditions with an assessment of the individual characteristics and risk profile of each customer. This assessment is made based on past experiences and independent ratings from external rating agencies whenever available.

As at 31 December 2014, total bad debt provision represented approximately 0.4% of group revenue (2013: 0.3%).

Foreign currencies

The group operates internationally and conducts business in multiple currencies. Revenues are earned in euro, pound sterling (GBP), the US dollar (USD) and other currencies, and do not necessarily match cost of sales and other costs which are largely in euro and the US dollar and to a certain extent in other currencies. Foreign currency exposures on commercial transactions relate mainly to estimated purchases and sales transactions that are denominated in currencies other than reporting currency - the euro (€).

The group manages foreign currency transaction risk through options and forward contracts to cover forecasted net exposures. All such transactions are carried out within the guidelines set by Corporate Treasury Policy, which is reviewed annually by the Audit Committee.

A 2.5% strengthening/weakening of the euro as at 31 December 2014 against the currencies listed below would have increased (decreased) profit or loss by the amount shown below. This analysis assumes that all other variables remain constant. The analysis was performed on the same basis as in 2013.

		2014		2013
(€)	Strengthen	Weaken	Strenghten	Weaken
GBP	248,885	–236,708	–327,148	311,664
USD	–823,283	783,392	–228,989	278,258

Liquidity and loan covenant

The approach to managing liquidity is to ensure that sufficient funds are available to meet financial obligations when they fall due under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the group's reputation.

To ensure there is sufficient cash to meet expected operational expenses, including the servicing of financial obligations, actual and future cash flow requirements are regularly monitored, taking into account the maturity profiles of financial assets and liabilities and the rolling forecast of the group's liquidity reserve, which comprises cash and cash equivalents and an undrawn credit facility of €200 million.

Under the covenants of the facility, the group is required to meet certain performance indicators with regard to its interest cover (4.0) and leverage ratio (3.0), which are tested twice a year. Interest cover is defined as the ratio of the last twelve months (LTM) EBITDA to LTM interest expense for the relevant test period. The leverage ratio is defined as the ratio of total consolidated net debt as at the testing date to the consolidated LTM EBITDA in respect of the relevant period ending on that date. In case of a breach of these covenants, the banks are contractually entitled to request early repayment of the outstanding amount. On 31 December 2014, the group complied with the loan covenants and, based on the group's plan for 2015, management expects to be able to comply with the loan covenants during 2015.

The outstanding borrowings of €50 million from the credit facility has a one-month maturity period from the date of draw down but can continuously be rolled-over up to the end date of the facility agreement at management's discretion. Assuming the amount utilised remains the same until the end of the agreement and the level of market interest as well as the required performance indicators remain constant based on the situation as at 31 December 2014, the annual interest due up to 31 March 2018 would be €0.4 million.

Interest rates

Interest rate risk arises primarily from the existing long-term borrowings. These borrowings have a floating interest coupon based on Euribor plus a spread that depends on leverage levels. Interest rate risk is hedged with appropriate hedging instruments whenever deemed necessary in accordance with the Corporate Treasury Policy.

Based on the expectation of interest rate movements in the coming period and the acceptability of potential exposure, the current policy is not to hedge the interest rate of current borrowings. Accordingly, changes in Euribor may have an impact on the group's results for the coming year.

Market-related interest income is received on the cash balances. Our intention is to prioritise capital preservation and when possible we invest our surplus cash using approved investment instruments, such as bank deposits and money market fund investments. All transactions and counterparty risk limits are governed by Corporate Treasury Policy.

Capital risk management

The group's financing policy aims to maintain a capital structure that enables the group to achieve its strategic objectives and daily operational needs, and to safeguard the group's ability to continue as a going concern.

In order to maintain or adjust the capital structure, the group may issue new shares, adjust its dividend policy, return capital to shareholders or sell assets to reduce debt, taking into account relevant interest cover and leverage covenants of external borrowings as disclosed above.

As at 31 December 2014, the group had a net cash position of €103 million (31 December 2013: €83 million).

Further quantitative disclosures are included throughout these consolidated financial statements.

29. Financial instruments

The following table presents the group's financial instruments according to the categories as defined in IAS 39:

(€ in thousands)	Loans and receivables	Assets/liabilities at fair value through profit or loss	Other financial assets/ liabilities at amortised cost	Total
AS AT 31 DECEMBER 2014				
ASSETS				
Other financial assets	0	1,186	0	1,186
Trade receivables	133,266	0	0	133,266
Cash and cash equivalents	152,949	0	0	152,949
TOTAL	**286,215**	**1,186**	**0**	**287,401**
LIABILITIES				
Trade payables	0	0	88,218	88,218
Other financial liabilities	0	23	0	23
Borrowings	0	0	48,925	48,925
TOTAL	**0**	**23**	**137,143**	**137,166**
AS AT 31 DECEMBER 2013				
ASSETS				
Other financial assets	0	376	0	376
Trade receivables	115,429	0	0	115,429
Cash and cash equivalents	257,785	0	0	257,785
TOTAL	**373,214**	**376**	**0**	**373,590**
LIABILITIES				
Trade payables	0	0	82,337	82,337
Other financial liabilities	0	236	0	236
Borrowings	0	0	173,437	173,437
TOTAL	**0**	**236**	**255,774**	**256,010**

Accounting policy

Financial assets

The group classifies its financial assets in the following categories: at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Financial assets at fair value through profit or loss

Derivatives are categorised at fair value through profit or loss unless they are designated as hedges. Derivatives are recorded as financial assets when their fair value is a positive number; otherwise the derivative is classified as a financial liability. All derivative financial instruments are classified as current or non-current assets or liabilities based on their maturity dates and are accounted for at trade date.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the group has substantially transferred all risks and rewards of ownership.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than twelve months after the balance sheet date, which are classified as non-current assets. Loans and receivables are initially recognised at fair value and subsequently measured at amortised cost (if the effect of time value is material) using the effective interest method, less any impairment. The group's financial assets classified in the category 'Loans and receivables' comprise 'Trade receivables' and 'Cash and cash equivalents' in the balance sheet (note 18. Trade receivables and note 21. Cash and cash equivalents).

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by the group are classified according to the substance of the contractual arrangements entered into, and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

Fair value estimation

The group classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy should have the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities;

- Level 2: inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly (for example, derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data.

The fair value of financial assets/liabilities carried at fair value through profit or loss and the derivatives in a hedging relationship is determined using valuation techniques that maximise the use of observable market data where it is available and which rely as little as possible on entity-specific estimates. In accordance with the fair value hierarchy established by IFRS 7, these types of inputs classify as level 2 inputs.

30. Financial income and expenses

Financial income and expenses include the following items:

(€ in thousands)	**2014**	**2013**
Interest income	1,161	1,114
Interest expense	–4,306	–4,059
INTEREST RESULT	**–3,145**	**–2,945**
Other financial result	124	714
Foreign exchange result	–3,844	–2,333
OTHER FINANCIAL RESULT	**–3,720**	**–1,619**

The interest expense relates mainly to interest paid on borrowings and amortised transaction costs (see note 27. Borrowings).

The foreign exchange result includes results related to hedging contracts and balance sheet item revaluations. Hedging contracts are entered into to protect the group from adverse exchange rate fluctuations that may result from USD and GBP exposures.

Accounting policy

Interest income and expense are recognised using the effective interest method.

SECTION 6 OTHER DISCLOSURES

This section includes the notes on provisions, commitments and contingent liabilities, remunerations of Members of the Management Board and the Supervisory Board, related party transactions and Auditor's remuneration.

31. Provisions

(€ in thousands)	2014	2013
Non-current	48,496	55,857
Current	34,074	23,975
TOTAL	**82,570**	**79,832**

The movements in each category of provisions are as follows:

(€ in thousands)	Warranty	Claims & litigations	Other	Total
BALANCE AS AT 31 DECEMBER 2012	**35,791**	**36,439**	**9,230**	**81,460**
Increases in provisions	19,022	11,105	5,320	35,447
Utilised	–18,805	–5,362	–895	–25,062
Released	–3,435	–8,578	0	–12,013
BALANCE AS AT 31 DECEMBER 2013	**32,573**	**33,604**	**13,655**	**79,832**
Increases in provisions	20,188	13,086	6,913	40,187
Utilised	–20,266	–1,721	–2,418	–24,405
Released	206	–12,998[1]	–252	–13,044
BALANCE AS AT 31 DECEMBER 2014	**32,701**	**31,971**	**17,898**	**82,570**

[1] In 2014, we recorded a gain of €8.2m as a result of changes in estimates in our claims and litigation provision.

Accounting policy

Provisions are recognised when:

- The group has a present obligation as a result of a past event;
- It is probable that the group will be required to settle that obligation; and
- The amount can be reliably estimated.

Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

Provisions for warranty costs are recognised at the date of sale of the relevant products, at management's best estimate of the expenditure required to settle the group's obligation. Warranty costs are recorded within cost of sales.

Significant estimates

Warranty provision

The group generally offers warranties for its products. Management estimates the related provision for future warranty claims based on historical warranty claim information, as well as evaluating recent trends that might suggest that past cost information may differ from future claims.

From the total warranty provision of €32.7 million, it is estimated that an amount of €20.1 million will be utilised within 12 months.

Claims and litigation

The group made a provision for potential legal, tax and other risks in various jurisdictions. The legal matters consist mainly of intellectual property infringement issues. In the normal course of business, the group receives claims relating to allegations that it has infringed intellectual property assets. In such cases, the companies making the claims seek payments that may take the form of licenses and/or damages. While these claims will be resisted, some are likely to be settled by negotiation and others are expected to result in litigation.

The cases and claims against the group often raise difficult and complex factual and legal issues which are subject to many uncertainties and complexities, including but not limited to the facts and circumstances of each particular case and claim, the jurisdiction in which each suit is brought, and the differences in applicable law. In the normal course of business, management consults with legal counsel and certain other experts on matters related to such claims and litigation. The group accrues a liability when it is determined that an adverse outcome is more likely than not, and the amount of the loss can be reasonably estimated. If the likelihood of an adverse outcome is reasonably possible or an estimate is not determinable, the matter is disclosed, provided it is material. Management is of the opinion that the provision is adequate to resolve these claims.

The methodology used to determine the amount of the liability requires significant judgements and estimates regarding the costs of settling asserted claims. Due to the fact that there is limited historical data available, the estimated liability cannot be based upon recent settlement experience for similar types of claims.

Based on the best estimate, the portion of the claims and litigation provision expected to be settled in the coming twelve months amounts to approximately €9.7 million.

Other provisions

Other provisions include an amount of €8.4 million (2013: €6.8 million) related to the defined benefit pension plan in Germany as disclosed in note 6. Personnel expenses, and the remainder relates mainly to provisions for expected earn-out payments. The amount of 'Other provisions' estimated to be settled/utilised within the coming twelve months amounted to €4.2 million.

32. Commitments, contingent assets and liabilities

The group has a number of long-term financial commitments, which are not shown in the group's balance sheet as at 31 December 2014.

Operating leases

These are operating leases for buildings, cars and office equipment, which consist of:

(€ in thousands)	2014	2013
Commitments less than 1 year	15,298	13,835
Commitments between 1 - 5 years	34,380	40,442
Commitments longer than 5 years	974	2,198
TOTAL	**50,652**	**56,475**

No discount factor is used in determining the operating lease commitments.

Purchase commitments

As at 31 December 2014, the group had open purchase commitments with contract manufacturers for certain products and components. Contract manufacturers order the requisite component parts from their suppliers on the basis of forecasts of the number of units required. Manufacturers have commitments on these components. In certain circumstances, the group has a contractual obligation to purchase these components from the manufacturers.

Other commitments

The group has contracts with third-party suppliers or other business partners that include minimum royalty or revenue share payments over the duration of the contracts that range from 1 to 5 years. The total commitments under these contracts are presented below.

(€ in thousands)	2014	2013
Commitments less than 1 year	9,541	7,517
Commitments between 1 - 5 years	9,430	11,333
TOTAL	**18,971**	**18,850**

The group has given a guarantee as described in section 479C of the UK Companies Act to TomTom Software Ltd. Accordingly, TomTom Software Ltd. is exempted from the requirements of the Companies Act 2006 relating to audit by virtue of section 479A.

In addition, a German subsidiary, TomTom Germany GmbH & Co. KG., which is included in these consolidated financial statements, applies the exemption as described in section 264b of the German Commercial Code (HGB) with regard to the publication of the annual financial statements and the drawing up of a management report and the notes to the financial statements.

Contingencies

Please refer to note 31. Provisions for disclosures on tax and legal contingencies.

In 2014, we won an arbitration award in which the Tribunal ruled that one of our suppliers must repay royalties paid by TomTom in prior periods. TomTom has recently filed a motion in local Court to recognise this award and render it internationally enforceable. Our supplier may choose to oppose our motion and file a separate Court action to overturn the arbitration award. While we believe it is more likely than not that the Court will uphold and recognise the arbitration award, we cannot be certain of such an outcome, and a final judgement in this matter, including the quantum and timing of any final judicial award, remains uncertain. Consequently, we have not recognised the asset, and given that further disclosure could seriously prejudice our position, no further disclosure is provided. If TomTom is ultimately successful and the arbitration award is enforced, the amount awarded will not have a significant impact on TomTom's financial position.

Based on legal advice, there were no other contingencies that management expects to have a material adverse effect on the group's financial position as at 31 December 2014.

33. Remunerations of members of the Management Board and the Supervisory Board

The Remuneration Policy

The Remuneration Policy for members of the Management Board is drawn up by the Supervisory Board and approved by the General Meeting.

The on-target bonus percentage is set at 80% of the base salary for the CEO and at 64% of the base salary for the other members of the Management Board. The maximum annual incentive achievable is 120% of the annual base salary for the CEO and 96% of the annual base salary for the other members of the Management Board. The actual bonus pay-out depends on certain challenging financial targets (gross profit, EBIT and cash flow). The total remuneration paid/payable to or on behalf of the members of the Management Board for the year ended 31 December 2014, amounted to approximately €2.3 million (2013: €2.5 million), of which 38% represented bonus payments (2013: 46%). In 2014, the bonus achievement was 101% of the on-target bonus percentage (2013: 131%).

In accordance with the Code, the remuneration of Supervisory Board members does not depend on the results of the company. The company does not grant either stock options or shares to its Supervisory Board members and the company does not provide loans to them.

Overview of salaries, performance-related bonuses and other emoluments of the Management Board

The remuneration of the Management Board members comprises of the direct remuneration paid or payable in relation to their employment in the year and other remuneration related expenses that comprise social security contributions and share-based awards. The expenses/ (gains) recognised for share-based awards are determined in accordance with IFRS 2 and do not represent the amounts paid or payable to Management Board members. The expenses for the direct remuneration and other remuneration-related expenses are presented below:

Direct remuneration

(in €)	Short-term benefits			Post-employment benefits	Total Direct remuneration
	Salary	Bonus	Other emoluments		
2014					
Harold Goddijn	450,000	363,600	0	0	813,600
Marina Wyatt	400,000	258,560	53,716	78,087	790,363
Alain De Taeye	375,000	242,400	21,000	37,500	675,900
	1,225,000	**864,560**	**74,716**	**115,587**	**2,279,863**
2013					
Harold Goddijn	450,000	471,600	0	0	921,600
Marina Wyatt	400,000	335,360	17,811	40,000	793,171
Alain De Taeye	375,000	314,400	21,000	37,500	747,900
	1,225,000	**1,121,360**	**38,811**	**77,500**	**2,462,671**

Other remuneration-related expenses

(in €)	Share-based[1] expenses	Other short-term[2] expenses	Total including Other and Direct remuneration
2014			
Harold Goddijn	236,486	8,381	1,058,467
Marina Wyatt	167,218	26,439	984,020
Alain De Taeye	164,765	8,381	849,046
	568,469	**43,201**	**2,891,533**
2013			
Harold Goddijn	–47,138	131,389	1,005,851
Marina Wyatt	–47,138	42,988	789,021
Alain De Taeye	–45,474	79,824	782,250
	–139,750	**254,201**	**2,577,122**

[1] The gain in the share-based expenses in 2013 results from the forfeiture of the 2011 share options. Following this forfeiture the costs incurred in previous periods have been reversed.
[2] Other short-term expenses in 2013 include the expenses incurred in relation to the crisis levy imposed by the Dutch government amounting to €123 thousand for Mr Harold Goddijn, €14 thousand for Mrs Marina Wyatt and €72 thousand for Mr Alain De Taeye. Although these expenses do not represent actual benefits paid to the Management Board, they have been included as the expenses incurred are in relation to their employment.

The share-based awards scheme is set out in the Management Board Stock Option Plan 2009 as amended in the 2011 and 2014 General Meeting. In May 2014, each of the Management Board members were granted new stock options under this plan. The following tables summarise information about outstanding stock options of each member of the Management Board, as well as the movements during the year.

Board member	Year of grant	Outstanding 1 Jan 2014	Granted in 2014	Expired in 2014	Forfeited in 2014	Outstanding 31 Dec 2014[1]	Exercise price (€)	Expiry date
Harold Goddijn	2009	181,500				181,500	5.71	16-06-16
	2010	150,000				150,000	5.32	12-05-17
	2012	175,000			–61,250	113,750	3.51	9-05-19
	2013	155,000				155,000	3.53	8-05-20
	2014		300,000			300,000	5.28	13-05-21
Marina Wyatt	2009	181,500				181,500	5.71	16-06-16
	2010	150,000				150,000	5.32	12-05-17
	2012	175,000			–61,250	113,750	3.51	9-05-19
	2013	155,000				155,000	3.53	8-05-20
	2014		160,000			160,000	5.28	13-05-21
Alain De Taeye	2009	181,500				181,500	5.71	16-06-16
	2010	150,000				150,000	5.32	12-05-17
	2012	175,000			–61,250	113,750	3.51	9-05-19

Board member	Year of grant	Outstanding 1 Jan 2014	Granted in 2014	Expired in 2014	Forfeited in 2014	Outstanding 31 Dec 2014[1]	Exercise price (€)	Expiry date
	2013	155,000				155,000	3.36	8-05-20
	2014		150,000			150,000	4.93	13-05-21
TOTAL		**1,984,500**	**610,000**	**0**	**−183,750**	**2,410,750**		

[1] The options granted in 2013 are conditional upon fulfilment of certain (performance) vesting conditions hence they are not yet vested. The 2014 options have no performance conditions and will vest in 3 years after the grant date assuming the members of the Management Board are still in service of the company. As the vesting conditions for the options granted in 2012 were not fully met, part of those options were forfeited.

For a description of the stock option plans, reference is made to note 7. Share-based compensation.

Overview of remuneration of the members of the Supervisory Board

(€)	2014	2013
Peter Wakkie (Chairman)[1]	56,667	48,000
Karel Vuursteen[2]	20,333	61,000
Doug Dunn	47,000	47,000
Guy Demuynck	51,000	51,000
Rob van den Bergh[2]	15,667	47,000
Ben van der Veer	50,000	50,000
Toine van Laack[3]	47,000	31,333
Jacqueline Tammenoms Bakker[4]	32,000	0
Anita Elberse[4]	31,333	0
TOTAL	**351,000**	**335,333**

[1] Peter Wakkie was appointed Chairman as of 1 May 2014.
[2] Karel Vuursteen and Rob van den Bergh resigned on 1 May 2014.
[3] Toine van Laack serves as a member of the Supevisory Board from 23 April 2013.
[4] Jacqueline Tammenoms Bakker and Anita Elberse serve as members of the Supervisory Board from 1 May 2014.

34. Related party transactions

The expenses relating to remuneration of key management personnel are presented in the following table:

(€)	Salary and bonus[1]	Other short-term[2] benefits	Post employment benefits	Share-based expenses	Total remuneration
2014					
Management board and senior management[3]	2,588,885	222,095	115,587	727,803	3,654,370
Supervisory Board	351,000	0	0	0	351,000
2013					
Management board and senior management	4,705,411	441,964	94,250	723,943	5,965,568
Supervisory Board	335,333	0	0	0	335,333

[1] In 2014, the total bonus expense amounted to €1.0 million versus €2.2 million in 2013.
[2] In 2014, Other short-term benefits of the Management Board and senior management included the employer's portion of social securities of €125 thousand (2013: €96 thousand). The 2013 amount included the crisis levy of €289 thousand. Although the expenses relating to the crisis levy do not represent actual benefits paid to the Management Board and senior management they have been included in the table above as these expenses were incurred in relation to their employment.
[3] The composition of Management Board and senior management changed from 7 to 4 in December 2013.

Certain key management personnel also hold ownership interests in TomTom NV, as disclosed in the Corporate Governance section under Notification of substantial shareholdings and short positions.

In the normal course of business, the group receives map development and support services from its associate Cyient Ltd. Such transactions take place at normal market conditions and the total payments made for these services in 2014 amounted to €18.9 million (2013: €17.5 million). There was no outstanding payable due to Cyient Ltd. as at 31 December 2014 (31 December 2013: €1.9 million). Transactions and balances with other associates are not material and hence are not disclosed.

35. Auditor's remuneration

The total remuneration to Deloitte Accountants BV for the statutory audit of 2014 for the group amounted to €445,000 (2013: €445,000). The total service fees paid/payable to the Deloitte network amounted to €763,000 (2013: €935,000). Included in the total remuneration is an amount of €558,000 (2013: €578,000) invoiced by Deloitte Accountants BV, which includes an amount of €73,000 (2013: €73,000) for other statutory audits and €60,000 (2013: €60,000) for audit-related services. The service fees paid to the Deloitte Network included an amount of €117,000 (2013: €289,000) relating to tax services and €68,000 (2013: €68,000) relating to statutory audits. Details of the audit, audit-related and non-audit fees paid to Deloitte can also be found in the Audit Committee Report.